

FY2024/9 **Third Quarter** Supplementary Material on Financial Results

T&S Group Inc.

TSE Growth: 4055

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T & S
Technology & Service

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Highlights(FY2024/3Q)

(Theme of current term) Moving forward the next stage

1 Net sales and operating profit in 3Q recorded the highest ever.

- 3Q and cumulative total of 1-3Q also recorded the highest ever.

	FY2023/3Q (Non-consolidated)	FY2024/3Q (Consolidated)	FY2024/1-3Q (Consolidated)
Net sales	812 million yen	873 million yen (+61mil yen)	2,644 million yen
Operating profit	144 million yen	149 million yen (+ 5mil yen)	461 million yen

2 DX Solution and AI Solution remain steady.

- Sales in the DX Solution category **increased by 16.4%** compared with the same quarter in the previous year.
Orders from Hitachi group and other existing customers remained steady as well as orders from new customers contributed additionally.
- Sales in the AI Solution category **increased by 10.3%** compared with the same quarter in the previous year.
Orders from new customers contributed to the steady increase.
- Sales in the Semiconductor Solution category decreased by 13.7% compared with the same quarter in the previous year.
Manufacturers' production adjustments have been completed and the orders of our group are increasing. Full-scale sales recovery on the book is expected in the following month onwards.

3 MOU signed for acquisition of stocks of ex-stage corporation to make it our subsidiary.

- Started negotiations to acquire stocks of ex-stage corporation (Kuki City, Saitama Pref.) and make it a subsidiary of T&S group.
- We have been collaborating with the company for system development in the semiconductor field and are intending to expand our resources and business opportunities mainly in that field.

Financial Results Overview

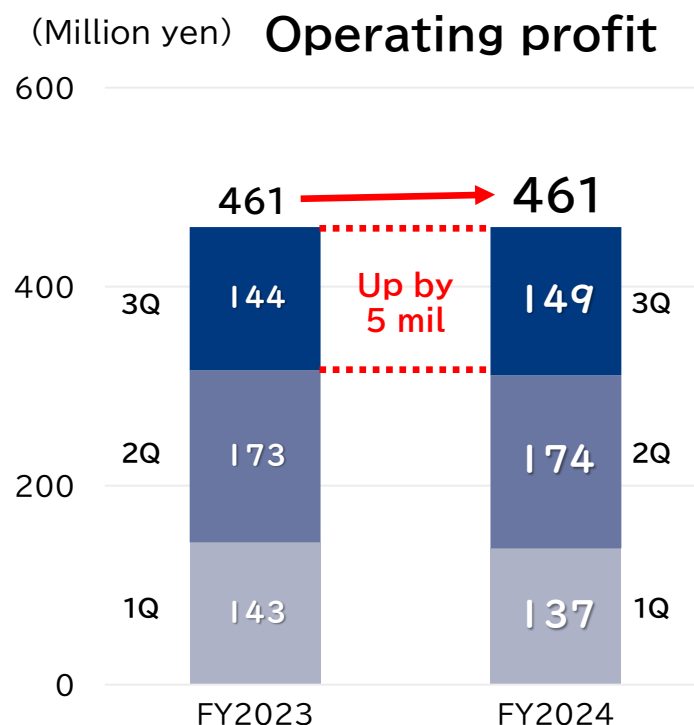
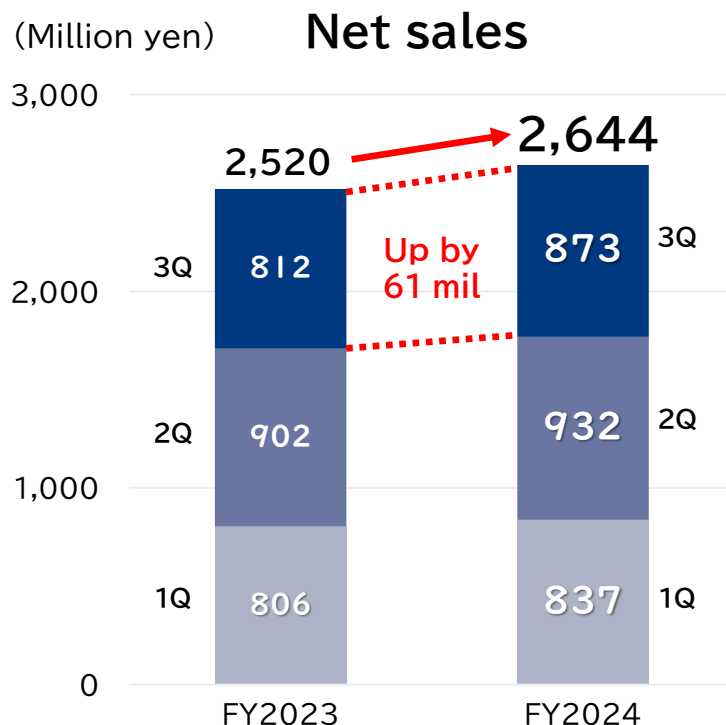
FY2024/9 **Third Quarter**

Financial Results Overview(FY2024/3Q)

Record-high operating profit continues (compared to the previous same quarter)

Net sales and operating profit in 3Q recorded the highest ever.

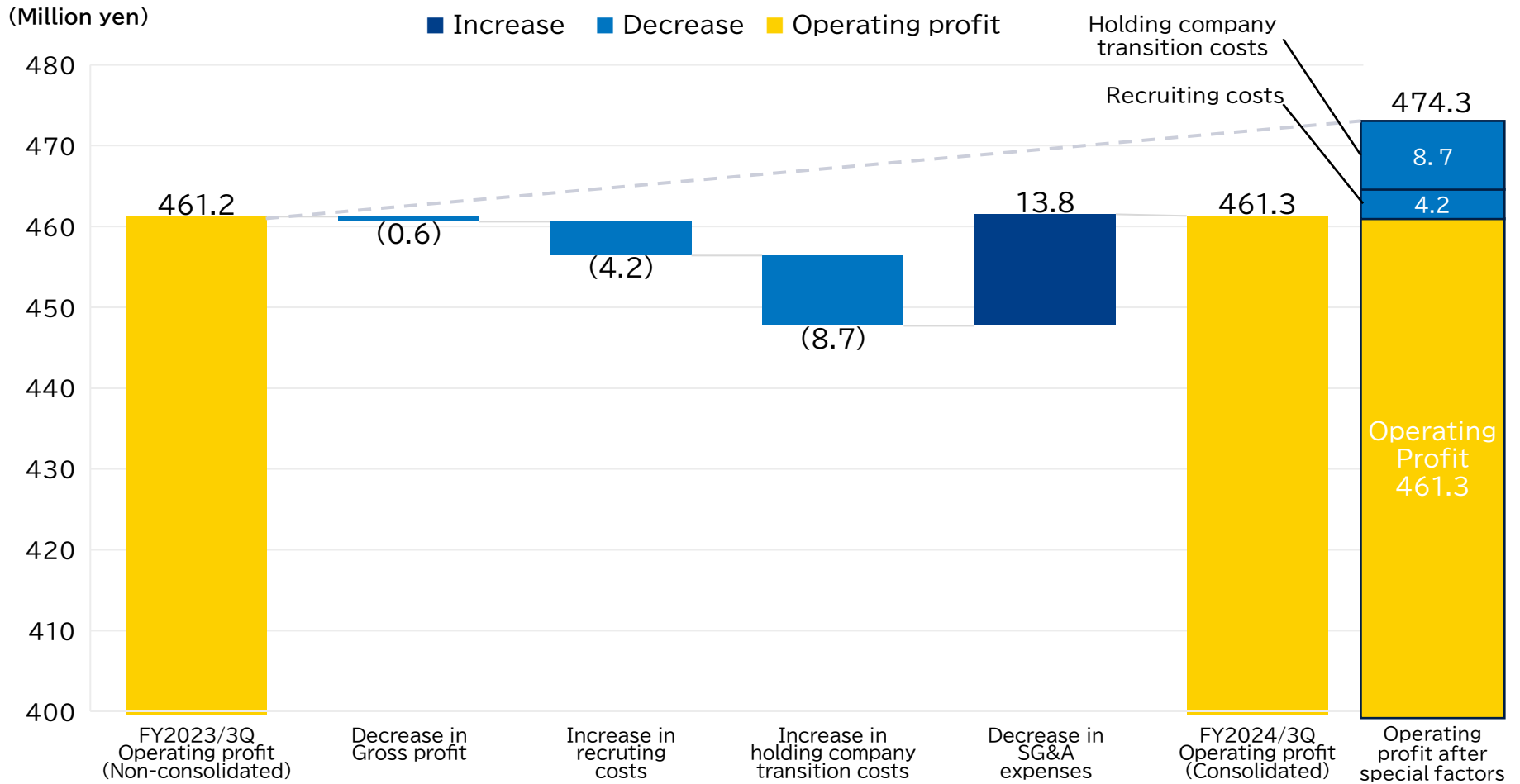
Net sales	:	2,644million yen
Operating profit	:	461million yen
Ordinary profit	:	461million yen
Quarterly profit	:	317million yen



(Note) We have transitioned to consolidated financial statements from FY2024/3Q. Financial statements for FY2023/3Q are non-consolidated results.

Operating profit(FY2024/3Q)

Operating profit in the current year has **increased by 2.9%** before deducting up-front costs for special factors such as recruiting and transition to a holding company.



(Note) We have transitioned to consolidated financial statements from FY2024/3Q. Financial statements for FY2023/3Q are non-consolidated results.

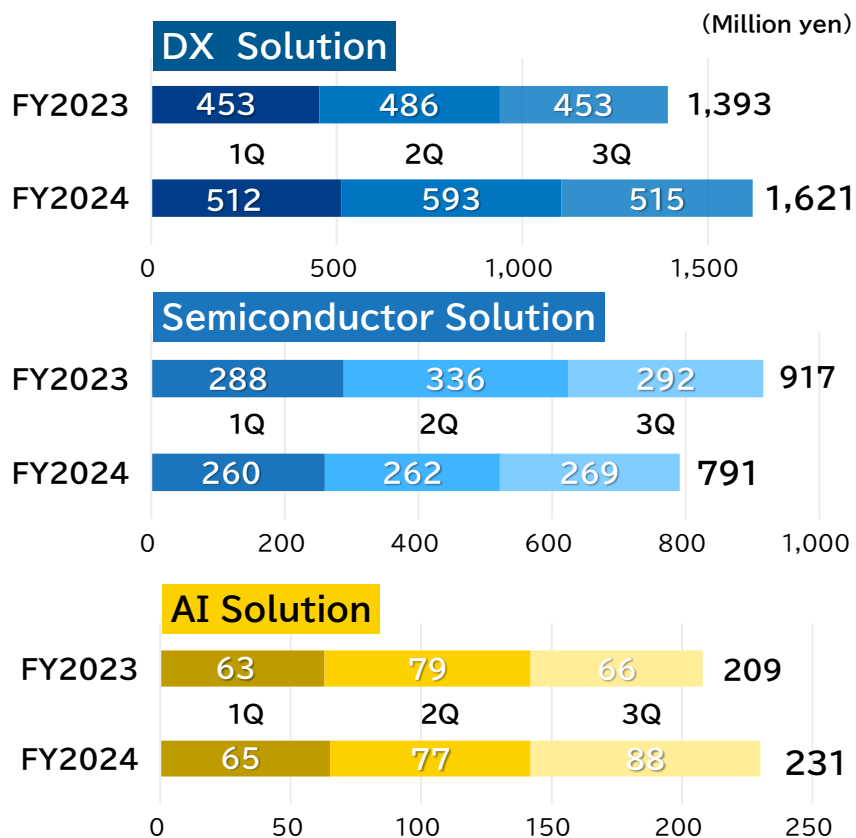
Net sales by Category (FY2024/3Q)

DX Solution category continued steadily with **16.4% increase**.
(compared to the previous same quarter)

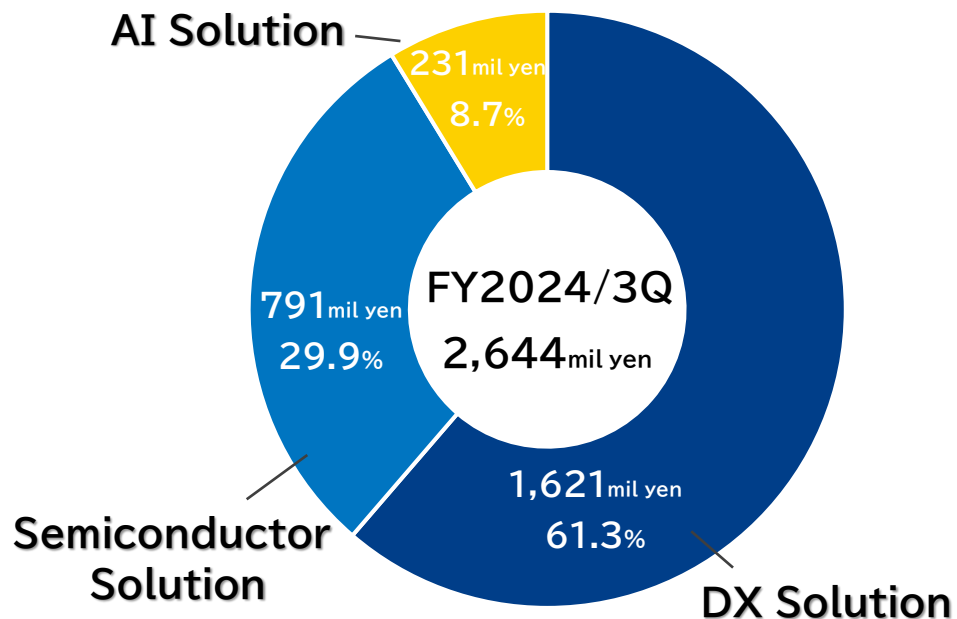
AI Solution category **increased by 10.3%**.
(compared to the previous same quarter)

Semiconductor Solution category **decreased by 13.7%**.
(compared to the previous same quarter)

Net sales (by category)



Sales Ratio (by category)



(Note)

- Our business segment is a single segment. Only net sales are calculated by category.
- The category classification is changed from current year. For comparison with the previous same quarter, previous year non-consolidated results are recounted by new category to compare with current results.
- We have transitioned to consolidated financial statements from FY2024/3Q.
- FY2023 and 1Q and 2Q in FY2024 are recorded with non-consolidated results.

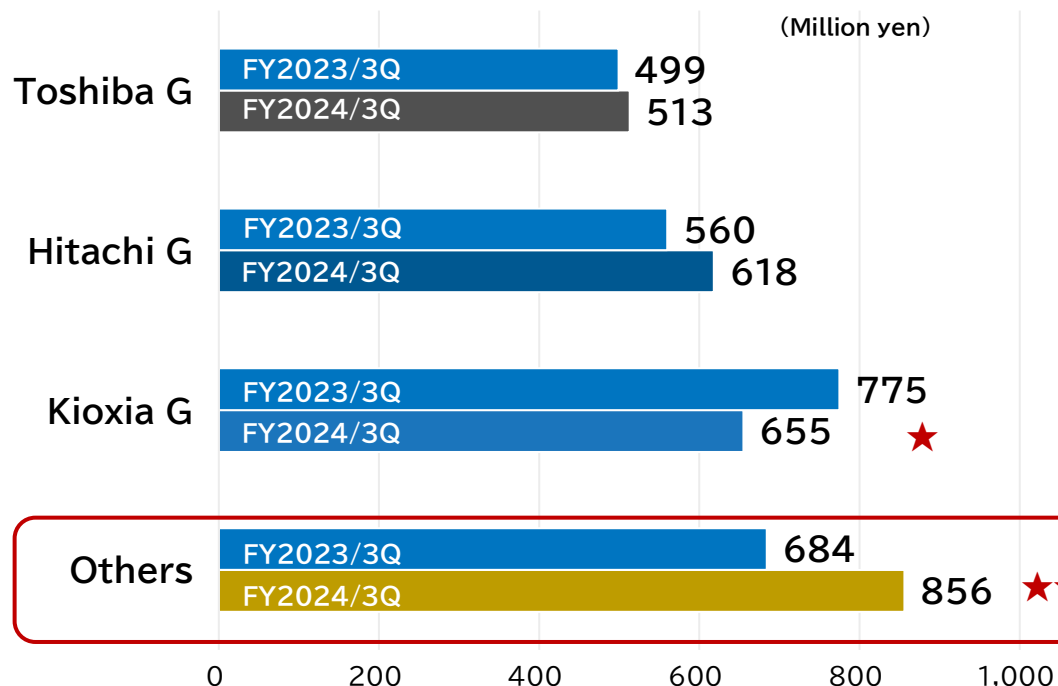
Net sales by Customers(FY2024/3Q)

Toshiba G has recovered.

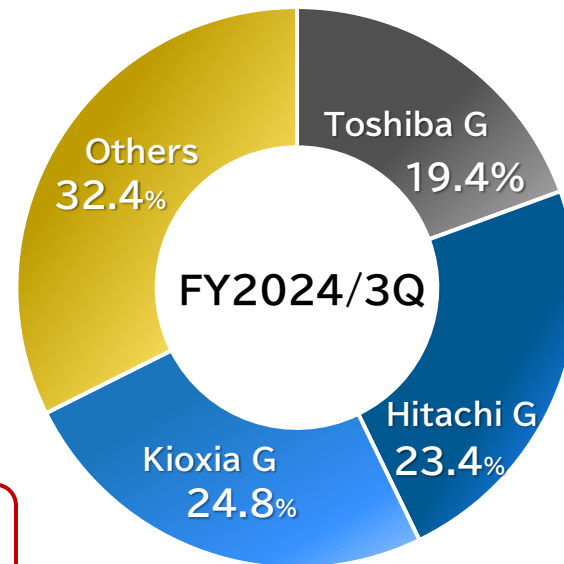
Hitachi G is expanding. (Up by 10.3%)
(compared to the previous same quarter)

Others are significantly increasing. (Up by 25.2%)
(compared to the previous same quarter)

Net Sales(by customer)



Sales Ratio (by customer)



- ★ Authentic increase of net sales is expected in the following month or later while production adjustments have been ended and orders are increasing.
- ★★ Similarly to 2Q, large scale development orders received from existing customers and orders received from Amano Corporation, recently contribute to sales growth at others.

(Note) We have transitioned to consolidated financial statements from FY2024/3Q. Financial statements for FY2023/3Q are non-consolidated results.

Business Environment - Trend of Major Customers

(Overall) Trend of Major Customers

(As of October 15, 2024)

Domestic economy remains in good condition while weak yen, rising raw material costs and shortage of human resources are concerned. The semiconductor market is expected to re-enlarge by virtue of vigorous investment in AI-related areas. There are recovery trend in capital investment and increasing trend in software investment. Like this, the business environment surrounding our company is expected to remain strong. On the other hand, adequate attention should be paid to the impact of geopolitical risks, rising prices, and fluctuations in financial capital markets.

Toshiba G

During the 1st quarter financial statements in the “Toshiba’s Revitalization plan” formulated by a new management team, business performance is progressing steadily and the company got off to a good start. Inquiries to us are increasing, mainly in the fields of energy and social infrastructure.

Hitachi G

In the Digital Systems & Services segment, responsible for IT services, net sales and operating profit are increasing. An investment in generative AI and for other growth are planned and their inquiries to us are increasing.

Kioxia G

Business performance is going well thanks to the improvement of supply-demand balance and recovery of flash memory demand. Medium- and long-term growth of flash memory market and consequent corporate performances are expected to improve as data center and AI are spreading. Further, The 2nd manufacturing building in Kitakami factory is completed and their inquiries to us are expected to increase towards the start of operation in autumn 2025.

Others

Inquiries to us from the customers other than the above 3 biggest customers are increasing steadily. We are meeting demands from such customers by securing engineering resources.

(Compiled from publicly available information and media reports by the respective companies)

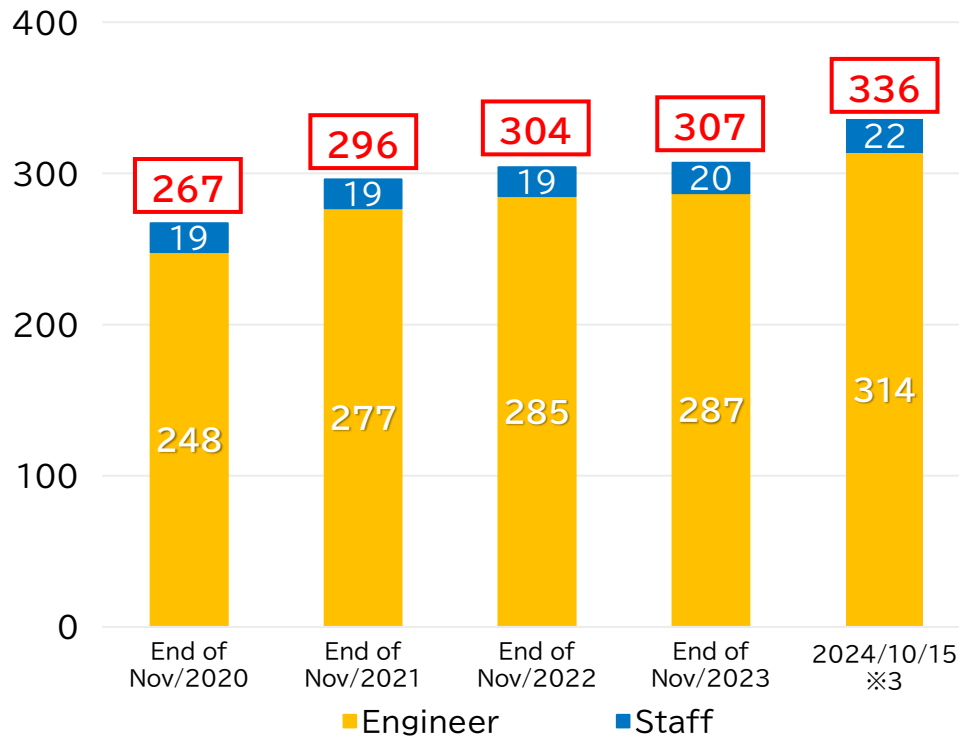
Status of Engineers

Annual goal(※ 1) achieved ahead of schedule.

Ready-to-work personnels increased steadily thanks to the establishment of subsidiary and focusing on mid-career recruitment.

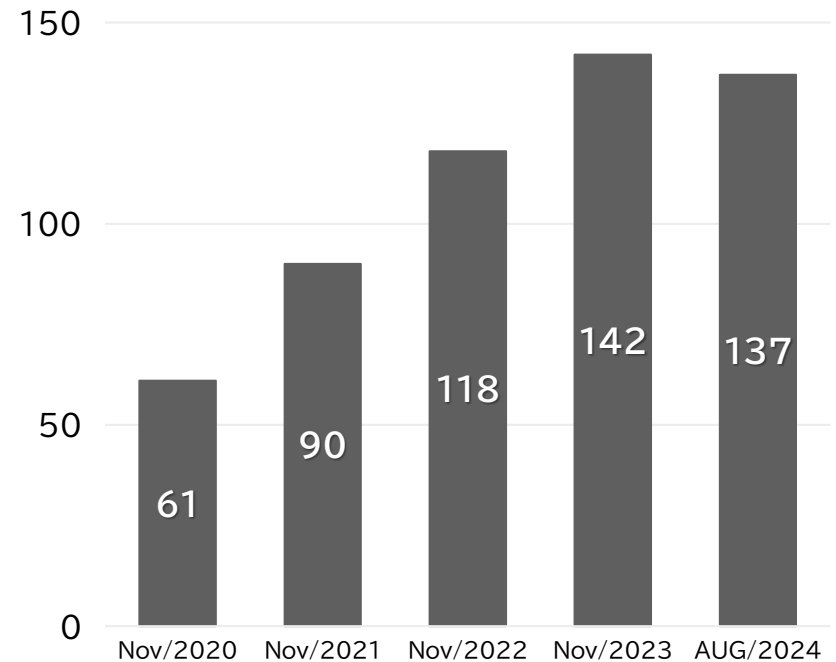
Changes in number of employees

(Unit: no. of people)



Changes in the number of BP(※2) orders

(Unit: no. of orders)





※1 Annual goal set prior to the change of fiscal year was 335 as of November 2024.

※2 BP...Business partner. Engineers engaged in our business in the form of outsourcing etc.

※3 As a whole group of T&S Group.

Statement of Income (FY2024/3Q)

Statement of Income(FY2024/3Q)

Unit:thousand yen	FY2023/3Q (Non-consolidated)	FY2024/3Q (Consolidated)	+/- amount	+/- %
Net sales	2,520,546	 2,644,378	123,832	4.9%
Cost of sales	1,743,691	1,868,178	124,486	7.1%
Gross profit	776,854	776,200	(653)	(0.1%)
SG&A expense	315,654	314,839	(814)	(0.3%)
Operating profit	461,200	 461,361	160	0.0%
<i>Operating profit rate</i>	<i>18.3%</i>	<i>17.4%</i>		
Ordinary profit	465,913	461,814	(4,098)	(0.9%)
<i>(Ordinary profit rate)</i>	<i>18.5%</i>	<i>17.5%</i>		
Quarterly profit	326,037	317,117	(8,920)	(2.7%)
<i>(Quarterly profit rate)</i>	<i>12.9%</i>	<i>12.0%</i>		

(Note)

- We have transitioned to consolidated financial statements from FY2024/3Q.
- Financial statements for FY2023/3Q are non-consolidated results.
- “+/- amount” and “+/- %” are calculated by comparing non-consolidate and consolidated results.

Balance Sheets(FY2024/3Q)

Balance Sheets(FY2024/3Q)

Unit: thousand yen	FY2023 (Non-consolidated)	FY2024/3Q (Consolidated)	+/- amount
Current assets	2,452,145	2,749,168	297,022
Non-current assets	164,315	178,583	14,267
Total assets	2,616,461	2,927,751	311,289
Current liabilities	395,820	435,891	40,070
Non-current liabilities	57,392	60,289	2,897
Total liabilities	453,212	496,180	42,967
Total shareholders' equity	2,163,249	2,431,571	268,321
Total net assets	2,163,249	2,431,571	268,321
Total liabilities & net assets	2,616,461	2,927,751	311,289

(Note)

- We have transitioned to consolidated financial statements from FY2024/3Q.
- Financial statements for FY2023 are non-consolidated results.
- “+/- amount” is calculated by comparing non-consolidate and consolidated results.

Topics

We started negotiations to acquire stocks of ex-stage corporation (Kuki City, Saitama Pref.) to make it a subsidiary of T&S group.



We have been collaborating with ex-stage corporation for system development in the field of semiconductors, and are intending to expand our resources and business opportunities mainly in that field.

Earnings Forecast and Progress

FY2024/9 **Third Quarter**

Earnings Forecast and Progress

Progressing as planned as of 3Q.

Irregular period of 10 months for FY 2024/9 due to change of FY end.

Unit: million yen	FY2024/9 (Consolidated/Forecast)	FY2024/9 3Q(Actual)	Progress rate(%)
Net sales	3,142	2,644	84.2%
Operating profit	588	461	78.5%
Ordinary profit	589	461	78.4%
Net profit (Quarterly)	401	317	79.1%

Company

Inquiries from existing customers for development projects and other inquiries from new customers remain strong and high utilization rate of engineers is continuing. Ready-to-work personnels increased steadily thanks to the establishment of subsidiary and focusing on mid-career recruitment. Annual recruitment goal has been achieved ahead of schedule. The utilization of resources within our group continues further and is expected to contribute to net sales. Improvement on profit margin is also expected due to downturn trend of BP utilization to compensate for engineer resources.

System Development Business HQ

Sales forecast are expected to remain strong, mainly due to ongoing projects from our major customers. We are also receiving lots of new inquiries from existing customers for system development projects, which are expected to contribute to the next FY. By enhancing engineer resources through mid-career recruitment and BP, we will aim to get new deals and prevent order mistakes.

IT Services Business HQ

IT services for semiconductor factories are in operation steadily with improvement of demand-supply balance due to production adjustments and recovery of demand. Supply of engineers for operation and maintenance services at factories is expected to continue. We will aim to secure and train human resources for expansion of new business by enhancing new graduates and mid-career recruitment and promoting proper placement.

Advanced Technology Business HQ

Carrying on the flow from the 1st half of current FY, we expect steady growth in the business centered on continued projects from existing customers as well as from new customers. Once customers' business improves and becomes a tailwind in the current fiscal year, we expect to enlarge business scale further in the fields of latest AI processor, image recognition AI, and generative AI.

Shareholder Returns

Dividend ratio is targeted at 10%

Basic Policy on dividends

The Company considers it an important management task to **increase corporate value through investment in the acquisition of new technologies in fields where future growth is expected**, and believes that achieving this goal shall lead to the return of profits to shareholders.

Our basic policy for profit distribution is to continue to pay appropriate dividends in consideration of business performance, while giving priority to securing the internal reserves necessary to improve our corporate value.

In addition to aiming around 10% of dividend payout ratio in line with above policy and as a commemoration of transition to a holding company on June 1, 2024, we are paying year-end dividends of JPY8.00 per share (ordinary dividend 7.00yen and commemorative dividend 1.00yen) for FY2024/9.

(This decision is planned to be proposed and formally determined at the 9th regular general shareholder meeting expected in late December, 2024.)

The financial index for the FY2024/9 is as follows.

	Dividend per share	Dividend ratio	Dividend on equity ratio(DOE)
FY2023/11	6.55yen	10.5%	2.5%
FY2024/9 (Forecast)	8.00yen Breakdown : Ordinary dividend 7.00yen Commemorative dividend 1.00yen	15.1%	2.6%

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