

# FY11/2023 **Second Quarter** Supplementary Material on Financial Results

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**T&S inc.**

TSE Growth: 4055

July 14, 2023



**T & S**  
Technology & Service

## FY11/2023 Second Quarter

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# Highlights (FY2023/2Q)

(Theme of current term)

## Sustainable Growth

### 1 Record-high revenues continues

(Compared to the previous same quarter)

Net sales	: 1,708 million yen	(Up 8.9%↑, + 140 million yen)	(YoY)
Operating profit	: 316 million yen	(Up 10.5%↑, + 29 million yen)	(ditto)
Ordinary profit	: 321 million yen	(Up 9.3%↑, + 27 million yen)	(ditto)
Quarterly profit	: 225 million yen	(Up 9.5%↑, + 19 million yen)	(ditto)

### 2 The semiconductor category did well. As well as the solution category.

- Sales in the semiconductor category **increased 21.5%** compared to the previous same quarter, the market remained resilient despite the overall downturn, demonstrating a positive and favorable trend.
- Sales in the solutions category **increased 9.8%** compared to the previous same quarter. Orders for contracted development projects from major customers remain strong. Other than the major clients, sales increased.
- Sales in the advanced technology solutions category declined 26.3% compared to the previous same quarter. Despite the decrease in Net sales caused by the repercussions of a large project recorded in the previous period, the ongoing development of the visual inspection system has been progressing well. As a result, the reduction in Net sales compared to the same quarter of the previous year has improved when compared to 1Q.

### 3 Provision for Performance-linked bonus

- The progress rate towards the full-year forecast by 2Q reached 46.2%, following the typical seasonal fluctuations.
- The company will continue its policy of sharing a portion of the Operating profit with employees. Despite setting aside 20 million yen in performance-linked bonuses for the first half-year, the company achieved an operating income rate of **18.5%** (which is 0.2 percentage points higher than the same quarter of the previous year).

# Financial Results Overview

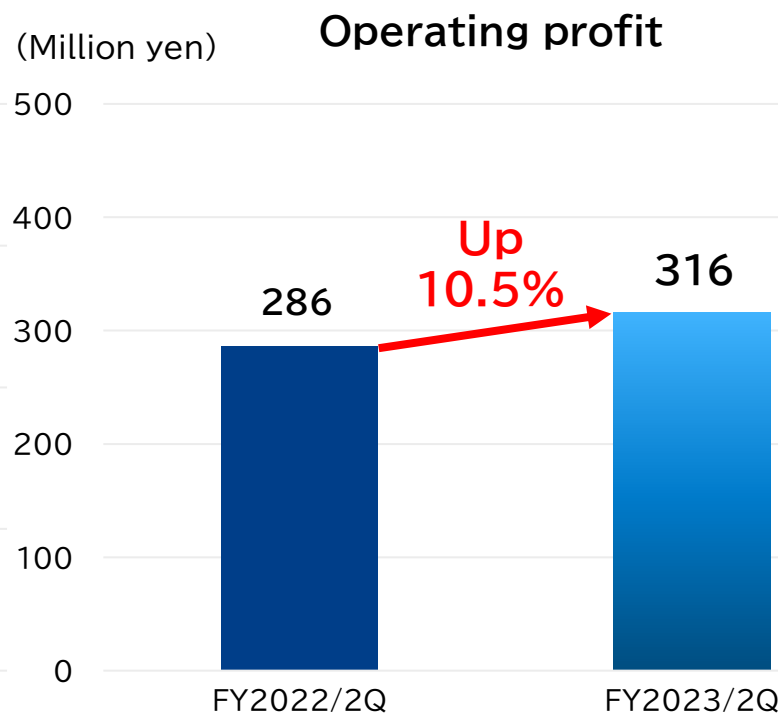
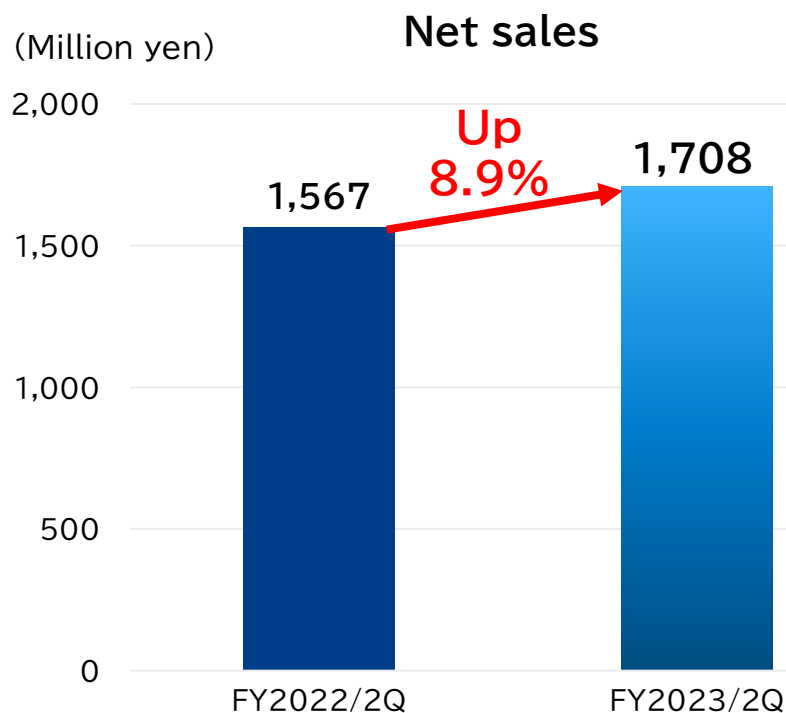
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FY11/2023 **Second Quarter**

# Financial Results Overview (FY2023/2Q)

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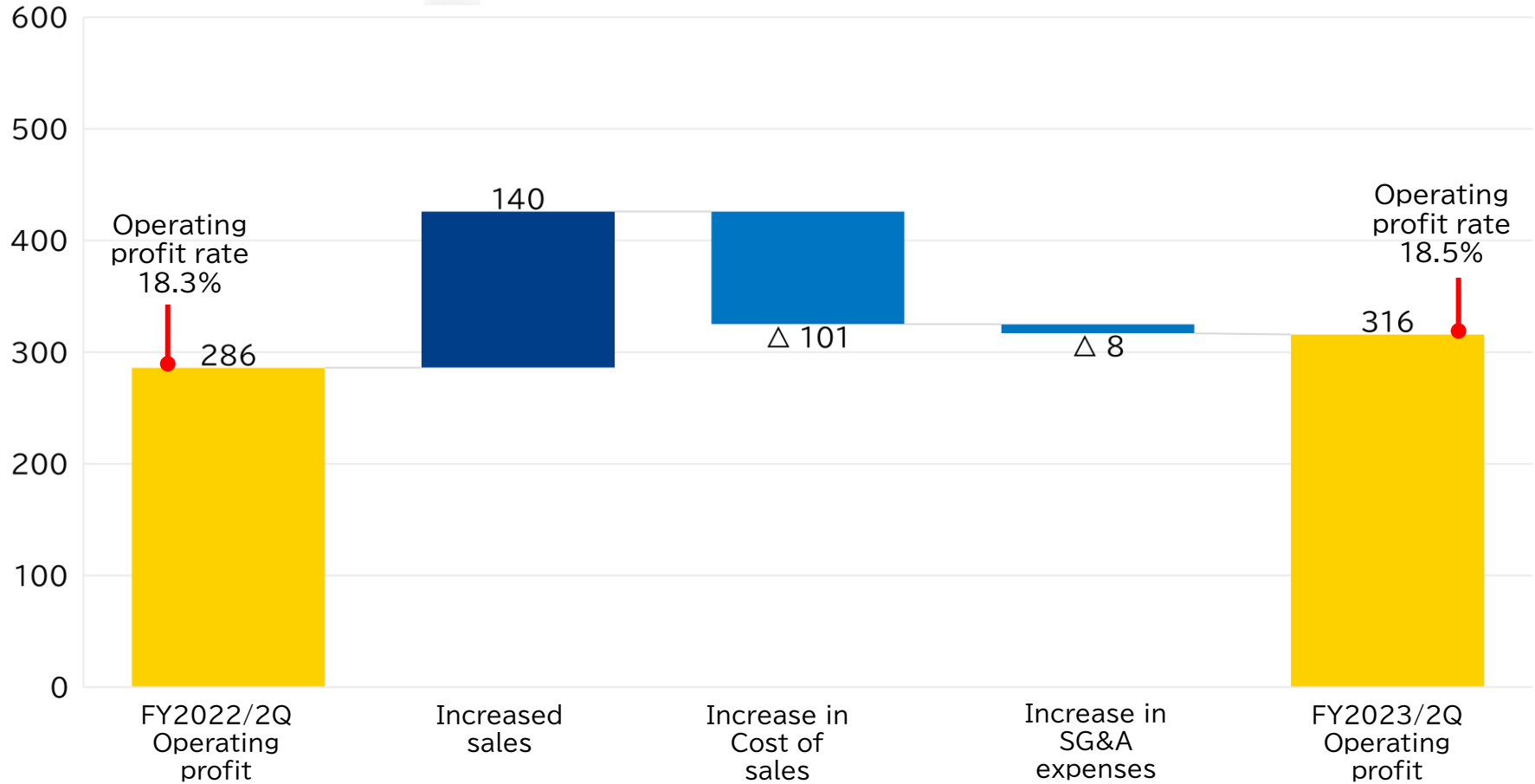
# Operating profit (FY2023/2Q)

**Increased Operating profit by 29 million yen**

(Compared to the previous same quarter)

(Unit: million yen)

■ Increase ■ Decrease ■ Operating profit



# Net sales by Category (FY2023/2Q)

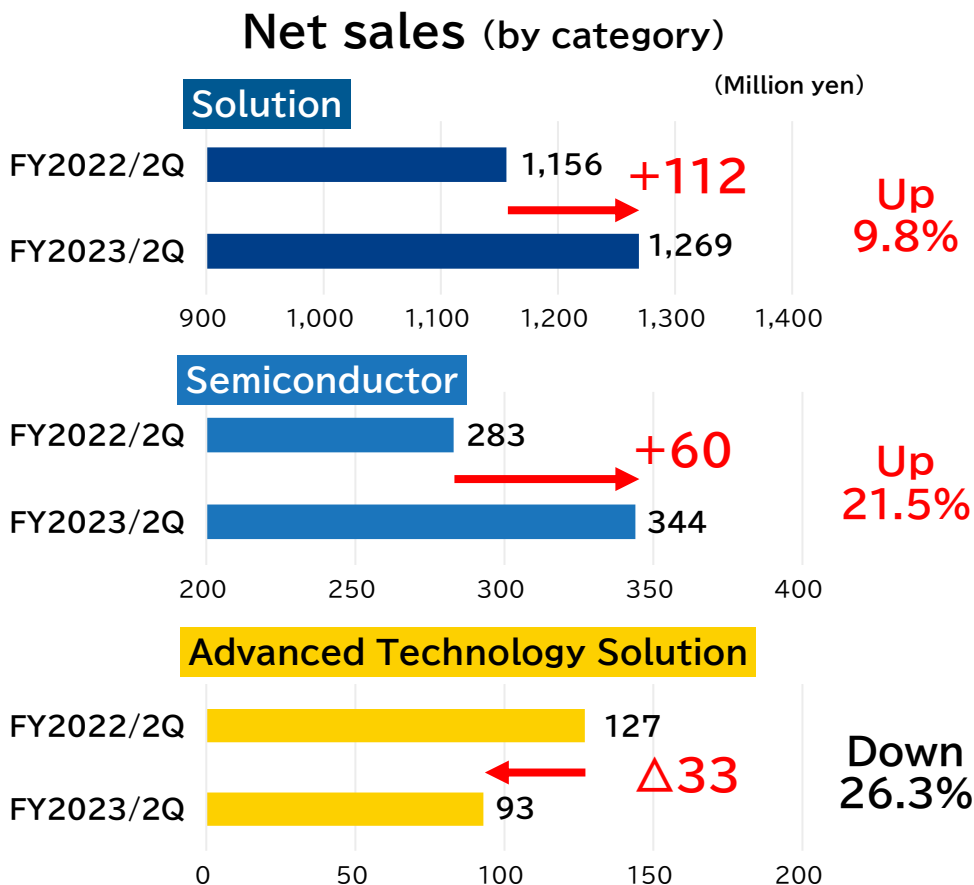
Solutions' businesses remain strong with a **9.8%** increase.

(compared to the previous same quarter)

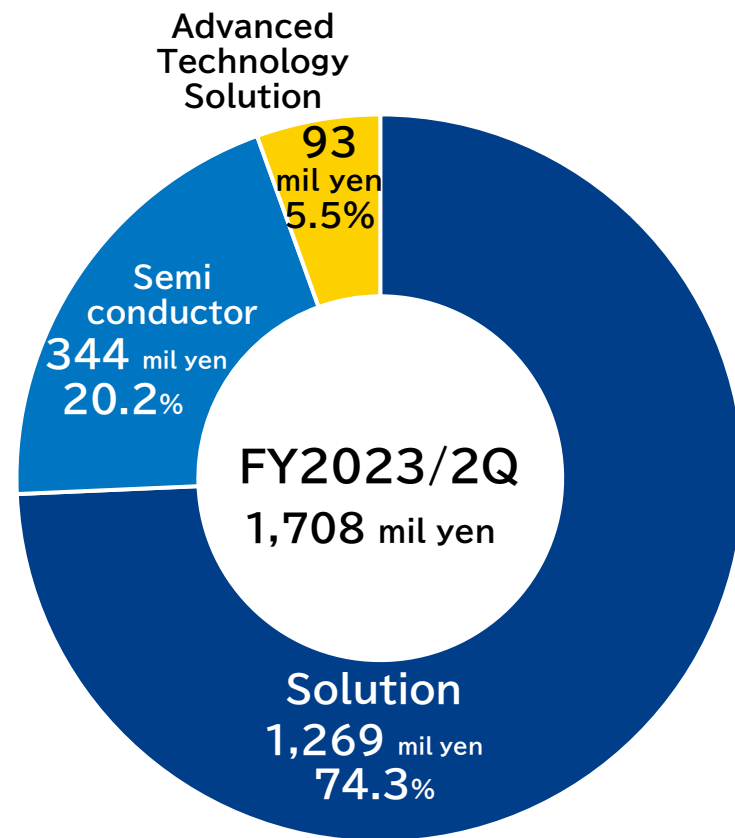
Semiconductors' business remain strong with an **increase of 21.5%**.

(compared to the previous same quarter)

Advanced Technology Solutions' business decreased by **26.3%** in response to the large-scale projects in the previous period.



### Sales proportion (by category)



(Note) Our business segment is a single segment. Only Net sales are calculated by category

# Net sales by Customer (FY2023/2Q)

Toshiba G, Hitachi G, Kioxia G

Major customers maintaining steady level

Sales to **Hitachi G** and **Others** significantly increased

(Up 15.0%)

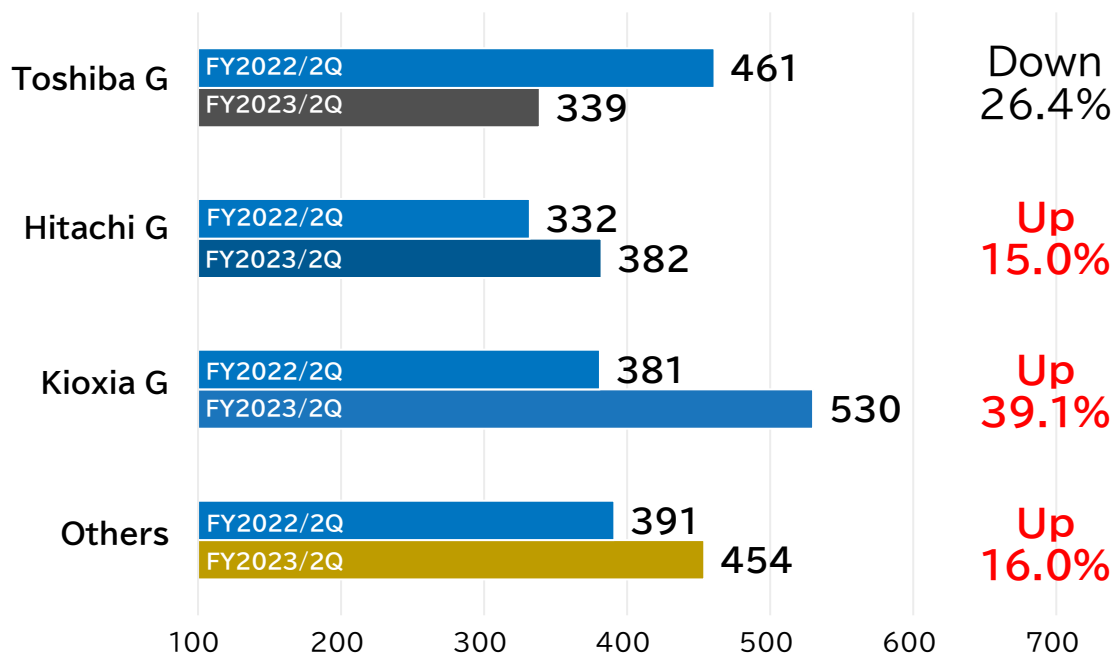
(compared to the previous same quarter)

(Up 16.0%)

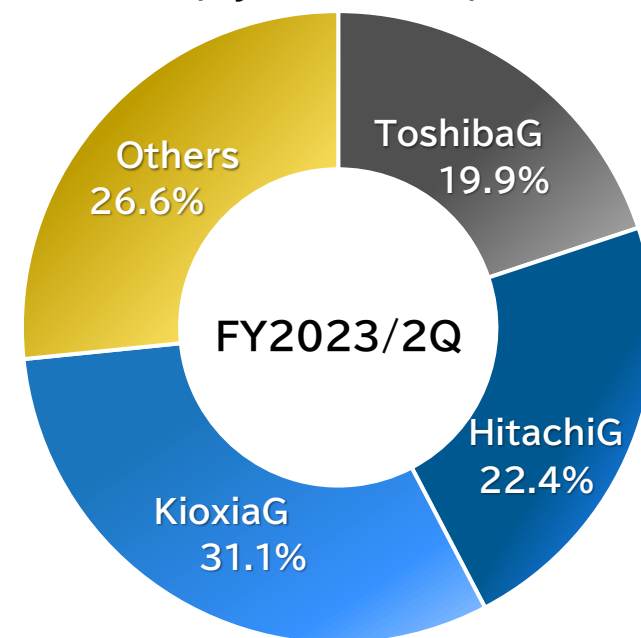
(compared to the previous same quarter)

Net sales (by customer)

(unit: million yen)



Sales proposition (by customer)



(Note) Due to the restructuring of Toshiba Group, the Net sales of the former Chubu Toshiba Engineering Co., Ltd. (currently known as Kioxia Engineering Co., Ltd.) are aggregated under Kioxia Group starting from Q3 of the previous fiscal year. Taking this into account, sales to Toshiba Group increased by 0.3%.



# Quarterly Net sales and Operating profit (FY2023/2Q)

2Q cumulative Net sales

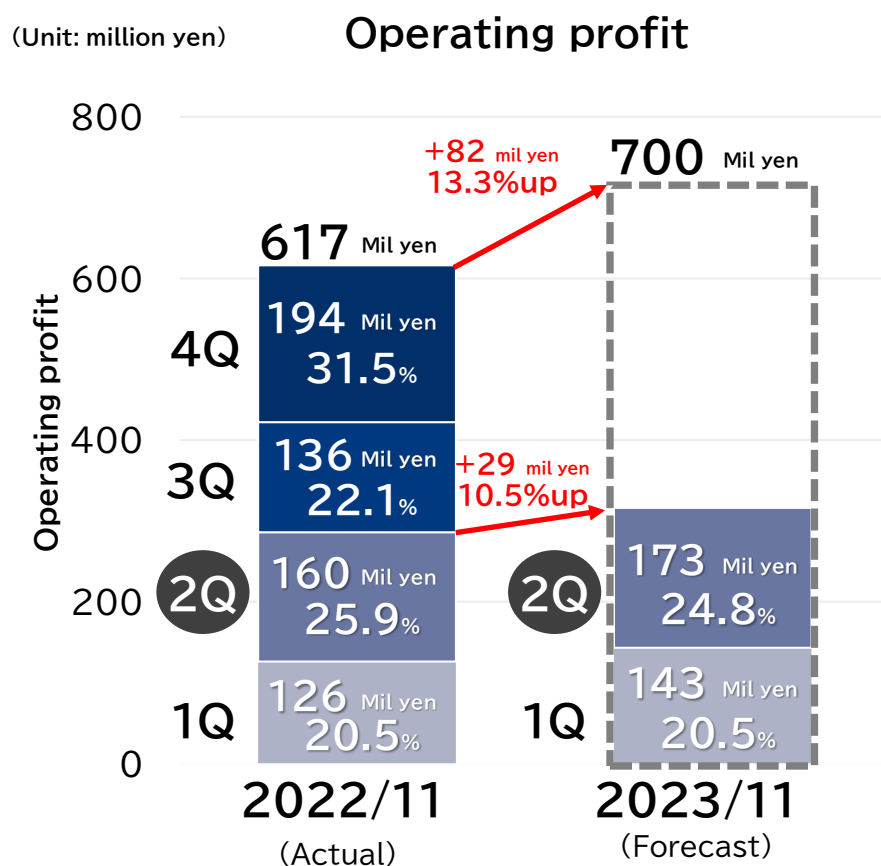
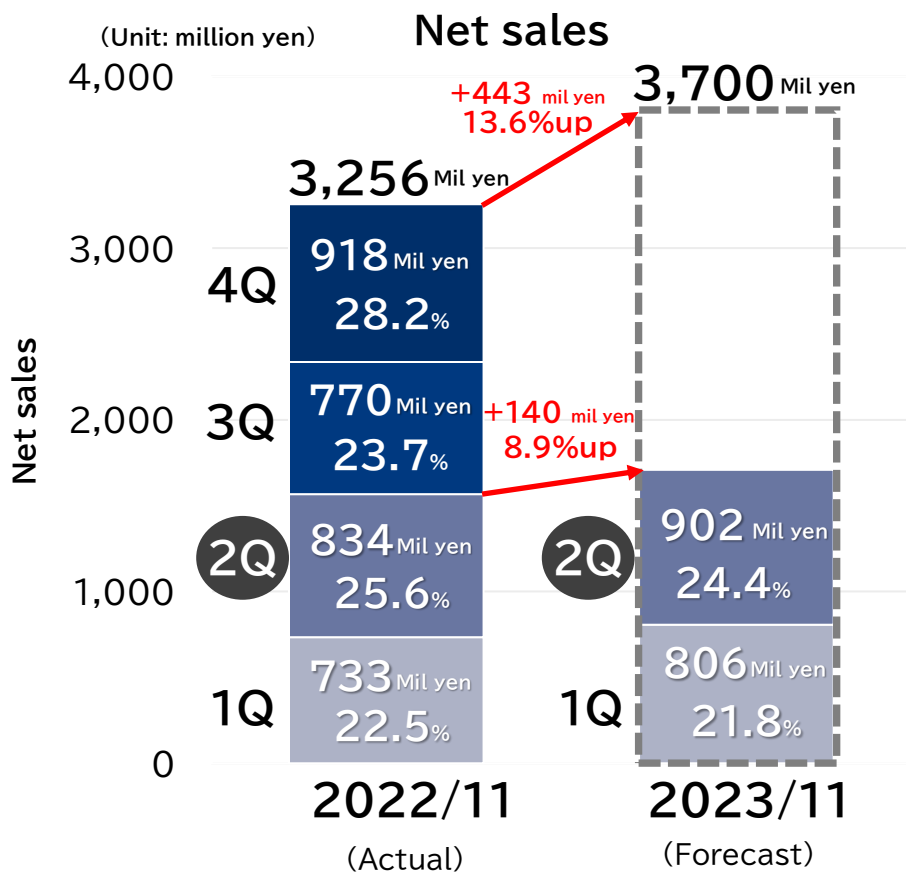
: 1,708 million yen

Increase: **+140 million yen, Up 8.9%**  
(compared to the previous same quarter)

2Q cumulative Operating profit :

316 million yen

Increase: **+ 29 million yen, Up 10.5%**  
(compared to the previous same quarter)



※ Some seasonal fluctuations can be observed in the company's performance due to the number of engineers and project delivery dates.

# Business Environment - Trend of Major Clients

## (Overall) Trend of Major Customers

(As of July 14, 2023)

The business environment surrounding our company in the heavy electrical and infrastructure sectors remains positive. Despite the subdued conditions in the semiconductor market, we anticipate long-term demand growth and observe strong investment enthusiasm from semiconductor manufacturers. However, we continue to face challenges in addressing geopolitical risks, such as global inflation and the prolonged conflict between Russia and Ukraine.

### Toshiba G

The transformation towards delisting is steadily progressing. We anticipate an expansion in facility investments, particularly in the energy system solution segment related to power plants, which is an area where our company is involved in system development. This is seen as a tailwind for our company.

### Hitachi G

Orders remain strong, particularly in the digital systems & services and clean energy & mobility sectors. As the group restructuring nears completion, they are focusing their management resources on supporting digital transformation (DX) initiatives and transitioning to a strategy aimed at growth centered around the digital field. We anticipate a continued increase in inquiries and opportunities for our company.

### Kioxia G

We plan to continue implementing production reduction measures in response to the weakened demand for semiconductors. The maintenance and operation of the factory systems we are involved in have limited dependence on production levels, but we expect potential effects from cost cooperation and other factors. Although the short-term outlook presents challenges, we observe a market trend towards investment, indicating a promising long-term perspective. Consequently, we anticipate a growth in orders for system development.

### Other

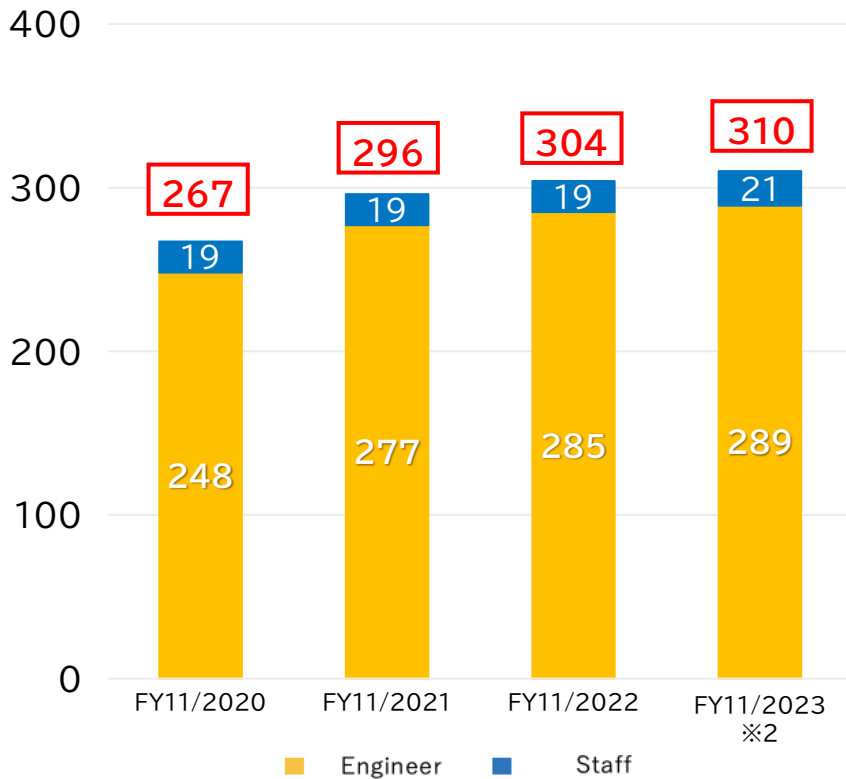
In addition to the national strategy to strengthen the semiconductor industry, there is a growing trend of increased investment in facilitation across all industrial sectors. Particularly, there is an accelerated flow of investment aimed at digitalization and labor-saving measures in response to automation. This trend has also led to an expansion in inquiries and interest towards our company.

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

## Securing Engineering Resources through BP<sup>(※1)</sup> Capabilities

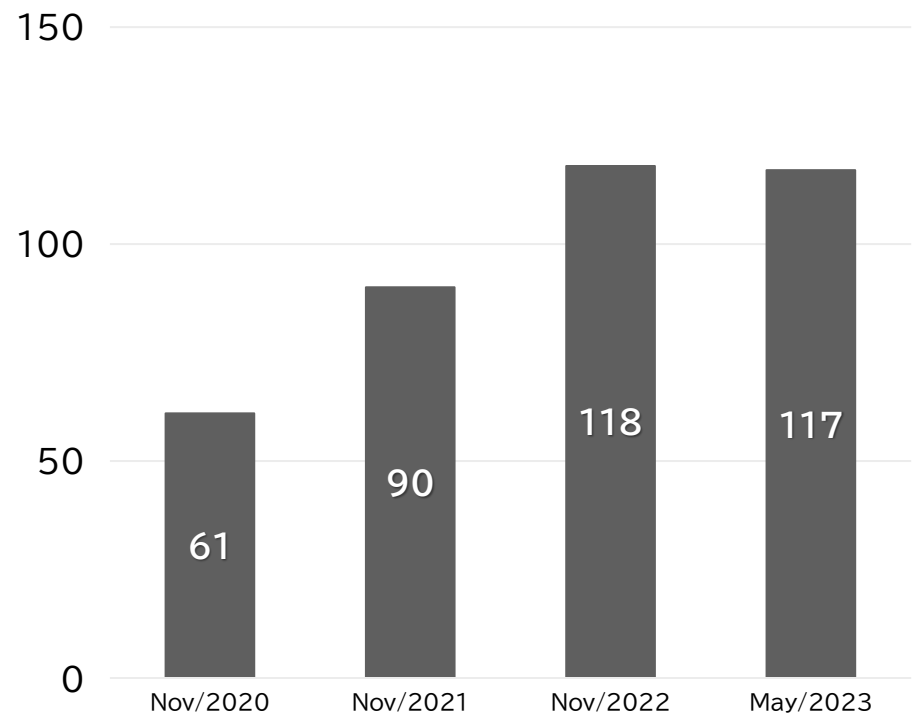
### Changes in Number of Employees

(Unit: no. of people)



### Changes in the number of BP orders

(Unit: no. of orders)







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

※2 as of July 14, 2023

# Statement of Income (FY2023/2Q)

## Statement of Income (FY2023/2Q)

Unit: thousand yen	FY2022/2Q	FY2023/2Q	+/- amount	+/- %
Net sales	1,567,800	 1,708,065	140,264	8.9%
Cost of sales	1,080,574	1,182,041※	101,467	9.4%
Gross profit	487,226	526,023	38,797	8.0%
SG&A expenses	200,544	209,348※	8,803	4.4%
Operating profit	286,681	 316,674	29,993	10.5%
<i>(Operating profit rate)</i>	<i>(18.3%)</i>	<i>(18.5%)</i>		
Ordinary profit	294,155	 321,494	27,339	9.3%
<i>(Ordinary profit rate)</i>	<i>(18.8%)</i>	<i>(18.8%)</i>		
Quarterly profit	205,717	 225,181	19,463	9.5%
<i>(Quarterly profit rate)</i>	<i>(13.1%)</i>	<i>(13.2%)</i>		

※ Includes 20,000 thousand yen of performance-linked bonuses to employees due to good performance.

# Balance sheets (FY2023/2Q)

## Balance sheets (FY2023/2Q)

Unit: thousand yen	FY2022	FY2023/2Q	+/- amount
Current assets	2,110,767	2,204,244	93,476
Non-current assets	170,732	158,980	△11,752
<b>Total assets</b>	<b>2,281,500</b>	<b>2,363,224</b>	<b>81,724</b>
Current liabilities	498,233	394,350	△103,882
Non-current liabilities	49,763	54,412	4,649
<b>Total liabilities</b>	<b>547,996</b>	<b>448,762</b>	<b>△99,233</b>
Total shareholders' equity	1,733,503	1,914,461	180,958
Total net assets	1,733,503	1,914,461	180,958
<b>Total liabilities &amp; net assets</b>	<b>2,281,500</b>	<b>2,363,224</b>	<b>81,724</b>

# Topics

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Our proposal for the **image recognition AI algorithm** has been adopted by major domestic precision equipment manufacturer for their visual inspection devices.

Our client, a major domestic precision equipment manufacturer, has agreed to adopt our advanced technology solution category's proprietary, image recognition AI algorithm for their visual inspection devices.

### High-precision component positioning

We have proposed and evaluated the latest image recognition AI algorithm to our clients, demonstrating its technical effectiveness. As a result, we have achieved higher precision in component positioning compared to conventional methods.

### Future Outlook

Since the launch of our AI technology services, we have conducted numerous research, implementation, and evaluation, accumulating a database of the latest AI technology information. Moving forward, we will continue to leverage our proprietary AI technology database and advanced software techniques to provide our customers with proposals for cutting-edge technology, research and development support, and product development assistance.

(Announced on April 18, 2023)

# FY Earnings Forecast

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FY11/2023 **Second Quarter**



# FY Earnings Forecast

## Steady Progress Towards Full-Year Forecast

(No Changes to Full-Year Performance Forecast)

Unit: million yen	FY11/2022 (Actual)	FY11/2023 (Forecast)	FY11/2023 2Q(Actual)	Percentage of progress
Net sales	3,256	3,700	1,708	46.2%
Operating profit	617	700	316	45.2%
Ordinary profit	626	703	321	45.7%
Net profit (quarterly)	440	495	225	45.5%

### Company

Net sales increased by 8.9% compared to the previous same quarter. Stable orders from major clients and additionally we had increase of orders from other clients. Cumulative Net sales for 2Q reached 46.2% progress towards the full-year forecast, following the seasonal fluctuations typically observed due to factors such as the hiring of engineers and customer delivery schedules. To supplement the engineering resources, the utilization of business partners (BPs) has been increased since the previous period, the shift towards profitable projects has been successful, resulting in a gross profit margin of 30.8%. The allocation of 20 million yen for performance-based bonuses has been absorbed, and Operating profit increased by 10.5% to 316 million yen compared to the same period of the previous year. The Operating profit rate is 18.5%.

### Solution

Net sales increased by 9.8% compared to the previous same quarter. This increase was driven by a rise in orders for major system development projects from major clients, as well as an expansion in orders for contracted development projects from other clients.

### Semiconductor

Net sales increased by 21.5% compared to the previous same quarter. The maintenance and operation of the factory system, which our company is involved in, are not closely related to the operational rate of the plants, the company still managed to secure increased revenue and maintain a strong performance, despite the challenges posed by cost cooperation and other factors.

### Advanced Technology Solution

Net sales decreased by 26.3% compared to the previous same quarter. This decline in Net sales for the current quarter, following a decrease in 1Q, is because of the impact of a large project in progress during the previous period. However, due to the smooth progress of the development of the visual inspection system, the decrease in Net sales has been controlled compared to 1Q.

# Shareholder Returns

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## Dividend ratio for FY11/2023 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 the return of profits to shareholders is the key to achieving this goal.

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.

As for FY11/2023, the Company plans to pay a dividend of 6.55 yen per share (up 0.55 yen in real terms), aiming for a dividend payout ratio of around 10%, in line with the above policy.

The financial indicators that take into account the above measures are as follows.

	Dividend per share	Dividend ratio	Return on equity (ROE)
FY11/2022 (Actual)	6.00yen	10.3%	27.3%
FY11/2023(Forecast)	6.55yen	10.0%	25.3%

## Contact

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