

FY11/2022
Second Quarter
Supplementary Material
on Financial Results July 14th, 2022

T&S inc.
TSE Growth: 4055



T & S
Technology & Service

FY11/2022 Second Quarter

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(Theme of current term)
Accelerated Growth

1 **Record-high revenues achieved** (Compared to the previous same quarter)

Net sales	: 1,567 million yen	(Up 21.8% ↑, + 281 million yen)	(YoY)
Operating profit	: 286 million yen	(Up 66.5% ↑, + 114 million yen)	(ditto)
Ordinary profit	: 294 million yen	(Up 65.3% ↑, + 116 million yen)	(ditto)
Profit	: 205 million yen	(Up 64.7% ↑, + 80 million yen)	(ditto)

2 **Advanced Technology Solution made a breakthrough.** **Other categories also performed well.**

- Sales in the Advanced Technology Solution category increased **74.5%** year-on-year. Sales grew as a result of stable orders for development support projects from existing clients as well as solid orders from new clients.
- Sales in the Solution category increased **17.2%** year-on-year. Sales increased due to the continuation of large-scale development projects that began in the second half of the previous fiscal year.
- Sales in the Semiconductor category increased **25.2%** year-on-year. Sales increased as a result of an increase in the number of engineers dispatched to semiconductor factories.

3 **2Q cumulative sales progress rate exceeded previous years,** **and performance-linked bonuses were also allocated.**

- The company achieved a **progress rate of 50.6%** toward the full-year forecast for the current fiscal year, compared to 47.1% in the 2Q cumulative sales ratio of the previous fiscal year.
- Following the previous year, a portion of operating profit was returned to employees, and despite the recording of 49 million yen in performance-linked bonuses for 2Q, the company achieved an operating profit rate of **18.3%** (an increase of 4.9 points from the previous same quarter).

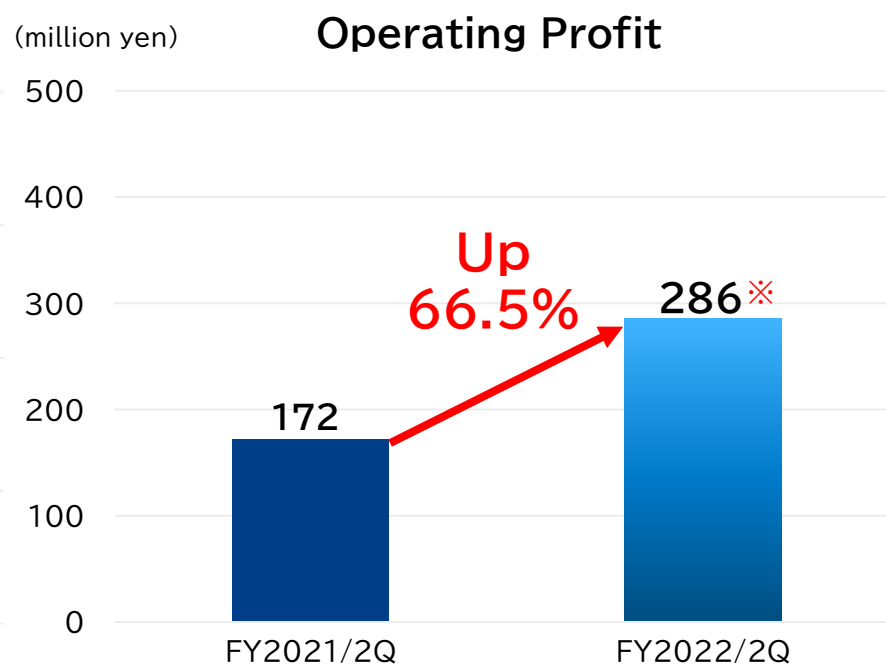
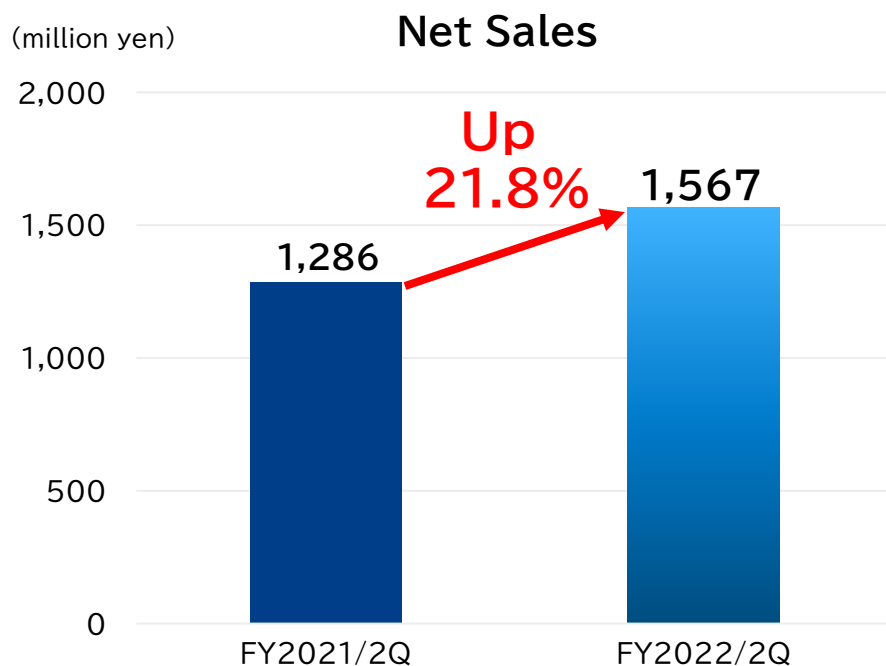
Financial Results Overview

FY11/2022 **Second Quarter**

Financial Results Overview (FY2022/2Q)

Record-high revenues achieved (Compared to the previous same quarter)

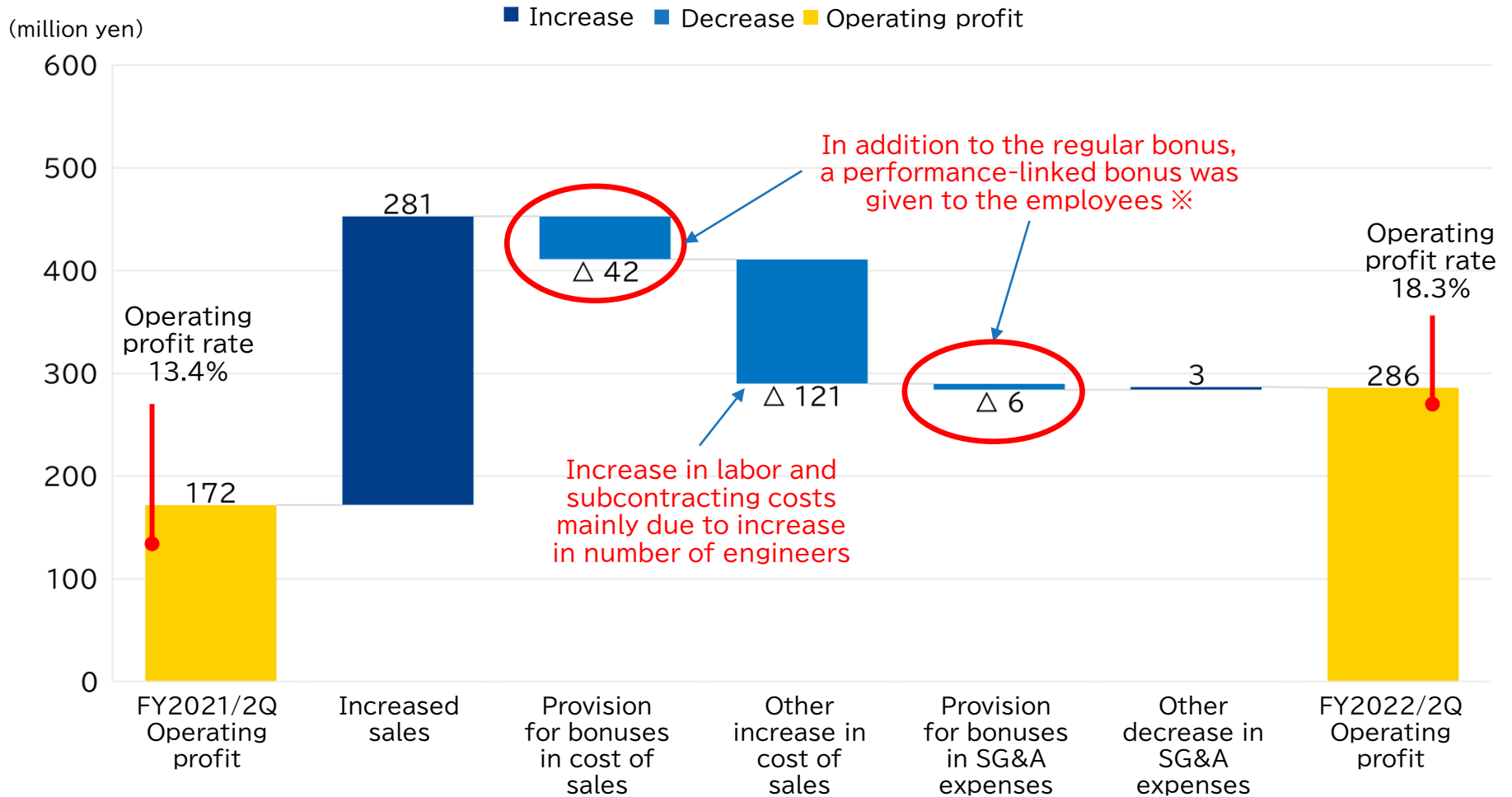
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※ In view of the strong performance, the Company performance-linked bonuses for employees allocated 49 million yen in FY2022/2Q and 25 million yen in FY2021/2Q.

Operating Profit (FY2022/2Q)

Absorbed performance-linked bonuses and increased operating profit by 114 million yen. (YoY)

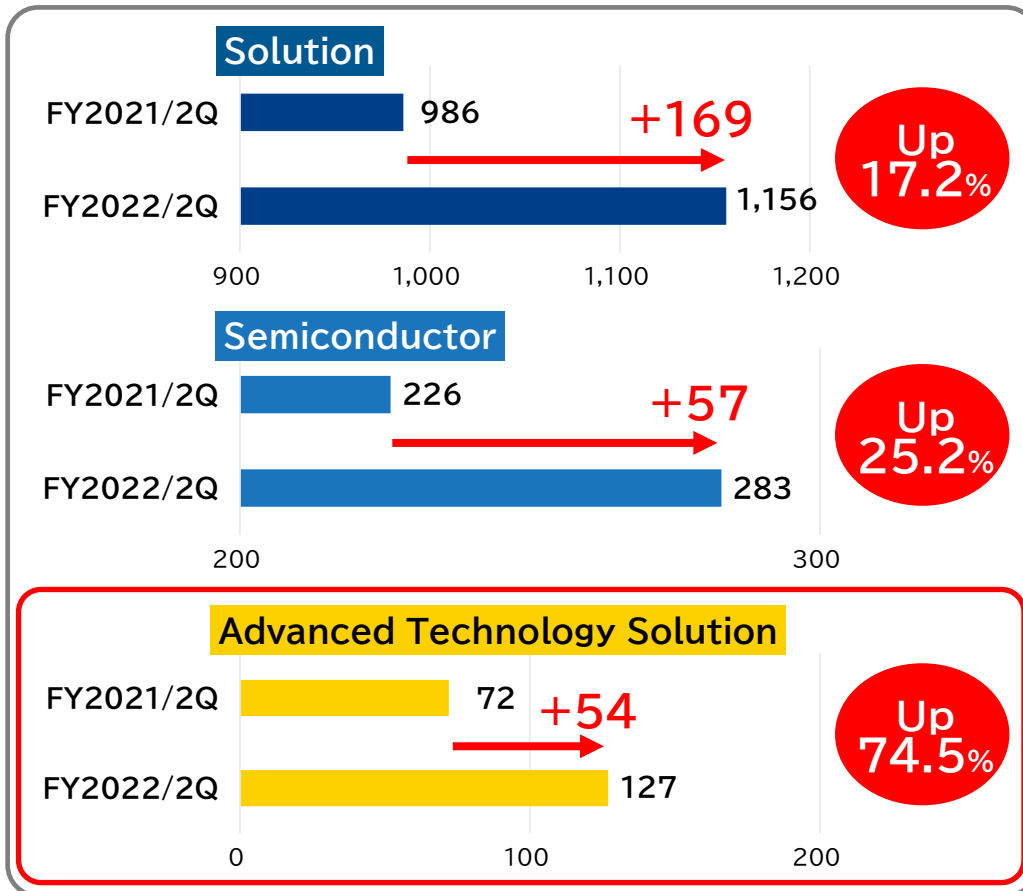


※ The Company has recorded 49 million yen in FY2022/2Q and 25 million yen in FY2021/2Q.

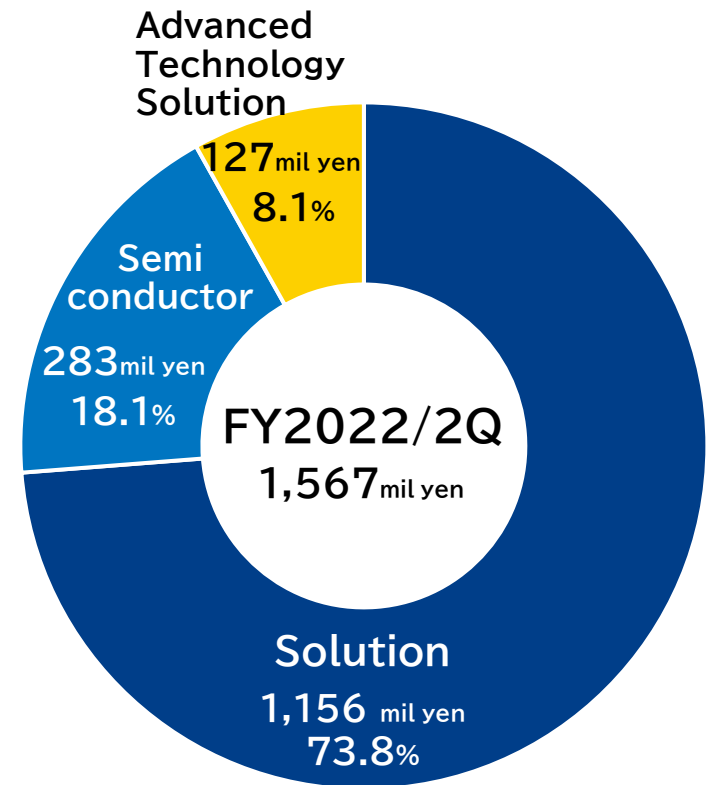
Net Sales by Category (FY2022/2Q)

Sales increase in all categories
Up 74.5% Advanced Technology Solution Category
 (YoY)

Net Sales (by category) (million yen)



Sales proportion (by category)



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

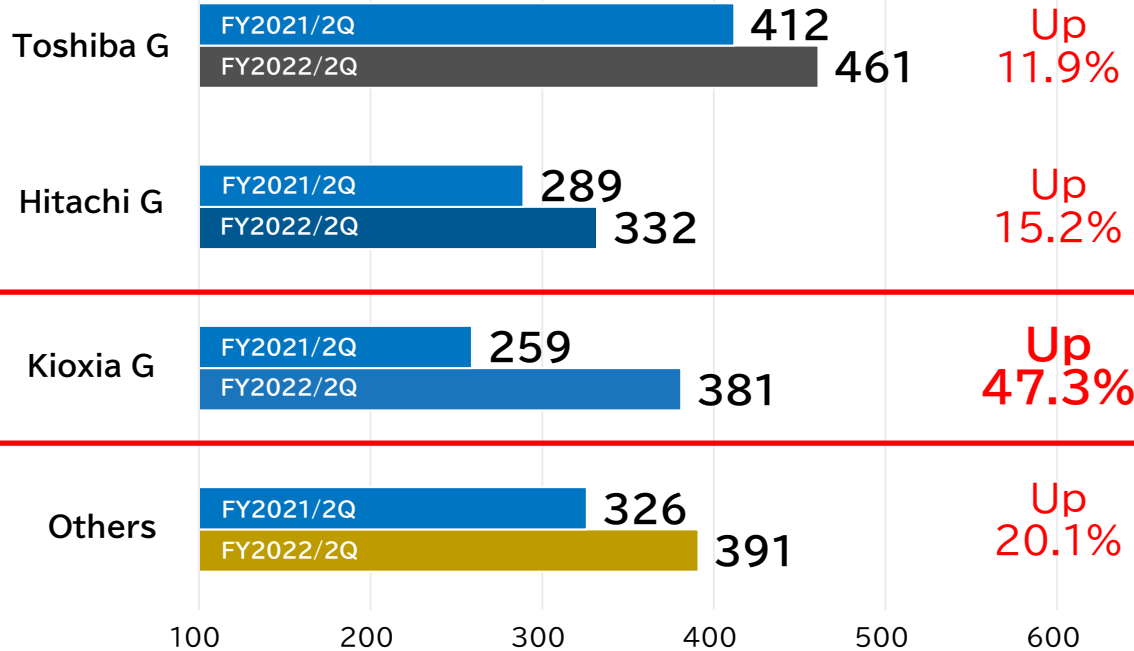
Net Sales by Customer (FY2022/2Q)

Toshiba G, Hitachi G, Kioxia G

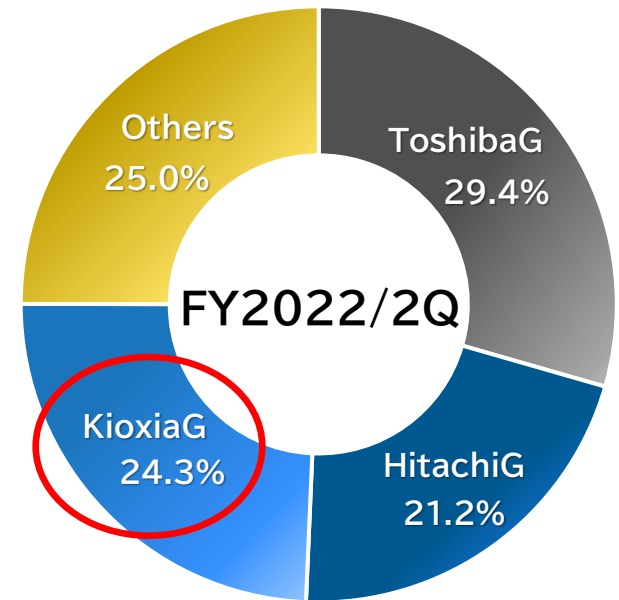
Major customers maintaining steady level
Sales to **Kioxia G** significantly increased

(Up 47.3% (YoY) 24.3% of the total)

Net Sales (by customer) (million yen)



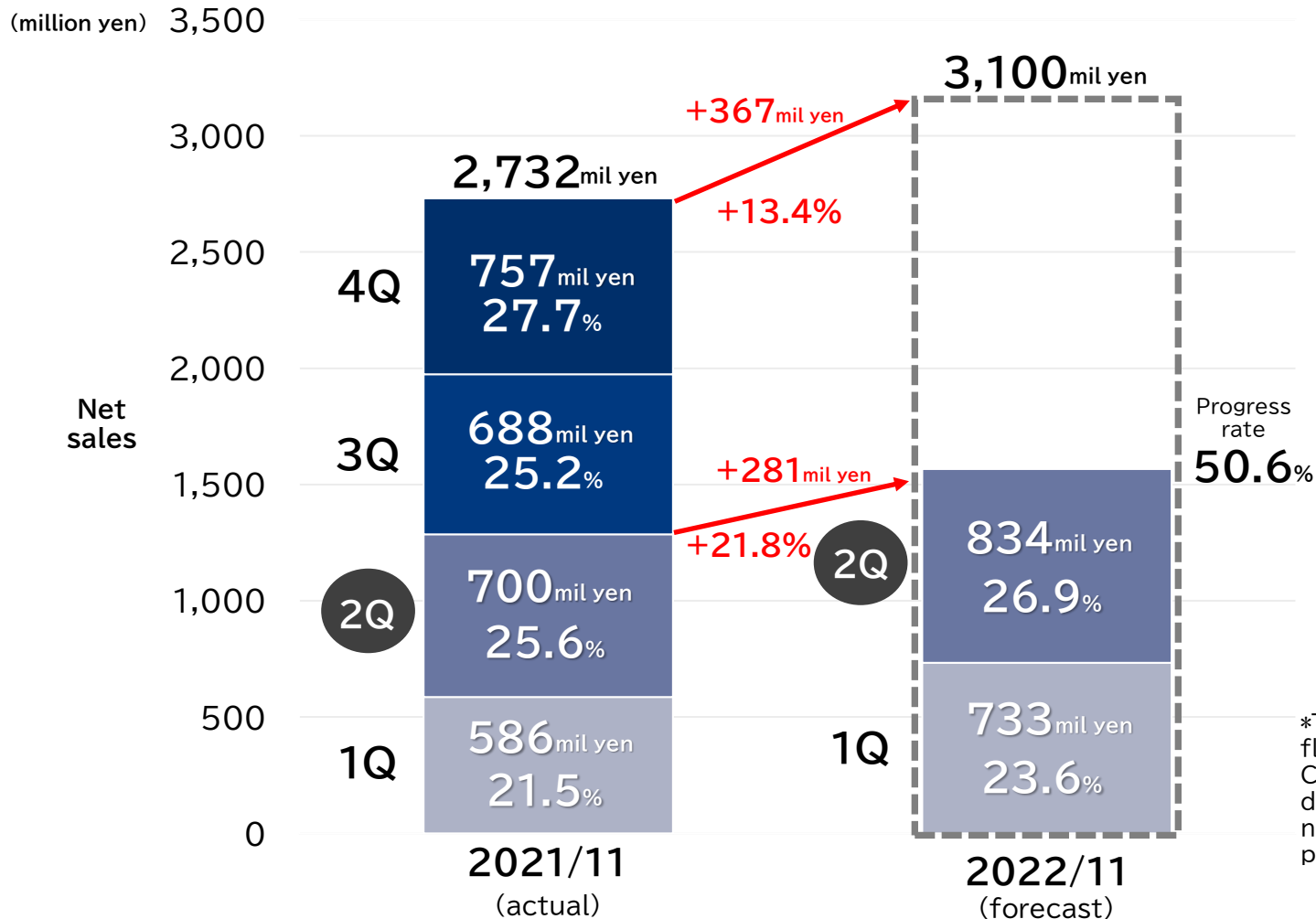
Sales proposition (by customer)



Net Sales by Quarter (FY2022/2Q)

2Q cumulative Net Sales: 1,567 million yen

Increase: **+281 million yen 21.8% increase** (YoY) Progress rate: **50.6%**
 (Percentage of progress toward full-year forecast)



Trend of our Major Customers (As of July 14, 2022)

Our orders continue to be strong, and our major customers as a whole are also doing well. Although each company has been overcoming the effects of the impact of COVID-19, the response to geopolitical risks remains a challenge.

Toshiba G

Orders increased significantly YoY, mainly in the semi-conductors for automotive and HDD for data centers. The Energy System solutions segment which is included in the power plants system has been also performing well. Our company sees the medium-term management plan centered on infrastructure and device-related businesses in its favor.

Hitachi G

The recovery in market conditions and the reorganization of group companies have led to consecutive high profits. The IT and Energy segments has been performing well and capital investment related to our operations is expected to increase, reversing the trend of restrained investment during the pandemic (COVID-19).

Kioxia G

Strong demand for semiconductors has led to strong sales demand for data center SSDs and enterprise SSDs. In addition to the construction of a new manufacturing building at the Yokkaichi Plant, construction of a new manufacturing building at the Kitakami Plant has begun, which is expected to increase orders for our company.

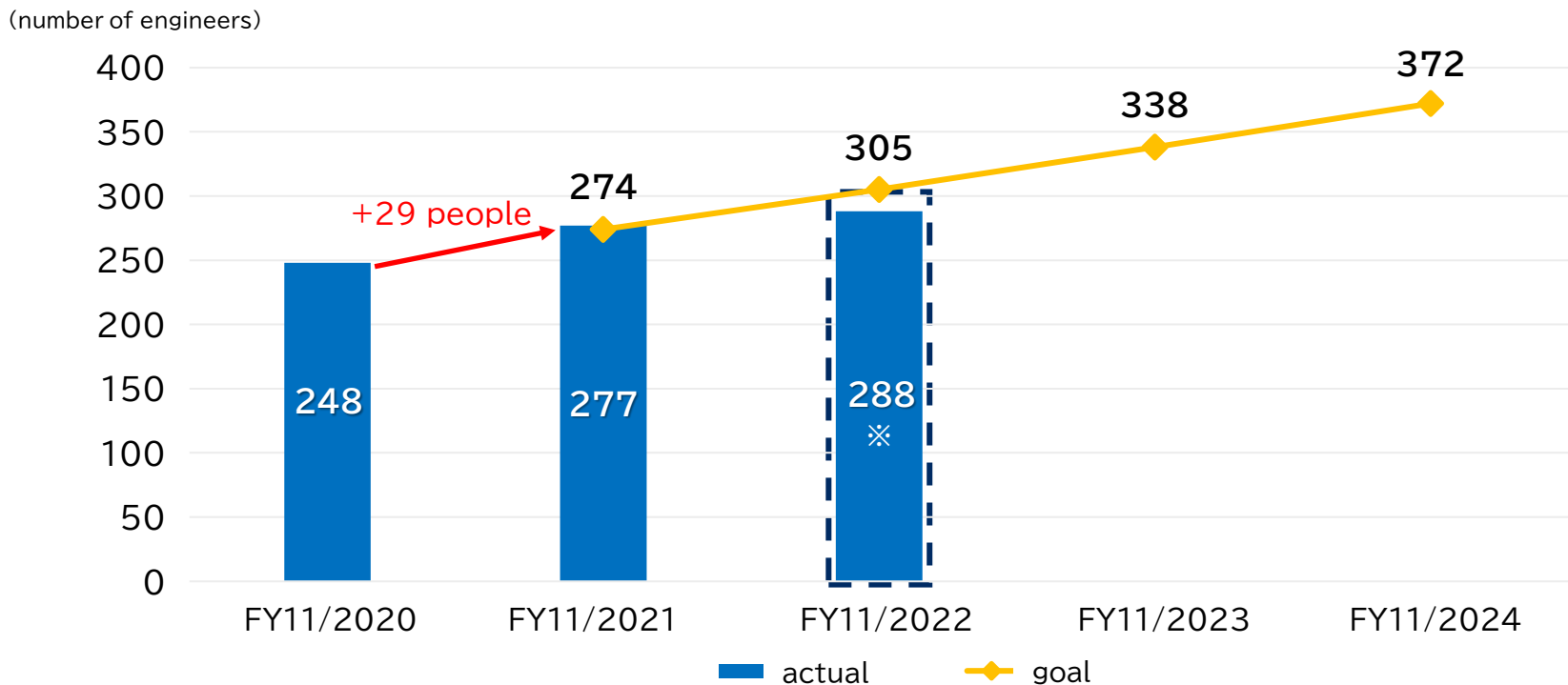
Others

In the field of R&D for AI algorithm development, automotive-related manufacturers, precision machinery manufacturers, and telecommunication infrastructure companies have a strong will to invest in research. In addition, the trend towards DX and labor saving is accelerating from the pandemic (COVID-19), and business inquiries to our company are expanding.

(Compiled from each company's published data and newspaper reports)

Personnel increase rate **104%**※





Recruitment policy ca. 10% of total engineers



※As of May 31, 2022

Statements of Income (FY2022/2Q)

Statements of Income (FY2022/2Q)

(thousand yen)	FY2021/2Q	FY2022/2Q	+/- amount	+/- %
Net sales	1,286,741	 1,567,800	281,059	21.8%
Cost of sales	916,680	1,080,574	163,894※	17.9%
Gross profit	370,060	487,226	117,165	31.7%
SG&A expenses	197,868	200,544	2,676※	1.4%
Operating profit	172,192	 286,681	114,489	66.5%
<i>(Operating profit rate)</i>	<i>(13.4%)</i>	<i>(18.3%)</i>		
Ordinary profit	177,985	 294,155	116,169	65.3%
<i>(Ordinary profit rate)</i>	<i>(13.8%)</i>	<i>(18.8%)</i>		
Quarterly profit	124,877	 205,717	80,840	64.7%
<i>(Quarterly profit rate)</i>	<i>(9.7%)</i>	<i>(13.1%)</i>		

※ Includes performance-linked bonuses of 49,000 thousand yen in FY2022/2Q and 25,000 thousand yen in FY2021/2Q for employees due to good performance.

Balance Sheets (FY2022/2Q)

(thousand yen)	2021/11 End	FY2022/2Q End	+/- amount
Current assets	1,869,946	1,848,880	△ 21,066
Non-current assets	117,500	162,391	44,890
Total assets	1,987,447	2,011,272	23,824
Current liabilities	440,851	411,394	△ 29,456
Non-current liabilities	51,513	45,742	△ 5,771
Total liabilities	492,364	457,136	△ 35,228
Total shareholders' equity	1,495,082	1,554,135	59,053
Total net assets	1,495,082	1,554,135	59,053
Total liabilities & net assets	1,987,447	2,011,272	23,824

FY Earnings Forecast

FY11/2022 Full-year

Steady progress against full-year forecasts

(No change in the full-year forecast)

(million yen)	FY11/2021 (actual)	FY11/2022 (forecast)	FY11/2022 2Q (actual)	Progress rate
Net sales	2,732	3,100 (Compared to previous period ratio: increase 13.4%)	1,567	50.6%
Operating profit	412	550 (Compared to previous period ratio: increase 33.2%)	286	52.1%
Ordinary profit	419	557 (Compared to previous period ratio: increase 32.9%)	294	52.8%
Current (Quarterly) profit	294	391 (Compared to previous period ratio: increase 32.7%)	205	52.6%

Company

Sales increased 21.8% YoY. Sales were strong in all categories. Development projects from major clients such as Toshiba G, Hitachi G, and Kioxia G were strong. Cumulative 2Q sales were 50.6% of the full-year forecast. The company is increasing its use of outsourcing to compensate for its engineer resources, and the shift to more profitable projects has also been successful, resulting in a gross profit margin of 31.1%. Absorbing a 49 million yen provision for performance-linked bonuses, operating profit rose 66.5% YoY to 286 million yen. Operating profit rate was 18.3%.

Solution

Sales increased 17.2% YoY. Sales increased due to the continuation of large-scale development projects that began in the second half of the previous fiscal year.

Semiconductor

Sales increased 25.2% YoY. The number of engineers dispatched to semiconductor factories increased 14.9% YoY, and revenue increased accordingly. In addition to regular requests from semiconductor factories to increase the number of engineers, contract terms and conditions are being revised as needed, contributing to the increase in sales and profit.

Advanced Technology Solution

The company made a leap forward with a 74.5% increase YoY. Orders from NEC remained strong as in the previous term. Development and support with projects from existing clients were also stable, and this category accounted for 8.1% of total company sales, up from 5.7% compared to the same period of the previous year.

Topics

Opened our 5th office in **Kumamoto City**.

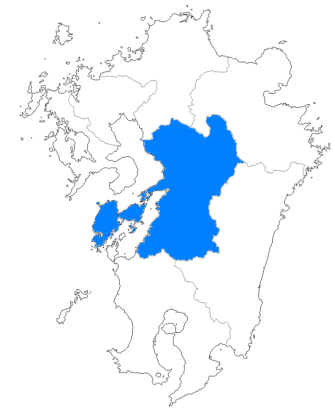
In July 2022, we opened an office in Kumamoto City, Kumamoto Prefecture.

- Kyushu area is one of the regions where supply chains related to semiconductor manufacturing are concentrated
- Kumamoto Prefecture is the location of many production bases of major semiconductor-related company groups in Japan
- A major global semiconductor company will begin manufacturing at the end of 2024

Targeting such customer base, we will aim to receive system development, maintenance and operation services.

Outline of Business Location

- | | |
|---------------------------|---|
| (1) Name | : T&S inc. Kumamoto office |
| (2) Address | : 1-28 Shinshigai, Chuo-ku,
Kumamoto City, Kumamoto Prefecture |
| (3) Date of establishment | : July 1, 2022 |



(Source: Created based on CraftMAP white map)

To secure **flexible financing** for future growth investments and M&A

Outline of the Agreement

- (1) Type of contract : Bilateral method commitment
- (2) Contracting party : Resona Bank, Ltd.
- (3) Amount borrowed : 500 million yen
- (4) Date of contract : May 31, 2022
- (5) Contract term : 3 years
- (6) Use of funds : Working capital
- (7) Security : Unsecured/non-guaranteed
- (8) Purpose : To secure stable working capital for future business activities and to respond quickly to sudden demand for funds

Shareholder Returns

Total return ratio for the FY11/2022 is expected to be a maximum of 70.5%.

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 FY11/2022, the Company plans to pay a dividend of 5.00 yen per share (up 1.00 yen in real terms), aiming for a dividend payout ratio of around 10%, in line with the above policy. In addition to this, the Company has been repurchasing its own shares since January 2022 (up to 250 million yen).

The financial indicators after taking into account the above measures are as follows.

	Dividend per share	Total return ratio (※)	Return on equity (ROE)
FY11/2022(Forecast)	5.00 yen	70.5%	25.1%

※ The above figures are based on the assumption that the maximum number of shares to be repurchased has been reached.

The status of treasury shares repurchases as of June 30, 2022 is as follows

Total number of shares acquired	Total acquisition price of shares	Acquisition period (contract basis)
121,300 shares	162,190,200 yen	January 14, 2022 - June 30, 2022

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