

**FY11/2022**  
**First Quarterly**  
**Supplementary Material**  
**on Financial Results**

2022.4.14

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**T&S inc.**  
TSE Growth: 4055



**T & S**  
Technology & Service

## FY11/2022 First Quarterly

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# Highlights (FY2022/First Quarterly)

(Theme of current term)  
**Accelerated Growth**

## 1 **Record-high revenues achieved** (Compared to the same period of the previous year)

Net sales	: 733 million yen	( <b>25.0% increased</b> ↑、+146 million yen)	YoY
Operating income	: 126 million yen	( <b>77.0% increased</b> ↑、+55 million yen)	(ditto)
Ordinary income	: 126 million yen	( <b>76.3% increased</b> ↑、+54 million yen)	(ditto)
Quarterly net income	: 88 million yen	( <b>74.4% increased</b> ↑、+37 million yen)	(ditto)

## 2 **Advanced Technology Solutions made a significant leap forward.** **Other categories also performed well.**

- Sales in the advanced technology solutions category increased **174.3%** YoY. Sales increased due to stable orders for development support projects from existing clients and an increase in new clients.
- Sales in the solutions category increased **18.4%** YoY. 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 **23.9%** YoY. Sales increased due to an increase in the number of engineers dispatched to semiconductor factories.

## 3 **Q1 sales progress rate exceeded the average year, and performance-linked bonuses were also reserved**

- There is a seasonal fluctuation trend that sales do not grow much in 1Q every year, in the previous 1Q the ratio was only 21.5%, but in the current period, it was **23.6%** of the full-year forecast.
- Continuing from the previous year, a portion of operating profit was returned to employees, achieving an operating profit margin of **17.3%** despite the provision of 15 million yen in performance-linked bonuses for 1Q (up 5.1 percentage points YoY)

# Financial Results Overview

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FY11/2022 **First Quarterly**

# Financial Results Overview (FY2022/First Quarterly)

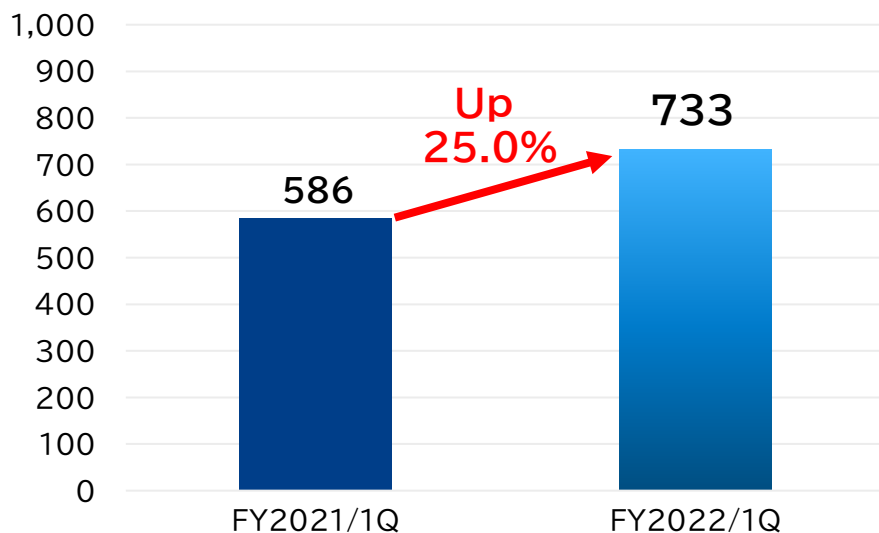
## Record-high revenues achieved

(Compared to the same period of the previous year)

Net sales	: 733 million yen	(Up 25.0% ↑, +146million yen)	YoY
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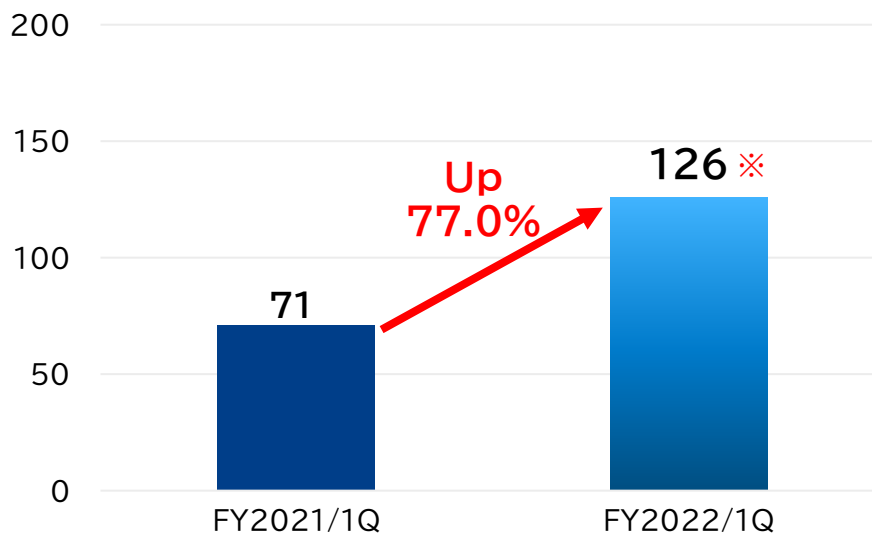
(million yen)

### Net Sales



(million yen)

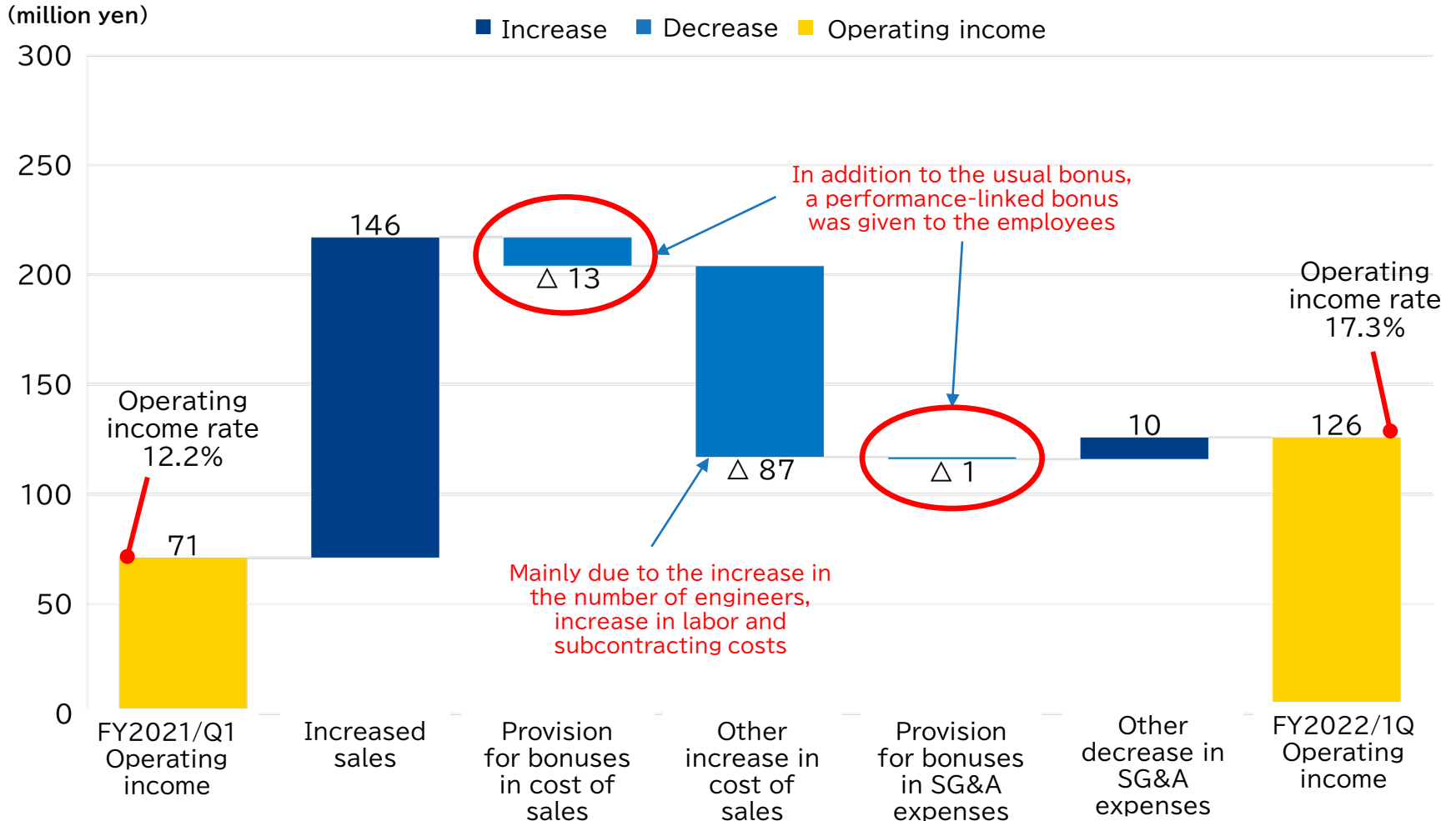
### Operating Income



※ In view of the strong performance, the Company performance-linked bonuses for employees allocated 15 million yen.

# Operating Income (FY2022/First Quarterlyly)

**Absorbed performance-linked bonuses and increased operating income by 55 million yen.** (YoY)



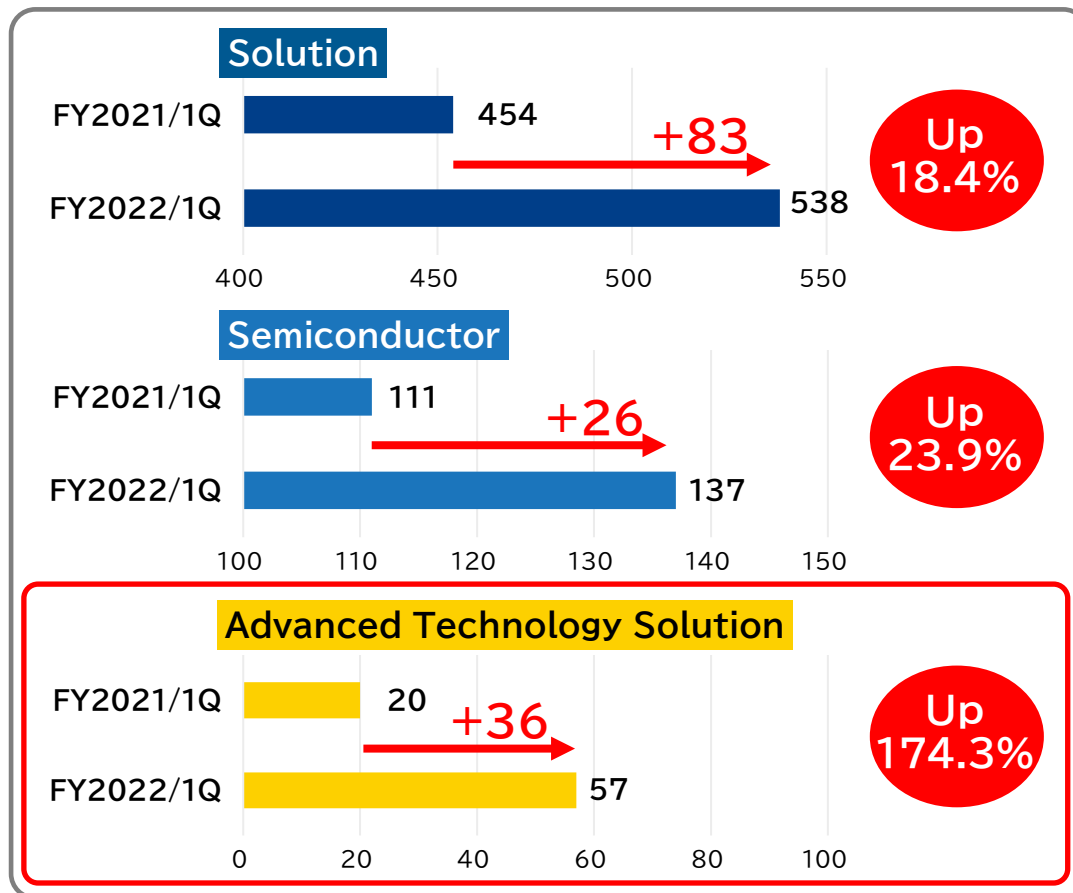
# Net Sales by Category (FY2022/First Quarterlyly)

**Sales increase in all categories**

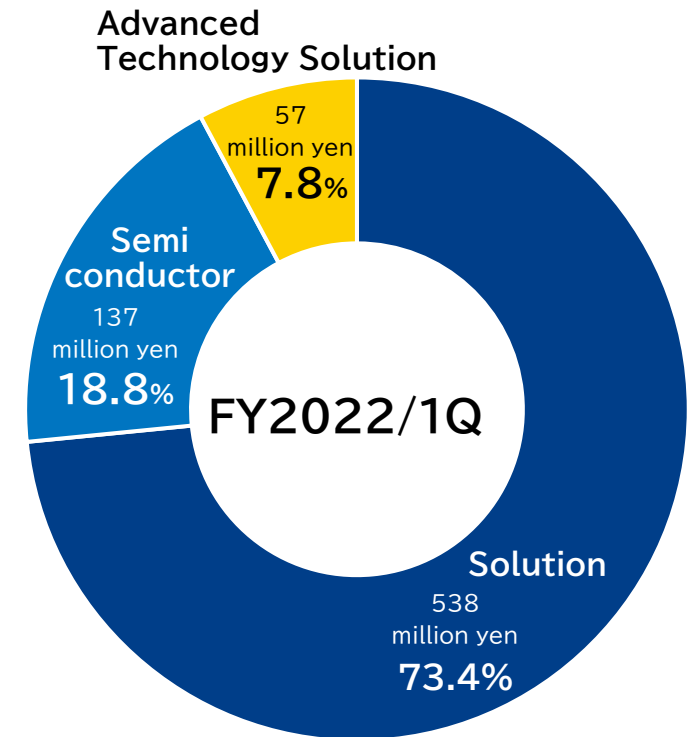
**Up 174.3% in Advanced Technology Solution Category**

(YoY)

## Net Sales (by category)(million yen)



## Sales proportion (by category)



(Note) Our business segment is a single segment, so only Net sales of each category could be calculated.

# Net Sales by Customer (FY2022/First Quarterlyly)

Toshiba G, Hitachi G, Kioxia G

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

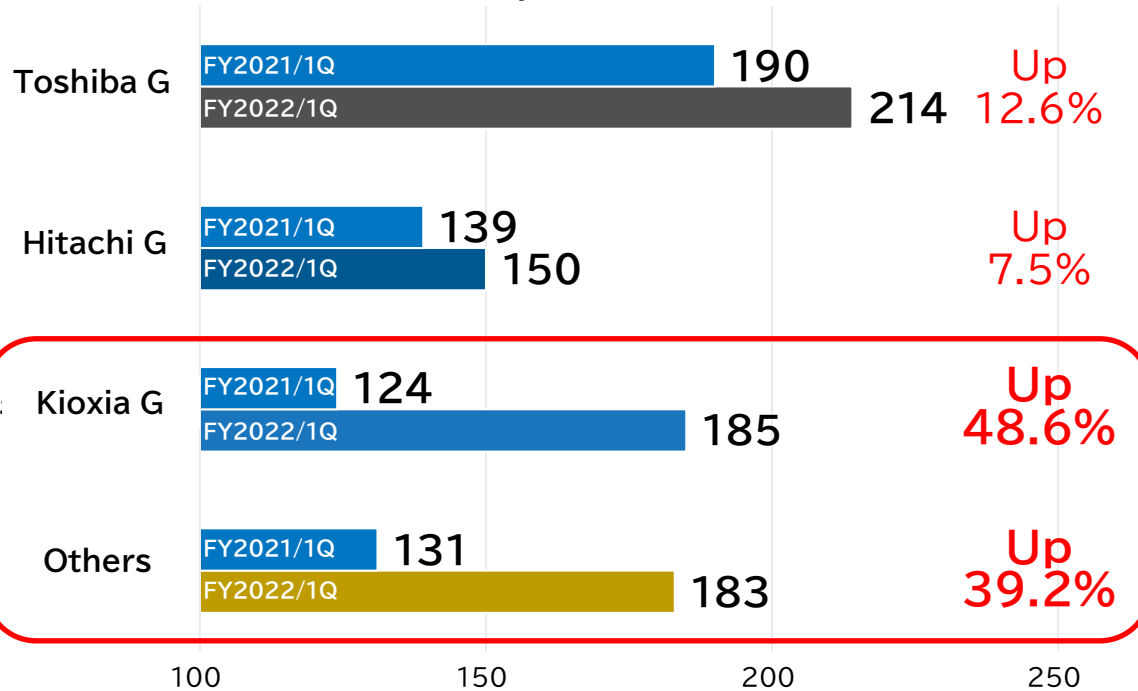
(Up 48.6% (YoY) 25.3% of the total)

Others

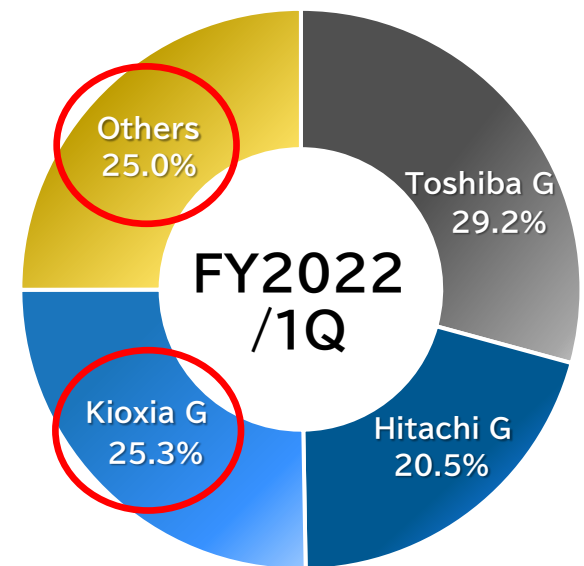
Increase in **new customers**

(Up 39.2% (YoY) 25.0% of the total)

Net Sales (by customer) (million yen)



Sales proportion (by customer)





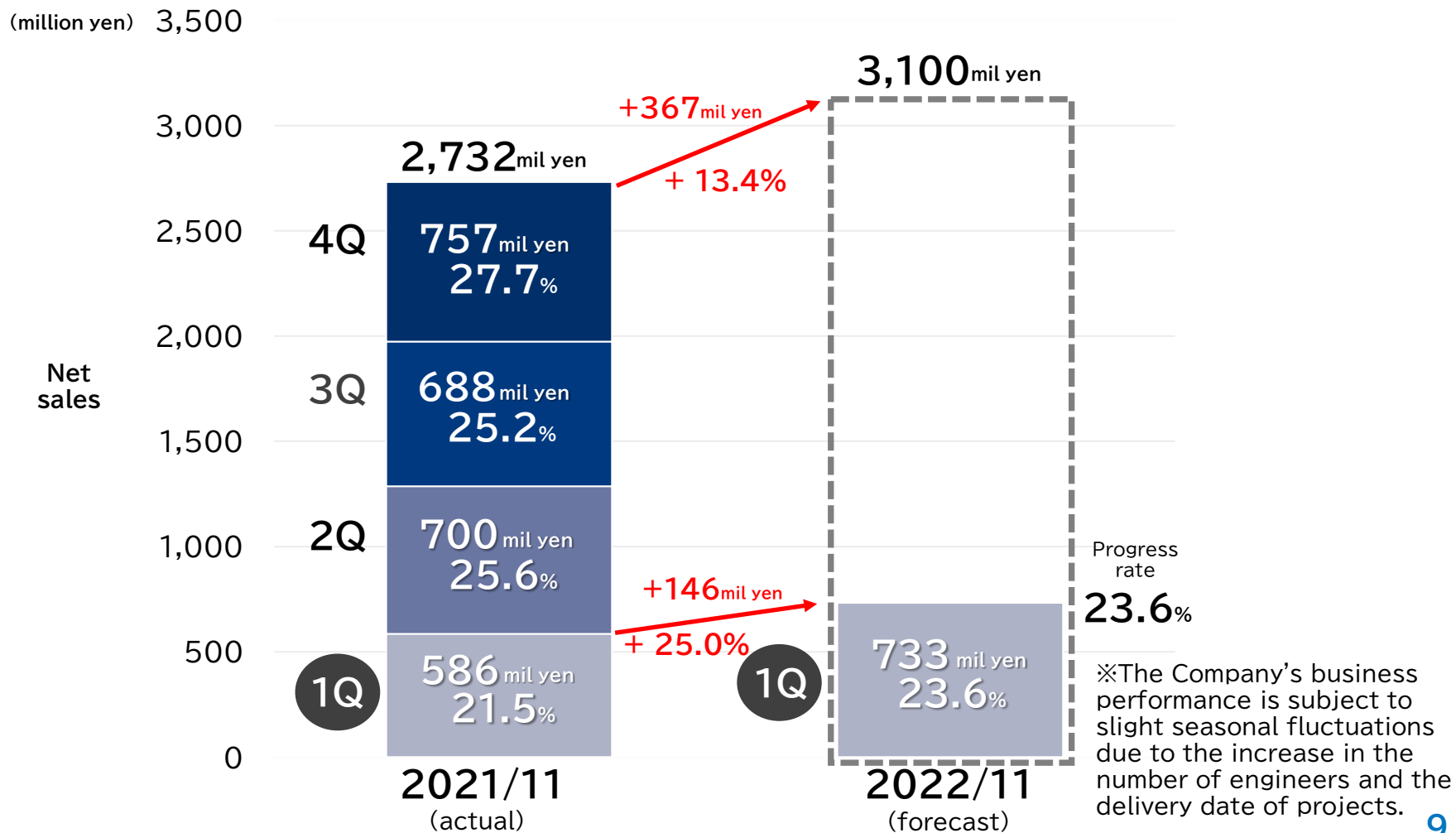
# Net Sales by Quarter (FY2022/First Quarterly)

## Q1 cumulative sales: 733 million yen

Increase: **+146 million yen 25.0%**      Progress rate: **23.6%**

(YoY)

(Percentage of progress toward full-year forecast)



## (Overall) Trend of Major Customers (As of April 14, 2022)

Our orders continue to be strong, as well as our major clients as a whole. While all companies are overcoming the effects of the covid-19 pandemic, they are still facing challenges in dealing with geopolitical risks.

### Toshiba G

Orders increased significantly YoY due to strong sales of power semiconductors and HDDs for data centers. The power plant-related energy system solutions segment, in which we are engaged in system development, is also performing well. We see the mid-term business plan centered on infrastructure and device-related businesses as favorable for the Company.

### Hitachi G

Highest profits due to market recovery and reorganization of power grid and automotive-related businesses. In particular, the IT and energy segments are expanding rapidly, and capital expenditures related to our operations are expected to increase, reversing the trend of Covid-19.

### Kioxia G

Production of 3D flash memory at the domestic plant was suspended at the beginning of the year, but has now been resumed. There was no particular impact on the Company. Shipment for data center SSD and enterprise SSD was strong due to strong demand for semiconductors. In addition to the construction of a new manufacturing building at the Yokkaichi Plant, the start of construction of a new manufacturing building at the Kitakami Plant has been announced, which is expected to lead to increased orders for the Company.

### Others

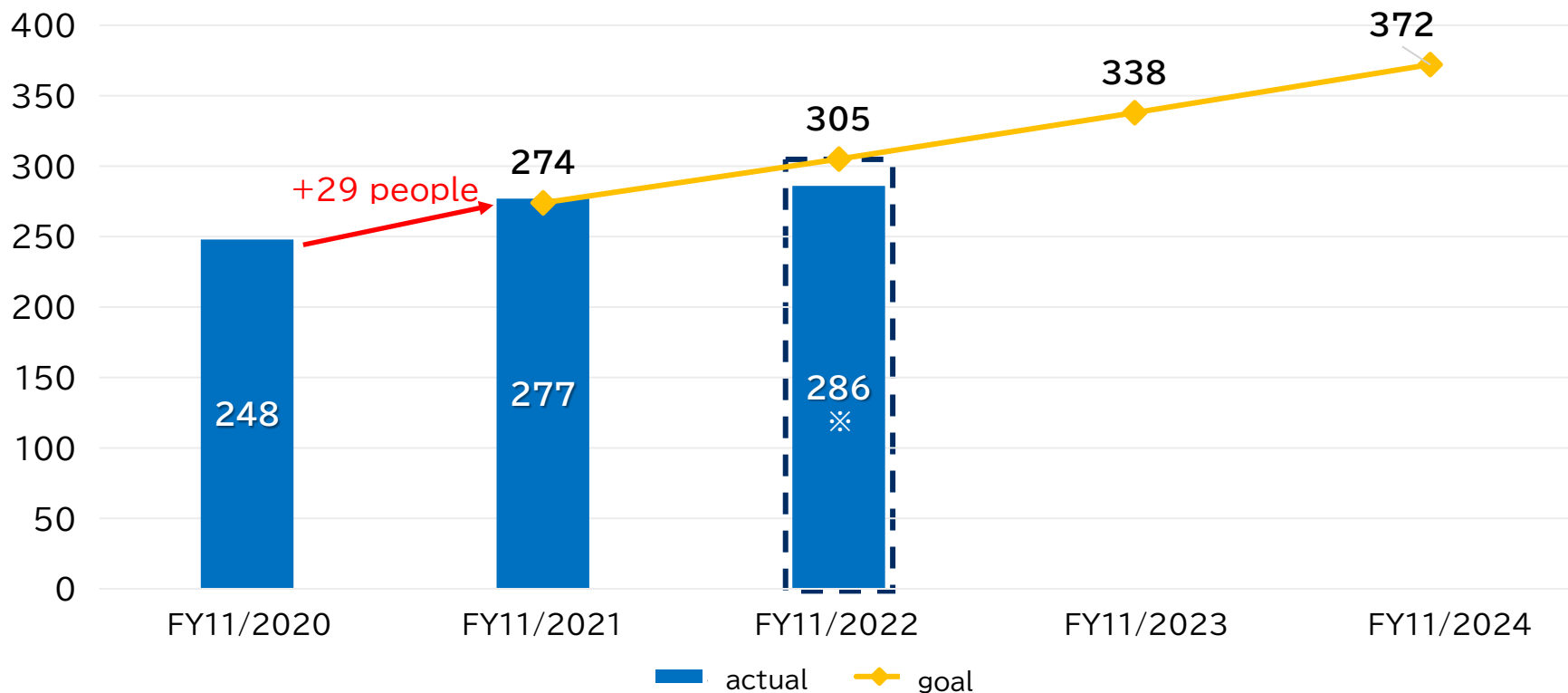
In the field of R&D for AI algorithm development, automotive-related manufacturers, precision machinery manufacturers, and telecommunication infrastructure companies have a strong appetite for research investment. The trend toward DX (conserving the amount of manpower) accelerated during Covid-19 pandemic, and this has led to an increase in inquiries to the Company.

# Status of increase in engineers

Personnel increase rate **103%** ※

Recruitment policy ca. 10% of total engineers

(number of engineers)



※ As of April 14, 2022

# Statements of Income (FY2022/1Q)

## Statements of Income (FY2022/1Q)

(thousand yen)	FY2021/1Q	FY2022/1Q	+/- amount	+/- %
Net sales	586,564	733,145	146,581	25.0%
Cost of sales	413,845	514,309	100,464 ※	24.3%
Gross profit	172,718	218,835	46,116	26.7%
SG&A expenses	101,210	92,232	△ 8,977 ※	△ 8.9%
Operating income	71,508	126,602	55,093	77.0%
<i>(Operating income rate)</i>	<i>(12.2%)</i>	<i>(17.3%)</i>		
Ordinary income	71,781	126,552	54,771	76.3%
<i>(Ordinary income rate)</i>	<i>(12.2%)</i>	<i>(17.3%)</i>		
Quarterly net income	50,896	88,767	37,871	74.4%
<i>(Quarterly net income rate)</i>	<i>(8.7%)</i>	<i>(12.1%)</i>		

※ The above figures include performance-linked bonuses of 15,000 thousand yen to employees due to good performance.

## Balance sheets (FY2022/1Q)

(thousand yen)	2021/11 End	FY2022/1Q End	+/- amount
Current assets	1,869,946	1,735,761	△ 134,184
Fixed assets	117,500	91,077	△ 26,422
<b>Total assets</b>	<b>1,987,447</b>	<b>1,826,839</b>	<b>△ 160,607</b>
Current liabilities	440,851	271,952	△ 168,898
Fixed liabilities	51,513	52,401	888
<b>Total liabilities</b>	<b>492,364</b>	<b>324,354</b>	<b>△ 168,010</b>
Total shareholders' equity	1,495,082	1,502,485	7,402
Total net assets	1,495,082	1,502,485	7,402
<b>Total liabilities &amp; net assets</b>	<b>1,987,447</b>	<b>1,826,839</b>	<b>△ 160,607</b>

# FY Earnings Forecast

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FY2022 Full-Year

## Steady progress against full-year forecasts

(No change in the full-year forecast)

(million yen)	FY2021/11 (actual)	FY2022/11 (prediction)	FY2022/11 Q1 (actual)	Progress rate
Net sales	2,732	3,100	733	23.6%
Operating income	412	550	126	23.0%
Ordinary income	419	557	126	22.7%
Net income (Quarterly)	294	391	88	22.7%

### Company

Sales increased 25.0% YoY. Strong performance in all categories. Development projects from major customers such as Toshiba G, Hitachi G, and Kioxia G were strong. There is a seasonal fluctuation trend that sales do not grow much for due to client delivery deadlines and the number of days of engineer dispatched in 1Q every year, in the previous 1Q the ratio was only 21.5%, but in the current period, it was 23.6% of the full-year forecast.

The company has been outsourcing more to compensate for its technical personnel resources, but shifting to more profitable projects has been successful, and gross profit margin was 29.8%. Absorbing a 15 million yen provision for performance-linked bonuses, the company posted operating income of 126 million yen, up 77.0% YoY. Operating income rate was 17.3%.

### Solution

Increased by 18.4% YoY. Sales increased due to steady acquisition of engineers and the continuation of large-scale development projects that began in the second half of the previous fiscal year.

### Semiconductor

Increased by 23.9% YoY. The number of engineers dispatched to semiconductor plants increased 20.9% YoY, which led to an increase in revenue. In addition to recurring requests from semiconductor plants for more workers, contract terms and conditions are being revised as needed, contributing to the increase in sales and profit.

### Advanced Technology Solution

The company made a significant leap forward with a 174.3% increase YoY. Orders from NEC remained strong as in the previous period. In addition to stable development support projects from existing clients, new clients also increased, and the sales composition of this category expanded to 7.8% of total company sales from 3.6% in the same period of the previous fiscal year.

# Capital and Business alliance

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# Capital and business alliance on edge AI with Intelligence Design Inc.

**Outline of Share Acquisition** Intelligence Design Inc. to underwrite a third-party allotment of new shares and agreed to acquire shares of;

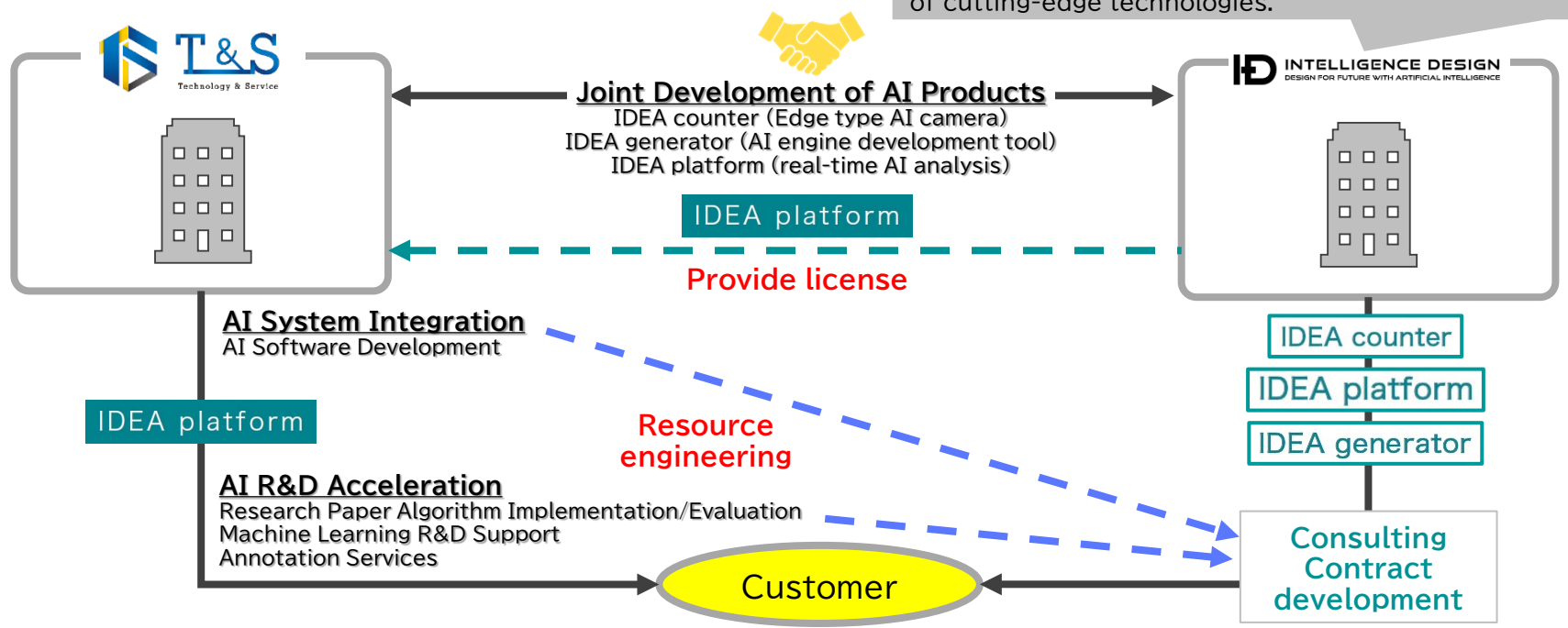
- Total amount of shares acquired : 50,400,000 yen
- Number of shares/voting rights ratio of the share acquisition : 63 shares of common stock/2.53%

**Outline of Capital and Business Alliance** The Company and Intelligence Design Inc. entered into a business alliance agreement. The main measures are as follows

- Joint development of AI products
- To provide our company with the AI analysis platform owned by Intelligence Design
- Mutual provision of engineering resources

**Future Prospects** We believe that this transaction will contribute to improving our business performance and corporate value from a mid-term business plan and will have a negligible impact on our business performance for the current fiscal year.

Intelligence Design Inc. is developing AI products using image recognition libraries to provide social implementation of cutting-edge technologies.



# Shareholder Returns

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## 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.

For the fiscal year ending November 30, 2022, we plan to pay a dividend of 5.00 yen per share (an increase of 1.00 yen in real terms), aiming for a dividend payout ratio of around 10% in line with the policy mentioned above.

In addition to this, the Company has been repurchasing its own shares since January 2022. (up to a maximum of 250 million yen)

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

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

※ The above figures assume that the maximum number of shares to be acquired had been purchased.

The status of treasury stock acquisition as of the end of March, 2022 is as follows.

Total number of shares acquired	Total amount of purchased price of shares	Acquisition period (contract base)
58,200 shares	76,154,900 yen	January 14, 2022 - March 31, 2022

## Contact

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