

FY11/2022 **Third Quarter** Supplementary Material on Financial Results

T&S inc.
TSE Growth: 4055
October 14th, 2022



T & S
Technology & Service

FY11/2022 Third Quarter

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(Theme of current term)
Accelerated Growth

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

Net sales	: 2,338 million yen	(Up 18.4%↑, + 362 million yen)	(YoY)
Operating profit	: 423 million yen	(Up 52.1%↑, + 145 million yen)	(ditto)
Ordinary profit	: 431 million yen	(Up 51.9%↑, + 147 million yen)	(ditto)
Profit	: 302 million yen	(Up 51.7%↑, + 103 million yen)	(ditto)

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

- Sales in the Advanced Technology Solution category **increased 61.1%** year-on-year. Sales grew as a result of continued orders for AI-related R&D support services and treatise survey support, as well as steady orders from new clients. In particular, the percentage of sales in this category to the entire company increased from 5.7% in the same period of the previous year to 7.7% in the third quarter of the current fiscal year. This was due to an increase in new clients and projects from existing clients such as NEC Corporation, which remained strong from the previous fiscal year.
- Sales in the solutions category **increased 13.6%** year-on-year. Orders for contracted development projects from major clients remained strong. In the previous fiscal year, a large-scale development projects for semiconductor manufacturers from our major customer which contribution to sales.
- Sales in the Semiconductor category **increased 25.4%** year-on-year. The number of engineers dispatched to semiconductor plant for maintenance and operation services remained strong due to the steady orders from major customers, as well as an increase in the number of employees due to the semiconductor market.

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

- Compared to 72.3% of total sales in the previous 3Q, **the progress rate toward the full-year forecast is 75.4%** in the current period.
- Continuing from the previous year, a portion of operating profit was returned to employees. Despite the provision of 55 million yen in performance-linked bonuses for the 3Q, we achieved an operating profit rate of **18.1%**. (up 4.0 percentage points from the same period of the previous year)

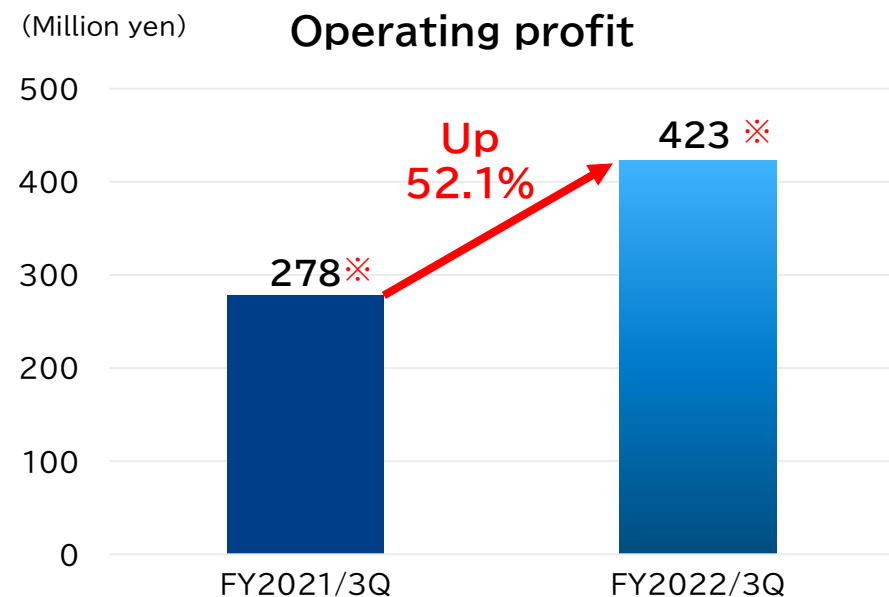
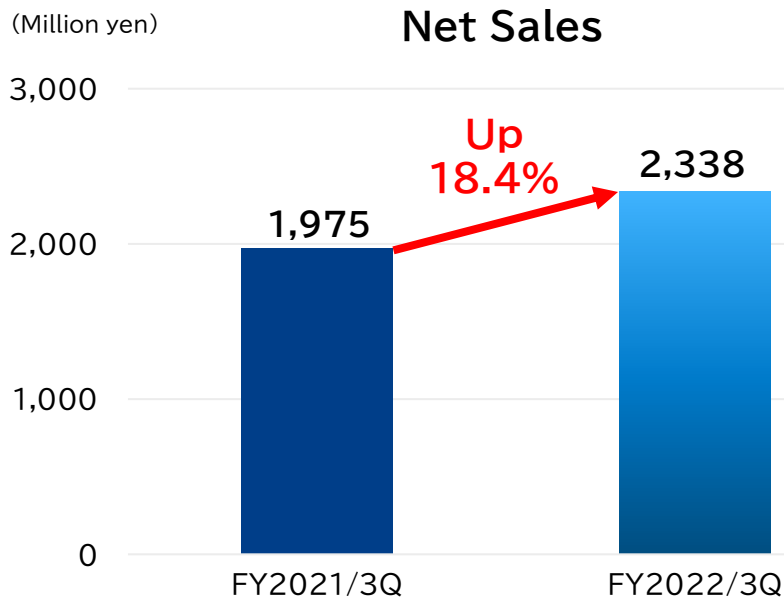
Financial Results Overview

FY11/2022 **Third Quarter**

Financial Results Overview (FY11/2022 3Q)

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

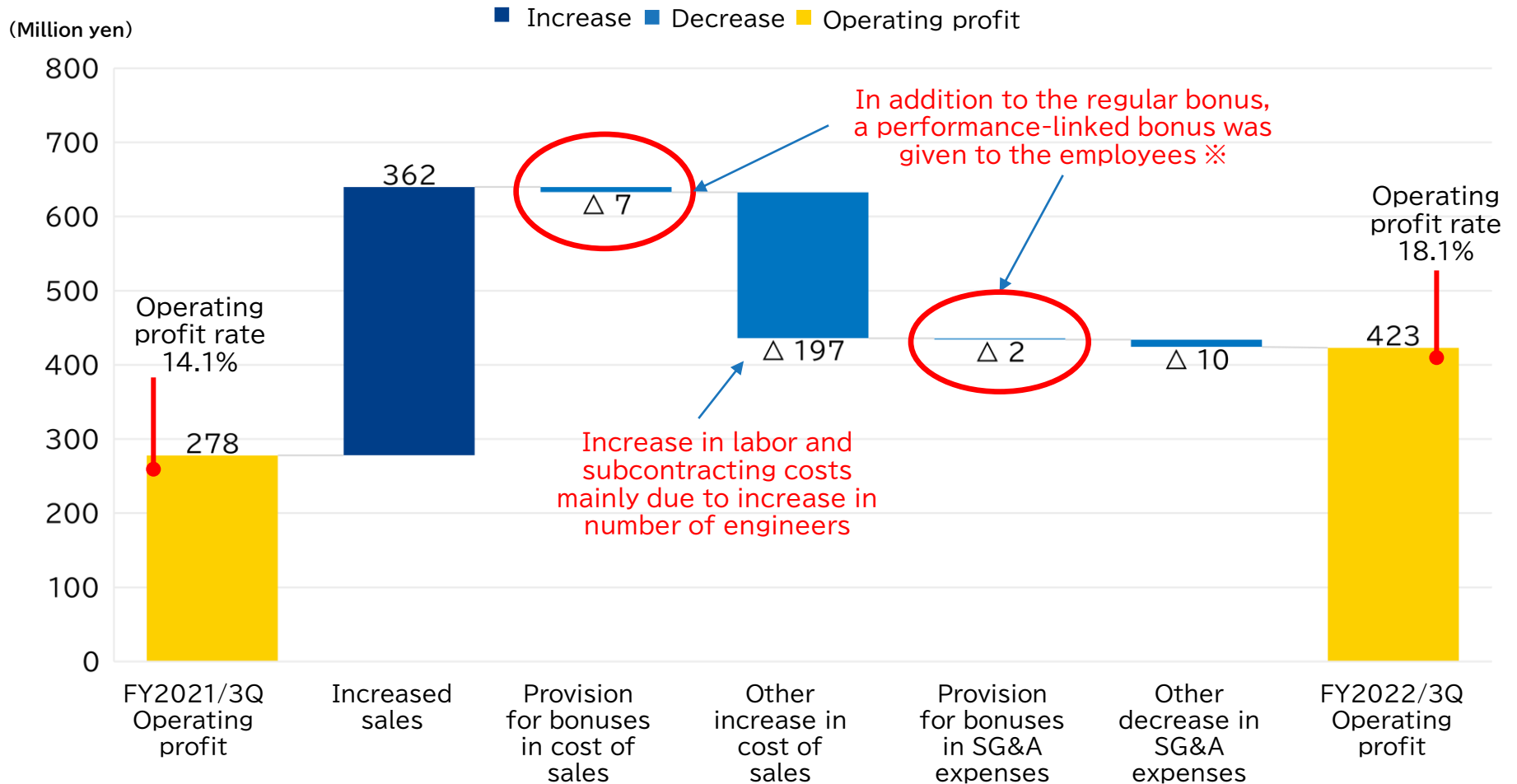
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※ Performance-linked bonuses for employees of 55 million yen in FY2022/3Q and 45 million yen in FY2021/3Q were recorded in consideration of the good performance of the company.

Operating Profit (FY11/2022 3Q)

Absorbed performance-linked bonuses and **increased operating profit** by 145 million yen. (YoY)

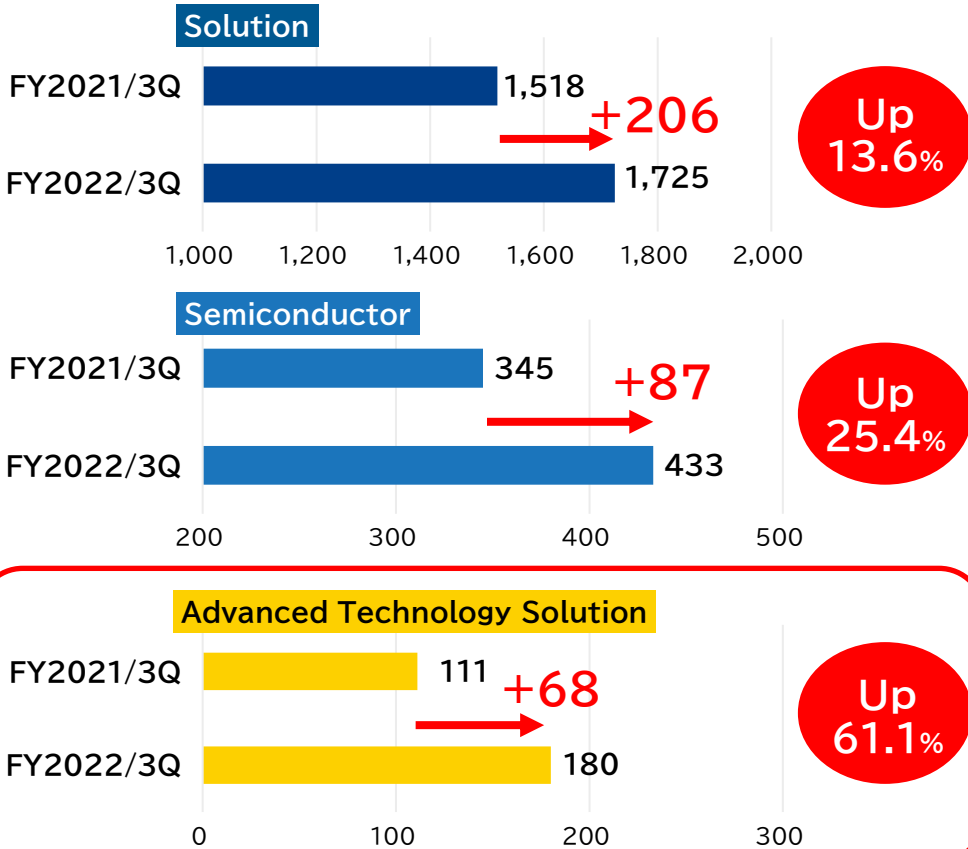


※The Company recorded 55 million yen in FY2022/3Q and 45 million yen in FY2021/3Q.

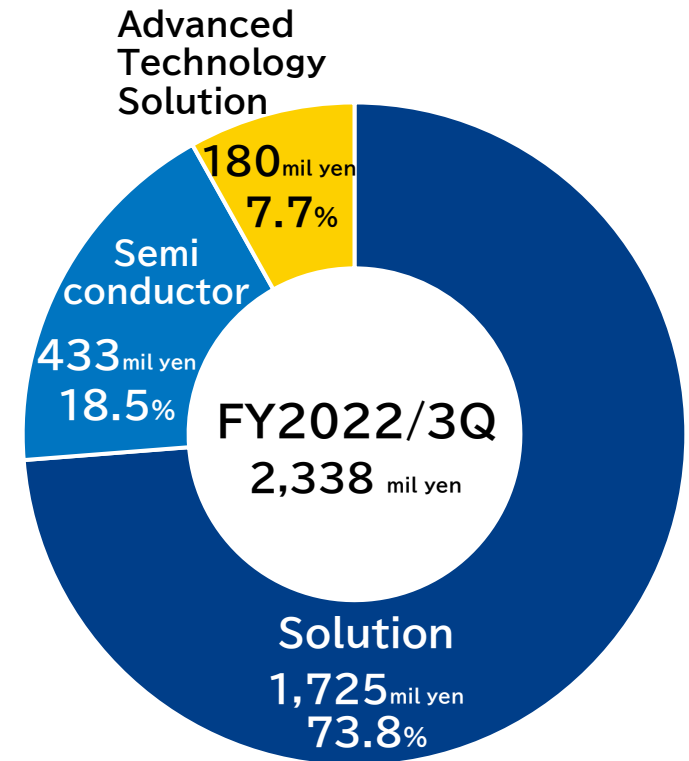
Net Sales by Category (FY11/2022 3Q)

Sales increase in all categories
Up 61.1% 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.

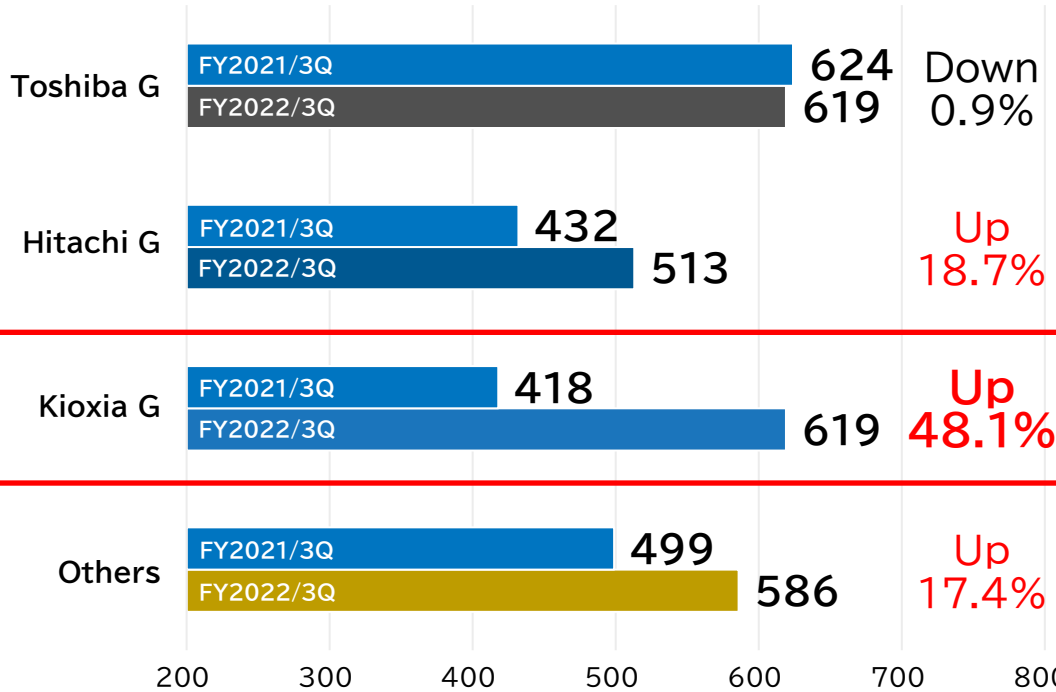
Net Sales by Customer (FY11/2022 3Q)

Toshiba G, Hitachi G, Kioxia G

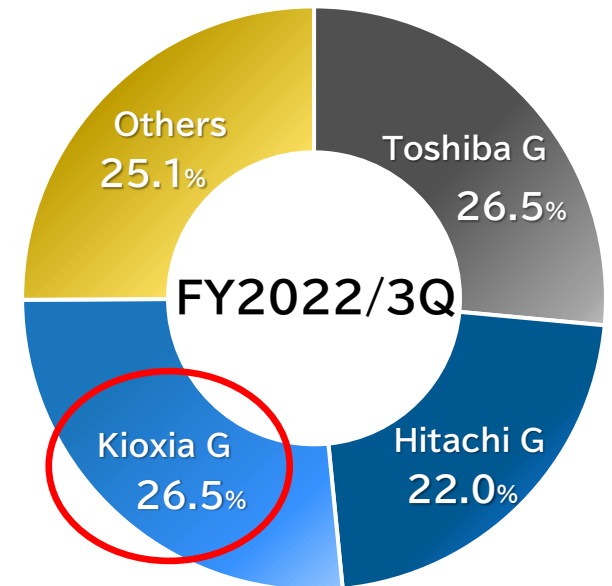
Major customers maintaining steady level
Sales to **Kioxia G** significantly increased

(Up 48.1% (compared to the previous same quarter) **Composition ratio of 26.5%**)

Net Sales (by customer) (Million yen)



Sales proposition (by customer)



(Note) Due to the reorganization of Toshiba G, the sales of Kioxia Engineering Corporation (former Chubu Toshiba Engineering Co., Ltd.) have been included in "Kioxia G" from the current quarter.

Quarterly Net Sales and Operating Profit (FY11/2022 3Q)

3Q cumulative Net Sales: 2,338 million yen

Increase: **+362 million yen, 18.4% increase**

(Compared to the previous same quarter)

Progress rate: **75.4%**

(Percentage of progress toward full-year forecast)

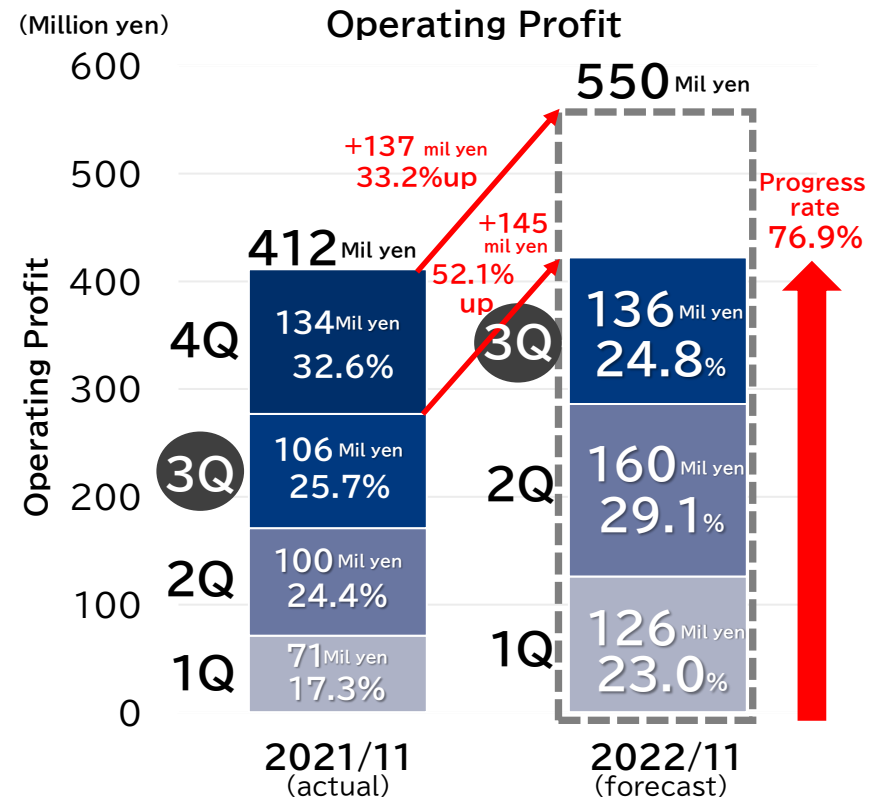
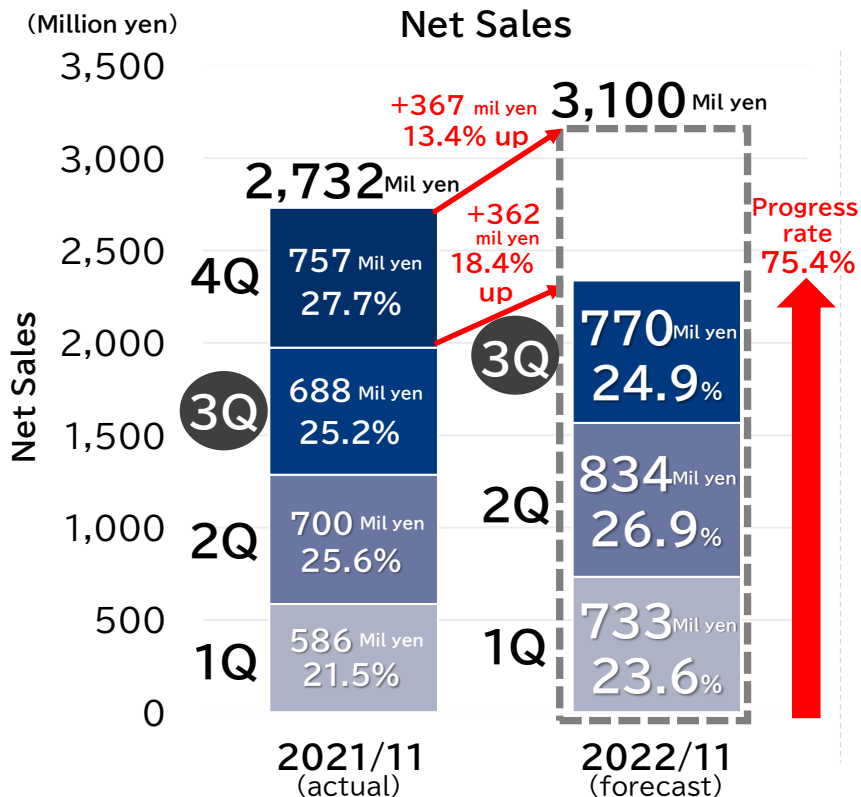
3Q cumulative Operating Profit: 423 million yen

Increase: **+145 million yen, 52.1% increase**

(Compared to the previous same quarter)

Progress rate: **76.9%**

(Percentage of progress toward full-year forecast)



※ There are seasonal differences in our business performance due to the increase in the number of engineers and project delivery dates.

Trend of our Major Customers (As of October 14th, 2022)

There is a strong business environment surrounding the Company. While the semiconductor industry is experiencing a lull, it continues to operate at a high level, and associated companies have a strong appetite for investment. While companies are overcoming the effects of COVID-19, the issue is how to handle geopolitical risks.

Toshiba G

The demand for automotive semiconductors and products related to energy and infrastructure is strong. Energy system solutions related to power plants, where we are engaged in system development, are a particular tailwind for the Company.

Hitachi G

A consecutive record of highest profits has been achieved as a result of improved market conditions and reorganization of group companies; we are experiencing strong performance in our IT services and energy segment, and we expect to increase investment in our business-related equipment, reversing a trend of restraint during COVID-19.

Kioxia G

While semiconductor demand continued to be strong, some production adjustments were made. The government announced a subsidy of 92.9 billion yen for the construction of a new manufacturing building at the Yokkaichi plant. Further orders are expected due to continued investment expansion, including the construction of a new manufacturing building at the Kitakami Plant and the acquisition of Chubu Toshiba Engineering, a subsidiary of Toshiba.

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 and labor savings has accelerated in the midst of the COVID-19, resulting in inquiries to our company are expanding.

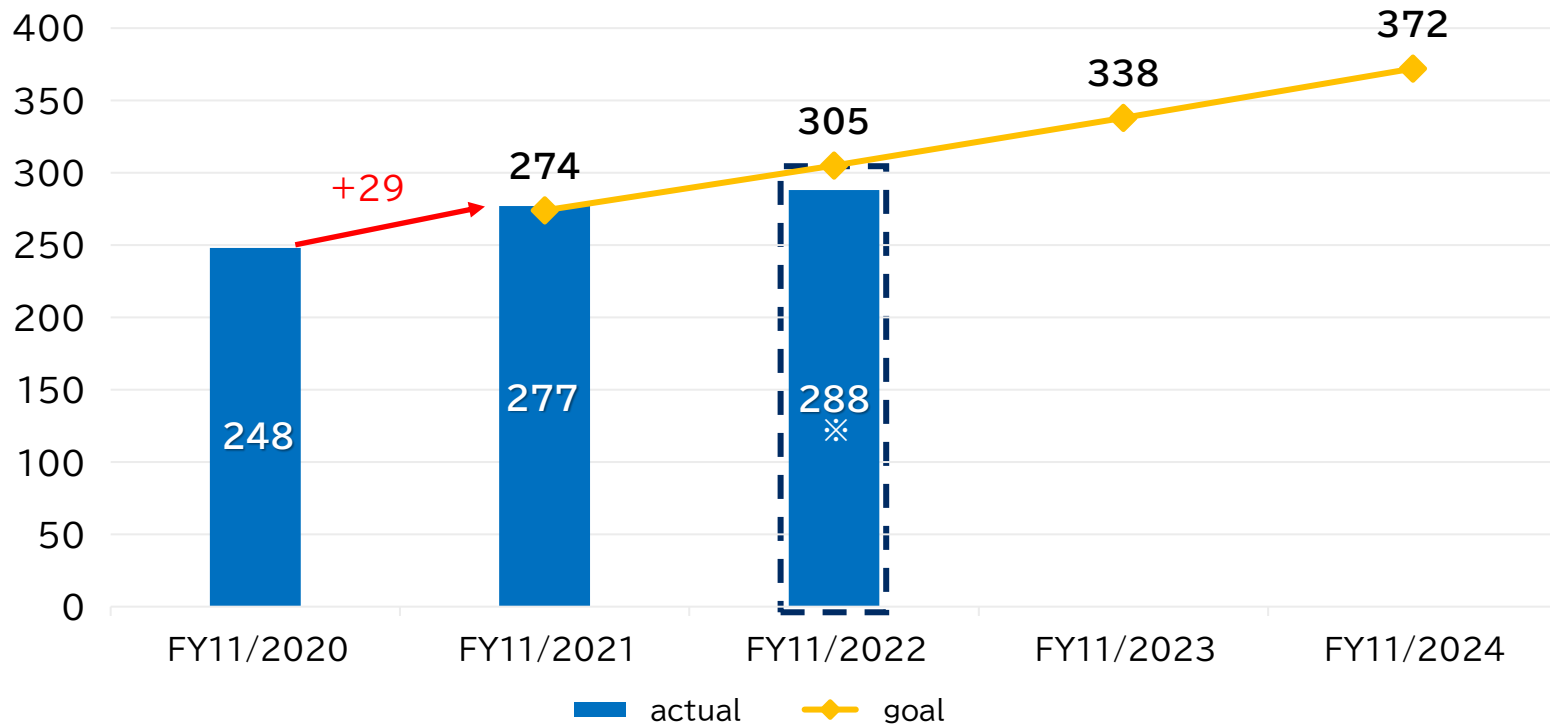
(Compiled from each company's published data and newspaper reports)

Struggled to recruit engineers

Personnel increase rate **4.0%** ※





Recruitment policy ca. 10% of total engineers

(Number of Engineers)



※ As of October 14th, 2022

Statement of Income (FY11/2022 3Q)

Unit: Thousand Yen	FY11/2021 3Q	FY11/2022 3Q	+/- amount	+/- %
Net Sales	1,975,571	 2,338,440	362,868	18.4%
Cost of Sales	1,414,880	1,620,367	205,486※	14.5%
Gross Profit	560,691	718,072	157,381	28.1%
SG&A expenses	282,481	294,799	12,317※	4.4%
Operating profit	278,209	 423,273	145,064	52.1%
<i>(Operating profit rate)</i>	<i>(14.1%)</i>	<i>(18.1%)</i>		
Ordinary profit	284,274	 431,739	147,464	51.9%
<i>(Ordinary profit rate)</i>	<i>(14.4%)</i>	<i>(18.5%)</i>		
Quarterly Profit	199,544	 302,735	103,191	51.7%
<i>(Quarterly profit rate)</i>	<i>(10.1%)</i>	<i>(12.9%)</i>		

※ Includes performance-linked bonuses of 55,000 thousand yen in FY11/2022 3Q and 45,000 thousand yen in FY11/2021 3Q for employees due to good performance.

Balance Sheets (FY11/2022 3Q)

Unit: thousand yen	FY11/2021	FY11/2022 3Q	+/- amount
Current assets	1,869,946	1,859,871	△10,075
Non-current assets	117,500	157,650	40,150
Total assets	1,987,447	2,017,522	30,074
Current liabilities	440,851	374,148	△66,702
Non-current liabilities	51,513	47,373	△4,140
Total liabilities	492,364	421,521	△70,843
Total shareholders' equity	1,495,082	1,596,000	100,917
Total net assets	1,495,082	1,596,000	100,917
Total liabilities & net assets	1,987,447	2,017,522	30,074

FY Earnings Forecast

FY11/2022 Full-year

Steady progress against full-year forecasts

(No change in the full-year forecast)

Unit: million yen	FY11/2021 (actual)	FY11/2022 (forecast)	FY11/2022 3Q (actual)	Progress rate
Net sales	2,732	3,100 (Compared to previous period ratio: increase 13.4%)	2,338	75.4%
Operating profit	412	550 (Compared to previous period ratio: increase 33.2%)	423	76.9%
Ordinary profit	419	557 (Compared to previous period ratio: increase 32.9%)	431	77.5%
Current period (quarterly) Profit	294	391 (Compared to previous period ratio: increase 32.7%)	302	77.4%

Company

Sales increased 18.4% year-on-year. Sales remained strong in all categories. Development projects from major clients such as Toshiba G, Hitachi G, and Kioxia G were steady. Cumulative 3Q Net sales were 75.4% compared to the full-year forecast. The use of outsourcing has been increasing to supplement the company's engineering resources, and a shift to more high-profit projects has also been successful, resulting in a gross profit margin of 30.7%. Absorbing a performance-linked bonus provision of 55 million yen, operating profit rose 52.1% year-on-year to 423 million yen. Operating profit margin was 18.1%.

Solution

Sales increased 13.6% year-on-year. Orders for contracted development projects from major clients remained steady. Particularly, a large-scale development project for an in-factory system from a semiconductor manufacturer (our major customer), which started in the previous fiscal year, contributed to the increase in orders.

Semiconductor

Sales increased 25.4% year-on-year. In addition to steady orders from major clients stays strong in the semiconductor market, the demand for an increase in the number of dispatched engineers for maintenance and operation services at semiconductor factories remained strong, contributing to higher sales and profit.

Advanced Technology Solution

The company made an increase of 61.1% year-on-year in sales, with steady growth in continued orders for AI-related R&D support services and support for research. As well as orders from new clients. This category grew to 7.7% of total company sales in 3Q, up from 5.7% in the same period of the previous fiscal year, due to an increase in new clients and steady orders from existing clients such as NEC Corporation.

Shareholder Returns

Purchase of own treasury shares has been ended.

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 repurchased its own shares from January to July 2022.

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	54.4%	24.6%

※ The above figures take into account the results of share repurchases.

The status of treasury shares repurchases as follows;

Total number of shares acquired	Total acquisition price of shares	Acquisition period (contract basis)
130,400 shares	174,873,500 yen	January 14, 2022 – July 13, 2022

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