

FY11/2021
Third Quarter
Supplementary Material
on Financial Results

2021.10.15

T&S inc.
TSE Mothers: 4055



T & S
Technology & Service

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(Theme of the current term)

First Step towards Proof

1 **Record-high** revenues achieved (Compared to the previous 3Q)

Net Sales	1,975 million yen	(Up 19.6% ↑, + 323 million yen)	(YoY)
Operating income	278 million yen	(Up 28.9% ↑, + 62 million yen)	(ditto)
Ordinary income	284 million yen	(Up 31.6% ↑, + 68 million yen)	(ditto)
Net income	199 million yen	(Up 34.0% ↑, + 50 million yen)	(ditto)

2 **Net Sales: All categories significantly grew.** **Provision for performance-linked bonuses** to employees.

Sales **increased 57.2%** in the advanced technology solution category.
A portion of operating income went to the employees. **45 million yen was set aside as an additional amount to the regular bonus.**

This increase in cost of sales and SG&A expenses was offset by an increase in operating income of 62 million yen YoY.

3 **Upward Revision** of Full-year Earnings Forecasts

The full-year forecast has been **revised upward** in consideration of the strong business performance.

Net sales: 2,720 million yen (**20.0% up** YoY change, increase: 453 million yen)

Ordinary income: 410 million yen (**34.7% up** YoY change, increase: 105 million yen)

Financial Results Overview

FY11/2021 **Third Quarter**

Financial Results Overview (FY2021/3Q)

Record-high revenues achieved

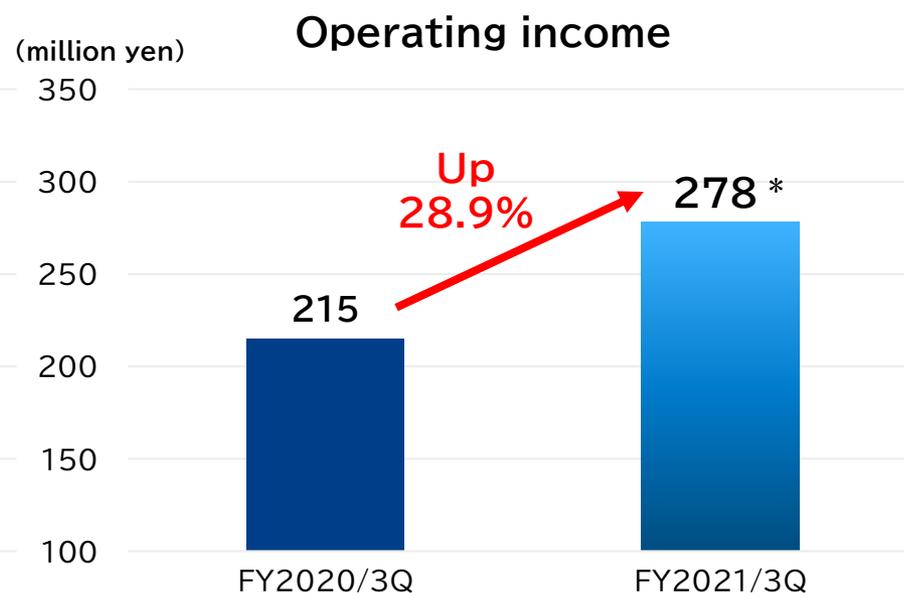
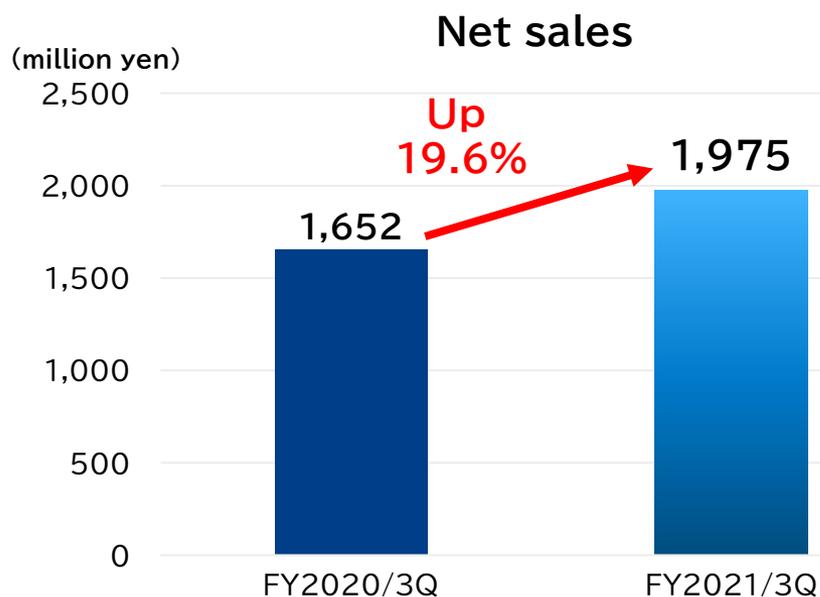
(compared to the previous 3Q)

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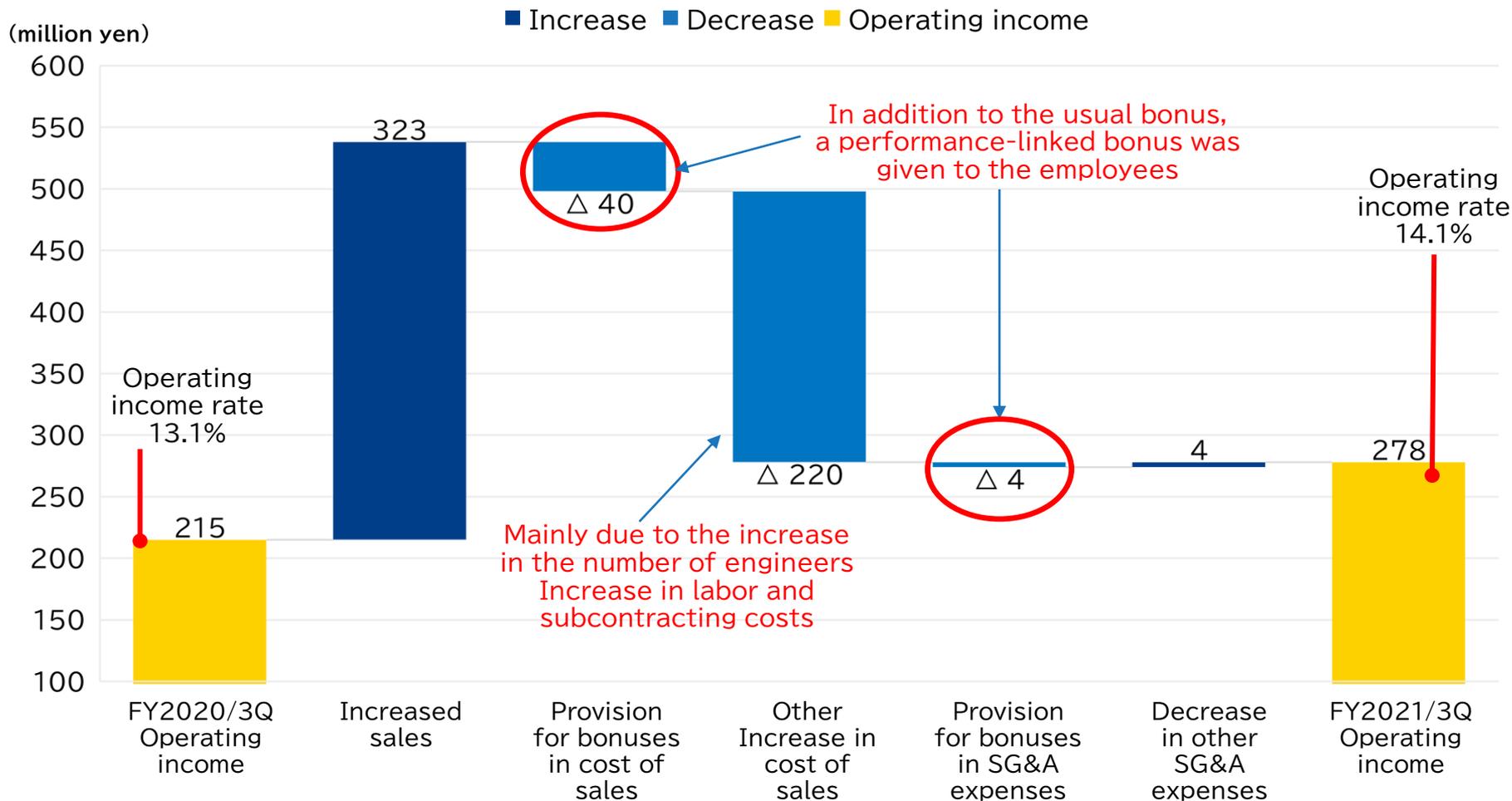


* In view of strong business performance, performance-linked bonuses for employees of 45 million yen.

Operating Income (FY2021/3Q)

Including SG&A expenses,
62 million yen **increase in operating income**

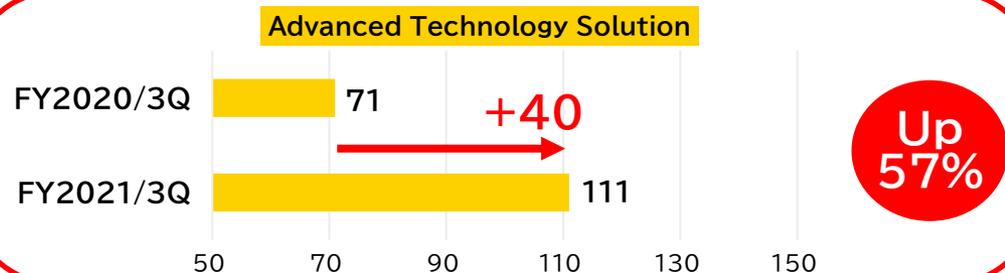
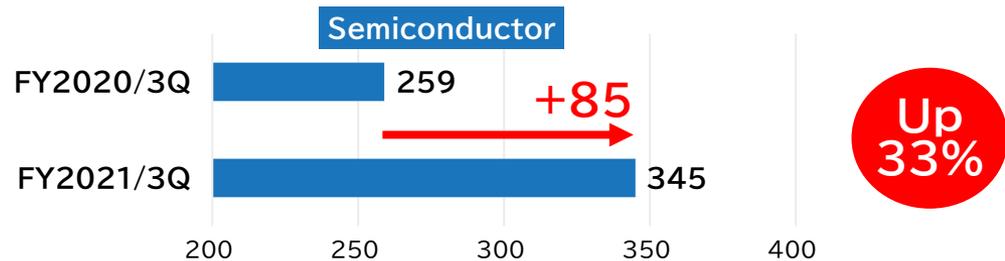
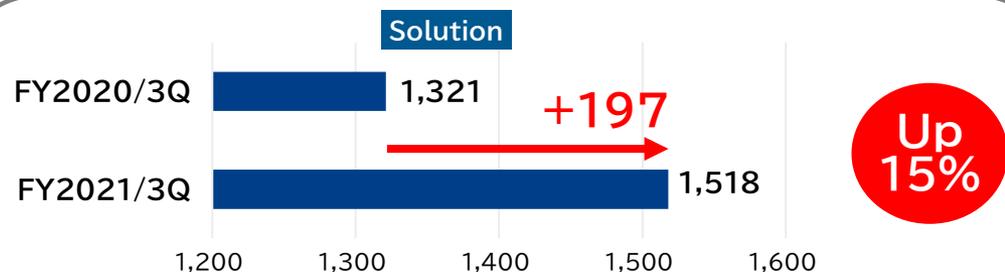
(YoY)



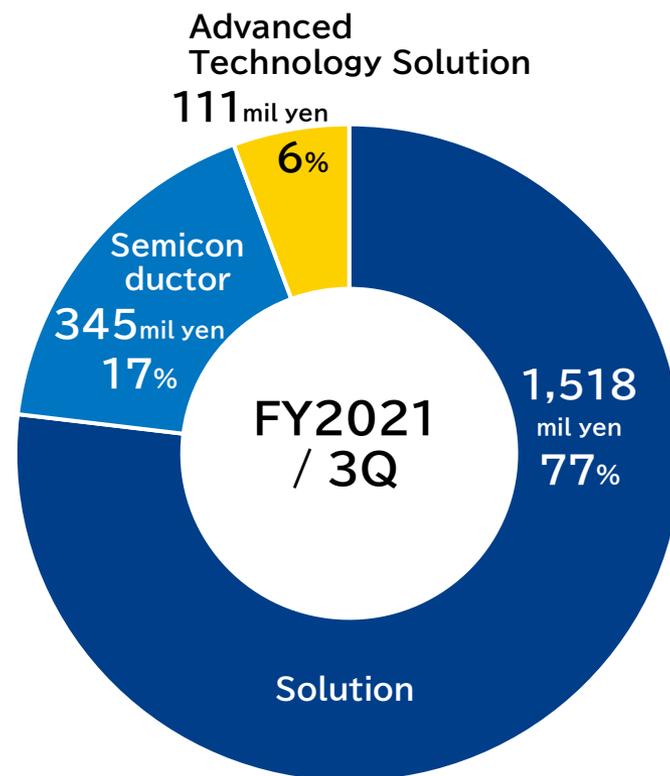
Net Sales by Category (FY2021/3Q)

Sales increase in all categories
Up 57% 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.

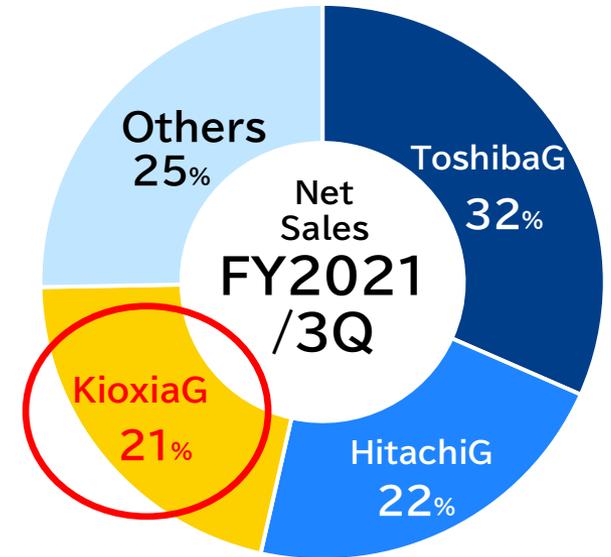
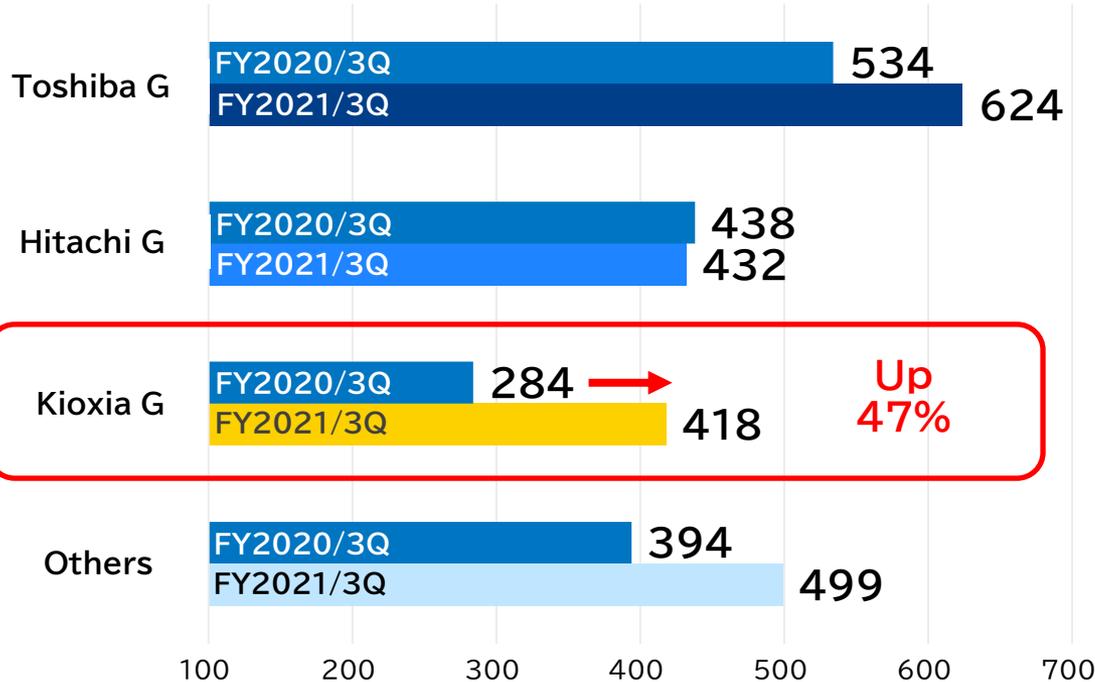
Net Sales by Customer (FY2021/3Q)

Toshiba G, Hitachi G, Kioxia G

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

(Up 47% (YoY) 21% of the total)

Net Sales (million yen)



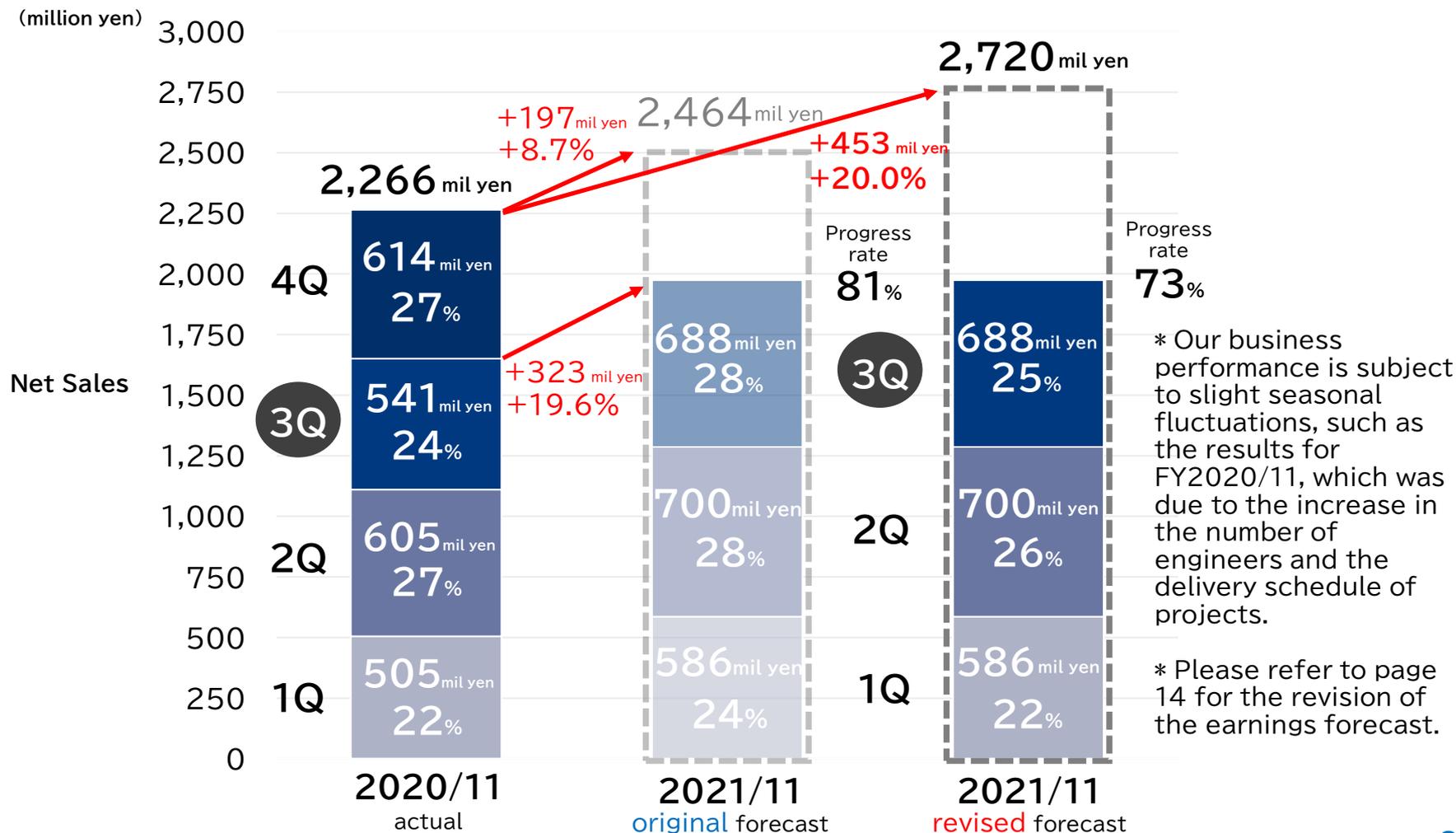
Net Sales by Quarter (FY2021/3Q)

Net sales in 3Q: 1,975 million yen

Additions: **+323 million yen, Up 19.6%** Progress rate: **73%**

(YoY)

(Achievement rate of full year performance forecast)



(Overall) Trend of Major customers

(As of 15 October, 2021)

Our orders continue to increase, and our major customers as a whole are also doing well. Although each company has been affected by the covid-19, they will recover in the future and the outlook is positive.

Toshiba G

Sales and profits continued to increase, mainly in semiconductors for automotive applications and HDDs for data centers. Orders increased significantly year on year, with a large sum quantity per order. The Energy System Solutions segment, in which we are engaged in system development, also performed well. Capital investment in each segment expects an increase significantly year on year.

Hitachi G

Significant increase in sales and profit due to recovery in market conditions, restructuring of power grid and automotive-related businesses. In particular, the IT and energy segments are expanding rapidly, and capital investment related to our business expects to increase, reversing the restraint trend in Covid-19.

Kioxia G

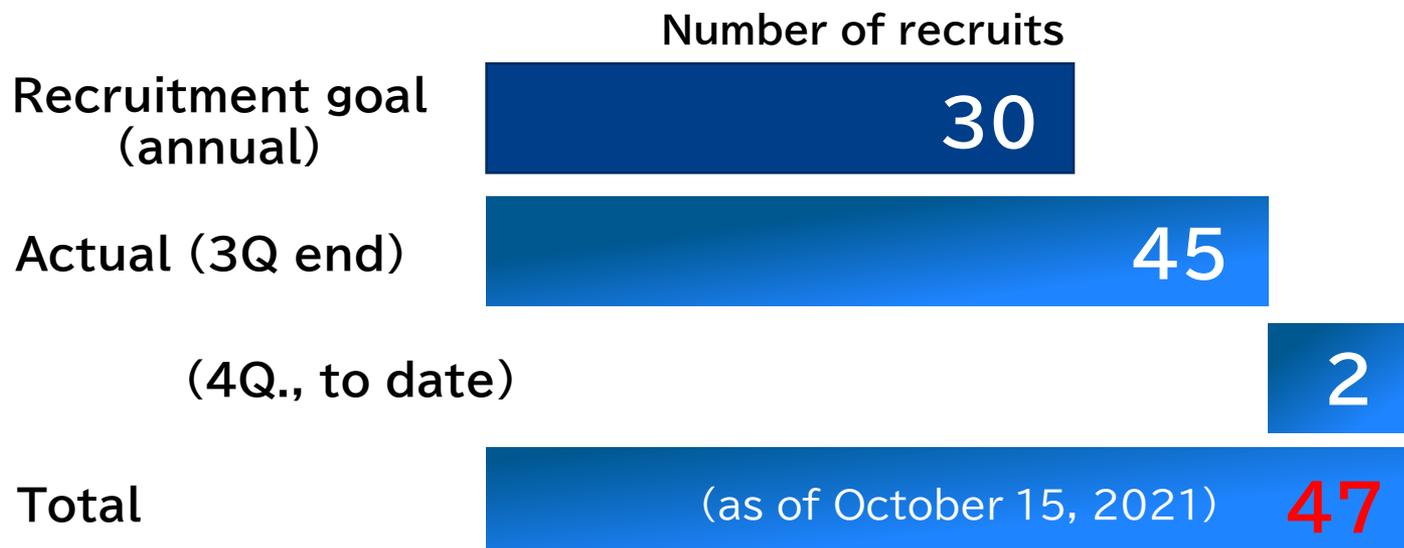
Shipment volume for various SSDs recovered, and unit sales prices also increased due to the improved supply-demand balance in the NAND flash memory market. In addition to expanding existing plants, Kioxia announced to expand its Technology Development Building at its Yokohama Technology Campus and to establish its new Shin-Koyasu Advanced Research Center. As a result, we anticipate an increase in new system development and maintenance and operation work for the Company.

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

Recruitment achieved **157%**

Already **achieved 157%** of the target number of recruits for this fiscal year
(as of October 15, 2021)

Recruitment object	ca. 10% of total employees
(Annual new recruits)	Total employees: ca. 300 Recruitment goal: 30 (FY11/2021)



* Number of retired employees: 18

Statements of Income (FY2021/3Q)

Statements of Income (FY2021/3Q)

(thousand yen)	FY2020/3Q	FY2021/3Q	+/- amount	+/- %
Net sales	1,652,086	 1,975,571	323,485	19.6%
Cost of sales	1,153,694	1,414,880	261,185*	22.6%
Gross profit	498,391	560,691	62,299	12.5%
SG&A expenses	282,568	282,481	△86*	△0.0%
Operating income	215,823	 278,209	62,385	28.9%
<i>(Operating income rate)</i>	<i>(13.1%)</i>	<i>(14.1%)</i>		
Ordinary income	216,061	 284,274	68,212	31.6%
<i>(Ordinary income rate)</i>	<i>(13.1%)</i>	<i>(14.4%)</i>		
Quarterly net income	148,905	 199,544	50,638	34.0%
<i>(Quarterly net income rate)</i>	<i>(9.0%)</i>	<i>(10.1%)</i>		

* Includes 45,000 thousand yen in performance-linked bonuses to employees due to strong business performance.

Balance Sheets (FY2021/3Q)

(thousand yen)	2020/11 end	FY2021/3Q end	+/- amount
Current assets	1,407,497	1,663,170	255,673
Non-current assets	95,425	103,204	7,779
Total assets	1,502,923	1,766,375	263,452
Current liabilities	243,604	316,432	72,828
Non-current liabilities	46,966	49,883	2,917
Total liabilities	290,571	366,316	75,745
Total shareholders' equity	1,212,351	1,400,058	187,707
Total net assets	1,212,351	1,400,058	187,707
Total liabilities & Net assets	1,502,923	1,766,375	263,452

Revision of FY Earnings Forecast

FY11/2021 Full-year

Revision of FY Earnings Forecast

Compared to the initial forecast, the result of the fourth quarter was taken in account

Upward revision of full year forecast

(million yen)	Initial forecast	Current forecast	Amount of change	Percentage change
Net sales	2,464	2,720	256	+ 10.4%
Operating income (Before performance-linked bonuses)	322	405 (465)	83 (143)	+ 25.8% (+44.4%)
Ordinary income	328	410	81	+ 24.8%
Net income	229	287	58	+ 25.5%

Company

As we expect to secure an operating profit margin of 17% before performance-linked bonuses, to record a portion of the increase in profit as additional bonuses for employees (operating profit margin after performance-linked bonuses: 14.1%).

As a result, net sales are expected to increase by 20.0% YoY, operating income by 33.0% YoY (operating income before performance-linked bonuses is expected to increase by 52.7% year on year), and ordinary income 34.7% YoY.

Solution

- Orders for contracted system development projects from major client companies increased.
- Received an order for a large-scale development project for an in-plant system from one of our major clients, Kioxia Corporation.

Semiconductor

- Steady increase in the number of dispatched engineers for maintenance and operation services at semiconductor factories.

Advanced Technology Solution

- Increased AI-related orders, mainly for AI algorithm R&D support services and technical treatise survey support.
- Business with NEC Corporation, which began in the previous fiscal year, expanded.
- Development of new business partners contributed to sales.

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