

FY11/2023 **First Quarter** Supplementary Material on Financial Results

T&S inc.
TSE Growth: 4055
April 14, 2023



T & S
Technology & Service

FY11/2023 First Quarter

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Highlights (FY2023/1Q)

(Theme of current term)
Sustainable Growth

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

Net Sales	: 806 million yen	(Up 9.9% ↑, + 72 million yen)	(YoY)
Operating profit	: 143 million yen	(Up 13.3% ↑, + 16 million yen)	(ditto)
Ordinary profit	: 143 million yen	(Up 13.2% ↑, + 16 million yen)	(ditto)
Profit	: 100 million yen	(Up 13.7% ↑, + 12 million yen)	(ditto)

2 **The semiconductor category did well The solution category did well as well**

- Sales in the semiconductor category **increased 26.7%** YoY, reflecting an increase in the number of engineers working in semiconductor plant.
- Sales in the solutions category **increased 10.0%** YoY. Orders for contracted development projects from major customers remain strong. Sales increased especially due to the continued growth of large-scale development projects from major clients.
- Sales in the advanced technology solutions category declined 30.9% YoY. Although sales declined due to the rebound from large-scale projects recorded in the previous fiscal year, the development of visual inspection equipment, continued steadily from the previous fiscal year, led to an increase in profit margins.

3 **Provision of Performance-linked bonus**

- As of 1Q, Net sales were **21.8%** more than anticipated of full-year forecast. The sales trend was in line with previous years due to seasonal fluctuation trends, with delivery periods leaning toward 4Q and 2Q.
- The company continued its policy of returning a portion of operating profit to employees, and despite the provision of 12 million yen in performance-linked bonuses for 1Q, the company achieved an operating profit margin of **17.8%**. (up 0.5 percentage points compared to the previous same quarter)

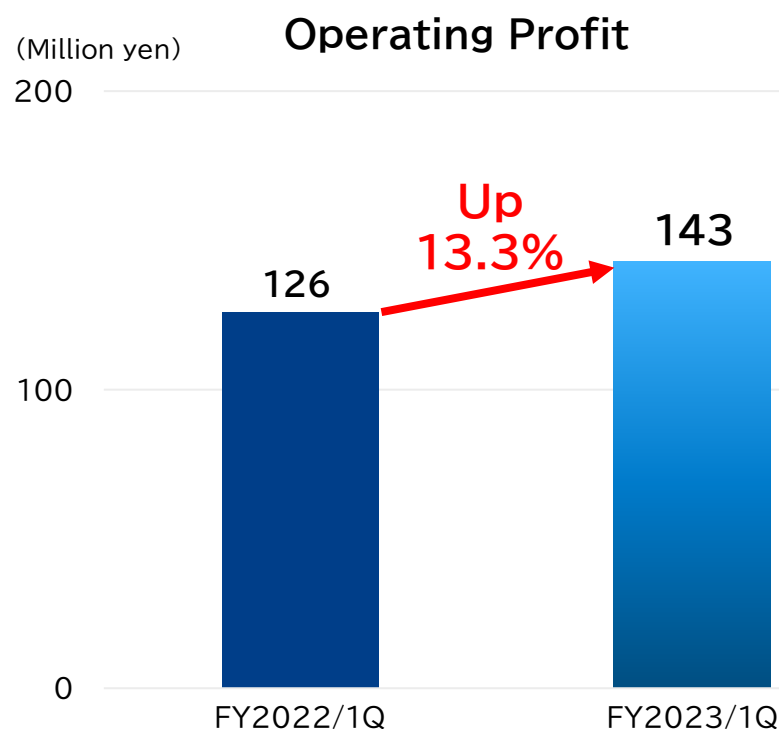
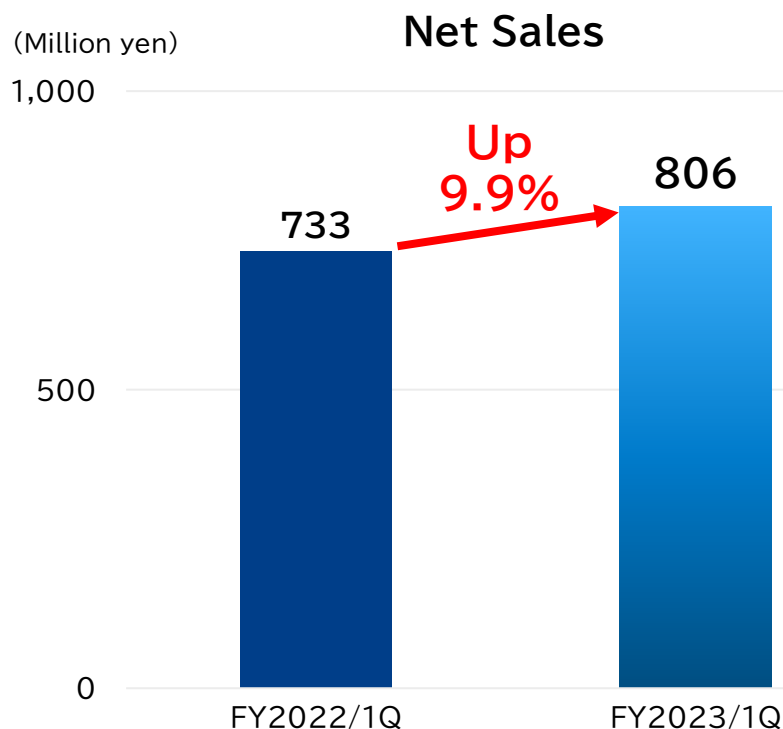
Financial Results Overview

FY11/2023 **First Quarter**

Financial Results Overview (FY2023/1Q)

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

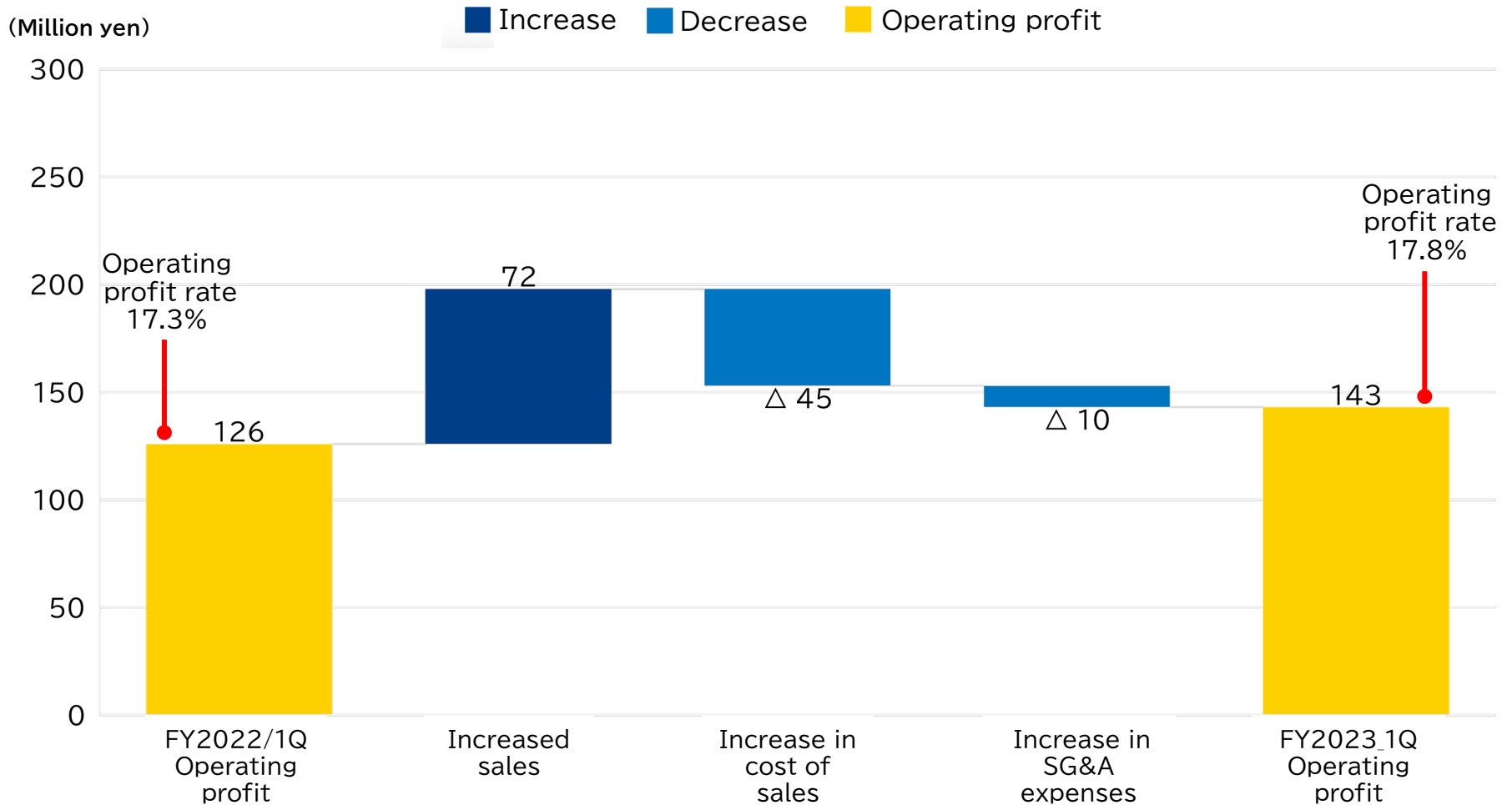
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Operating Profit (FY2023/1Q)

Increased operating profit by 16 million yen

(Compared to the previous same quarter)



Net Sales by Category (FY2023/1Q)

Solutions' business remain strong with a **10.0%** increase

(compared to the previous same quarter)

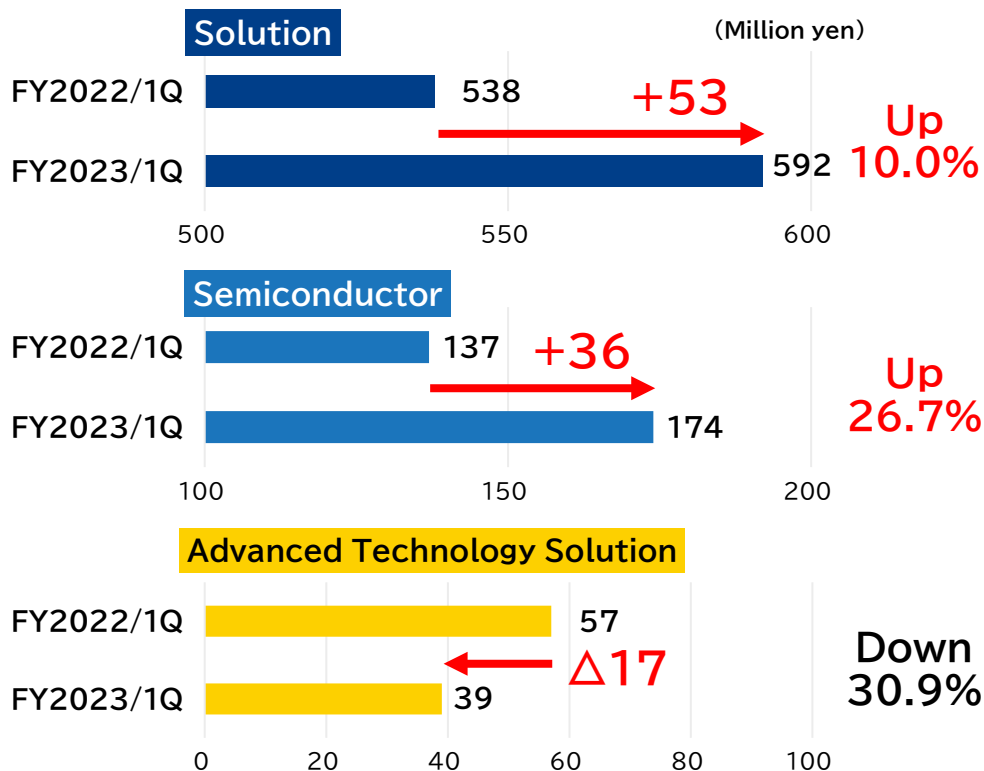
Semiconductors' business remains strong with an **increase of 26.7%**

(compared to the previous same quarter)

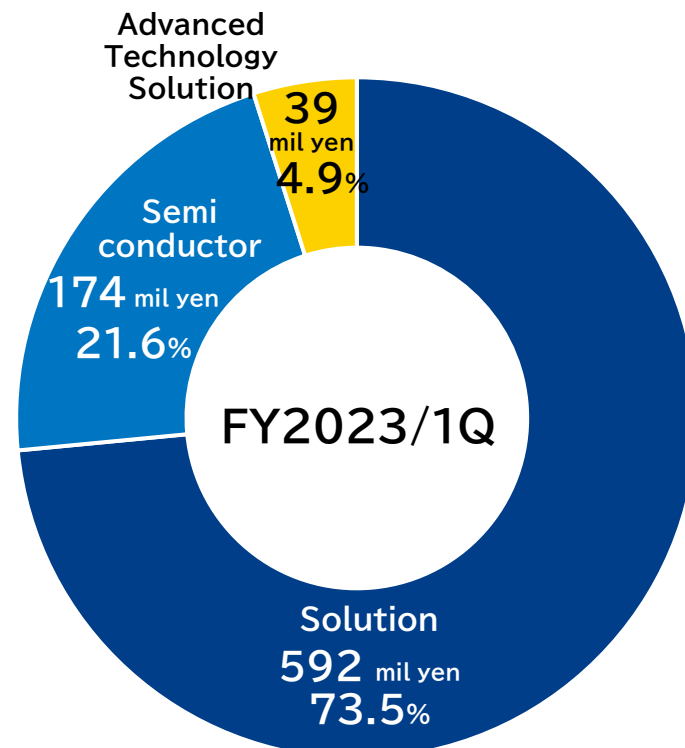
Advanced Technology Solutions' business decreased by **30.9%** in response to the large-scale projects in the previous fiscal year

(compared to the previous same quarter)

Net Sales (by category)



Sales proportion (by category)



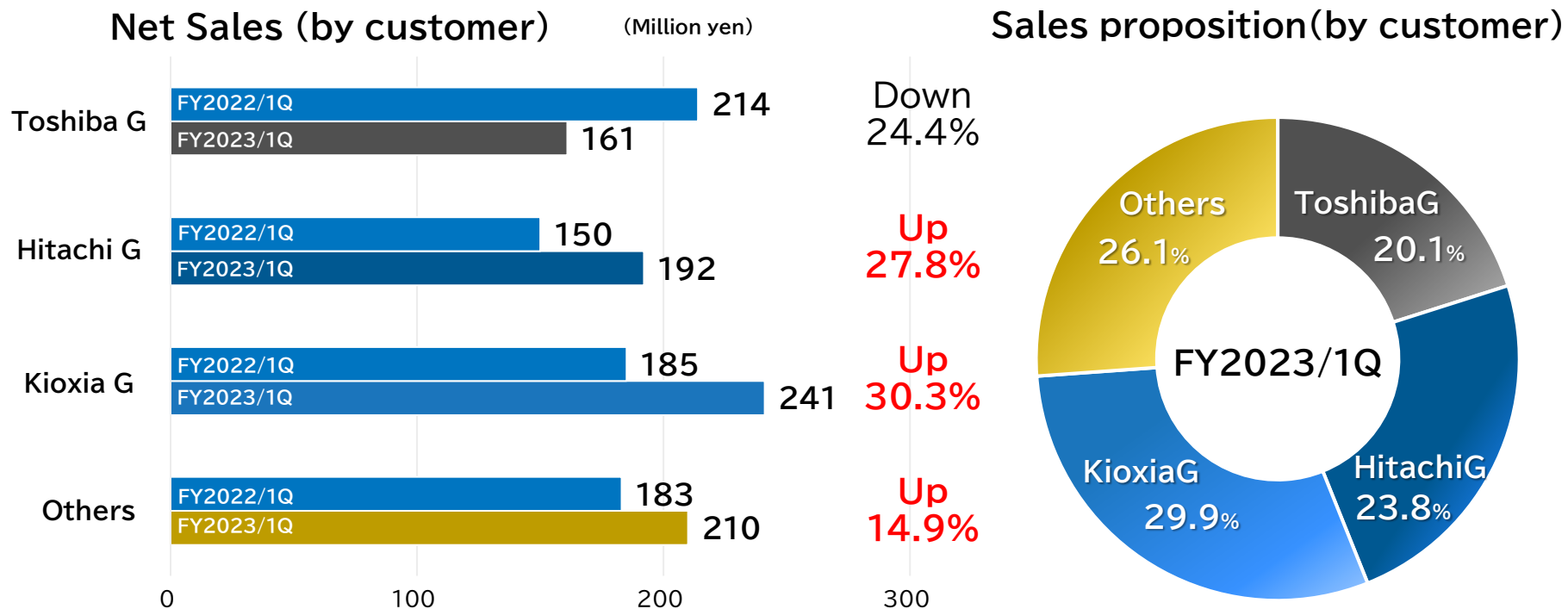
(Note) Our business segment is a single segment. Only net sales are calculated by category.

Net Sales by Customer (FY2023/1Q)

Toshiba G, Hitachi G, Kioxia G

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

(Up 27.8% (compared to the previous same quarter) **Composition ratio of 23.8%**)



(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 third quarter of the previous fiscal year. Taking this into account, sales to Toshiba G increased by 4.7%.

Quarterly Net Sales and Operating Profit (FY2023/1Q)

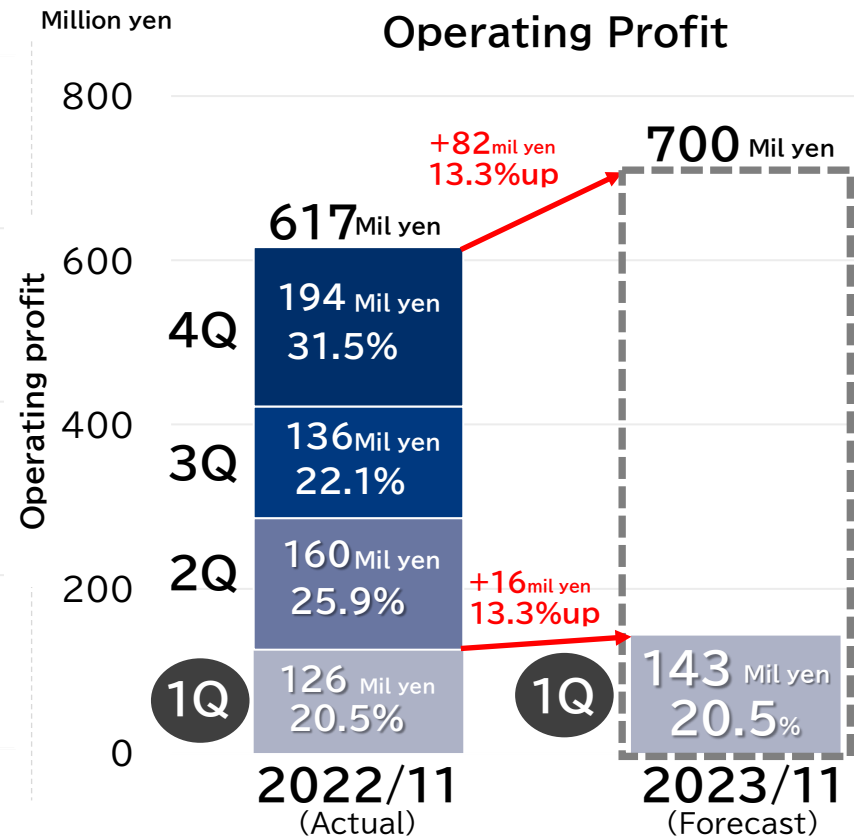
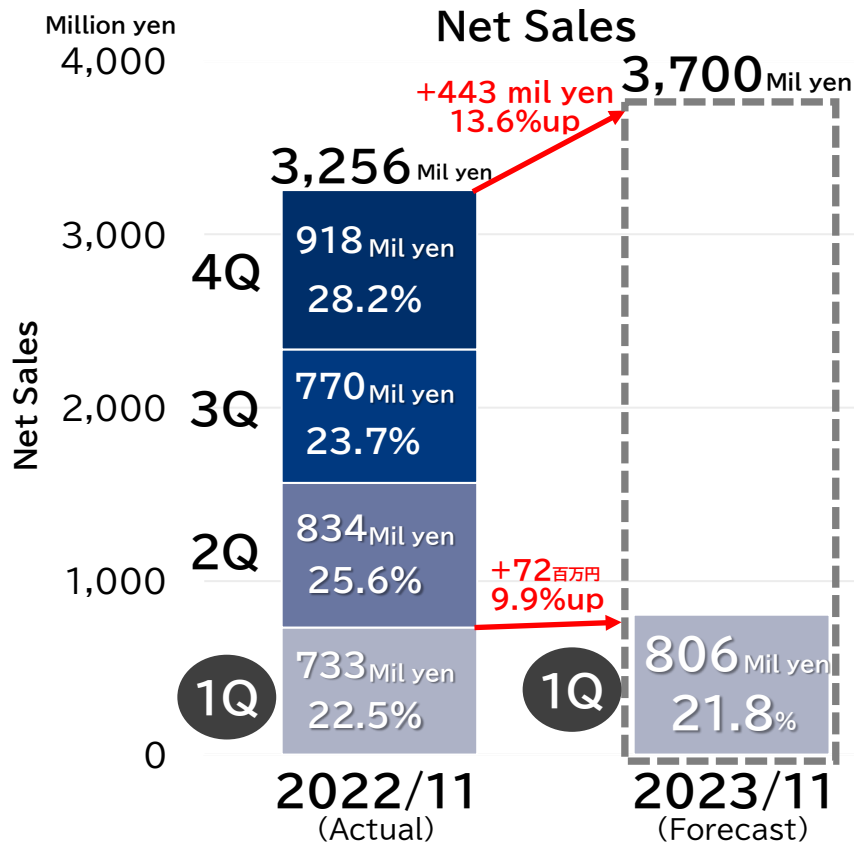
1Q cumulative Net Sales

: 806 million yen

Increase: **+72 million yen, Up 9.9%**
(compared to the previous same quarter)

1Q cumulative Operating Profit : 143 million yen

Increase: **+16 million yen, Up 13.3%**
(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.

Trend of our Major Customers (As of April 14, 2023)

The business environment surrounding our company in the heavy electric machinery and infrastructure-related sectors continues to be strong. Semiconductor manufacturers, which entered a manufacturing adjustment phase, are moving toward recovery, but at this point, they are still in the process of doing so. The impact of the COVID-19 has settled down, and medium to long-term investment appetite is strong, but the response to geopolitical risks remains an issue.

Toshiba G

While there are some governance changes in the company, such as efforts to go delisted, there are no impact on the business environment as sales of energy systems and infrastructure-related products are growing. In particular, we see the strong performance of the energy system solutions segment related to power plants, for which we are engaged in system development, as a tailwind for the Company.

Hitachi G

Demand is solid, especially in the Digital Systems & Services and Clean Energy & Mobility segments. Hitachi G is shifting to a strategy of focusing on social infrastructure related to our business, and related capital investment has turned around from the restrained trend during the COVID-19, and inquiries to the Company are also increasing significantly.

Kioxia G

Production is expected to be subject to a 30% adjustment due to a reaction to strong demand for semiconductors for PCs, smartphones, and other applications. Although the maintenance and operation of the factory system in which the Company is involved is not closely related to operation capacity, it is expected to be affected by cost cooperation and other factors. However, the medium to long-term trend of the flash memory market continues to expand, and with the government providing large subsidies, there is a strong appetite for new capital investment, which is expected to lead to increased orders for system development for the Company.

Other

In the field of R&D for AI algorithm development, automotive-related enterprises, producers of precision machinery, and firms that provide telecommunication infrastructure have a strong demand for research investment. During the COVID-19, the trend toward DX and labor-cost savings is accelerating, and inquiries to the Company are growing.

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

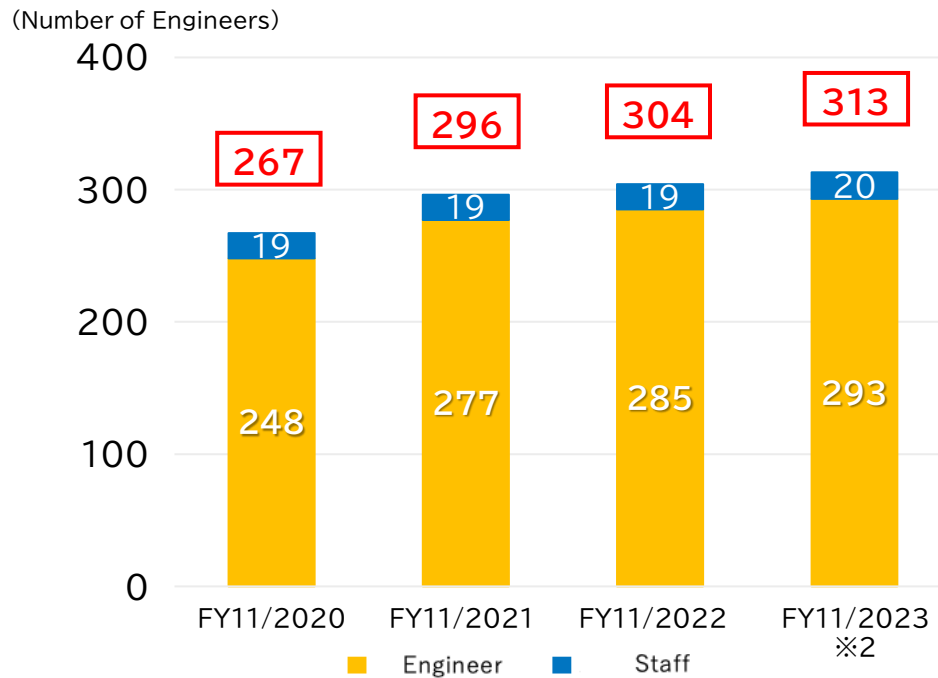
Status of increase in engineers

Increase BP^(※1) workforce as well as the number of employee engineers.

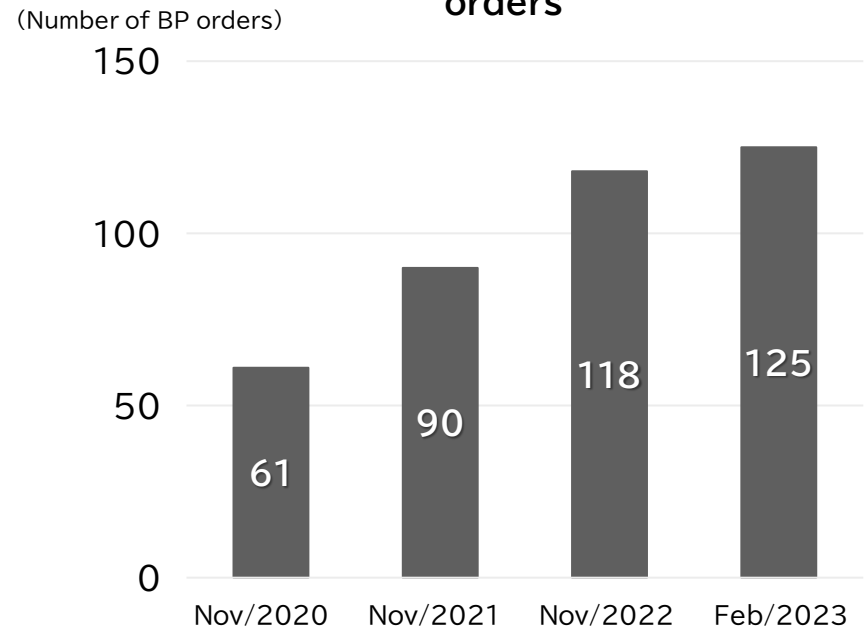
Employee engineers % increase **2.8%** (Compared to the previous fiscal year-end)

BP orders % increase **5.9%** (Compared to the previous fiscal year-end)

Changes in Number of Employees



Changes in the number of BP orders



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

※2 as of April 14, 2023

Statement of Income (FY2023/1Q)

Statement of Income (FY2023/1Q)

Unit: thousand yen	FY2022/1Q	FY2023/1Q	+/- amount	+/- %
Net Sales	733,145	806,016	72,871	9.9%
Cost of Sales	514,309	559,687※	45,378	8.8%
Gross Profit	218,835	246,328	27,493	12.6%
SG&A expenses	92,232	102,910※	10,677	11.6%
Operating profit	126,602	143,418	16,815	13.3%
<i>(Operating profit rate)</i>	<i>(17.3%)</i>	<i>(17.8%)</i>		
Ordinary profit	126,552	143,246	16,693	13.2%
<i>(Ordinary profit rate)</i>	<i>(17.3%)</i>	<i>(17.8%)</i>		
Quarterly Profit	88,767	100,916	12,149	13.7%
<i>(Quarterly profit rate)</i>	<i>(12.1%)</i>	<i>(12.5%)</i>		

※ Includes 12,000 thousand yen of performance-linked bonuses to employees due to good performance.

Balance sheets (FY2023/1Q)

Unit: thousand yen	FY2022	FY2023/1Q	+/- amount
Current assets	2,110,767	2,018,920	△91,846
Non-current assets	170,732	145,911	△24,821
Total assets	2,281,500	2,164,831	△116,668
Current liabilities	498,233	323,321	△174,911
Non-current liabilities	49,763	51,312	1,549
Total liabilities	547,996	374,633	△173,362
Total shareholders' equity	1,733,503	1,790,197	56,694
Total net assets	1,733,503	1,790,197	56,694
Total liabilities & net assets	2,281,500	2,164,831	△116,668

Topics

Opened a sixth office at **Isahaya city, Nagasaki**

Established an office in Isahaya City, Nagasaki Prefecture in April 2023.

Sales and Profit ↑

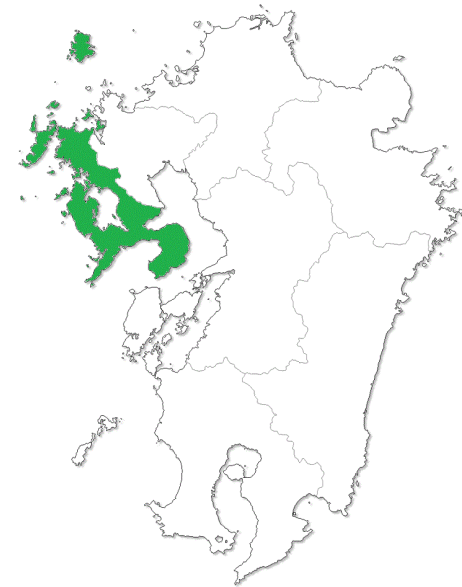
- Aim for a medium to long-term expansion of business with the Sony Group, where the orders have been increasing.

Contribution to SDGs ↑

- Actively employing local residents who are physically challenged.

Outline of Business Office

- (1) Name: Nagasaki Office, T&S inc.
- (2) Address: 12-1, Eishomachi, Isahaya City,
Nagasaki Prefecture
- (3) Date of Establishment: April 1, 2023



(Image source) Based on CraftMAP white map

FY Earnings Forecast

FY11/2023 **First Quarter**

Steady progress against full-year forecasts

(No change in the full-year forecast)

Unit: million yen	FY11/2022 (Actual)	FY11/2023 (Forecast)	FY11/2023 1Q(Actual)	Progress rate
Net sales	3,256	3,700	806	21.8%
Operating profit	617	700	143	20.5%
Ordinary profit	626	703	143	20.4%
Net profit(quarterly)	440	495	100	20.4%

Company

Increased by 9.9% YoY. Development projects from major customers such as Toshiba G, Hitachi G, and Kioxia G were strong. Due to client delivery dates and the number of engineer dispatch operating days, sales fluctuate seasonally, with sales usually biased toward 2Q and 4Q, and performance in 1Q was in line with the trend in previous years. The company increased the BP utilization in order to supplement its engineer resources, and the shift to high-profit projects was also successful, resulting in a gross profit margin of 30.6%. Absorbing a 12 million yen provision for performance-linked bonuses, operating profit rose 13.3% YoY to 143 million yen. Operating profit margin was 17.8%.

Solution

Sales increased 10.0% YoY. Sales increased due to continued large system development projects from major clients.

Semiconductor

Sales increased by 26.7% YoY. In addition to the recurring requests from semiconductor plants for an increase in staff, contract terms and conditions have been revised from time to time, contributing to the increase in sales and profit.

Advanced Technology Solution

Sales declined 30.9% YoY. Sales declined in the quarter as large-scale projects in progress is recorded as sales in the same period of the previous fiscal year. However, the development of visual inspection systems, which has been ongoing since the previous fiscal year, remained steady, increasing profit margins.

Shareholder Returns

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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