

Consolidated Financial Report for the Third Quarter of Fiscal 2022 Ending March 31, 2023  
[Japanese GAAP]

February 7, 2023

Listing: Tokyo Stock Exchange  
 Company name: **TDC SOFT Inc.**  
 Code number: 4687  
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 Scheduled date of filing quarterly report: February 8, 2023  
 Scheduled date of dividend payment: —  
 Preparation of explanatory materials for quarterly financial results: None  
 Holding of a briefing on quarterly financial results: None

(Amounts are rounded to the nearest million yen)

**1. Consolidated Financial Results for the Third Quarter of Fiscal 2022 Ending March 31, 2023 (April 1, 2022 to December 31, 2022)**

(1) Consolidated operating results (cumulative)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Quarterly profit attributable to owners of parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
As of December 31, 2022	25,595	14.5	2,863	14.1	3,073	17.1	2,084	16.9
As of December 31, 2021	22,357	13.9	2,510	48.8	2,623	42.1	1,782	43.7

Note: Comprehensive income

As of December 31, 2022: ¥2,130 million [17.3%]

As of December 31, 2021: ¥1,815 million [8.0%]

	Quarterly earning per share		Diluted quarterly earnings per share	
	Yen	Sen	Yen	Sen
As of December 31, 2022	87.29	—	—	—
As of December 31, 2021	73.94	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Owners' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of December 31, 2022	21,314	15,957	74.9
As of March 31, 2022	21,072	15,255	72.4

Reference: Owners' equity

As of December 31, 2022: ¥15,957 million

As of March 31, 2022: ¥15,255 million

**2. Dividends**

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Sen	Yen	Sen	Yen
Fiscal year ended March 31, 2022	—	0.00	—	30.00	30.00
Fiscal year ending March 31, 2023	—	15.00	—	—	—
Fiscal year ending March 31, 2023 (forecast)	—	—	—	30.00	45.00

Notes:

1. Revisions to the most recently announced dividend forecast: None

2. Breakdown of the end of second quarter dividend for fiscal year ending March 31, 2023:

Commemorative dividend of 15.00 yen (commemorating the 60th anniversary of the Company's founding)

**3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen	Sen
Full year	35,000	13.2	3,450	16.3	3,600	16.8	2,440	17.9	102.23	

Note: Revisions to the most recently announced financial results forecast: None

\* Notes

(1) Changes in significant subsidiaries during the consolidated cumulative quarter : None

(Changes in specified subsidiaries resulting from changes in the scope of consolidation)

New: — (company name(s)) Excluded: — (company name(s))

(2) Application of special accounting methods for presenting quarterly consolidated financial statements : Yes

Note: For details, please refer to “(3) Notes on the Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” under “2. Quarterly Consolidated Financial Statements and Primary Notes” on Page 9 of the appendix.

(3) Changes in accounting policies and accounting-based estimates, and restatements

a. Changes in accounting policies due to revisions in accounting standards, etc. : Yes

b. Changes in accounting policies other than a. above : None

c. Changes in accounting-based estimates : None

d. Restatements : None

Note: For details, please refer to “(3) Notes on the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” under “2. Quarterly Consolidated Financial Statements and Primary Notes” on Page 9 of the appendix.

(4) Number of shares outstanding (common stock)

a. Number of shares outstanding at the end of period (including treasury stock)

b. Number of treasury shares at the end of period

c. Average number of shares during the period (cumulative for the quarter)

As of December 31, 2022	25,113,600	As of March 31, 2022	25,113,600
As of December 31, 2022	1,278,439	As of March 31, 2022	1,000,159
As of December 31, 2022	23,877,433	As of December 31, 2021	24,107,418

Note: The number of treasury shares at the end of period includes the Company’s shares (369,400 shares as of December 31, 2022; 376,200 shares as of March 31, 2022) held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets in a Board Benefit Trust (BBT) and an Employee Stock Ownership Plan (J-ESOP). In addition, the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E) are included in the treasury shares deducted from the calculation of the average number of shares during the period (as of December 31, 2022: 370,735 shares; as of December 31, 2021: 382,255 shares).

\*The quarterly consolidated financial report is exempt from quarterly reviews by certified public accountants or audit firms.

\* Explanation about the proper use of financial results forecasts and other noteworthy items

The report contains statements about the future such as forecasts for financial results that are based on information available to the Company at the time of disclosure and certain assumptions the Company believes to be reasonable. The Company gives no assurance that these statements will prove to be accurate. Actual results may differ significantly from these forecasts due to various factors. Refer to “(3) Explanation about Information on Projections Including Consolidated Forecasts” on page 4 of the appendix for information about the above forecasts.

○ Table of Contents - Appendix

1. Qualitative Information about the Quarterly Financial Results .....	2
(1) Explanation about Operating Results .....	2
(2) Explanation about Financial Status .....	4
(3) Explanation about Information on Projections Including Consolidated Forecasts.....	4
2. Quarterly Consolidated Financial Statements and Primary Notes .....	5
(1) Quarterly Consolidated Balance Sheet.....	5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income.....	7
(3) Notes on the Quarterly Consolidated Financial Statements .....	9
(Notes on Going Concern Assumption) .....	9
(Notes on Substantial Changes in the Amount of Shareholders' Equity) .....	9
(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements).....	9
(Changes in Accounting Policies).....	9
(Segment Information and Related Matters).....	9

## 1. Qualitative Information about the Quarterly Financial Results

### (1) Explanation about Operating Results

During this consolidated cumulative third quarter (April 1, 2022 – December 31, 2022), while Japan's economy continuously showed signs of a modest recovery as the impact of the COVID-19 pandemic on socio-economic activities has eased, the prolonged situation between Russia and Ukraine, the depreciation of the yen, fluctuations in financial and capital markets, and global inflation significantly affected consumer spending and economic activities, and the situation still remains uncertain.

In the information services industry, demand related to digital transformation (“DX”) for strengthening businesses and promoting transformation has remained healthy.

Operating under such a climate, the Group has formulated its medium-term management plan “Shift to the Smart SI Plus” for the period from April 2022 to March 2025. This medium-term management plan maintains the basic concept of providing high value-added IT services that meet the potential needs of the market and society from the previous plan, and adopts a vision of evolving into a next-generation system integration (“SI”) business geared toward new trends in digital technology.

To make this vision a reality, we have three Group-wide core strategies.

One is to “create high value-added SI services.” We tap into the latest elemental technologies to pursue services designed to meet the needs of customers promoting DX for value creation.

Next is to “support SI model reforms.” We use innovative approaches to build infrastructure for high value-added SI services and to develop an SI process designed to ensure high productivity and high quality, and promote initiatives to differentiate ourselves from competitors.

Last is to “expand our business domain.” We are promoting measures to broaden our scope in our sales business, which sells products, services, etc. that meet a diverse array of customers' IT needs, in our consulting business, which supports customers in formulating strategies for their digital transformation, and in providing managed services that integrate all aspects of IT solutions, starting from development through to operation and maintenance.

Specifically, we will continue to proactively promote investment in our agile-related business and security-related business, which we have designated as key strategic fields, as well as related elemental technologies to expand our next-generation SI business while also pursuing an expansion of our business domain through managed services. In addition, we have strengthened our efforts to expand our business domain by enhancing our marketing and product sales functions to bolster our service and product sales business, and by establishing a new department dedicated to promoting our consulting services that use the Scaled Agile Framework® (“SAFe®”) through a gold partner contract with the U.S. company Scaled Agile, Inc. as well as our consulting services that meet the digital needs of our customers, from developing IT strategies to utilizing digital technologies.

During this consolidated cumulative third quarter, demand was strong in the Group's business fields, driven in particular by the IT solutions for financial services field and IT consulting and services field, resulting in an increase in net sales. This increase in sales led to greater profit despite an increase in SG&A expenses resulting from moving forward with an aggressive push for investments to further expand our business in the future and investments to secure and develop human resources given the steady business environment.

As a result, the Group's business performance for this consolidated cumulative third quarter was as follows: Net sales amounted to ¥25,595 million, up 14.5% year on year; operating profit amounted to ¥2,863 million, up 14.1% year on year; ordinary profit amounted to ¥3,073 million, up 17.1% year on year; and quarterly net income attributable to owners of parent amounted to ¥2,084 million, up 16.9% year on year.

## Status of activities by field

## &lt;IT consulting and services&gt;

In the IT consulting and services field, we offer services that include developing IT strategies and systemization planning to facilitate customers' DX, technology consulting, and providing educational services about the latest technologies and development methodologies. We also provide our internally developed cloud application services, along with solution services, such as business intelligence (BI) (Note 1)/data warehousing (DWH) (Note 2) and enterprise resource planning (ERP) (Note 3)/customer relationship management (CRM) (Note 4). During this fiscal year, the Group made solid progress on SaaS (Note 5) solution service projects related to IT service management and cloud managed services. As a result, net sales in this field increased 38.7% year on year to ¥4,021 million.

## &lt;IT solutions for financial services&gt;

In the field of IT solutions for financial services, we offer integrated IT solutions for the financial sector, including systemization planning, design, development, and maintenance. During this quarter, the Group made solid progress on development projects for large-scale credit- and bank-related systems. As a result, net sales in this field increased 12.4% year on year to ¥11,644 million.

## &lt;IT solutions for public corporations&gt;

In the field of IT solutions for public corporations, we offer integrated IT solutions for the logistics, manufacturing, and service industries as well as the public sector, including systemization planning, design, development, and maintenance. During this quarter, the Group made solid progress on development projects for the transportation sector. As a result, net sales in this field increased 11.4% year on year to ¥6,951 million.

## &lt;Platform solutions&gt;

In the field of platform solutions, we offer services such as the environmental design and construction of IT infrastructure, along with operational support, network product development, and network integration. During this quarter, the Group made solid progress on projects to build cloud-related infrastructure. As a result, net sales in this field increased 4.3% year on year to ¥2,977 million.

(Millions of yen)

Field	As of December 31, 2021		As of December 31, 2022		Year-on- year percentag e change
	Consolidated cumulative quarter		Consolidated cumulative quarter		
	Amount	Share	Amount	Share	
IT consulting and services	2,899	13.0%	4,021	15.7%	+38.7%
IT solutions for financial services	10,360	46.3%	11,644	45.5%	+12.4%
IT solutions for public corporations	6,243	27.9%	6,951	27.2%	+11.4%
Platform solutions	2,854	12.8%	2,977	11.6%	+4.3%
Total	22,357	100.0%	25,595	100.0%	+14.5%

Notes: 1. BI: Business intelligence. A process for analyzing a company's internal information to harness it in business management.

2. DWH: Data warehouse. An integrated database that collects necessary data from multiple systems, including core systems, to sort the data by objective and accumulate it chronologically for data analysis and decision-making.

3. ERP: Enterprise resource planning. A core information system.

4. CRM: Customer relationship management. A customer management system.

5. SaaS: An abbreviation for Software as a Service. Refers to providing software that runs on a server as a service.

(2) Explanation about Financial Status

State of assets, liabilities, and net assets

Total assets at the end of this consolidated accounting third quarter increased by ¥241 million from the end of the previous fiscal year to ¥21,314 million.

Current assets decreased by ¥98 million from the end of the previous fiscal year to ¥17,270 million. This is mainly due to a decrease of ¥301 million in notes and accounts receivable - trade along with contract assets, as well as a ¥22 million decrease in cash and deposits, despite increases of ¥251 million in work in progress.

Non-current assets increased by ¥339 million from the end of the previous fiscal year to ¥4,043 million. This is mainly due to an increase of ¥501 million in guarantee deposits, despite a decrease of ¥300 million in shares of subsidiaries and associates.

Current liabilities decreased by ¥497 million from the end of the previous fiscal year to ¥5,043 million. This is mainly due to decreases of ¥790 million in accrued expenses and ¥193 million in income taxes payable, despite an increase of ¥421 million in short-term borrowings.

Non-current liabilities increased by ¥36 million from the end of the previous fiscal year to ¥313 million. This is mainly due to an increase of ¥35 million in retirement benefit liability.

Net assets increased by ¥702 million from the end of the previous fiscal year to ¥15,957 million. This is mainly due to an increase of ¥953 million in retained earnings, despite an increase of ¥299 million in treasury shares.

(3) Explanation about Information on Projections Including Consolidated Forecasts

In light of recent performance trends, we have revised our full-year financial results forecast for the fiscal year ending March 31, 2023, which was announced on September 13, 2022. For details, please see the “Notice Regarding Revisions to Financial Results Forecasts” published on February 1, 2023.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

## (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Fiscal 2021 (as of March 31, 2022)	Third Quarter of Fiscal 2022 (as of December 31, 2022)
<b>Assets</b>		
Current assets:		
Cash and deposits	11,702,407	11,680,031
Notes and accounts receivable - trade, and contract assets	5,387,536	5,085,724
Work in process	33,265	284,551
Other	245,124	219,966
<b>Total current assets</b>	<b>17,368,333</b>	<b>17,270,274</b>
Non-current assets:		
Property, plant and equipment	188,384	223,928
Intangible fixed assets	10,942	88,873
Investments and other assets:		
Investment securities	2,535,603	2,570,011
Shares of subsidiaries and associates	300,000	0
Deferred tax assets	183,471	176,645
Guarantee deposits	445,227	946,536
Other	40,375	37,918
<b>Total investments and other assets</b>	<b>3,504,677</b>	<b>3,731,112</b>
<b>Total non-current assets</b>	<b>3,704,005</b>	<b>4,043,914</b>
<b>Total assets</b>	<b>21,072,338</b>	<b>21,314,188</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable – trade	1,258,623	1,394,502
Short-term borrowings	479,000	900,000
Accounts payable – other	514,839	336,666
Accrued expenses	1,921,178	1,130,690
Income taxes payable	675,440	482,057
Accrued consumption taxes	404,654	250,354
Provision for bonuses for directors (and other officers)	137,240	76,575
Provision for loss on orders received	—	3,450
Asset retirement obligations	—	54,378
Other	149,487	414,361
<b>Total current liabilities</b>	<b>5,540,463</b>	<b>5,043,036</b>
Non-current liabilities		
Provision for share-based remuneration for employees	68,246	57,391
Provision for share-based remuneration for directors (and other officers)	76,406	76,026
Retirement benefit liability	—	35,359
Asset retirement obligations	68,961	58,610
Deferred tax liabilities	—	2,627
Other	63,190	83,750
<b>Total non-current liabilities</b>	<b>276,805</b>	<b>313,766</b>
<b>Total liabilities</b>	<b>5,817,268</b>	<b>5,356,802</b>



(Thousands of yen)

	Fiscal 2021 (as of March 31, 2022)	Third Quarter of Fiscal 2022 (as of December 31, 2022)
Net assets		
Shareholders' equity		
Share capital	970,400	970,400
Capital surplus	986,256	986,256
Retained earnings	12,555,835	13,509,219
Treasury shares	(374,322)	(674,231)
Total shareholders' equity	14,138,168	14,791,644
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,116,901	1,165,741
Total accumulated other comprehensive income	1,116,901	1,165,741
Total net assets	15,255,069	15,957,386
Total liabilities and net assets	21,072,338	21,314,188

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income  
 Quarterly Consolidated Statement of Income  
 Consolidated Cumulative Third Quarter

(Thousands of yen)

	Consolidated Cumulative Third Quarter of Fiscal 2021 (From April 1, 2021 to December 31, 2021)	Consolidated Cumulative Third Quarter of Fiscal 2022 (From April 1, 2022 to December 31, 2022)
Net sales	22,357,711	25,595,375
Cost of sales	17,576,732	19,955,388
Gross profit	4,780,978	5,639,987
Selling, general and administrative expenses	2,270,464	2,776,025
Operating profit	2,510,514	2,863,961
Non-operating income:		
Interest income	172	146
Dividend income	61,041	68,557
Surrender value of insurance policies	—	67,827
Subsidy income	17,716	18,136
Gain on investments in partnerships	26,903	—
Gain on sales of investment securities	—	55,503
Other	9,670	8,497
Total non-operating income	115,504	218,668
Non-operating expenses:		
Interest expenses	2,615	2,619
Loss on investments in partnerships	—	6,572
Other	0	255
Total non-operating expenses	2,615	9,447
Ordinary profit	2,623,403	3,073,182
Quarterly net income before income taxes	2,623,403	3,073,182
Income taxes	840,820	988,809
Quarterly net income	1,782,583	2,084,372
Quarterly net income attributable to non-controlling interests	—	—
Quarterly net income attributable to owners of parent	1,782,583	2,084,372

Quarterly Consolidated Statement of Comprehensive Income  
Consolidated Cumulative Third Quarter

(Thousands of yen)

	Consolidated Cumulative Third Quarter of Fiscal 2021 (From April 1, 2021 to December 31, 2021)	Consolidated Cumulative Third Quarter of Fiscal 2022 (From April 1, 2022 to December 31, 2022)
Quarterly net income	1,782,583	2,084,372
Other comprehensive income:		
Valuation difference on available-for-sale securities	32,682	45,713
Total other comprehensive income	32,682	45,713
Quarterly comprehensive income	1,815,265	2,130,085
attributable to:		
Quarterly comprehensive income attributable to owners of parent	1,815,265	2,130,085
Quarterly comprehensive income attributable to non-controlling interests	—	—

(3) Notes on the Quarterly Consolidated Financial Statements

(Notes on Going Concern

Assumption) Not applicable.

(Notes on Substantial Changes in the Amount of

Shareholders' Equity) Not applicable.

(Application of Special Accounting Methods for Presenting

Quarterly Consolidated Financial Statements) Calculation of

tax expenses

To calculate tax expenses, we reasonably estimate the effective tax rate after tax effect accounting is applied to profit for the period before taxes for the consolidated fiscal year that includes this consolidated cumulative third quarter, and multiply profit for the quarter before taxes by the estimated effective tax rate.

(Changes in Accounting Policies)

We have applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the start of the first quarter of fiscal 2022. Furthermore, in accordance with the transitional treatment provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement are to be applied prospectively. This change has no impact on the quarterly consolidated financial statements.

(Segment Information and Related Matters)

Consolidated Cumulative Third Quarter of Fiscal 2022 (from April 1, 2022 to December 31, 2022)

The TDC SOFT Group runs an information system development business that integrates the sale of information system products with system development services spanning the whole process from development to operation and maintenance. The Group is thus classified into the single segment of information system development, and thus we have provided no statement in this section.