

## Consolidated Financial Report for the Second Quarter of Fiscal 2023 Ending March 31, 2024 [Japanese GAAP]

November 7, 2023

Listing: Tokyo Stock Exchange  
 Company name: **TDC SOFT Inc.**  
 Code number: 4687  
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 Scheduled date of filing quarterly report: November 8, 2023  
 Scheduled date of dividend payment: —  
 Preparation of explanatory materials for quarterly financial results: Yes  
 Holding of a briefing on quarterly financial results: Yes (video streaming)

(Amounts are rounded to the nearest million yen)

### 1. Consolidated Financial Results for the Second Quarter of Fiscal 2023 Ending March 31, 2024 (April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative) (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Quarterly net income attributable to owners of parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
As of September 30, 2023	18,856	12.3	1,858	0.4	1,930	0.4	1,310	0.7
As of September 30, 2022	16,793	14.5	1,851	16.6	1,922	16.7	1,301	16.5

Note: Comprehensive income

As of September 30, 2023: ¥1,514 million [15.7%]

As of September 30, 2022: ¥1,308 million [9.4%]

	Quarterly net income per share		Diluted quarterly net income per share	
	Yen	Sen	Yen	Sen
As of September 30, 2023	54.97	—	—	—
As of September 30, 2022	54.48	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Owners' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of September 30, 2023	23,206	17,203	74.1
As of March 31, 2023	22,771	16,409	72.1

Reference: Owners' equity

As of September 30, 2023: ¥17,203 million

As of March 31, 2023: ¥16,409 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, 2023	—	15.00	—	30.00	45.00
Fiscal year ending March 31, 2024	—	0.00			
Fiscal year ending March 31, 2024 (forecast)			—	40.00	40.00

Note: Revisions to the most recently announced dividend forecast: None

### 3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen Sen
Full year	37,300	5.8	3,550	2.6	3,750	1.0	2,510	0.8	105.31

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 “(4) 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 10 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. : None

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

c. Changes in accounting-based estimates : None

d. Restatements : None

(4) Number of shares outstanding (common stock)

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

As of September 30, 2023	25,113,600 shares	As of March 31, 2023	25,113,600 shares
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b. Number of treasury shares at the end of period

As of September 30, 2023	1,270,039 shares	As of March 31, 2023	1,278,439 shares
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c. Average number of shares during the period (cumulative for the quarter)

As of September 30, 2023	23,841,082 shares	As of September 30, 2022	23,898,644 shares
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Note: The number of treasury shares at the end of period includes the Company’s shares (361,000 shares as of September 30, 2023; 369,400 shares as of March 31, 2023) 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 September 30, 2023: 363,479 shares; as of September 30, 2022: 371,407 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 itemsThe 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. For matters related to the abovementioned forecasts, please refer to “(3) Explanation about Information on Projections Including Consolidated Forecasts” on Page 4 of the appendix.

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## 1. Qualitative Information about the Quarterly Financial Results

### (1) Explanation about Operating Results

Throughout the Consolidated Cumulative Second Quarter of Fiscal 2024 (April 1, 2023 - September 30, 2023), the country's economy has seen signs of a gradual economic recovery as the employment and income environment improves. However, there are concerns about the slowdown of the global economy due to worldwide geopolitical risks, as well as the potential acceleration of the yen's depreciation, which continue to cast a shadow of uncertainty over the future.

In the information services industry, investments in systems for digital transformation (hereinafter "DX"), such as enhancing corporate competitiveness and transitioning to the cloud, have continued to be robust, and further market expansion is expected.

In this climate, the TDC SOFT Group embarked on the second year of its medium-term management plan "Shift to the Smart SI Plus" for the period between April 2022 and March 2025. Based on the concept of providing high-value-added IT services that meet the latent needs of the market and society, we are promoting corporate activities with the vision of evolving into a next-generation system integration (hereinafter "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 expand our SI business into the commodity area in our consulting business, which supports customers in formulating strategies for their digital transformation, in our sales business, which sells products, services, etc. that meet a diverse array of customers' IT needs, and in providing managed services that integrate all aspects of IT solutions, starting from development through to operation and maintenance. Specifically, we are pushing forward with the following initiatives.

#### a. Expansion of the consulting business

- Training and expansion of consulting staff based on the Scaled Agile Framework® of U.S. company Scaled Agile, Inc., with which we have formed a gold partner alliance.
- Developing expertise into assets and establishing consulting methods to respond to customer digital needs covering everything from IT strategy formulation to use of digital technologies
- Advancement of promotion activities

#### b. Expansion of services and products sales business

- Expansion of marketing function and product sales function
- Expansion of product lineup that captures user needs and seeds

#### c. Expansion of SI business into commodity area

- Consolidation of operation and maintenance projects involving system modifications, etc.
- Pursuit of high productivity through modularization of common items, etc.

During this consolidated cumulative second quarter, each business field performed well and net sales exceeded the plan, achieving an increase in revenue. In terms of profit, while costs have increased due to aggressive investments for future business expansion, the effect of increased revenue has led to operating profit exceeding plans, resulting in a slight increase in profit. We are progressing with specific initiatives related to investment according to plan, including expanding the number of hiring of new graduates and making them competitive at an early stage, acquiring new technologies to expand the next-generation SI business, and relocating the head office with the aim of sustaining high productivity, as part of the "Smart Work Concept" workplace strategy.

As a result, the Group's business performance for this consolidated cumulative second quarter was as follows: Net sales amounted to ¥18,856 million, up 12.3% year on year; operating profit amounted to ¥1,858 million, up 0.4% year on year; ordinary profit amounted to ¥1,930 million, up 0.4% year on year; and quarterly net income attributable to owners of parent amounted to ¥1,310 million, up 0.7% year on year.

Additionally, the Company relocated its head office in October 2023. The Company will continue to strive to achieve sustainable growth.

**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, technical 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 BI(Note 1)/DWH(Note 2) and ERP(Note 3)/CRM(Note 4). During this fiscal year, the Group made solid progress on SaaS solution projects for enterprises. As a result, net sales in this field increased 27.1% year on year to ¥3,218 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 strong progress on development projects for banking systems. As a result, net sales in this field increased 9.9% year on year to ¥8,533 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 fiscal year, the Group made solid progress on development projects for public agencies and the transportation sector. As a result, net sales in this field increased 7.9% year on year to ¥4,953 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 infrastructure for the banking sector. As a result, net sales in this field increased 13.0% year on year to ¥2,151 million.

(Millions of yen)

Field	As of September 30, 2022		As of September 30, 2023		Year-on-year percentage change
	Consolidated cumulative quarter		Consolidated cumulative quarter		
	Amount	Share	Amount	Share	
IT consulting and services	2,531	15.1%	3,218	17.1%	+27.1%
IT solutions for financial services	7,766	46.2%	8,533	45.2%	+9.9%
IT solutions for public corporations	4,591	27.3%	4,953	26.3%	+7.9%
Platform solutions	1,903	11.4%	2,151	11.4%	+13.0%
Total	16,793	100.0%	18,856	100.0%	+12.3%

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.

(2) Explanation about Financial Status

State of assets, liabilities, and net assets

Total assets at the end of this consolidated accounting second quarter increased by ¥435 million from the end of the previous fiscal year to ¥23,206 million.

Current assets increased by ¥266 million from the end of the previous fiscal year to ¥19,094 million. This is mainly due to an increase of ¥155 million in cash and deposits along with an increase of ¥130 million in work in process.

Non-current assets increased by ¥168 million from the end of the previous fiscal year to ¥4,112 million. This is mainly due to increases of ¥199 million in investment securities and ¥22 million in property, plant and equipment, despite a decrease of ¥61 million in deferred tax assets.

Current liabilities decreased by ¥400 million from the end of the previous fiscal year to ¥5,644 million. This is mainly due to decreases of ¥417 million in accrued expenses and ¥122 million in income taxes payable, despite an increase of ¥147 million in short-term borrowings.

Non-current liabilities increased by ¥42 million from the end of the previous consolidated fiscal year to ¥358 million. This is mainly due to an increase of ¥52 million in long-term accrued expenses included in other expenses.

Net assets increased by ¥793 million from the end of the previous fiscal year to ¥17,203 million. This is mainly due to increases of ¥584 million in retained earnings and of ¥203 million in valuation difference on available-for-sale securities.

Cash flow conditions

The balance of cash and cash equivalents at the end of this consolidated accounting second quarter increased by ¥155 million from the end of the previous fiscal year to ¥12,165 million (¥11,376 million in the same period of the previous fiscal year). Cash flow conditions during this consolidated cumulative second quarter and their factors are as stated below:

(Cash flows from operating activities)

While income taxes paid was ¥740 million, a decrease in accrued expenses was ¥364 million, and an increase in inventories was ¥130 million, quarterly net income before income taxes was ¥1,930 million. As a result, cash flows from operating activities amounted to ¥674 million (¥441 million in the same period of the previous fiscal year).

(Cash flows from investing activities)

While purchase of property, plant and equipment was ¥62 million, proceeds from sales of investment securities was ¥97 million and interest and dividend income received was ¥37 million. As a result, cash flows from investing activities amounted to ¥66 million (¥50 million in the same period of the previous fiscal year).

(Cash flows from financing activities)

While a net increase in short-term borrowings was ¥147 million, dividends paid totaled ¥726 million. As a result, cash flows from financing activities amounted to negative ¥586 million (negative ¥969 million in the same period of the previous fiscal year).

(3) Explanation about Information on Projections Including Consolidated Forecasts

There is no change to the financial results forecast announced in the “Consolidated Financial Report for Fiscal 2022 Ended March 31, 2023” dated May 11, 2023.

**2. Quarterly Consolidated Financial Statements and Primary Notes****(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	Fiscal 2022 (as of March 31, 2023)	Second Quarter of Fiscal 2023 (as of September 30, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,010,240	12,165,503
Notes and accounts receivable - trade, and contract assets	6,277,248	6,240,267
Work in process	58,808	189,608
Other	481,349	499,015
<b>Total current assets</b>	<b>18,827,646</b>	<b>19,094,394</b>
<b>Non-current assets</b>		
Property, plant and equipment	219,001	241,897
Intangible fixed assets	89,181	100,470
<b>Investments and other assets</b>		
Investment securities	2,599,725	2,799,489
Shares of subsidiaries and associates	0	—
Deferred tax assets	240,185	178,333
Guarantee deposits	756,969	754,399
Other	38,509	37,523
<b>Total investments and other assets</b>	<b>3,635,390</b>	<b>3,769,745</b>
<b>Total non-current assets</b>	<b>3,943,572</b>	<b>4,112,113</b>
<b>Total assets</b>	<b>22,771,219</b>	<b>23,206,507</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	1,507,332	1,564,603
Short-term borrowings	453,000	600,000
Accounts payable – other	459,978	371,168
Accrued expenses	2,077,943	1,660,129
Asset retirement obligations	57,922	57,922
Income taxes payable	815,962	693,607
Accrued consumption taxes	340,340	369,863
Provision for bonuses for directors (and other officers)	138,220	49,000
Provision for loss on orders received	—	3,036
Other	194,447	275,079
<b>Total current liabilities</b>	<b>6,045,147</b>	<b>5,644,411</b>
<b>Non-current liabilities</b>		
Provision for share-based remuneration for employees	57,842	53,145
Provision for share-based remuneration for directors (and other officers)	77,228	80,707
Retirement benefit liability	38,755	38,755
Asset retirement obligations	55,176	55,399
Other	87,176	130,691
<b>Total non-current liabilities</b>	<b>316,179</b>	<b>358,699</b>
<b>Total liabilities</b>	<b>6,361,326</b>	<b>6,003,110</b>



(Thousands of yen)

	Fiscal 2022 (as of March 31, 2023)	Second Quarter of Fiscal 2023 (as of September 30, 2023)
Net assets		
Shareholders' equity		
Share capital	970,400	970,400
Capital surplus	986,256	986,256
Retained earnings	13,939,945	14,524,429
Treasury shares	(674,231)	(668,918)
Total shareholders' equity	15,222,370	15,812,167
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,187,522	1,391,229
Total accumulated other comprehensive income	1,187,522	1,391,229
Total net assets	16,409,892	17,203,396
Total liabilities and net assets	22,771,219	23,206,507

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

	(Thousands of yen)	
	Consolidated Cumulative Second Quarter of Fiscal 2022 (From April 1, 2022 to September 30, 2022)	Consolidated Cumulative Second Quarter of Fiscal 2023 (from April 1, 2023 to September 30, 2023)
Net sales	16,793,773	18,856,894
Cost of sales	13,119,061	14,815,877
Gross profit	3,674,712	4,041,017
Selling, general and administrative expenses	1,823,180	2,182,081
Operating profit	1,851,532	1,858,935
Non-operating income		
Interest income	84	62
Dividend income	25,388	37,762
Surrender value of insurance policies	23,274	—
Subsidy income	9,760	35
Gain on sales of investment securities	13,558	38,072
Other	6,907	6,539
Total non-operating income	78,974	82,473
Non-operating expenses		
Interest expenses	1,849	1,845
Loss on investments in partnerships	6,572	7,658
Other	—	1,375
Total non-operating expenses	8,422	10,880
Ordinary profit	1,922,083	1,930,528
Quarterly net income before income taxes	1,922,083	1,930,528
Income taxes	620,196	619,907
Quarterly net income	1,301,887	1,310,620
Quarterly net income attributable to non-controlling interests	—	—
Quarterly net income attributable to owners of parent	1,301,887	1,310,620

Quarterly Consolidated Statement of Comprehensive Income  
Consolidated Cumulative Second Quarter

	(Thousands of yen)	
	Consolidated Cumulative Second Quarter of Fiscal 2022 (From April 1, 2022 to September 30, 2022)	Consolidated Cumulative Second Quarter of Fiscal 2023 (from April 1, 2023 to September 30, 2023)
Quarterly net income	1,301,887	1,310,620
Other comprehensive income		
Valuation difference on available-for-sale securities	6,727	203,706
Total other comprehensive income	6,727	203,706
Quarterly comprehensive income	1,308,614	1,514,327
Breakdown:		
Quarterly comprehensive income attributable to owners of parent	1,308,614	1,514,327
Quarterly comprehensive income attributable to non-controlling interests	—	—

## (3) Quarterly Consolidated Statement of Cash Flows

	(Thousands of yen)	
	Consolidated Cumulative Second Quarter of Fiscal 2023 (From April 1, 2022 to September 30, 2022)	Consolidated Cumulative Second Quarter of Fiscal 2023 (from April 1, 2023 to September 30, 2023)
<b>Cash flows from operating activities</b>		
Quarterly net income before income taxes	1,922,083	1,930,528
Depreciation and amortization	23,760	45,047
Amortization of goodwill	11,631	11,631
Increase (decrease) in provision for bonuses for directors (and other officers)	(88,290)	(89,220)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	(1,581)	3,478
Increase (decrease) in provision for share-based remuneration for employees	(7,004)	616
Increase (decrease) in provision for loss on orders received	—	3,036
Increase (decrease) in retirement benefit liability	(5,880)	—
Interest and dividend income	(25,473)	(37,825)
Interest expenses	1,849	1,845
Loss (gain) on sales of investment securities	(13,558)	(38,072)
Loss (gain) on investments in partnerships	6,572	7,658
Decrease (increase) in notes and accounts receivable – trade	386,016	(118,300)
Decrease (increase) in inventories	(141,927)	(130,799)
Increase (decrease) in notes and accounts payable – trade	82,804	57,270
Increase (decrease) in accounts payable – other	(430,064)	(93,875)
Increase (decrease) in accrued expenses	(298,930)	(364,820)
Increase (decrease) in accrued consumption taxes	(132,200)	29,523
Other	(230,594)	197,555
<b>Subtotal</b>	<b>1,059,213</b>	<b>1,415,280</b>
Income taxes paid	(617,233)	(740,334)
<b>Cash flows from operating activities</b>	<b>441,979</b>	<b>674,945</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,265)	(62,213)
Purchase of intangible fixed assets	(600)	(7,531)
Purchase of investment securities	(2,059)	(1,752)
Proceeds from sales of investment securities	17,632	97,399
Proceeds of dividend distributions from partnerships	10,320	601
Payments of loans receivable to employees	(1,190)	(1,600)
Collection of loans receivable from employees	3,708	1,611
Interest and dividend income received	25,473	37,825
Other	75	2,570
<b>Cash flows from investing activities</b>	<b>50,094</b>	<b>66,911</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	75,000	147,000
Purchase of treasury shares	(304,095)	—
Interest expenses	(1,875)	(1,886)
Dividend payment	(734,689)	(726,136)
Repayments of lease obligations	(3,755)	(5,570)
<b>Cash flows from financing activities</b>	<b>(969,415)</b>	<b>(586,593)</b>
Net increase (decrease) in cash and cash equivalents	(477,341)	155,263
Balance of cash and cash equivalents at the beginning of the period	11,702,407	12,010,240
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	151,114	—
<b>Balance of cash and cash equivalents at the end of the quarter</b>	<b>11,376,181</b>	<b>12,165,503</b>

(4) 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 before income taxes for the consolidated fiscal year that includes this consolidated cumulative second quarter, and multiply quarterly net income before income taxes by the estimated effective tax rate.

(Segment Information and Related Matters)

Consolidated Cumulative Second Quarter of Fiscal 2023 (from April 1, 2023 to September 30, 2023)

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.