

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

February 7, 2024

Listing: Tokyo Stock Exchange  
 Company name: **TDC SOFT Inc.**  
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 Scheduled date of filing quarterly report: February 8, 2024  
 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 2023 Ending March 31, 2024 (April 1, 2023 to December 31, 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 December 31, 2023	28,744	12.3	2,912	1.7	3,361	9.4	2,265	8.7
As of December 31, 2022	25,595	14.5	2,863	14.1	3,073	17.1	2,084	16.9

Note: Comprehensive income

As of December 31, 2023: ¥2,328 million [15.7%]

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

	Quarterly net income per share		Diluted quarterly net income per share	
	Yen	Sen	Yen	Sen
As of December 31, 2023	95.04	—	—	—
As of December 31, 2022	87.29	—	—	—

#### (2) Consolidated financial position

	Total assets	Net assets	Owners' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of December 31, 2023	24,066	18,017	74.9
As of March 31, 2023	22,771	16,409	72.1

Reference: Owners' equity

As of December 31, 2023: ¥18,017 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: Yes

Regarding the revision of our earnings forecast, refer to the "Notice Regarding Revision of Earnings Forecast" announced on February 7, 2024.

**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 “(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. : 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 December 31, 2023	25,113,600 shares	As of March 31, 2023	25,113,600 shares
As of December 31, 2023	1,270,159 shares	As of March 31, 2023	1,278,439 shares
As of December 31, 2023	23,841,898 shares	As of December 31, 2022	23,877,433 shares

b. Number of treasury shares at the end of period

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

Note: The number of treasury shares at the end of period includes the Company’s shares (361,000 shares as of December 31, 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 December 31, 2023: 362,649 shares; as of December 31, 2022: 370,735 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. 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 Third Quarter of Fiscal 2024 (April 1, 2023 - December 31, 2023), the country's economy has seen signs of a gradual economic recovery as the employment and income environment improves. However, factors such as prolonged worldwide geopolitical risks and the impact of interest rate policies on the economy 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 formulated its medium-term management plan "Shift to the Smart SI Plus" for the period through 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.

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 third 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.

Additionally, we sold a portion of the investment securities we hold with the aim of streamlining our asset holdings and strengthening our financial position.

As a result, the Group's business performance for this consolidated cumulative third quarter was as follows: Net sales amounted to ¥28,744 million, up 12.3% year on year; operating profit amounted to ¥2,912 million, up 1.7% year on year; ordinary profit amounted to ¥3,361 million, up 9.4% year on year; and quarterly net income attributable to owners of parent amounted to ¥2,265 million, up 8.7% 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 and providing technical consulting and 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 quarter, the Group made solid progress on SaaS solution projects for enterprises. As a result, net sales in this field increased 21.7% year on year to ¥4,894 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 particularly on development projects for banking systems. As a result, net sales in this field increased 11.2% year on year to ¥12,944 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 public agencies and the transportation sector. As a result, net sales in this field increased 8.9% year on year to ¥7,570 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. The Group made solid progress on projects to build infrastructure for the banking sector. As a result, net sales in this field increased 12.0% year on year to ¥3,334 million.

(Millions of yen)

Field	As of December 31, 2022		As of December 31, 2023		Year-on-year percentage change
	Consolidated cumulative quarter		Consolidated cumulative quarter		
	Amount	Share	Amount	Share	
IT consulting and services	4,021	15.7%	4,894	17.0%	+21.7%
IT solutions for financial services	11,644	45.5%	12,944	45.1%	+11.2%
IT solutions for public corporations	6,951	27.2%	7,570	26.3%	+8.9%
Platform solutions	2,977	11.6%	3,334	11.6%	+12.0%
Total	25,595	100.0%	28,744	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 third quarter increased by ¥1,295 million from the end of the previous consolidated fiscal year to ¥24,066 million.

Current assets increased by ¥513 million from the end of the previous consolidated fiscal year to ¥19,341 million. This is mainly due to an increase of ¥659 million in cash and deposits and ¥351 million in work in progress, despite decreases of ¥470 million in notes and accounts receivable - trade, and contract assets.

Non-current assets increased by ¥781 million from the end of the previous consolidated fiscal year to ¥4,725 million. This is mainly due to an increase of ¥817 million in property, plant and equipment.

Current liabilities decreased by ¥604 million from the end of the previous consolidated fiscal year to ¥5,440 million. This is mainly due to decreases of ¥909 million in accrued expenses and ¥321 million in income taxes payable, etc., despite an increase of ¥447 million in short-term borrowings.

Non-current liabilities increased by ¥292 million from the end of the previous consolidated fiscal year to ¥608 million. This is mainly due to an increase of ¥179 million in asset retirement obligations and ¥127 million in long-term accrued expenses included in other expenses.

Current assets increased by ¥1,607 million from the end of the previous consolidated fiscal year to ¥18,017 million. This is mainly due to an increase of ¥1,539 million in retained earnings.

(3) Explanation about Information on Projections Including Consolidated Forecasts

Regarding the full-year earnings forecast for fiscal 2023 Ending March 31, 2024, in light of recent performance trends, we have revised the earnings forecast that was announced on May 11, 2023. For details, refer to the "Notice Regarding Revision of Earnings Forecast" announced on February 7, 2024.

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

(Thousands of yen)

	Fiscal 2022 (as of March 31, 2023)	Third Quarter of Fiscal 2023 (as of December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	12,010,240	12,670,024
Notes and accounts receivable - trade, and contract assets	6,277,248	5,806,978
Work in process	58,808	410,083
Other	481,349	454,547
Total current assets	18,827,646	19,341,633
Non-current assets		
Property, plant and equipment	219,001	1,036,541
Intangible fixed assets	89,181	98,016
Investments and other assets		
Investment securities	2,599,725	2,538,985
Shares of subsidiaries and associates	0	0
Deferred tax assets	240,185	235,447
Guarantee deposits	756,969	779,601
Other	38,509	36,598
Total investments and other assets	3,635,390	3,590,632
Total non-current assets	3,943,572	4,725,189
Total assets	22,771,219	24,066,823
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,507,332	1,637,468
Short-term borrowings	453,000	900,000
Accounts payable – other	459,978	472,476
Accrued expenses	2,077,943	1,168,877
Asset retirement obligations	57,922	—
Income taxes payable	815,962	494,910
Accrued consumption taxes	340,340	300,587
Provision for bonuses for directors (and other officers)	138,220	73,500
Provision for loss on orders received	—	1,990
Other	194,447	390,739
Total current liabilities	6,045,147	5,440,550
Non-current liabilities		
Provision for share-based remuneration for employees	57,842	53,596
Provision for share-based remuneration for directors (and other officers)	77,228	81,908
Retirement benefit liability	38,755	38,755
Asset retirement obligations	55,176	234,467
Other	87,176	200,145
Total non-current liabilities	316,179	608,874
Total liabilities	6,361,326	6,049,424



(Thousands of yen)

	Fiscal 2022 (as of March 31, 2023)	Third Quarter of Fiscal 2023 (as of December 31, 2023)
Net assets		
Shareholders' equity		
Share capital	970,400	970,400
Capital surplus	986,256	986,256
Retained earnings	13,939,945	15,479,796
Treasury shares	(674,231)	(669,153)
Total shareholders' equity	15,222,370	16,767,299
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,187,522	1,250,099
Total accumulated other comprehensive income	1,187,522	1,250,099
Total net assets	16,409,892	18,017,399
Total liabilities and net assets	22,771,219	24,066,823

(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 2022 (From April 1, 2022 to December 31, 2022)	Consolidated Cumulative Third Quarter of Fiscal 2023 (from April 1, 2023 to December 31, 2023)
Net sales	25,595,375	28,744,083
Cost of sales	19,955,388	22,611,723
Gross profit	5,639,987	6,132,359
Selling, general and administrative expenses	2,776,025	3,219,461
Operating profit	2,863,961	2,912,898
Non-operating income		
Interest income	146	105
Dividend income	68,557	73,611
Surrender value of insurance policies	67,827	—
Subsidy income	18,136	35
Gain on sales of investment securities	55,503	379,142
Other	8,497	7,780
Total non-operating income	218,668	460,675
Non-operating expenses		
Interest expenses	2,619	2,641
Loss on investments in partnerships	6,572	7,658
Other	255	1,375
Total non-operating expenses	9,447	11,676
Ordinary profit	3,073,182	3,361,897
Quarterly net income before income taxes	3,073,182	3,361,897
Income taxes	988,809	1,095,909
Quarterly net income	2,084,372	2,265,988
Quarterly net income attributable to non-controlling interests	—	—
Quarterly net income attributable to owners of parent	2,084,372	2,265,988

Quarterly Consolidated Statement of  
Comprehensive IncomeConsolidated Cumulative Third  
Quarter

(Thousands of yen)

	Consolidated Cumulative Third Quarter of Fiscal 2022 (From April 1, 2022 to December 31, 2022)	Consolidated Cumulative Third Quarter of Fiscal 2023 (from April 1, 2023 to December 31, 2023)
Quarterly net income	2,084,372	2,265,988
Other comprehensive income		
Valuation difference on available-for-sale securities	45,713	62,577
Total other comprehensive income	45,713	62,577
Quarterly comprehensive income	2,130,085	2,328,565
Breakdown:		
Quarterly comprehensive income attributable to owners of parent	2,130,085	2,328,565
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.

(Segment Information and Related Matters)

Consolidated Cumulative Third Quarter of Fiscal 2023 (from April 1, 2023 to December 31, 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.