

# Second Quarter of Fiscal 2022 Ending March 31, 2023 Financial Results Briefing

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**November 21, 2022**

**TDC SOFT Inc.**



**1 Overview of Consolidated Financial Results for  
the Second Quarter of Fiscal 2022 Ending March 31, 2023**

**2 Status of Key Measures for the Second Quarter of  
Fiscal 2022 Ending March 31, 2023**

**3 Outlook for the Fiscal Year Ending March 31, 2023**

**Hiroyoshi Kobayashi, President and Representative Director**

**4 Details of Financial Results for Second Quarter of Fiscal 2022 Ending March 31, 2023  
Tsuyoshi Ogaki, Director and Executive Officer in charge of Administration**

## Performance during the Quarter

- All business fields made solid progress reaching net sales of ¥16,793 million, a 14.5% increase year on year.
- Secured ¥1,851 million in operating profit, a 16.6% increase year on year, thanks to revenue growth that has outweighed an expected increase in personnel expenses for the quarter from aggressive efforts to secure talent.

## Topics

- **Status of Next-Generation SI Business**

Steadily expanding primarily in key strategic fields.

Net sales grew 65% year on year to ¥3,930 million and accounted for 23.4% of total net sales, up 7.2 percentage points.

- **Medium-Term Management Plan “Shift to the Smart SI Plus” (FY2022-FY2024)**

Promoting aggressive investment measures to “expand our business domain,” one of our core strategies.



**Overview of Consolidated  
Financial Results for the  
Second Quarter of Fiscal 2022  
Ending March 31, 2023**

# Overview of Consolidated Financial Results for the Second Quarter of Fiscal 2022 Ending March 2023

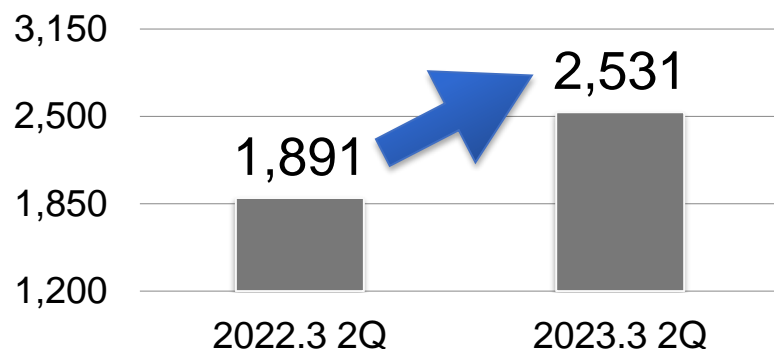
(Millions of Yen)	Q2 FY Ending March 2023	Profit Margin	YOY	Q2 FY Ended March 2022
Net sales	<b>16,793</b>	-	<b>+14.5%</b>	14,661
Gross profit	<b>3,674</b>	<b>21.9%</b>	<b>+18.9%</b>	3,090
Operating profit	<b>1,851</b>	<b>11.0%</b>	<b>+16.6%</b>	1,588
Ordinary profit	<b>1,922</b>	<b>11.4%</b>	<b>+16.7%</b>	1,647
Net income	<b>1,301</b>	<b>7.8%</b>	<b>+16.5%</b>	1,117

## [Highlights]

- Despite expecting an increase in personnel expenses for the quarter due to aggressive efforts to secure talent, we saw revenue growth from strengthening our framework for offering services through alliances, which **secured a 16.6% year-on-year increase to ¥1,851 million in operating profit.**

## IT Consulting & Services

**+33.9% YOY**

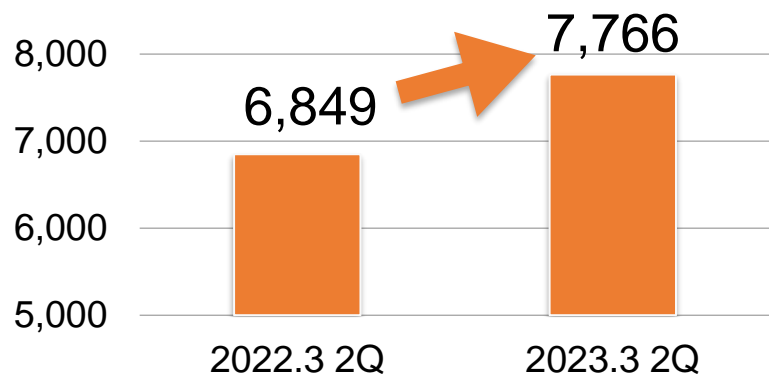


Provides solution services to promote customers' DX, including IT strategy and systemization concept planning, technical consulting, educational services, in-house cloud applications, BI/DWH, ERP, CRM, etc.

**Growth driven by cloud-based enterprise solution services projects.**

## IT Solutions for Financial Services

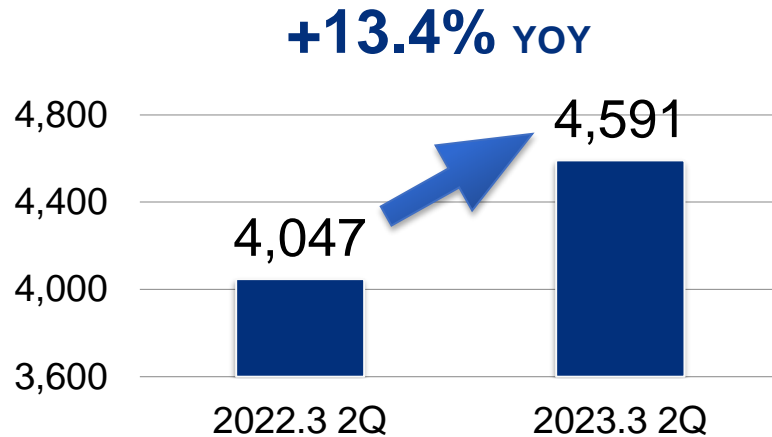
**+13.4% YOY**



Provides integrated IT solutions for the financial industry, including systemization planning, design, development, maintenance, etc.

**Growth driven by credit-related next-generation modernization projects.**

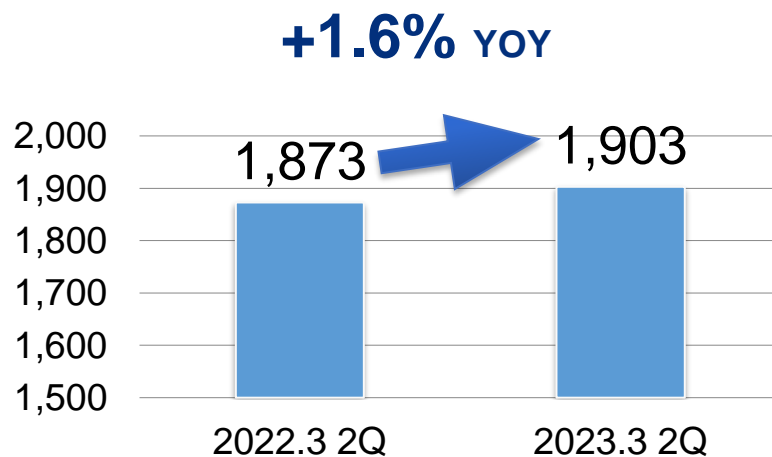
## IT Solutions for Public Corporations



Provides integrated IT solutions for the distribution, manufacturing, service, and public sectors, including systemization planning, design, development, maintenance, etc.

**Growth driven by development projects for the transportation industry and the automobile, steel, and other manufacturing industries.**

## Platform Solutions

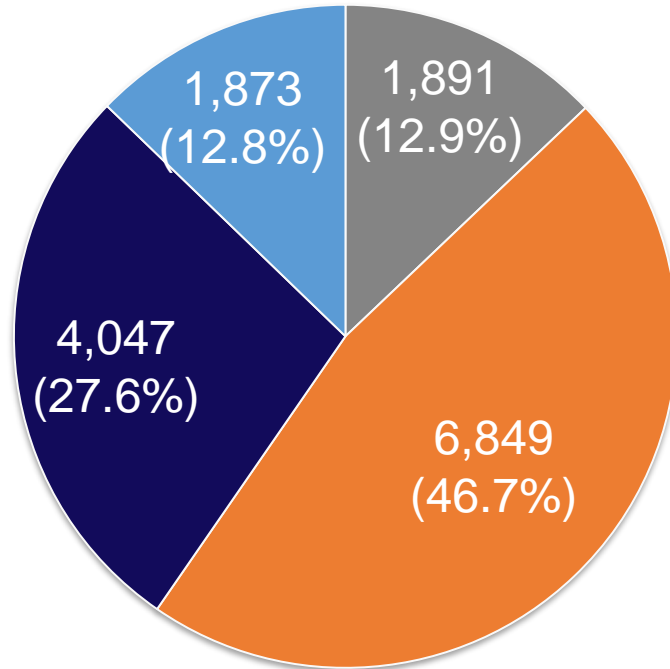


Provides environmental design, construction, operational support, network product development, network integration, etc. for IT infrastructure

**Solid progress on projects to build cloud-related infrastructure.**

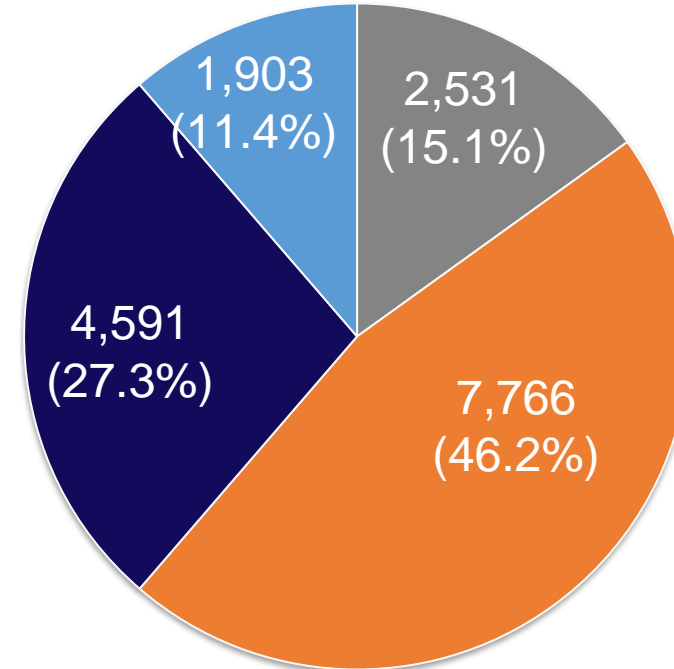
# Overview of Net Sales by Field

Second Quarter of Fiscal 2021  
Ending March 2022  
¥14,661 million



- IT Consulting & Services
- IT Solutions for Public Corporations

Second Quarter of Fiscal 2022  
Ending March 2023  
¥16,793 million



- IT Solutions for Financial Services
- Platform Solutions



**2**

**Status of Key Measures for the  
Second Quarter of  
Fiscal 2022 Ending March 31, 2023**

# Shift to the Smart SI Plus

We will expand our business into new domains based around our existing SI business and acquire the capabilities needed for new business models in an aim to become a new type of next-generation system integrator.

**plus! Expand our business domain**

We will tap into the latest elemental technologies to expand our high-value-added integration services based on the potential needs of society and our customers.

We will use innovative approaches to develop an SI process designed to ensure high productivity and high quality.

Create high-value-added SI services

Key Strategies

Support SI model reforms

## Overview of the Next-Generation SI Business

### The next-generation SI business is steadily growing.

The business has grown to make up 23.4% of net sales, driven by agile development and cloud-related fields.

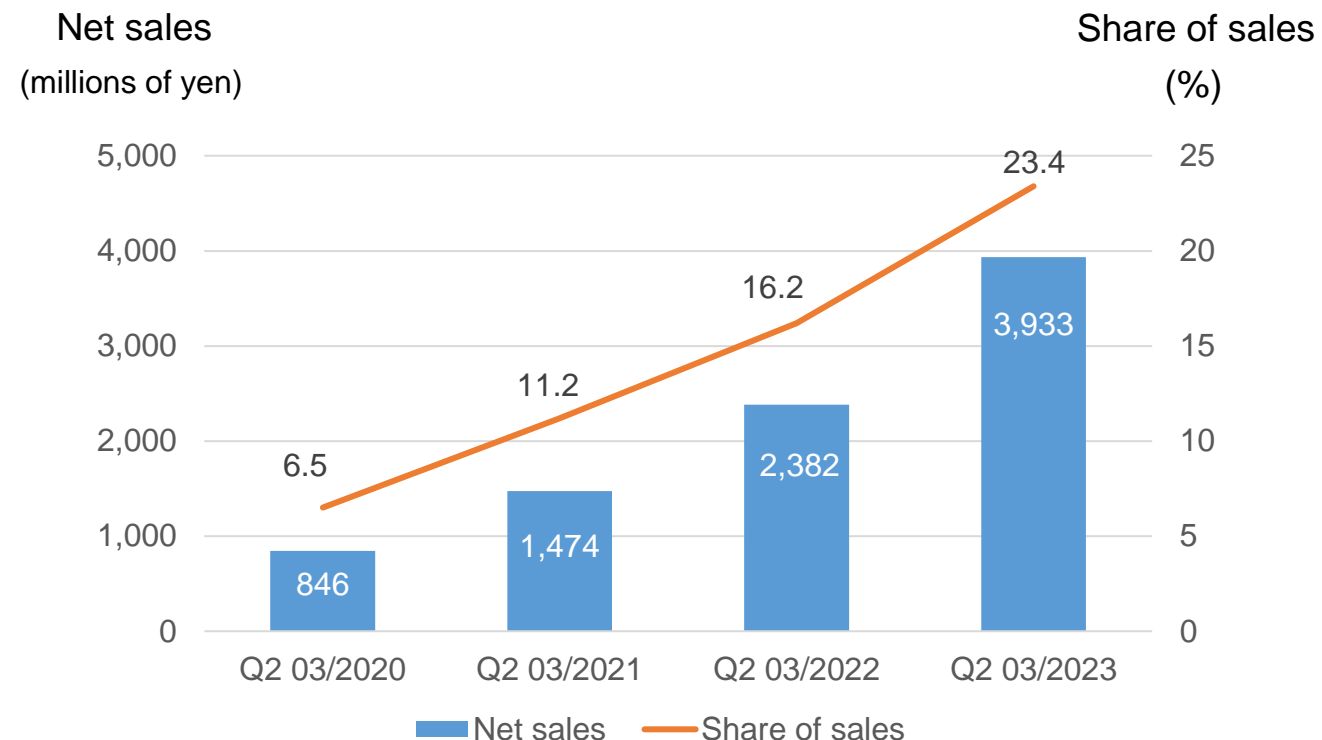
**This business growth coupled with cost cutting initiatives have increased profitability on a consolidated basis.**

Gross profit margin	21.9%	(+0.8% YOY)
Operating profit margin	11.0%	(+0.2% YOY)
Ordinary profit margin	11.4%	(+0.2% YOY)

#### Next-Generation SI Business

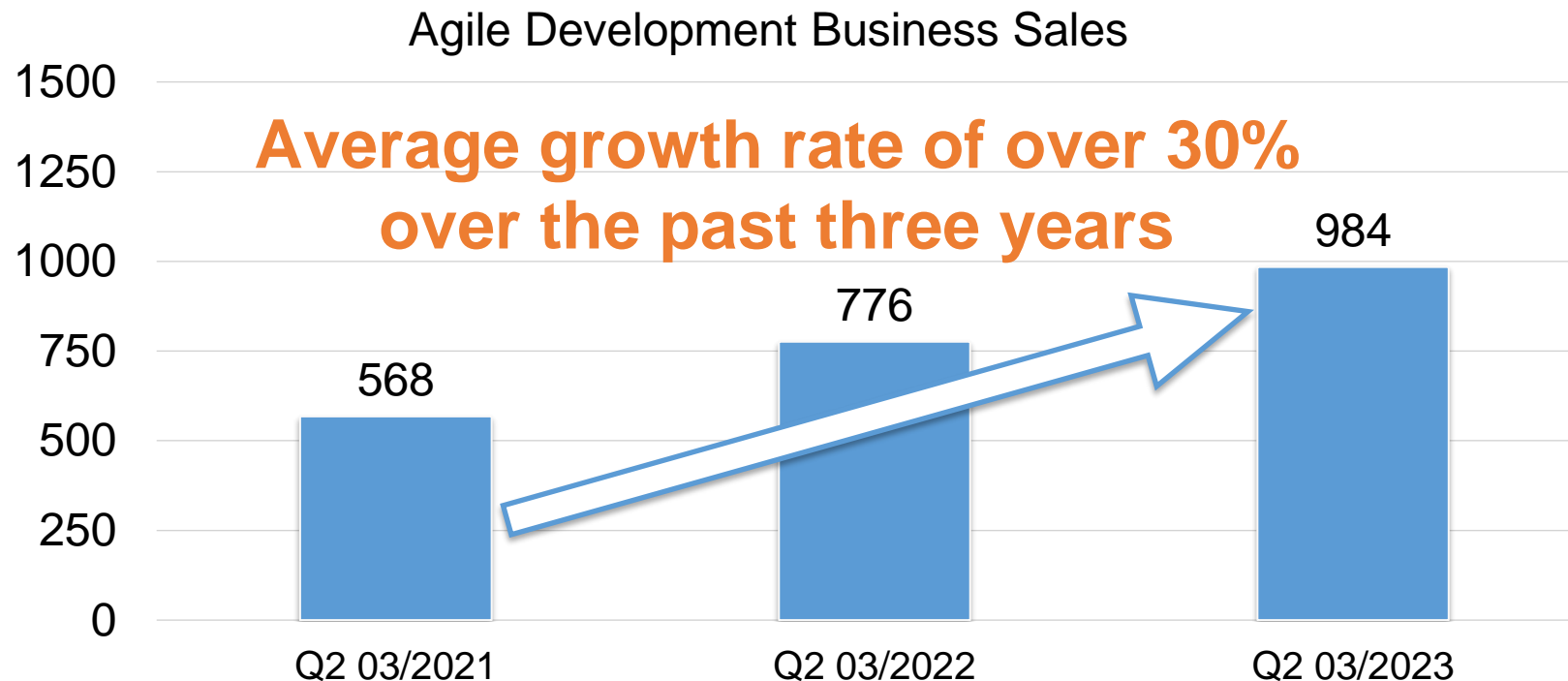
Integration services that capture customers' potential needs, tap into the latest elemental technologies in agile development and security, and provide high-value added services while also reducing the costs to the user, including time as well as effort.

Changes in Next-Generation SI Business Sales Ratio and Net Sales



## TOPICS: Key Strategic Field – Agile Development Business

**Net sales have grown steadily** in the agile development business accompanying increased DX demand from customers.



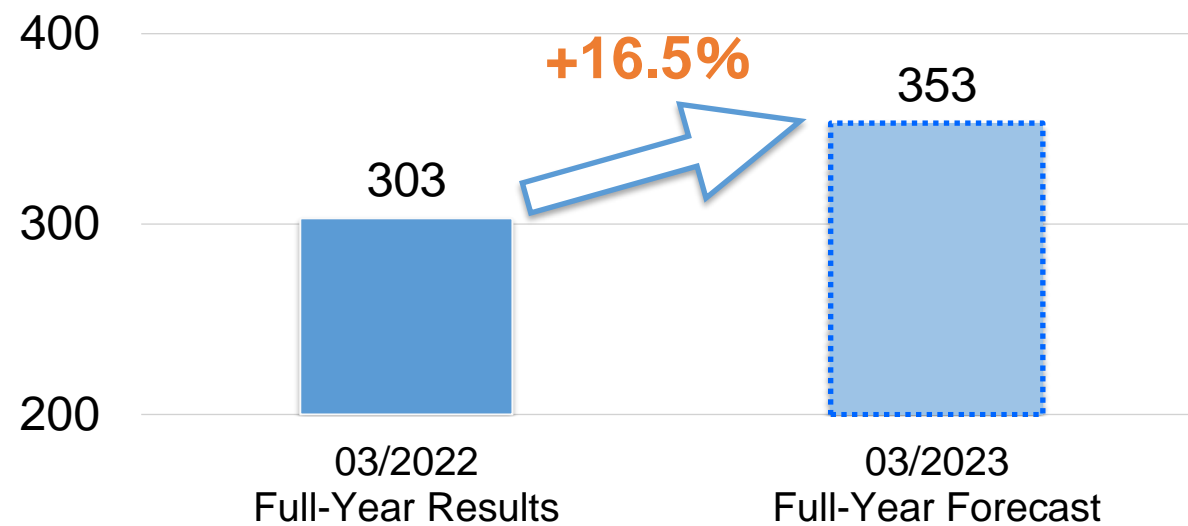
# TOPICS: Key Strategic Field – Information System Security Business

We offer total security solution services that are conscious of system life cycles.

<b>Security Diagnostics &amp; Analysis</b> <ul style="list-style-type: none"> <li>● Web/network security diagnostics</li> <li>● Penetration testing</li> <li>● System security analysis</li> </ul>	<b>Support for Strengthening Governance</b> <ul style="list-style-type: none"> <li>● Support for establishing a CSIRT</li> <li>● Support for security education</li> </ul>
<b>Monitoring &amp; Audit Support</b> <ul style="list-style-type: none"> <li>● Support for building SIEM solutions</li> <li>*SIEM: Integrated security log monitoring</li> </ul>	<b>Remedial Solutions</b> <ul style="list-style-type: none"> <li>● Web application firewalls</li> <li>● Cloud security platforms</li> <li>● Container security</li> </ul>

Information system security business sales are **already expected to surpass the previous fiscal year.**

Information System Security Business Sales



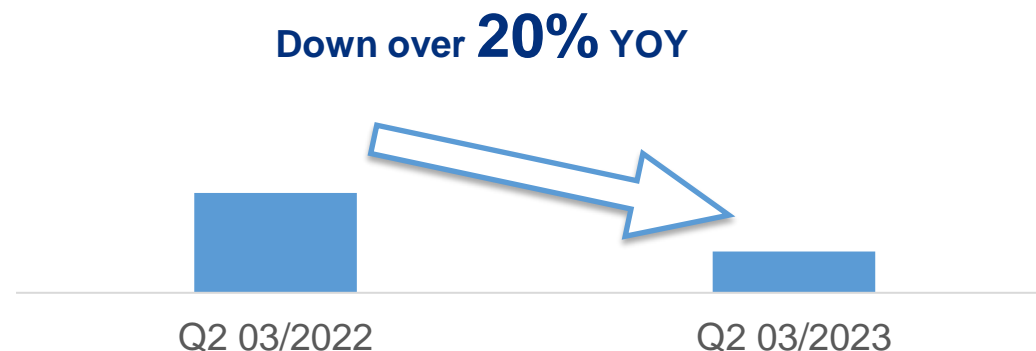
We use innovative approaches to **develop an SI process designed to ensure high productivity and high quality.**

- **Improvement of quality standards for our services**

We have worked to improve the quality standards of our services by encouraging the shared use of highly-skilled talent among other measures.

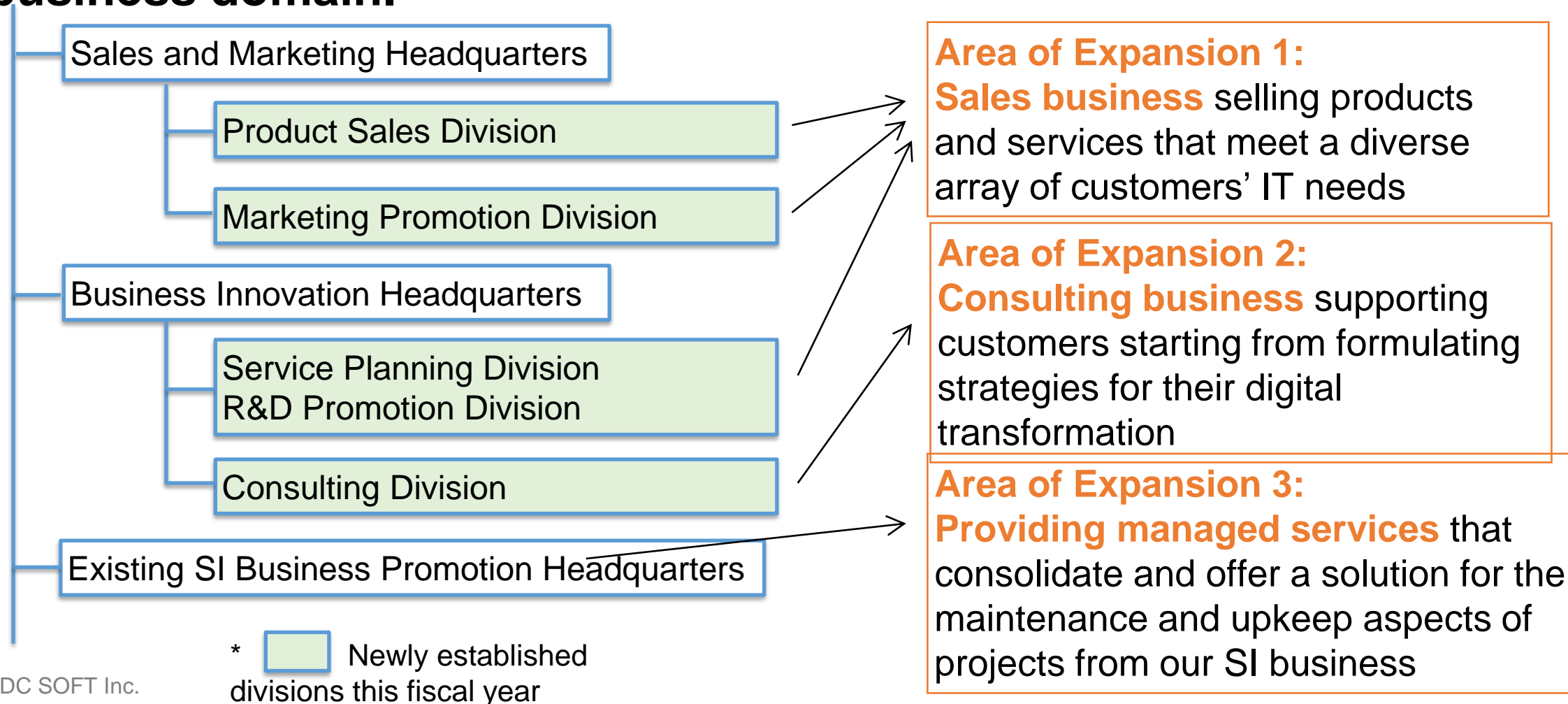
- **Elimination of troublemaking projects**

We have introduced a system to evaluate project performance and worked to eliminate troublemaking projects.



**Share of projects with lower profit margins than planned**

We will **acquire the capabilities needed for new business models** and expand our business into new domains based around our existing SI business domain.



## ● Increased investment in technology

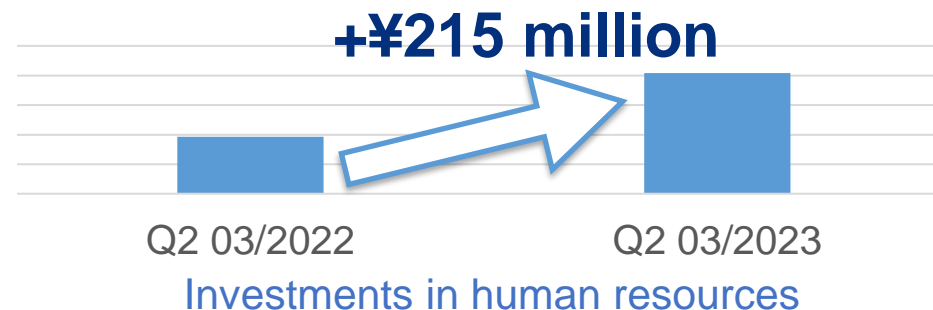
We have increased our investments in elemental technologies to further expand our new businesses and high-value added fields.

### Areas of Investment in FY2022

- Agile development, security, UXD, cloud native computing, data analytics platforms
- **Front-end frameworks** (newly added FY2022), **automation managed services** (newly added FY2022)

## ● Investments in human resources

We have been promoting aggressive recruitment measures to secure staff, including doubling the number of new graduate hires over the previous year. We are also implementing multifaceted investment policies, promoting investments in education as well as branding aimed at securing talent.



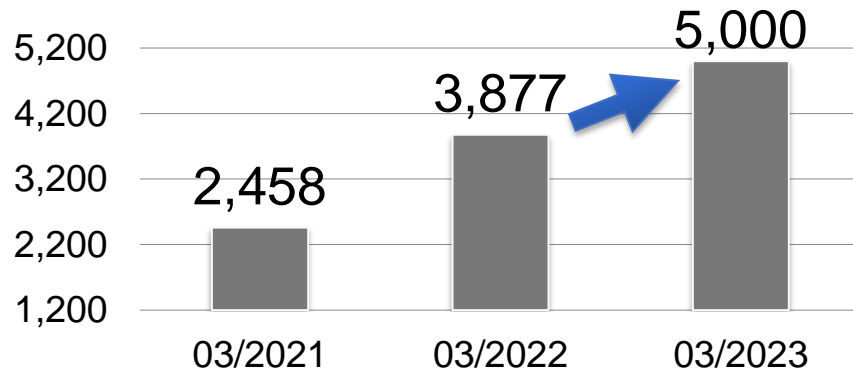




# **Outlook for the Fiscal Year Ending March 31, 2023**

## IT Consulting & Services

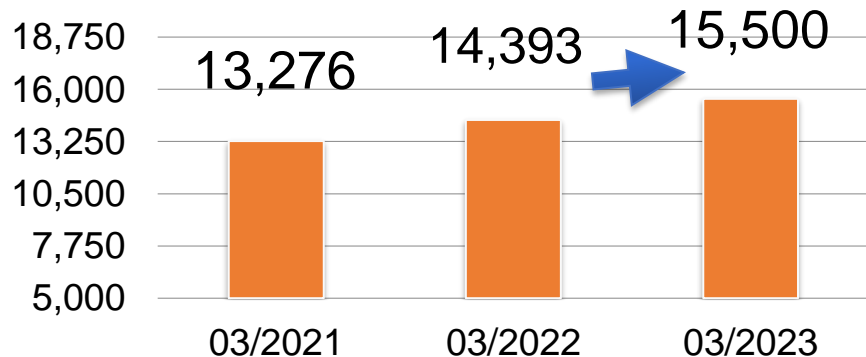
**+22.5%** YOY



**We expect demand for cloud-based enterprise solution services projects to continue and sales to remain on a growth trajectory.**

## IT Solutions for Financial Services

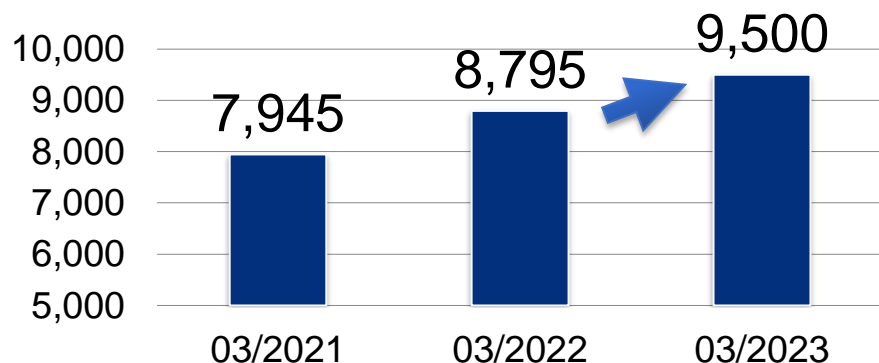
**+7.7%** YOY



**We expect to see solid progress in our existing domains and revenue growth from strong demand for modernization and legacy migration projects.**

## IT Solutions for Public Corporations

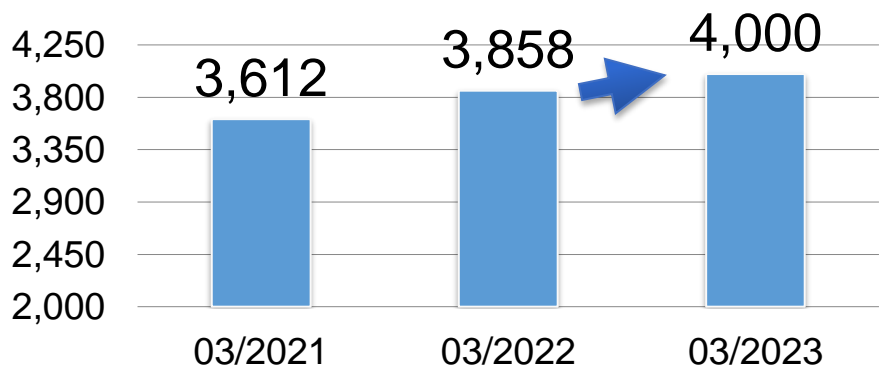
**+8.0%** YOY



Continued growth is expected centered around projects supporting customers' IT planning driven by demand for DX from the transportation and manufacturing industries.

## Platform Solutions

**+3.6%** YOY



Steady growth is expected due to increasing demand for cloud-related services.

## Financial Results and Dividend Forecast

(Millions of Yen)	Net Sales	Operating Profit	Ordinary Profit	Net Income	EPS (Yen)	Dividend Forecast (Yen)
<b>Full Fiscal Year</b>	<b>34,000</b> (+9.9%)	<b>3,260</b> (+9.9%)	<b>3,355</b> (+8.9%)	<b>2,270</b> (+9.7%)	94.75	Interim 15.00 Year-end 30.00 <u>Total: 45.00</u>

- We will promote aggressive investment measures based on the medium-term plan. We expect revenue growth to absorb the investment costs over the full fiscal year and forecast an increase in sales and profit.



**Details of Financial Results  
for Second Quarter of Fiscal 2022  
Ending March 31, 2023**

- **Financial Statements**
- **Net Sales Analysis**
- **Orders Received/Backlog**
- **Operating Profit Analysis**

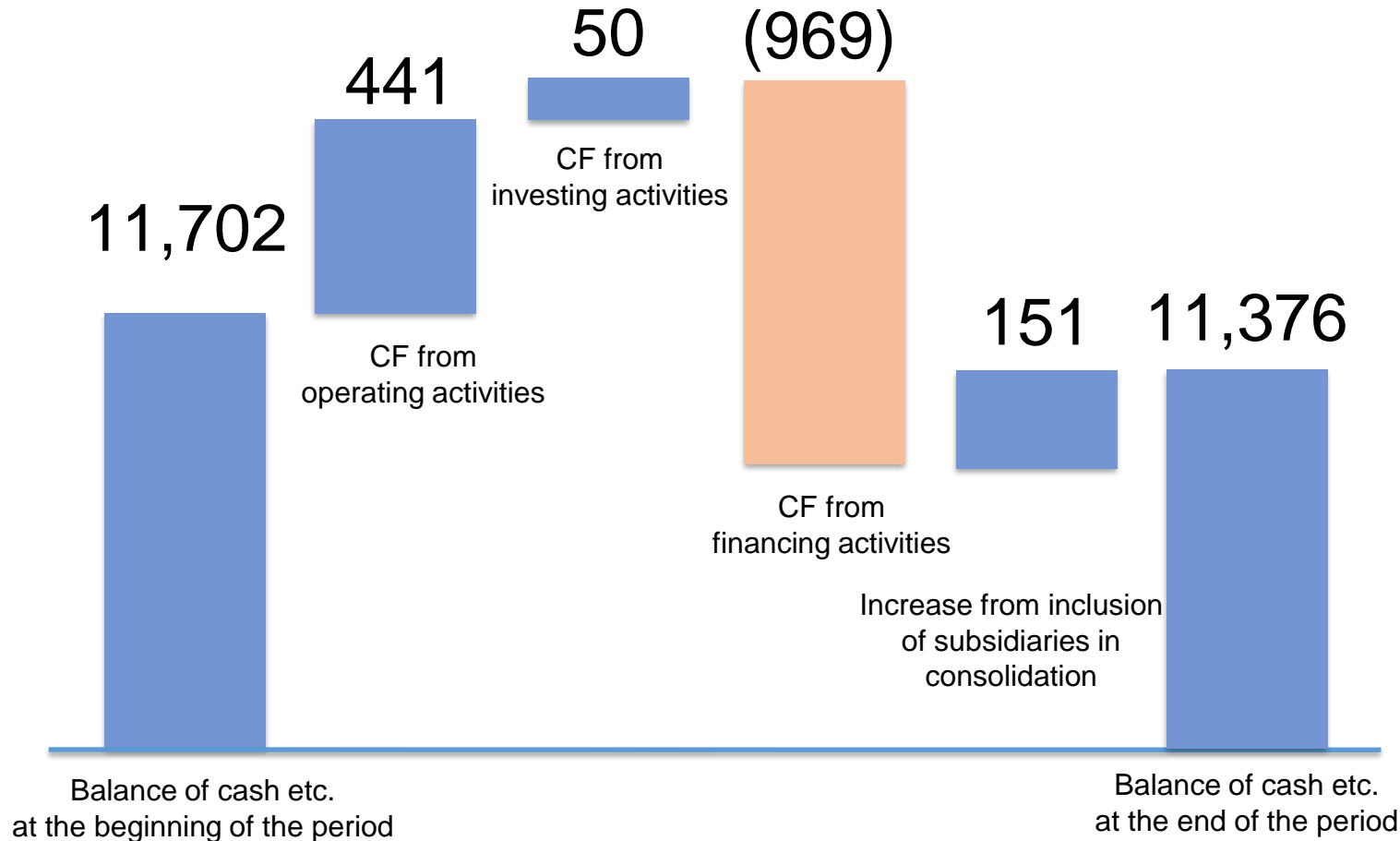
## Statement of Income

(Millions of Yen)	Q2 FY Ending March 2023	Q2 FY Ended March 2022	Change
Net sales	16,793	14,661	+14.5%
Labor expenses	5,935	5,737	+3.5%
Outsourcing expenses	6,883	5,551	+24.0%
Other expenses	442	362	+22.2%
In-process increase/decrease	142	80	+75.6%
Cost of sales	13,119	11,570	+13.4%
Gross profit	3,674	3,090	+18.9%
Selling, general and administrative expenses	1,823	1,502	+21.3%
Operating profit	1,851	1,588	+16.6%
Non-operating income/expenses	70	58	+19.7%
Ordinary profit	1,922	1,647	+16.7%
Profit before income taxes	1,922	1,647	+16.7%
Net income	1,301	1,117	+16.5%
EPS	51.84	44.0	+16.5%

## Balance Sheet

(Millions of Yen)	Q2 FY Ending March 2023	End of FY Ended March 2022	Change
Total assets	20,724	21,072	-1.7%
Current assets	17,178	17,368	-1.1%
Non-current assets	3,545	3,704	-4.3%
Total liabilities	5,225	5,817	-10.2%
Current liabilities	4,897	5,540	-11.6%
Non-current liabilities	327	276	+18.5%
Total net assets	15,499	15,255	+1.6%
Total liabilities and net assets	20,724	21,072	-1.7%
Owners' equity ratio	74.8%	72.4%	-
Net assets per share	617.16	607.44	+1.6%

## Statement of Cash Flows



Balance of cash etc. at the beginning of the period	11,702
Profit before income taxes	1,922
Inventories	(141)
Notes and accounts receivable - trade	386
Accounts payable - other	(430)
Accrued expenses	(298)
Other	(381)
Income taxes	(617)
<b>CF from operating activities</b>	<b>441</b>
Proceeds from sales of investment securities	17
Interest and dividend income	25
Other	8
<b>CF from investing activities</b>	<b>50</b>
Purchase of treasury stock	(304)
Dividend payment	(734)
Other	69
<b>CF from financing activities</b>	<b>(969)</b>
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	151
<b>Balance of cash etc. at the end of the period</b>	<b>11,376</b>

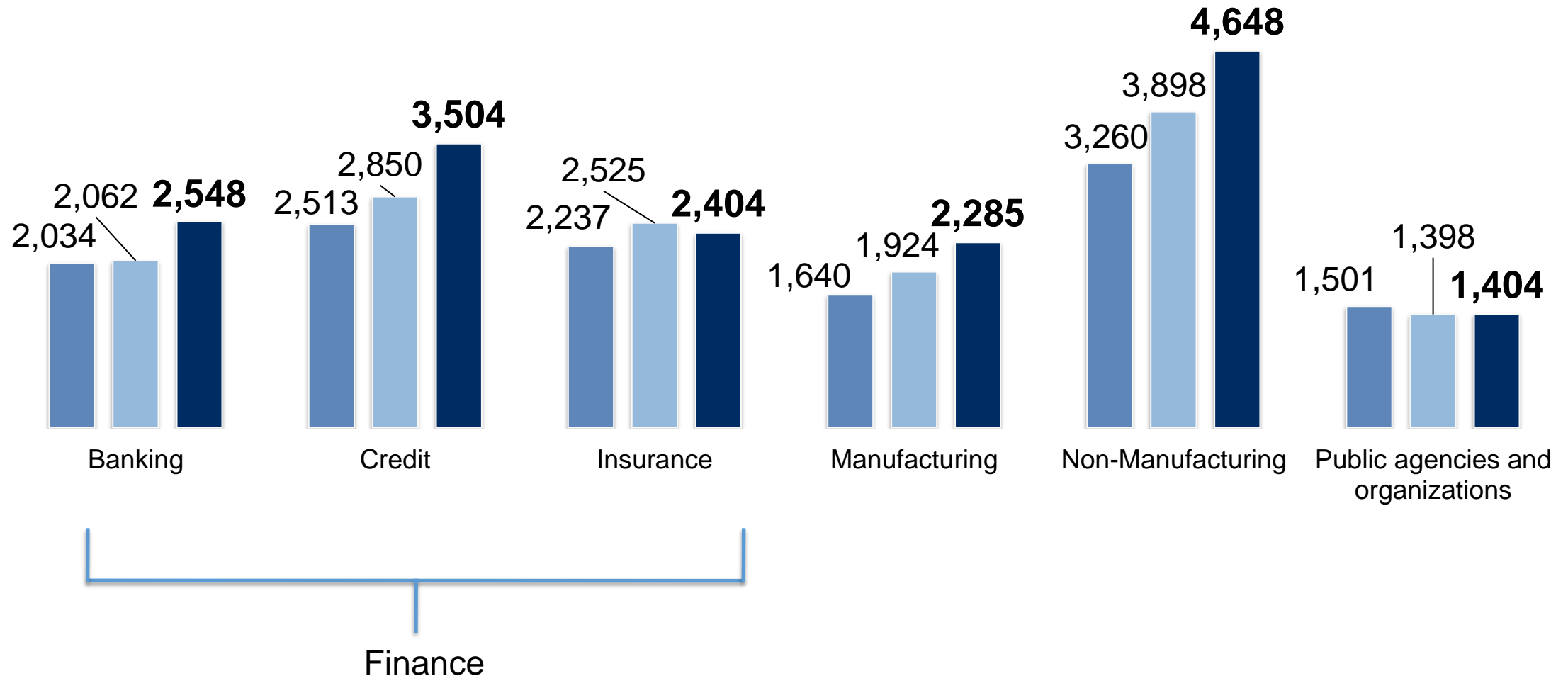


(millions of yen)

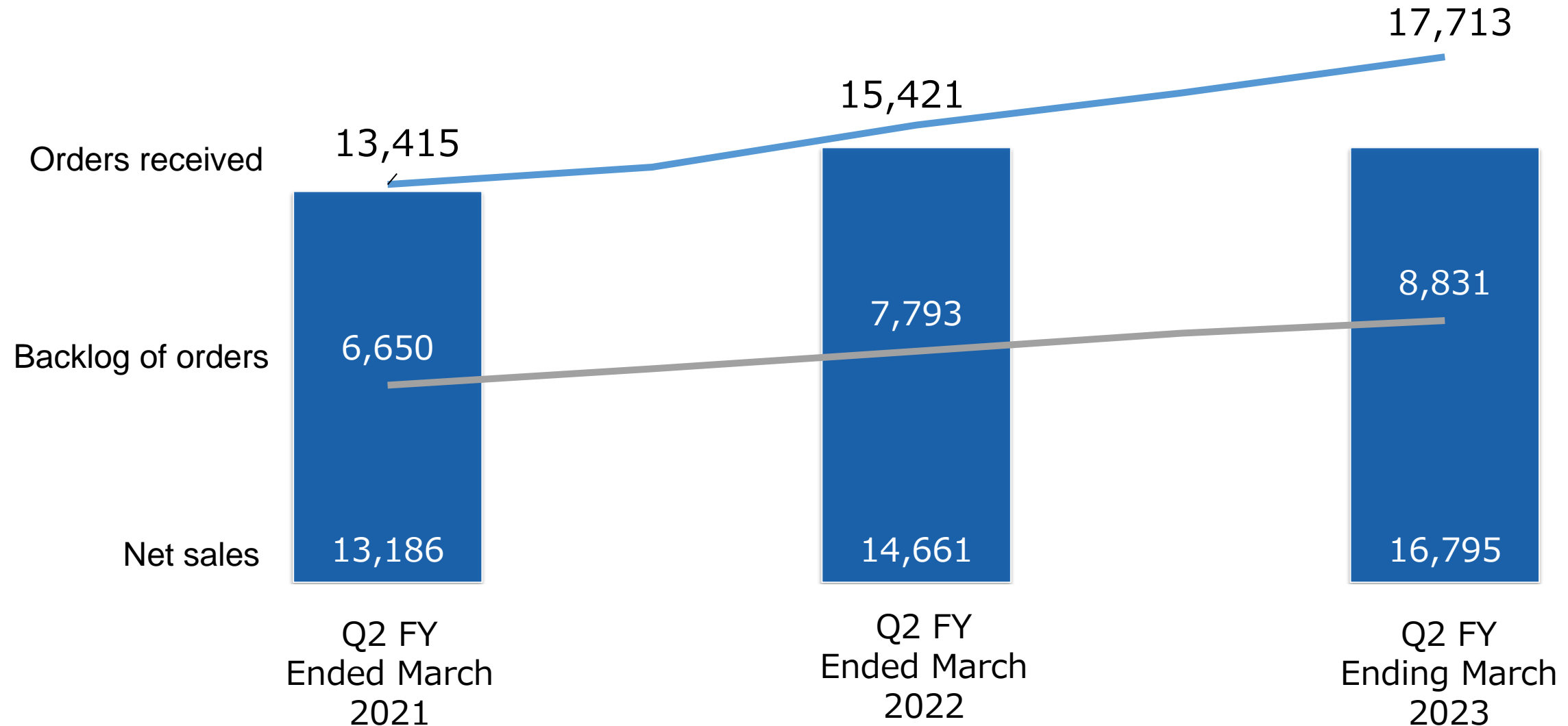
■ Q2 FY Ended March  
2021

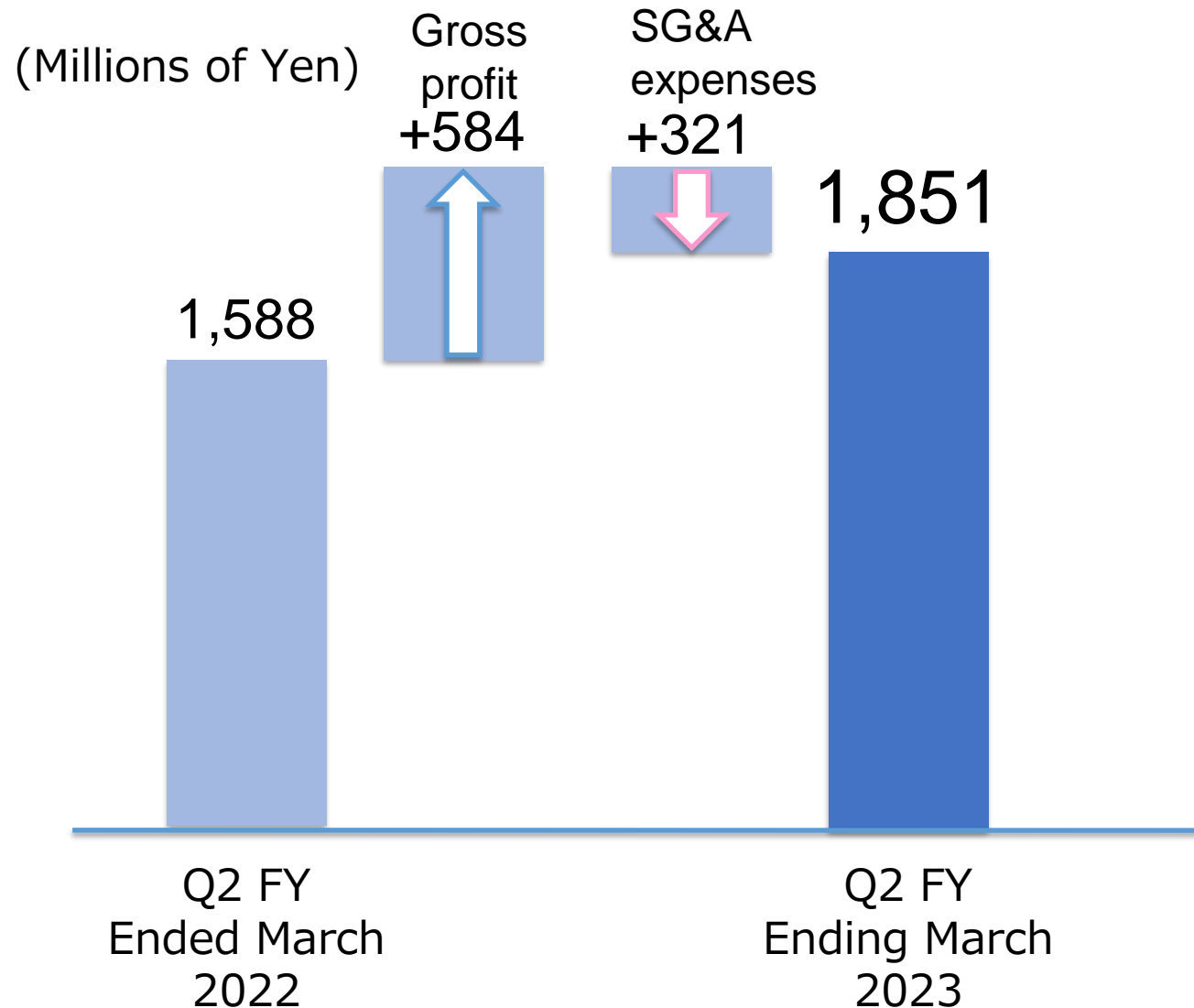
■ Q2 FY Ended March  
2022

■ Q2 FY Ending March 2023



(Millions of Yen)





## <Gross Profit>

- + Profit grew due to an increase in sales
- + Profitability improved due to a greater proportion of sales from the next-generation SI business

## <SG&A Expenses>

- + Proactively invested in business expansion



\*Note on this document:

The matters related to the forecasts of the TDC SOFT Group in this document have been determined based on currently available information and may change due to uncertain factors inherent in forecasts and/or changes in the situation surrounding business operation going forward.