

Second Quarter of Fiscal 2023 Ending March 31, 2024 Financial Results Briefing

November 20, 2023

TDC SOFT Inc.



**1 Overview of Consolidated Financial Results for
the Second Quarter of Fiscal 2023 Ending March 31, 2024**

**2 Status of Key Measures for the Second Quarter of
Fiscal 2023 Ending March 31, 2024**

3 Outlook for the Fiscal Year Ending March 2024

Hiroyoshi Kobayashi President and Representative Director

4 Details of Financial Results for the Second Quarter of Fiscal 2023 Ending March 31, 2024

Tsuyoshi Ogaki Director and Executive Officer in charge of Administration

Performance during the Quarter

- All business fields made solid progress, **resulting in net sales of ¥18,856 million, a 12.3% increase year on year.**
- Investments towards future business expansion, including the "Smart Work Concept" involving staff recruitment and training, as well as relocating our headquarters, have been progressing as planned.
- Operating profit outperformed projections, **resulting in operating profit of ¥1,858 million, a 0.4% increase year on year.**

Topics

● Status of Next-Generation SI Business

Net sales have increased by 9.4% year on year to ¥4.30 billion, indicating healthy growth

● Status of SI Model Reform

We have launched a new internal system, "PROJECT IQ," to enhance productivity and eliminate troubled projects

● Head Office Relocation

We commenced operations at our new headquarters at Kudan-Kaikan Terrace on October 10th (Tuesday)



**Overview of Consolidated
Financial Results for
the Second Quarter of Fiscal 2023
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Overview of Consolidated Financial Results for the Second Quarter of Fiscal 2023 Ending March 31, 2024

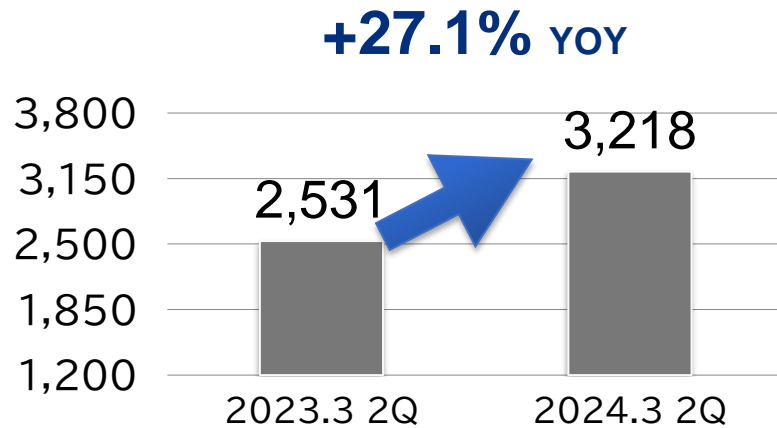


(Millions of yen)	Q2 FY Ending March 2024	Profit Margin	YOY	Q2 FY Ending March 2023
Net sales	18,856	-	+12.3%	16,793
Gross profit	4,041	21.4%	+10.0%	3,674
Operating profit	1,858	9.9%	+0.4%	1,851
Ordinary profit	1,930	10.2%	+0.4%	1,922
Quarterly net income attributable to owners of parent	1,310	7.0%	+0.7%	1,301

[Highlights]

- Each business field performed well and net sales exceeded the plan, achieving an increase in revenue
- Although costs associated with actively pursuing investments for future business growth have increased, operating profit has exceeded expectations, resulting in increased earnings

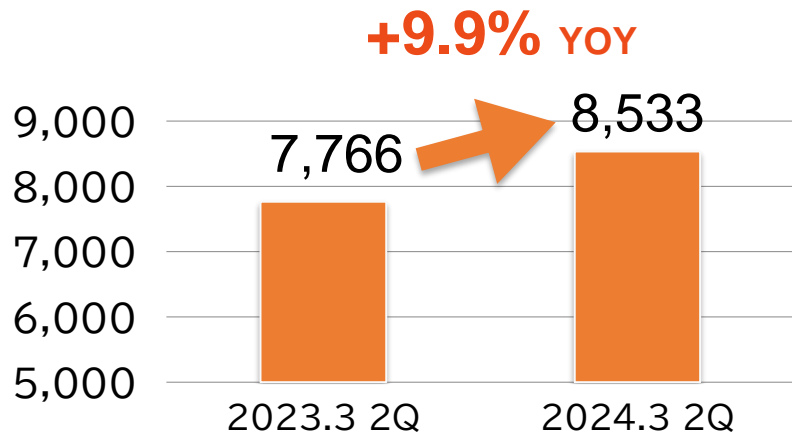
IT Consulting & Services



Provides IT strategy and systemization concept planning to facilitate customers' DX, as well as technical consulting, educational services, in-house cloud applications, and solution services including business intelligence (BI)/data warehousing (DWH) and enterprise resource planning (ERP)/customer relationship management (CRM)

Solid progress on SaaS solution projects for enterprises

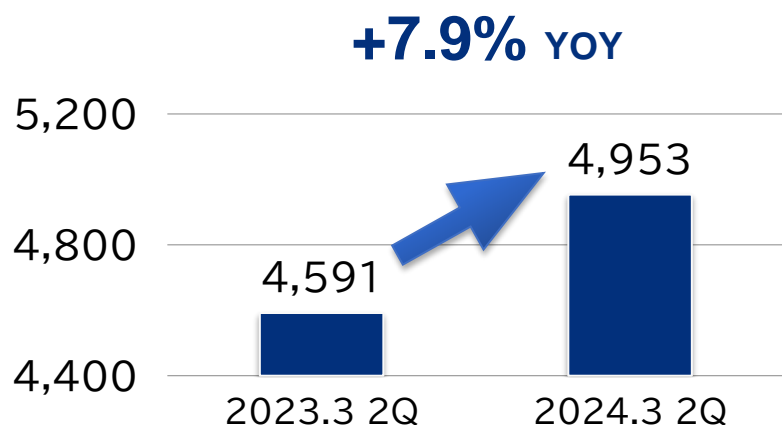
IT Solutions for Financial Services



Provides integrated IT solutions for the financial sector, including systemization planning, design, development, and maintenance

Strong progress on development projects for banking systems

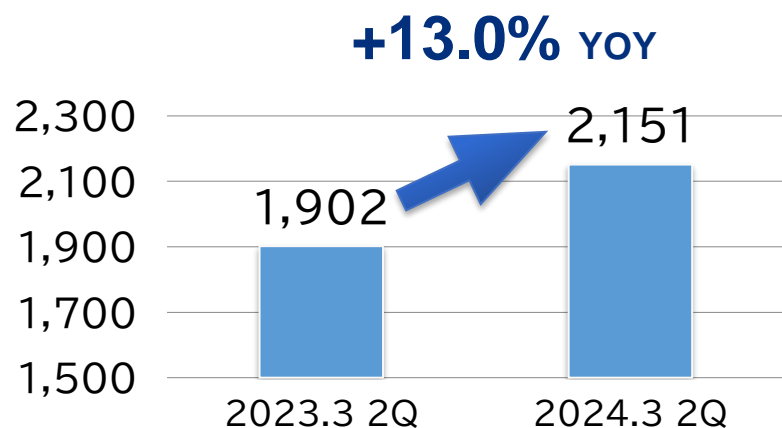
IT Solutions for Public Corporations



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

Solid progress on development projects for public agencies and the transportation sector

Platform Solutions



Provides environmental design and construction of IT infrastructure, along with operational support, network product development, and network integration

Solid progress on projects to build infrastructure for the banking sector

2

**Status of Key Measures for the
Second Quarter of
Fiscal 2023 Ending March 31, 2024**

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

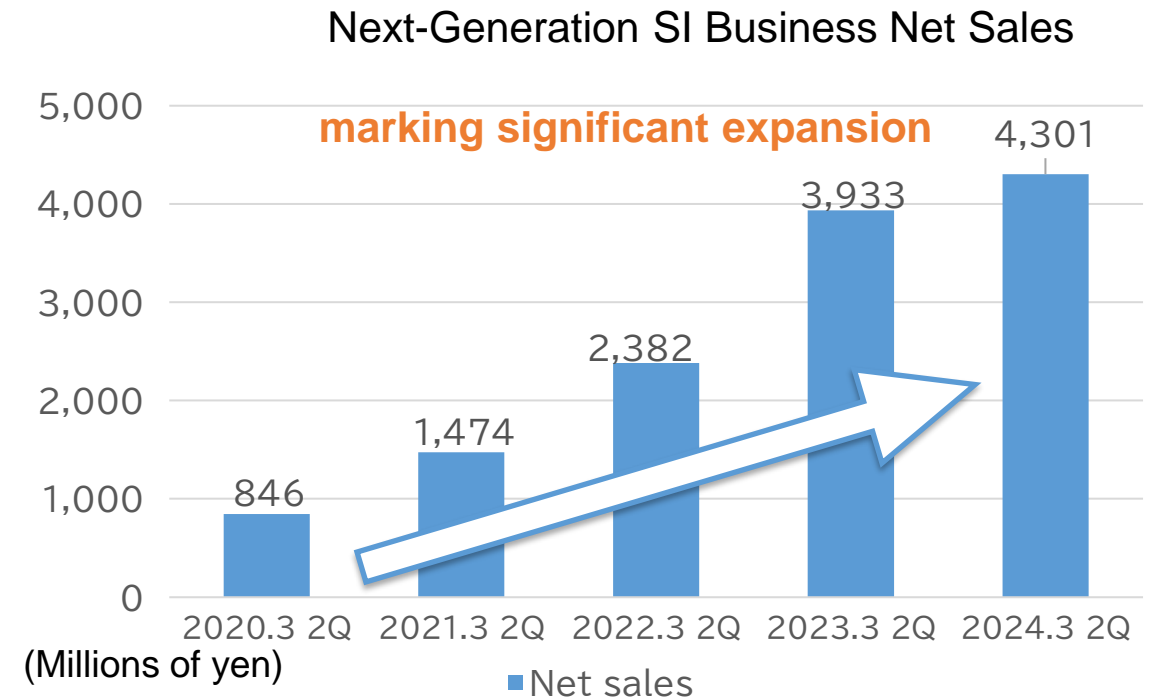
Key
Strategies

Support SI model reforms

Overview of the Next-Generation SI Business

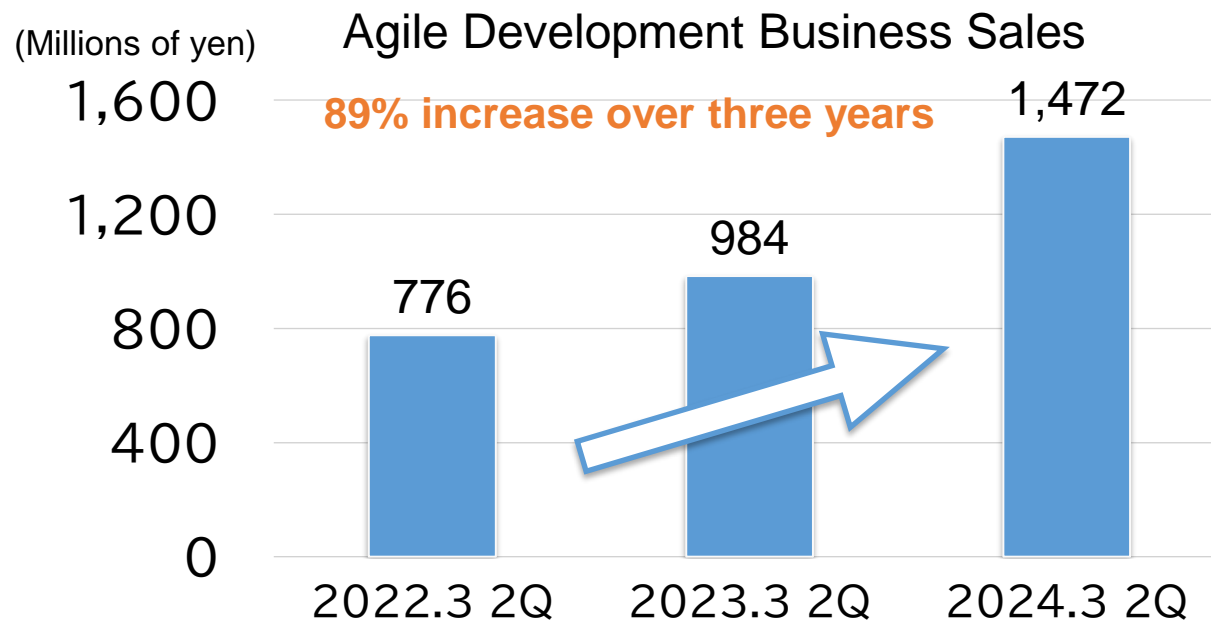
The next-generation SI business has grown more than fivefold in the last five years, driven by agile development and cloud-related services,

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.



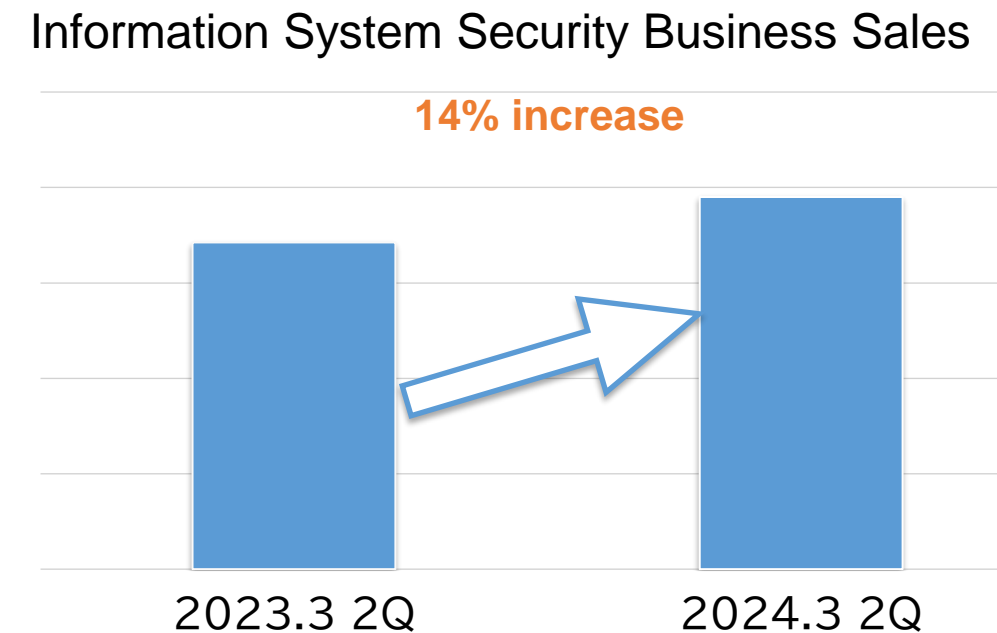
Agile Development Business

Maintain net sales growth by securing and training engineers



Information System Security Business

Market is tending toward expansion, and further growth is expected throughout the full fiscal year than in the previous period





Development of New Internal System, PROJECT IQ

● Boost productivity and eradicate troubled projects

■ Project performance evaluation feature

This feature enables standardized quality assurance by quantitatively visualizing performance from a technical standpoint, moving away from human-centric project reviews and order decisions based on individual experience.

■ Staff skill assessment registration & search feature

By consolidating skill assessment information of project personnel, this feature allows for company-wide information searches based on skill keywords and evaluations.



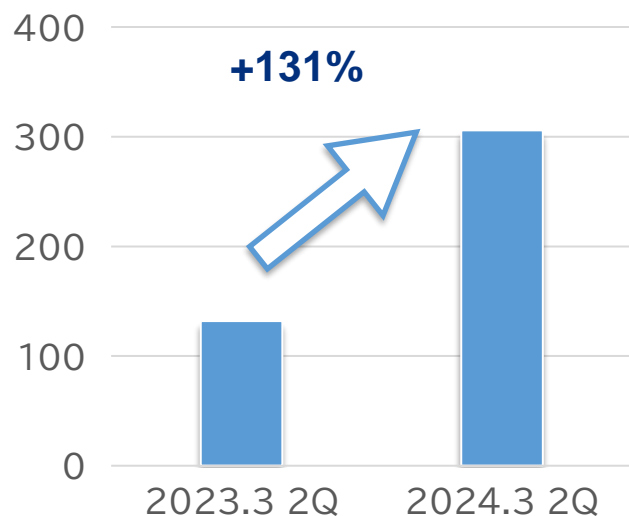
We will acquire the capabilities needed for new business models and expand our business into new domains based around our existing SI business domain.

Target Business 1

Consulting Business

DX / IT consulting, solution implementation consulting and education services

(Millions of yen)

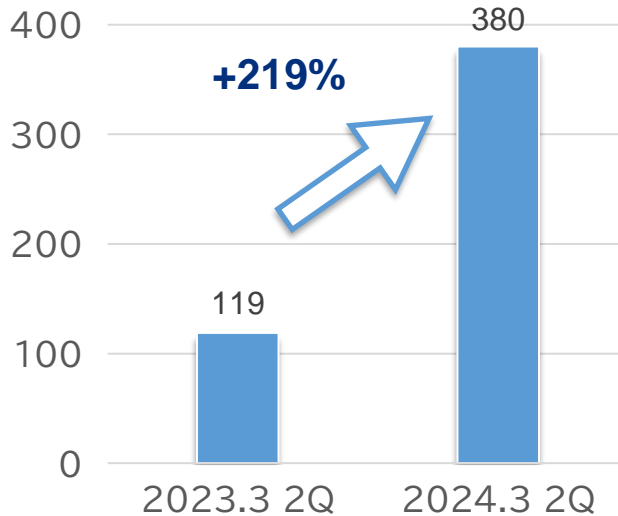


Target Business 2

Service Sales Business

Selling products and services that meet user needs and potential seeds

(Millions of yen)

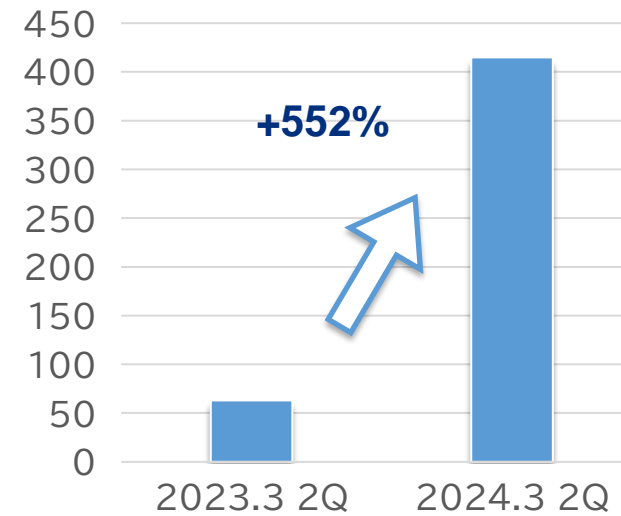


Target Business 3

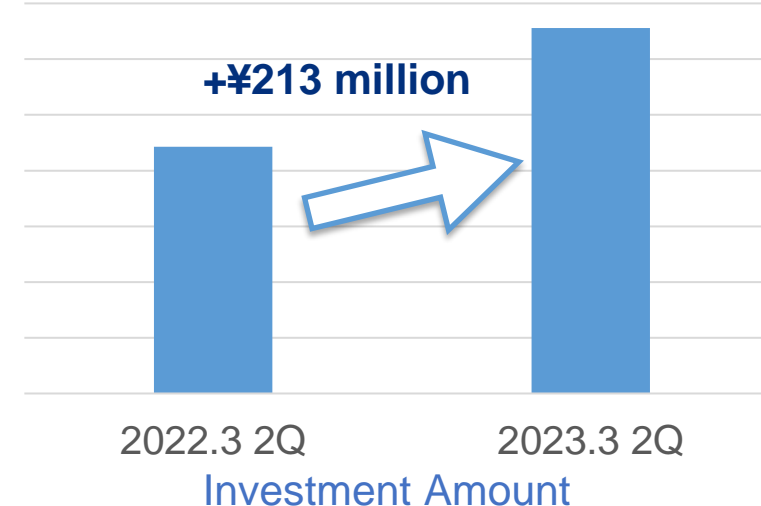
SI Business Commodity Domain

Managed services and outsourcing services in the SI business, including maintenance and upkeep

(Millions of yen)



Increased investment by approximately ¥213 million YOY, promoting proactive forward-looking investment



Field of Investment (1) Increased investment in technology

To further expand into new business ventures and high-value-added areas, we have increased our investments in elemental technologies.

Field of Investment (2) Investments in human resources

We have also stepped up efforts to secure more talent than in the previous period, increasing new graduate hires from 120 to 160. Additionally, we are proactively investing in training for rapid skill development.

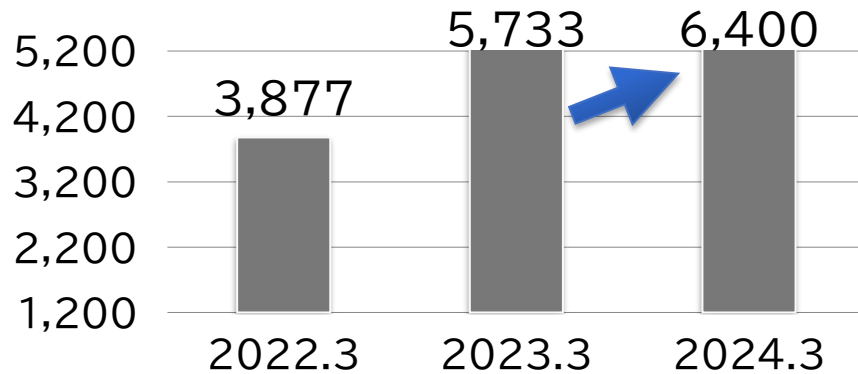
Field of Investment (3) Investments in the Smart Work Concept

We have relocated our head office and established a new development hub, "Techno Growth Center Shinjuku." By increasing our investment in this facility, we aim to achieve both high productivity and high quality, targeting further growth.

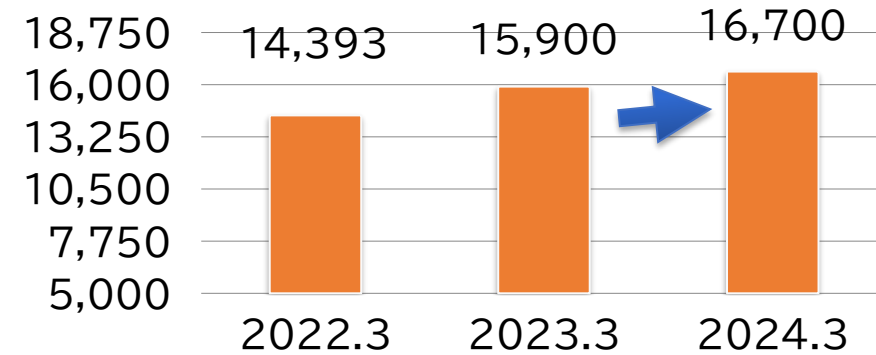
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Outlook for the Fiscal Year Ending March 2024

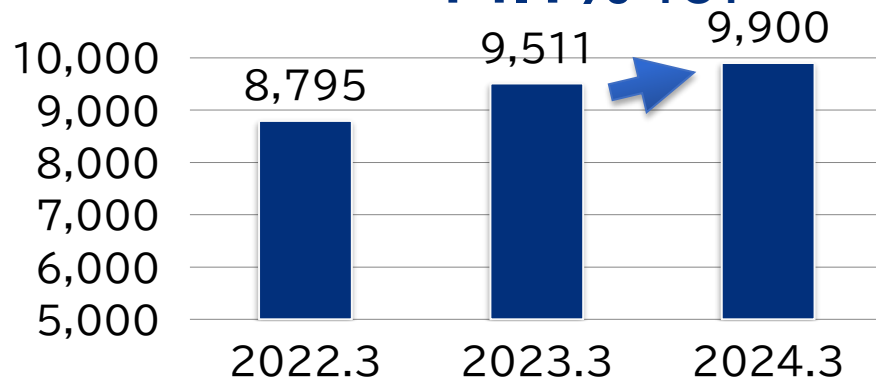
IT Consulting & Services

+11.6% YOY

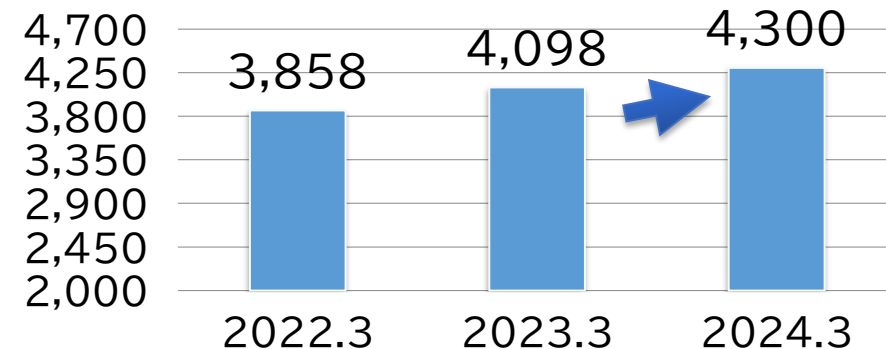
IT Solutions for Financial Services

+5.0% YOY

IT Solutions for Public Corporations

+4.1% YOY

Platform Solutions

+4.9% YOY

Financial Results and Dividend Forecast

(Millions of yen)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	EPS (Yen)	Dividend forecast (Yen)
Full Fiscal Year (YOY)	37,300 (+5.8%)	3,550 (+2.6%)	3,750 (+1.0%)	2,510 (+0.8%)	105.31	Year-end 40.00 <u>Total 40.00</u>

- Business environment is expected to remain strong and net sales are expected to grow steadily.
- Continue to promote proactive forward-looking investment measures. In particular, although head office relocation costs are expected to be an extraordinary factor for the current fiscal year, investment costs are expected to be absorbed for the full fiscal year due to the effect of revenue growth, resulting in higher sales and profit.
- The dividend forecast is to increase the ordinary dividend by ¥10 to ¥40 per share.



**Details of Financial Results
for the Second Quarter of Fiscal 2023
Ending March 31, 2024**

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

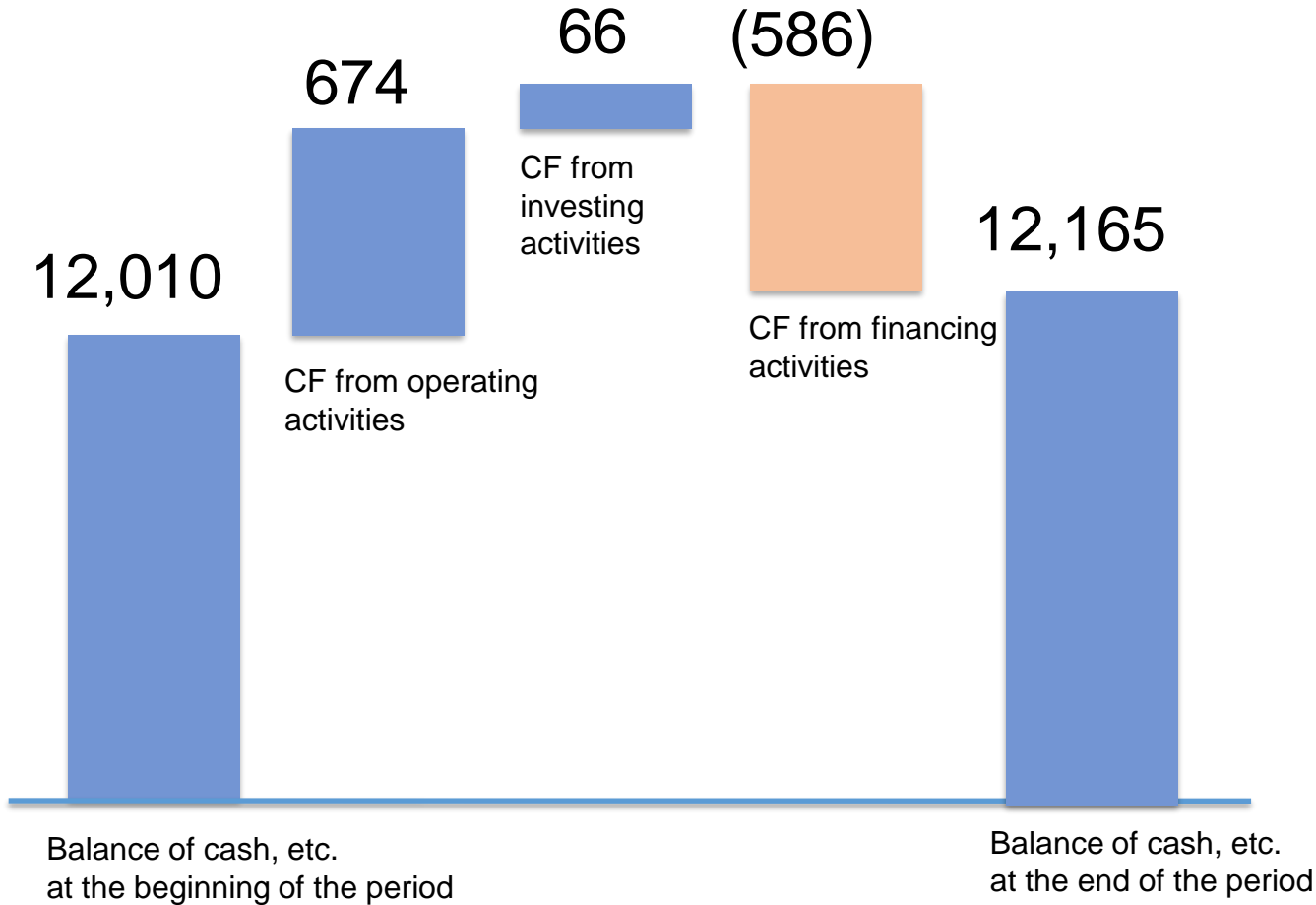
Statement of Income

(Millions of yen)	Q2 FY Ending March 2024	Q2 FY Ended March 2023	Change
Net sales	18,856	16,793	+12.3%
Labor expenses	6,359	5,935	+7.1%
Outsourcing expenses	8,084	6,883	+17.5%
Other expenses	502	442	+13.6%
In-process increase/decrease	130	142	-7.9%
Cost of sales	14,815	13,119	+12.9%
Gross profit	4,041	3,674	+10.0%
Selling, general and administrative expenses	2,182	1,823	+19.7%
Operating profit	1,858	1,851	+0.4%
Non-operating income/expenses	71	70	+1.5%
Ordinary profit	1,930	1,922	+0.4%
Profit (loss) before income taxes	1,930	1,922	+0.4%
Net income	1,310	1,301	+0.7%
EPS	52.19	51.84	+0.7%

Balance Sheet

(Millions of yen)	Q2 FY Ending March 2024	End of FY Ended March 2023	Change
Total assets	23,206	22,771	+1.9%
Current assets	19,094	18,827	+1.4%
Non-current assets	4,112	3,704	+4.3%
Total liabilities	5,950	5,817	-6.5%
Current liabilities	5,644	5,540	-6.6%
Non-current liabilities	305	276	-3.3%
Total net assets	17,203	15,255	+4.8%
Total liabilities and net assets	23,153	21,072	+1.7%
Owners' equity ratio	74.1%	72.1%	-
Net assets per share	685.02	653.43	+4.8%

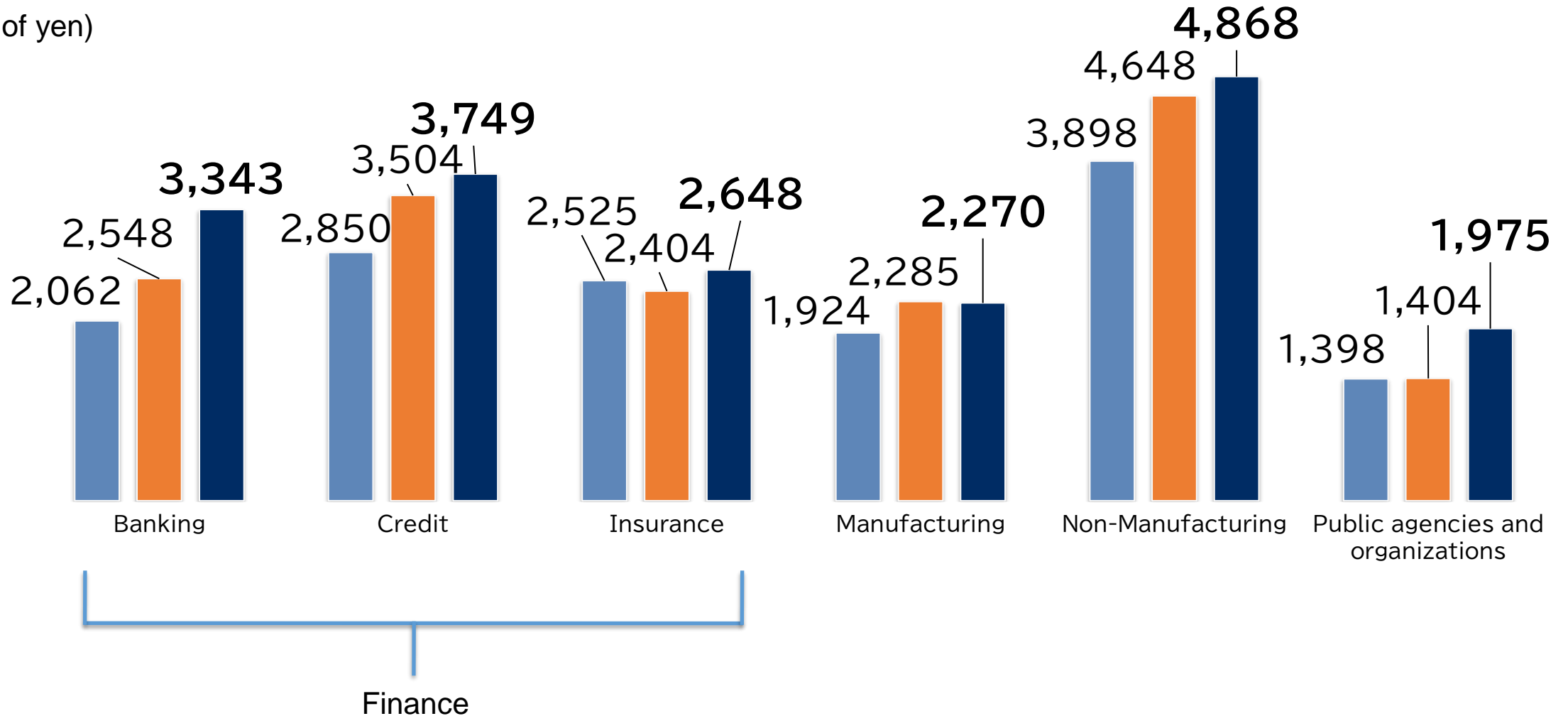
Statement of Cash Flows

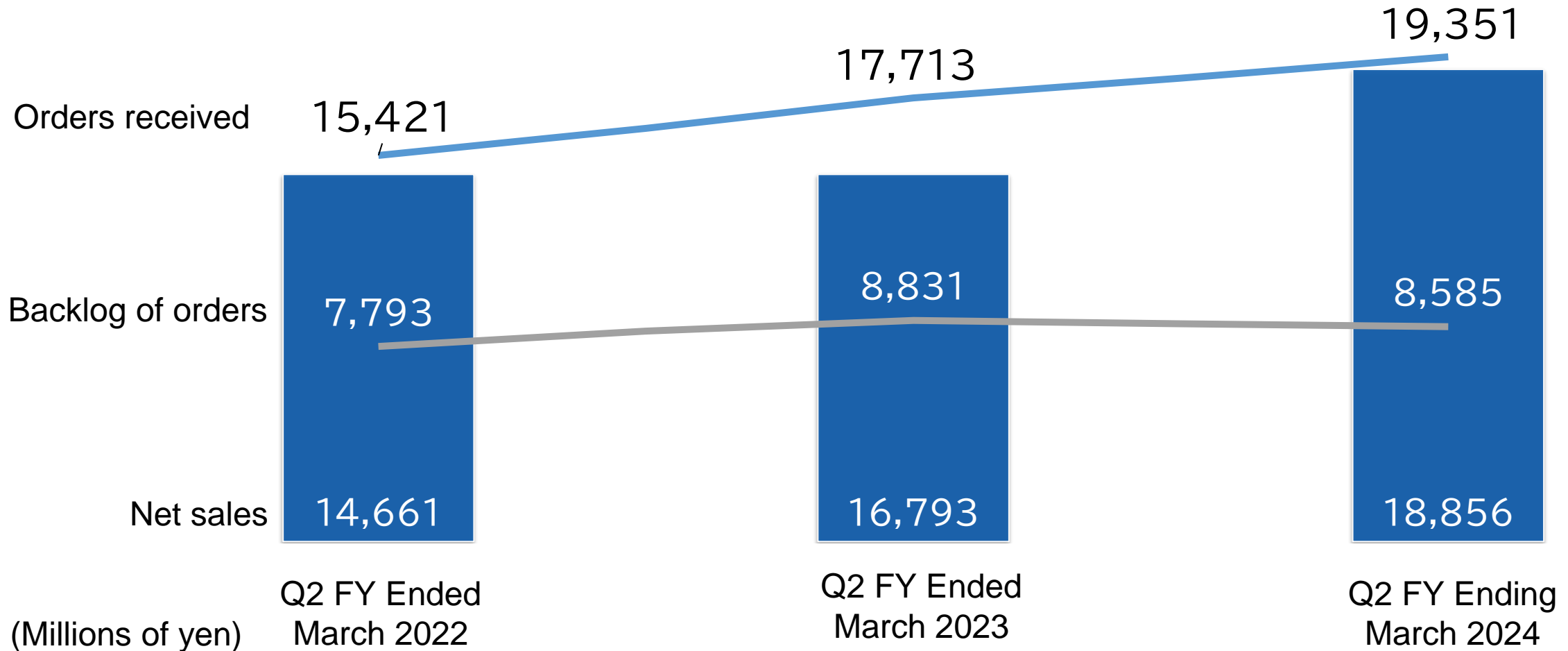


Balance of cash, etc. at the beginning of the period	12,010
Profit (loss) before income taxes	1,930
Inventories	(130)
Accrued expenses	(364)
Other	(22)
Income taxes	(740)
CF from operating activities	674
Purchase of property, plant and equipment	(62)
Proceeds from sales of investment securities	97
Interest and dividend income	37
Other	(6)
CF from investing activities	66
Net increase in short-term loans payable	147
Dividend payment	(726)
Other	(7)
CF from financing activities	(586)
Balance of cash, etc. at the end of the period	12,165

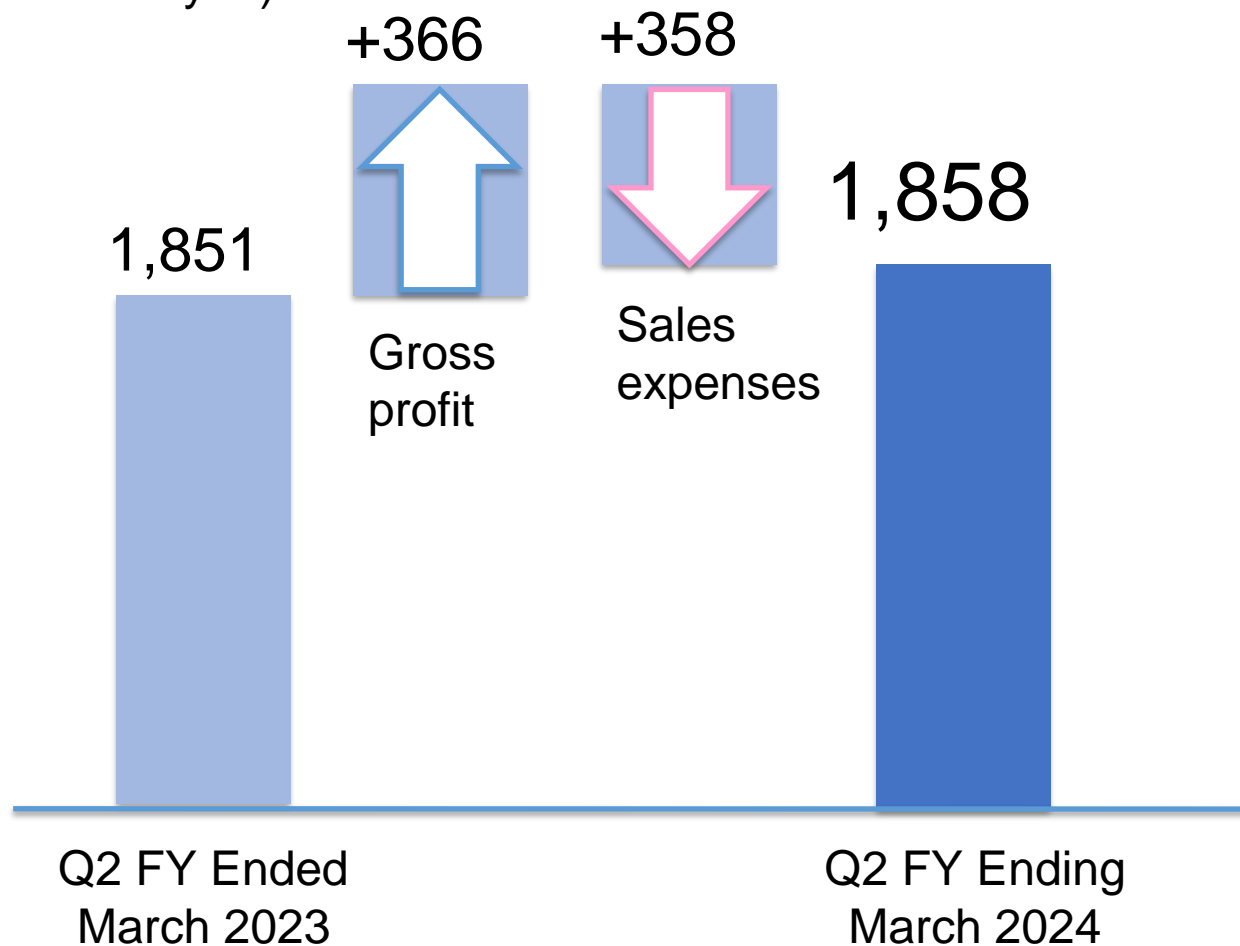
■ Q2 FY Ended March 2022 ■ Q2 FY Ended March 2023 ■ Q2 FY Ending March 2024

(Millions of yen)





(Millions of yen)



<Gross profit>

+ Profit grew due to an increase in sales

<SG&A expenses>

+ Expanding the hiring of new graduates
+ Acquiring new technologies for the expansion of next-generation SI business
+ Relocating the headquarters as a part of the "Smart Work Concept"



*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.