

Consolidated Financial Report for the First Quarter of Fiscal 2024 Ending March 31, 2025 [Japanese GAAP]

August 6, 2024

Listing: Tokyo Stock Exchange
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 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 down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of Fiscal 2024 Ending March 31, 2025 (April 1, 2024 to June 30, 2024)

(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 June 30, 2024	10,222	14.5	1,084	50.7	1,124	44.7	760	43.9
As of June 30, 2023	8,928	11.6	719	(6.3)	776	(5.4)	528	(4.9)

Note: Comprehensive income

As of June 30, 2024: ¥766 million [15.8%]

As of June 30, 2023: ¥661 million [94.1%]

	Quarterly net income per share	Diluted quarterly net income per share
	Yen Sen	Yen Sen
As of June 30, 2024	16.14	—
As of June 30, 2023	11.08	—

Note: The Company conducted a 2-for-1 share split of common stock, effective April 1, 2024. Quarterly net income per share has been calculated on the assumption that the share split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Owners' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2024	25,035	18,095	72.3
As of March 31, 2024	25,505	18,477	72.4

Reference: Owners' equity

As of June 30, 2024: ¥18,095 million

As of March 31, 2024: ¥18,477 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 Sen	Yen Sen	Yen Sen
Fiscal year ended March 31, 2024	—	0.00	—	48.00	48.00
Fiscal year ending March 31, 2025	—	—	—	—	—
Fiscal year ending March 31, 2025 (forecast)	—	0.00	—	24.00	24.00

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

2. The Company conducted a 2-for-1 share split of common stock, effective April 1, 2024. For the fiscal year ended March 31,

2024, the indicated dividend amounts are from before the stock split. For the fiscal year ending March 31, 2025 (forecast), the indicated figures are from after the stock split.

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Full year and quarterly percentages represent changes from the previous fiscal year and the same quarter of the previous fiscal year, respectively)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen Sen
Second quarter (cumulative)	20,460	8.5	1,950	4.9	2,050	6.2	1,377	5.1	29.23
Full year	43,000	8.3	4,300	12.9	4,600	8.1	3,090	0.0	65.58

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

* Notes

(1) Important changes in scope of consolidation during the consolidated cumulative quarter : None

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 June 30, 2024	50,227,200 shares	As of March 31, 2024	50,227,200 shares
As of June 30, 2024	3,110,158 shares	As of March 31, 2024	3,110,158 shares
As of June 30, 2024	47,117,042 shares	As of June 30, 2023	47,677,152 shares

b. Number of treasury shares at the end of period

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

Notes: 1. The Company conducted a 2-for-1 share split of common stock , effective April 1, 2024. The number of shares outstanding at the end of period, the number of treasury shares at the end of period, and the average number of shares during the period have been calculated on the assumption that the share split was conducted at the beginning of the previous consolidated fiscal year.

2. The number of treasury shares at the end of period includes the Company’s shares (722,000 shares as of June 30, 2024; 722,000 shares as of March 31, 2024) 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 June 30, 2024: 722,000 shares; as of June 30, 2023: 731,970 shares).

* Review of attached Quarterly Consolidated Financial Statements by certified public accountant or auditing firm: None

* 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 page 4 of the appendix for information about the above forecasts.

Please see the “(3) Explanation about Information on Projections Including Consolidated Forecasts.”

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1. Qualitative Information about the Quarterly Financial Results

(1) Explanation about Operating Results

During this consolidated cumulative first quarter, while uncertainties persisted due to inflation driven by the weak yen and soaring raw material prices stemming from heightened geopolitical risks, the Japanese economy continued on a moderate recovery trajectory, with improvements in employment and income conditions.

In the information services industry, robust investment in systems is expected to continue, particularly in digital transformation (DX) initiatives aimed at enhancing corporate competitiveness. This includes system upgrades and cloud migration projects designed to improve operational efficiency and productivity.

Operating under such a climate, the Group has formulated its medium-term management plan “Shift to the Smart SI Plus” for the period up through March 2025, and this plan maintains the basic concept of providing high value-added IT services that meet the potential needs of the market and society, and adopts a vision of evolving into a next-generation system integration (“SI”) business based on which to promote corporate activities.

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.

Another 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 business into commodity fields, including our consulting business, which supports customers in formulating strategies for their digital transformation, our sales business, which includes products, services, etc. that meet a diverse array of customers’ IT needs, and our SI business, which includes the provision of 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 first quarter, each business field performed well and net sales exceeded the plan, achieving an increase in revenue. On the profit front, we secured an increase in earnings not only due to the effect of higher revenue, but also by striving to ensure planned profitability across various projects. This was achieved in part through the utilization of our internal system PROJECT IQ, which incorporates a project performance evaluation function.

Furthermore, we are actively expanding investments for the future. This includes initiatives to secure and develop talent, such as restructuring our human resources system, as well as acquiring new capabilities to expand our business domains.

As a result, the Group’s business performance for this consolidated cumulative first quarter was as follows: Net sales amounted to ¥10,222 million, up 14.5% year on year; operating profit amounted to ¥1,084 million, up 50.7% year on year; ordinary profit amounted to ¥1,124 million, up 44.7% year on year; and profit attributable to owners of parent amounted to ¥760 million, up 43.9% year on year.

Status of activities by field

<IT consulting and services>

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 (Note 5) solution service projects related to IT service management and cloud managed services. As a result, net sales in this field increased 11.5% year on year to ¥1,633 million.

<IT solutions for financial services>

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 banking-related systems. As a result, net sales in this field increased 10.9% year on year to ¥4,601 million.

<IT solutions for public corporations>

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, automobile, and travel sectors. As a result, net sales in this field increased 19.3% year on year to ¥2,761 million.

<Platform solutions>

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 for banks and public agencies. As a result, net sales in this field increased 22.8% year on year to ¥1,224 million.

(Millions of yen)

Field	As of June 30, 2023		As of June 30, 2024		Year-on-year percentage change
	Consolidated cumulative quarter		Consolidated cumulative quarter		
	Amount	Share	Amount	Share	
IT consulting and services	1,465	16.4%	1,633	16.0%	+11.5%
IT solutions for financial services	4,150	46.5%	4,601	45.0%	+10.9%
IT solutions for public corporations	2,315	25.9%	2,761	27.0%	+19.3%
Platform solutions	997	11.2%	1,224	12.0%	+22.8%
Total	8,928	100.0%	10,222	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 first quarter decreased by ¥470 million from the end of the previous consolidated fiscal year to ¥25,035 million.

Current assets decreased by ¥450 million from the end of the previous consolidated fiscal year to ¥19,983 million. This is mainly due to a decrease of ¥806 million in notes and accounts receivable - trade, and contract assets, despite an increase of ¥300 million in work in process.

Non-current assets decreased by ¥19 million from the end of the previous consolidated fiscal year to ¥5,052 million. This is mainly due to an decrease of ¥26 million in property, plant, and equipment, despite an increase of ¥11 million in deferred tax assets.

Current liabilities decreased by ¥61 million from the end of the previous consolidated fiscal year to ¥6,317 million. This is mainly due to decreases of ¥882 million in accrued expenses, ¥293 million in income taxes payable, and ¥116 million in provision for bonuses for directors (and other officers), despite increases of ¥747 million in short-term borrowings, ¥131 million in accounts payable - other, and ¥327 million in deposits included in other.

Non-current liabilities decreased by ¥27 million from the end of the previous consolidated fiscal year to ¥622 million. This is mainly due to an decrease of ¥15 million in long-term accrued expenses included in other expenses.

Net assets decreased by ¥381 million from the end of the previous fiscal consolidated year to ¥18,095 million. This is mainly due to a decrease of ¥387 million in retained earnings despite an increase of ¥6 million in valuation difference on available-for-sale securities.

(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 2023 Ended March 31, 2024” dated May 10, 2024.

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

(Thousands of yen)

	Fiscal 2023 (as of March 31, 2024)	First Quarter of Fiscal 2024 (as of June 30, 2024)
Assets		
Current assets		
Cash and deposits	13,378,515	13,379,879
Notes and accounts receivable - trade, and contract assets	6,601,625	5,795,426
Work in process	49,292	350,257
Other	404,765	458,097
Total current assets	20,434,199	19,983,660
Non-current assets		
Property, plant and equipment	993,344	967,179
Intangible fixed assets	93,808	90,423
Investments and other assets:		
Investment securities	2,934,970	2,934,407
Deferred tax assets	233,621	244,670
Guarantee deposits	779,466	779,466
Other	36,587	36,008
Total investments and other assets	3,984,646	3,994,552
Total non-current assets	5,071,798	5,052,156
Total assets	25,505,998	25,035,816
Liabilities		
Current liabilities		
Accounts payable – trade	1,705,273	1,731,164
Short-term borrowings	453,000	1,200,000
Accounts payable – other	450,871	582,329
Accrued expenses	2,189,653	1,307,018
Income taxes payable	692,725	399,688
Accrued consumption taxes	498,931	459,438
Provision for bonuses for directors (and other officers)	143,258	26,325
Other	244,782	611,277
Total current liabilities	6,378,496	6,317,241
Non-current liabilities		
Provision for share-based remuneration for employees	54,047	53,881
Provision for share-based remuneration for directors (and other officers)	83,110	84,312
Retirement benefit liability	40,733	40,733
Asset retirement obligations	230,684	231,577
Other	241,390	212,217
Total non-current liabilities	649,966	622,722
Total liabilities	7,028,462	6,939,964

(Thousands of yen)

	Fiscal 2023 (as of March 31, 2024)	First Quarter of Fiscal 2024 (as of June 30, 2024)
Net assets		
Shareholders' equity		
Share capital	970,400	970,400
Capital surplus	986,256	986,256
Retained earnings	16,303,215	15,915,447
Treasury shares	(1,285,727)	(1,285,727)
Total shareholders' equity	16,974,143	16,586,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,503,392	1,509,475
Total accumulated other comprehensive income	1,503,392	1,509,475
Total net assets	18,477,535	18,095,852
Total liabilities and net assets	25,505,998	25,035,816

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

	(Thousands of yen)	
	Consolidated Cumulative First Quarter of Fiscal 2023 (From April 1, 2023 to June 30, 2023)	Consolidated Cumulative First Quarter of Fiscal 2024 (From April 1, 2024 to June 30, 2024)
Net sales	8,928,101	10,222,124
Cost of sales	7,004,712	7,906,085
Gross profit	1,923,388	2,316,039
Selling, general and administrative expenses	1,203,508	1,231,445
Operating profit	719,880	1,084,594
Non-operating income		
Interest income	48	72
Dividend income	34,693	37,944
Subsidy income	35	—
Gain on sales of investment securities	21,583	—
Other	1,113	2,461
Total non-operating income	57,474	40,478
Non-operating expenses		
Interest expenses	763	987
Other	0	—
Total non-operating expenses	763	987
Ordinary profit	776,591	1,124,084
Quarterly net income before income taxes	776,591	1,124,084
Income taxes	248,240	363,714
Quarterly net income	528,350	760,369
Quarterly net income attributable to non-controlling interests	—	—
Quarterly net income attributable to owners of parent	528,350	760,369

Quarterly Consolidated Statement of Comprehensive Income
Consolidated Cumulative First Quarter

(Thousands of yen)

	Consolidated Cumulative First Quarter of Fiscal 2023 (From April 1, 2023 to June 30, 2023)	Consolidated Cumulative First Quarter of Fiscal 2024 (From April 1, 2024 to June 30, 2024)
Quarterly net income	528,350	760,369
Other comprehensive income		
Valuation difference on available-for-sale securities	133,331	6,083
Total other comprehensive income	133,331	6,083
Quarterly comprehensive income	661,681	766,453
Breakdown:		
Quarterly comprehensive income attributable to owners of parent	661,681	766,453
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 accounting first quarter, and multiply profit for the quarter before taxes by the estimated effective tax rate.

(Segment Information and Related Matters)

Consolidated cumulative first quarter of Fiscal 2023 (April 1, 2023 to June 30, 2023) and consolidated cumulative first quarter of Fiscal 2024 (April 1, 2024 to June 30, 2024)

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.

(Notes on Statement of Cash Flows)

We have not prepared a quarterly consolidated statement of cash flows for this consolidated cumulative first quarter. Depreciation and amortization (including amortization of intangible fixed assets excluding goodwill) and amortization of goodwill for the consolidated cumulative first quarter are as follows.

	Consolidated Cumulative First Quarter of Fiscal 2023 (From April 1, 2023 to June 30, 2023)	Consolidated Cumulative First Quarter of Fiscal 2024 (From April 1, 2024 to June 30, 2024)
Depreciation and amortization	¥21,797 thousand	¥38,095 thousand
Amortization of goodwill	¥5,815 thousand	¥5,815 thousand