

Consolidated Financial Report for the First Quarter of Fiscal 2022 Ending March 31, 2023
[Japanese GAAP]

August 4, 2022

Listed exchange: 1st Section, Tokyo Stock Exchange
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 Scheduled date of filing quarterly report: August 5, 2022
 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 First Quarter of Fiscal 2022 Ending March 31, 2023 (April 1, 2022 to June 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Quarterly profit attributable to owners of parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
As of June 30, 2022	8,001	13.0	768	(7.0)	820	(3.2)	555	(4.1)
As of June 30, 2021	7,079	14.6	826	88.2	847	84.4	579	85.4

Note: Comprehensive income

As of June 30, 2022: ¥340 million [(38.9%)]

As of June 30, 2021: ¥558 million [(34.1%)]

	Quarterly earnings per share		Diluted quarterly earnings per share	
	Yen	Sen	Yen	Sen
As of June 30, 2022	23.19	—	—	—
As of June 30, 2021	24.05	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Owners' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2022	20,054	14,531	72.5
As of March 31, 2022	21,072	15,255	72.4

Reference: Owners' equity As of June 30, 2022: ¥14,531 million As of March 31, 2022: ¥15,255 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, 2022	—	0.00	—	30.00	30.00
Fiscal year ending March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2023 (forecast)	—	15.00	—	30.00	45.00

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

2. Breakdown of the end of second quarter dividend for fiscal year ending March 31, 2023 (forecast):

Commemorative dividend of 15.00 yen (commemorating the 60th anniversary of the Company's founding)

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(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		Basic earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen Sen
Second quarter (cumulative)	15,600	6.4	1,340	(15.6)	1,365	(17.1)	915	(18.1)	37.95
Full year	33,000	6.7	3,065	3.3	3,135	1.7	2,100	1.5	87.10

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. : Yes

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

c. Changes in accounting-based estimates : None

d. Restatements : None

Note: For details, please refer to “(3) Notes on the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” under “2. Quarterly Consolidated Financial Statements and Primary Notes” on Page 9 of the appendix.

(4) Number of shares outstanding (common stock)

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

As of June 30, 2022	25,113,600	As of March 31, 2022	25,113,600
As of June 30, 2022	1,278,359	As of March 31, 2022	1,000,159
As of June 30, 2022	23,962,744	As of June 30, 2021	24,098,489

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 (369,400 shares as of June 30, 2022; 376,200 shares as of March 31, 2022) 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, 2022: 373,435 shares; as of June 30, 2021: 391,200 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

During this consolidated cumulative first quarter (April 1, 2022 – June 30, 2022), Japan's economy still continued to face tough times due to the widening impacts of the COVID-19 pandemic, uncertainties over the situation in Ukraine, the depreciation of the yen, and fluctuations in financial and capital markets, which have significantly affected consumer spending and economic activities.

In the information services industry, while the demand for developing and enhancing the telecommuting environment since last year has come full circle, corporate ICT investment, which had been continually suppressed, has resumed, and demand related in particular to digital transformation (“DX”) for strengthening businesses and promoting transformation has been increasing.

Operating under such a climate, the Group has formulated its medium-term management plan “Shift to the Smart SI Plus” for the period from April 2022 to March 2025. This medium-term management plan maintains the basic concept of providing high value-added IT services that meet the potential needs of the market and society from the previous plan, and adopts a vision of evolving into a next-generation system integration (“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 promote measures to broaden our scope in our sales business, which sells products, services, etc. that meet a diverse array of customers' IT needs, in our consulting business, which supports customers in formulating strategies for their digital transformation, and in providing managed services that integrate all aspects of IT solutions, starting from development through to operation and maintenance, etc.

Specifically, we will continue to proactively promote investment in our agile development business and information security business, which we have designated as key strategic fields, as well as related elemental technologies to expand our next-generation SI business while also pursuing an expansion of our business domain through managed services, etc. In addition, we have strengthened our efforts to expand our business domain by enhancing our marketing and product sales functions to bolster our service and product sales, and by establishing a new department dedicated to promoting our consulting services using the Scaled Agile Framework® (“SAFe®”) through a gold partner contract with the U.S. company Scaled Agile, Inc. as well as consulting services that meet the digital needs of our clients, from developing IT strategies to utilizing digital technologies. The Company will welcome in its 60th anniversary in October 2022. In this milestone year, the Company will continue to strive to achieve sustainable growth.

For this consolidated cumulative first quarter, each business field has made solid progress and we achieved an increase in net sales as a result of efforts to ensure smooth business continuity through thoroughly carrying out countermeasures against infection and proactively adopting remote working. Profits decreased as the hurdles to moving forward with our recruitment and training plans resulting from the spread of COVID-19 in the previous fiscal year were lifted. In addition, we have further strengthened our recruitment strategy for the current fiscal year and have promoted proactive investment aimed at further business expansion in the future.

As a result, the Group's business performance for this consolidated cumulative first quarter was as follows: Net sales amounted to ¥8,001 million, up 13.0% year on year; operating profit amounted to ¥768 million, down 7.0% year on year; ordinary profit amounted to ¥820 million, down 3.2% year on year; and profit attributable to owners of parent amounted to ¥555 million, down 4.1% 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, 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 business intelligence (BI)(Note 1)/data warehousing (DWH)(Note 2) and enterprise resource planning (ERP)(Note 3)/customer relationship management (CRM)(Note 4). During this fiscal year, the Group made solid progress on projects related to IT service management and cloud managed services. As a result, net sales in this field increased 31.9% year on year to ¥1,140 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 fiscal year, the Group made solid progress on development projects for credit-related systems and other projects. As a result, net sales in this field increased 15.6% year on year to ¥3,860 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 fiscal year, the Group made solid progress on development projects for the transportation and telecommunications sectors and other projects. As a result, net sales in this field increased 5.6% year on year to ¥2,110 million.

<Platform solutions>

In the field of platform solutions, we offer services that environmental design for and the construction of IT infrastructure, along with operational support, network product development, and network integration. During this fiscal year, despite the disappointing loss of a large-scale project at the beginning of the period, the Group made solid progress on projects to construct cloud-related infrastructure. As a result, net sales in this field increased 1.4% year on year to ¥888 million.

(Millions of yen)

Field	As of June 30, 2021 Consolidated cumulative quarter		As of June 30, 2022 Consolidated cumulative quarter		Year-on-year percentage change
	Amount	Share	Amount	Share	
IT consulting and services	865	12.2%	1,140	14.3%	+31.9%
IT solutions for financial services	3,338	47.2%	3,860	48.2%	+15.6%
IT solutions for public corporations	1,998	28.2%	2,110	26.4%	+5.6%
Platform solutions	876	12.4%	888	11.1%	+1.4%
Total	7,079	100.0%	8,001	100.0%	+13.0%

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 first quarter decreased by ¥1,017 million from the end of the previous fiscal year to ¥20,054 million.

Current assets decreased by ¥665 million from the end of the previous fiscal year to ¥16,702 million. This is mainly due to a decrease of ¥1,087 million in notes and accounts receivable - trade, and contract assets, despite increases of ¥211 million in cash and deposits and ¥187 million in work in progress.

Non-current assets decreased by ¥352 million from the end of the previous fiscal year to ¥3,351 million. This is mainly due to decreases of ¥302 million in investment securities and ¥300 million in shares of subsidiaries and associates, despite increases of ¥94 million in deferred tax assets and ¥87 million in intangible fixed assets.

Current liabilities decreased by ¥355 million from the end of the previous fiscal year to ¥5,184 million. This is mainly due to decreases of ¥741 million in accrued expenses and ¥377 million in income taxes payable, despite an increase of ¥621 million in short-term borrowings.

Non-current liabilities increased by ¥61 million from the end of the previous fiscal year to ¥338 million. This is mainly due to an increase of ¥41 million in retirement benefit liability.

Net assets decreased by ¥723 million from the end of the previous fiscal year to ¥14,531 million. This is mainly due to decreases of ¥299 million in treasury shares, and ¥212 million in retained earnings, and ¥211 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 2021 Ending March 31, 2022” dated May 12, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	Fiscal 2021 (as of March 31, 2022)	First Quarter of Fiscal 2022 (as of June 30, 2022)
Assets		
Current assets:		
Cash and deposits	11,702,407	11,913,700
Notes and accounts receivable - trade, and contract assets	5,387,536	4,300,326
Work in process	33,265	220,422
Other	245,124	268,424
Total current assets	17,368,333	16,702,874
Non-current assets:		
Property, plant and equipment	188,384	204,787
Intangible fixed assets	10,942	98,458
Investments and other assets:		
Investment securities	2,535,603	2,233,092
Shares of subsidiaries and associates	300,000	0
Deferred tax assets	183,471	278,062
Guarantee deposits	445,227	448,152
Other	40,375	88,925
Total investments and other assets	3,504,677	3,048,232
Total non-current assets	3,704,005	3,351,479
Total assets	21,072,338	20,054,353
Liabilities		
Current liabilities:		
Accounts payable – trade	1,258,623	1,272,489
Short-term borrowings	479,000	1,100,000
Accounts payable – other	514,839	196,060
Accrued expenses	1,921,178	1,179,457
Income taxes payable	675,440	298,034
Accrued consumption taxes	404,654	392,428
Provision for bonuses for directors (and other officers)	137,240	25,325
Provision for loss on orders received	—	3,225
Other	149,487	717,729
Total current liabilities	5,540,463	5,184,749
Non-current liabilities:		
Provision for share-based remuneration for employees	68,246	59,328
Provision for share-based remuneration for directors (and other officers)	76,406	73,623
Retirement benefit liability	—	41,240
Asset retirement obligations	68,961	69,150
Deferred tax liabilities	—	2,782
Other	63,190	92,144
Total non-current liabilities	276,805	338,269
Total liabilities	5,817,268	5,523,018

(Thousands of yen)

	Fiscal 2021 (as of March 31, 2022)	First Quarter of Fiscal 2022 (as of June 30, 2022)
Net assets		
Shareholders' equity:		
Share capital	970,400	970,400
Capital surplus	986,256	986,256
Retained earnings	12,555,835	12,343,543
Treasury shares	(374,322)	(674,116)
Total shareholders' equity	14,138,168	13,626,082
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,116,901	905,251
Total accumulated other comprehensive income	1,116,901	905,251
Total net assets	15,255,069	14,531,334
Total liabilities and net assets	21,072,338	20,054,353

(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 2021 (from April 1, 2021 to June 30, 2021)	Consolidated Cumulative First Quarter of Fiscal 2022 (from April 1, 2022 to June 30, 2022)
Net sales	7,079,083	8,001,052
Cost of sales	5,464,658	6,236,502
Gross profit	1,614,425	1,764,549
Selling, general and administrative expenses	787,852	995,960
Operating profit	826,572	768,589
Non-operating income:		
Interest income	90	73
Dividend income	18,612	23,017
Surrender value of insurance policies	—	23,274
Subsidy income	—	4,836
Other	3,475	1,659
Total non-operating income	22,178	52,860
Non-operating expenses:		
Interest expenses	759	784
Other	0	—
Total non-operating expenses	759	784
Ordinary profit	847,991	820,665
Profit before income taxes	847,991	820,665
Income taxes	268,507	265,037
Profit	579,484	555,627
Profit attributable to non-controlling interests	—	—
Quarterly profit attributable to owners of parent	579,484	555,627

Quarterly Consolidated Statement of Comprehensive Income
Consolidated Cumulative First Quarter

(Thousands of yen)

	Consolidated Cumulative First Quarter of Fiscal 2021 (from April 1, 2021 to June 30, 2021)	Consolidated Cumulative First Quarter of Fiscal 2022 (from April 1, 2022 to June 30, 2022)
Profit	579,484	555,627
Other comprehensive income:		
Valuation difference on available-for-sale securities	(21,307)	(214,776)
Total other comprehensive income	(21,307)	(214,776)
Quarterly comprehensive income	558,177	340,850
attributable to:		
Comprehensive income attributable to owners of parent	558,177	340,850
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 first quarter, and multiply profit for the quarter before taxes by the estimated effective tax rate.

(Changes in Accounting Policies)

We have applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 17, 2021) (hereinafter referred to as the “Implementation Guidance on Accounting Standard for Fair Value Measurement”), from the start of the first quarter of fiscal 2022. Furthermore, in accordance with the transitional treatment provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement are to be applied prospectively. This change has no impact on the quarterly consolidated financial statements.

(Segment Information and Related Matters)

Consolidated Cumulative First Quarter of Fiscal 2022 (from April 1, 2022 to June 30, 2022)

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.