

**FY2020**

**Briefing on Consolidated Financial Results for the  
Six Months Ended September 30, 2019**

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**November 14, 2019**

**TDC SOFT Inc.**

President and Representative Director

**Hiroyoshi Kobayashi**

## Consolidated Financial Results for the Six Months Ended September 30, 2019

- Increased earnings, driven by strong sales in the financial field
- Progress as planned on initiatives for the next-generation system integration business, etc.

## Topics

- **Started the “Shift to the Smart SI” Medium-Term Management Plan**
  - Agile Business:  
Concluded a partnership agreement with Scaled Agile, Inc. of the US
  - Security Business:  
Formed a business and capital alliance with LTE-X Inc., which has a competitive edge in the network security field
  - TDC Futech Corporation started after two subsidiaries were merged to optimize management resources

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- Medium-Term Management Plan, Fiscal 2019 Plan
- Overview of Financial Results for the Six Months Ended September 30, 2019
- Business by Field
- Next-Generation System Integrator
- Full-Year Forecast for the Fiscal Year Ending March 31, 2020

# Management Plan

Medium-Term Management Plan

Vision

Main strategies

Performance targets

## Aim to become a Next-Generation System Integrator

**Pursue high-value-added system integration services**

- Newly establish DX(\*)-driven organization, strengthen propulsion power
- Expand the agile and security businesses as priority strategic fields

(\*)Digital Transformation

**Advance transformation of the system integration model**

- Newly establish a dedicated organization reporting directly to the president
- Advance ecosystem building through alliances with other companies

Expand net sales to ¥30 billion by FY2021 with high-value-added system integration services accounting for about 20%

Management policy for the current fiscal year

**Focus on building a foundation for continued growth**

# Overview of Consolidated Financial Results

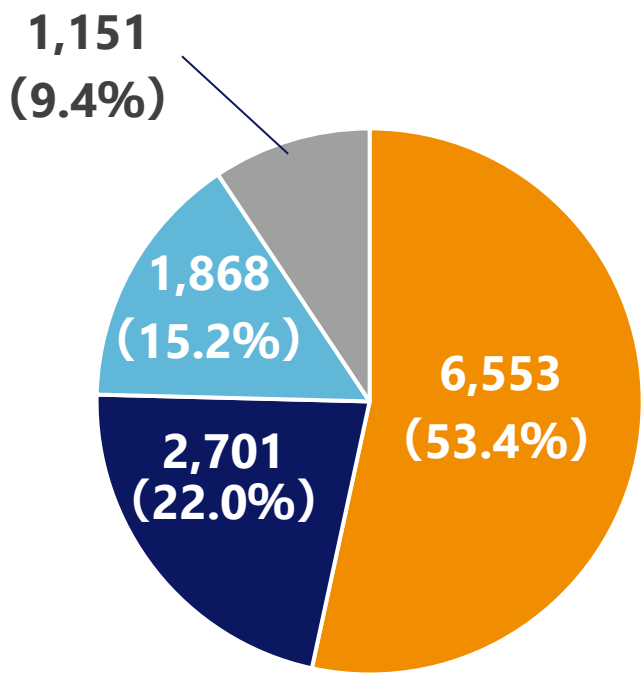
(Unit: ¥ millions)	FY2019 2Q	Profit ratio	Rate of change	FY2018 2Q
Net sales	13,128	-	+7.0%	12,274
Gross profit	2,580	19.7%	+0.6%	2,565
Operating profit	1,019	7.8%	△8.1%	1,109
Ordinary profit	1,038	7.9%	△12.3%	1,183
Profit attributable to owners of parent	687	5.2%	△11.9%	780

## 【Highlights】

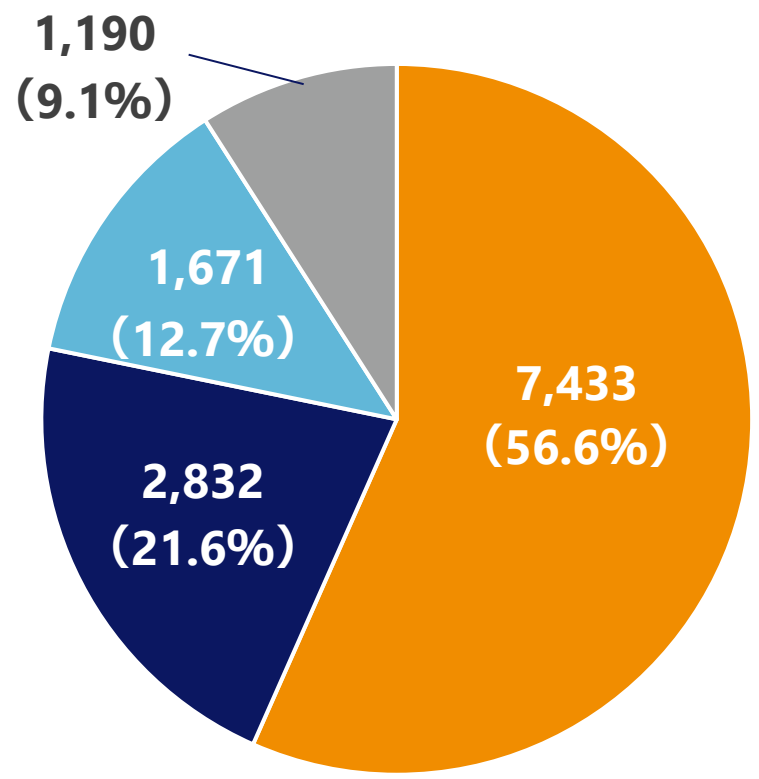
- Increased earnings, driven by strong sales in the financial field
- Moved ahead on building a framework for sustained growth and actively invested in high-value-added business, centered on priority strategic fields. Results as planned in spite of reduced earnings on the profit front in the six months ended September 30, 2019.

# Net Sales by Field

FY2018 2Q  
¥12,274 million



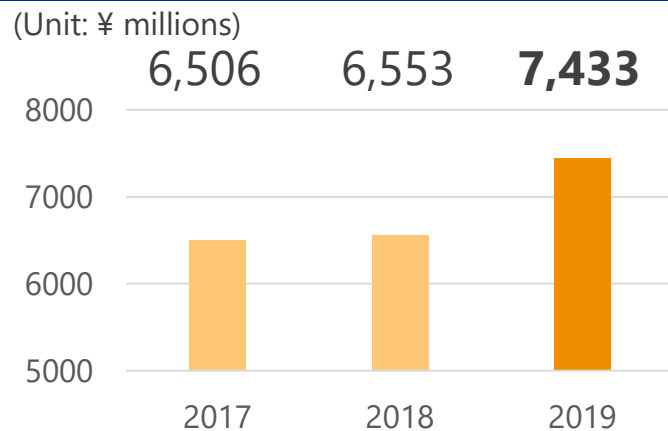
FY2019 2Q  
¥13,128 million



- Financial IT solutions field
- Public corporation IT solutions field
- Infrastructure and network solutions field
- Package solutions field

# Highlights by Field

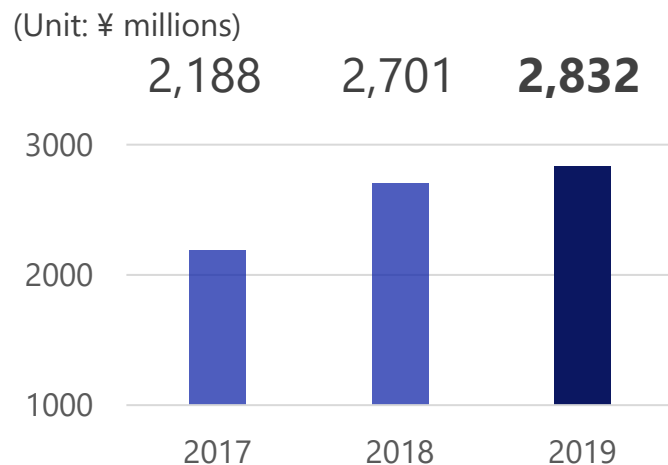
## Financial IT solutions field



**Large-scale system development projects for the insurance and credit industries remained solid**

**Earnings increased 13.4% YoY**

## Public corporation IT solutions field

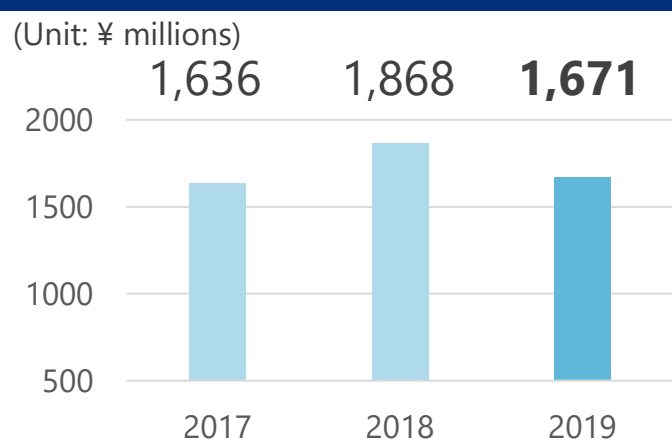


**Development projects for the manufacturing and logistics industries remained solid**

**Earnings increased 4.8% YoY**

# Highlights by Field

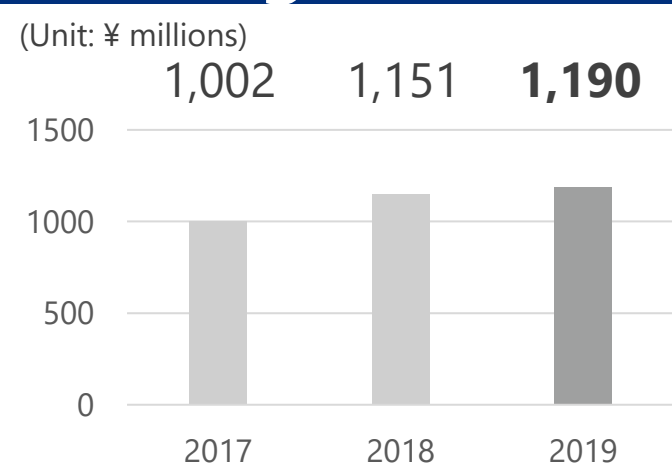
## Infrastructure and network solutions field



**IT infrastructure construction projects for the manufacturing industry remained solid while the network integration field decreased**

**Earnings decreased 10.5% YoY**

## Package solutions field



**Original cloud services and solutions for CRM, etc. remained solid**

**Earnings increased 3.4% YoY**



## Newly establish an organization to build a foundation for sustained growth

### Digital Technology Headquarters

Assemble highly skilled human resources, collaborate with business divisions and use high-value-added businesses such as DX as a driver

- Advancing business in priority strategic fields (agile business/security business)

### Business Innovation Headquarters

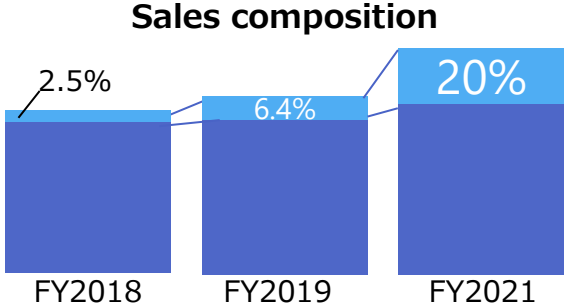
Conduct M&A and open innovation with venture capital

- Concluded partnership agreement with Scaled Agile, Inc. of the US
- Concluded business and capital alliance with LTE-X Inc.

### Smart SI Promotion Office

Build a TDC SOFT original system integration model establishing efficient project operation methods through homogenous autonomy, etc., sharing highly skilled human resources and promoting transformation outside of conventional bounds

**Expand the ratio of high-value-added system integration services in sales to beyond 6.4% (112% of plan)**  
**Aim to expand to about 20% after three years**



# Priority Strategic Fields I: Agile Business

- Concluded a partnership agreement with Scaled Agile, Inc. of the US, which provides the large-scale agility framework SAFe® and leads the enterprise agile market
- Increased the number of agile technicians to around 50 (of whom 23 are also certified Scrum technicians)
- Started an agile-related training service utilizing certified technicians
- Progressed as planned (58% increase YoY) toward three-year sales target (¥2 billion)

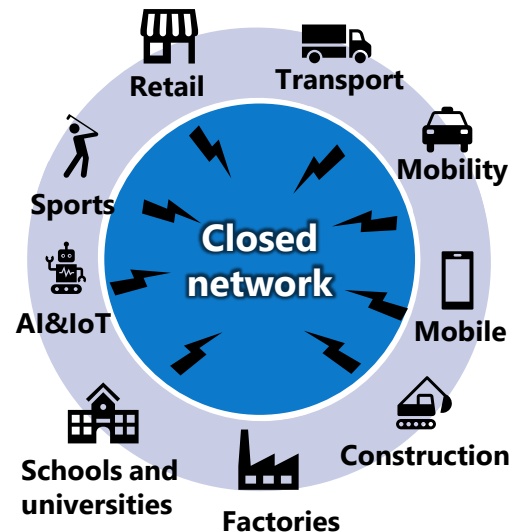


Supported realization of a highly agile organization through consulting and education services using SAFe®

Realized a flexible and speedy development system through agile development centered on Scrum certified technicians

# Priority Strategic Fields II : Security Business

- Started a business alliance with LTE-X Inc., which has strengths in the network security field, to establish a competitive edge in the local 5G market ahead of the arrival of the full-scale IoT/5G era.



- Added security services that create safety and security for customers to enhance added value in the system integration business.

診断・分析  
Analysys

対策  
Solution

ガバナンス  
Governance

監視・監査  
Audit

Total security solutions that consider system life cycles

# Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2020

(Unit: ¥ millions)

	FY2019 2Q	Profit ratio	Rate of change	FY2018 2Q
Net sales	27,000	-	+1.5%	26,590
Operating profit	2,200	8.1%	+2.0%	2,157
Ordinary profit	2,250	8.3%	+0.1%	2,248
Profit attributable to owners of parent	1,490	5.5%	+1.4%	1,469
EPS(¥)	61.85	-	+1.4%	61.02

**Moved ahead on investment policies based on the Medium-Term Management Plan for adding high value to business and transforming the system integration model.**

**FY2020**

**Briefing on Consolidated Financial Results for  
the Six Months Ended September 30, 2019**

# **Details of Financial Results**

**Kunihiko Adachi,**

Accounting Department Manager, Executive Director

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- Analysis of Net Sales
- Analysis of Operating Profit
- Balance Sheet
- Statements of Cash Flows

# Statements of Income

(Unit: ¥ millions)	FY2019 2Q	FY2018 2Q	change
<b>Net Sales</b>	<b>13,128</b>	12,274	+7.0%
Labor costs	4,902	4,623	+6.0%
Subcontract expenses	5,589	5,047	+10.7%
Other expenses	418	375	+11.4%
Work in progress change	361	337	+7.1%
<b>Cost of sales</b>	<b>10,548</b>	9,709	+8.6%
<b>Gross profit</b>	<b>2,580</b>	2,565	+0.6%
Selling, general and administrative expenses	1,560	1,455	+7.2%
<b>Operating profit</b>	<b>1,019</b>	1,109	△8.1%
Non-operating income and expenses	18	74	△62.9%
<b>Ordinary profit</b>	<b>1,038</b>	1,183	△12.3%
Profit before income taxes	1,038	1,183	△12.3%
<b>Profit attributable to owners of parent</b>	<b>687</b>	780	△11.9%
<b>EPS</b>	<b>28.53</b>	32.39	△11.9%

Note: The Company conducted a two-for-one stock split of its common shares effective October 1, 2018. Accordingly, basic earnings per share has been calculated under the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2018.

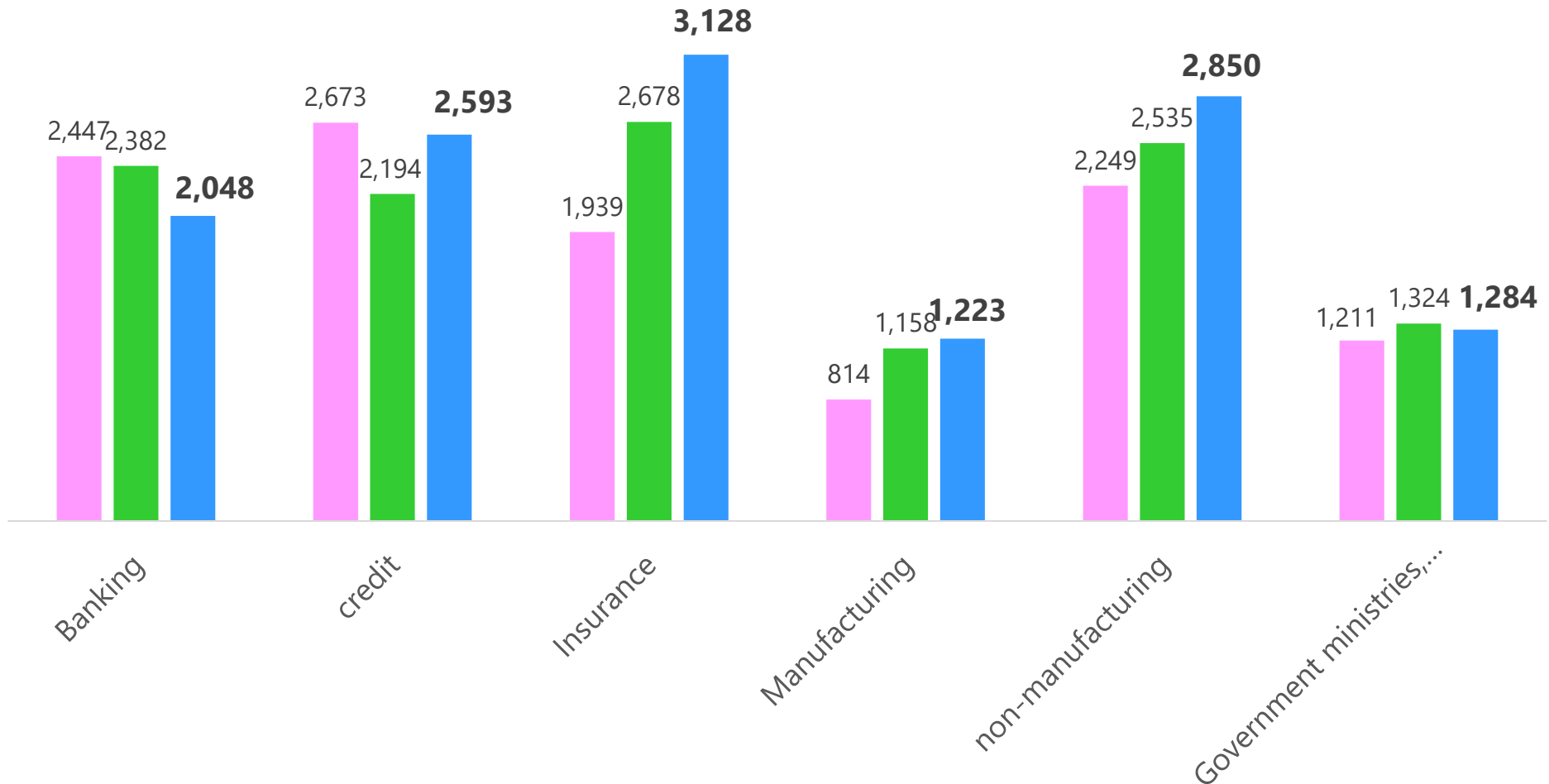
# Overview of Sales by Customer Industry

(Unit: ¥ millions)

FY2017 2Q

FY2018 2Q

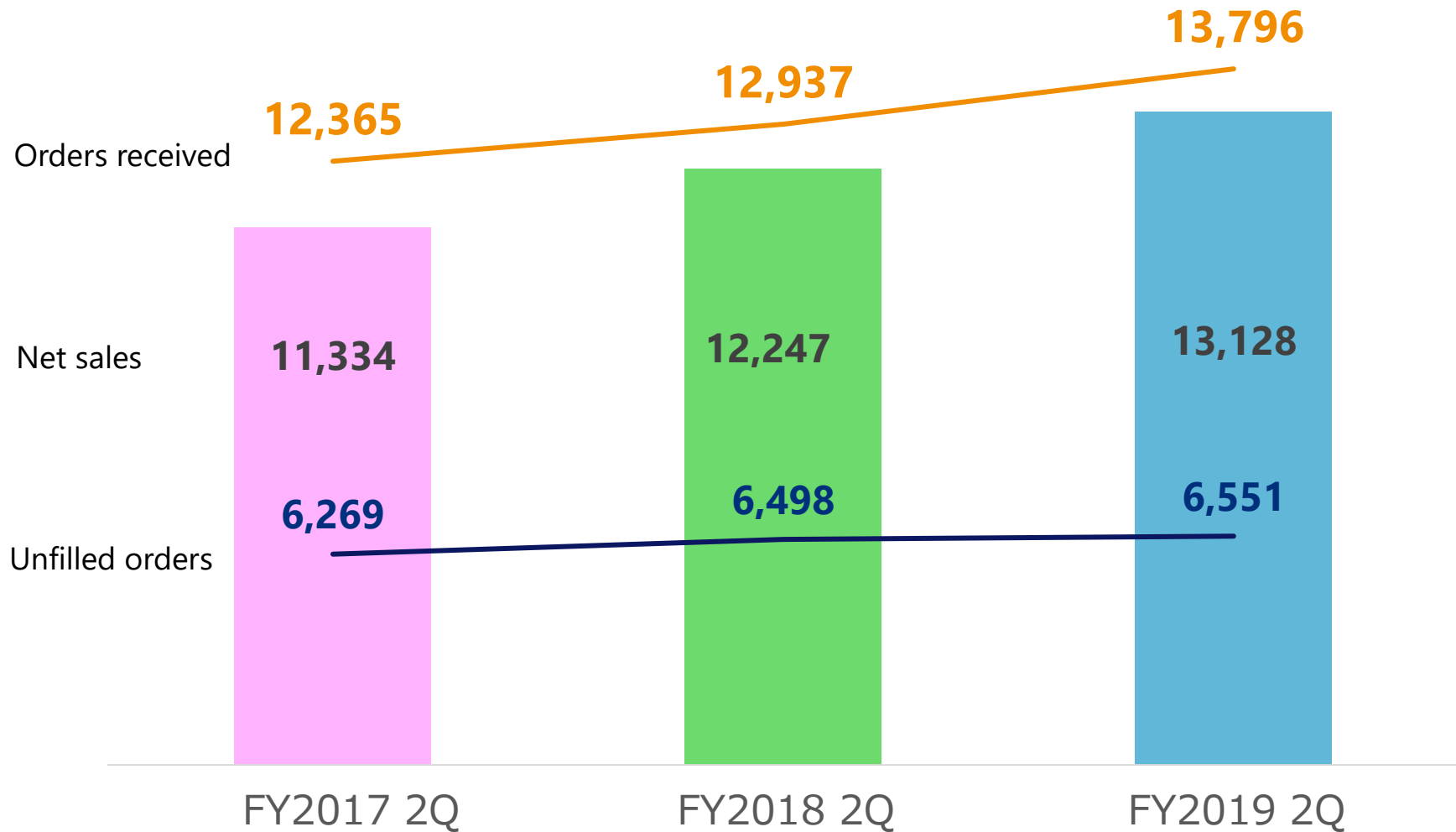
FY2019 2Q





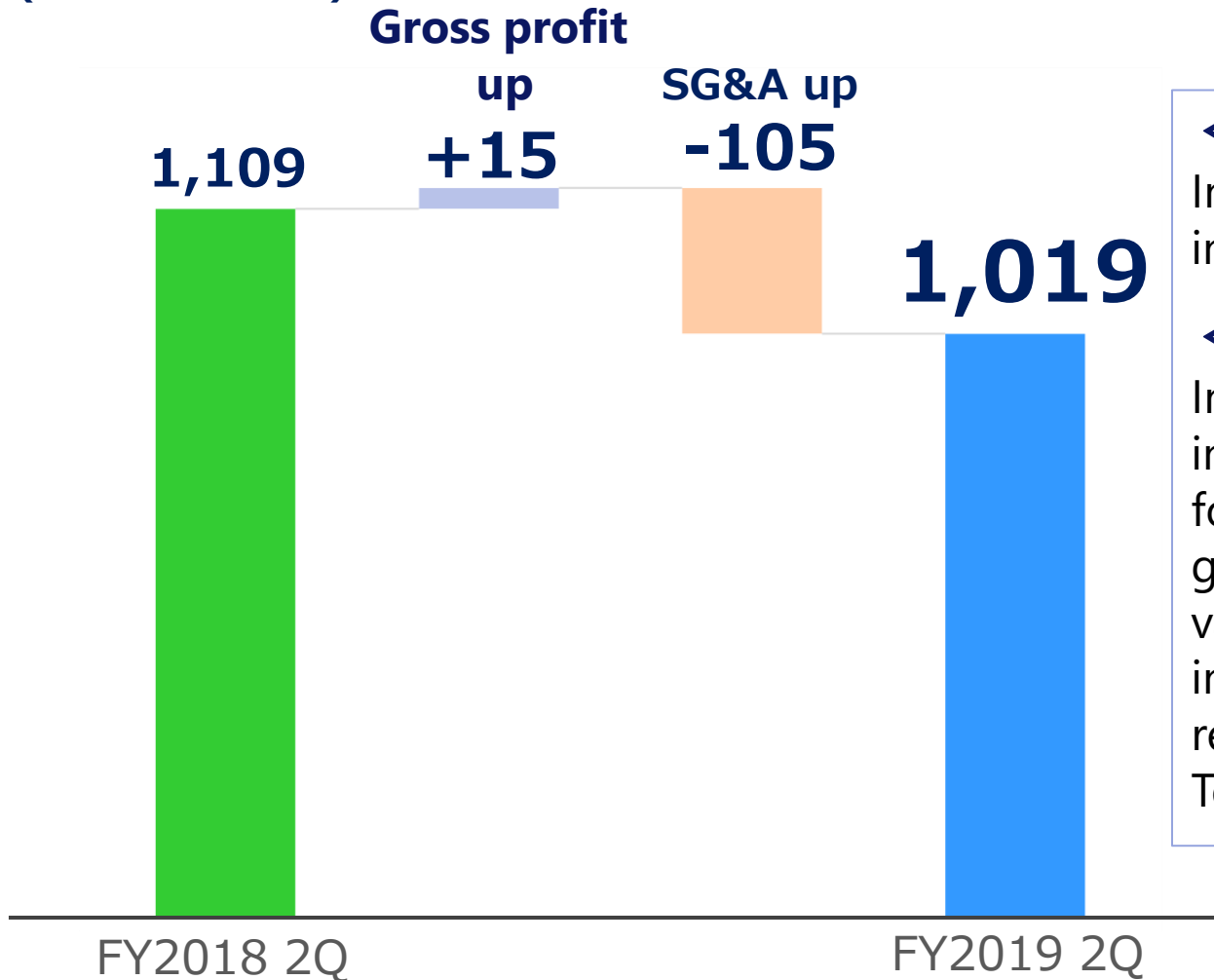
# State of Orders Received/Unfilled Orders

(Unit: ¥ millions)



# Analysis of Operating Profit

(Unit: ¥ millions)



## <Gross profit>

Increased alongside an increase in net sales

## <SG&A>

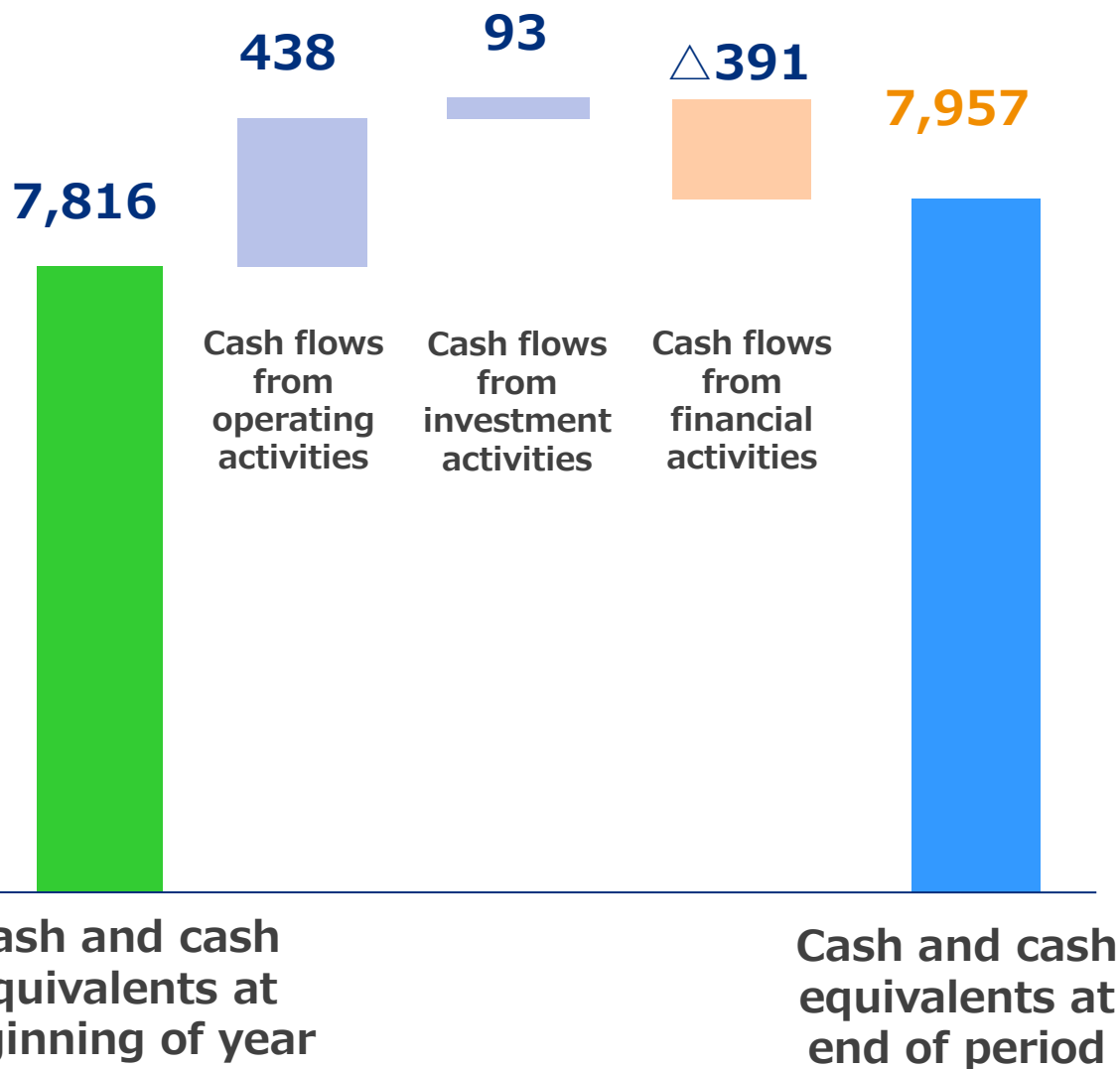
Increased in conjunction with investments to build a foundation for sustainable growth and to create high-value-added system integration services toward realization of the Medium-Term Management Plan

# Balance Sheet

(Unit : ¥ million)	Six months ended September 30, 2019	31-Mar-19	Change
<b>Total assets</b>	<b>15,740</b>	16,353	-3.7%
Current assets	<b>12,597</b>	12,930	-2.6%
Non-current assets	<b>3,143</b>	3,422	-8.2%
<b>Total liabilities</b>	<b>4,239</b>	4,887	-13.3%
Current liabilities	<b>4,053</b>	4,717	-14.1%
Non-current liabilities	<b>185</b>	169	+9.5%
<b>Total net assets</b>	<b>11,501</b>	11,466	+0.3%
<b>Total liabilities and net assets</b>	<b>15,740</b>	16,353	-3.7%
<b>Equity ratio</b>	<b>73.1%</b>	70.1%	-
<b>Net assets per share</b>	<b>477.25</b>	475.93	+0.3%

The Company conducted a two-for-one stock split of its common shares effective October 1, 2018. Accordingly, net assets per share has been calculated under the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2018.

# Statements of Cash Flows



Cash and cash equivalents at beginning of year	7,816
Profit before income taxes	1,038
Depreciation and amortization	44
Notes and accounts receivable	925
Notes and accounts payable	7
Inventories	Δ361
Accounts payable	Δ183
Accrued expenses	Δ398
Other	1
Income taxes payable	Δ467
<b>Cash flows from operating activities</b>	<b>438</b>
Acquisition of tangible assets	Δ54
Acquisition of investment securities	Δ33
Proceeds from distribution of investment in partnerships	15
Interest and dividend income	22
Proceeds from transfer of business	142
Other	0
<b>Cash flows from investment activities</b>	<b>93</b>
Increase (decrease) in short-term borrowings	150
Dividends paid	Δ538
Other	-
<b>Cash flows from financial activities</b>	<b>Δ391</b>
Cash and cash equivalents at end of period	7,957

# TDC SOFT Inc.

<https://www.tdc.co.jp/>

\*Cautionary note about these materials

This report contains forward-looking statements such as forecasts for the TDC SOFT Group that are based on information available to the Company at this point in time. Actual results may differ significantly from these forecasts due to various unforeseen factors or operations going forward.