



Financial Results Presentation for the Fiscal Year Ended at March 31, 2020

May 22, 2020

TDC SOFT Inc.

Consolidated Financial Results for this Period

- Increased earnings and profit, driven by strong sales in the financial field
- Advanced progress with respect to the mid-term management plan (April, 2019 - March, 2022) in the area of next-generation system integration business

Topics

● **“Shift to the Smart SI” as the medium-term management plan**

- Agile-related business : Concluded the gold partnership contract with Scaled Agile Inc. (“SAI”) in the U.S.
- Security-related business: Concluded the business and capital alliance contract with LTE-X Inc., which has a competitive edge in the network security field.
- Solutions business : Acquired Yagi Business Consultant Inc. (“YBC Inc.”) , which leads in the SAP area.

Contents

- Overview of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020
- Status of Major Measures for the Fiscal Year Ended March 31, 2020
- Business Outlook for the Fiscal Year Ending March 31, 2021.

Financial Results Overview for the Fiscal Year Ended March 31, 2020

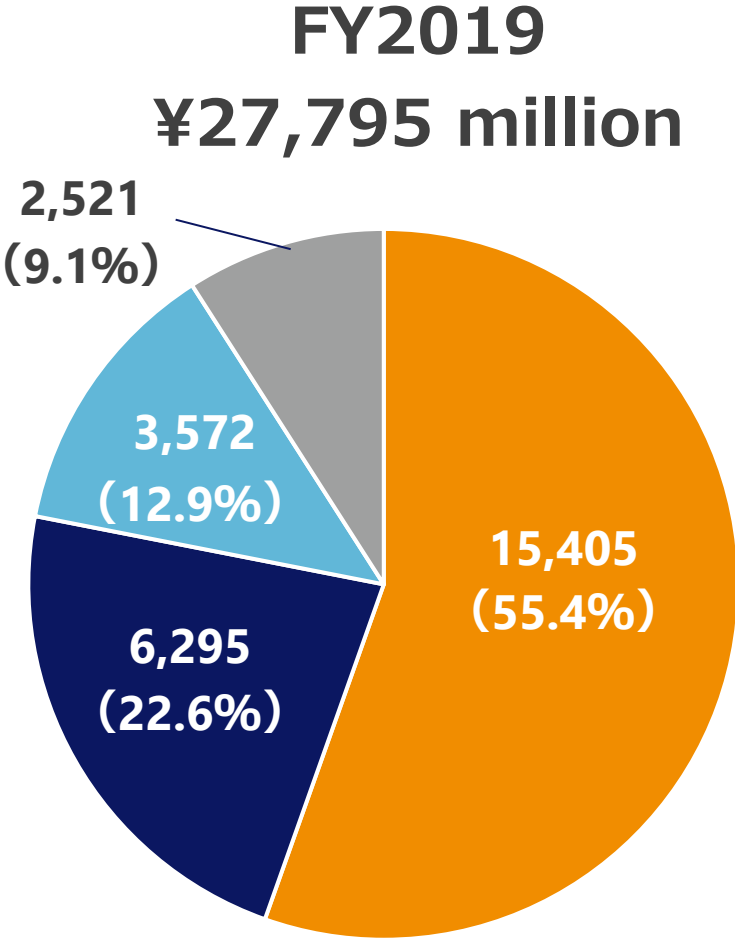
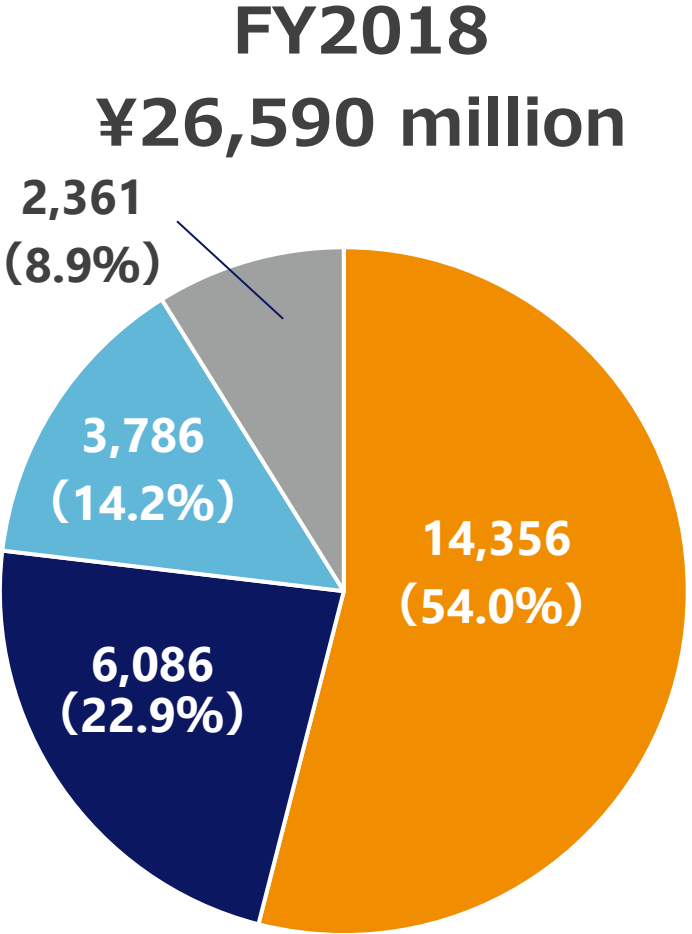
Financial Results Overview for the Fiscal Year Ended March 31, 2020

(Unit: ¥ millions)	FY2019	Profit ratio	Rate of change	FY2018
Net sales	27,795	-	+4.5%	26,590
gross profit	5,277	19.0%	+4.0%	5,076
Operating profit	2,206	7.9%	+2.3%	2,157
Ordinary profit	2,265	8.1%	+0.8%	2,248
Profit attributable to owners of parent	1,500	5.4%	+2.1%	1,469

【Highlights】

- Increased earnings and profit, driven by strong sales in the financial field
- Achieved the full-year goals as a result of moving ahead on building a framework for sustained growth and actively investing in high-value-added business
- Insignificant impact by the COVID-19 health issue for this period

Overview of Net Sales by Field

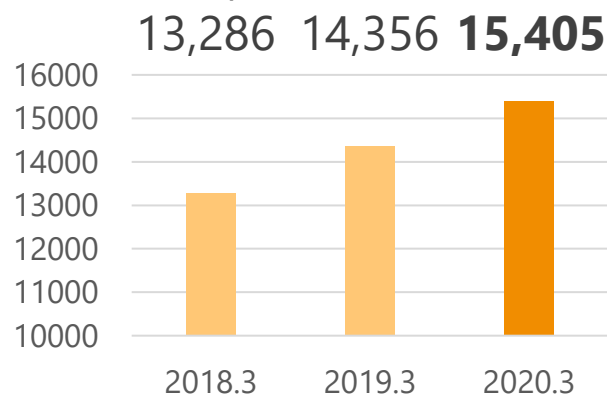


- Financial IT solutions field
- Public corporation IT solutions field
- Infrastructure and network solutions field
- Package solutions field

Highlights by Field

Financial IT solutions field

(Unit: ¥ millions)

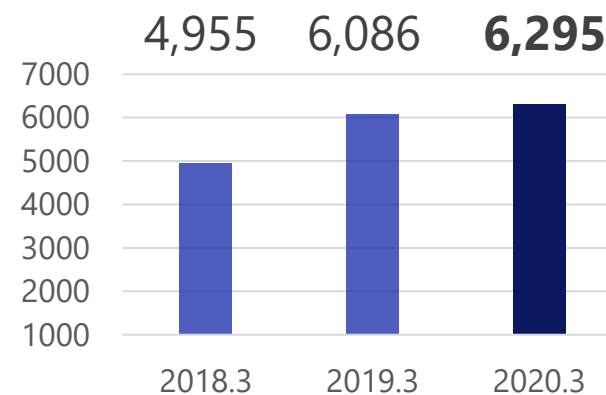


Large-scale system development projects for the insurance and credit card industries remained solid

Earnings increased 7.3% YoY

Public corporation IT solutions field

(Unit: ¥ millions)

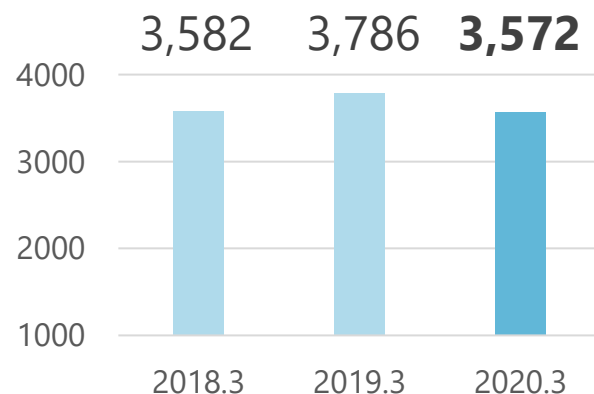


Development projects for the manufacturing and logistics industries remained solid

Earnings increased 3.4% YoY

Infrastructure and network solutions field

(Unit: ¥ millions)

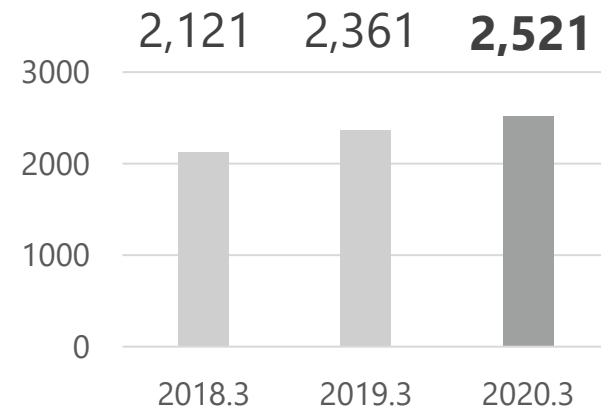


IT infrastructure construction projects for manufacturers remained solid while projects for the public sector and banking industries decreased

Earnings decreased 5.6% YoY

Package solutions field

(Unit: ¥ millions)



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

Earnings increased 6.8% YoY

Status of Major Measures for the Fiscal Year Ended March 31, 2020

Evolve into a next-generation system integration business that responds to digital technologies and new trends by catching the potential needs of the market

Aim to become a Next-Generation System Integrator

Pursue high-value-added system integration services

- Newly establish Digital Transformation driven organization, strengthen propulsion power
- Expand the priority strategic fields

Agile-related business

Security-related business

Advance transformation of the system integration model

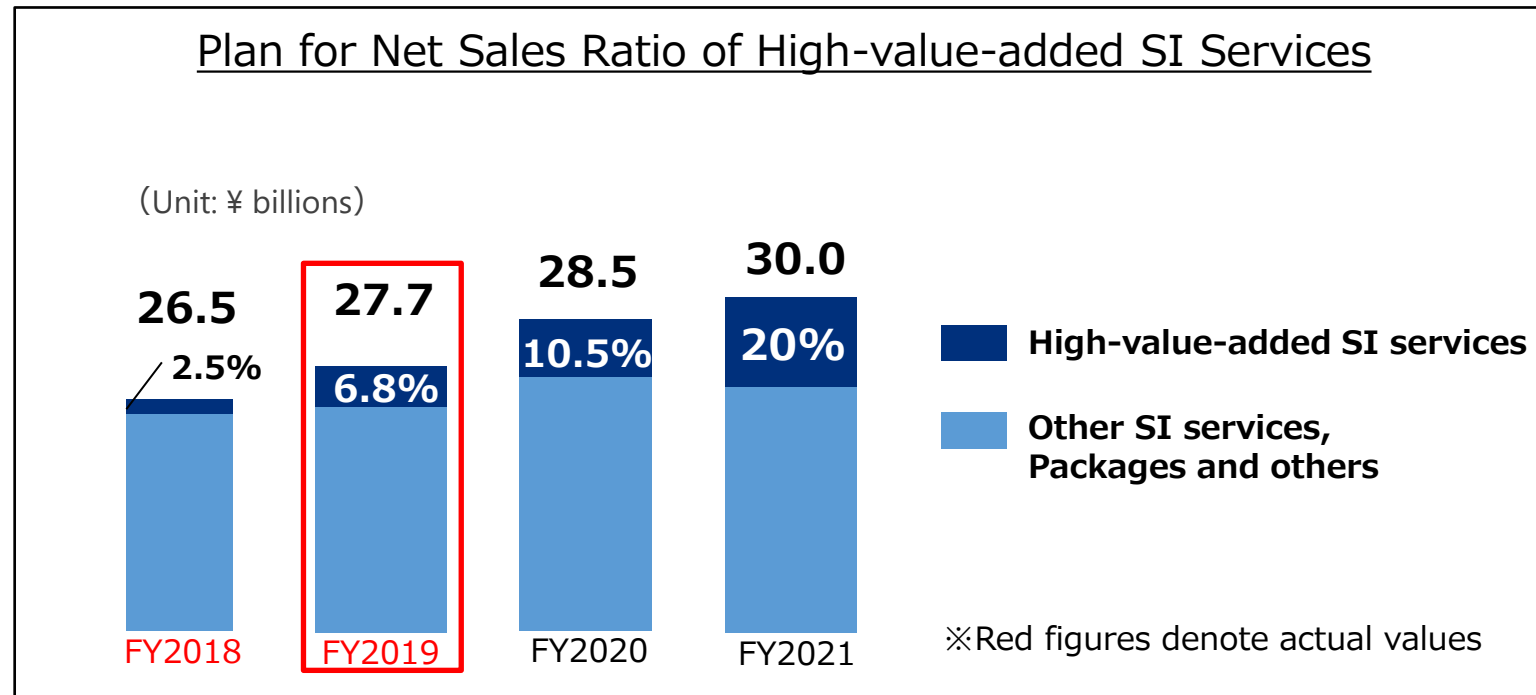
- Newly establish a dedicated organization reporting directly to the president
- Advance ecosystem building through alliances with other companies

Expand net sales to ¥30 billion by March 31, 2022 with expanding high-value-added system integration services to about 20%

Focus on building a foundation for continued growth

Overview of Next-Generation SI Business

- High-value-added SI services increased to 6.8% of the net sales (126% of the plan)
- Target to expand the net sales of high-value-added SI services to about 20% in the fiscal year ending March 31, 2022



Overview of Strategic Fields

Agile-related business

Achieved 41% progress of the sales target (¥2 billion), ahead of schedule, in the first year of the mid-term plan from April, 2019 to March, 2022 as a result of the company-wide promotion of every measure to expand the agile-related business.

Security-related business

Started to offer with a security service menu targeting especially at consulting, system integration, operational management and education, whose CAGR is expected to reach 4.3% amongst of the growing security service market.

Started steadily as a high profit business with gross profit of about 6% higher than that of normal SI projects.

In addition, concluded the business and capital alliance contract with LTE-X Inc., which has a competitive edge in the network security field, and started secure network solutions by using patented LTE over IP.

TOPICS: Establish Structures to Become a Next-Generation System Integrator

Newly establish an organization to build a foundation for sustained growth
Each organization functions effectively to drive the next generation of SI business

Digital Technology Headquarters

Drive high-value-added business such as DX by collecting highly skilled human resources and by collaborating with business divisions

Promote business in priority strategic fields

Agile-related business

Security-related business

Business Innovation Headquarters

Conduct M&A and open innovation activities with venture capital

- Concluded the gold partnership agreement with Scaled Agile Inc. in the U.S., which provides SAFe® having No.1 global share in the agile scaling methods.
- Concluded the business and capital alliance contract with LTE-X Inc., which has a competitive edge in the network security field.

Smart SI Promotion Office

Build a TDC SOFT original SI model by promoting transformation beyond the conventional framework, such as homogeneous and efficient project operation methods with automation, etc., and by sharing highly skilled human resources.

TOPICS: Focused Strategic Field - Agile-related Business

Strengthening our service capabilities to lead the domestic enterprise agile market

Consulting Capability Uplift



Concluded the gold partnership agreement, as the second partner company in Japan, with Scaled Agile Inc. in the U.S., that provides SAFe® having No.1 global share in the agile scaling methods.
Consulting and training services are off to a good start.

Number of Experienced Engineer Uplift

Increase the number of engineers with agile expertise to around 100



Providing one-stop agile solutions covering from upstream, such as organizational transformation, to system development



Support realization of a highly agile organization through consulting and training services using SAFe®

Realize a flexible and speedy system development by applying the agile development framework with certified Scrum Master engineers (*2)

*1 SAFe® : Having a dominant global market share in the large scale agile frameworks (23%), well ahead of the second largest frameworks (4% of spotify method) or Nexus

*2 Scrum : The de facto standard for small-scale agile development methods. 71% of agile related certifications are Scrum related.

TOPICS: Focused Strategic Field - Security-related Business

Started to offer with a security service menu targeting especially at consulting, system integration, operational management and education

Total security solution considering system life cycles

Security assessment and Analysis

- Web/network security assessment
- Penetration test
- Security analysis of systems

Support strengthening governance

- Support building CSIRT
- Support security training

Monitoring and auditing support

- Support building SIEM
- ※SIEM : Integrated monitoring of security logs

Countermeasure solutions

- Web application firewall
- Cloud security platform
- Container security

TOPICS: Focused Strategic Field - Security-related Business

Concluded the business and capital alliance contract with LTE-X Inc., which has a competitive edge in the network security field

Started a business and capital alliance with LTE-X Inc., which has strengths in the network security field and started secure network solutions(*) by using patented LTE over IP to establish a competitive edge in the local 5G market ahead of the arrival of the full-scale IoT/5G era.

And developing SI services that utilize local 5G by combining with our company's strong system development technology.

Aim to expand in the local 5G field along with the security-related business.

* : An inexpensive and secure network can be constructed by introducing a virtual LTE network within an existing IP network.

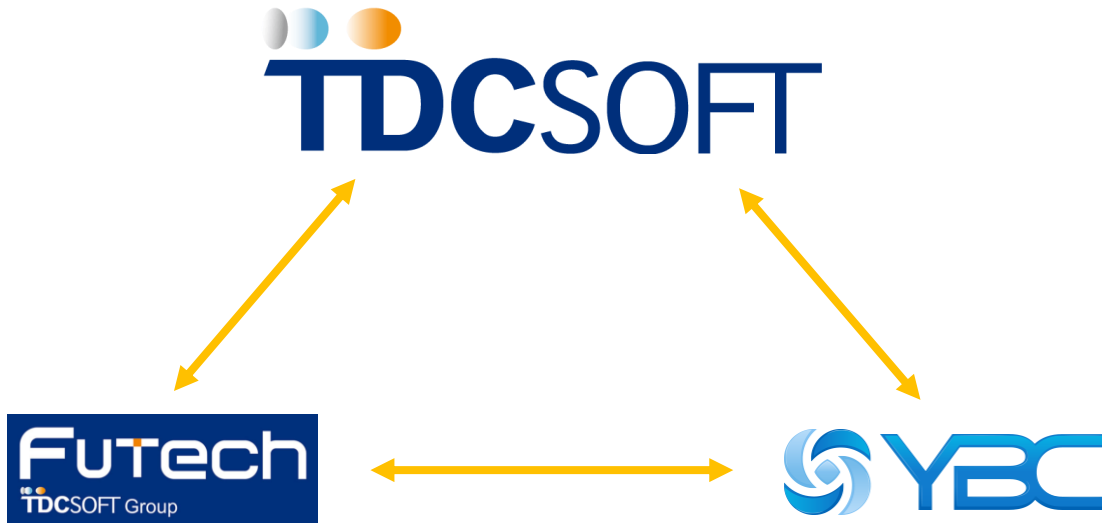
TOPICS: Proceeded with M&A to Strengthen the Solutions Business

Acquired YBC Inc., a company with a wealth of expertise including SAP S/4HANA through M&A by considering the expected system migration demand increase due to coming SAP Business Suite 7 maintenance deadline.

Aim to expand solutions business by combining with our company’s strong system development technology.

Profile of “YBC Inc.”

Company Name	Yagi Business Consultant, Inc. (Abbreviated as: “YBC Inc.”)
Location	2-17 Kanda, Chiyoda-ku, Tokyo
Date established	April, 1984
Business contents	SAP system introduction support and system development with open sources, web based, Java system and others
Net Sales (march, 2020)	¥528 million



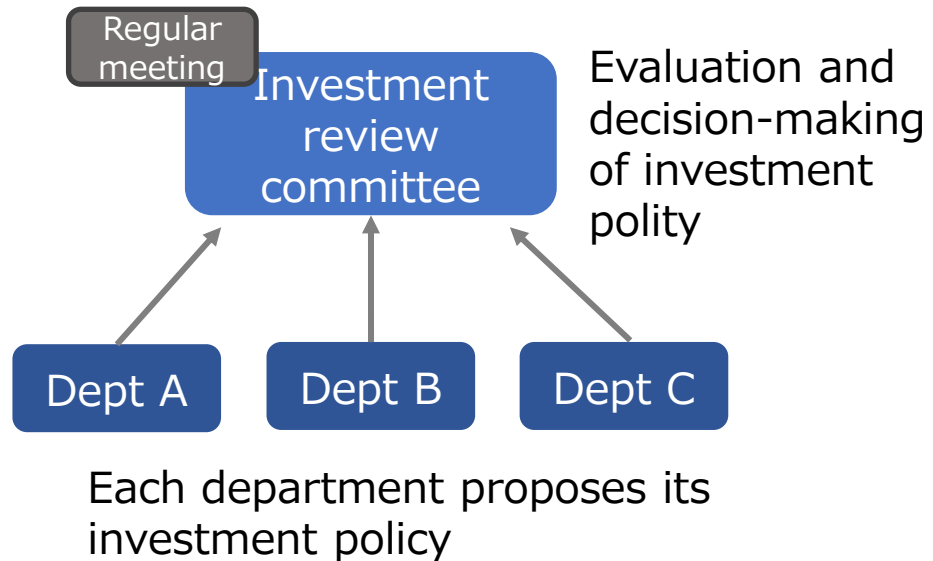
TOPICS: Update of the Company's Management Process

Revamped the traditional bottom-up investment process to a top-down approach.

Developed the investment plan, "TDC Technology Beyond 2020" by top experts in technologies, markets and customers. Foreseeing future changes and concentrating management resources in the fields of high expectations for quick ramp-up of revenue and for maximizing ROI.

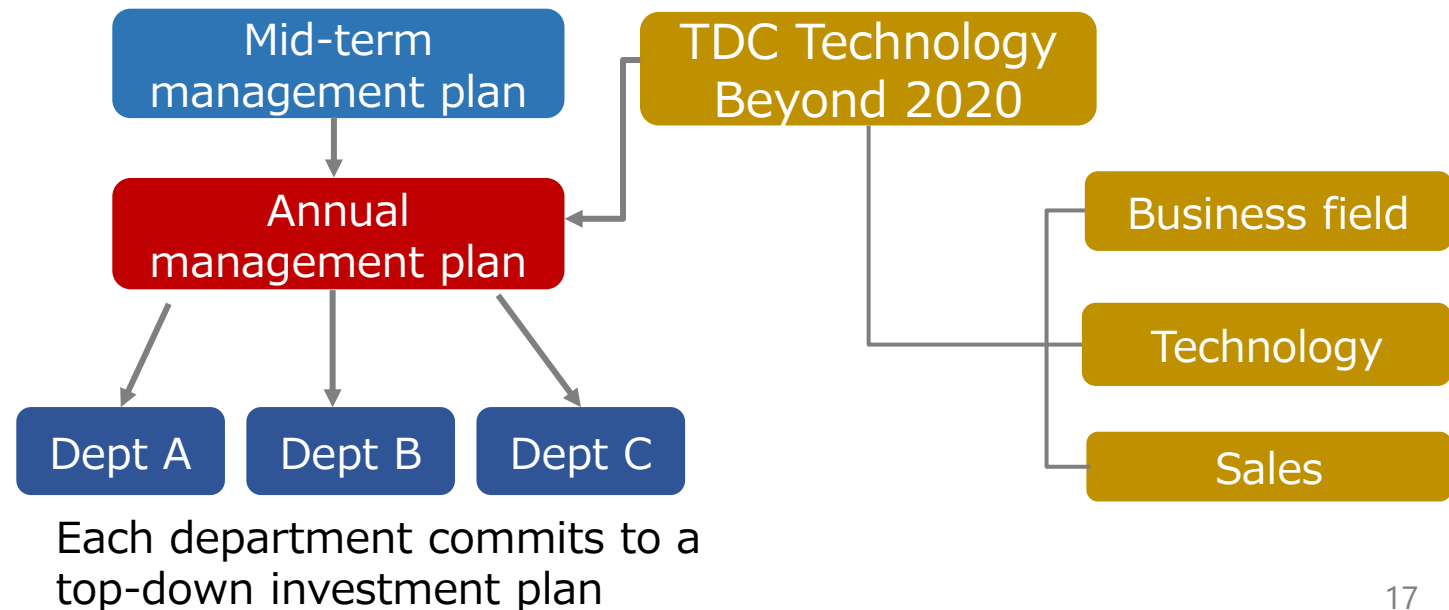
Previous process

Centered on bottom-up investment process



Current process

Top-down investment decision in light of future changes and business environment



Business Outlook for the Fiscal Year Ending March 31, 2021

Trends in the Information Services Industry

- **Domestic economic environment started to deteriorate rapidly**

- April 23: Monthly Economic Report by the Cabinet Office**

- Reported “getting worse” for the 1st time in 11 years by the statement that “the Japanese economy is getting worse rapidly in an extremely severe situation, due to the Novel Coronavirus.”

- April 30: JISA-DI Survey by Japan Information Services Industry Association (JISA)**

- 46.2 points decreased in the forecasted DI of overall sales for the period of April – June, 2020 compared with the period of January – March, 2020.

- May 11: Domestic ITC Market Forecast by IDC Japan**

- Forecasted the domestic ICT market (spending base) to be ¥27,835.7 billion, down 6.1% from the previous year.

- As reported above, ICT investment is expected to be curtailed at least until the first half of 2020.
- On the other hand, as people are shifting to new lifestyles, there are more demand for high-value-added SI services based on new technologies, such as cloud computing and cashless systems, than ever.

Efforts to Prevent from COVID-19 Infection

- February 14: “A special task force” was formed at TDC Soft headquarters.
- April 8: In response to the government's declaration of a state of emergency, the Group shifted to working at home in principle.
- The following measures have been implemented to ensure the health and safety of employees and to ensure business continuity to the same degree as under normal conditions.

About the work style

- In principle, employees including business partners work from home.
- In case of any need to come to work, staggered commuting and/or rotational working styles are required to reduce the risk of infection.
- Domestic and international business travels are prohibited. Employees are requested to self-restrain from going out for unnecessary and non-urgent purposes.

Efforts to Prevent from COVID-19 Infection

Infection prevention measures

- Installed alcohol disinfectants and other hygiene products at offices and project sites. Promoted the activities to inform employees on cough etiquette and other infection prevention measures through in-house digital signage and/or portal sites.
- Meetings are requested to hold online in principle. Even when meetings are held offline, keeping social distance and wearing masks are requested. And distributed a box of masks to all employees with priority to those who need to come to work.
- Non-online events are generally prohibited.

Early detection of infected people

- Using the emergency contact list that is available in normal operations, anyone suspected of being infected is to be reported to the special task force immediately. Those with infection risk and those who have been in close contact with infected people are suspended from coming to work for 14 days.

Current Business Situations

- **Insignificant impact on the current business**

As the capacity utilization in April was about 1.4% higher than that of the previous year, impact on the company's current performance is insignificant.

- **Difficult situations for new orders are expected to continue until the first half of 2020.**

Although the order backlog at the end of April was 2.3% higher than the same period of previous year, due to the transition period to teleworks after the declaration of the state of emergency and with business negotiation opportunities decreased, the April orders received were lower than the same period of the previous year.

Business Risks

- **Risk of reduced utilization:**

In case of measures to suspend attendance to work in case of any infected project members (of suppliers , the Company and business partners) or of customers

- **Risk of reduced capacity to provide services:**

In case of any changed cooperation with partner companies triggered by the infection

- **Risk of order decline:**

In case of delay in the recovery of business negotiation opportunities with customers or in case of decrease in new projects due to restraint in IT investment

Financial forecast for the Fiscal Year Ending March 31, 2021

- Since there are various uncertainties about the impact of COVID-19 and with its difficulty to rationally calculate at this time, the financial forecast for the fiscal year ending March 31, 2021 is yet to be determined.
- With carefully observing the lifting of the emergency declaration and trends toward after-corona world, the information will be disclosed as soon as it becomes available.

Going Forward

- **Continue to promote the next-generation SI business, for which demand is expected to increase**

Maintain the policies of the medium-term management plan and the technical capabilities to respond to market needs in a timely and accurate manner to expand our "next-generation SI business," and strengthen our efforts to create new business in an anticipation of further growing needs for digitalization including teleworks and cloud computing.

- **Flexible response to the external environment**

Flexibly respond with respect to the management plan for the fiscal year ending March 31, 2021 in light of the current impact of COVID-19 health issue and in consideration of the after-corona environment.

Promote initiatives in each field based on the key strategies set in the mid-term management plan

Pursuing High-value-added SI Services

Agile-related business

Scaling the business with increase number of engineers and enhanced services

- Double the number of engineers with agile expertise to around 100 compared with the previous year.
- Aiming to expand business scale with synergy of SAFe®, Scrum, DevOps(*1), UX(*2) and other elements.

Security-related business

Future trends and predicting security services

- Services to address the new security risks that arise due to the increased architectural complexity of container technology.
- Secure network solutions for teleworkers.

- *1 : A set of practices that combine software development (Dev) and operations (Ops) to shorten the system development lifecycle and achieve continuous delivery of high quality software.
- *2 : An abbreviation for user experience. (experience which users receive by using products or services) The trend in recent years is to increase the added value of products and services through UX-conscious design.

Promote initiatives in each field based on the key strategies set in the mid-term management plan

Promote Transformation of the System Integration Model

Improve profitability by securing service providing resources from efficiency improved quality assurance process and by optimizing staffing for project characteristics

- Improve productivity and quality by automating the quality assurance process.
- Review methodologies and resource assigning methods for optimizing the project structure by accurately understanding the characteristics of projects, such as next generation technologies.

Fiscal Ended March 31, 2020
Details of Financial Results

Contents

- Financial Statements
- Analysis of Net Sales
- Orders Received/Unfilled Orders
- Analysis of Operating Profit

Statements of Income

(Unit:¥ millions)	FY2019	FY2018	change
Net Sales	27,795	26,590	+4.5%
Labor costs	10,228	9,806	+4.3%
Subcontract expenses	11,458	10,784	+6.3%
Other expenses	845	787	+11.4%
Work in progress change	△14	135	△110.4%
Cost of sales	22,518	21,513	+4.7%
Gross profit	5,277	5,076	+4.0%
Selling, general and administrative expenses	3,070	2,918	+5.2%
Operating profit	2,206	2,157	+2.3%
Non-operating income and expenses	58	91	△35.8%
Ordinary profit	2,265	2,248	+0.8%
Profit before income taxes	2,265	2,248	+0.8%
Profit attributable to owners of parent	1,500	1,469	+2.1%
EPS	62.29	61.02	+2.1%

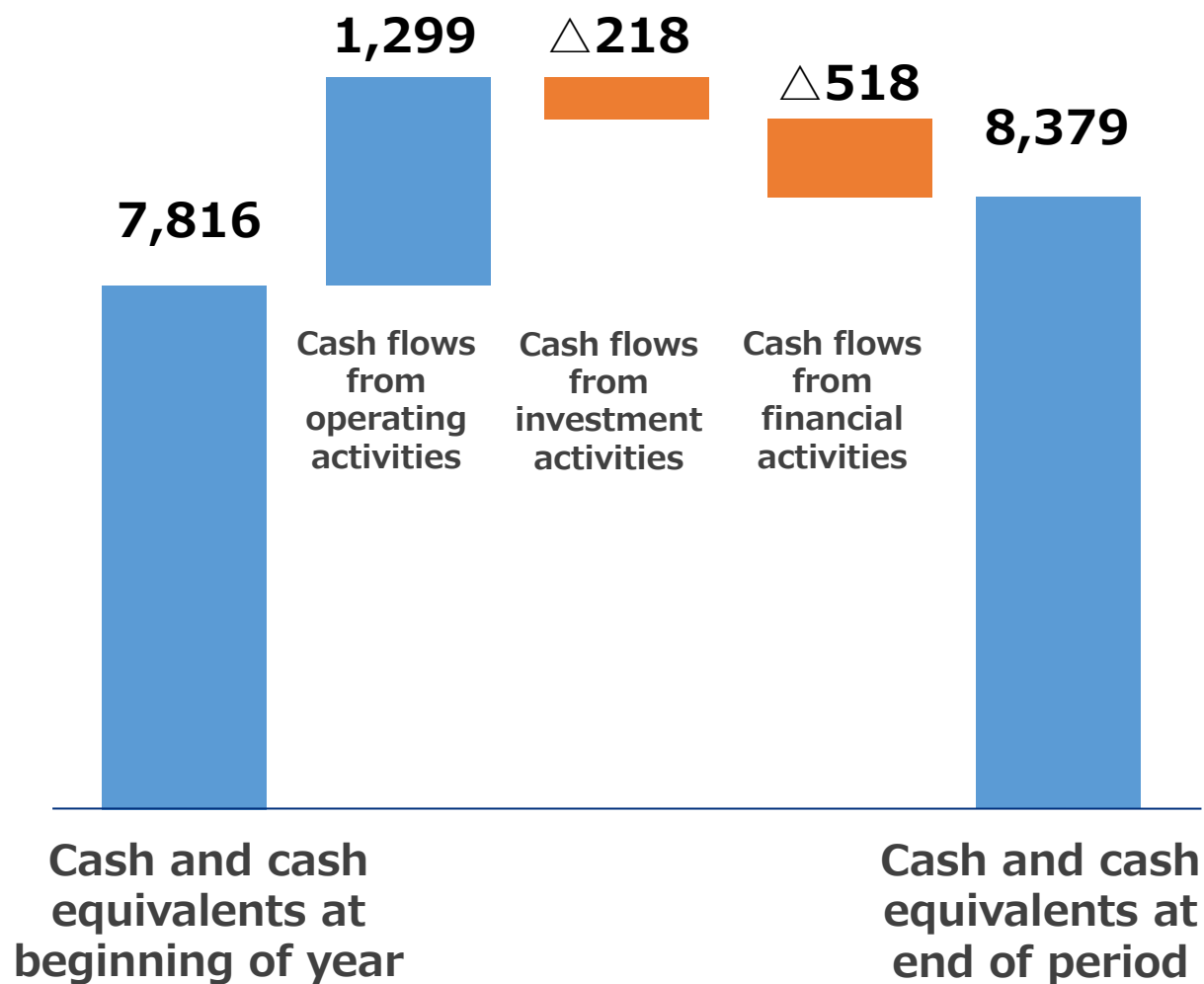
Note: The Company conducted a two-for-one stock split of its common shares effective October 1, 2018. Accordingly, basic earnings per share is calculated under the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2018.

Balance Sheet

(Unit: ¥ millions)	31-Mar-20	31-Mar-19	change
Total assets	16,652	16,353	+1.8%
Current assets	13,463	12,930	+4.1%
Non-current assets	3,188	3,422	-6.8%
Total liabilities	4,544	4,887	-7.0%
Current liabilities	4,347	4,717	-7.8%
Non-current liabilities	197	169	+16.6%
Total net assets	12,107	11,466	+5.6%
Total liabilities and net assets	16,652	16,353	+1.8%
Equity ratio	72.7%	70.1%	-
Net assets per share	502.43	475.93	+5.6%

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

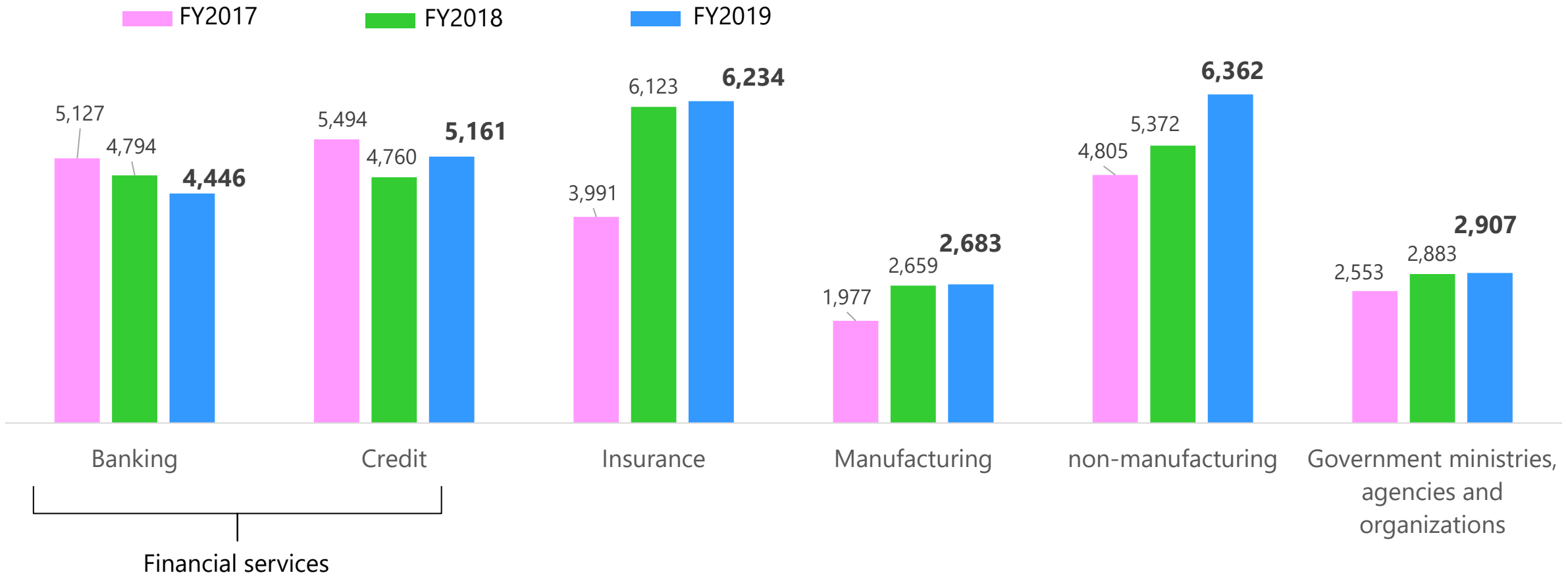
Statements of Cash Flows



Cash and cash equivalents at beginning of period	7,816
Profit before income taxes	2,265
Depreciation and amortization	88
Notes and accounts receivable	138
Notes and accounts payable	39
Inventories	△ 14
Accounts payable	△ 119
Accrued expenses	△ 271
other	△ 32
Income taxes payable	△ 856
Cash flows from operating activities	1,299
Acquisition of tangible assets	△ 63
Acquisition of investment securities	△ 116
Acquisition of stocks of subsidiaries and affiliates	△ 300
Proceeds from distribution of investment in partnerships	31
Interest and dividend income	51
Proceeds from transfer of business	142
Other	8
Cash flows from investment activities	△ 218
Increase (decrease) in short-term borrowings	26
Dividends paid	△ 538
Other	-
Cash flows from financial activities	△ 518
Cash and cash equivalents at end of period	8,379

Overview of Net Sales by Customer Industry

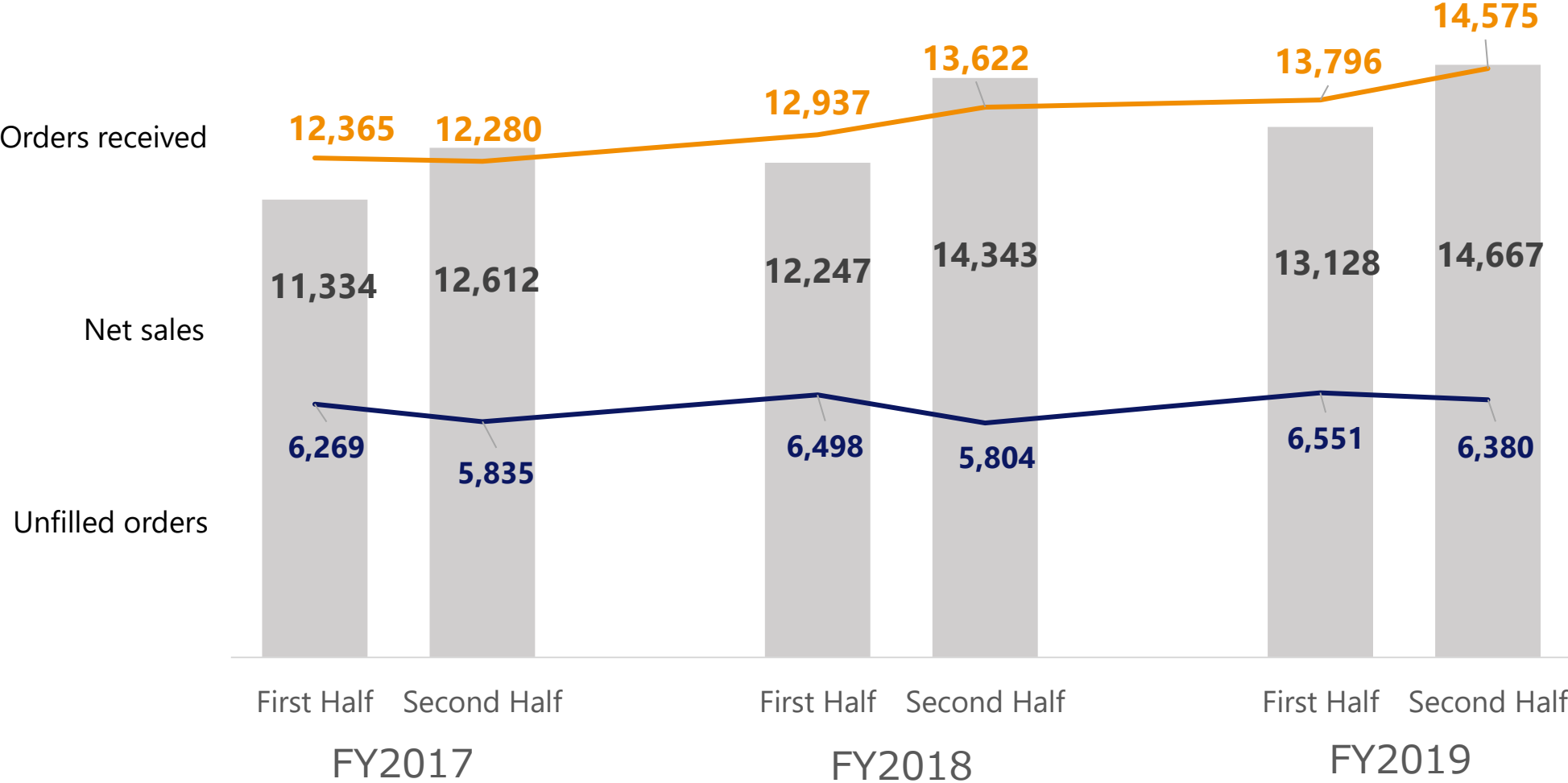
(Unit:¥ millions)



- In the financial services business, the large projects decline at banks was covered by credit and insurance projects. Sales increased in all customer industries, as in the previous year.

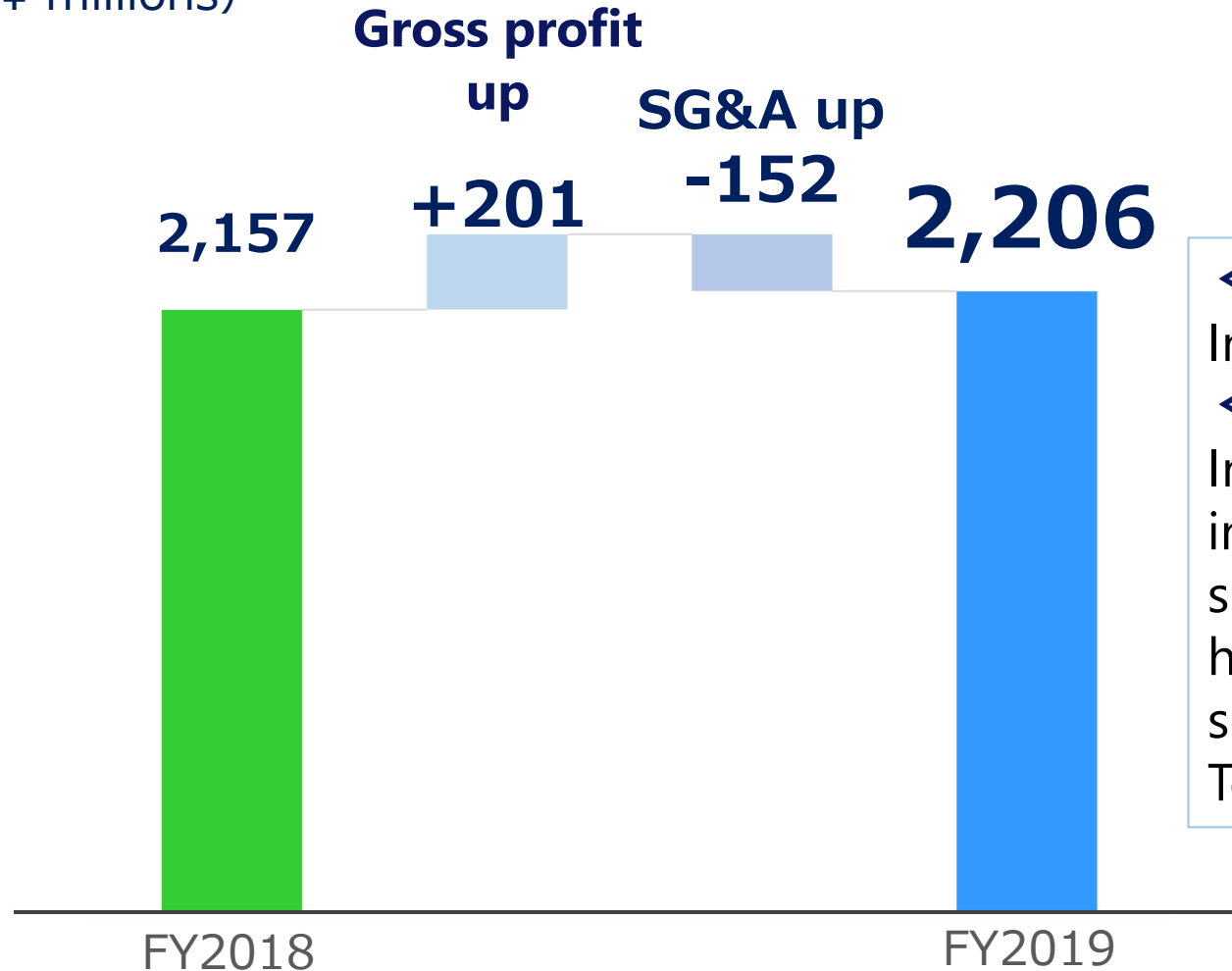
State of Orders Received/Unfilled Orders

(Unit:¥ millions)



Analysis of Operating Profit

(Unit:¥ millions)



<Gross profit>

Increased in line with net sales growth.

<SG&A>

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

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.