



# **Second Quarter of Fiscal 2020 Ending March 31, 2021**

## **Briefing Document**

---

**November 11, 2020**

**TDC SOFT Inc.**

**1. Overview of Financial Results for the Second Quarter of Fiscal 2020 Ending March 2021**

**2. Status of the Key Measures for the Second Quarter of Fiscal 2020 Ending March 2021**

**3. Outlook for the Fiscal Year Ending March 2021**

**Hiroyoshi Kobayashi, President and Representative Director**

**4. Details of Financial Results for the Second Quarter of Fiscal 2020 Ending March 2021**

**Tsuyoshi Ogaki, Director & General Manager-Administration**

## Performance during the Quarter

- The field of IT solutions for public corporations made solid progress and ensured net sales that slightly surpassed the figure for the same period last year.
- Our profitability increased through the expansion of the next-generation SI business, which is a high-value-added field. Consequently, we ensured operating profit that surpassed the same period last year.

## Topics

### • Medium-term Management Plan “Shift to the Smart SI” 04/2019 – 03/2022

#### Creating high-value-added SI services

- The agile development business has been steadily growing since the year before last, the growth rate averaging 84%.
- The information system security business launched “Tegata,” a cloud-based secure access service. The business receives orders for PoC projects, with an eye to SI service development that uses local 5G.

#### Supporting SI model reforms

- Open innovation activities promote alliances for business partnerships and M&A, among others.

**Overview of Financial Results  
for the Second Quarter of  
Fiscal 2020 Ending March 2021**

# Overview of Financial Results for the Second Quarter of Fiscal 2020 Ending March 2021

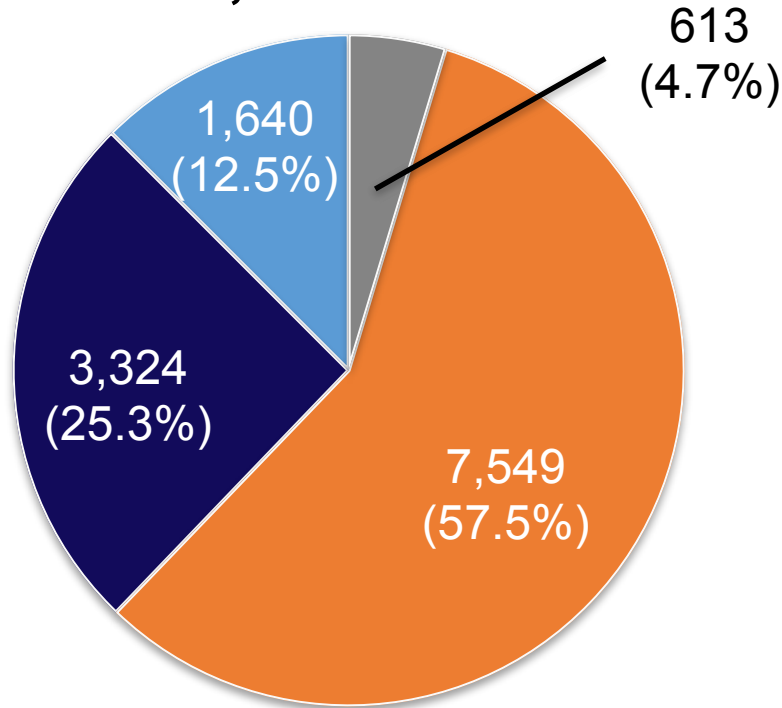
(Millions of Yen)	Q2 FY Ending March 2021	Profit Margin	YOY	Q2 FY Ended March 2020
Net sales	<b>13,186</b>	-	<b>+0.4%</b>	13,128
Gross profit	<b>2,687</b>	<b>20.4%</b>	<b>+4.2%</b>	2,580
Operating profit	<b>1,077</b>	<b>8.2%</b>	<b>+5.6%</b>	1,019
Ordinary profit	<b>1,107</b>	<b>8.4%</b>	<b>+6.6%</b>	1,038
Net income	<b>745</b>	<b>5.7%</b>	<b>+8.5%</b>	687

## 【Highlights】

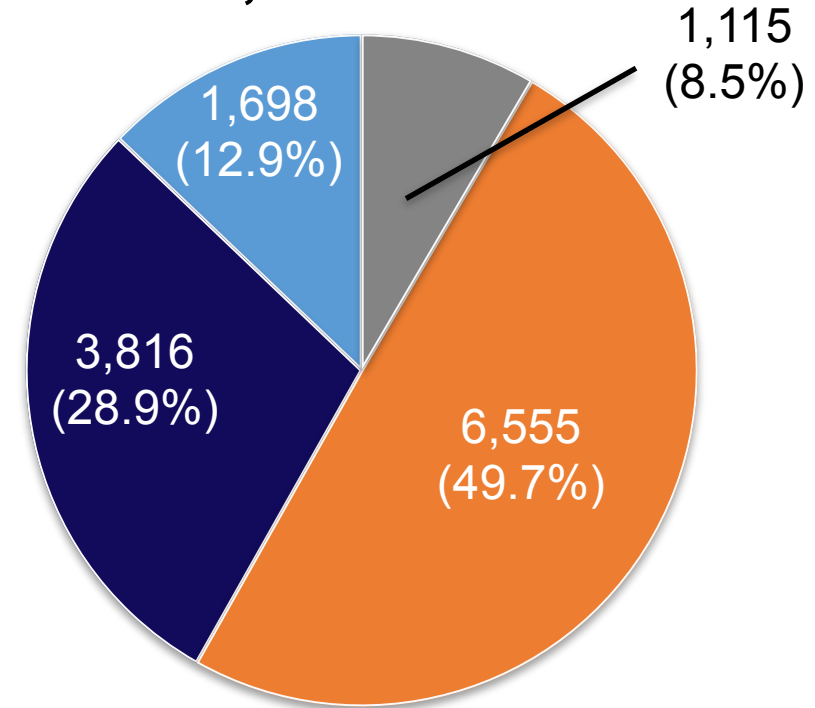
- The COVID-19 pandemic caused some projects to be postponed or suspended. It also placed constraints on our in-person sales operations that affected our activities to receive orders.
- Our business has been stably progressing as we made efforts to adapt to the “new normal,” such as adopting telecommuting.
- The field of IT solutions for public corporations made solid progress and ensured net sales that surpassed the figure for the same period last year.
- The operating profit margin increased owing to the high-value-added business created based on the medium-term management plan.

# Overview of Net Sales by Field

Second Quarter of Fiscal 2019  
Ended March 2020  
**¥13,128 million**



Second Quarter of Fiscal 2020  
Ending March 2021  
**¥13,186 million**

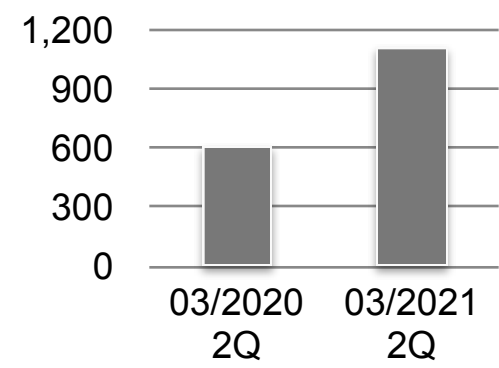


- IT consulting & services
- IT solutions for public corporations
- IT solutions for financial services
- Platform solutions

\*We updated how we segment our businesses during the first quarter of fiscal 2020 ending March 2021 based on the directions these businesses are taking. The year-on-year figures have been calculated in line with the updated segments.

# Highlights of Each Field

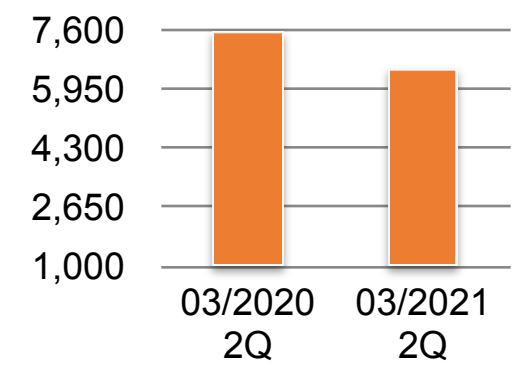
## IT Consulting & Services



Solid progress on projects related to data analytics infrastructure including BI/DWH and ETL

**Revenue rose 81.8% year on year**

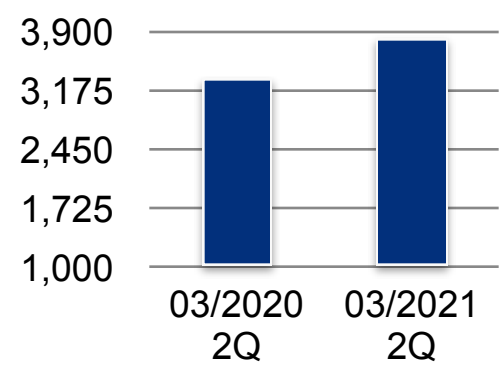
## IT Solutions for Financial Services



A steady stream of system development projects related to loyalty point cards; Little activity in projects for insurance businesses

**Revenue dropped 13.2% year on year**

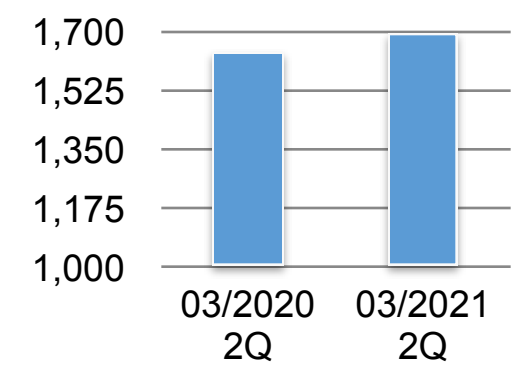
## IT Solutions for Public Corporations



Solid progress on development projects for the manufacturing sector

**Revenue rose 14.8% year on year**

## Platform Solutions



Solid progress on projects to build IT infrastructure for the telecommunication businesses and public agencies

**Revenue rose 3.5% year on year**

**Status of the Key Measures  
for the Second Quarter of  
Fiscal 2020 Ending March 2021**



# Medium-term Management Plan and Management Plan for Fiscal Year Ending March 2021

Evolve into a next-generation system integration (“SI”) business geared to digital technology and new trends based on the potential needs of the market

**Aim to become a next-generation system integrator**

## Create high-value-added SI services

Promoting business expansion in the key strategic fields to pursue high revenue

Agile development business

Information system security business

## Support SI model reforms

- M&A of YBC to enhance the solution business
- Promoting alliances with Scaled Agile, Inc. in the United States and LTE-X Inc.

Achieve net sales of ¥30 billion during fiscal 2021 ending March 2022  
Expand high-value-added SI services so they will make up 20% of the net sales

**Promote the initiatives stated in the medium-term management plan, flexibly adapting to external environments and dealing with and making improvements on issues that would arise from the initiatives.**

## Overview of the Next-generation SI Business

### The next-generation SI business is steadily growing.

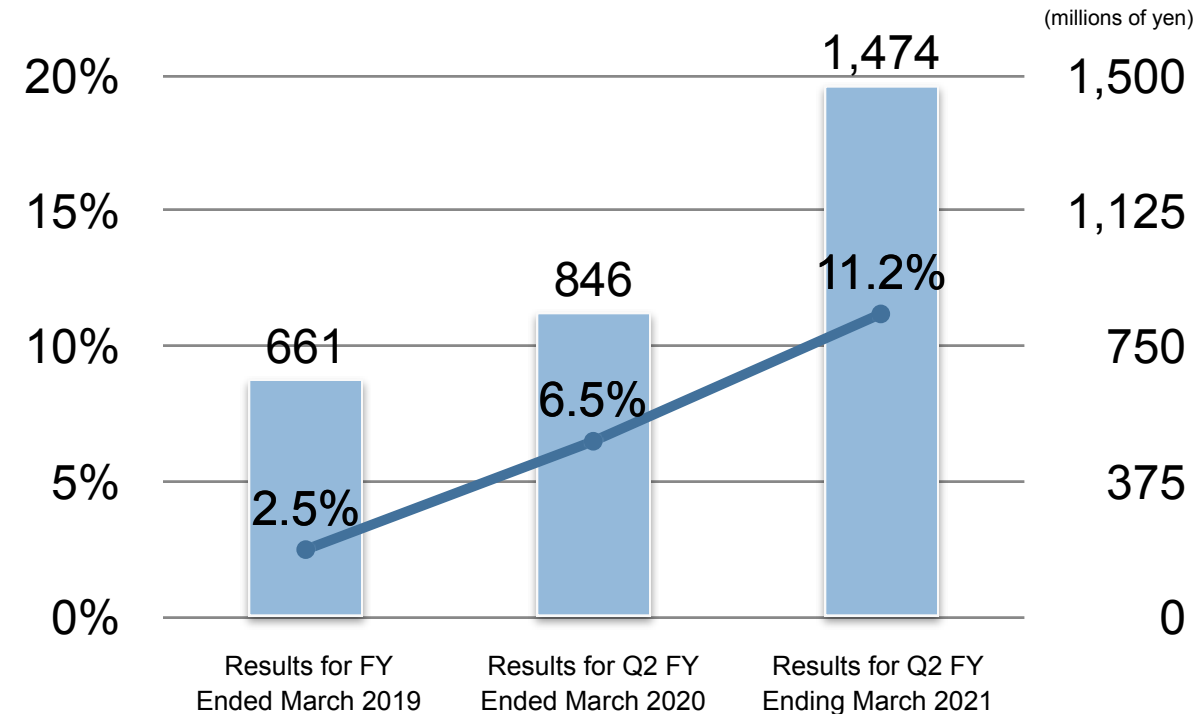
The business has grown to make up 11.2% of net sales (123% of the planned figure).

The gross profit margin of the business rose 0.5% year on year.

### The growth stated above coupled with cost cutting increased profitability shown in our consolidated financial results.

Gross profit margin	20.4% (+0.7% YOY)
Operating profit margin	8.2% (+0.4% YOY)
Ordinary profit margin	8.4% (+0.5% YOY)

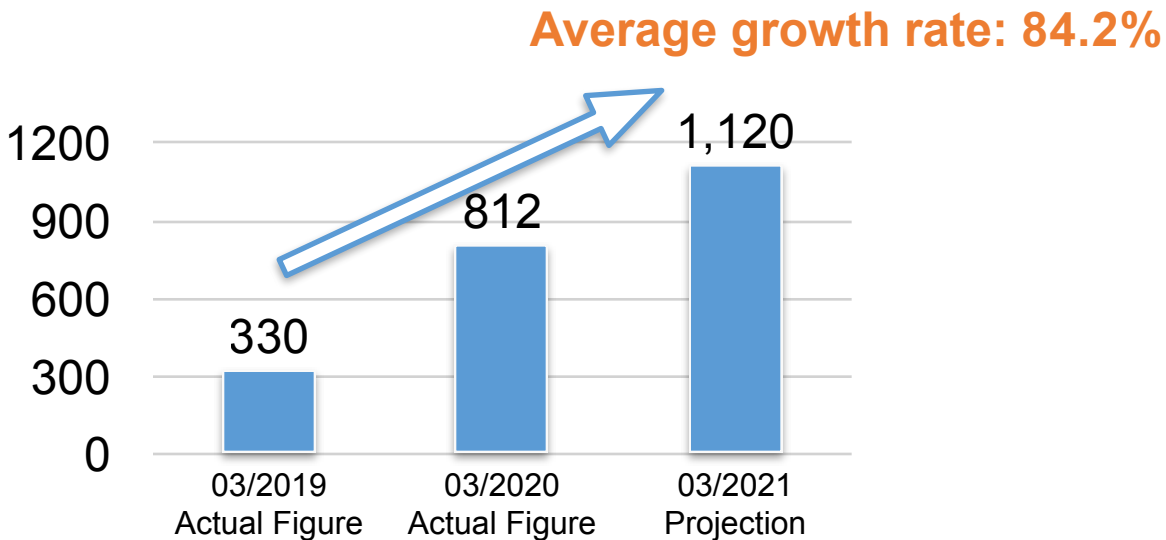
Sales Ratios and Net Sales of the Next-generation SI Business over Recent Years



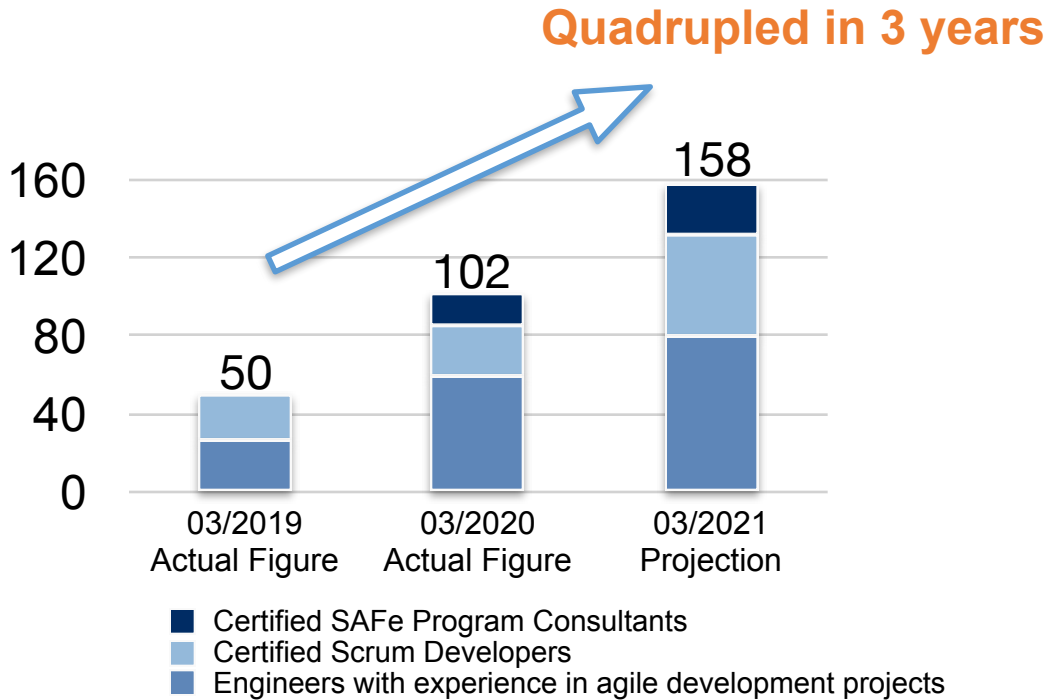
## TOPICS: Key Strategic Field Agile Development Business

The agile development business has been earning substantial revenue, its net sales steadily increasing. The business's gross profit margin rose 7.4% year on year.

Sales from the Agile Development Business



Number of Agile Development Engineers

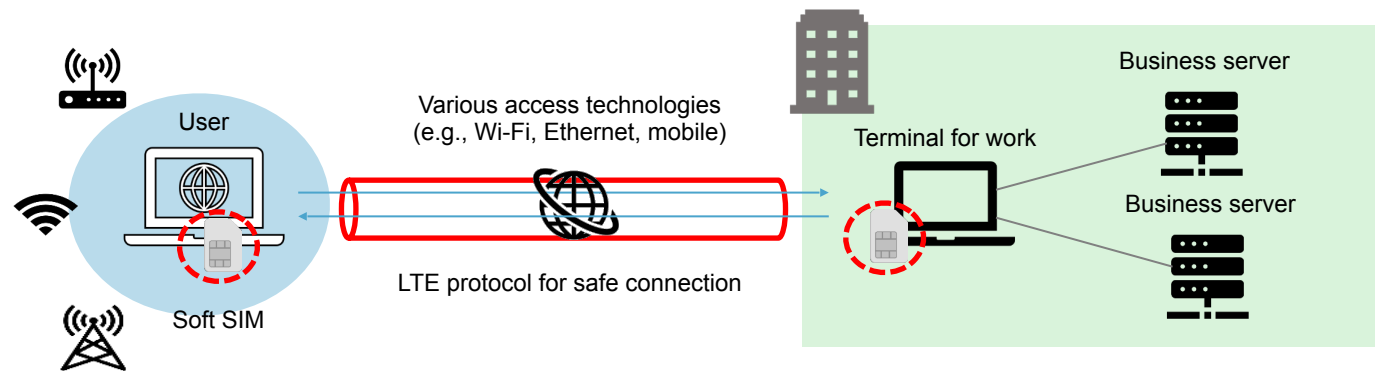


## TOPICS: Key Strategic Field Information System Security Business

We focus more on the initiatives to create high added value, such as adding new services

**We have launched new services to meet the demand generated by the need to live with the coronavirus**

To meet the growing social demand for remote work solutions, we launched Tegata, a cloud-based secure access service that uses the technology called “LTE over IP.”



By using Soft SIM and LTE over IP, a virtual private LTE is built on an IP network.

**We receive orders for PoC projects, with an eye to SI service development that leverages local 5G.**

We work with LTE-X and a transportation company with whom we have formed capital/business alliances to receive orders for PoC projects that aim to acquire elemental technologies leading to local 5G. We continue and promote service development in the runup to the wide use of local 5G.

## TOPICS: Support SI Model Reforms

Our initiatives toward the high-value-added SI business and the creation of new services through open innovation activities

### Status of the promoted alliances



Agile development business



Information system security business



Solution business

YBC (not consolidated), which we merged and acquired at the end of the last fiscal year, joined the Group without a hitch, and **their performance has steadily grown.**

We are working on the initiatives to create group synergies leveraging the SAP-related know-how, which is the advantage YBC offers.

# **Outlook for the Fiscal Year Ending March 2021**

## Present State

- **We should watch customers' stance on IT investments**
  - Given the uncertainties of customers' business environment, we expect that customers will maintain a cautious stance on new IT investments.
- **The growing tide of digitization will likely lead to the further expansion of the next-generation SI business.**
  - There is a growing need for digitization as Japan's society has become aware of how much it is lagging behind in digitization, which will likely lead to the further expansion of the next-generation SI business.

## Business Risks

- **Lowered operating rate** e.g. Employees are prohibited from coming to work because someone in their project (an employee of TDC SOFT, a partner, or BP) or office has become infected.
- **Reduced capacity to provide services** e.g. When any changes are made to a collaborative framework with a partner company because of the pandemic.
- **Decrease in orders received** e.g., When the return of opportunities to negotiate with partners is delayed; new projects decrease because companies hold off making IT investments.

# Financial Results Forecasts for the Full Fiscal Year Ending March 2021

(Millions of Yen)	Financial Results & Dividend Forecast for FY Ending March 2021	Profit Margin	YOY	Results for FY Ended March 2020
Net Sales	<b>27,800</b>	-	<b>+0.0%</b>	27,795
Operating Profit	<b>2,250</b>	<b>8.1%</b>	<b>+1.9%</b>	2,206
Ordinary Profit	<b>2,310</b>	<b>8.3%</b>	<b>+2.0%</b>	2,265
Net Income	<b>1,540</b>	<b>5.5%</b>	<b>+2.6%</b>	1,500
Net Income per Share	<b>¥63.90</b>	-	<b>+2.6%</b>	¥62.29
Dividend Forecast	<b>¥24</b>	-	-	¥24

\* These financial results forecasts do not consider events that have not occurred thus far, such as a nationwide state of emergency declared due to the further spread of COVID-19.



**Details of Financial Results  
for the Second Quarter of  
Fiscal 2020 Ending March 2021**

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

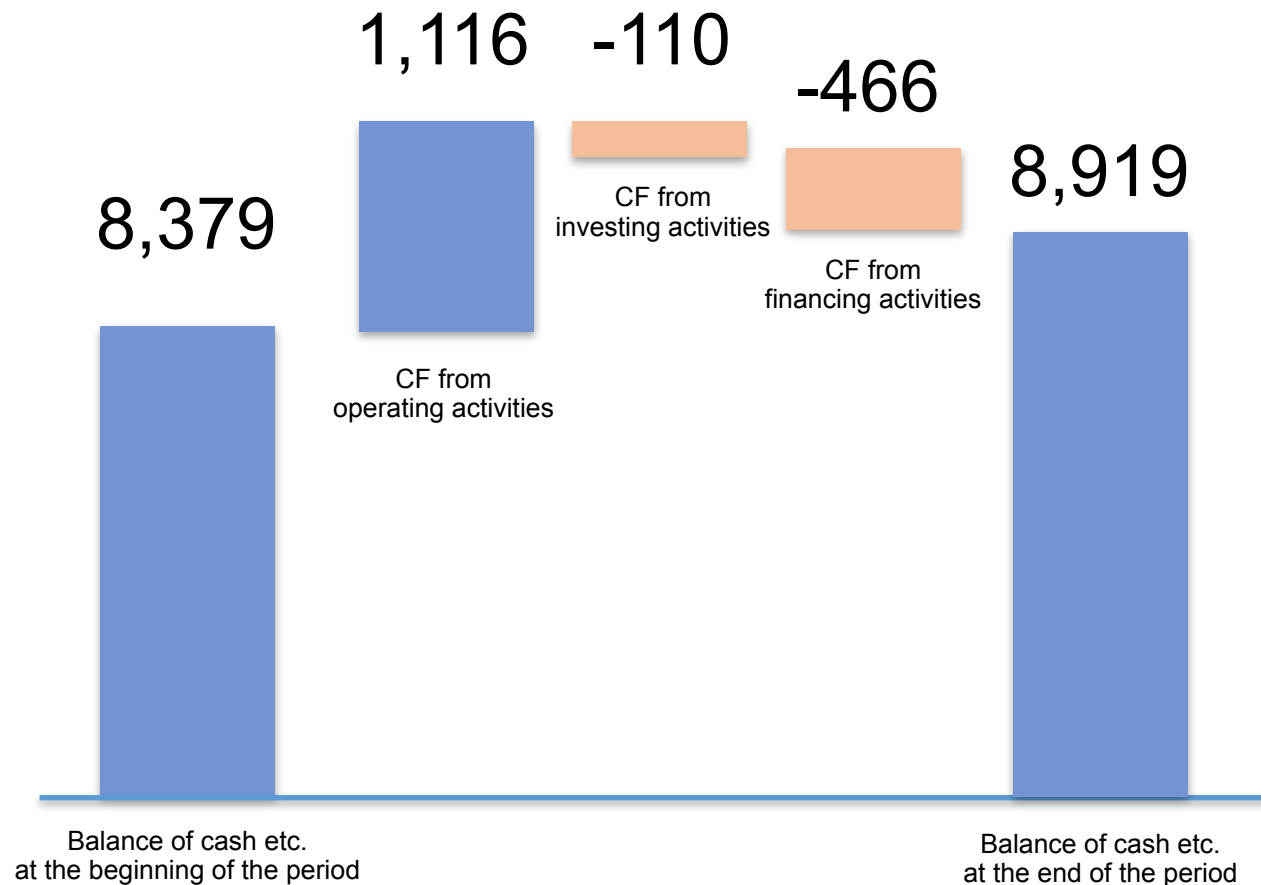
## Statement of Income

(Millions of Yen)	Q2 FY Ending March 2021	Q2 FY Ended March 2020	Change
Net sales	13,186	13,128	+0.4%
Labor expenses	5,191	4,902	+5.9%
Outsourcing expenses	5,070	5,589	(9.3%)
Other expenses	383	418	(8.3%)
In-process increase/decrease	(146)	(361)	+59.5%
Cost of sales	10,498	10,548	(0.5%)
Gross profit	2,687	2,580	+4.2%
Selling, general and administrative expenses	1,610	1,560	+3.2%
Operating profit	1,077	1,019	+5.6%
Non-operating income/expenses	29	18	+58.3%
Ordinary profit	1,107	1,038	+6.6%
Profit before income taxes	1,107	1,038	+6.6%
Net income	745	687	+8.5%
EPS	30.94	28.53	+8.4%

## Balance Sheet

(Millions of Yen)	End of Q2 FY Ending March 2021	End of FY Ended March 2020	Change
Total assets	17,130	16,652	+2.9%
Current assets	13,210	13,463	(1.9%)
Non-current assets	3,920	3,188	+23.0%
Total liabilities	4,211	4,544	(7.3%)
Current liabilities	3,999	4,347	(8.0%)
Non-current liabilities	211	197	+7.1%
Total net assets	12,919	12,107	+6.7%
Total liabilities and net assets	17,130	16,652	+2.9%
Owners' equity ratio	75.4%	72.7%	-
Net assets per share	536.10	502.43	+6.7%

## Statement of Cash Flows

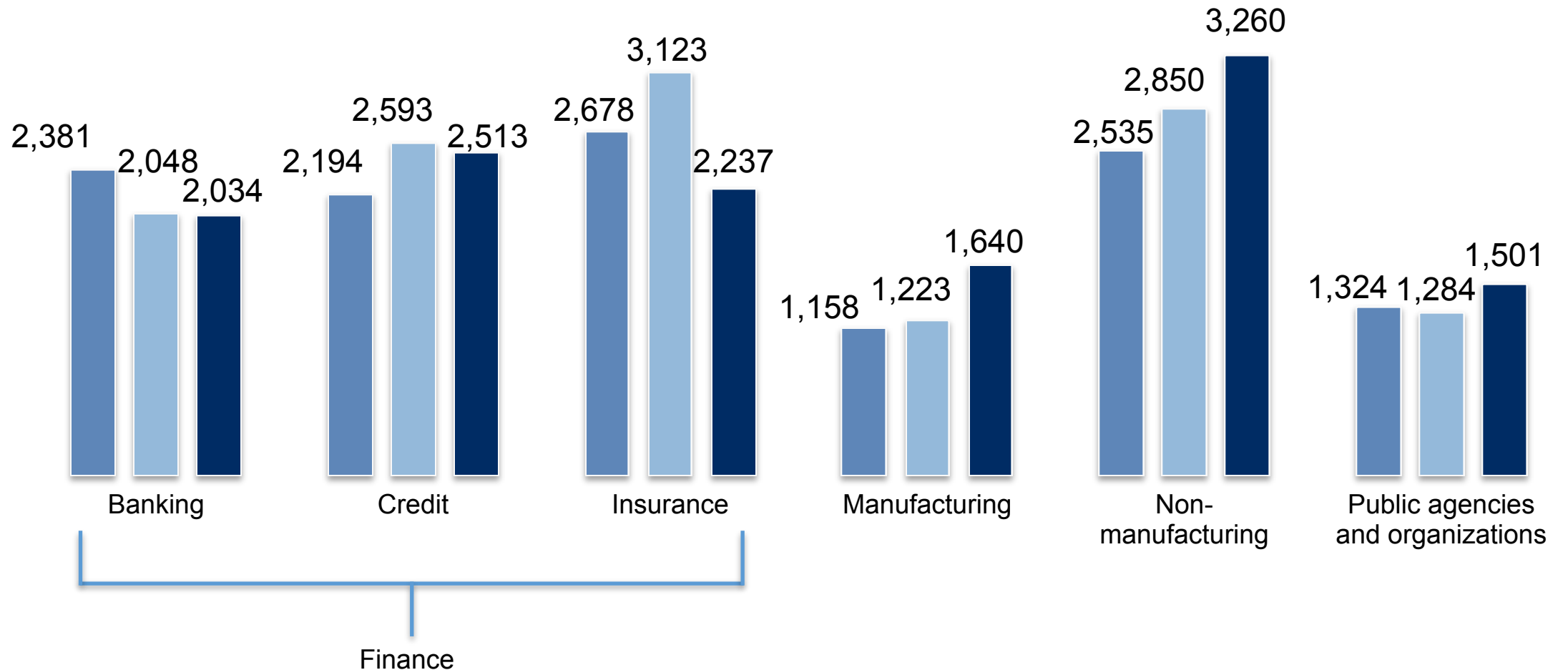


Balance of cash etc. at the beginning of the period	8,379
Profit before income taxes	1,107
Depreciation and amortization	41
Notes and accounts receivable-trade	910
Notes and accounts payable-trade	(146)
Inventories	(146)
Accounts payable – other	(74)
Accrued expenses	(228)
Other	73
Income taxes	(275)
<b>CF from operating activities</b>	<b>1,116</b>
Purchase of property, plant and equipment	(24)
Purchase of investment securities	(105)
Proceeds of dividend distribution from partnerships	7
Interest and dividend income	19
Proceeds from transfer of business	-
Other	-
<b>CF from investing activities</b>	<b>(110)</b>
Increase (decrease) in short-term loans payable	124
Dividend payment	(587)
Other	(3)
<b>CF from financing activities</b>	<b>(466)</b>
Balance of cash etc. at the end of the period	8,919

# Overview of Sales by Customer's Business Category

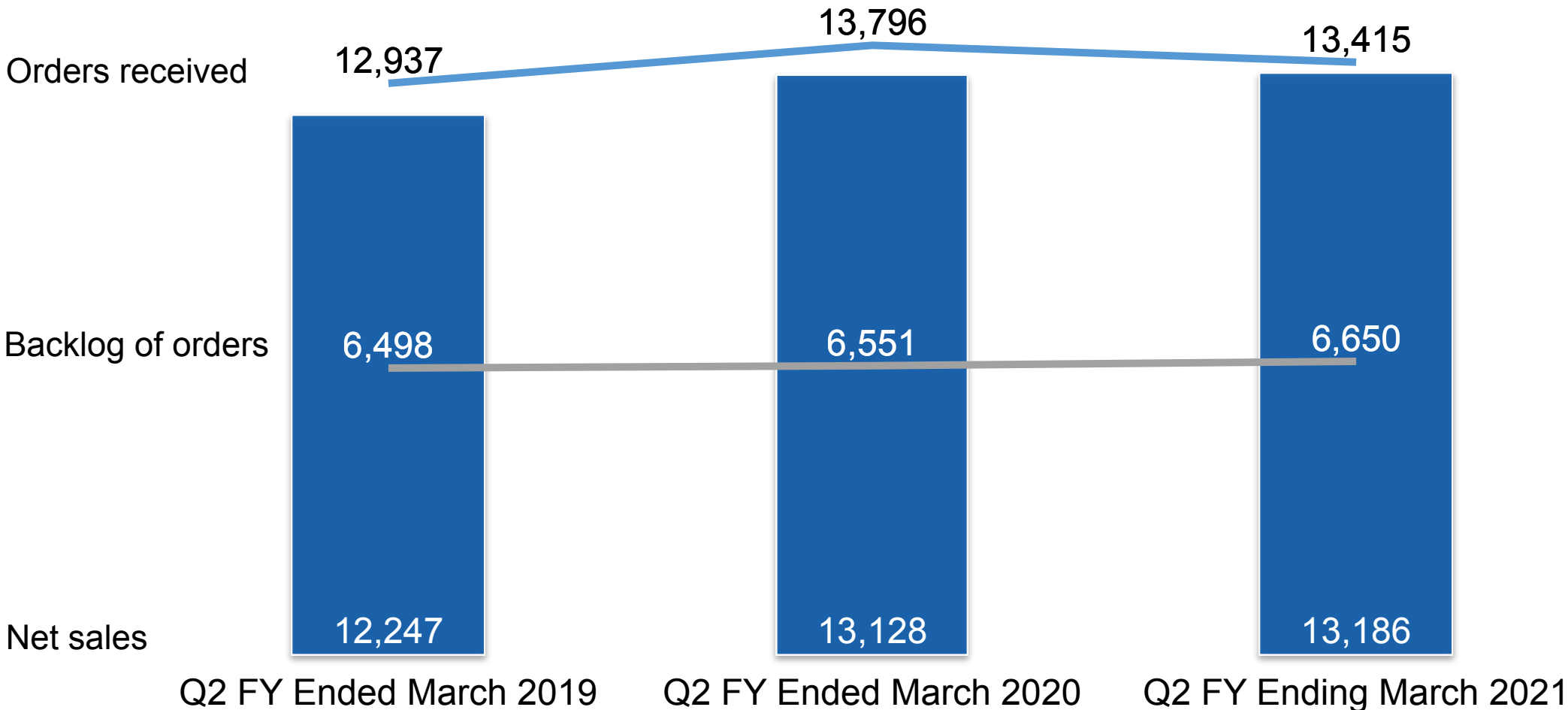
Shift to the Smart SI

(millions of yen) ■ Q2 FY ended March 2019 ■ Q2 FY ended March 2020 ■ Q2 FY ending March 2021



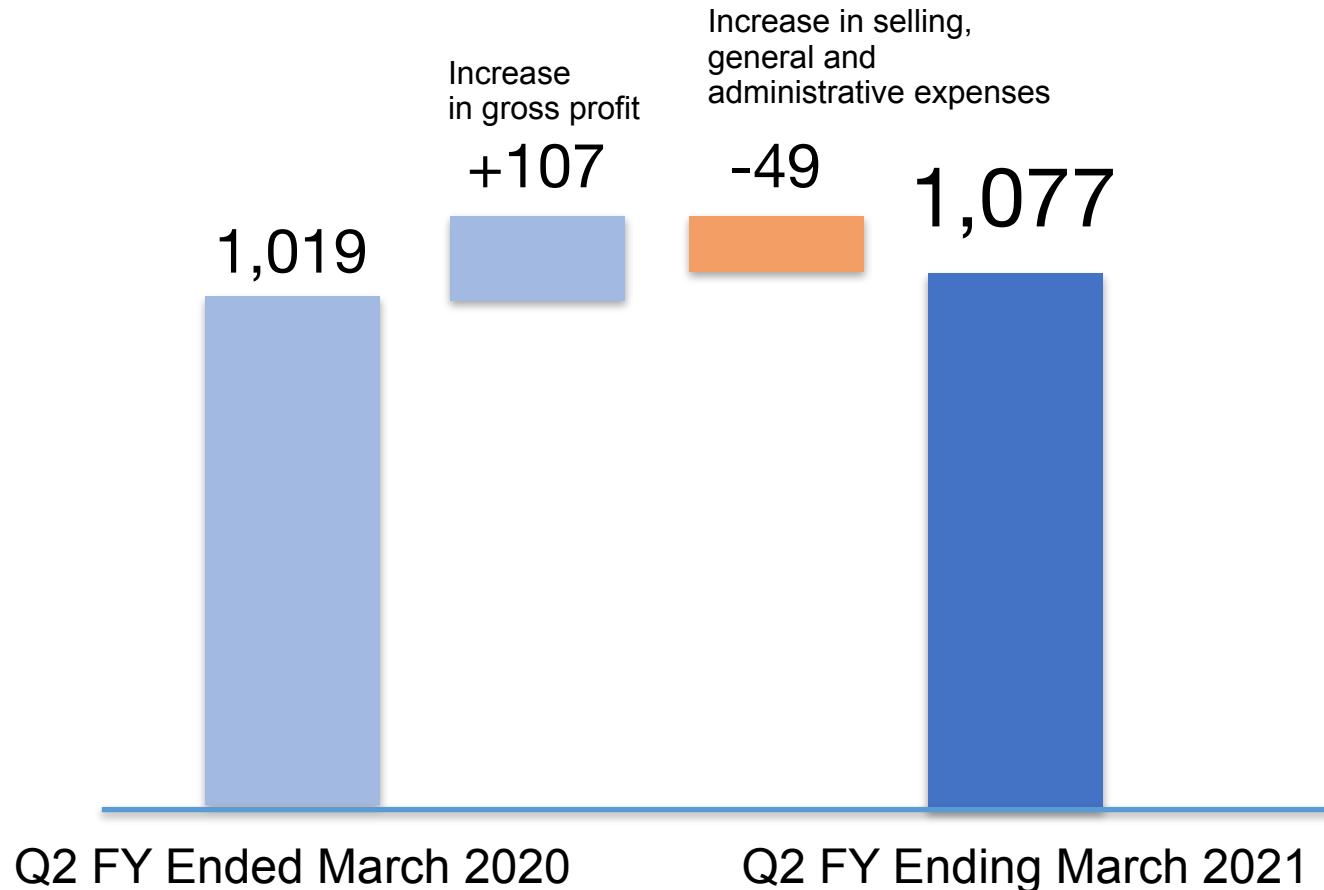
# Orders Received; Backlog of Orders

(millions of yen)



# Operating Profit Analysis

(millions of yen)



## <Gross profit>

The profit increased owing to profitability improved through higher net sales and the high-value-added business.

## <Selling, general and administrative expenses>

Despite decrease in costs incurred as a result of the COVID-19 pandemic, these expenses increased as we hired more new employees and invested more in human resource development.

# T D C SOFT Inc.

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

\*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.