

# **Fiscal Year Ended March 31, 2023**

## **Financial Results Briefing**

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**May 23, 2023**

**TDC SOFT Inc.**

**1 Overview of Consolidated Financial Results for Fiscal Year Ended March 31, 2023**

**2 Status of Key Measures for Fiscal Year Ended March 31, 2023**

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**Hiroyoshi Kobayashi, President and Representative Director**

**4 Details of Financial Results for Fiscal Year Ended March 31, 2023**

**Tsuyoshi Ogaki, Director and Executive Officer in charge of Administration**

# Important Points in Fiscal Year Ended March 31, 2023

## Performance during the Fiscal Year Ended March 31, 2023

- Net sales reached ¥35.2 billion, a 14.0% increase year on year, and operating profit was ¥3.45 billion, a 16.6% increase year on year.
- Order environment remains strong in all business fields, even at the start of fiscal year ending March 31, 2024.

## Topics

- **Solid Progress in All Business Fields**

All business fields, led by the continuous high-growth IT Consulting & Services field, made solid progress, growing from the previous year's results

- **Promoted Proactive Forward-Looking Investment Measures**

In light of solid business operating conditions, aggressively promoted investment measures to expand our business domain and secure and train talent, more than planned at the beginning of the fiscal year



# **Overview of Consolidated Financial Results for Fiscal Year Ended March 31, 2023**

# Overview of Consolidated Financial Results for Fiscal Year Ended March 31, 2023

(Millions of Yen)	FY Ended March 2023	Profit Margin	YOY	FY Ended March 2022
Net sales	<b>35,242</b>	-	<b>+14.0%</b>	30,925
Gross profit	<b>7,479</b>	<b>21.2%</b>	<b>+16.4%</b>	6,423
Operating profit	<b>3,458</b>	<b>9.8%</b>	<b>+16.6%</b>	2,967
Ordinary profit	<b>3,714</b>	<b>10.5%</b>	<b>+20.5%</b>	3,082
Net income	<b>2,490</b>	<b>7.1%</b>	<b>+20.4%</b>	2,069

## [Highlights]

- All business fields made solid progress since the beginning of the fiscal year due to active demand for strategic IT investments against the backdrop of DX
- Steady expansion of high-value-added SI services and improved profitability
- Aggressive investment for further business expansion in the future in light of robust business operating conditions

# Highlights of Each Field

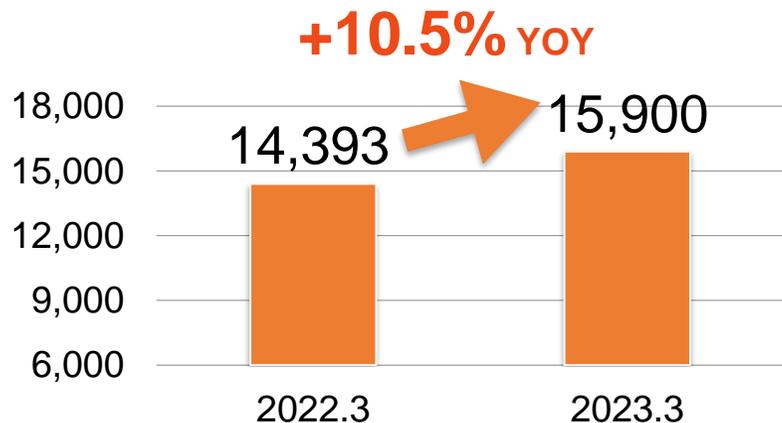
## IT Consulting & Services



Provides solution services to promote customers' DX, including IT strategy and systemization concept planning, technical consulting, educational services, in-house cloud applications, BI/DWH, ERP, CRM, etc.

**Increased the number of highly profitable prime projects in cloud-based solutions such as SaaS and iPaaS.**

## IT Solutions for Financial Services

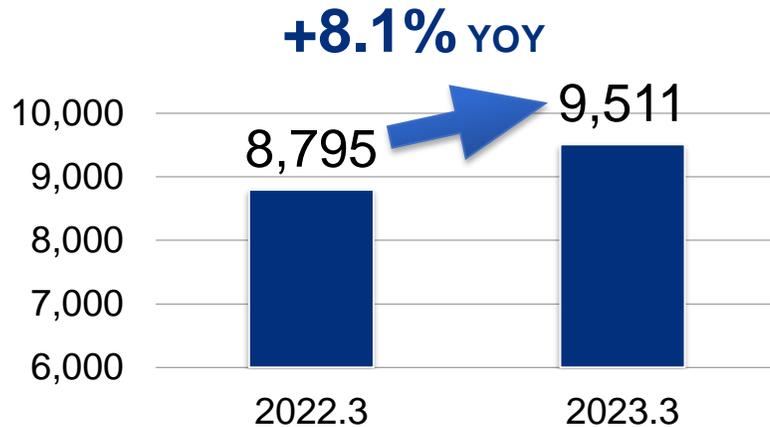


Provides integrated IT solutions for the financial industry, including systemization planning, design, development, maintenance, etc.

**Growth driven by large credit-related projects.  
Cloud computing and modernization demand is thriving.**

# Highlights of Each Field

## IT Solutions for Public Corporations

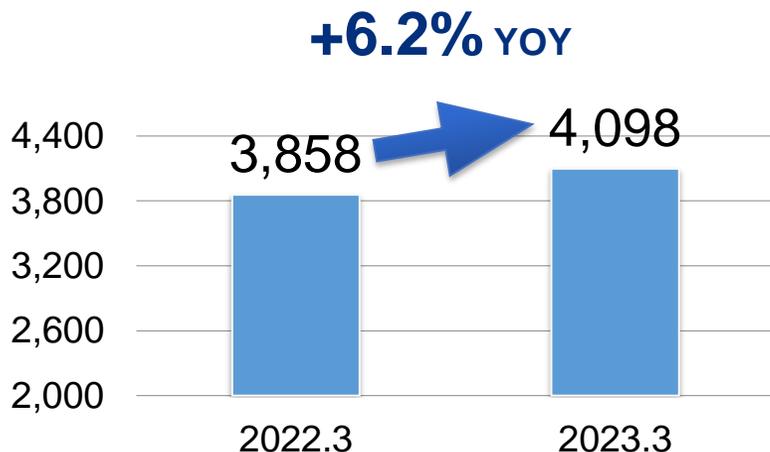


Provides integrated IT solutions for the distribution, manufacturing, service, and public sectors, including systemization planning, design, development, maintenance, etc.

**Growth driven by development projects for the transportation industry and the automobile, steel, and other manufacturing industries.**

**In addition, cross-selling of security services has expanded the number of offerings.**

## Platform Solutions



Provides environmental design, construction, operational support, network product development, network integration, etc. for IT infrastructure

**Solid progress on projects to build cloud-related infrastructure.**



# **Status of Key Measures for Fiscal Year Ended March 31, 2023**

We will expand our business into new domains based around our existing SI business and acquire the capabilities needed for new business models in an aim to become a new type of next-generation system integrator.

*plus!* **Expand our business domain**

We will tap into the latest elemental technologies to expand our high-value-added integration services based on the potential needs of society and our customers.

● **Create high-value-added SI services**

Key Strategies

We will use innovative approaches to develop an SI process designed to ensure high productivity and high quality.

● **Support SI model reforms**

## Overview of the Next-Generation SI Business

The next-generation SI business is steadily growing.

The business has grown to make up 24.5% of net sales, driven by agile development and cloud-related fields.

The expansion of this business and the increase in the proportion of net sales contributed significantly to the improvement of profitability in the consolidated business results.

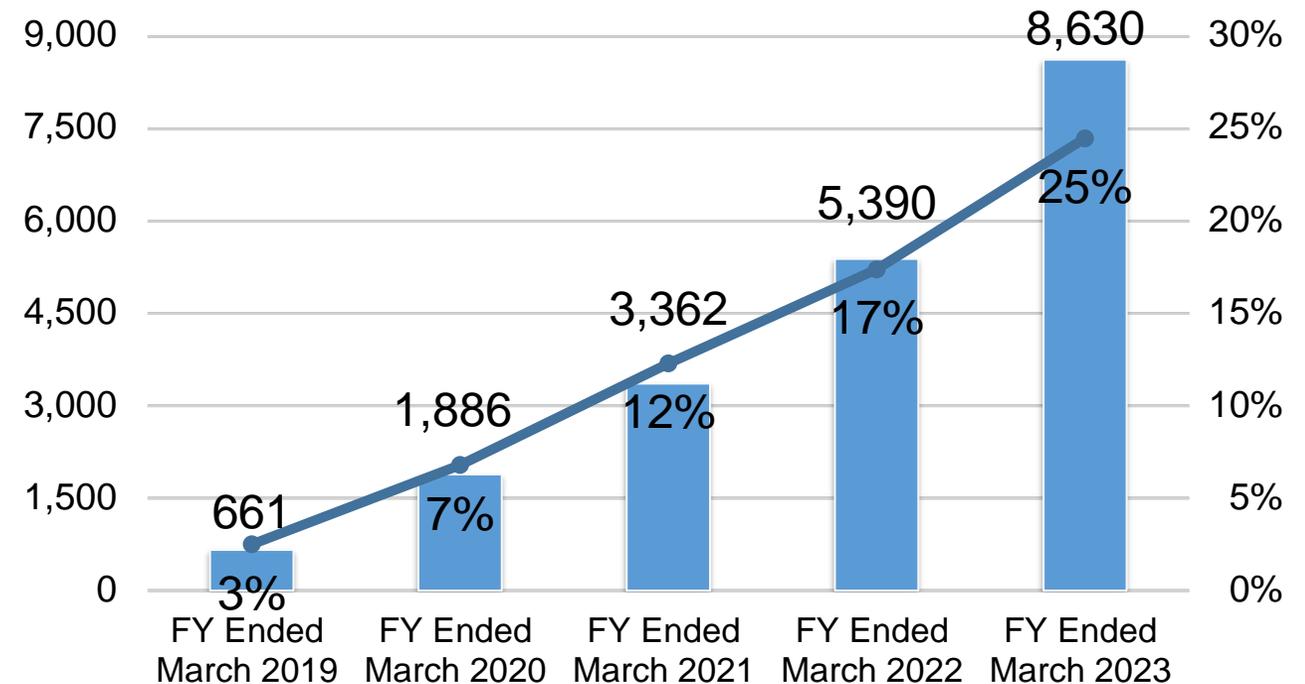
Gross profit margin 21.2% (+0.4% YOY)

### Next-Generation SI Business

Integration services that capture customers' potential needs, tap into the latest elemental technologies in agile development and security, and provide high-value-added services while also reducing the costs to the user, including time as well as effort.

Changes in Next-Generation SI Business Sales Ratio and Net Sales

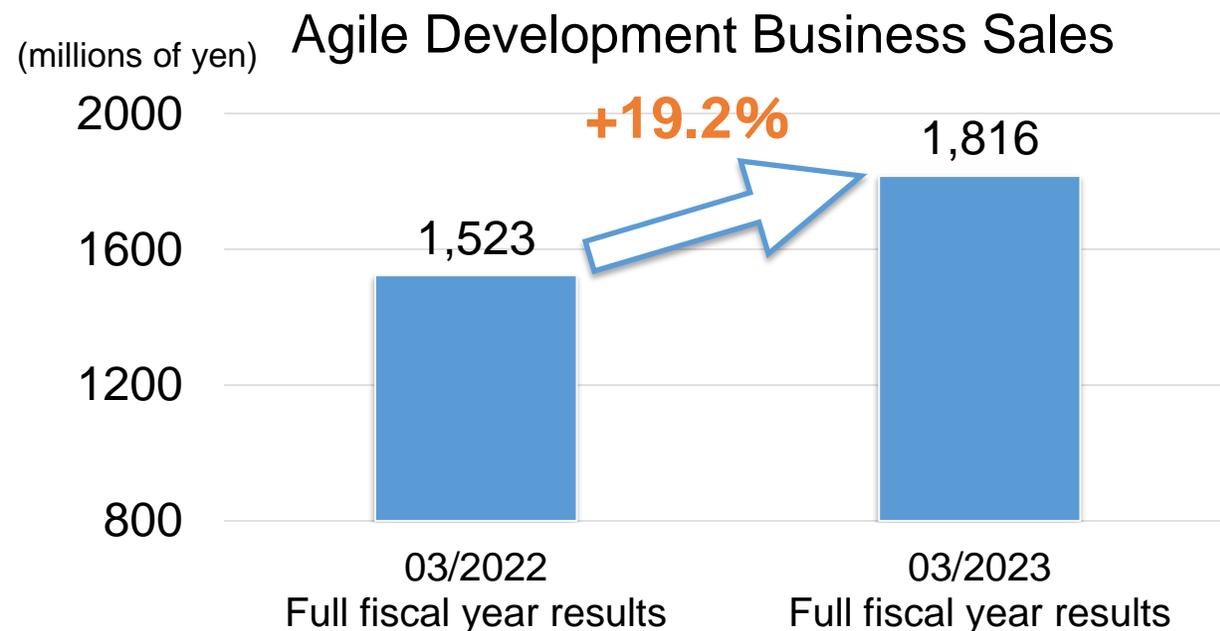
(millions of yen)



# Create High-Value Added SI Services (Status of Key Strategic Fields)

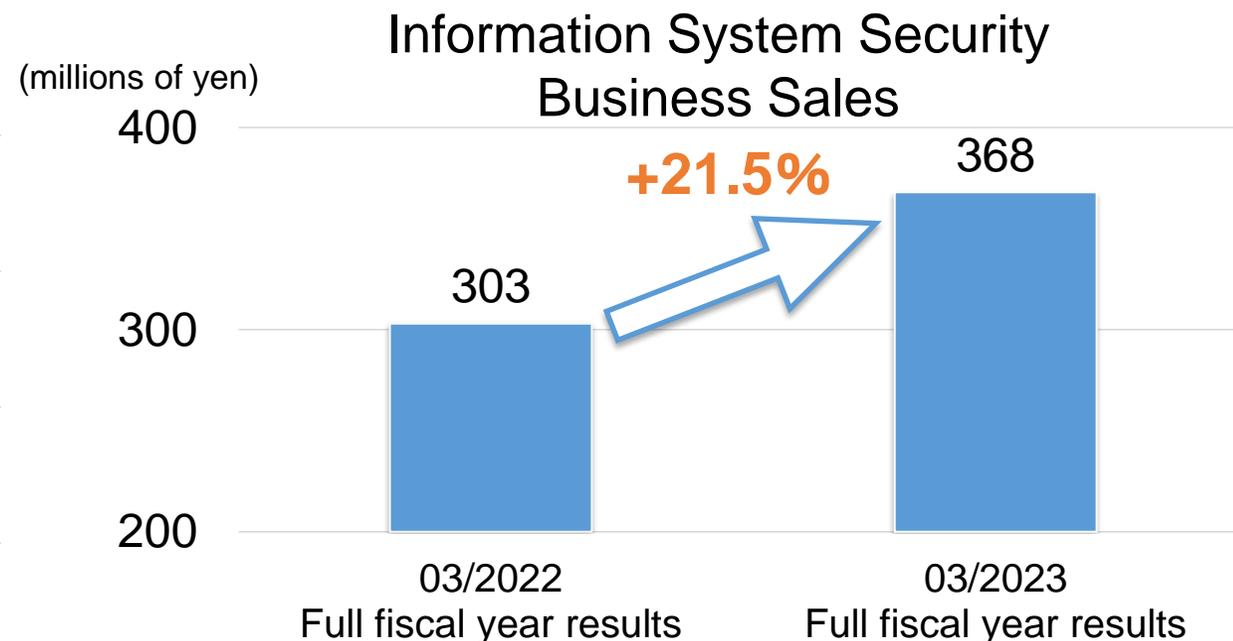
## Agile Development Business

**Maintain net sales growth** by securing and training engineers



## Information System Security Business

**Cross-selling to existing customers** has expanded the number of offerings of security services



## Elimination of troublemaking projects

Aiming to further improve efficiency by efforts such as introducing a system to visualize project performance evaluation.

### Project Performance Evaluation

Visualization of skill elements and structure (personnel composition) required for project promotion to enable project performance evaluation



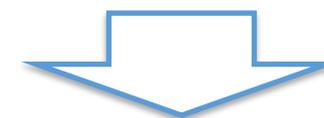
\*Image is for illustrative purposes

## Promotion of workplace strategy

Composed the “Smart Work Concept,” a workplace strategy aimed at establishing a next-generation SI company.



Establishment of an environment that enables more motivated work as the development base, TechnoGrowth Center



Aiming to improve productivity and engineer engagement

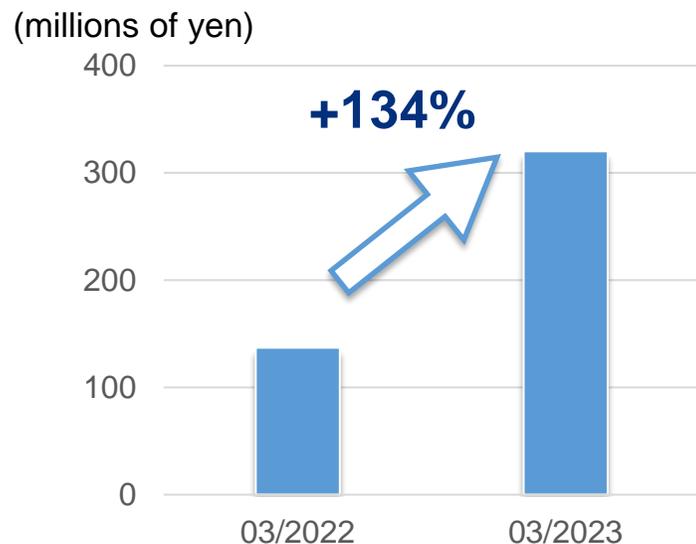
# Expand Our Business Domain

We will acquire the capabilities needed for new business models and expand our business into new domains based around our existing SI business domain.

## Target Business 1

### Consulting Business

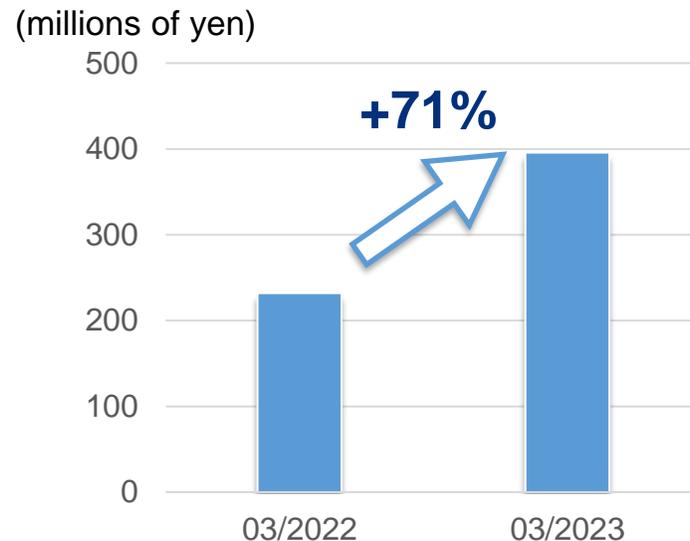
DX / IT consulting, solution implementation consulting and education services



## Target Business 2

### Service Sales Business

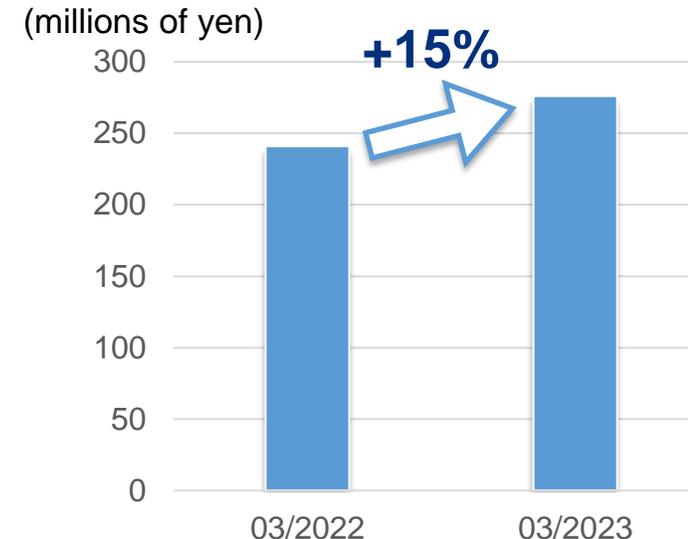
Selling products and services that meet user needs and potential seeds



## Target Business 3

### SI Business Commodity Domain

Managed services and outsourcing services in the SI business, including maintenance and upkeep



# Promote Proactive Forward-Looking Investment

More aggressive investment activities for further business expansion in the future in light of robust business operating conditions from the start of the fiscal year

## ● Increased investment in technology

Promote top-down, company-wide investment in elemental technologies that will have a significant impact on society and business in the future and are highly relevant to the SI business.

### Areas of Investment in FY2022

- Agile development
- Security
- UXD
- Cloud native computing
- Data analytics platforms
- **Front-end frameworks (newly added field)**
- **Automation managed services (newly added field)**

## ● Investments in human resources

We have been promoting aggressive recruitment measures to secure staff, including doubling the number of new graduate hires over the previous year. We are also implementing multifaceted investment policies, promoting investments in education as well as branding aimed at improved engagement and awareness.

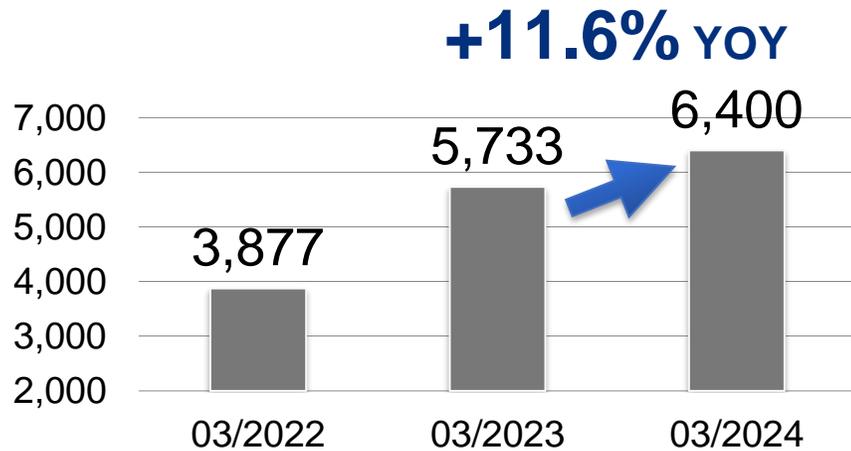
### Investments in human resources



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# **Outlook for the Fiscal Year Ending March 31, 2024**

## IT Consulting & Services



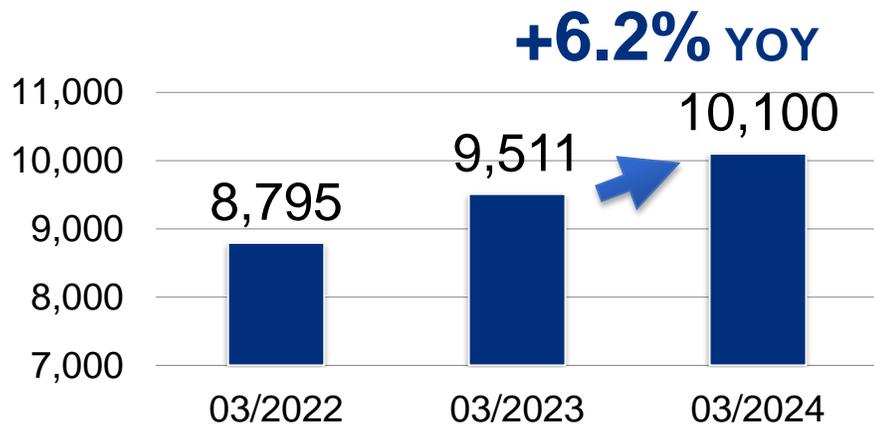
**Demand for SaaS, iPaaS, and other cloud-based enterprise solutions is expected to continue and maintain an expansion trend.**

## IT Solutions for Financial Services



**Large-scale projects for credit card companies and regional banks are expected to continue in this fiscal year, and we anticipate an increase in revenues due to further expansion of the business domain.**

## IT Solutions for Public Corporations



Continued growth is expected centered around projects from the transportation and manufacturing industries.

Expand business as a strategic partner to support customers from the IT planning stage

## Platform Solutions



Steady growth is expected due to ongoing demand for cloud-related services.

In light of robust business operating conditions, continue to invest aggressively in acquiring cutting-edge elemental technologies and securing and training human resources, while working to increase floor space, etc. for business expansion.

## ● Investment to acquire technology

Agile development, security, UXD, cloud native computing, data analytics platforms, front-end frameworks, automation managed services



## ● Promotion of workplace strategy

Plans to relocate headquarters to realize the “Smart Work Concept”

- Promote an environment in which diverse human resources are more motivated in their work
- Expansion of floor space for business expansion

## ● Investments in human resources

- Expand new graduate hires (+45 YOY)
- Proactive recruitment of mid-career hires
- Expand education measures
- Rebuild human resources system



New office:

6-5, Kudan Minami 1-chome, Chiyoda-ku, Tokyo

Kudan-Kaikan Terrace

Floors rented: 4th and 5th

Move date: Scheduled for October 2023

## Financial Results and Dividend Forecast

(Millions of Yen)	Net sales	Operating profit	Ordinary profit	Net income	EPS (yen)	Dividend Forecast (yen)
<b>Second Quarter (Cumulative)</b>	<b>17,730</b> (+5.6%)	<b>1,580</b> (-14.7%)	<b>1,650</b> (-14.2%)	<b>1,100</b> (-15.5%)	46.15	—
<b>Full Fiscal Year</b>	<b>37,300</b> (+5.8%)	<b>3,550</b> (+2.6%)	<b>3,750</b> (+1.0%)	<b>2,510</b> (+0.8%)	105.31	40.00

- Business environment is expected to remain strong and net sales are expected to grow steadily.
- Continue to promote proactive forward-looking investment measures. In particular, although head office relocation costs are expected to be an extraordinary factor for the current fiscal year, investment costs are expected to be absorbed for the full fiscal year due to the effect of revenue growth, resulting in higher sales and profit.
- The dividend forecast is to increase the ordinary dividend by ¥10 to ¥40 per share.



**Details of Financial Results  
for Fiscal Year Ended  
March 31, 2023**

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

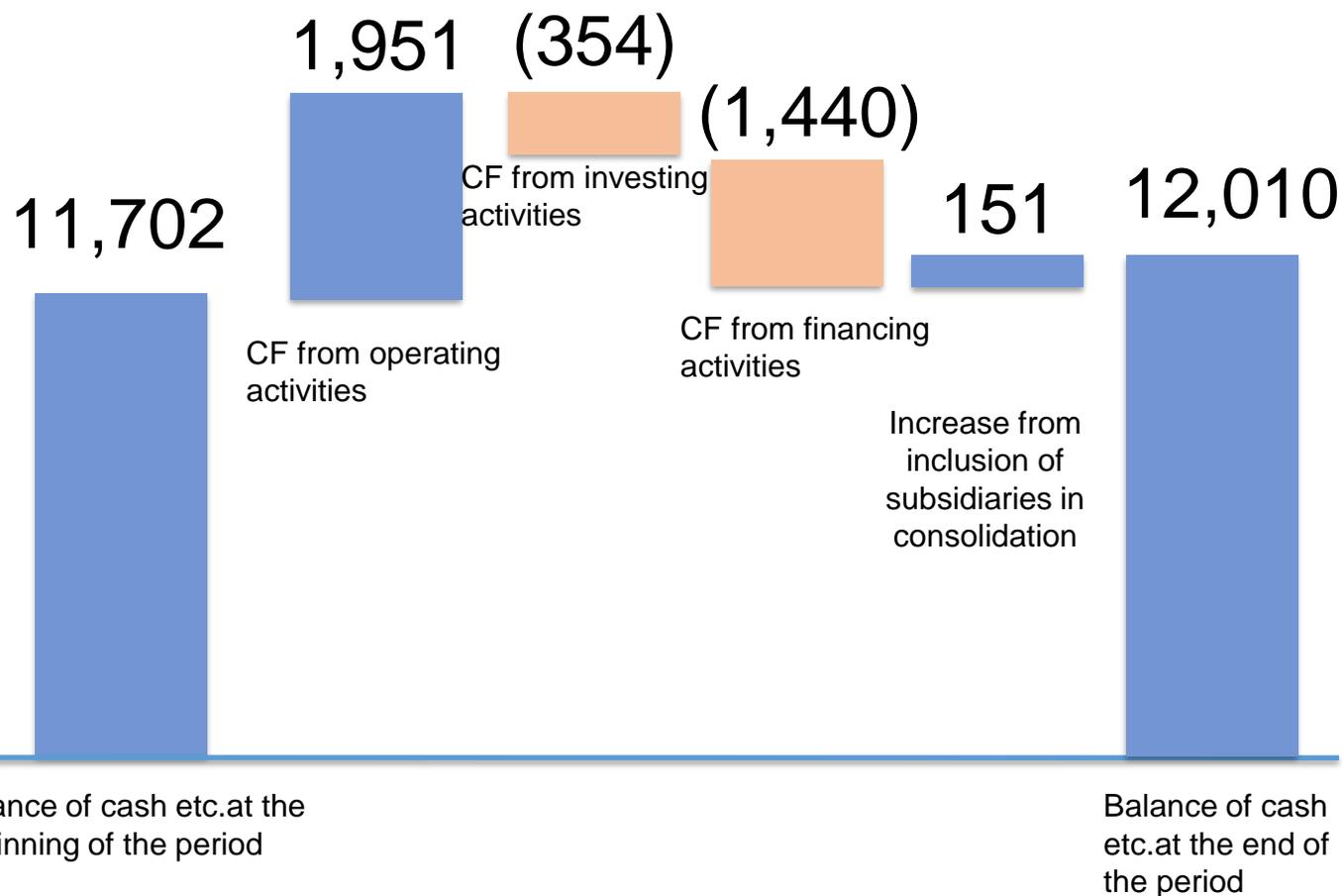
## Statement of Income

(Millions of Yen)	FY Ended March 2023	FY Ended March 2022	Change
Net sales	35,242	30,925	+14.0%
Labor expenses	12,364	11,725	+5.4%
Outsourcing expenses	14,501	11,909	+21.8%
Other expenses	922	790	+16.7%
In-process increase/decrease	25	(75)	+134.1%
Cost of sales	27,763	24,501	+13.3%
Gross profit	7,479	6,423	+16.4%
Selling, general and administrative expenses	4,020	3,456	+16.3%
Operating profit	3,458	2,967	+16.6%
Non-operating income/expenses	255	114	+122.4%
Ordinary profit	3,714	3,082	+20.5%
Profit before income taxes	3,714	3,082	+20.5%
Net income	2,490	2,069	+20.4%
EPS	104.33	85.82	+21.6%

## Balance Sheet

(Millions of Yen)	End of FY Ended March 2023	End of FY Ended March 2022	Change
Total assets	22,771	21,072	+8.1%
Current assets	18,827	17,368	+8.4%
Non-current assets	3,943	3,704	+6.5%
Total liabilities	6,361	5,817	+9.4%
Current liabilities	6,045	5,540	+9.1%
Non-current liabilities	316	276	+14.5%
Total net assets	16,409	15,255	+7.6%
Total liabilities and net assets	22,771	21,072	+8.1%
Owners' equity ratio	72.1%	72.4%	-
Net assets per share	653.43	632.64	+7.6%

# Statement of Cash Flows



<b>Balance of cash etc. at the beginning of the period</b>	<b>11702</b>
Profit before income taxes	3714
Increase in notes and accounts receivable-trade and contract assets	(814)
Increase (decrease) in notes and accounts payable-trade	231
Increase (decrease) in accrued expenses	130
Other	(157)
Income taxes	(1153)
<b>CF from operating activities</b>	<b>1951</b>
Proceeds from sales of investment securities	93
Payments for guarantee deposits	(515)
Interest and dividend income	71
Other	(3)
<b>CF from investing activities</b>	<b>(354)</b>
Net increase (decrease) in short-term loans payable	(26)
Purchase of treasury stock	(304)
Dividend payment	(1097)
Other	(13)
<b>CF from financing activities</b>	<b>(1440)</b>
<b>Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation</b>	<b>151</b>
<b>Balance of cash etc. at the end of the period</b>	<b>12010</b>

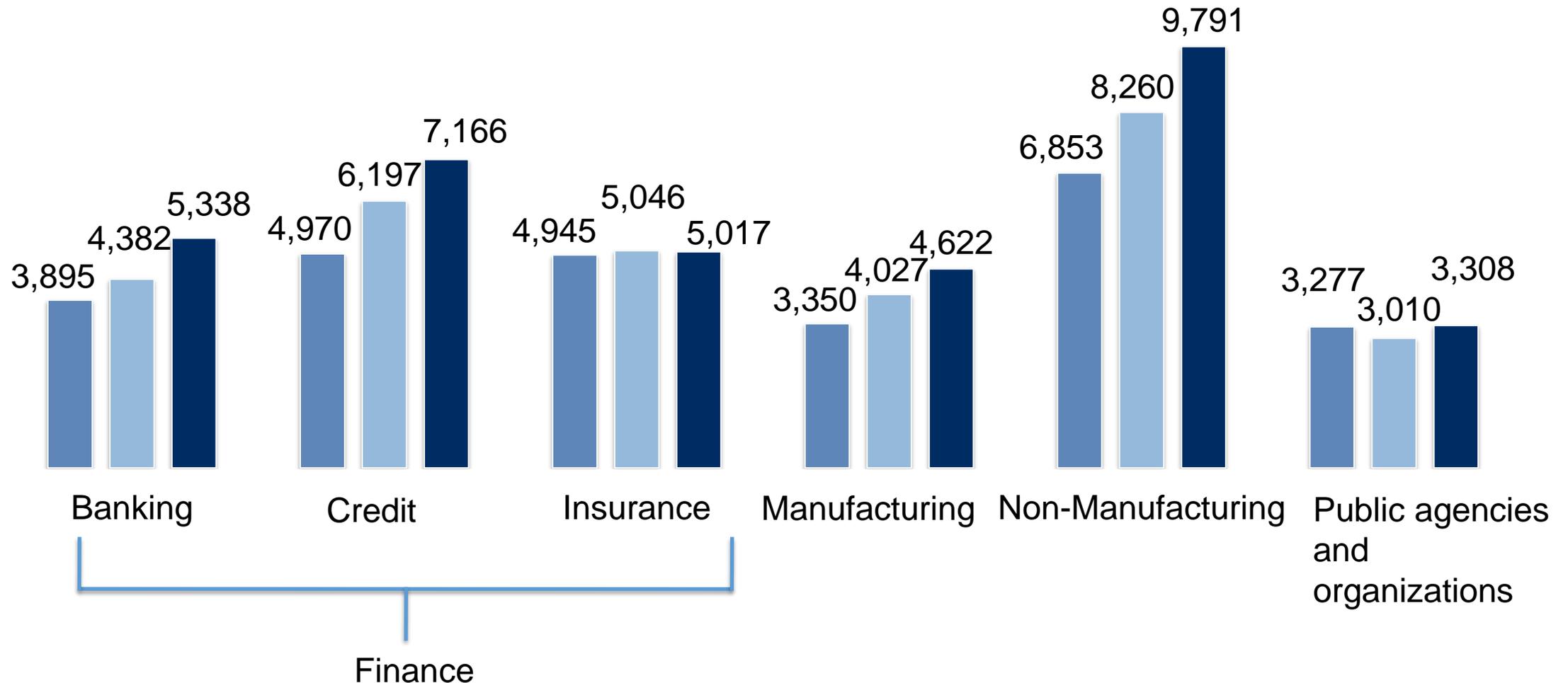
# Overview of Sales by Customer Industry

(millions of yen)

■ FY Ended March 2021

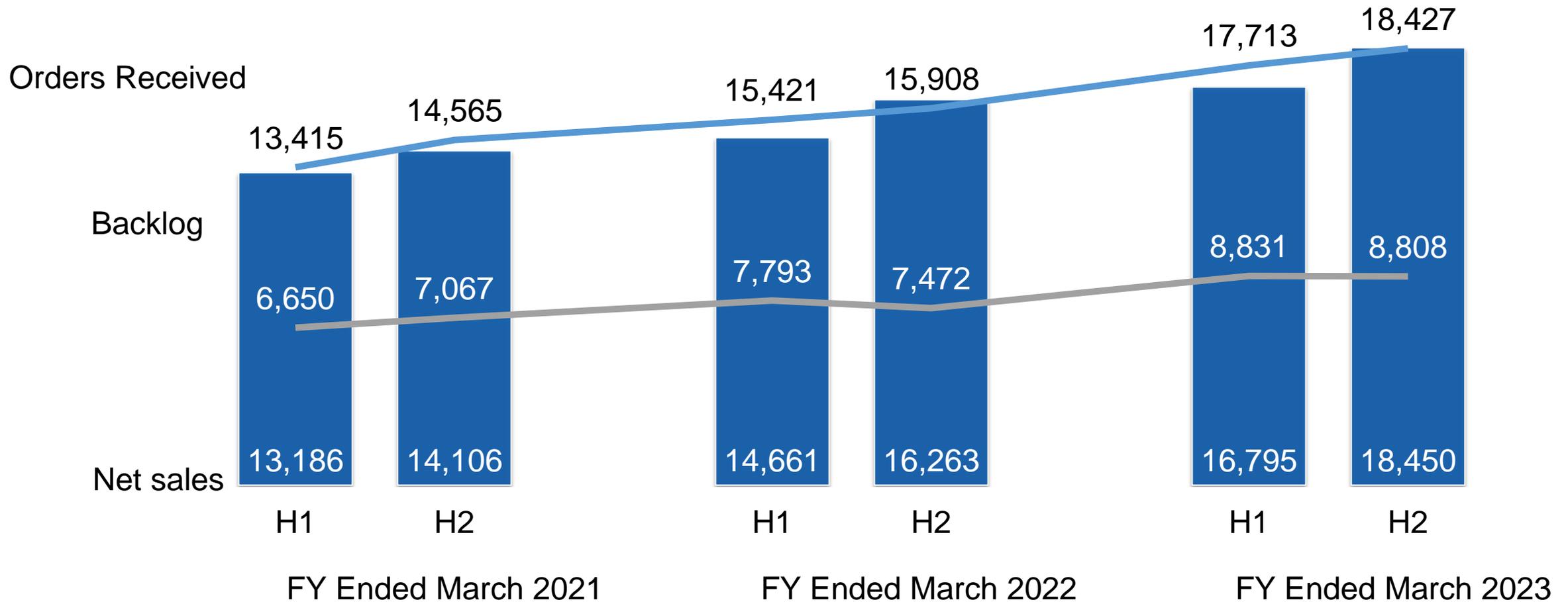
■ FY Ended March 2022

■ FY Ended March 2023

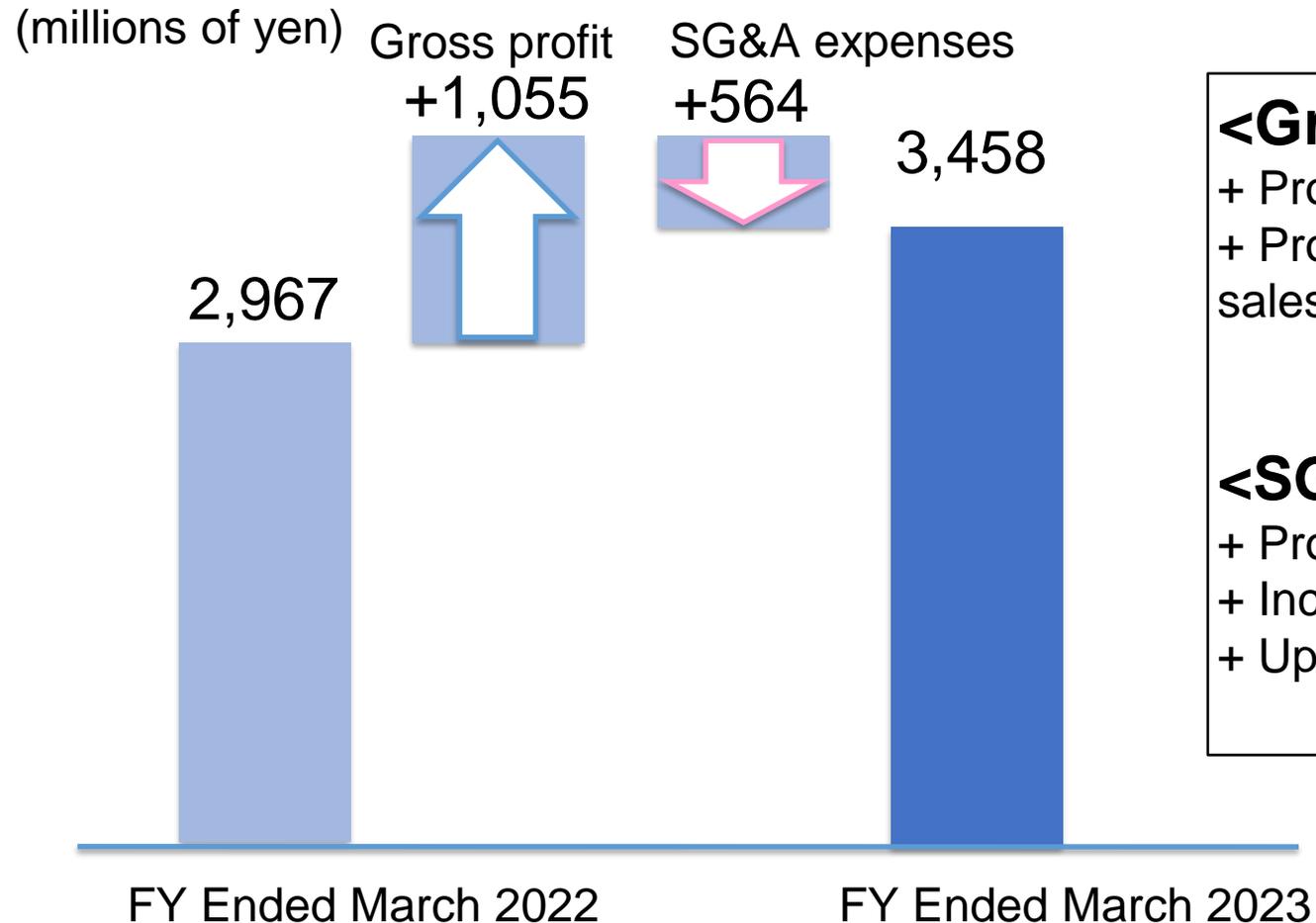


# Status of Orders Received/Backlog

(millions of yen)



# Operating Profit Analysis



## <Gross Profit>

- + Profit grew due to an increase in sales
- + Profitability improved due to a greater proportion of sales from the next-generation SI business

## <SG&A Expenses>

- + Proactively invested in business domain expansion
- + Increased investments in human resources
- + Upfront costs related to head office relocation



\*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.