Consolidated Financial Report for the Second Quarter (Interim Period) of Fiscal 2024 Ending March 31, 2025 [Japanese GAAP]

November 7, 2024

Listing:	Tokyo Stock Exchange
Company name:	**TDC SOFT Inc.**
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Scheduled date of dividend payment: —

Preparation of explanatory materials for quarterly financial results: Yes

Holding of a briefing on quarterly financial results: Yes (video streaming)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter (Interim Period) of Fiscal 2024 Ending March 31, 2025 (April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative) (Percentages represent year-on-year changes from the previous interim period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent (interim)	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal year ending March 31, 2025 (interim period)	21,349	13.2	2,401	29.2	2,442	26.5	1,652	26.1
Fiscal year ended March 31, 2024 (interim period)	18,856	12.3	1,858	0.4	1,930	0.4	1,310	0.7

Note: Comprehensive income

Fiscal year ending March 31, 2025 (interim period) ¥1,534 million [1.3%]

Fiscal year ended March 31, 2024 (interim period) ¥1,514 million [15.7%]

	Earnings per share (interim)	Diluted earnings per share (interim)
	Yen Sen	Yen Sen
Fiscal year ending March 31, 2025 (interim period)	35.06	—
Fiscal year ended March 31, 2024 (interim period)	27.49	—

Note: The Company conducted a 2-for-1 share split of common stock , effective April 1, 2024. Net earnings per share (interim) have been calculated on the assumption that the share split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Owners' equity ratio
	(Millions of yen)	(Millions of yen)	%
Fiscal year ending March 31, 2025 (interim period)	25,467	18,869	74.1
Fiscal year ended March 31, 2024	25,505	18,477	72.4

Reference: Owners' equity

As of September 30, 2024: ¥18,869 million

As of March 31, 2024: ¥18,477 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, 2024	—	0.00	—	48.00	48.00
Fiscal year ending March 31, 2025	—	—			
Fiscal year ending March 31, 2025			0.00	24.00	24.00

(forecast)					

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

2. The Company conducted a 2-for-1 share split of common stock, effective April 1, 2024. For the fiscal year ended March 31, 2024, the indicated dividend amounts are from before the stock split. For the fiscal year ending March 31, 2025 (forecast), the indicated figures are from after the stock split.

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen Sen
Full year	44,000	10.8	4,750	24.7	4,850	14.0	3,260	5.5	69.17

Note: Revisions to the most recently announced financial results forecast: Yes

For revisions to financial results forecast, please see the “Notice Regarding Revisions to Our Full-year Financial Results Forecast for the Fiscal Year Ending March 31, 2025” published on November 7, 2024.

* Notes

(1) Material Changes in the Scope of Consolidation During the Interim Period : None

New: — (company name(s))

Excluded : — (company name(s))

(2) Application of Special Accounting Methods for Presenting Interim Consolidated Financial Statements) Yes

Note: For details, please refer to "(4) Notes on the Interim Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Interim Consolidated Financial Statements)" under "2. Interim Consolidated Financial Statements and Primary Notes" on Page 10 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. : None

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

c. Changes in accounting-based estimates : None

d. Restatements : None

(4) Number of shares outstanding (common stock)

a. Number of shares outstanding at the end of period (including treasury stock)	50,227,200	Fiscal year ended March 31, 2024	50,227,200
b. Number of treasury shares at the end of period	3,088,558	Fiscal year ended March 31, 2024	3,110,158
c. Average number of shares during the interim period	47,125,068	Fiscal year ended March 31, 2024 (interim period)	47,682,164

Notes: 1. The Company conducted a 2-for-1 share split of common stock , effective April 1, 2024. The number of shares outstanding at the end of period, the number of treasury shares at the end of period, and the average number of shares during the period have been calculated on the assumption that the share split was conducted at the beginning of the previous consolidated fiscal year.

2. The number of treasury shares at the end of period includes the Company's shares (700,400 shares as of September 30, 2024; 722,000 shares as of March 31, 2024) 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 September 30, 2024: 713,924 shares; as of September 30, 2023: 726,958 shares).

* The second quarter (interim) consolidated financial report is exempt from 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. Refer to page 4 of the appendix for information about the above forecasts.

Please see the "(3) Explanation about Information on Projections Including Consolidated Forecasts."

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1. Qualitative Information about the Interim Financial Results

(1) Explanation about Operating Results

During this interim consolidated accounting period (April 1, 2024 to September 30, 2024), while uncertainties persisted due to inflation driven by the weak yen and soaring raw material prices stemming from heightened geopolitical risks, the Japanese economy continued on a moderate recovery trajectory, with improvements in employment and income conditions.

In the information services industry, robust investment in systems is expected to continue, particularly in digital transformation (DX) initiatives aimed at enhancing corporate competitiveness. This includes system upgrades and cloud migration projects designed to improve operational efficiency and productivity.

Operating under such a climate, the Group has formulated its medium-term management plan "Shift to the Smart SI Plus" for the period up through March 2025, and this plan maintains the basic concept of providing high value-added IT services that meet the potential needs of the market and society, and adopts a vision of evolving into a next-generation system integration ("SI") business based on which to promote corporate activities.

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 are promoting measures to expand our SI business into the commodity area in our consulting business, which supports customers in formulating strategies for their digital transformation, in our sales business, which sells products, services, etc. that meet a diverse array of customers' IT needs, and in providing managed services that integrate all aspects of IT solutions, starting from development through to operation and maintenance.

Specifically, we are pushing forward with the following initiatives.

a. Expansion of the consulting business
   - · Training and expansion of consulting staff based on the Scaled Agile Framework® of U.S. company Scaled Agile, Inc., with which we have formed a gold partner alliance.
   - · Developing expertise into assets and establishing consulting methods to respond to customer digital needs covering everything from IT strategy formulation to use of digital technologies
   - · Advancement of promotion activities

b. Expansion of services and products sales business
   - · Expansion of marketing function and product sales function
   - · Expansion of product lineup that captures user needs and seeds

c. Expansion of SI business into commodity area
   - · Consolidation of operation and maintenance projects involving system modifications, etc.
   - · Pursuit of high productivity through modularization of common items, etc.

During this interim consolidated accounting period, each business field performed well and net sales exceeded the plan, achieving an increase in revenue. On the profit front, we secured an increase in earnings due to the effect of higher revenue and continued efforts to ensure planned profitability across all projects through rigorous project management, including the utilization of project performance evaluation functions.

While administrative expenses remained at levels comparable to the previous fiscal year, reflecting a balance between reduced headquarters relocation costs incurred last year and increased strategic investments for future business expansion, operating profit increased. Specific investment initiatives include expanding the number of new graduate hires and accelerating their development into effective personnel, acquiring new technologies for next-generation SI business expansion, strengthening educational initiatives, and investing in restructuring of the human resources system. As a result, for the interim consolidated accounting period, net sales amounted to ¥21,349 million (up 13.2% YOY), operating income was ¥2,401 million (up 29.2% YOY), ordinary income was ¥2,442 million (up 26.5% YOY),

and profit attributable to owners of parent (interim) was ¥1,652 million (up 26.1% YOY).

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 and providing technical consulting and educational services about the latest technologies and development methodologies. We also provide our internally developed cloud application services, along with solution services, such as BI (Note 1)/DWH (Note 2) and ERP (Note 3)/CRM (Note 4). During this period, the Group made solid progress on SaaS (Note 5) solution service projects related to cloud managed services. As a result, net sales in this field increased 8.7% year on year to ¥3,498 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 period, the Group made solid progress on development projects for banking-related systems. As a result, net sales in this field increased 11.6% year on year to ¥9,526 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 period, the Group made solid progress on development projects for the transportation, automobile, and travel sectors. As a result, net sales in this field increased 16.6% year on year to ¥5,774 million.

<Platform solutions>

In the field of platform solutions, we offer services such as the environmental design and construction of IT infrastructure, along with operational support, network product development, and network integration. During this period, the Group made solid progress on projects to build cloud-related infrastructure for communications-related projects and public agencies. As a result, net sales in this field increased 18.6% year on year to ¥2,550 million.

(Millions of yen)

Field	Previous Interim Consolidated Accounting Period		Current Interim Consolidated Accounting Period		Year-on-year percentage change
	Amount	Share	Amount	Share	
IT consulting and services	3,218	17.1%	3,498	16.4%	+8.7%
IT solutions for financial services	8,533	45.2%	9,526	44.6%	+11.6%
IT solutions for public corporations	4,953	26.3%	5,774	27.0%	+16.6%
Platform solutions	2,151	11.4%	2,550	12.0%	+18.6%
Total	18,856	100.0%	21,349	100.0%	+13.2%

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.

5 SaaS: An abbreviation for Software as a Service. Refers to providing software that runs on a server as a service.

(2) Explanation about Financial Status

State of assets, liabilities, and net assets

Total assets at the end of this interim consolidated accounting period decreased by ¥38 million from the end of the previous consolidated fiscal year to ¥25,467 million.

Current assets increased by ¥137 million from the end of the previous consolidated fiscal year to ¥20,571 million. This is mainly due to increases of ¥31 million in cash and deposits, ¥31 million in notes and accounts receivable - trade, and contract assets, and ¥169 million in work in process, despite a decrease of ¥92 million in advance payments included in other assets.

Non-current assets decreased by ¥176 million from the end of the previous consolidated fiscal year to ¥4,895 million. This is mainly due to a decrease of ¥157 million in investment securities.

Current liabilities decreased by ¥378 million from the end of the previous consolidated fiscal year to ¥6,000 million. This is mainly due to decreases of ¥299 million in accrued expenses, ¥293 million in accounts payable - other, and ¥113 million in accrued consumption taxes, despite increases of ¥147 million in short-term borrowings and ¥177 million in income taxes payable.

Non-current liabilities decreased by ¥52 million from the end of the previous consolidated fiscal year to ¥597 million. This is mainly due to a decrease of ¥35 million in long-term accrued expenses included in other expenses.

Net assets increased by ¥392 million from the end of the previous fiscal year to ¥18,869 million. This is mainly due to an increase of ¥502 million in retained earnings despite a decrease of ¥117 million in valuation difference on available-for-sale securities.

Cash flow conditions

The balance of cash and cash equivalents at the end of this interim consolidated accounting period increased by ¥31 million from the end of the previous fiscal year to ¥13,410 million (¥12,165 million in the same period of the previous fiscal year). Cash flow conditions during this interim consolidated cumulative period and their factors are as stated below:

(Cash flows from operating activities)

While income taxes paid was ¥612 million, a decrease in accrued expenses was ¥331 million, and a decrease in accounts payable – other was ¥293 million, interim profit before income taxes was ¥2,442 million, and cash flows from operating activities amounted to ¥1,035 million (¥674 million in the same period of the previous fiscal year).

(Cash flows from investing activities)

While purchase of intangible fixed assets was ¥16 million and purchase of investment securities was ¥15 million, interest and dividend income received was ¥42 million. As a result, cash flows from investing activities amounted to ¥5 million (¥66 million in the same period of the previous fiscal year).

(Cash flows from financing activities)

While a net increase in short-term borrowings was ¥147 million, dividends paid totaled ¥1,148 million. As a result, cash flows from financing activities amounted to negative ¥1,009 million (negative ¥586 million in the same period of the previous fiscal year).

(3) Explanation about Information on Projections Including Consolidated Forecasts

In light of recent performance trends, we have revised our full-year financial results forecast for the fiscal year ending March 31, 2025, which was announced on May 10, 2024. For details, please see the “Notice Regarding Revisions to Our Full-year Financial Results Forecast for the Fiscal Year Ending March 31, 2025” published on November 7, 2024.

This financial results forecast has been prepared based on information available as of the publication date and certain assumptions deemed reasonable. Actual results may differ from these forecasts due to various factors.

2. Interim Consolidated Financial Statements and Primary Notes

(1) Interim Consolidated Balance Sheet

(Thousands of yen)

	Fiscal 2023 (as of March 31, 2024)	Current Interim Consolidated Accounting Period (as of September 30, 2024)
Assets		
Current assets		
Cash and deposits	13,378,515	13,410,048
Notes and accounts receivable - trade, and contract assets	6,601,625	6,633,370
Work in process	49,292	218,562
Other	404,765	309,941
Total current assets	20,434,199	20,571,922
Non-current assets		
Property, plant and equipment		
Buildings	740,319	712,196
Tools, furniture and fixtures	229,867	196,841
Leased assets	23,157	25,971
Total property, plant and equipment	993,344	935,008
Intangible fixed assets		
Software	25,352	37,402
Software temporary account	16,955	9,389
Telephone subscription rights	4,973	4,973
Goodwill	46,526	34,894
Total intangible fixed assets	93,808	86,660
Investments and other assets:		
Investment securities	2,934,970	2,777,034
Deferred tax assets	233,621	280,546
Guarantee deposits	779,466	779,466
Other	36,587	36,605
Total investments and other assets	3,984,646	3,873,653
Total non-current assets	5,071,798	4,895,322
Total assets	25,505,998	25,467,244
Liabilities		
Current liabilities		
Accounts payable – trade	1,705,273	1,758,242
Short-term borrowings	453,000	600,000
Accounts payable – other	450,871	157,807
Accrued expenses	2,189,653	1,890,283
Income taxes payable	692,725	870,427
Accrued consumption taxes	498,931	385,548
Provision for bonuses for directors (and other officers)	143,258	52,650
Other	244,782	285,202
Total current liabilities	6,378,496	6,000,162
Non-current liabilities		
Provision for share-based remuneration for employees	54,047	47,453
Provision for share-based remuneration for directors (and other officers)	83,110	85,608
Retirement benefit liability	40,733	40,733
Asset retirement obligations	230,684	232,159
Other	241,390	191,452
Total non-current liabilities	649,966	597,407
Total liabilities	7,028,462	6,597,569

(Thousands of yen)

	Fiscal 2023 (as of March 31, 2024)	Current Interim Consolidated Accounting Period (as of September 30, 2024)
Net assets		
Shareholders' equity		
Share capital	970,400	970,400
Capital surplus	986,256	986,256
Retained earnings	16,303,215	16,806,158
Treasury shares	(1,285,727)	(1,278,896)
Total shareholders' equity	16,974,143	17,483,918
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,503,392	1,385,756
Total accumulated other comprehensive income	1,503,392	1,385,756
Total net assets	18,477,535	18,869,674
Total liabilities and net assets	25,505,998	25,467,244

(2) Interim Consolidated Statement of Income and Interim Consolidated Statement of Comprehensive Income

Interim Consolidated Statement of Income

(Thousands of yen)

	Previous interim consolidated accounting period (from April 1, 2023 to September 30, 2023)	Current interim consolidated accounting period (from April 1, 2024 to September 30, 2024)
Net sales	18,856,894	21,349,844
Cost of sales	14,815,877	16,770,473
Gross profit	4,041,017	4,579,370
Selling, general and administrative expenses	2,182,081	2,177,805
Operating profit	1,858,935	2,401,565
Non-operating income		
Interest income	62	1,210
Dividend income	37,762	41,033
Surrender value of insurance policies	—	44
Subsidy income	35	—
Gain on sales of investment securities	38,072	—
Other	6,539	7,266
Total non-operating income	82,473	49,555
Non-operating expenses		
Interest expenses	1,845	2,562
Loss on investments in partnerships	7,658	6,248
Other	1,375	—
Total non-operating expenses	10,880	8,811
Ordinary profit	1,930,528	2,442,310
Interim profit before income taxes	1,930,528	2,442,310
Income taxes	619,907	789,960
Interim profit	1,310,620	1,652,349
Profit attributable to non-controlling interests (interim)	—	—
Profit attributable to owners of parent (interim)	1,310,620	1,652,349

Interim Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Previous interim consolidated accounting period (from April 1, 2023 to September 30, 2023)	Current interim consolidated accounting period (from April 1, 2024 to September 30, 2024)
Interim profit	1,310,620	1,652,349
Other comprehensive income		
Valuation difference on available-for-sale securities	203,706	(117,635)
Total other comprehensive income	203,706	(117,635)
Interim comprehensive income	1,514,327	1,534,713
Breakdown:		
Interim comprehensive income attributable to owners of parent	1,514,327	1,534,713
Interim comprehensive income attributable to non-controlling interests	—	—

(3) Interim Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous interim consolidated accounting period (from April 1, 2023 to September 30, 2023)	Current interim consolidated accounting period (from April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Interim profit before income taxes	1,930,528	2,442,310
Depreciation and amortization	45,047	76,523
Amortization of goodwill	11,631	11,631
Increase (decrease) in provision for bonuses for directors (and other officers)	(89,220)	(90,608)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	3,478	2,498
Increase (decrease) in provision for share-based remuneration for employees	616	237
Increase (decrease) in provision for loss on orders received	3,036	—
Increase (decrease) in provision for retirement benefits for directors (and other officers)	—	(15,000)
Interest and dividend income	(37,825)	(42,243)
Interest expenses	1,845	2,562
Loss (gain) on sales of investment securities	(38,072)	—
Loss (gain) on investments in partnerships	7,658	6,248
Decrease (increase) in notes and accounts receivable – trade	(118,300)	109,437
Decrease (increase) in inventories	(130,799)	(169,269)
Increase (decrease) in notes and accounts payable-trade	57,270	52,969
Increase (decrease) in accounts payable – other	(93,875)	(293,063)
Increase (decrease) in accrued expenses	(364,820)	(331,165)
Increase (decrease) in accrued consumption taxes	29,523	(112,583)
Other	197,555	(2,487)
Subtotal	1,415,280	1,647,997
Income taxes paid	(740,334)	(612,028)
Cash flows from operating activities	674,945	1,035,968
Cash flows from investing activities		
Purchase of property, plant and equipment	(62,213)	(5,290)
Purchase of intangible fixed assets	(7,531)	(16,955)
Purchase of investment securities	(1,752)	(15,449)
Proceeds from sales of investment securities	97,399	—
Proceeds of dividend distributions from partnerships	601	2,683
Payments of loans receivable to employees	(1,600)	(3,780)
Collection of loans receivable from employees	1,611	1,631
Interest and dividend income received	37,825	42,211
Other	2,570	—
Cash flows from investing activities	66,911	5,050
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	147,000	147,000
Interest expenses	(1,886)	(2,653)
Dividend payment	(726,136)	(1,148,137)
Repayments of lease obligations	(5,570)	(5,695)
Cash flows from financing activities	(586,593)	(1,009,486)
Net increase (decrease) in cash and cash equivalents	155,263	31,532
Balance of cash and cash equivalents at the beginning of the period	12,010,240	13,378,515
Balance of cash and cash equivalents at the end of the interim period	12,165,503	13,410,048

(4) Interim Notes on 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 Interim 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 interim consolidated accounting period, and multiply profit for the interim period before taxes by the estimated effective tax rate.

(Segment Information and Related Matters)

Current Interim Consolidated Accounting Period (from April 1, 2024 to September 30, 2024)

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.