



# Results of Operations for the Third Quarter of the Fiscal Year Ending August 31, 2021

July 2021

# I. Company Overview

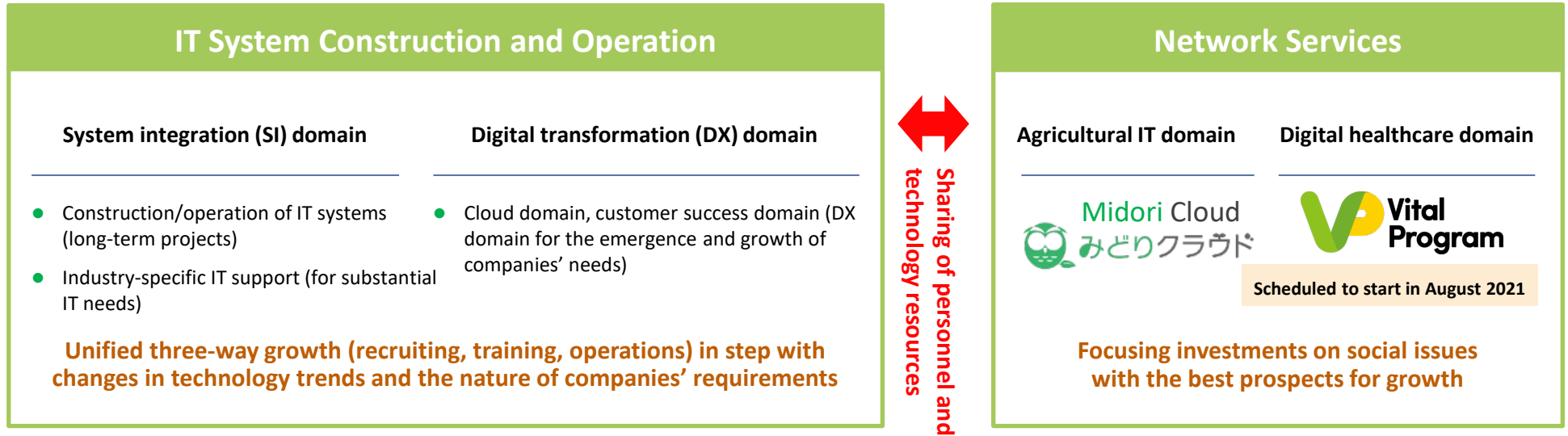
## Company Overview

**Management Policy:** Create and foster businesses through IT education/training services and contribute to the advancement of society.

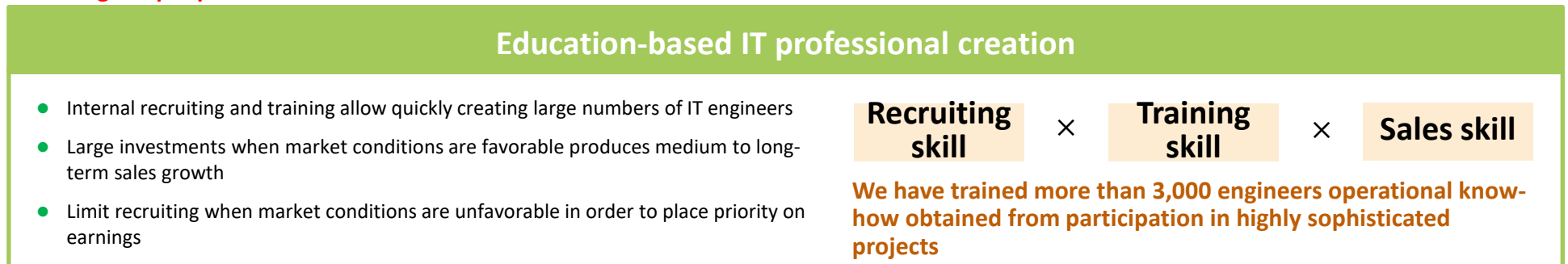
<b>Company name:</b>	SERAKU Co., Ltd.
<b>Established:</b>	December 1987
<b>Representative:</b>	Tatsumi Miyazaki, Representative Director
<b>Capital:</b>	299,495,500 yen (as of May 31, 2021)
<b>Employees:</b>	2,564 on a consolidated basis (as of May 31, 2021)
<b>Location:</b>	Nishishinjuku Prime Square Bldg. 7-5-25 Nishishinjuku, Shinjuku-ku, Tokyo
<b>Group companies:</b>	P's Engineering (wholly owned subsidiary) SERAKU ECA (wholly owned subsidiary)
<b>Listed exchange:</b>	Tokyo Stock Exchange, First Section (stock code 6199) Listed on November , 2017

# Our Business Model

Based on a business model of creating IT professionals through education that can respond to new technologies, we aim to achieve higher growth by building a continuously cumulative profit structure and making investments in growing business domains



Use our own education programs to create experts in new technology domains where markets are growing and there is a shortage of people



# Business Segments and Service Domain

- Substantial added value and fast growth in the Digital Transformation segment and long-term, steady growth and growing size in the System Integration segment

## Digital Transformation (DX)

Focusing on three sectors with the most growth potential as digitalization continues to advance, aiming for social reform and fast growth

### Cloud & Solutions Business

- Infrastructure solutions
- IoT cloud support center
- Cybersecurity

### Customer Success Solutions Business

- Introduction and support services for operation of Salesforce.com
- Design of marketing activities
- Data science

### Midori Cloud Business



- Agricultural IoT service (Midori Cloud)
- Livestock IoT service (Farm Cloud)
- Solutions for the agriculture and fisheries sector

## System Integration (SI)

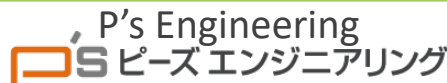
Two sources of growth: Operation of existing IT systems, a business with long-term steady growth, and technology support for industries with substantial IT needs

- Financial/social systems
- Information communication systems
- Enterprise systems
- Service management
- Quality assurance

- Operation of IT infrastructures
- Operation of IT systems

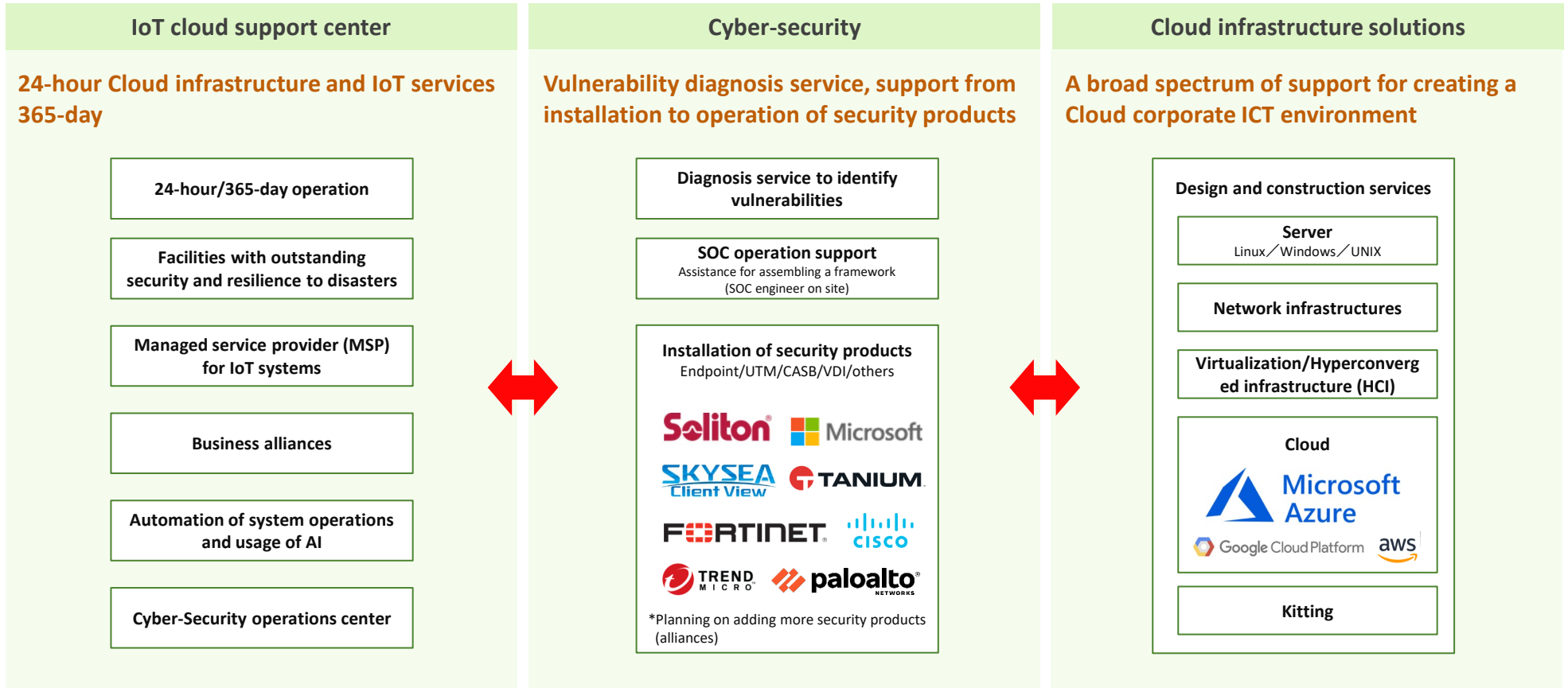
- Yokohama branch
- Nagoya branch
- Osaka branch
- Fukuoka branch

## Mechanical Design and Engineering



# DX: Cloud & Solutions Business

- Total support, including design, construction, operation, surveillance and security, for establishing a cloud ICT environment for companies
- The need for these services is growing fast due to COVID-19; growing by shifting engineers to the DX domain and strengthening alliances



**Planned to complete training of 200 certified Microsoft Azure engineers by August 2021; far surpassed this goal with 280 certified engineers at the end of May!**

# DX: Customer Success Solutions Business

Specializing in the Salesforce platform, which has a high market share in the SFA/CRM domain and strengthening the shift from engineers in the SI domain to those in the DX domain

## Salesforce.com utilization support services

Already assisting more than 250 companies due to rapid market growth  
We providing utilization support both on-site service and remotely.



Utilization assessment program

Utilization support service

Salesforce manager support service

## Design of marketing activities



- Salesforce Pardot/Marketing Cloud operation
- We support client's Digital marketing using a company's customer data.

## Data science



- Our data science engineers operating Tableau using client data.
- We support data science and business intelligence centered on company's customer data

We expand services in line with the addition of Salesforce services, such as Salesforce Anywhere (collaboration tool) and Slack (business collaboration)

In April 2021, SERAKU and NTT Data launched a business reform support service that begins with support for using Salesforce

NTT DATA



- NTT Data, which is the largest partner of Salesforce.com in Japan, handles the sale of products, consulting and other activities
- SERAKU plans to train 500 Salesforce engineers over the next three years. These experts will provide primarily on-site Salesforce utilization support to NTT Data's customers
- The goal of this close relationship with NTT Data is to become the leader in Japan for business reform support linked to this utilization assistance

Plan to complete the training of 170 certified Salesforce engineers by August 2021 (ranking among the most in Japan) and to have 500 of these engineers within three years

# DX: Midori Cloud Business

## A platform to support agricultural production (IoT device x Cloud service x Data science)

A platform for agriculture



Used at more than **2,500** locations  
use in all 47 Japanese prefectures

Use agricultural production data for data-driven agriculture

Platform for pig and chicken farming



Used at **73** locations

Improve productivity through the visualization of buildings and equipment for pigs and chickens

Centralized oversight of several buildings raises shipment volumes and earnings



### Measurement and records of the environmental



By IoT devices measure the environmental parameters at agricultural operation, store data in our cloud and generate notices of abnormalities.

### Production plan and work record



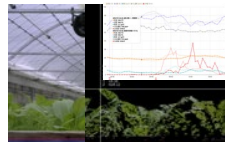
Producer's management production plan and record of work performed by using PCs and smartphones. Also facilitates GAP certification and implementation.

### Automatic environmental control



Windows, temperature control, ventilation and other items are controlled automatically or remotely via an app.

### Data comparisons and analysis



Data are analyzed and compared with data at other locations and AI and machine learning are used to improve production.

## Agriculture and Fisheries solutions for companies and the public sector

### Primary industry DX by using agricultural production support platforms and SERAKU technologies

Agricultural production support platforms



SERAKU technologies

- AI/machine learning
- UI/UX optimization
- System/applications
- Communication/network
- Hardware/IoT

Digitalization

- Sensing
- IoT device installation
- Data collection
- Use of smart devices to record data

Boosts productivity

- BI tools for visualization
- Development of UI/UX
- AI for automation/labor-saving measures
- Control by using the IoT

Improves management

- Optimization of equipment and animal feed
- Support for receiving certifications
- Higher efficiency
- Sales channel optimization



# DX: Midori Cloud Business

## Examples of Agriculture and Fisheries solutions

### Asparagus production using smart agriculture technology



**The smart agriculture demonstration project of Japan's Ministry of Agriculture, Forestry and Fisheries (Minami-Shimabara, Nagasaki)**

Smart agriculture provides the visualization of temperature and water supervision for the stability of production.

This also creates a production system that overcomes the harvesting and shipment bottlenecks due to a labor shortage. This project will be used as the guideline for asparagus production that uses smart agriculture technology.

**Asparagus farms are a sector that is lagging behind regarding the use of data. This project is aimed at revolutionizing the asparagus growing business.**

### Equipment management system using Midori Note



**Solutions for major forestry companies**

At businesses nationwide the grow tree seedlings, there has been a need for the centralized oversight of production progress and the use of equipment at multiple locations. SERAKU developed equipment, inventory and other management functions for inclusion in Midori Note to provide this centralized supervision.

**These additional functions were developed quickly because Midori Note already provided a standardized format for production management.**

### IoT chicken cage system using Farm Cloud



**Provided solution for a large poultry farmer**

Cages used for raising chickens have sensors and control devices. Connecting these items to SERAKU's Farm Cloud transforms this cage system into an IoT system.

With Farm Cloud, monitoring and analyzing data are easy. This allows using data to improve chicken farming operations and the collection of eggs.

**This technology can convert a legacy cage system into an IoT system quickly and at a low cost.**

# System Integration Business

- Growth of the education-based IT professional creation business along with the consistent growth of long-term IT infrastructure/system operation relationships
- More added value by shifting experienced professionals to the DX domain and making them project managers

## Operation of IT infrastructure/systems

### Assign tasks that match each engineer's skill level at long-term continuous IT infrastructure and IT system operation projects

- Use education-based IT professional creation to consistently increase the number of engineers
- More than 75% of business is large-scale operation projects that require long-term continuous operation
- The number of customers and projects is increasing because of the large volume of IT needs
- More customers at locations other than Tokyo (Yokohama, Nagoya, Osaka, Fukuoka)
- Progress with workforce diversity, such as more female leaders, continuing to use people after childbirth and other major personal events, the use of teleworking to provide services, and other measures

## Industry-specific IT support

### Growth by giving people specialized skills for market sectors with very high demand for IT support and strengthening relationships with large system integration firms

Financial/social systems

Information communication systems

Enterprise systems

- Train IT professionals with business knowledge in order to work in market sectors with strong demand for IT support
- Work as a subcontractor at large projects of major system integration firms and receive more orders directly as the prime vendor
- Aim for growth by using collaboration and alliances with partners

## Steady growth based on the education-based IT professional creation model and the provision of greater added value by shifting people to the DX domain

- SERAKU's exclusive IT professional creation model underpins growth by using introductory lessons and then lessons using actual work environments to train people with no experience so they can be assigned to projects within two to three months
- To provide greater added value, experienced people acquire more advanced skills for DX activities, project management and other higher level jobs

## Resuming recruiting activities to aim for more growth

# SERAKU's Competitive Strengths in the System Integration Business

## Recruiting skill

- Recruiting activities that shift people to the growing IT sector (hire people with work experience but no IT experience who have the potential to learn and advance)
- Recruiting for full-time employees targets new graduates as well as hiring people throughout the year on a nationwide scale
- Training programs and a lineup of innovative services allows SERAKU to offer attractive career opportunities; up to 2,500 applications are received every month

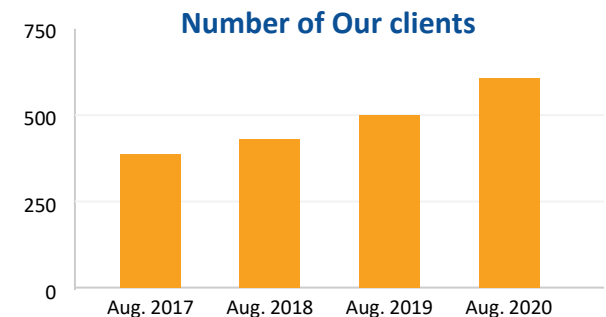
## Training skill

- The initial training program is structured to place newly hired people in actual projects after only two to three months
- Practical training that uses the same equipment and environments as for actual projects
- The SERAKU Jonetsu University is a platform for sharing knowledge and upgrading skills



## Sales skill

- Sales activities are adding more than 100 new customers every year
- A sound base for relationships with many large system integration firms
- Customers span many industries and business models that require IT services



## II. 3Q FY8/21 Results of Operations

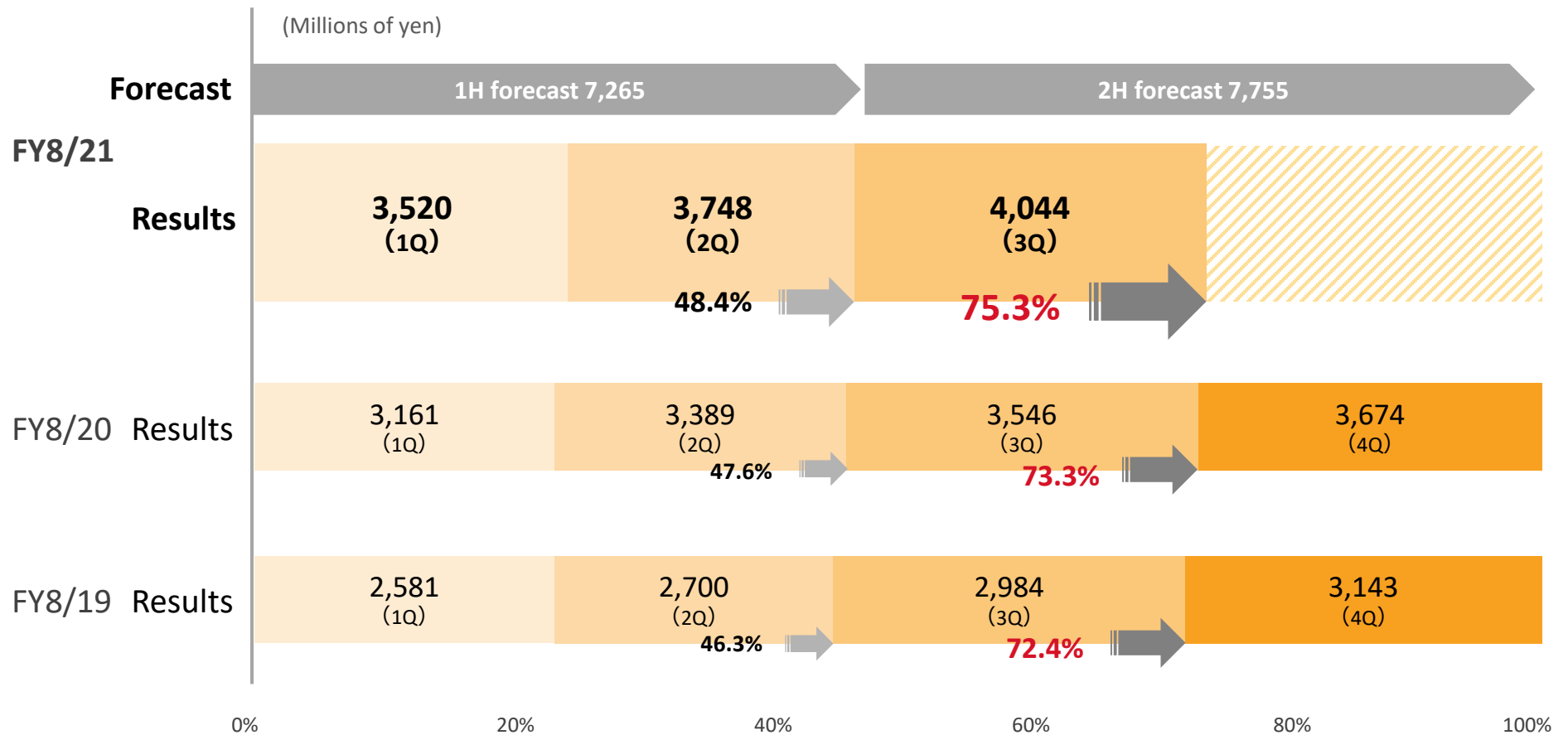
## 3Q FY8/21 Financial Highlights (1)

- Sales in both the System Integration and Digital Transformation segments were generally as planned
- Operating profit was up 55.7% even while making investments for more growth
- Ordinary profit was higher than planned because of employment adjustment subsidies

	3Q FY8/20 results		3Q FY8/21 results		
	(Millions of yen)	(% to sales)		(% to sales)	(YoY change)
Net sales	10,096	-	11,313	-	<b>+12.0%</b>
Gross profit	2,400	23.8%	2,800	24.8%	<b>+16.6%</b>
Operating profit	742	7.4%	1,155	10.2%	<b>+55.7%</b>
Ordinary profit	747	7.4%	1,582	14.0%	<b>+111.7%</b>
Profit	463	4.6%	963	8.5%	<b>+107.8%</b>

## 3Q FY8/21 Financial Highlights (2)

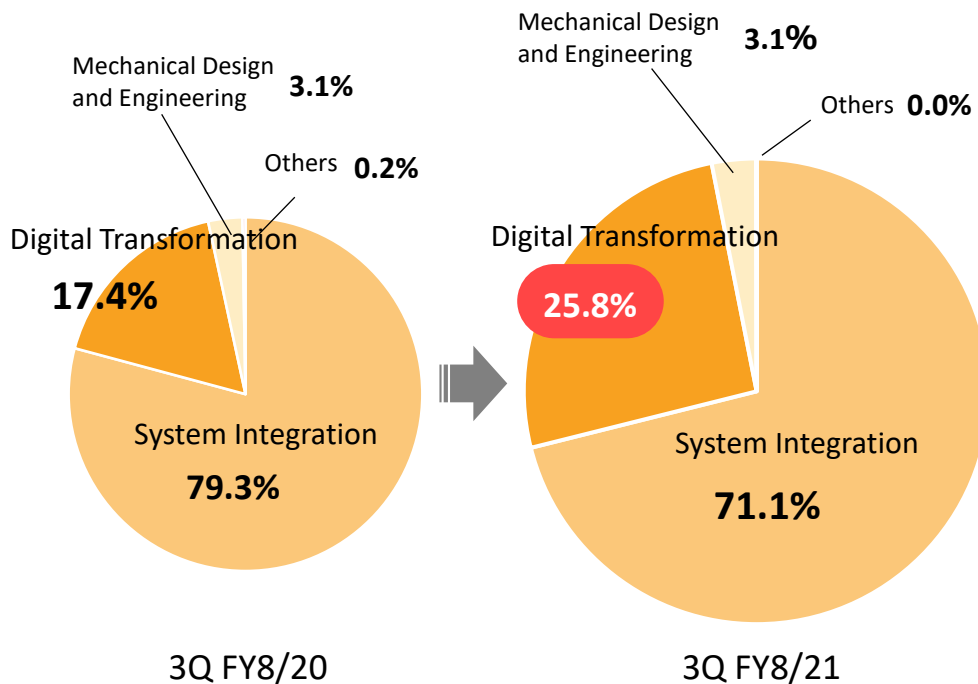
- Second half sales are usually more than half of fiscal year sales
- Sales in the first nine months were 75.3% of the FY8/21 forecast
- Sales are on track for reaching the fiscal year forecast



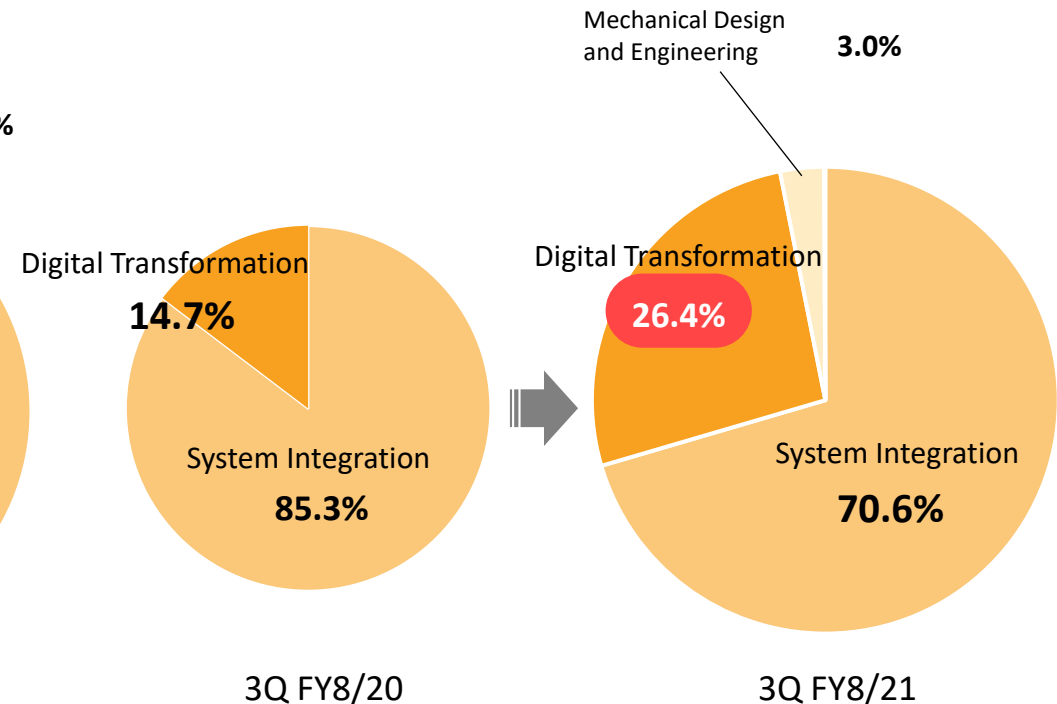
## 3Q FY8/21 Financial Highlights (3)

- Securing stable earnings in the System Integration segment and shifting to the DX domain engineers
- Big increase in the Digital Transformation segment in both sales and operating profit
- The Digital Transformation segment increased to 26.4% of the Third Quarter operating profit

Sales by Business Segment



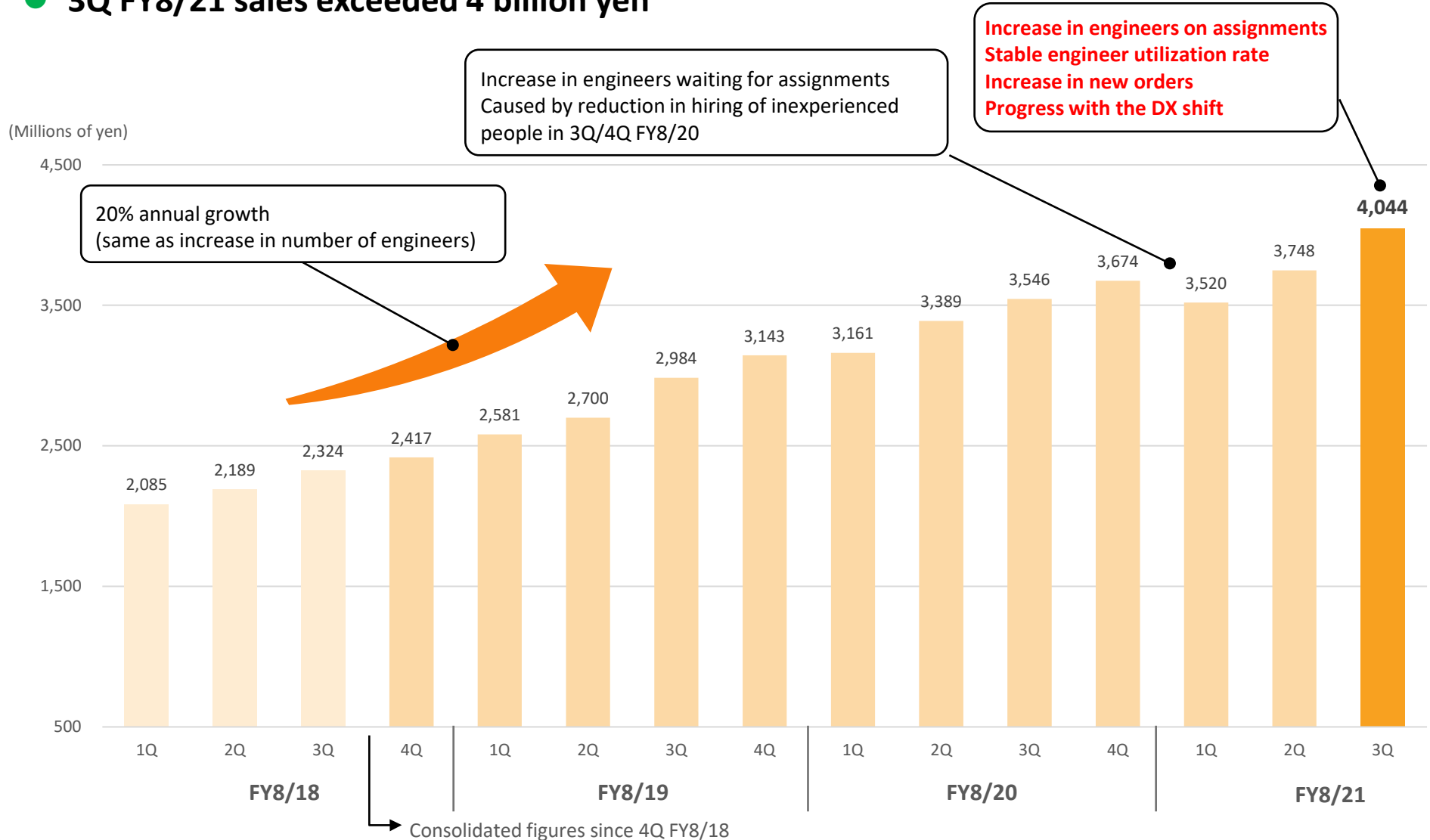
Operating Profit by Business Segment



(\*Excluding sales and profits of the segments that are in red)

# Quarterly Sales Growth

- Sales are proportional to the number of engineers on assignments and utilization rate
- 3Q FY8/21 sales exceeded 4 billion yen





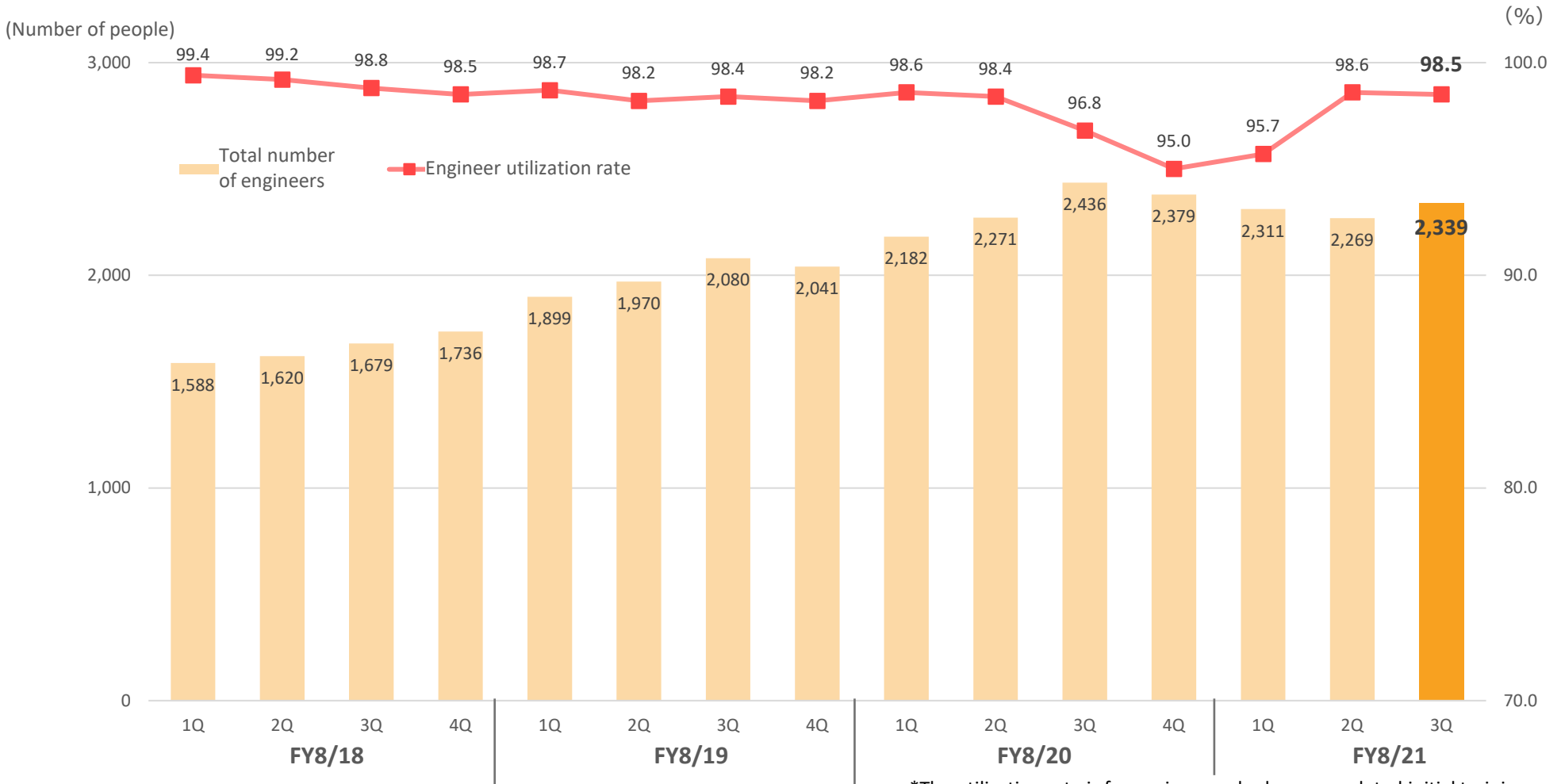
# Quarterly Earnings Growth

- Gross profit margin consistently has remained above 20% with ups and downs due to investments for growth
- Operating margin was 10.9% in 3Q FY8/21



# Number of Engineers and Utilization Rate

- The utilization rate under normal conditions is consistently in the 98%-99% range
- The utilization rate briefly decreased to the 95% level because of COVID-19 but has been at the usual level since 2Q FY8/21

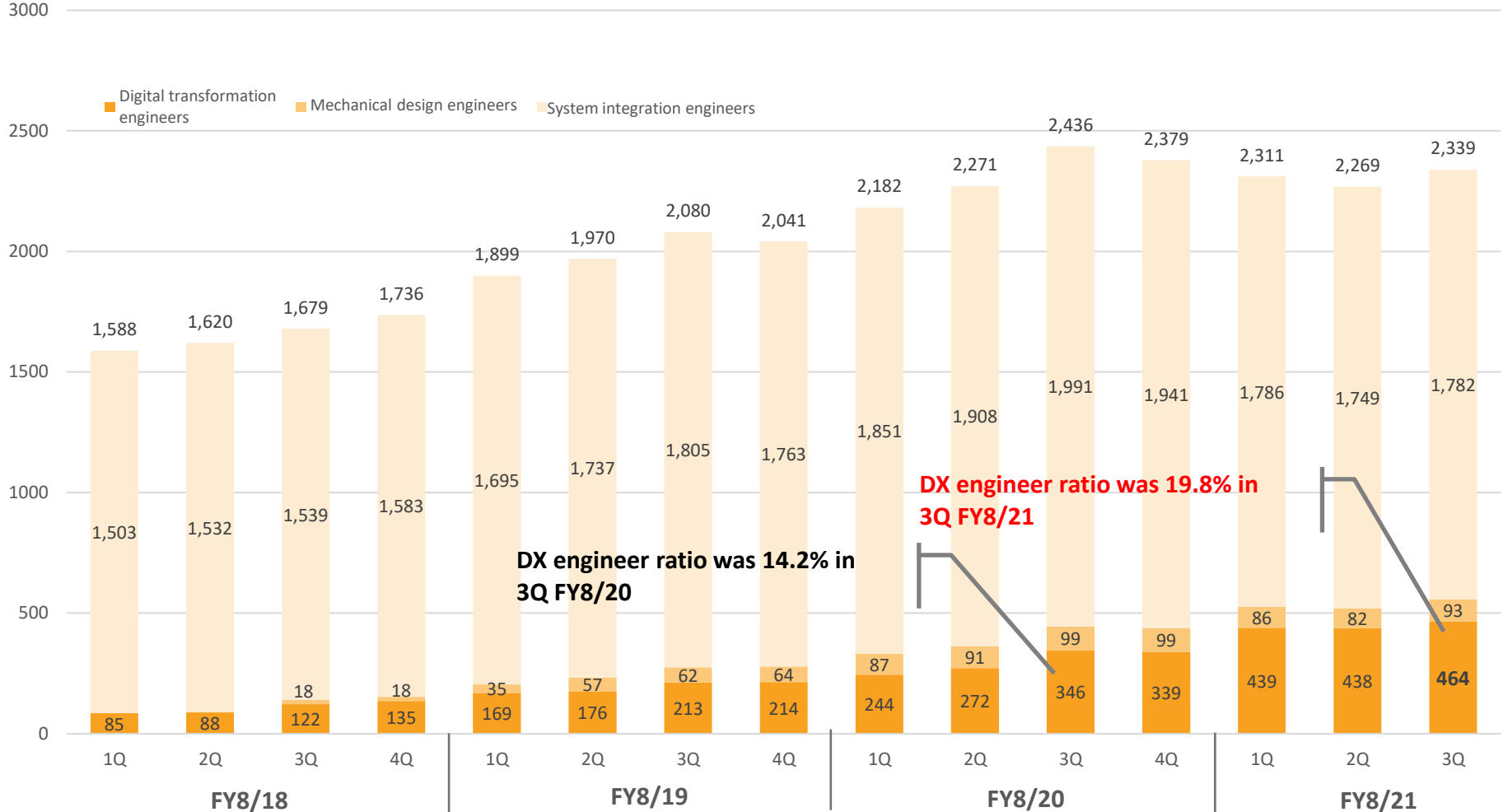


\*The utilization rate is for engineers who have completed initial training.

## Number of Engineers and Categories

- The number of engineers increased in 3Q FY8/21 partly because of the resumption of recruiting activities after the suspension due to COVID-19
- The DX engineer ratio was 19.8% in 3Q FY8/21 due to progress with the DX shift as planned

(Number of people)  
3000



DX engineer ratio was 14.2% in 3Q FY8/20

DX engineer ratio was 19.8% in 3Q FY8/21

## Education for Engineers

- A training environment that allows using actual projects gives people more advanced engineering skills
- Training is focused on acquiring engineering certifications in the DX domain
- One goal of the engineering training framework is further raising rates charged for engineering services

### Number of Microsoft Azure Certifications

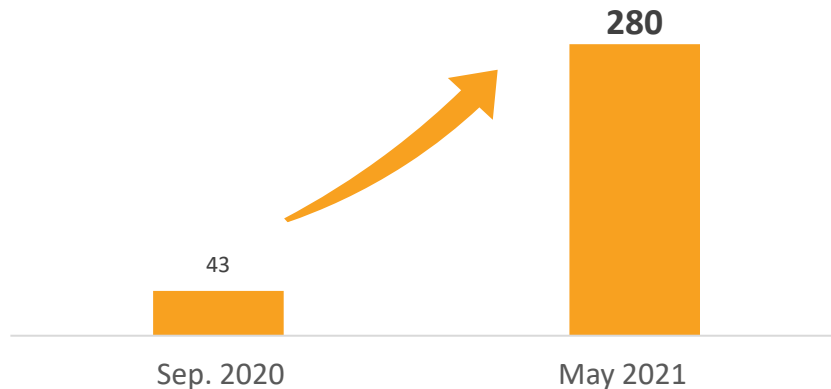
Started training activities in Sep. 2020 for at least 200 newly certified Microsoft Azure engineers during the next year and surpassed 200 certifications by the end of May 2021.

Strengthening ties with Microsoft Japan to increase the number of projects and customer relationships.

Examples of certifications

- AZ-900: Microsoft Azure Fundamentals
- AZ-103: Microsoft Azure Administrator
- AZ-104: Microsoft Azure Administrator
- DP-100: Designing and Implementing a Data Science Solution on Azure

and many more



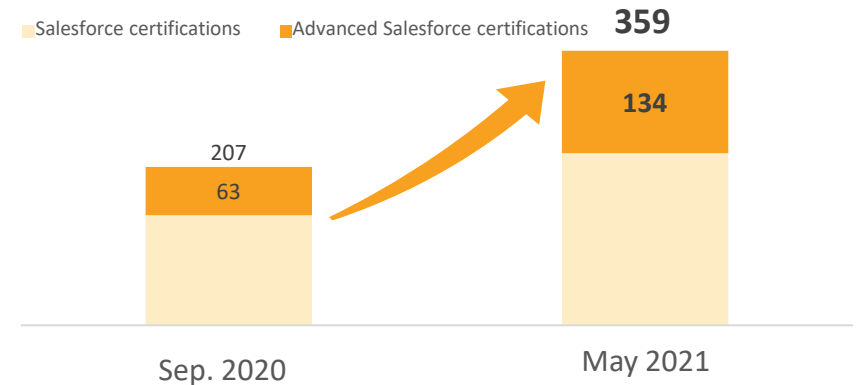
### Number of Salesforce Certifications

Received the Top Certification of the Year award at the Salesforce Partner Summit 2021 by making the biggest contribution to the growth of Salesforce resources in terms of the number of advanced certifications and the growth rate of the number of certifications.

Examples of certifications

- Sales Cloud consultant
- Service Cloud consultant
- Field Service Lightning consultant
- Community Cloud consultant
- Einstein Analytics and Discovery consultant
- Pardot consultant

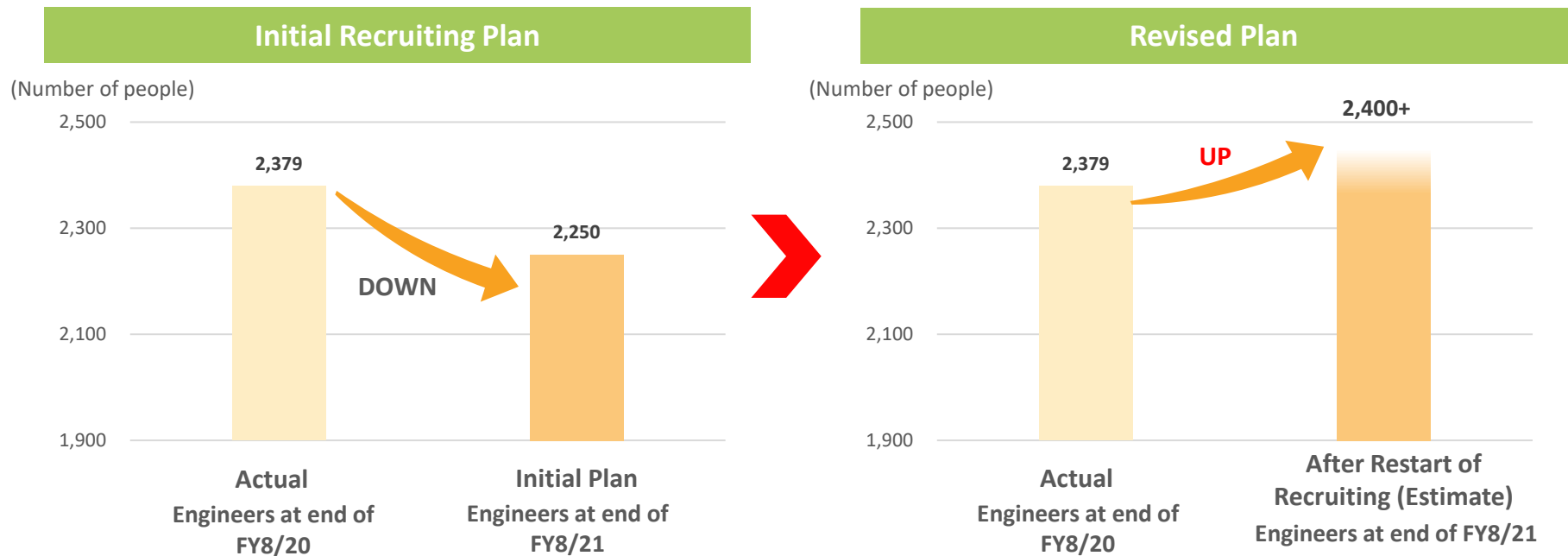
and many more



## Recruiting Activities

### Revised recruiting plan to a net increase with the goal of more than 2,400 engineers at the end of FY8/21

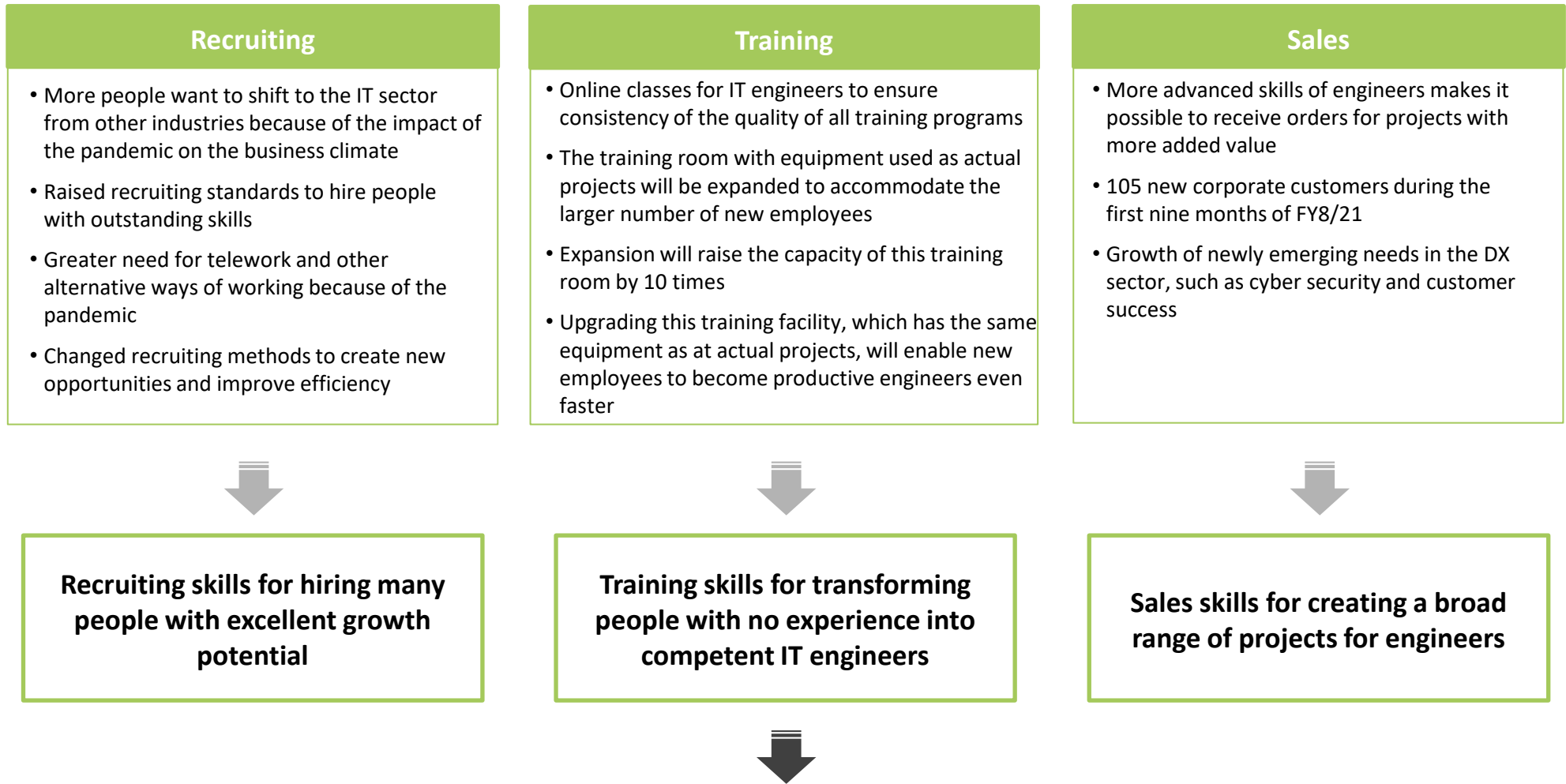
- Raised the Aug. '21 engineer plan by more than 150 engineers due to the increasing utilization rate and receipt of new orders
- Engineers hired in FY8/21 will make a big contribution to sales growth starting in FY8/22



- Held down investments for growth because of the impact of the pandemic on the business climate
- Planned on a net decrease of engineers during FY8/21
- Determining timing of investments while monitoring changes in market conditions

- Planning on a net increase in the number of engineers in FY8/21
- The need for engineers at customers is increasing and the engineer utilization rate is climbing
- The recruiting plan revision has raised recruiting and training expenses to more than the initial plan for FY8/21

# Seraku's Strengths during the COVID-19 Pandemic



**Seraku reinforced its superiority during the pandemic and is positioned for more growth**

## Topics

- Apr. 1, 2020 **Nationwide Launch of the Farm Cloud Livestock IoT Service**  
The Midori Cloud agricultural IoT service is used to support the production activities of large pig and chicken farms
- May 25, 2020 **R&C Holdings Business Alliance for Smart Agriculture for Produce Distribution**  
This alliance with R&C Holdings, Japan's second-largest fruit and vegetable wholesaler, will facilitate the use of smart agriculture for the distribution of produce
- Sep. 7, 2020 **Cooperation with Microsoft Japan for Training 200 Microsoft Azure Engineers Every Year**  
Training will use the Cloud & AI Engineer Development Program of Microsoft Japan
- Mar. 30, 2021 **Cooperation with NTT Data for Creating 500 Business Reform Personnel over Three Years**  
Started in April 1, 2021 a joint business reform support service starting with service utilization support for companies using Salesforce
- Apr. 20, 2021 **Announcement of a Cloud Digital Healthcare Service**  
A cloud digital healthcare service using AI for employees' health, including mental health, and for improving productivity
- May 6, 2021 **Produce Distribution Support Project with Midori Cloud and AI Selected as Model Development**  
The Ministry of Agriculture, Forestry and Fisheries selected this project as an Innovative Agriculture Business Support Model Development
- May 10, 2021 **Partnership Agreement with Tableau Software**  
Alliance partner agreement with Tableau Software, provider of the leading analytic platform
- Jun. 2, 2021 **Top Certification of the Year at the Salesforce Partner Summit**  
Seraku was selected from among more than 500 companies in Japan that participate in the partner program of Salesforce.com
- Jun. 8, 2021 **Achieved Microsoft Azure Engineer Training Goal Ahead of Schedule**  
Speeding up the training of Microsoft Azure engineers in terms of quality and quantity and strengthening ties with Microsoft Japan to support the DX at Japanese companies

# III. 2H FY8/21 Initiatives and Growth Forecast



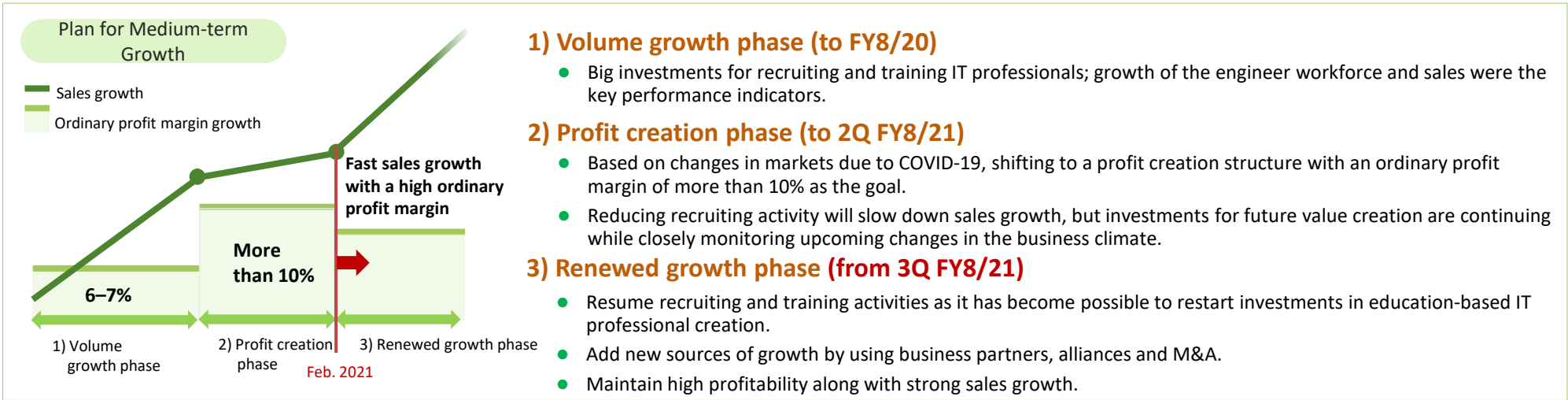
## FY8/21 Plan

- The engineer utilization rate has returned to the pre-pandemic level and is expected to remain high
- Recruiting activities have resumed for significantly increasing the number of engineers, but market conditions must be monitored closely

	FY8/20 results		FY8/21 plan		
	(Millions of yen)	(% to sales)		(% to sales)	(YoY change)
Net sales	13,771	-	15,020	-	<b>+9.1%</b>
Operating profit	1,134	8.2%	1,370	9.1%	<b>+20.8%</b>
Ordinary profit	1,165	8.5%	1,650	11.0%	<b>+41.6%</b>
Profit	654	4.7%	957	6.4%	<b>+46.3%</b>
Dividends	4.6 yen	-	5.6 yen	-	<b>+21.7%</b>

# Activities in 2H FY8/21

- While earning profits in FY8/21, we are again concentrating on recruiting activities in order to advance quickly to the next phase of growth
- We are raising the speed of growth initiatives, such as work with partners, business alliances and the DX shift, for sales growth accompanied by higher profitability



## IT professional creation

- Hire experienced people in growing industries, focus on education-based IT professional creation (hiring/training for inexperienced people), mainly for the DX domain.
- Depending on market conditions, we may decide to hire people for FY8/22 earlier than initially planned.
- Further enlarge and upgrade practical education programs due to the success of this training system.

## Current businesses

- Become a prime vendor and strengthen business partners in order to aim for sales of more than 50 billion yen.
- Faster pace of shifting current IT experts to the DX domain by using cooperation with Microsoft and Salesforce.com.
- Use activities involving major alliances with NTT Data and other partners in all business fields.

## New businesses

- Agricultural IT: Become the primary industry DX leader by expanding the range of agriculture/fisheries solutions for successful companies and the public sector.
- Continue creating new services and reinforcing alliances in the digital healthcare domain.

## Infrastructure

- Continue strengthening the framework for business activities and building an IT system infrastructure

## Initial Key Performance Indicators

Number of engineers

2,250

Engineer utilization rate

97.9%



## After changing the plan

Number of engineers

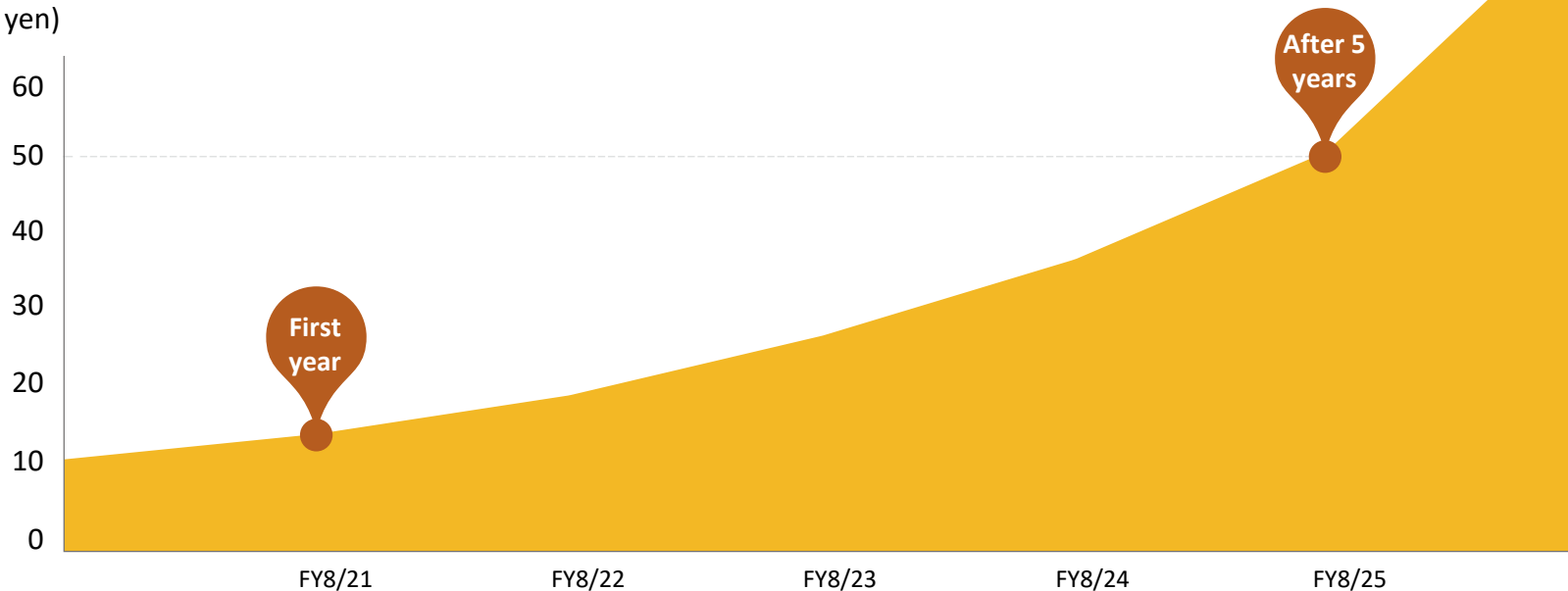
2,400over

# Medium-term Vision

## The medium-term plan has the goal of raising sales to 50 billion yen in FY8/25

- Self-fulfillment of engineers and constant business growth by providing many types of job opportunities involving SERAKU business operations, all originating from education-based IT professional creation
- Establish a business to raise both profit margins and the speed of growth by shifting engineers to the DX domain while achieving stable growth in the System Integration business, where demand is expected to remain firm.
- Utilize alliances with major cloud platform companies in order to use operational and utilization support for more growth
- M&A in market sectors with the potential for synergy with existing businesses and provision of SERAKU’s recruiting, education and sales expertise to newly acquired companies and businesses for growth
- Launch businesses based on IT that target social issues with growth potential in order to add more sources of growth

(Billions of yen)



# Features and Superiority of the Education-based IT Professional Creation Model

- Starting to create professionals to be prepared for upcoming market growth
- Use horizontal expansion of recruiting, education and sales skills to add more technology domains
- Business growth by taking service formats to a higher level to reflect the growth of markets

Beginning in 2021, we forecast a shift in markets that adds demand for the installation and utilization of cloud systems to the existing demand for the development of IT systems and the provision of maintenance and operation services. As a result, we expect new markets and the need for next-generation engineers.

We will cooperate with major platform companies to create IT engineers with outstanding business insight and skills in order to grow while supporting the ongoing digital transformation in all aspects of society.

## 2020–

Looking ahead to growth of the Microsoft platform, started training programs for the Microsoft certifications of at least 200 people every year

## 2018–

Looking ahead to growth of the DX market, started training programs for robotic process automation, security, data science, verification and other activities

## 2013–

Looking ahead to the growth of the cloud systems market, started training activities for Salesforce engineers

The goal is enlarging the customer success solutions business to a workforce of about 500 within three years

## 2008–

Looking ahead to the widespread use of smartphones and the IoT, started training programs for smart technology engineers

Currently expanding the Midori Cloud business and other activities in the data science domain

## 2002–

Anticipating growth in demand for IT utilization services at companies, started training programs for IT infrastructure and network engineers

Currently expanding the System Integration business

## 1997–

Anticipating growth of the web systems domain, started a system development business and training programs for system development engineers

Currently expanding the System Integration business

## 1995–

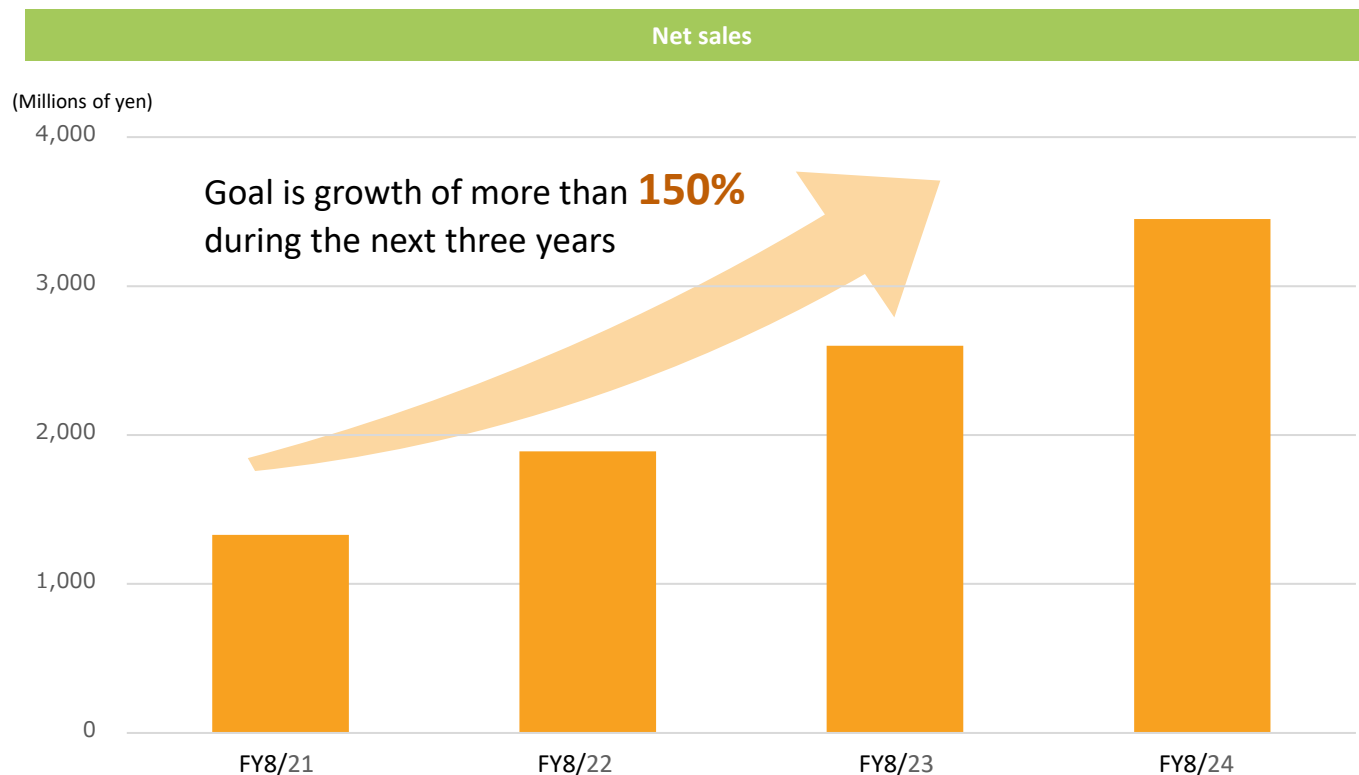
Started an internet business before the internet became widely used and started training programs for web engineers

Currently expanding business operations in the digital marketing domain

## DX: Cloud & Solutions Business Growth Scenario

### High profit margins backed by continuously cumulative managed services and Microsoft platforms

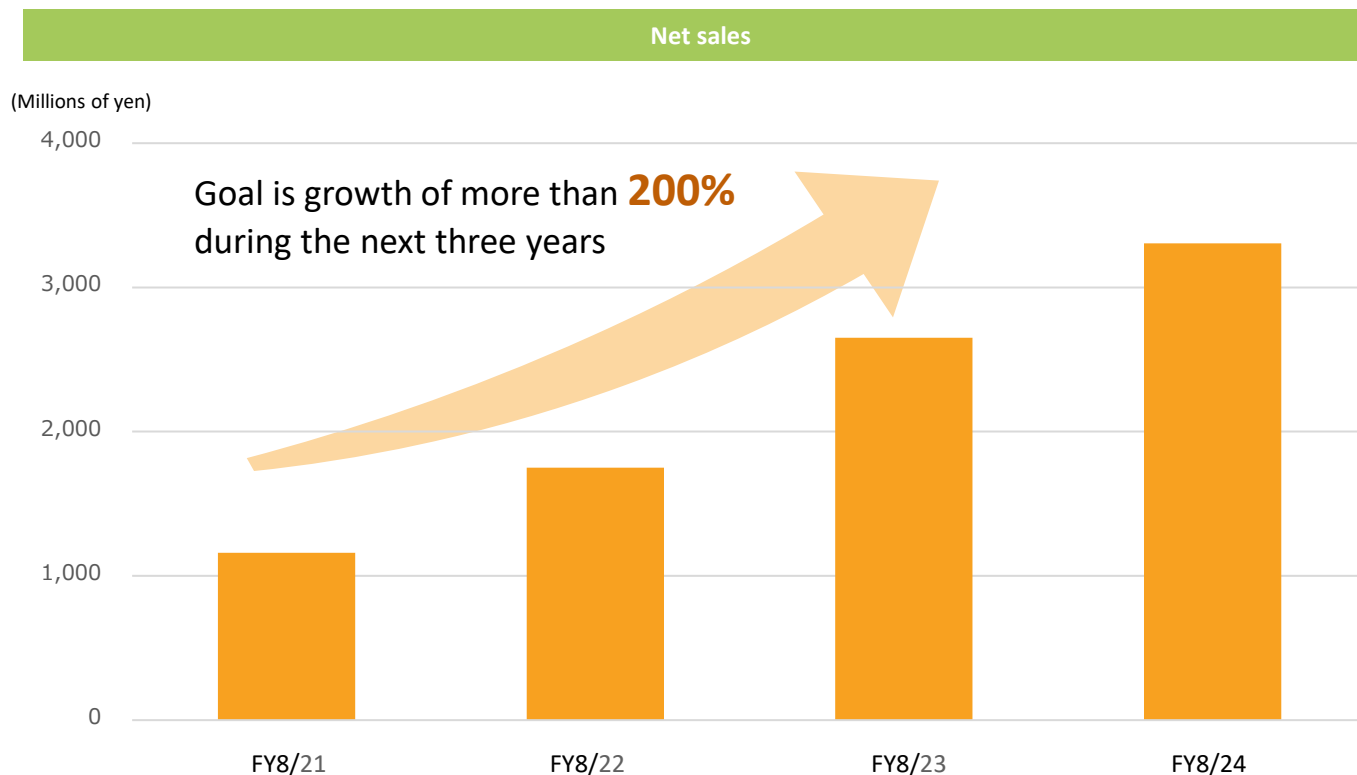
- Use the Microsoft alliance for the certification of at least 200 people every year to assist companies with installation and operation of Microsoft products
- Operate a highly profitable platform resale and license resale business
- Consistent growth of managed services (subcontracted centralized 24-hour/365-day operation of cloud infrastructures for companies)
- Start and expand a security surveillance and operations center business, which is a growing market sector



# DX: Customer Success Solutions Business Growth Scenario

## Create 500 Salesforce engineers by FY8/24 and become the leader in Japan in the new and growing Salesforce use and operation services market

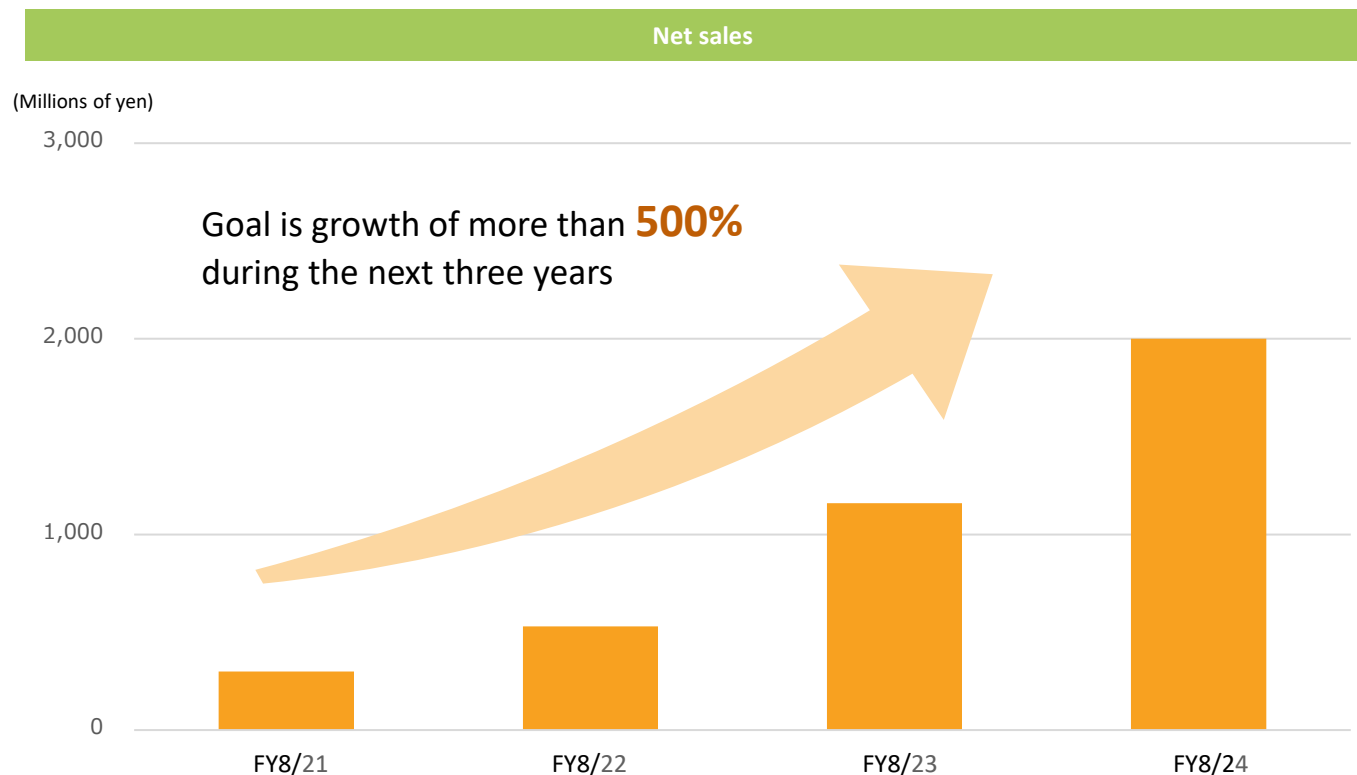
- In the cloud IT systems field, the market is expanding with the keywords of utilization and operation and digital transformation. SERAKU is a first mover in this field and aims to achieve greater business growth.
- Training programs for no-code/low-code platform engineers with business expertise who will be the main source of utilization, operation and DX services
- Receive more Salesforce utilization and support orders from large and growing companies in Japan by strengthening alliances with NTT Data and other partners



## DX: Midori Cloud Business Growth Scenario

**Become the primary industry DX leader, a sector with much growth potential, by combining production support platforms and SERAKU system integration expertise**

- Continuously increase production support experience and agricultural IT expertise in order to steadily expand the use of production support platforms
- Receive orders for large agriculture/fisheries solutions during the phase of implementing the primary industry DX at companies and in the public sector
- Become the primary industry DX leader by leveraging synergies between the platform business and agriculture/fisheries solutions business



## System Integration Business Growth Scenario

Receive more orders for continuously cumulative IT operation services and projects in industries with steady IT needs while continuing to grow by using recruiting, education and sales skills

- Use education-based IT professional creation for more growth (recruiting may be reduced to maintain profitability depending on market conditions)
- Speed up growth by using sales skills along with more partner companies and more powerful alliances
- For IT needs for various industries, create large projects and subcontracting projects by giving engineers practical training and developing engineers with business process knowledge.





## Forward-looking Statements

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Documents and information provided at today's presentation include forward-looking statements.

These statements are based on assumptions that include current expectations, forecasts and risk factors. As a result, forward-looking statements include many uncertainties that may cause actual performance to differ from these statements.

Risk factors and uncertainties include the condition of industries and markets where SERAKU operates, changes in interest rates and foreign exchange rates, and other items involving the Japanese and global economies.

SERAKU has no obligation to update or correct these forward-looking statements even if there is subsequently new information or an event that affects these statements.

An announcement will be made promptly if there are revisions to the FY8/21 forecasts or differences between results of operations and these forecasts that require disclosure.