



Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2021
[Japanese GAAP]
 October 15, 2021

Company name: SERAKU Co., Ltd. Listing: Tokyo Stock Exchange (First Section)
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Scheduled date of Annual General Meeting of Shareholders: November 25, 2021
 Scheduled date of payment of dividend: November 26, 2021
 Scheduled date of filing of Annual Securities Report: November 29, 2021
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended August 31, 2021 (Sep. 1, 2020 to Aug. 31, 2021)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Aug. 31, 2021	15,263	10.8	1,356	19.5	1,836	57.6	1,240	89.7
Fiscal year ended Aug. 31, 2020	13,771	20.7	1,134	55.9	1,165	58.0	654	48.3

Note: Comprehensive income (millions of yen) Fiscal year ended Aug. 31, 2021: 1,237 (up 87.6%)
 Fiscal year ended Aug. 31, 2020: 659 (up 50.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Aug. 31, 2021	89.82	89.06	30.9	22.9	8.9
Fiscal year ended Aug. 31, 2020	47.50	47.47	21.0	18.3	8.2

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Aug. 31, 2021: -
 Fiscal year ended Aug. 31, 2020: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Aug. 31, 2021	8,730	4,616	52.8	331.77
As of Aug. 31, 2020	7,342	3,429	46.7	248.82

Reference: Shareholders' equity (millions of yen) As of Aug. 31, 2021 : 4,612 As of Aug. 31, 2020: 3,425

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Aug. 31, 2021	1,467	(186)	(154)	5,409
Fiscal year ended Aug. 31, 2020	995	(160)	724	4,282

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Aug. 31, 2020	Yen -	Yen 0.00	Yen -	Yen 4.60	Yen 4.60	Millions of yen 63	% 9.7	% 2.0
Fiscal year ended Aug. 31, 2021	-	0.00	-	5.60	5.60	77	6.2	1.9
Fiscal year ending Aug. 31, 2022 (forecast)	—	0.00	—	8.60	8.60		10.1	

Note: The annual dividend per share forecast for the fiscal year ending August 31, 2022 is the sum of a "stable dividend" of 5.6 yen and a performance-linked dividend, which is calculated based on a profit attributable to owners of parent minus subsidies, benefits, grants, etc. from ministries and agencies and local governments after adjustments recorded with the application of tax effect accounting (consolidated profit attributable to owners of parent).

For the details, please refer to the Announcement of Dividend Payments Linked to Results of Operations disclosed on April 14, 2021.

3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2022 (Sep. 1, 2021 to Aug. 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share Yen
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
First half	8,750	20.4	440	(38.6)	640	(42.4)	400	(43.1)	28.77
Full year	19,000	24.5	1,550	14.3	1,900	3.4	1,250	0.7	89.91

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of shares issued (common shares)

1) Number of shares issued as of the end of the period (including treasury shares)

As of Aug. 31, 2021: 13,902,400 shares As of Aug. 31, 2020: 13,767,200 shares

2) Number of treasury shares as of the end of the period

As of Aug. 31, 2021: 130 shares As of Aug. 31, 2020: 62 shares

3) Average number of shares during the period

Fiscal year ended Aug. 31, 2021: 13,813,806 shares Fiscal year ended Aug. 31, 2020: 13,767,158 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended August 31, 2021 (Sep. 1, 2020 to Aug. 31, 2021)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Aug. 31, 2021	14,799	11.0	1,309	10.9	1,776	45.9	1,140	61.5
Fiscal year ended Aug. 31, 2020	13,335	19.5	1,181	49.2	1,217	51.8	706	39.7

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Aug. 31, 2021	82.58	81.88
Fiscal year ended Aug. 31, 2020	51.30	51.26

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Aug. 31, 2021	8,694	4,647	53.4	334.00
As of Aug. 31, 2020	7,399	3,557	48.0	258.06

Reference: Shareholders' equity (millions of yen) As of Aug. 31, 2021 : 4,643 As of Aug. 31, 2020: 3,552

* The current financial report is not subject to audit by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts and other special items

Forecasts of future performance in these materials are based on assumptions judged to be reasonable and information available to the management of Seraku at the time these materials were prepared and do not represent guarantees of future performance. Actual results may differ materially from these forecasts for various reasons. For a discussion of the assumptions and other factors considered by Seraku in preparing the above projections, please refer to page 5 of the attachments, "1. Overview of Results of Operations, (4) Outlook."

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1. Overview of Results of Operations

(1) Results of Operations

In the fiscal year ended August 2021, the Japanese economy was adversely affected by the COVID-19 pandemic and as such faced a challenging domestic and international environment. Although the economy is expected to continue recovering from an extremely difficult situation owing to policy measures to curb infections, including vaccinations, COVID-19's effects on the domestic economy and corporate earnings in the future will likely remain uncertain.

In the IT industry, which the Seraku Group provides services, investment in digitalization is expected to accelerate as the economy recovers. IT investment demand, including demand for investment in building critical systems to strengthen the business base and in developing next-generation systems, was firm.

Digital transformation (DX) using advanced technologies, such as cloud computing, AI, the IoT, big data and RPA, saw further rapid progress. IT investment appetite for business expansion, including demand for rebuilding systems, continued to expand. An optimal IT infrastructure plays an important role in supporting companies' business strategies, and the need for recruiting and cultivating high-quality IT engineers to respond to corporate demand is increasing at an accelerating pace.

In this environment, the Group sought to enhance the value of its services by actively recruiting and cultivating high-quality engineers. The Group also continued to focus on increasing share in the agricultural IT sector through Midori Cloud, which is intended to introduce digital transformation (DX) in primary industry.

Net sales at the Group increased 10.8 % year on year, to 15,263,442 thousand yen, operating profit rose 19.5% year on year, to 1,356,213 thousand yen, and ordinary profit climbed 57.6 % year on year, to 1,836,704 thousand yen. Profit attributable to owners of parent increased 89.7 % year on year, to 1,240,783 thousand yen.

Results by business segment were as follows.

1) System Integration

In the system Integration segment, we are promoting support for IT technologies in the existing technical domain, while providing a broad array of services, including IT infrastructure and cloud technologies, business domains with long-term stability, digital creative services, web operations, web system development.

Although both sales and profits declined in the fiscal year under review, given orders received in the public sector in the previous fiscal year and a shift of human resources to digital transformation, we continued to increase human resources in growth fields, including system development and operation, the design and construction of IT infrastructure, and project management. Since the third quarter of the fiscal year under review, we have been focusing on rapidly expanding the number of inexperienced engineers we employ and providing them with training, and have been actively working on strengthening cooperation with business partners to expand the use of external resources.

To enable inexperienced engineers to quickly develop the skills they need, we established and started to use an Actual Equipment Training Project Room. We are using the room also to train young employees, mid-level employees, and leaders so that they can acquire advanced skills.

Net sales in this segment stood at 10,799,029 thousand yen, down 1.1% year on year. Segment profit was 891,101 thousand yen, down 12.7 % year on year.

2) Digital Transformation

The Digital Transformation business provides services using advanced technologies, including customer success solutions centering on support for the use of Salesforce, Cloud & Solution services to protect companies' information assets, increasing operational efficiency using RPA, and Midori Cloud, which uses IT to achieve profitable agricultural businesses.

In the fiscal year under review, sales were strong, reflecting continued growth in needs in different technology

areas.

In the customer success solution business, we recruited human resources more actively than ever and promoted a shift of engineers in the Group to jobs related to digital transformation and strove to cultivate and create Salesforce engineers. We focus also on gaining new customers. We will accelerate the expansion of new customers in an alliance (co-creation of sales force) with NTT DATA Corporation and Netyear Group Corporation.

In agricultural services, we actively proposed digital transformation for the agriculture and livestock industries using Midori Cloud and Farm Cloud to agriculture and livestock businesses and local governments to receive orders. We started a digital transformation consulting service for the agriculture, fisheries, and livestock industries.

We established a new agency system for stronger partnerships, including the use of data, and concluded agreements with 2 companies. We are striving to expand the value of Midori Cloud's assets.

Net sales in this segment came to 4,000,058 thousand yen, up 65.2 % year on year. Segment profit was 418,708 thousand yen, up 161.4% year on year.

3) Mechanical Design and Engineering

In the Mechanical Design and Engineering business, P's Engineering, a consolidated subsidiary, provides 3D CAD technologies, designs machines, dies and other items for other companies, and provides technologies for the quality control of experiments and performance tests. The company expanded services for communications construction and information and telecommunications as fields to provide new technologies.

In the fiscal year under review, the market was affected by the spread of COVID-19. However, demand recovered gradually and capacity utilization increased. In addition, the company won projects in new technology areas. As a result, sales were firm. The company expects to continue to win projects in different fields and will actively recruit and cultivate human resources to expand its corporate size.

Net sales in this segment came to 472,619 thousand yen, up 8.4% year on year. Segment profit was 48,276 thousand yen (a segment loss of 32,780 thousand yen in the previous fiscal year).

4) Others

This segment is the operations of consolidated subsidiary Seraku ECA, which is primarily engaged in paid job placement and temporary staffing services and services for training IT engineers.

The market is continuing to slow due to the spread of COVID-19 in the fiscal year under review. The Group is examining future policies.

Net sales in this segment stood at 2,835 thousand yen, down 89.8% year on year. The segment loss came to 1,872 thousand yen (a segment loss of 13,926 thousand yen in the previous fiscal year).

(2) Financial Position

Assets

Total assets increased 1,388,309 thousand yen from the end of the previous fiscal year to 8,730,681 thousand yen as of the end of the current fiscal year. The main factors were increases of 1,128,656 thousand yen in cash and deposits and 139,227 thousand yen in investments and other assets.

Liabilities

Total liabilities increased 201,751 thousand yen from the end of the previous fiscal year, to 4,114,392 thousand yen. The increase reflected increases of 277,633 thousand yen in accounts payable-other, 148,910 thousand yen in the current portion of long-term borrowings, 117,854 thousand yen in provision for bonuses, 53,753 thousand yen in accounts payable-trade and other increases, and 27,963 thousand yen in income taxes payable, which more than

offset decreases of 255,570 thousand yen in long-term borrowings, 189,220 thousand yen in accrued consumption taxes, and other decreases.

Net assets

Total net assets increased 1,186,557 thousand yen from the end of the previous fiscal year, to 4,616,288 thousand yen. This increase was attributable chiefly to an increase of 1,177,458 thousand yen in retained earnings.

(3) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year amounted to 5,409,507 thousand yen.

Cash flow in each section of the cash flow statement in the current fiscal year and the main factors are as follows.

Cash flows from operating activities

Net cash provided by operating activities totaled 1,467,861 thousand yen.

Cash used for income taxes paid of 565,587 thousand yen, a decrease in accrued consumption taxes of 189,220 thousand yen, an increase in inventories of 39,500 thousand yen, and an increase in prepaid expenses of 33,645 thousand yen was offset by cash provided by profit before income taxes of 1,820,624 thousand yen, depreciation of 31,545 thousand yen, a loss on valuation of investment securities of 15,669 thousand yen, and an increase in accounts payable-other of 258,570 thousand yen, an increase in the provision for bonuses 117,854 and an increase in trade payables of 53,753 thousand yen.

Cash flows from investing activities

Net cash used in investing activities totaled 186,333 thousand yen.

Cash was used for the purchase of insurance funds of 83,602 thousand yen, purchase of property, plant and equipment of 70,627 thousand yen and payments of leasehold and guarantee deposits of 40,171 yen.

Cash flows from financing activities

Net cash used in financial activities totaled 154,674 thousand yen.

Cash provided by proceeds from issuance of shares resulting from exercise of share acquisition rights of 12,222 thousand yen was offset by cash used for repayments of long-term borrowings of 106,660 thousand yen and dividends paid of 59,648 thousand yen.

Reference: Trends in cash flow indicators

	FY8/18	FY8/19	FY8/20	FY8/21
Equity ratio (%)	57.4	52.3	46.7	52.8
Market value-based equity ratio (%)	222.4	176.1	289.7	341.4
Interest-bearing debt to cash flow ratio (year)	0.4	0.5	1.1	0.7
Interest coverage ratio (time)	641.3	802.4	442.0	363.4

Equity ratio: Shareholders' equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

- Notes: 1. Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.
2. Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest.

(4) Outlook

The outlook for the Japanese economy is unclear because of the worldwide COVID-19 pandemic.

In the IT services industry, we expect that there is potential appetite in companies for IT investment such as an increasing need to improve operational efficiency and to make strategic investments for digital transformation. We also believe that needs will continue to grow for IT personnel, including investments in labor-saving due to labor shortages. Going forward, we plan to strengthen our training programs for engineers.

We are also concentrating on becoming more technologically competitive in leading-edge categories of the IT domain and continuing to upgrade our services.

Although the negative impact of COVID-19 on our business activities has not been significant, we will continue to be vigilant about upcoming effects of this crisis on the economy. In addition, we will establish a framework for our businesses that can adapt to any changes in market conditions.

Considering the above, we forecast net sales of 19,000,000 thousand yen, an operating profit of 1,550,000 thousand yen, an ordinary profit of 1,900,000 thousand yen and a profit attributable to owners of parent of 1,250,000 thousand yen.

This forecast is based on information available at the time this report was released. Actual results may differ for a variety of reasons.

2. Basic Approach to the Selection of Accounting Standards

The Seraku Group currently prepares consolidated financial statements using Generally Accepted Accounting Principles in Japan to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY8/20 (As of Aug. 31, 2020)	FY8/21 (As of Aug. 31, 2021)
Assets		
Current assets		
Cash and deposits	4,329,351	5,458,007
Notes and accounts receivable-trade	1,826,711	1,821,004
Work in process	19,453	50,805
Raw materials	36,816	44,965
Other	107,482	123,989
Allowance for doubtful accounts	(4,124)	(2,640)
Total current assets	6,315,690	7,496,131
Non-current assets		
Property, plant and equipment		
Buildings, net	111,892	155,617
Tools, furniture and fixtures, net	22,794	41,651
Other	0	2,621
Total property, plant and equipment	134,686	199,891
Intangible assets		
Goodwill	25,093	15,968
Software	8,692	4,487
Other	1,844	1,729
Total intangible assets	35,630	22,185
Investments and other assets		
Investment securities	132,702	118,454
Deferred tax assets	383,832	397,232
Leasehold and guarantee deposits	214,613	232,343
Other	125,216	264,443
Total investments and other assets	856,364	1,012,473
Total non-current assets	1,026,681	1,234,549
Total assets	7,342,372	8,730,681

	(Thousands of yen)	
	FY8/20 (As of Aug. 31, 2020)	FY8/21 (As of Aug. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	57,323	111,077
Current portion of long-term borrowings	106,660	255,570
Accounts payable-other	924,007	1,201,641
Income taxes payable	369,631	397,595
Accrued consumption taxes	504,583	315,362
Provision for bonuses	639,927	757,781
Provision for loss on order received	-	9,379
Other	170,966	186,645
Total current liabilities	2,773,098	3,235,052
Non-current liabilities		
Long-term borrowings	1,005,570	750,000
Retirement benefit liability	133,900	127,163
Other	72	2,177
Total non-current liabilities	1,139,542	879,340
Total liabilities	3,912,641	4,114,392
Net assets		
Shareholders' equity		
Share capital	297,974	304,085
Capital surplus	495,724	501,835
Retained earnings	2,628,218	3,805,677
Treasury shares	(62)	(199)
Total shareholders' equity	3,421,855	4,611,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65	1,051
Remeasurements of defined benefit plans	3,647	(163)
Total accumulated other comprehensive income	3,712	888
Share acquisition rights	4,162	4,001
Total net assets	3,429,730	4,616,288
Total liabilities and net assets	7,342,372	8,730,681

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

	(Thousands of yen)	
	FY8/20 (Sep. 1, 2019 – Aug. 31, 2020)	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)
Net sales	13,771,620	15,263,442
Cost of sales	10,486,525	11,596,130
Gross profit	3,285,095	3,667,311
Selling, general and administrative expenses	2,150,623	2,311,097
Operating profit	1,134,471	1,356,213
Non-operating income		
Interest and dividend income	2,038	1,619
Subsidy income	31,091	471,610
Other	1,442	11,301
Total non-operating income	34,572	484,531
Non-operating expenses		
Interest expenses	2,252	4,039
Other	1,549	1
Total non-operating expenses	3,801	4,041
Ordinary profit	1,165,242	1,836,704
Extraordinary income		
Gain on reversal of share acquisition rights	233	161
Total extraordinary income	233	161
Extraordinary losses		
Loss on retirement of non-current assets	-	571
Impairment loss	13,825	-
Loss on valuation of investment securities	88,429	15,669
Total extraordinary losses	102,254	16,241
Profit before income taxes	1,063,220	1,820,624
Income taxes-current	516,132	591,993
Income taxes-deferred	(106,913)	(12,153)
Total income taxes	409,218	579,840
Profit	654,002	1,240,783
Profit attributable to owners of parent	654,002	1,240,783

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY8/20 (Sep. 1, 2019 – Aug. 31, 2020)	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)
Profit	654,002	1,240,783
Other comprehensive income		
Valuation difference on available-for-sale securities	(907)	986
Remeasurements of defined benefit plans, net of tax	6,806	(3,810)
Total other comprehensive income	5,898	(2,824)
Comprehensive income	659,901	1,237,959
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	659,901	1,237,959

(3) Consolidated Statement of Changes in Equity

FY8/20 (Sep. 1, 2019 – Aug. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	297,974	495,724	2,018,270	(32)	2,811,937
Changes during period					
Issuance of new shares	-	-			-
Dividends of surplus			(44,054)		(44,054)
Profit attributable to owners of parent			654,002		654,002
Purchase of treasury shares				(29)	(29)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	609,948	(29)	609,918
Balance at end of period	297,974	495,724	2,628,218	(62)	3,421,855

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	972	(3,159)	(2,186)	1,940	2,811,690
Changes during period					
Issuance of new shares					-
Dividends of surplus					(44,054)
Profit attributable to owners of parent					654,002
Purchase of treasury shares					(29)
Net changes in items other than shareholders' equity	(907)	6,806	5,898	2,222	8,120
Total changes during period	(907)	6,806	5,898	2,222	618,039
Balance at end of period	65	3,647	3,712	4,162	3,429,730

FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	297,974	495,724	2,628,218	△62	3,421,855
Changes during period					
Issuance of new shares	6,111	6,111			12,222
Dividends of surplus			(63,325)		(63,325)
Profit attributable to owners of parent			1,240,783		1,240,783
Purchase of treasury shares				(137)	(137)
Net changes in items other than shareholders' equity					
Total changes during period	6,111	6,111	1,177,458	(137)	1,189,543
Balance at end of period	304,085	501,835	3,805,677	(199)	4,611,398

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	65	3,647	3,712	4,162	3,429,730
Changes during period					
Issuance of new shares					12,222
Dividends of surplus					(63,325)
Profit attributable to owners of parent					1,240,783
Purchase of treasury shares					(137)
Net changes in items other than shareholders' equity	986	(3,810)	(2,824)	(161)	(2,985)
Total changes during period	986	(3,810)	(2,824)	(161)	1,186,557
Balance at end of period	1,051	(163)	888	4,001	4,616,288

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY8/20 (Sep. 1, 2019 – Aug. 31, 2020)	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	1,063,220	1,820,624
Depreciation	25,381	31,545
Impairment loss	13,825	–
Amortization of goodwill	9,124	9,124
Loss (gain) on valuation of investment securities	88,429	15,669
Increase (decrease) in allowance for doubtful accounts	1,435	(1,483)
Increase (decrease) in provision for bonuses	92,344	117,854
Increase (decrease) in retirement benefit liability	20,795	(6,737)
Interest and dividend income	(2,038)	(1,619)
Subsidy income	(31,091)	(471,610)
Interest expenses	2,252	4,039
Loss on retirement of non-current assets	-	571
Decrease (increase) in trade receivables	(229,556)	5,706
Decrease (increase) in inventories	(9,600)	(39,500)
Decrease (increase) in prepaid expenses	(39,692)	(33,645)
Increase (decrease) in trade payables	17,574	53,753
Increase (decrease) in accounts payable-other	116,946	258,570
Increase (decrease) in accrued consumption taxes	240,585	(189,220)
Other, net	4,809	(9,163)
Subtotal	1,384,744	1,564,479
Interest and dividends received	1,448	1,371
Interest paid	(2,620)	(4,012)
Proceeds from subsidy income	31,091	471,610
Income taxes paid	(419,133)	(565,587)
Net cash provided by (used in) operating activities	995,530	1,467,861
Cash flows from investing activities		
Payments into time deposits	(2,504)	(6,703)
Proceeds from withdrawal of time deposits	5,060	4,900
Purchase of property, plant and equipment	(63,700)	(70,627)
Purchase of intangible assets	(4,194)	–
Payments of leasehold and guarantee deposits	(55,602)	(40,171)
Net decrease (increase) in short-term loans receivable	15,000	–
Purchase of insurance funds	(54,538)	(83,602)
Other proceeds	25	9,870
Net cash provided by (used in) investing activities	(160,453)	(186,333)
Cash flows from financing activities		
Proceeds from long-term borrowings	900,000	–
Repayments of long-term borrowings	(136,215)	(106,660)
Repayments of lease obligations	(235)	(450)
Dividends paid	(41,413)	(59,648)
Proceeds from issuance of share acquisition rights	2,455	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	12,222
Purchase of treasury shares	(29)	(137)
Net cash provided by (used in) financing activities	724,561	(154,674)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	1,559,639	1,126,853
Cash and cash equivalents at beginning of period	2,723,014	4,282,653
Cash and cash equivalents at end of period	4,282,653	5,409,507

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Additional Information**Impact of the spread of the COVID-19 pandemic on accounting estimates**

The COVID-19 pandemic is having an enormous impact on the global economy and the activities of companies. The outlook for the Japanese economy will probably remain unclear for some time.

Although this crisis has negatively affected the performance of the Seraku Group during the fiscal year ended on August 31, 2021, to certain degree, we do not think this effect has been significant.

Consequently, based on the assumption that the impact will be limited, we estimated the recoverability of deferred tax assets and other estimates for the fiscal year ended on August 31, 2021.

However, there is a risk of this crisis lasting a long time and resulting in a larger than anticipated reduction in the demand for the Seraku Group's services. If this happens, there may be a negative impact on the group's performance and financial position in the fiscal year ending on August 31, 2022 and afterward.

Segment and Other Information**Segment information**

1. Overview of reportable segments

Segments used for financial reporting are the Seraku Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Seraku Group has three reportable segments based on categories used for management that reflect the characteristics of business activities, applicable laws and regulations, and other factors: System Integration, Digital Transformation and Mechanical Design and Engineering.

The main activities of the System Integration segment are IT infrastructure and cloud technologies, digital creative services, web operations, the development of web systems, and other activities. The main activities of the Digital Transformation segment are cybersecurity, data science using the IoT and AI, business intelligence using RPA, and sales and services for the Midori Cloud agricultural remote monitoring system. The main activities of the Mechanical Design and Engineering segment are 3D CAD technologies and the design of machines, dies and other items for other companies.

2. Calculation methods for net sales, profit/loss, assets, liabilities and other items for each reportable segment

The accounting methods for reportable segments are largely the same as those employed to prepare consolidated financial statements. The profit for reportable segments is operating profit.

3. Information related to net sales, profit/loss, assets, liabilities and other items in reportable segments

FY8/20 (Sep. 1, 2019 – Aug. 31, 2020)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount in the consolidated financial statements (Note 3)
	System Integration	Digital Transfor- mation	Mechanical Design and Engineering	Total				
Net sales								
Sales to external customers	10,914,039	2,421,604	426,299	13,761,943	9,677	13,771,620	-	13,771,620
Inter-segment sales and transfers	-	-	9,628	9,628	18,242	27,871	(27,871)	-
Total	10,914,039	2,421,604	435,928	13,771,572	27,920	13,799,492	(27,871)	13,771,620
Segment profit (loss)	1,021,026	160,152	(32,780)	1,148,397	(13,926)	1,134,471	-	1,134,471
Segment assets	-	51,276	130,923	182,199	63,891	246,090	7,096,281	7,342,372
Other items								
Amortization of goodwill	-	-	9,124	9,124	-	9,124	-	9,124
Depreciation	17,758	7,371	252	25,381	-	25,381	-	25,381
Increase in property, plant and equipment, and intangible assets	-	3,001	293	3,294	-	3,294	66,438	69,732
Impairment loss	-	13,825	-	13,825	-	13,825	-	13,825

- Notes: 1. The "Other" business segment consists of activities that are not included in any of the reportable segments, and is primarily engaged in job placement and temporary staffing services and services for training IT engineers.
2. The adjustment to segment profit (loss) includes corporate costs that are not allocated to any of the reportable segments. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments. The adjustment to segment profit (loss) includes inter-segment transaction elimination of 27,871 thousand yen.
3. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.
4. The adjustment of 7,096,281 thousand yen to segment assets includes corporate assets that are not allocated to reportable segments.
5. Corporate assets are not allocated to specific reportable segments, but corporate costs and other expenses associated with these assets are allocated to specific reportable segments using reasonable standards.
6. The 66,438 thousand yen adjustment to increase in property, plant and equipment and intangible assets includes capital expenditures associated with the head office and branch office buildings of 65,538 thousand yen.

FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount in the consolidated financial statements (Note 3)
	System Integration	Digital Transfor- mation	Mechanical Design and Engineering	Total				
Net sales								
Sales to external customers	10,799,029	4,000,058	462,318	15,261,407	2,035	15,263,442	—	15,263,442
Inter-segment sales and transfers	—	—	10,301	10,301	800	11,101	(11,101)	—
Total	10,799,029	4,000,058	472,619	15,271,708	2,835	15,274,544	(11,101)	15,263,442
Segment profit (loss)	891,101	418,708	48,276	1,358,086	(1,872)	1,356,213	—	1,356,213
Segment assets	—	69,504	176,541	246,046	60,313	306,360	8,424,320	8,730,681
Other items								
Amortization of goodwill	—	—	9,124	9,124	—	9,124	—	9,124
Depreciation	17,792	13,478	273	31,545	—	31,545	—	31,545
Increase in property, plant and equipment, and intangible assets	—	583	1,200	1,783	—	1,783	91,217	93,000
Impairment loss	—	—	—	—	—	—	—	—

Notes: 1. The “Other” business segment consists of activities that are not included in any of the reportable segments, and is primarily engaged in job placement and temporary staffing services and services for training IT engineers.

2. The adjustment to segment profit (loss) includes corporate costs that are not allocated to any of the reportable segments. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments. The adjustment to segment profit (loss) includes inter-segment transaction elimination of 11,101 thousand yen.

3. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.

4. The adjustment of 8,424,320 thousand yen to segment assets includes corporate assets that are not allocated to reportable segments.

5. Corporate assets are not allocated to specific reportable segments, but corporate costs and other expenses associated with these assets are allocated to specific reportable segments using reasonable standards.

6. The 91,217 thousand yen adjustment to increase in property, plant and equipment and intangible assets includes capital expenditures associated with the head office and branch office buildings of 83,257 thousand yen.

Per Share Information

(Yen)

	FY8/20 (Sep. 1, 2019 – Aug. 31, 2020)	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)
Net assets per share	248.82	331.77
Net income per share	47.50	89.82
Diluted net income per share	47.47	89.06

Note: The basis of calculating the net income per share and diluted net income per share is as follows:

(Thousands of yen)

	FY8/20 (Sep. 1, 2019 – Aug. 31, 2020)	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)
Net income per share		
Profit attributable to owners of parent	654,002	1,240,783
Amounts not attributable to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	654,002	1,240,783
Average number of common shares outstanding during the period (Shares)	13,767,158	13,813,806
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (Shares)	9,914	118,146
[of which share acquisition rights (Shares)]	[9,914]	[118,146]
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	Five types of share acquisition rights (Number of share acquisition rights: 4,325)	Five types of share acquisition rights (Number of share acquisition rights: 3,751)

Material Subsequent Events

Not applicable.