



**Summary of Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ending August 31, 2022  
(Three Months Ended November 30, 2021)**

[Japanese GAAP]

January 13, 2022

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 Scheduled date of filing of Quarterly Report: January 14, 2022  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes

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

**1. Consolidated Financial Results for the First Quarter Ended November 30, 2021  
(Sep. 1, 2021 to Nov. 30, 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	%
Three months ended Nov. 30, 2021	4,110	16.8	197	(26.5)	318	(34.5)	170	(40.4)
Three months ended Nov. 30, 2020	3,520	11.4	268	27.7	486	130.2	286	137.0

Note: Comprehensive income (millions of yen) Three months ended Nov. 30, 2021: 170 (down 40.2 %)  
 Three months ended Nov. 30, 2020: 285 (up 134.3 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Nov. 30, 2021	12.28	12.19
Three months ended Nov. 30, 2020	20.79	20.56

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Nov. 30, 2021	9,040	4,715	52.1
As of Aug. 31, 2021	8,730	4,616	52.8

Reference: Shareholders' equity (millions of yen) As of Nov. 30, 2021: 4,711 As of Aug. 31, 2021: 4,612

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Aug. 31, 2021	—	0.00	—	5.60	5.60
Fiscal year ending Aug. 31, 2022	—	—	—	—	—
Fiscal year ending Aug. 31, 2022 (forecast)	—	0.00	—	8.60	8.60

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

**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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	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

Note: Revisions to the most recently announced consolidated earnings forecast: None

\* 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) Application of special accounting methods in the preparation of the quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued (common shares)

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

As of Nov. 30, 2021: 13,902,400 shares

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

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

As of Nov. 30, 2021: 130 shares

As of Aug. 31, 2021: 130 shares

3) Average number of shares during the period

Three months ended Nov. 30, 2021: 13,902,270 shares Three months ended Nov. 30, 2020: 13,767,118 shares

\* The current financial report is not subject to quarterly review 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 discussion of the assumptions and other factors considered by Seraku in preparing the above projections, please refer to page 4 of the attachments 1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first quarter of the fiscal year ending in August 2022, the COVID-19 pandemic continued to have a severe impact on the Japanese economy, including signs of a resurgence in some regions of other countries. The domestic economy and corporate earnings remain affected by uncertainty about the future caused by semiconductor supply shortages, a steep rise in the prices of raw materials, and other concerns. However, the number of new COVID-19 cases can be expected to gradually decrease going forward and economic activities may resume thanks to mass vaccination and the effects of measures to curb infections.

In Japan's IT sector, which is the primary business field where the Seraku Group provides its services, investor confidence in IT for digitalization continues to be strong, and demand for IT investment associated with an increase in digital transformation (DX) using advanced technologies such as cloud computing, AI, IoT, big data, and RPA will likely remain strong.

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.

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.

As a result, the Seraku Group/ Net sales increased 16.8% year on year, to 4,110,324 thousand yen, operating profit fell 26.5% year on year, to 197,220 thousand yen, and ordinary profit declined 34.5% year on year, to 318,517 thousand yen. Profit attributable to owners of parent decreased 40.4% year on year, to 170,693 thousand yen.

Results by business segment were as follows.

With the addition of Midori Cloud as a reportable segment in the first quarter of the fiscal year under review, the reportable segments have been changed from the conventional three segments, including System Integration, Digital Transformation, and Mechanical Design and Engineering, to four segments consisting of System Integration, Digital Transformation, Midori Cloud, and Mechanical Design and Engineering. Accordingly, in the year-on-year comparisons below, the figures for the first quarter of the previous year have been restated to reflect the new segment classification.

#### 1) System Integration

The System Integration segment supports IT technologies in the existing technical domains and provides services such as IT infrastructure and cloud technologies constituting a long-term stable business, digital creative services requiring advanced technologies, on-demand application development, and platform system operation.

During the first quarter of the fiscal year under review, the Group work to increase human resources in growth segments such as operation and maintenance of infrastructure systems, project management, programming development, and digital marketing.

System design and development projects and network platform operation projects that account for a large part of the business remained steady without a significant adverse effect.

Net sales in this segment stood at 3,002,521 thousand yen, up 15.9% year on year. Segment profit was 130,950 thousand yen, down 37.0% year on year.

#### 2) Digital Transformation

The Digital Transformation business provides services such as cyber security to protect companies' information assets and customer success solutions centering on support for the widespread use of Salesforce.

In the first quarter of the fiscal year under review, the Group continued to promote the DX shift of engineers engaging in the System Integration business while also focusing on organizational expansion through active recruitment of human resources.

In the customer success solution business, the Group worked to expand its human resource development scheme to respond to an increase in demand for support for the widespread use of Tableau, a leading analysis platform.

Net sales in this segment came to 887,798 thousand yen, up 16.8% year on year. Segment profit was 70,311 thousand yen, down 0.7% year on year.

### 3) Midori Cloud Business

The Midori Cloud business provides a platform service that delivers Midori Cloud and Farm Cloud to support the DX of agriculture, livestock raising, and fishery using IT and solution service to solve individual issues faced by farm producers and distributors.

Of the platform services, the Midori Cloud segment for agriculture has been accumulating orders received by strengthening alliances with agencies having nationwide sales networks.

The Farm Cloud segment for livestock raising worked to increase service value by expanding the function of collaboration with barn facilities.

The solution service segment strived to increase orders received by proposing joint development with agricultural machinery and material manufacturers and analysis of agricultural data using AI and machine learning. At the same time, the Group actively recruited engineers with the expectation of future business growth.

Net sales in this segment amounted to 86,028 thousand yen, up 66.5% year on year. The segment loss was 2,775 thousand yen (segment loss of 21,092 thousand yen in the same period of the previous year).

### 4) 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.

In the first quarter of the fiscal year under review, the Group continued to approach new industries such as communication infrastructure construction and information and communication for carriers in the machinery design field while the market was yet to fully recover to support project development due to stagnation caused by the COVID-19 pandemic.

Projects have been gradually increasing in the new fields, and the Group is actively working on its recruitment and development model.

Net sales in the Mechanical Design and Engineering segment were 135,716 thousand yen, up 17.1% year on year. Segment loss was 151 thousand yen (segment profit of 10,410 thousand yen in the same period of the previous year).

### 5) 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.

Because the market continues to slow due to the impact of COVID-19 in the first quarter of the fiscal year under review, the Group has allocated resources of this business to other focal businesses while paying attention to the timing of market recovery.

This resulted in zero net sales in this segment (segment net sales of 2,035 thousand yen in the same period of the previous fiscal year). Segment loss was 1,114 thousand yen (segment profit in the same period of the previous year was 528 thousand yen.)

**(2) Explanation of Financial Position**

## Assets

Total assets increased 310,089 thousand yen from the end of the previous fiscal year to 9,040,770 thousand yen as of the end of the first quarter of the fiscal year under review. This was a result primarily of increases of 133,484 thousand yen in deferred tax assets, 106,100 thousand yen in notes and accounts receivable -trade and contract assets (“notes and accounts receivable -trade” in the previous fiscal year), 41,852 thousand yen in other current assets, 30,143 thousand yen in cash and deposits, 25,964 thousand yen in other investments and other assets, and 16,220 thousand yen in raw materials, which more than offset a decrease in work in process of 37,513 thousand yen.

## Liabilities

Total liabilities increased 211,057 thousand yen from the end of the previous fiscal year to 4,325,450 thousand yen as of the end of the first quarter of the fiscal year under review. This was attributable largely to increases of 724,663 thousand yen in accounts payable - other and 18,892 thousand yen in accrued consumption taxes, which more than offset decreases of 349,351 thousand yen in provision for bonuses, 95,853 thousand yen in income taxes payable, 59,944 thousand yen in other current liabilities, and 16,665 thousand yen in current portion of long-term borrowings.

## Net assets

Total net assets increased 99,031 thousand yen from the end of the previous fiscal year to 4,715,320 thousand yen as of the end of the first quarter of the fiscal year under review. This increase was attributable chiefly to an increase of 99,100 thousand yen in retained earnings.

**(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements**

There are no revisions to the first half and full year earnings forecasts for the fiscal year ending on August 31, 2022, which were announced on October 15, 2021, in “Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2021.”

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY8/21 (As of Aug. 31, 2021)	First Quarter of FY8/22 (As of Nov. 30, 2021)
Assets		
Current assets		
Cash and deposits	5,458,007	5,488,151
Notes and accounts receivable-trade	1,821,004	—
Notes and accounts receivable - trade, and contract assets	-	1,927,104
Work in process	50,805	13,291
Raw materials	44,965	61,186
Other	123,989	165,841
Allowance for doubtful accounts	(2,640)	(2,037)
Total current assets	7,496,131	7,653,538
Non-current assets		
Property, plant and equipment		
Buildings, net	155,617	152,676
Tools, furniture and fixtures, net	41,651	41,538
Other	2,621	2,461
Total property, plant and equipment	199,891	196,675
Intangible assets		
Goodwill	15,968	13,687
Software	4,487	3,486
Other	1,729	1,700
Total intangible assets	22,185	18,874
Investments and other assets		
Investment securities	118,454	118,296
Deferred tax assets	397,232	530,716
Leasehold and guarantee deposits	232,343	232,260
Other	264,443	290,407
Total investments and other assets	1,012,473	1,171,681
Total non-current assets	1,234,549	1,387,231
Total assets	8,730,681	9,040,770
Liabilities		
Current liabilities		
Accounts payable-trade	111,077	110,674
Current portion of long-term borrowings	255,570	238,905
Accounts payable-other	1,201,641	1,926,304
Income taxes payable	397,595	301,741
Accrued consumption taxes	315,362	334,255
Provision for bonuses	757,781	408,430
Provision for loss on order received	9,379	201
Other	186,645	126,701
Total current liabilities	3,235,052	3,447,213
Non-current liabilities		
Long-term borrowings	750,000	750,000
Retirement benefit liability	127,163	126,236
Other	2,177	2,000
Total non-current liabilities	879,340	878,236

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	FY8/21 (As of Aug. 31, 2021)	First Quarter of FY8/22 (As of Nov. 30, 2021)
Total liabilities	4,114,392	4,325,450

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	(Thousands of yen)	
	FY8/21 (As of Aug. 31, 2021)	First Quarter of FY8/22 (As of Nov. 30, 2021)
Net assets		
Shareholders' equity		
Share capital	304,085	304,085
Capital surplus	501,835	501,835
Retained earnings	3,805,677	3,904,777
Treasury shares	(199)	(199)
Total shareholders' equity	4,611,398	4,710,499
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,051	942
Remeasurements of defined benefit plans	(163)	(122)
Total accumulated other comprehensive income	888	819
Share acquisition rights	4,001	4,001
Total net assets	4,616,288	4,715,320
Total liabilities and net assets	8,730,681	9,040,770

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income  
(For the Three month Period)**

(Thousands of yen)

	First three months of FY8/21 (Sep. 1, 2020 – Nov. 30, 2020)	First three months of FY8/22 (Sep. 1, 2021 – Nov. 30, 2021)
Net sales	3,520,121	4,110,324
Cost of sales	2,716,122	3,185,299
Gross profit	803,998	925,024
Selling, general and administrative expenses	535,586	727,804
Operating profit	268,411	197,220
Non-operating income		
Interest and dividend income	392	391
Subsidy income	216,342	121,629
Other	2,339	196
Total non-operating income	219,074	122,217
Non-operating expenses		
Interest expenses	1,052	920
Miscellaneous loss	1	—
Total non-operating expenses	1,054	920
Ordinary profit	486,430	318,517
Extraordinary income		
Gain on reversal of share acquisition rights	21	—
Total extraordinary income	21	—
Profit before income taxes	486,452	318,517
Income taxes-current	295,741	284,041
Income taxes-deferred	(95,512)	(136,216)
Total income taxes	200,229	147,824
Profit	286,223	170,693
Profit attributable to owners of parent	286,223	170,693

**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Three month Period)**

	(Thousands of yen)	
	First three months of FY8/21 (Sep. 1, 2020 – Nov. 30, 2020)	First three months of FY8/22 (Sep. 1, 2021 – Nov. 30, 2021)
Profit	286,223	170,693
Other comprehensive income		
Valuation difference on available-for-sale securities	246	(109)
Remeasurements of defined benefit plans, net of tax	(911)	40
Total other comprehensive income	(664)	(68)
Comprehensive income	285,558	170,624
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	285,558	170,624

**(3) Notes to Quarterly 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. Regarding the impact of this crisis on the performance of the Seraku Group, there is no significant change at this time in the “Impact of the spread of the COVID 19 pandemic on accounting estimates” which was presented in additional information in the summary of consolidated financial results for the fiscal year ended August 31, 2021.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Changes in Accounting Policies****Adoption of the Accounting Standard for Revenue Recognition**

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. from the beginning of the first quarter under review and recognize revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer.

As a result, revenue recognition for contracts, under which obligations are fulfilled over a certain period of time, among contracts under which, in the past, revenue was recognized at the point when contracts with customers were completed, has been changed to a method of recognizing revenue over a certain period of time based on estimated progress in fulfilling performance obligations. Revenue under those contracts for which a reasonable estimation of progress is not possible and the cost of fulfilling performance obligations is expected to be recovered is recognized using the cost recovery method. The alternative treatment approved under revenue recognition accounting and other standards applies to projects in which the period between the first day of transactions and the expected date of fulfillment of performance obligations is very short. In this case, revenue is not recognized over a certain period of time, but when performance obligations are completely fulfilled.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the first quarter under review are adjusted in retained earnings at the beginning of the first quarter under review, and the new accounting policy is applied from this initial balance. However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not retroactively apply the new accounting policy to the contracts almost all of whose revenue was recognized in compliance with the conventional method before the beginning of the first quarter under review. In addition, we account for all contract changes made prior to the beginning of the first quarter under review by applying the method prescribed in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard based on the contract terms, after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the first quarter under review.

As a result, net sales increased 23,862 thousand yen, cost of sales increased 16,163 thousand yen, and operating profit, ordinary profit, and profit before income taxes increased 16,721 thousand yen each for the first quarter of the fiscal year under review. Balance of retained earnings at the beginning of the period rose 6,260 thousand yen.

With the application of the Revenue Recognition Accounting Standard, notes and accounts receivable - trade presented in current assets in the consolidated balance sheets for the previous fiscal year is included in notes and accounts receivable - trade, and contract assets in the consolidated balance sheets from the first quarter under review. Pursuant to the transitional provisions in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the

Company did not reclassify balance sheet amounts for the previous fiscal year according to a new presentation. Moreover, in accordance with the provisional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information that decomposes revenue from contracts with customers for the first quarter of the previous fiscal year is not stated.

### Segment and Other Information

Segment information

First three months of FY8/21 (Sep. 1, 2020 - Nov. 30, 2020)

Information related to net sales and profit/loss in reportable segments

(Thousands of yen)

	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	System Integration	Digital Transfor- mation	Midori Cloud	Mechanical Design and Engineering	Total				
Net sales									
Sales to external customers	2,591,399	760,426	51,660	114,598	3,518,085	2,035	3,520,121	-	3,520,121
Inter-segment sales and transfers	-	-	-	1,260	1,260	-	1,260	(1,260)	-
Total	2,591,399	760,426	51,660	115,858	3,519,345	2,035	3,521,381	(1,260)	3,520,121
Segment profit	207,776	70,788	(21,092)	10,410	267,882	528	268,411	-	268,411

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 includes corporate costs that are not allocated to any of the reportable segments and inter-segment transaction elimination of minus 1,260 thousand yen. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments.

3. Segment profit is adjusted with operating profit shown on the quarterly consolidated statement of income.

First three months of FY8/22 (Sep. 1, 2021 - Nov. 30, 2021)

## 1. Information related to net sales and profit/loss in reportable segments

(Thousands of yen)

	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	System Integration	Digital Transfor- mation	Midori Cloud	Mechanical Design and Engineering	Total				
Net sales									
Sales to external customers	3,002,521	887,798	86,028	133,976	4,110,324	—	4,110,324	—	4,110,324
Inter-segment sales and transfers	—	—	—	1,740	1,740	—	1,740	(1,740)	—
Total	3,002,521	887,798	86,028	135,716	4,112,064	—	4,112,064	(1,740)	4,110,324
Segment profit	130,950	70,311	(2,775)	(151)	198,334	(1,114)	197,220	—	197,220

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 includes corporate costs that are not allocated to any of the reportable segments and inter-segment transaction elimination of minus 1,740 thousand yen. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments.

3. Segment profit is adjusted with operating profit shown on the quarterly consolidated statement of income.

## 2. Matters related to changes in reportable segments

Beginning the first quarter of the fiscal year under review, the Midori Cloud business providing Midori Cloud and Farm Cloud that support DX of agriculture, livestock raising, and fishery using IT included in the Digital Transformation business in the past has been changed to a reportable segment and presented as such in the financial statements, taking into account the quantitative and qualitative significance of Midori Cloud in the future, after reconsidering it as a new source of business revenue in view of the future business development and management system. The reportable segments thus have changed from the conventional three, System Integration, Digital Transformation, and Mechanical Design and Engineering, to four, including System Integration, Digital Transformation, Midori Cloud, and Mechanical Design and Engineering.

The segment information for the first quarter of the previous fiscal year has been prepared and presented based on the classification of reportable segments after the change.

**Material Subsequent Events**

Not applicable.