



**Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending August 31, 2022
(Six Months Ended February 28, 2022)**

[Japanese GAAP]

April 13, 2022

Company name: SERAKU Co., Ltd. Listing: Tokyo Stock Exchange (First Section)
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Scheduled date of filing of Quarterly Report: April 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 Second Quarter Ended February 28, 2022
(Sep. 1, 2021 to Feb. 28, 2022)**

(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	%
Six months ended Feb. 28, 2022	8,485	16.7	391	(45.3)	694	(37.5)	457	(34.9)
Six months ended Feb. 28, 2021	7,268	11.0	716	62.3	1,110	148.9	703	147.0

Note: Comprehensive income (millions of yen) Six months ended Feb. 28, 2022: 457 (down 34.8 %)
 Six months ended Feb. 28, 2021: 701 (up 144.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Feb. 28, 2022	32.91	32.71
Six months ended Feb. 28, 2021	51.00	50.48

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Feb. 28, 2022	8,930	5,004	56.0
As of Aug. 31, 2021	8,730	4,616	52.8

Reference: Shareholders' equity (millions of yen) As of Feb. 28, 2022: 5,000 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	-	0.00	-	-	-
Fiscal year ending Aug. 31, 2022 (forecast)	-	-	-	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
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 Feb. 28, 2022:	13,938,000 shares	As of Aug. 31, 2021:	13,902,400 shares
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2) Number of treasury shares as of the end of the period

As of Feb. 28, 2022:	130 shares	As of Aug. 31, 2021:	130 shares
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3) Average number of shares during the period

Six months ended Feb. 28, 2022:	13,915,448 shares	Six months ended Feb. 28, 2021:	13,785,640 shares
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* 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

During the first half under review, the number of new COVID-19 cases gradually decreased chiefly given an increase in the vaccination rate and the effects of measures to curb infections, and there were expectations that economic activities would resume. However, the number of new cases rose again with the emergence of a new variant, and the future of the Japanese economy remained uncertain. Moreover, heightened international tensions with the materialization of geopolitical risk in late February led to uncertainty about the direction of the global economy. Concern over the impact on the Japanese economy increased.

In Japan's IT sector, which is the primary business field where the Seraku Group provides its services, investor confidence in IT continues to be strong, reflecting the rapid expansion of the digital economy, 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's net sales increased 16.7% year on year, to 8,485,726 thousand yen, operating profit fell 45.3% year on year, to 391,856 thousand yen, and ordinary profit declined 37.5% year on year, to 694,765 thousand yen. Profit attributable to owners of parent decreased 34.9% year on year, to 457,989 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 same period of the previous year have been restated to reflect the new segment classification.

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, and application software development.

In the first half, as we expected to continue winning projects steadily, primarily in the fields of the design and building of IT infrastructure and cloud infrastructure, the operation, maintenance and monitoring of servers and cloud systems, and the development of software and applications, we actively worked on recruitment and technical education. We also expanded the use of external resources, participating in joint projects and strengthening technical cooperation with business partners.

Net sales in this segment stood at 6,160,267 thousand yen, up 17.0% year on year. Segment profit was 273,306 thousand yen, down 46.4% 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 half 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 Salesforce and Tableau, a leading analysis platform.

Net sales in this segment came to 1,890,068 thousand yen, up 14.5% year on year. Segment profit was 161,880 thousand yen, down 23.5% year on year.

3) Midori Cloud

The Midori Cloud business provides a platform service, including Midori Cloud and Farm Cloud, to support the DX of the agriculture, livestock, and fisheries sectors using IT and a solution service to solve individual issues, particularly those faced in primary industries. It also conducts research and development to add value to platforms.

During the first half under review, in the platform service, the Group took steps to accumulate orders by strengthening alliances with sales agents. In the solution service, the Group expanded services by developing the function of collaboration with other companies' products and services and jointly developing a system to digitize management data in the livestock industry.

The Group actively recruited engineers to expand business and strove to strengthen the development system.

Net sales in this segment amounted to 169,239 thousand yen, up 33.3% year on year. The segment loss was 24,615 thousand yen (segment loss of 27,841 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 half under review, the Group approached 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 continued stagnation caused by the COVID-19 pandemic.

Projects have been increasing in the new fields, and the Group is actively working on its recruitment and technical education.

Net sales in this segment amounted to 273,751 thousand yen, up 20.4% year on year. The segment loss was 16,591 thousand yen (segment profit of 22,511 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 half 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 2,835 thousand yen in the same period of the previous fiscal year). Segment loss was 2,123 thousand yen (segment profit in the same period of the previous year was 38 thousand yen.)

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets increased 200,114 thousand yen from the end of the previous fiscal year to 8,930,795 thousand yen as of the end of the second quarter of the fiscal year under review. This was a result primarily of increases of 241,783 thousand yen in notes and accounts receivable-trade and contract assets ("notes and accounts receivable-trade" in

the previous fiscal year), 75,500 thousand yen in other investments and other assets, and 28,728 thousand yen in other current assets, which more than offset decreases of 113,861 thousand yen in cash and deposits and 26,940 thousand yen in work in process.

Liabilities

Total liabilities increased 187,894 thousand yen from the end of the previous fiscal year to 3,926,498 thousand yen as of the end of the second quarter of the fiscal year under review. This was attributable largely to decreases of 125,460 thousand yen in income taxes payable, 44,969 thousand yen in accounts payable-other, 44,814 thousand yen in accrued consumption taxes, and 33,330 thousand yen in the current portion of long-term borrowings, which more than offset increases of 60,057 thousand yen in the provision for bonuses and 16,011 thousand yen in accounts payable-trade.

Net assets

Total net assets increased 388,009 thousand yen from the end of the previous fiscal year to 5,004,297 thousand yen as of the end of the second quarter of the fiscal year under review. This increase was attributable chiefly to an increase of 386,397 thousand yen in retained earnings.

2) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of the first half under review amounted to 5,294,445 thousand yen.

Cash flows in the first half under review and major contributing factors are as follows.

Cash flows from operating activities

Net cash provided by operating activities totaled 107,269 thousand yen (compared with 739,693 thousand yen provided in the same period of the previous fiscal year).

Cash used for income taxes paid of 366,352 thousand yen, an increase in trade receivables of 241,783 thousand yen, a decrease in accrued consumption taxes of 44,814 thousand yen and other factors of 42,649 thousand yen, was offset by cash provided by profit before income taxes of 694,765 thousand yen, an increase in provision for bonuses of 60,057 thousand yen, depreciation of 21,528 thousand yen.

Cash flows from investing activities

Net cash used in investing activities totaled 113,143 thousand yen (compared with 129,317 thousand yen used in the same period of the previous fiscal year).

Cash was used for the purchase of insurance funds of 82,650 thousand yen and purchase of property, plant and equipment of 27,653 thousand yen.

Cash flows from financing activities

Net cash used in financing activities totaled 109,187 thousand yen (compared with 125,162 million yen used in the same period of the previous fiscal year).

Cash used for dividends paid of 77,713 thousand yen and repayments of long-term borrowings of 33,330 thousand yen.

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

There are no revisions to the full year earnings forecasts for the fiscal year ending 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)	Second Quarter of FY8/22 (As of Feb. 28, 2022)
Assets		
Current assets		
Cash and deposits	5,458,007	5,344,146
Notes and accounts receivable - trade	1,821,004	—
Notes and accounts receivable - trade, and contract assets	-	2,062,787
Work in process	50,805	23,864
Raw materials	44,965	55,033
Other	123,989	152,718
Allowance for doubtful accounts	(2,640)	(1,899)
Total current assets	7,496,131	7,636,650
Non-current assets		
Property, plant and equipment		
Buildings, net	155,617	144,980
Tools, furniture and fixtures, net	41,651	38,256
Other	2,621	2,300
Total property, plant and equipment	199,891	185,537
Intangible assets		
Goodwill	15,968	11,405
Software	4,487	3,066
Other	1,729	1,671
Total intangible assets	22,185	16,144
Investments and other assets		
Investment securities	118,454	117,385
Deferred tax assets	397,232	404,118
Leasehold and guarantee deposits	232,343	231,015
Other	264,443	339,944
Total investments and other assets	1,012,473	1,092,463
Total non-current assets	1,234,549	1,294,145
Total assets	8,730,681	8,930,795

	(Thousands of yen)	
	FY8/21 (As of Aug. 31, 2021)	Second Quarter of FY8/22 (As of Feb. 28, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	111,077	127,089
Current portion of long-term borrowings	255,570	222,240
Accounts payable - other	1,201,641	1,156,671
Income taxes payable	397,595	272,134
Accrued consumption taxes	315,362	270,547
Provision for bonuses	757,781	817,838
Provision for loss on order received	9,379	6,158
Other	186,645	176,575
Total current liabilities	3,235,052	3,049,254
Non-current liabilities		
Long-term borrowings	750,000	750,000
Retirement benefit liability	127,163	125,418
Other	2,177	1,824
Total non-current liabilities	879,340	877,243
Total liabilities	4,114,392	3,926,498
Net assets		
Shareholders' equity		
Share capital	304,085	305,221
Capital surplus	501,835	502,971
Retained earnings	3,805,677	4,192,074
Treasury shares	(199)	(199)
Total shareholders' equity	4,611,398	5,000,068
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,051	310
Remeasurements of defined benefit plans	(163)	(81)
Total accumulated other comprehensive income	888	228
Share acquisition rights	4,001	4,001
Total net assets	4,616,288	5,004,297
Total liabilities and net assets	8,730,681	8,930,795

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(First Six-month Period)**

(Thousands of yen)

	First six months of FY8/21 (Sep. 1, 2020 – Feb. 28, 2021)	First six months of FY8/22 (Sep. 1, 2021 – Feb. 28, 2022)
Net sales	7,268,451	8,485,726
Cost of sales	5,477,474	6,594,887
Gross profit	1,790,976	1,890,838
Selling, general and administrative expenses	1,074,689	1,498,981
Operating profit	716,286	391,856
Non-operating income		
Interest and dividend income	802	804
Subsidy income	392,898	302,594
Other	2,960	1,327
Total non-operating income	396,660	304,725
Non-operating expenses		
Interest expenses	2,068	1,817
Other	1	–
Total non-operating expenses	2,070	1,817
Ordinary profit	1,110,877	694,765
Extraordinary income		
Gain on reversal of share acquisition rights	47	–
Total extraordinary income	47	–
Extraordinary losses		
Loss on retirement of non-current assets	571	–
Loss on valuation of investment securities	11,645	–
Total extraordinary losses	12,217	–
Profit before income taxes	1,098,707	694,765
Income taxes-current	348,575	246,132
Income taxes-deferred	47,117	(9,357)
Total income taxes	395,693	236,775
Profit	703,014	457,989
Profit attributable to owners of parent	703,014	457,989

Quarterly Consolidated Statement of Comprehensive Income
(First Six-month Period)

	(Thousands of yen)	
	First six months of FY8/21 (Sep. 1, 2020 – Feb. 28, 2021)	First six months of FY8/22 (Sep. 1, 2021 – Feb. 28, 2022)
Profit	703,014	457,989
Other comprehensive income		
Valuation difference on available-for-sale securities	603	(741)
Remeasurements of defined benefit plans, net of tax	(1,823)	81
Total other comprehensive income	(1,220)	(659)
Comprehensive income	701,794	457,330
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	701,794	457,330

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY8/21 (Sep. 1, 2020 – Feb. 28, 2021)	First six months of FY8/22 (Sep. 1, 2021 – Feb. 28, 2022)
Cash flows from operating activities		
Profit before income taxes	1,098,707	694,765
Depreciation	14,168	21,528
Amortization of goodwill	4,562	4,562
Loss on retirement of non-current assets	571	—
Loss (gain) on valuation of investment securities	11,645	—
Increase (decrease) in allowance for doubtful accounts	(726)	(741)
Increase (decrease) in provision for bonuses	55,218	60,057
Increase (decrease) in retirement benefit liability	(3,736)	(1,744)
Interest and dividend income	(802)	(804)
Subsidy income	(392,898)	(302,594)
Interest expenses	2,068	1,817
Decrease (increase) in trade receivables	43,216	(241,783)
Decrease (increase) in inventories	(159,596)	16,872
Decrease (increase) in prepaid expenses	(11,501)	13,481
Increase (decrease) in trade payables	109,271	16,011
Increase (decrease) in accounts payable - other	84,148	(21,809)
Increase (decrease) in accrued consumption taxes	(271,614)	(44,814)
Other, net	105,610	(42,649)
Subtotal	688,312	172,155
Interest and dividends received	684	686
Interest paid	(2,008)	(1,815)
Proceeds from subsidy income	392,898	302,594
Income taxes paid	(340,194)	(366,352)
Net cash provided by (used in) operating activities	739,693	107,269
Cash flows from investing activities		
Payments into time deposits	(501)	(1,200)
Purchase of property, plant and equipment	(45,662)	(27,653)
Purchase of intangible assets	—	(602)
Purchase of insurance funds	(82,650)	(82,650)
Payments of leasehold and guarantee deposits	(4,321)	(1,875)
Proceeds from refund of leasehold and guarantee deposits	3,819	838
Net cash provided by (used in) investing activities	(129,317)	(113,143)
Cash flows from financing activities		
Repayments of long-term borrowings	(67,775)	(33,330)
Repayments of lease obligations	(25)	(415)
Dividends paid	(59,611)	(77,713)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,286	2,271
Purchase of treasury shares	(36)	—
Net cash provided by (used in) financing activities	(125,162)	(109,187)
Effect of exchange rate change on cash and cash equivalents	0	—
Net increase (decrease) in cash and cash equivalents	485,213	(115,062)
Cash and cash equivalents at beginning of period	4,282,653	5,409,507
Cash and cash equivalents at end of period	4,767,867	5,294,445

(4) 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 of the fiscal year 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 of the fiscal year under review are adjusted in retained earnings at the beginning of the first quarter of the fiscal year 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 of the fiscal year under review. In addition, we account for all contract changes made prior to the beginning of the first quarter of the fiscal year 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 of the fiscal year under review.

As a result, net sales increased 37,662 thousand yen, cost of sales increased 25,803 thousand yen, and operating profit, ordinary profit, and profit before income taxes increased 20,882 thousand yen each for the first half 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 of the fiscal

year 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 half of the previous fiscal year is not stated.

Segment and Other Information

Segment information

First six months of FY8/21 (Sep. 1, 2020 – Feb. 28, 2021)

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	5,264,875	1,651,143	126,948	223,447	7,266,415	2,035	7,268,451	—	7,268,451
Inter-segment sales and transfers	—	—	—	3,917	3,917	800	4,717	(4,717)	—
Total	5,264,875	1,651,143	126,948	227,364	7,270,332	2,835	7,273,168	(4,717)	7,268,451
Segment profit	509,948	211,629	(27,841)	22,511	716,247	38	716,286	—	716,286

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 adjustments to segment profit (loss) is corporate expenses that are not allocated to each reportable segment. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments.

Segment income (loss) includes elimination of minus 4,717 thousand yen.

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

First six months of FY8/22 (Sep. 1, 2021 – Feb. 28, 2022)

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	6,160,267	1,890,068	169,239	266,149	8,485,726	—	8,485,726	—	8,485,726
Inter-segment sales and transfers	—	—	—	7,601	7,601	—	7,601	(7,601)	—
Total	6,160,267	1,890,068	169,239	273,751	8,493,327	—	8,493,327	(7,601)	8,485,726
Segment profit	273,306	161,880	(24,615)	(16,591)	393,979	(2,123)	391,856	—	391,856

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 adjustments to segment profit (loss) is corporate expenses that are not allocated to each reportable segment. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments.

Segment income (loss) includes elimination of minus 7,601 thousand yen.

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 half 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.