



**Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending August 31, 2023
(Three Months Ended November 30, 2022)**

[Japanese GAAP]

January 13, 2023

Company name: SERAKU Co., Ltd.

Listing: Tokyo Stock Exchange (Prime Market)

Stock code: 6199

URL: <http://www.seraku.co.jp>

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Scheduled date of filing of Quarterly Report: January 13, 2023

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, 2022

(Sep. 1, 2022 to Nov. 30, 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	%
Three months ended Nov. 30, 2022	5,030	22.4	494	150.7	636	99.7	405	137.6
Three months ended Nov. 30, 2021	4,110	16.8	197	(26.5)	318	(34.5)	170	(40.4)

Note: Comprehensive income (millions of yen) Three months ended Nov. 30, 2022: 404 (up 137.1%)
Three months ended Nov. 30, 2021: 170 (down 40.2%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Nov. 30, 2022	29.06		28.96	
Three months ended Nov. 30, 2021	12.28		12.19	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Nov. 30, 2022	10,475		5,803		55.4	
As of Aug. 31, 2022	9,620		5,519		57.3	

Reference: Shareholders' equity (millions of yen) As of Nov. 30, 2022: 5,798 As of Aug. 31, 2022: 5,514

2. Dividends

	Dividend per share					
	1Q-end	2Q-end	3Q-end	Year-end	Total	
	Yen		Yen		Yen	
Fiscal year ended Aug. 31, 2022	-		0.00		8.60	
Fiscal year ending Aug. 31, 2023	-					
Fiscal year ending Aug. 31, 2023 (forecast)			0.00		8.60	

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2023 (Sep. 1, 2022 to Aug. 31, 2023)

(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	9,900	16.7	600	53.1	770	10.8	500	9.2	35.83	
Full year	20,700	15.9	1,420	60.2	1,600	11.6	1,040	7.6	74.53	

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: None

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, 2022:	13,954,000 shares	As of Aug. 31, 2022:	13,954,000 shares
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2) Number of treasury shares as of the end of the period

As of Nov. 30, 2022:	130 shares	As of Aug. 31, 2022:	130 shares
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3) Average number of shares during the period

Three months ended Nov. 30, 2022:	13,953,870 shares	Three months ended Nov. 30, 2021:	13,902,270 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 quarter of the fiscal year ending in August 2023, economic activity in Japan recovered to a certain extent as restrictions on movement and international travel were eased and Japan was entering a new phase of living with COVID-19. However, with a resurgence of COVID-19 cases, surging raw materials and oil prices, and rising prices due to the rapid weakening of the yen, the future of the Japanese economy remained uncertain.

In Japan's IT sector, which is the primary business field where the Group provides its services, 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 at an accelerating pace.

Given this environment, the Group sought to increase the value of services through the development of highly qualified engineers and proceeded with a shift to more internal engineers for DX-related projects.

As a result, the Seraku Group's net sales increased 22.4% year on year, to 5,030,379 thousand yen, operating profit increased 150.7% year on year, to 494,493 thousand yen, and ordinary profit rose 99.7% year on year, to 636,190 thousand yen. Profit attributable to owners of parent increased 137.6% year on year, to 405,553 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.

During the first quarter of the fiscal year under review, we continued to recruit and train engineers to boost business in growth fields such as the design, construction and operation of IT infrastructure, the development and operation of systems, etc. In addition, we worked actively to make the most of external resources by strengthening collaborations with business partners.

Net sales in this segment stood at 3,567,162 thousand yen, up 18.8% year on year. Segment profit was 292,077 thousand yen, up 123.0% year on year.

2) Digital Transformation

We are leveraging advanced technologies in the Digital Transformation business to offer a range of services such as the construction and operation of cloud systems and the deployment of cyber security solutions to protect corporate information assets, in addition to the promotion of the customer success solution business mainly through the provision of support for the widespread use of Salesforce.

In the customer success solution business, we focused on developing new customers and worked on the training and development of dedicated engineers for Salesforce by recruiting human resources and facilitating a shift of internal engineers in to DX-related projects. We will accelerate our efforts to further develop new customers through the facilitation of alliances with NTT DATA Corporation and Resona Holdings, Inc.

Net sales in this segment came to 1,224,041 thousand yen, up 37.9% year on year. Segment profit was 200,001 thousand yen, up 184.5% 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.

In the first quarter of the fiscal year under review, the Group continued to strive to increase orders for solution services and developed and proposed DX solutions in the food value chain.

Net sales in this segment amounted to 96,577 thousand yen, up 12.3% year on year. The segment loss was 12,165 thousand yen (segment loss of 2,775 thousand yen in the same period of the previous year).

4) Mechanical Design and Engineering

In the Mechanical Design and Engineering business, SERAKU Business Solutions, a consolidated subsidiary, provides 3D CAD technologies and technologies for the quality control of experiments and performance tests as well as those for communications system construction and telecommunications.

In the first quarter of 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 the Mechanical Design and Engineering segment were 154,391 thousand yen, up 13.8% year on year. Segment profit was 15,885 thousand yen (segment loss of 151 thousand yen in the same period of the previous year).

5) Others

In this segment, consolidated subsidiary Seraku ECA (the trade name changed to Seraku CCC on August 26, 2022) was primarily engaged in paid job placement and temporary staffing services and services for training IT engineers. It was decided in August that the customer success solution business, which mainly provides support for the widespread use of Salesforce, would be spun off (Date of resolution: August 26, 2022, Effective date: December 1, 2022) and transferred to the consolidated subsidiary Seraku CCC.

This resulted in zero net sales in this segment (zero net sales in the same period of the previous fiscal year). Segment loss was 1,304 thousand yen (segment loss in the same period of the previous year was 1,114 thousand yen.)

(2) Explanation of Financial Position

Assets

Total assets increased 855,569 thousand yen from the end of the previous fiscal year to 10,475,998 thousand yen as of the end of the first quarter of the fiscal year under review. This was a result primarily of increases of 538,278 thousand yen in cash and deposits, 142,762 thousand yen in accounts receivable-trade and contract assets, 111,836 thousand yen in deferred tax assets, 29,539 thousand yen in insurance reserve funds, 27,223 thousand yen in other current assets, and 24,118 thousand yen in leasehold and guarantee deposits.

Liabilities

Total liabilities increased 571,160 thousand yen from the end of the previous fiscal year to 4,672,436 thousand yen as of the end of the first quarter of the fiscal year under review. This was attributable largely to increases of 990,623 thousand yen in accounts payable - other, 117,421 thousand yen in income taxes payable, and 17,727 thousand yen in accrued consumption taxes, which more than offset decreases of 404,210 thousand yen in provision for bonuses, 86,166 thousand yen in other current liabilities, and 60,863 thousand yen in accounts payable-trade.

Net assets

Total net assets increased 284,408 thousand yen from the end of the previous fiscal year to 5,803,561 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 285,550 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, 2023, which were announced on October 14, 2022, in “Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2022.”

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY8/22 (As of Aug. 31, 2022)	First Quarter of FY8/23 (As of Nov. 30, 2022)
Assets		
Current assets		
Cash and deposits	5,658,860	6,197,139
Accounts receivable - trade and contract assets	2,336,637	2,479,399
Work in process	29,306	25,706
Raw materials	56,714	53,109
Other	180,212	207,436
Allowance for doubtful accounts	(1,655)	(1,049)
Total current assets	8,260,076	8,961,743
Non-current assets		
Property, plant and equipment		
Buildings, net	158,670	154,654
Tools, furniture and fixtures, net	40,058	39,260
Other	8,590	7,879
Total property, plant and equipment	207,318	201,794
Intangible assets		
Goodwill	6,843	4,562
Software	1,279	1,160
Other	1,662	1,662
Total intangible assets	9,785	7,385
Investments and other assets		
Investment securities	118,340	118,248
Deferred tax assets	449,378	561,215
Leasehold and guarantee deposits	241,783	265,901
Insurance funds	292,290	321,829
Other	41,454	37,879
Total investments and other assets	1,143,248	1,305,075
Total non-current assets	1,360,352	1,514,254
Total assets	9,620,428	10,475,998

	(Thousands of yen)	
	FY8/22 (As of Aug. 31, 2022)	First Quarter of FY8/23 (As of Nov. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	159,590	98,726
Current portion of long-term borrowings	600,000	600,000
Accounts payable - other	1,251,202	2,241,825
Income taxes payable	244,557	361,979
Accrued consumption taxes	408,820	426,547
Provision for bonuses	912,916	508,706
Provision for loss on order received	896	73
Other	250,915	164,748
Total current liabilities	3,828,899	4,402,608
Non-current liabilities		
Long-term borrowings	150,000	150,000
Retirement benefit liability	113,074	111,086
Other	9,302	8,742
Total non-current liabilities	272,376	269,828
Total liabilities	4,101,275	4,672,436
Net assets		
Shareholders' equity		
Share capital	306,232	306,232
Capital surplus	503,982	503,982
Retained earnings	4,700,243	4,985,793
Treasury shares	(199)	(199)
Total shareholders' equity	5,510,259	5,795,809
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	79	15
Remeasurements of defined benefit plans	3,908	2,931
Total accumulated other comprehensive income	3,987	2,946
Share acquisition rights	4,906	4,805
Total net assets	5,519,152	5,803,561
Total liabilities and net assets	9,620,428	10,475,998

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(First three-month period)**

(Thousands of yen)

	First three months of FY8/22 (Sep. 1, 2021 – Nov. 30, 2021)	First three months of FY8/23 (Sep. 1, 2022 – Nov. 30, 2022)
Net sales	4,110,324	5,030,379
Cost of sales	3,185,299	3,762,274
Gross profit	925,024	1,268,105
Selling, general and administrative expenses	727,804	773,611
Operating profit	197,220	494,493
Non-operating income		
Interest and dividend income	391	391
Subsidy income	121,629	140,781
Other	196	1,270
Total non-operating income	122,217	142,443
Non-operating expenses		
Interest expenses	920	747
Total non-operating expenses	920	747
Ordinary profit	318,517	636,190
Extraordinary income		
Gain on reversal of share acquisition rights	–	100
Total extraordinary income	–	100
Profit before income taxes	318,517	636,290
Income taxes-current	284,041	342,114
Income taxes-deferred	(136,216)	(111,377)
Total income taxes	147,824	230,737
Profit	170,693	405,553
Profit attributable to owners of parent	170,693	405,553

Quarterly Consolidated Statement of Comprehensive Income**(First three-month period)**

	(Thousands of yen)	
	First three months of FY8/22 (Sep. 1, 2021 – Nov. 30, 2021)	First three months of FY8/23 (Sep. 1, 2022 – Nov. 30, 2022)
Profit	170,693	405,553
Other comprehensive income		
Valuation difference on available-for-sale securities	(109)	(63)
Remeasurements of defined benefit plans, net of tax	40	(977)
Total other comprehensive income	(68)	(1,040)
Comprehensive income	170,624	404,512
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	170,624	404,512

(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 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 the previous first quarter financial report.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

First three months of FY8/22 (Sep. 1, 2021 - Nov. 30, 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	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 (loss)	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 (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 1,740 thousand yen.
3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

First three months of FY8/23 (Sep. 1, 2022 - Nov. 30, 2022)

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	3,567,162	1,224,041	96,577	142,598	5,030,379	-	5,030,379	-	5,030,379
Inter-segment sales and transfers	-	-	-	11,792	11,792	-	11,792	(11,792)	-
Total	3,567,162	1,224,041	96,577	154,391	5,042,172	-	5,042,172	(11,792)	5,030,379
Segment profit (loss)	292,077	200,001	(12,165)	15,885	495,798	(1,304)	494,493	-	494,493

- 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 11,792 thousand yen.
3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

Material Subsequent Events

(Absorption-type company split)

At a meeting of the Board of Directors held on August 26, 2022, Seraku resolved to spin off its customer success solution business (hereinafter “CSS Business”), which provides support for the widespread use of Salesforce at Seraku, and transfer it to Seraku CCC Co., Ltd., a wholly owned subsidiary (the effective date is December 1, 2022). The absorption-type company split contract was concluded on the same date.

(i) Name of the company succeeding to the business

Seraku CCC Co., Ltd.

(ii) Business spun off

The operation of cloud systems and support for widespread use of them

(iii) Main reason for absorption-type company split

Companies' IT investment is shifting from investment in system construction to investment in the use of systems and the expansion of achievements. Against this backdrop, the growth potential of the new market for the operation of cloud systems and the promotion of use of them is increasing sharply. Seraku will spin off the CSS Business and expedite decision making and business development at the subsidiary in quick response to the expanding market to accelerate the DX area at the Seraku Group, thereby maximizing its contribution to customers and society.

(iv) Effective date of absorption-type company split

December 1, 2022

(v) Other matters including legal form

A simplified absorption-type company split where Seraku is the split company and Seraku CCC is the succeeding company

(vi) Outline of accounting

The spin-off and transfer is accounted for as a common control transaction under the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).