Results of Operations for the First Quarter of the Fiscal Year Ended August 31, 2023

January 2023

SERAKU

I. Company Overview

Management Policy

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

Company name: SERAKU Co., Ltd.

Established: December 1987

Representative: Tatsumi Miyazaki, Representative Director

Capital: 307,006,300 yen (as of December 31, 2022)

Employees: 3,350 on a consolidated basis (as of November 31, 2022)

Location: Nishishinjuku Prime Square Bldg. 7-5-25 Nishishinjuku, Shinjuku-ku, Tokyo
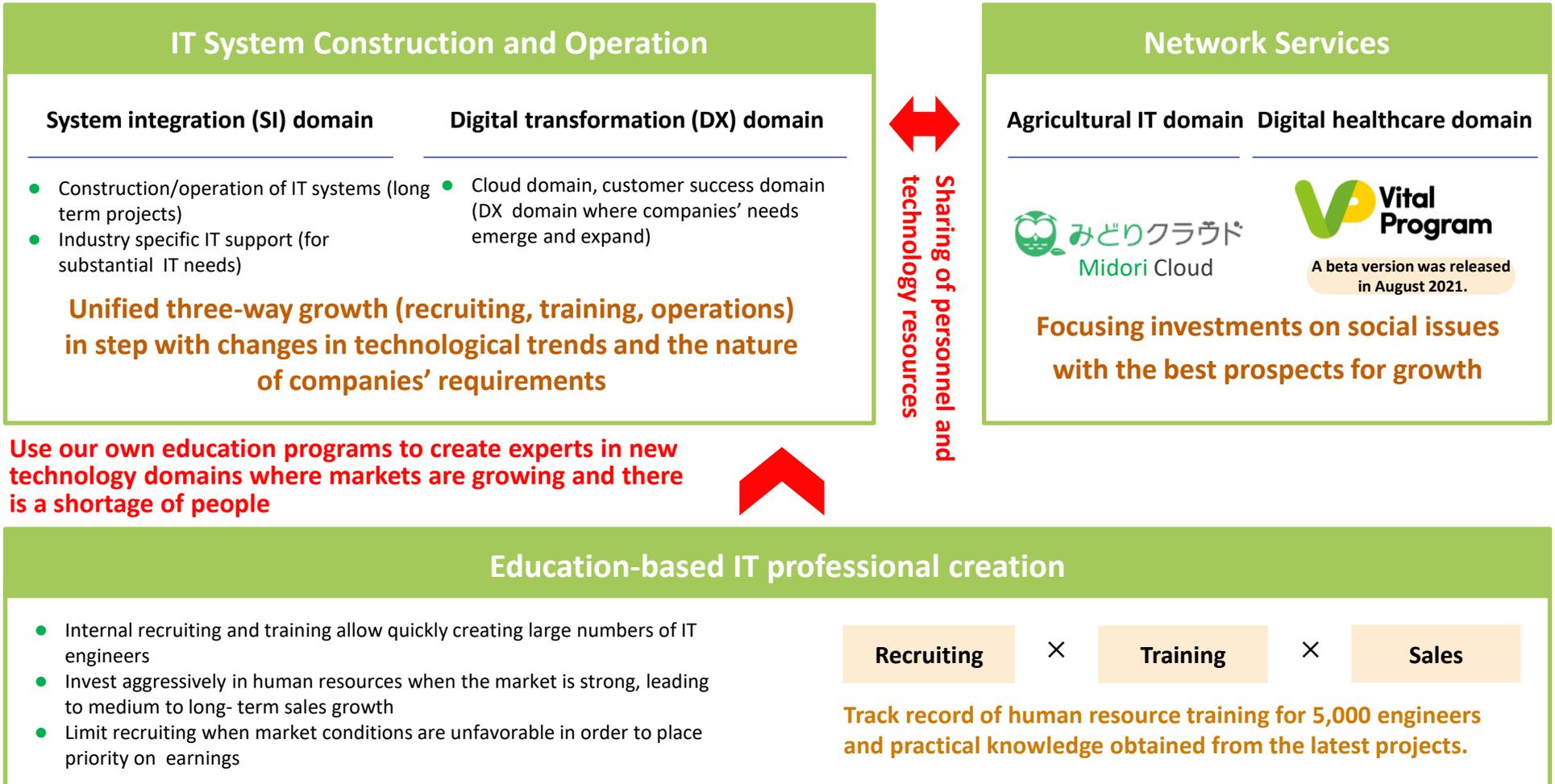
Group companies: SERAKU CCC (wholly owned subsidiary)

SERAKU Business Solutions (wholly owned subsidiary)

Listed exchange: Tokyo Stock Exchange, Prime Market (stock code 6199)

Our Business Model

Based on an "education-oriented IT human resources creation model" that focuses on new technologies, we have a continuously expanding profit structure and invest in growth fields to achieve strong growth.

IT System Construction and Operation

System integration (SI) domain

- Construction/operation of IT systems (long term projects)
- Industry specific IT support (for substantial IT needs)

Digital transformation (DX) domain

- Cloud domain, customer success domain (DX domain where companies' needs emerge and expand)

Unified three-way growth (recruiting, training, operations) in step with changes in technological trends and the nature of companies' requirements

Sharing of personnel and technology resources

Network Services

Agricultural IT domain

みどりクラウド
Midori Cloud

Digital healthcare domain

Vital Program

A beta version was released in August 2021.

Focusing investments on social issues with the best prospects for growth

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

Education-based IT professional creation

- Internal recruiting and training allow quickly creating large numbers of IT engineers
- Invest aggressively in human resources when the market is strong, leading to medium to long-term sales growth
- Limit recruiting when market conditions are unfavorable in order to place priority on earnings

Recruiting × **Training** × **Sales**

Track record of human resource training for 5,000 engineers and practical knowledge obtained from the latest projects.

SERAKU's Competitive Strengths

Recruiting

- Recruiting activities that promote the shift of human resources to the IT sector, a growth industry (hiring people with work experience but no IT experience who have growth potential)
- Recruiting not only new graduates, but also human resources for full-time positions throughout the year nationwide
- Training programs and a lineup of appealing services to allow SERAKU to offer attractive career opportunities; up to 3,000 applications received each month

Training

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

Sales

- More than 100 new corporate customers added each year
- A stable transaction base with major system integrators
- Corporate customers with IT operation issues, in a wide range of industries and businesses

Annual total of customers with whom we engage in transactions

750	
500	
250	
0	FY2018 FY2019 FY2020 FY2021 FY2022
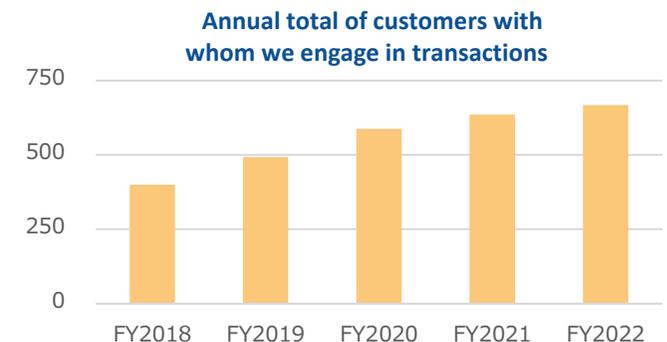
Business Segments and Service Domain

Aim to provide high value added and achieve significant growth in the DX business area by building on our strengths in SI, a business area that will grow stably over a long term.

Digital Transformation (DX)

Facilitate social reform and fast growth with a focus on areas with strong growth potential.

Cloud & Solutions Business

- Infrastructure solutions
- IoT cloud support center
- Cybersecurity

Customer Success Solutions Business

SERAKU CCC

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

Midori Cloud (DX)

Support the primary industry by leveraging the power of IT.

Midori Cloud Business みどりクラウド Midori Cloud

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

System Integration (SI)

Aim to expand business through the stable operation and maintenance of IT systems over the long term and the provision of support to industries that have strong needs for IT.

Construction, operation and maintenance of IT systems

- Operation of IT infrastructures
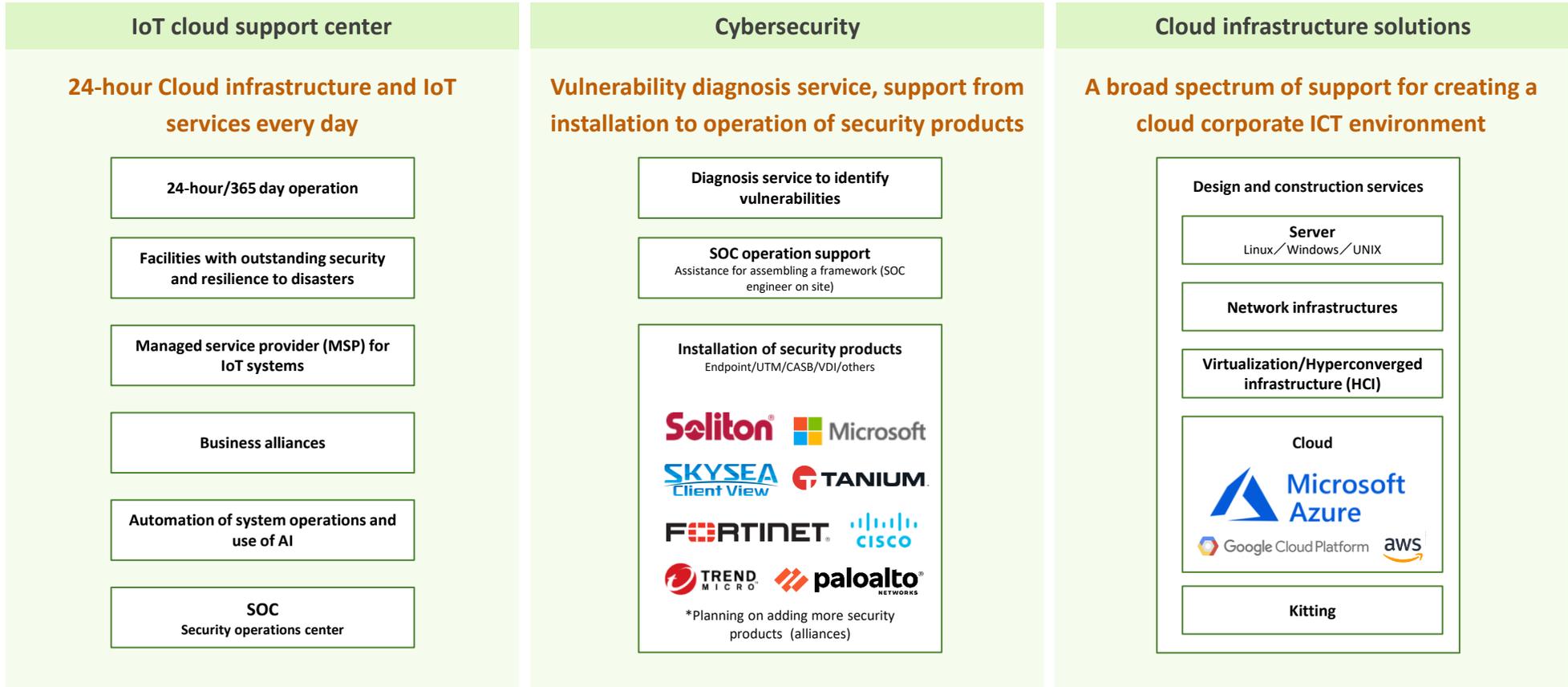- Operation of IT systems

Industry-specific IT support

- Financial/social systems
- Information communication systems
- Enterprise systems

- Service management
- Quality assurance

Mechanical Design and Engineering

SBS (SERAKU Business Solutions)

DX: Cloud & Solutions Business

- Total support for cloud computing in the corporate ICT environment (infrastructure, the Internet of Things) from designing and building to operation, monitoring and security.
- Shifting the focus to DX and cultivating engineers, while strengthening alliances to achieve growth in response to rapidly expanding market demand amid the COVID-19 pandemic

IoT cloud support center	Cybersecurity	Cloud infrastructure solutions

24-hour Cloud infrastructure and IoT services every day

Vulnerability diagnosis service, support from installation to operation of security products

A broad spectrum of support for creating a cloud corporate ICT environment

IoT cloud support center

- 24-hour/365 day operation
- Facilities with outstanding security and resilience to disasters
- Managed service provider (MSP) for IoT systems
- Business alliances
- Automation of system operations and use of AI
- SOC
  Security operations center

Cybersecurity

- Diagnosis service to identify vulnerabilities
- SOC operation support
  Assistance for assembling a framework (SOC engineer on site)

Installation of security products
Endpoint/UTM/CASB/VDI/others

Soliton Microsoft
SKYSEA Client View TANIUM
FORTINET CISCO
TREND MICRO paloalto NETWORKS

*Planning on adding more security products (alliances)

Cloud infrastructure solutions

Design and construction services

- Server
  Linux／Windows／UNIX
- Network infrastructures
- Virtualization/Hyperconverged infrastructure (HCI)
- Cloud
  Microsoft Azure
  Google Cloud Platform aws
- Kitting

The IoT/Cloud Support Center work to improve the quality of services using automation and AI.

DX: Customer Success Solutions Business

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

SFA/CRM utilization support services

Already assisting more than 350 companies due to rapid market growth
Providing utilization support both on site and remotely

salesforce

- Utilization assessment program
- Utilization support service
- Salesforce manager support service

Data utilization support through data analysis and data visualization

+ableau
- Tableau operation using data science engineers
- Data science and business intelligence support centered on customer data

Support for use of marketing automation tools

salesforce marketing cloud
- Marketing Cloud Account Engagement operation
- Digital marketing support using a company's customer data

Capital participation in Resona Digital Hub, a solution provider answering the diverse DX needs of small and medium enterprises

RESONA

- SERAKU invested in Resona Digital Hub Co., Ltd. (RDH), established on April 1, 2022, to commence the operations of the joint venture.
- RDH will construct a platform to open the way for one-stop proposals of diverse IT solutions to the Resona Group's small and medium corporate customers to help them increase productivity and competitiveness.
- SERAKU staff will provide Salesforce.com utilization support through RDH's unique customer success plan. SERAKU will promote use of the cloud services of Salesforce, Microsoft and others that it has developed.

Strengthening collaboration with NTT Data and others, DX acceleration support through utilization support services

SERAKU CCC × NTT DaTa

WingArc1ST
The Data Empowerment Company

intage
Know today, Power tomorrow

NETYEAR

- In April 2021, SERAKU jointly launched a business reform support service with NTT Data Corporation.
- In July 2021, SERAKU strengthened Pardot utilization support service in collaboration with Netyear Group Cooperation.
- In July 2021, SERAKU extended utilization support services in collaboration with WingArc1st Inc.
- In December 2021, SERAKU increased Tableau utilization support service in collaboration with Intage Technosphere Inc.

DX: Customer Success Solutions Business

Updating the curriculum in consideration of market trends

As a market trend, increasing numbers of companies combine MA tools and BI tools and use Salesforce Platform.

In proportion to that trend, needs have increased for cross-cloud human resources, who are versed in multiple products.

Existing training	Adding new content	New added value
Strong in SFA and CRM, the core area of Salesforce	Creating handle multiple products staff Cultivating human resources that will enable advanced utilization support	The creation at an early stage of staff who can handle multiple products will enhance value propositions to customers.

salesforce + salesforce marketing cloud +tableau =

Engineers' skills have improved due to the assignment of full-time trainers, support for acquisition of qualifications, and knowledge sharing.

CERTIFIED Sales Cloud Consultant — Sales Cloud Consultants 141

CERTIFIED Experience Cloud Consultant — Experience Cloud Consultants 82

CERTIFIED Service Cloud Consultant — Service Cloud Consultants 100

CERTIFIED Administrator — Administrators 258

CERTIFIED Pardot Consultant — Pardot Consultants 73

CERTIFIED Tableau CRM and Einstein Discovery Consultant — Tableau CRM and Einstein Discovery Consultants 6

CERTIFIED Advanced Administrator — Advanced Administrators 53

CERTIFIED Pardot Specialist — Pardot Specialists 132

Buoyant IT investment for the use of Salesforce, which is directly connected to the expansion of results

The business will be transferred to SERAKU CCC, a wholly owned subsidiary that will be established through a company split in December 2022.
We will establish the number one brand in the cloud system operation and utilization market

Midori Cloud Business

Agriculture and Fisheries DX Platform(IoT device x Cloud service × Data science)

A platform for agriculture

みどりクラウド
Midori Cloud

A platform for pig and chicken farming

ファームクラウド
Farm Cloud

Environmental measurement and records

Midori monitor/Midori box

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

Total installed locations exceeded

2,800

Remote automated environmental control

Midori Monitoring Environmental Control Option

Controlling windows, curtains, ventilation and other equipment automatically in combination with other companies' products and remotely via an app

Coordination opportunities environmental control

Livestock environment measurement and records

Measuring the environment in livestock buildings using IoT devices and storing measurement data on the cloud to detect abnormal environments and equipment in livestock buildings

Used at more than

160 locations

Production plans and work records

Midori note

Use PCs and smartphones for production plans and records of work performed.

Total number of users is **68**.

Farm management system recommended by the Japan GAP Foundation

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Sales support

Farming support app
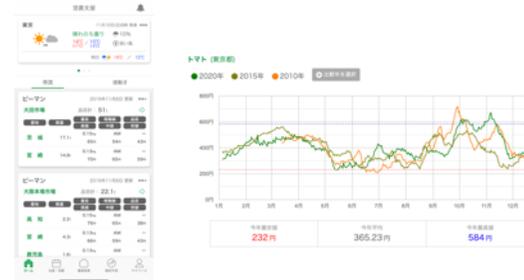
Visually displaying latest market data and price trends in the past ten years or more, and offering chemicals search and weather forecasts

Number of registered users is **4,000**

Livestock building environment control
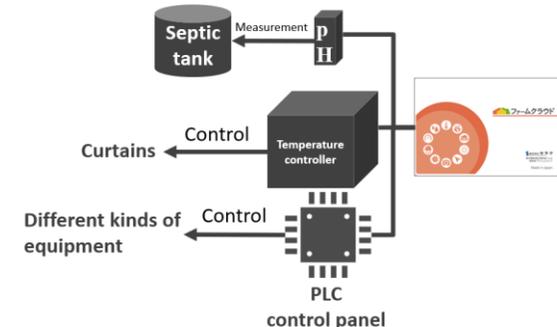
Automatically controlling the environment in connection with curtains and PLC systems used in livestock farming

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Midori Cloud Business

Agriculture and Fisheries solutions

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

Agricultural production support platforms

みどりクラウド
Midori Cloud
ファームクラウド
Farm Cloud

×

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

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

Boosts productivity
- BI tools for visualization
- Development of UI/UX
- AI for automation/laborsaving measures
- Control by using the IoT

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

Develop an environment for remote agricultural guidance using smart agriculture technologies

The Shimane Prefectural Government's Agriculture, Forestry and Fisheries Dept.

Issues | **Difficulty offering on-site growing guidance to new farmers during the pandemic**

New farmers in the prefecture are being introduced to Midori Cloud for the development of an environment where data-based remote growing guidance can be provided.
Data analysis by data scientists and reporting its results encourage prefectural promotion staff to use data.
Management indicator goals are presented to producers by offering environmental data from the Agricultural Technology Center.
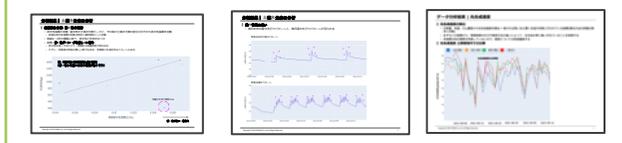
Functional extension in combination with other companies' products and systems

Functional extension in combination with other companies' products and systems
Livestock operators and agricultural producers

Issues | **Desire to remotely monitor the status of equipment operating on production sites**

Sensors for a pig farm's septic tank are connected to Farm Cloud to remotely monitor its operating status.
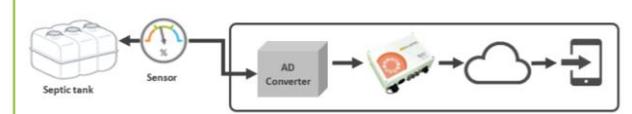
IoT solutions are installed in poultry houses linking PLC systems for data collection to Farm Cloud.
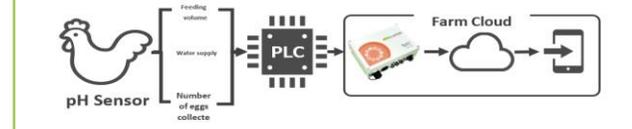
Create a growing manual based on quantitative data

Minamishimabara City Government

Issues | **Failure to effectively use data collected through smart agriculture**

Data from tens of farmers introducing smart agriculture technologies are analyzed to report to them what should be improved in growing. A growing manual using smart agriculture technologies is created by standardizing the methods of installing and using different sensors.
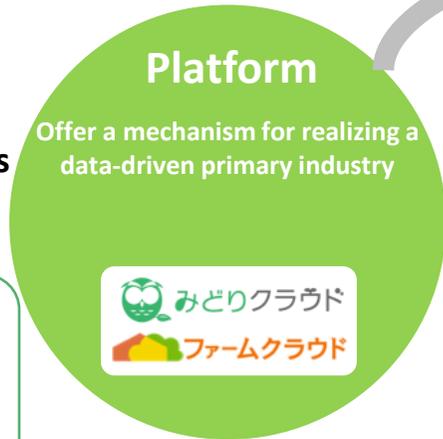
Midori Cloud Business

Interaction between services and research and development develops the whole Midori Cloud business

Use the platform

Platform
Offer a mechanism for realizing a data-driven primary industry

みどりクラウド
ファームクラウド

Solutions
Solve problems in the primary industry and other industrial sectors

Support activities aimed at ubiquitizing smart agriculture in Shimane Prefecture
Develop connectivity functions for environmental control equipment
System for digital livestock management and more.

Sales agencies

Producers, Distributors, Consumers

Manufacturers, system integrators, local governments, Japan Agricultural Cooperatives (JA) and agricultural production corporations

Applying the Ministry of Agriculture, Forestry and Fisheries' introduction support project for nationwide spread of smart agriculture, forestry and fisheries.

Increase added value

Incorporate functions to increase added value
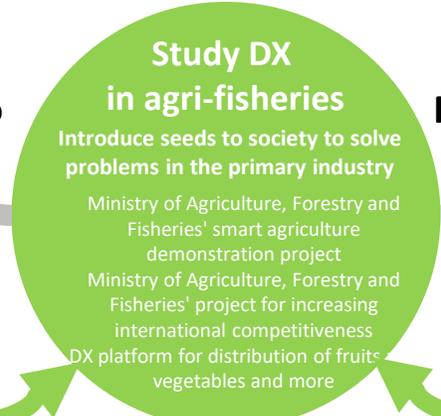
Provide technology assets

Study DX in agri-fisheries
Introduce seeds to society to solve problems in the primary industry

Ministry of Agriculture, Forestry and Fisheries' smart agriculture demonstration project
Ministry of Agriculture, Forestry and Fisheries' project for increasing international competitiveness
DX platform for distribution of fruits vegetables and more

Government and research Institutions Alliance companies

Agricultural production area

Smart agriculture technology applied on asparagus production system (Minamishimabara, Nagasaki Prefecture)

Yield **increases by a maximum of 47.3%** in places where Midori Cloud is introduced.

Experienced producers ベテラン生産者   New farmers 新規就農者
Conventional section 慣行区   ■実証区 Demonstration section
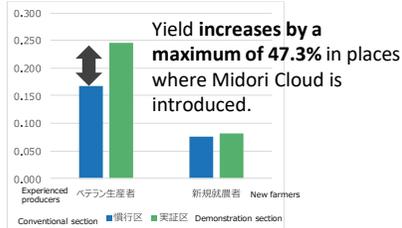
*Ministry of Agriculture, Forestry and Fisheries' project for development and demonstration of smart agriculture technologies (Task Number: Shi-2H04)

Fruit and vegetable distribution area

Visualization of macroscopic data (weather, past results and changes in growing area) affecting the distribution of fruits and vegetables and forecast of shipments from individual areas of production
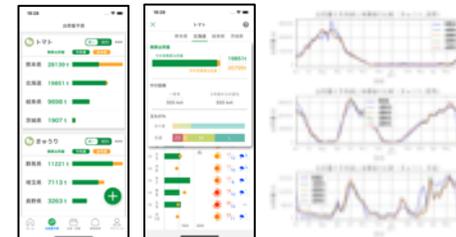
We will start to sell a system using weather data to forecast the timing and volume of shipments of vegetables to JA and volume retailers

*Ministry of Agriculture, Forestry and Fisheries' technology development project for increasing international competitiveness   (Task Number: Mo-3-Ya-3, Task Title: Development of Innovative Farming Support Model)

System Integration Business

- Expand services matched to wide-ranging market needs using abundant resources according to the education-type IT professional development model
- Operate a stock-type business centering on the enduring operation of IT infrastructure and systems to achieve stable growth

Operation of IT infrastructure/systems	Industry-specific IT support

Operation of IT infrastructure/systems

- One-stop services including system construction, operation and maintenance
- More than 75% of business are large scale operation projects that require long term continuous operation.
- The number of customers at locations other than Tokyo (Yokohama, Nagoya, Osaka, Fukuoka) is growing.

Assigning engineers matched to customer needs to enduing IT infrastructure and system operation projects

Industry-specific IT support

- Promoting projects working as a subcontractor for large projects of major system integrators or receiving orders from prime contractors.
- Aim for growth by using collaboration and alliances with partners.
- Train IT professionals with operational knowledge.

Cultiexperts primarily in fields where there are strong needs for IT. Expand business by enlarging trading platforms with major system integrators.

Financial/ social systems

Information communication systems

Enterprise systems

Steady growth under the education-based IT professional creation model and the provision of greater added value by shifting human resource to the DX domain

- SERAKU's exclusive IT professional creation model underpins growth by using introductory lessons and then lessons using actual working environments to train inexperience people so they can be assigned to projects within two to three months
- To provide greater added value, experienced people acquire more advanced skills for DX activities, project management and other challenging positions

Expanding well-developed training and sales systems and turning inexperienced engineers into effective staff members at an early stage

Mechanical Design and Engineering (SERAKU Business Solutions)F

- The segment has been growing steadily thanks to group synergies in recruitment, training and sales since it was included in the SERAKU Group in April 2018.
- It seeks to expand its business domain and areas in which it can develop businesses by leveraging its mechanical design and engineering skills.

Mechanical Design and Engineering

- Provide the manufacturing and construction industries with a range of services such as the design, analysis and creation of various types of data.
- Expand the scope of engineers' activities into other areas related to field engineering, equipment maintenance, quality assurance, communication facility construction and telecommunications, as well as mechanical design and engineering.

Achievement of continuous growth

- Improve engineers' skills and expand the scope of services that can be offered, through the implementation of training on CAD and basic IT-related skills.
- Expand areas in which it can develop businesses into the Tohoku, Chubu, Kinki and Kyushu areas, in addition to the Tokyo area.
- Enhance engineers' skills and added value by continuously providing them with training.

The business size has been increasing since the segment was included in the Group, aided by the SERAKU Group's strengths in recruiting, training and sales.

Net sales (Million yen)

Sales grew by a factor of approximately four in comparison with the level before inclusion in the SERAKU Group.

146 FY2017
565 FY2022

	When included in the SERAKU Group		Present
Number of engineers	18	→	115 (as of the end of Q1 of FY2023)
Annual total of customers with whom we engage in transactions	11	→	37 (FY2022)

P's Engineering was renamed SERAKU Business Solutions in October 2022 due to a change in its trade name.

The company seeks to further expand its businesses by fully leveraging the SERAKU Group's resources.

Vital Program

- Released a beta version of a corporate healthcare cloud service in August 2021 to address mental health issues.
- Going forward, efforts will be focused on providing support for physical health performance.

バイタルプログラム

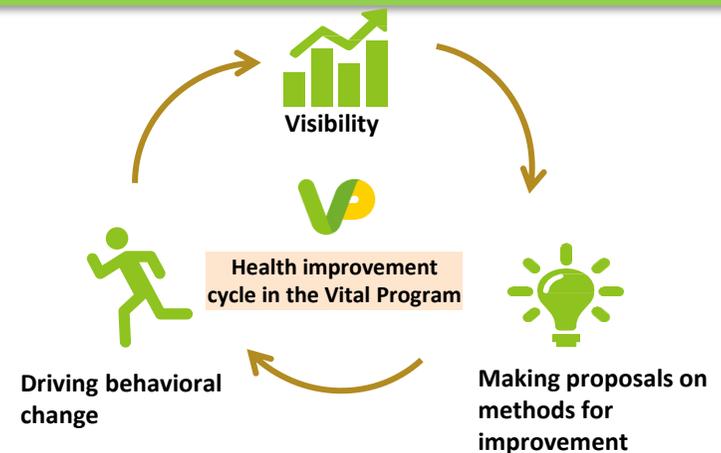**A system in which AI measures and quantifies primarily mental health performance was completed.**

A beta version of Vital Program was released in August 2021. With the upgrade of the AI analysis system in 2022, trial installations and user testing conducted primarily at IT companies were completed.

Upgrades are expected to be made to offer services that help users improve their health in a real environment such as walking.

Seek to make proposals on how to improve health in a real environment by leveraging DX technologies.

Develop a scheme in which users are able to manage their health voluntarily and are inspired to change their behavioral patterns from a range of perspectives, including physical factors.

- The Group will implement health improvement initiatives including health and productivity management for its employees.
- Services will be developed through the analysis of health data, such as the number of steps walked by employees of the SERAKU Group, and data obtained as a result of the Group's implementation of initiatives such as health improvement programs, using statistical methods.
- Efforts will be made to improve practical health management content with a view toward offering services in which proposals are made on how to improve health in a real environment, as well as the development of system functions in the digital healthcare domain.

Visibility

Health improvement cycle in the Vital Program

Driving behavioral change

Making proposals on methods for improvement

Health of employees is made visible and support is provided with respect to their behavioral changes from both physical and mental perspctives

Ⅱ. 1Q FY8/23 Results of Operations

SERAKU

Quarterly net sales

5.0 billion yen

Quarterly net sales exceeded 5.0 billion yen for the first time in the first quarter of the fiscal year ending August 31, 2023.

Engineer utilization rate

(As of Q1 of FY2023)

98%

We achieved a high utilization rate of engineers, including those hired in the previous fiscal year.

Operating profit margin

9.8%

The operating profit margin increased, reflecting progress in the assignment of engineers who completed initial training programs.

Number of engineers

3,017

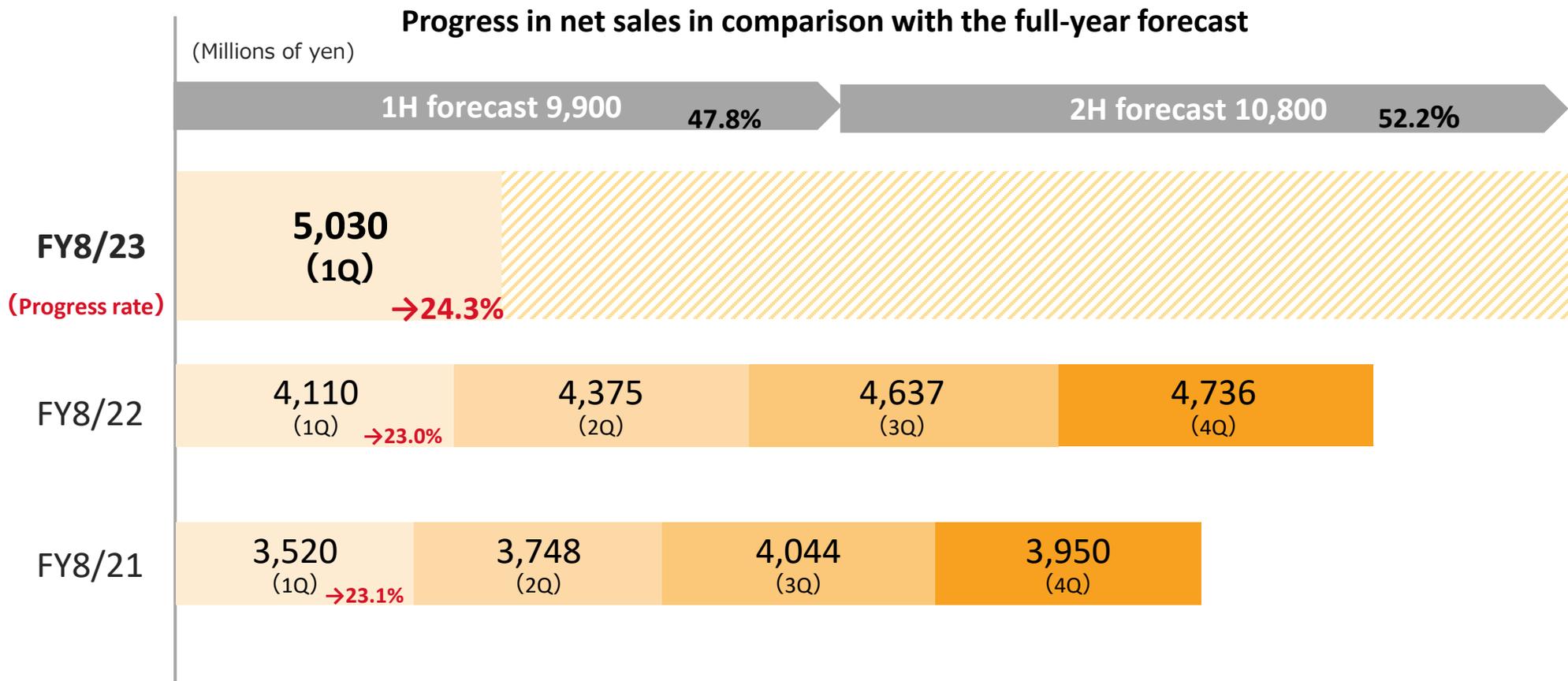We focused on increasing the utilization rate by controlling the recruitment of engineers.

1Q FY8/23 Financial Highlights (1)

- **We achieved a year-on-year rise of 22.4% in net sales by increasing in the number of working engineers.**
- **Profitability increased significantly at all levels, reflecting progress in the assignment of engineers who completed initial training programs to projects.**
- **We will conduct recruiting activities to maintain growth while simultaneously securing a certain level of profitability in the second quarter under review and beyond.**

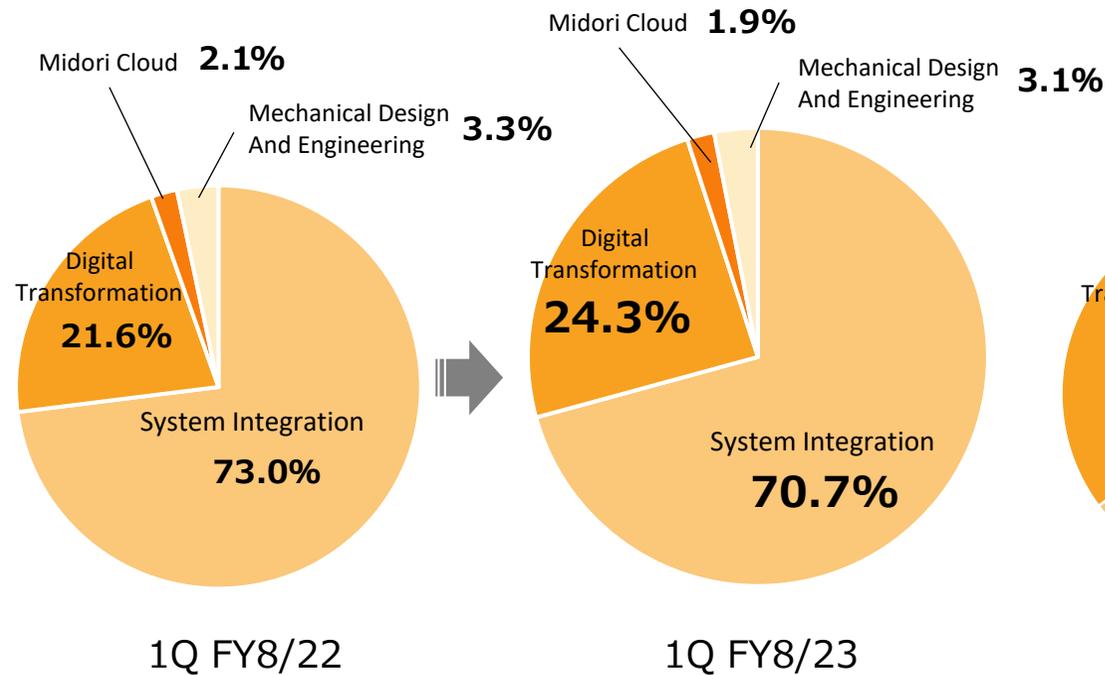| (Millions of yen)	1Q FY8/22 results	(% to sales)	1Q FY8/23 results	(% to sales)	(YoY change)
Net sales	4,110	-	5,030	-	**+22.4%**
Gross profit	925	22.5%	1,268	25.2%	**+37.1%**
Operating profit	197	4.8%	494	9.8%	**+150.7%**
Ordinary profit	318	7.7%	636	12.6%	**+99.7%**
Profit	170	4.2%	405	8.1%	**+137.6%**

1Q FY8/23 Financial Highlights (2)

- **Engineers with no experience contributed to sales after taking part in training programs for several months.**
- **Quarterly net sales exceeded 5.0 billion yen for the first time in the first quarter under review.**
- **The rate of progress in achieving net sales was made as planned in the first quarter under review, although the trend of sales rising mainly in the second half continued.**
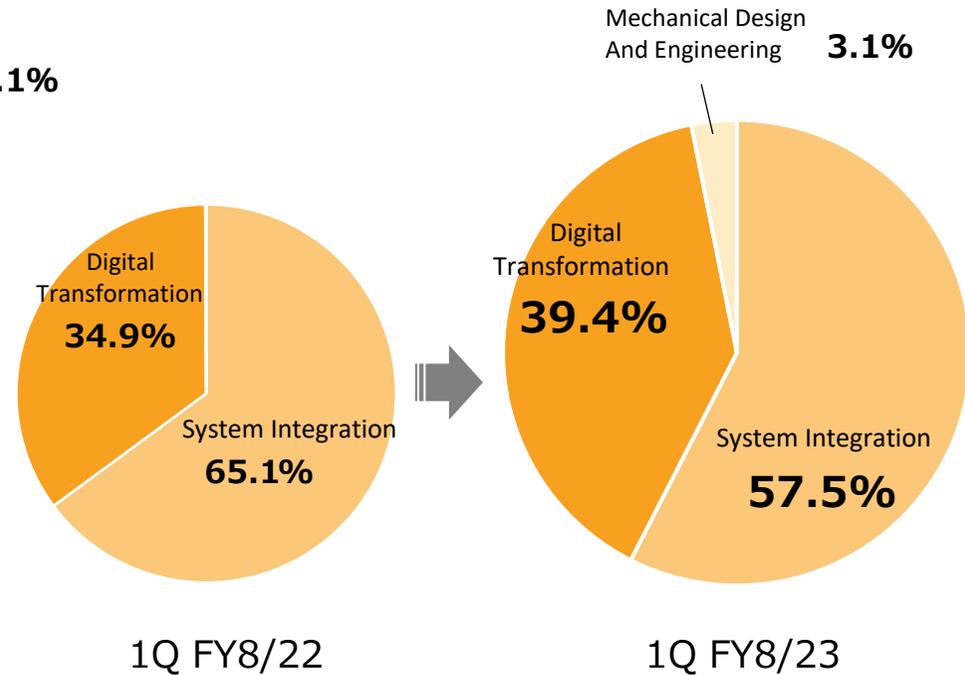
Progress in net sales in comparison with the full-year forecast

(Millions of yen)

| 1H forecast 9,900 | 47.8% | 2H forecast 10,800 | 52.2% |

FY8/23
（Progress rate）

5,030
(1Q)
→24.3%

FY8/22

| 4,110 (1Q) →23.0% | 4,375 (2Q) | 4,637 (3Q) | 4,736 (4Q) |

FY8/21

| 3,520 (1Q) →23.1% | 3,748 (2Q) | 4,044 (3Q) | 3,950 (4Q) |

1Q FY8/23 Financial Highlights (3)

- **Many of the inexperienced engineers recruited in the previous fiscal year started their careers in the SI segment.**
- **The DX segment seeks to achieve strong business growth with a focus on operations for the widespread use of cloud systems.**
- **While increasing sales in the SI segment, and as a result, total net sales, the Company will promote a shift to DX.**

Sales by Business Segment

Midori Cloud **2.1%**

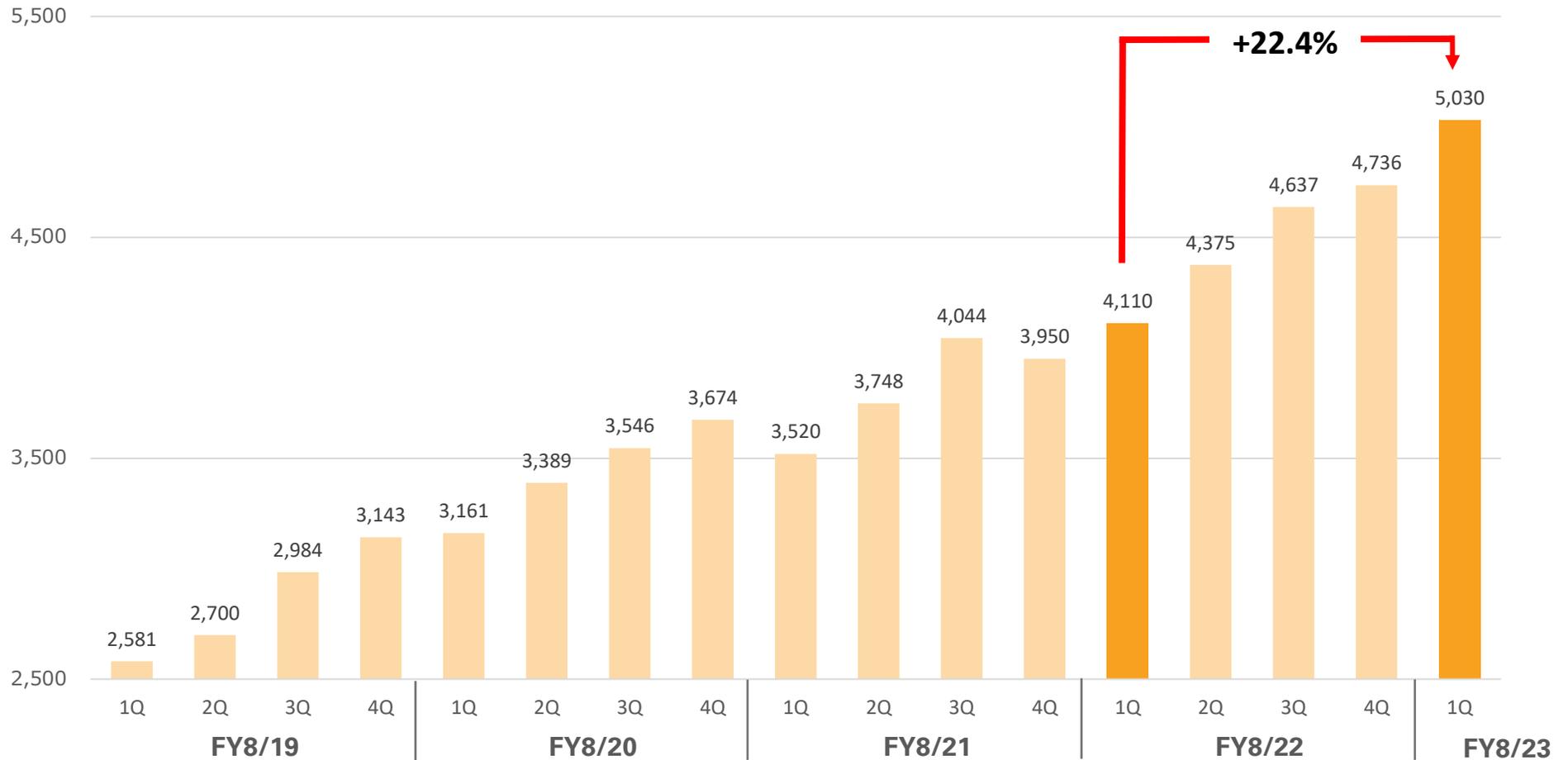Mechanical Design And Engineering **3.3%**

Digital Transformation **21.6%**

System Integration **73.0%**

1Q FY8/22

Midori Cloud **1.9%**

Mechanical Design And Engineering **3.1%**

Digital Transformation **24.3%**

System Integration **70.7%**

1Q FY8/23

Operating Profit by Business Segment

Digital Transformation **34.9%**

System Integration **65.1%**

1Q FY8/22

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

Mechanical Design And Engineering **3.1%**

Digital Transformation **39.4%**

System Integration **57.5%**

1Q FY8/23

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

Quarterly Sales Growth

- **In our revenue model, net sales grow in proportion to rises in the number of working engineers and the utilization rate**
- **Record quarterly net sales were achieved due to steady progress in the assignment to projects of engineers hired in the previous fiscal year.**
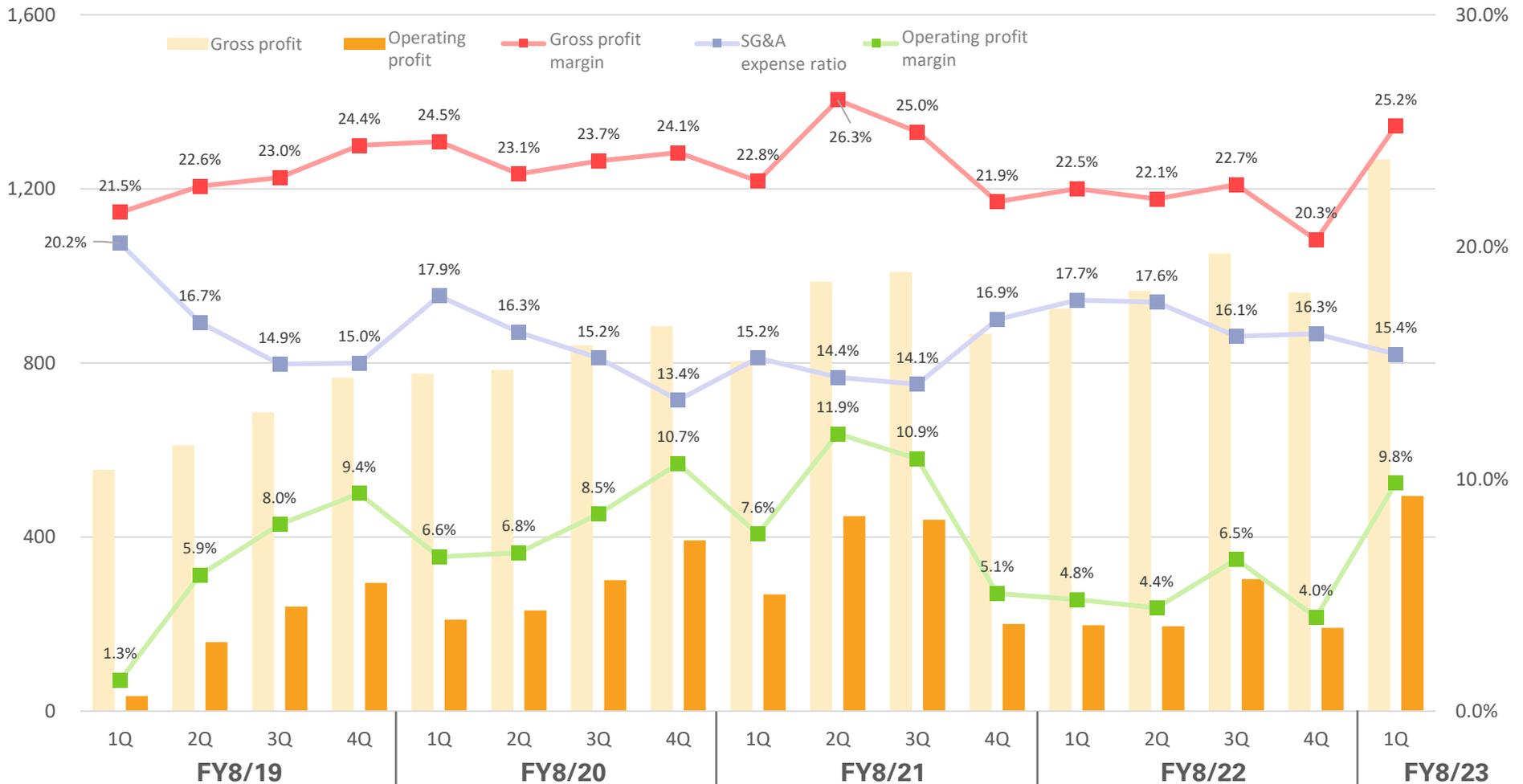
(Millions of yen)

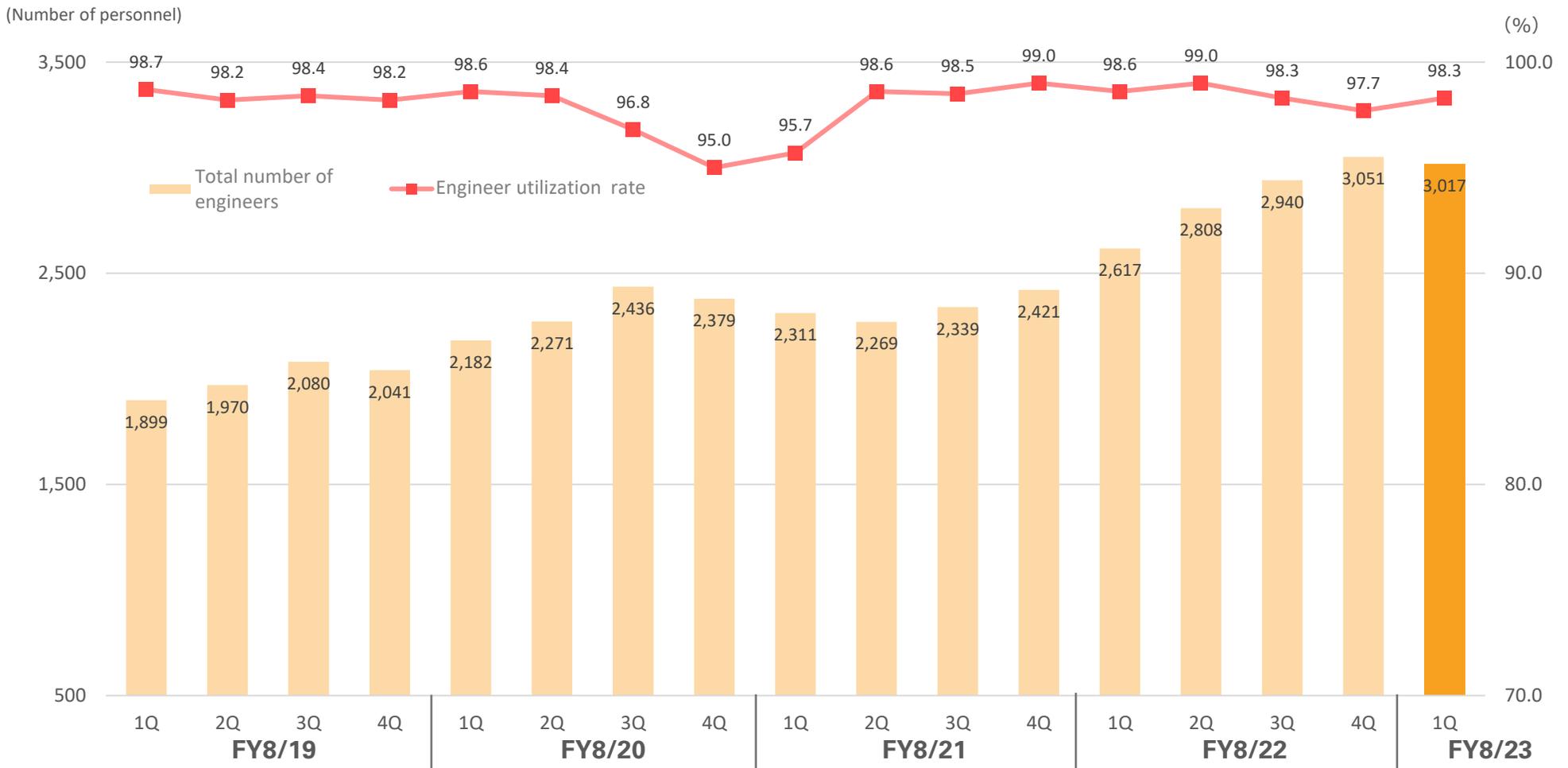|	FY8/19				FY8/20				FY8/21				FY8/22				FY8/23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	2,581	2,700	2,984	3,143	3,161	3,389	3,546	3,674	3,520	3,748	4,044	3,950	4,110	4,375	4,637	4,736	5,030

+22.4%

Quarterly Earnings Growth

- **The gross profit ratio improved significantly due to progress in the assignment of engineers who completed initial training programs.**
- **Recruitment-related investments decreased in the first quarter under review, although investments were made to strengthen businesses.**

（Millions of yen）

Legend: Gross profit | Operating profit | Gross profit margin | SG&A expense ratio | Operating profit margin

Gross profit margin values: 21.5%, 22.6%, 23.0%, 24.4%, 24.5%, 23.1%, 23.7%, 24.1%, 22.8%, 26.3%, 25.0%, 21.9%, 22.5%, 22.1%, 22.7%, 20.3%, 25.2%

SG&A expense ratio values: 20.2%, 16.7%, 14.9%, 15.0%, 17.9%, 16.3%, 15.2%, 13.4%, 15.2%, 14.4%, 14.1%, 16.9%, 17.7%, 17.6%, 16.1%, 16.3%, 15.4%

Operating profit margin values: 1.3%, 5.9%, 8.0%, 9.4%, 6.6%, 6.8%, 8.5%, 10.7%, 7.6%, 11.9%, 10.9%, 5.1%, 4.8%, 4.4%, 6.5%, 4.0%, 9.8%

Periods: 1Q 2Q 3Q 4Q (FY8/19) | 1Q 2Q 3Q 4Q (FY8/20) | 1Q 2Q 3Q 4Q (FY8/21) | 1Q 2Q 3Q 4Q (FY8/22) | 1Q (FY8/23)

Number of Engineers and Utilization Rate

- **The utilization rate decreased in the second half because the number of engineers hired in the first half exceeded the initial plan.**
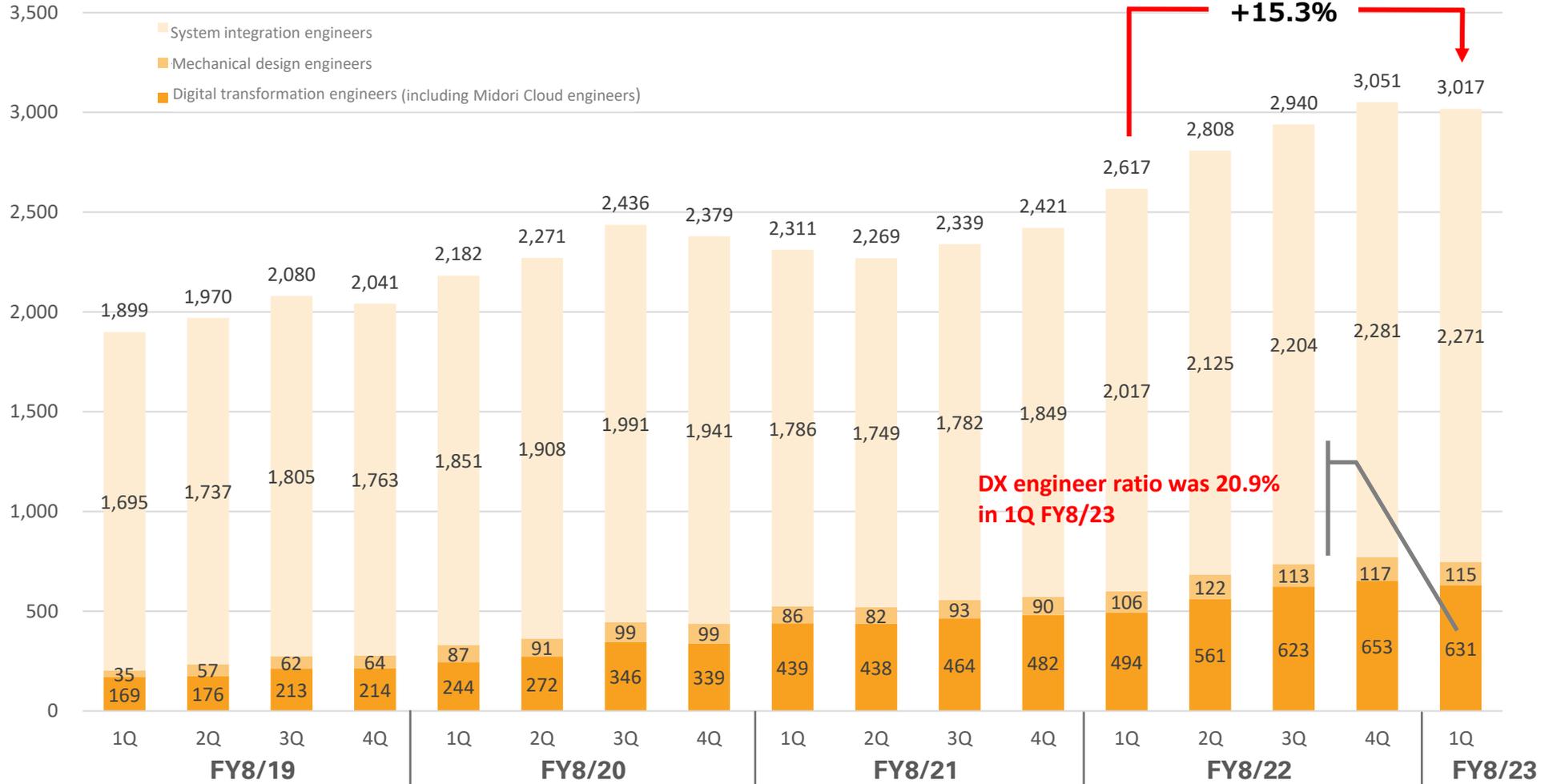- **The utilization rate rose to 98.3% in the first quarter under review due to the strengthening of sales.**

(Number of personnel)

Total number of engineers — Engineer utilization rate

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Engineers	1,899	1,970	2,080	2,041	2,182	2,271	2,436	2,379	2,311	2,269	2,339	2,421	2,617	2,808	2,940	3,051	3,017
Utilization	98.7	98.2	98.4	98.2	98.6	98.4	96.8	95.0	95.7	98.6	98.5	99.0	98.6	99.0	98.3	97.7	98.3

FY8/19 — FY8/20 — FY8/21 — FY8/22 — FY8/23

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

Number of Engineers and Categories

- **While many of inexperienced members started their career as SI engineers, the proportion of DX engineers remained around 20%.**
- **The number of engineers at the end of the first quarter under review declined slightly. Even so, the plan to increase the number of engineers by 120 per year on a net basis will remain unchanged.**
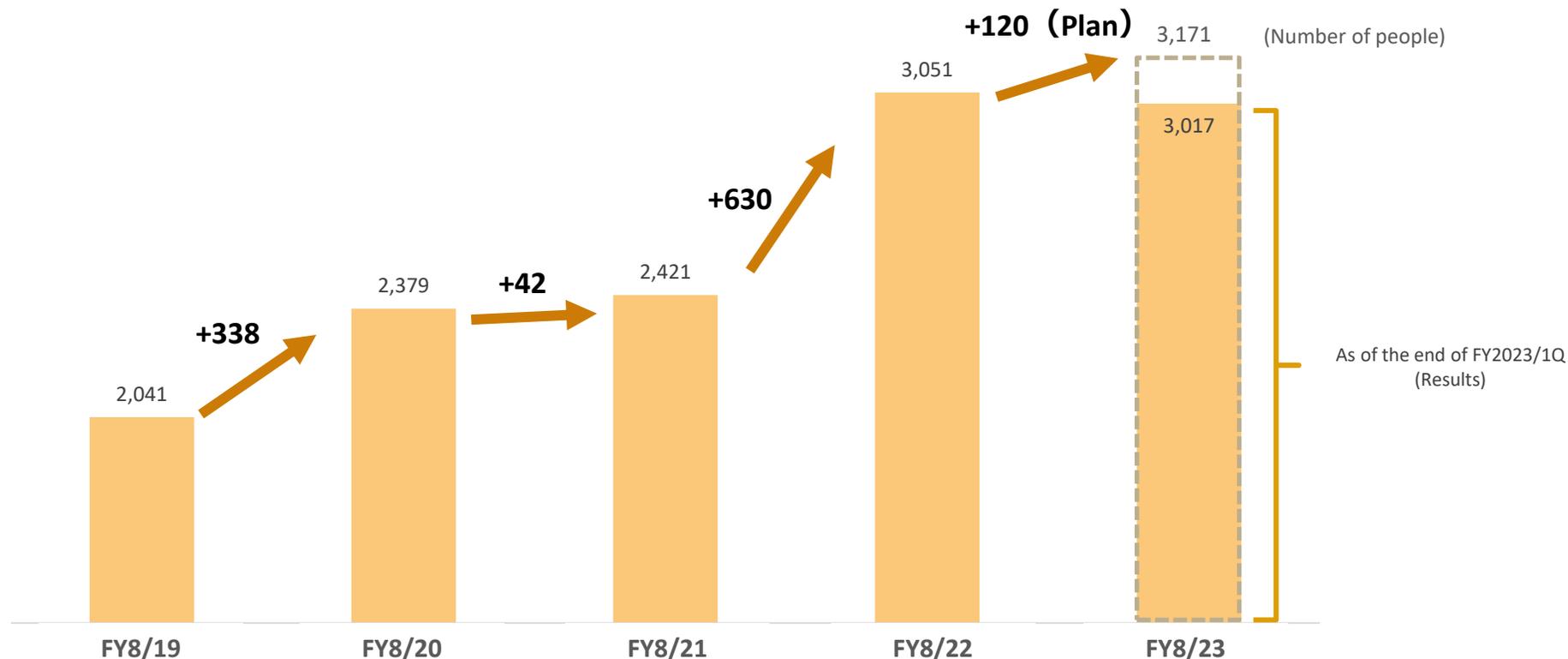
(Number of personnel)

+15.3%

System integration engineers
Mechanical design engineers
Digital transformation engineers (including Midori Cloud engineers)

DX engineer ratio was 20.9% in 1Q FY8/23

	FY8/19				FY8/20				FY8/21				FY8/22				FY8/23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total	1,899	1,970	2,080	2,041	2,182	2,271	2,436	2,379	2,311	2,269	2,339	2,421	2,617	2,808	2,940	3,051	3,017
SI	1,695	1,737	1,805	1,763	1,851	1,908	1,991	1,941	1,786	1,749	1,782	1,849	2,017	2,125	2,204	2,281	2,271
Mechanical	35	57	62	64	87	91	99	99	86	82	93	90	106	122	113	117	115
DX	169	176	213	214	244	272	346	339	439	438	464	482	494	561	623	653	631

Trends in Net Increase in Engineers

We will aim to increase the number of engineers
while maintaining the balance between profitability and investment in growth.

- **In the fiscal year ended August 31, 2021, growth investment was curbed temporarily, reflecting changes in market conditions due to COVID-19.**
- **In the fiscal year ended August 31, 2022, we achieved a record high net increase in the number of engineers.**
- **In the fiscal year ending August 31, 2023, we will conduct recruitment for growth while also seeking to maintain a certain level of profitability.**

+120 （Plan） 3,171 (Number of people)

3,051

3,017

2,421

+630

2,379

+42

2,041

+338

As of the end of FY2023/1Q (Results)

| FY8/19 | FY8/20 | FY8/21 | FY8/22 | FY8/23 |

Topics

- **Mar. 30, 2021** **Cooperation with NTT Data for Creating 500 Business Reform Personnel over Three Years**

  Started in April 1, 2021 a joint business reform support service starting with service utilization support for companies using Salesforce

- **Jul. 27, 2021** **Achieve Microsoft's Gold Cloud Platform Competency**

  SERAKU's technology and use of Microsoft Azure proven by its track record of Microsoft Azure introduction were acknowledged, and SERAKU achieves the highest accreditation in the cloud platform field.

- **Oct. 28, 2021** **We entered into a business collaboration with Toto Kogyo Co., Ltd., which has a high market   share in greenhouse products.**

  We entered into a business collaboration with Toto Kogyo Co., Ltd, a company which has engaged in the greenhouse product business for nearly 60 years, to develop IoT technologies for electric ventilation systems used in greenhouses.

- **Feb 1, 2022** **Investment in the DX Support Subsidiary Set Up by Resona Holdings to Participate in the Joint Venture**

  A business offering Salesforce.com and other solutions to meet diverse DX implementation needs has been launched in collaboration with Resona Group companies and others.

- **Apr 1, 2022** **Concluded Japan's first Customer Success Partner agreement with WalKMe.**

  Develop engineers who provide support for the establishment and use of WalkMe and provide enhanced services for the establishment and utilization of Salesforce in collaboration with WalkMe Ltd.

- **Jun 1,2022** **Opened the Department of Digital Mental Health jointly with a Graduate School of the University of Tokyo.**

  Contribute to the functional enhancement and quality improvement of the Vital Program and, in addition, aim to provide solutions to social issues related to metal healthcare.

- **Jun 6,2022** **Launched a secondary investment business for unlisted IT companies**

  Support the business rehabilitation and re-growth of IT companies facing challenges by leveraging the Company's strengths in recruitment, education and sales. Aim to be number one in Japan in the new, high-growth market and will accelerate growth in the DX area of the SERAKU Group.

- **Aug 26,2022** **SERAKU CCC will succeed the cloud system operation and utilization business through a company split.**

  Aim to be number one in Japan in the new, high-growth market and will accelerate growth in the DX area of the SERAKU Group.

- **Nov.17,2022** **Strengthened collaboration with WHI from the perspective of solution partners.**

  Operation support services were strengthened from the perspective of promoting the widespread use of COMPANY by companies that introduce the service. We will develop 300 dedicated engineers for COMPANY over the next three years.
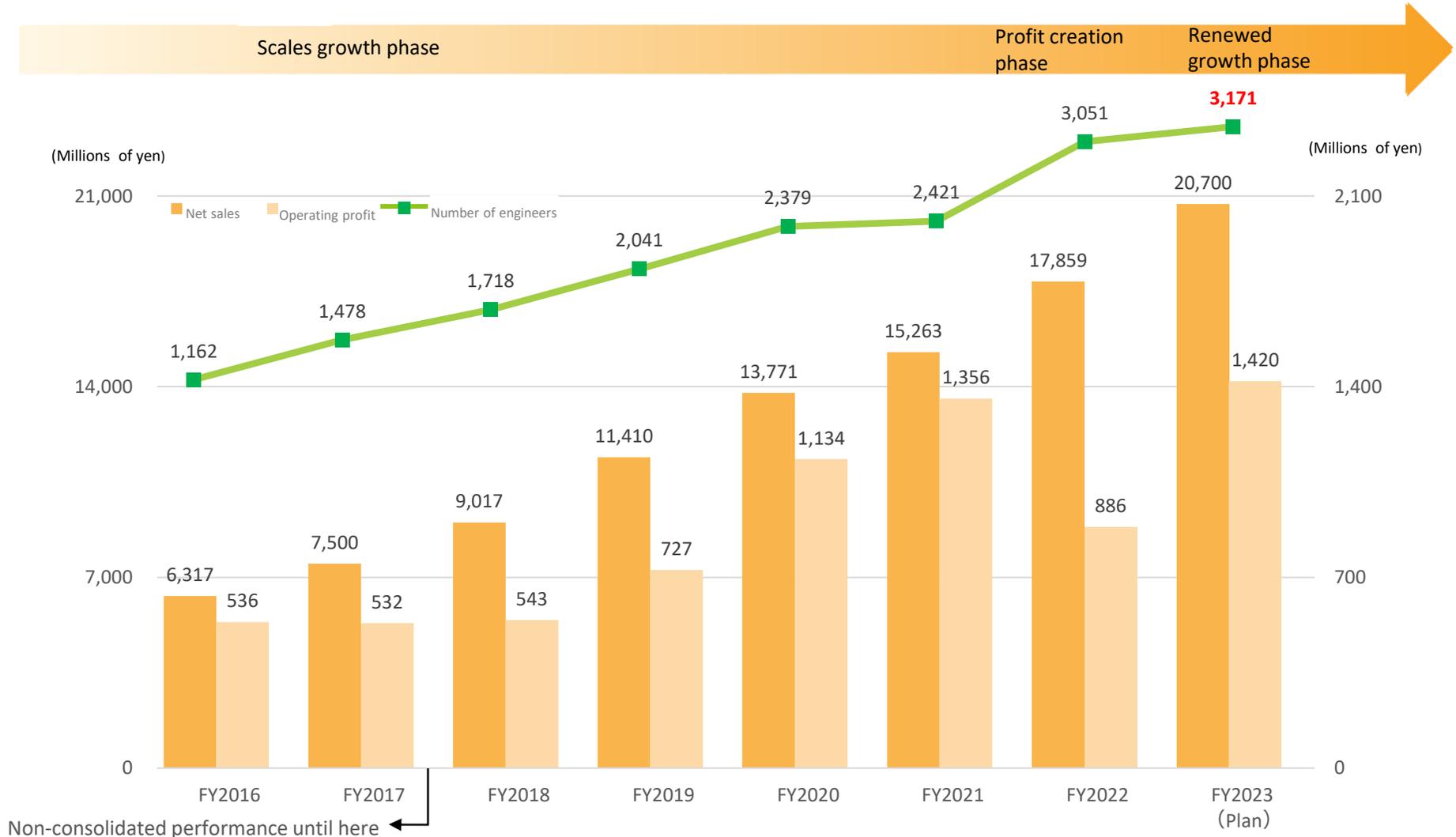
III. FY8/23 Initiatives and Growth Forecast

FY8/23 Plan (1)

- **The number of working engineers will rise. Sales will grow 15.9% year on year.**
- **We will make investments to strengthen businesses in the medium to long term. Meanwhile, the operating profit margin will exceed the year-earlier level.**
- **While we continue to hire new engineers, we will strive to strengthen partnerships and expand primary subcontracts.**

(Millions of yen)	FY8/22 results	(% to sales)	FY8/23 plan	(% to sales)	(YoY change)
Net sales	17,859	-	20,700	-	+15.9%
Operating profit	886	5.0%	1,420	6.9%	+60.2%
Ordinary profit	1,434	8.0%	1,600	7.7%	+11.6%
Profit	966	5.4%	1,040	5.0%	+7.6%
Dividends	8.6yen	-	8.6yen	-	-

FY8/23 Plan (2)

- **We will expand sales systems to raise the utilization rate of the new engineers hired.**

- **While continuing to make investments for growth, we will expand sales and make a profit steadily.**

Scales growth phase | Profit creation phase | Renewed growth phase

(Millions of yen)

Net sales | Operating profit | Number of engineers

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Plan)
Net sales	6,317	7,500	9,017	11,410	13,771	15,263	17,859	20,700
Operating profit	536	532	543	727	1,134	1,356	886	1,420
Number of engineers	1,162	1,478	1,718	2,041	2,379	2,421	3,051	3,171

(Millions of yen)

Non-consolidated performance until here

Growth Forecast in Fiscal Year Ending August 31, 2023 (1)

- Expand sales systems to increase the number of working engineers and gain new customers.

- Win primary subcontracts and strengthen partnerships to create a business structure that will enable us to expand business in the long term as a system integrator.

- Continue to take measures to keep engineers from quitting their jobs for long-term career development and high added-value.

- SERAKU CCC will enter the cloud system operation and utilization market, focusing on Salesforce.

IT professional creation
- Maintain an advantage in recruiting skill. May hire more employees than planned depending on sales and market conditions.
- Cultivate project leaders in anticipation of the expansion of primary subcontracts.

Current businesses
- Change the organizational structure to win primary subcontracts.
- Strengthen partnerships and create a structure that will enable flexible assignment of engineers.
- Continue an engineer's DX shift and strive to increase profit margins and expand high growth projects
- Develop alliances to create projects in all business fields.
- Expand COMPANY, an ERP package for large companies, and the operation support business.
- Enter the cloud system operation and utilization market. First, focus on increasing projects in the area related to Salesforce.
- Commercialize food value chain digital transformation solutions

Number of engineers at end of term

3,171
（ net increase of 120）

Management foundation
- Introduce a talent management system to visualize human resources information and support career development.
- Continue to strengthen the management system and system infrastructure

Create projects as a primary subcontractor, help develop a long-term career, and enter the cloud system operation and utilization market to achieve growth potential in the next generation.

Growth Vision for the Fiscal Year Ending August 31, 2023 (2)

- Make investments to strengthen businesses in the medium to long term and maintain the operating profit margin level in the scale growth phase.
- Can shift the focus to the expansion of recruitment or to earnings if market conditions change significantly.

Recruitment and education of engineers (Expenses for recruitment of new graduates, recruitment of mid-career employees with no experience, recruitment of experienced people, and training for hired engineers, etc. in 2023, 2024, and 2025)	724 million yen
Recruitment of managers	47 million yen
Expansion of buildings at business sites	57 million yen
Marketing for SERAKU CCC	27 million yen
Cultivation of prospective leaders and advanced engineers	23 million yen
Strengthening infrastructure (including system infrastructure)	262 million yen
Total	1,140 million yen

Continue to make growth investments to strengthen business in the medium to long term.

Medium-term Vision

The medium-term plan has the goal of raising sales to 50 billion yen in FY8/27.

We have revised the plan based on our forecasts for businesses for which we have numerical projections. We expect that we will make steady progress to achieve the goal two years after the target fiscal year we specified in the initial plan.

- Based on our IT professional creation and the diverse job opportunities that we provide to engineers, we have created an environment in which engineers can fulfill their potential, leading to the sustained growth of the company.
- Establish a business to raise both profit margins and the speed of growth by shifting engineers to the DX domain while achieving stable growth in the System Integration business, where demand is expected to remain firm
- Accelerate growth in a new market for cloud system operation and utilization.
- Continue to make efforts to achieve the following goals.
  - ✓ M&A in market sectors with the potential for synergy with existing businesses and the provision of SERAKU's recruiting, education and sales expertise to newly acquired companies and businesses for growth.
  - ✓ Launch businesses based on IT that target social issues with growth potential in order to add more sources of growth

Mechanical Design And Engineering
1.32billion yen

Midori Cloud
1.69billion yen

12.07billion yen

Digital Transformation (DX)

35.00billion yen

System Integration (SI)
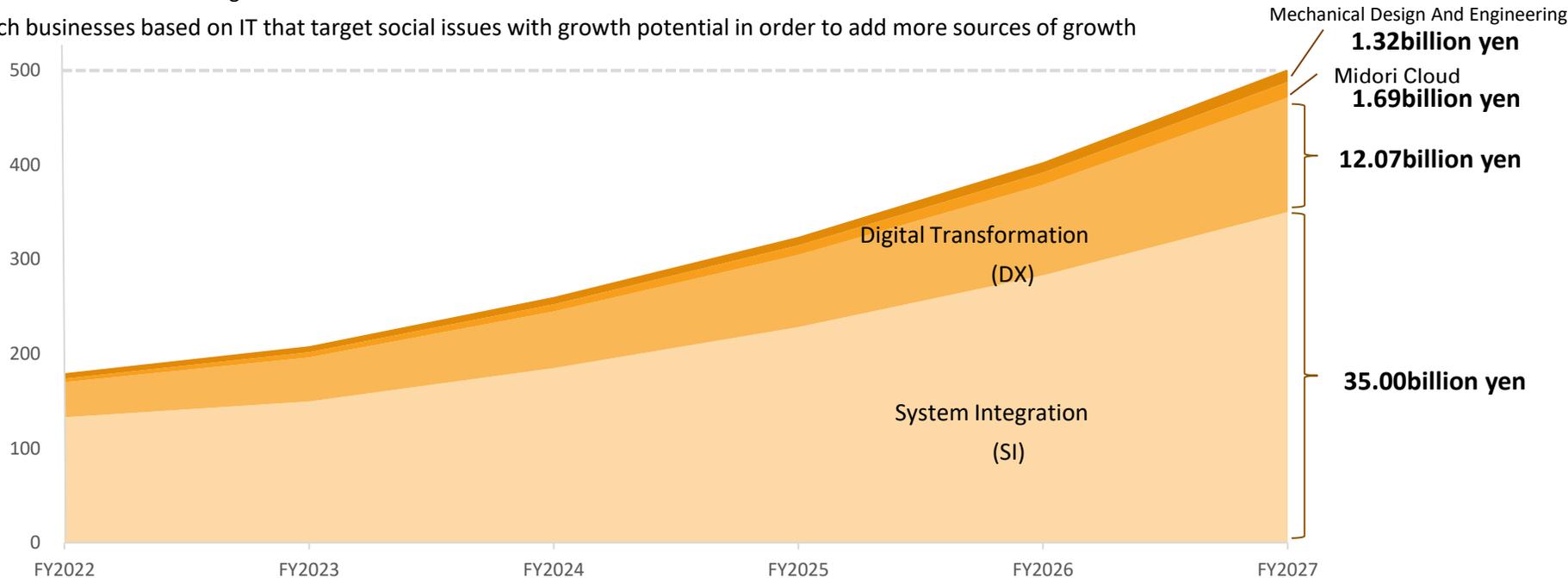
Growth Scenarios by Segment

SI

Maximize the expansion of operations using our recruitment, education, and sales capabilities. Aim to expand IT operations in a continuously cumulative IT structure management and projects in the public-service sector and the financial and information and communications industries, among other industries

- Prioritize increasing the number of engineers through recruitment and education,and recruit a greater number of engineers than initially planned.
- Expand business as a system integrator by increasing primary subcontracts, expanding partnerships, and strengthening alliances.
- Create large projects by giving engineers practical training and developing engineers with business process knowledge.

DX

Strive to expand projects in the market for cloud infrastructure that is operated by a center and in the cloud system operation and utilization market and expand a highly profitable,high growth model created through the DX shift.

- Expand the workforce for managed services, in which a center operates companies' cloud infrastructures 24 hours a day, every day.
- SERAKU will develop no-code/low-code platform engineers who will be the main source of utilization, operation and DX services
- Horizontally expand into the market for operation and utilization of cloud systems other than Salesforce.

Midori Cloud

Achieving digital Transformation with a Centering on Primary Industries by using agricultural production support platform and SERAKU technologies

- Expand the business by steadily promoting agricultural production support platforms and providing digital transformation solutions in the primary industry.
- Strive to commercialize food value chain digital transformation solutions.

Features and Superiority of the Education based IT Professional Creation Model

Our education-based IT professional creation model continues to have a competitive edge.

- Starting to create professionals to be prepared for markets that have high potential for growth
- Use horizontal expansion of recruiting, education and sales skills to expand our technology domains
- Business growth by taking service formats to a higher level to reflect the growth of markets

2021-
Solving issues in the primary industry through agricultural and fishery solutions, realizing corporate health management through digital healthcare services, we will enter into alliances with major platform companies and supporting the ongoing digital transformation in all aspects of society

2020-
Looking ahead to growth of the Microsoft platform, started training programs for the Microsoft certifications of at least 200 people every year

2018-
Looking ahead to growth of the DX market, started training programs for robotic process automation (RPA), security, data science, verification and other activities

2013-
Looking ahead to the growth of the cloud systems market, started training activities for Salesforce engineers

Currently expanding Customer Success Solutions Business

2008-
Looking ahead to the widespread use of smartphones and the IoT, started training programs for smart technology engineers

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

2002-
Anticipating growth in demand for IT utilization services at companies, started training programs for IT infrastructure and network engineers

Currently expanding the System Integration business

1997-
Anticipating growth of the web systems domain, started a system development business and training programs for system development engineers

Currently expanding the System Integration business

1995-
Started an internet business before the internet became widely used and started training programs for web engineers

Currently expanding business operations in the digital marketing domain

Growth Scenario for Subsidiary SERAKU CCC

Achieve growth by horizontally expanding into other cloud systems as Japan's number one company in Salesforce operation and utilization support.

- Increase the number of engineers for business areas related to Salesforce and expand the business scale, using our recruitment, sales, and education capabilities.
- Expand horizontally as the business areas related to Salesforce are expanding and expand horizontally into operation and utilization support for other cloud systems.
- Aim to be number one in the cloud system operation and utilization market, a new market with high growth potential.

Contribute to addressing the lack of IT personnel and the 2025 Digital Cliff problem by cultivating engineers who have business experience.

- Anticipate that the digital transformation in society will change the field that IT personnel work in from the construction of IT systems to the operation of IT systems and data utilization.
- Demand for human resources and businesses that can cross-functionally support the operation and use of multiple cloud systems and data utilization will increase dramatically.
- Accelerate development of no-code and low-code engineers having business experience and expand the scope of business.
- IT personnel that have both technological and business capabilities will achieve high productivity in cloud system operation and utilization.
- The development of the subsidiary will contribute to addressing lack of IT personnel and to the digital transformation in society.

The 2025 Digital Cliff problem
A challenge pointed out in DX Report (2019) of the Ministry of Economy, Trade and Industry. The report says that existing IT systems at companies and in society are complicated and like a black box and data are not fully utilized and that an annual economic loss of 12 trillion yen maximum will be incurred from 2025 if there is no adequate digital transformation to address the current situation.
Source: Ministry of Economy, Trade and Industry
https://www.meti.go.jp/shingikai/mono_info_service/digital_transformation/20180907_report.html

SERAKU's Initiatives for ESG and SDGs

The SERAKU Group will build a long-term foundation for growth by promoting ESG activities. As a company that creates social value, the Group will strengthen initiatives to help achieve a sustainable society.

Safe operation of systems in the IT society

- Building sustainable and strong IT security
- Providing IT environments and services tailored to customers
- Helping maintain social activities using IT

Human resources development
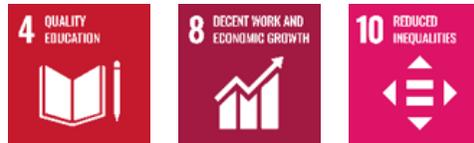
- Cultivating human resources who have advanced expertise
- Providing ongoing education for IT engineers
- Ensuring employment for young people and utilizing a variety of human resources

Creation of new value in society

- Enhancing the value of industry using IT technology
- Achieving regional revitalization through recruitment and IT technology
- Achieving high productivity and low workload by using IT

Use of IT in agriculture field

- Advancing smart agriculture to improve productivity in agriculture
- Revitalizing the primary industry using IT
- Producing abundant food stably

Realization of a physically and mentally healthy society

- Providing digital healthcare services
- Solving social issues using IT
- Cooperating with academic institutions

Sophistication of corporate governance

- Ensuring compliance
- Strengthening corporate governance
- Improving information disclosure

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

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

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

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

An announcement will be made promptly if there are revisions to the FY8/23 forecasts or differences between the results of operations and these forecasts that require disclosure.