



Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2023

[Japanese GAAP]

October 13, 2023

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Listing: Tokyo Stock Exchange (Prime Market)
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Scheduled date of Annual General Meeting of Shareholders: November 22, 2023
 Scheduled date of payment of dividend: November 24, 2023
 Scheduled date of filing of Annual Securities Report: November 27, 2023
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended August 31, 2023 (Sep. 1, 2022 to Aug. 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Aug. 31, 2023	20,858	16.8	1,944	119.4	2,156	50.4	1,472	52.4
Fiscal year ended Aug. 31, 2022	17,859	17.0	886	(34.6)	1,434	(21.9)	966	(22.1)

Note: Comprehensive income (millions of yen) Fiscal year ended Aug. 31, 2023: 1,472 (up 51.9%)
 Fiscal year ended Aug. 31, 2022: 969 (down 21.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Aug. 31, 2023	105.35	105.12	23.8	20.7	9.3
Fiscal year ended Aug. 31, 2022	69.36	69.00	19.1	15.6	5.0

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Aug. 31, 2023: –
 Fiscal year ended Aug. 31, 2022: –

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Aug. 31, 2023	11,253	6,904	61.0	490.98
As of Aug. 31, 2022	9,620	5,519	57.3	395.18

Reference: Shareholders' equity (millions of yen) As of Aug. 31, 2023: 6,882 As of Aug. 31, 2022: 5,514

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Aug. 31, 2023	2,027	(195)	(625)	6,814
Fiscal year ended Aug. 31, 2022	704	(176)	(328)	5,608

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Aug. 31, 2022	–	0.00	–	8.60	8.60	120	12.4	2.4
Fiscal year ended Aug. 31, 2023	–	0.00	–	10.40	10.40	145	9.9	2.3
Fiscal year ending Aug. 31, 2024 (forecast)	–	0.00	–	13.00	13.00		12.1	

3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2024 (Sep. 1, 2023 to Aug. 31, 2024)

(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	10,700	5.3	990	(9.3)	990	(22.8)	640	(25.2)	45.75
Full year	22,000	5.5	2,240	15.2	2,240	3.9	1,500	1.9	107.23

* Notes

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

Newly added: - Excluded: -

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

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

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

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of shares issued (common shares)

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

As of Aug. 31, 2023: 13,988,400 shares As of Aug. 31, 2022: 13,954,000 shares

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

As of Aug. 31, 2023: 130 shares As of Aug. 31, 2022: 130 shares

3) Average number of shares during the period

Fiscal year ended Aug. 31, 2023: 13,977,243 shares Fiscal year ended Aug. 31, 2022: 13,930,016 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended August 31, 2023 (Sep. 1, 2022 to Aug. 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Aug. 31, 2023	18,717	8.0	1,522	71.1	1,872	29.7	1,250	29.1
Fiscal year ended Aug. 31, 2022	17,323	17.1	889	(32.1)	1,443	(18.7)	968	(15.1)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Aug. 31, 2023	89.46	89.27
Fiscal year ended Aug. 31, 2022	69.54	69.19

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Aug. 31, 2023	10,699	6,710	62.4	477.16
As of Aug. 31, 2022	9,581	5,548	57.9	397.29

Reference: Shareholders' equity (millions of yen) As of Aug. 31, 2023: 6,674 As of Aug. 31, 2022: 5,543

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

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

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

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1. Overview of Results of Operations

(1) Results of Operations

During the fiscal year ended August 31, 2023, the Japanese economy saw progress in the normalization of social and economic activity, reflecting the lifting of movement restrictions attributable to the COVID-19 pandemic. Nonetheless, the outlook remained uncertain due to the prolonged geopolitical risk associated with the situation in Ukraine as well as surging raw materials and energy prices, among other factors.

In Japan's IT sector, which is the primary business field where the Group provides its services, IT/DX-related demand grew in line with the progress and broader use of digital technologies in every business field, reflecting the purpose of improving productivity and strengthening competitiveness. Consequently, demand for investment in IT-related technologies, such as system integration and the operation and maintenance of systems with the use of the cloud, remained solid. As indicated by an important role that an optimal IT infrastructure plays in supporting companies' business strategies, for example, demand for IT services and IT personnel continued to rise. However, addressing the lack of IT personnel and improving IT skills remained significant issues. The Seraku Group sought to recruit and develop highly qualified engineers while simultaneously providing a range of IT services by facilitating the use of business partners.

In March 2023, it undertook an organizational reform across the Group to leverage its engineering resource in a cross-functional way. By establishing an integrated IT infrastructure-focused organization instead of implementing organizational management according to the content of services and type of contracts, it built a system able to respond to diverse customer needs.

Given this environment, in the fiscal year under review, the Seraku Group sought to increase the value of services mainly through the development of highly qualified engineers and deployment of internal engineers to DX-related projects, while simultaneously developing a business foundation to undertake, as a Digital Integrator, the social implementation and operation of digital technologies and services in the IT and DX fields, including leveraging the resources of business partners.

Net sales at the Group increased 16.8% year on year, to 20,858,857 thousand yen, operating profit rose 119.4% year on year, to 1,944,918 thousand yen, and ordinary profit climbed 50.4% year on year, to 2,156,500 thousand yen. Profit attributable to owners of parent increased 52.4% year on year, to 1,472,452 thousand yen.

Results by business segment were as follows.

As described earlier, it instituted an organizational reform in March 2023 to increase the value that it provides to customers, and along with the organizational reform, made changes in segments.

Starting with the fiscal year under review, the Company has decided to reclassify its business into three segments, namely, Digital Integration, Midori Cloud, and Mechanical Design and Engineering, instead of the previous four segments consisting of System Integration, Digital Transformation, Midori Cloud and Mechanical Design and Engineering, by integrating System Integration and Digital Transformation into Digital Integration. Accordingly, in the year-on-year comparisons below, the figures for the previous year have been restated to reflect the new segment classification.

1) Digital Integration

In the Digital Integration business, we undertake the construction, operation and maintenance of IT systems, while also managing cloud infrastructure and operating IoT services on a 24x7 basis at the Cloud Support Center. In doing so, we help companies establish cloud-based ICI environments. Also, in a business area related to the establishment and management of cloud systems, we undertake the service of helping companies introduce and fully deploy the COMPANY, an integrated personnel affairs system. In addition, SERAKU CCC Co., Ltd., a wholly owned subsidiary of SERAKU Co., Ltd., provides a customer success solution service mainly to help companies deploy Salesforce in earnest.

Looking at the fiscal year under review, we took steps to further expand transactions by capitalizing on solid demand for IT investments with a focus on the construction and operation of IT systems, the adoption of cloud platforms and the implementation of 24x7 managed services. In addition, SERAKU CCC Co., Ltd. sought to enhance services and improve value

added by developing engineers who are able to address the need of data analysis and digital marketing .

Net sales in this segment came to 19,920,430 thousand yen, up 17.3% year on year. Segment profit was 1,913,900 thousand yen, up 101.6% year on year.

2) 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 fiscal year under review, while sparing no efforts to increase orders for solution services, we also released Midori Cloud Rakuraku Shukka, a software-based solution, in March 2023 to help companies engaging in the distribution of vegetables and fruits adopt digital technologies that use bar codes, cloud systems, etc. With many farmers and shipping authorities facing the same issue with respect to the collection and shipping operation of agricultural products, we will promote the service with a focus on JA nationwide, going forward.

As a result, net sales in this segment amounted to 371,718 thousand yen, up 9.1% year on year. The segment loss was 31,828 thousand yen (segment loss of 63,223 thousand yen in the previous year).

3) 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 fiscal year under review, we enhanced the training environment and took steps to recruit and develop CAD engineers. Sales were strong, attributable to stable utilization rates and efforts to win projects in new technological fields. As we anticipate the further acquisition of projects in each field, we will strive to increase engineers' added value through training that aims at business scale and geographic expansion.

Net sales in this segment came to 623,700 thousand yen, up 10.3% year on year. Segment profit was 53,354 thousand yen, up 8223.2% year on year.

(2) Financial Position

Assets

Total assets increased 1,633,236 thousand yen from the end of the previous fiscal year to 11,253,664 thousand yen as of the end of the current fiscal year. This was a result primarily of increases of 1,208,158 thousand yen in cash and deposits, 225,364 thousand yen in notes and accounts receivable - trade, accounts receivable and contract assets (“notes and accounts receivable - trade” in the previous fiscal year), 83,602 thousand yen in insurance funds, 52,537 thousand yen in deferred tax assets, and 47,029 thousand yen in leasehold and guarantee deposits.

Liabilities

Total liabilities increased 248,171 thousand yen from the end of the previous fiscal year, to 4,349,447 thousand yen. This was attributable largely to increases of 255,530 thousand yen in income taxes payable, 193,022 thousand yen in provision for bonuses, and 165,996 thousand yen in accounts payable -other and 132,828 thousand yen in accrued consumption taxes, which more than offset decreases of 416,676 thousand yen in current portion of long-term borrowings, 88,878 thousand yen in long-term borrowings, 29,187 thousand yen in accounts payable-trade, and 10,756 thousand yen in net defined benefit liabilities.

Net assets

Total net assets increased 1,385,064 thousand yen from the end of the previous fiscal year, to 6,904,217 thousand yen. This increase was attributable chiefly to increases of 1,352,449 thousand yen in retained earnings and 31,364 thousand yen in share acquisition rights.

(3) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year amounted to 6,814,417 thousand yen.

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

Cash flows from operating activities

Net cash provided by operating activities totaled 2,027,754 thousand yen.

Cash used for income taxes paid of 475,056 thousand yen and an increase in trade receivables of 225,364 thousand yen, among other factors, were offset by cash provided by profit before income taxes of 2,147,083 thousand yen, an increase in provision for bonuses of 193,022 thousand yen, an increase in accounts payable - other of 186,589 thousand yen, an increase in accrued consumption taxes of 132,828 thousand yen, depreciation of 39,888 thousand yen, among other factors.

Cash flows from investing activities

Net cash used in investing activities totaled 195,684 thousand yen.

Cash was used for the purchase of insurance funds of 83,602 thousand yen, payments of leasehold and guarantee deposits of 57,971 thousand yen, and purchase of property, plant and equipment of 55,289 thousand yen.

Cash flows from financing activities

Net cash used in financial activities totaled 625,812 thousand yen.

Cash was used mainly for repayments of long-term borrowings of 605,554 thousand yen and payments of dividends of 119,567 thousand yen.

Reference: Trends in cash flow indicators

	FY8/20	FY8/21	FY8/22	FY8/23
Equity ratio (%)	46.7	52.8	57.3	61.0
Market value-based equity ratio (%)	289.7	341.4	159.3	162.8
Interest-bearing debt to cash flow ratio (year)	1.1	0.7	1.1	0.1
Interest coverage ratio (time)	442.0	363.4	200.6	1,028.9

Equity ratio: Shareholders' equity / Total assets

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

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

Interest coverage ratio: Cash flows / Interest payments

Notes: 1. Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.

2. Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest.

(4) Outlook

Looking ahead, we anticipate that conditions will continue to be uncertain, reflecting a rise in consumer prices against the backdrop of surging energy prices and the impact of exchange rates, among other factors, although social activity is likely to be further normalized due to the reclassification of COVID-19 as Class 5 infectious diseases.

In the IT services industry, however, with companies continuing to show a potential appetite for IT investment, such as strategic investments aimed to address the growing need to improve operational efficiency and facilitate digital transformation, we anticipate that demand will remain solid going forward.

In this business environment, we will step up efforts to train and develop personnel well versed in project management, while also seeking to work more closely with business partners and facilitate collaboration with them, improve technological competitiveness in advanced IT areas and further enhance our services. We believe that the development of new business structures through the acquisition of prime projects and the use of business partners, among other means, will not only boost profitability but result in improvements in engineers' skills, and will therefore serve as the source of further corporate growth.

Considering the above, we forecast net sales of 22,000,000 thousand yen, an operating profit of 2,240,000 thousand yen, an ordinary profit of 2,240,000 thousand yen and a profit attributable to owners of parent of 1,500,000 thousand yen.

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

2. Basic Approach to the Selection of Accounting Standards

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

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY8/22 (As of Aug. 31, 2022)	FY8/23 (As of Aug. 31, 2023)
Assets		
Current assets		
Cash and deposits	5,658,860	6,867,019
Accounts receivable - trade and contract assets	2,336,637	2,562,001
Work in process	29,306	34,497
Raw materials	56,714	60,820
Other	180,212	202,976
Allowance for doubtful accounts	(1,655)	(1,575)
Total current assets	8,260,076	9,725,739
Non-current assets		
Property, plant and equipment		
Buildings, net	158,670	175,696
Tools, furniture and fixtures, net	40,058	41,257
Other	8,590	5,746
Total property, plant and equipment	207,318	222,700
Intangible assets		
Goodwill	6,843	-
Software	1,279	794
Other	1,662	1,662
Total intangible assets	9,785	2,456
Investments and other assets		
Investment securities	118,340	108,991
Deferred tax assets	449,378	501,916
Leasehold and guarantee deposits	241,783	288,812
Insurance funds	292,290	375,892
Other	41,454	27,154
Total investments and other assets	1,143,248	1,302,767
Total non-current assets	1,360,352	1,527,925
Total assets	9,620,428	11,253,664

(Thousands of yen)

	FY8/22 (As of Aug. 31, 2022)	FY8/23 (As of Aug. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	159,590	130,402
Current portion of long-term borrowings	600,000	183,324
Accounts payable - other	1,251,202	1,417,198
Income taxes payable	244,557	500,088
Accrued consumption taxes	408,820	541,648
Provision for bonuses	912,916	1,105,938
Provision for loss on order received	896	–
Other	250,915	300,343
Total current liabilities	3,828,899	4,178,943
Non-current liabilities		
Long-term borrowings	150,000	61,122
Retirement benefit liability	113,074	102,318
Other	9,302	7,063
Total non-current liabilities	272,376	170,503
Total liabilities	4,101,275	4,349,447
Net assets		
Shareholders' equity		
Share capital	306,232	307,006
Capital surplus	503,982	504,756
Retained earnings	4,700,243	6,052,693
Treasury shares	(199)	(199)
Total shareholders' equity	5,510,259	6,864,256
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	79	33
Remeasurements of defined benefit plans	3,908	3,656
Total accumulated other comprehensive income	3,987	3,690
Share acquisition rights	4,906	36,270
Total net assets	5,519,152	6,904,217
Total liabilities and net assets	9,620,428	11,253,664

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

(Thousands of yen)

	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)	FY8/23 (Sep. 1, 2022 – Aug. 31, 2023)
Net sales	17,859,101	20,858,857
Cost of sales	13,954,524	15,680,105
Gross profit	3,904,576	5,178,752
Selling, general and administrative expenses	3,017,913	3,233,833
Operating profit	886,662	1,944,918
Non-operating income		
Interest and dividend income	1,622	1,635
Subsidy income	543,041	201,820
Other	6,207	10,336
Total non-operating income	550,871	213,792
Non-operating expenses		
Interest expenses	3,512	2,211
Total non-operating expenses	3,512	2,211
Ordinary profit	1,434,021	2,156,500
Extraordinary income		
Gain on reversal of share acquisition rights	443	372
Total extraordinary income	443	372
Extraordinary losses		
Loss on retirement of non-current assets	606	504
Loss on valuation of investment securities	10,711	9,284
Total extraordinary losses	11,318	9,788
Profit before income taxes	1,423,146	2,147,083
Income taxes-current	513,264	727,037
Income taxes-deferred	(56,276)	(52,406)
Total income taxes	456,987	674,630
Profit	966,159	1,472,452
Profit attributable to owners of parent	966,159	1,472,452

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)	FY8/23 (Sep. 1, 2022 – Aug. 31, 2023)
Profit	966,159	1,472,452
Other comprehensive income		
Valuation difference on available-for-sale securities	(972)	(45)
Remeasurements of defined benefit plans, net of tax	4,071	(251)
Total other comprehensive income	3,098	(297)
Comprehensive income	969,257	1,472,155
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	969,257	1,472,155

(3) Consolidated Statement of Changes in Equity

FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	304,085	501,835	3,805,677	(199)	4,611,398
Cumulative effects of changes in accounting policies			6,260		6,260
Restated balance	304,085	501,835	3,811,937	(199)	4,617,659
Changes during period					
Issuance of new shares	2,146	2,146			4,293
Dividends of surplus			(77,852)		(77,852)
Profit attributable to owners of parent			966,159		966,159
Net changes in items other than shareholders' equity					
Total changes during period	2,146	2,146	888,306	–	892,599
Balance at end of period	306,232	503,982	4,700,243	(199)	5,510,259

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,051	(163)	888	4,001	4,616,288
Cumulative effects of changes in accounting policies					6,260
Restated balance	1,051	(163)	888	4,001	4,622,548
Changes during period					
Issuance of new shares					4,293
Dividends of surplus					(77,852)
Profit attributable to owners of parent					966,159
Net changes in items other than shareholders' equity	(972)	4,071	3,098	905	4,004
Total changes during period	(972)	4,071	3,098	905	896,603
Balance at end of period	79	3,908	3,987	4,906	5,519,152

FY8/23 (Sep. 1, 2022 – Aug. 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	306,232	503,982	4,700,243	(199)	5,510,259
Cumulative effects of changes in accounting policies					
Restated balance	306,232	503,982	4,700,243	(199)	5,510,259
Changes during period					
Issuance of new shares	774	774			1,548
Dividends of surplus			(120,003)		(120,003)
Profit attributable to owners of parent			1,472,452		1,472,452
Net changes in items other than shareholders' equity					
Total changes during period	774	774	1,352,449	–	1,353,997
Balance at end of period	307,006	504,756	6,052,693	(199)	6,864,256

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	79	3,908	3,987	4,906	5,519,152
Cumulative effects of changes in accounting policies					
Restated balance	79	3,908	3,987	4,906	5,519,152
Changes during period					
Issuance of new shares					1,548
Dividends of surplus					(120,003)
Profit attributable to owners of parent					1,472,452
Net changes in items other than shareholders' equity	(45)	(251)	(297)	31,364	31,067
Total changes during period	(45)	(251)	(297)	31,364	1,385,064
Balance at end of period	33	3,656	3,690	36,270	6,904,217

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)	FY8/23 (Sep. 1, 2022 – Aug. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,423,146	2,147,083
Depreciation	47,725	39,888
Amortization of goodwill	9,124	6,843
Share-based payment expenses	–	31,736
Increase (decrease) in allowance for doubtful accounts	(985)	(79)
Increase (decrease) in provision for bonuses	155,135	193,022
Increase (decrease) in retirement benefit liability	(14,088)	(11,119)
Interest and dividend income	(1,622)	(1,635)
Subsidy income	(543,041)	(201,820)
Gain on reversal of share acquisition rights	–	(372)
Loss (gain) on valuation of investment securities	10,711	9,284
Interest expenses	3,512	2,211
Loss on retirement of non-current assets	606	504
Decrease (increase) in trade receivables	(515,633)	(225,364)
Decrease (increase) in inventories	9,750	(9,297)
Decrease (increase) in prepaid expenses	(3,190)	(23,960)
Increase (decrease) in trade payables	48,513	(29,187)
Increase (decrease) in accounts payable - other	62,757	186,589
Increase (decrease) in accrued consumption taxes	93,457	132,828
Other, net	39,674	54,421
Subtotal	825,554	2,301,575
Interest and dividends received	1,374	1,385
Interest paid	(3,436)	(1,970)
Proceeds from subsidy income	543,041	201,820
Income taxes paid	(662,051)	(475,056)
Net cash provided by (used in) operating activities	704,481	2,027,754
Cash flows from investing activities		
Payments into time deposits	(4,600)	(3,100)
Proceeds from withdrawal of time deposits	2,400	1,200
Purchase of securities	(12,000)	–
Purchase of property, plant and equipment	(65,078)	(55,289)
Purchase of intangible assets	(602)	–
Payments of leasehold and guarantee deposits	(28,900)	(57,971)
Proceeds from refund of leasehold and guarantee deposits	15,435	3,079
Purchase of insurance funds	(83,602)	(83,602)
Net cash provided by (used in) investing activities	(176,949)	(195,684)
Cash flows from financing activities		
Proceeds from long-term borrowings		100,000
Repayments of long-term borrowings	(255,570)	(605,554)
Repayments of lease obligations	(778)	(706)
Dividends paid	(77,730)	(119,567)
Proceeds from issuance of share acquisition rights	905	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	4,293	1,548
Other	–	(1,532)
Net cash provided by (used in) financing activities	(328,880)	(625,812)
Net increase (decrease) in cash and cash equivalents	198,651	1,206,257
Cash and cash equivalents at beginning of period	5,409,507	5,608,159
Cash and cash equivalents at end of period	5,608,159	6,814,417

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

Not applicable.

Changes in Accounting Policies

Not applicable.

Segment and Other Information**Segment information**

1. Overview of reportable segments

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

The Company had been operating its business by creating separate organizations according to the type of services and contracts. Now, given the progress in cloud technologies, clearly distinguishing the existing SI area from the new DX area is becoming difficult and the number of projects that require cross-functional technological services is rising. Taking these factors into consideration, the Company carried out an organizational restructuring. Since it has established a system in which the Group can address its customers' diverse needs by leveraging the resource of engineers in a cross-functional manner, the Company has also changed its segments in sync with this organizational restructuring.

Starting with the fiscal year under review, the Company has decided to reclassify its business into three segments, namely, Digital Integration, Midori Cloud, and Mechanical Design and Engineering, instead of the previous four segments consisting of System Integration, Digital Transformation, Midori Cloud and Mechanical Design and Engineering, by integrating System Integration and Digital Transformation into Digital Integration.

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

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

The accounting methods for reportable segments are generally the same as those listed in "Significant Accounting Policies." The profit for reportable segments is operating profit.

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

FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amount in the consolidated financial statements (Note 2)
	Digital Integration	Midori Cloud	Mechanical Design and Engineering	Total		
Net sales						
Sales to external customers	16,982,770	340,590	535,739	17,859,101	–	17,859,101
Inter-segment sales and transfers	–	–	29,594	29,594	(29,594)	–
Total	16,982,770	340,590	565,334	17,888,695	(29,594)	17,859,101
Segment profit (loss)	949,244	(63,223)	641	886,662	–	886,662
Segment assets	2,293,659	66,073	198,469	2,558,202	7,062,226	9,620,428
Other items						
Amortization of goodwill	–	–	9,124	9,124	–	9,124
Depreciation	46,526	843	356	47,725	–	47,725
Increase in property, plant and equipment, and intangible assets	–	–	602	602	51,280	51,882

- Notes: 1. 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 29,594 thousand yen.
2. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.
3. The adjustment of 7,062,226 thousand yen to segment assets includes corporate assets that are not allocated to reportable segments.
4. Corporate assets are not allocated to specific reportable segments, but corporate costs and other expenses associated with these assets are allocated to specific reportable segments using reasonable standards.
5. The 51,280 thousand yen adjustment to increase in property, plant and equipment and intangible assets includes capital expenditures of 33,811 thousand yen associated with the expansion of branches' floor spaces.

FY8/23 (Sep. 1, 2022 – Aug. 31, 2023)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amount in the consolidated financial statements (Note 2)
	Digital Integration	Midori Cloud	Mechanical Design and Engineering	Total		
Net sales						
Sales to external customers	19,920,430	371,718	566,708	20,858,857	–	20,858,857
Inter-segment sales and transfers	–	–	56,992	56,992	(56,992)	–
Total	19,920,430	371,718	623,700	20,915,849	(56,992)	20,858,857
Segment profit (loss)	1,913,900	(31,828)	53,354	1,935,426	9,492	1,944,918
Segment assets	2,527,863	67,546	276,793	2,872,203	8,381,461	11,253,664
Other items						
Amortization of goodwill	–	–	6,843	6,843	–	6,843
Depreciation	38,796	762	329	39,888	–	39,888
Increase in property, plant and equipment, and intangible assets	–	–	–	–	55,289	55,289

- Notes: 1. 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 56,992 thousand yen.
2. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.
3. The adjustment of 8,381,461 thousand yen to segment assets includes corporate assets that are not allocated to reportable segments.
4. Corporate assets are not allocated to specific reportable segments, but corporate costs and other expenses associated with these assets are allocated to specific reportable segments using reasonable standards.
5. The 55,289 thousand yen adjustment to increase in property, plant and equipment and intangible assets includes capital expenditures of 49,407 thousand yen associated with the expansion of branches' floor spaces.

Per Share Information

(Yen)

	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)	FY8/23 (Sep. 1, 2022 – Aug. 31, 2023)
Net assets per share	395.18	490.98
Net income per share	69.36	105.35
Diluted net income per share	69.00	105.12

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

(Thousands of yen)

	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)	FY8/23 (Sep. 1, 2022 – Aug. 31, 2023)
Net income per share		
Profit attributable to owners of parent	966,159	1,472,452
Amounts not attributable to common shareholders	–	–
Profit attributable to owners of parent applicable to common shares	966,159	1,472,452
Average number of common shares outstanding during the period (Shares)	13,930,017	13,977,243
Diluted net income per share		
Adjustment to profit attributable to owners of parent	–	–
Increase in the number of common shares (Shares)	71,727	29,764
[of which share acquisition rights (Shares)]	[71,727]	[29,764]
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	Four types of share acquisition rights (Number of share acquisition rights: 4,218)	Four types of share acquisition rights (Number of share acquisition rights: 3,909)

Material Subsequent Events

There are no material subsequent events.

4. Additional Information**Sales results**

(Thousands of yen)

	Previous fiscal year		Fiscal year under review		Year-on-year change (%)
	Net sales	Ration to net sales (%)	Net sales	Ration to net sales (%)	
System Integration	12,958,462	72.6	14,400,412	69.0	11.1
Digital Transformation	4,024,308	22.5	5,520,018	26.5	37.2
Midori Cloud	340,590	1.9	371,718	1.8	9.1
Mechanical Design and Engineering	535,739	3.0	566,708	2.7	5.8
Total	17,859,101	100.0	20,858,857	100.0	16.8