



Summary of Consolidated Financial Results **for the First Quarter of the Fiscal Year Ending August 31, 2021** **(Three Months Ended November 30, 2020)**

[Japanese GAAP]

January 13, 2021

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Stock code: 6199

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Listing: Tokyo Stock Exchange (First Section)

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Scheduled date of filing of Quarterly Report:

January 14, 2021

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting:

None

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

1. Consolidated Financial Results for the First Quarter Ended November 30, 2020

(Sep. 1, 2020 to Nov. 30, 2020)

(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, 2020	3,520	11.4	268	27.7	486	130.2	286	137.0
Three months ended Nov. 30, 2019	3,161	22.5	210	513.8	211	453.8	120	-

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

Three months ended Nov. 30, 2019: 121 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Nov. 30, 2020	20.79	20.56
Three months ended Nov. 30, 2019	8.77	8.76

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Nov. 30, 2020	7,652	3,651	47.7
As of Aug. 31, 2020	7,342	3,429	46.7

Reference: Shareholders' equity (millions of yen)

As of Nov. 30, 2020: 3,647

As of Aug. 31, 2020: 3,425

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Aug. 31, 2020	-	0.00	-	4.60	4.60
Fiscal year ending Aug. 31, 2021	-	-	-	-	-
Fiscal year ending Aug. 31, 2021 (forecast)	-	0.00	-	5.60	5.60

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2021 (Sep. 1, 2020 to Aug. 31, 2021)

(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	7,270	11.0	585	32.5	853	91.2	495	73.9	35.96
Full year	15,020	9.1	1,370	20.8	1,650	41.6	957	46.3	69.51

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, 2020:	13,767,200 shares	As of Aug. 31, 2020:	13,767,200 shares
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2) Number of treasury shares as of the end of the period

As of Nov. 30, 2020:	84 shares	As of Aug. 31, 2020:	62 shares
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3) Average number of shares during the period

Three months ended Nov. 30, 2020:	13,767,118 shares	Three months ended Nov. 30, 2019:	13,767,161 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 valid and information available to the management of Seraku at the time these materials were prepared, but are not promised by Seraku regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. For discussion of the assumptions and other factors considered by Seraku in preparing the above projections, please refer to page 3 of the attachments "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements."

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the fiscal year ending in August 2021, the worldwide COVID-19 pandemic continued to have a negative impact on the Japanese economy. The Japanese government is taking steps to continue social and economic activities while implementing measures to slow the spread of infections. Although there are signs of an upturn of the Japanese economy, the outlook remains uncertain, partly because of worries about another wave of infections.

In Japan's IT services industry, which is the primary business field of the Seraku Group, investments for the use of new technologies, such as IoT services, the cloud, big data and artificial intelligence (AI), are expanding as expected. IT services are also expanding in the field of security services for protection against highly sophisticated cyberattacks. As a result, recruiting and training skilled engineers who can meet the requirements of IT service companies are becoming increasingly important.

To provide services with even greater value, the Seraku Group recruited and trained many highly skilled engineers during the first quarter. Using our Midori Cloud remote monitoring system to increase our market share in the agricultural IT sector was another priority.

Net sales increased 11.4% year-on-year to 3,520 million yen, operating profit increased 27.7% year-on-year to 268 million yen, ordinary profit increased 130.2% year-on-year to 486 million yen, and profit attributable to owners of parent increased 137.0% year-on-year to 286 million yen.

Results by business segment were as follows.

1) System Integration

System Integration includes IT infrastructure and cloud technologies, a business sector with long-term stability that primarily involves IT support in existing technology domains. This segment also provides digital creative services, web operations, web system development and many other services.

One activity in this segment during the first quarter was recruiting people for growing business domains such as cloud operations, project management and digital marketing. Many companies have reduced their new ICT investments to some extent due to the worsening market conditions because of COVID-19. However, there was no significant negative effect of this crisis on services involving system design and network operations, which is the largest category of this segment.

To offset the decline in new business, we are recruiting experienced system integration professionals, increasing the share of projects that we manage directly, providing services to more departments of our key users, and using joint activities with partner companies.

Sales in the System Integration segment were 2,591 million yen, down 2.1% year on year, and the segment profit was 207 million yen, down 10.8%.

2) Digital Transformation

This segment encompasses many services that utilize advanced technologies. Activities include cybersecurity for protecting the information assets of companies, customer success services that solve the unsolvable problem for Salesforce.com users, the use of robotic process automation (RPA) to make business processes more efficient, and Midori Cloud, which uses IT for the profitability of agricultural businesses.

In the first quarter, there were activities to shift engineers in the System Integration segment to positions involving the digital transformation. We also enlarged the lineup of products in the resale business to aim for more growth.

For Midori Cloud, there are sales activities for the use of this service in conjunction with Ministry of Agriculture, Forestry and Fisheries subsidies for business continuity. We are also seeking more business alliances in order to provide a broader range of solutions, including assistance for the sale of fresh fruit and vegetables.

Sales in the Digital Transformation segment were 812 million yen, up 94.6% year on year, and the segment profit

was 49 million yen, compared with profit of 582 thousand yen in the same period of the previous fiscal year.

3) Mechanical Design and Engineering

This segment is the operations of consolidated subsidiary P's Engineering. This company provides 3D CAD technologies, designs machines, dies and other items for other companies, and provides technologies for experiments, performance tests and other aspects of quality assurance activities.

Orders continued to decline because of the negative effects of the COVID-19 pandemic on market conditions. P's Engineering is continuing to target new business fields, mainly communication infrastructure construction, machine tools and robots.

For the proper utilization of the workforce, P's Engineering is incorporating actual projects in initial training programs to enable recently hired people to become productive employees quickly.

Sales in the Mechanical Design and Engineering segment were 115 million yen, up 20.9% year on year, and the segment profit was 10 million yen, compared with a loss of 11 million yen in the same period of the previous fiscal year.

4) Others

This segment is the operations of consolidated subsidiary Seraku ECA, which is primarily engaged in job placement and temporary staffing services and services for training IT engineers.

During the first quarter, the recruiting requirements of many client companies continued to decrease and these companies reduced, suspended or postponed recruiting activities because of the spread of the COVID-19 infections.

Sales in the Other segment were 2 million yen, compared with 10 million yen in the same period of the previous fiscal year, and the segment profit was 528 thousand yen, compared with a loss of 1 million yen in the same period of the previous fiscal year.

(2) Explanation of Financial Position

Assets

Total assets increased 309 million yen from the end of the previous fiscal year to 7,652 million yen as of the end of the first quarter. The main reasons were increases of 327 million yen in cash and deposits, 95 million yen in deferred tax assets, 33 million yen in raw materials, 16 million yen in work in process and 24 million yen in other current assets, while there was a decrease of 201 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities increased 87 million yen to 4,000 million yen. The main reason was an increase of 712 million yen in accounts payable-other, while there were decreases of 281 million yen in provision for bonuses, 199 million yen in accrued consumption taxes, 55 million yen in income taxes payable, 16 million yen in long-term borrowings and 50 million yen in other current liabilities.

Net assets

Total net assets increased 222 million yen to 3,651 million yen. The main reason was an increase of 222 million 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, 2021 which were announced on October 15, 2020 in "Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2020."

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY8/20 (As of Aug. 31, 2020)	First Quarter of FY8/21 (As of Nov. 30, 2020)
Assets		
Current assets		
Cash and deposits	4,329,351	4,657,186
Notes and accounts receivable-trade	1,826,711	1,625,646
Work in process	19,453	36,278
Raw materials	36,816	69,908
Other	107,482	131,878
Allowance for doubtful accounts	(4,124)	(3,285)
Total current assets	6,315,690	6,517,611
Non-current assets		
Property, plant and equipment		
Buildings, net	111,892	110,404
Tools, furniture and fixtures, net	22,794	25,812
Construction in progress	-	14,377
Other	0	0
Total property, plant and equipment	134,686	150,594
Intangible assets		
Goodwill	25,093	22,811
Software	8,692	7,491
Other	1,844	1,815
Total intangible assets	35,630	32,119
Investments and other assets		
Investment securities	132,702	133,058
Deferred tax assets	383,832	479,637
Leasehold and guarantee deposits	214,613	213,505
Other	125,216	125,692
Total investments and other assets	856,364	951,893
Total non-current assets	1,026,681	1,134,607
Total assets	7,342,372	7,652,218
Liabilities		
Current liabilities		
Accounts payable-trade	57,323	58,864
Current portion of long-term borrowings	106,660	90,660
Accounts payable-other	924,007	1,636,984
Income taxes payable	369,631	313,859
Accrued consumption taxes	504,583	305,001
Provision for bonuses	639,927	358,662
Other	170,966	120,344
Total current liabilities	2,773,098	2,884,376
Non-current liabilities		
Long-term borrowings	1,005,570	988,905
Retirement benefit liability	133,900	126,990
Other	72	41
Total non-current liabilities	1,139,542	1,115,937
Total liabilities	3,912,641	4,000,314

	(Thousands of yen)	
	FY8/20 (As of Aug. 31, 2020)	First Quarter of FY8/21 (As of Nov. 30, 2020)
Net assets		
Shareholders' equity		
Share capital	297,974	297,974
Capital surplus	495,724	495,724
Retained earnings	2,628,218	2,851,116
Treasury shares	(62)	(98)
Total shareholders' equity	3,421,855	3,644,716
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65	312
Remeasurements of defined benefit plans	3,647	2,735
Total accumulated other comprehensive income	3,712	3,047
Share acquisition rights	4,162	4,140
Total net assets	3,429,730	3,651,904
Total liabilities and net assets	7,342,372	7,652,218

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

(Thousands of yen)

	First three months of FY8/20 (Sep. 1, 2019 – Nov. 30, 2019)	First three months of FY8/21 (Sep. 1, 2020 – Nov. 30, 2020)
Net sales	3,161,151	3,520,121
Cost of sales	2,385,559	2,716,122
Gross profit	775,592	803,998
Selling, general and administrative expenses	565,397	535,586
Operating profit	210,194	268,411
Non-operating income		
Interest and dividend income	429	392
Subsidy income	400	216,342
Compensation income	149	-
Other	524	2,339
Total non-operating income	1,503	219,074
Non-operating expenses		
Interest expenses	245	1,052
Miscellaneous loss	179	1
Total non-operating expenses	424	1,054
Ordinary profit	211,273	486,430
Extraordinary income		
Gain on reversal of share acquisition rights	125	21
Total extraordinary income	125	21
Profit before income taxes	211,399	486,452
Income taxes-current	175,919	295,741
Income taxes-deferred	(85,279)	(95,512)
Total income taxes	90,640	200,229
Profit	120,758	286,223
Profit attributable to owners of parent	120,758	286,223

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

	(Thousands of yen)	
	First three months of FY8/20 (Sep. 1, 2019 – Nov. 30, 2019)	First three months of FY8/21 (Sep. 1, 2020 – Nov. 30, 2020)
Profit	120,758	286,223
Other comprehensive income		
Valuation difference on available-for-sale securities	327	246
Remeasurements of defined benefit plans, net of tax	789	(911)
Total other comprehensive income	1,117	(664)
Comprehensive income	121,875	285,558
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	121,875	285,558

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Additional Information**Impact of the spread of the COVID-19 pandemic on accounting estimates**

The COVID-19 pandemic is having an enormous impact on the global economy and the activities of companies. The outlook for the Japanese economy will probably remain unclear for some time. Regarding the impact of this crisis on the performance of the Seraku Group, there is no significant change at this time in the “Impact of the spread of the COVID-19 pandemic on accounting estimates” which was presented in additional information in the summary of consolidated financial results for the fiscal year ended August 31, 2020.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information**Segment Information**

First three months of FY8/20 (Sep. 1, 2019 – Nov. 30, 2019)

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	Mechanical Design and Engineering	Total				
Net sales								
Sales to external customers	2,648,084	417,327	92,219	3,157,631	3,519	3,161,151	-	3,161,151
Inter-segment sales and transfers	-	-	3,631	3,631	6,801	10,433	(10,433)	-
Total	2,648,084	417,327	95,851	3,161,263	10,321	3,171,585	(10,433)	3,161,151
Segment profit (loss)	232,807	582	(11,483)	221,907	(1,278)	220,628	(10,433)	210,194

- 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 minus 10,433 thousand yen.
3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

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

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

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	System Integration	Digital Transfor- mation	Mechanical Design and Engineering	Total				
Net sales								
Sales to external customers	2,591,399	812,086	114,598	3,518,085	2,035	3,520,121	-	3,520,121
Inter-segment sales and transfers	-	-	1,260	1,260	-	1,260	(1,260)	-
Total	2,591,399	812,086	115,858	3,519,345	2,035	3,521,381	(1,260)	3,520,121
Segment profit	207,776	49,695	10,410	267,882	528	268,411	-	268,411

- Notes: 1. The “Other” business segment consists of activities that are not included in any of the reportable segments, and is primarily engaged in job placement and temporary staffing services and services for training IT engineers.
2. The adjustment to segment profit includes corporate costs that are not allocated to any of the reportable segments and inter-segment transaction elimination of minus 1,260 thousand yen. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments.
3. Segment profit is adjusted with operating profit shown on the quarterly consolidated statement of income.

Material Subsequent Events

Not applicable.

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.