



# Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2022

[Japanese GAAP]

October 14, 2022

Company name: SERAKU Co., Ltd.

Listing: Tokyo Stock Exchange (Prime Market)

Stock code: 6199

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Scheduled date of Annual General Meeting of Shareholders: November 25, 2022

Scheduled date of payment of dividend: November 28, 2022

Scheduled date of filing of Annual Securities Report: November 29, 2022

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, 2022 (Sep. 1, 2021 to Aug. 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Aug. 31, 2022	17,859	17.0	886	(34.6)	1,434	(21.9)	966	(22.1)
Fiscal year ended Aug. 31, 2021	15,263	10.8	1,356	19.5	1,836	57.6	1,240	89.7

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

Fiscal year ended Aug. 31, 2021: 1,237 (up 87.6%)

	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, 2022	69.36	69.00	19.1	15.6	5.0
Fiscal year ended Aug. 31, 2021	89.82	89.06	30.9	22.9	8.9

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

Fiscal year ended Aug. 31, 2021: -

## (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, 2022	9,620	5,519	57.3	395.18
As of Aug. 31, 2021	8,730	4,616	52.8	331.77

Reference: Shareholders' equity (millions of yen) As of Aug. 31, 2022: 5,503 As of Aug. 31, 2021: 4,612

## (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, 2022	704	(176)	(328)	5,608
Fiscal year ended Aug. 31, 2021	1,467	(186)	(154)	5,409

## 2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Aug. 31, 2021	Yen -	Yen 0.00	Yen -	Yen 5.60	Yen 5.60	Millions of yen 77	% 6.2	% 1.9
Fiscal year ended Aug. 31, 2022	-	0.00	-	8.60	8.60	120	12.4	2.4
Fiscal year ending Aug. 31, 2023 (forecast)	-	0.00	-	8.60	8.60		11.5	

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	9,900	16.7	600	53.1	770	10.8	500	9.2	35.83
Full year	20,700	15.9	1,420	60.2	1,600	11.6	1,040	7.6	74.53

\* 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: Yes

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, 2022: 13,954,000 shares As of Aug. 31, 2021: 13,902,400 shares

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

As of Aug. 31, 2022: 130 shares As of Aug. 31, 2021: 130 shares

3) Average number of shares during the period

Fiscal year ended Aug. 31, 2022: 13,930,016 shares Fiscal year ended Aug. 31, 2021: 13,813,806 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended August 31, 2022 (Sep. 1, 2021 to Aug. 31, 2022)**

(1) Non-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, 2022	17,323	17.1	889	(32.1)	1,443	(18.7)	968	(15.1)
Fiscal year ended Aug. 31, 2021	14,799	11.0	1,309	10.9	1,776	45.9	1,140	61.5

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Aug. 31, 2022	69.54	69.19
Fiscal year ended Aug. 31, 2021	82.58	81.88

(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, 2022	9,581	5,548	57.9	397.29
As of Aug. 31, 2021	8,694	4,647	53.4	334.00

Reference: Shareholders' equity (millions of yen) As of Aug. 31, 2022: 5,543 As of Aug. 31, 2021: 4,643

\* 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, 2022, the Japanese economy was moving toward a moderate recovery, reflecting the gradual easing of the difficult conditions caused by the COVID-19 pandemic. However, the outlook remained uncertain, given the rise in international tensions mainly attributable to the Russian invasion of Ukraine, coupled with the rapid weakening of the yen, surging raw materials and energy prices and other factors.

In Japan's IT sector, which is the primary business field where the Group provides its services, reflecting the rapid expansion of the digital economy, and demand for IT investment associated with an increase in digital transformation (DX) using advanced technologies such as cloud computing, AI, IoT, big data, and RPA will likely remain strong. An optimal IT infrastructure plays an important role in supporting companies' business strategies, and the need for recruiting and cultivating high-quality IT engineers to respond to corporate demand is increasing at an accelerating pace.

Given this environment, in the fiscal year under review, the Group revised the plan it had prepared to achieve a net increase in the number of engineers from the initially projected 459 to 630 (up 171) and sought to increase the value of services through the development of highly qualified engineers. In doing so, the Group moved forward with the shift to more internal engineers for DX-related projects.

As a result, net sales at the Group increased 17.0% year on year, to 17,859,101 thousand yen, operating profit decreased 34.6% year on year, to 886,662 thousand yen, and ordinary profit decreased 21.9% year on year, to 1,434,021 thousand yen. Profit attributable to owners of parent decreased 22.1% year on year, to 966,159 thousand yen.

Results by business segment were as follows.

With the addition of Midori Cloud as a reportable segment in the fiscal year under review, the reportable segments have been changed from the conventional three segments, including System Integration, Digital Transformation, and Mechanical Design and Engineering, to four segments consisting of System Integration, Digital Transformation, Midori Cloud, and Mechanical Design and Engineering. Accordingly, in the year-on-year comparisons below, the figures for the first quarter of the previous year have been restated to reflect the new segment classification.

For details of the effects of changes in accounting policies in segment information, please refer to (5) Notes to Consolidated Financial Statements, Segment and Other Information.

#### 1) System Integration

In the system Integration segment, we are promoting support for IT technologies in the existing technical domain, while providing a broad array of services, including IT infrastructure and cloud technologies, business domains with long-term stability, digital creative services, web operations, web system development.

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

Net sales in this segment stood at 12,958,462 thousand yen, up 20.0% year on year. Segment profit was 641,080 thousand yen, down 28.1% year on year.

#### 2) Digital Transformation

We are leveraging advanced technologies in the Digital Transformation business to offer a range of services such as the construction and operation of cloud systems and the deployment of cyber security solutions to protect corporate

information assets, in addition to the promotion of the customer success solution business mainly through the provision of support for the widespread use of Salesforce.

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

Net sales in this segment stood at 4,024,308 thousand yen, up 8.9% year on year. Segment profit was 312,158 thousand yen, down 29.5% year on year.

### 3) Midori Cloud

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

In the fiscal year under review, in the platform service, the Group bolstered alliances with sales agents, while in the solution service, it took steps to strengthen the development system with a view toward business expansion going forward.

As a result, net sales in this segment amounted to 340,590 thousand yen, up 12.2% year on year. The segment loss was 63,362 thousand yen (segment loss of 24,299 thousand yen in the previous year).

### 4) Mechanical Design and Engineering

In the Mechanical Design and Engineering business, P's Engineering, a consolidated subsidiary, provides 3D CAD technologies, designs machines, dies and other items for other companies, and provides technologies for the quality control of experiments and performance tests. The company expanded services for communications construction and information and telecommunications as fields to provide new technologies.

In the fiscal year under review, the market was affected by the spread of COVID-19. However, demand recovered gradually and capacity utilization increased. In addition, the company won projects in new technology areas. As a result, sales were firm. The company expects to continue to win projects in different fields and will actively recruit and cultivate human resources to expand its corporate size.

Net sales in this segment came to 565,334 thousand yen, up 19.6% year on year. Segment profit was 641 thousand yen, down 98.7% year on year.

### 5) Others

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

With the market continuing to deteriorate due to the COVID-19 pandemic even in the fiscal year under review, the Group addressed policies that it needs to adopt going forward. As a result, it has decided to spin off the customer success solution business that provides support for the widespread use of Salesforce (Date of resolution: August 26, 2022, Effective date: December 1, 2022). The business will be transferred to Seraku CCC (Seraku ECA before the changing of its trade name), its consolidated subsidiary.

Consequently, there were no net sales in this segment (net sales of 2,835 thousand yen in the previous year). The segment loss stood at 3,855 thousand yen (segment loss of 1,872 thousand yen in the previous fiscal year).

**(2) Financial Position**

## Assets

Total assets increased 889,747 thousand yen from the end of the previous fiscal year to 9,620,428 thousand yen as of the end of the current fiscal year. This was a result primarily of increases of 515,633 thousand yen in notes and accounts receivable-trade and contract assets (“notes and accounts receivable-trade” in the previous fiscal year), 200,852 thousand yen in cash and deposits, 83,602 thousand yen in insurance reserve funds, 56,223 yen in other current assets, and 52,146 thousand yen in deferred tax assets, which more than offset a decrease of 21,499 thousand yen in work in process.

## Liabilities

Total liabilities decreased 13,116 thousand yen from the end of the previous fiscal year to 4,101,275 thousand yen as of the end of the fiscal year under review. This was attributable largely to decreases of 600,000 thousand yen in long-term borrowings and 153,037 thousand yen in income taxes payable, which more than offset increases of 344,430 thousand yen in current portion of long-term borrowings, 155,135 thousand yen in provision for bonuses, 93,457 thousand yen in accrued consumption taxes, 64,269 thousand yen in other in current liabilities, 49,561 thousand yen in accounts payable - other and 48,513 thousand yen in accounts payable-trade.

## Net assets

Total net assets increased 902,864 thousand yen from the end of the previous fiscal year, to 5,519,152 thousand yen. This increase was attributable chiefly to an increase of 894,566 thousand yen in retained earnings.

**(3) Cash Flows**

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year amounted to 5,608,159 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 704,481 thousand yen.

Cash used for income taxes paid of 662,051 thousand yen and an increase in trade receivables of 515,633 thousand yen, among other factors, were offset by cash provided by profit before income taxes of 1,423,146 thousand yen, an increase in provision for bonuses of 155,135 thousand yen, an increase in accrued consumption taxes of 93,457 thousand yen, an increase in accounts payable-other of 62,757 thousand yen, an increase in trade payables of 48,513 thousand yen and depreciation of 47,725 thousand yen and , among other factors.

## Cash flows from investing activities

Net cash used in investing activities totaled 176,949 thousand yen.

Cash was used for the purchase of insurance funds of 83,602 thousand yen, purchase of property, plant and equipment of 65,078 thousand yen and payments of leasehold and guarantee deposits of 28,900 yen.

## Cash flows from financing activities

Net cash used in financial activities totaled 328,880 thousand yen.

Cash was used mainly for repayments of long-term borrowings of 255,570 thousand yen and payments of dividends of 77,730 thousand yen.

Reference: Trends in cash flow indicators

	FY8/19	FY8/20	FY8/21	FY8/22
Equity ratio (%)	52.3	46.7	52.8	57.3
Market value-based equity ratio (%)	176.1	289.7	341.4	159.3
Interest-bearing debt to cash flow ratio (year)	0.5	1.1	0.7	1.1
Interest coverage ratio (time)	802.4	442.0	363.4	200.6

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, the situation is still expected to remain uncertain, reflecting concerns over the future outlook for COVID-19, global inflation and the impact of exchange rates, among other factors.

That said, in the IT services industry, companies continue to show a potential appetite for IT investments, such as strategic investments aimed to address the growing need to improve operational efficiency and facilitate digital transformation. For a variety of reasons, including investments by Companies in labor-saving due to labor shortages, we assume that demand for IT personnel will continue to grow. In this environment, we will further strengthen our operations through the development of engineers, and by doing so, work to increase our technological competitiveness in advanced IT areas and further enhance our services.

To date, the impact of the COVID-19 pandemic on our business activities has been limited. Even so, we will continue to pay attention to its impact on economic activities while also working to reinforce our corporate structure to adapt flexibly to changes in the management environment.

Considering the above, we forecast net sales of 20,700,000 thousand yen, an operating profit of 1,420,000 thousand yen, an ordinary profit of 1,600,000 thousand yen and a profit attributable to owners of parent of 1,040,000 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)	
	FY8/21 (As of Aug. 31, 2021)	FY8/22 (As of Aug. 31, 2022)
Assets		
Current assets		
Cash and deposits	5,458,007	5,658,860
Notes and accounts receivable - trade	1,821,004	—
Notes and accounts receivable - trade, and contract assets, net	—	2,336,637
Work in process	50,805	29,306
Raw materials	44,965	56,714
Other	123,989	180,212
Allowance for doubtful accounts	(2,640)	(1,655)
Total current assets	7,496,131	8,260,076
Non-current assets		
Property, plant and equipment		
Buildings, net	155,617	158,670
Tools, furniture and fixtures, net	41,651	40,058
Other	2,621	8,590
Total property, plant and equipment	199,891	207,318
Intangible assets		
Goodwill	15,968	6,843
Software	4,487	1,279
Other	1,729	1,662
Total intangible assets	22,185	9,785
Investments and other assets		
Investment securities	118,454	118,340
Deferred tax assets	397,232	449,378
Leasehold and guarantee deposits	232,343	241,783
Insurance funds	208,688	292,290
Other	55,755	41,454
Total investments and other assets	1,012,473	1,143,248
Total non-current assets	1,234,549	1,360,352
Total assets	8,730,681	9,620,428

	(Thousands of yen)	
	FY8/21 (As of Aug. 31, 2021)	FY8/22 (As of Aug. 31, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	111,077	159,590
Current portion of long-term borrowings	255,570	600,000
Accounts payable - other	1,201,641	1,251,202
Income taxes payable	397,595	244,557
Accrued consumption taxes	315,362	408,820
Provision for bonuses	757,781	912,916
Provision for loss on order received	9,379	896
Other	186,645	250,915
<b>Total current liabilities</b>	<b>3,235,052</b>	<b>3,828,899</b>
<b>Non-current liabilities</b>		
Long-term borrowings	750,000	150,000
Retirement benefit liability	127,163	113,074
Other	2,177	9,302
<b>Total non-current liabilities</b>	<b>879,340</b>	<b>272,376</b>
<b>Total liabilities</b>	<b>4,114,392</b>	<b>4,101,275</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	304,085	306,232
Capital surplus	501,835	503,982
Retained earnings	3,805,677	4,700,243
Treasury shares	(199)	(199)
<b>Total shareholders' equity</b>	<b>4,611,398</b>	<b>5,510,259</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,051	79
Remeasurements of defined benefit plans	(163)	3,908
<b>Total accumulated other comprehensive income</b>	<b>888</b>	<b>3,987</b>
Share acquisition rights	4,001	4,906
<b>Total net assets</b>	<b>4,616,288</b>	<b>5,519,152</b>
<b>Total liabilities and net assets</b>	<b>8,730,681</b>	<b>9,620,428</b>

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

(Thousands of yen)

	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)
Net sales	15,263,442	17,859,101
Cost of sales	11,596,130	13,954,524
Gross profit	3,667,311	3,904,576
Selling, general and administrative expenses	2,311,097	3,017,913
Operating profit	1,356,213	886,662
Non-operating income		
Interest and dividend income	1,619	1,622
Subsidy income	471,610	543,041
Other	11,301	6,207
Total non-operating income	484,531	550,871
Non-operating expenses		
Interest expenses	4,039	3,512
Other	1	—
Total non-operating expenses	4,041	3,512
Ordinary profit	1,836,704	1,434,021
Extraordinary income		
Gain on reversal of share acquisition rights	161	443
Total extraordinary income	161	443
Extraordinary losses		
Loss on retirement of non-current assets	571	606
Loss on valuation of investment securities	15,669	10,711
Total extraordinary losses	16,241	11,318
Profit before income taxes	1,820,624	1,423,146
Income taxes-current	591,993	513,264
Income taxes-deferred	(12,153)	(56,276)
Total income taxes	579,840	456,987
Profit	1,240,783	966,159
Profit attributable to owners of parent	1,240,783	966,159

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)
Profit	1,240,783	966,159
Other comprehensive income		
Valuation difference on available-for-sale securities	986	(972)
Remeasurements of defined benefit plans, net of tax	(3,810)	4,071
Total other comprehensive income	(2,824)	3,098
Comprehensive income	1,237,959	969,257
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,237,959	969,257

**(3) Consolidated Statement of Changes in Equity**

FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	297,974	495,724	2,628,218	(62)	3,421,855
Cumulative effects of changes in accounting policies					
Restated balance					
Changes during period					
Issuance of new shares	6,111	6,111			12,222
Dividends of surplus			(63,325)		(63,325)
Profit attributable to owners of parent			1,240,783		1,240,783
Purchase of treasury shares				(137)	(137)
Net changes in items other than shareholders' equity					
Total changes during period	6,111	6,111	1,177,458	(137)	1,189,543
Balance at end of period	304,085	501,835	3,805,677	(199)	4,611,398

	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	65	3,647	3,712	4,162	3,429,730
Cumulative effects of changes in accounting policies					
Restated balance					
Changes during period					
Issuance of new shares					12,222
Dividends of surplus					(63,325)
Profit attributable to owners of parent					1,240,783
Purchase of treasury shares					(137)
Net changes in items other than shareholders' equity	986	(3,810)	(2,824)	(161)	(2,985)
Total changes during period	986	(3,810)	(2,824)	(161)	1,186,557
Balance at end of period	1,051	(163)	888	4,001	4,616,288

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
Purchase of treasury shares					
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
Purchase of treasury shares					
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

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,820,624	1,423,146
Depreciation	31,545	47,725
Amortization of goodwill	9,124	9,124
Loss (gain) on valuation of investment securities	15,669	10,711
Increase (decrease) in allowance for doubtful accounts	(1,483)	(985)
Increase (decrease) in provision for bonuses	117,854	155,135
Increase (decrease) in retirement benefit liability	(6,737)	(14,088)
Interest and dividend income	(1,619)	(1,622)
Subsidy income	(471,610)	(543,041)
Interest expenses	4,039	3,512
Loss on retirement of non-current assets	571	606
Decrease (increase) in trade receivables	5,706	(515,633)
Decrease (increase) in inventories	(39,500)	9,750
Decrease (increase) in prepaid expenses	(33,645)	(3,190)
Increase (decrease) in trade payables	53,753	48,513
Increase (decrease) in accounts payable - other	258,570	62,757
Increase (decrease) in accrued consumption taxes	(189,220)	93,457
Other, net	(9,163)	39,674
Subtotal	1,564,479	825,554
Interest and dividends received	1,371	1,374
Interest paid	(4,012)	(3,436)
Proceeds from subsidy income	471,610	543,041
Income taxes paid	(565,587)	(662,051)
Net cash provided by (used in) operating activities	1,467,861	704,481
<b>Cash flows from investing activities</b>		
Payments into time deposits	(6,703)	(4,600)
Proceeds from withdrawal of time deposits	4,900	2,400
Purchase of securities	–	(12,000)
Purchase of property, plant and equipment	(70,627)	(65,078)
Purchase of intangible assets	–	(602)
Payments of leasehold and guarantee deposits	(40,171)	(28,900)
Proceeds from refund of leasehold and guarantee deposits	–	15,435
Purchase of insurance funds	(83,602)	(83,602)
Other proceeds	9,870	–
Net cash provided by (used in) investing activities	(186,333)	(176,949)
<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	(106,660)	(255,570)
Repayments of lease obligations	(450)	(778)
Dividends paid	(59,648)	(77,730)
Proceeds from issuance of share acquisition rights	–	905
Proceeds from issuance of shares resulting from exercise of share acquisition rights	12,222	4,293
Purchase of treasury shares	(137)	–
Net cash provided by (used in) financing activities	(154,674)	(328,880)
Effect of exchange rate change on cash and cash equivalents	0	–
Net increase (decrease) in cash and cash equivalents	1,126,853	198,651

Cash and cash equivalents at beginning of period	4,282,653	5,409,507
Cash and cash equivalents at end of period	5,409,507	5,608,159

## **(5) Notes to Consolidated Financial Statements**

### **Going Concern Assumption**

Not applicable.

### **Changes in Accounting Policies**

#### **Adoption of the Accounting Standard for Revenue Recognition**

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the fiscal year under review and recognize revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer.

As a result, revenue recognition for contracts, under which obligations are fulfilled over a certain period of time, among contracts under which, in the past, revenue was recognized at the point when contracts with customers were completed, has been changed to a method of recognizing revenue over a certain period of time based on estimated progress in fulfilling performance obligations. To estimate progress in the fulfillment of performance obligations, we use the ratio of cost incurred to total cost estimated (the input method).

In addition, when progress cannot be estimated reasonably and costs that arise in conjunction with the fulfillment of the relevant performance obligations are expected to be recovered, we use the cost recovery method to recognize revenue.

The alternative treatment specified in the revenue recognition accounting standards applies to service contracts in which the period between the first day of transactions and the expected date of complete fulfillment of performance obligations is very short. In this case, revenue is not recognized over a certain period of time unless and until when performance obligations are completely fulfilled.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the fiscal year under review are adjusted in retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied from this initial balance. However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not retroactively apply the new accounting policy to the contracts almost all of whose revenue was recognized in compliance with the conventional method before the beginning of the fiscal year under review. In addition, we account for all contract changes made prior to the beginning of the fiscal year under review by applying the method prescribed in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard based on the contract terms, after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the fiscal year under review.

Also, notes and accounts receivable - trade presented in current assets in the consolidated balance sheets for the previous fiscal year is included in notes and accounts receivable - trade, and contract assets in the consolidated balance sheets from the fiscal year under review. Pursuant to the transitional provisions in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company did not reclassify balance sheet amounts for the previous fiscal year according to a new presentation.

As a result, compared to the year-ago results compiled before the application of the Revenue Recognition Accounting Standard, net sales increased 89,004 thousand yen and cost of sales increased 63,716 thousand yen for the fiscal year under review. Operating profit, ordinary profit and profit before income taxes increased 34,311 thousand yen respectively. Balance of retained earnings at the beginning of the period rose 6,260 thousand yen. Meanwhile, the impact on the statement of cash flows and per share information for the fiscal year under review is minor.

Pursuant to the transitional provisions in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the Company did not include any revenue recognition-related notes on the previous fiscal year.

### **Application of Accounting Standard for Fair Value Measurement, etc.**

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”) and related measures at the beginning of the fiscal year under review. Accordingly, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard and related measures in the future in accordance with the transitional handling stipulated in Section 19 of the same standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019). This application has no impact on consolidated financial statements for fiscal year under review.

## **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.

Starting with the results for the fiscal year under review, the Company has decided to apply a revised method to business segment reclassification. Accordingly, reportable business segments have been changed from the previous three segments, namely, System Integration, Digital Transformation, and Mechanical Design and Engineering, to four business segments consisting of System Integration, Digital Transformation, Midori Cloud, and Mechanical Design and Engineering.

The System Integration segment covers IT infrastructure and cloud technology-related services, digital creative services, website operations, and the development of website systems, among other services. The Digital Transformation segment focuses on the provision of services relating to cybersecurity, IoT/AI-assisted data science and RPA-based business intelligence. The Midori Cloud segment features the provision of the Midori Cloud and Farm Cloud services to facilitate IT-based DX in the agricultural, livestock and fishing industries. The Mechanical Design and Engineering segment is tasked primarily with the offering of technical support in the 3D CAD field and contract-based designing of machines, dies and other items for other companies.

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.

As described in changes in accounting policies, we started to apply the Accounting Standard for Revenue Recognition, etc., on a consolidated basis from the beginning of the fiscal year under review, changing accounting procedures for revenue recognition. Accordingly, the method for calculating business segment profits and losses have been changed in the same fashion. Reflecting the change, in comparison with the conventional procedures, net sales and the segment profit increased 71,814 thousand yen and 22,285 thousand yen respectively in the System Integration business, and net sales and the segment profit rose 43,690 thousand yen and 11,641 thousand yen respectively in the Digital Transformation business. Meanwhile, the impact on net sales and the segment profits is minor in the Midori Cloud business and the Mechanical Design and Engineering business respectively.

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

FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)

(Thousands of yen)

	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Amount in the consolidated financial statements (Note 3)
	System Integration	Digital Transfor- mation	Midori Cloud	Mechanical Design and Engineering	Total				
Net sales									
Sales to external customers	10,799,029	3,696,508	303,550	462,318	15,261,407	2,035	15,263,442	–	15,263,442
Inter-segment sales and transfers	–	–	–	10,301	10,301	800	11,101	(11,101)	–
Total	10,799,029	3,696,508	303,550	472,619	15,271,708	2,835	15,274,544	(11,101)	15,263,442
Segment profit (loss)	891,101	443,008	(24,299)	48,276	1,358,086	(1,872)	1,356,213	–	1,356,213
Segment assets	–	–	69,504	176,541	246,046	60,313	306,360	8,424,320	8,730,681
Other items									
Amortization of goodwill	–	–	–	9,124	9,124	–	9,124	–	9,124
Depreciation	17,792	11,770	1,708	273	31,545	–	31,545	–	31,545
Increase in property, plant and equipment, and intangible assets	–	–	583	1,200	1,783	–	1,783	91,217	93,000

- Notes: 1. The “Other” business segment consists of activities that are not included in any of the reportable segments, and is primarily engaged in job placement and temporary staffing services and services for training IT engineers.
2. The adjustment to segment profit (loss) includes corporate costs that are not allocated to any of the reportable segments. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments. The adjustment to segment profit (loss) includes inter-segment transaction elimination of 11,101 thousand yen.
3. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.
4. The adjustment of 8,424,320 thousand yen to segment assets includes corporate assets that are not allocated to reportable segments.
5. 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.
6. The 91,217 thousand yen adjustment to increase in property, plant and equipment and intangible assets includes capital expenditures associated with the head office and branch office buildings of 83,257 thousand yen.

FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)

(Thousands of yen)

	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Amount in the consolidated financial statements (Note 3)
	System Integration	Digital Transfor- mation	Midori Cloud	Mechanical Design and Engineering	Total				
Net sales									
Sales to external customers	12,958,462	4,024,308	340,590	535,739	17,859,101	—	17,859,101	—	17,859,101
Inter-segment sales and transfers	—	—	—	29,594	29,594	—	29,594	(29,594)	—
Total	12,958,462	4,024,308	340,590	565,334	17,888,695	—	17,888,695	(29,594)	17,859,101
Segment profit (loss)	641,080	312,158	(63,362)	641	890,517	(3,855)	886,662	—	886,662
Segment assets	—	—	66,073	198,469	264,542	56,080	320,622	9,299,805	9,620,428
Other items									
Amortization of goodwill	—	—	—	9,124	9,124	—	9,124	—	9,124
Depreciation	30,942	15,606	559	356	47,464	—	47,464	261	47,725
Increase in property, plant and equipment, and intangible assets	—	—	—	602	602	—	602	51,280	51,882

- 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 29,594 thousand yen.
3. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.
4. The adjustment of 9,299,805 thousand yen to segment assets includes corporate assets that are not allocated to reportable segments.
5. 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.
6. 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.

**Per Share Information**

(Yen)

	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)
Net assets per share	331.77	395.18
Net income per share	89.82	69.36
Diluted net income per share	89.06	69.00

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

(Thousands of yen)

	FY8/21 (Sep. 1, 2020 – Aug. 31, 2021)	FY8/22 (Sep. 1, 2021 – Aug. 31, 2022)
Net income per share		
Profit attributable to owners of parent	1,240,783	966,159
Amounts not attributable to common shareholders	–	–
Profit attributable to owners of parent applicable to common shares	1,240,783	966,159
Average number of common shares outstanding during the period (Shares)	13,813,806	13,930,017
Diluted net income per share		
Adjustment to profit attributable to owners of parent	–	–
Increase in the number of common shares (Shares)	118,146	71,727
[of which share acquisition rights (Shares)]	[118,146]	[71,727]
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	Five types of share acquisition rights (Number of share acquisition rights: 3,751)	Four types of share acquisition rights (Number of share acquisition rights: 4,218)

**Material Subsequent Events**

Not applicable.