



**Summary of Consolidated Financial Results  
for the Third Quarter of the Fiscal Year Ending August 31, 2023  
(Nine Months Ended May 31, 2023)**

[Japanese GAAP]

July 14, 2023

Company name: SERAKU Co., Ltd. Listing: Tokyo Stock Exchange (Prime Market)  
 Stock code: 6199 URL: <http://www.seraku.co.jp>  
 Representative: Tatsumi Miyazaki, Representative Director  
 Contact: Tomoharu Kozeki, Executive Director, Executive Officer, General Manager of Corporate Management Division  
 Tel: +81-(0)3-3227-2321  
 Scheduled date of filing of Quarterly Report: July 14, 2023  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes

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

**1. Consolidated Financial Results for the Third Quarter Ended May 31, 2023 (Sep. 1, 2022 to May 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	%
Nine months ended May 31, 2023	15,467	17.9	1,638	135.6	1,844	62.8	1,194	66.5
Nine months ended May 31, 2022	13,123	16.0	695	(39.9)	1,132	(28.4)	717	(25.5)

Note: Comprehensive income (millions of yen) Nine months ended May 31, 2023: 1,192 (up 66.3%)  
 Nine months ended May 31, 2022: 716 (down 25.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended May 31, 2023	85.52	-
Nine months ended May 31, 2022	51.53	51.24

Note: Diluted net income per share for the nine months ended May 31, 2023 is not stated because there is no residual share with a dilution effect.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2023	11,315	6,592	58.2
As of Aug. 31, 2022	9,620	5,519	57.3

Reference: Shareholders' equity (millions of yen) As of May 31, 2023: 6,587 As of Aug. 31, 2022: 5,514

**2. Dividends**

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

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

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

(Percentages represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	20,750	16.2	1,930	117.7	2,140	49.2	1,360	40.8	97.30

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

\* 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 May 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 May 31, 2023:	130 shares	As of Aug. 31, 2022:	130 shares
---------------------	------------	----------------------	------------

3) Average number of shares during the period

Nine months ended May 31, 2023:	13,973,527 shares	Nine months ended May 31, 2022:	13,923,466 shares
---------------------------------	-------------------	---------------------------------	-------------------

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

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

Forecasts of future performance in these materials are based on assumptions judged to be reasonable and information available to the management of Seraku at the time these materials were prepared and do not represent guarantees of future performance. Actual results may differ materially from these forecasts for various reasons. For discussion of the assumptions and other factors considered by Seraku in preparing the above projections, please refer to page 4 of the attachments 1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Segment and Other Information	9
3. Additional Information	11
Sales Results	11

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first nine months of the fiscal year under review, economic activity in Japan recovered somewhat as movements towards a stabilization of COVID-19 infections accelerated. However, there were heightened inflationary concerns due mainly to surges in energy and raw material prices caused by the prolonged Russian invasion of Ukraine. As a consequence, the future of the Japanese economy remained uncertain.

In Japan's IT sector, which is the primary business field where the Group provides its services, corporate IT investment demand is expected to remain solid as illustrated in their enhanced efforts towards digital transformation (DX) on the back of the popular use of AI, IoT, and other state-of-the-art technologies and Cloud shift. 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 continuing to increase.

Given this environment, the Seraku Group sought to increase the value of services mainly through the development of highly qualified engineers and the deployment of internal engineers to DX-related projects, while simultaneously stepping up its efforts to establish a system in which the Group, as a Digital Integrator, can meet the diverse needs of its customers by undertaking the social implementation and operation of IT systems and DX.

As a result, the Seraku Group's net sales increased 17.9% year on year, to 15,467,877 thousand yen, operating profit increased 135.6% year on year, to 1,638,096 thousand yen, and ordinary profit rose 62.8% year on year, to 1,844,558 thousand yen. Profit attributable to owners of parent increased 66.5% year on year, to 1,194,997 thousand yen. Results by business segment were as follows.

The Company had been operating its business by creating separate organizations according to the type of services and contracts. Now, given 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 third quarter of 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 third quarter of 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 24/7 basis at the Cloud Support Center. In doing so, we help companies establish Cloud-based ICT environments. In a business area related to the establishment and management of Cloud systems, we also help companies introduce and fully deploy the COMPANY, an integrated personnel affairs system. In addition, SERAKU CCC Co., Ltd. provides a customer success solution service centered on operating and establishing Salesforce.

Looking at the first nine months 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 24/7 managed services. SERAKU CCC Co., Ltd. sought to cultivate new customers. Moreover, in efforts to bolster the added value of engineers, it sought to nurture and create Salesforce engineers through the recruitment and deployment of internal engineers to DX-related projects, while also developing individuals who can handle Salesforce-linked products, including marketing automation and business intelligence tools. The Seraku Group (the “Group”) focuses its efforts on developing human resources by utilizing a project room for training with equipment that faithfully recreates actual workplaces, enabling inexperienced engineers to quickly develop the skills they need.

Net sales in this segment stood at 14,747,376 thousand yen, up 18.2% year on year. Segment profit was 1,609,355 thousand yen, up 113.1% 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 first nine months of 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.

Net sales in this segment amounted to 296,519 thousand yen, up 17.6% year on year. The segment loss was 20,596 thousand yen (segment loss of 47,472 thousand yen in the same period of 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.

During the first nine months of the fiscal year under review, we sought 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 aim to expand the scale of our enterprise by adding value to our engineers through education and by expanding our geographic reach.

Net sales in this segment amounted to 464,240 thousand yen, up 11.8% year on year. The segment profit was 42,946 thousand yen (segment loss of 12,521 thousand yen in the same period of the previous year).

**(2) Explanation of Financial Position**

## Assets

Total assets increased 1,695,338 thousand yen from the end of the previous fiscal year to 11,315,767 thousand yen as of the end of the third quarter of the fiscal year under review. The main factors were increases of 1,279,010 thousand yen in cash and deposits, 175,777 thousand yen in deferred tax assets, 83,126 thousand yen in insurance reserve fund, 56,554 thousand yen in work in process, 50,680 thousand yen in leasehold and deposits and 40,911 thousand yen in other of current assets, respectively.

## Liabilities

Total liabilities increased 622,113 thousand yen from the end of the previous fiscal year to 4,723,389 thousand yen as of the end of the third quarter of the fiscal year under review. This was attributable largely to increases of 1,194,118 thousand yen in accounts payable - other, 340,511 thousand yen in income taxes payable, and 56,971 thousand yen in accrued consumption taxes, which more than offset decreases of 450,000 thousand yen in current portion of long-term borrowings, 369,945 thousand yen in provision for bonuses, and 150,000 thousand yen in long-term borrowings.

## Net assets

Total assets increased 1,073,224 thousand yen from the end of the previous fiscal year to 6,592,377 thousand yen as of the end of the third quarter of the fiscal year under review. This increase was attributable chiefly to an increase of 1,074,994 thousand yen in retained earnings.

**(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements**

The consolidated earnings forecasts that were announced on October 14, 2022 have been revised. For details, please refer to “Notice Regarding Revisions to of Consolidated Financial Results Forecasts for the Fiscal Year Ending August 31, 2023” announced on July 12, 2023.

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

(Thousands of yen)

	FY8/22 (As of Aug. 31, 2022)	Third Quarter of FY8/23 (As of May 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	5,658,860	6,937,870
Accounts receivable - trade and contract assets	2,336,637	2,350,456
Work in process	29,306	85,860
Raw materials	56,714	59,924
Other	180,212	221,124
Allowance for doubtful accounts	(1,655)	(1,027)
Total current assets	8,260,076	9,654,208
Non-current assets		
Property, plant and equipment		
Buildings, net	158,670	176,306
Tools, furniture and fixtures, net	40,058	43,411
Other	8,590	6,457
Total property, plant and equipment	207,318	226,176
Intangible assets		
Goodwill	6,843	—
Software	1,279	922
Other	1,662	1,662
Total intangible assets	9,785	2,585
Investments and other assets		
Investment securities	118,340	109,030
Deferred tax assets	449,378	625,155
Leasehold and guarantee deposits	241,783	292,463
Insurance funds	292,290	375,417
Other	41,454	30,729
Total investments and other assets	1,143,248	1,432,796
Total non-current assets	1,360,352	1,661,558
Total assets	9,620,428	11,315,767

	(Thousands of yen)	
	FY8/22 (As of Aug. 31, 2022)	Third Quarter of FY8/23 (As of May 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	159,590	173,735
Current portion of long-term borrowings	600,000	150,000
Accounts payable - other	1,251,202	2,445,320
Income taxes payable	244,557	585,069
Accrued consumption taxes	408,820	465,792
Provision for bonuses	912,916	542,971
Provision for loss on order received	896	—
Other	250,915	244,250
<b>Total current liabilities</b>	<b>3,828,899</b>	<b>4,607,139</b>
<b>Non-current liabilities</b>		
Long-term borrowings	150,000	—
Retirement benefit liability	113,074	108,627
Other	9,302	7,623
<b>Total non-current liabilities</b>	<b>272,376</b>	<b>116,250</b>
<b>Total liabilities</b>	<b>4,101,275</b>	<b>4,723,389</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	306,232	307,006
Capital surplus	503,982	504,756
Retained earnings	4,700,243	5,775,237
Treasury shares	(199)	(199)
<b>Total shareholders' equity</b>	<b>5,510,259</b>	<b>6,586,801</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	79	61
Remeasurements of defined benefit plans	3,908	977
<b>Total accumulated other comprehensive income</b>	<b>3,987</b>	<b>1,038</b>
Share acquisition rights	4,906	4,537
<b>Total net assets</b>	<b>5,519,152</b>	<b>6,592,377</b>
<b>Total liabilities and net assets</b>	<b>9,620,428</b>	<b>11,315,767</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income  
(First Nine-month Period)**

(Thousands of yen)

	First nine months of FY8/22 (Sep. 1, 2021 – May 31, 2022)	First nine months of FY8/23 (Sep. 1, 2022 – May 31, 2023)
Net sales	13,123,005	15,467,877
Cost of sales	10,180,071	11,498,441
Gross profit	2,942,934	3,969,435
Selling, general and administrative expenses	2,247,705	2,331,339
Operating profit	695,229	1,638,096
Non-operating income		
Interest income	1,200	1,206
Subsidy income	434,964	197,940
Other	4,329	9,320
Total non-operating income	440,494	208,467
Non-operating expenses		
Interest expenses	2,780	2,005
Total non-operating expenses	2,780	2,005
Ordinary profit	1,132,943	1,844,558
Extraordinary income		
Gain on reversal of share acquisition rights	–	368
Total extraordinary income	–	368
Extraordinary losses		
Loss on retirement of non-current assets	124	–
Loss on valuation of investment securities	5,996	9,284
Total extraordinary losses	6,121	9,284
Profit before income taxes	1,126,822	1,835,642
Income taxes-current	565,961	815,120
Income taxes-deferred	(156,647)	(174,475)
Total income taxes	409,314	640,644
Profit	717,507	1,194,997
Profit attributable to owners of parent	717,507	1,194,997

**Quarterly Consolidated Statement of Comprehensive Income**  
**(First Nine-month Period)**

(Thousands of yen)

	First nine months of FY8/22 (Sep. 1, 2021 – May 31, 2022)	First nine months of FY8/23 (Sep. 1, 2022 – May 31, 2023)
Profit	717,507	1,194,997
Other comprehensive income		
Valuation difference on available-for-sale securities	(997)	(18)
Remeasurements of defined benefit plans, net of tax	122	(2,931)
Total other comprehensive income	(874)	(2,949)
Comprehensive income	716,632	1,192,048
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	716,632	1,192,048

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

Segment information

First nine months of FY8/22 (Sep. 1, 2021 – May 31, 2022)

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

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amount in the quarterly consolidated statement of income (Note 2)
	Digital Integration	Midori Cloud	Mechanical Design and Engineering	Total		
Net sales						
Sales to external customers	12,472,851	252,222	397,931	13,123,005	–	13,123,005
Inter-segment sales and transfers	–	–	17,139	17,139	(17,139)	–
Total	12,472,851	252,222	415,070	13,140,144	(17,139)	13,123,005
Segment profit (loss)	755,223	(47,472)	(12,521)	695,229	–	695,229

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 17,139 thousand yen.

2. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

First nine months of FY8/23 (Sep. 1, 2022 – May 31, 2023)

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

(Thousands of yen)

	Reportable segment				Adjustment (Note 1, 2)	Amount in the quarterly consolidated statement of income (Note 3)
	Digital Integration	Midori Cloud	Mechanical Design and Engineering	Total		
Net sales						
Sales to external customers	14,747,376	296,519	423,981	15,467,877	—	15,467,877
Inter-segment sales and transfers	—	—	40,259	40,259	(40,259)	—
Total	14,747,376	296,519	464,240	15,508,137	(40,259)	15,467,877
Segment profit (loss)	1,609,355	(20,596)	42,946	1,631,706	6,390	1,638,096

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 40,259 thousand yen.

2. The adjustment of segment profit (loss) of 6,390 thousand yen includes differences in the elimination of sales expenses and non-operating income borne by each segment, among other factors.

3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Matters related to changes in reportable segments

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 third quarter of 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 first nine months of the previous fiscal year has been prepared and presented based on the classification of reportable segments after the change.

**3. Additional Information**

## Sales results

(Thousands of yen)

	First nine months of previous fiscal year		First nine months of fiscal year under review		Year-on-year change (%)
	Net sales	Ratio to net sales (%)	Net sales	Ratio to net sales (%)	
System Integration	9,532,454	72.6	10,773,938	69.7	13.0
Digital Transformation	2,940,397	22.4	3,973,437	25.7	35.1
Midori Cloud	252,222	1.9	296,519	1.9	17.6
Mechanical Design and Engineering	397,931	3.0	423,981	2.7	6.5
Total	13,123,005	100.0	15,467,877	100.0	17.9