



**Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending August 31, 2024
(Six Months Ended February 29, 2024)**

[Japanese GAAP]

April 12, 2024

Company name: SERAKU Co., Ltd.

Listing: Tokyo Stock Exchange (Standard 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:

April 12, 2024

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

Yes

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

**1. Consolidated Financial Results for the Second Quarter Ended February 29, 2024
(Sep. 1, 2023 to Feb. 29, 2024)**

(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	%
Six months ended Feb. 29, 2024	10,825	6.5	1,119	2.6	1,125	(12.3)	769	(10.0)
Six months ended Feb. 28, 2023	10,160	19.7	1,091	178.5	1,283	84.7	855	86.7

Note: Comprehensive income (millions of yen) Six months ended Feb. 29, 2024: 767 (down 10.0%)
Six months ended Feb. 28, 2023: 853 (up 86.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Feb. 29, 2024	55.42	55.34
Six months ended Feb. 28, 2023	61.24	61.10

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Feb. 29, 2024	11,095	7,265	65.1
As of Aug. 31, 2023	11,253	6,904	61.0

Reference: Shareholders' equity (millions of yen) As of Feb. 29, 2024: 7,228 As of Aug. 31, 2023: 6,867

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Aug. 31, 2023	–	0.00	–	10.40	10.40
Fiscal year ending Aug. 31, 2024	–	0.00	–	–	–
Fiscal year ending Aug. 31, 2024 (forecast)	–	–	–	13.00	13.00

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

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
Full year	22,000	5.5	2,240	15.2	2,240	3.9	1,500	1.9	107.23

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 Feb. 29, 2024:	13,994,200 shares	As of Aug. 31, 2023:	13,988,400 shares
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2) Number of treasury shares as of the end of the period

As of Feb. 29, 2024:	216,971 shares	As of Aug. 31, 2023:	130 shares
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3) Average number of shares during the period

Six months ended Feb. 29, 2024:	13,886,065 shares	Six months ended Feb. 28, 2023:	13,966,034 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 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 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

During the first half under review, the Japanese economy was trending toward a moderate recovery, thanks to an improving income and employment environment and a recovery in inbound tourism-related demand, among other factors, despite gradual and persistent price rises. Nonetheless, the business outlook remains uncertain, reflecting trends in the international situation, surges in prices of raw materials and resources, general rises in prices and effects of global monetary tightening.

In the information industry, the primary business field where the Group provides services, information technology / digital transformation (IT/DX)-related demand continued to grow in line with the progress and broader use of digital technologies. There are movements aiming to improve productivity and strengthen competitiveness in every business field. In the face of labor shortages, etc., many companies are accelerating efforts to achieve improved efficiency and innovation in business through the use of new technologies such as cloud services and generative AI. In response to the growing complexity of IT needs among companies, the Group provides IT services that meet diverse needs by working vigorously with its business partners.

Given this environment, 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. Moreover, it launched business support services using AI for corporate clients in NewtonX, the Group's proprietary brand, for the introduction and utilization of ChatGPT.

As a result, the Seraku Group's net sales increased 6.5% year on year, to 10,825,441 thousand yen, operating profit increased 2.6% year on year, to 1,119,110 thousand yen, and ordinary profit declined 12.3% year on year, to 1,125,181 thousand yen. Profit attributable to owners of parent decreased 10.0% year on year, to 769,627 thousand yen.

Results by business segment were as follows.

Starting with the third quarter of the previous fiscal year, 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 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.

In the first half under review, the Group worked to expand sales to new clients and transactions with existing clients by utilizing business partners' resources. In January 2024, SERAKU CCC Co., Ltd. was certified as Expert level in the Salesforce Navigator Program (a program that comprehensively assesses Salesforce partners' expertise in specific areas in terms of knowledge, experience and quality) for its expertise and track record in implementation and use of Salesforce.

Net sales in this segment stood at 10,366,591 thousand yen, up 7.1% year on year. Segment profit was 1,121,892 thousand yen, up 5.2% 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 March 2023, the Group launched Midori Cloud Rakuraku Shukka that introduces digital technologies, including two-dimensional bar codes and cloud systems, to the field of distribution of fruits and vegetables and has been expanding sales to the Japan Agricultural Cooperatives (JAs) nationwide.

In the first half under review, the Group continued to develop services that meet customer needs and promoted business activities for widespread use of Midori Cloud Rakuraku Shukka.

Net sales in this segment amounted to 151,262 thousand yen, down 25.6% year on year. The segment loss was 28,032 thousand yen (segment loss of 7,737 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.

Net sales in the first half under review were solid with stable utilization rates, as a result of efforts to recruit and develop engineers. The Group continues to promote business activities leveraging group synergy with an eye on expanding its business scales.

Net sales in this segment came to 355,899 thousand yen, up 16.5% year on year. Segment profit was 17,270 thousand yen, down 46.1% year on year.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets decreased 157,734 thousand yen from the end of the previous fiscal year to 11,095,930 thousand yen as of the end of the second quarter of the fiscal year under review. This was a result primarily of increases of 82,650 thousand yen in insurance funds, 44,000 thousand yen in leasehold and guarantee deposits, 40,110 thousand yen in other current assets and 15,157 thousand yen in accounts receivable - trade and contract assets, despite a decrease of 318,296 thousand yen in cash and deposits.

Liabilities

Total liabilities decreased 518,708 thousand yen from the end of the previous fiscal year to 3,830,738 thousand yen as of the end of the second quarter of the fiscal year under review. This was attributable mainly to decreases of 212,640 thousand yen in accrued consumption taxes, 136,121 thousand yen in income taxes payable, 77,971 thousand yen in accounts payable-other and 67,637 thousand yen in other current liabilities.

Net assets

Total assets increased 360,974 thousand yen from the end of the previous fiscal year to 7,265,192 thousand yen as of the end of the second quarter of the fiscal year under review. This increase was attributable chiefly to increases of 624,149 thousand yen in retained earnings and 266,987 thousand yen in treasury shares.

2) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of the first half under review amounted to 6,496,720 thousand yen.

Cash flows in the first half under review and major contributing factors are as follows.

Cash flows from operating activities

Net cash provided by operating activities totaled 258,638 thousand yen (compared with 883,012 thousand yen provided in the same period of the previous fiscal year).

This was attributable mainly to an increase in profit before income taxes of 1,122,106 thousand yen, which was partly offset by payment of 469,123 thousand yen in corporate taxes, decreases of 212,640 thousand yen in accrued consumption taxes, 97,777 thousand yen in accounts payable-other, and increases of 42,482 thousand yen in prepaid expenses and 15,157 thousand yen in notes and accounts receivable – trade.

Cash flows from investing activities

Net cash used in investing activities totaled 155,937 thousand yen (compared with 125,680 thousand yen used in the same period of the previous fiscal year).

Cash was used for the purchase of insurance funds of 82,650 thousand yen, payments of leasehold and guarantee deposits of 50,855 thousand yen, and purchase of property, plant and equipment of 23,958 thousand yen.

Cash flows from financing activities

Net cash used in financing activities totaled 420,397 thousand yen (compared with 119,105 thousand yen used in the same period of the previous fiscal year).

This was attributable mainly to decreases in cash used for purchase of treasury share of 266,987 thousand yen and dividends paid of 141,644 thousand yen.

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

There are no revisions to the full year earnings forecasts for the fiscal year ending August 31, 2024, which were announced on October 13, 2023, in “Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2023.”

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY8/23 (As of Aug. 31, 2023)	Second Quarter of FY8/24 (As of Feb. 29, 2024)
Assets		
Current assets		
Cash and deposits	6,867,019	6,548,723
Accounts receivable - trade and contract assets	2,562,001	2,577,159
Work in process	34,497	28,588
Raw materials	60,820	54,898
Other	202,976	243,086
Allowance for doubtful accounts	(1,575)	(1,575)
Total current assets	9,725,739	9,450,881
Non-current assets		
Property, plant and equipment		
Buildings, net	175,696	168,925
Tools, furniture and fixtures, net	41,257	52,353
Other	5,746	20,855
Total property, plant and equipment	222,700	242,134
Intangible assets		
Software	794	614
Other	1,662	1,662
Total intangible assets	2,456	2,277
Investments and other assets		
Investment securities	108,991	105,621
Deferred tax assets	501,916	483,654
Leasehold and guarantee deposits	288,812	332,812
Insurance funds	375,892	458,543
Other	27,154	20,004
Total investments and other assets	1,302,767	1,400,638
Total non-current assets	1,527,925	1,645,049
Total assets	11,253,664	11,095,930

(Thousands of yen)

	FY8/23 (As of Aug. 31, 2023)	Second Quarter of FY8/24 (As of Feb. 29, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	130,402	136,974
Current portion of long-term borrowings	183,324	183,324
Accounts payable - other	1,417,198	1,339,226
Income taxes payable	500,088	363,966
Accrued consumption taxes	541,648	329,008
Provision for bonuses	1,105,938	1,096,662
Provision for loss on order received	–	73
Other	300,343	232,706
Total current liabilities	4,178,943	3,681,941
Non-current liabilities		
Long-term borrowings	61,122	44,460
Retirement benefit liability	102,318	98,392
Other	7,063	5,944
Total non-current liabilities	170,503	148,796
Total liabilities	4,349,447	3,830,738
Net assets		
Shareholders' equity		
Share capital	307,006	309,521
Capital surplus	504,756	507,271
Retained earnings	6,052,693	6,676,842
Treasury shares	(199)	(267,186)
Total shareholders' equity	6,864,256	7,226,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33	13
Remeasurements of defined benefit plans	3,656	1,828
Total accumulated other comprehensive income	3,690	1,841
Share acquisition rights	36,270	36,901
Total net assets	6,904,217	7,265,192
Total liabilities and net assets	11,253,664	11,095,930

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

(Thousands of yen)

	First six months of FY8/23 (Sep. 1, 2022 – Feb. 28, 2023)	First six months of FY8/24 (Sep. 1, 2023 – Feb. 29, 2024)
Net sales	10,160,241	10,825,441
Cost of sales	7,513,181	8,136,643
Gross profit	2,647,060	2,688,798
Selling, general and administrative expenses	1,555,836	1,569,687
Operating profit	1,091,223	1,119,110
Non-operating income		
Interest and dividend income	807	817
Subsidy income	189,200	4,490
Other	3,359	1,642
Total non-operating income	193,367	6,950
Non-operating expenses		
Interest expenses	1,461	473
Commission fee	–	405
Total non-operating expenses	1,461	878
Ordinary profit	1,283,129	1,125,181
Extraordinary income		
Gain on reversal of share acquisition rights	139	353
Total extraordinary income	139	353
Extraordinary losses		
Loss on valuation of investment securities	3,653	3,339
Loss on retirement of non-current assets	–	89
Total extraordinary losses	3,653	3,428
Profit before income taxes	1,279,615	1,122,106
Income taxes-current	413,494	333,402
Income taxes-deferred	10,893	19,077
Total income taxes	424,387	352,479
Profit	855,227	769,627
Profit attributable to owners of parent	855,227	769,627

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

(Thousands of yen)

	First six months of FY8/23 (Sep. 1, 2022 – Feb. 28, 2023)	First six months of FY8/24 (Sep. 1, 2023 – Feb. 29, 2024)
Profit	855,227	769,627
Other comprehensive income		
Valuation difference on available-for-sale securities	(51)	(20)
Remeasurements of defined benefit plans, net of tax	(1,954)	(1,828)
Total other comprehensive income	(2,005)	(1,848)
Comprehensive income	853,222	767,778
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	853,222	767,778

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY8/23 (Sep. 1, 2022 – Feb. 28, 2023)	First six months of FY8/24 (Sep. 1, 2023 – Feb. 29, 2024)
Cash flows from operating activities		
Profit before income taxes	1,279,615	1,122,106
Depreciation	18,683	20,778
Amortization of goodwill	4,562	—
Gain on reversal of share acquisition rights	(139)	(353)
Loss (gain) on valuation of investment securities	3,653	3,339
Increase (decrease) in allowance for doubtful accounts	(605)	0
Increase (decrease) in provision for bonuses	84,140	(9,276)
Increase (decrease) in retirement benefit liability	(5,824)	(6,560)
Interest and dividend income	(807)	(817)
Subsidy income	(189,200)	(4,490)
Interest expenses	1,461	473
Decrease (increase) in trade receivables	(159,233)	(15,157)
Decrease (increase) in inventories	(30,834)	11,830
Decrease (increase) in prepaid expenses	(38,069)	(42,482)
Increase (decrease) in trade payables	(37,169)	6,571
Increase (decrease) in accounts payable - other	18,356	(97,777)
Increase (decrease) in accrued consumption taxes	(25,066)	(212,640)
Other, net	(10,638)	(52,496)
Subtotal	912,884	723,046
Interest and dividends received	689	694
Interest paid	(1,462)	(468)
Proceeds from subsidy income	189,200	4,490
Income taxes paid	(218,299)	(469,123)
Net cash provided by (used in) operating activities	883,012	258,638
Cash flows from investing activities		
Payments into time deposits	(1,200)	(600)
Purchase of property, plant and equipment	(16,188)	(23,958)
Purchase of insurance funds	(82,650)	(82,650)
Payments of leasehold and guarantee deposits	(26,878)	(50,855)
Proceeds from refund of leasehold and guarantee deposits	1,238	927
Proceeds from withdrawal of time deposits	—	1,200
Net cash provided by (used in) investing activities	(125,680)	(155,937)
Cash flows from financing activities		
Repayments of long-term borrowings	—	(16,662)
Purchase of treasury shares	—	(266,987)
Repayments of lease obligations	(353)	(353)
Dividends paid	(119,534)	(141,644)
Proceeds from issuance of share acquisition rights	—	1,947
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,548	4,068
Other, net	(766)	(766)
Net cash provided by (used in) financing activities	(119,105)	(420,397)
Net increase (decrease) in cash and cash equivalents	638,226	(317,696)
Cash and cash equivalents at beginning of period	5,608,159	6,814,417
Cash and cash equivalents at end of period	6,246,386	6,496,720

(4) 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 six months of FY8/23 (Sep. 1, 2022 – Feb. 28, 2023)

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

(Thousands of yen)

	Reportable segment				Total	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	9,680,112	203,310	276,818	10,160,241	10,160,241	–	10,160,241
Inter-segment sales and transfers	–	–	28,648	28,648	28,648	(28,648)	–
Total	9,680,112	203,310	305,466	10,188,889	10,188,889	(28,648)	10,160,241
Segment profit (loss)	1,066,930	(7,737)	32,029	1,091,223	1,091,223	–	1,091,223

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 28,648 thousand yen.

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

First six months of FY8/24 (Sep. 1, 2023 – Feb. 29, 2024)

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

(Thousands of yen)

	Reportable segment				Total	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	10,366,591	151,262	307,586	10,825,441	10,825,441	–	10,825,441
Inter-segment sales and transfers	–	–	48,312	48,312	48,312	(48,312)	–
Total	10,366,591	151,262	355,899	10,873,753	10,873,753	(48,312)	10,825,441
Segment profit (loss)	1,121,892	(28,032)	17,270	1,111,130	1,111,130	7,980	1,119,110

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 48,312 thousand yen.

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

2. Matters related to changes in reportable segments

Starting with the third quarter of the previous fiscal year, 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 half 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)

	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	7,203,923	70.9	7,205,917	66.6	0.0
Digital Transformation	2,476,188	24.4	3,160,674	29.2	27.6
Midori Cloud	203,310	2.0	151,262	1.4	-25.6
Mechanical Design and Engineering	276,818	2.7	307,586	2.8	11.1
Total	10,160,241	100.0	10,825,441	100.0	6.5