



Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending August 31, 2024 (Nine Months Ended May 31, 2024)

[Japanese GAAP]

July 12, 2024

Company name: SERAKU Co., Ltd. Listing: Tokyo Stock Exchange (Standard Market)
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 Scheduled date of filing of Quarterly Report: July 12, 2024
 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, 2024 (Sep. 1, 2023 to May 31, 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	%
Nine months ended May 31, 2024	16,450	6.4	1,786	9.1	1,803	(2.2)	1,151	(3.6)
Nine months ended May 31, 2023	15,467	17.9	1,638	135.6	1,844	62.8	1,194	66.5

Note: Comprehensive income (millions of yen) Nine months ended May 31, 2024: 1,148 (down 3.6%)
Nine months ended May 31, 2023: 1,192 (up 66.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended May 31, 2024	83.20	83.10
Nine months ended May 31, 2023	85.52	—

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, 2024	12,173	7,609	62.2
As of Aug. 31, 2023	11,253	6,904	61.0

Reference: Shareholders' equity (millions of yen) As of May 31, 2024: 7,575 As of Aug. 31, 2023: 6,867

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Aug. 31, 2023	Yen —	Yen 0.00	Yen —	Yen 10.40	Yen 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 May 31, 2024:	13,997,900 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 May 31, 2024:	246,847 shares	As of Aug. 31, 2023:	130 shares
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3) Average number of shares during the period

Nine months ended May 31, 2024:	13,839,585 shares	Nine months ended May 31, 2023:	13,973,527 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 nine months of the fiscal year under review, the Japanese economy continued to face uncertainty, mainly reflecting increases in general prices due to the record low rate of the Japanese yen and unstable international situation. Nonetheless, economic activity was being normalized in society that started to live with COVID-19.

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. In addition, in in-house services, the Group focused on expanding sales of the Midori Cloud Rakuraku Shukka to support the DX of the agriculture, livestock and fisheries sectors and those of the Newton X, a service aimed at helping companies introduce and utilize ChatGPT.

As a result, the Seraku Group's net sales increased 6.4% year on year, to 16,450,289 thousand yen, operating profit increased 9.1% year on year, to 1,786,732 thousand yen, and ordinary profit declined 2.2% year on year, to 1,803,935 thousand yen. Profit attributable to owners of parent decreased 3.6% year on year, to 1,151,483 thousand yen.

Results by business segment were as follows.

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 ICT 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 nine months of the fiscal year under review, the Group facilitated the efforts of new customers to start transactions and those of existing customers to expand transactions, through the development of in-house engineers and utilization of business partners' resources. In addition, SERAKU CCC Co., Ltd. sought to enhance services and improve value added by focusing its efforts on the development of engineers.

Net sales in this segment came to 15,741,972 thousand yen, up 6.7% year on year. Segment profit was 1,788,583 thousand yen, up 11.1% 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 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 nine months of the fiscal year 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 223,171 thousand yen, down 24.7% year on year. The segment loss was 50,145 thousand yen (segment loss of 20,596 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 nine months of the fiscal year 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 the Mechanical Design and Engineering segment were 562,692 thousand yen, up 21.2% year on year. Segment profit was 35,634 thousand yen, down 17.0% year on year.

(2) Explanation of Financial Position

Assets

Total assets increased 920,092 thousand yen from the end of the previous fiscal year to 12,173,757 thousand yen as of the end of the third quarter of the fiscal year under review. The main factors were increases of 487,823 thousand yen in cash and deposits, 172,510 thousand yen in deferred tax assets, 85,976 thousand yen in insurance reserve fund, 75,826 thousand yen in goodwill, 46,084 thousand yen in leasehold and deposits and 26,853 thousand yen in other of current assets, respectively.

Liabilities

Total liabilities increased 215,185 thousand yen from the end of the previous fiscal year to 4,564,633 thousand yen as of the end of the third quarter of the fiscal year under review. The increase reflected an increase of 1,142,127 thousand yen in accounts payable-other, which was partly offset by decreases of 518,389 thousand yen in provision for bonuses, 172,107 thousand yen in accrued consumption taxes, 147,000 thousand yen in the current portion of long-term borrowings, 66,945 thousand yen in current assets (other) and 20,993 thousand yen in long-term borrowings.

Net assets

Total net assets increased 704,906 thousand yen from the end of the previous fiscal year to 7,609,124 thousand yen as of the end of the third quarter of the fiscal year under review. This increase was attributable chiefly to increases of 1,006,005 thousand yen in retained earnings and 300,496 thousand yen in treasury shares.

(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)	Third Quarter of FY8/24 (As of May 31, 2024)
Assets		
Current assets		
Cash and deposits	6,867,019	7,354,843
Accounts receivable - trade and contract assets	2,562,001	2,586,124
Work in process	34,497	25,832
Raw materials	60,820	48,526
Other	202,976	229,830
Allowance for doubtful accounts	(1,575)	(1,719)
Total current assets	9,725,739	10,243,438
Non-current assets		
Property, plant and equipment		
Buildings, net	175,696	201,009
Tools, furniture and fixtures, net	41,257	54,969
Other	5,746	4,164
Total property, plant and equipment	222,700	260,142
Intangible assets		
Goodwill	-	75,826
Software	794	525
Other	1,662	1,662
Total intangible assets	2,456	78,013
Investments and other assets		
Investment securities	108,991	104,540
Deferred tax assets	501,916	674,426
Leasehold and guarantee deposits	288,812	334,897
Insurance funds	375,892	461,869
Other	27,154	16,430
Total investments and other assets	1,302,767	1,592,163
Total non-current assets	1,527,925	1,930,319
Total assets	11,253,664	12,173,757

(Thousands of yen)

	FY8/23 (As of Aug. 31, 2023)	Third Quarter of FY8/24 (As of May 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	130,402	150,112
Current portion of long-term borrowings	183,324	36,324
Accounts payable - other	1,417,198	2,559,326
Income taxes payable	500,088	483,720
Accrued consumption taxes	541,648	369,541
Provision for bonuses	1,105,938	587,549
Provision for loss on order received	–	1,114
Other	300,343	233,398
Total current liabilities	4,178,943	4,421,086
Non-current liabilities		
Long-term borrowings	61,122	40,129
Retirement benefit liability	102,318	98,032
Other	7,063	5,384
Total non-current liabilities	170,503	143,546
Total liabilities	4,349,447	4,564,633
Net assets		
Shareholders' equity		
Share capital	307,006	311,129
Capital surplus	504,756	505,394
Retained earnings	6,052,693	7,058,698
Treasury shares	(199)	(300,695)
Total shareholders' equity	6,864,256	7,574,526
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33	15
Remeasurements of defined benefit plans	3,656	914
Total accumulated other comprehensive income	3,690	929
Share acquisition rights	36,270	33,668
Total net assets	6,904,217	7,609,124
Total liabilities and net assets	11,253,664	12,173,757

(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 FY8/23 (Sep. 1, 2022 – May 31, 2023)	First nine months of FY8/24 (Sep. 1, 2023 – May 31, 2024)
Net sales	15,467,877	16,450,289
Cost of sales	11,498,441	12,241,080
Gross profit	3,969,435	4,209,208
Selling, general and administrative expenses	2,331,339	2,422,475
Operating profit	1,638,096	1,786,732
Non-operating income		
Interest income	1,206	1,215
Subsidy income	197,940	13,979
Other	9,320	3,327
Total non-operating income	208,467	18,522
Non-operating expenses		
Interest expenses	2,005	701
Commission fee	–	617
Total non-operating expenses	2,005	1,319
Ordinary profit	1,844,558	1,803,935
Extraordinary income		
Gain on reversal of share acquisition rights	368	3,049
Total extraordinary income	368	3,049
Extraordinary losses		
Loss on retirement of non-current assets	–	89
Loss on valuation of investment securities	9,284	4,423
Total extraordinary losses	9,284	4,513
Profit before income taxes	1,835,642	1,802,472
Income taxes-current	815,120	814,927
Income taxes-deferred	(174,475)	(163,939)
Total income taxes	640,644	650,988
Profit	1,194,997	1,151,483
Profit attributable to owners of parent	1,194,997	1,151,483

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

(Thousands of yen)

	First nine months of FY8/23 (Sep. 1, 2022 – May 31, 2023)	First nine months of FY8/24 (Sep. 1, 2023 – May 31, 2024)
Profit	1,194,997	1,151,483
Other comprehensive income		
Valuation difference on available-for-sale securities	(18)	(18)
Remeasurements of defined benefit plans, net of tax	(2,931)	(2,742)
Total other comprehensive income	(2,949)	(2,760)
Comprehensive income	1,192,048	1,148,722
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,192,048	1,148,722

(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 FY8/23 (Sep. 1, 2022 – May 31, 2023)

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

(Thousands of yen)

	Reportable segment				Adjustment (Note 1 and 2)	Amount in the quarterly consolidated statement of income
	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. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

First nine months of FY8/24 (Sep. 1, 2023 – May 31, 2024)

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

(Thousands of yen)

	Reportable segment				Adjustment (Note 1 and 2)	Amount in the quarterly consolidated statement of income
	Digital Integration	Midori Cloud	Mechanical Design and Engineering	Total		
Net sales						
Sales to external customers	15,741,972	223,171	485,145	16,450,289	–	16,450,289
Inter-segment sales and transfers	–	–	77,547	77,547	(77,547)	–
Total	15,741,972	223,171	562,692	16,527,836	(77,547)	16,450,289
Segment profit (loss)	1,788,583	(50,145)	35,634	1,774,072	12,660	1,786,732

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 77,547 thousand yen.

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

2. Information on impairment loss on non-current assets and goodwill by reporting segment

(Important impairment loss on non-current assets)

Not applicable.

(Significant changes in amount of goodwill)

In the Digital Integration segment, goodwill was recognized in the third quarter of the fiscal year under review due to the acquisition of AND Think Corporation's shares and its inclusion in the scope of consolidation. This event resulted in an increase in goodwill of 75,826 thousand yen.

(Significant gain on bargain purchase)

Not applicable.

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	10,773,938	69.7	10,951,053	66.6	1.6
Digital Transformation	3,973,437	25.7	4,790,918	29.1	20.6
Midori Cloud	296,519	1.9	223,171	1.4	(24.7)
Mechanical Design and Engineering	423,981	2.7	485,145	2.9	14.4
Total	15,467,877	100.0	16,450,289	100.0	6.4