



**SERAKU Summary of Consolidated Financial Results  
for the Second Quarter of the Fiscal Year Ending August 31, 2021  
(Six Months Ended February 28, 2021)**

[Japanese GAAP]

April 13, 2021

Company name: SERAKU Co., Ltd.

Listing: Tokyo Stock Exchange (First Section)

Stock code: 6199

URL: <http://www.seraku.co.jp>

Representative: Tatsumi Miyazaki, Representative Director

Contact: Tomoharu Kozeki, Executive Director, General Manager of Corporate Management Division

Tel: +81-(0)3-3227-2321

Scheduled date of filing of Quarterly Report:

April 14, 2021

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 Second Quarter Ended February 28, 2021**

(Sep. 1, 2020 to Feb. 28, 2021)

(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. 28, 2021	7,268	11.0	716	62.3	1,110	148.9	703	147.0
Six months ended Feb. 29, 2020	6,550	24.0	441	128.9	446	125.0	284	161.9

Note: Comprehensive income (millions of yen) Six months ended Feb. 28, 2021: 701 (up 144.9%)

Six months ended Feb. 29, 2020: 286 (up 164.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Feb. 28, 2021	51.00	50.48
Six months ended Feb. 29, 2020	20.67	20.65

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Feb. 28, 2021	7,986	4,070	50.9
As of Aug. 31, 2020	7,342	3,429	46.7

Reference: Shareholders' equity (millions of yen)

As of Feb. 28, 2021: 4,066

As of Aug. 31, 2020: 3,425

**2. Dividends**

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

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

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	15,020	9.1	1,370	20.8	1,650	41.6	957	46.3	69.51

Note: Revisions to the most recently announced consolidated earnings forecast: None

\* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods in the preparation of the quarterly consolidated financial statements:  
None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued (common shares)

1) Number of shares issued as of the end of the period (including treasury shares)

As of Feb. 28, 2021:	13,818,000 shares	As of Aug. 31, 2020:	13,767,200 shares
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2) Number of treasury shares as of the end of the period

As of Feb. 28, 2021:	84 shares	As of Aug. 31, 2020:	62 shares
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3) Average number of shares during the period

Six months ended Feb. 28, 2021:	13,785,640 shares	Six months ended Feb. 29, 2020:	13,767,180 shares
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\* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

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

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of the fiscal year ending in August 2021, the worldwide COVID-19 pandemic continued to have a negative impact on the Japanese economy. Economic activity is increasing in stages along with measures to prevent the spread of infections. As a result, the economy is recovering slowly. However, a new wave of infections in Japan that started early in 2021 triggered another state of emergency. Due to this situation, the economic outlook is expected to remain unclear.

In Japan's IT services industry, which is the primary business field of the Seraku Group, there has been rapid growth in the utilization of tools for working style reforms, such as telework, in order to give people a more flexible environment for doing their jobs. There is also a large volume of investments for increasing the efficiency of business processes, upgrading information security and other improvements. Another significant trend is the expansion of activities involving the digital transformation (DX). Examples include the use of digital technologies for IoT services, the cloud, big data and artificial intelligence (AI). As a result, recruiting and training skilled engineers who can meet the requirements of IT service companies are becoming increasingly important.

To provide services with even greater value, the Seraku Group is recruiting and training many highly skilled engineers. There are also even more activities aimed at increasing our market share in the agricultural IT sector by using Midori Cloud with the goal of achieving the digital transformation of a primary industry.

Net sales increased 11.0% year-on-year to 7,268 million yen, operating profit increased 62.3% year-on-year to 716 million yen, ordinary profit increased 148.9% year-on-year to 1,110 million yen, and profit attributable to owners of parent increased 147.0% year-on-year to 703 million yen.

Results by business segment were as follows.

#### 1) System Integration

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

In the fiscal year's first half, recruitment and training activities were a priority and there were many initiatives to increase the utilization of external resources by strengthening ties with all of our business partners. The reason is the good prospects for continuing to capture new business involving cloud operations, project management, digital marketing and other business domains.

Sales in the System Integration segment were 5,264 million yen, up 0.6% year on year, and the segment profit was 509 million yen, up 28.2%.

#### 2) Digital Transformation

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

In the fiscal year's first half, sales increased significantly because of the continuing growth of customers' needs in all technology categories of this segment. To build a base for more growth, we recruited a large number of people to provide digital transformation services.

In the customer success business, activities were focused on Salesforce retention support because of the increasing need for this support as the digital marketing activities of companies grow. In addition, we added the Tableau retention support service to the lineup of services in this business.

For Midori Cloud, we are continuing to conduct many activities to increase the number of users while increasing the number of sales agents for Farm Cloud, which provides solutions for the agriculture and fisheries sector and

the livestock sector.

Sales in the Digital Transformation segment were 1,778 million yen, up 59.2% year on year, and the segment profit was 183 million yen, up 167.3% year on year.

### 3) Mechanical Design and Engineering

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

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

While taking actions to attract new customers, P's Engineering is assigning employees in the initial stage of training to participate in actual projects in order to become productive employees quickly. This training succeeded at raising the percentage of the utilization of the workforce.

Sales in the Mechanical Design and Engineering segment were 227 million yen, up 12.0% year on year, and the segment profit was 22 million yen, compared with a loss of 20 million yen in the same period of the previous fiscal year.

### 4) Others

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

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

Due to the downturn in the business climate, the Seraku Group plans to reexamine the operations of Seraku ECA and determine actions to take.

Sales in the Other segment were 2 million yen, down 83.3% year on year, and the segment profit was 38 thousand yen, compared with a loss of 4 million yen in the same period of the previous fiscal year.

## (2) Explanation of Financial Position

### 1) Balance Sheet Position

#### Assets

Total assets increased 643 million yen from the end of the previous fiscal year to 7,986 million yen as of the end of the second quarter. The main reasons were increases of 485 million yen in cash and deposits, 130 million yen in work in process, 82 million yen in other under investments and other assets and 20 million yen in buildings, while there were decreases of 46 million yen in deferred tax assets and 43 million yen in notes and accounts receivable-trade.

#### Liabilities

Total liabilities increased 3 million yen to 3,915 million yen. The main reasons were increases of 109 million yen in accounts payable-trade, 92 million yen in other current liabilities, 80 million yen in accounts payable-other and 55 million yen in provision for bonuses, while there were decreases of 271 million yen in accrued consumption taxes, 34 million yen in current portion of long-term borrowings and 33 million yen in long-term borrowings.

#### Net assets

Total net assets increased 640 million yen to 4,070 million yen. The main reason was an increase of 639 million yen in retained earnings.

## 2) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the second quarter of the current fiscal year amounted to 4,767 million yen.

Cash flows and the main reasons for changes are as follows.

### Cash flows from operating activities

Net cash provided by operating activities totaled 739 million yen (compared with 238 million yen provided in the same period of the previous fiscal year).

Although there were negative factors including income taxes paid of 340 million yen, a decrease in accrued consumption taxes of 271 million yen, an increase in inventories of 159 million yen and an increase in prepaid expenses of 11 million yen, there were positive factors including profit before income taxes of 1,098 million yen, increases in trade payables of 109 million yen, accounts payable-other of 84 million yen and provision for bonuses of 55 million yen, a decrease in trade receivables of 43 million yen, depreciation of 14 million yen and loss on valuation of investment securities of 11 million yen.

### Cash flows from investing activities

Net cash used in investing activities totaled 129 million yen (compared with 99 million yen used in the same period of the previous fiscal year).

Negative factors include purchase of insurance funds of 82 million yen and purchase of property, plant and equipment of 45 million yen.

### Cash flows from financing activities

Net cash used in financing activities totaled 125 million yen (compared with 106 million yen used in the same period of the previous fiscal year).

Negative factors include repayments of long-term borrowings of 67 million yen and dividends paid of 59 million 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 on August 31, 2021 which were announced on October 15, 2020 in “Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2020.”

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

(Thousands of yen)

	FY8/20 (As of Aug. 31, 2020)	Second Quarter of FY8/21 (As of Feb. 28, 2021)
Assets		
Current assets		
Cash and deposits	4,329,351	4,815,066
Notes and accounts receivable-trade	1,826,711	1,783,494
Work in process	19,453	149,969
Raw materials	36,816	65,896
Other	107,482	102,062
Allowance for doubtful accounts	(4,124)	(3,397)
Total current assets	6,315,690	6,913,092
Non-current assets		
Property, plant and equipment		
Buildings, net	111,892	132,586
Tools, furniture and fixtures, net	22,794	32,152
Other	0	2,942
Total property, plant and equipment	134,686	167,682
Intangible assets		
Goodwill	25,093	20,530
Software	8,692	6,490
Other	1,844	1,787
Total intangible assets	35,630	28,808
Investments and other assets		
Investment securities	132,702	121,926
Deferred tax assets	383,832	337,253
Leasehold and guarantee deposits	214,613	209,439
Other	125,216	207,867
Total investments and other assets	856,364	876,486
Total non-current assets	1,026,681	1,072,976
Total assets	7,342,372	7,986,068

	(Thousands of yen)	
	FY8/20 (As of Aug. 31, 2020)	Second Quarter of FY8/21 (As of Feb. 28, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	57,323	166,594
Current portion of long-term borrowings	106,660	72,215
Accounts payable-other	924,007	1,004,279
Income taxes payable	369,631	376,064
Accrued consumption taxes	504,583	232,968
Provision for bonuses	639,927	695,145
Other	170,966	263,444
Total current liabilities	2,773,098	2,810,712
Non-current liabilities		
Long-term borrowings	1,005,570	972,240
Retirement benefit liability	133,900	130,163
Other	72	2,551
Total non-current liabilities	1,139,542	1,104,955
Total liabilities	3,912,641	3,915,667
<b>Net assets</b>		
Shareholders' equity		
Share capital	297,974	299,117
Capital surplus	495,724	496,867
Retained earnings	2,628,218	3,267,907
Treasury shares	(62)	(98)
Total shareholders' equity	3,421,855	4,063,793
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65	668
Remeasurements of defined benefit plans	3,647	1,823
Total accumulated other comprehensive income	3,712	2,492
Share acquisition rights	4,162	4,115
Total net assets	3,429,730	4,070,401
Total liabilities and net assets	7,342,372	7,986,068

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

(Thousands of yen)

	First six months of FY8/20 (Sep. 1, 2019 – Feb. 29, 2020)	First six months of FY8/21 (Sep. 1, 2020 – Feb. 28, 2021)
Net sales	6,550,727	7,268,451
Cost of sales	4,990,703	5,477,474
Gross profit	1,560,024	1,790,976
Selling, general and administrative expenses	1,118,669	1,074,689
Operating profit	441,354	716,286
Non-operating income		
Interest and dividend income	1,226	802
Subsidy income	3,300	392,898
Compensation income	149	-
Other	970	2,960
Total non-operating income	5,646	396,660
Non-operating expenses		
Interest expenses	521	2,068
Other	249	1
Total non-operating expenses	770	2,070
Ordinary profit	446,229	1,110,877
Extraordinary income		
Gain on reversal of share acquisition rights	144	47
Total extraordinary income	144	47
Extraordinary losses		
Loss on retirement of non-current assets	-	571
Loss on valuation of investment securities	-	11,645
Total extraordinary losses	-	12,217
Profit before income taxes	446,374	1,098,707
Income taxes-current	170,589	348,575
Income taxes-deferred	(8,783)	47,117
Total income taxes	161,805	395,693
Profit	284,568	703,014
Profit attributable to owners of parent	284,568	703,014

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

	(Thousands of yen)	
	First six months of FY8/20 (Sep. 1, 2019 – Feb. 29, 2020)	First six months of FY8/21 (Sep. 1, 2020 – Feb. 28, 2021)
Profit	284,568	703,014
Other comprehensive income		
Valuation difference on available-for-sale securities	471	603
Remeasurements of defined benefit plans, net of tax	1,579	(1,823)
Total other comprehensive income	2,051	(1,220)
Comprehensive income	286,620	701,794
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	286,620	701,794

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY8/20 (Sep. 1, 2019 – Feb. 29, 2020)	First six months of FY8/21 (Sep. 1, 2020 – Feb. 28, 2021)
Cash flows from operating activities		
Profit before income taxes	446,374	1,098,707
Depreciation	11,123	14,168
Amortization of goodwill	4,562	4,562
Loss on retirement of non-current assets	-	571
Loss (gain) on valuation of investment securities	-	11,645
Increase (decrease) in allowance for doubtful accounts	43	(726)
Increase (decrease) in provision for bonuses	33,432	55,218
Increase (decrease) in retirement benefit liability	20,212	(3,736)
Interest and dividend income	(1,226)	(802)
Subsidy income	-	(392,898)
Interest expenses	521	2,068
Decrease (increase) in trade receivables	(71,536)	43,216
Decrease (increase) in inventories	(25,197)	(159,596)
Decrease (increase) in prepaid expenses	(70,696)	(11,501)
Increase (decrease) in trade payables	28,278	109,271
Increase (decrease) in accounts payable-other	113,541	84,148
Increase (decrease) in accrued consumption taxes	2,552	(271,614)
Other, net	(11,695)	105,610
Subtotal	480,287	688,312
Interest and dividends received	766	684
Interest paid	(516)	(2,008)
Proceeds from subsidy income	-	392,898
Income taxes paid	(241,888)	(340,194)
Net cash provided by (used in) operating activities	238,649	739,693
Cash flows from investing activities		
Payments into time deposits	(2,601)	(501)
Proceeds from withdrawal of time deposits	1,500	-
Purchase of property, plant and equipment	(2,164)	(45,662)
Purchase of intangible assets	(3,794)	-
Purchase of insurance funds	(53,587)	(82,650)
Net decrease (increase) in short-term loans receivable	15,000	-
Payments of leasehold and guarantee deposits	(54,013)	(4,321)
Proceeds from refund of leasehold and guarantee deposits	25	3,819
Net cash provided by (used in) investing activities	(99,636)	(129,317)
Cash flows from financing activities		
Repayments of long-term borrowings	(65,330)	(67,775)
Repayments of lease obligations	(139)	(25)
Dividends paid	(41,360)	(59,611)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	2,286
Purchase of treasury shares	-	(36)
Net cash provided by (used in) financing activities	(106,830)	(125,162)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	32,183	485,213
Cash and cash equivalents at beginning of period	2,723,014	4,282,653
Cash and cash equivalents at end of period	2,755,197	4,767,867

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

Not applicable.

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

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

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

## Segment Information

First six months of FY8/20 (Sep. 1, 2019 – Feb. 29, 2020)

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

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	System Integration	Digital Transfor- mation	Mechanical Design and Engineering	Total				
Net sales								
Sales to external customers	5,231,936	1,117,154	197,087	6,546,178	4,549	6,550,727	-	6,550,727
Inter-segment sales and transfers	-	-	5,859	5,859	12,478	18,337	(18,337)	-
Total	5,231,936	1,117,154	202,946	6,552,037	17,027	6,569,065	(18,337)	6,550,727
Segment profit (loss)	397,848	68,763	(20,271)	446,339	(4,985)	441,354	-	441,354

- Notes: 1. The “Other” business segment consists of activities that are not included in any of the reportable segments, and is primarily engaged in job placement and temporary staffing services and services for training IT engineers.
2. The adjustment to segment profit (loss) includes corporate costs that are not allocated to any of the reportable segments. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments. The adjustment to segment profit (loss) includes inter-segment transaction elimination of minus 18,337 thousand yen.
3. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.

First six months of FY8/21 (Sep. 1, 2020 – Feb. 28, 2021)

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

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	System Integration	Digital Transfor- mation	Mechanical Design and Engineering	Total				
Net sales								
Sales to external customers	5,264,875	1,778,091	223,447	7,266,415	2,035	7,268,451	-	7,268,451
Inter-segment sales and transfers	-	-	3,917	3,917	800	4,717	(4,717)	-
Total	5,264,875	1,778,091	227,364	7,270,332	2,835	7,273,168	(4,717)	7,268,451
Segment profit	509,948	183,788	22,511	716,247	38	716,286	-	716,286

- Notes: 1. The “Other” business segment consists of activities that are not included in any of the reportable segments, and is primarily engaged in job placement and temporary staffing services and services for training IT engineers.
2. The adjustment to segment profit (loss) includes corporate costs that are not allocated to any of the reportable segments. Corporate costs mainly include general and administrative expense that cannot be attributed to any of the reportable segments. The adjustment to segment profit (loss) includes inter-segment transaction elimination of minus 4,717 thousand yen.
3. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.

**Material Subsequent Events**

Not applicable.

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