

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2021 (Based on Japanese GAAP)

October 15, 2021

Company name: Serverworks Co.,Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4434 URL <https://www.serverworks.co.jp/>
 Representative: Representative Director, President Ryo Oishi
 Inquiries: Director Hiroyuki Oshio TEL 03(5579)8029
 Scheduled date to file Quarterly Securities Report: October 15, 2021
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2021 (from March 1, 2021 to August 31, 2021)

(1) Consolidated operating results (cumulative)

Percentages indicate 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 August 31, 2021	5,088	–	364	–	362	–	246	–
Six months ended August 31, 2020	–	–	–	–	–	–	–	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2021	32.24	31.11
Six months ended August 31, 2020	–	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2021	10,859	9,021	83.1
As of February 28, 2021	–	–	–

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2021	–	0.00	–	0.00	0.00
Year ending February 28, 2022	–	0.00	–	–	–
Year ending February 28, 2022 (Forecast)	–	–	–	0.00	0.00

3. Forecast of consolidated financial results for the year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	10,212	–	420	–	443	–	319	–	41.79

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2021
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2021	7,671,484 shares	As of February 28, 2021	7,588,044 shares
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Number of treasury shares at the end of the period

As of August 31, 2021	340 shares	As of February 28, 2021	340 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2021	7,647,707 shares	Six months ended August 31, 2020	6,892,036 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

As of August 31, 2021

Assets	
Current assets	
Cash and deposits	6,695,435
Accounts receivable - trade	1,469,392
Work in process	60,546
Other	248,245
Allowance for doubtful accounts	(1,917)
Total current assets	8,471,703
Non-current assets	
Property, plant and equipment	67,978
Intangible assets	108,583
Investments and other assets	
Investment securities	2,052,403
Shares of subsidiaries and associates	82,735
Other	76,537
Total investments and other assets	2,211,677
Total non-current assets	2,388,238
Total assets	10,859,942
Liabilities	
Current liabilities	
Accounts payable - trade	1,032,795
Income taxes payable	133,826
Provision for bonuses	60,698
Provision for loss on order received	6,926
Other	319,990
Total current liabilities	1,554,236
Non-current liabilities	
Deferred tax liabilities	270,338
Asset retirement obligations	14,310
Total non-current liabilities	284,648
Total liabilities	1,838,885
Net assets	
Shareholders' equity	
Share capital	3,213,638
Capital surplus	3,203,638
Retained earnings	1,866,606
Treasury shares	(1,866)
Total shareholders' equity	8,282,017
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	739,038
Total accumulated other comprehensive income	739,038
Total net assets	9,021,056
Total liabilities and net assets	10,859,942

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	(Thousands of yen)
	Six months ended
	August 31, 2021
Net sales	5,088,901
Cost of sales	4,224,103
Gross profit	864,798
Selling, general and administrative expenses	500,069
Operating profit	364,728
Non-operating income	
Share of profit of entities accounted for using equity method	4,969
Other	34
Total non-operating income	5,004
Non-operating expenses	
Foreign exchange losses	5,038
Other	1,752
Total non-operating expenses	6,790
Ordinary profit	362,942
Extraordinary losses	
Special executive bonuses	10,000
Other	35
Total extraordinary losses	10,035
Profit before income taxes	352,906
Total income taxes	106,314
Profit	246,591
Profit attributable to owners of parent	246,591

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended August 31, 2021
Profit	246,591
Other comprehensive income	
Valuation difference on available-for-sale securities	(132,002)
Total other comprehensive income	(132,002)
Comprehensive income	114,589
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	114,589

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended August 31, 2021
Cash flows from operating activities	
Profit before income taxes	352,906
Depreciation	35,060
Increase (decrease) in allowance for doubtful accounts	(231)
Increase (decrease) in provision for bonuses	3,529
Increase (decrease) in provision for loss on order received	5,111
Interest and dividend income	(33)
Foreign exchange losses (gains)	(150)
Share issuance costs	17
Share of loss (profit) of entities accounted for using equity method	(4,969)
Loss (gain) on change in equity	35
Decrease (increase) in trade receivables	(272,465)
Decrease (increase) in deposits paid	(110)
Decrease (increase) in inventories	(19,806)
Decrease (increase) in advance payments - trade	113,304
Increase (decrease) in trade payables	186,426
Increase (decrease) in accounts payable - other	29,355
Increase (decrease) in advances received	(127,148)
Other, net	(63,065)
Subtotal	<u>237,764</u>
Interest and dividends received	33
Income taxes paid	(126,001)
Net cash provided by (used in) operating activities	<u>111,796</u>
Cash flows from investing activities	
Purchase of intangible assets	(25,991)
Purchase of investment securities	(839,855)
Other, net	(122)
Net cash provided by (used in) investing activities	<u>(865,970)</u>
Cash flows from financing activities	
Proceeds from issuance of shares	23,331
Net cash provided by (used in) financing activities	<u>23,331</u>
Effect of exchange rate change on cash and cash equivalents	150
Net increase (decrease) in cash and cash equivalents	<u>(730,690)</u>
Cash and cash equivalents at beginning of period	<u>7,426,126</u>
Cash and cash equivalents at end of period	<u>6,695,435</u>