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Consolidated Financial Results for the Six Months Ended August 31, 2022 [Japanese GAAP]

October 14, 2022

Company name: Serverworks Co., Ltd.

Stock exchange listing: Tokyo

Code number: 4434

URL: <https://www.serverworks.co.jp/>

Representative: Ryo Oishi

Representative Director, President

Contact: Hiroyuki Oshio

Director

Phone: 03 (5579) 8029

Scheduled date of filing quarterly securities report: October 14, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended August 31, 2022 (March 01, 2022 to August 31, 2022)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended August 31, 2022	7,075	39.0	335	(8.1)	331	(8.7)	266	7.9
August 31, 2021	5,088	-	364	-	362	-	246	-

(Note) Comprehensive income: Six months ended August 31, 2022: ¥ 348 million [203.9%]
Six months ended August 31, 2021: ¥ 114 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2022	34.46	33.61
August 31, 2021	32.24	31.11

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of August 31, 2022	13,855	9,452	68.1
February 28, 2022	11,673	9,088	77.4

(Reference) Equity: As of August 31, 2022: ¥ 9,430 million
As of February 28, 2022: ¥ 9,035 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2022	-	0.00	-	0.00	0.00
Fiscal year ending February 28, 2023	-	0.00			
Fiscal year ending February 28, 2023 (Forecast)			-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending February 28, 2023 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2023(March 01, 2022 to February 28, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	13,485	23.5	429	(32.8)	453	(30.5)	373	(15.6)	48.74

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended August 31, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New 1 (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

August 31, 2022: 7,743,362 shares

February 28, 2022: 7,681,948 shares

2) Total number of treasury shares at the end of the period:

August 31, 2022: 438 shares

February 28, 2022: 372 shares

3) Average number of shares during the period:

Six months ended August 31, 2022: 7,722,165 shares

Six months ended August 31, 2021: 7,647,707 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of February 28,2022	As of August 31,2022
Assets		
Current assets		
Cash and deposits	6,798,191	6,396,593
Notes and accounts receivable - trade	1,607,300	-
Notes and accounts receivable - trade, and contract assets	-	2,276,356
Work in process	82,344	-
Advance payments to suppliers	828,486	1,165,427
Other	95,157	231,995
Allowance for doubtful accounts	(1,717)	(1,463)
Total current assets	9,409,762	10,068,909
Non-current assets		
Property, plant and equipment	63,794	71,132
Intangible assets		
Goodwill	-	1,087,268
Other	115,283	109,286
Total intangible assets	115,283	1,196,554
Investments and other assets		
Investment securities	1,921,333	2,345,953
Shares of subsidiaries and associates	86,643	91,431
Other	76,264	81,646
Total investments and other assets	2,084,241	2,519,031
Total non-current assets	2,263,318	3,786,719
Total assets	11,673,081	13,855,628
Liabilities		
Current liabilities		
Accounts payable - trade	1,274,414	1,963,700
Income taxes payable	161,350	155,465
Advances received	605,406	-
Contract liabilities	-	1,070,770
Provision for bonuses	69,467	79,732
Short-term borrowings	-	205,184
Provision for loss on order received	19,814	126,743
Other	259,415	261,958
Total current liabilities	2,389,867	3,863,554
Non-current liabilities		
Long-term borrowings	-	292,597
Deferred tax liabilities	180,084	228,020
Asset retirement obligations	14,310	14,310
Other	-	5,000
Total non-current liabilities	194,394	539,927
Total liabilities	2,584,261	4,403,482
Net assets		
Shareholders' equity		
Share capital	3,218,069	3,233,671
Capital surplus	3,208,795	3,224,396
Retained earnings	2,065,262	2,284,942
Treasury shares	(1,994)	(2,168)
Total shareholders' equity	8,490,132	8,740,841

Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	544,952	689,897
Total accumulated other comprehensive income	544,952	689,897
Non-controlling interests	53,735	21,407
Total net assets	9,088,819	9,452,146
Total liabilities and net assets	11,673,081	13,855,628

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Thousand yen)

	For the six months ended August 31,2021	For the six months ended August 31,2022
Net sales	5,088,901	7,075,033
Cost of sales	4,224,103	6,076,629
Gross profit	864,798	998,403
Selling, general and administrative expenses	500,069	663,225
Operating profit	364,728	335,177
Non-operating income		
Dividend income	-	8,300
Share of profit of entities accounted for using equity method	4,969	4,788
Other	34	2,678
Total non-operating income	5,004	15,767
Non-operating expenses		
Loss on investments in investment partnerships	-	13,584
Foreign exchange losses	5,038	4,424
Other	1,752	1,451
Total non-operating expenses	6,790	19,459
Ordinary profit	362,942	331,485
Extraordinary losses		
Special executive bonuses	10,000	-
Other	35	-
Total extraordinary losses	10,035	-
Profit before income taxes	352,906	331,485
Income taxes	106,314	128,218
Profit	246,591	203,266
Loss attributable to non-controlling interests	-	(62,864)
Profit attributable to owners of parent	246,591	266,131

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousand yen)

	For the six months ended August 31,2021	For the six months ended August 31,2022
Profit	246,591	203,266
Other comprehensive income		
Valuation difference on available-for-sale securities	(132,002)	144,945
Total other comprehensive income	(132,002)	144,945
Comprehensive income	114,589	348,211
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	114,589	411,076
Comprehensive income attributable to non-controlling interests	-	(62,864)

Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended August 31,2021	For the six months ended August 31,2022
Cash flows from operating activities		
Profit before income taxes	352,906	331,485
Depreciation	35,060	31,461
Increase (decrease) in allowance for doubtful accounts	(231)	(300)
Increase (decrease) in provision for bonuses	3,529	10,265
Increase (decrease) in provision for loss on order received	5,111	(4,976)
Interest and dividend income	(33)	(10,978)
Foreign exchange losses (gains)	(150)	(245)
Share-based payment expenses	-	8,677
Share issuance costs	17	997
Share of loss (profit) of entities accounted for using equity method	(4,969)	(4,788)
Loss (gain) on change in equity	35	-
Loss (gain) on investments in investment partnerships	-	13,584
Decrease (increase) in trade receivables	(272,465)	(355,915)
Decrease (increase) in deposits paid	(110)	(254)
Decrease (increase) in inventories	(19,806)	-
Decrease (increase) in advance payments to suppliers	113,304	229,100
Increase (decrease) in trade payables	186,426	416,862
Increase (decrease) in accounts payable - other	29,355	(72,455)
Increase (decrease) in advances received	(127,148)	-
Increase (decrease) in contract liabilities	-	(234,870)
Other, net	(63,065)	(103,561)
Subtotal	237,764	254,089
Interest and dividends received	33	10,978
Income taxes paid	(126,001)	(133,140)
Income taxes refund	-	0
Net cash provided by (used in) operating activities	111,796	131,927
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(2,410)
Purchase of intangible assets	(25,991)	(20,017)
Purchase of investment securities	(839,855)	(225,795)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(345,633)
Other, net	(122)	(122)
Net cash provided by (used in) investing activities	(865,970)	(593,979)
Cash flows from financing activities		
Proceeds from issuance of shares	23,331	13,179
Purchase of treasury shares	-	(174)
Proceeds from share issuance to non-controlling shareholders	-	30,000
Net cash provided by (used in) financing activities	23,331	43,005
Effect of exchange rate change on cash and cash equivalents	150	245
Net increase (decrease) in cash and cash equivalents	(730,690)	(418,801)
Cash and cash equivalents at beginning of period	7,426,126	6,798,191
Cash and cash equivalents at end of period	6,695,435	6,379,390