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Consolidated Financial Results for the Year Ended February 28, 2023 [Japanese GAAP]

April 14, 2023

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 Annual General Meeting of Shareholders: May 26, 2023

Scheduled date of commencing dividend payments: -

Scheduled date of filing annual securities report: May 26, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 01, 2022 to February 28, 2023)

(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	%
Fiscal year ended February 28, 2023	17,295	58.4	552	(13.6)	624	(4.5)	453	2.5
February 28, 2022	10,920	-	638	-	653	-	442	-

(Note) Comprehensive income: Fiscal year ended February 28, 2023: ¥ 546 million [471.2%]
Fiscal year ended February 28, 2022: ¥ 95 million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended February 28, 2023	58.64	57.26	4.9	4.7	3.2
February 28, 2022	57.74	55.82	4.9	5.6	5.8

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended February 28, 2023: ¥ 8 million
Fiscal year ended February 28, 2022: ¥ 6 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
February 28, 2023	14,743	9,683	65.5	1,246.40
February 28, 2022	11,673	9,088	77.4	1,176.20

(Reference) Equity: As of February 28, 2023: ¥ 9,663 million
As of February 28, 2022: ¥ 9,035 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
February 28, 2023	81	(799)	(437)	5,642
February 28, 2022	337	(1,067)	101	6,798

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
February 28, 2022	-	0.00	-	0.00	0.00	-	-	-
February 28, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending February 29, 2024 (Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Breakdown of the year-end dividend for the fiscal year ended February 28, 2023 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024 (March 01, 2023 to February 29, 2024)

(% 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	22,693	31.2	373	(32.4)	396	(36.5)	272	(39.9)	35.22

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New	1	(Company name:)
Exclusion:	-	(Company name:)

(2) 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

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

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

February 28, 2023:	7,753,506 shares
February 28, 2022:	7,681,948 shares

2) Number of treasury shares at the end of the period:

February 28, 2023:	520 shares
February 28, 2022:	372 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended February 28, 2023:	7,734,879 shares
Fiscal Year ended February 28, 2022:	7,661,424 shares

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousand yen)

	As of February 28,2022	As of February 28,2023
Assets		
Current assets		
Cash and deposits	6,798,191	5,652,391
Notes and accounts receivable - trade	1,607,300	-
Trade receivables and contract asset	-	2,959,720
Work in process	82,344	-
Advance payments to suppliers	828,486	2,034,204
Allowance for doubtful accounts	(1,717)	(1,260)
Other	95,157	188,271
Total current assets	9,409,762	10,833,326
Non-current assets		
Property, plant and equipment		
Buildings	86,688	86,688
Accumulated depreciation	(32,515)	(39,164)
Buildings, net	54,173	47,523
Tools, furniture and fixtures	25,340	39,309
Accumulated depreciation	(15,719)	(28,076)
Tools, furniture and fixtures, net	9,621	11,233
Total property, plant and equipment	63,794	58,756
Intangible assets		
Goodwill	-	1,049,529
Software	94,954	94,347
Software in progress	17,044	15,096
Trademark right	3,208	4,287
Other	75	75
Total intangible assets	115,283	1,163,336
Investments and other assets		
Investment securities	1,921,333	2,518,745
Shares of subsidiaries and associates	86,643	95,528
Other	76,264	74,236
Total investments and other assets	2,084,241	2,688,510
Total non-current assets	2,263,318	3,910,604
Total assets	11,673,081	14,743,930

(Thousand yen)

	As of February 28,2022	As of February 28,2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,274,414	2,780,494
Contract liabilities	-	1,278,478
Income taxes payable	161,350	166,486
Advances received	605,406	-
Provision for bonuses	69,467	88,065
Provision for bonuses for directors (and other officers)	-	8,530
Provision for loss on orders received	19,814	39,897
Other	259,415	452,513
Total current liabilities	2,389,867	4,814,466
Non-current liabilities		
Deferred tax liabilities	180,084	231,560
Asset retirement obligations	14,310	14,310
Total non-current liabilities	194,394	245,870
Total liabilities	2,584,261	5,060,337
Net assets		
Shareholders' equity		
Share capital	3,218,069	3,235,215
Capital surplus	3,208,795	3,225,941
Retained earnings	2,065,262	2,472,391
Treasury shares	(1,994)	(2,386)
Total shareholders' equity	8,490,132	8,931,162
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	544,952	732,149
Total accumulated other comprehensive income	544,952	732,149
Non-controlling interests	53,735	20,281
Total net assets	9,088,819	9,683,593
Total liabilities and net assets	11,673,081	14,743,930

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended February 28,2022	For the fiscal year ended February 28,2023
Net sales	10,920,831	17,295,718
Cost of sales	9,174,498	14,996,436
Gross profit	1,746,333	2,299,281
Selling, general and administrative expenses	1,107,620	1,747,273
Operating profit	638,712	552,008
Non-operating income		
Dividend income	7,772	16,337
Share of profit of entities accounted for using equity method	6,075	8,885
Foreign exchange gains	-	7,242
Commission income	39,704	67,591
Other	2,713	4,352
Total non-operating income	56,265	104,408
Non-operating expenses		
Interest expenses	1,909	3,176
Loss on investments in investment partnerships	21,447	25,284
Foreign exchange losses	14,953	-
Other	3,152	3,802
Total non-operating expenses	41,463	32,263
Ordinary profit	653,514	624,153
Extraordinary losses		
Loss on valuation of investment securities	-	29,984
Special executive bonuses	10,000	-
Other	128	-
Total extraordinary losses	10,128	29,984
Profit before income taxes	643,386	594,169
Income taxes - current	226,169	249,688
Income taxes - deferred	(4,596)	(15,108)
Total income taxes	221,572	234,579
Profit	421,813	359,589
Loss attributable to non-controlling interests	(20,539)	(93,990)
Profit attributable to owners of parent	442,353	453,580

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended February 28,2022	For the fiscal year ended February 28,2023
Profit	421,813	359,589
Other comprehensive income		
Valuation difference on available-for-sale securities	(326,089)	187,196
Total other comprehensive income	(326,089)	187,196
Comprehensive income	95,724	546,786
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	116,264	640,777
Comprehensive income attributable to non-controlling interests	(20,539)	(93,990)

Consolidated Statements of Changes in Net Assets

For the fiscal year ended February 28,2022

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,201,973	3,191,973	1,592,212	(1,866)	7,984,292
Changes during period					
Issuance of new shares	16,096	16,096			32,193
Capital increase of consolidated subsidiaries		725			725
Change in scope of equity method			30,696		30,696
Profit attributable to owners of parent			442,353		442,353
Purchase of treasury shares				(128)	(128)
Net changes in items other than shareholders' equity					
Total changes during period	16,096	16,822	473,049	(128)	505,840
Balance at end of period	3,218,069	3,208,795	2,065,262	(1,994)	8,490,132

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	871,041	871,041	-	8,855,333
Changes during period				
Issuance of new shares				32,193
Capital increase of consolidated subsidiaries				725
Change in scope of equity method				30,696
Profit attributable to owners of parent				442,353
Purchase of treasury shares				(128)
Net changes in items other than shareholders' equity	(326,089)	(326,089)	53,735	(272,353)
Total changes during period	(326,089)	(326,089)	53,735	233,486
Balance at end of period	544,952	544,952	53,735	9,088,819

For the fiscal year ended February 28,2023

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,218,069	3,208,795	2,065,262	(1,994)	8,490,132
Cumulative effects of changes in accounting policies			(46,451)		(46,451)
Restated balance	3,218,069	3,208,795	2,018,810	(1,994)	8,443,681
Changes during period					
Issuance of new shares	17,146	17,146			34,292
Profit attributable to owners of parent			453,580		453,580
Purchase of treasury shares				(391)	(391)
Net changes in items other than shareholders' equity					
Total changes during period	17,146	17,146	453,580	(391)	487,480
Balance at end of period	3,235,215	3,225,941	2,472,391	(2,386)	8,931,162

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	544,952	544,952	53,735	9,088,819
Cumulative effects of changes in accounting policies			537	(45,913)
Restated balance	544,952	544,952	54,272	9,042,906
Changes during period				
Issuance of new shares				34,292
Profit attributable to owners of parent				453,580
Purchase of treasury shares				(391)
Net changes in items other than shareholders' equity	187,196	187,196	(33,990)	153,206
Total changes during period	187,196	187,196	(33,990)	640,687
Balance at end of period	732,149	732,149	20,281	9,683,593

Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended February 28,2022	For the fiscal year ended February 28,2023
Cash flows from operating activities		
Profit before income taxes	643,386	594,169
Depreciation	63,635	70,627
Amortization of goodwill	-	56,738
Share-based payment expenses	499	19,694
Increase (decrease) in allowance for doubtful accounts	(431)	(502)
Increase (decrease) in provision for bonuses	12,298	18,597
Increase (decrease) in provision for loss on orders received	18,000	(104,792)
Interest and dividend income	(7,839)	(19,046)
Interest expenses	1,909	3,176
Foreign exchange losses (gains)	(375)	396
Share of loss (profit) of entities accounted for using equity method	(6,075)	(8,885)
Loss (gain) on change in equity	128	-
Loss (gain) on investments in investment partnerships	21,447	25,284
Decrease (increase) in trade receivables	(410,374)	1,607,300
Decrease (increase) in trade receivables, and contract assets	-	(2,729,354)
Decrease (increase) in inventories	(41,603)	83,024
Decrease (increase) in advance payments to suppliers	(556,164)	(1,202,666)
Increase (decrease) in trade payables	428,044	1,233,657
Increase (decrease) in provision for bonuses for directors (and other officers)	-	8,530
Loss (gain) on valuation of investment securities	-	29,984
Increase (decrease) in accounts payable - other	99,879	27,705
Increase (decrease) in advances received	293,457	(605,406)
Increase (decrease) in contract liabilities	-	1,220,270
Share issuance costs	-	1,420
Other, net	(6,340)	(18,577)
Subtotal	553,481	311,346
Interest and dividends received	7,839	19,046
Interest paid	(1,909)	(3,176)
Income taxes paid	(221,463)	(245,695)
Net cash provided by (used in) operating activities	337,948	81,520

(Thousand yen)

	For the fiscal year ended February 28,2022	For the fiscal year ended February 28,2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(933)	(2,640)
Purchase of intangible assets	(56,148)	(70,359)
Purchase of investment securities	(1,009,977)	(379,372)
Payments for asset retirement obligations	-	(8,372)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(345,633)
Other, net	(245)	6,787
Net cash provided by (used in) investing activities	(1,067,305)	(799,590)
Cash flows from financing activities		
Repayments of short-term borrowings	-	(205,184)
Repayments of long-term borrowings	-	(292,597)
Redemption of bonds	-	(15,000)
Proceeds from issuance of shares	26,174	15,837
Proceeds from share issuance to non-controlling shareholders	75,000	60,000
Purchase of treasury shares	(128)	(391)
Net cash provided by (used in) financing activities	101,046	(437,334)
Effect of exchange rate change on cash and cash equivalents	375	(396)
Net increase (decrease) in cash and cash equivalents	(627,934)	(1,155,800)
Cash and cash equivalents at beginning of period	7,426,126	6,798,191
Cash and cash equivalents at end of period	6,798,191	5,642,391