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Consolidated Financial Results for the Three Months Ended May 31, 2023 [Japanese GAAP]

July 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: +81-3 (5579) 8029

Scheduled date of filing quarterly securities report: July 14, 2023

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 Three Months Ended May 31, 2023 (March 1, 2023 to May 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2023	5,887	76.0	165	11.3	206	47.4	107	(2.8)
May 31, 2022	3,345	-	148	-	139	-	110	-

(Note) Comprehensive income: Three months ended May 31, 2023: ¥ 376 million [-%]
Three months ended May 31, 2022: ¥ (12) million [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2023	13.86		13.61	
May 31, 2022	14.40		14.02	

(2) Consolidated Financial Position

	Total assets		Net assets		Capital adequacy ratio	
	Millions of yen		Millions of yen		%	
As of May 31, 2023	15,807		10,043		63.5	
February 28, 2023	14,743		9,683		65.5	

(Reference) Equity: As of May 31, 2023: ¥ 10,035 million
As of February 28, 2023: ¥ 9,663 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, 2023	-	0.00	-	0.00	0.00
Fiscal year ending February 29, 2024	-				
Fiscal year ending February 29, 2024 (Forecast)		0.00	-	0.00	0.00

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

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending February 29, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024(March 1, 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	22,693	31.2	373	(32.4)	396	(36.5)	272	(39.9)	35.22

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended May 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New	-	(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):

May 31, 2023: 7,795,522 shares

February 28, 2023: 7,753,506 shares

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

May 31, 2023: 557 shares

February 28, 2023: 520 shares

3) Average number of shares outstanding during the period:

Three months ended May 31, 2023: 7,778,981 shares

Three months ended May 31, 2022: 7,709,144 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of February 28, 2023	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	5,652,391	4,888,960
Accounts receivable - trade, and contract assets	2,959,720	3,059,605
Advance payments to suppliers	2,034,204	2,318,199
Short-term loans receivable	-	1,048,125
Other	188,271	142,909
Allowance for doubtful accounts	(1,260)	(1,273)
Total current assets	10,833,326	11,456,527
Non-current assets		
Property, plant and equipment	58,756	60,806
Intangible assets		
Goodwill	1,049,529	1,002,247
Other	113,807	116,166
Total intangible assets	1,163,336	1,118,414
Investments and other assets		
Investment securities	2,518,745	3,004,894
Shares of subsidiaries and associates	95,528	94,614
Distressed receivables	-	1,877
Other	74,236	71,782
Allowance for doubtful accounts	-	(1,877)
Total investments and other assets	2,688,510	3,171,291
Total non-current assets	3,910,604	4,350,512
Total assets	14,743,930	15,807,039

(Thousands of yen)

	As of February 28, 2023	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,780,494	2,961,258
Income taxes payable	166,486	71,981
Contract liabilities	1,278,478	1,863,234
Provision for bonuses	88,065	98,439
Provision for bonuses for directors (and other officers)	8,530	-
Provision for loss on orders received	39,897	13,767
Other	452,513	384,426
Total current liabilities	4,814,466	5,393,108
Non-current liabilities		
Deferred tax liabilities	231,560	355,625
Asset retirement obligations	14,310	14,310
Total non-current liabilities	245,870	369,935
Total liabilities	5,060,337	5,763,043
Net assets		
Shareholders' equity		
Share capital	3,235,215	3,240,630
Capital surplus	3,225,941	3,231,355
Retained earnings	2,472,391	2,553,093
Treasury shares	(2,386)	(2,485)
Total shareholders' equity	8,931,162	9,022,594
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732,149	1,013,261
Total accumulated other comprehensive income	732,149	1,013,261
Non-controlling interests	20,281	8,140
Total net assets	9,683,593	10,043,996
Total liabilities and net assets	14,743,930	15,807,039

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Thousands of yen)

	For the three months ended May 31, 2022	For the three months ended May 31, 2023
Net sales	3,345,857	5,887,141
Cost of sales	2,883,600	5,115,533
Gross profit	462,257	771,607
Selling, general and administrative expenses	314,008	606,541
Operating profit	148,248	165,066
Non-operating income		
Dividend income	8,300	8,225
Share of profit of entities accounted for using equity method	1,012	-
Foreign exchange gains	-	45,233
Other	1,783	11,043
Total non-operating income	11,096	64,501
Non-operating expenses		
Share of loss of entities accounted for using equity method	-	913
Loss on investments in investment partnerships	7,525	21,723
Foreign exchange losses	11,412	-
Other	453	597
Total non-operating expenses	19,392	23,234
Ordinary profit	139,953	206,333
Extraordinary losses		
Special retirement payments	-	49,100
Total extraordinary losses	-	49,100
Profit before income taxes	139,953	157,233
Income taxes	54,548	61,528
Profit	85,404	95,705
Loss attributable to non-controlling interests	(25,593)	(12,141)
Profit attributable to owners of parent	110,997	107,846

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

(Thousands of yen)

	For the three months ended May 31, 2022	For the three months ended May 31, 2023
Profit	85,404	95,705
Other comprehensive income		
Valuation difference on available-for-sale securities	(97,596)	281,112
Total other comprehensive income	(97,596)	281,112
Comprehensive income	(12,191)	376,817
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,401	388,959
Comprehensive income attributable to non-controlling interests	(25,593)	(12,141)