

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.



Consolidated Financial Results for the Year Ended February 29, 2024 [Japanese GAAP]

April 12, 2024

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 Annual General Meeting of Shareholders: May 29, 2024

Scheduled date of commencing dividend payments: -

Scheduled date of filing annual securities report: May 29, 2024

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 29, 2024 (March 1, 2023 to February 29, 2024)

(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	%
Fiscal year ended February 29, 2024	27,510	59.1	897	62.6	1,032	65.5	638	40.7
February 28, 2023	17,295	58.4	552	(13.6)	624	(4.5)	453	2.5

(Note) Comprehensive income: Fiscal year ended February 29, 2024: ¥ 971 million [77.7%]
Fiscal year ended February 28, 2023: ¥ 546 million [471.2%]

	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
Fiscal year ended	Yen	Yen	%	%	%
February 29, 2024	81.76	80.43	6.3	6.3	3.3
February 28, 2023	58.64	57.26	4.9	4.7	3.2

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended February 29, 2024: ¥ (1) million
Fiscal year ended February 28, 2023: ¥ 8 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 29, 2024	18,056	10,667	59.0	1,360.54
February 28, 2023	14,743	9,683	65.5	1,246.40

(Reference) Equity: As of February 29, 2024: ¥ 10,660 million
As of February 28, 2023: ¥ 9,663 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	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 29, 2024	1,725	(439)	121	6,880
February 28, 2023	81	(799)	(437)	5,642

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	Millions of yen	%	%
February 28, 2023	-	0.00	-	0.00	0.00	-	-	-
February 29, 2024	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending February 28, 2025 (Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Breakdown of the year-end dividend for the fiscal year ended February 29, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 to February 28, 2025)

(% 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	33,392	21.4	668	(25.5)	492	(52.3)	254	(60.2)	32.56

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
 - New - (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 29, 2024: 7,836,033 shares
 - February 28, 2023: 7,753,506 shares
 - 2) Number of treasury shares at the end of the period:
 - February 29, 2024: 618 shares
 - February 28, 2023: 520 shares
 - 3) Average number of shares outstanding during the period:
 - Fiscal Year ended February 29, 2024: 7,807,872 shares
 - Fiscal Year ended February 28, 2023: 7,734,879 shares

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousands of yen)

	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	5,652,391	6,890,619
Trade receivables and contract asset	2,959,720	4,238,927
Advance payments to suppliers	2,034,204	2,223,446
Allowance for doubtful accounts	(1,260)	(1,060)
Other	188,271	175,866
Total current assets	10,833,326	13,527,799
Non-current assets		
Property, plant and equipment		
Buildings	86,688	87,450
Accumulated depreciation	(39,164)	(45,745)
Buildings, net	47,523	41,705
Tools, furniture and fixtures	39,309	44,678
Accumulated depreciation	(28,076)	(33,129)
Tools, furniture and fixtures, net	11,233	11,549
Total property, plant and equipment	58,756	53,254
Intangible assets		
Goodwill	1,049,529	910,565
Software	94,347	92,136
Software in progress	15,096	11,018
Trademark right	4,287	3,561
Other	75	75
Total intangible assets	1,163,336	1,017,356
Investments and other assets		
Investment securities	2,518,745	3,294,679
Shares of subsidiaries and associates	95,528	93,775
Other	74,236	69,989
Total investments and other assets	2,688,510	3,458,444
Total non-current assets	3,910,604	4,529,055
Total assets	14,743,930	18,056,854

(Thousands of yen)

	As of February 28, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,780,494	4,082,251
Short-term borrowings	-	100,000
Contract liabilities	1,278,478	1,828,104
Income taxes payable	166,486	279,288
Provision for bonuses	88,065	295,558
Provision for bonuses for directors (and other officers)	8,530	22,117
Allowance officer retirement special service money	-	34,000
Provision for loss on orders received	39,897	10,225
Other	452,513	468,198
Total current liabilities	4,814,466	7,119,744
Non-current liabilities		
Deferred tax liabilities	231,560	255,463
Asset retirement obligations	14,310	14,310
Total non-current liabilities	245,870	269,773
Total liabilities	5,060,337	7,389,518
Net assets		
Shareholders' equity		
Share capital	3,235,215	3,255,144
Capital surplus	3,225,941	3,245,870
Retained earnings	2,472,391	3,083,606
Treasury shares	(2,386)	(2,724)
Total shareholders' equity	8,931,162	9,581,896
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732,149	1,078,536
Total accumulated other comprehensive income	732,149	1,078,536
Non-controlling interests	20,281	6,904
Total net assets	9,683,593	10,667,336
Total liabilities and net assets	14,743,930	18,056,854

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Net sales	17,295,718	27,510,746
Cost of sales	14,996,436	23,975,390
Gross profit	2,299,281	3,535,355
Selling, general and administrative expenses	1,747,273	2,637,870
Operating profit	552,008	897,485
Non-operating income		
Interest income	-	52,441
Dividend income	16,337	20,864
Share of profit of entities accounted for using equity method	8,885	-
Foreign exchange gains	7,242	41,004
Commission income	67,591	73,687
Other	4,352	3,872
Total non-operating income	104,408	191,870
Non-operating expenses		
Interest expenses	3,176	671
Share of loss of entities accounted for using equity method	-	1,752
Loss on investments in investment partnerships	25,284	50,604
Other	3,802	3,639
Total non-operating expenses	32,263	56,668
Ordinary profit	624,153	1,032,687
Extraordinary losses		
Special retirement payments	-	49,100
Impairment losses	-	6,575
Loss on valuation of investment securities	29,984	72,599
Provision for allowance officer retirement special service money	-	34,000
Total extraordinary losses	29,984	162,274
Profit before income taxes	594,169	870,412
Income taxes - current	249,688	374,400
Income taxes - deferred	(15,108)	(128,969)
Total income taxes	234,579	245,430
Profit	359,589	624,982
Loss attributable to non-controlling interests	(93,990)	(13,377)
Profit attributable to owners of parent	453,580	638,359

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Profit	359,589	624,982
Other comprehensive income		
Valuation difference on available-for-sale securities	187,196	346,386
Total other comprehensive income	187,196	346,386
Comprehensive income	546,786	971,369
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	640,777	984,746
Comprehensive income attributable to non-controlling interests	(93,990)	(13,377)

Consolidated Statements of Changes in Equity
For the fiscal year ended February 28, 2023

(Thousands of 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

For the fiscal year ended February 29, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,235,215	3,225,941	2,472,391	(2,386)	8,931,162
Changes during period					
Issuance of new shares	19,928	19,928			39,857
Profit attributable to owners of parent			638,359		638,359
Purchase of treasury shares				(338)	(338)
Increase/decrease due to change in fiscal year end of consolidated subsidiaries			(27,144)		(27,144)
Net changes in items other than shareholders' equity					
Total changes during period	19,928	19,928	611,215	(338)	650,734
Balance at end of period	3,255,144	3,245,870	3,083,606	(2,724)	9,581,896

	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	732,149	732,149	20,281	9,683,593
Changes during period				
Issuance of new shares				39,857
Profit attributable to owners of parent				638,359
Purchase of treasury shares				(338)
Increase/decrease due to change in fiscal year end of consolidated subsidiaries				(27,144)
Net changes in items other than shareholders' equity	346,386	346,386	(13,377)	333,009
Total changes during period	346,386	346,386	(13,377)	983,743
Balance at end of period	1,078,536	1,078,536	6,904	10,667,336

Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	594,169	870,412
Depreciation	70,627	66,867
Amortization of goodwill	56,738	113,476
Share-based payment expenses	19,694	17,035
Increase (decrease) in allowance for doubtful accounts	(502)	(203)
Increase (decrease) in provision for bonuses	18,597	196,373
Increase (decrease) in provision for loss on orders received	(104,792)	(5,368)
Interest and dividend income	(19,046)	(73,306)
Interest expenses	3,176	671
Foreign exchange losses (gains)	396	29,466
Share of loss (profit) of entities accounted for using equity method	(8,885)	1,752
Loss (gain) on investments in investment partnerships	25,284	50,604
Decrease (increase) in trade receivables	1,607,300	-
Decrease (increase) in trade receivables, and contract assets	(2,729,354)	(1,259,261)
Decrease (increase) in inventories	83,024	-
Decrease (increase) in advance payments to suppliers	(1,202,666)	(189,750)
Increase (decrease) in trade payables	1,233,657	1,344,452
Increase (decrease) in provision for bonuses for directors (and other officers)	8,530	13,587
Allowance officer retirement special service money increase and decrease	-	34,000
Special merit rewards	-	49,100
Loss (gain) on valuation of investment securities	29,984	72,599
Increase (decrease) in accounts payable - other	27,705	(16,325)
Increase (decrease) in advances received	(605,406)	-
Increase (decrease) in contract liabilities	1,220,270	576,816
Share issuance costs	1,420	1,053
Other, net	(18,577)	64,868
Subtotal	311,346	1,958,924
Interest and dividends received	19,046	73,306
Interest paid	(3,176)	(671)
Payments of special retirement payments	-	(49,100)
Income taxes paid	(245,695)	(256,988)
Net cash provided by (used in) operating activities	81,520	1,725,470

(Thousands of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,640)	(5,741)
Purchase of intangible assets	(70,359)	(48,493)
Purchase of investment securities	(379,372)	(385,100)
Payments for asset retirement obligations	(8,372)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(345,633)	-
Other, net	6,787	(65)
Net cash provided by (used in) investing activities	(799,590)	(439,401)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	100,000
Repayments of short-term borrowings	(205,184)	-
Repayments of long-term borrowings	(292,597)	-
Redemption of bonds	(15,000)	-
Proceeds from issuance of shares	15,837	21,775
Proceeds from share issuance to non-controlling shareholders	60,000	-
Purchase of treasury shares	(391)	(338)
Net cash provided by (used in) financing activities	(437,334)	121,436
Effect of exchange rate change on cash and cash equivalents	(396)	(29,466)
Net increase (decrease) in cash and cash equivalents	(1,155,800)	1,378,038
Cash and cash equivalents at beginning of period	6,798,191	5,642,391
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year end of consolidated subsidiaries	-	(139,810)
Cash and cash equivalents at end of period	5,642,391	6,880,619