

Translation

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Summary of Non-Consolidated Financial Results for the Three Months Ended May 31, 2021 (Based on Japanese GAAP)

July 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: July 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. Non-consolidated financial results for the three months ended May 31, 2021 (from March 1, 2021 to May 31, 2021)

(1) Non-consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2021	2,509	30.5	171	146.0	168	119.7	110	98.6
Three months ended May 31, 2020	1,922	33.5	69	(30.5)	76	(16.8)	55	(40.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2021	14.43		13.89	
Three months ended May 31, 2020	8.16		7.66	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2021	10,697	8,914	83.3
As of February 28, 2021	10,717	8,855	82.6

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	–				
Year ending February 28, 2022 (Forecast)		0.00	–	0.00	0.00

3. Forecast of non-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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	9,300	15.8	446	6.4	471	14.8	326	(32.3)	45.17

4. Notes

(1) Application of special accounting methods for preparing quarterly non-consolidated financial statements: Yes

(2) 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

(3) Number of issued shares (common shares)

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

As of May 31, 2021	7,656,188 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 May 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)

Three months ended May 31, 2021	7,629,924 shares	Three months ended May 31, 2020	6,791,742 shares
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Quarterly non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of February 28, 2021	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	7,426,126	6,804,652
Accounts receivable - trade	1,196,926	1,249,105
Work in process	40,740	54,080
Other	337,955	383,089
Allowance for doubtful accounts	(2,148)	(1,917)
Total current assets	8,999,600	8,489,010
Non-current assets		
Property, plant and equipment	72,971	70,464
Intangible assets	112,679	109,368
Investments and other assets		
Investment securities	1,402,808	1,900,757
Shares of subsidiaries and associates	50,000	50,000
Other	79,840	78,216
Total investments and other assets	1,532,649	2,028,974
Total non-current assets	1,718,299	2,208,807
Total assets	10,717,899	10,697,817
Liabilities		
Current liabilities		
Accounts payable - trade	846,369	892,722
Income taxes payable	166,497	62,136
Provision for bonuses	57,168	29,883
Provision for loss on order received	1,814	4,672
Other	447,809	482,378
Total current liabilities	1,519,659	1,471,794
Non-current liabilities		
Deferred tax liabilities	328,596	297,377
Asset retirement obligations	14,310	14,310
Total non-current liabilities	342,906	311,687
Total liabilities	1,862,566	1,783,481
Net assets		
Shareholders' equity		
Share capital	3,201,973	3,211,800
Capital surplus	3,191,973	3,201,800
Retained earnings	1,592,212	1,702,298
Treasury shares	(1,866)	(1,866)
Total shareholders' equity	7,984,292	8,114,033
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	871,041	800,303
Total valuation and translation adjustments	871,041	800,303
Total net assets	8,855,333	8,914,336
Total liabilities and net assets	10,717,899	10,697,817

Non-consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended May 31, 2020	Three months ended May 31, 2021
Net sales	1,922,963	2,509,960
Cost of sales	1,678,259	2,086,363
Gross profit	244,703	423,596
Selling, general and administrative expenses	175,049	252,279
Operating profit	69,654	171,316
Non-operating income		
Foreign exchange gains	6,626	—
Other	643	—
Total non-operating income	7,269	—
Non-operating expenses		
Share issuance costs	56	—
Foreign exchange losses	—	2,656
Guarantee commission	165	156
Other	0	20
Total non-operating expenses	222	2,833
Ordinary profit	76,701	168,483
Extraordinary losses		
Special executive bonuses	—	10,000
Total extraordinary losses	—	10,000
Profit before income taxes	76,701	158,483
Income taxes	21,269	48,398
Profit	55,432	110,085