

Translation

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Summary of Non-Consolidated Financial Results for the Year Ended February 29, 2020 (Based on Japanese GAAP)

April 14, 2020

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 of ordinary general meeting of shareholders: May 29, 2020
 Scheduled date to file Securities Report: May 29, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended February 29, 2020 (from March 1, 2019 to February 29, 2020)

(1) Non-consolidated operating results

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	%
Year ended February 29, 2020	6,811	52.1	417	24.4	421	25.5	333	(6.5)
Year ended February 28, 2019	4,477	46.0	335	533.2	335	769.9	356	99.0

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 29, 2020	98.98	92.78	14.0	11.0	6.1
Year ended February 28, 2019	124.22	–	23.4	11.7	7.5

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2020	4,472	3,035	67.9	897.94
As of February 28, 2019	3,171	1,736	54.8	582.77

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 29, 2020	407	(155)	567	1,579
Year ended February 28, 2019	157	172	70	760

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 28, 2019	–	0.00	–	0.00	0.00	–	–	–
Year ended February 29, 2020	–	0.00	–	0.00	0.00	–	–	–
Year ending February 28, 2021 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of non-consolidated financial results for the year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

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	8,003	17.5	417	0.0	426	1.2	306	(7.9)	90.79

4. Notes

(1) 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

(2) Number of issued shares (common shares)

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

As of February 29, 2020	3,380,190 shares	As of February 28, 2019	2,980,000 shares
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Number of treasury shares at the end of the period

As of February 29, 2020	112 shares	As of February 28, 2019	— shares
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Average number of shares during the period

Year ended February 29, 2020	3,368,033 shares	Year ended February 28, 2019	2,871,726 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of February 28, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	760,265	1,579,231
Accounts receivable - trade	662,701	953,532
Work in process	55,656	49,179
Advance payments - trade	238,988	383,574
Prepaid expenses	27,079	43,499
Deposits paid	225,369	1,261
Other	—	950
Allowance for doubtful accounts	(6,821)	(6,608)
Total current assets	1,963,239	3,004,621
Non-current assets		
Property, plant and equipment		
Buildings	37,959	77,781
Accumulated depreciation	(14,502)	(19,432)
Buildings, net	23,457	58,349
Tools, furniture and fixtures	15,762	20,160
Accumulated depreciation	(8,085)	(9,334)
Tools, furniture and fixtures, net	7,676	10,826
Total property, plant and equipment	31,133	69,175
Intangible assets		
Software	102,685	87,050
Software in progress	7,208	9,056
Trademark right	4,858	4,308
Other	75	75
Total intangible assets	114,828	100,491
Investments and other assets		
Investment securities	12,000	1,186,600
Shares of subsidiaries and associates	1,005,152	50,000
Long-term prepaid expenses	323	353
Leasehold deposits	42,962	58,388
Other	2,275	2,521
Total investments and other assets	1,062,713	1,297,864
Total non-current assets	1,208,675	1,467,531
Total assets	3,171,914	4,472,152

(Thousands of yen)

	As of February 28, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	273,976	633,819
Short-term loans payable	300,000	—
Accounts payable - other	30,073	31,396
Accrued expenses	24,043	40,247
Income taxes payable	185,871	52,135
Accrued consumption taxes	53,253	59,207
Advances received	272,774	261,787
Deposits received	9,915	16,807
Provision for bonuses	31,918	43,444
Provision for loss on order received	190	9,349
Total current liabilities	1,182,017	1,148,193
Non-current liabilities		
Deferred tax liabilities	253,231	274,541
Asset retirement obligations	—	14,310
Total non-current liabilities	253,231	288,851
Total liabilities	1,435,249	1,437,044
Net assets		
Shareholders' equity		
Capital stock	169,100	609,597
Capital surplus		
Legal capital surplus	159,100	599,597
Total capital surpluses	159,100	599,597
Retained earnings		
Other retained earnings		
Retained earnings brought forward	776,560	1,109,941
Total retained earnings	776,560	1,109,941
Treasury shares	—	(900)
Total shareholders' equity	1,104,760	2,318,236
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	631,892	716,858
Total valuation and translation adjustments	631,892	716,858
Share acquisition rights	12	12
Total net assets	1,736,665	3,035,107
Total liabilities and net assets	3,171,914	4,472,152

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Net sales	4,477,879	6,811,373
Cost of sales	3,617,972	5,725,327
Gross profit	859,906	1,086,045
Selling, general and administrative expenses	524,243	668,475
Operating profit	335,663	417,570
Non-operating income		
Interest income	65	12
Commission income	10,407	13,134
Subsidy income	1,022	—
Other	719	260
Total non-operating income	12,215	13,408
Non-operating expenses		
Interest expenses	3,105	146
Amortization of bond issuance cost	249	—
Foreign exchange losses	1,188	2,540
Share issuance cost	3,240	4,735
Going public expenses	3,000	2,000
Other	1,460	341
Total non-operating expenses	12,243	9,764
Ordinary profit	335,635	421,214
Extraordinary income		
Gain on sales of investment securities	—	37,943
Gain on sales of shares of subsidiaries and associates	207,053	—
Total extraordinary income	207,053	37,943
Profit before income taxes	542,689	459,157
Income taxes - current	198,718	141,965
Income taxes - deferred	(12,749)	(16,188)
Total income taxes	185,969	125,776
Profit	356,719	333,381

Non-consolidated statements of changes in equity

Fiscal year ended February 28, 2019

(Thousands of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance at beginning of current period	71,600	61,600	61,600	419,840	419,840	553,040
Changes of items during period						
Issuance of new shares	97,500	97,500	97,500			195,000
Profit				356,719	356,719	356,719
Net changes of items other than shareholders' equity						
Total changes of items during period	97,500	97,500	97,500	356,719	356,719	551,719
Balance at end of current period	169,100	159,100	159,100	776,560	776,560	1,104,760

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	765,153	765,153	12	1,318,207
Changes of items during period				
Issuance of new shares				195,000
Profit				356,719
Net changes of items other than shareholders' equity	(133,261)	(133,261)	—	(133,261)
Total changes of items during period	(133,261)	(133,261)	—	418,458
Balance at end of current period	631,892	631,892	12	1,736,665

Fiscal year ended February 29, 2020

(Thousands of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Treasury shares
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of current period	169,100	159,100	159,100	776,560	776,560	—
Changes of items during period						
Issuance of new shares	440,497	440,497	440,497			
Profit				333,381	333,381	
Purchase of treasury shares						(900)
Net changes of items other than shareholders' equity						
Total changes of items during period	440,497	440,497	440,497	333,381	333,381	(900)
Balance at end of current period	609,597	599,597	599,597	1,109,941	1,109,941	(900)

	Shareholders' equity	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	1,104,760	631,892	631,892	12	1,736,665
Changes of items during period					
Issuance of new shares	880,995				880,995
Profit	333,381				333,381
Purchase of treasury shares	(900)				(900)
Net changes of items other than shareholders' equity		84,965	84,965	—	84,965
Total changes of items during period	1,213,475	84,965	84,965	—	1,298,441
Balance at end of current period	2,318,236	716,858	716,858	12	3,035,107

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Cash flows from operating activities		
Profit before income taxes	542,689	459,157
Depreciation	55,178	71,858
Share-based compensation expenses	–	1,229
Increase (decrease) in allowance for doubtful accounts	(2,229)	(212)
Increase (decrease) in provision for bonuses	7,298	11,526
Increase (decrease) in provision for loss on order received	(1,384)	9,158
Interest and dividend income	(65)	(12)
Interest expenses	3,105	146
Foreign exchange losses (gains)	(1,823)	22
Share issuance cost	3,240	4,735
Going public expenses	3,000	2,000
Loss (gain) on sales of investment securities	–	(37,943)
Loss (gain) on sales of shares of subsidiaries and associates	(207,053)	–
Decrease (increase) in notes and accounts receivable - trade	(299,946)	(290,830)
Decrease (increase) in deposits paid	(64,779)	224,108
Decrease (increase) in inventories	(24,639)	6,476
Decrease (increase) in advance payments	(108,512)	(144,586)
Increase (decrease) in notes and accounts payable - trade	107,448	359,842
Increase (decrease) in accounts payable - other	8,982	1,800
Increase (decrease) in advances received	122,054	(10,987)
Other, net	55,030	18,030
Subtotal	197,591	685,519
Interest and dividend income received	65	12
Interest expenses paid	(3,005)	(37)
Income taxes refund	10,696	–
Income taxes paid	(47,645)	(278,186)
Net cash provided by (used in) operating activities	157,702	407,308
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,187)	(30,928)
Purchase of intangible assets	(44,412)	(49,733)
Purchase of investment securities	–	(99,995)
Proceeds from sales of investment securities	–	40,954
Proceeds from sales of shares of subsidiaries and associates	222,890	–
Payments for leasehold deposits	–	(16,015)
Other, net	(272)	(245)
Net cash provided by (used in) investing activities	172,018	(155,964)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100,000)	(300,000)
Redemption of bonds	(10,000)	–
Repayments of installment payables	(12,139)	–
Proceeds from issuance of common shares	195,000	871,544
Purchase of treasury shares	–	(900)
Going public expenses	(2,000)	(3,000)
Net cash provided by (used in) financing activities	70,860	567,644
Effect of exchange rate change on cash and cash equivalents	1,823	(22)
Net increase (decrease) in cash and cash equivalents	402,404	818,966
Cash and cash equivalents at beginning of period	357,860	760,265
Cash and cash equivalents at end of period	760,265	1,579,231