Translation

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Summary of Non-Consolidated Financial Results for the Three Months Ended May 31, 2020 (Based on Japanese GAAP)

July 15, 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 to file Quarterly Securities Report: July 15, 2020
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, 2020 (from March 1, 2020 to May 31, 2020)

(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, 2020	1,922	33.5	69	(30.5)	76	(16.8)	55	(40.9)
Three months ended May 31, 2019	1,440	–	100	–	92	–	93	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2020	16.32	15.31
Three months ended May 31, 2019	28.15	26.53

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2020	4,628	3,173	68.6
As of February 29, 2020	4,472	3,035	67.9

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 29, 2020	–	0.00	–	0.00	0.00
Year ending February 28, 2021	–				
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) 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, 2020	3,425,670 shares	As of February 29, 2020	3,380,190 shares

Number of treasury shares at the end of the period

As of May 31, 2020	144 shares	As of February 29, 2020	112 shares

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended May 31, 2020	3,395,871 shares	Three months ended May 31, 2019	3,332,174 shares

Quarterly non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of February 29, 2020	As of May 31, 2020
Assets		
Current assets		
Cash and deposits	1,579,231	1,796,175
Accounts receivable - trade	953,532	1,007,340
Work in process	49,179	35,198
Other	429,285	222,606
Allowance for doubtful accounts	(6,608)	(2,535)
Total current assets	3,004,621	3,058,784
Non-current assets		
Property, plant and equipment	69,175	66,895
Intangible assets	100,491	95,203
Investments and other assets		
Investment securities	1,186,600	1,283,055
Shares of subsidiaries and associates	50,000	50,000
Other	61,263	74,084
Total investments and other assets	1,297,864	1,407,140
Total non-current assets	1,467,531	1,569,239
Total assets	4,472,152	4,628,023
Liabilities		
Current liabilities		
Accounts payable - trade	633,819	709,129
Income taxes payable	52,135	26,558
Provision for bonuses	43,444	26,716
Provision for loss on order received	9,349	20,745
Other	409,445	353,306
Total current liabilities	1,148,193	1,136,456
Non-current liabilities		
Deferred tax liabilities	274,541	304,076
Asset retirement obligations	14,310	14,310
Total non-current liabilities	288,851	318,386
Total liabilities	1,437,044	1,454,842
Net assets		
Shareholders' equity		
Share capital	609,597	617,675
Capital surplus	599,597	607,675
Retained earnings	1,109,941	1,165,373
Treasury shares	(900)	(1,322)
Total shareholders' equity	2,318,236	2,389,402
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	716,858	783,778
Total valuation and translation adjustments	716,858	783,778
Share acquisition rights	12	–
Total net assets	3,035,107	3,173,181
Total liabilities and net assets	4,472,152	4,628,023

Non-consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended May 31, 2019	Three months ended May 31, 2020
Net sales	1,440,382	1,922,963
Cost of sales	1,196,498	1,678,259
Gross profit	243,883	244,703
Selling, general and administrative expenses	143,659	175,049
Operating profit	100,224	69,654
Non-operating income		
Foreign exchange gains	–	6,626
Other	59	643
Total non-operating income	59	7,269
Non-operating expenses		
Interest expenses	146	–
Share issuance cost	4,182	56
Going public expenses	2,000	–
Foreign exchange losses	1,677	–
Guarantee commission	37	165
Other	–	0
Total non-operating expenses	8,043	222
Ordinary profit	92,240	76,701
Extraordinary income		
Gain on sales of investment securities	37,943	–
Total extraordinary income	37,943	–
Profit before income taxes	130,183	76,701
Income taxes	36,380	21,269
Profit	93,803	55,432