Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Non-Consolidated Financial Results for the Nine Months Ended November 30, 2020 (Based on Japanese GAAP)

January 14, 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: January 14, 2021
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the nine months ended November 30, 2020 (from March 1, 2020 to November 30, 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	%
Nine months ended November 30, 2020	5,686	20.0	262	(15.9)	266	(15.5)	367	46.9
Nine months ended November 30, 2019	4,741	57.1	312	52.4	315	48.8	250	(19.2)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2020	51.70	48.86
Nine months ended November 30, 2019	37.22	36.02

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2020	10,882	9,038	83.1
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	–	0.00	–		
Year ending February 28, 2021 (Forecast)				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	392	(6.1)	377	(10.4)	448	34.5	62.00

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 November 30, 2020	7,582,060 shares	As of February 29, 2020	6,760,380 shares

Number of treasury shares at the end of the period

As of November 30, 2020	340 shares	As of February 29, 2020	224 shares

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

Nine months ended November 30, 2020	7,116,770 shares	Nine months ended November 30, 2019	6,728,099 shares

Quarterly non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of February 29, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and deposits	1,579,231	7,307,493
Accounts receivable - trade	953,532	1,040,253
Work in process	49,179	58,236
Other	429,285	337,679
Allowance for doubtful accounts	(6,608)	(2,337)
Total current assets	3,004,621	8,741,324
Non-current assets		
Property, plant and equipment	69,175	75,111
Intangible assets	100,491	107,464
Investments and other assets		
Investment securities	1,186,600	1,834,253
Shares of subsidiaries and associates	50,000	50,000
Other	61,263	74,351
Total investments and other assets	1,297,864	1,958,604
Total non-current assets	1,467,531	2,141,181
Total assets	4,472,152	10,882,506
Liabilities		
Current liabilities		
Accounts payable - trade	633,819	784,640
Income taxes payable	52,135	108,424
Provision for bonuses	43,444	28,470
Provision for loss on order received	9,349	11,470
Other	409,445	422,231
Total current liabilities	1,148,193	1,355,237
Non-current liabilities		
Deferred tax liabilities	274,541	474,697
Asset retirement obligations	14,310	14,310
Total non-current liabilities	288,851	489,007
Total liabilities	1,437,044	1,844,244
Net assets		
Shareholders' equity		
Share capital	609,597	3,200,923
Capital surplus	599,597	3,190,923
Retained earnings	1,109,941	1,477,904
Treasury shares	(900)	(1,866)
Total shareholders' equity	2,318,236	7,867,883
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	716,858	1,170,377
Total valuation and translation adjustments	716,858	1,170,377
Share acquisition rights	12	–
Total net assets	3,035,107	9,038,261
Total liabilities and net assets	4,472,152	10,882,506

Non-consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Net sales	4,741,093	5,686,950
Cost of sales	3,940,975	4,838,791
Gross profit	800,118	848,158
Selling, general and administrative expenses	487,633	585,435
Operating profit	312,484	262,723
Non-operating income		
Commission income	13,133	32,106
Foreign exchange gains	–	6,154
Other	65	641
Total non-operating income	13,198	38,902
Non-operating expenses		
Interest expenses	146	–
Share issuance cost	4,735	25,146
Going public expenses	2,000	–
Foreign exchange losses	3,632	–
Other	39	10,128
Total non-operating expenses	10,553	35,275
Ordinary profit	315,130	266,350
Extraordinary income		
Gain on sales of investment securities	37,943	246,221
Total extraordinary income	37,943	246,221
Profit before income taxes	353,073	512,572
Income taxes	102,633	144,609
Profit	250,439	367,962