Translation

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Summary of Non-Consolidated Financial Results for the Year Ended February 28, 2021 (Based on Japanese GAAP)

April 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 of ordinary general meeting of shareholders: May 28, 2021
Scheduled date to file Securities Report: May 28, 2021
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 28, 2021 (from March 1, 2020 to February 28, 2021)

(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 28, 2021	8,029	17.9	419	0.5	410	(2.5)	482	44.7
Year ended February 29, 2020	6,811	52.1	417	24.4	421	25.5	333	(6.5)

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2021	66.68	63.21	8.1	5.4	5.2
Year ended February 29, 2020	49.49	46.39	14.0	11.0	6.1

(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 28, 2021	10,717	8,855	82.6	1,167.06
As of February 29, 2020	4,472	3,035	67.9	448.97

(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 28, 2021	529	159	5,157	7,426
Year ended February 29, 2020	407	(155)	567	1,579

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 29, 2020	–	0.00	–	0.00	0.00	–	–	–
Year ended February 28, 2021	–	0.00	–	0.00	0.00	–	–	–
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) 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 28, 2021	7,588,044 shares	As of February 29, 2020	6,760,380 shares

Number of treasury shares at the end of the period

As of February 28, 2021	340 shares	As of February 29, 2020	224 shares

Average number of shares during the period

Year ended February 28, 2021	7,232,317 shares	Year ended February 29, 2020	6,736,067 shares

Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of February 29, 2020	As of February 28, 2021
Assets		
Current assets		
Cash and deposits	1,579,231	7,426,126
Accounts receivable - trade	953,532	1,196,926
Work in process	49,179	40,740
Advance payments - trade	383,574	272,321
Prepaid expenses	43,499	59,797
Deposits paid	1,261	629
Other	950	5,206
Allowance for doubtful accounts	(6,608)	(2,148)
Total current assets	3,004,621	8,999,600
Non-current assets		
Property, plant and equipment		
Buildings	77,781	86,688
Accumulated depreciation	(19,432)	(25,746)
Buildings, net	58,349	60,941
Tools, furniture and fixtures	20,160	24,508
Accumulated depreciation	(9,334)	(12,478)
Tools, furniture and fixtures, net	10,826	12,029
Total property, plant and equipment	69,175	72,971
Intangible assets		
Software	87,050	93,247
Software in progress	9,056	15,597
Trademark right	4,308	3,758
Other	75	75
Total intangible assets	100,491	112,679
Investments and other assets		
Investment securities	1,186,600	1,402,808
Shares of subsidiaries and associates	50,000	50,000
Long-term prepaid expenses	353	9,383
Leasehold deposits	58,388	67,689
Other	2,521	2,767
Total investments and other assets	1,297,864	1,532,649
Total non-current assets	1,467,531	1,718,299
Total assets	4,472,152	10,717,899

(Thousands of yen)

	As of February 29, 2020	As of February 28, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	633,819	846,369
Accounts payable - other	31,396	20,679
Accrued expenses	40,247	36,836
Income taxes payable	52,135	166,497
Accrued consumption taxes	59,207	59,344
Advances received	261,787	311,949
Deposits received	16,807	18,341
Provision for bonuses	43,444	57,168
Provision for loss on order received	9,349	1,814
Other	–	657
Total current liabilities	1,148,193	1,519,659
Non-current liabilities		
Deferred tax liabilities	274,541	328,596
Asset retirement obligations	14,310	14,310
Total non-current liabilities	288,851	342,906
Total liabilities	1,437,044	1,862,566
Net assets		
Shareholders' equity		
Share capital	609,597	3,201,973
Capital surplus		
Legal capital surplus	599,597	3,191,973
Total capital surpluses	599,597	3,191,973
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,109,941	1,592,212
Total retained earnings	1,109,941	1,592,212
Treasury shares	(900)	(1,866)
Total shareholders' equity	2,318,236	7,984,292
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	716,858	871,041
Total valuation and translation adjustments	716,858	871,041
Share acquisition rights	12	–
Total net assets	3,035,107	8,855,333
Total liabilities and net assets	4,472,152	10,717,899

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Net sales	6,811,373	8,029,275
Cost of sales	5,725,327	6,804,593
Gross profit	1,086,045	1,224,681
Selling, general and administrative expenses	668,475	804,881
Operating profit	417,570	419,799
Non-operating income		
Interest income	12	–
Commission income	13,134	32,106
Foreign exchange gains	–	5,758
Other	260	1,599
Total non-operating income	13,408	39,464
Non-operating expenses		
Interest expenses	146	–
Market change expenses	–	17,058
Share issuance costs	4,735	24,826
Going public expenses	2,000	–
Foreign exchange losses	2,540	–
Other	341	6,780
Total non-operating expenses	9,764	48,665
Ordinary profit	421,214	410,598
Extraordinary income		
Gain on sales of investment securities	37,943	246,221
Total extraordinary income	37,943	246,221
Profit before income taxes	459,157	656,820
Income taxes - current	141,965	188,541
Income taxes - deferred	(16,188)	(13,992)
Total income taxes	125,776	174,549
Profit	333,381	482,271

Non-consolidated statements of changes in equity

Fiscal year ended February 29, 2020

(Thousands of yen)

	Shareholders' equity					
	Share capital	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 period	169,100	159,100	159,100	776,560	776,560	–
Changes during period						
Issuance of new shares	440,497	440,497	440,497			
Profit				333,381	333,381	
Purchase of treasury shares						(900)
Net changes in items other than shareholders' equity						
Total changes during period	440,497	440,497	440,497	333,381	333,381	(900)
Balance at end of 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 period	1,104,760	631,892	631,892	12	1,736,665
Changes during period					
Issuance of new shares	880,995				880,995
Profit	333,381				333,381
Purchase of treasury shares	(900)				(900)
Net changes in items other than shareholders' equity		84,965	84,965	–	84,965
Total changes during period	1,213,475	84,965	84,965	–	1,298,441
Balance at end of period	2,318,236	716,858	716,858	12	3,035,107

Fiscal year ended February 28, 2021

(Thousands of yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		Treasury shares
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
				Retained earnings brought forward		
Balance at beginning of period	609,597	599,597	599,597	1,109,941	1,109,941	(900)
Changes during period						
Issuance of new shares	2,592,375	2,592,375	2,592,375			
Profit				482,271	482,271	
Purchase of treasury shares						(965)
Net changes in items other than shareholders' equity						
Total changes during period	2,592,375	2,592,375	2,592,375	482,271	482,271	(965)
Balance at end of period	3,201,973	3,191,973	3,191,973	1,592,212	1,592,212	(1,866)

	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 period	2,318,236	716,858	716,858	12	3,035,107
Changes during period					
Issuance of new shares	5,184,750				5,184,750
Profit	482,271				482,271
Purchase of treasury shares	(965)				(965)
Net changes in items other than shareholders' equity		154,182	154,182	(12)	154,170
Total changes during period	5,666,056	154,182	154,182	(12)	5,820,226
Balance at end of period	7,984,292	871,041	871,041	–	8,855,333

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Cash flows from operating activities		
Profit before income taxes	459,157	656,820
Depreciation	71,858	64,944
Share-based remuneration expenses	1,229	245
Increase (decrease) in allowance for doubtful accounts	(212)	(4,459)
Increase (decrease) in provision for bonuses	11,526	13,724
Increase (decrease) in provision for loss on order received	9,158	(7,534)
Interest and dividend income	(12)	(49)
Interest expenses	146	–
Foreign exchange losses (gains)	22	8
Share issuance costs	4,735	24,826
Going public expenses	2,000	–
Loss (gain) on sales of investment securities	(37,943)	(246,221)
Decrease (increase) in trade receivables	(290,830)	(243,393)
Decrease (increase) in deposits paid	224,108	631
Decrease (increase) in inventories	6,476	8,438
Decrease (increase) in advance payments - trade	(144,586)	111,253
Increase (decrease) in trade payables	359,842	212,550
Increase (decrease) in accounts payable - other	1,800	(8,604)
Increase (decrease) in advances received	(10,987)	50,161
Other, net	18,030	7,344
Subtotal	685,519	640,687
Interest and dividends received	12	49
Interest paid	(37)	–
Income taxes paid	(278,186)	(110,867)
Net cash provided by (used in) operating activities	407,308	529,869
Cash flows from investing activities		
Purchase of property, plant and equipment	(30,928)	(15,221)
Purchase of intangible assets	(49,733)	(67,116)
Purchase of investment securities	(99,995)	–
Proceeds from sales of investment securities	40,954	252,243
Payments of leasehold deposits	(16,015)	(10,063)
Other, net	(245)	(245)
Net cash provided by (used in) investing activities	(155,964)	159,595
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(300,000)	–
Proceeds from issuance of shares	871,544	5,090,261
Purchase of treasury shares	(900)	(965)
Going public expenses	(3,000)	–
Proceeds from issuance of share acquisition rights	–	68,142
Net cash provided by (used in) financing activities	567,644	5,157,437
Effect of exchange rate change on cash and cash equivalents	(22)	(8)
Net increase (decrease) in cash and cash equivalents	818,966	5,846,895
Cash and cash equivalents at beginning of period	760,265	1,579,231
Cash and cash equivalents at end of period	1,579,231	7,426,126