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Consolidated Financial Results for the Year Ended February 28, 2025 [Japanese GAAP]

April 14, 2025

Company name: Serverworks Co.,Ltd.

Listing: Tokyo Stock Exchange

Securities code: 4434

URL: <https://www.serverworks.co.jp/>

Representative: Ryo Oishi

Representative Director, President

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Director

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Scheduled date of annual general meeting of shareholders: May 28, 2025

Scheduled date to commence dividend payments: -

Scheduled date to file annual securities report: May 28, 2025

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (March 1, 2024 to February 28, 2025)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 28, 2025	35,717	29.8	1,072	19.5	1,066	3.2	677	6.1
February 29, 2024	27,510	59.1	897	62.6	1,032	65.5	638	40.7

(Note) Comprehensive income: Fiscal year ended February 28, 2025: ¥ 897 million [(7.6) %]
Fiscal year ended February 29, 2024: ¥ 971 million [77.7%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended February 28, 2025	86.21	85.24	6.1	5.5	3.0
February 29, 2024	81.76	80.43	6.3	6.3	3.3

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended February 28, 2025: ¥ (143) million
Fiscal year ended February 29, 2024: ¥ (1) million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2025	20,493	11,460	55.9	1,453.68
February 29, 2024	18,056	10,667	59.0	1,360.54

(Reference) Equity: As of February 28, 2025: ¥ 11,460 million
As of February 29, 2024: ¥ 10,660 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended February 28, 2025	906	(2,038)	357	6,041
February 29, 2024	1,725	(439)	121	6,880

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
February 29, 2024	-	0.00	-	0.00	0.00	-	-	-
February 28, 2025	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending February 28, 2026 (Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Breakdown of the year-end dividend for the fiscal year ended February 28, 2025 :

Commemorative dividend - yen

Special dividend	- yen
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3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2026 (March 1, 2025 to February 28, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	40,841	14.3	1,140	6.4	1,171	9.8	848	25.2	107.95

* Notes:

(1) Significant changes in the scope of consolidation during the period:

Yes

Newly included: - (Company name:)

Excluded: 1 (Company name:)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(3) Number of issued shares (common shares)

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

February 28, 2025: 7,884,375 shares

February 29, 2024: 7,836,033 shares

2) Number of treasury shares at the end of the period:

February 28, 2025: 618 shares

February 29, 2024: 618 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended February 28, 2025: 7,856,768 shares

Fiscal Year ended February 29, 2024: 7,807,872 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousands of yen)

	As of February 29, 2024	As of February 28, 2025
Assets		
Current assets		
Cash and deposits	6,890,619	6,051,973
Trade receivables and contract asset	4,238,927	5,179,439
Securities	-	590,451
Advance payments to suppliers	2,223,446	3,151,105
Income taxes refund receivable	-	11,573
Other	175,866	239,681
Allowance for doubtful accounts	(1,060)	(1,787)
Total current assets	13,527,799	15,222,436
Non-current assets		
Property, plant and equipment		
Buildings	87,450	124,804
Accumulated depreciation	(45,745)	(52,519)
Buildings, net	41,705	72,285
Tools, furniture and fixtures	44,678	75,350
Accumulated depreciation	(33,129)	(36,590)
Tools, furniture and fixtures, net	11,549	38,759
Total property, plant and equipment	53,254	111,045
Intangible assets		
Goodwill	910,565	797,330
Software	92,136	78,740
Software in progress	11,018	9,138
Trademark right	3,561	2,836
Other	75	75
Total intangible assets	1,017,356	888,121
Investments and other assets		
Investment securities	3,294,679	3,806,775
Shares of subsidiaries and associates	93,775	318,965
Distressed receivables	-	466
Deferred tax assets	-	50,370
Other	69,989	96,071
Allowance for doubtful accounts	-	(466)
Total investments and other assets	3,458,444	4,272,183
Total non-current assets	4,529,055	5,271,350
Total assets	18,056,854	20,493,787

(Thousands of yen)

	As of February 29, 2024	As of February 28, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	4,082,251	5,153,028
Short-term borrowings	100,000	-
Contract liabilities	1,828,104	2,555,073
Income taxes payable	279,288	196,187
Provision for bonuses	295,558	283,119
Provision for bonuses for directors (and other officers)	22,117	5,920
Allowance officer retirement special service money	34,000	-
Provision for loss on orders received	10,225	85,698
Other	468,198	430,146
Total current liabilities	7,119,744	8,709,173
Non-current liabilities		
Deferred tax liabilities	255,463	309,875
Asset retirement obligations	14,310	14,310
Total non-current liabilities	269,773	324,185
Total liabilities	7,389,518	9,033,359
Net assets		
Shareholders' equity		
Share capital	3,255,144	3,270,337
Capital surplus	3,245,870	3,154,660
Retained earnings	3,083,606	3,760,938
Treasury shares	(2,724)	(2,724)
Total shareholders' equity	9,581,896	10,183,211
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,078,536	1,279,039
Deferred gains or losses on hedges	-	(1,822)
Total accumulated other comprehensive income	1,078,536	1,277,216
Non-controlling interests	6,904	-
Total net assets	10,667,336	11,460,428
Total liabilities and net assets	18,056,854	20,493,787

Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Net sales	27,510,746	35,717,021
Cost of sales	23,975,390	31,612,857
Gross profit	3,535,355	4,104,164
Selling, general and administrative expenses	2,637,870	3,032,088
Operating profit	897,485	1,072,076
Non-operating income		
Interest income	52,441	116,431
Dividend income	20,864	32,900
Foreign exchange gains	41,004	-
Commission income	73,687	77,030
Other	3,872	3,116
Total non-operating income	191,870	229,478
Non-operating expenses		
Interest expenses	671	501
Share of loss of entities accounted for using equity method	1,752	143,409
Loss on investments in investment partnerships	50,604	55,069
Foreign exchange losses	-	32,657
Other	3,639	3,675
Total non-operating expenses	56,668	235,314
Ordinary profit	1,032,687	1,066,240
Extraordinary losses		
Special retirement payments	49,100	-
Impairment losses	6,575	-
Loss on retirement of non-current assets	-	3,421
Loss on valuation of investment securities	72,599	94,102
Provision for allowance officer retirement special service money	34,000	-
Total extraordinary losses	162,274	97,523
Profit before income taxes	870,412	968,717
Income taxes - current	374,400	353,633
Income taxes - deferred	(128,969)	(83,928)
Total income taxes	245,430	269,705
Profit	624,982	699,012
Profit (loss) attributable to non-controlling interests	(13,377)	21,680
Profit attributable to owners of parent	638,359	677,331

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Profit	624,982	699,012
Other comprehensive income		
Valuation difference on available-for-sale securities	346,386	200,502
Deferred gains or losses on hedges	-	(1,822)
Total other comprehensive income	346,386	198,680
Comprehensive income	971,369	897,692
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	984,746	876,012
Comprehensive income attributable to non-controlling interests	(13,377)	21,680

Consolidated Statements of Changes in Equity
For the fiscal year ended February 29, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,235,215	3,225,941	2,472,391	(2,386)	8,931,162
Changes during period					
Issuance of new shares	19,928	19,928			39,857
Profit attributable to owners of parent			638,359		638,359
Purchase of treasury shares				(338)	(338)
Increase/decrease due to change in fiscal year end of consolidated subsidiaries			(27,144)		(27,144)
Net changes in items other than shareholders' equity					
Total changes during period	19,928	19,928	611,215	(338)	650,734
Balance at end of period	3,255,144	3,245,870	3,083,606	(2,724)	9,581,896

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	732,149	732,149	20,281	9,683,593
Changes during period				
Issuance of new shares				39,857
Profit attributable to owners of parent				638,359
Purchase of treasury shares				(338)
Increase/decrease due to change in fiscal year end of consolidated subsidiaries				(27,144)
Net changes in items other than shareholders' equity	346,386	346,386	(13,377)	333,009
Total changes during period	346,386	346,386	(13,377)	983,743
Balance at end of period	1,078,536	1,078,536	6,904	10,667,336

For the fiscal year ended February 28, 2025

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,255,144	3,245,870	3,083,606	(2,724)	9,581,896
Changes during period					
Issuance of new shares	15,193	15,193			30,386
Profit attributable to owners of parent			677,331		677,331
Capital increase of consolidated subsidiaries		450,020			450,020
Merger of consolidated subsidiaries - non-controlling interests		28,584			28,584
Additional purchase of shares of consolidated subsidiaries		(585,007)			(585,007)
Net changes in items other than shareholders' equity					
Total changes during period	15,193	(91,209)	677,331	-	601,315
Balance at end of period	3,270,337	3,154,660	3,760,938	(2,724)	10,183,211

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	1,078,536	-	1,078,536	6,904	10,667,336
Changes during period					
Issuance of new shares					30,386
Profit attributable to owners of parent					677,331
Capital increase of consolidated subsidiaries					450,020
Merger of consolidated subsidiaries - non-controlling interests				(28,584)	-
Additional purchase of shares of consolidated subsidiaries					(585,007)
Net changes in items other than shareholders' equity	200,502	(1,822)	198,680	21,680	220,360
Total changes during period	200,502	(1,822)	198,680	(6,904)	793,091
Balance at end of period	1,279,039	(1,822)	1,277,216	-	11,460,428

Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Cash flows from operating activities		
Profit before income taxes	870,412	968,717
Depreciation	66,867	69,814
Amortization of goodwill	113,476	109,048
Share-based payment expenses	17,035	17,808
Increase (decrease) in allowance for doubtful accounts	(203)	1,193
Increase (decrease) in provision for bonuses	196,373	(12,439)
Increase (decrease) in provision for loss on orders received	(5,368)	75,473
Interest and dividend income	(73,306)	(149,331)
Interest expenses	671	501
Foreign exchange losses (gains)	29,466	64,607
Share of loss (profit) of entities accounted for using equity method	1,752	143,409
Loss (gain) on investments in investment partnerships	50,604	55,069
Decrease (increase) in accounts receivable - trade, and contract assets	(1,259,261)	(940,512)
Decrease (increase) in advance payments to suppliers	(189,750)	(927,659)
Increase (decrease) in trade payables	1,344,452	1,070,777
Increase (decrease) in provision for bonuses for directors (and other officers)	13,587	(16,197)
Allowance officer retirement special service money increase and decrease	34,000	(34,000)
Special merit rewards	49,100	-
Loss (gain) on valuation of investment securities	72,599	94,102
Loss on retirement of non-current assets	-	3,421
Increase (decrease) in accounts payable - other	(16,325)	(13,009)
Decrease (increase) in distressed receivables	-	(466)
Increase (decrease) in contract liabilities	576,816	726,968
Share issuance costs	1,053	2,834
Other, net	64,868	(107,552)
Subtotal	1,958,924	1,202,580
Interest and dividends received	73,306	149,331
Interest paid	(671)	(501)
Payments of special retirement payments	(49,100)	-
Income taxes paid	(256,988)	(444,816)
Net cash provided by (used in) operating activities	1,725,470	906,594

(Thousands of yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Cash flows from investing activities		
Purchase of securities	-	(598,520)
Purchase of property, plant and equipment	(5,741)	(70,247)
Purchase of intangible assets	(48,493)	(44,096)
Proceeds from sale of intangible assets	-	5,000
Purchase of investment securities	(385,100)	(423,466)
Purchase of shares of subsidiaries and associates	-	(885,607)
Other, net	(65)	(21,450)
Net cash provided by (used in) investing activities	(439,401)	(2,038,387)
Cash flows from financing activities		
Proceeds from short-term borrowings	100,000	-
Repayments of short-term borrowings	-	(100,000)
Proceeds from issuance of shares	21,775	7,734
Proceeds from share issuance to non-controlling shareholders	-	450,020
Purchase of treasury shares	(338)	-
Net cash provided by (used in) financing activities	121,436	357,754
Effect of exchange rate change on cash and cash equivalents	(29,466)	(64,607)
Net increase (decrease) in cash and cash equivalents	1,378,038	(838,646)
Cash and cash equivalents at beginning of period	5,642,391	6,880,619
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year end of consolidated subsidiaries	(139,810)	-
Cash and cash equivalents at end of period	6,880,619	6,041,973