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Consolidated Financial Results for the Three Months Ended May 31, 2024 [Japanese GAAP]

July 12, 2024

Company name: Serverworks Co.,Ltd.

Stock exchange listing: Tokyo

Code number: 4434

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

Representative: Ryo Oishi

Representative Director, President

Contact: Toshiaki Okawa

Back Office Executive Officer

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Scheduled date of filing quarterly securities report: July 12, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended May 31, 2024 (March 1, 2024 to May 31, 2024)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2024	8,636	46.7	443	168.7	405	96.6	277	157.5
May 31, 2023	5,887	76.0	165	11.3	206	47.4	107	(2.8)

(Note) Comprehensive income: Three months ended May 31, 2024: ¥ 334 million [(11.1)%]
Three months ended May 31, 2023: ¥ 376 million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2024	35.42	34.96
May 31, 2023	13.86	13.61

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
May 31, 2024	19,829	11,453	57.6
February 29, 2024	18,056	10,667	59.0

(Reference) Equity: As of May 31, 2024: ¥ 11,430 million
As of February 29, 2024: ¥ 10,660 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2024	-	0.00	-	0.00	0.00
Fiscal year ending February 28, 2025	-				
Fiscal year ending February 28, 2025 (Forecast)		0.00	-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending February 28, 2025 :

Commemorative dividend	- yen
Special dividend	- yen

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

(% indicates changes from the previous corresponding period.)

	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	33,392	21.4	668	(25.5)	492	(52.3)	254	(60.2)	32.56

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended May 31, 2024

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)
Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

May 31, 2024: 7,840,161 shares

February 29, 2024: 7,836,033 shares

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

May 31, 2024: 618 shares

February 29, 2024: 618 shares

3) Average number of shares outstanding during the period:

Three months ended May 31, 2024: 7,837,972 shares

Three months ended May 31, 2023: 7,778,981 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	6,890,619	7,436,976
Accounts receivable - trade, and contract assets	4,238,927	4,400,338
Advance payments to suppliers	2,223,446	2,865,731
Other	175,866	201,932
Allowance for doubtful accounts	(1,060)	(1,548)
Total current assets	13,527,799	14,903,430
Non-current assets		
Property, plant and equipment	53,254	51,250
Intangible assets		
Goodwill	910,565	878,875
Other	106,791	104,434
Total intangible assets	1,017,356	983,309
Investments and other assets		
Investment securities	3,294,679	3,355,046
Shares of subsidiaries and associates	93,775	451,919
Other	69,989	84,766
Total investments and other assets	3,458,444	3,891,732
Total non-current assets	4,529,055	4,926,292
Total assets	18,056,854	19,829,723

(Thousands of yen)

	As of February 29, 2024	As of May 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	4,082,251	4,450,726
Short-term borrowings	100,000	100,000
Contract liabilities	1,828,104	2,764,556
Income taxes payable	279,288	123,631
Provision for bonuses	295,558	104,515
Provision for bonuses for directors (and other officers)	22,117	8,530
Allowance officer retirement special service money	34,000	34,000
Provision for loss on orders received	10,225	18,566
Other	468,198	483,835
Total current liabilities	7,119,744	8,088,362
Non-current liabilities		
Deferred tax liabilities	255,463	273,310
Asset retirement obligations	14,310	14,310
Total non-current liabilities	269,773	287,620
Total liabilities	7,389,518	8,375,983
Net assets		
Shareholders' equity		
Share capital	3,255,144	3,255,903
Capital surplus	3,245,870	3,696,649
Retained earnings	3,083,606	3,361,258
Treasury shares	(2,724)	(2,724)
Total shareholders' equity	9,581,896	10,311,086
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,078,536	1,118,973
Total accumulated other comprehensive income	1,078,536	1,118,973
Non-controlling interests	6,904	23,680
Total net assets	10,667,336	11,453,740
Total liabilities and net assets	18,056,854	19,829,723

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Thousands of yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Net sales	5,887,141	8,636,097
Cost of sales	5,115,533	7,515,319
Gross profit	771,607	1,120,777
Selling, general and administrative expenses	606,541	677,324
Operating profit	165,066	443,453
Non-operating income		
Dividend income	8,225	17,053
Foreign exchange gains	45,233	-
Other	11,043	1,186
Total non-operating income	64,501	18,240
Non-operating expenses		
Share of loss of entities accounted for using equity method	913	10,455
Loss on investments in investment partnerships	21,723	15,515
Foreign exchange losses	-	29,458
Other	597	619
Total non-operating expenses	23,234	56,050
Ordinary profit	206,333	405,643
Extraordinary losses		
Special retirement payments	49,100	-
Total extraordinary losses	49,100	-
Profit before income taxes	157,233	405,643
Income taxes	61,528	111,214
Profit	95,705	294,428
Profit (loss) attributable to non-controlling interests	(12,141)	16,776
Profit attributable to owners of parent	107,846	277,652

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Thousands of yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Profit	95,705	294,428
Other comprehensive income		
Valuation difference on available-for-sale securities	281,112	40,437
Total other comprehensive income	281,112	40,437
Comprehensive income	376,817	334,866
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	388,959	318,089
Comprehensive income attributable to non-controlling interests	(12,141)	16,776