



# FY 2020 Q3 Financial Summary

2019.3.1 - 2019.11.30

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Serverworks Co.,Ltd. (Securities code : 4434)

Jan. 2020

# FY2020 Q3 Business Highlight

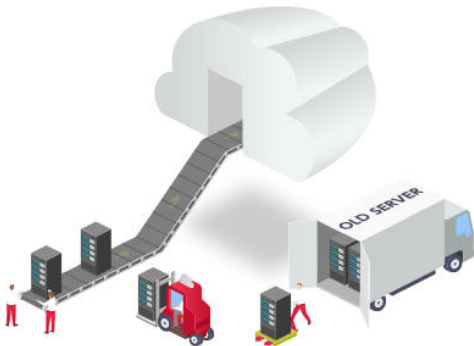
Based on active cloud market expansion, achieved Net Sales **+57%**,  
Operating profit **+52%**, compared to Q3 of last year

Net Sales **4,741** million yen

Operating profit **312** million yen

## Cloud Integration

- Increase in project unit price
- Existing customer's prominent shift to cloud



Sales 452 million yen (YoY **+6%**)

## Resale

- Increase in # of AWS accounts
- Increase in ARPU



Sales 3,676 million yen (YoY **+72%**)

## MSP

- Successful acquisition of new customers
- Increase business with existing customers



Sales 567 million yen (YoY **+35%**)

## Q3 (Mar.–Nov., 2019) Financial Results

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# FY2020 Earnings forecast

To further expand market share in the rapidly growing public cloud market, we accelerate the recruitment of talented personnel and actively promote cloud computing in untapped markets

(Unit : million yen)

	FY2019 Result	Composition ratio (%)	FY2020 Forecast	Composition ratio (%)	YoY
Net sale	4,477	100.0	6,005	100.0	134.1
Gross profit	859	19.2	1,069	17.8	124.4
Operating income	335	7.5	372	6.2	111.1
Ordinary Income	335	7.5	368	6.1	109.8
Net Income	356	8.0	292	4.9	82.1

It has publicly announced on July 11th, 2019 in "FY2020 1st Quarter Financial summary". There is no change in earning forecast.

# FY2020 Q3 Result

Net sales increased +57% YoY based on strong orders

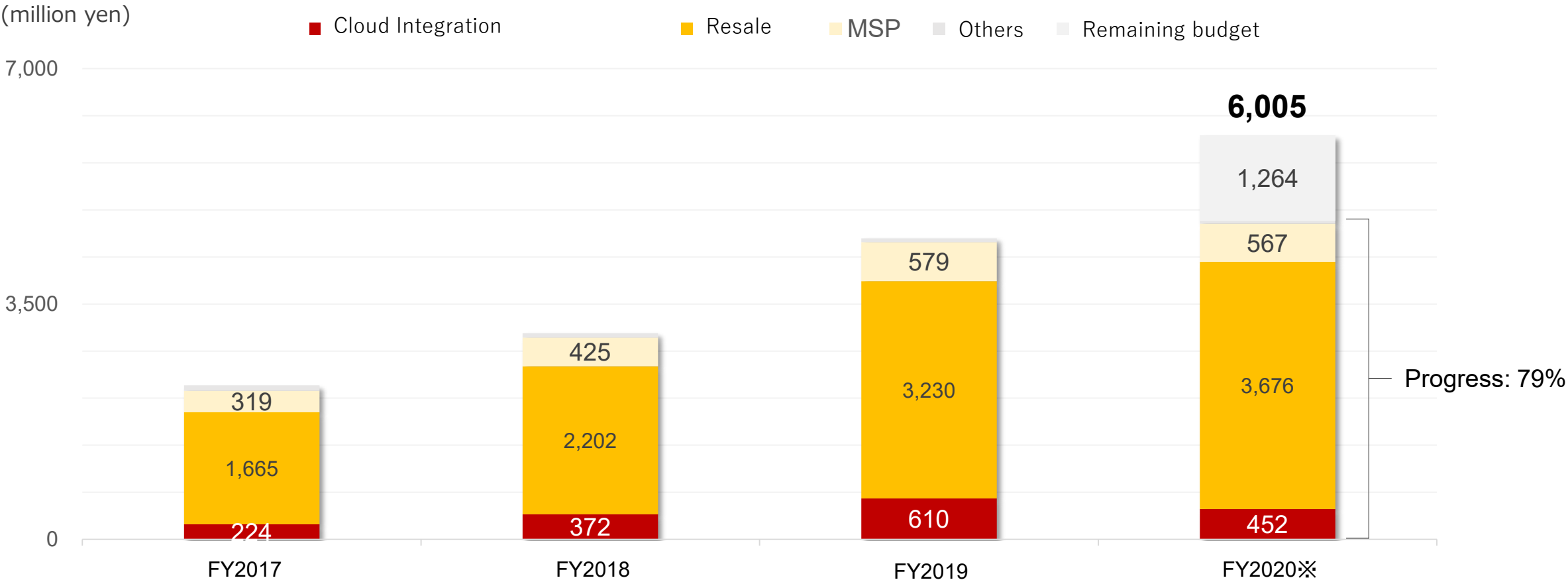
Achieved significant improvement in both operating income and ordinary income due to effective control of selling, general and administrative expenses

(Unit : million Yen)

	FY2019 Q3	Composition Ratio (%)	FY2020 Q3	Composition Ratio(%)	YoY(%)
Net Sales	3,018	100.0	4,741	100.0	157.1
Gross profit	581	19.3	800	16.9	137.6
Operating income	205	6.8	312	6.6	152.4
Ordinary Income	211	7.0	315	6.6	148.8
Net income	310	10.3	250	5.3	80.8
EBITDA	243		367		

# Business Trend : Net Sales

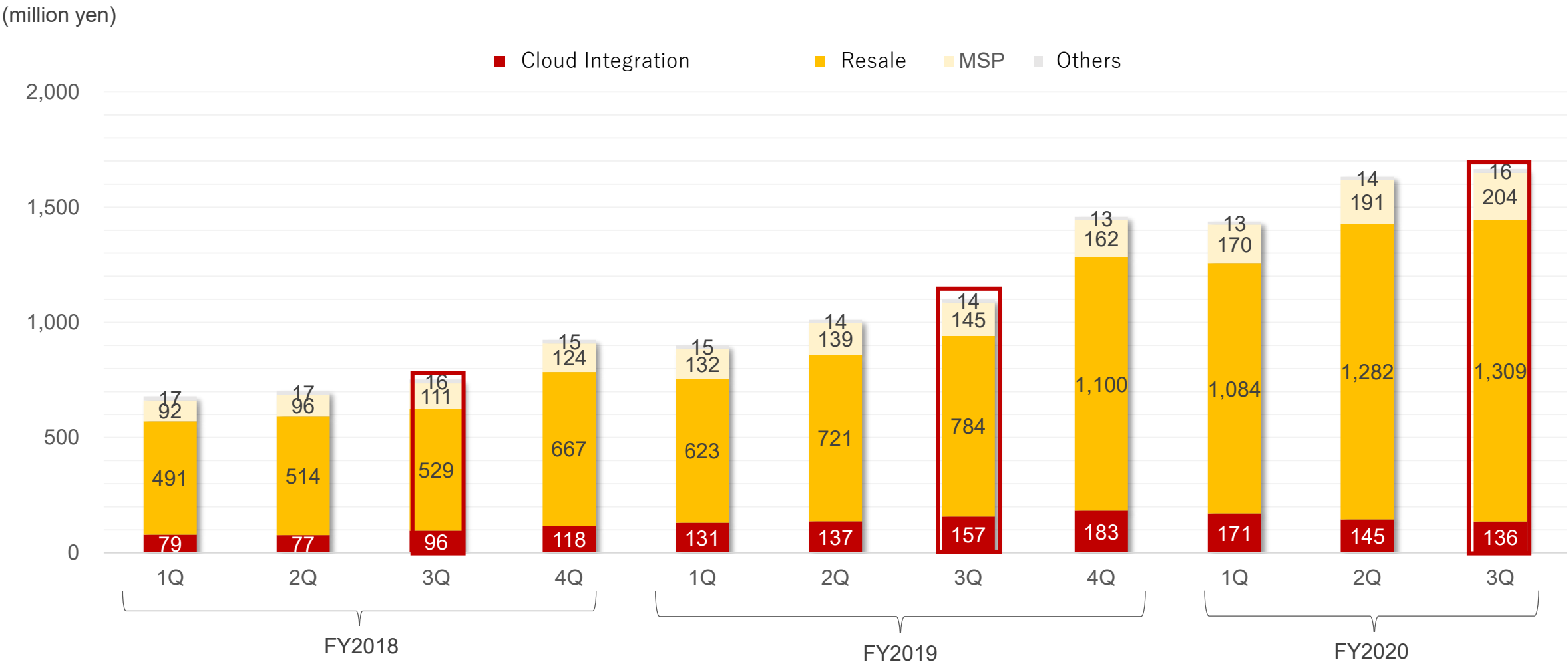
Achieved approximately 79% progress in the 3<sup>rd</sup> Quarter compared to the current fiscal year forecast



※FY2020 figure is based on the result through March 2019 to end of November 2019

# Business Trend : Net Sales

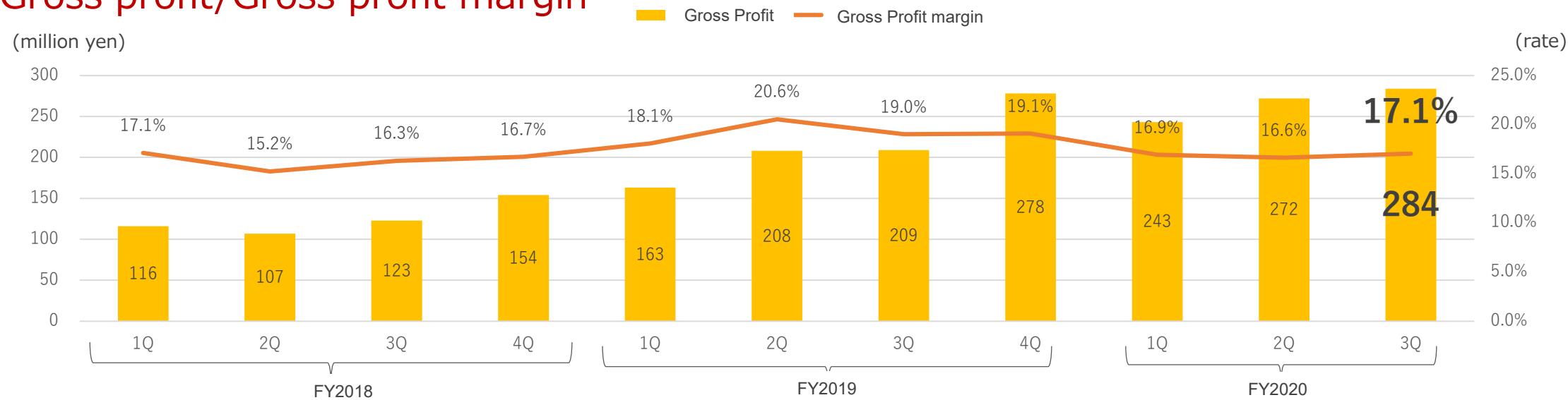
Achieve Cloud integration +6%, Resale +72%, MSP +35% growth YoY



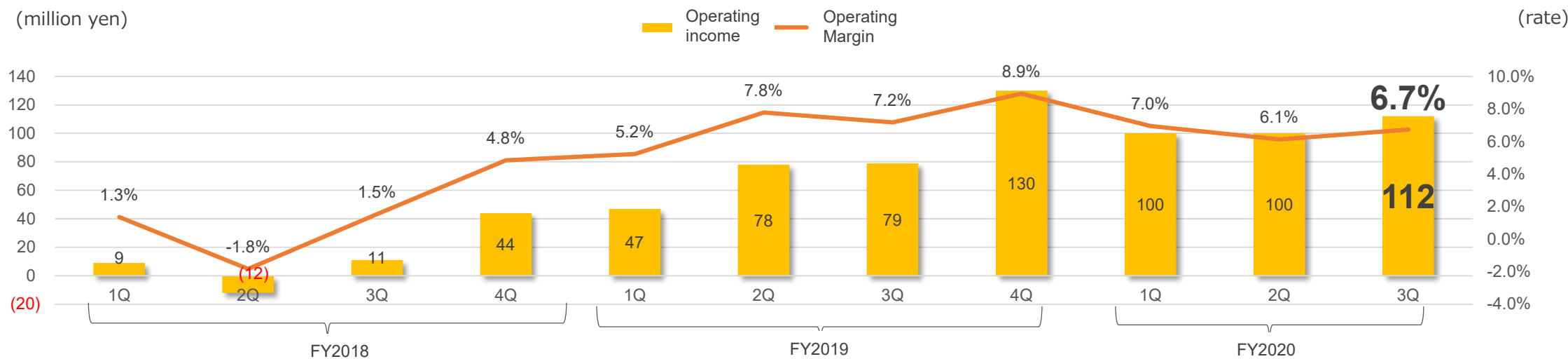
※ Because of the nature of AWS Resale business, the total usage fee is showing as its sales

# Business Trend : Profit rate trend

## Gross profit/Gross profit margin



## Operating income/Operating margin





## FY2020 Q3 Sales by product/service segments

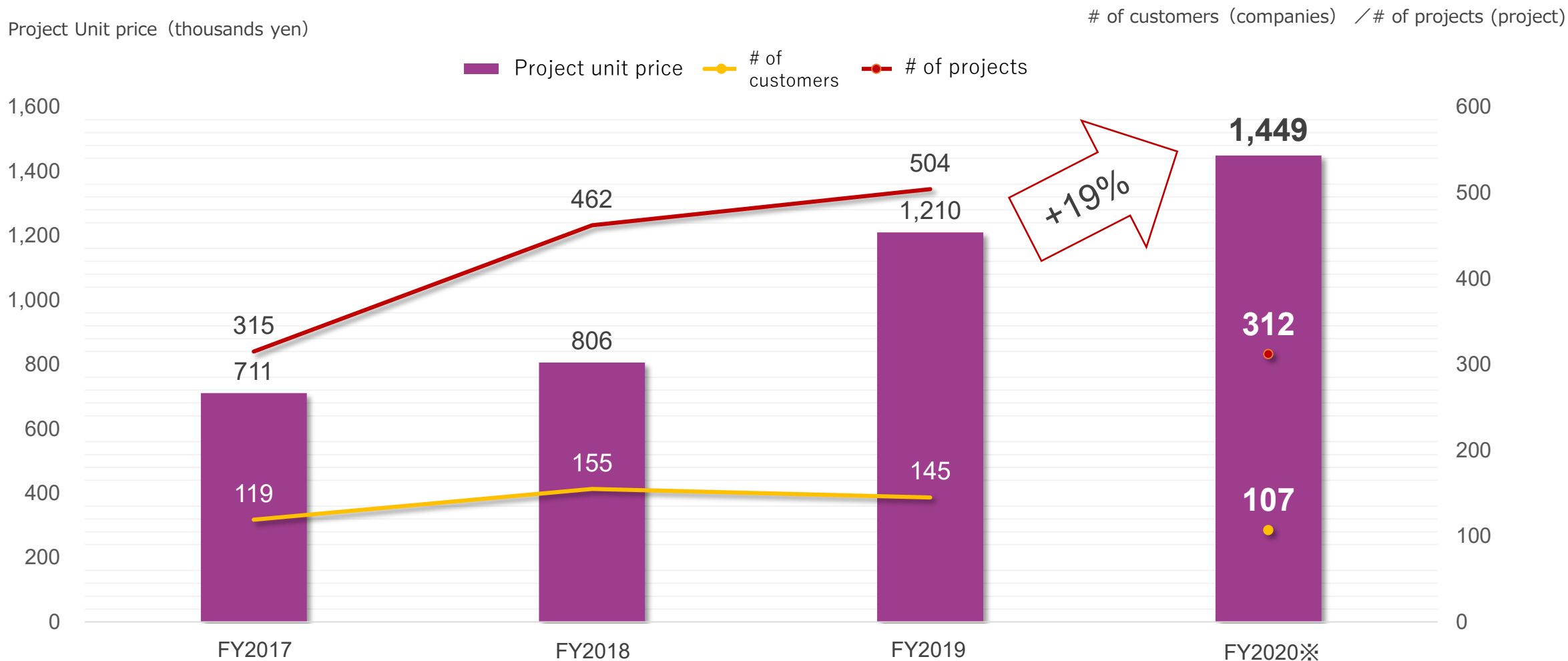
Resale led the growth and overall sales continued to grow at a high rate of +57%

(Unit : million yen)

	FY2019 Q3	Composition ratio(%)	FY2020 Q3	Composition ratio(%)	YoY(%)
Cloud Integration	427	14.1	452	9.5	106.1
Resale	2,130	70.6	3,676	77.5	172.6
MSP (Managed Service Provider)	417	13.8	567	12.0	135.8
Others	43	1.4	44	0.9	101.5
Total	3,018	100.0	4,741	100.0	157.1

# Business Trend : Cloud Integration

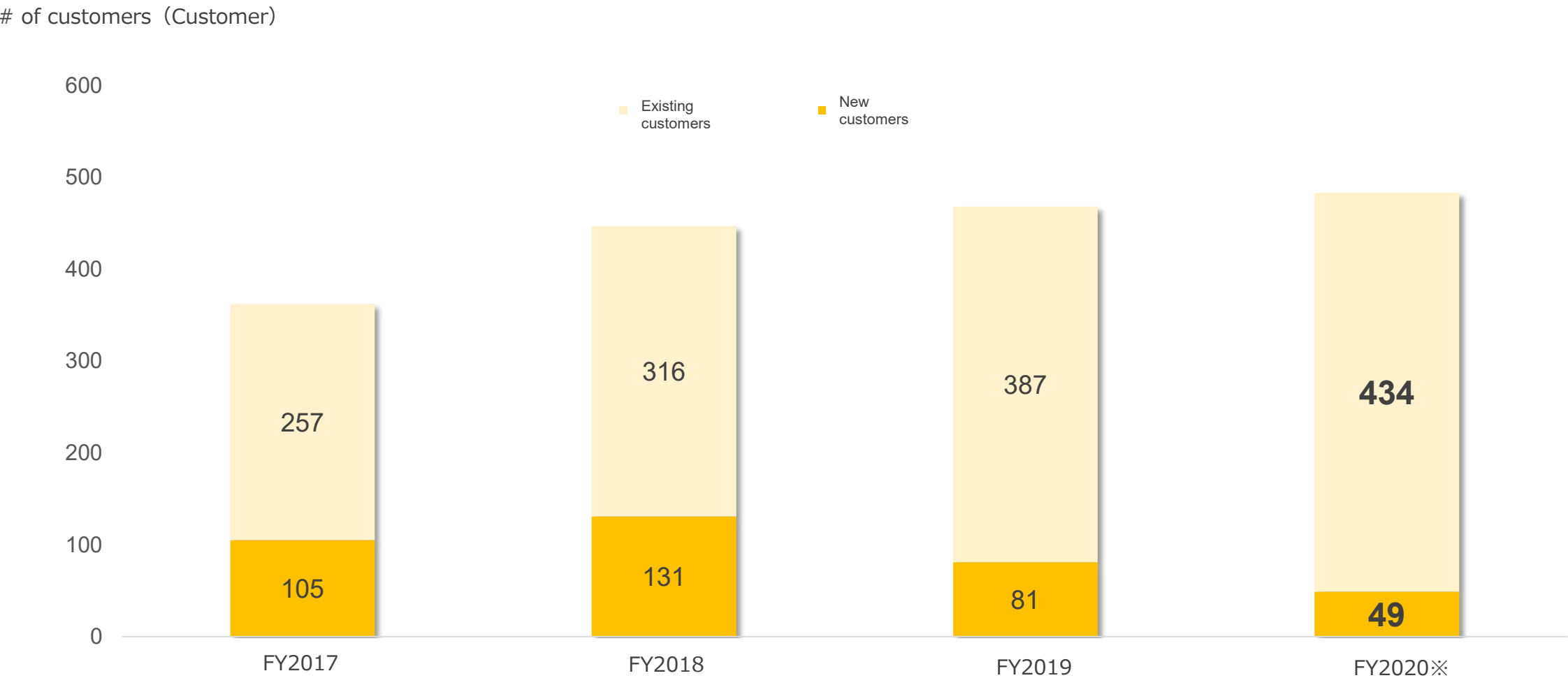
Project unit price has been increased by +19% from last year average based on the increase in project sizes



※FY2020 number is the results of March 2019 through end of November 2019 period

# Business Trend : # of new & existing customers

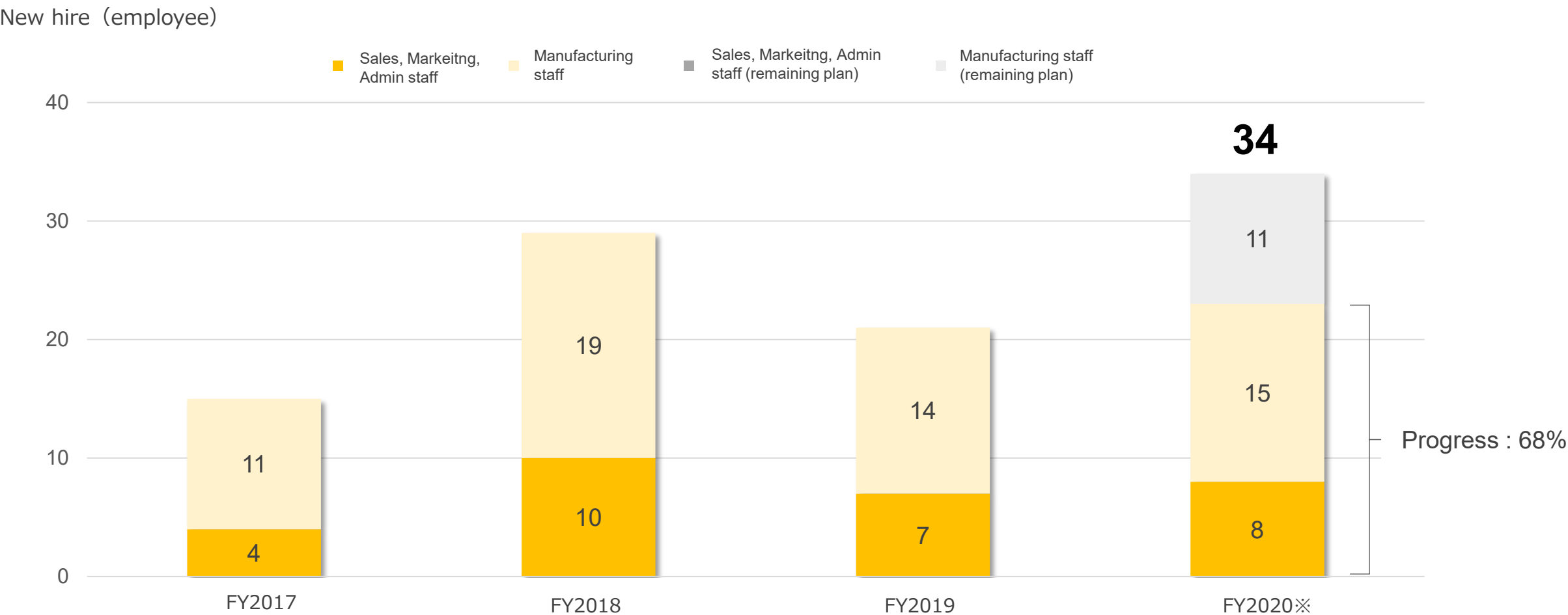
## Increasing orders from existing customers



※FY2020 number is the results of March 2019 through end of November 2019 period

# Increase in new hires

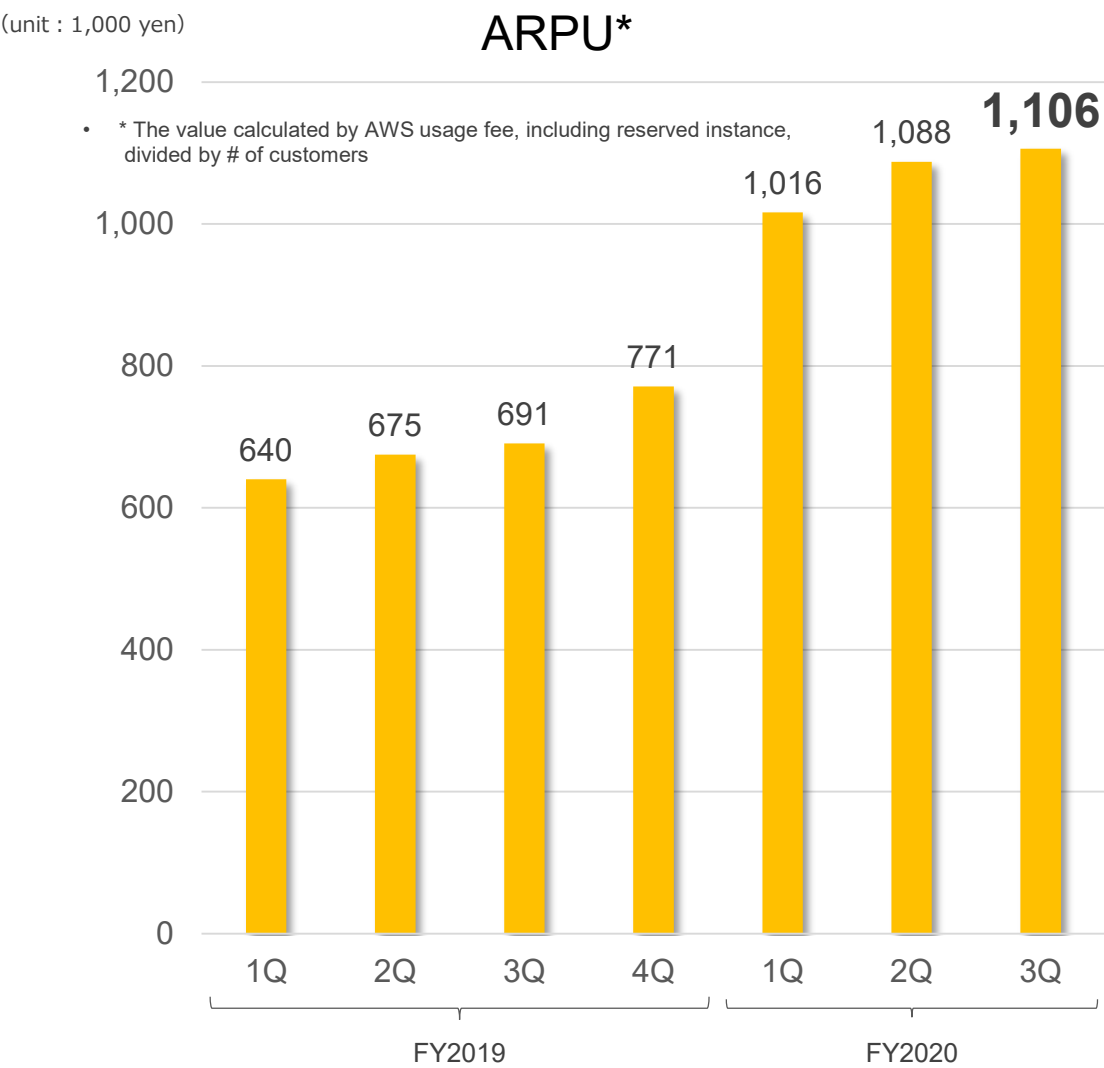
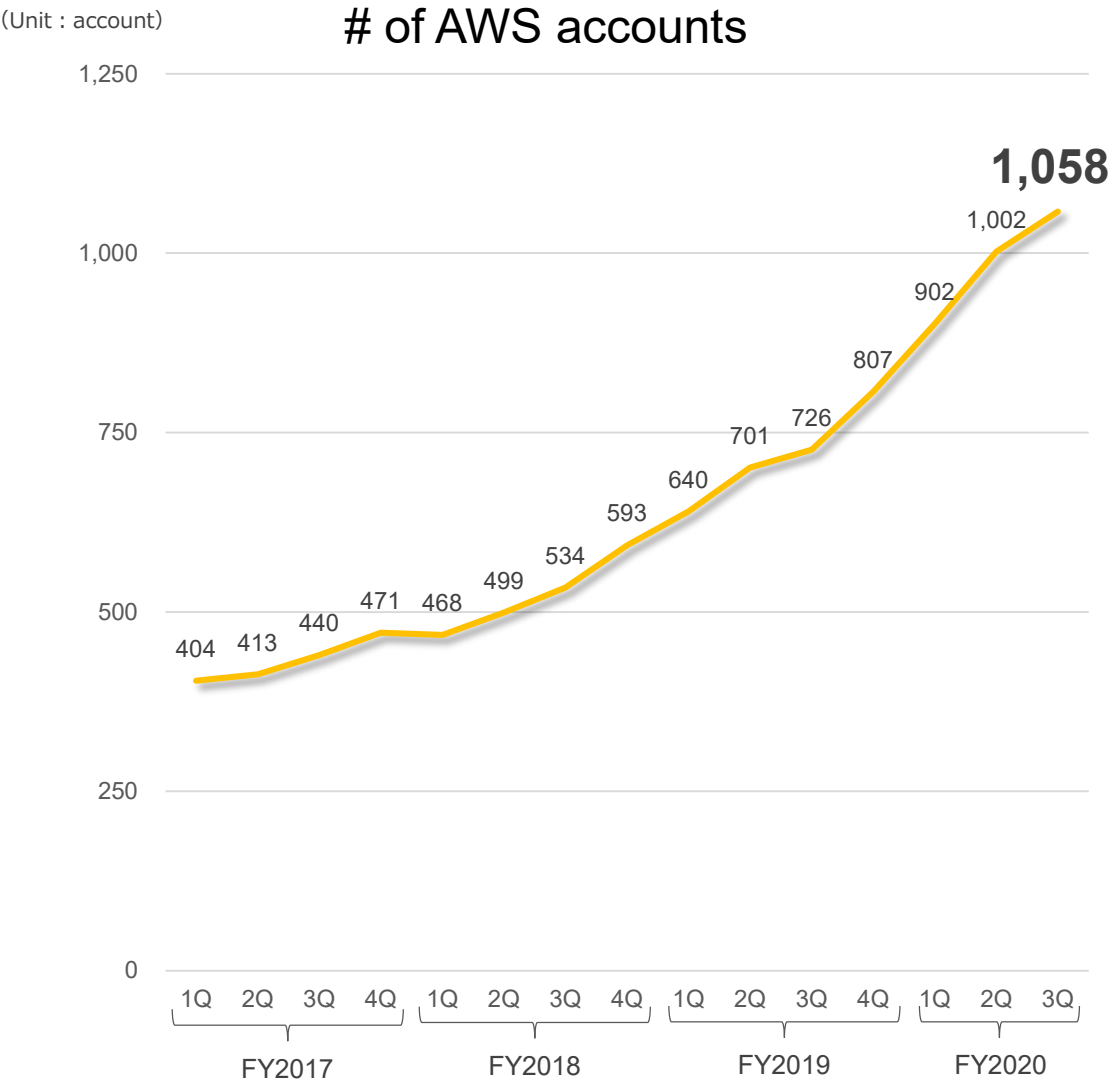
In this fiscal year, we will continue our aggressive recruit mainly in the manufacturing department and accelerate customer's cloud migrations



\*FY2020 number is based on the new hires as of end of November, 2019

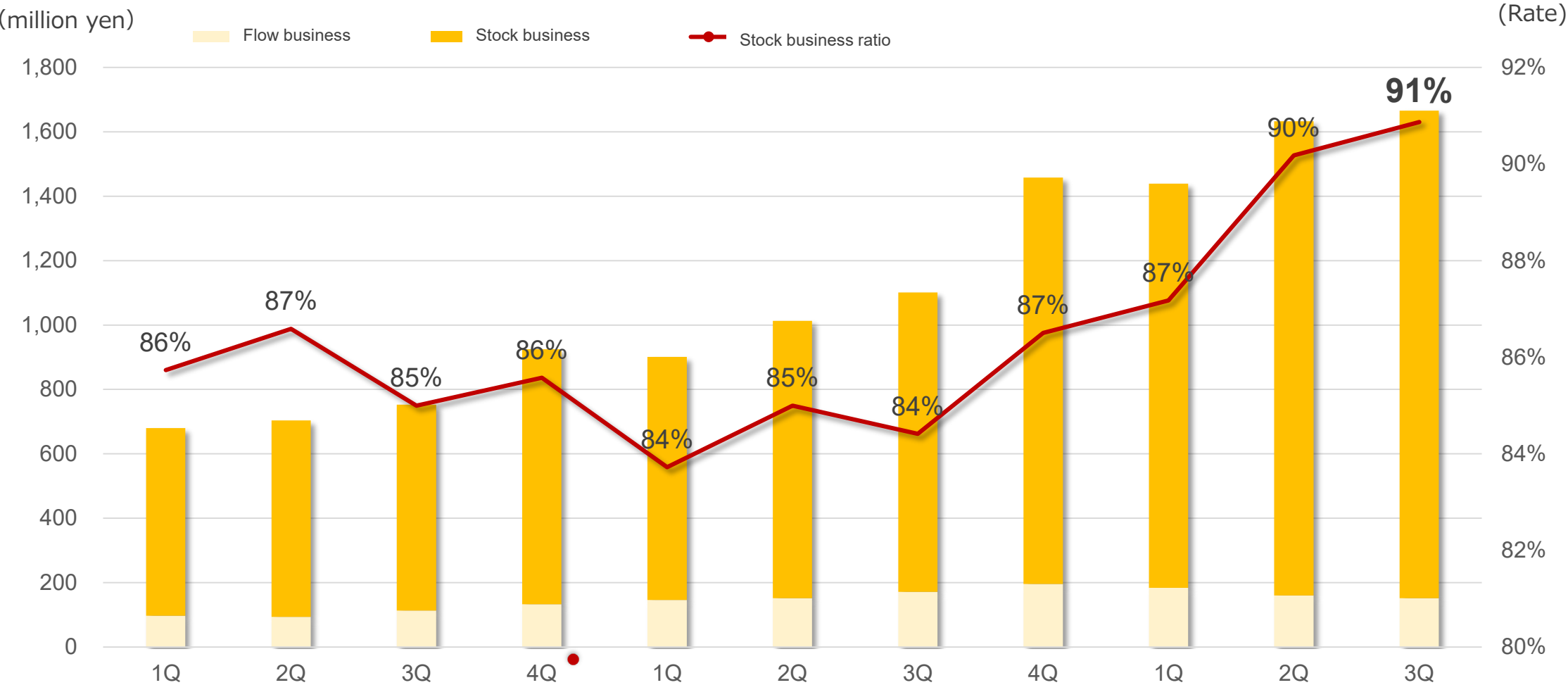
# Business Trend : AWS resale

The number of AWS accounts increase steadily in Q3 of FY2020, contributing to increase resale business



# Business Trend : Stock business

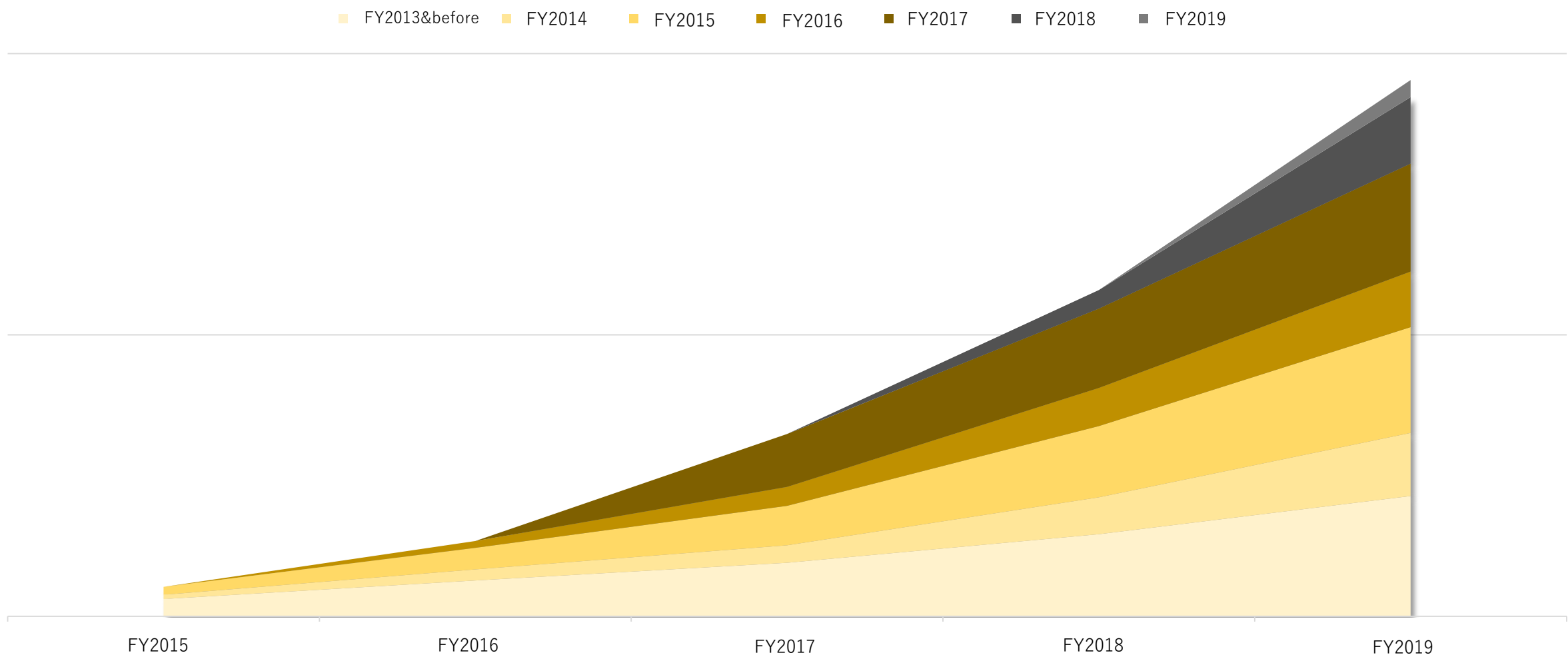
The sales volume of stock business, such as AWS resale, MSP, and original services, is increasing year by year. We will continue to focus on strengthening the stock business(\*) which is expected to generate stable long term earnings.



\* One time sales from Cloud Integration, where sales is recorded at the time of customer acceptance is specified "Flow business". AWS monthly usage fees, "Cloud Automator" monthly charges, and 3<sup>rd</sup> party software subscription charges as well as MSP service charges, which we provide AWS server monitoring, backups, etc..., are specified as "Stock business", which is based on subscription model sales.

# Business Trend : Life Time Value

The existing customers, who had been contracted with us, have trend to increase our sales revenue (total of CI, Resale, MSP) year by year

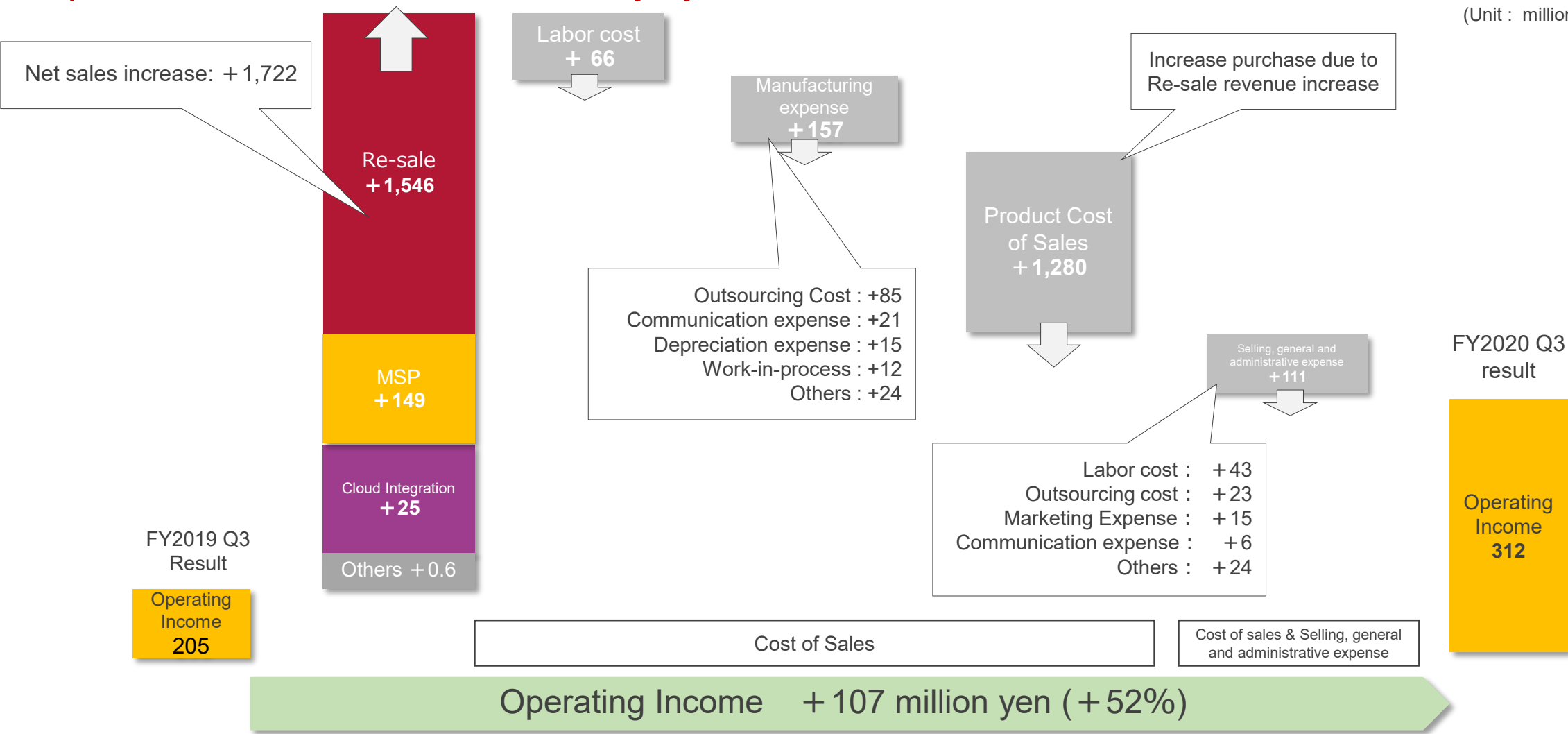


\* The sales revenue before FY2017 is an estimated value based on re-calculated AWS resale revenue using recent results

# FY2020 Q3 Analysis of the factors that increase Operating income

Absorbed the increase in costs, such as labor costs, personnel costs, and outsourcing costs associated with active hiring as well as cost of goods due to the increase in resale business, by profit. Profit also increased steadily by +52% YoY.

(Unit : million yen)





# FY2020 Q3 Financial status Balance Sheet (Summary)

Increase in current assets and net assets based on public offerings.

Decrease in fixed assets and current liabilities based on selling shares and repayment of short-term loans

(Unit : million yen)

	FY2019	FY2020/ Q3	Increase/Decrease amount
Current assets	1,963	2,827	863
Fixed assets	1,208	1,457	248
Tangible fixed assets	31	69	38
Intangible fixed assets	114	100	△ 14
Investments and other assets	1,062	1,287	224
Total assets	3,171	4,284	1,112
Total Liabilities	1,435	1,267	△ 168
Current liabilities	1,182	933	△ 248
Long-term liabilities	253	333	80
Total equity	1,736	3,017	1,280
Total liabilities and equity	3,171	4,284	1,112

# Company Profile

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# Company Profile

\*as of 12/31/2019

<b>Company Name</b>	Serverworks Co., Ltd.
<b>Business Domain</b>	System Planning/Development/Operation utilizing Cloud Computing
<b>Founded</b>	February, 2000
<b>Capital</b>	609,597,675円
<b>Headquarter</b>	Agebacho 1-21, Shinjuku-ku, Tokyo, Japan
<b>Office</b>	Osaka, Fukuoka, Sendai, Nagoya, USA(California)
<b>Number of Employees</b>	122
<b>Management</b>	Ryo Oishi     CEO Takashi Hashiba     Senior Vice President Hiroyuki Oshio     Senior Vice President & CAO Ichiro Terajima     Outside Director Mikiya Inoue     Audit & Supervisory Board member Tsutomu Toyao     Audit & Supervisory Board member Akihito Mochizuki     Audit & Supervisory Board member Shigetoshi Heiho     Audit & Supervisory Board member
<b>Affiliated company</b>	Sky365 Co., Ltd.
<b>Major Shareholders</b>	Board Members, TerraSky Inc., NTT Communications Corporation, NTT Data Corporation
<b>Certification</b>	APN Premium Consulting Partnerプレミアムコンサルティングパートナー AWS Migration Competency Partner AWS End User Computing Competency AWS Managed Service Provider Program AWS Well-Architected Partner Program ISO /IEC 27001 (JIS Q 27001)

# Management Introduction



## President & CEO

## Ryo Oishi

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Oishi graduated from Tohoku University, majored in Economics, and joined Marubeni Corporation, which is one of the biggest “Sogo-Shosha”. He engaged in establishing communication network related subsidiary as well as planning internet related business and sales. In February 2000, he founded the company. After he started AWS business in 2009, Oishi became one of the first Cloud Evangelists in Japan and continue to evangelize Japanese market to use Cloud.



## Senior VP

## Takashi Hashiba

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Hashiba graduated from Tokyo University of Agriculture, majored in Agriculture, and joined wholesale process food company, experiencing sales role. After joining our company in April 2006, he became head of sales and technical department and engaged in a large number of system installations. After starting AWS business, he continued engaging in numerous projects as well and provide huge contribute to expand our business. He became Senior VP in October 2013.



## Senior VP & CAO

## Hiroyuki Oshio

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Oshio graduated Kobe University, majored in Economics, and joined Marubeni Corporation. He engaged in planning and installation of Internet enabled systems. Then, he joined software venture company and became SVP at subsidiary company in abroad as well as General Manager of Marketing. After joined our company in October 2013, he served as a head of Business Development as well as back office team. Oshio became Senior VP in August 2014.



## Outside Director

## Ichiro Terajima

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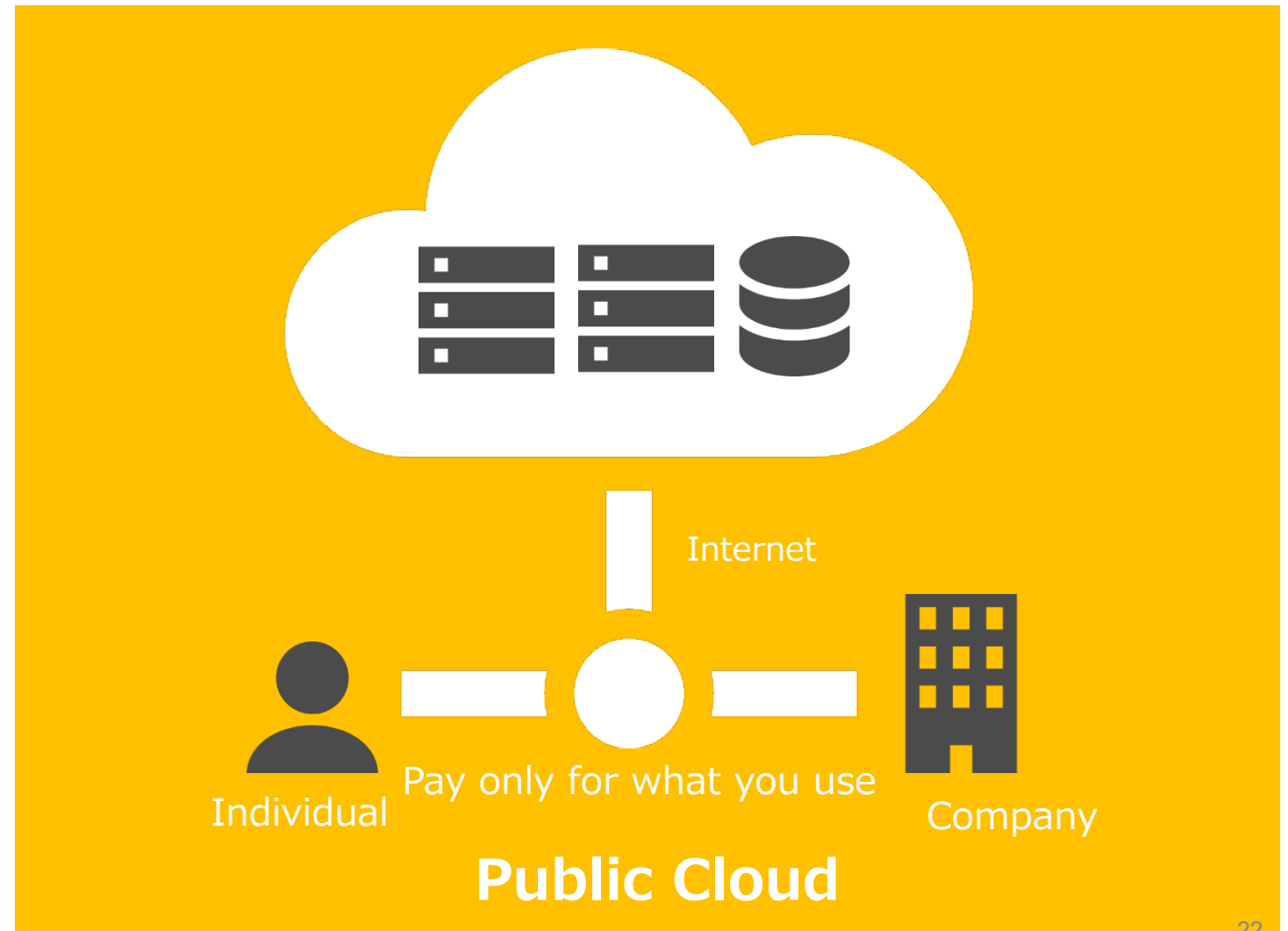
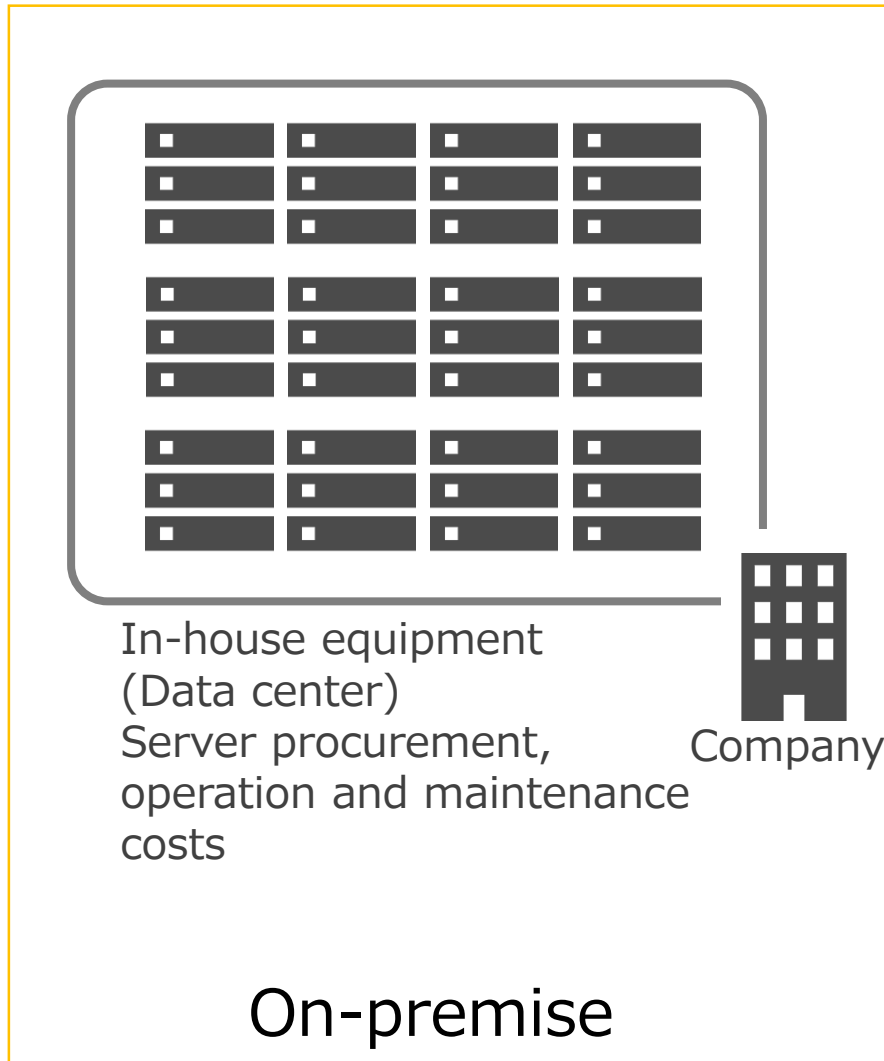
Terajima graduated Tokyo University, majored in Engineering, and joined Sekisui Chemical Co., Ltd. He also studied at MIT and established AI venture company inside of the company, experienced wide variety of business roles. He became General Manager of Information Systems Dept. and served as a Chief of Information system group. He Joined TERRANET as a company representative. Terajima joined our company as Outside Director in November 2017.

# About Amazon Web Services(AWS)

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# Market environment : About Public Cloud

A method of using software/Database/Server storage and other functions as a service via internet



# Market environment : Public Cloud Classification

## SaaS : Software as a Service

Provide software package via internet

Example : Salesforce, Kaonavi,  
TeamSpirit, sansan etc...

## IaaS : Infrastructure as a Service

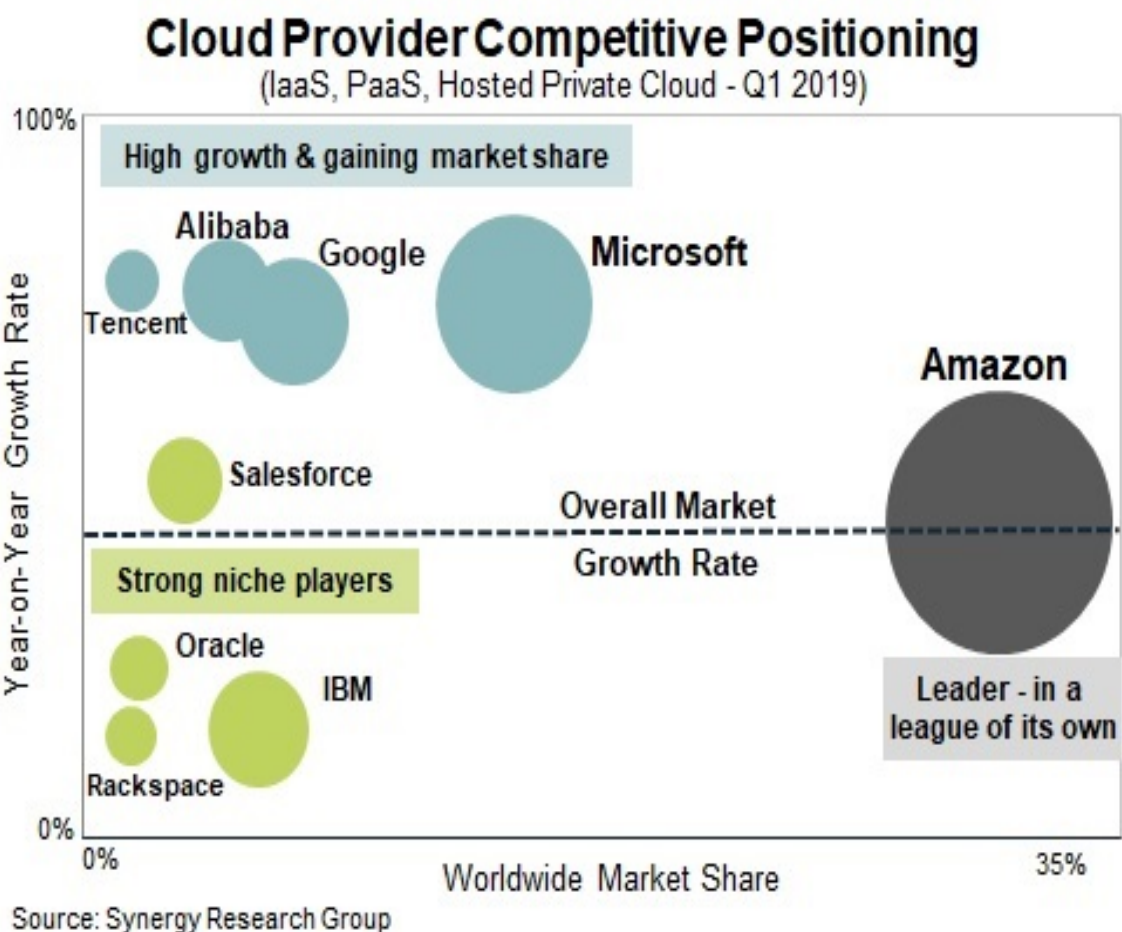
Provide hardware and ICT infrastructure via internet

Example : AWS、Microsoft Azure

# Market environment : AWS Advantage

AWS is selected as a “Leader” who excels in vision and execution in the IaaS field

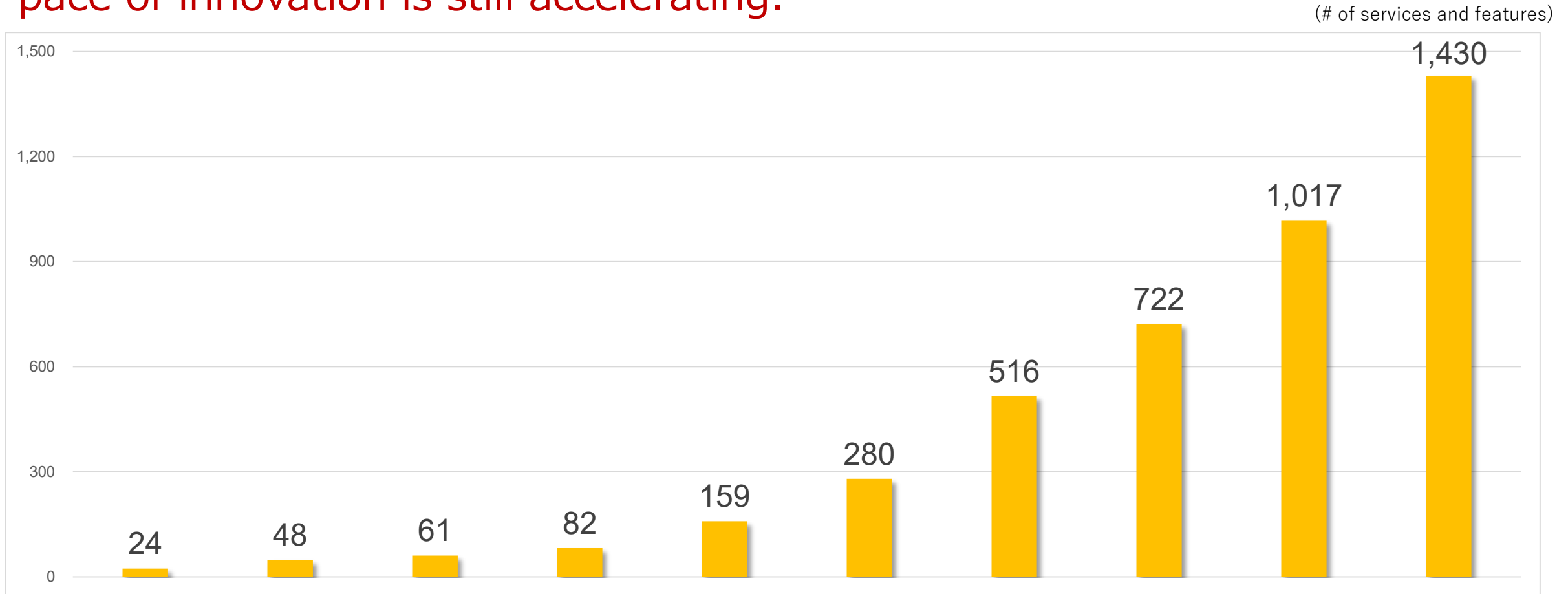
AWS still retains its leadership position in global cloud market share in Q1 of 2019.





# Market environment : About Amazon Web Services (AWS)

A leader in a Cloud computing field with the largest market share. New services and improvements are being provided one after another, and the pace of innovation is still accelerating.

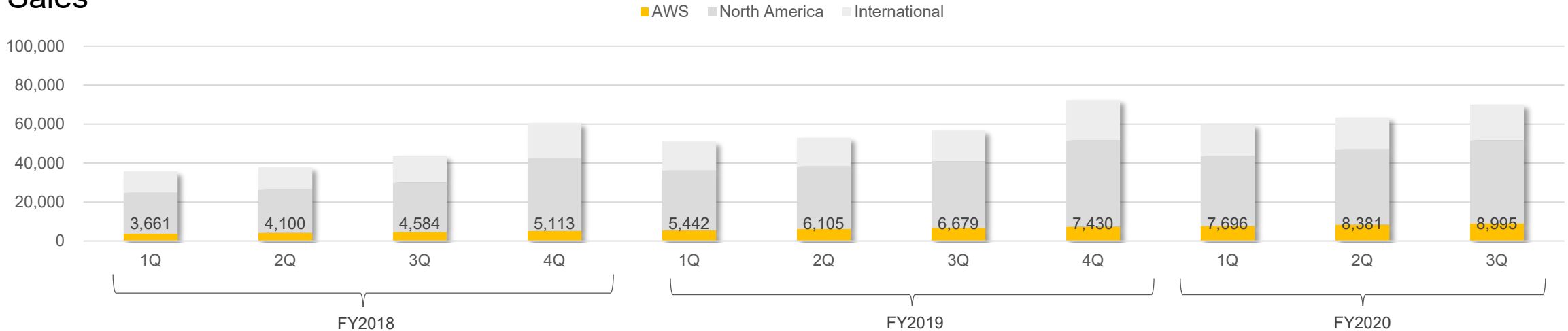


# Market environment : AWS growth and profitability in Amazon

**AWS continues to grow in both sales and operating profit.**  
**50% of total Amazon's operating profit is coming from AWS.**

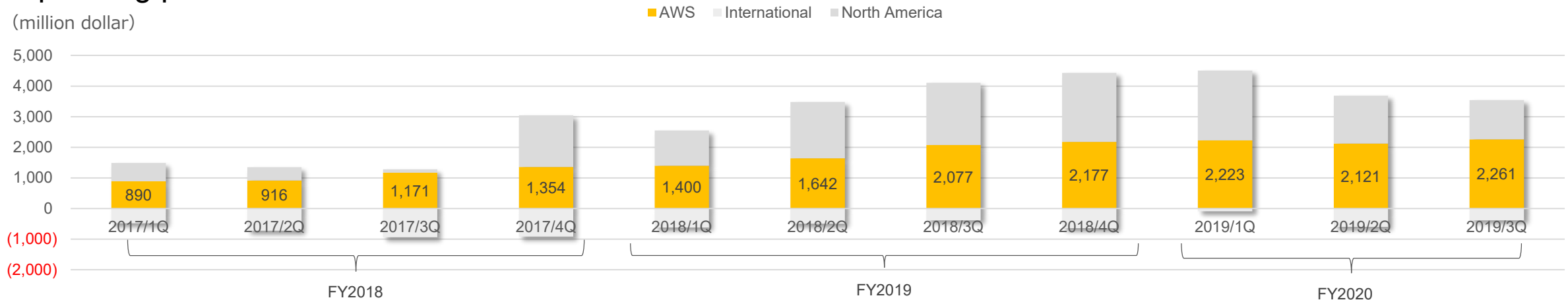
## Sales

(million dollar)



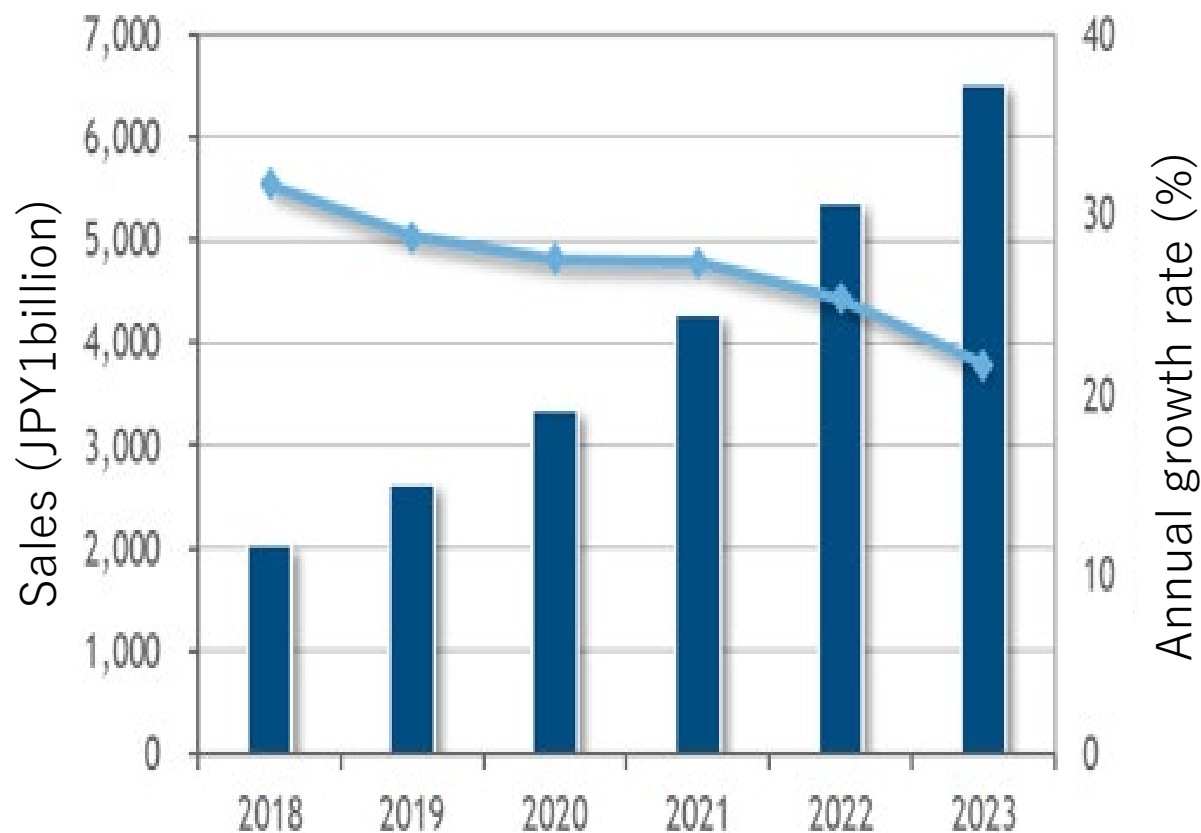
## Operating profit

(million dollar)

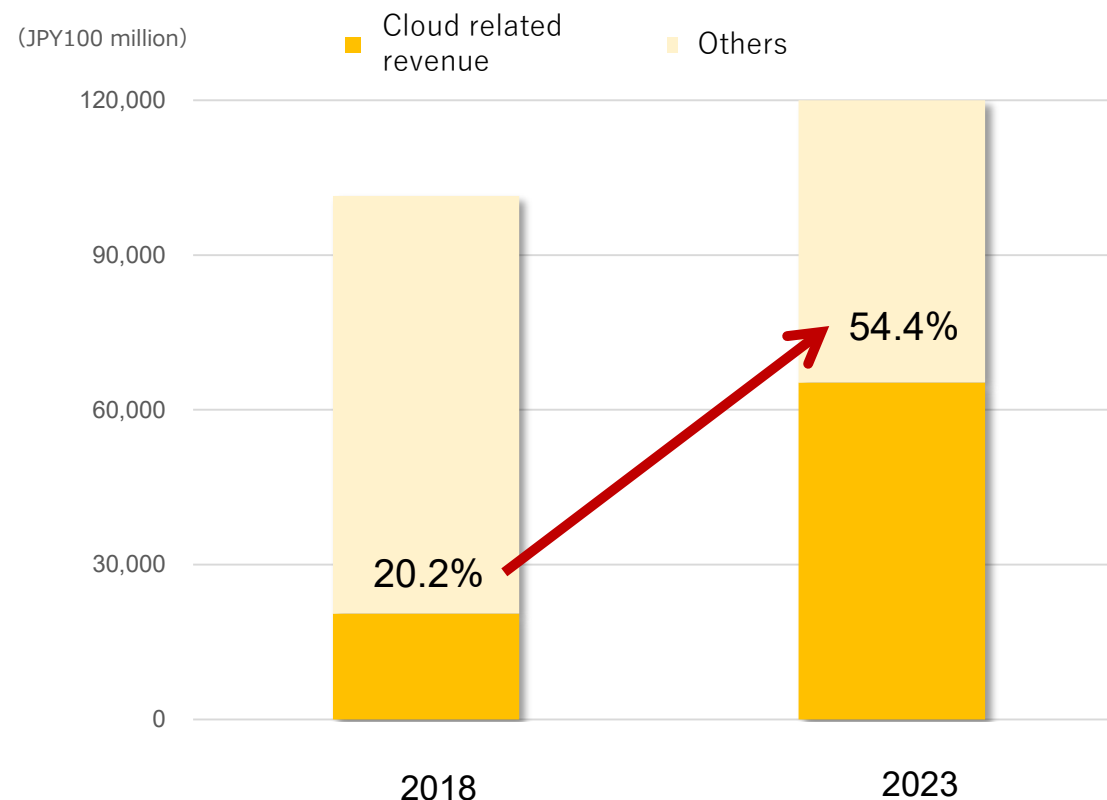


# Market : Japanese Enterprise IT market size

Japanese enterprise market size for 2018 is at JPY10.14trillion or about US\$92billion, the CAGR of 4.2%. By year of 2023, the market size will achieve JPY11.9trillion or US\$109billion (CAGR of 3.5%) and the cloud related sales ratio will be anticipated to grow from 20.2%(2018) to 54.5%.



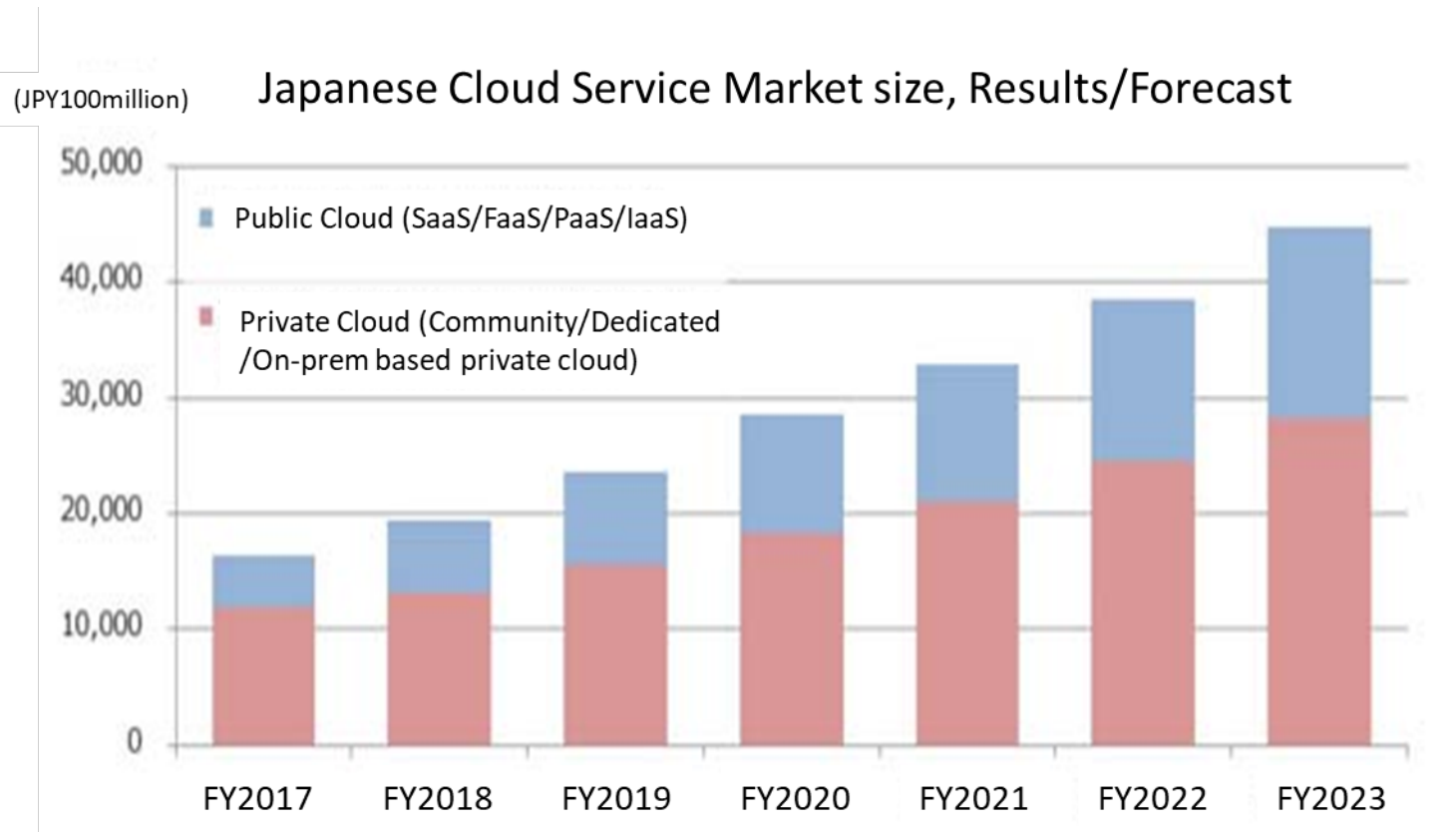
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# Market : Japanese Enterprise IT market size

Japanese Cloud service market size is JPY1.9trillion or US\$17billion in 2018, which is 18.1% increase from previous year. The public cloud market is JPY0.6tillion or US\$5.6billion (34.1% growth).

By 2023, Cloud service market size will be 4.47trillion or US\$40billion and the public could market is anticipated to grow to JPY1.6trillion or US\$14.5billion.



The main stream of on-premise environment will shift to public cloud environment and the movement will accelerate.

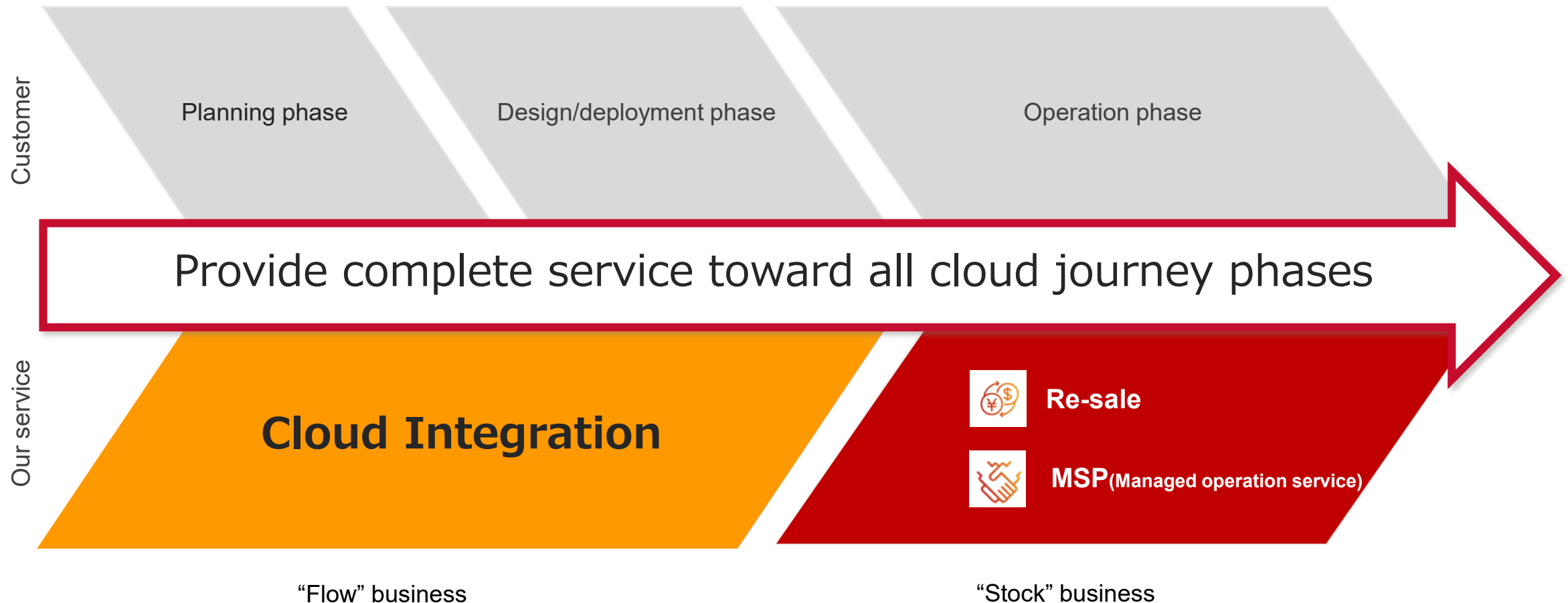
Global vendors (AWS, Microsoft Azure, GCP) continue to dominate the market but it is clear that AWS becomes de-facto standard.

## Our Business Model

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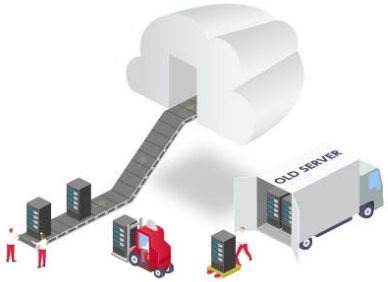
# Business Model

Provide complete services for cloud journey, from Cloud strategy consultation to actual deployment and migration as well as post-migration operating services



# Core Service overview

## Providing variety of services around AWS



### Cloud Integration

Providing service to create Cloud migration strategy for migrating the system, which has been managed in on-premise environment, to cloud environment, as well as Infrastructure design, Establishment/deployment support services. We provide optimum design for customers from setting business objectives using Cloud, to actual migration, operation planning after cloud implementation.



### Re-sale

We are reselling AWS centered cloud services to our customers as a solution which we add our unique values.

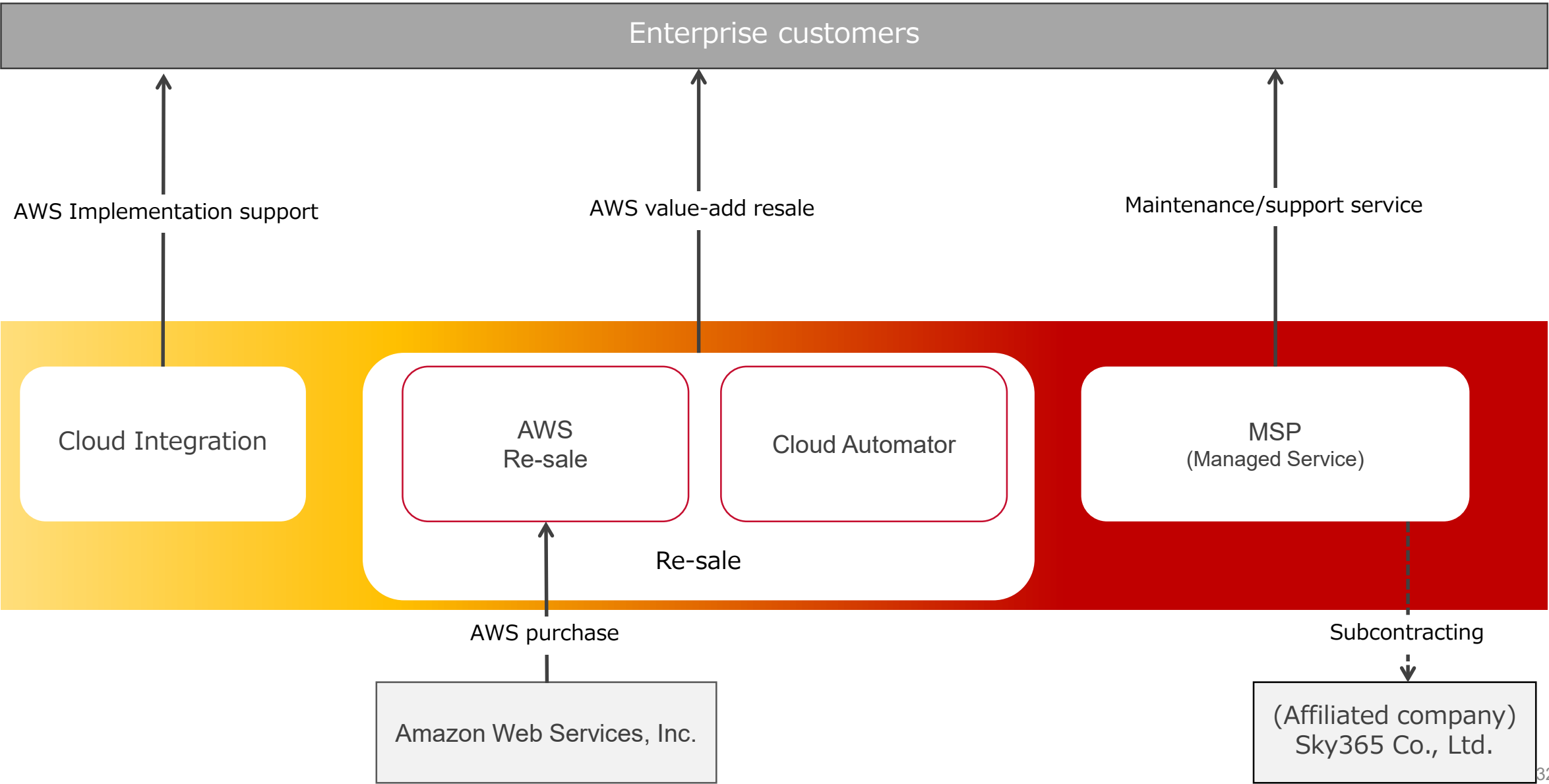
Especially, we develop and provide our unique application, “Cloud Automator”, a service that automates AWS operations, to our customers. By combining these solutions with AWS, we maximize the benefit of AWS to our customers.

### MSP (Managed Service Provider)

We provide 24x7 operation services, such as system performance monitoring, failure monitoring, recovery operation in the event of a failure, back-up operation for quick recovery from the failure, and security patches application for AWS infrastructure to middleware level.



# Business model diagram

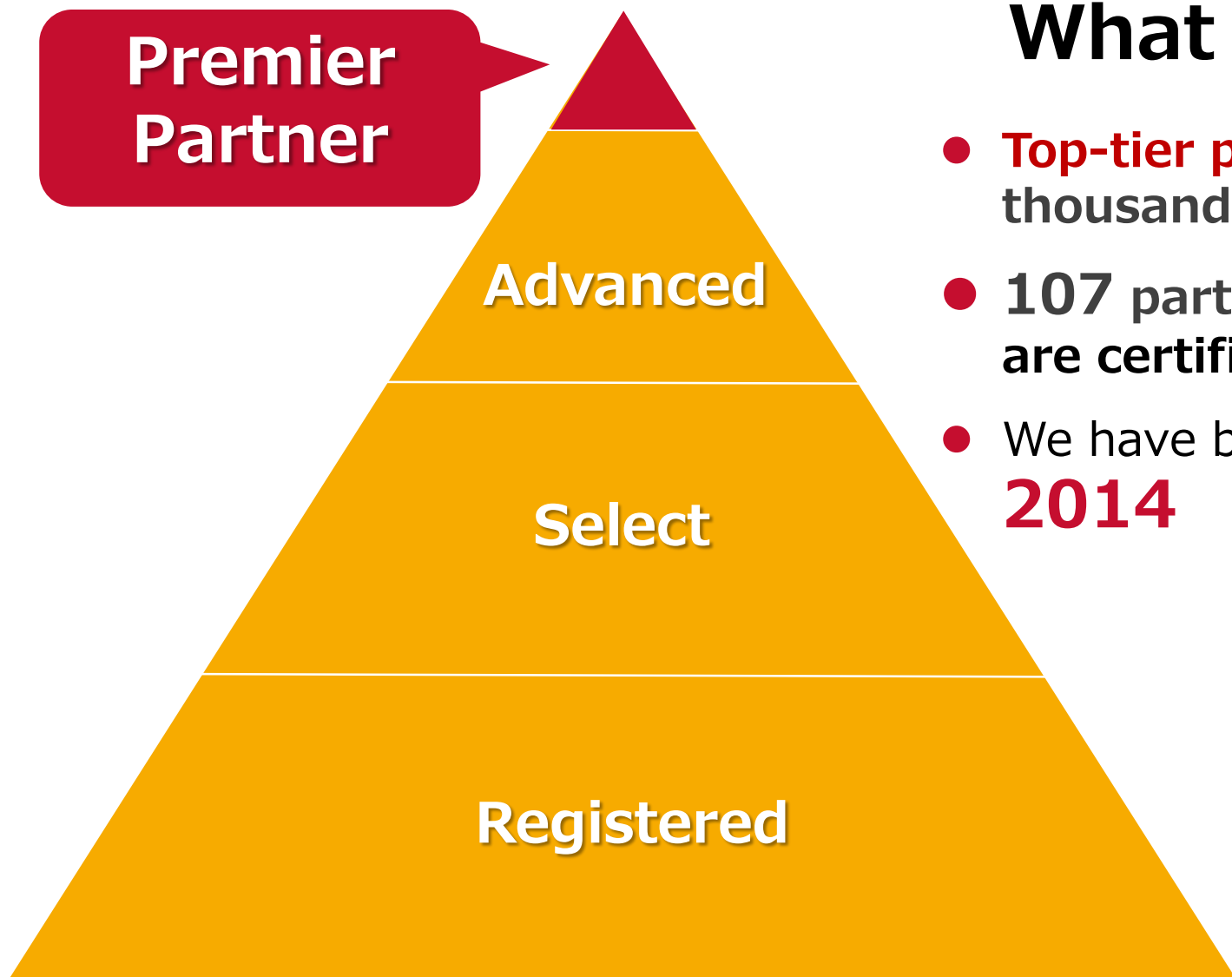




Our Strength

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Our unique strength ① AWS certified top tier partner



## What is Premier Partner ?

- **Top-tier partner** certified among ten of thousands of AWS partners
- **107** partners worldwide, only **9 companies** are certified in Japan
- We have been **continuously certified** from **2014**

\* as of December 31<sup>st</sup>, 2019

## Our unique strength ② High Technical skills

Many highly skilled engineers with advanced expertise backed by AWS certifications.

	(people)
- Solution Architect Professional	34
- DevOps Engineer Professional	21
- Solution Architect Associate	72
- Developer Associate	33
- SysOps Associate	43
- Security Specialty	16
- Big Data Specialty	11
- Advanced Networking Specialty	9
- Machine Learning Specialty	1
- Alexa Skill Builder Specialty	7

# Our unique strength ② High Technical skills

Receive various certifications from AWS for our high technical skills and our achievement in specific fields

## AWS Managed Service (MSP) Partner

The partner who can provide total AWS cloud services from planning/designing to actual building/migrating as well as operation and optimization as a business solution to customers. We received MSP partner certification in 2014 as a 1<sup>st</sup> partner in Japan to receive this certification and we have been continuously receiving the certification.

## AWS Migration Delivery Partner

The partner who can assist customers at each stage of migrating existing applications to AWS and provide staff, tools and education as part of professional services.

## AWS End-User Computing Navigate

The guideline for acquiring expertise in AWS desktop & application streaming solution and a partner can be only certified by succeeding to pass the 5 phased requirements. We are the 1<sup>st</sup> partner in Japan to achieve completion of the program.

## AWS Well-Architected Partner Program

The partner who can appropriately evaluate customer's AWS architecture by actively using AWS Well-Architected framework backed by in-depth knowledge related to AWS implementation support as well as numerous actual project experiences.



# Our unique strength ③ Countless Implementations

Track record of 760+ companies & 7,400+ projects\*<sup>1</sup>, mainly from mid-large size enterprise companies



J.フロント リテイリング



みずほ銀行

AGC

Eat Well, Live Well.



AJINOMOTO

BELSYSTEM24

CLAVIS  
Company

DISCO

はたらくを、もっと豊かに。



人・企業・社会の未来を創る  
Funai Soken Holdings

Hitz 日立造船株式会社  
Hitachi Zosen



IDOM Inc.



Lancers

Marubeni

あした が すて き に !  
東邦ガス

NIKKO CHEMICALS



ひととき、輝く  
TOKYU SPORTS  
OASIS



YOKOGAWA



sansan



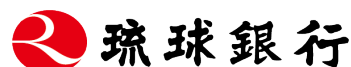
NEVER SAY NEVER  
ロート製薬

アデランス



TV TOKYO COM

集英社



\*1 : as of December 31st, 2019<sup>37</sup>

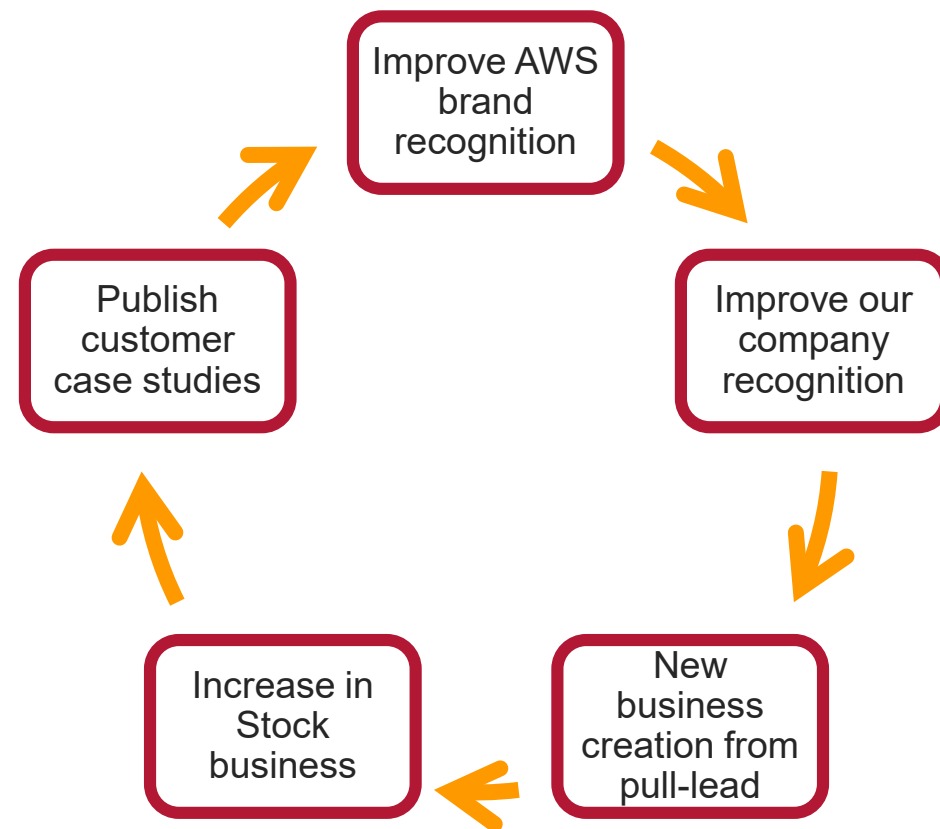
## Our unique strength ④ Front Runner advantage

Maintaining and expanding the growth cycle of increasing stock businesses by leveraging our name recognition in the AWS industry as a leading company

A virtuous cycle has been created in which our business growth is further accelerated by cooperation with AWS.

As AWS, led by a powerful Amazon brand, has grown by 40+% compared to last year, our company recognition as the highest ranked AWS partner has been continuously improving as well. This situation leads to create pull-lead<sup>(\*)</sup> for receiving AWS implementation support project orders and leading to grow our stock businesses.

We publish more than 10 of these cases annually and this creates virtuous cycle that further raises AWS visibility in the enterprise market.



\* 1 : The situation that customers are coming to us, instead of aggressively reaching out to customers from us

# Our unique strength ⑤ Our Original service “Cloud Automator”

Based on our depth knowledge in AWS constructions and operations, we develop original AWS operation automation service and provide it to our customers.

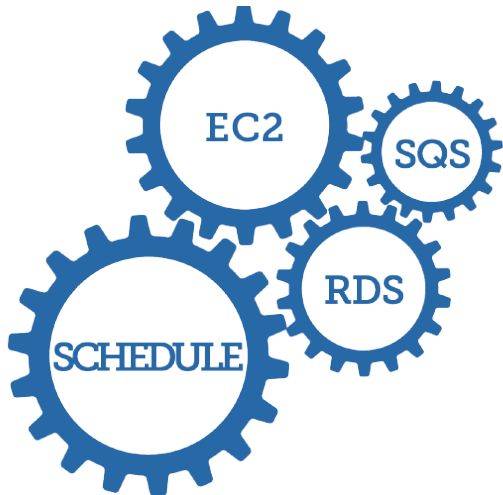
Contribute to both low-cost & high-quality operations and increase in Cloud Integration project orders



## Feature 1

(Job Automation feature)

### Automate AWS Operation



Automate AWS essential operations such as back-up, Instance start/stop, etc...

## Feature 2

(Configuration review feature)

### Automatic AWS Config check



Periodically review AWS resources to check whether it is configured based on designated rules

# Our unique strength ⑤ Our Original service “Cloud Automator”

**AGC**

We have a track record of evolving services and specifications in response to changes in AWS as well as user demands. We transfer our know-how and experiences to internal resources

**IDOM Inc.**

Implement Cloud Automator for addressing automation, standardization, simplification, efficiency, and risk elimination of AWS operations

**Marubeni**

To improve IT governance, we decided for full adoption of AWS. By combination of using Cloud Automator, it enables to achieve both operation automation and operation efficiency at the same time

**YOKOGAWA** 

Optimizes costs by automatically switching to the DR site by automatically launching instances, only when needed, by using Cloud Automator



# Growth Strategy

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# Growth Strategy: Winning Large migration projects

In Japanese market, more than half of the companies still do not use Cloud. We will continue to accelerate growth by acquiring large-scale cloud migration projects that have not yet been cultivated.



# Growth Strategy: Winning Desktop market

## Work-style reform using Cloud (Desktop-as-a-Service)

### (Overview)

As work-style reform is being promoted throughout the Japan, the voice of “I want to establish both work environment which you can work from anywhere and maintain high security” is growing.

Cloud based Virtual desktop service, “Amazon WorkSpaces”, provided by AWS, is a vital solution to resolve such issues and demands. We will put more our focus on this area and expand solutions to support customers who want to materialize work-style reform by using cloud.

### (Customer)

Yamaha Motor Co., Ltd.



### (Example of benefits)

- Do not need initial investment
- Do not need prior implementation sizing
- Possible to flexibly scale-up & down
- Easy global expansion
- Able to connect with various AWS services



# Caution for forward-looking statements

The materials and information provided in this announcement include so-called “forward-looking statements”. These are based on current expectations, projections and risky assumptions, and include uncertainties that could result in different result from these statements.

These risks and uncertainties include general industry and market conditions, and general domestic and international economic conditions such as interest rate and currency exchange fluctuations.

In the future, even if there is a new information and/or a future event, we are not obligated to update or modify the “forecast information” including in this announcement.



Serverworks