



FY2020 Financial Summary 2019.3.1 – 2020.2.29

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

Apr. 2020

FY2020 Business Highlight

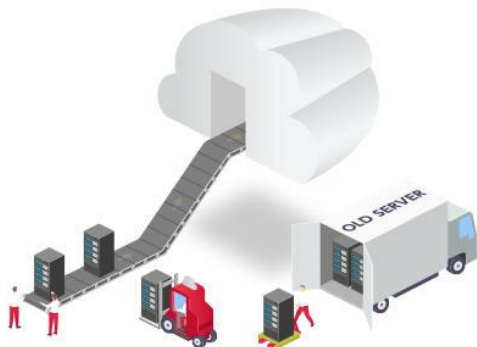
Based on active cloud market expansion, achieved

Net Sales **+52%**, Operating profit **+24%**

Net Sales **6,811** million yen Operating profit **417** million yen

Cloud Integration

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



Sales 577 million yen (YoY **▲5%**)

Resale

- Increase in # of AWS accounts
- Increase in ARPU



Sales 5,390 million yen (YoY **+67%**)

MSP

- Expand business with large-scale customers which can't be handled by conventional services



Sales 784 million yen (YoY **+35%**)

Financial Results

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 sales	4,477	100.0	6,753	100.0	150.8
Gross profit	859	19.2	1,088	16.1	126.7
Operating Income	335	7.5	421	6.2	125.7
Ordinary Income	335	7.5	424	6.3	126.6
Net Income	356	8.0	332	4.9	93.3

※ At the Board of Directors meeting held on February 21st, 2020, we have revised the earnings forecast announced on July 11th, 2019. Please refer to "Notice regarding revision of earning forecast", which was published on February 21st.

FY2020 Result

Net sales increased +52% YoY based on strong orders

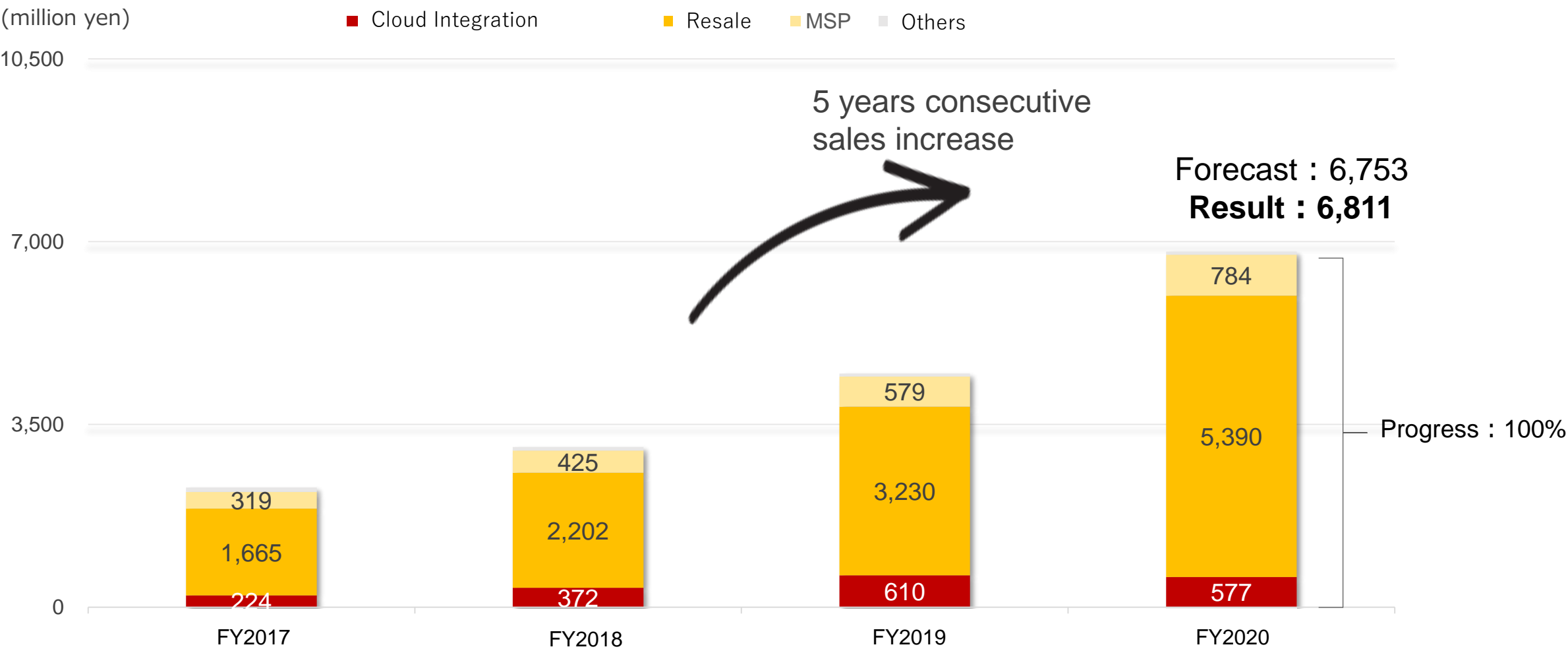
Achieved significant improvement in both operating income and ordinary income due to effective control of selling, general and administrative expenses

(Unit : million Yen)

	FY2019	Composition Ratio(%)	FY2020	Composition Ratio(%)	YoY(%)
Net Sales	4,477	100.0	6,811	100.0	152.1
Gross Profit	859	19.2	1,086	15.9	126.3
Operating Income	335	7.5	417	6.1	124.4
Ordinary Income	335	7.5	421	6.2	125.5
Net Income	356	8.0	333	4.9	93.5
EBITDA	243		489		

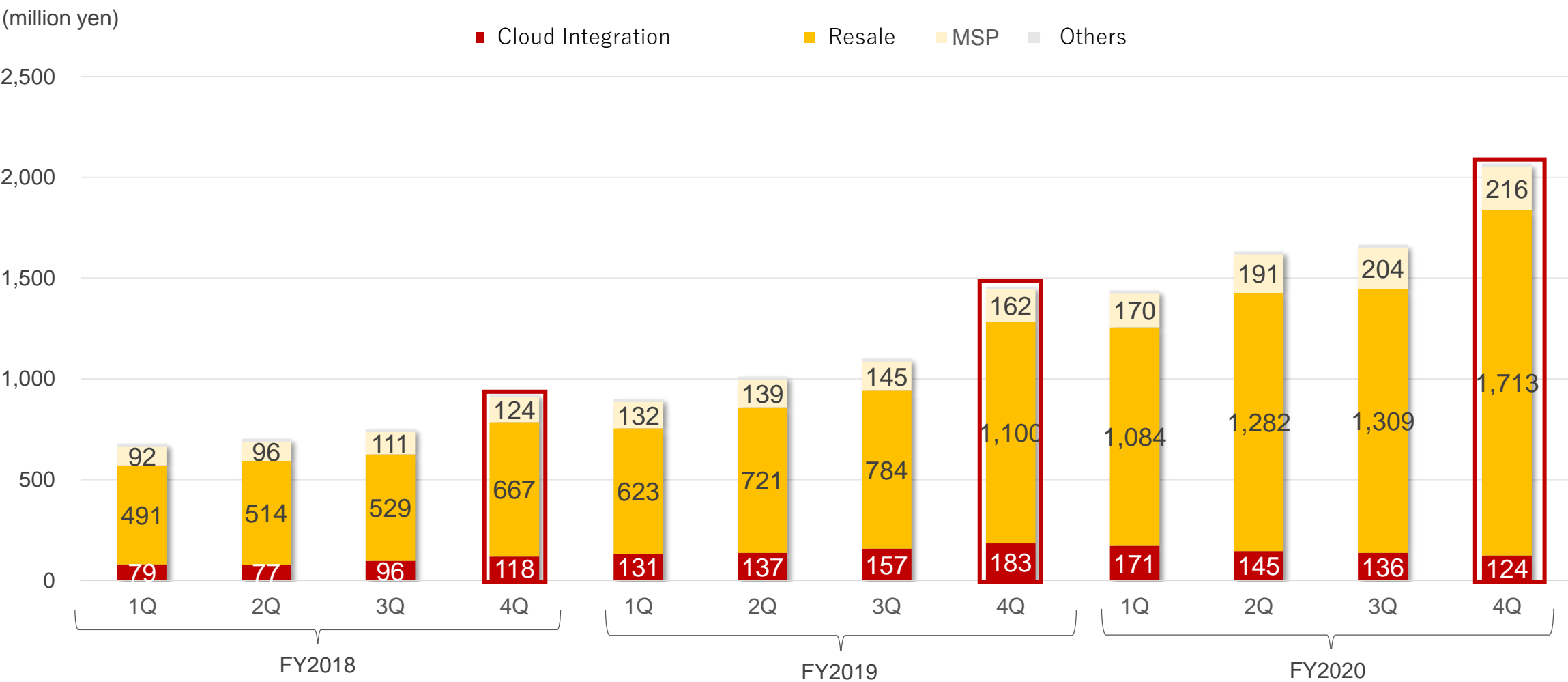
Business Trend : Net Sales

Steadily achieved business forecast and landed YoY +52%, 6,811 million yen



Business Trend : Quarterly Net sales

Achieved Resale +67%, MSP+35% growth YoY

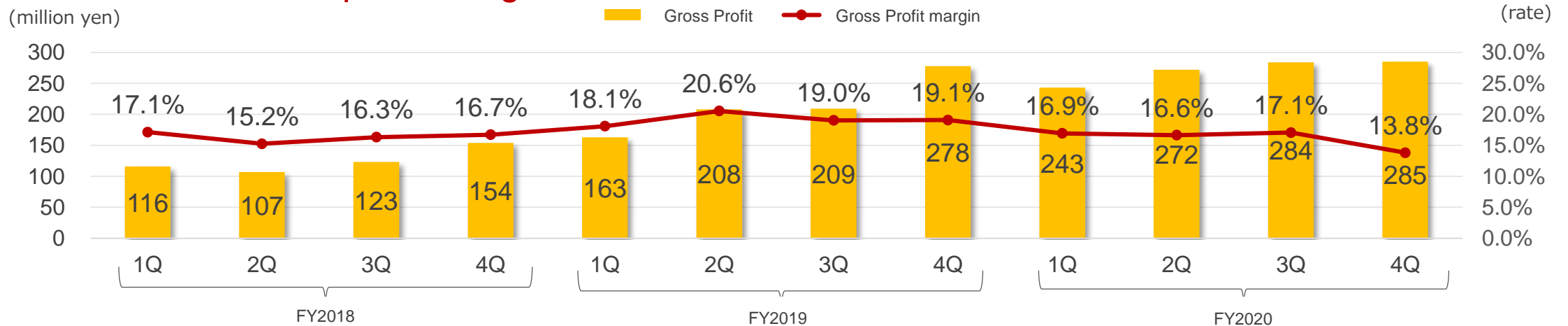


※ Because of the nature of AWS Resale business, the total usage fee is showing as its sales

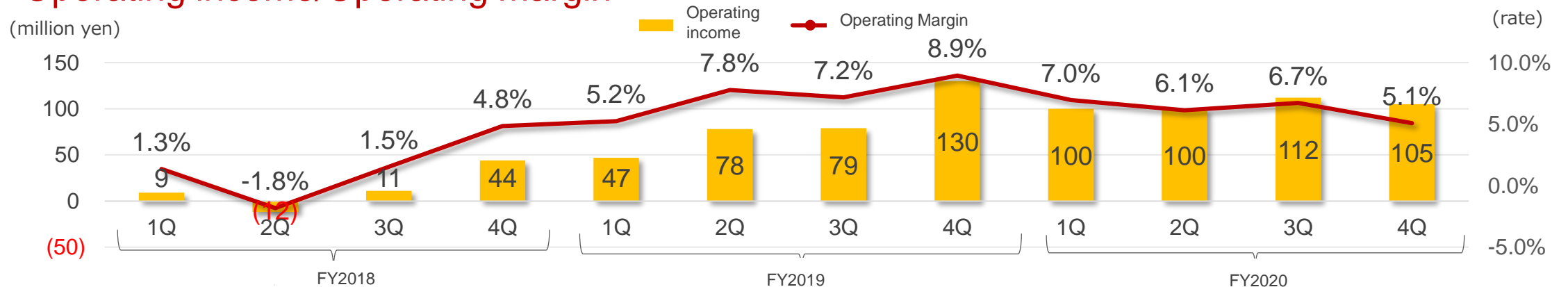
Business Trend : Profit rate trend

Due to expansion of AWS resale ratio in Sales, the profit margin is at declining trend

Gross Profit/Gross profit margin



Operating income/Operating margin



FY2020 Sales by product/service segments

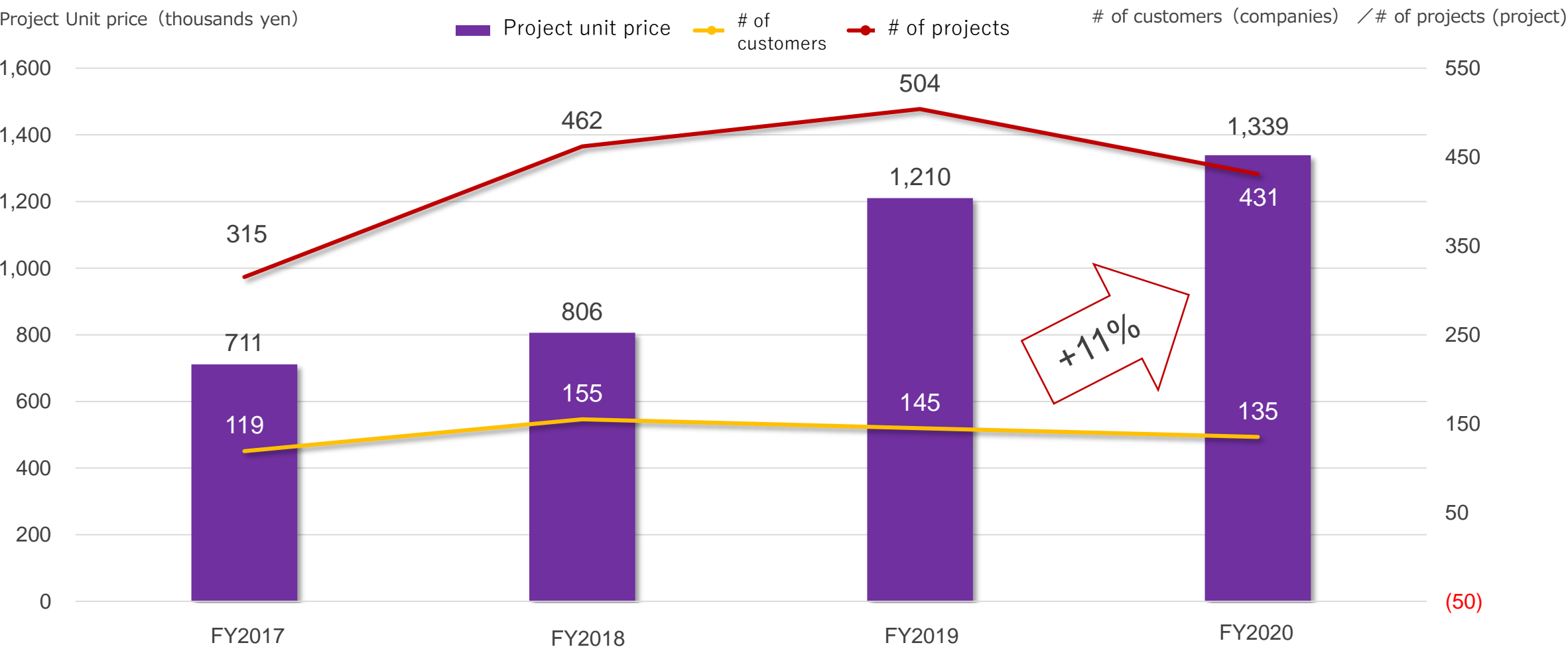
Resale led the growth and overall sales continued to grow at a high rate of +52%

(Unit : million yen)

	FY2019	Composition Ratio (%)	FY2020	Composition Ratio (%)	YoY(%)
Cloud Integration	610	13.6	577	8.5	94.6
Resale	3,230	72.1	5,390	79.1	166.9
MSP (Managed Service Provider)	579	12.9	784	11.5	135.3
Others	57	1.3	59	0.9	104.1
Total	4,477	100.0	6,811	100.0	152.1

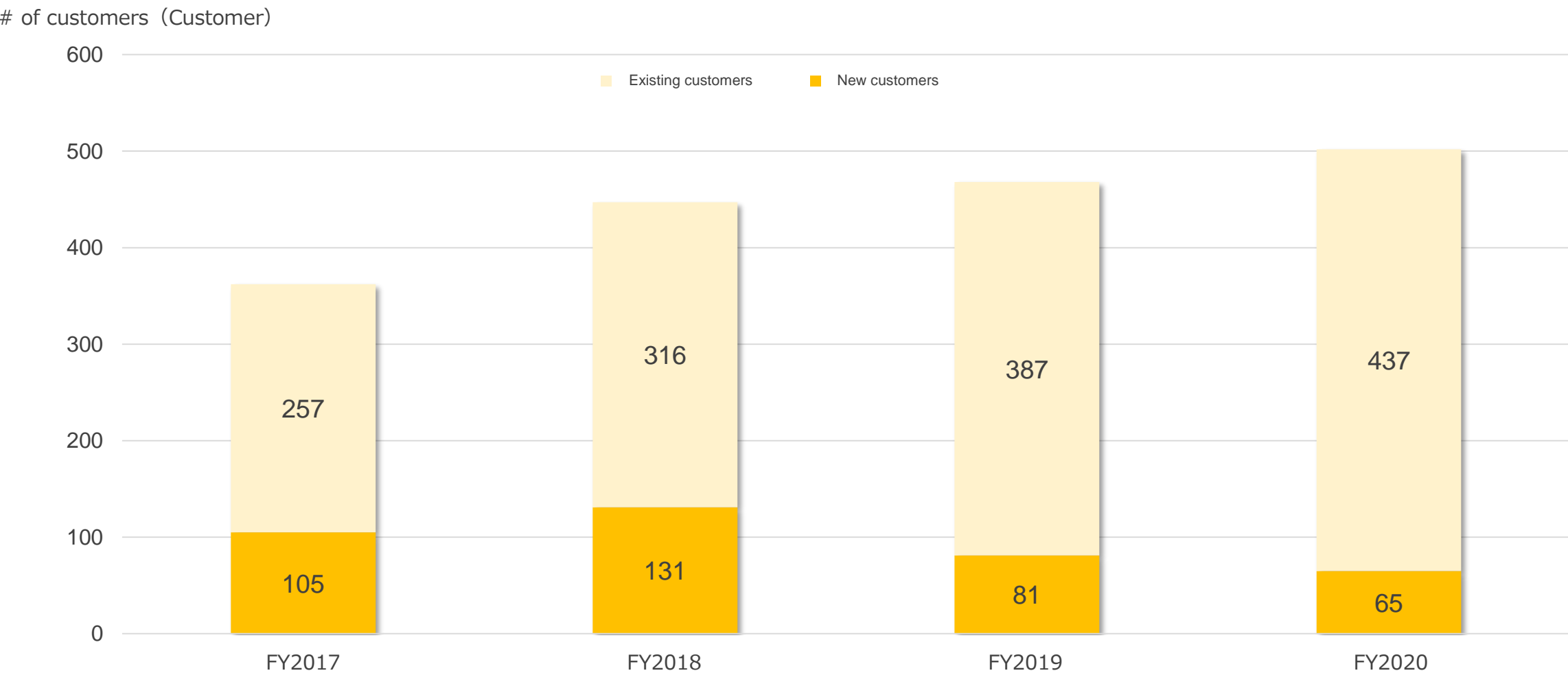
Business Trend : Cloud Integration

Project unit price has been increased by +11% from last year average based on the increase in project sizes



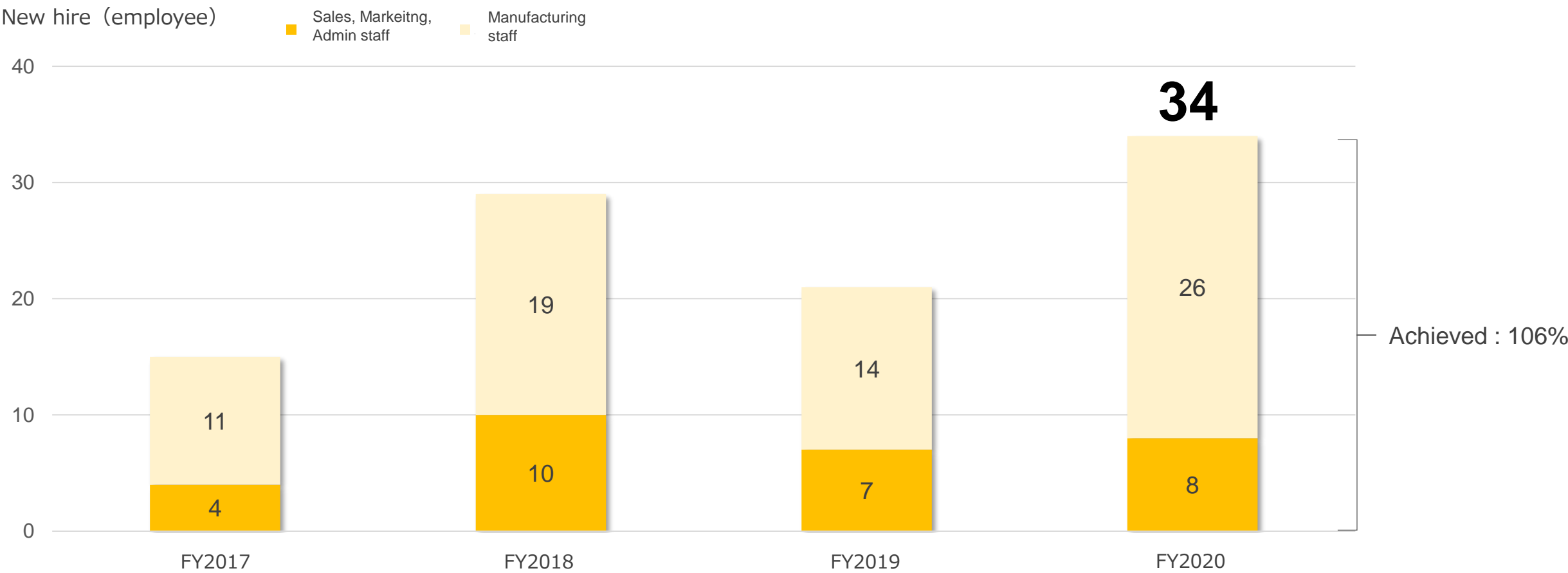
Business Trend : # of new & existing customers

Increase orders from existing customers



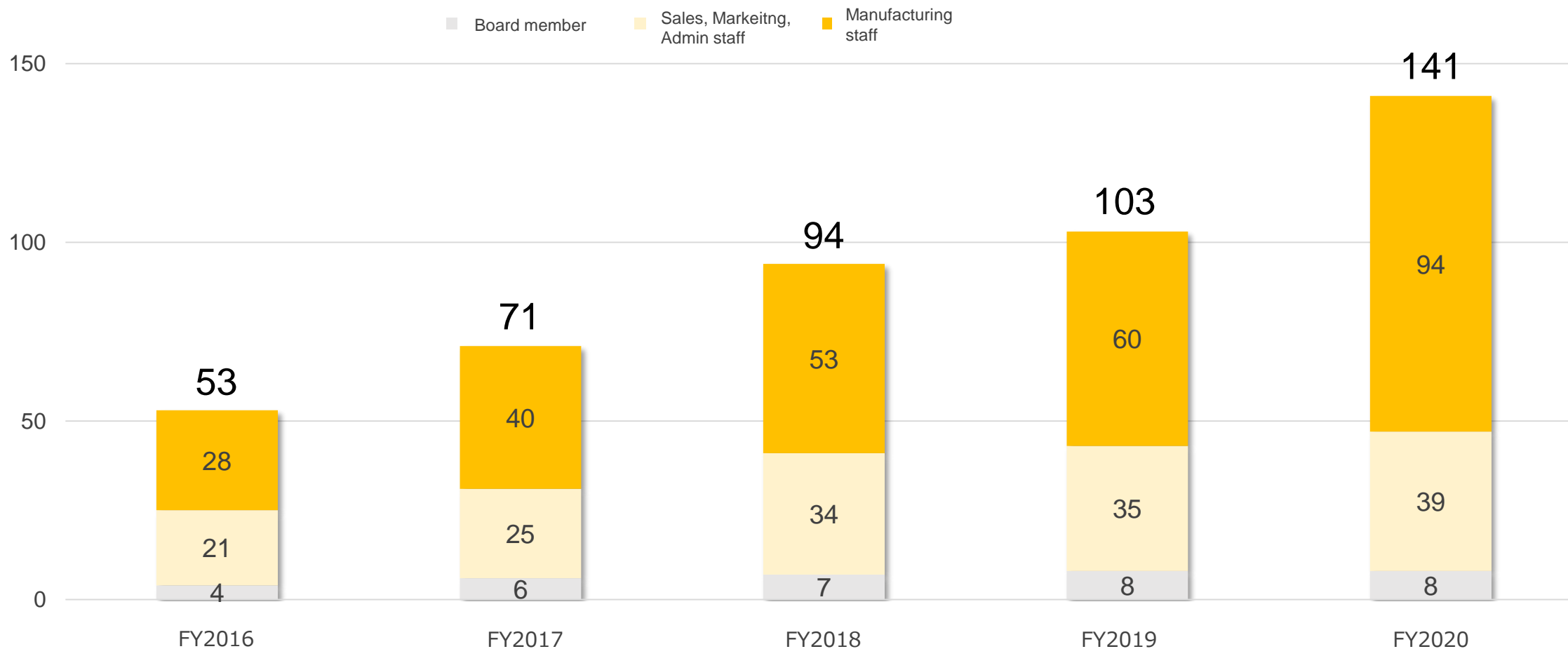
Increase in new hires

Achieved recruitment results that exceeds initial plan (32 new hires). We will continue our aggressive recruit mainly in the manufacturing department and accelerate customer's cloud migrations



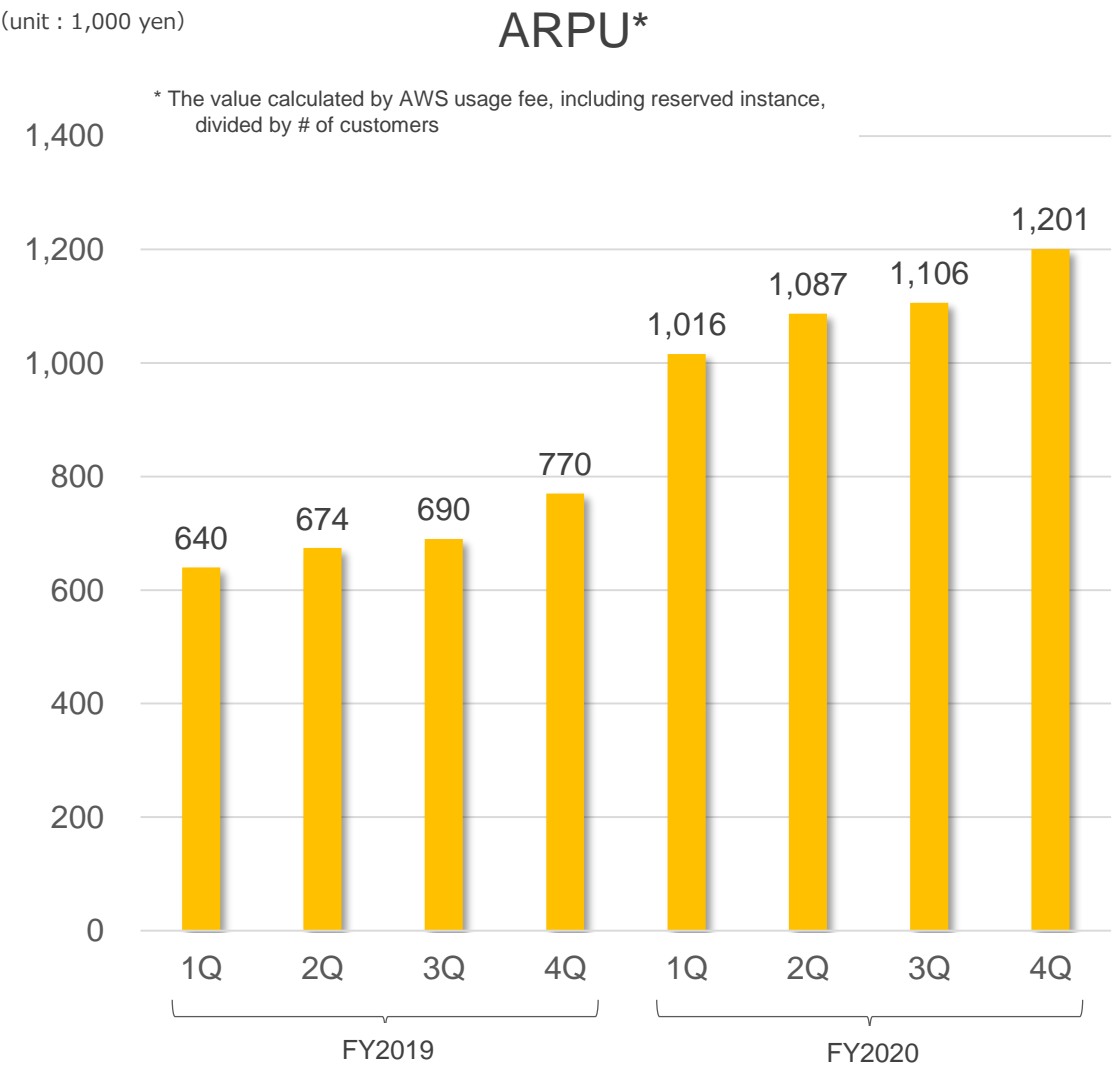
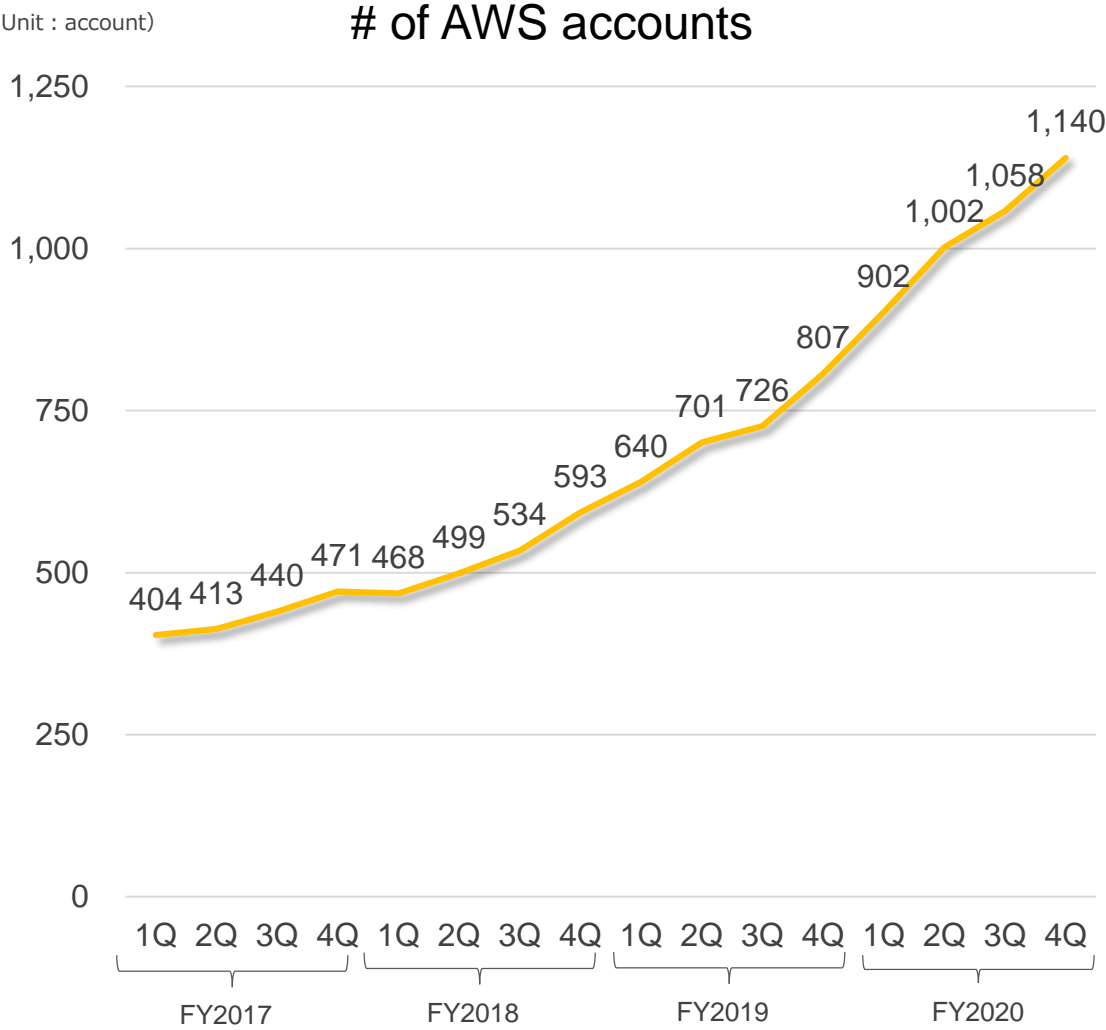
of employee transition

Continue to proactively reinforce workforce, mainly manufacturing staff, as business grows



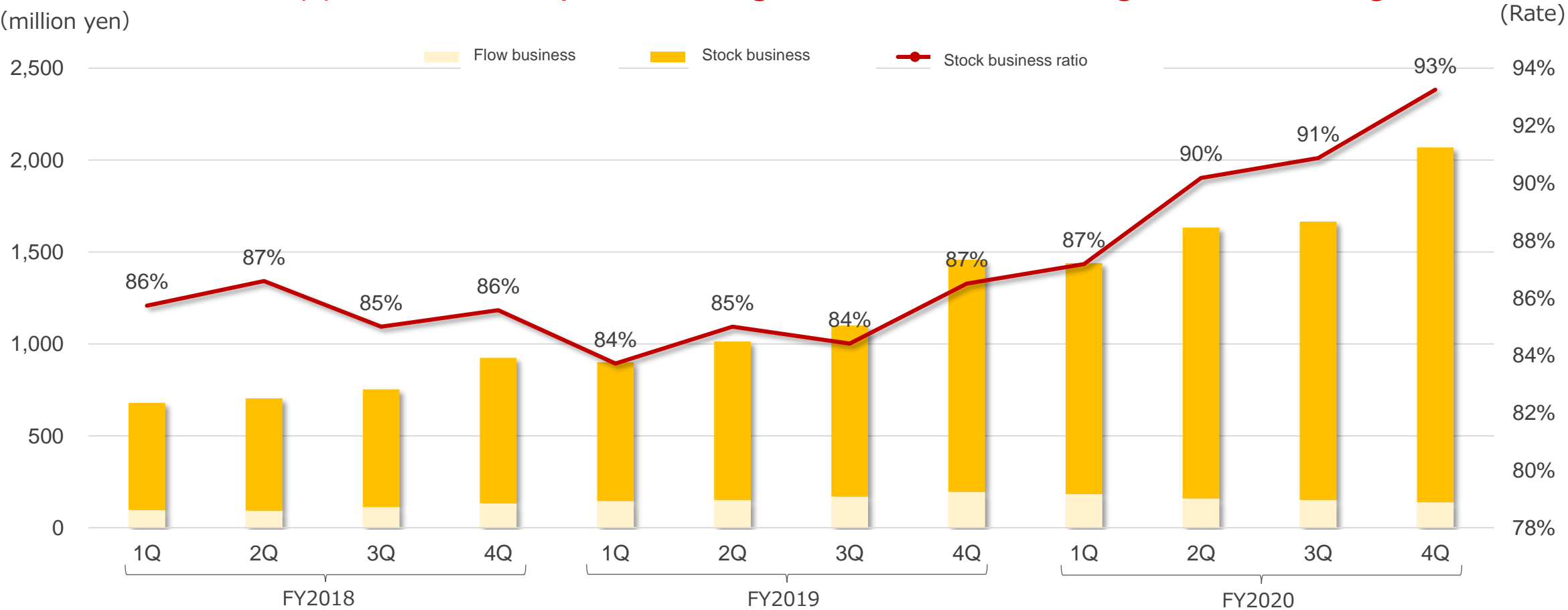
Business Trend : AWS resale

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



Business Trend : Stock business

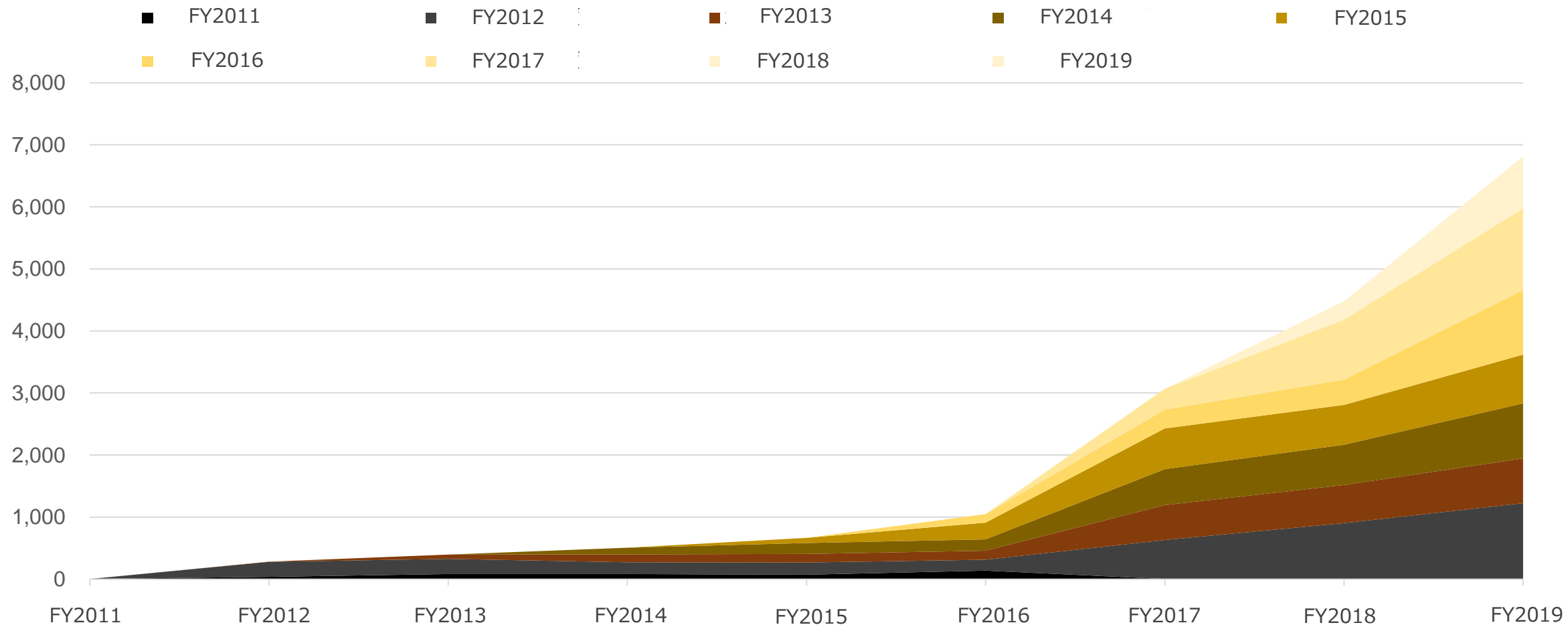
The sales volume of stock business, such as AWS resale, MSP, and original services, is increasing year by year. We will continue to focus on strengthening the stock business(*) which is expected to generate stable long term earnings.



* 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 3rd 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

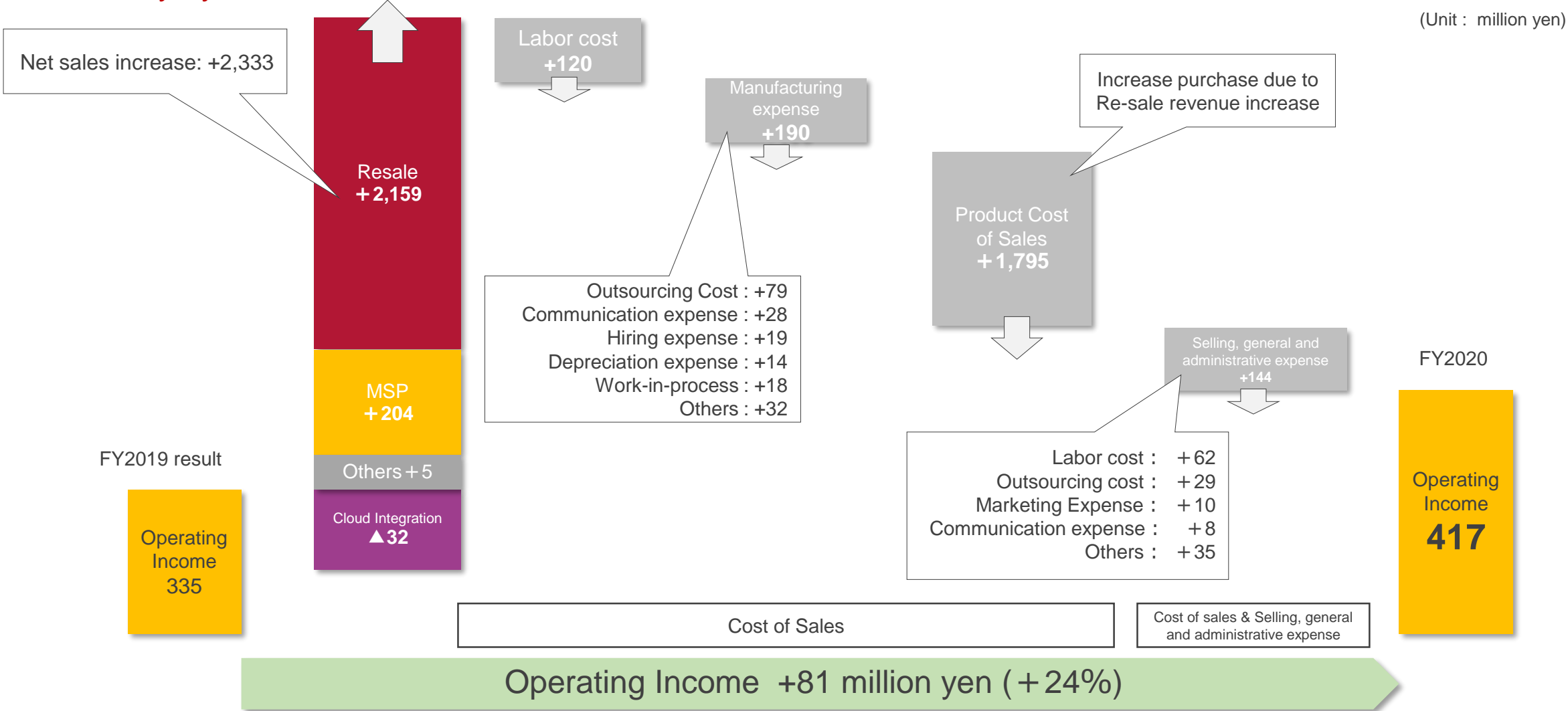
The existing customers, who had been contracted with us, have trend to increase our sales revenue (total of CI, Resale, MSP) year by year



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

FY2020 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 +24% YoY.



FY2020 Financial Status Balance Sheet (Summary)

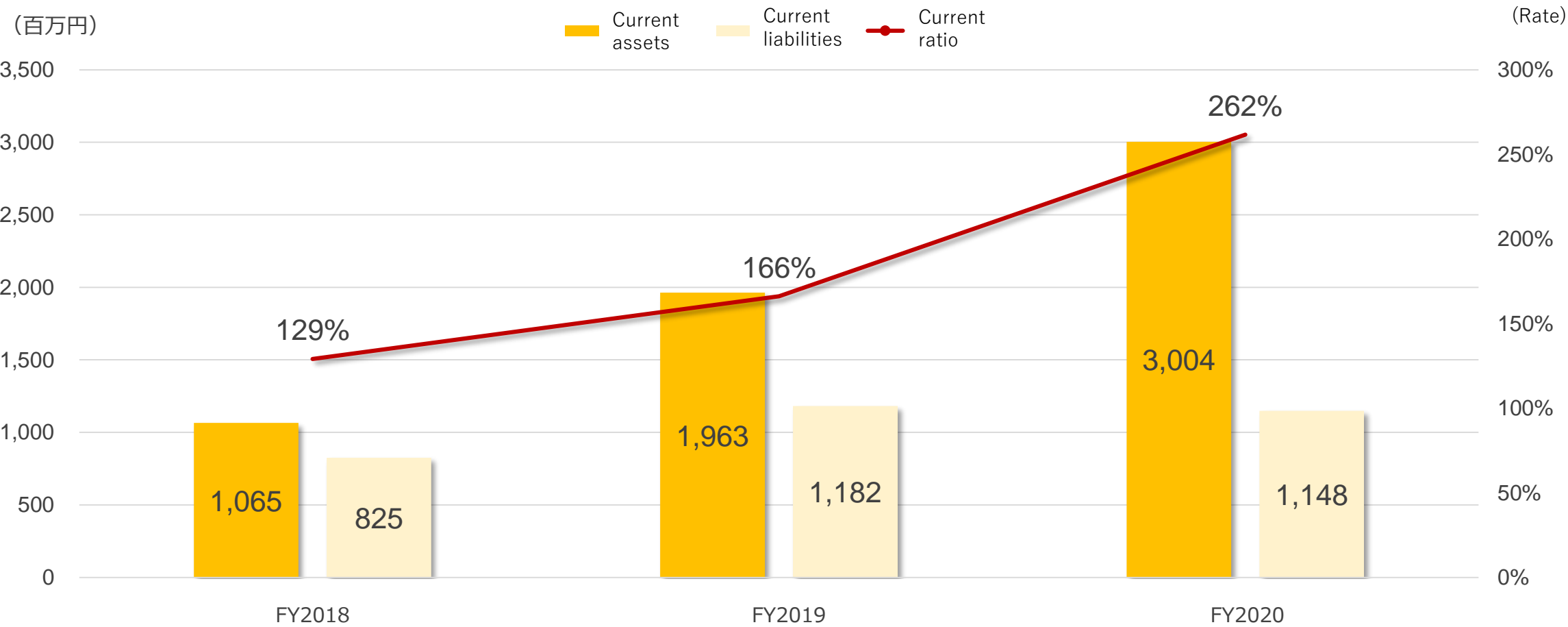
Increase in cash, capital and capital reserve based on public offerings.
Net assets increased based on accumulation of retained earnings.

(Unit : million yen)

	FY2019/2期	FY2020	Increase/Decrease amount
Current assets	1,963	3,004	1,041
Fixed assets	1,208	1,467	258
Tangible fixed assets	31	69	38
Intangible fixed assets	114	100	△ 14
Investments and other assets	1,062	1,297	235
Total assets	3,171	4,472	1,300
Total liabilities	1,435	1,437	1
Current liabilities	1,182	1,148	△ 33
Long-term liabilities	253	288	35
Total net assets	1,736	3,035	1,298
Total liabilities and net assets	3,171	4,472	1,300

Current ratio

The current ratio has been over 200%, ample liquidity on hand.



FY2021 Earnings forecast

Promote further market share expansion in the public cloud related market.

※Formulated from a conservative perspective, assuming the impact of a prolonged Coronavirus infections situation

(Unit : million yen)

	FY2020 Result	Composition ratio(%)	FY2021 Forecast	Composition ratio (%)	YoY
Net Sales	6,811	100.0	8,003	118.5	117.5
Gross Profit	1,086	15.9	1,200	17.8	110.5
Operating Income	417	6.1	417	6.2	100.0
Ordinary Income	421	6.2	426	6.3	101.2
Net Income	333	4.9	306	4.5	91.9

Company Profile

Company Profile

*as of 3/31/2020

Company Name	Serverworks Co., Ltd.
Business Domain	System Planning/Development/Operation utilizing Cloud Computing
Founded	February, 2000
Capital	609,597,675 yen
Headquater	Agebacho 1-21, Shinjuku-ku, Tokyo, Japan
Office	Osaka, Fukuoka, Sendai, Nagoya, USA(California)
Number of Employees	138
Management	Ryo Oishi CEO Takashi Hashiba Senior Vice President Hiroyuki Oshio Senior Vice Presidnet & 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
Affiliated company	Sky365 Co., Ltd.
Major Shareholders	Board Members, TerraSky Inc., NTT Communications Corporation, NTT Data Corporation
Certification	APN Premier Consulting Partner 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

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

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

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

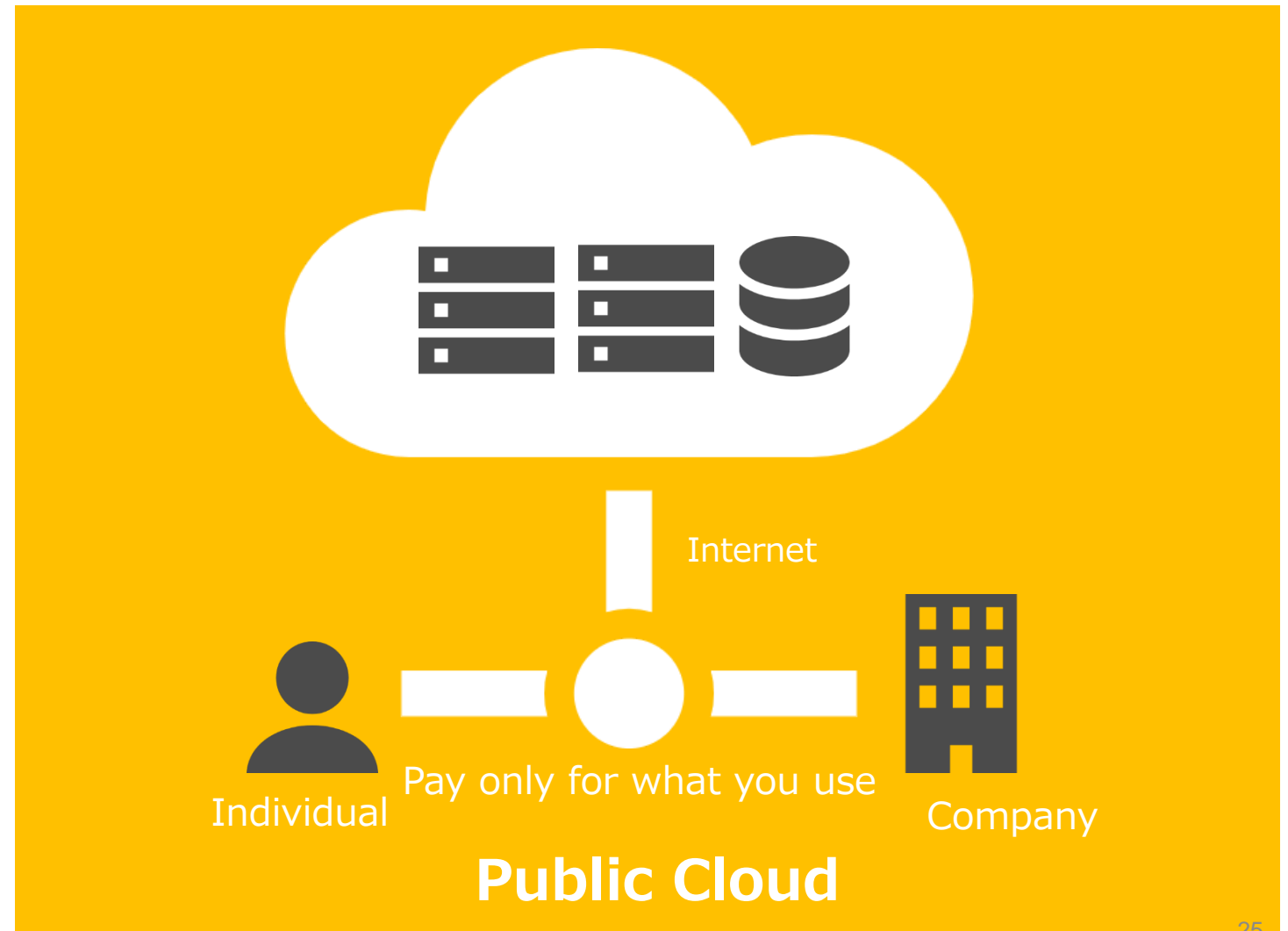
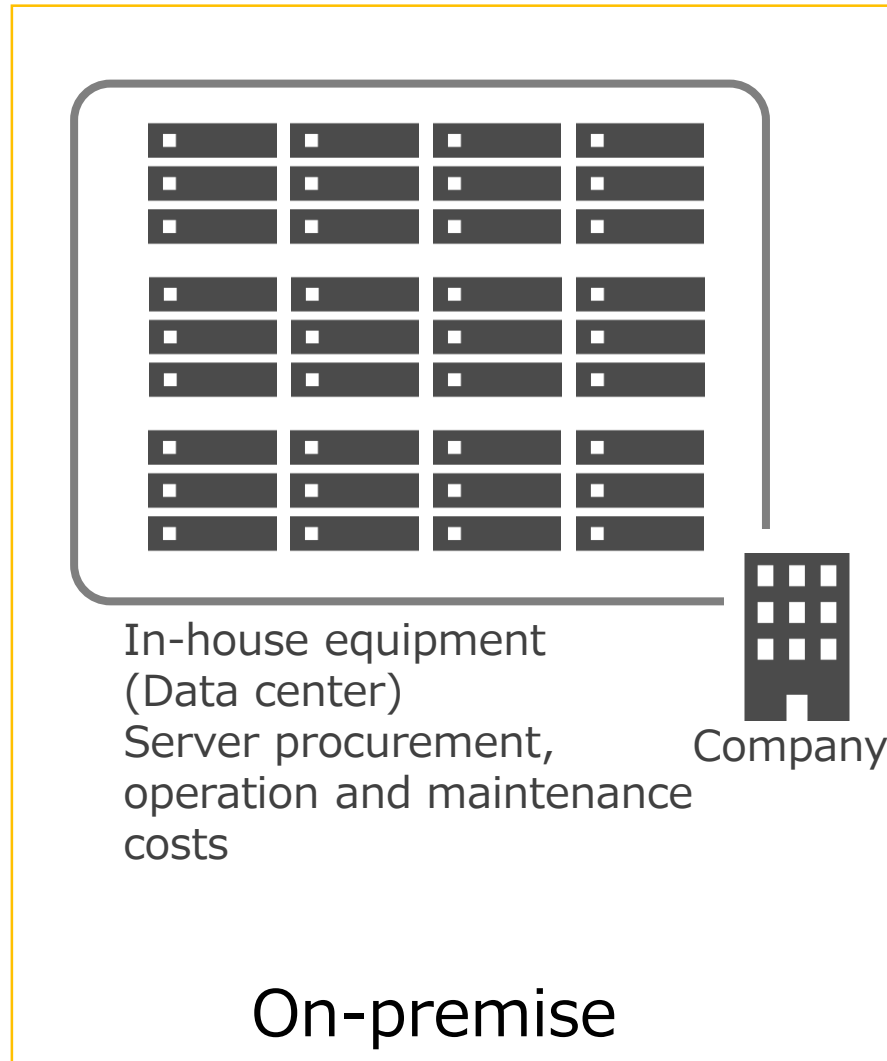
Ichiro Terajima

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)

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.



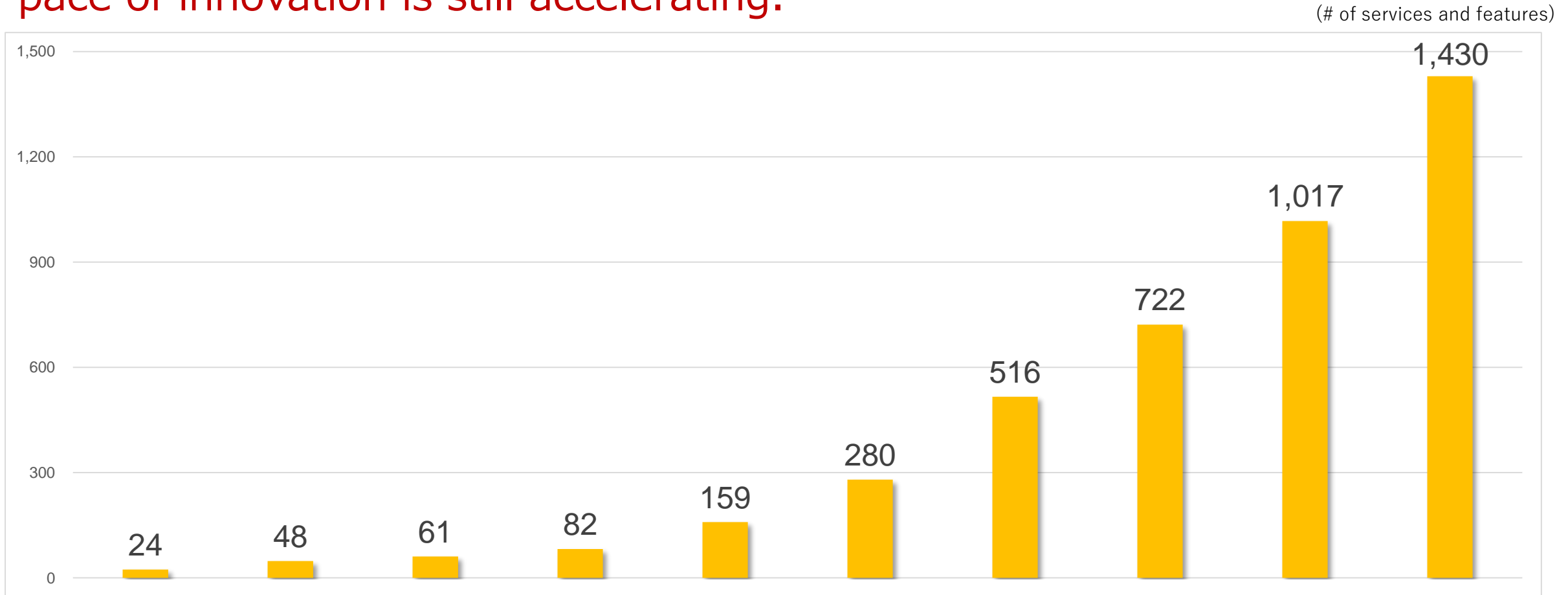
Source : <https://pages.awscloud.com/Gartner-Magic-Quadrant-for-Infrastructure-as-a-Service-Worldwide.html>



Source : <https://www.srgresearch.com/articles/chasing-pack-gain-market-share-q1-amazon-maintains-clear-lead>

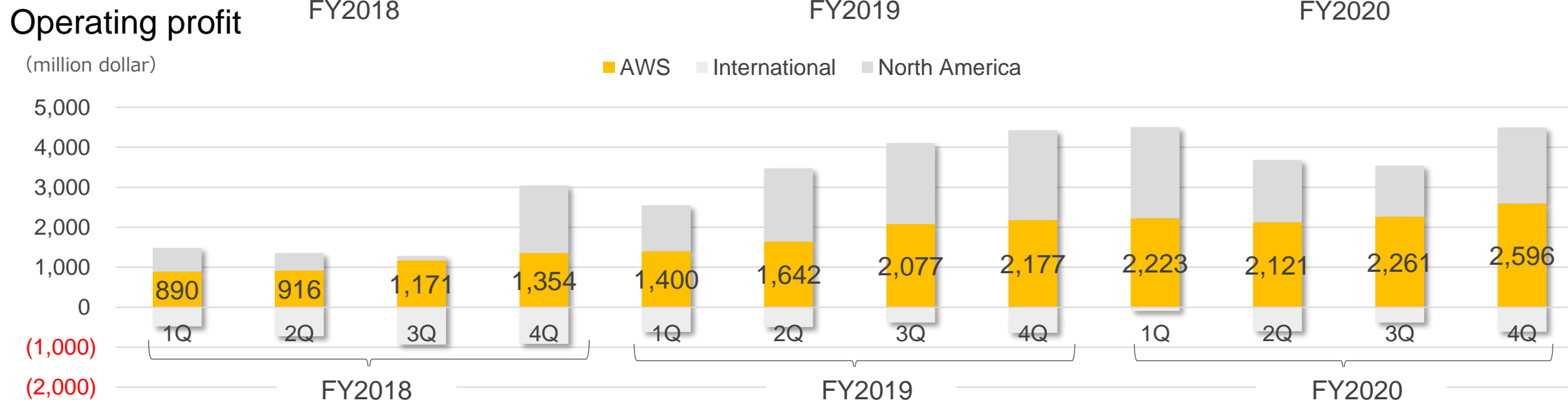
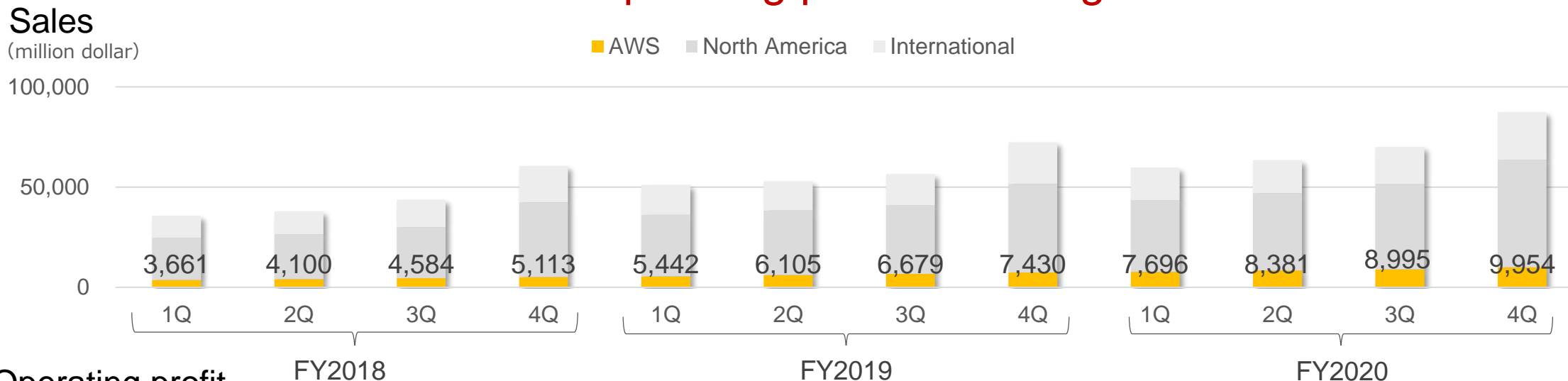
Market environment : About Amazon Web Services (AWS)

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.



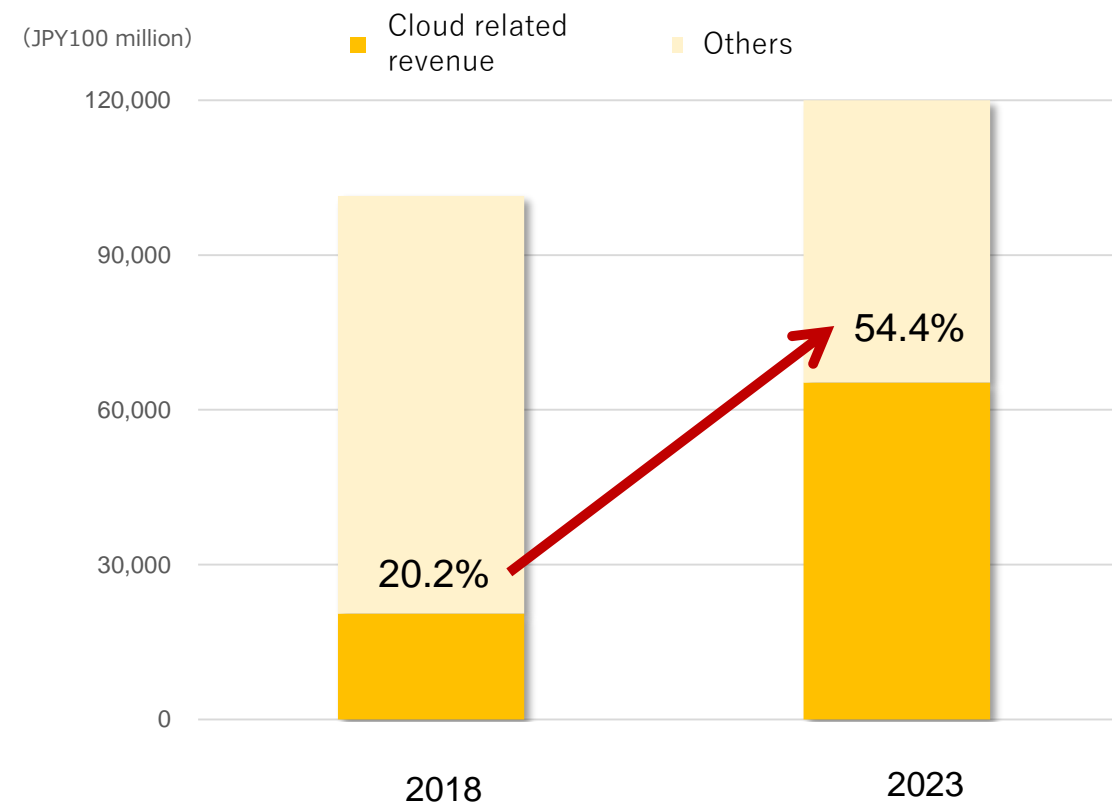
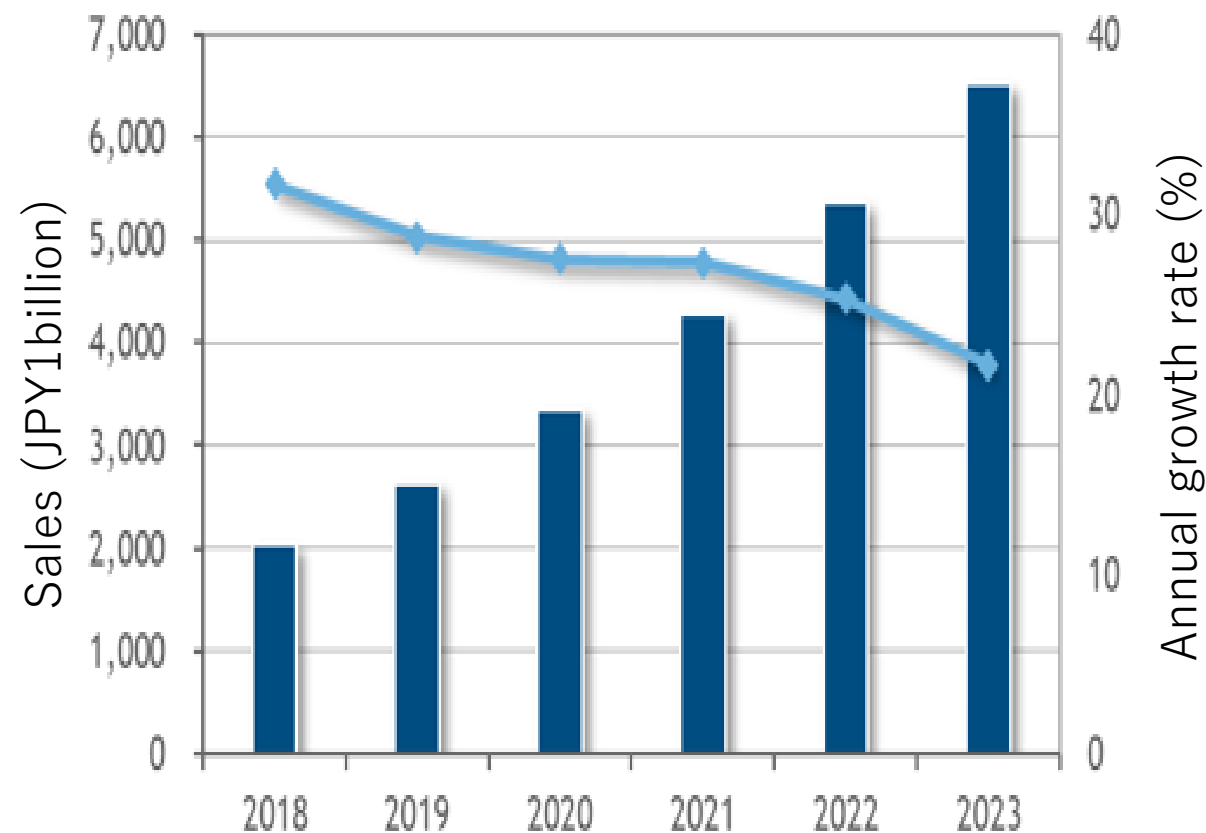
Market environment : AWS growth and profitability in Amazon

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



Market : Japanese Enterprise IT market size

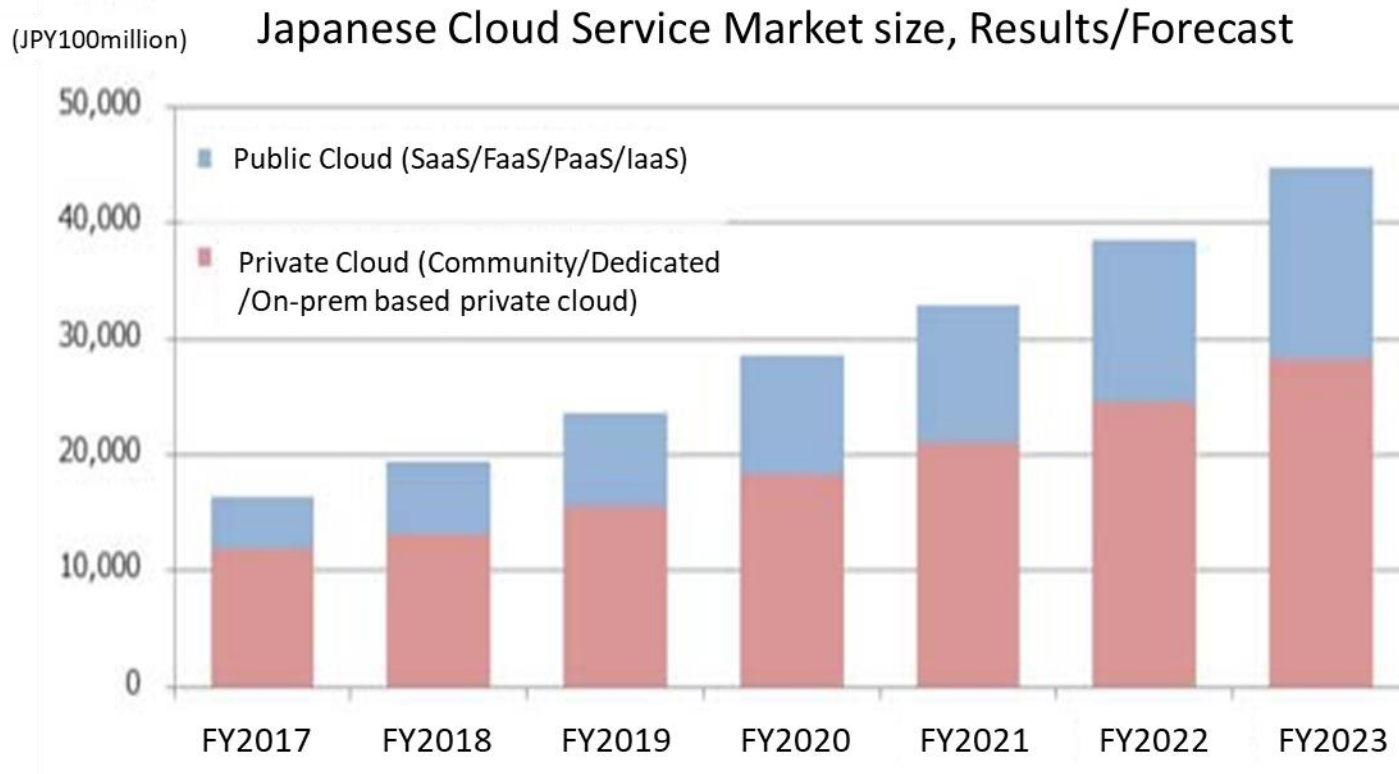
Japanese enterprise market size for 2018 is at JPY10.14trillion or about US\$92billion, the CAGR of 4.2%. By year of 2023, the market size will achieve JPY11.9trillion or US\$109billion (CAGR of 3.4%) and the cloud related sales ratio will be anticipated to grow from 20.2%(2018) to 54.5%.



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.



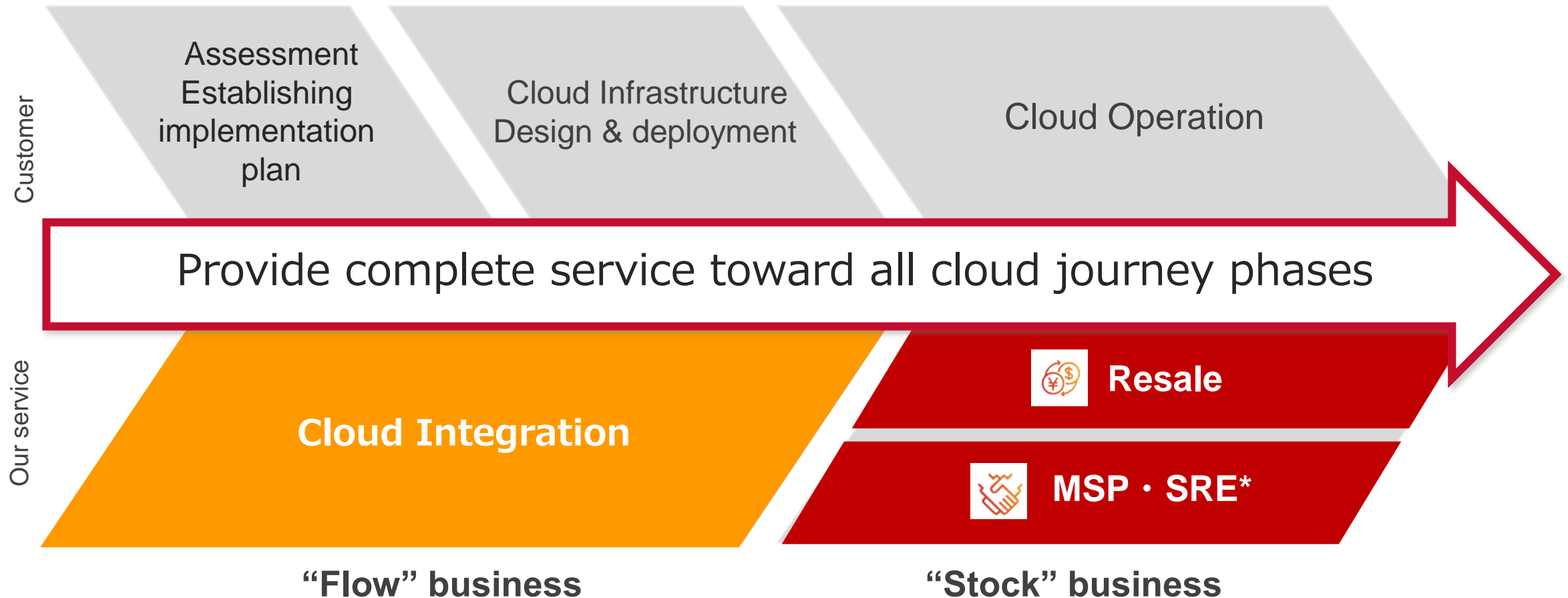
The main stream of on-premise environment will shift to public cloud environment and the movement will accelerate.

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

Our Business Model

Business Model

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



*SRE: Site Reliability Engineering. A concept advocated by Google Inc. in 2003 to operate an expanding large-scale IT system. The mission is to improve performance, availability, elasticity, security, etc. in order to secure the reliability of the IT system and build a system that can be continuously improved by introducing various tools and strengthening collaboration with customers.

Difference between SRE and conventional MSP

For specific large customers, we set up a dedicated team to support customer needs which cannot be handled by the standard MSP service and provide service from system construction to operation and maintenance.

SRE



CI

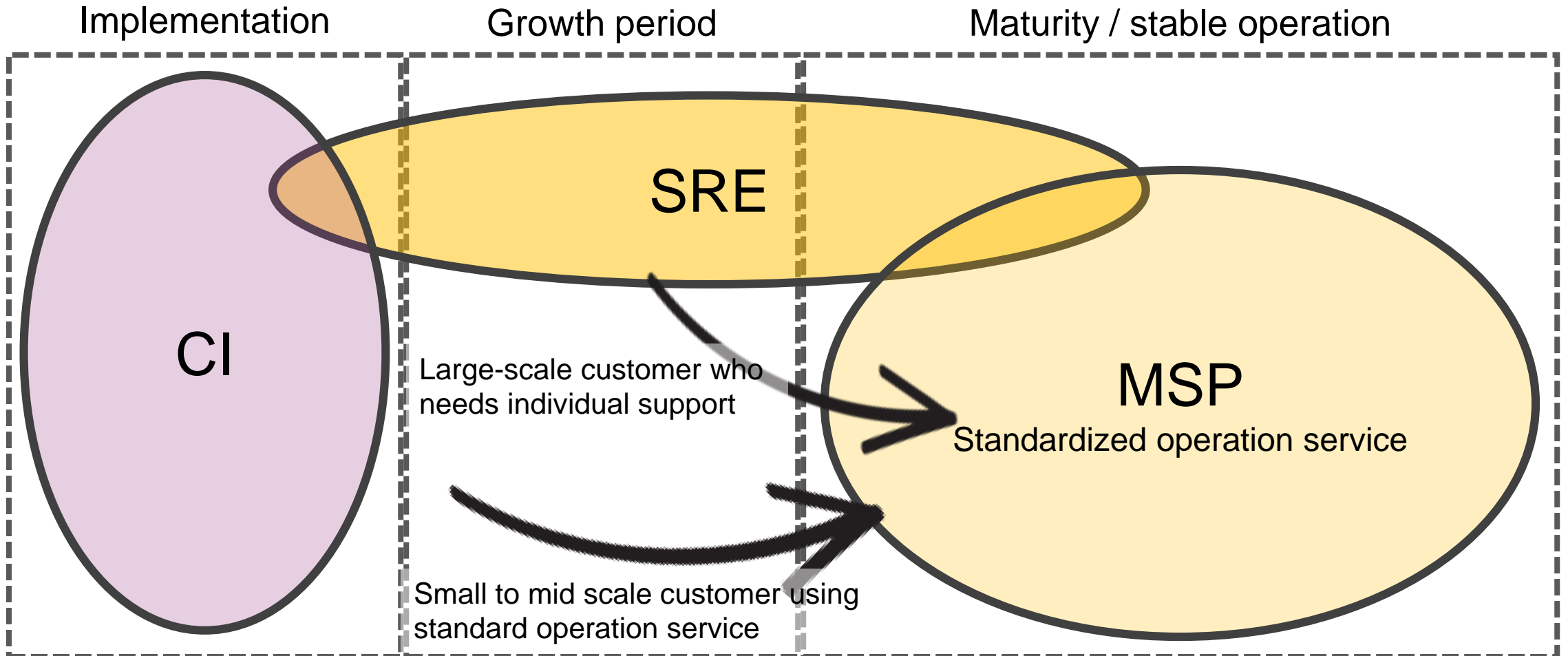
MSP

- Mainly provide support for migrating from on-premise environments to the Cloud, regardless of new/existing customers.
- After completing the cloud migration, our MSP will take after the customer, when customer ask us to provide operation/maintenance services.

- The standard operation service specialized for the Cloud environment, which we have been providing to customers

Cloud migration lifetime

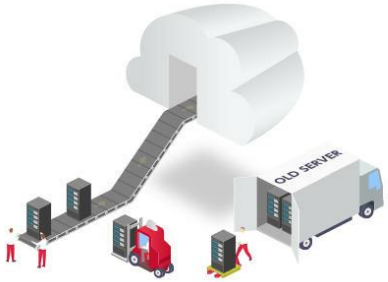
In the process from initial implementation(migration) to stable operation, the importance of SRE*, which supports customers unique needs, is increasing.



* SRE : Site Reliability Engineering

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.

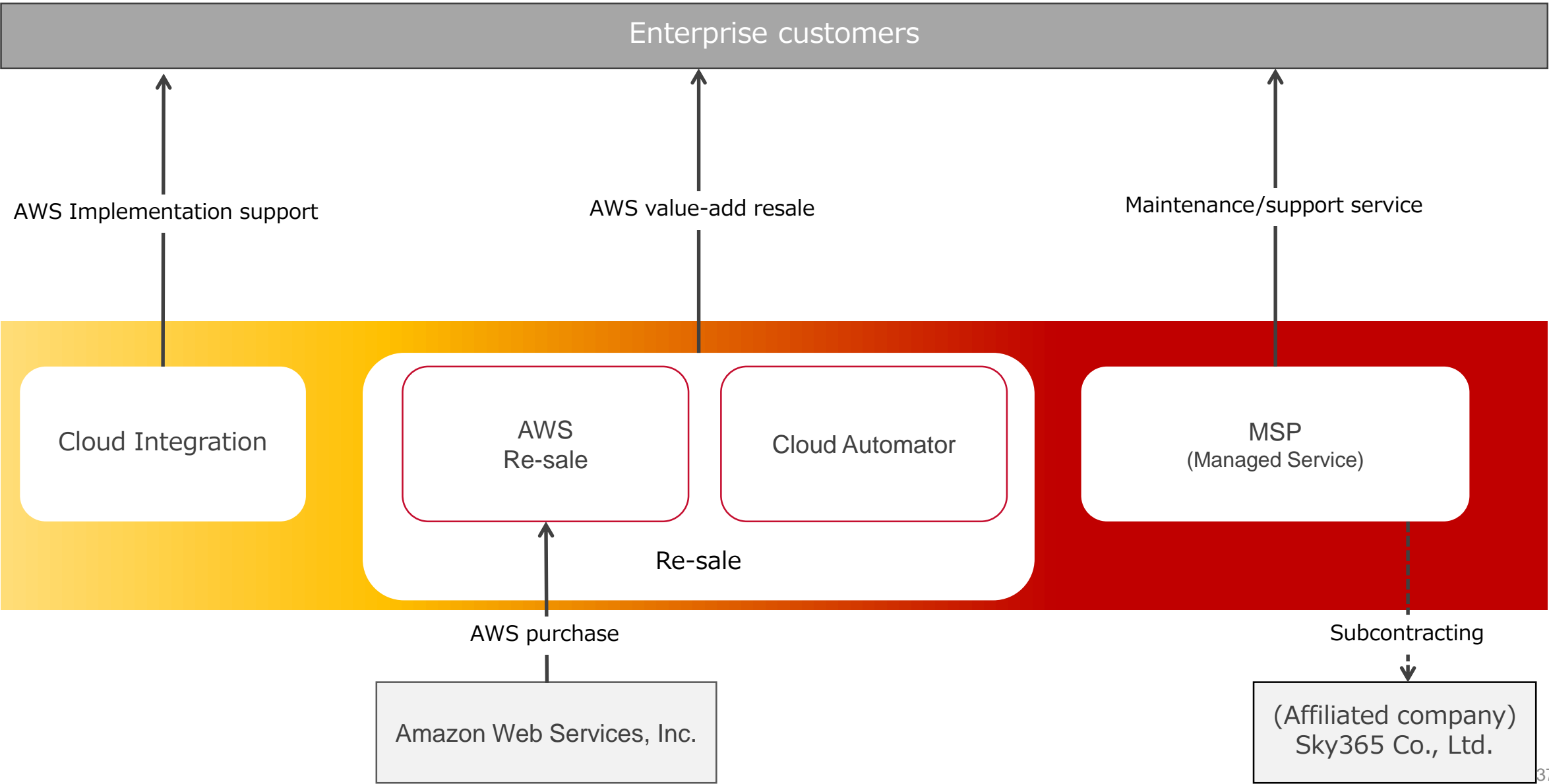
Especially, we develop and provide our unique application, “Cloud Automator”, a service that automates AWS operations, to our customers. By combining these solutions with AWS, we maximize the benefit of AWS to our customers.

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.

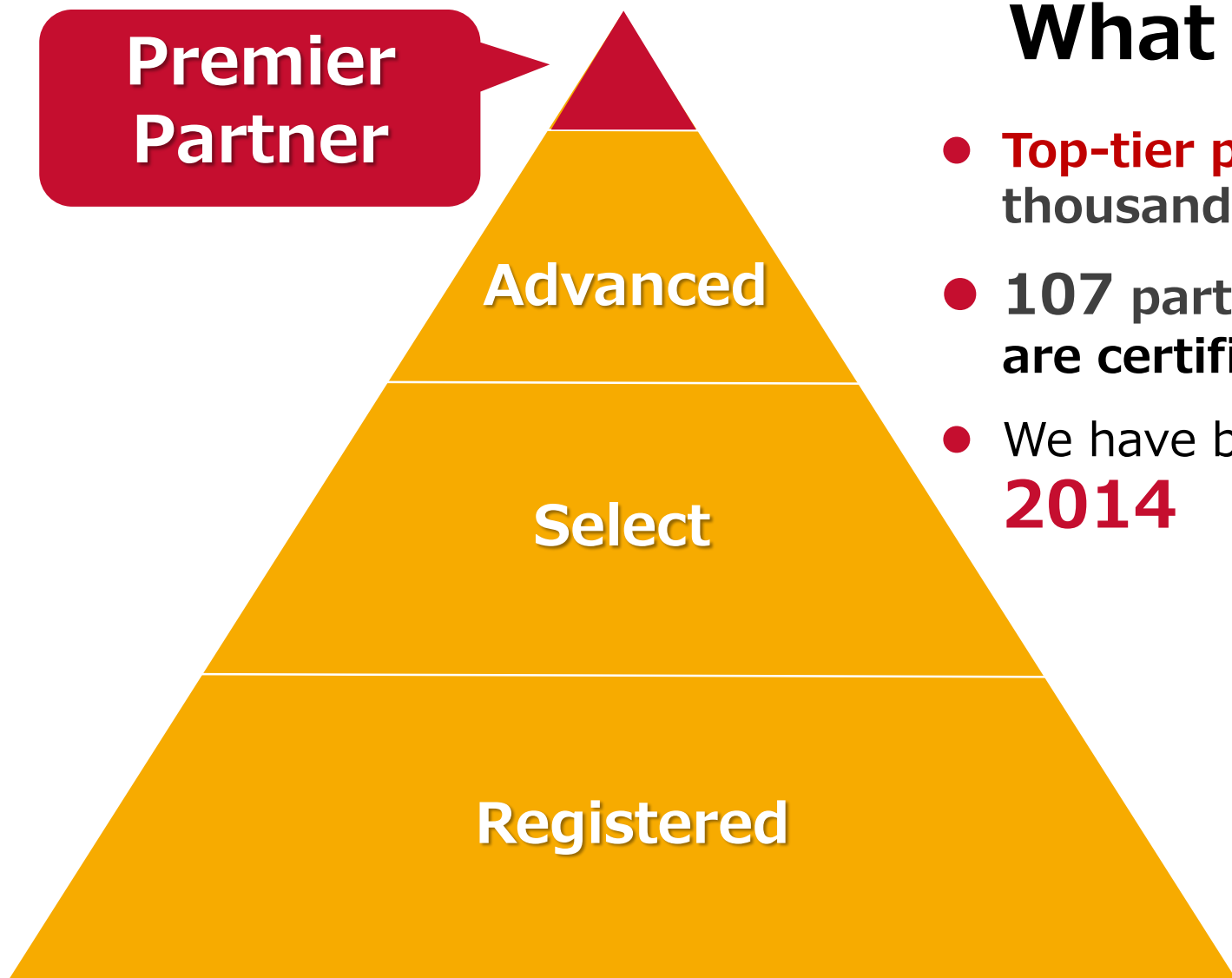


Business model diagram



Our Strength

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**

Our unique strength② High Technical skills

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

(people)

- Solution Architect Professional	38
- DevOps Engineer Professional	22
- Solution Architect Associate	85
- DeveloperAssociate	39
- SysOps Associate	48
- Security Specialty	22
- Big Data Specialty	15
- Advanced Networking Specialty	14
- Machine Learning Specialty	4
- Alexa Skill Builder Specialty	10

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 1st partner in Japan to receive this certification and we have been continuously receiving the certification.

AWS Migration Delivery Partner

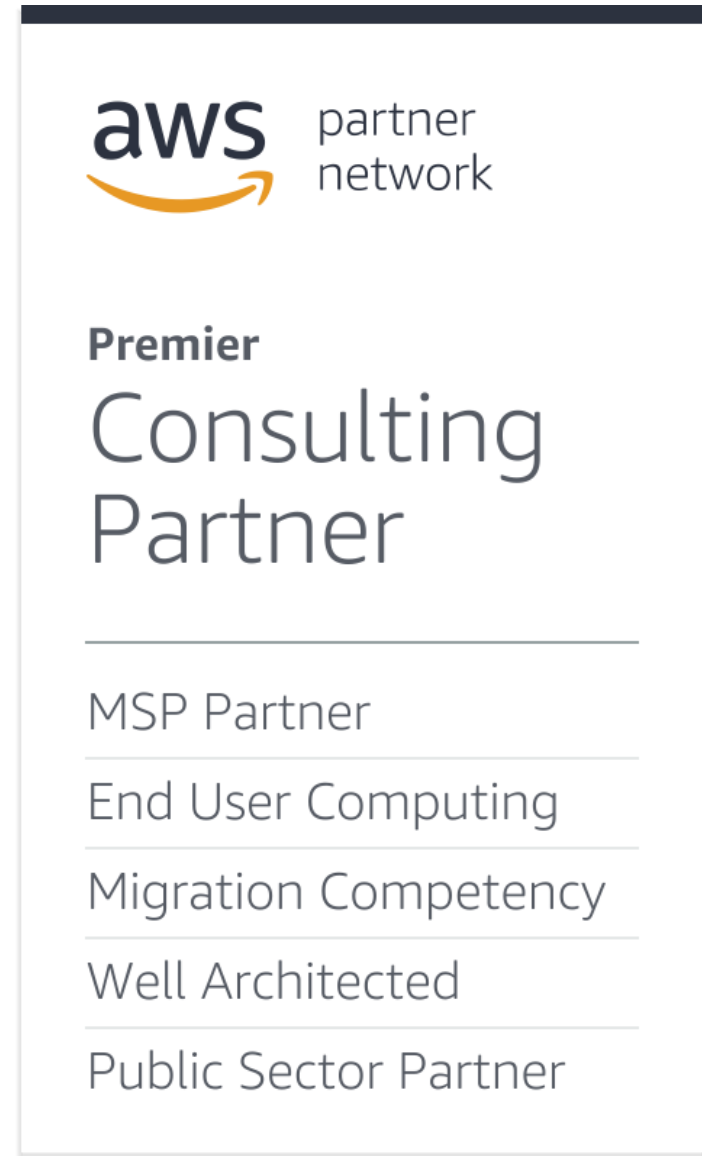
The partner who can assist customers at each stage of migrating existing applications to AWS and provide staff, tools and education as part of professional services.

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 1st 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 780+ companies & 7,900+ projects*¹, mainly from mid-large size enterprise companies



J.フロント リテイリング

Eat Well, Live Well.



AJINOMOTO



人・企業・社会の未来を創る
Funai Soken Holdings



NTT SMILE ENERGY



JAM STUDIO

音楽するみんなのためのオンライン録音スタジオ

sansan



unicharm

BELSYSTEM24

Hitz

Hitachi Zosen

日立造船株式会社

Lancers

ひととき、輝く

TOKYU SPORTS
OASIS



MEINAN
Meinan Consulting Network
税理士法人名南経営



久原本家



琉球銀行

MIZUHO

みずほ銀行

CLAVIS
Company

intage
THE INTELLIGENCE PROVIDER

Marubeni



TAKAMIYA



YAMAHA

ベルナ



ワールドホールディングス

DISCO

はたらくを、もっと豊かに。

IDOM Inc.

あしたがつてきに！



東邦ガス

YOKOGAWA

NEVER SAY NEVER

ロート製薬

TV TOKYO COM

*1 : as of March 31st, 2020

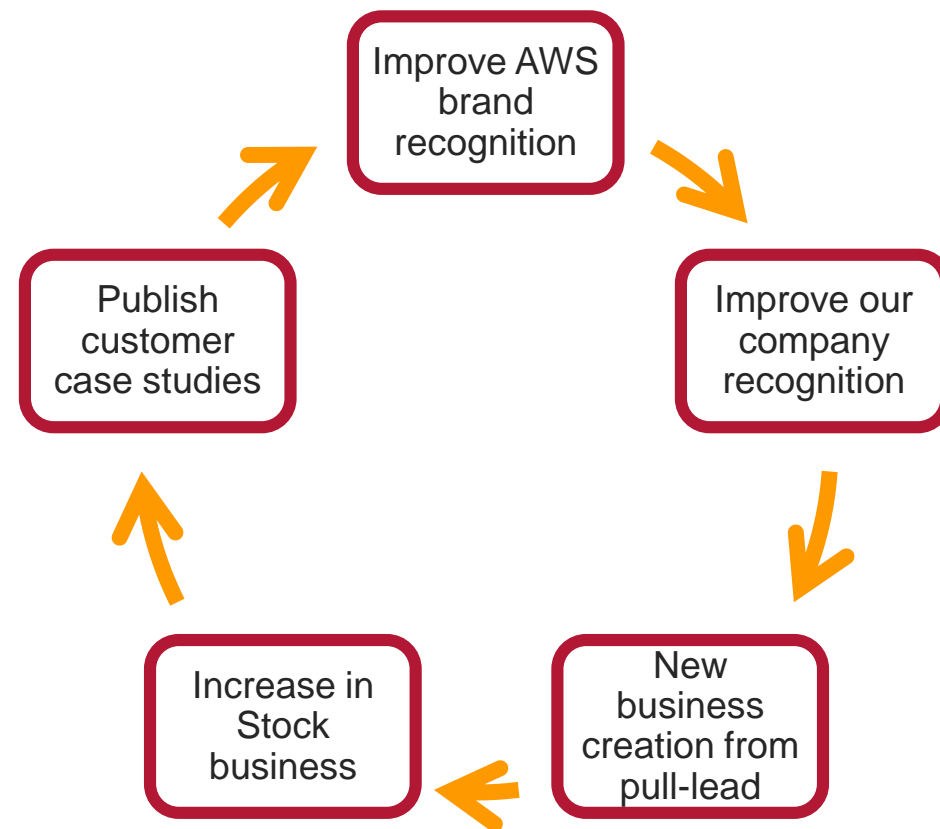
Our unique strength ④ Front Runner advantage

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^(*) 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.

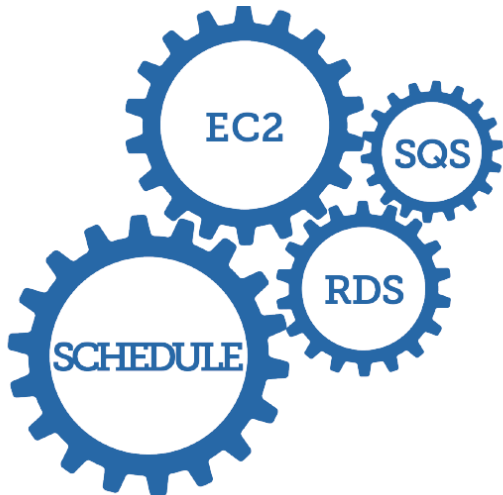
Contribute to both low-cost & high-quality operations and increase in Cloud Integration project orders



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

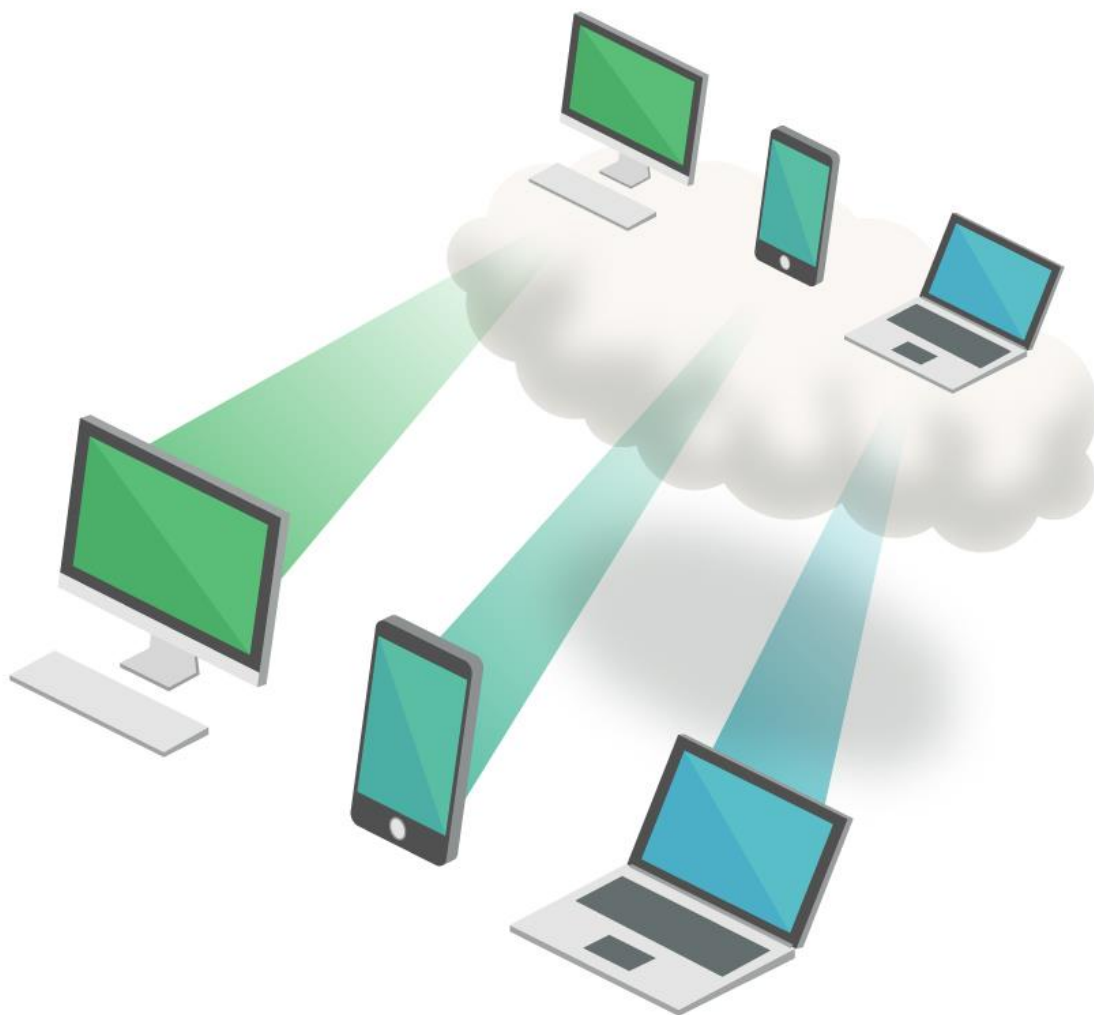
Growth Strategy: Winning Large migration projects

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