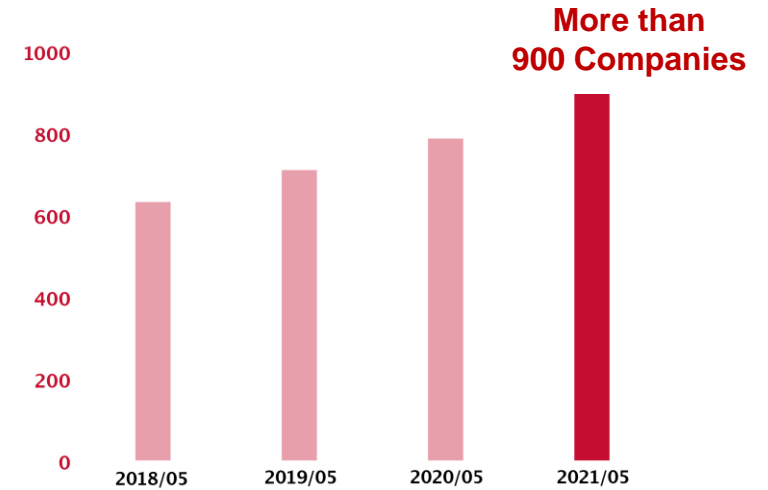# Q2 FY02/2022 Financial Summary

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

Topics

Q2 FY02/22 Topics

☐ <u>**More than 10,000 AWS Implementation Projects with over 900 Companies**</u>

- Demand for teleworking led to

  a 169% increase in the use of Amazon Workspaces and

  a 15,690% increase in the use of AWS Client VPN, a remote access VPN.

☐ <u>**Received the Latest AWS MSP Program Certification (Version 4.2)**</u>

- The AWS MSP Program is a technical certification program from AWS that recognizes

  APN consulting partners for their ability to deliver next-generation managed services and other capabilities.

  Continuously renewing the certification since 2015.

☐ <u>**Partnership with eclect, Inc. to Expand Next-Generation Contact Center Services Leveraging AWS and Zendesk within FY2021**</u>

- Planning to develop a variety of services that promote integration (composite services) which leverages the strengths of

  both companies and the construction of next-generation contact centers which make full use of the latest cloud

  technologies, Zendesk and AWS.

More than 900 Companies

1000

800

600

400

200

0

2018/05　　2019/05　　2020/05　　2021/05

3

Q2 FY02/22 Topics

☐ Full-Scale Entry into the Google Cloud™ Business

- Established a joint venture, G-gen Co., Ltd. with South Korea's Bespin Global Inc. group to develop the Google Cloud business and fully entered the Google Cloud business as a Google Cloud Premier Partner.

GCP Premier Partner

Serverworks ✕ BESPIN GLOBAL

Q2 FY02/22 Topics

☐ <u>**Disclosure of Consolidated Financial Results from Q2 FY02/22**</u>

Serverworks

(Non-consolidated) Serverworks Co., Ltd. Serverworks	(Consolidated subsidiaries) G-gen Co., Ltd. Ggen	(Equity method affiliate) Sky365 Co., Ltd. Sky365
AWS Business	GCP Business	Cloud operation business

Earnings Forecast

FY02/2022 Summary of Consolidated Earnings Forecast

Serverworks

(Consolidated)

(million yen)

On a non-consolidated basis, the order environment at Serverworks has improved, and the company expects to revise its previous forecast upward substantially. On the other hand, subsidiary G-gen is still in the upfront investment phase as it has just started up. Overall consolidated net sales are expected to exceed the previous year's forecast.

Net sales **10,212**
(YoY: 127.2%)

Operating profit **420**
(YoY: 100.2 %)

(Non-consolidated) Serverworks Co., Ltd.	(Consolidated subsidiaries) G-gen Co., Ltd.	(Equity method affiliate) Sky365 Co., Ltd.
Serverworks	**G gen**	**Sky365**
Net sales 10,197 million yen (Previous forecast +897 million yen)	G-gen is in the upfront investment phase, including costs such as start-up costs, recruitment, and marketing activities.	Record investment income using the equity method
Operating profit 489 million yen (Previous forecast +43 million yen)	Full-scale impact on business results is not expected until the next fiscal year.	
Significant growth is expected due to improvements in the ordering environment.		

Previous Earnings Forecast for FY02/22 (Announced in April 2021)

The previous forecast was announced on April 14, 2021 in the Summary of Non-Consolidated Financial Results for the Year Ended February 28, 2021. The plan was conservative as the impact of the COVID-19 pandemic was expected to continue for some time although many expected it to end.

(Unit: million yen)

	FY02/21 results	Composition (%)	FY02/22 forecasts	Composition (%)	% of previous year
Net Sales	8,029	100.0	9,300	100.0	115.8
Gross profit	1,224	15.3	1,543	16.6	126.1
Operating profit	419	5.2	446	4.8	106.4
Ordinary profit	410	5.1	471	5.1	114.9
Profit	482[1]	6.0	326	3.5	67.6

1. Profit for FY 02/21 includes an extraordinary gain of 246 million yen from the sale of investment securities.
2. Since our business is in the single segment of the cloud business, we do not disclose the earnings forecast for each segment. For the forecast figures of AWS Resale as percentage of net sales, we adopted the standard of the fiscal 2021 dollar-yen exchange rate forecast report published by financial institutions, which is 103 yen per dollar.

Non-Consolidated Earnings Forecast for FY02/22 (Revised)

Due to the favorable impact of foreign exchange rates and improvement in the ordering environment as a result of the recovery from the COVID-19 pandemic, full year net sales are expected to increase significantly, and each measure of profit is expected **to exceed the previous forecast by a wide margin**

(Unit: million yen)

	FY02/21 results	Composition (%)	FY02/22 Forecasts (increase from the previous forecast)	Composition (%)	% of previous year
Net Sales	8,029	100.0	10,197 (＋897)	100.0	127.0
Gross profit	1,224	15.3	1,640 (＋97)	16.1	134.0
Operating profit	419	5.2	489 (＋43)	4.8	116.7
Ordinary profit	410	5.1	515 (＋43)	5.1	125.6
Profit	482[2]	6.0	355 (＋28)	3.5	73.7

1. Disclosed in the "Notice of Transition to Consolidated Financial Statements and Consolidated Earnings Forecast and Revision of Non-Consolidated Earnings Forecast" on October 15, 2021.
2. Profit for FY 02/21 includes an extraordinary gain of 246 million yen from the sale of investment securities.
3. Since our business is in the single segment of the cloud business, we do not disclose the earnings forecast for each segment. For the forecast figures of AWS Resale as percentage of net sales, we have adopted 107 yen per dollar.

Consolidated Earnings Forecast for FY02/22 (Disclosed on 15 Oct, 2021)

Shifted to consolidated financial statements from Q2 FY02/22 due to the establishment of G-gen as a subsidiary.
Figures include the earnings forecasts of G-gen, which will be consolidated, and Sky 365, which is an equity method affiliate.

(Unit: million yen)

	FY02/21 results	Composition (%)	FY02/22 Forecasts (Consolidated)	Composition (%)	% of previous year
Net Sales	8,029	100.0	10,212	100.0	127.2
Gross profit	1,224	15.3	1,621	15.9	132.4
Operating profit	419	5.2	420	4.1	100.2
Ordinary profit	410	5.1	443	4.3	108.0
Profit and Profit attributable to owners of the parent	482[2]	6.0	319	3.1	66.2

1. Disclosed in the "Notice of Transition to Consolidated Financial Statements and Consolidated Earnings Forecast and Revision of Non-Consolidated Earnings Forecast" on October 15, 2021.
2. Profit for FY 02/21 includes an extraordinary gain of 246 million yen from the sale of investment securities.
3. Since our business is in the single segment of the cloud business, we do not disclose the earnings forecast for each segment.
   For the forecast figures of AWS Resale as percentage of net sales, we have adopted 107 yen per dollar.

Financial Results

Summary of Group Financial Results for Q2 FY02/22

Serverworks

（Consolidated）

Business grew substantially due to the favorable impact of foreign exchange rates and the improved order environment as a result of the recovery from the COVID-19 pandemic, **resulting in a significant increase over the previous fiscal year**.

(million yen)

Net sales **5,088**
（134.7% of the previous year）

Operating profit **364**
（229.2% of the previous year）

(Non-consolidated) Serverworks Co., Ltd.

Serverworks

Net sales 5,088 million yen
（134.7% of year-earlier level）

Operating profit 364 million yen
（229.2% of year-earlier level）

(Consolidated subsidiaries) G-gen Co., Ltd.

Ggen

Non-operating expenses of 1.4 million for the launch of the company were recorded.

(Equity method affiliate) Sky365 Co., Ltd.

Sky365

Equity in earnings of affiliates of 4.9 million was recorded.

Earnings Results for Q1 FY02/22 （Consolidated）
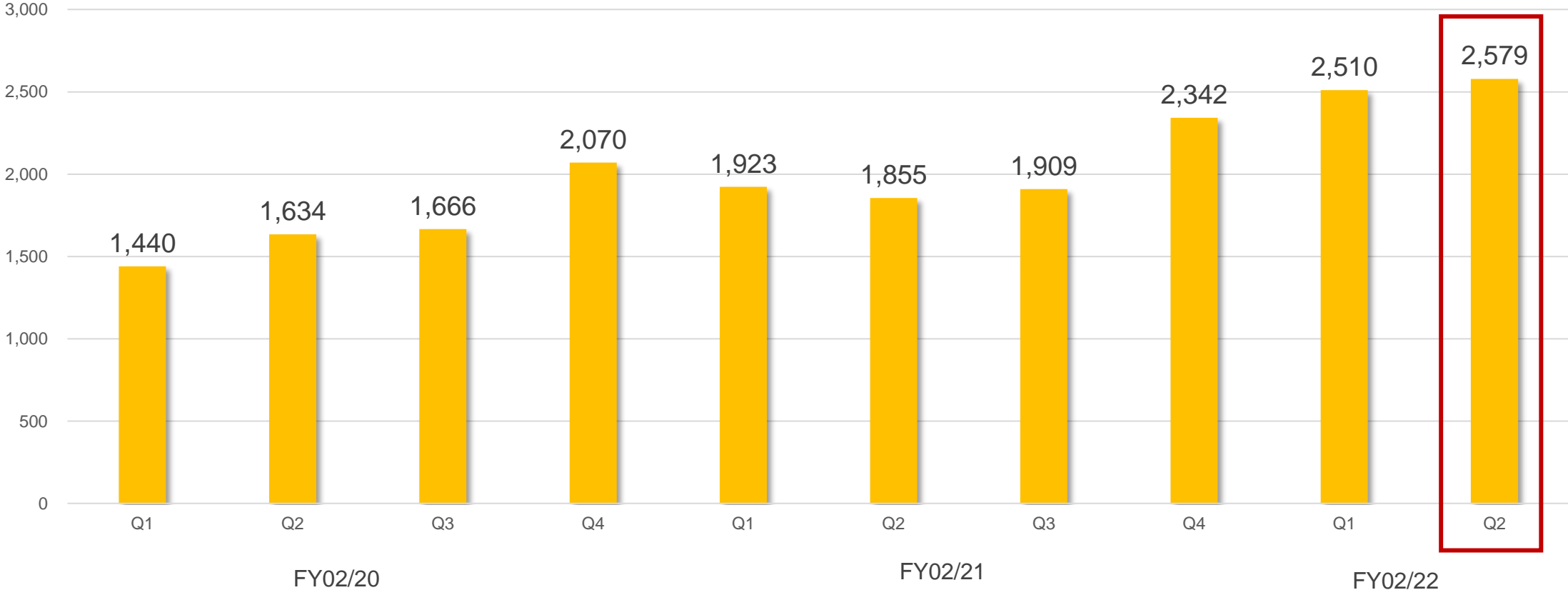
（Unit: million yen）

	Q2 FY02/21 results	Composition (%)	Q2 FY02/22 results (Non-Consolidated)	Q2 FY02/22 results (Consolidated)	Composition (%)	% of the previous year
Net Sales	3,777	100.0	5,088	5,088	100.0	134.7
Gross profit	526	13.9	864	864	17.0	164.1
Operating profit	159	4.2	364	364	7.2	229.2
Ordinary profit	145	3.9	359	362	7.1	248.8
Profit and Profit attributable to owners of parent	281*	7.5	243	246	4.8	87.6
EBITDA	193		399	399		

*Profit for Q2 FY 02/21 includes an extraordinary gain of 246 million yen from the sale of investment securities.

Quarterly Net Sales

Achieved **49.8% of the consolidated earnings forecast** in the second quarter.
**Net sales have increased for the last three consecutive quarters,** showing steady progress.

（Unit: million yen）

Non-consolidated net sales indicated until Q1 FY02/22.
As of August 2021, G-gen Co., Ltd has not generated any sales.

Operating Profit, Operating Profit margin

Operating profit increased due to overall improvement in business activities following the impact of the COVID-19 pandemic, and **operating margin was above the planned level**.

（Unit: million yen）

■ Operating profit ━●━ Operating profit margin

（margin）
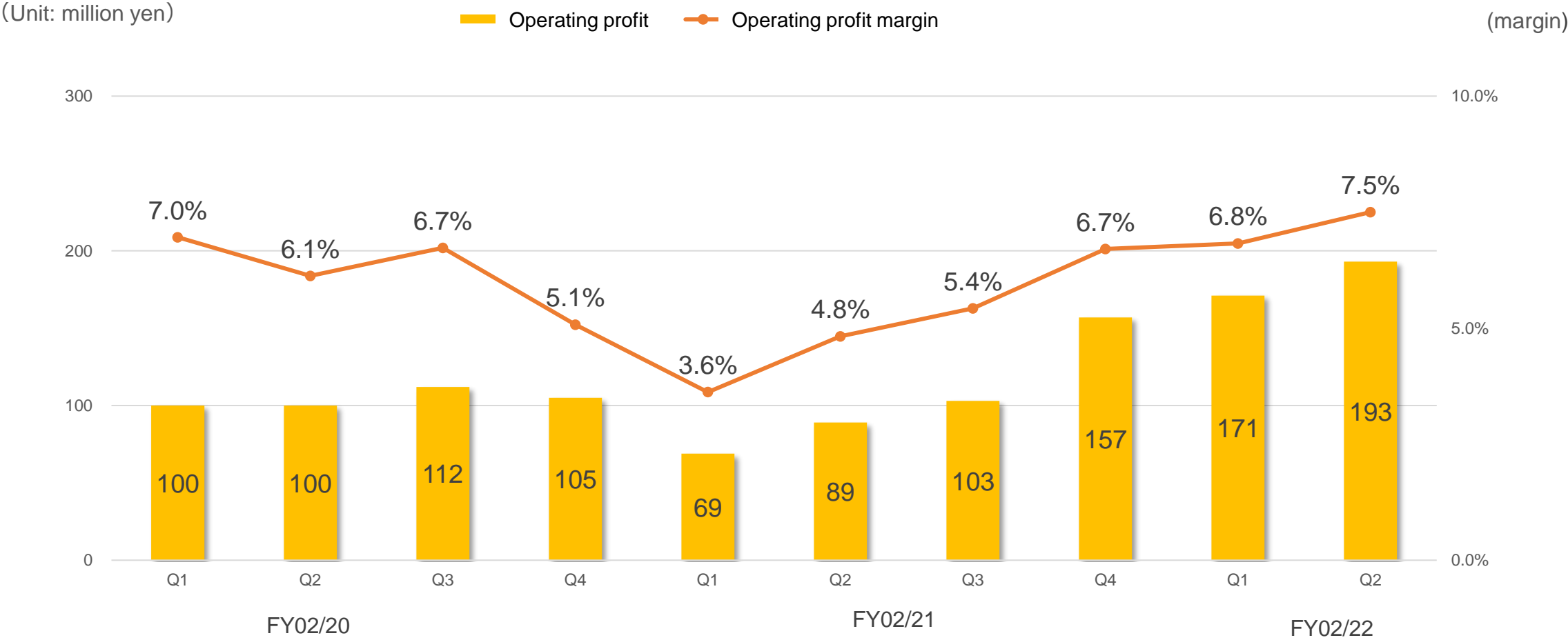
Q2 FY02/22 Net Sales by Product/Service Segment*

Net sales of all segments increased from the same quarter of the previous year.

（Unit: million yen）

	Q2 FY02/21 results	Composition (%)	Q2 FY02/22 Results (Consolidated)	Composition (%)	% of the previous year
Cloud Integration	175	4.6	259	5.1	148.1
Resale	3,130	82.9	4,281	84.1	136.8
MSP/ SRE (Managed Service Provider)	460	12.2	542	10.7	117.9
Other	12	0.3	5	0.1	42.3
Total	3,777	100.0	5,088	100.0	134.7

*Each service is explained in detail on page 44.

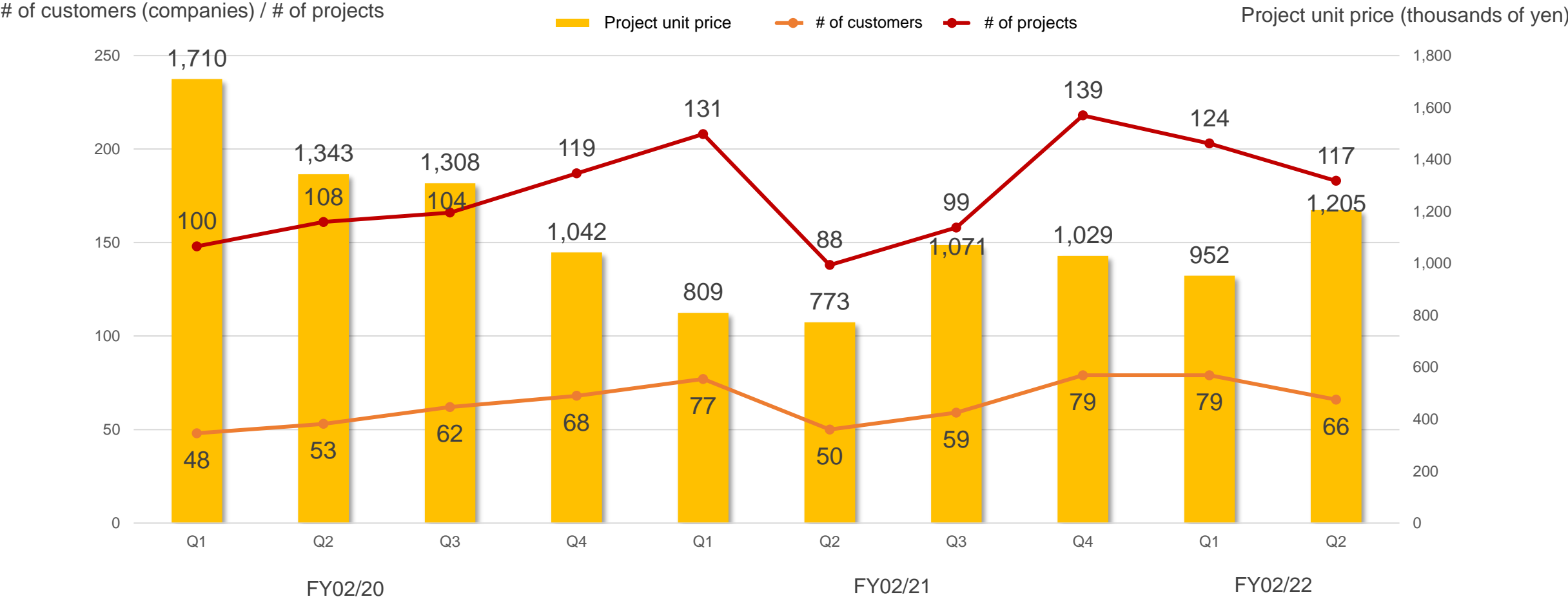# Quarterly Net Sales by Product/Service Segment

（Unit: million yen）
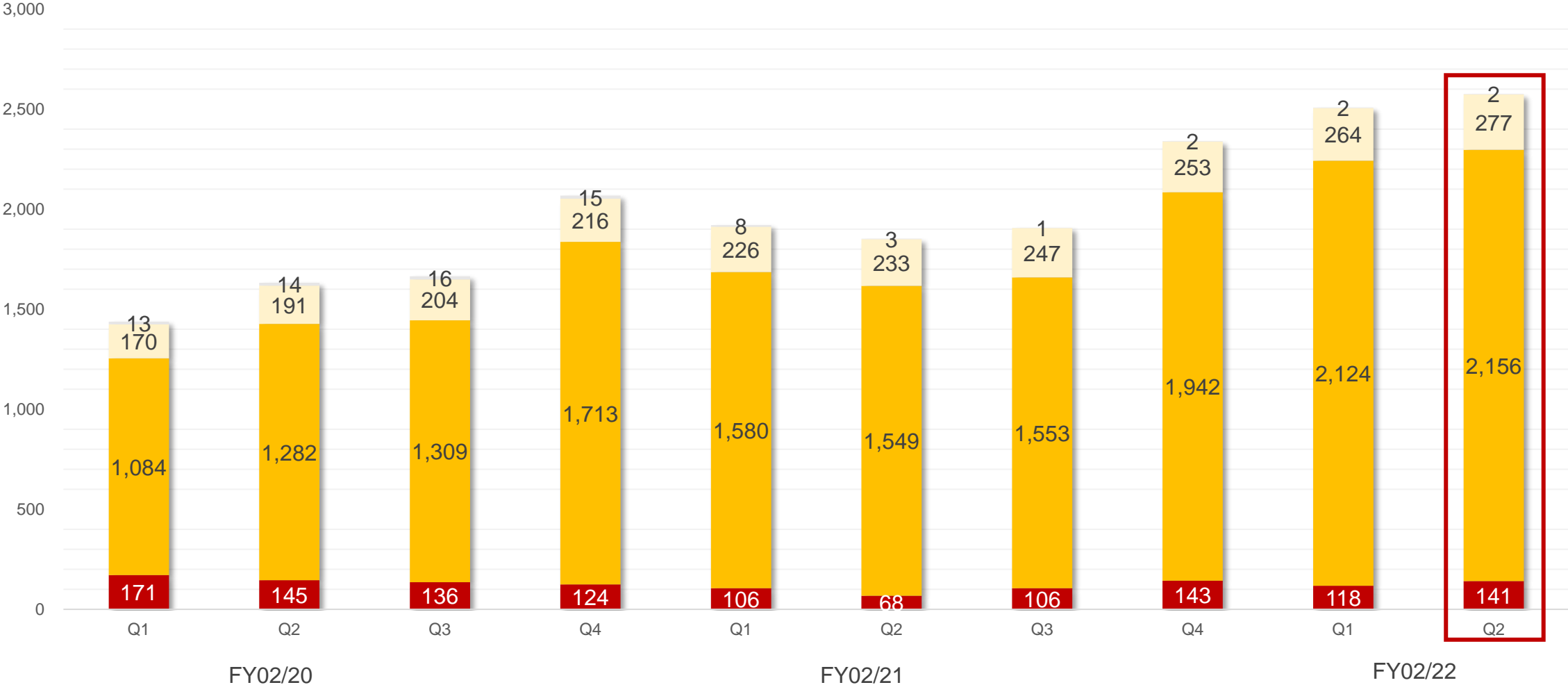
Due to the nature of AWS Resale transactions, total usage fees are recorded as net sales.
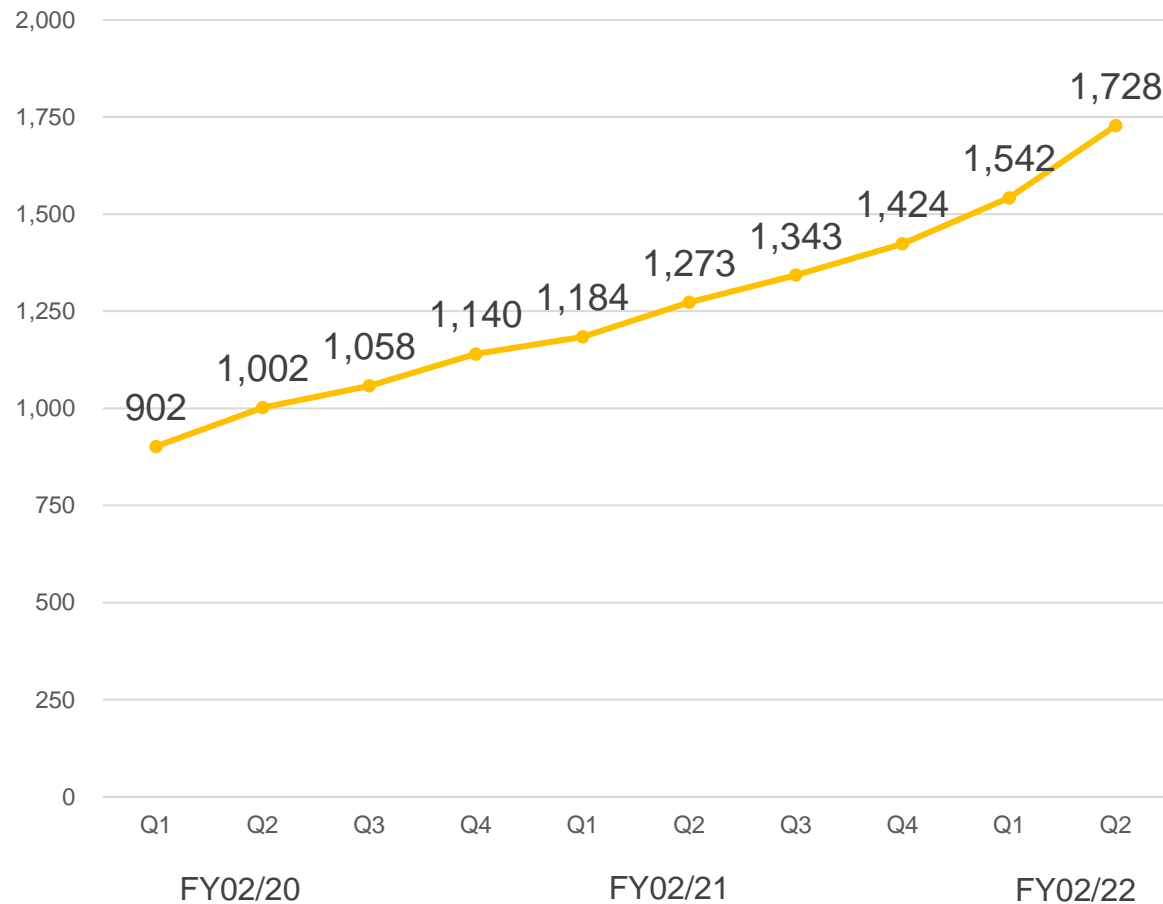
Cloud Integration: The Trend of Each Index

Against the backdrop of continued strong demand, the number of projects and clients remained steady.
The number of projects with high unit prices increased. **The unit price per project in the latest quarter was higher than in same quarter of the previous year.**

# of customers (companies) / # of projects

Legend: ▮ Project unit price ●— # of customers ●— # of projects

Project unit price (thousands of yen)

Project unit price bars: 1,710 / 1,343 / 1,308 / 1,042 / 809 / 773 / 1,071 / 1,029 / 952 / 1,205

# of projects: 100, 108, 104, 119, 131, 88, 99, 139, 124, 117

# of customers: 48, 53, 62, 68, 77, 50, 59, 79, 79, 66

Quarters: Q1 Q2 Q3 Q4 | Q1 Q2 Q3 Q4 | Q1 Q2

FY02/20   FY02/21   FY02/22

18

Resale: Number of AWS Accounts, ARPU

Number of AWS Accounts and ARPU increased steadily.

(Unit: # of accounts) No. of AWS accounts

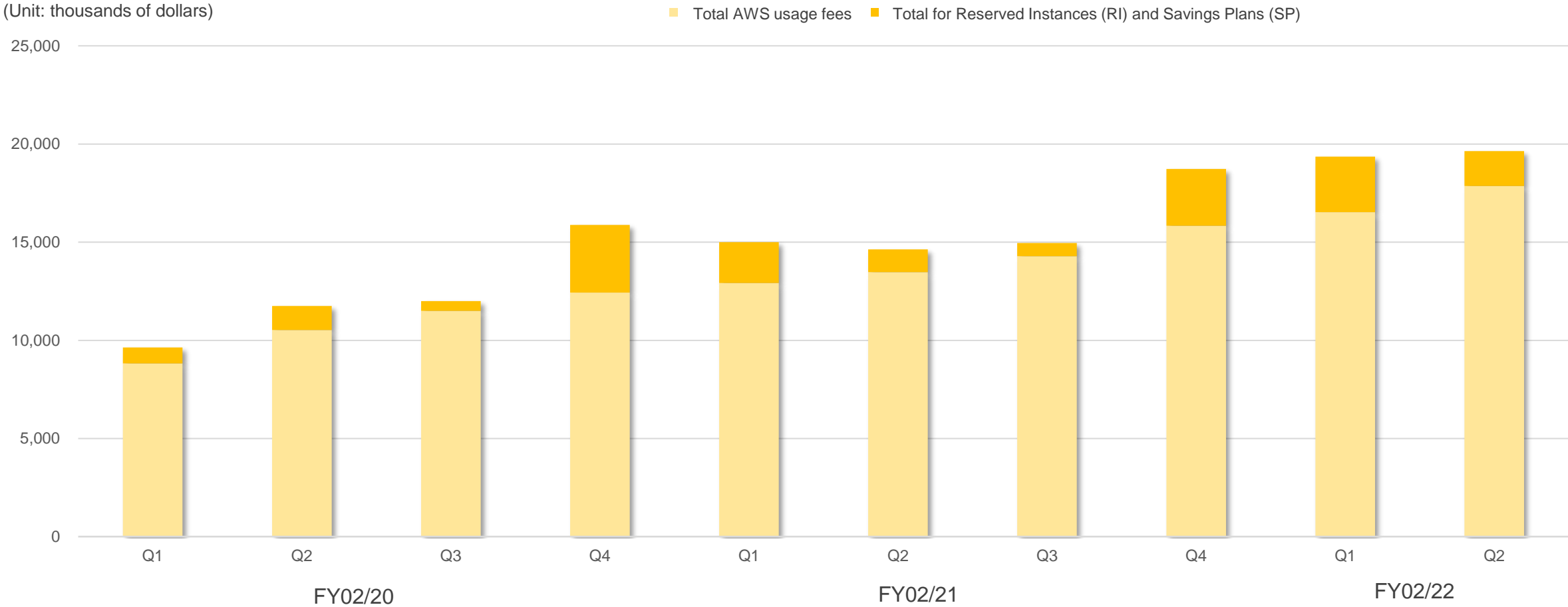|	Q1 FY02/20	Q2	Q3	Q4	Q1 FY02/21	Q2	Q3	Q4	Q1 FY02/22	Q2
	902	1,002	1,058	1,140	1,184	1,273	1,343	1,424	1,542	1,728

(Unit: USD) ARPU*

* Obtained by dividing AWS usage fees, excluding Reserved Instances and Saving Plans, by the number of customers.

	Q1 FY02/20	Q2	Q3	Q4	Q1 FY02/21	Q2	Q3	Q4	Q1 FY02/22	Q2
	8,648	10,101	10,976	11,886	12,046	12,196	12,595	13,604	13,394	13,511
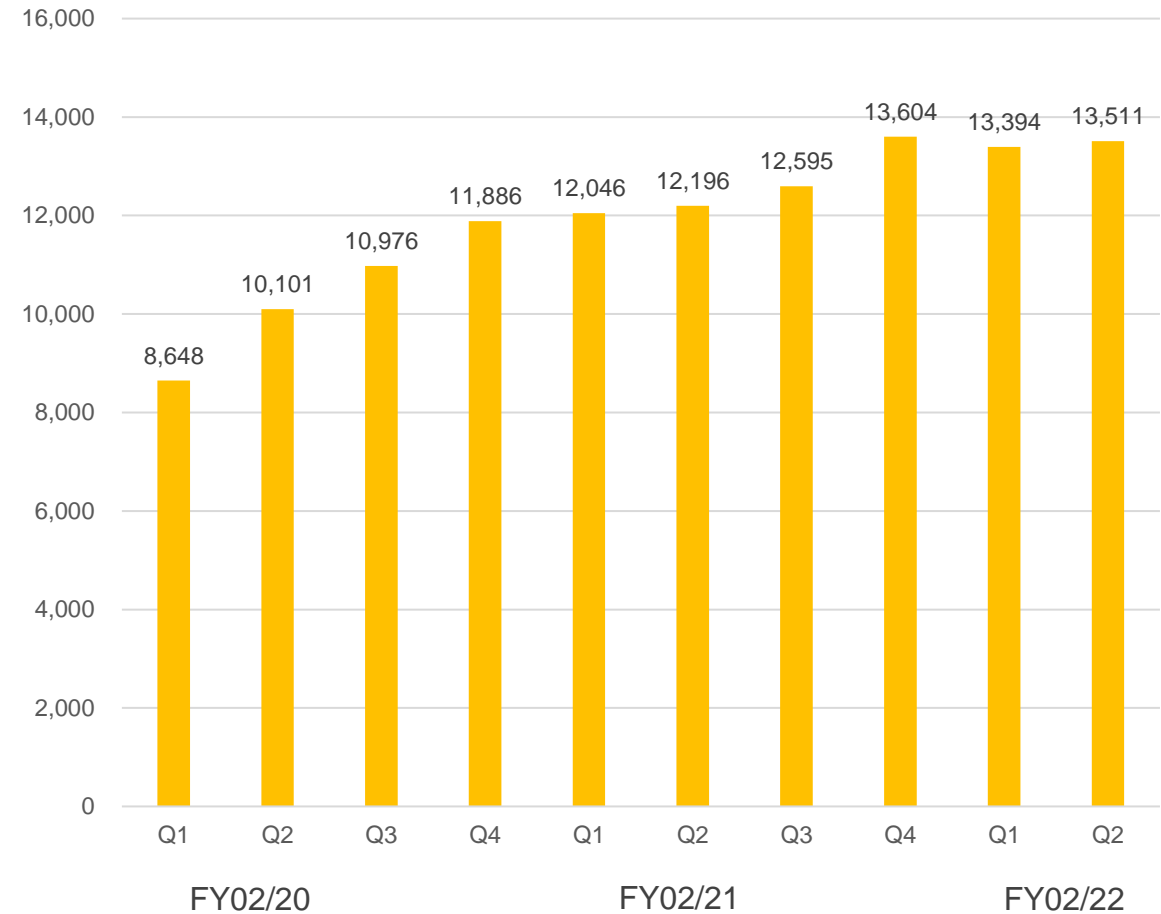
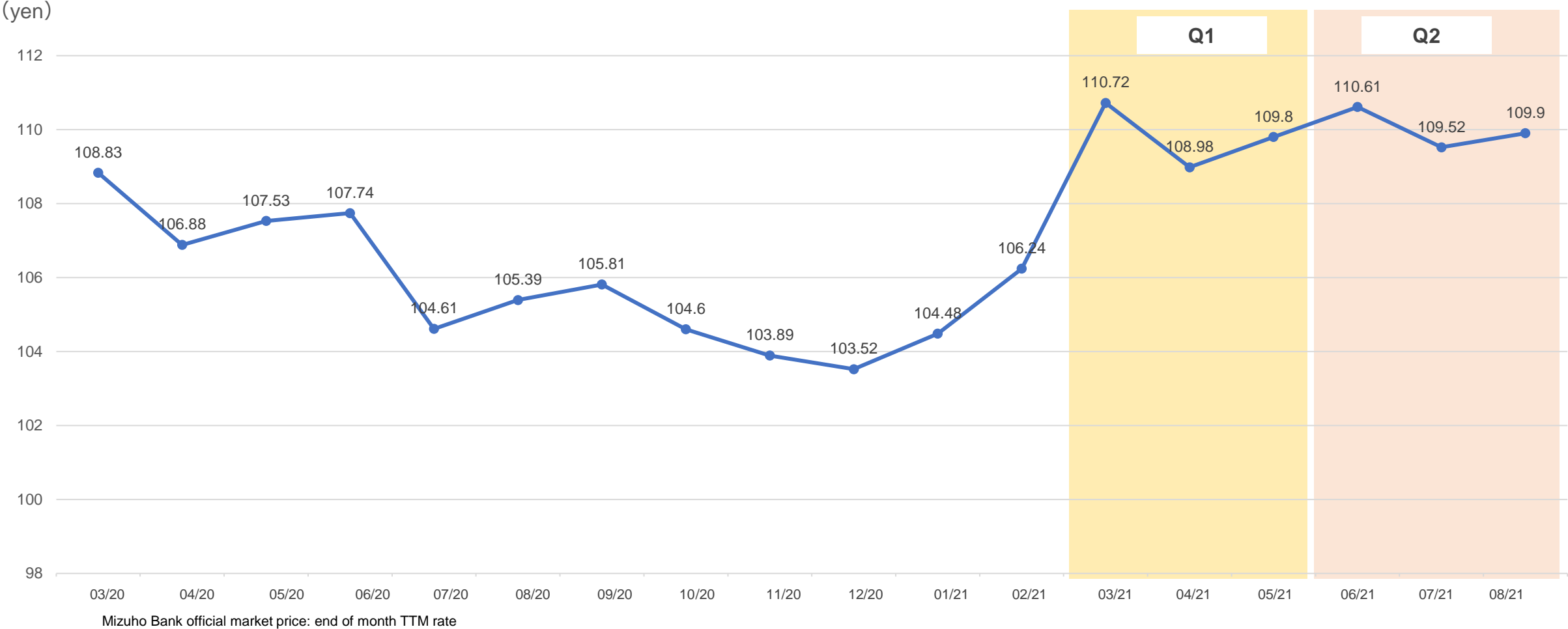# Resale: AWS Usage Fees, Reserved Instances, Saving Plans*

Regular AWS usage fees maintained steady organic growth.
Reserved Instances and Saving Plans were also higher than in the same quarter of the previous year.

(Unit: thousands of dollars)

■ Total AWS usage fees   ■ Total for Reserved Instances (RI) and Savings Plans (SP)

FY02/20   FY02/21   FY02/22

*AWS service under which substantial discounts are offered to customers who pay a fixed reservation fee and commit to AWS usage for a certain period

Resale: Exchange Rate Trend

The yen continued to weaken, which impacted the increase in net sales.
There is no impact on profit because purchases increase as well.

（yen）

Q1

Q2

110.72
108.83
106.88
107.53
107.74
104.61
105.39
105.81
104.6
103.89
103.52
104.48
106.24
108.98
109.8
110.61
109.52
109.9

112
110
108
106
104
102
100
98

03/20 04/20 05/20 06/20 07/20 08/20 09/20 10/20 11/20 12/20 01/21 02/21 03/21 04/21 05/21 06/21 07/21 08/21

Mizuho Bank official market price: end of month TTM rate

Stock Business Ratio Trend

（Unit: million yen）   One-time revenue businesses   Recurring-revenue businesses   Share of recurring-revenue businesses   (share)
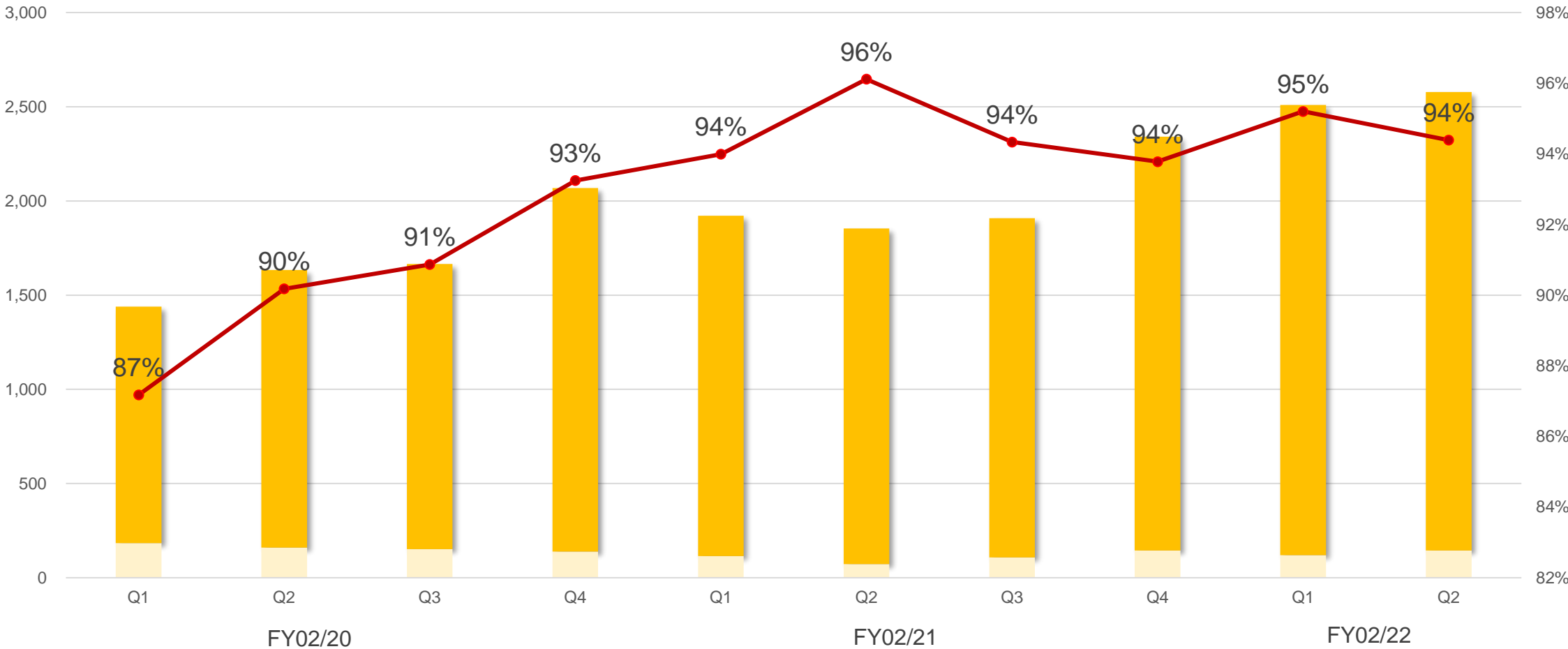
One-time sales from Cloud Integration, where sales are recorded at the time of customer acceptance positioned as one-time revenue are recorded as One-time revenue businesses. Recurring sales from AWS monthly usage fees, monthly charges for proprietary services such as Cloud Automator, licensing fees for continued use of third-party software services, and MSP usage fees and maintenance fees for AWS server monitoring and backup services (all of which entail continued AWS usage by companies) are recorded as Recurring-revenue businesses.

22

Lifetime Value

There is a trend of net sales from existing customers who had been contracted with us increasing over the years.

（Unit: million yen）　■ FY2011　■ FY2012　■ FY2013　■ FY2014　■ FY2015　■ FY2016　■ FY2017　■ FY2018　■ FY2019　■ FY2020
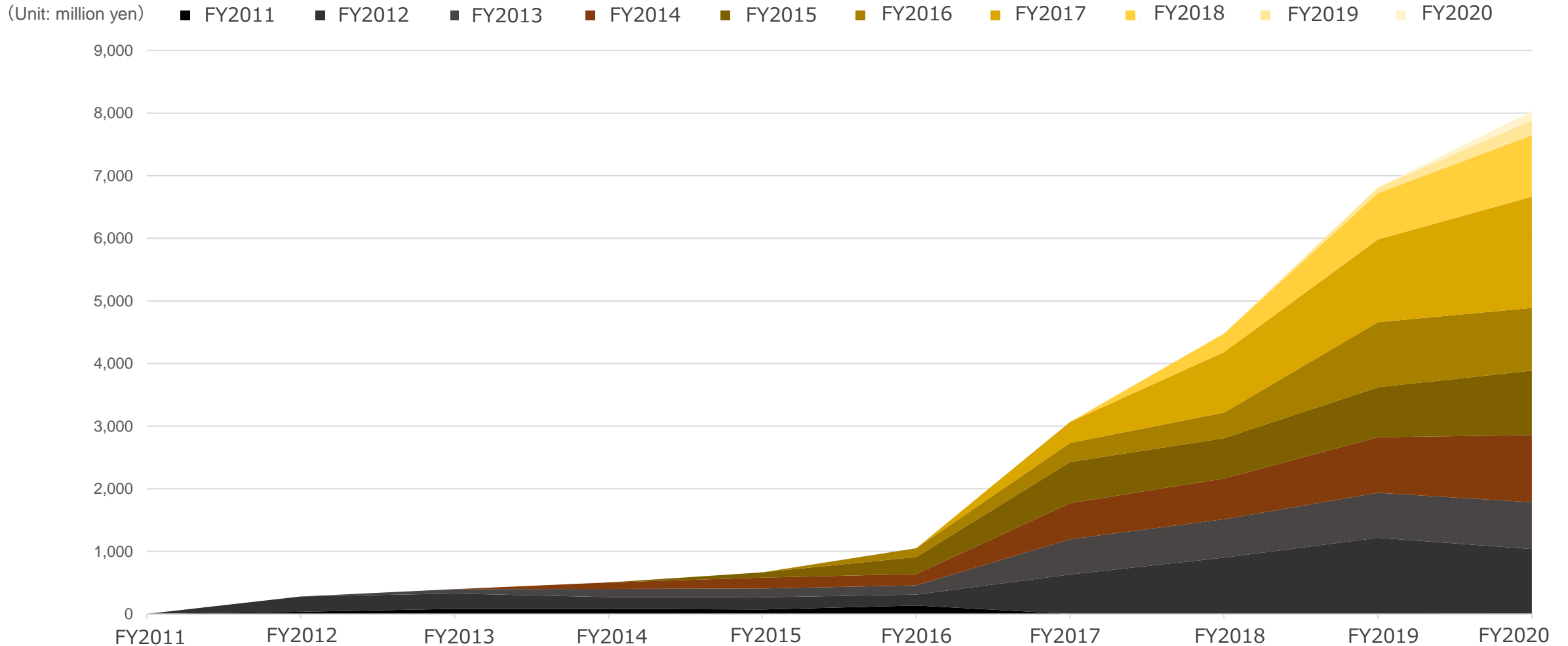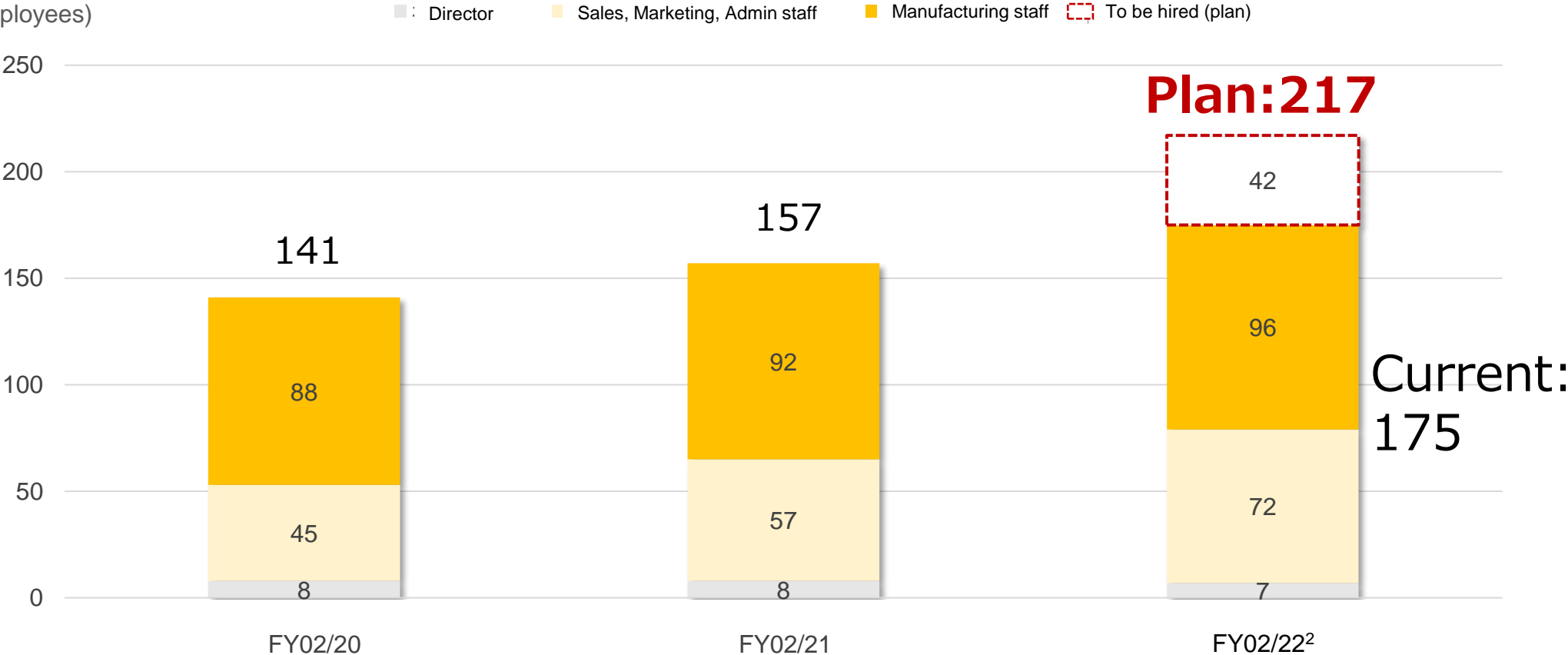

Sales revenue before FY2017 is estimated based on re-calculated AWS resale revenue using recent results.

Trend in Number of Employees

Actively hiring, especially cloud engineers.
Changed the initial full-year hiring plan of 33 to 60 to respond to strong demand.
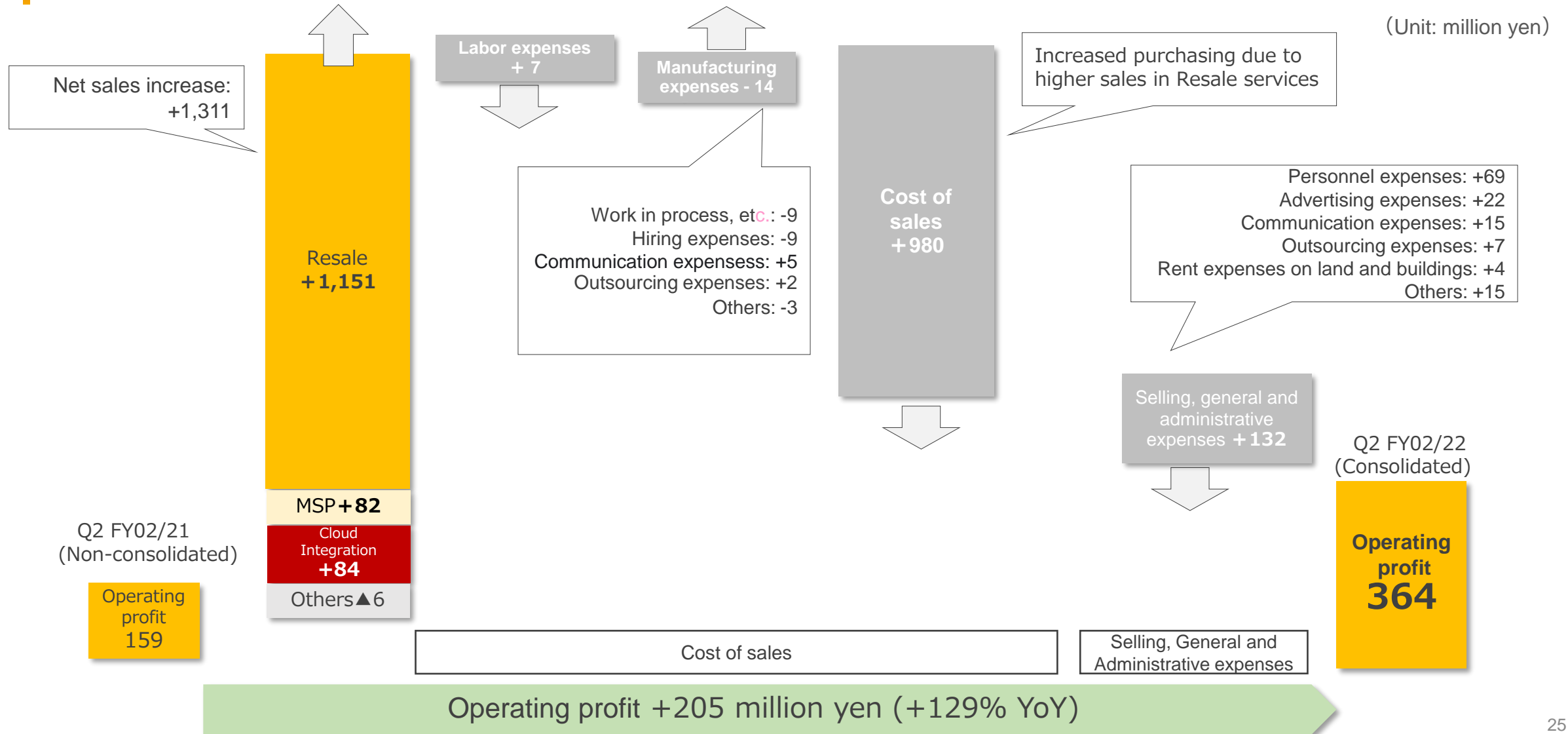
(Unit: employees)

Legend: ░ Director ░ Sales, Marketing, Admin staff ▨ Manufacturing staff ⬚ To be hired (plan)

Plan:217

Current: 175

	FY02/20	FY02/21	FY02/22[2]
Total	141	157	
To be hired (plan)			42
Manufacturing staff	88	92	96
Sales, Marketing, Admin staff	45	57	72
Director	8	8	7

1. The number of employees includes the number of temporary employees (part-time employees)
2. Ten new graduates are counted in our sales and administration department in Q1 FY02/22. FY02/22 figures are for the period from March to August 2021.

Q2 FY02/22 Analysis of Factors Affecting Operating Profit

The increase in net sales offset increased expenses such as the cost of sales due to higher sales in resale services and personnel expenses and outsourcing expenses associated with hiring. Operating profit increased significantly, up 129% YoY.

（Unit: million yen）

Net sales increase: +1,311

Labor expenses + 7

Manufacturing expenses - 14

Increased purchasing due to higher sales in Resale services

Resale +1,151

Work in process, etc.: -9
Hiring expenses: -9
Communication expensess: +5
Outsourcing expenses: +2
Others: -3

Cost of sales +980

Personnel expenses: +69
Advertising expenses: +22
Communication expenses: +15
Outsourcing expenses: +7
Rent expenses on land and buildings: +4
Others: +15

Selling, general and administrative expenses +132

MSP +82

Cloud Integration +84

Others ▲6

Q2 FY02/21 (Non-consolidated)

Operating profit 159

Q2 FY02/22 (Consolidated)

Operating profit 364

Cost of sales

Selling, General and Administrative expenses

Operating profit +205 million yen (+129% YoY)

25

Q2 FY02/22 Financial Condition: Balance Sheet (Summary)

In addition to the increase in non-current assets due to the acquisition of investment securities, current assets and net assets increased due to the exercise of employee stock options. Steady increase in retained earnings.
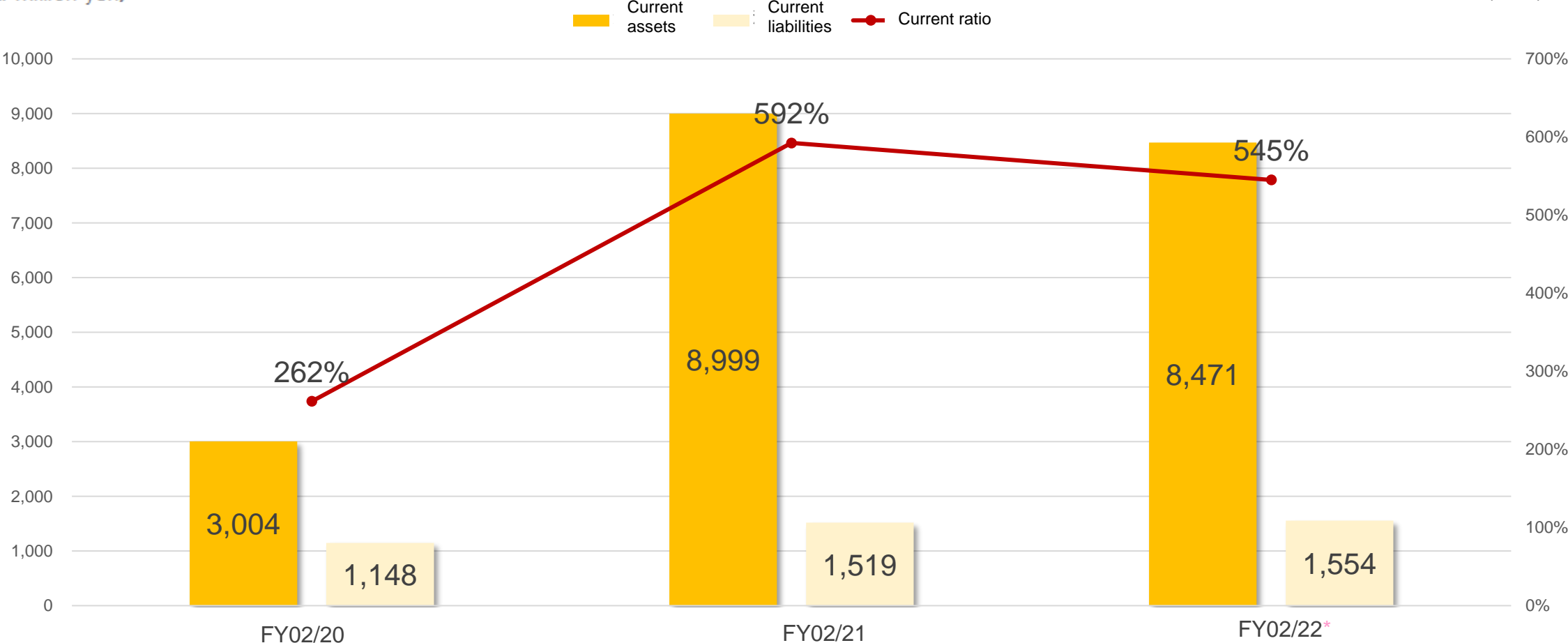
(Unit: million yen)

	FY02/21 Results	Q2 FY02/22 Results (Consolidated)	Change
Current assets	8,999	8,471	-527
Non-current assets	1,718	2,388	669
Property, plant and equipment	72	67	-4
Intangible assets	112	108	-4
Investments and other assets	1,532	2,211	679
Total assets	10,717	10,859	142
Total liabilities	1,862	1,838	-23
Current liabilities	1,519	1,554	34
Non-current liabilities	342	284	-58
Total net assets	8,855	9,021	165
Total liabilities and net assets	10,717	10,859	142

Current Ratio

Liquidity on hand is in a good shape with the current ratio of 545%.

(Unit: million yen)

(ratio)

Legend: Current assets | Current liabilities | Current ratio

	FY02/20	FY02/21	FY02/22*
Current assets	3,004	8,999	8,471
Current liabilities	1,148	1,519	1,554
Current ratio	262%	592%	545%

*FY02/22 figures are for the period from March to the end of August 2021.

Company Profile: G-gen Co., Ltd.

社名の由来

Google Cloud
Growth

Generation
Generate
Gene

Using Google Cloud to realize a new generation of IT systems

ビジネスモデル

Resale Services

Billing for Google Cloud in Japanese yen
BIggest discount rates in the industry

MSP Services

24x7 operation services
Manned monitoring/trouble shooting

Google Cloud Integration

Implementation consulting
Design and configuration services
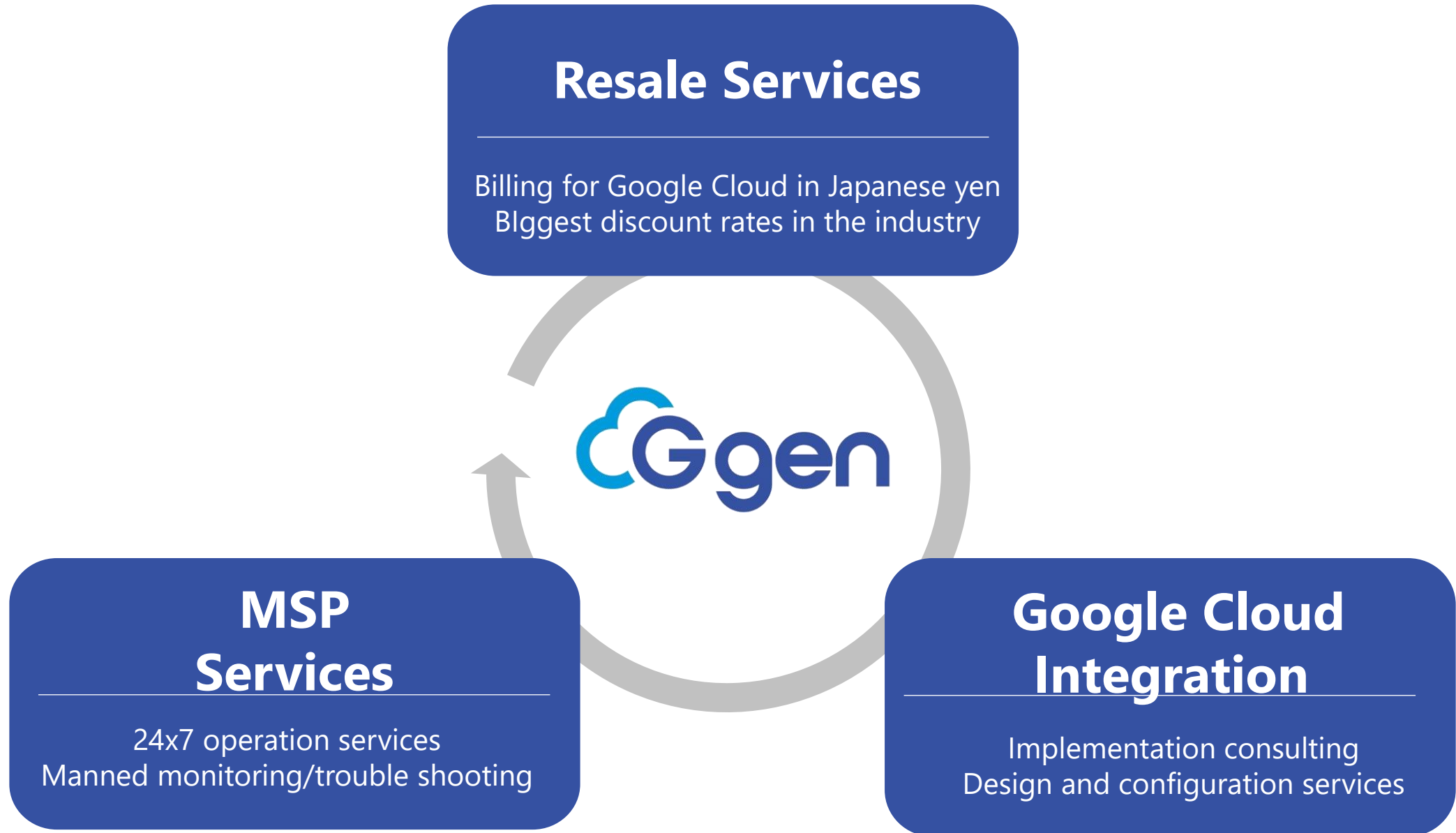
Why G-gen is chosen

Realizes a new generation of IT systems using Google Cloud by providing the lowest-priced Google Cloud resale service and a strong collaboration with Serverworks.

BESPIN GLOBAL ✕ **G gen**

GCP Premier Partner
Google Cloud

Serverworks ✕ **G gen**

aws **Optimization implementation support** Google Cloud

- In cooperation with Bespin Global, Asia's No.1 Google Cloud Partner, we have started business as **a Premier Partner, the highest-level partner**.

- At **5.0% off**, we offer the lowest price level in the domestic market.
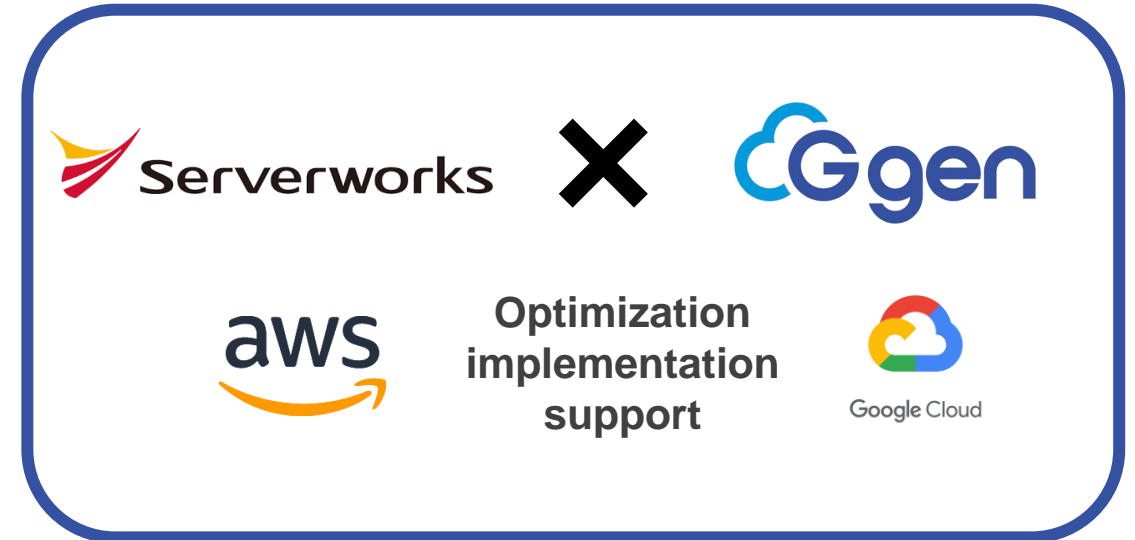
- As cloud services diversify, there have been cases where **Google Cloud is used in the SaaS/PaaS layer**.

- Collaborating with Serverworks, an AWS specialist, to provide overall design and configuration guidelines to realize **a next generation cloud environment** that encompasses AWS and GCP.

Company Profile

Company Profile *as of 8/31/2021

Company Name	Serverworks Co., Ltd.
Business Domain	System Planning/Development/Operation utilizing Cloud Computing
Founded	February, 2000
Capital	3,213,638,971 yen
Head Office	Agebacho 1-21, Shinjuku-ku, Tokyo, Japan
Office	Tokyo office ANNEX, Osaka, Fukuoka, Sendai
Number of Employees	168
Management	Ryo Oishi CEO Takashi Hashiba Senior Vice President Hiroyuki Oshio Senior Vice President Mikiya Inoue Outside Director who is Audit and Supervisory Committee Member (Full-time) Yuko Tanaka Outside Director who is Audit and Supervisory Committee Member Ichiro Terajima Outside Director who is Audit and Supervisory Committee Member Hikari Fujimoto Outside Director who is Audit and Supervisory Committee Member
Affiliated company	G-gen Co., Ltd. Sky365 Co., Ltd.
Major Shareholders	Board members, TerraSky Co., Ltd., NTT Communications Corporation, NTT DATA Corporation
Certification	APN Premier Consulting Partner AWS Migration Competency AWS Digital Workplace Competency AWS Managed Service Provider Program AWS Well-Architected Partner Program ISO /IEC 27001 (JIS Q 27001)

Management Introduction: Directors

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 Feburary 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   Hiroyuki Oshio

Oshio graduated from 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.

Management Introduction:
Audit and Supervisory Committee Members (Outside Directors)

Mikiya Inoue `Full-time`

Inoue graduated from Keio University, majored in Engineering, and joined Marubeni Corporation. He worked primarily in the information and communication industry, engaged in a wide range of projects such as time sharing services, international VAN services, mobile communications services, packet switching networks, communications networks for the distribution industry, optical submarine cables, data centers, and ISPs, as well as participating in related M&A projects. He also experienced residence in London and Bangkok. Inoue joined our company as Outside Auditor in May 2018. He became Outside Director in May 2021.

Yuko Tanaka

Tanaka graduated from Tokyo University, majored in Law, and joined Toyota Motor Corporation. She joined A.T. Kearney in 2003, engaged in a wide range of consulting projects for major companies, including company-wide strategies, business strategies, new business development, organizational restructuring, cost reduction, and due diligence. Currently, she concurrently assumes the positions of Director at CrowdWorks, Inc. and Outside Director of Audit and Supervisory Committee Members at Spacemarket, Inc. Tanaka joined our company as Outside Director in May 2021.

Ichiro Terajima

Terajima graduated from 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.
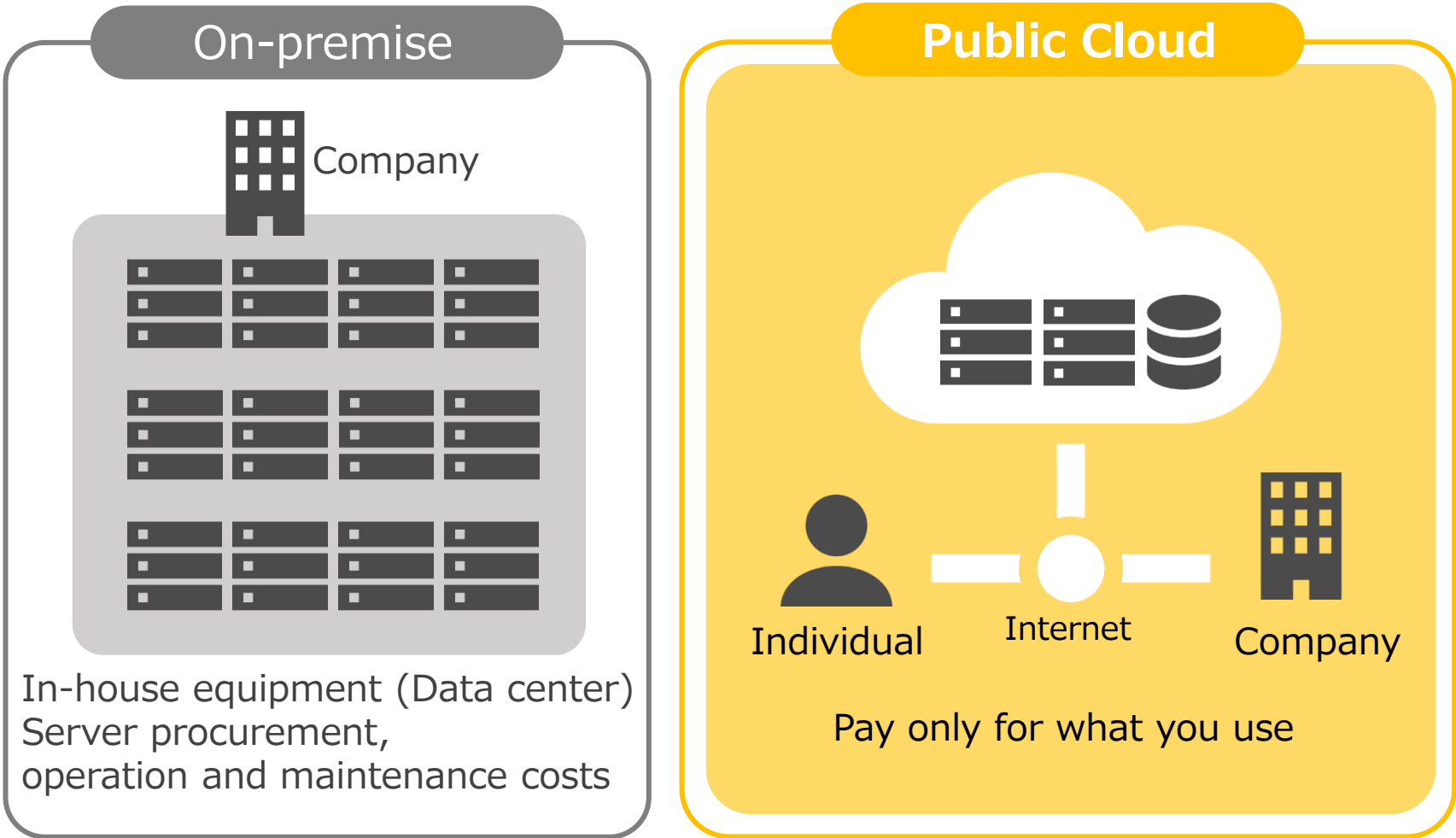
Hikari Fujimoto

Fujimoto graduated from Keio University, majored in Economics, and joined Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC). She engaged in accounting audit work and stock listing support services. She opened independently in 2011 and established Hikari Fujimoto Certified Public Accountant Office (current Hikari Fujimoto Certified Public Accountant and Tax Accounting Office) in 2013. She engages in stock listing support, support for the establishment of internal controls, M&A support, and accounting tax advisory for venture companies. Currently, she is an auditor for several companies. She joined our company as Outside Director in May 2021.

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

On-premise

Company

In-house equipment (Data center)
Server procurement,
operation and maintenance costs

Public Cloud

Individual   Internet   Company

Pay only for what you use

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 Continues to Lead

Selected as a "Leader", **the world's most visionary and excellent execution ability company, for 10th consecutive year** at Gartner's Magic Quadrant for Cloud Infrastructure and Platform Services

Figure 1. Magic Quadrant for Cloud Infrastructure and Platform Services

A leader in the cloud computing world with largest market share. Based on the customers feedback, the company continues to provide new services and functional improvements one after another.

AWS' Pace of Innovation

90%+ of those new features were a direct result of feedback from our customers and invent on behalf of customers
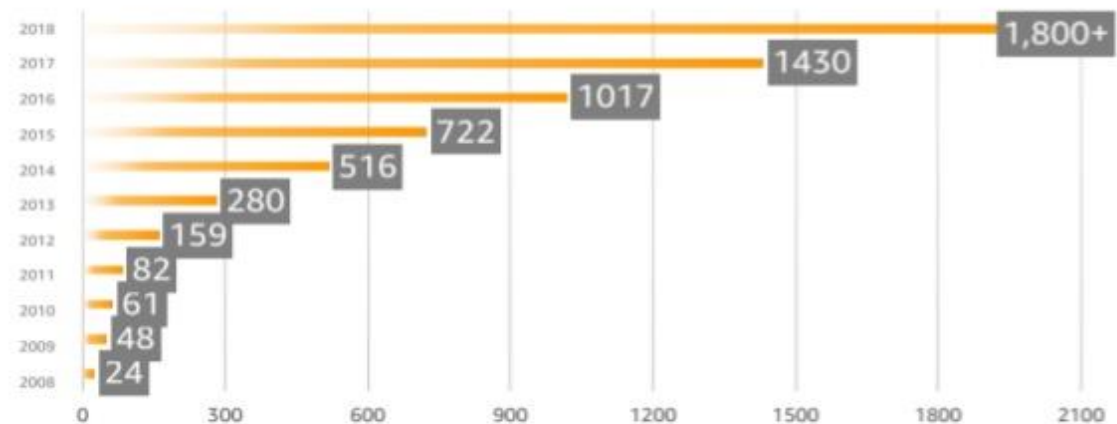
Market Environment: AWS Market Share

AWS still maintains its leadership position
in the global cloud market share in 2020.

Table 1. Worldwide IaaS Public Cloud Services Market Share, 2018-2019 (Millions of U.S. Dollars)

Company	2019 Revenue	2019 Market Share (%)	2018 Revenue	2018 Market Share (%)	2018-2019 Growth (%)
Amazon	19,990.4	45.0	15,495.0	47.9	29.0
Microsoft	7,949.6	17.9	5,037.8	15.6	57.8
Alibaba	4,060.0	9.1	2,499.3	7.7	62.4
Google	2,365.5	5.3	1,313.8	4.1	80.1
Tencent	1,232.9	2.8	611.8	1.9	101.5
Others	8,858	19.9	7,425	22.9	19.3
Total	**44,456.6**	**100.0**	**32,382.2**	**100.0**	**37.3**

Source: Gartner (August 2020)

Cloud Infrastructure Services Market
(IaaS, PaaS, Hosted Private Cloud)
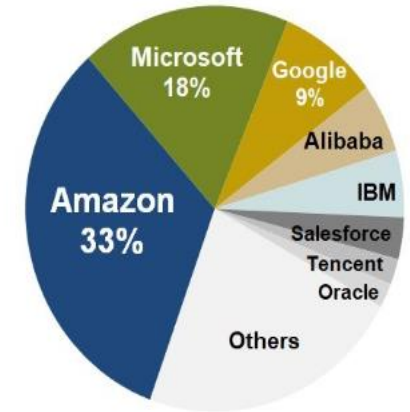
Market Share Q2 2020

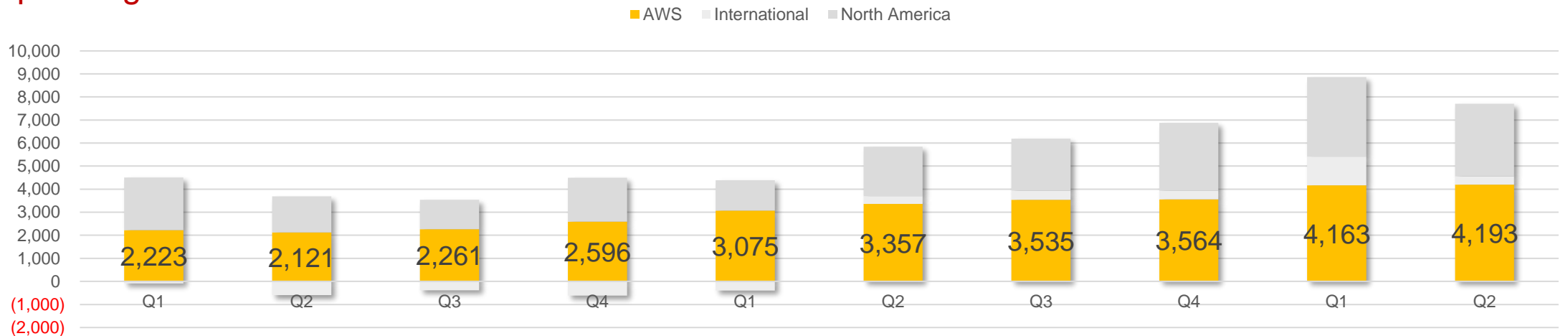Source: Synergy Research Group

Market Environment: AWS Growth and Profitability

AWS continues to grow sustainably. Operating profit is about 50% of Amazon's total operating profit.

Net Sales

(million dollars)
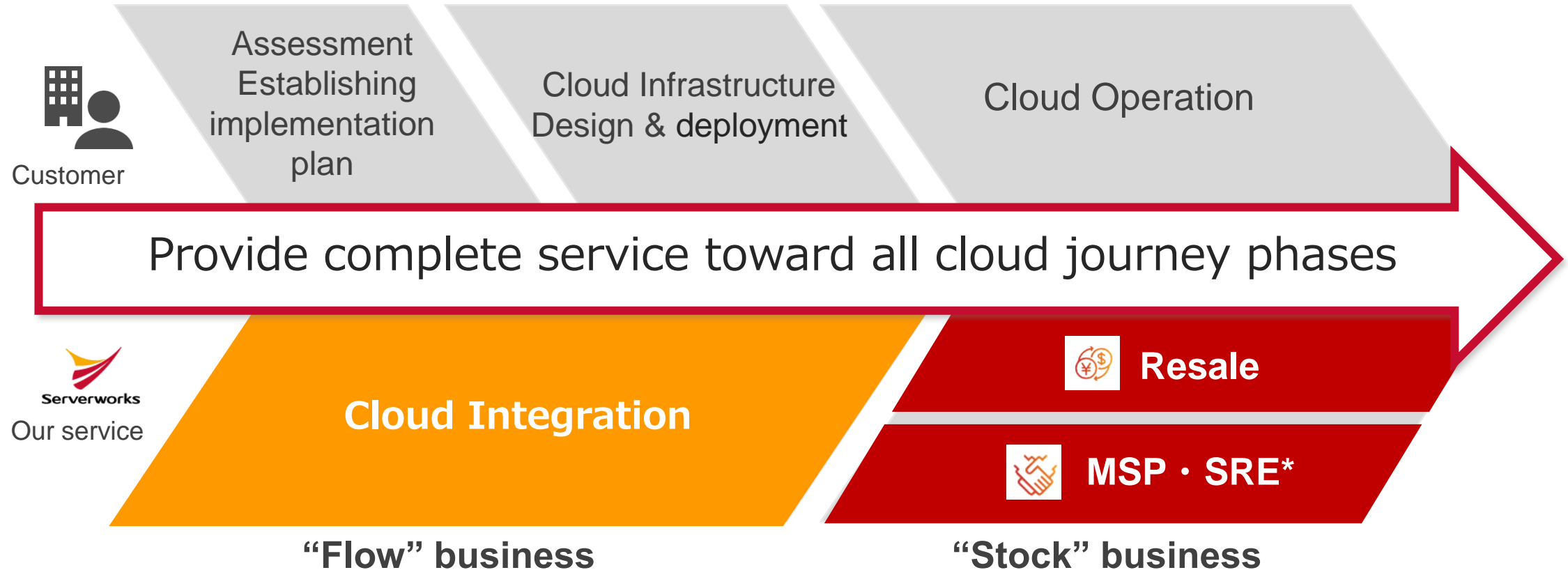
Legend: ■ AWS ■ North America ■ International

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
AWS	7,696	8,381	8,995	9,954	10,219	10,808	11,601	12,742	13,503	14,809

FY 12/19 | FY 12/20 | FY 12/21

Operating Profit

(million dollars)

Legend: ■ AWS ■ International ■ North America

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
AWS	2,223	2,121	2,261	2,596	3,075	3,357	3,535	3,564	4,163	4,193

出所: https://ir.aboutamazon.com/quarterly-results
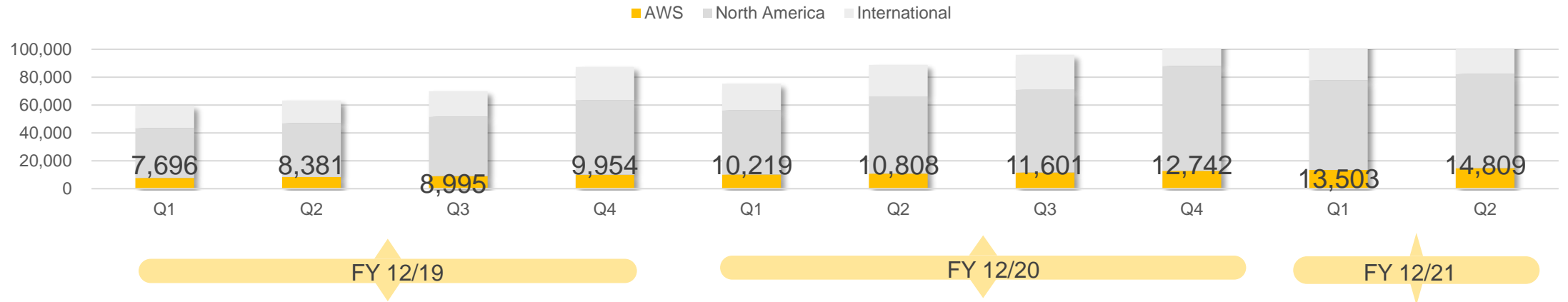
Our Business Model

Business Model

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

Customer

| Assessment Establishing implementation plan | Cloud Infrastructure Design & deployment | Cloud Operation |

Provide complete service toward all cloud journey phases

Serverworks

Our service

Cloud Integration

Resale

MSP・SRE*

"Flow" business

"Stock" business

*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.

Core Service Overview

Providing variety of services around AWS.
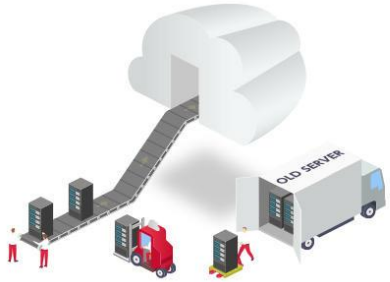
Cloud Integration

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.

Resale

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）・SRE

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.

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

Cloud Integration

- 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.

CI

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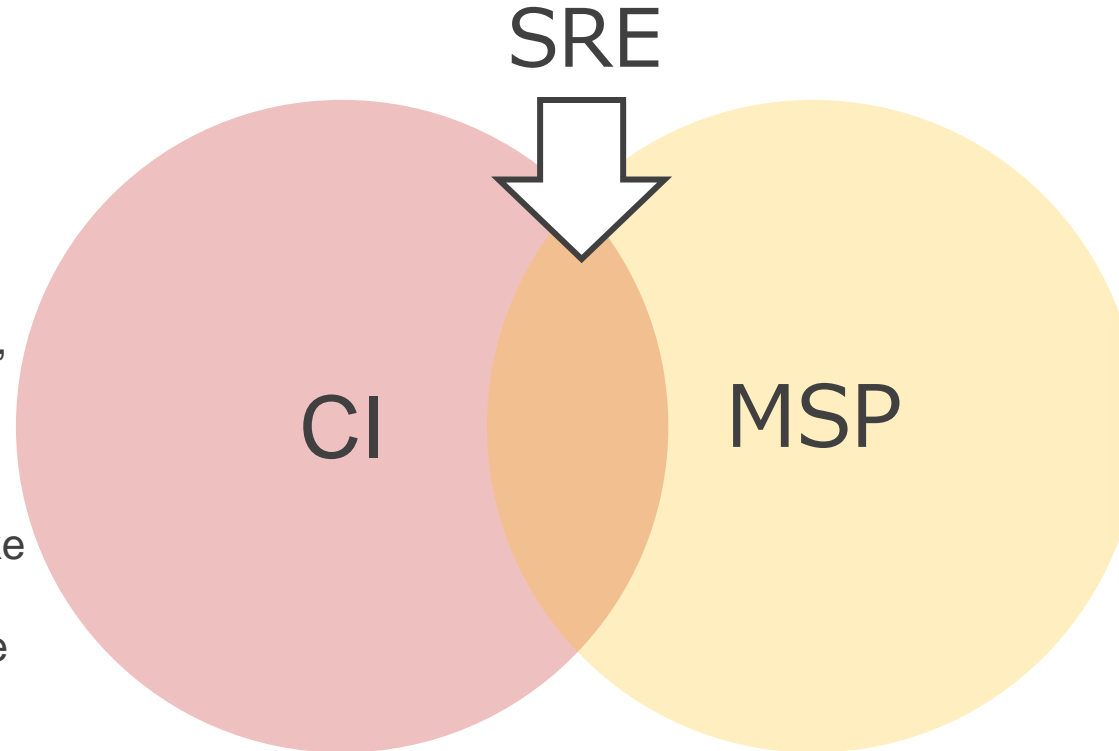
MSP
The standard operation service specialized for the Cloud environment, which we have been providing to customers.

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Business Model Diagram

Amazon Web Services, Inc.

(Equity method affiliate)
Sky365 Co., Ltd.

AWS purchase

Subcontracting

Serverworks

Resale

Cloud Integration

AWS
Resale

Cloud Automator

MSP・SRE
(Managed Service)

AWS Implementation support

AWS value-add resale

Maintenance/support service

Enterprise customers

Our Strength

Unique Strengths ❶ AWS Certified Top Tier Partner

Advanced

Select

Registered
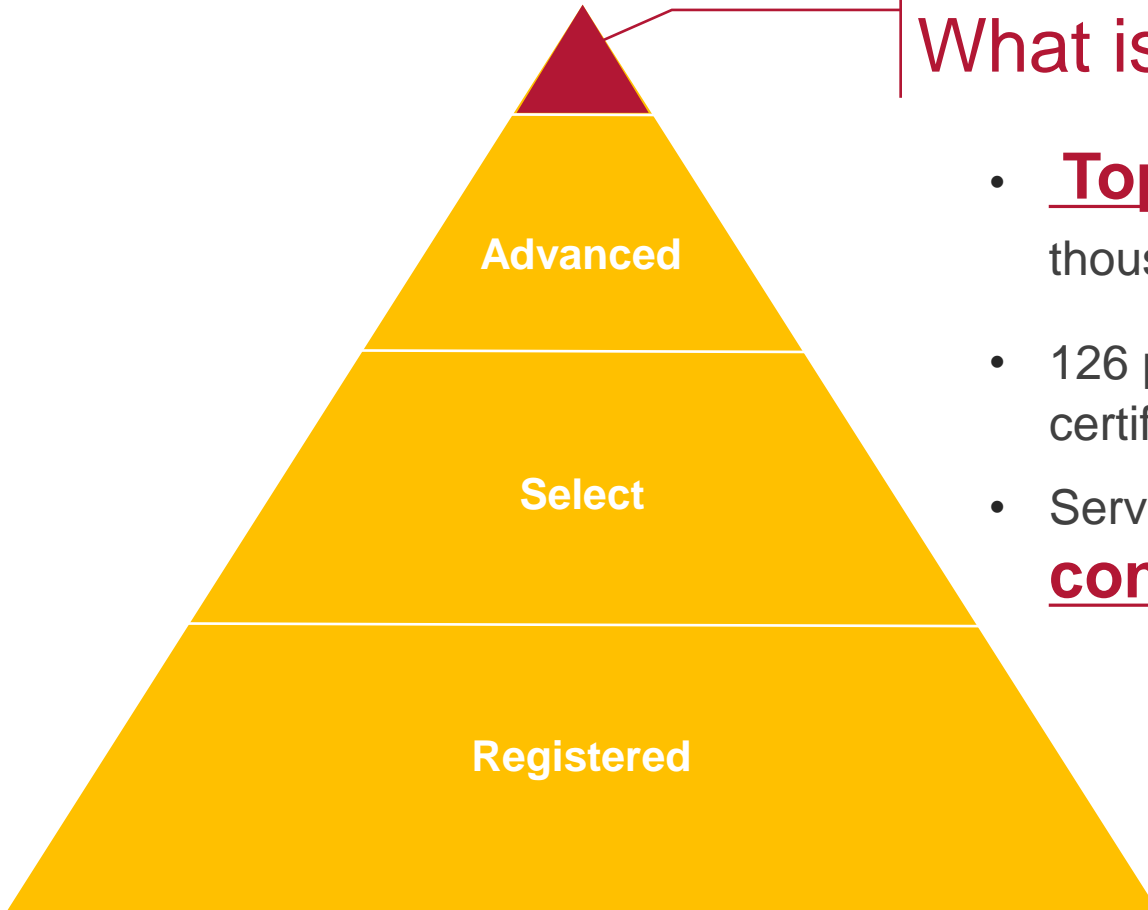
What is a Premier Consulting Partner?

- **Top-tier partner** certified among tens of thousands of AWS partners

- 126 partners worldwide, **only 10 companies** certified in Japan

- Serverworks has retained certification **consistently since 2014**

※ Iret, Inc. , ITOCHU Techno-Solutions Corporation, SCSK Corporation, NTT Data Corporation, Classmethod, Inc. , Serverworks Co., Ltd., TIS Inc. , NEC Corporation, Nomura Research Institute, Ltd., Fuji Soft Inc.

Unique Strengths ❷ Advanced Technical Capabilities

Employing **many highly skilled engineers with advanced expertise** backed by AWS certifications

(people)

- 60 - Solution Architect Professional
- 37 - DevOps Engineer Professional
- 96 - Solution Architect Associate
- 60 - DeveloperAssociate
- 66 - SysOps Associate

(people)

- 41 - Security Specialty
- 12 - Big Data Specialty
- 30 - Advanced Networking Specialty
- 10 - Machine Learning Specialty
- 20 - Alexa Skill Builder Specialty
- 20 - Database Specialty
- 12 - Data Analytics Specialty

Unique Strengths ❷ Advanced Technical Capabilities

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. Since we have received MSP partner certification in 2014 as a 1st partner in Japan, we have been **continuously receiving the certification**, meeting strict auditing standards released in 2019.

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 Digital Workplace Competency

A technical certification program for AWS partners with proficient technology and a proven track record of **leading customers successful** in specialized solution areas. Awarded to partners who have expertise in AWS desktop and application streaming solution projects and have a track record of providing those solutions to customers. 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.

aws partner network

Premier

Consulting Partner

MSP Partner

Migration Competency

Digital Workplace Competency

Well Architected

Public Sector Partner

Unique Strengths ❸ Solid Track Record

Track record of over **11,400** projects for over **950** companies*, mainly medium-sized and large companies.
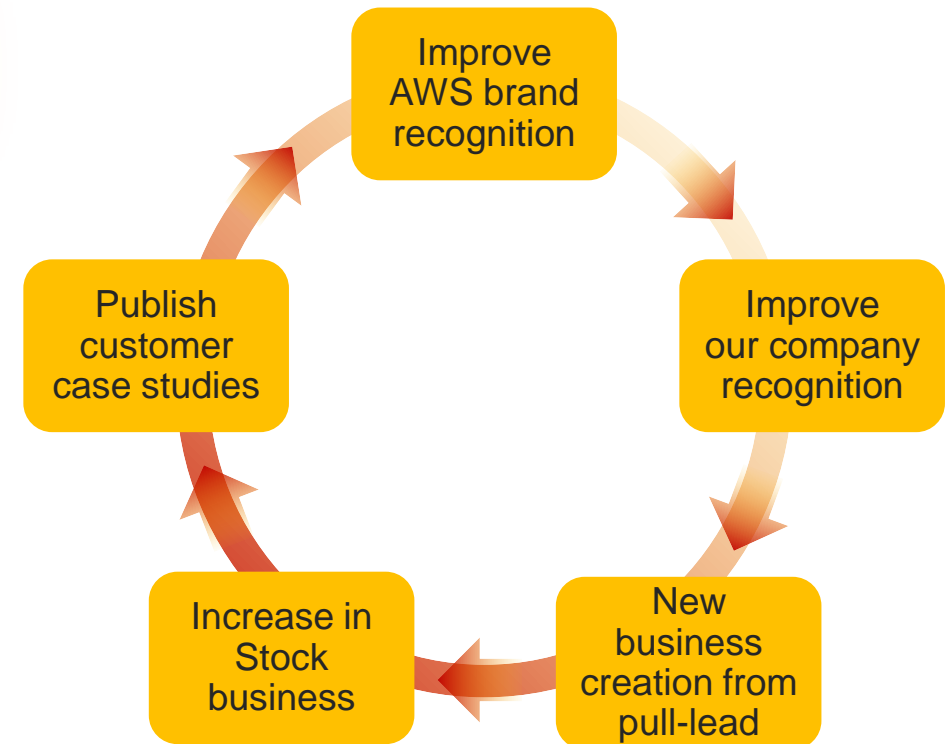
*As of Sep 30, 2021

Unique Strengths 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.

Improve AWS brand recognition

Improve our company recognition

New business creation from pull-lead

Increase in Stock business

Publish customer case studies

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

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Unique Strengths ❺ 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.
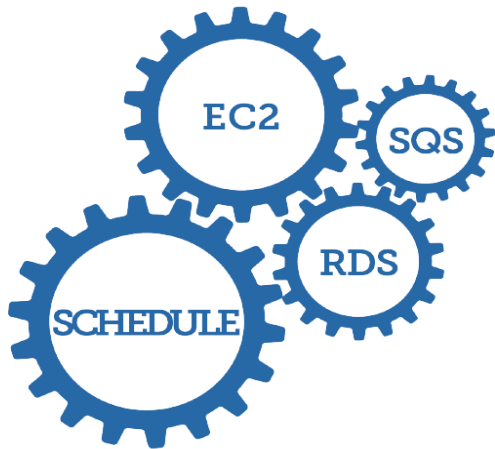
Contribute to **both low-cost & high-quality operations** and increase in **Cloud Integration project orders**.

CLOUDAUTOMATOR

Feature 1
(Job Automation feature)

Automate AWS Operation

EC2 SQS RDS SCHEDULE

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

Feature 2
(Configuration review feature)

Automatic AWS Config check

Review OK!

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

Unique Strengths ❺ Our Original Service "Cloud Automator" Examples:

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 launches instances, only when needed, by using Cloud Automator

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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.
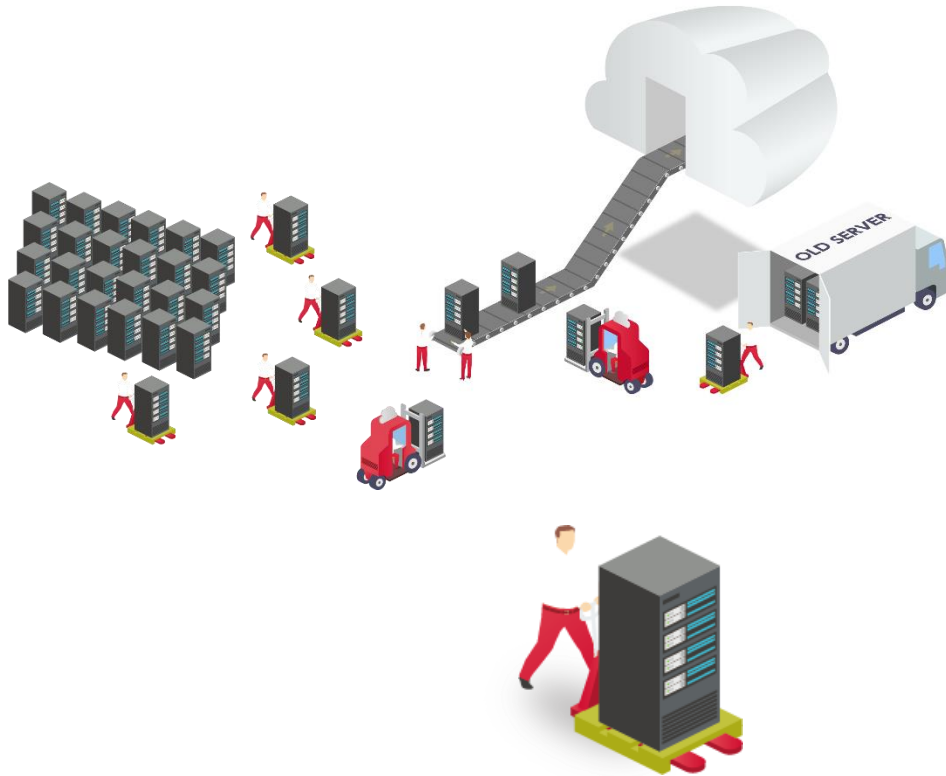
An advisor who has a track record of implementing AWS in the financial field will identify the issues and clarify the items and while providing practical cooperation as necessary, advisor will support the customers to make sure to enjoy the benefits, such as speeding up the businesses as well as mitigation of IT system operation load, based on implementing public cloud.

# Growth Strategy: Support to Establish New Normal Work Style

NTT SMILE ENERGY

Leverage Amazon WorkSpaces, build company-wide telework environment in just 3 weeks

YOKOGAWA

Implement more than 1,000 Amazon WorkSpaces for expanding telework environment

NTT Smile Energy Inc. Has built a company-wide telework environment in just three weeks by utilizing AWS Client VPN and Amazon WorkSpaces. In addition, the company implemented Amazon Connect to improve call center operations and transformed it to cloud based call center. Operators involved in telephone support operations can now work telework basis.
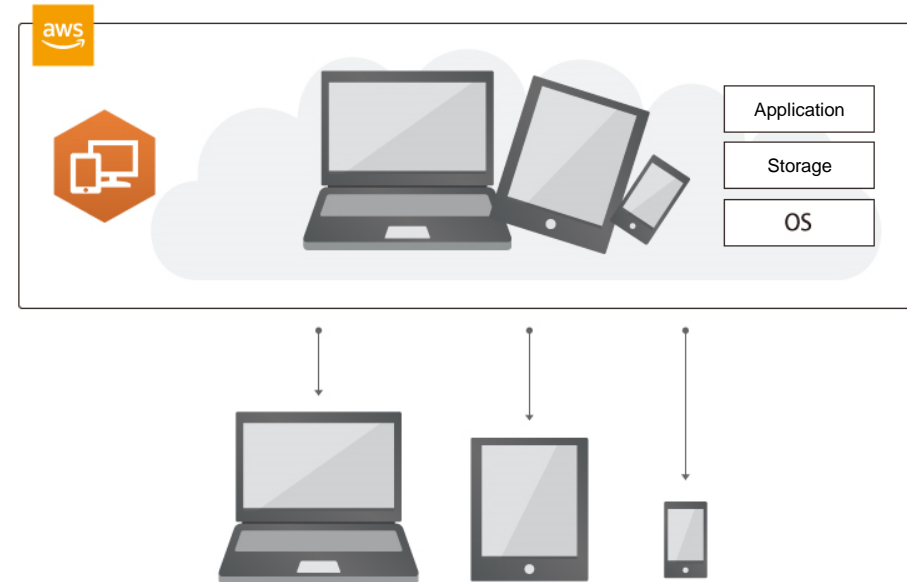
To expand the telework environment at Yokogawa Electric Corporation, we supported to build 1,400 Amazon WorkSpaces environment. Detailed design started in mid-March 2020, and 1,000 units were built by beginning of April, which was less than a month. After that, gradually built and supported the implementation and 1,400 Amazon WorkSpaces environment were established by mid-May.

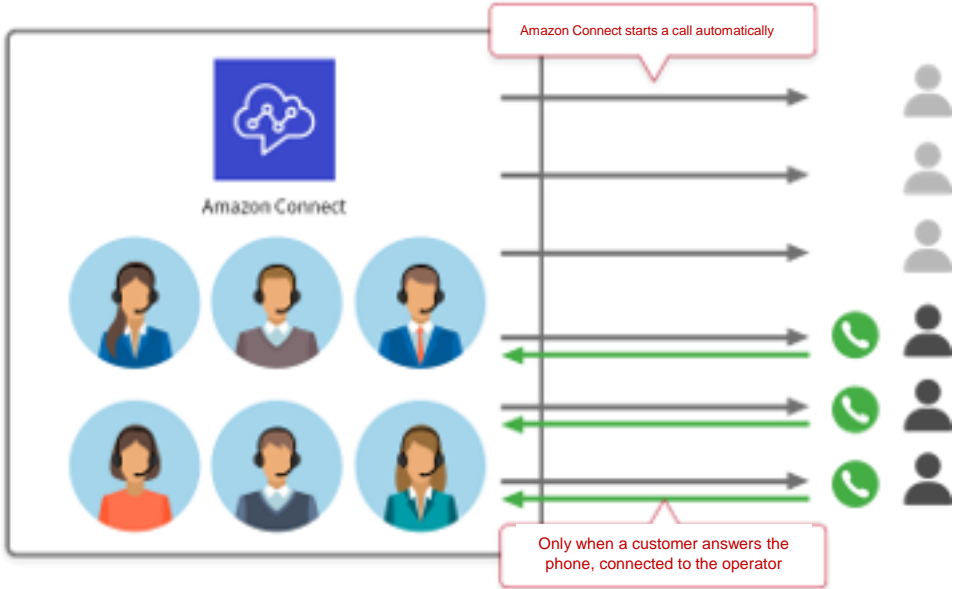# Growth Strategy: Provide New Services Using Cloud

pal*system

Build an automatic telephone order dialing system using IVR (Interactive voice response) provided by Amazon Connect

SHINSEI BANK

A trial is in progress to automate existing outbound call operations with Amazon Connect

Built an automatic telephone order dialing system utilizing Amazon Connect for Pal System Co-op Federation. It greatly contributed to automate the response to support sudden increase of the order calls due to the request to refrain from going out caused by COVID-19 spread.

Amazon Connect starts a call automatically

Only when a customer answers the phone, connected to the operator

A trial of Amazon Connect is in progress to improve number of outbound calls and dialogs.
Enabled to reduce the routine burden on operators and create a follow-up system for customers.

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.