



Serverworks

Q1 FY02/23 Financial Summary

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Making the World More Productive with the Cloud



You can use computers to your advantage,
no matter where you are and without the necessity of ownership.

We are committed to further spreading this idea of the “cloud.”

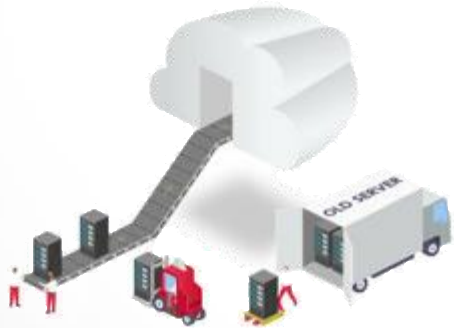
Through cloud computing, we aim to create a society that helps more
companies enhance their competitive edge and makes everyone who
works there feel that

“This is a better place to work.”

We would like to share this vision with you.

Serverworks strongly supports AWS utilization in any business through three main solutions

1 Cloud Integration



AWS implementation and migration support

2 AWS Billing Services (Resale)



Value-added service not included in the direct contract

3 System Operation and Monitoring (MSP/SRE)



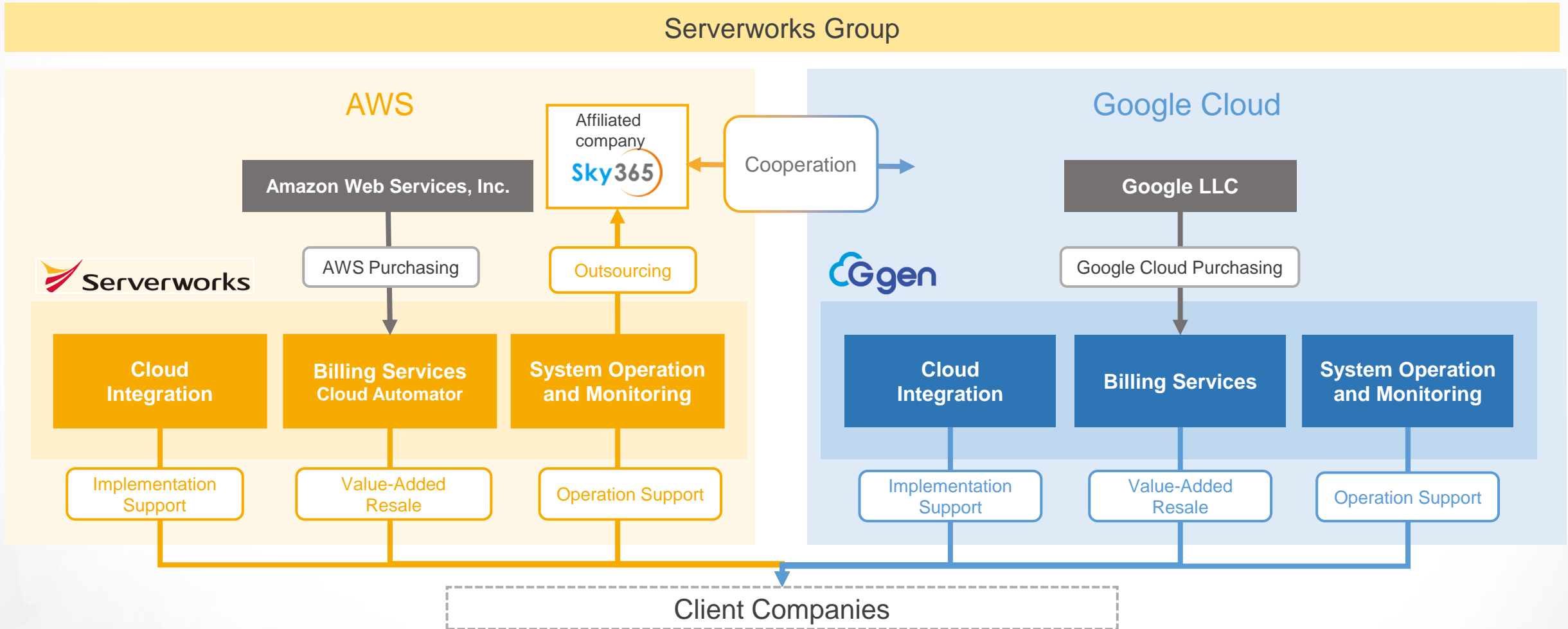
AWS utilization and operation support

Company Overview

Serverworks Group

G-gen was established in 2021 as a subsidiary to develop the Google Cloud business.

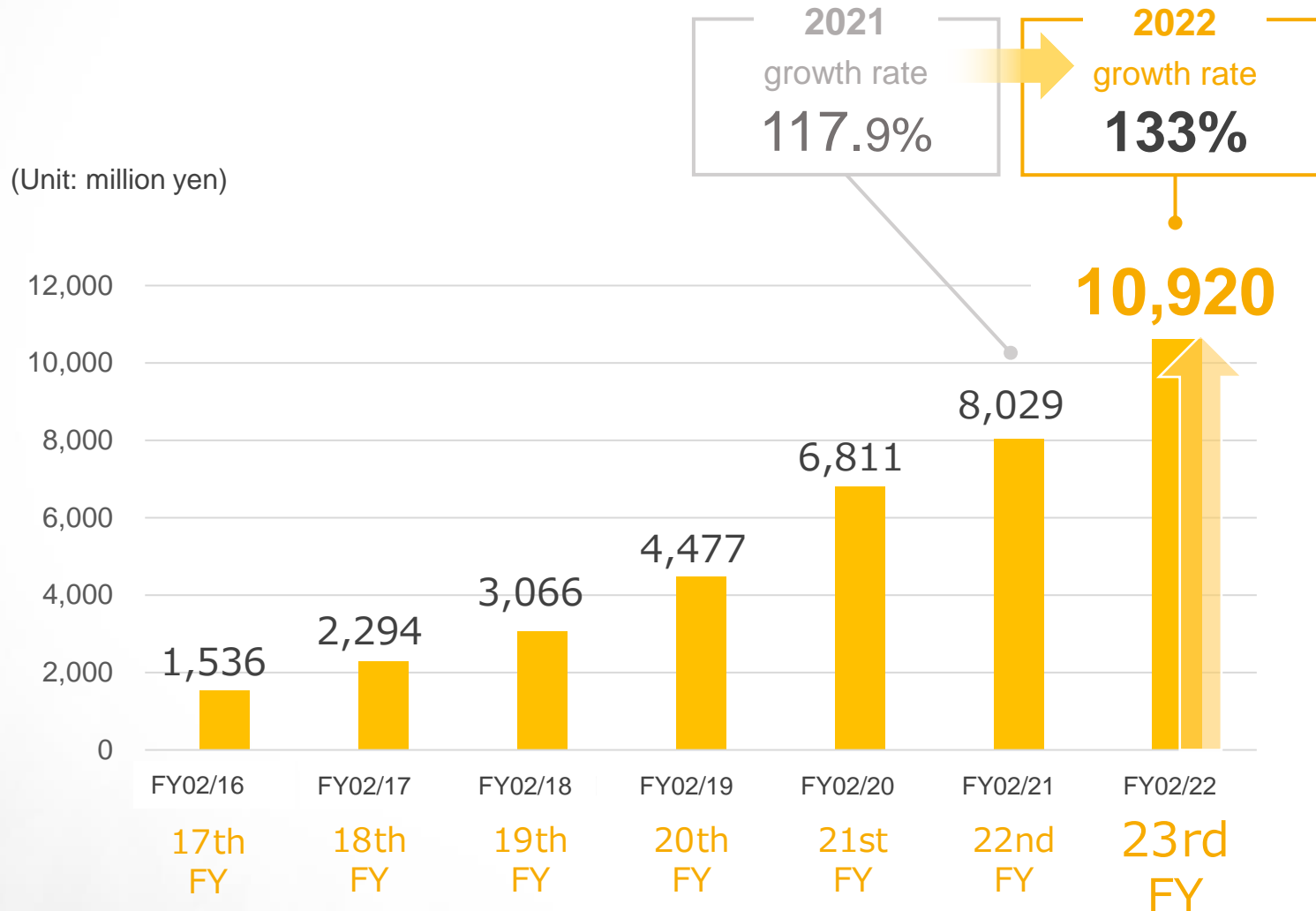
Serverworks Group Established Comprehensive Support Structure for AWS and Google Cloud



Company Overview

Net Sales over the Past Seven Years

Net sales has been increasing steadily. We have maintained a high growth rate thanks to the expanding cloud market and organizational expansion.



Ref. Consolidated Earnings Forecast for the 24th Fiscal Year

Net sales

13.48 billion yen

Ordinary income

450 million yen

Company Overview

About Serverworks

Founded	February 21, 2000
Capital	3,223,990,899 yen (as of May 31, 2022)
Number of Employees	209 (as of May 31, 2022)
Business Domain	Cloud integrator specializing in AWS
Management	<p>Ryo Oishi CEO</p> <p>Takashi Hashiba Senior Vice President</p> <p>Hiroyuki Oshio Senior Vice President</p> <p>Mikiya Inoue Outside Director who is Audit and Supervisory Committee Member (Full-time)</p> <p>Yuko Tanaka Outside Director who is Audit and Supervisory Committee Member (Full-time)</p> <p>Ichiro Terashima Outside Director who is Audit and Supervisory Committee Member (Full-time)</p> <p>Hikari Fujimoto Outside Director who is Audit and Supervisory Committee Member (Full-time)</p>
Certification	<ul style="list-style-type: none"> • AWS Premier Tier Service Partner • AWS Migration Competency • AWS Digital Workplace Competency • AWS Managed Service Provider Program • AWS Well-Architected Partner Program • ISO / IEC 27001 (JIS Q 27001)
Major Shareholders	<p>Board members</p> <p>TerraSky Co., Ltd.</p> <p>NTT Communications Corporation</p> <p>NTT DATA Corporation</p>

Main Locations
Tokyo (head office),
Osaka, Sendai, Fukuoka



ISO/IEC 27001
SGS



ISMS-AC
ISMS
ISR021

Head office

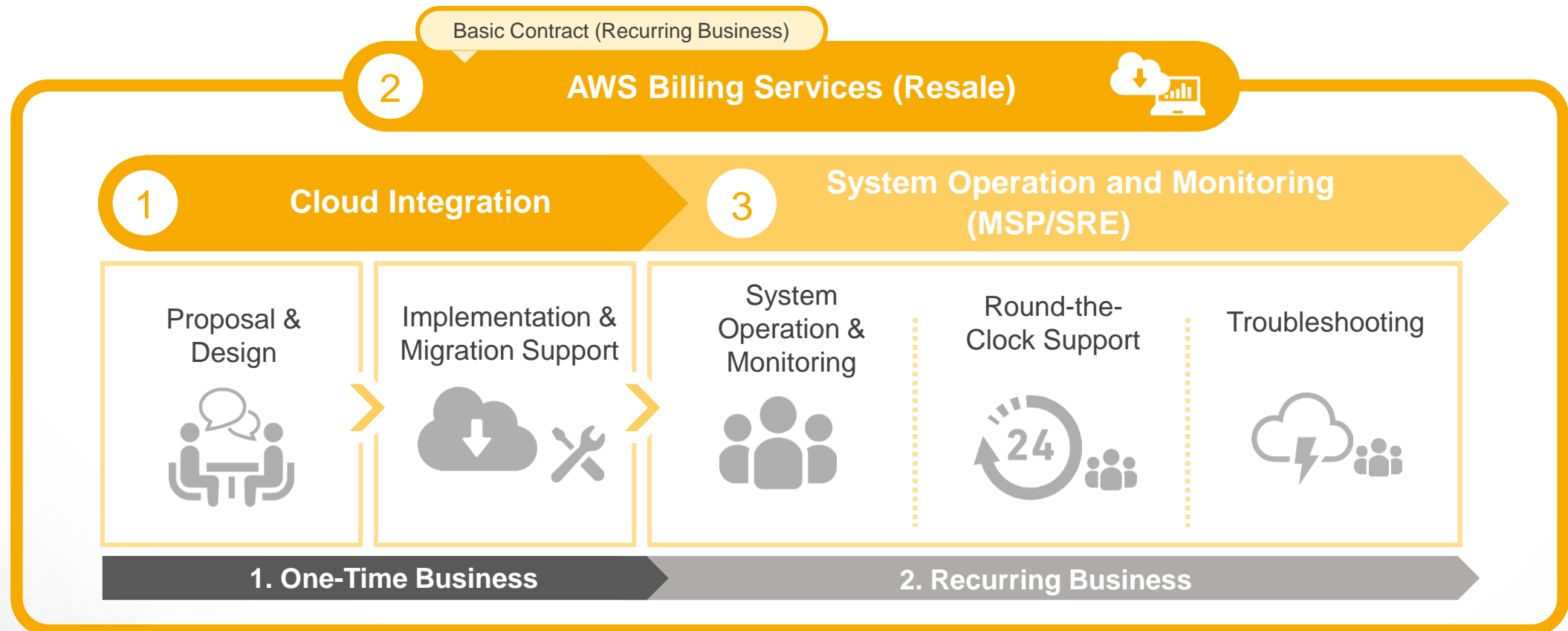


JPX
PRIME

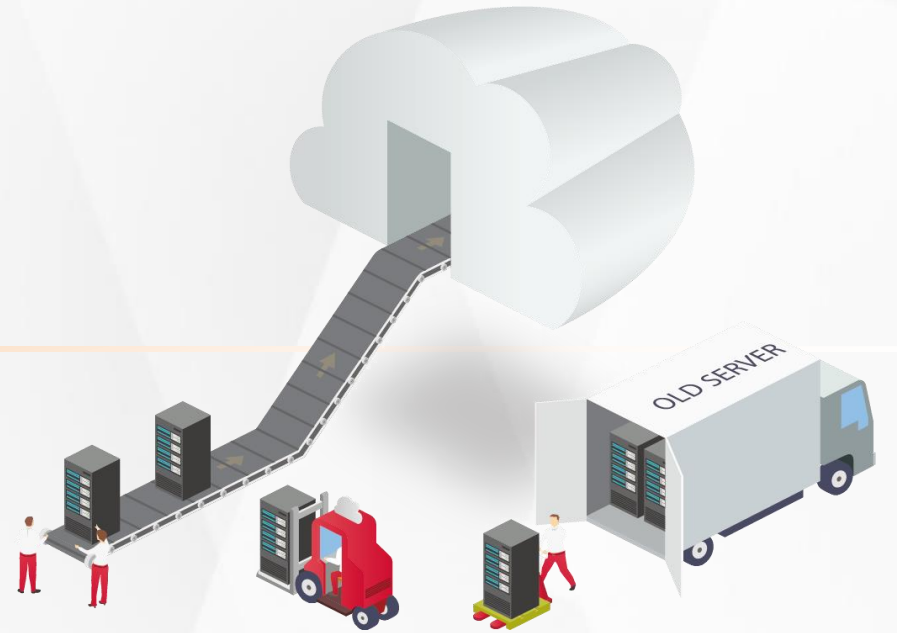


aws
PARTNER
Premier Tier
Services

Serverworks has been an AWS specialist since the dawn of cloud computing in Japan. We provide a full range of services, from AWS implementation to utilization and operation.

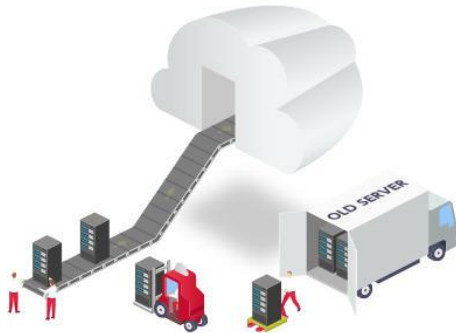


1 Cloud Integration



We provide AWS planning, design, construction, and implementation support promptly in accordance with customer requirements and environments.

Features of Serverworks' AWS Implementation and Migration Services



- ▶ Extensive project experience with more than 10,000 projects

Serverworks began providing cloud implementation support in 2008 and has been continuously certified as an AWS Premier Tier Service Partner, the highest tier of the AWS Partner Network (APN), since 2014.

- ▶ Be proactive and make suggestions even if they are unprecedented.

We value the attitude of being close to our customers, so we try to make positive proposals even for unprecedented consultations.

Case Studies



Customer support
Create an environment



Migrate on-premise environments to servers



Establish environments for **financial institutions and payment systems**



Provide in-house production support for AWS utilization

Note: We provide up-front estimates tailored to each request.

Basic Implementation Flow

- ▶ System capable of providing support from design to operation

We assess the customer's current situation and their goals for AWS migration. Then, we quickly develop an overall plan and implement the project.



Customer successes with AWS implementation support

Asahi Net, Inc.

Realized

IPv6 Internet Connection method
through IPoE native method

Feedback
PICK UP

A flexible and scalable provisioning environment has been implemented, greatly reducing the burden on operations and management.



Senshukai Co., Ltd.

Secure video delivery
infrastructure

built in combination with
AWS services

Feedback
PICK UP

Information gaps among employees have been eliminated. The complicated work involved in video distribution is no longer necessary, and video is being utilized in a variety of business operations .

ウーマン スマイル カンパニー

senshukai

Toho Co., Ltd.

Realized the structure to **withstand**
a surge in access to popular
works with Amazon CloudFront

Feedback
PICK UP

Although it was costly to build the system, the running costs are far below our expectations, and we are once again feeling the advantages of the cloud.



2 AWS Billing Services (Resale)



Providing a billing service that enables more convenient and secure use of AWS

In addition to technical support, we also provide operational automation tools, property insurance, and other services.

Advanced Plan delivers our unique value added on AWS.



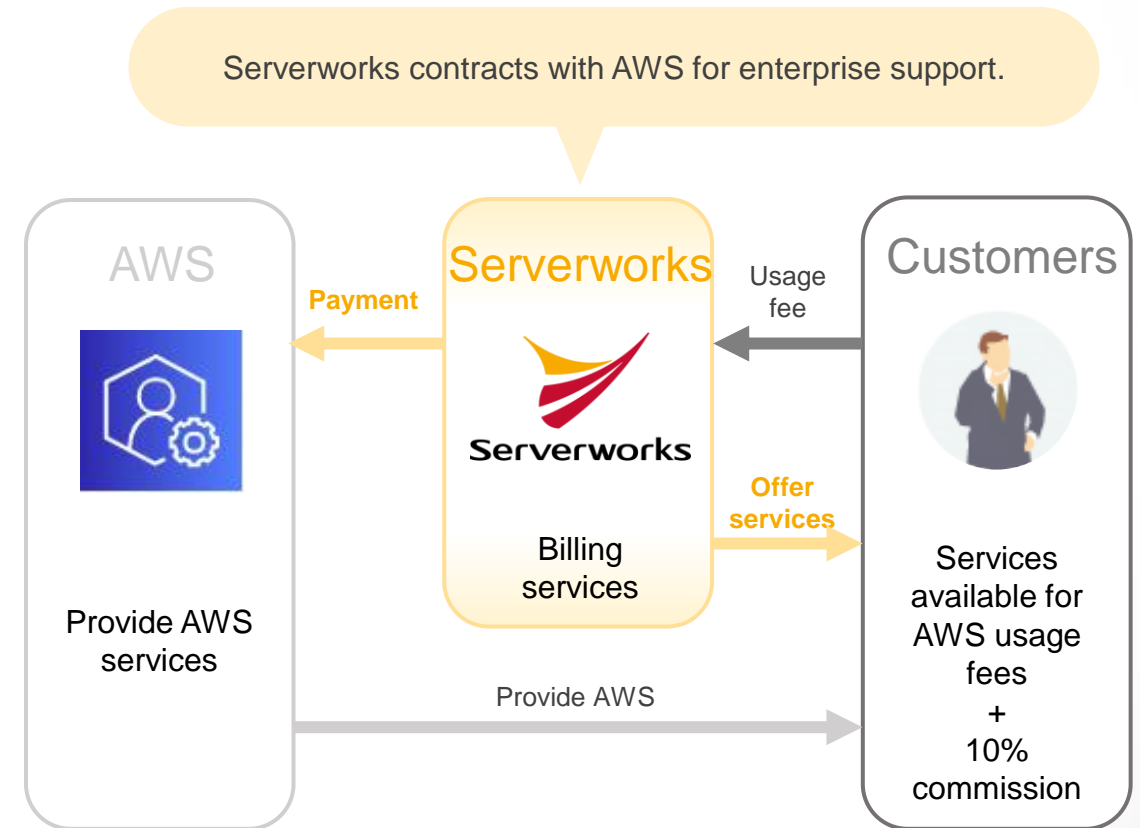
► About “AWS Advanced”

With only a billing agent fee of 10% of the AWS usage fee, this plan allows you to take advantage of the AWS operation automation tool, Cloud Automator. We also provide indemnity insurance in case of emergency, personalized support by our engineers, and various operation services, in addition to basic support.

AWS Advanced Plan

Technical Support	Cloud Automator
Invoicing in Japanese Yen	Migration and Operations Services*
Customer Portal	damage insurance

*Paid option



Customer successes of operational optimization services using Cloud Automator



DIP Corporation

Achieved **30%** AWS cost reduction target for half a year **in three months**, and **50% monthly** in six months

Feedback
PICK UP

Cloud Automator is also utilized to improve AWS operational efficiency, which leads to continuous and total efficiency and cost reduction.

Kintetsu Real Estate Co., Ltd.

Intuitive and easy-to-use No need for knowledge of AWS or programming

Feedback
PICK UP

We have found it to be a very easy-to-use and convenient tool, with backups and other functions available in addition to instant launch and stop.

3

System Operation and Monitoring (MSP/SRE)



Round-the-clock operation and monitoring of systems built on AWS

Long-term support on how to operate and utilize AWS to evolve your business

Cloud Automator (AWS operation automation software) allows more time to work



► **About “Cloud Automator”**
Serverworks applied its rich project experience and expertise to developing Cloud Automator software to automate AWS operations. Even first-time users can automate operations easily.

What you can do with Cloud Automator

Optimize costs of development environments



Protect data properly



Use as befits your size



Check security requirements



We provide operational and monitoring support




For example:


Sudden troubles
Late at night, an unexpected server error


Long-term consultation
Consultation on future AWS operations and further utilization


MSP support center assists in troubleshooting

SRE team offers User-friendly suggestions and solutions

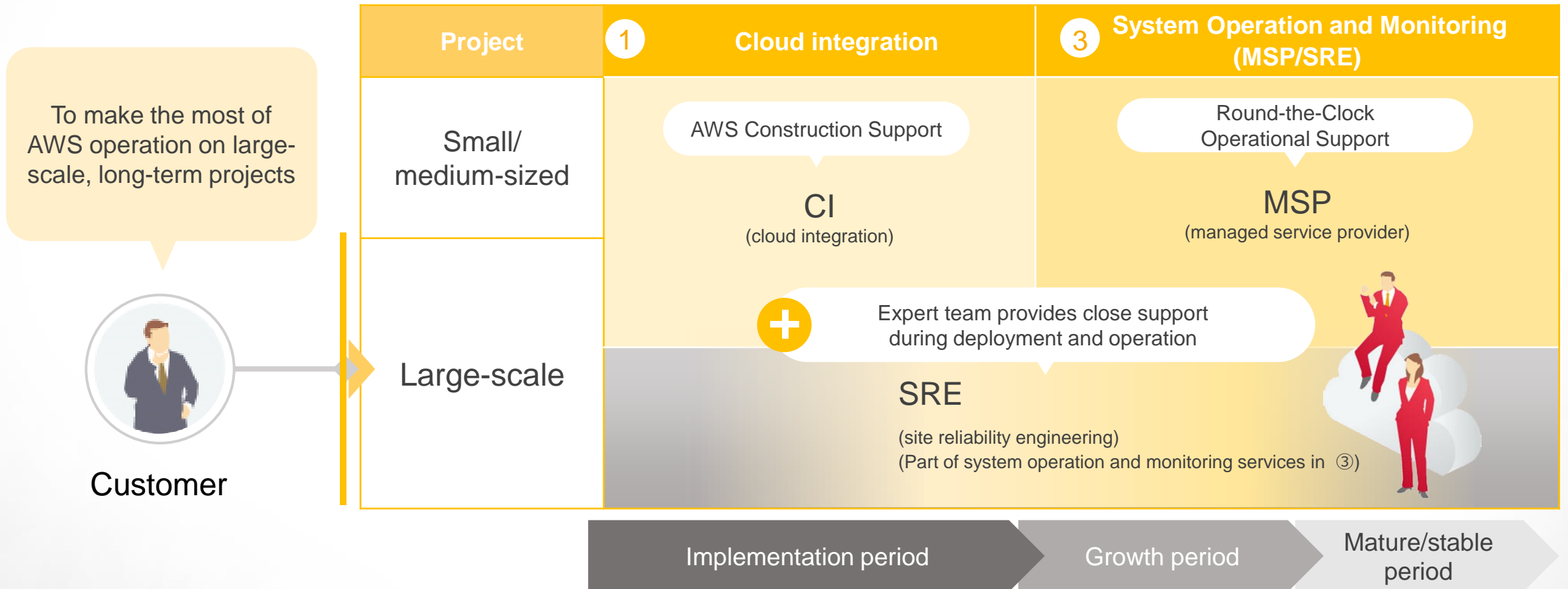
 AWS Technical Support

 AWS Operation Optimization Service

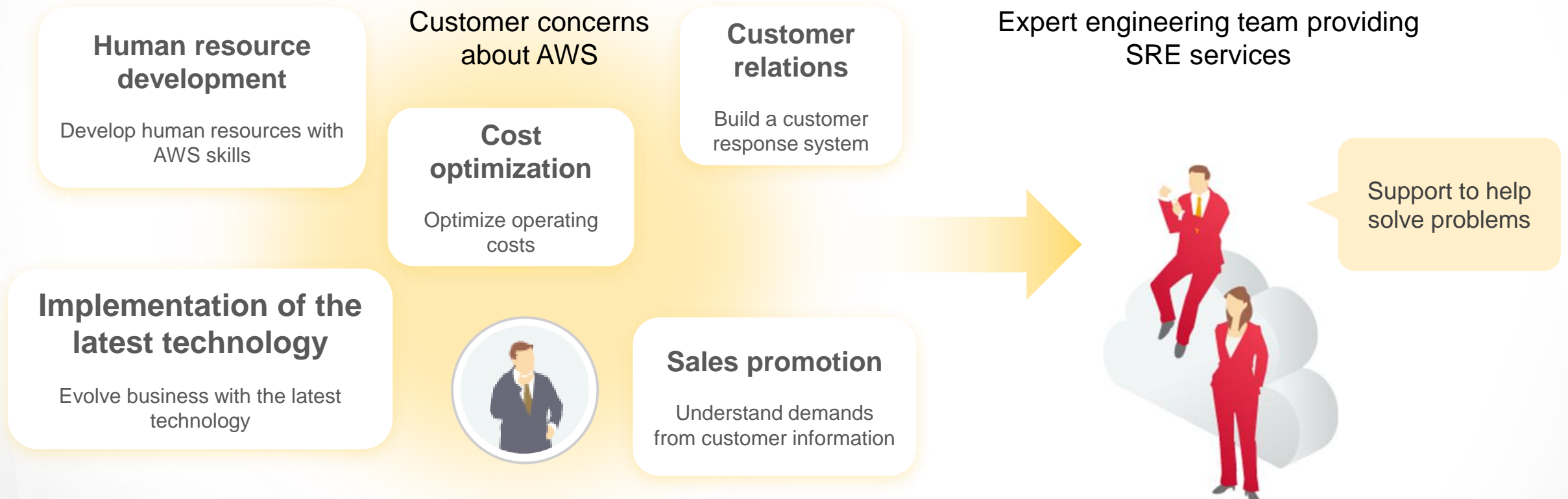
 Round-the-Clock AWS Operation Services

 SRE Support for AWS utilization

We establish SRE systems to provide effective support suited to the size of the project.



SRE is a service in which expert engineers support long-term utilization and operation in large, often costly, projects.



3. Q1 FY02/23 Financial Highlights
Companywide



FY02/23 Topics

FY02/23 Topics

Topics - 01

Acquisition of Shares of TOPGATE
(TOPGATE Became a Wholly Owned Subsidiary)



- TOPGATE, Inc. (head office: Bunkyo-ku, Tokyo; representative director: Koh Nishiumi), a company engaged in system and application development, seminars, training, and consulting, utilizing Google Cloud. Serverworks acquired all of the shares issued by TOPGATE and made it a wholly owned subsidiary.

Topics - 02

Digital Skills Workshop for Displaced Ukrainians
with WELgee, Yahoo, and Six Other IT Companies



- We participated in a digital skills workshop for displaced Ukrainians organized by WELgee, an NPO.
- In this workshop, we provided hands-on training to build a web server on AWS and access web pages.

FY02/23 Topics

Topics - 03

Recognized as 2022 Japan AWS Partner Ambassador /
2022 APN AWS Top Engineers



- Yoichi Satake and Kazuya Fukushima from Serverworks were selected as “2022 Japan AWS Partner Ambassador / 2022 APN AWS Top Engineers,” which recognizes activities and achievements that demonstrate AWS technical capabilities beyond the company scope.
- Eleven engineers were selected as “2022 APN ALL AWS Certifications Engineers,” which is for engineers who hold all AWS certifications.

Topics - 04

Acquired Amazon Connect Service Delivery Program



- At the end of April 2022, we obtained the Amazon Connect Service Delivery Program certification offered by AWS.
- The Service Delivery Program is AWS’ recognition of partners with experience and in-depth knowledge of specific AWS services. Serverworks’ capabilities were evaluated based on its experience in implementing a number of contact center solutions utilizing Amazon Connect. Our capabilities were rated highly, which led to this certification.

Q1 FY02/23 Financial Highlights

Financial Highlights

Forecast of Consolidated Financial Results for FY02/23
(Announced on April 14, 2022) *1

We transitioned to consolidated financial statements in Q2 FY02/22 due to the establishment of G-gen as a subsidiary.

G-gen, a consolidated subsidiary, has just commenced operations, so we expect to incur upfront expenses for personnel and other investments for growth.

(Unit: million yen)	FY02/22		FY02/23		
	Results	Composition (%)	Forecasts	Composition (%)	% of previous year
Net sales *2	10,290	100.0%	13,485	100.0%	123.5%
Gross profit	1,746	16.0%	1,951	14.5%	111.8%
Operating profit	638	5.8%	429	3.2%	67.2%
Ordinary profit	653	6.0%	453	3.4%	69.5%
Profit attributable to owners of the parent	442	4.1%	373	2.8%	84.4%

1. We have made no changes to the full-year earnings forecast disclosed in the “Consolidated Financial Results for the Year Ended February 28, 2022” on April 14, 2022.

2. Since our business is in a single segment (cloud business), we do not disclose the segment earnings forecasts. For the forecast figures of AWS Resale as percentage of net sales, we have used 113 yen per dollar.

Financial Highlights

Financial Results for FY02/23: Consolidated

Due to the favorable impact of foreign exchange rates (yen depreciation) and an improved order environment as a result of the recovery from the impact of the COVID-19 pandemic,

Serverworks' non-consolidated sales and profit both rose year on year.

Consolidated net sales grew substantially, absorbing the cost of investing for growth of G-gen.



Serverworks Consolidated

Net sales

3,345 million yen

133.3% YoY

Operating income

148 million yen

86.5% YoY



Serverworks

(Non-consolidated)
Serverworks Co., Ltd.

Net sales: 324 million yen (132.5% YoY)
Operating income: 198 million yen (115.7% YoY)



Ggen

(Consolidated subsidiary)
G-gen Co., Ltd.*

Net sales: 22 million yen (YOY: -%)
Operating loss 51 million yen (YoY: -%)
*Established in July 2021



Sky365

(Equity-method affiliate)
Sky365 Inc.

We recorded 1 million yen in equity
in earnings of affiliates.

Financial Highlights

Q1 FY02/23 Results: Consolidated, YoY

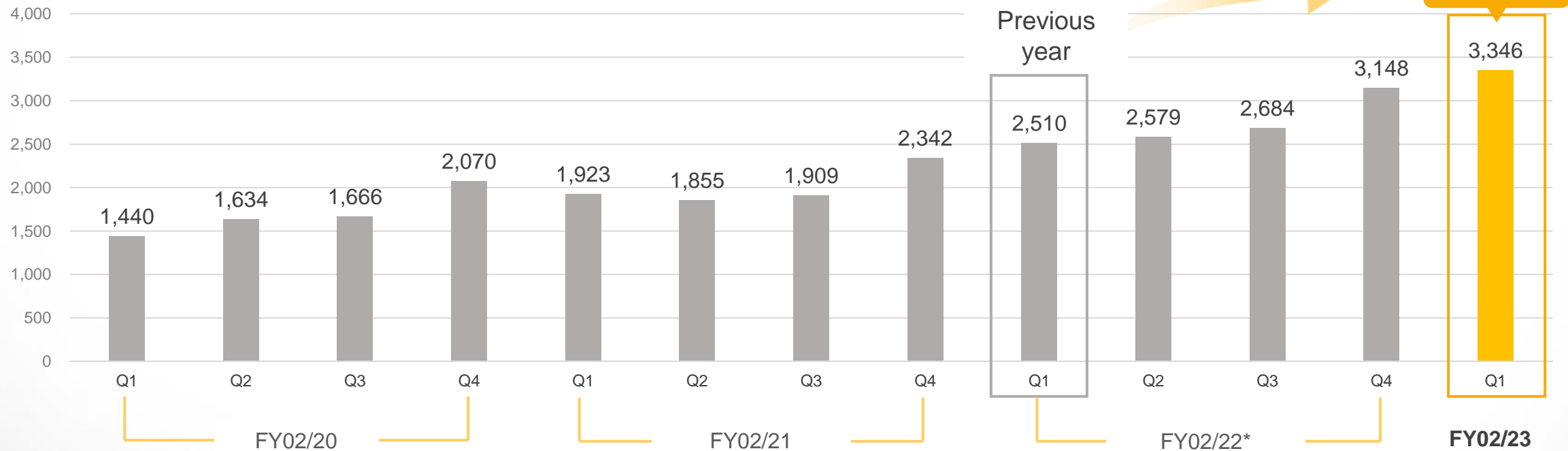
Unit: million yen	FY02/22		FY02/23			
	Q1 Results (Non-consolidated)	Composition (%)	Q1 Results (Non-consolidated)	Q1 Results (Consolidated)	Composition (%)	% of the Previous Year
Net sales	2,509	100.0%	3,324	3,345	100.0%	133.3%
Gross profit	423	16.9%	470	462	13.8%	109.1%
Operating profit	171	6.8%	198	148	4.4%	86.5%
Ordinary profit	168	6.7%	190	139	4.2%	83.1%
Profit	110	4.4%	135	85	2.6%	77.6%
Profit attributable to owners of the parent	-	-	-	110	3.3%	-
EBITDA	188		213	163		

Financial Highlights

Net Sales

Very high growth rate: +33% YoY

(Unit: million yen)



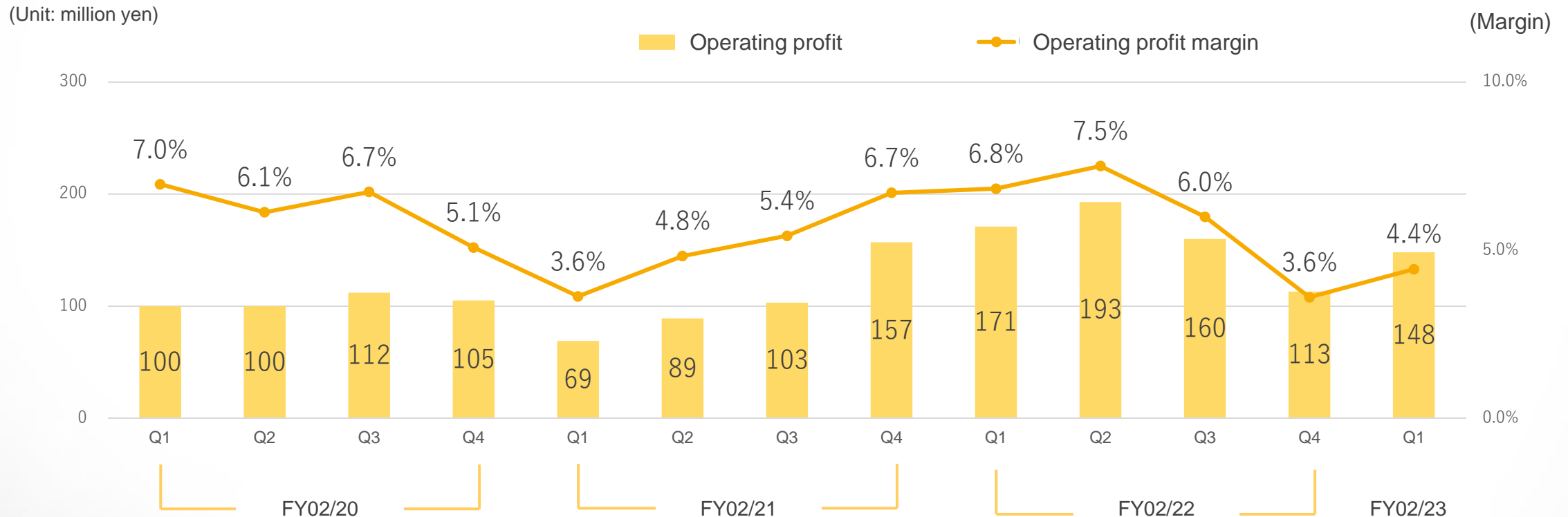
Note: Sales through Q1 FY02/22 are on a non-consolidated basis.

Financial Highlights

Operating Profit, Operating Profit Margin

The decline in the operating profit margin was mainly due to **aggressive investments that contribute to future growth, such as costs related to strengthening recruitment to respond to an improved order environment.**

The decline was not due to a change in project profit structures (worsening profitability) or other issues.

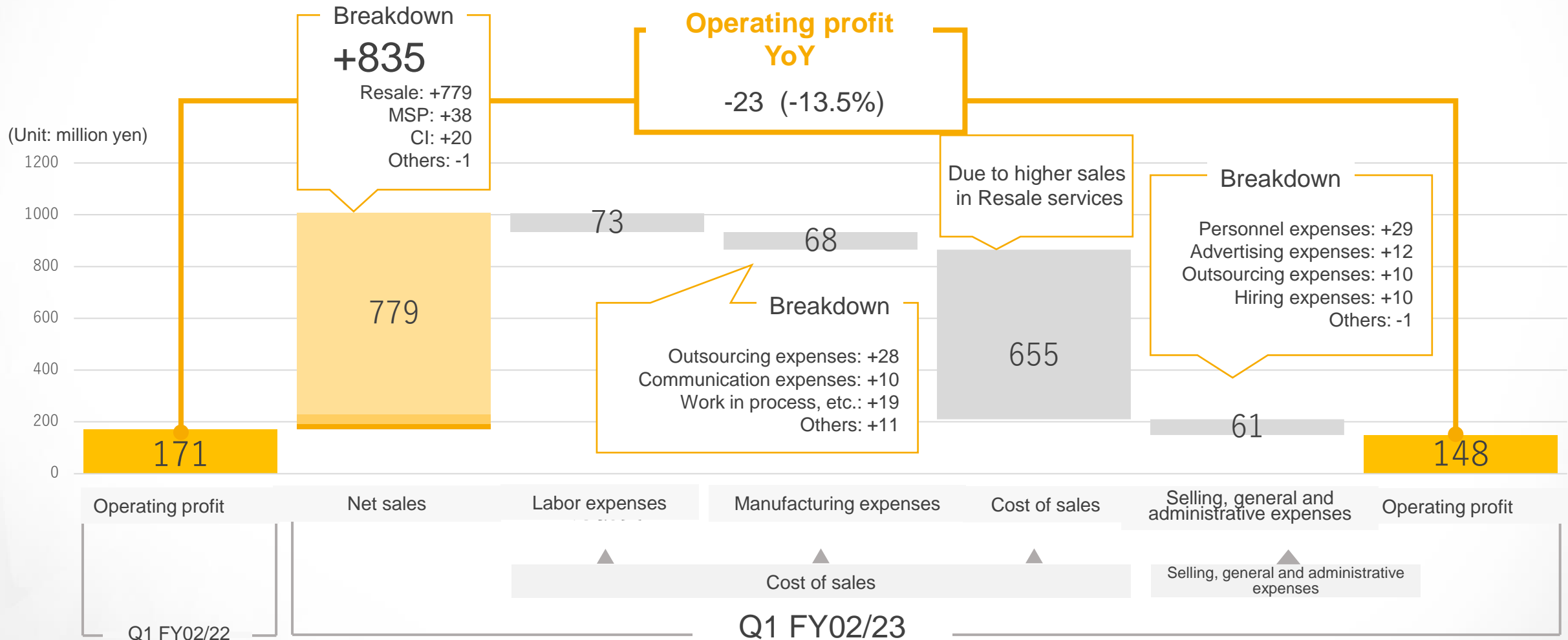


Financial Highlights

Analysis of Factors Affecting Operating Profit

Significant increase in sales due to improved order environment

Aggressive investment in labor/personnel costs, outsourcing costs, and other **organizational enhancements**



Financial Highlights

Financial Condition: Balance Sheet (Summary)

“Current assets (advance payment)” and “current liabilities (contract liabilities)” increased due to the adoption of the new revenue recognition standard.

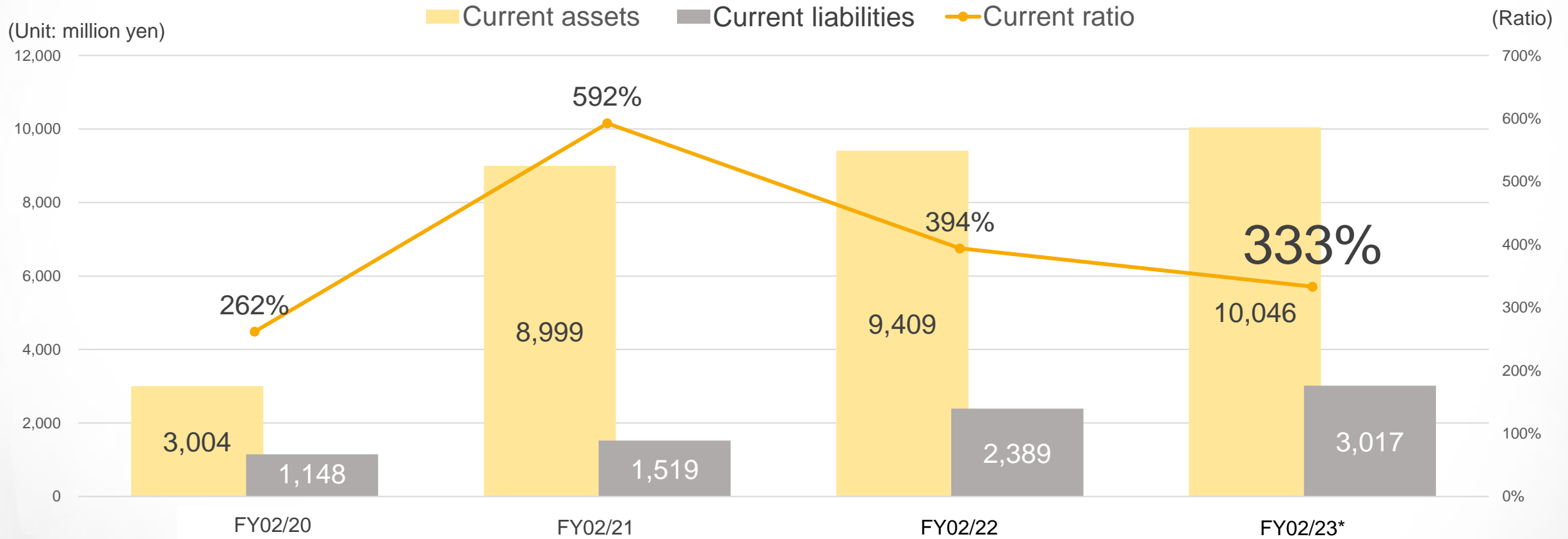
“Fixed assets” decreased due to the revaluation of investment securities.

Balance Sheet	FY02/22 Results (Consolidated)	FY 02/23 Results (Consolidated)	Change
Current assets	9,409	10,046	637
Fixed assets	2,263	2,143	- 119
Property, plant and equipment	63	62	- 1
Intangible assets	115	113	- 2
Investments and other assets	2,084	1,968	- 115
Total assets	11,673	12,190	517
Total liabilities	2,584	3,148	563
Current liabilities	2,389	3,017	627
Non-current liabilities	194	130	- 63
Total net assets	9,088	9,042	- 46
Total shareholders' equity	8,490	8,566	76
Accumulated other comprehensive income	544	447	- 97
Non controlling interest	53	28	- 25
Total liabilities and net assets	11,673	12,190	517

Financial Highlights

Current Ratio

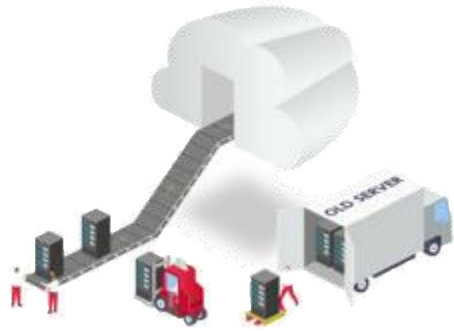
Good on-hand liquidity with a current ratio of 333



* The results for FY02/23 are for the period from March 2022 to May 2022.

4. Q1 FY02/23 Financial Highlights

By Service



Financial Highlights

Net Sales by Product/Service Segment

Performance rose year on year in all major product and service segments.

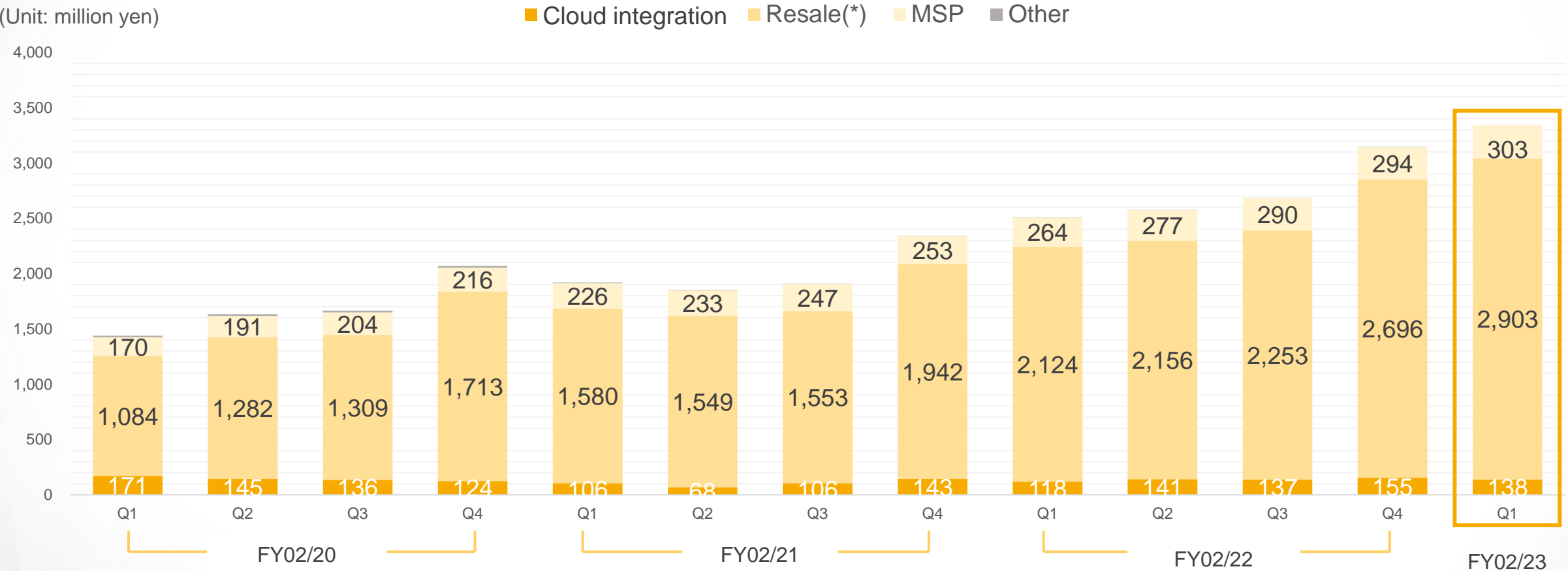
(Unit: million yen)	Q1 FY02/2022 Results (Non-consolidated)	Composition (%)	Q1 FY02/23 Results (Consolidated)	Composition (%)	% of the Previous Year
Cloud Integration	118	4.7%	138	4.1%	117.2%
Resale	2,124	84.6%	2,903	86.8%	136.7%
MSP/SRE (Managed Service Provider)	264	10.6%	303	9.1%	114.4%
Others	2	0.1%	0	0.0%	17.6%
Total	2,509	100.0	3,345	100.0	133.3%

Financial Highlights

Net Sales by Product/Service Segment

All services continue to grow steadily, rising significantly year on year.

(Unit: million yen)



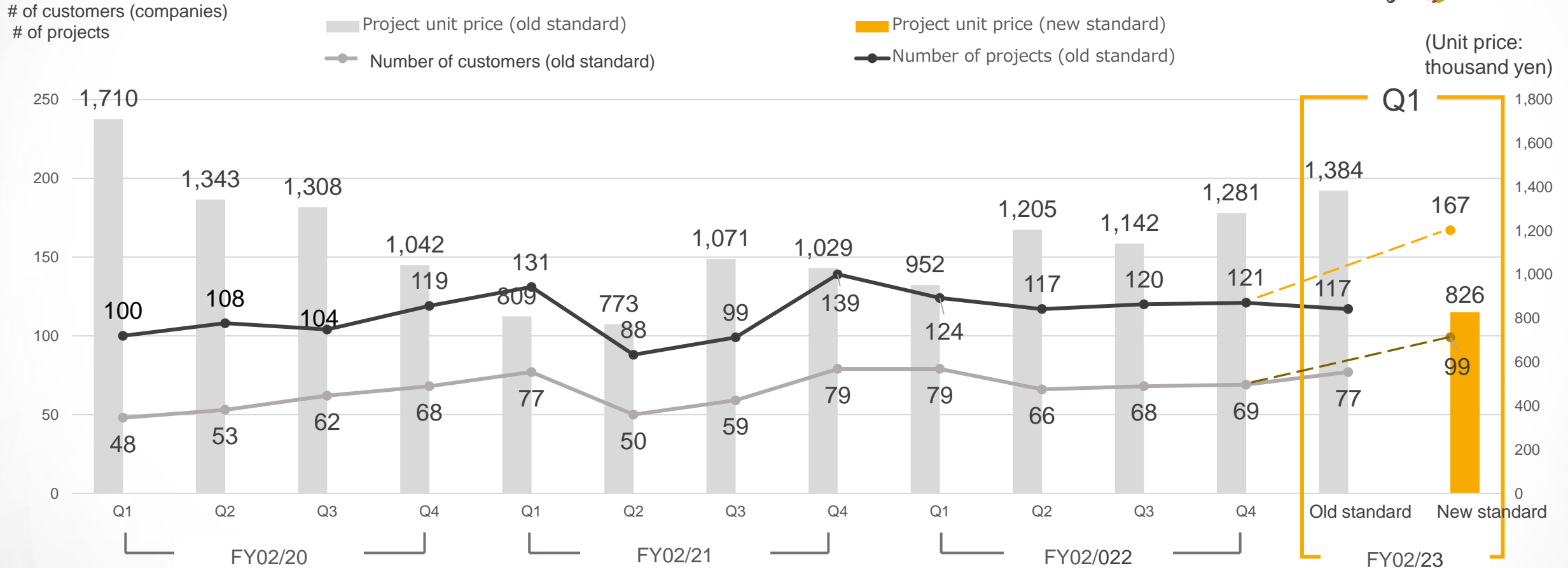
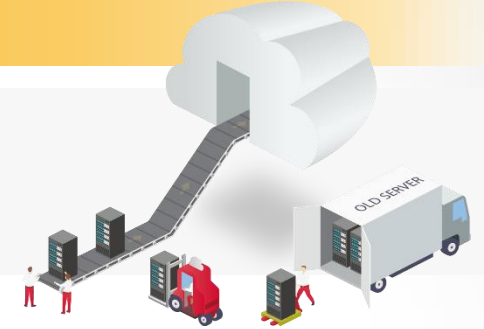
*Due to the nature of transactions, total amount of usage fees are recorded as net sales for Resale.

Financial Highlights

1 Cloud Integration | Changes in Each Indicator

We applied the new revenue recognition standard from FY02/23.

Each indicator remained steady against the backdrop of continued strong demand.



Note: In accordance with the application of the new revenue recognition standard, from FY02/23 we have changed the method of recognizing revenue based on the degree of completion of performance obligations.

Financial Highlights

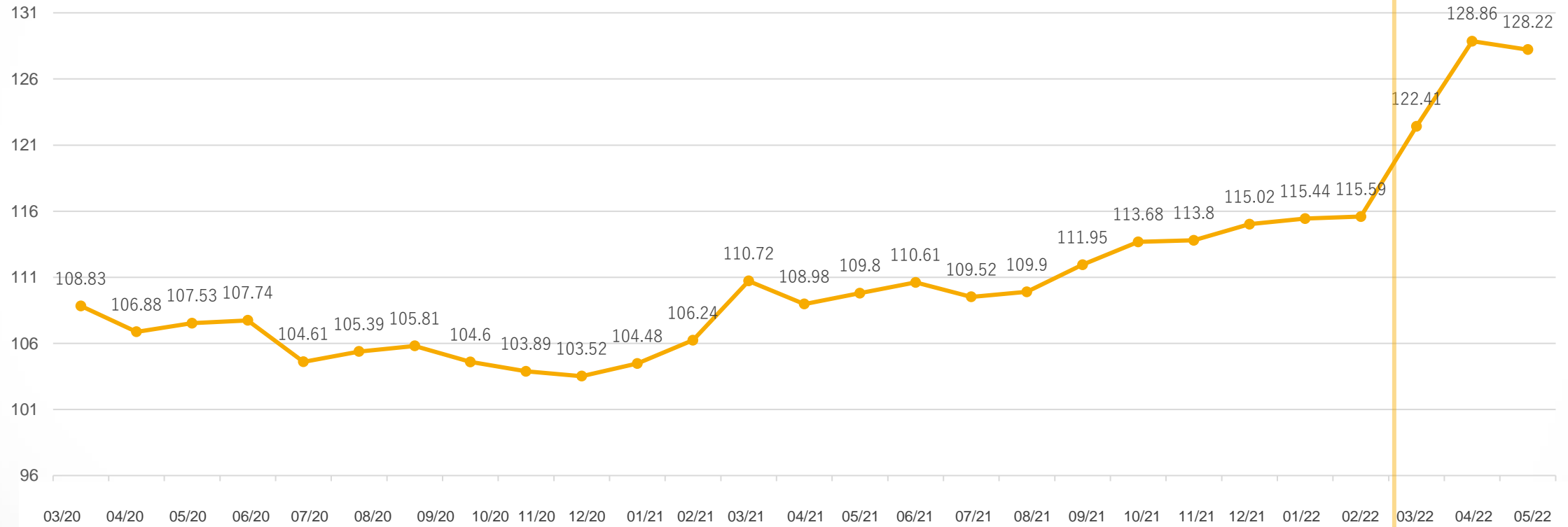
2 Resale | Exchange Rates

Continued yen depreciation contributed to higher sales and profits.

Even if sales increase or decrease due to exchange rate fluctuations, profit margins are unaffected because the purchase amount also increases or decreases in the same manner.



(Unit: Yen)



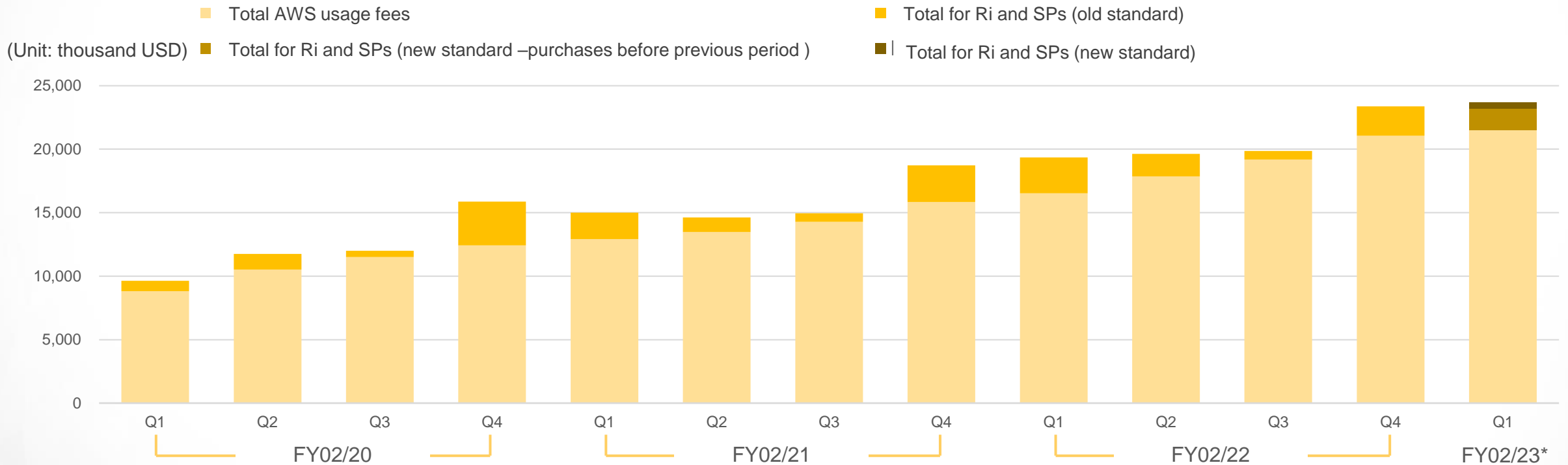
Financial Highlights

2 Resale | Reserved Instance/Saving Plans



Due to progress with AWS adoption and customer usage, we **maintained steady organic growth.**

*Reserved Instances (RIs) and Saving Plans (SPs) had a certain amount of purchases, as in previous years. We applied the new revenue recognition standard from FY02/23, and revenue will be recognized over the “discounted period.”



*RI and SPs are AWS services under which substantial discounts are offered to customers who pay a fixed reservation fee and commit to AWS usage for a certain period.
 *For RI and SPs, we had recognized revenue at the time of purchase until FY02/2022, but changed the method to recognize revenue over the applicable period in FY02/23.

Financial Highlights

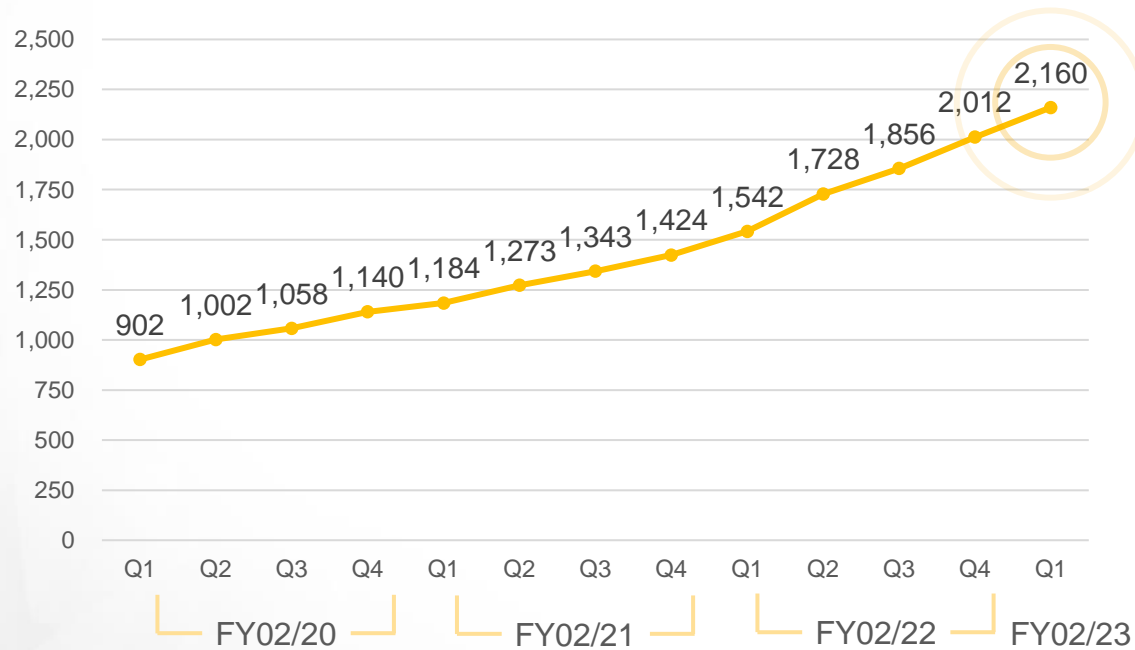
2 Resale | Number of AWS Accounts and ARPU



Due to progress with AWS adoption and customer usage, we **maintained steady organic growth.**

Number of AWS accounts
Number of accounts over the past three years

(Unit: # of account)

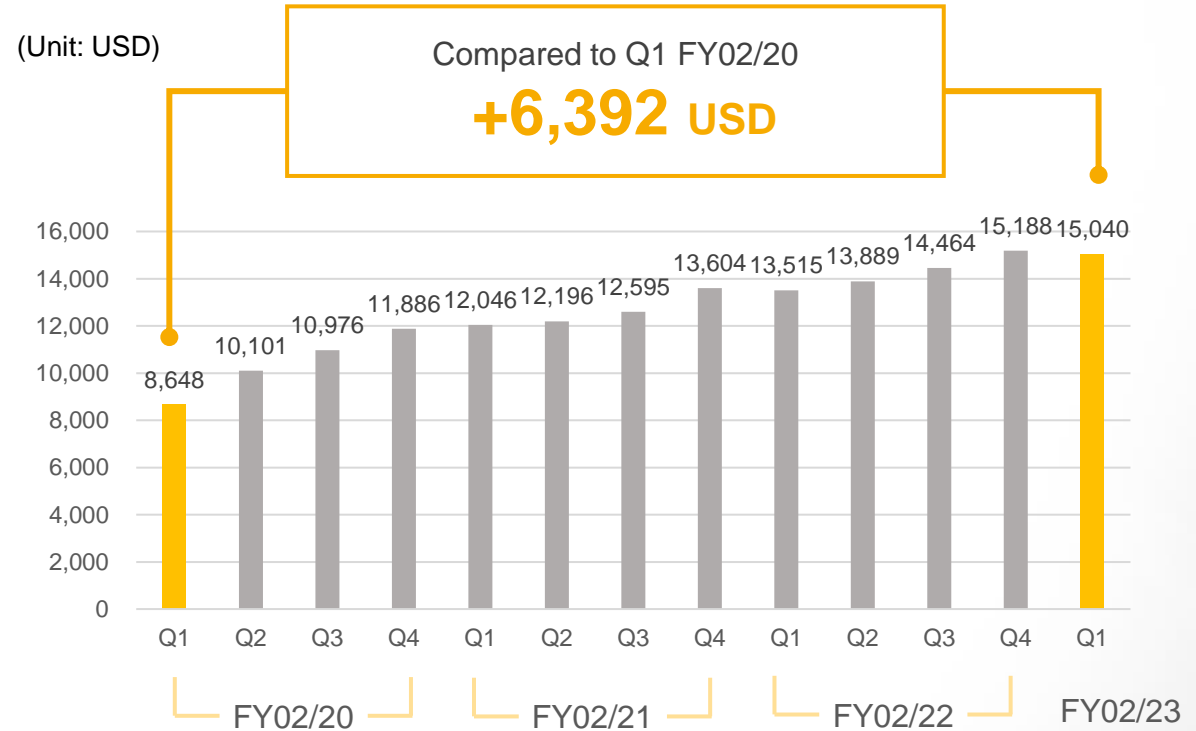


ARPU* (%)

AWS usage fees for the quarter divided by the total number of customers for the quarter.

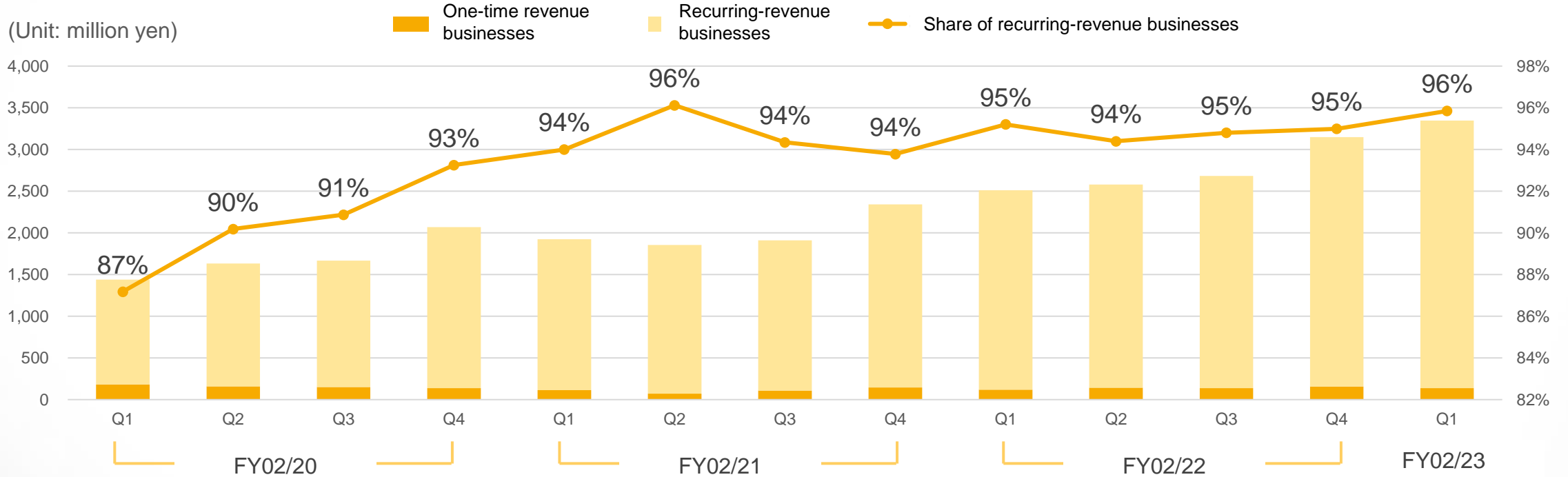
* Excluding Reserved Instances and Savings Plans

(Unit: USD)



Financial Highlights

Percentage of Recurring Business



Note: One-time sales from Cloud Integration, where sales are recorded at the time of customer acceptance are recorded under 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.

Solid Track Record

Our track record spans 13,200 projects for more than 1020 companies, mainly large companies.

Listed Companies



Major Companies and Listed Company Groups



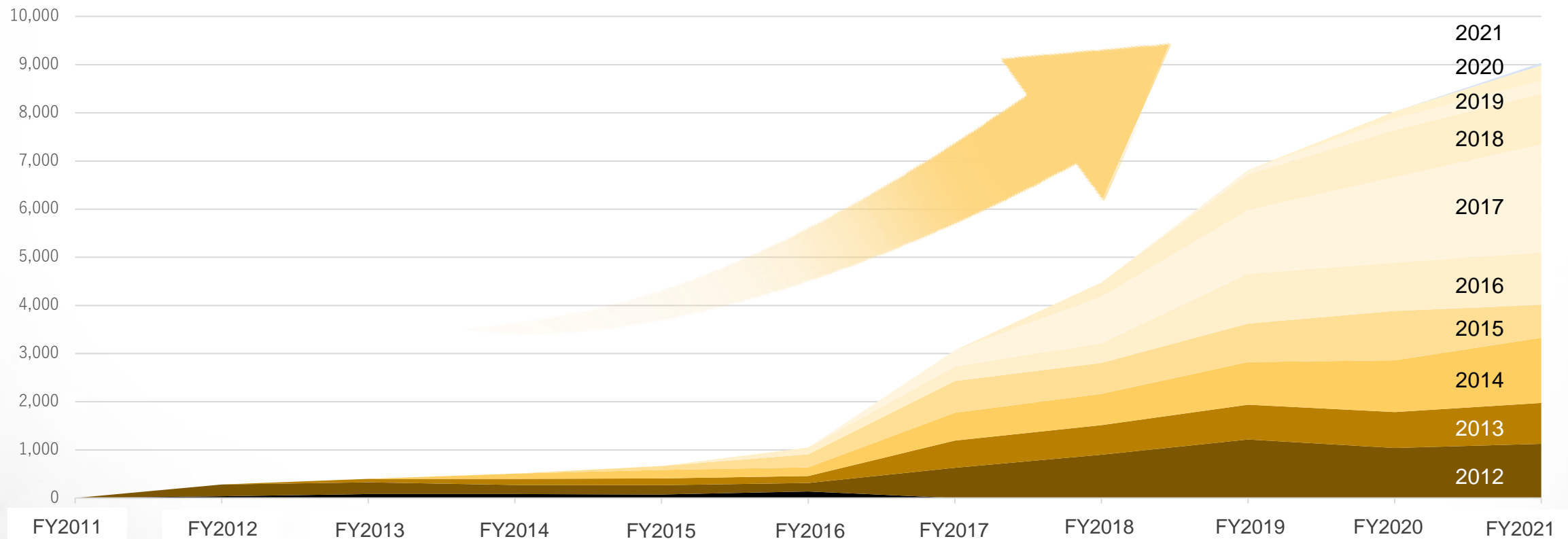
Customer Lifetime Value (LTV)

Customers who have contracted with us

increase their total purchase amount each year.

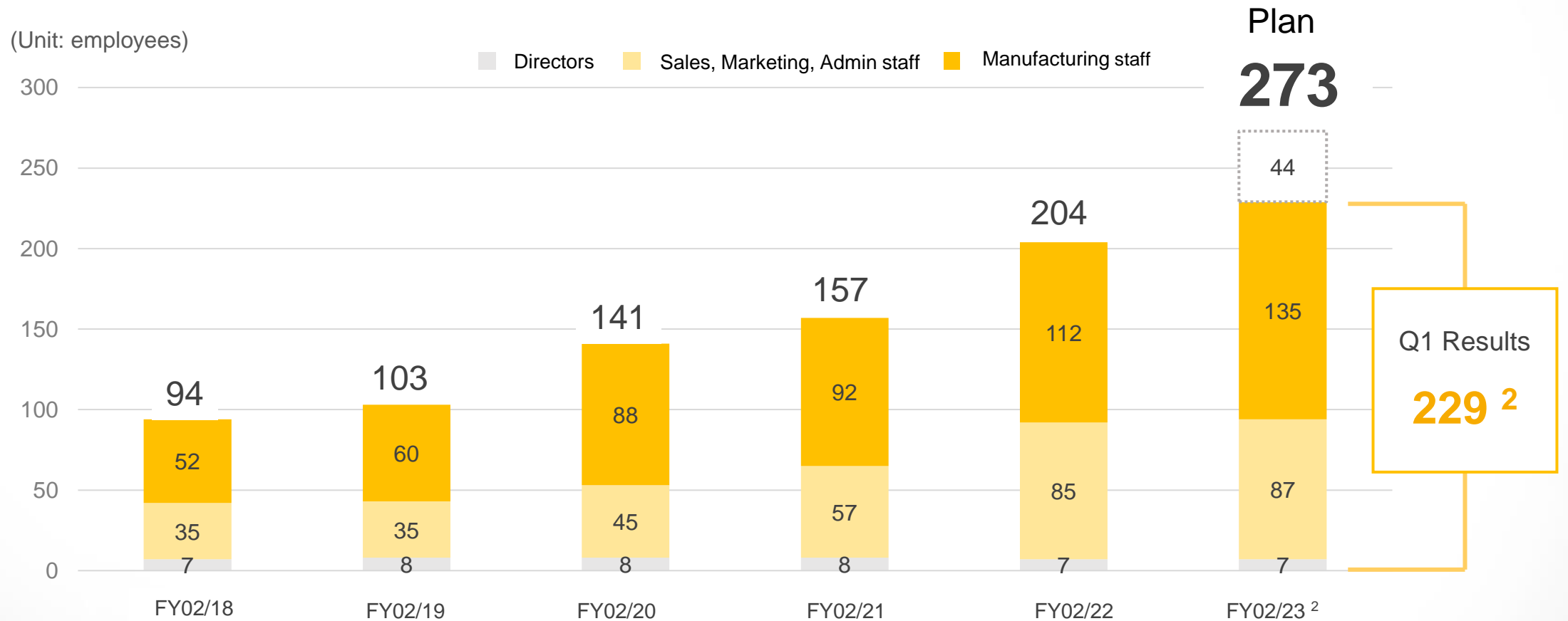
Cloud Integration, Resale, and MSP combined

(Unit: million yen)



Employees ¹

We are strengthening our active recruitment of highly skilled human resources, especially for cloud engineers.



1. The number of employees includes the number of temporary (part-time) employees.

2. Eleven new graduates are counted in our sales and administration department in Q1 FY02/23. Figures for FY02/23 are for the period from March 2022 to May 2022.

Promoting AWS Certifications for Engineers

Mid-career engineers with no AWS experience also obtain AWS certification early

Over 600 AWS certifications

Number among all employees
(Serverworks)

149 → 192

End of Feb. 2021

End of Feb. 2022

Percentage of engineers

65.7% → 66.4%

End of Feb. 2021

End of Feb. 2022

+172 from the previous year

Cumulative number of AWS
certifications earned

437 → 609

End of Feb. 2021

End of Feb. 2022

aws  certified

AWS PARTNER NETWORK

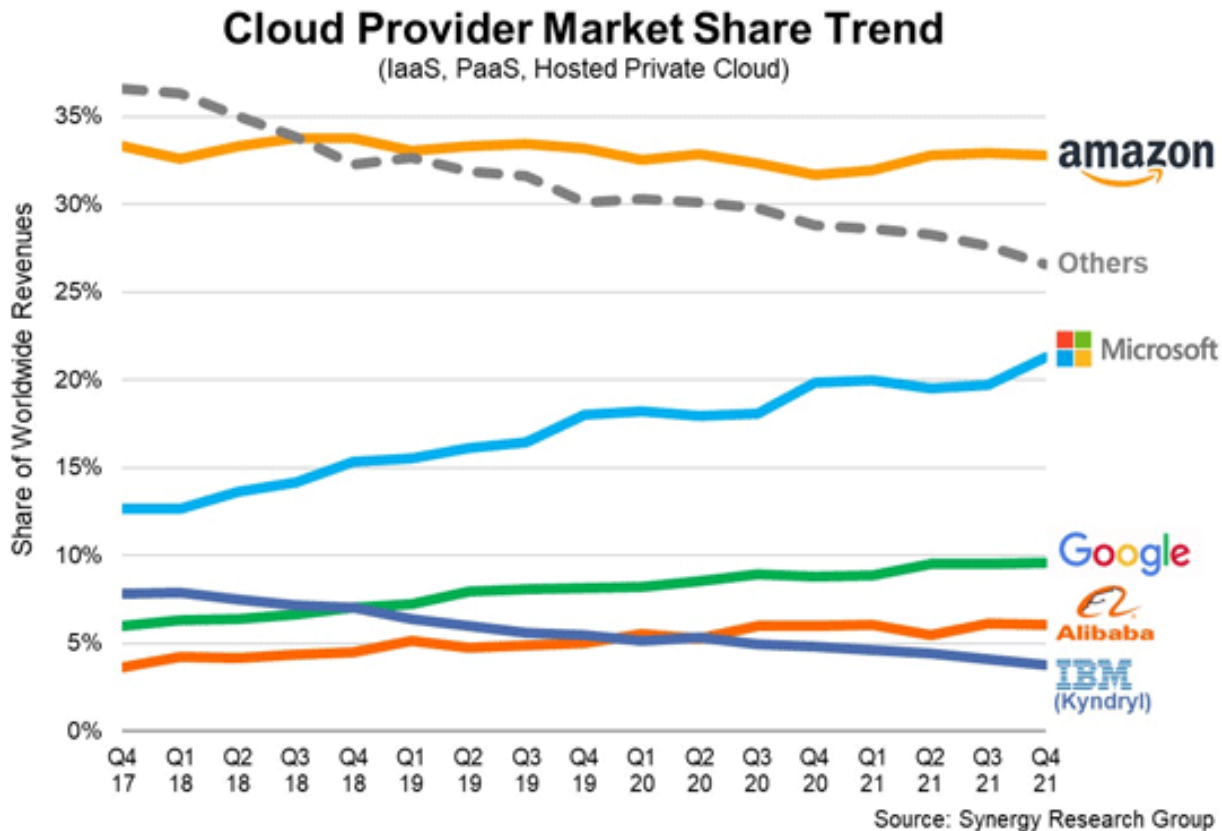
Increase in the Number of AWS Certifications in High Demand

Due to an increase in the number of employees obtaining AWS certifications at higher levels of difficulty,
engineers can work in more specialized fields.

	End of Feb. 2021	End of Feb. 2022	% of the Previous Year	Qualification Level Description
Fundamental	51	78	152%	Six months of fundamental AWS cloud and industry knowledge
Associate	192	250	130%	One year of experience solving problems and implementing solutions using the AWS cloud
Professional	80	112	140%	Two years of experience designing, operating, and troubleshooting solutions using the AWS Cloud
Expertise	114	169	148%	Technical AWS Cloud experience in the Specialty domain as specified in the exam guide

Market Environment

In the global cloud infrastructure services market in Q4 2021, **AWS controlled 33% of the total market, followed by Microsoft with 21% and Google Cloud with 9%.**



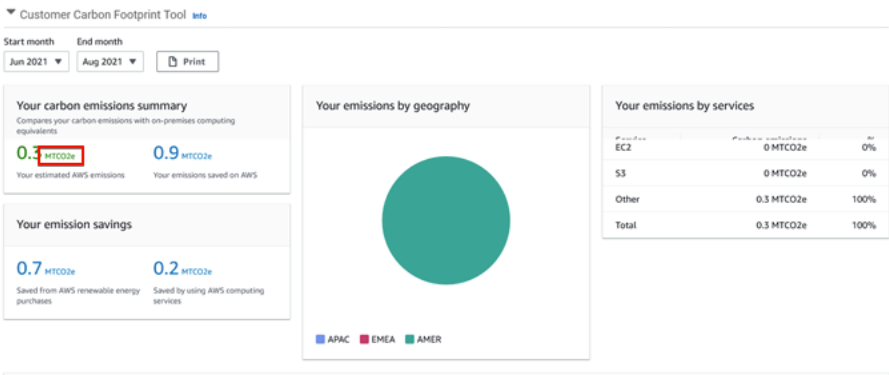
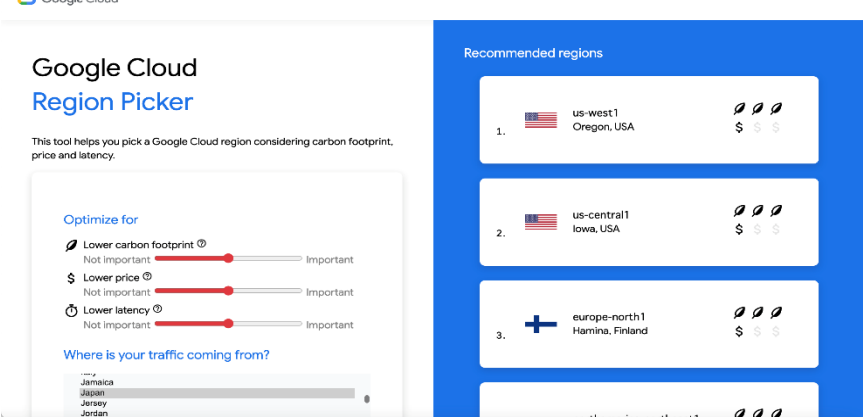
AWS continues to lead this market with a share of around 32% to 33%. Microsoft follows closely, with a 21% market share.

Google is the third-largest cloud provider, with a share of about 9%, followed by Alibaba in fourth place, and then IBM (now Kyndryl).

Source: https://www.publickey1.jp/blog/22/20214aws3321googlesynergy_researchcanalys.html



Reference: Carbon Emissions Measurement Tool for Each Cloud Service

Cloud Service	AWS	Google Cloud
Tool	AWS Customer Carbon Footprint Tool	Google Cloud Region Picker
Feature	<p>To meet sustainability goals, measure estimated carbon emissions from the use of AWS services.</p> <ol style="list-style-type: none">Using AWS reduces emissions, comparing to on-premise.CO2 emissions on a monthly, quarterly, and annual basis.Measure the projected change in annual CO2 emissions based on AWS usage within the account. 	<p>Google Cloud region can be selected taking variables like price, latency, and sustainability into account.</p> <ol style="list-style-type: none">Identify regions with particularly low carbon impact.Indicate the usage rate of carbon-free energy and the carbon intensity index of the power grid. 



Ryo Oishi, President & CEO

Mr. Oishi graduated from Tohoku University, where he majored in economics. He joined Marubeni Corporation, which is one of the biggest general trading companies. He was involved in the establishment of a subsidiary related to communication networks, as well as the planning of internet business and sales. In February 2000, he founded Serverworks. After he started AWS business in 2009, Mr. Oishi became one of Japan's first "cloud evangelists," and he has continued to encourage Japan's use of cloud computing.



Takashi Hashiba, Senior VP

Mr. Hashiba graduated from the Tokyo University of Agriculture, where he majored in agriculture. He joined a wholesale food processing company, working in a sales role. After joining our company in April 2006, he became head of the sales and technical department and took part in numerous system installations. Even after the AWS business began, he continued working on numerous projects, contributing substantially to the company's expansion. He became senior VP in October 2013.



Hiroyuki Oshio, Senior VP

Upon graduation from Kobe University, where he majored in economics, Mr. Oshio joined Marubeni Corporation. He engaged in planning and installation of internet-enabled systems. Then, he joined a software venture company and became SVP at an overseas subsidiary, as well as general manager of marketing. Upon joining our company in October 2013, he served as the head of business development and led the back office team. Mr. Oshio became senior VP in August 2014.



Mikiya Inoue

Full-time

After graduating from Keio University, where he majored in engineering, Mr. Inoue joined Marubeni Corporation. He worked primarily in the information and communication industry, engaging in a wide range of projects. These included 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. He also took part in related M&A projects. Mr. Inoue has lived in London and Bangkok. He joined our company as outside auditor in May 2018. He became an outside director in May 2021.



Yuko Tanaka

Ms. Tanaka joined Toyota Motor Corporation after graduating from Tokyo University, where she majored in law. She joined A.T. Kearney in 2003, taking part 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 has concurrent positions as director at CrowdWorks, Inc. and is an outside director on the Audit and Supervisory Committee at Spacemarket, Inc. Ms. Tanaka joined our company as outside director in May 2021.



Ichiro Terajima

Upon his graduation from Tokyo University, where he majored in engineering, Mr. Terajima joined Sekisui Chemical Co., Ltd. He also studied at MIT and established an in-company AI venture, experiencing a wide variety of business roles. He became general manager of the Information Systems Dept. and served as a chief of the information systems group. He joined TERRANET as a company representative. Mr. Terajima joined our company as outside director in November 2017.



Hikari Fujimoto

Ms. Fujimoto graduated from Keio University, where she majored in economics, before joining Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC). She engaged in accounting audit work and stock listing support services. She struck out on her own in 2011, establishing Hikari Fujimoto Certified Public Accountant Office (current Hikari Fujimoto Certified Public Accountant and Tax Accounting Office) in 2013. She provides stock listing support, support for the establishment of internal controls, M&A support, and accounting tax advisory services for venture companies. Currently, she is an auditor for several companies. She joined our company as outside director in May 2021.

Forward-Looking Statements

The materials and information provided in this document include so-called “forward-looking statements.” These are based on current expectations, projections, and risk assumptions, and include uncertainties that could cause actual results to differ from expectations.

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

The Company is not obligated to update or modify these forward-looking statements, even in the event of new information and/or future events that could affect results.



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