



Code: 3788

**Q4 2018**

**Financial Results Briefing Slides**

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## Disclaimer

This report was based on the current economic situation and several data on February 13th 2018. The numbers and statements of this report have possibility to be suddenly changed through unavoidable circumstances around our business.

# 1. GMO Cloud K.K. Corporate Profile

# Corporate Profile

<b>Name</b>	GMO CLOUD K.K.
<b>Securities Code</b>	3788 (Tokyo Stock exchange, the 1 <sup>st</sup> section)
<b>Establish</b>	May, 1997
<b>Business</b>	Total internet service
<b>Business Segment</b>	Cloud Hosting Security (SSL Certificates, Code Signing, PDF Signing etc. ) Solution (IoT Solution, Smartphone App and Web page production, Network Gaming Engine, Electronic contract Service, Vehicle Remote Diagnosis)
<b>Parent Company</b>	GMO Internet, Inc. (9449) ownership ratio 51.3% * Joined to GMO Internet Group from May, 2001
<b>Subsidiaries</b>	13 Consolidated (Japan 6, Overseas 7) Non-consolidated 2(Overseas 2) (The end of December, 2018)
<b>Employees</b>	Consolidated 916 (The end of December, 2018)

# GMO Cloud K.K. Business Segment

## 【To Sustain Secure Internet Communication】

### Cloud Hosting Segment

- Provide Secure Cloud infrastructure

### Security Segment

- Defend Internet Communication by Electronic Verification system
- Defend User's ID and Password by ID Management system

## 【To Make Enterprise's Cloud Utilization Convenient】

### Solution Segment

- 「IoT Solutions」 「Online to Offline App」  
「Gaming Network Engine」 「Electronic Contract」 「Vehicle Remote Diagnosis」

# Growth Strategies for years to come

Changes in market environment

Technological innovation is rapidly advancing with AI/IoT

## As a IoT Infrastructure/IoT Security Provider, to Be the No.1 in the Market.

### IoT infrastructure

- IoT · AI Platform
- Connected Car Service
- Online to Offline Service

### IoT security

- Managed PKI for IoT
- Time Stamp
- Electronic Contract

Investment

**Mission : We Change Things with IT**

### Cloud Hosting

- ✓ Data Storage
- ✓ Data Management

### Security

- ✓ CA Operation
- ✓ ID Management

### Solution

- ✓ App Development
- ✓ Interface Design

## 2. Q4 2018 Financial Results and Topics

# Segment Topics

## Cloud Hosting Segment

- The profit structure improved by rationalization of continual existing services.
- Regarding GMO Cloud ALTUS, the ISO/IEC27017 certificate, which is the international standard for information security, was obtained.

## Security Segment

- Sales increase due to the impact of "Always on SSL"
- The single sign-on services, SKUID byGMO started to correspond Active Directory linkage function.

## Solution Segment

- GMO Digital Lab started to provide "gNOTE+", a service in which automobile industry-specific apps can be created.
- GMO Cars has decided to transfer Culumo Business (CtoC Vehicle Distribution)



# FY2018 Q4 Consolidated Sales and Profit

Unit : Million Yen	2017 Q4	2018 Q4	YoY
Sales	12,206	<b>12,738</b>	+ 4.4%
Operating Profit	1,061	<b>1,408</b>	+ 32.7%
Profit Attributable to Owners of Parent	635	<b>956</b>	+ 50.5%
EBITDA※	1,195	<b>1,538</b>	+28.7%

※EBITDA: Operating Profit + depreciation Cost in SGA + Goodwill Amortization

## 【Increase factor】

- Security Segment contributed to the consolidated sales and profit growth.
- Cost reduction progressed along with the improvement of efficiency in Cloud Hosting Segment.

## 【Decrease factor】

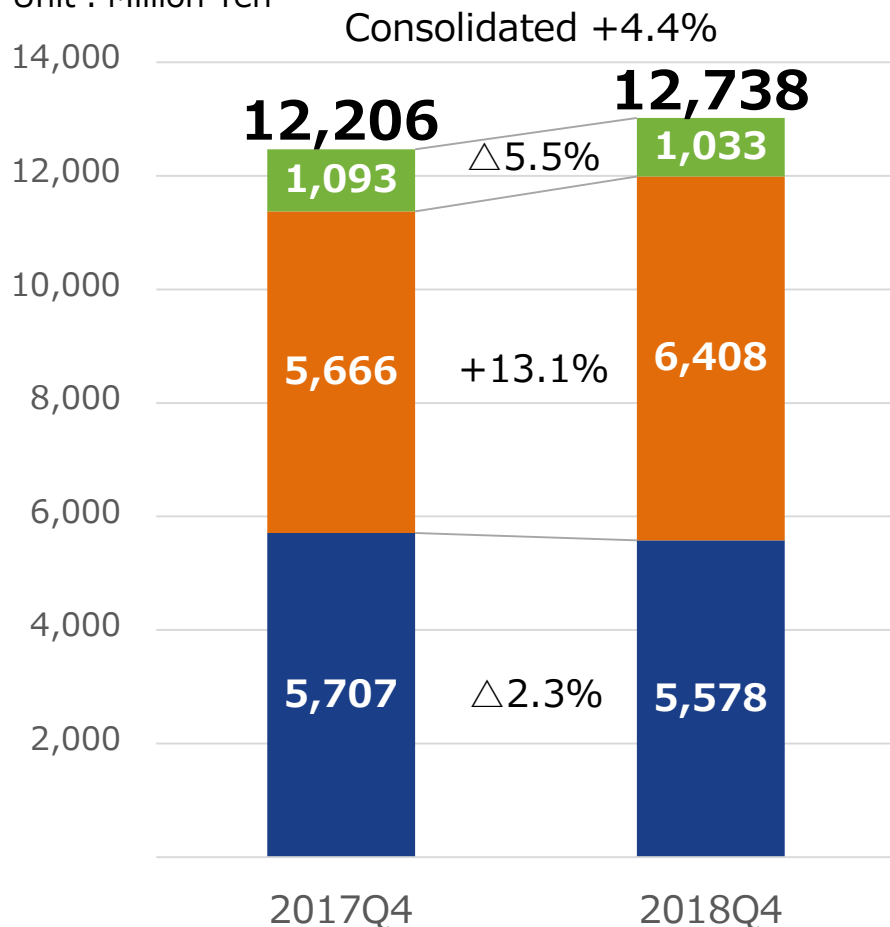
- Employment costs increased due to Security Segment growth.
- IoT and Solution Segment costs, such as R&D, software, and employment costs increased.

# FY2018 Q4 Consolidated Sales and Profit

## Sales by Segment

■ : Cloud Hosting, ■ : Security, ■ : Solution

Unit : Million Yen



## Cloud Hosting Segment

- Cloud service sales increased.
- Sales of shared servers and dedicated servers decreased.

## Security Segment

- “Always on SSL” and “GDPR” temporarily increased in demand for SSL certificates.
- Sales for enterprise clients expanded.
- Sales sustainably went up, mainly oversea markets including Asian/newly emerging markets.

## Solution Segment

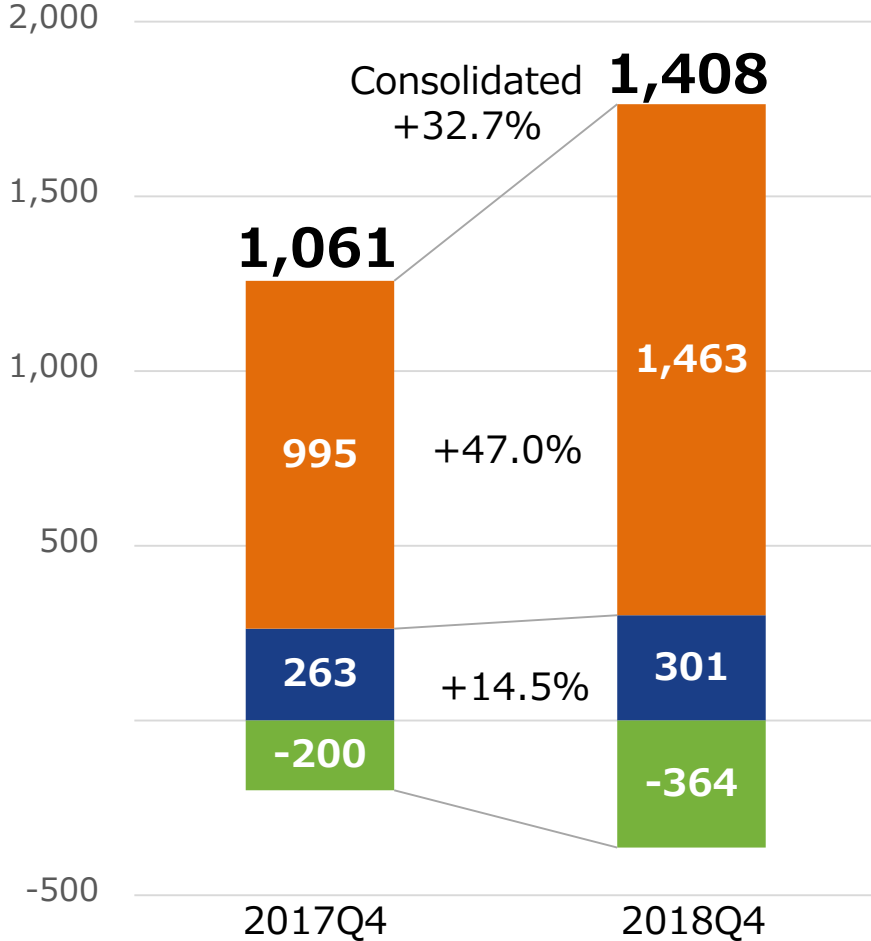
- Compared to FY2017, sales decreased because of divestment of the subsidiary, Speed Translation Co .
- O2O App and Photon contributed to the sales.

# FY2018 Q4 Consolidated Sales and Profit

## Operating Income by Segment

■ : Cloud Hosting, ■ : Security, ■ : Solution

Unit : Million Yen



### Cloud Hosting Segment

- OP income expanded by means of cost reductions through the rationalization of services.

### Security Segment

- Sales and OP income grew despite increased personnel expenses and investments.

### Solution Segment

- Investments to IoT related businesses for future growth increased OP loss.

## FY2018 Consolidated Annual P/L Sheet

- Security Segment, Profit increased due to expanded sales of domestic and international clients.
- “Always on SSL” contributed to sales increase temporally.

Unit : Million Yen	FY2017 Actual	FY2018 Forecast	FY2018 Revised Forecast	<b>FY2018 Actual</b>	YoY
<b>Sales</b>	12,206	12,825	12,825	<b>12,738</b>	+ 4.4%
<b>Operating Profit</b>	1,061	1,167	1,387	<b>1,408</b>	+ 32.7%
<b>Ordinary Profit</b>	1,087	1,167	1,469	<b>1,490</b>	+ 37.1%
<b>Profit Attributable to Owners of Parent</b>	635	700	919	<b>956</b>	+ 50.5%

## FY2018 Quarterly Comparison

- Despite sales increased, increased costs for sales and operation reduced profits.
- Impairment of fixed assets reduced profit attributable to the parent company.

Unit : Million Yen	FY2017 4 Q	FY2018 1 Q	FY2018 2 Q	FY2018 3 Q	<b>FY2018 4 Q</b>	QoQ
<b>Sales</b>	3,172	3,106	3,133	3,213	<b>3,284</b>	+ 2.2%
<b>Operating Profit</b>	336	360	340	375	<b>331</b>	△11.7%
<b>Ordinary Profit</b>	332	352	385	427	<b>325</b>	△23.9%
<b>Profit Attributable to Owners of Parent</b>	89	231	293	301	<b>130</b>	△56.9%

## FY2018 Quarterly Comparison of Segment

- Despite the sales declined in existing services of the Cloud Hosting Segment, profit increased due to cost reduction effects.
- Regarding Solution segment, continuous investments to IoT and other businesses increased personnel costs.

Sales				Operating Profit			
Million Yen				Million Yen			
Segment	FY2017 4 Q	FY2018 4 Q	YoY	Segment	FY2017 4 Q	FY2018 4 Q	YoY
Cloud · Hosting	1,432	1,382	△ 3.5%	Cloud · Hosting	66	74	+11.6%
Security	1,538	1,667	+ 8.4%	Security	316	338	+ 6.9%
Solution	270	293	+ 8.8%	Solution	△48	△88	-
Internal Transaction	△69	△59	-	Internal Transaction	0	7	-
Total	3,172	3,284	+ 3.5%	Total	336	331	△ 1.3%

# Summary of Consolidated Balance Sheet

Unit : Million Yen	2017 Dec.	2018 Dec.	Ratio
Current Assets	5,544	6,579	+18.7%
(Cash and Deposits)	3,695	4,356	+17.9%
(Account Receivable)	1,350	1,439	+6.6%
Fix Assets	3,074	2,543	△17.3%
(Software)	671	677	+0.8%
(Goodwill)	-	-	-
(Investment Securities)	379	504	+32.8%
(Shares of Subsidiaries)	57	57	-
Amount of Assets	8,619	9,123	+5.8%
<hr/>			
Liabilities	3,362	3,304	△1.7%
(Advances by customers)	1,554	1,528	△1.7%
(Debt+Lease)	514	385	△25.0%
Net Assets	5,256	5,819	+10.7%
(Shareholders' Equity)	4,957	5,596	+12.9%
(AOCI)	261	195	△25.5%
(Non-Controlling interest)	36	27	△24.9%
Liabilities + Net Assets	8,619	9,123	+5.8%

## Assets Fluctuation

- Increase of Cash and Deposits +660M
- Increase of Investment Securities +124M

## Debts Fluctuation

- Decrease of Other Account Payable +52M
- Advance payment △26M
- Provision for bonuses +84M
- Decrease of Lease Liabilities △128M

# Summary of Consolidated Cash Flows

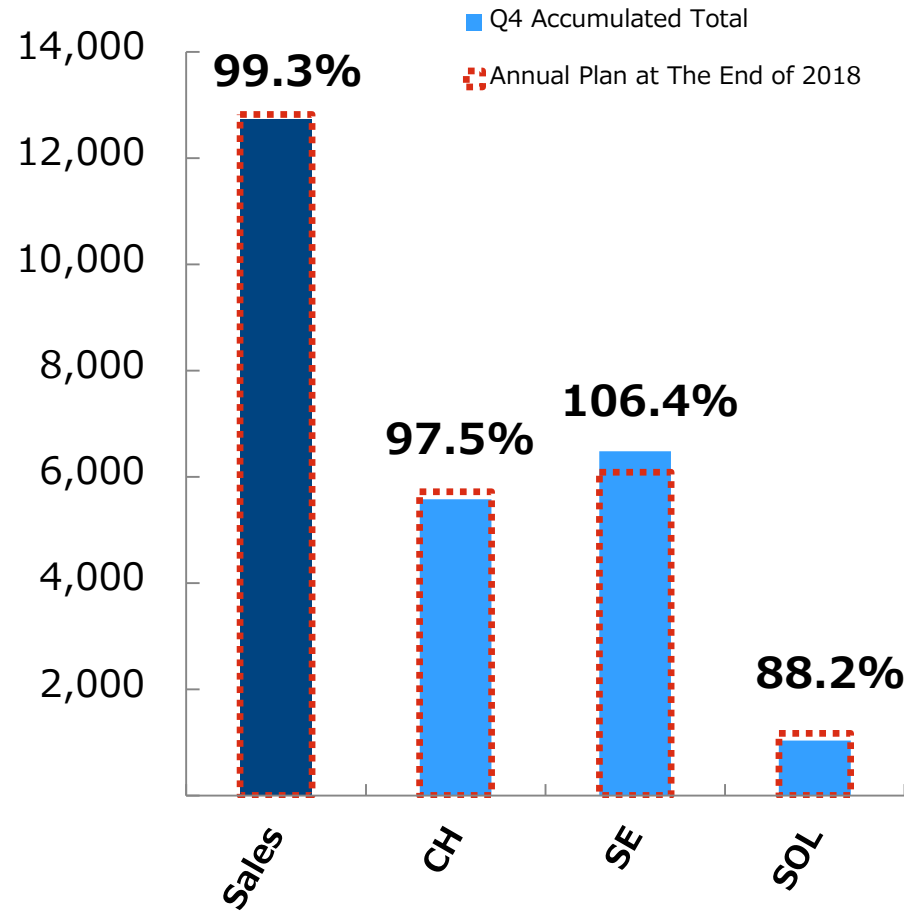
Unit : Million Yen	FY2017 4Q	FY2018 4Q	Factors
Cash Flows from Operating Activities	1,557	<b>1,878</b>	Pre-tax profit +1,134M Depreciation and Amortization +720M Gain on investments in partnership $\Delta$ 69M Income taxes $\Delta$ 326M
Cash Flow from Investing Activities	$\Delta$ 670	$\Delta$ <b>361</b>	Fix Assets $\Delta$ 554M Long-term loans recovered +159M
Cash Flows from Financing Activities	$\Delta$ 472	$\Delta$ <b>547</b>	Dividend payment $\Delta$ 317M Finance lease debt repayment $\Delta$ 216M
Net Increase in Cash and Cash Equivalents	+ 475	<b>+860</b>	
Cash and Cash Equivalents	3,635	<b>4,496</b>	



# FY2018 Annual Budgets and Results

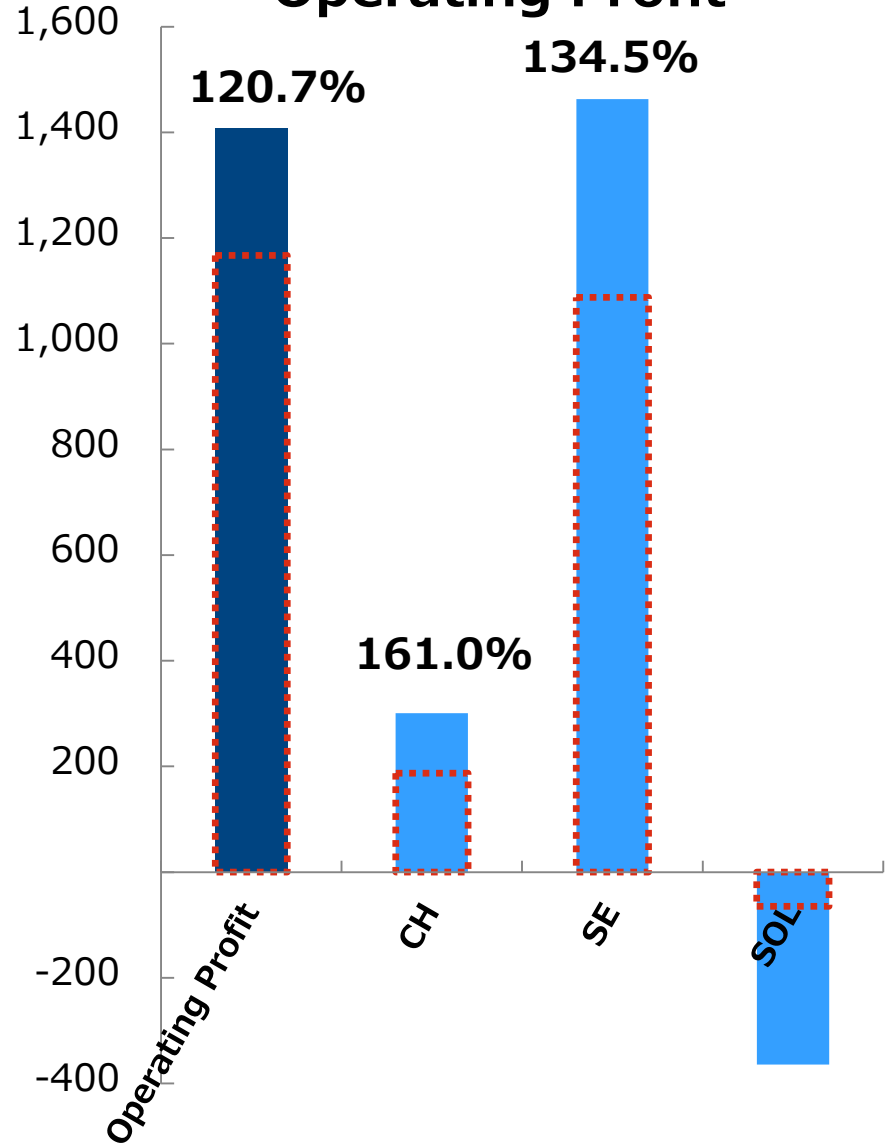
Unit : Million Yen  
%: Achievement Ratio

## Sales



CH : Cloud Hosting SE : Security SOL : Solution

## Operating Profit



## FY2019 Annual Forecast

- Security Segment continuously contributes sales and profit growth, even though expenditure for IoT investment continues in 2019.

Unit : Million Yen	FY2018 (Actual)	FY2019 (Forecast)	Forecast against Actual
<b>Sales</b>	12,738	<b>14,015</b>	+10.0%
<b>Operating Profit</b>	1,408	<b>1,550</b>	+10.0%
<b>Ordinary Profit</b>	1,490	<b>1,550</b>	+ 4.0%
<b>Profit to Owners of parent</b>	956	<b>1,010</b>	+ 5.6%
<b>Net Earnings per Share(Yen)</b>	83.04	<b>87.68</b>	-

## FY2019 Annual Forecast (Segment)

- Security Segment sales and profit expand through acquiring large enterprise clients.
- Investment to the infrastructure and security for IoT will be continued.

### Sales

Unit: Million Yen	FY2018 (Actual)	<b>FY2019 (Forecast)</b>	Forecast against Actual
<b>Cloud · Hosting</b>	5,578	<b>5,580</b>	0.0%
<b>Security</b>	6,408	<b>7,332</b>	+14.4%
<b>Solution</b>	1,033	<b>1,303</b>	+26.1%
<b>Internal Transaction</b>	△281	△ <b>200</b>	—
<b>Total</b>	12,738	<b>14,015</b>	+10.0%

### Operating Profit

Unit: Million Yen	FY2018 (Actual)	<b>FY2019 (Forecast)</b>	Forecast against Actual
<b>Cloud · Hosting</b>	301	<b>302</b>	0.3%
<b>Security</b>	1,463	<b>1,576</b>	+7.7%
<b>Solution</b>	△364	△ <b>328</b>	—
<b>Internal Transaction</b>	+ 7	<b>0</b>	—
<b>Total</b>	1,408	<b>1,550</b>	10.0%

## 3. Appendix

Please check the PDF file at the below URL,  
which has several KPIs to Know more GMO CLOUD K.K.

IR Fact book

<https://ir.gmocloud.com/english/ir/tool/>

# GMO CLOUD

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