

GMO CLOUD K.K. Code : 3788



Q4 2017
Financial Results Briefing Slides

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Disclaimer

- ✓ This report was based on the current economic situation and several data on February 2nd 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

Name	GMO CLOUD K.K.
Securities Code	3788 (Tokyo Stock exchange, the 1 st section)
Establish	May, 1997
Business	Total internet service
Business Segment	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, CtoC Vehicle Distribution)
Parent Company	GMO Internet, Inc. (9449) ownership ratio 51.3% * Joined to GMO Internet Group from May, 2001
Subsidiaries	15 Consolidated (Japan 6, Overseas 7) Non-consolidated 2(Overseas 2) (The end of December, 2017)
Employees	Consolidated 937 (The end of December, 2017)

【To Sustain Secure Internet Communication】

1. Provide Secure Cloud infrastructure

(Cloud Hosting Segment)

2. Defend Internet Communication by Electronic Verification system

Defend User's ID and Password by ID Management system

(Security Segment)**【To Make Enterprise's Cloud Utilization Convenient】**

3. 「IoT Solutions」 「Online to Offline App」
「Gaming Network Engine」 「Electronic Contract」
「Vehicle Remote Diagnosis」
「CtoC Vehicle Distribution」

(Solution Segment)

2. Q4 2017 Financial Results and Topics

Segment Topics

Cloud Hosting Segment

- Continuing Hosting Server Migrations to Improve Profitability
- To Enhance Sales of Products, New "SiteLock CDN" launched

Security Segment

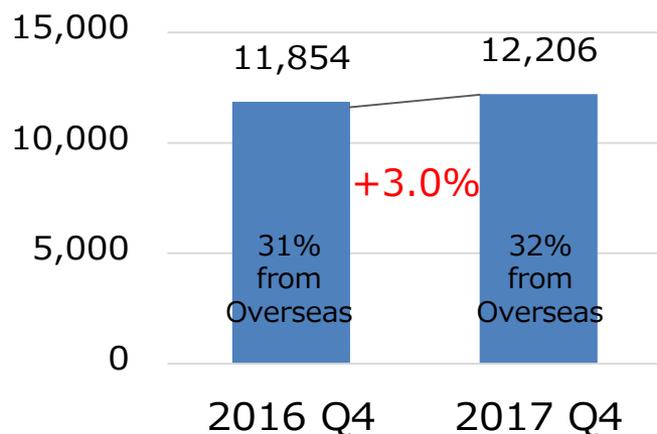
- Kyodo Printing Co. Adapted GMO Global sign's "GMO Online ID Verification Service" linked to Japanese My Number System which is like US's Social Security Number System
- ID Access Management Service "SKUID byGMO" Started to correspond SAML Single Sign-on System

Solution Segment

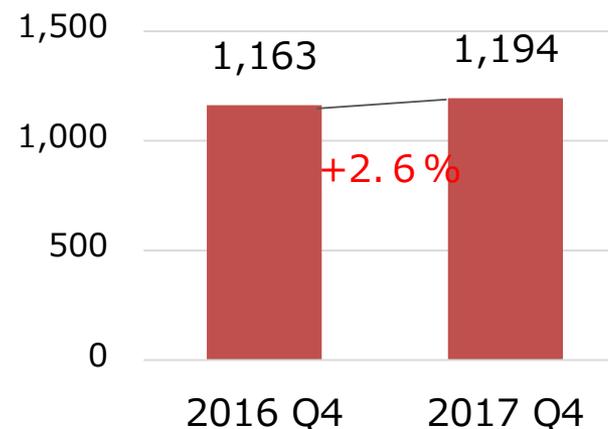
- Established "IoT navi byGMO" to support Mid-size Enterprises to use IoT technology to solve their own issues
- Negotiated 100% share of GMO Speed Translation Co

Million Yen

Sales

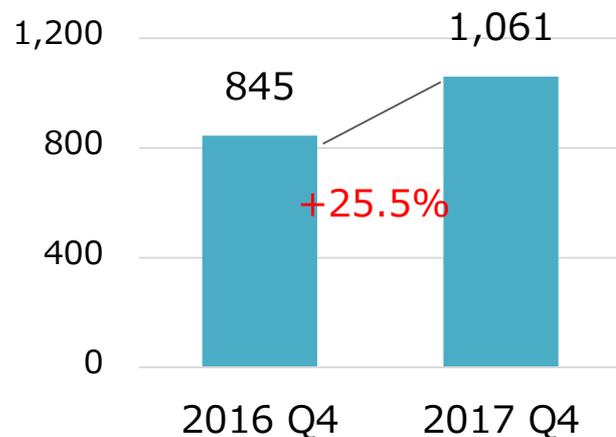


EBITDA

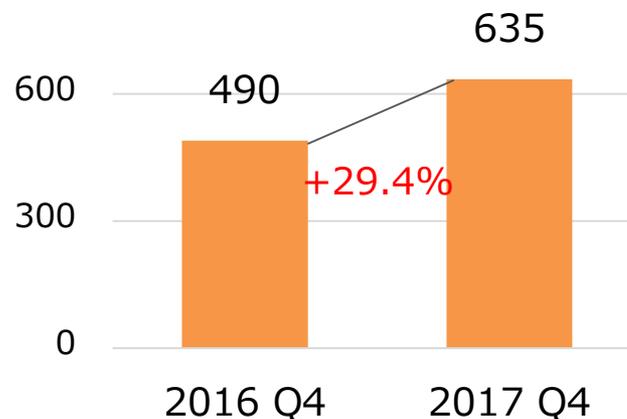


※EBITDA: OP + depreciation Cost in SGA + Goodwill Amortization

Operating Profit



Profit Attributable to Owners of Parent



FY2017 Consolidated Annual P/L Sheet

- ✓ **FY2017 Sales and Profit Increased Even Though Assigned IAM Segment at Q4 2016 and One Shot Sales of Security Segment Had Boosted FY2016 Sales**

Million Yen	FY2016 Actual	FY2017 Forecast	FY2017 Revised Forecast	FY2017 Actual	YoY
Sales	11,854	12,000	12,000	12,206	+ 3.0%
Operating Profit	845	950	950	1,061	+25.5%
Ordinary Profit	795	950	950	1,087	+36.6%
Profit attributable to owners of parent	490	550	610	635	+ 29.4%
EPS (Yen)	42.47	47.58	52.95	55.17	—

FY2017 Quarterly Comparison

- ✓ **Operating Profit Increased Due to Improved Gross Profits to Sales**
- ✓ **Valuation Loss of Investment Securities 160M Yen**

Million Yen	FY2016 Q4	FY2017 Q1	FY2017 Q2	FY2017 Q3	FY2017 Q4	QoQ
Sales	2,971	3,007	3,007	3,019	3,172	+ 5.1%
Operating Profit	189	273	203	248	336	+35.3%
Ordinary Profit	206	268	232	253	332	+31.1%
Profit attributable to owners of parent	72	186	176	183	89	-51.4%

FY2017 Annually Comparison of Segment

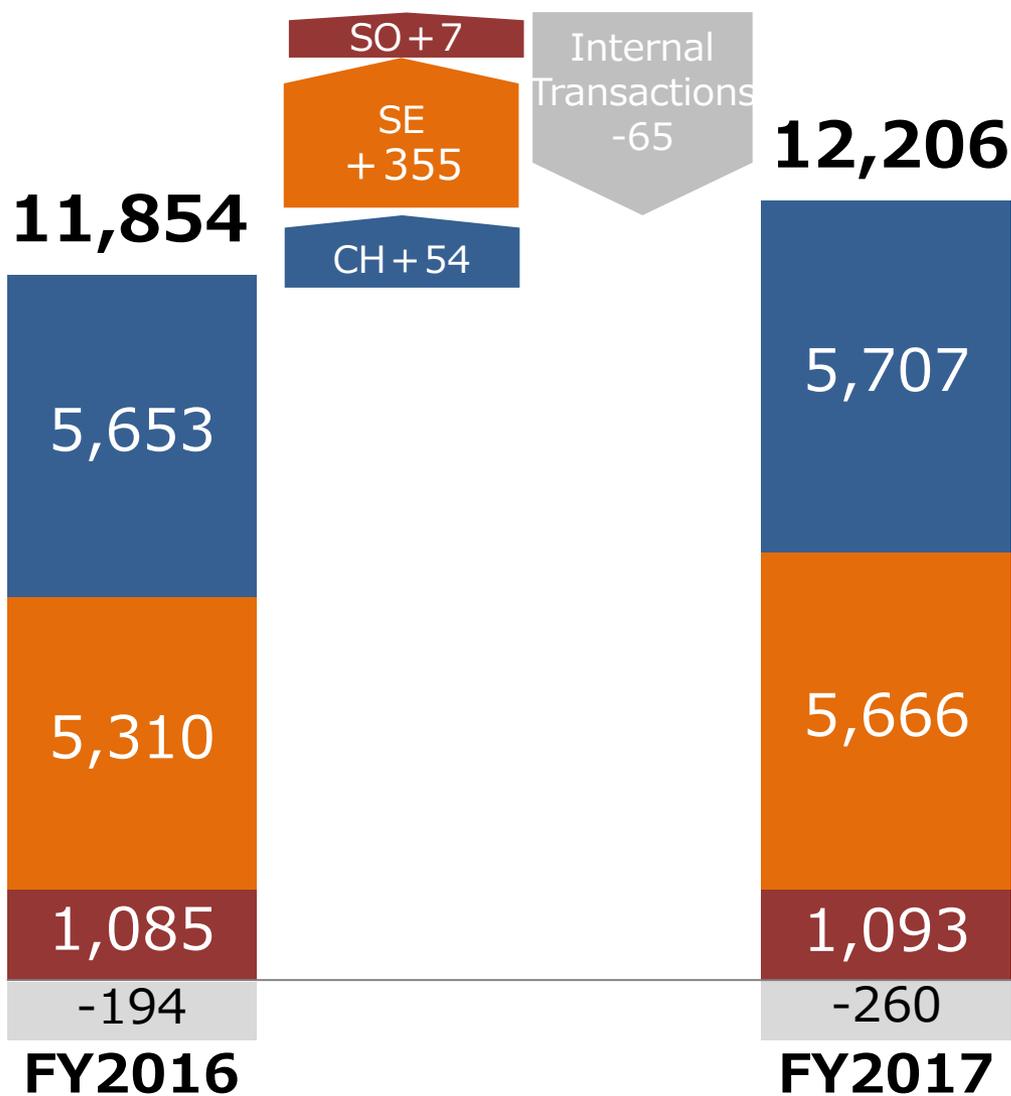
- ✓ Overseas Sales and The End of Expenses for IAM business Goodwill expanded the Sales and Operating Profit of SE Segment.
- ✓ The Expenses for New Business Project Reduced CH Segment Profit

<u>Sales</u>				<u>Operating Profit</u>			
Million Yen				Million Yen			
Segment	FY2016	FY2017	YoY	Segment	FY2016	FY2017	YoY
CL	5,653	5,707	+1.0%	CH	358	263	-26.4%
SE	5,310	5,666	+6.7%	SE	558	995	+78.3%
SO	1,085	1,093	+0.7%	SO	-76	-200	-
Internal Transactions	-194	-260	-	Internal Transactions	4	2	-
Total	11,854	12,206	+3.0%	Total	845	1,061	+25.5%

CH: Cloud Hosting, **SE:** Security, **SO:** Solution

Consolidated Sales Analysis by Segment **GMO CLOUD**

(Unit: Million Yen)



CH: Cloud Hosting Segment

- Sales of cloud increased
- Contribution from Sales of customer support center in Shimonoseki

SE: Security Segment

- Overseas sales increased
- Sales of usual services, such as SSL, grew steadily

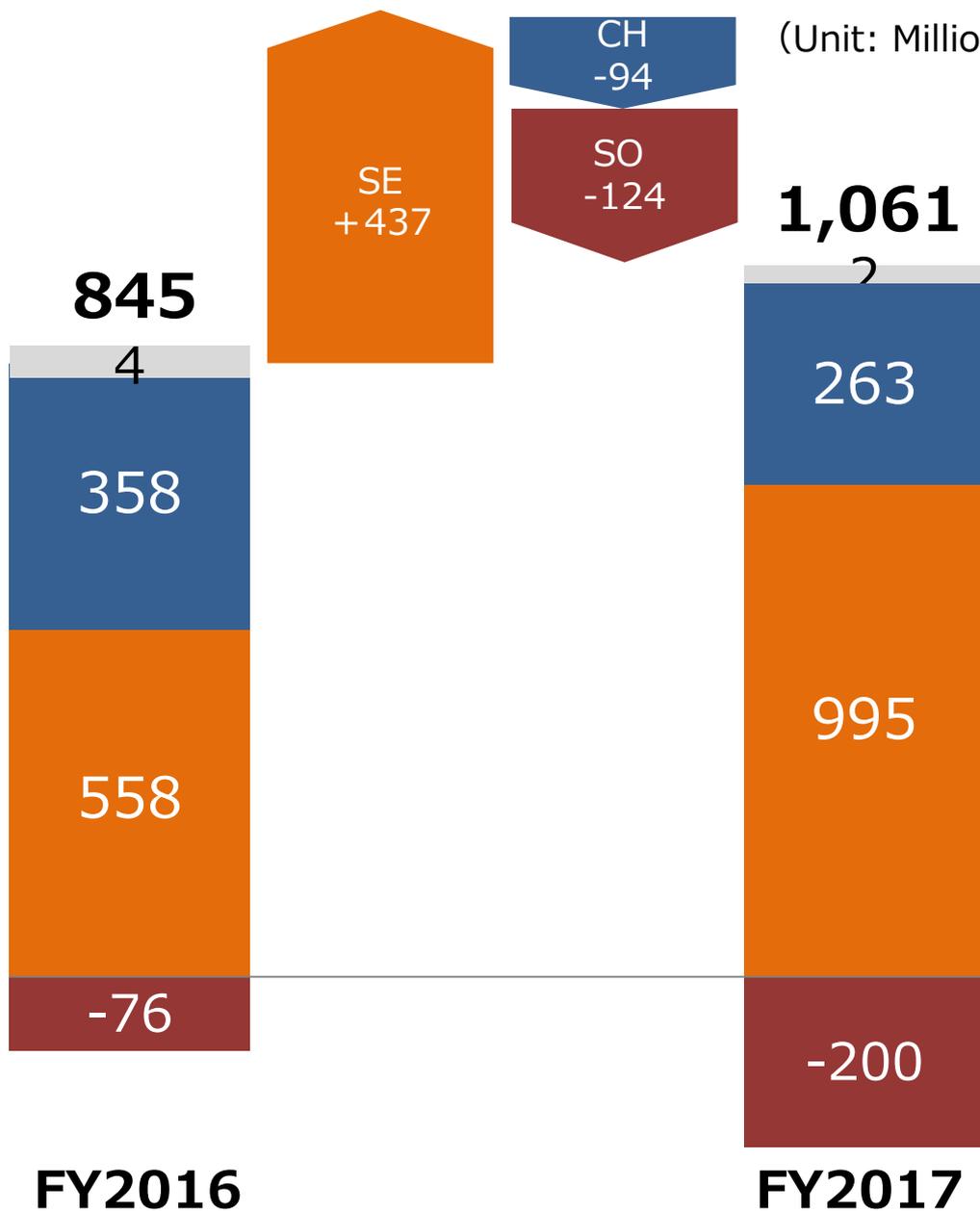
SO: Solution Segment

- Contribution from "Electronic Contract""Gaming Network Engine Photon" service

CH: Cloud Hosting, SE: Security, SO: Solution

Consolidated Operating Profit Analysis by Segment

(Unit: Million Yen)



Cloud Hosting Segment

- The expenses of IoT, R&D and customer support made loss

Security Segment

- Increased sales enhance profit
- To leave IAM business, the burden of the goodwill expenses was gone

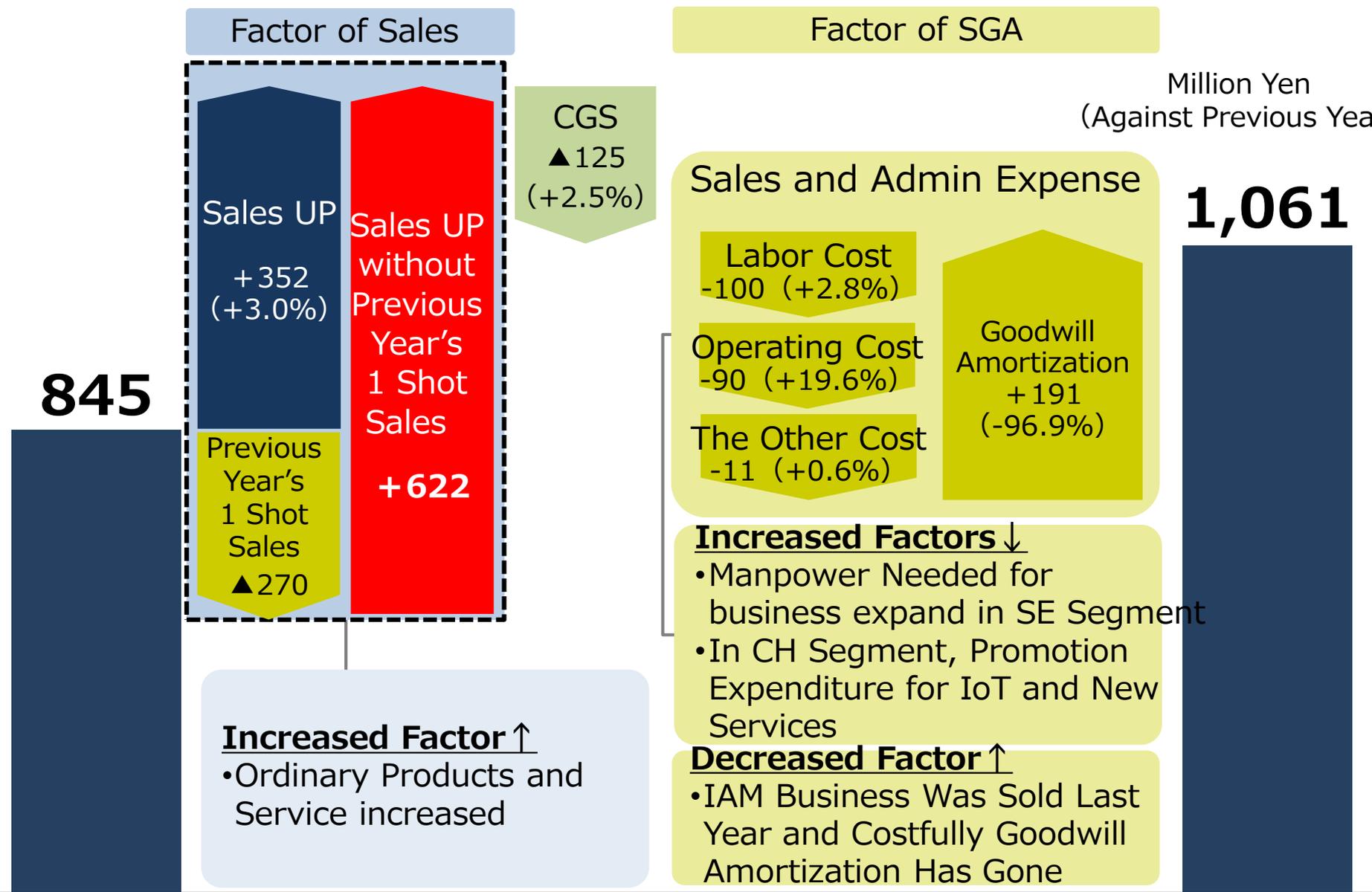
Solution Segment

- The cost of new business project enhance loss

CH: Cloud Hosting, SE: Security, SO: Solution

Consolidated Operating Profit Analysis

Million Yen
(Against Previous Year)



845

1,061

Factor of Sales

Factor of SGA

Sales UP
+352 (+3.0%)

Sales UP without Previous Year's 1 Shot Sales
+622

Previous Year's 1 Shot Sales
▲270

CGS
▲125 (+2.5%)

Sales and Admin Expense

Labor Cost
-100 (+2.8%)

Operating Cost
-90 (+19.6%)

The Other Cost
-11 (+0.6%)

Goodwill Amortization
+191 (-96.9%)

Increased Factor ↑

- Ordinary Products and Service increased

Increased Factors ↓

- Manpower Needed for business expand in SE Segment
- In CH Segment, Promotion Expenditure for IoT and New Services

Decreased Factor ↑

- IAM Business Was Sold Last Year and Costfully Goodwill Amortization Has Gone

FY2016

FY2017

Summary of Consolidated Balance Sheet

Million Yen	2016 Dec.	2017 Dec.	Ratio	<u>Assets Fluctuation</u>
Current Assets	5,062	5,544	+9.5%	✓ Increase of Cash and Deposits
(Cash and Deposits)	3,170	3,695	+16.6%	525M
(Account Receivable)	1,375	1,350	-1.8%	✓ Increase of Cash and Deposits
Fix Assets	3,240	3,074	-5.1%	115M
(Software)	448	671	+49.8%	✓ Increase of Software
(Goodwill)	6	-	-	223M
(Investment Securities)	488	379	-22.3%	✓ Decrease of Investment Securities
(Shares of Subsidiaries)	57	57	-	108M
Amount of Assets	8,302	8,619	+3.8%	
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Liabilities	3,544	3,362	-5.1%	<u>Debts Fluctuation</u>
(Advances by customers)	1,442	1,554	+7.8%	✓ Decrease of Other Account Payable
(Debt + Lease)	667	514	-22.9%	275M
Net Assets	4,757	5,256	+10.5%	✓ Decrease of Lease Liabilities
(Shareholders' Equity)	4,566	4,957	+8.6%	152M
(AOCI)	158	261	+65.3%	✓ Increase of Deposits Received
(Non-Controlling interest)	32	36	+12.1%	112M
Liabilities + Net Assets	8,302	8,619	+3.8%	

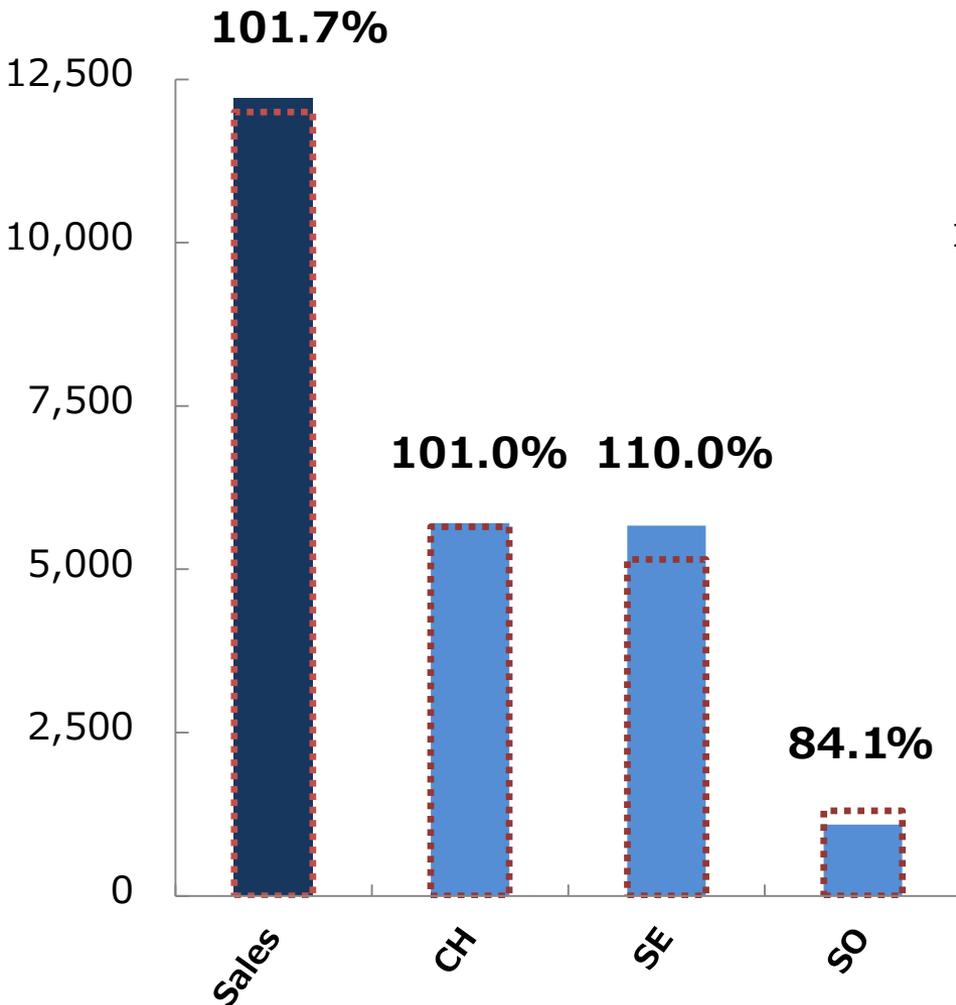
Free Cash flows ※ 887M Yen

Million Yen	FY2016 Q4	FY2017 Q4
Cash Flows from Operating Activities	1,530	1,557
Cash Flows from Investing Activities	-371	-670
Cash Flows from Financing Activities	-1,669	-472
Net Decrease in Cash and Cash Equivalents	-609	475
Cash and Cash Equivalents	3,160	3,635

※Added Cash Flows from Operating Activities to Cash Flow from Investing Activities.

FY2017 Annual Budgets and Results

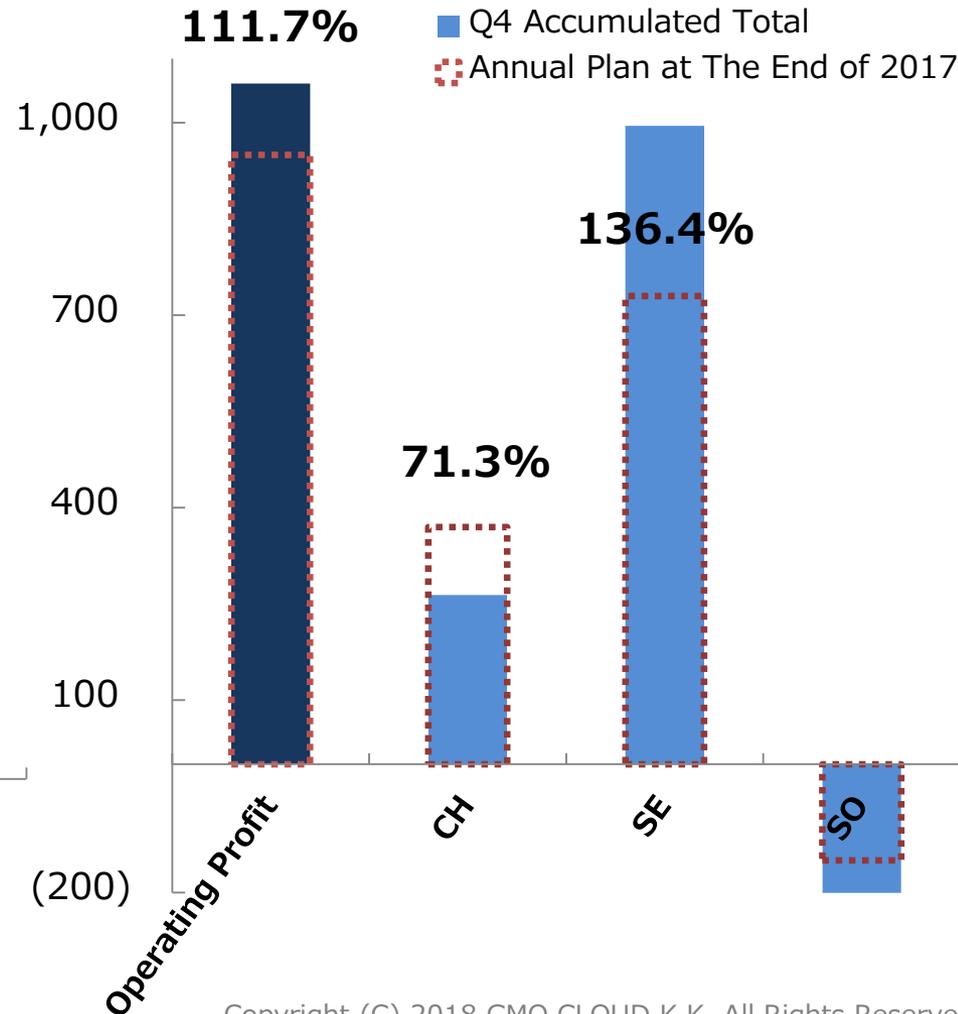
Sales



CH: Cloud Hosting, SE: Security, SO: Solution

Operating Profit

Million Yen
%: Achievement Ratio



FY2018 Annual Forecast

- ✓ **Although business development costs occur,
Security Segment Leads Consolidated Business**

Million Yen	FY2017 (Actual)	FY2018 (Forecast)	Forecast against Actual
Sales	12,206	12,825	+ 5.1%
Operating Profit	1,061	1,167	+10.0%
Ordinary income	1,087	1,167	+ 7.4%
Profit to owners of parent	635	700	+10.1%
Net Earnings per Share (Yen)	55.17	60.77	-

FY2018 Annual Forecast (Segment)

- ✓ **CH Segment, Operating Profit Shrinks Due to Expenses for IoT Business and Start-up Business Project**
- ✓ **SE Segment, Continue to Invest for ID Access Management Solution Business**

Sales

Million Yen	FY2017 Actual	FY2018 Forecast	Forecast against Actual
CH	5,707	5,722	+ 0.3%
SE	5,666	6,089	+ 7.5%
SO	1,093	1,171	+ 7.1%
Internal Transaction	-260	-157	—
Total	12,206	12,825	+5.1%

Operating Profit

Million Yen	FY2017 Actual	FY2018 Forecast	Forecast against Actual
CH	263	187	- 29.1%
SE	995	1,088	+ 9.3%
SO	-200	-108	—
Internal Transaction	+ 2	+ 0	—
Total	1,061	1,167	+10.0%

CH: Cloud Hosting, **SE:** Security, **SO:** Solution

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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