



GMO CLOUD K.K Code:3788

**Q2 2018**

**Financial Results Briefing Slides**

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#### Disclaimer

- ✓ This report was based on the current economic situation and several data on August 8th 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**

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# 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, CtoC Vehicle Distribution )
<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 June, 2018)
<b>Employees</b>	Consolidated 914 (The end of June, 2018)

**【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. Q2 2018 Financial Results and Topics**

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# Segment Topics

## Cloud Hosting Segment

- The rental server for corporate customers “iCLASTA+” started free SSL server certificate option

## Security Segment

- Sales increased due to the impact of “Always On SSL”
- GMO Globalsign joined to Adobe systems promoting “Cloud Signature Consortium”
- The single sign-on service “SKUID byGMO” started to correspond IDP linkage function at the lowest price in the industry

## Solution Segment

- The electronic contract service “Agree byGMO” strengthened partnership with external company services
- GMO Digital Lab started to provide “Waga-Machi Search” platform service

# FY2018 Q2 Consolidated Sales and Profit

Unit : Million Yen	2017 Q2	2018 Q2	YoY
Sales	6,014	<b>6,240</b>	+ 3.7%
Operating Profit	476	<b>701</b>	+47.1%
Profit Attributable to Owners of Parent	362	<b>524</b>	+44.8%
EBITDA※	542	<b>762</b>	+40.5%

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

## 【Increase factor】

- ✓ Security segment pulled the consolidated result.
- ✓ Cost of sales, both of cloud hosting and security segment, decreased.

## 【Decrease factor】

- ✓ Personnel expenses increased due to expansion of security segment.
- ✓ New business related expenses (research and development expenses / software expenses) increased.
- ✓ Extraordinary loss is mainly a valuation loss on investment securities of 21 million yen and withdrawal from business of 51 million yen.

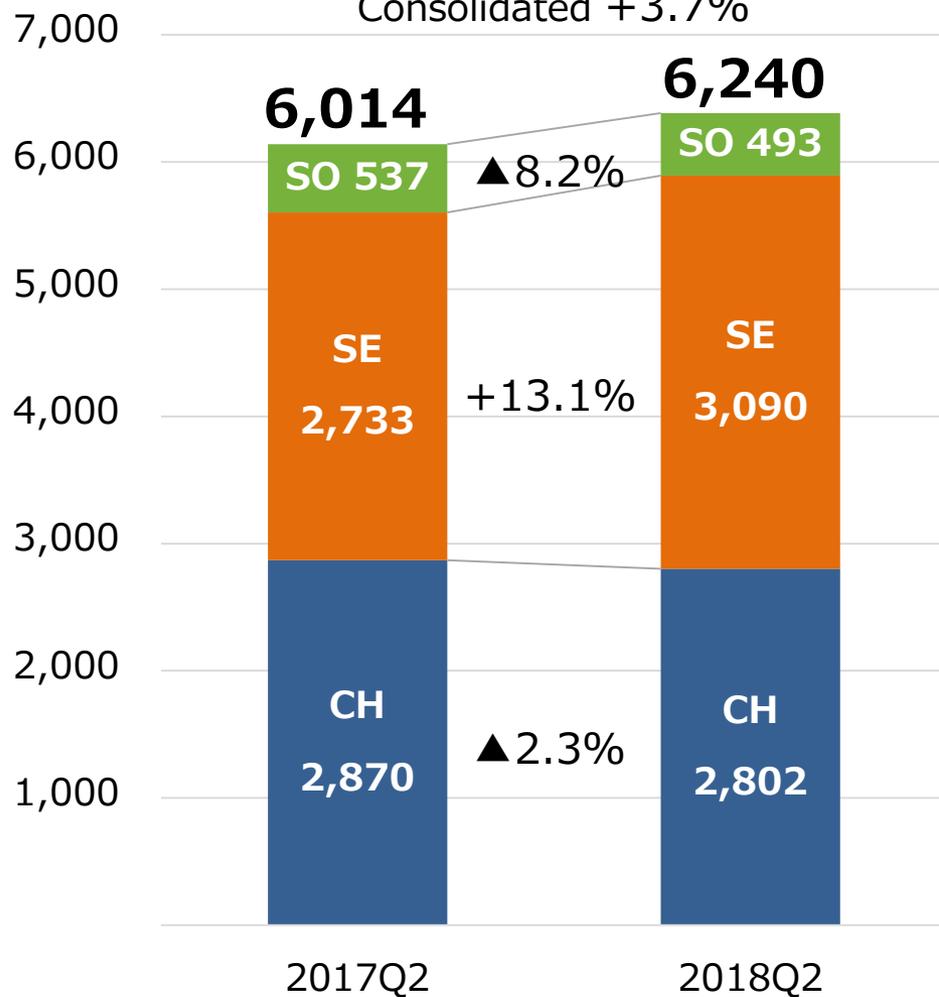
# FY2018 Q2 Consolidated Sales and Profit

## Sales by Segment

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

Unit : Million Yen

Consolidated +3.7%



### ■ Cloud Hosting Segment

- ✓ The number and sales of cloud service increased.
- ✓ Shared servers and dedicated servers continue to decrease.

### ■ Security Segment

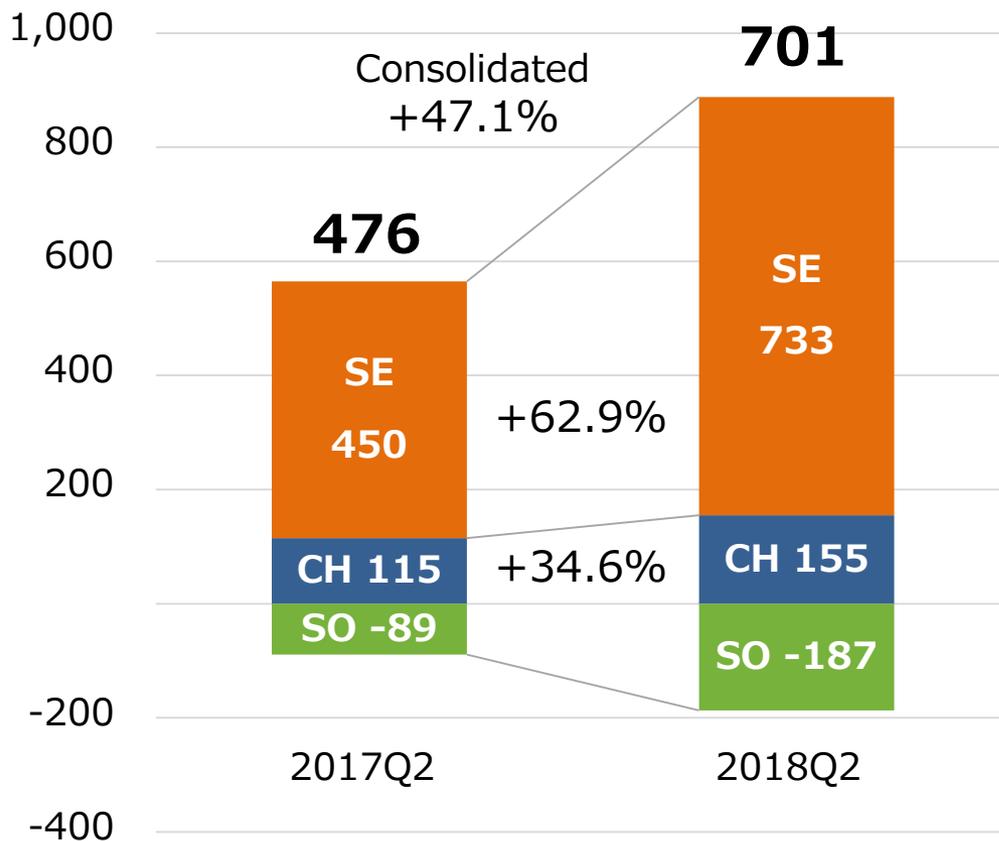
- ✓ Demand increased due to response to "Always On SSL" and "GDPR".
- ✓ Domestic enterprise sales are in good shape.
- ✓ The sales in the Asia-Pacific region steadily changed.

# FY2018 Q2 Consolidated Sales and Profit

## Operating Income by Segment

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

Unit : Million Yen



### ■ Cloud Hosting Segment

- ✓ Cost of sales reduced due to improving data center efficiency.
- ✓ Personnel expenses, advertising expenses reduced.

### ■ Security Segment

- ✓ Gross profit increased due to higher sales and lower cost of sales.
- ✓ Personnel expenses increased due to an increase in personnel.

### ■ Solution Segment

- ✓ Sales decreased due to translation business transferred.
- ✓ Loss increased due to the burden of advertising expenditure on new business.

## FY2018 Quarterly Comparison

- ✓ Sales increased slightly compared to Q1
- ✓ Ordinary profit increased compared to Q1, due to increase in return from investment and decrease in foreign exchange loss

Unit : Million Yen	FY2017 2 Q	FY2017 3 Q	FY2017 4Q	FY2018 1 Q	<b>FY2018 2 Q</b>	QoQ
<b>Sales</b>	3,007	3,019	3,172	3,106	<b>3,133</b>	+0.9%
<b>Operating Profit</b>	203	248	336	360	<b>340</b>	△5.6%
<b>Ordinary Profit</b>	232	253	332	352	<b>385</b>	+9.2%
<b>Profit Attributable to Owners of Parent</b>	176	183	89	231	<b>293</b>	+27.1%

# FY2018 Quarterly Comparison of Segment

- ✓ Cloud·Hosting segment's profit increased due to lower cost of sales and personnel costs.
- ✓ Solution segment's loss increased due to increased advertising expense.

Sales		Unit : Million Yen	
Segment	FY2018 1 Q	FY2018 2 Q	QoQ
Cloud · Hosting	1,412	1,390	△1.6%
Security	1,520	1,570	+ 3.3%
Solution	252	241	△4.3%
Internal Transaction	-77	-68	-
<b>Total</b>	<b>3,106</b>	<b>3,133</b>	<b>+ 0.9%</b>

Operating Profit		Unit : Million Yen	
Segment	FY2018 1 Q	FY2018 2 Q	QoQ
Cloud · Hosting	68	86	+26.0%
Security	363	369	+1.5%
Solution	-72	-114	-
Internal Transactions	0	-0	-
<b>Total</b>	<b>360</b>	<b>340</b>	<b>△5.6%</b>

# Summary of Consolidated Balance Sheet

Unit : Million Yen	2017 Dec.	2018 June	Ratio	<u>Assets Fluctuation</u>
Current Assets	5,544	5,855	5.6%	✓ Increase of Cash and Deposits
(Cash and Deposits)	3,695	3,746	1.4%	50M
(Account Receivable)	1,350	1,431	+6.0%	✓ Increase of Account Receivable
Fix Assets	3,074	2,824	△8.1%	81M
(Software)	671	724	+7.9%	✓ Increase of Software
(Goodwill)	-	-	-	
(Investment Securities)	379	380	+0.1%	52M
(Shares of Subsidiaries)	57	57	-	
Amount of Assets	8,619	8,680	+0.7%	
<hr/>				<u>Debts Fluctuation</u>
Liabilities	3,362	3,339	△0.7%	✓ Decrease of Other Account Payable
(Advances by customers)	1,554	1,592	+2.4%	△34M
(Debt + Lease)	514	451	△12.2%	✓ Advance payment
Net Assets	5,256	5,340	+1.6%	37M
(Shareholders' Equity)	4,957	5,164	+4.2%	✓ Accrued consumption tax
(AOCI)	261	150	△42.5%	37M
(Non-Controlling interest)	36	25	△31.5%	✓ Decrease of Lease Liabilities
Liabilities + Net Assets	8,619	8,680	+0.7%	△62M

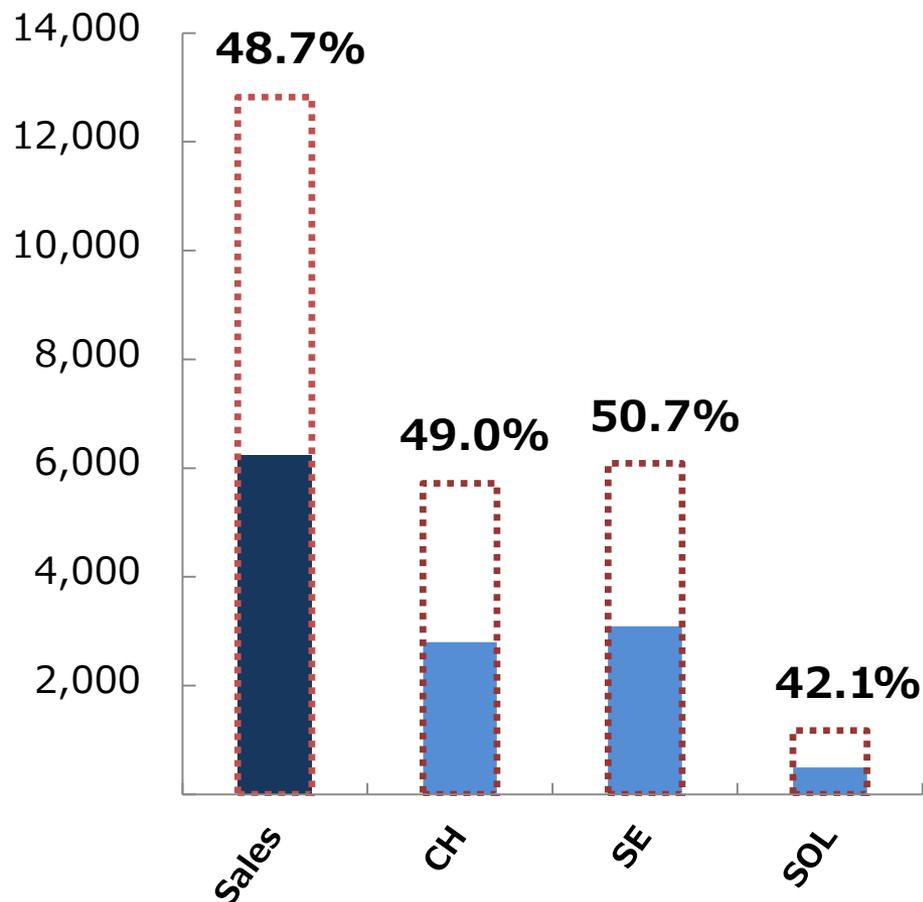
# Summary of Consolidated Cash Flows

	FY2017 Q2	FY2018 Q2	Factors
Unit : Million Yen			
Cash Flows from Operating Activities	759	<b>922</b>	Pre-tax profit 664M Impairment loss 51M Accounts receivable 147M Income Taxes 158M
Cash Flow from Investing Activities	△295	△ <b>297</b>	Fixed asset acquired 295M
Cash Flows from Financing Activities	△395	△ <b>428</b>	Dividend payment 317M Finance lease obligation repayment 111M
Net Increase in Cash and Cash Equivalents	+ 68	<b>+ 100</b>	
Cash and Cash Equivalents	3,229	<b>3,736</b>	

# FY2018 Annual Budgets and Q2 Results

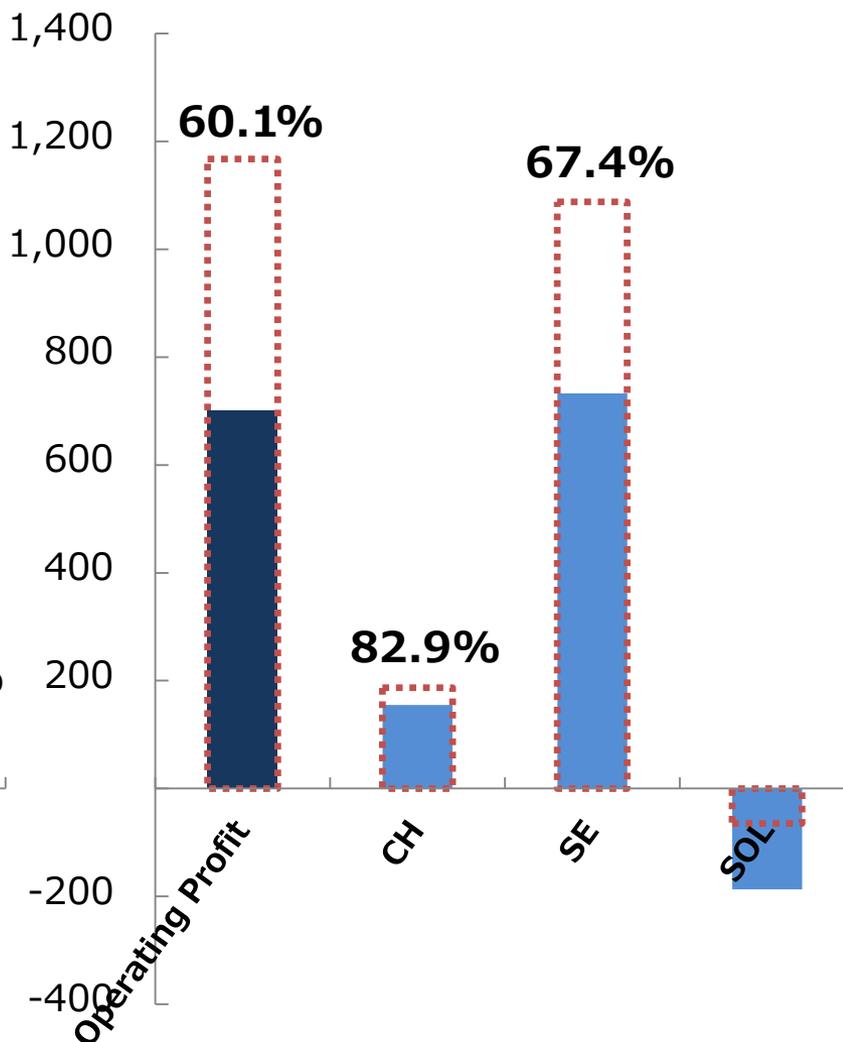
## Sales

■ Q2 Accumulated Total  
 ▤ Annual Plan at The End of 2018



## Operating Profit

Unit : Million Yen  
 %: Achievement Ratio



**CH** : Cloud Hosting    **SE** : Security    **SOL** : Solution

# FY2018 Annual Forecast

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

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

# 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

Unit: Million Yen	FY2017 Actual	FY2018 Forecast	Forecast against Actual
Cloud · Hosting	5,707	<b>5,722</b>	+ 0.3%
Security	5,666	<b>6,089</b>	+ 7.5%
Solution	1,093	<b>1,171</b>	+ 7.1%
Internal Transaction	-260	<b>-157</b>	—
<b>Total</b>	12,206	<b>12,825</b>	+5.1%

## Operating Profit

Unit: Million Yen	FY2017 Actual	FY2018 Forecast	Forecast against Actual
Cloud · Hosting	263	<b>187</b>	- 29.1%
Security	995	<b>1,088</b>	+ 9.3%
Solution	-200	<b>-108</b>	—
Internal Transaction	+ 2	<b>+ 0</b>	—
<b>Total</b>	1,061	<b>1,167</b>	+10.0%

## 3. Appendix

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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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