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Oracle Corporation Japan

Summary of QA in the results briefing for 1st quarter of fiscal year ending May2019

Q1: The revenue of the cloud license and on premise license grew by +21% from last year. Why is the license revenue growing? And please share your view about future demands?

Our software license revenue has grown consecutively three quarters. Its factor is that we provide flexibility to customers, who can deploy our licenses in on premise environments and cloud environments. Regarding our database, there are the demands in all industries.

Q2: The gross margin declined by 1.2 points. Please tell us about the state of the cloud and license.

We need to invest in new edge data center in order to support customers migrate their workload to our cloud. It will become margin pressure in short term, but we can take benefits by scale merit in mid-long term.

Q3: Can we understand that there is no change on the royalty agreements with your parent company and you need to invest the data center expansion?

There is no change on our royalty agreements. Some items for our data center increased.

Q4: As new CFO, do you have any plan to change your financial policy?

I don't change it currently unless the business needs change.

Q5: Your revenue grew, and were there any large projects in Q1? Please share your pipeline forecast in Q2 and subsequent quarters?

There were good demands in a wide range of industries rather than specific large projects in Q1. About our growth ratio, the revenue in Q1 is smaller than other quarters. We see our revenue will be on our full year guidance.

Q6: The outsourcing fees increased. Please tell us about your forecast.

Our EPS guidance number includes it as the expense forecast. We need to invest in data centers with increasing our cloud exposure, cloud usage and number of users. Although it becomes margin pressure in short term, we will be able to recover it and take benefits by scale merit.

Q7: How do you prioritize about the capital allocation? Do you have any updates of your data center?

We are definitely considering our own data center, we will announce it shortly.

Q8: How do you see your improvements of the market demands or your competitiveness with opening your data center? How will it contribute to your margin?

We need to support our customers put their data in our data center and to make it more comfortable. Our competitors already have own data centers. In the financial services, the government services and other sectors, companies who have sensitive data are increasing, having our data center makes it easier to sell Oracle cloud. Hence, our competitive ness is improved by data center investments.

Regarding our margin, our EPS guidance includes it. Although it becomes margin pressure in short term, we will be able to recover it and take benefits by scale merit.

Q9: Please teach us about your policy of dividend payout, M&A etc.

We are working on the corporate governance activities, and we have the board meetings periodically and discuss all options.

Q10: Have you kept the growth ratio of your cloud revenue since last year? Which services of your cloud SaaS, PaaS or IaaS have led your revenue growth?

In case that customers buy our software licenses, they can deploy them on premise environments or on our cloud environments. It makes more sense that we combine with cloud services and license support.

We expect we keep the momentum of our cloud business. Our technology cloud including PaaS and IaaS, also SaaS are growing.

Q11: Please tell us about the competition state of your cloud business against Amazon and Microsoft.

Our technology cloud is growing, and we can regard Amazon and Microsoft as the competitors in this area. We are the only one vendor who have complete stack of PaaS, IaaS and SaaS, we are taking a good position in the market and can compete them effectively.