

Summary of QA in the results briefing for 2<sup>nd</sup> quarter of fiscal year ending May2019

**Q1. Would you tell me the factors the Q2 3months revenues of the on-premise license declined by 6.7%?**

The seasonality caused Q2 revenue down. It isn't related with the long-term trends, there are strong demands and we do not look at Quarterly trends. We forecast 1 to 5% growth in total revenue.

**Q2. Would you share the break down trends of the Cloud services and the on-premise licenses respectively?**

Our Cloud & License segment revenue grew by 10.2%. Although we haven't shown the details of the Cloud & License revenue, our cloud, SaaS, PaaS, IaaS, each cloud service is showing strong growth.

**Q3. Your gross margin declined in Q1, on the other hand, it improved in Q2. Please tell me about the reason of your gross margin improvement?**

We are investing while checking the cost model. Among the expense items, the outsourcing fees decreased in Q2.

Generally we see around 30% of the operating margin, and it fluctuates in short term, and we think that it will continue with an upward bias over time.

**Q4. I'd like to know about the competition situation in cloud market. How about the presences of Amazon, Microsoft, and Oracle?**

Amazon and Microsoft Azure are big player in the cloud market in Japan.

Oracle, we have two strong focus areas those are Database and ERP, and we are providing them as cloud services.

Amazon is an infrastructure company, they don't have much of own IP

**Q5. When will your data center open in Japan?**

We are working for opening our data center and we will announce about the timing.

**Q6. Outsourcing cost is declining QoQ and YoY as well. Could you show me the breakdown of outsourcing cost such as outsourcing expense in the service business or cost allocation of your parent's data center running cost.**

As you mentioned, outsourcing cost consists several factors. We will see about the trend of each cost for a while and I would like to talk about this.

**Q7. Is it correct that cost allocation for new data center will not be much to Oracle Japan?**

Yes, we will operate without making a huge impact on operating income. We are planning around 30% operating margin transition and it will improve with revenue growth.

**Q8. Which will be the owner of the data center, Oracle Japan or US Oracle?**

It is still under the discussion with considering about tax and cash matters.

**Q9. I would like to know the trend of ERP business. With end of support for SAP in 2025, there is a strong demand on ERP including new customers. I have heard market shares of ERP of Oracle declines, therefore let me know about the trend of ERP demand on Oracle.**

Oracle is focusing on migrating ERP cloud in Oracle group globally. One of a research data shows globally Oracle is the leader of ERP cloud business.

We are making our ERP cloud expanding by migrating ERP from on premise to the cloud, and on the other hand, SAP is not a cloud player yet.

There is huge opportunity for using cloud instead of giant on-premise ERP, therefore we should be aware of these needs.

We are providing "Oracle Soar" program which helps migration for existing on-premise to cloud ERP, and we are also separately focused on our competitors' customers.

**Q10. Do you suffer a loss from acquiring Red Hat by IBM?**

I don't think so. Open software fits small business. In the mission critical system field, Oracle has a big advantage for enterprise market as the system requires security, scalability.

**Q11. Head count is increasing. Which division or type of occupation are you hiring for now?**

We are recruiting sales forces contentiously, not only for mid-market but for enterprise market. We are also recruiting to grow our Cloud business.