



GMO GlobalSign Holdings K.K.

Second Quarter Financial Results Briefing for the Fiscal Year Ending December 2021

August 10, 2021

Event Summary

[Company Name]	GMO GlobalSign Holdings K.K.	
[Company ID]	3788-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Second Quarter Financial Results Briefing for the Fiscal Year Ending December 2021	
[Fiscal Period]	FY2021 Q2	
[Date]	August 10, 2021	
[Number of Pages]	20	
[Time]	17:00 – 17:29 (Total: 29 minutes, Presentation: 13 minutes, Q&A: 16 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	1	
	Mitsuru Aoyama	President & CEO
[Analyst Names]*	Kazuki Tokunaga	Daiwa Securities Co. Ltd.
	Takashi Miyazaki	Goldman Sachs Japan Co., Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Continuing from Q1, Q2 2021

progress on track to meet the annual forecast

- Sales increase due to higher sales of “CloudCREW” and “GMO Shop App”
- New sales progress steadily despite impact of lower unit prices due to reduction of SSL validity period
- Profits lowered due to strategic investments in “GMO Sign”

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Aoyama: First, I would like to talk about the key points of the financial statement.

As in the first quarter, the business results for the second quarter were in line with the guidance disclosed at the end of the previous fiscal year.

As mentioned in the previous financial results, the shortening of the expiration date for SSL server certificates in the e-Authentication and Seal business has slowed sales growth in the current fiscal year. However, sales of CloudCREW, in our cloud infrastructure business, and GMO Omise App, in our DX business, were strong, and sales of SSL server certificates, our core business, increased steadily on a global basis. Accordingly, sales increased from the same period of the previous year.

Operating income, on the other hand, declined YoY due to the strategic and concentrated investment in GMO Sign, as initially planned.

Next, I will explain sales by segment.

Net sales in the electronic authentication and seal business increased by 0.1% YoY to JPY3,691 million. During 2Q of FY2021, sales of SSL increased, due to growth in new sales to enterprises, especially in Asia, which absorbed the impact of the shortened SSL expiration date.

Net sales for the cloud infrastructure business increased 2% YoY to JPY2,934 million. CloudCREW sales continued to grow by 126% YoY to JPY218 million, which absorbed the impact of the migration of existing products and led to an increase in revenue.

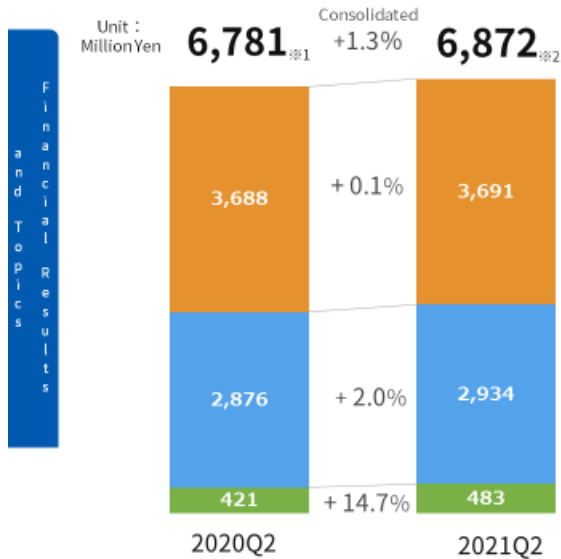
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FY2021 Q2 Consolidated Sales and Profit



Digital Certificate and eSignature Segment

- Sales increase due to higher new sales despite impact of reduction of SSL validity period

Cloud Infrastructure Segment

- Sales increase as CloudCREW sales perform well (+126% year-over-year)

DX Segment

- Sales increase due to higher sales for GMO Shop App

※1 Internal Transaction 205M
 ※2 Internal Transaction 237M

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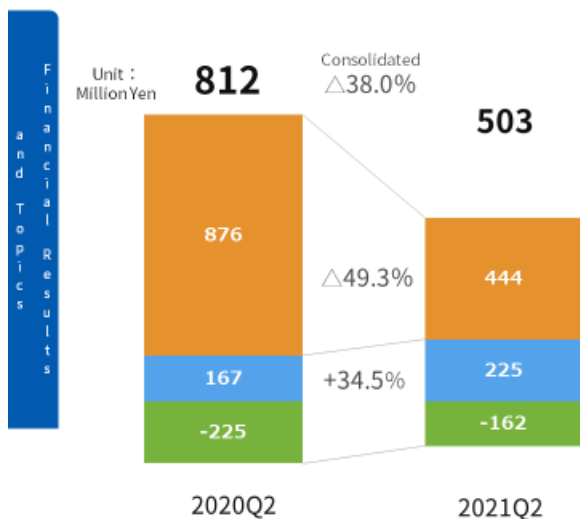
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Net sales in the DX business increased 14.7% YoY to JPY483 million. This was mainly due to an increase in sales of the O2O service GMO Omise App and the connected car service LINKDrive.

Sales of Omise apps are increasing due to the growing demand for DX by companies. Recently, we are preparing to release a service for local governments, and we are already receiving inquiries.

Sales of LINKDrive are increasing as the collaboration with a major player in the automobile industry, which started this fiscal year, is performing well.

FY2021 Q2 Consolidated Sales and Profit



Digital Certificate and eSignature Segment

- Profits decreased due to greater strategic investment expenses (related to sales promotion and service development)

Cloud Infrastructure Segment

- Profits increased due to improved operational efficiency

DX Segment

- Profits increased due to increased sales

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Next, I will explain operating income by segment.

Operating income in the electronic authentication and seal business decreased by 49.3% YoY to JPY444 million. As in the previous fiscal year, this was due to a decrease in sales caused by the shortening of SSL expiration dates, an increase in amortization expenses due to the new system to strengthen sales to enterprises, and from there, an increase in advertising expenses mainly due to strategic investments in GMO Signs electronic seals.

Operating income for the cloud infrastructure business increased 34.5% YoY, to JPY225 million. This was due to the expansion of sales of CloudCREW and the effect of cost reduction through ongoing efforts to improve operational efficiency.

In the DX business, sales of O2O services and LINKDrive continued to increase from the previous fiscal year, resulting in an increase in operating income of JPY63 million.

FY2021 Quarterly Comparison

- Sales increased in the Cloud Infrastructure and Digital Transformation segments
- Profit decreased as advertising expenses rose due to strategic investments for the Digital Certificate and eSignature segment

Unit : Million Yen	FY2020 2 Q	FY2020 3 Q	FY2020 4 Q	FY2021 1 Q	FY2021 2 Q	QoQ
Sales	3,336	3,271	3,279	3,417	3,455	+1.1%
Operating Profit	396	277	267	308	195	△36.6%
Ordinary Profit	428	257	214	293	196	△33.2%
Profit Attributable to Owners of Parent	338	186	285	229	174	△24.1%

Financial Topics

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Next, I would like to show you our quarterly business performance.

While the impact of the shortening of the expiration date of SSL certificates and other factors will continue until the middle of the third quarter of FY2021, sales increased compared to the previous quarter due to a steady increase in new SSL sales and sales growth in each business. On the other hand, the strategic investment in GMO Sign accelerated from the second quarter, resulting in a decrease in profit.

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Topics



- Began providing function to link with My Number Card, a first in Japan, as e-contract service in order to popularize “GMO Sign for everyone”
- “GMO Sign” linked to operations automation service “ActRecipe” to make it possible to link with cloud storage services such as Box and Google Drive
- “GMO Sign” linked with operations digitalization cloud “SmartDB” for corporations



- Participated in “Public-Private Conference for Future Air Mobility Revolution” organized by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
Contributed to the growth of next-generation mobility industry by cooperating from the security technology field



- Utilized in NTT docomo’s online presentation and the rock band RADWIMPS’s virtual concert

The following is an explanation of the businesses in each segment. The first topic is the most recent one.

GMO Signs, in collaboration with ActRecipe, a business automation service, has launched integration with cloud storage services Box and Google Drive.

We have also started to link up with SmartDB, a business digitalization cloud for large enterprises. We have recently started to collaborate with several cloud services, and we plan to expand the number of external collaborations in the future. This will allow us to expand the use of the service to larger scale businesses.

In addition, as part of our IoT-related business, which is 1 of our growth strategies, GlobalSign, an electronic certification authority, is currently providing security technology for a drone demonstration experiment as next-generation mobility and has been selected to participate in a public-private council for the air mobility revolution by the Ministry of Economy, Trade and Industry, and the Ministry of Land, Infrastructure, Transport and Tourism. We would like to show our presence in public and private sector initiatives, which will lead to the next stage of growth.

Other topics will be discussed in the explanation of each project.

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Digital Certificate and eSignature Segment

Digital Certificate and eSignature Segment



Provide all signatures (witness type/contract party type)
No.1 in Japan for number of companies adopting our e-contract service



Domestic Certificate Authority operated in-house
SSL market share: **No. 1** in Japan, No. 3 worldwide



No. 1 in Japan for number of companies adopting our single sign-on service

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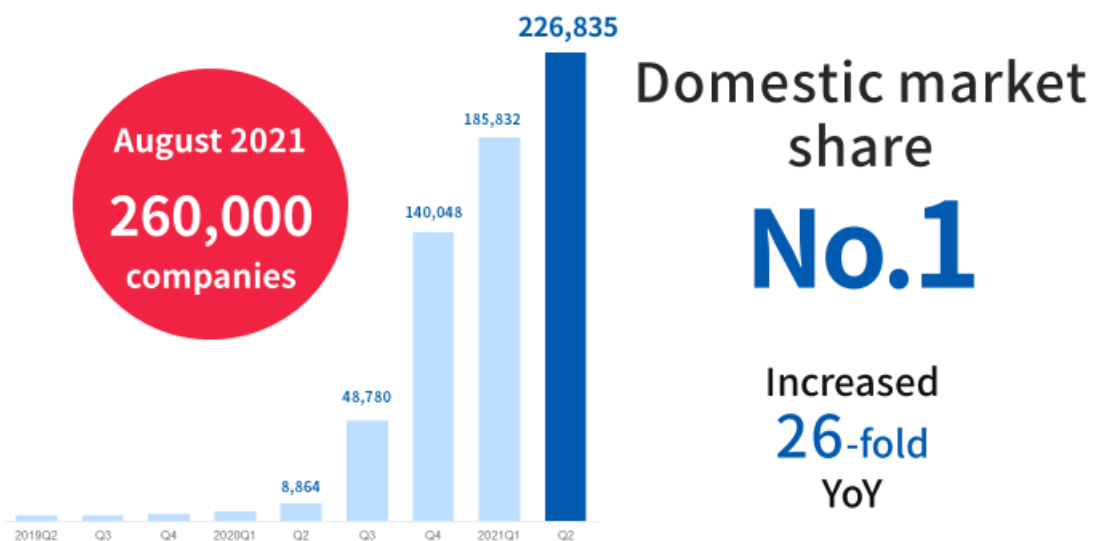
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First, about the electronic authentication and seal business. The following is an overview of the services provided by this segment.



Number of User Companies

Digital Certificate and eSignature Segment



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First is the KPI trend of GMO Sign.

The number of companies using the system continues to grow steadily, and it has become the number 1 system in Japan. In early August, we surpassed the 260,000 marks. The mobile app is also having an effect, and we hope to continue to raise our business to the overwhelming number 1 position.

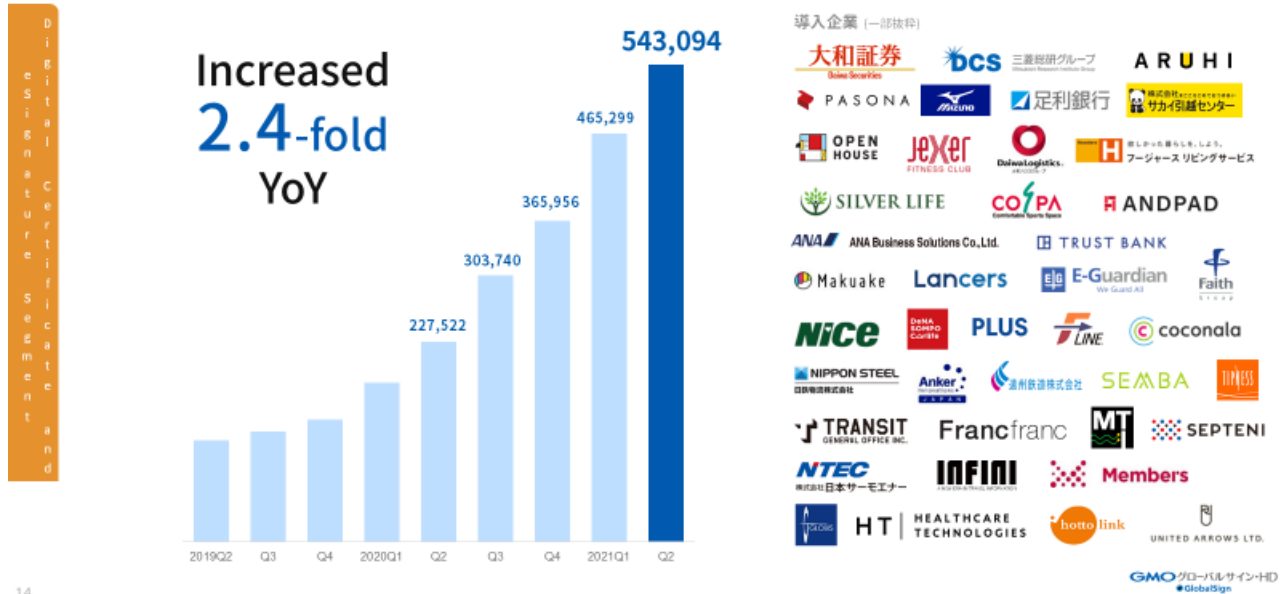
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Number of Contract Transmissions



This is the number of contracted transmissions.

Sales continued to grow steadily, increasing 2.4 times from the same period last year to 543,000 transmissions. We will also accelerate the expansion of the number of users by providing introduction support services that support the actual operation of the system in companies, strengthening external collaboration for major customers, and further enhancing the functionality.

2021 Initiative

First in Japan! Began linkage functionality with My Number Card

~Prove identity as well as official seal just by tapping a smartphone app~

Major uses

- Real estate procedures
- Banking/financial procedures
- Construction/building procedures
- Government service procedures

土地売買 / 住宅購入 / 不動産取引 / 口座開設 / 銀行融資・ローン / 生命保険・自動車保険などの各種保険の加入 / 金銭その他貸借証書・契約書の作成 / 著作権管理契約

※マイナンバーカードのイメージです。

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As announced in the previous quarter's presentation, on July 27, we released an identity verification service linked to the My Number card. This allows you to verify your identity by simply holding your My Number card over your smartphone and allows you to sign your name in the same way as a real seal.

This means that, for example, in real estate transactions, new construction and renovation contracts, and various loan contracts such as mortgage loans, individual users will be able to instantly complete in person, without having to arrange for and mail their personal identification documents such as seal registration certificates and driver's licenses, as well as copies of them, or bring them with them, which used to take several days or more to conclude in person. For real estate brokers and financial institutions, this will improve operational efficiency and customer service.

In addition, the Ministry of Internal Affairs and Communications has set a goal of increasing the My Number Card's penetration rate to 100% by the end of FY2022 and plans and studies are underway to use it as an insurance card, integrate it with driver's licenses, and install it in smartphones.

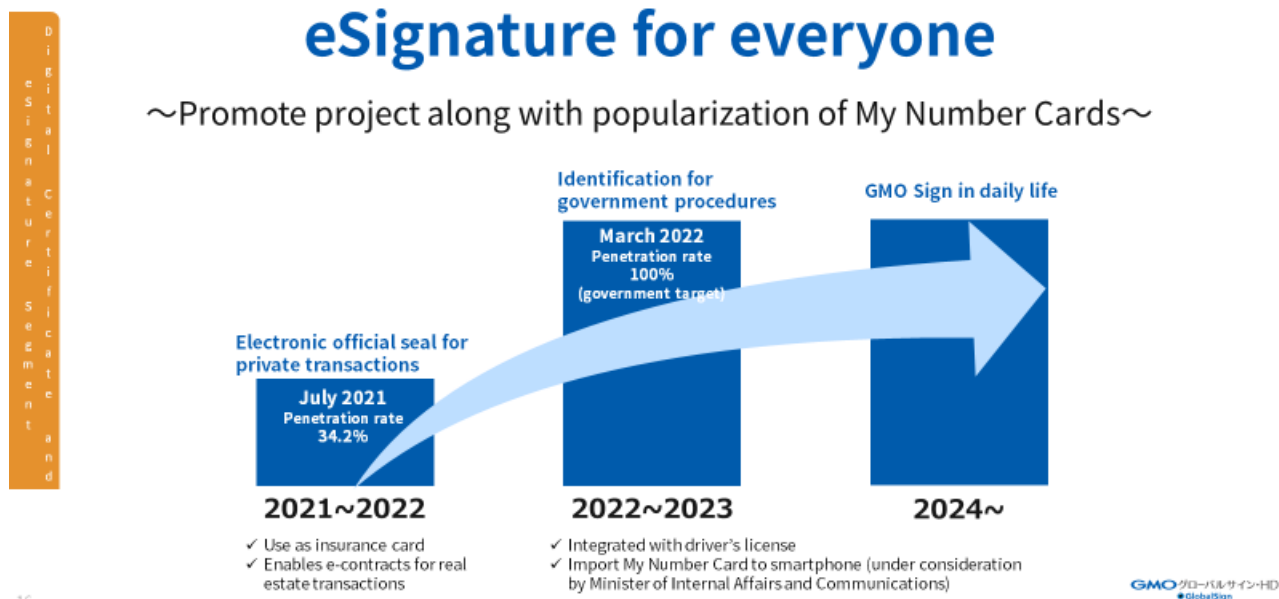
In the future, the use of the My Number Card will certainly expand.



2021 Initiative

eSignature for everyone

~Promote project along with popularization of My Number Cards~



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We will continue to collaborate with various industries to develop services that are both convenient and secure and create a future of electronic contracts and electronic seals where everyone can use GMO Signs in their daily lives and receive various services with peace of mind.

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75 local governments participate in pilot tests ※

Local governments covering approximately 45% of population participate. Aim for implementation next fiscal year.



※ 75 local governments, including 41 local governments that already announced their participation, are participating in pilot tests using "GMO Sign for Administrative Reform through Digital Transformation" (July 16th, 2021)

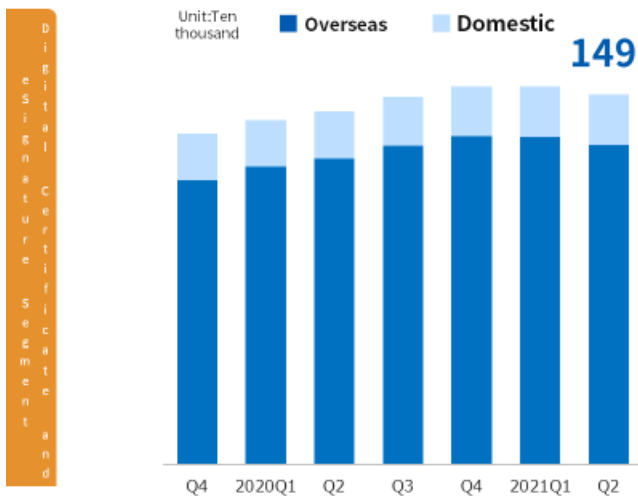
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Next is the progress of digital government.

Including the 41 municipalities that we have announced and the 41 municipalities that you see on the slide, 75 municipalities are participating in the demonstration experiment. The population coverage rate of the participating municipalities is currently 45%, but we will continue to aggressively promote sales activities with the aim of achieving a coverage rate of 80% or higher, focusing on municipalities with a population of 100,000 or more.

GlobalSign® by GMO Number of Valid SSL Certificates Issued*



Sales are trending up,
but fell this quarter
due to enterprise shift

* Number of valid certificates issued refers to the number of active electronic certificates that have not expired and are in use

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The following is the KPI trend for SSL server certificates.

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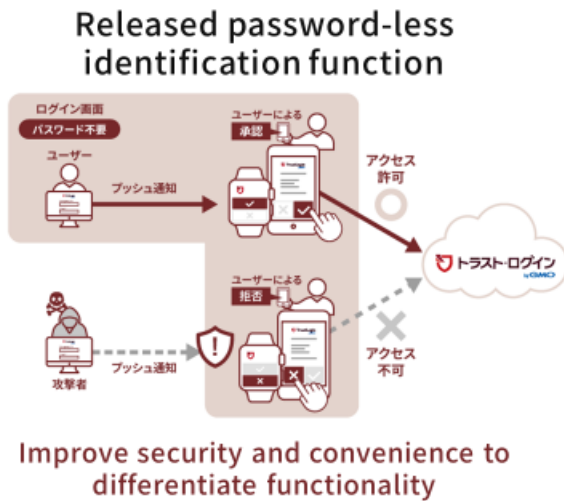
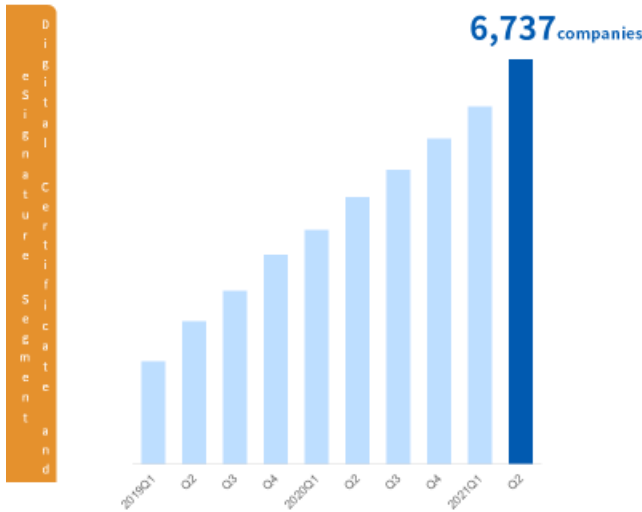
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Continuing from the previous quarter, sales are progressing steadily on a global basis, especially in the second quarter of the current fiscal year, with sales expanding in the enterprise market, especially in China.

As the shift to enterprise, which we have been working on for several years, has been progressing smoothly, sales of commercial products with high unit prices per customer have been growing, and although sales have been steady, the growth in the number of cards issued itself has been slowing down.



Single Sign On service



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Next is Trust Login, a single sign-on service.

The number of companies using the system is the largest in Japan. Single sign-on is a service that allows multiple web services to be used through a single user authentication. With the expansion of tele-work, demand for ID management services is growing, as is demand for information leak prevention measures such as access control functions that restrict login from specific locations and terminals.

As 1 of the service enhancements we are actively working on this fiscal year, we released a password-less authentication function in August. By doing so, we will be able to differentiate ourselves from the competition by increasing convenience while ensuring higher security.

We are also making steady progress in expanding the number of partners, which is 1 of our sales initiatives, and we will continue to work to increase the number of users.

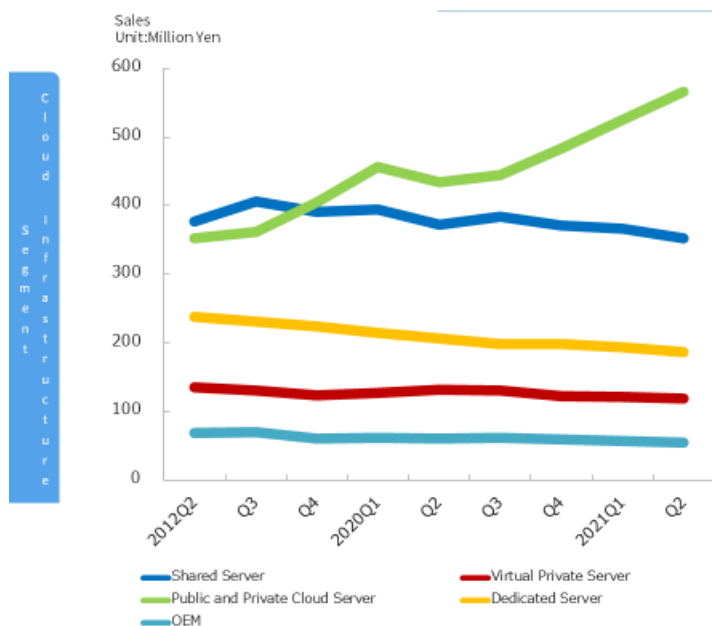
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Product Sales



Sales growth continues

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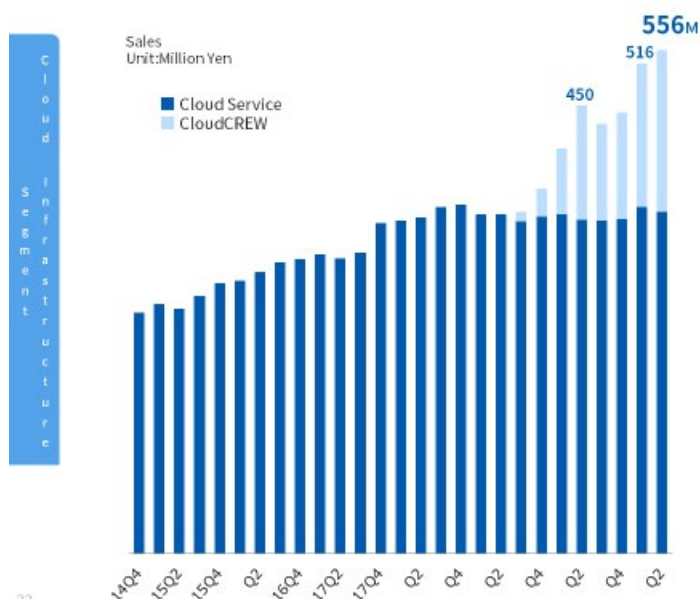
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Next is the cloud infrastructure business.

In terms of sales by product in the cloud infrastructure business, sales growth of CloudCREW, which is the focus of the business, is continuing and is driving overall sales.



Cloud Service Sales



FY2021 Q2

Sales : **556M**

(CloudCREW : 218M)

YoY: **+30.5%**

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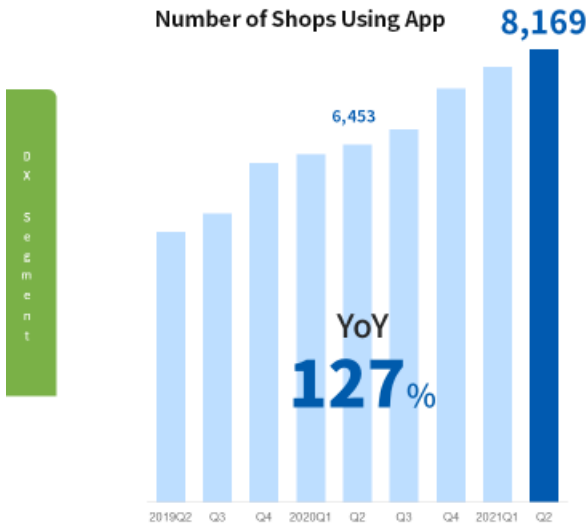
Overall, sales of cloud services increased by 30.5% to JPY556 million. Among this, CloudCREW's non-consolidated sales increased 126% YoY to JPY218 million, due to increased recognition from the promotion of AWS as an advanced partner and the continued strong expansion of the public cloud market.

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Began sales country-wide

Loaded Shop App functionality by default to "SMBD GMO PAYMENT" device



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Finally, I would like to explain the DX business. This is the status of the GMO Omise app.

GMO Omise apps continue to be introduced to major customers and collaborative services are performing well against a backdrop of growing corporate demand for DX.

Regarding the collaboration with GMO Financial Gateway, the Omise Application service has been installed in advance on the settlement terminals of stores and is currently being steadily introduced to stores nationwide. The number of stores using the GMO Omise App increased 27% YoY to 8,169.

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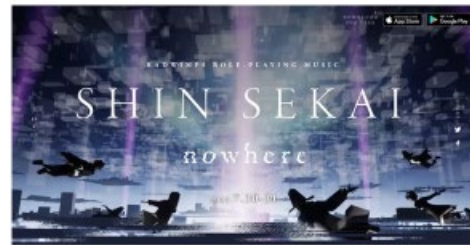
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Promoted digital transformation of events

Utilized in NTT docomo online event
“docomo Open House 2021”



Utilized in virtual live event of the
rock band RADWIMPS



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Finally, the status of the photon network engine.

photon is a service that provides an intercommunication system for the easy and low-cost production of online games and online events. It is currently being used by almost all major game development companies in Japan and Korea.

In such a situation, due to the recent social situation, there are more and more efforts to replace real events with virtual ones, and photon is being used in more and more cases. The service has been well received by development companies for its convenience and support, and we hope to capture demand for applications other than games in the future.

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コトをITで変えていく。

もっと気軽に、もっとわかりやすく。ありとあらゆる人々に。
ITのチカラですべての人々に新たな経験価値を提供します。



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“We will use IT to change things.”

Thank you for your continued support of GMO GlobalSign Holdings K.K.

Thank you very much for your attention.

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