



GMO GlobalSign Holdings K.K.

Q3 Financial Results Briefing for the Fiscal Year Ending December 2021

November 11, 2021

Event Summary

[Company Name]	GMO GlobalSign Holdings K.K.	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	1	
	Mitsuru Aoyama	CEO
[Analyst Names]*	Kazuki Tokunaga	Daiwa Securities Co. Ltd.

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

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Presentation

Moderator: Thank you very much for taking time out of your busy schedule to participate in today's third quarter financial results briefing.

Today's briefing will be presented by the CEO, Mitsuru Aoyama. After the presentation, there will be time for your questions. The event is scheduled to end at 6:00 PM.

We will now begin.

Aoyama: Hi, this is Aoyama. Thank you very much for taking time out of your busy schedule to join us today.

I would like to report on our financial results for the third quarter of FY2021. Today, I will first talk about our business performance, and then I will explain the status of each of our businesses.

While with some delay in sales progress in the Digital Transformation segment, progress is mostly as planned

- Impact of lower unit prices due to the reduction of SSL validity period has completed at the end of August, and sales are recovering
- The prolonged Link Drive project in the Digital Transformation segment has led to a delay in the progress of sales
- Profits decreased due to continuous strategic investments in GMO Sign

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First, let me explain the key points of the results.

Sales progress was generally in line with the plan. There were some delays in sales progress due to the impact of delays in the LINKDrive project.

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FY2021 Q3 Consolidated Sales and Profit

	FY2020	FY2021	YoY	FY2021 (Forecast)	Achievement Ratio
Unit : Million Yen					
Sales	10,052	10,237	+1.8%	14,229	71.9%
Operating Profit	1,089	674	△38.1%	1,008	66.9%
Ordinary Profit	1,179	720	△38.9%	1,050	68.6%
Profit Attributable to Owners of Parent	885	506	△42.8%	775	65.4%

Looking at the cumulative results through to Q3, and comparing YoY, sales growth has temporarily slowed due to the impact of shortened expiration dates of SSL server certificates in the electronic authentication and seal business.

On the other hand, sales were strong both for CloudCREW, in the cloud infrastructure business, and for the GMO Omise App in the DX business. This resulted in a YoY increase in revenue.

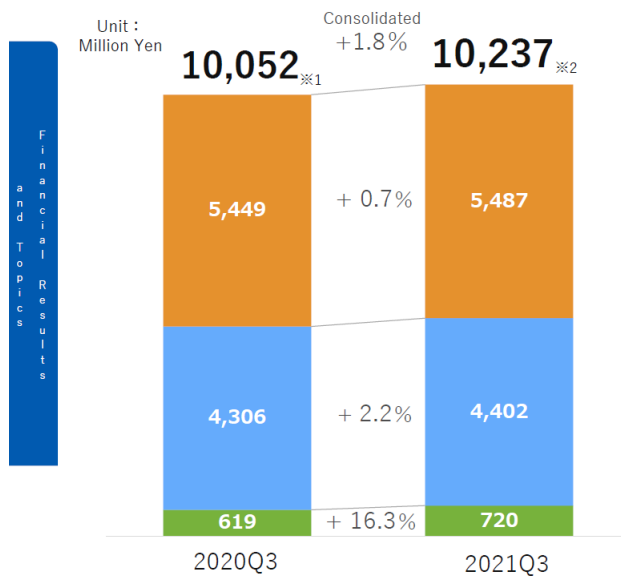
Operating profit continued to decline from the previous quarter due to the strategic and concentrated investment in GMO Sign.

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FY2021 Q3 Consolidated Sales and Profit



Digital Certificate and eSignature Segment

- Impact of the shortened SSL validity period is improving Sales increased due to strong new sales

Cloud Infrastructure Segment

- Sales increased as CloudCREW sales continued to perform well (+106% year-over-year)

DX Segment

- Sales increased due to higher sales from GMO Shop App

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The following is a breakdown of sales by segment.

Net sales in the electronic authentication and seal business increased 0.7% YoY to JPY5.487 billion. Revenue increased due to growth in SSL sales, mainly in Singapore and China. We also saw strong sales of EPKI and client certificates to enterprises on a global basis.

The impact of shortened expiration dates for SSL server certificates appears to have played out. With new sales steadily increasing globally, sales are on a growth recovery trend.

Net sales for the cloud infrastructure business increased 2.2% YoY to JPY4.402 billion. CloudCREW sales more than doubled, increasing 106% YoY to JPY219 million. Sales in this area continue to exceed our forecast, contributing to the increase in revenue.

Net sales in the DX business increased 16.3% YoY to JPY720 million. Revenue increased due to continued growth in sales of the GMO Omise App, an O2O service.

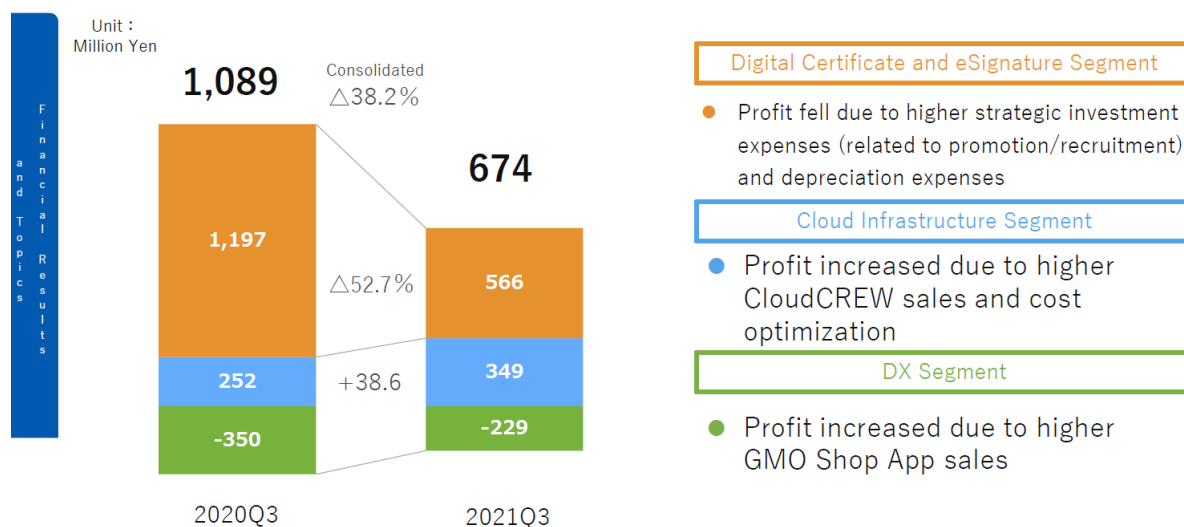
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FY2021 Q3 Consolidated Sales and Profit



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Next, I will discuss operating profit by segment.

Operating profit in the electronic authentication and seal business decreased by 38.2% YoY to JPY566 million. As in the previous quarter, the main reasons for this were the impact of the shortened expiration date of SSL server certificates, as well as increased sales promotion and recruitment costs due to aggressive investment in GMO Sign.

Operating profit in the cloud infrastructure business increased 38.6% YoY, to JPY349 million. This was due to CloudCREW becoming profitable, as well as the effect of cost reductions in existing products.

In the DX business, operating profit increased by JPY121 million due to an increase in sales for the Omise App compared to the previous year.

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FY2021 Quarterly Comparison

- Profit decreased as advertising and personnel expenses rose due to strategic investments for the Digital Certificate and eSignature segment

Unit : Million Yen	FY2020 3 Q	FY2020 4 Q	FY2021 1 Q	FY2021 2 Q	FY2021 3 Q	QoQ
Sales	3,271	3,279	3,417	3,455	3,369	△2.6%
Operating Profit	277	267	308	195	171	△12.4%
Ordinary Profit	257	214	293	196	230	+17.3%
Profit Attributable to Owners of Parent	186	285	229	174	102	△41.1%

Next, I would like to outline our quarterly business performance.

The increase in advertising and personnel costs resulting from the strategic investment in GMO Sign was a major factor in the decrease in profit.

Topics

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- Entered into a partnership agreement with Daiwa Securities Co. Ltd. Supports customers in promoting digital transformation using GMO Sign
- Legality of GMO Sign has been confirmed by the Digital Agency, Ministry of Justice, and Ministry of Finance as being a "valid electronic signature that can substitute a physical signature or seal"
- Began providing the GMO Sign Engine, the core system of the e-contract service that is most adopted by Japanese companies

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by GMO

- GMO GlobalSign K.K. to participate in the E-Invoice Promotion Association (EIPA)

GMO おみせアプリ

- Provided the "Mobile Gift Certificate Platform by GMO" to digitize certificates in Yorocho, Gifu Prefecture
- Began providing the "GMO Shop App for Color Me Shop," a smartphone app for attracting customers and promoting sales at physical shops, from the Color Me Shop App Store

Next, I will discuss results by business segment.

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The most recent news is the signing of a partnership agreement between GMO Sign and Daiwa Securities. We aim not only to expand our customer base, but also to contribute to the shift to digital in Japanese society as a whole, as well as the promotion of SDGs through our business.

GlobalSign, which operates a Certificate Authority and is the only company in Japan certified under eIDAS regulations, has joined the e-Invoice Promotion Association. In preparation for the new invoice system in October 2023, we aim to promote the expansion of the use of electronic signatures.

In addition to this, we are developing collaborations through the GMO Omise App to leverage the synergies of the GMO Internet Group.

I will discuss this separately for each business segment.

Digital Certificate and eSignature Segment

a n d D i g i t a l C e r t i f i c a t e S e g m e n t	 電子印鑑なら GMOサイン	Provide all signatures (witness type/contract party type) No.1 in Japan for number of companies adopting our e-contract service
	 GlobalSign® by GMO	Domestic Certificate Authority operated in-house SSL market share: No. 1 in Japan, No. 3 worldwide
	 簡単最速のSSO/アクセス制限 トラスト・ログイン by GMO	No. 1 in Japan for number of companies adopting our single sign-on service

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First, there is the electronic authentication and seal business.

As you can see in the overview for this segment, each of these services is the market leader in Japan within its service area. We intend to further strengthen market leader position.

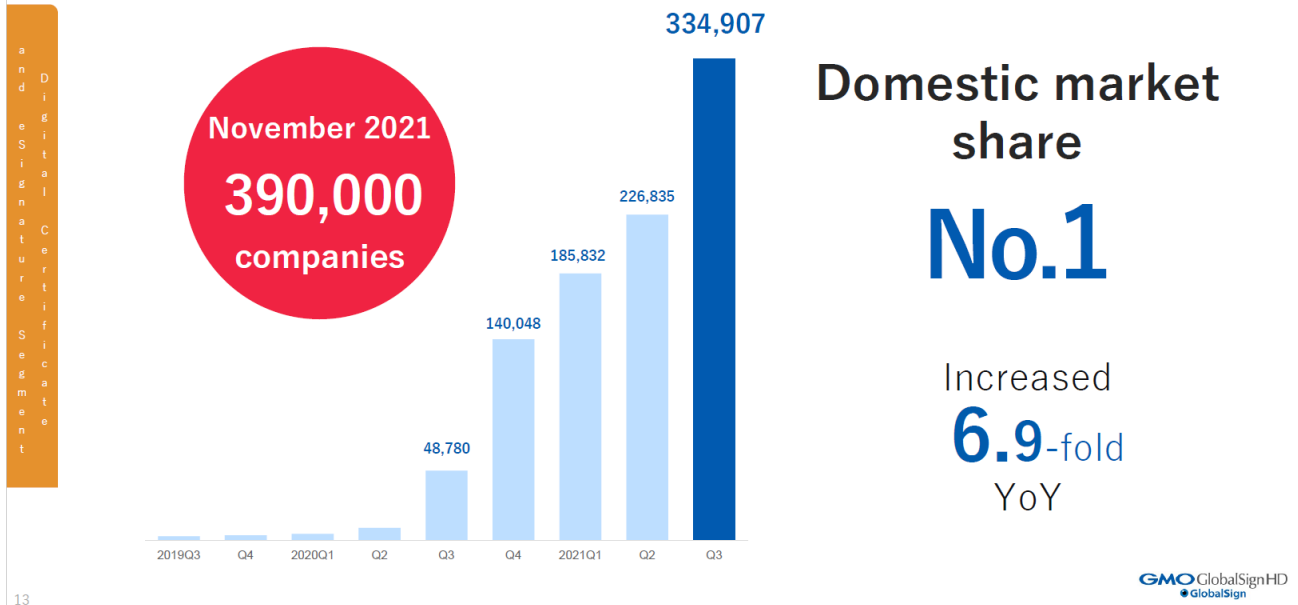
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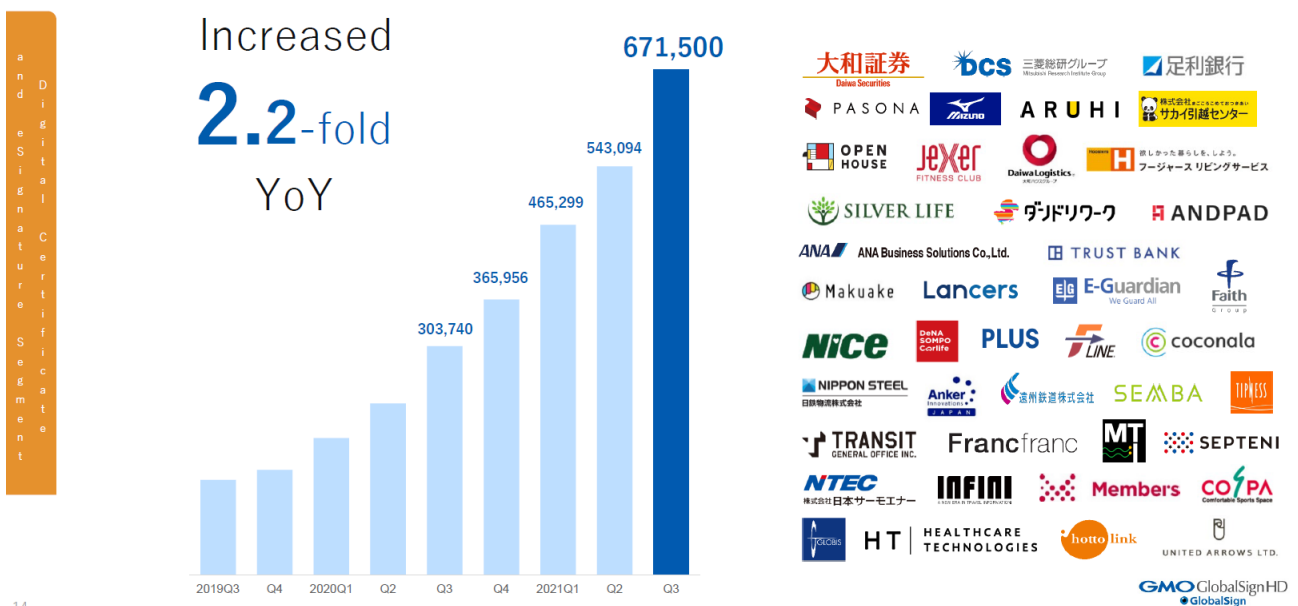
Number of User Companies



This graph shows the trend in KP for GMO Sign.

The number of companies using GMO Sign has been growing steadily, thanks to expanded functionality and increased awareness. At the end of September, the number was 334,000 companies. As of this week, we broke through 390,000.

Number of Contract Transmissions



In addition, the number of contract transmissions, which represents the number of actual uses in contracts, increased YoY by a factor of 2.2, increasing to 671,000 transmissions. This is an increase of 24% over the previous quarter. We believe this is due to increasing use by companies that introduced the system last year.

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88 local governments participate in pilot tests ※

More and more larger governments are participating



※ 88 local governments, including 47 local governments that already announced their participation, are participating in pilot tests using "GMO Sign for Administrative Reform through Digital Transformation" (November 5th, 2021)

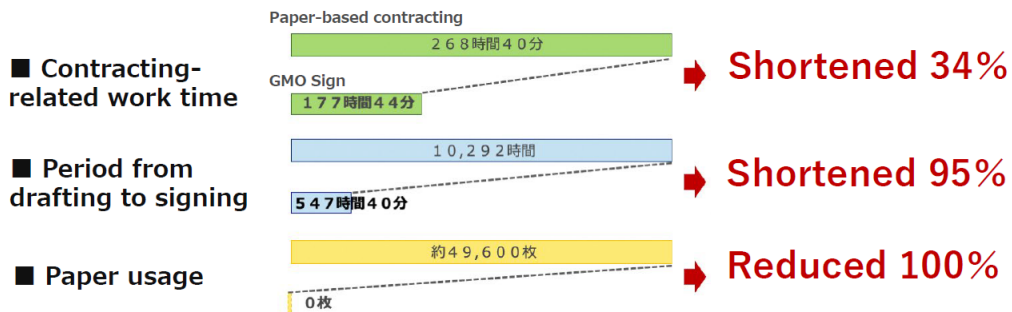
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As for the situation for digital government, 88 municipalities are participating in the demonstration experiment, including the 47 municipalities that have already been announced.

2021 Initiative

Significantly saves time and cost



詳細URL (横須賀市) https://www.city.yokosuka.kanagawa.jp/0835/nagekomi/documents/result_dk.pdf

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As part of this, Yokosuka City disclosed the results of a demonstration experiment using GMO Sign. In the case of Yokosuka City, the introduction of electronic contracts has resulted in a 95% reduction in work hours. In terms of annual hours, the results suggest that approximately 10,000 work hours can be saved.

Beside the cost benefits, the 100% reduction in paper use means that environmental benefits will also be very significant.

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Within the government and local government area, local governments are considering full-scale introduction of the system in the next fiscal year. We are aiming to secure new contracts in this area.

2021 Initiative

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Confirmed again as **lawful** within the System to Remove Gray Zone Areas

and Digital Certificate
Signature System

デジタル庁
Digital Agency

法務省
MINISTRY OF JUSTICE

財務省
Ministry of Finance, JAPAN

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URL https://www.gmogshd.com/news/press/gmo-hs/211022_3241.html

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In October, the Digital Agency, the Ministry of Justice, and the Ministry of Finance confirmed that our digital signatures are valid. From the outset, GMO Sign has provided party-type digital signatures in addition to witness-type signatures to ensure a level of trust equivalent to a real seal. We are happy to report that the legal validity of this signature system has been officially confirmed.

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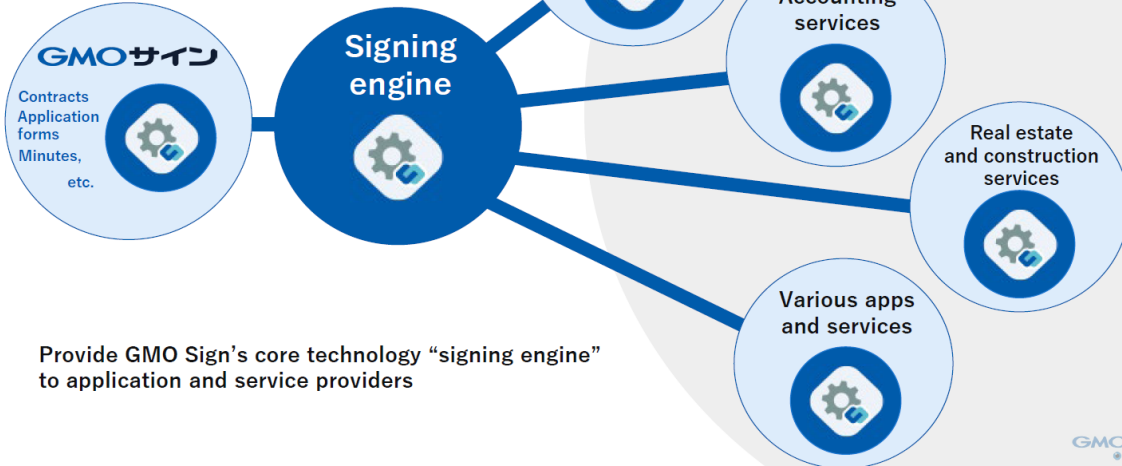
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Aiming to be No.1 in the digital signature market by utilizing the strengths of being a Certificate Authority

a n d d i g i t a l S i g n a t u r e C e r t i f i c a t e S e g m e n t



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GMO Sign's core system is a signature technology that utilizes GlobalSign technology, using the certification authority that we operate. We are making use of the core part of this service to provide the GMO Sign service, as well as a new signature engine.

Currently, various industries are moving towards digitization and online procedures. For example, businesses that provide various management services such as cloud-based labor management, accounting, and so on can easily incorporate this signature engine to issue electronic documents and data with the same level of reliability as GMO Sign.

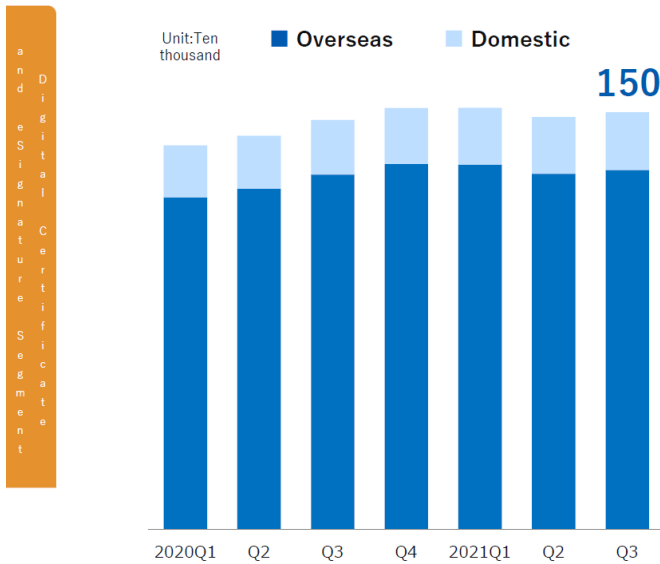
There is no doubt that the digitization of various documents will become even more widespread in the future. In addition to contracts, the number of documents and data that require electronic signatures is enormous. With the introduction of the electronic invoice system in October 2023, we believe that important accounting documents and data will also need to be validated with a legally recognized system.

In the next step to expand our business, we aim to be the first to enter the digital signature market, a market that is considerably larger than the contract market.

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**Sales are trending up primarily among major customers
Number of SSL certificates issued remains stagnant**

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

Next, this graph shows the number of SSL server certificates issued.

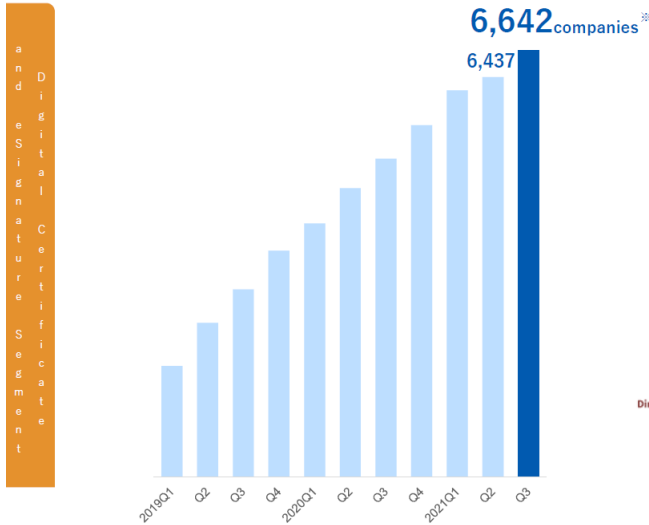
As a result of the current focus on sales of high-priced products such as OVSSL and EVSSL, as well as the focus on sales of non-SSL products such as the fast-growing client certificate DSS, we have seen a slowing in growth of certificate issuances. On the other hand, sales to the enterprise market have continued to grow steadily in Japan, Singapore, China, and other parts of the world.

In addition, the impact of shortened expiration dates has already begun to dissipate, and sales are growing steadily. The outlook for the future is favorable.

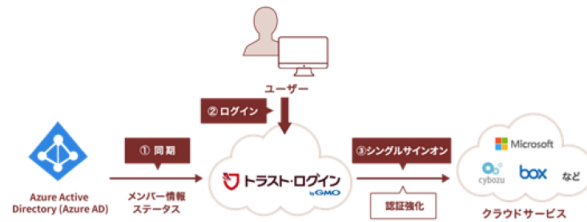
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Promote expansion of customer base by strengthening external collaborations



* Number of enterprises using TrustLogin by GMO. One account per business operator (enterprise or individual). If multiple accounts are used, the duplicates are eliminated. As a result of a duplicate account check, the 2021 Q2 figure has been corrected from 6,737 companies to 6,437 companies. **GMO GlobalSignHD** GlobalSign

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The last area I would like to talk about in the electronic authentication and seal business is Trust Login, a single sign-on service.

The number of companies using the system continues to grow steadily, and currently stands at 6,642.

In this fiscal year, we have been actively working to strengthen our services. As part of these efforts, we have released the Azure AD integration function. With the shift to remote work, the single sign-on service can be used in environments that support cloud services.

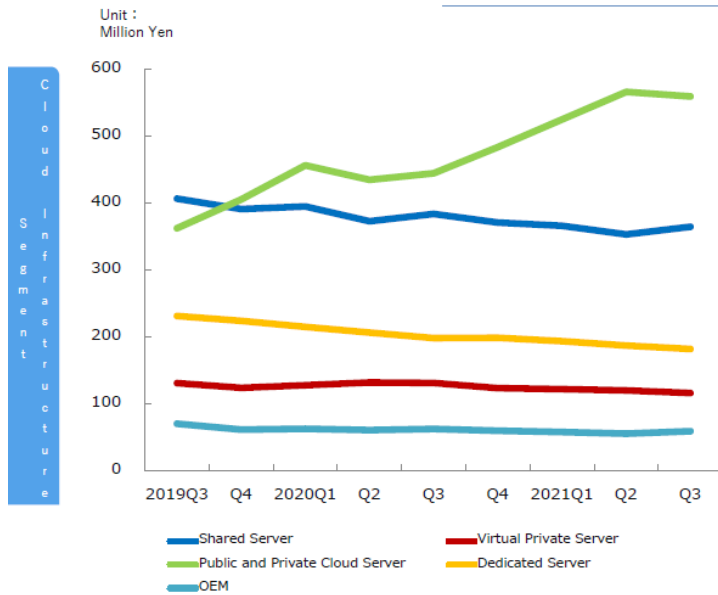
In addition, we are strengthening the linkage with various external services, and will further increase the number of contracted companies by eliminating the barriers for introduction.

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Product Sales



CloudCREW by GMO

Steady sales growth continues
Sales in other cloud services saw slight decrease

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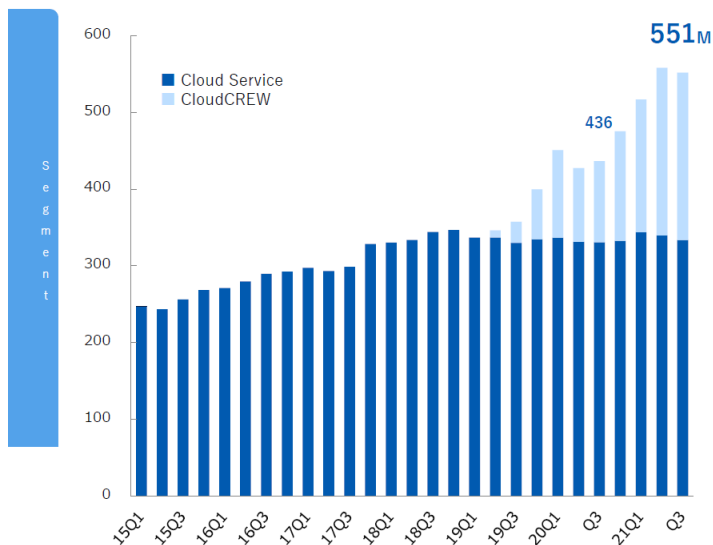
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Next, I would like to talk about the cloud infrastructure business.

In terms of sales by product, sales of low-priced products such as rental servers declined slightly. However, sales of CloudCREW, which has been a focus for our Company, continued to grow steadily.



Cloud Service Sales



FY2021 Q3

Sales : **551M**

(CloudCREW : 218M)

YoY: **+26.4%**

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Overall, sales of cloud services increased 26.4% to JPY551 million. Sales of CloudCREW have continued to grow strongly. Sales have more doubled YoY, increasing by 106% to JPY218 million.

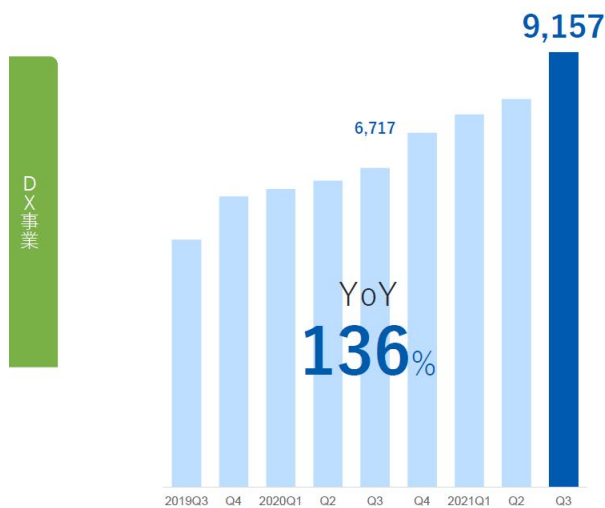
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Number of Shops Using App



Collaborative services are to be rolled out



Lastly, I would like to talk about the DX business.

The number of stores using the GMO Omise App increased 36% YoY to 9,157. This is due to steady growth in the introduction of the Omise Pocket sales promotion app.

In this O2O business, we are gradually starting to develop collaborative services through cooperation within the GMO Internet Group.

In October, we released a mobile gift certificate platform for local currency services called byGMO. Also, we have released the GMO Omise App for Color Me Shop. With the group's customer base behind us, we are receiving an increasing number of inquiries from not only corporations but also financial institutions and local governments.

In the past, the Omise App was a service for stores, but in the future, it will evolve into a service that supports DX for companies and society.

This concludes my presentation. Thank you very much for your attention.

I'll close with our theme: "change things with IT." Thank you for your continued support of GMO GlobalSign Holdings. Thank you very much.

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