

# **GMO GlobalSign Holdings K.K.**

**3788**

Tokyo Stock Exchange First Section

4-Aug.-2021

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## Summary

### Results of the upfront investment are excellent and GMO Sign digital signature, which is the leading indicator of topline growth, is growing remarkably

GMO GlobalSign Holdings K.K.<3788> (hereafter, also “the Company”) conducts the development and sales of security services; the development, management, and sales of cloud hosting services; and the provision of internet-related solution services through 7 companies in Japan and 10 companies overseas. Also, it has three business segments of the Digital Certificate and eSignature segment, the Cloud Infrastructure segment, and the DX segment.

#### 1. Results trends

In the FY12/21 1Q consolidated results, net sales were ¥3,417mn (down 0.8% year-on-year (YoY)), operating income was ¥308mn (down 25.9%), ordinary income was ¥293mn (down 40.4%), and profit attributable to owners of parent was ¥229mn (down 36.2%). In the Digital Certificate and eSignature segment, SSL server certificates continued to sell strongly in Japan and overseas, but they were affected by the decline in unit prices due to the shortening of the SSL validity period, which was changed in September 2020. The Company also increased investment in the GMO Sign digital signature e-contract service, which was a factor behind the lower sales and profits. However, GMO Sign digital signature is making steady progress, including its first introduction into a local government, and its market share is growing. In the Cloud Infrastructure segment, sales of conventional hosting services continued to trend downward, if only moderately, due to price competition and the Company’s consolidation and abolition of its services. Conversely, sales grew of CloudCREW, which is a managed cloud service that undertakes tasks including cloud introduction support, design, and construction, and monitoring and management, as it is benefitting from the increase in teleworking demand. In this segment, profits increased even while sales decreased as the Company is optimizing costs, including by moving to in-house manufacturing that was previously outsourced, and keeping down SG&A expenses, such as depreciation expenses. The DX segment performed well, as sales increased of LINKDrive and Photon.

#### 2. Outlook

For the FY12/21 consolidated results, the Company has left its initial forecasts unchanged, of net sales of ¥14,229mn (up 6.7% YoY), operating income of ¥1,008mn (down 25.7%), ordinary income of ¥1,050mn (down 24.7%), and profit attributable to owners of parent of ¥775mn (down 33.8%). The rates of progress for these forecasts up to FY12/21 1Q were 24.0% for net sales, 30.6% for operating income, 27.9% for ordinary income, and 29.5% for profit attributable to owners of parent, so the results were basically in line with the forecasts and we can expect the Company to achieve its full fiscal year forecasts. In the Digital Certificate and eSignature segment, it has positioned GMO Sign digital signature as the main product, and its policy is to concentrate management resources into it. It appears that both of the leading indicators of topline growth, of the number of user companies and the number of contract transmissions, are growing remarkably, and at FISCO we strongly anticipate a future scenario of increasing sales. In the Cloud Infrastructure segment, sales are strong of the CloudCREW managed cloud service. Going forward, the Company will optimize costs of existing services at the same time as growing sales of CloudCREW and strengthening the organizational structure to grow the recurring revenue businesses, with the aim of further increasing recurring revenue. In the DX segment, the topline growth of LINKDrive and Photon is contributing. In addition, sales of the GMO Omise app, which is a customer-attraction support app for use by companies and stores, are growing rapidly, and the number of major customers using it is increasing against the backdrop of companies’ DX demand. At FISCO, we think that it can be expected to become a service that will have a major impact on sales in the future, through increasing its appeal by enhancing functions and acquiring large-scale projects.

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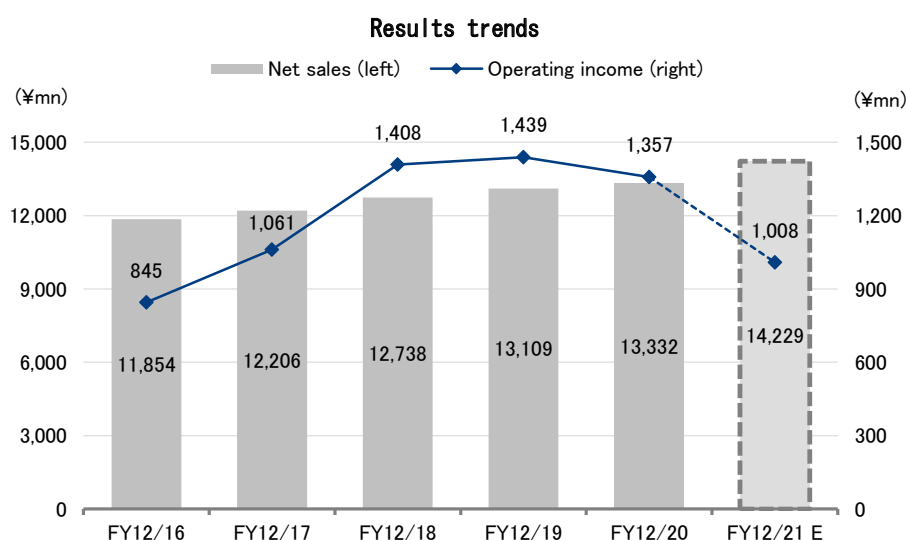
## Summary

### 3. Growth strategy

The number of GMO Sign digital signature user companies is 185,832 companies (as of the end of FY12/21 1Q), and it has the leading share of the domestic market. Going forward, the Company's policy is to acquire digital certification projects not only from private sector companies, but also in sectors in which the culture of using seals has been deep up to the present time, such as in government ministries and agencies. For the customer base also, it will use the customer base of the GMO Internet <9449> Group and strengthen synergies within the Group, while also accelerating promotions. At FISCO, we think that the pace of topline growth will become even faster through cross selling that utilizes the customer network of the Group as a whole. Also, as the measures for global business development, the Company acquired a business company in Brazil and it will first accelerate the South America business (SSL share, 68%), and it seems it is forecast to further develop its business globally depending on the M&A strategy. The Company plans to grow even more by allocating its management resources to growth markets, including e-contract services, cloud services and O2O services, and IDaaS (Identity as a Service). The DX market is expected to expand and, in this situation, at FISCO we think that the key point for topline growth is to what extent the Company can capture companies' needs for digitalization.

### Key Points

- In FY12/21 1Q, profits decreased due to the increase in upfront investment, but the customer base is growing for each service
- The number of GMO Sign digital signature user companies and the number of contract transmissions, which are the leading indicators of topline growth, are both increasing rapidly
- The pace of topline growth is predicted to accelerate from utilizing the GMO Internet Group's customer network



Source: Prepared by FISCO from the Company's financial results

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## Company profile

**Has an overwhelming large share and strong brand in the field of security supporting internet safety. Is promoting DX at customers through upfront investment in GMO Sign digital signature**

### 1. Company profile

The Company was founded from the establishment in 1993 of iSLE Ltd., mainly to carry out telecommunications system design and consulting work. Subsequently, it began a hosting services business in 1996 and then launched a security services business in 2003. It has also actively developed its business globally, including making a subsidiary of Certification Services, Ltd. (currently GMO GlobalSign Ltd.) in 2006. At the end of FY12/21 1Q, it had 7 subsidiaries in Japan and 10 subsidiaries overseas that are involved in the development and sales of security services; the development, management and sales of cloud hosting services; and the provision of internet-related solution services.

### 2. Business description

#### (1) Digital Certificate and eSignature segment

The certification authority, which is managed by a subsidiary, issues digital certificates under the Global Sign brand for certification purposes. This business also provides security services through other brands. Specifically, it is developing the following services.

##### a) Service to issue SSL server certificates

By using the service provided by the GlobalSign Group to issue SSL server certificates, users can certify their webserver common name and encrypt communication through SSL encrypted communication, thereby enabling them to safely send and receive confidential information and other information.

##### b) Service to issue client certificates

Client certificates are digital certificates that are issued to certify an individual or organization. Certificates are installed on the devices used for systems, services and email, and they certify that the user is the legitimate user, which can prevent identify theft and other such problems.

##### c) Service to certify a company is the actual company

This service is to certify that a website is managed by an actual company or organization. This ensures that the website is reliable.

##### d) Digital signature services

A digital signature corresponds to an actual signature or seal on paper documents, and a digital signature on a digital document certifies that the document has unmistakably been signed by the signee themselves and that its content has not been tampered with.

##### e) ID access management cloud service

TrustLogin by GMO features a single sign-on that allows customers to use multiple services with only one ID. It also offers ID and password management to facilitate the task of managing complex employee IDs and passwords for systems managers, as well as access-control functions that can control services accessible to users and groups. All of these services are provided through a cloud base.

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#### Company profile

##### f) E-contracts

GMO Sign digital signature is an e-contract service compliant with the Electronic Signature Act. It can be used starting from ¥0, enabling companies to greatly reduce management costs and other costs.

The strengths of this business include the presence of a certification authority within the Group. Businesses that do not have a certification authority must purchase certification from a certification authority each time they issue various types of certificates, which is disadvantageous in terms of costs. Conversely, in the Company's case, having a certification authority within the Group enables it to keep down additional costs when providing services, which is advantageous in terms of costs.

##### (2) Cloud Infrastructure segment

This involves lending the function of servers necessary for opening websites and using email and applications through the internet. Customers can use the server to open a website and send and receive e-mail using for the domain name their own company's name or the name of their product. This service is provided including as a shared hosting service, which refers to a single server that can be used jointly by a certain number of customers and so offers excellent cost performance, and as a dedicated hosting service, in which one server is used exclusively by one customer, so is excellent in terms of the degree of freedom of operations and management, and scalability for hardware and software.

CloudCREW, which is the service that this business is focusing on the most, provides support for constructing and managing cloud systems. It consists of Assessment Cloud, which performs AWS billing and assessment support, and Managed Cloud, which performs cloud monitoring, management and construction. It is provided as an enhanced service by utilizing the Group's strengths, of in-house managed customer support, a customer base for the Group's services, and management expertise based on a track record accumulated over 24 years. In December 2020, it was highly evaluated for its advanced technological capabilities and proposal capabilities to guide customers to problem resolution and for its expertise in and track record of introductions in the public sector, being certified as a public sector partner in the AWS public sector partner program.

##### (3) DX segment

It provides the following services as services ancillary to the Digital Certificate and eSignature segment and Cloud Infrastructure segment.

##### a) IoT solution services

The Group proposes the products it has developed and services that utilize the Group's management expertise in cloud, security, and various types of IT solutions, and also in collaboration with multiple companies and services. Currently, results are trending strongly for hakaru.ai by GMO, in which an AI reads values simply from photos taken of existing meters, such as in factories, and automatically compiles the data and enters records.

##### b) Web solution services

As IT support services, the Group provides the web consulting service for the production of homepages and the production of the O2O application for smartphones and other digital devices. It covers a wide range of areas, from customer-attraction support through to work improvements and support for solving problems, and its use by major customers is increasing against the backdrop of the growth of companies' DX demand.

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#### Company profile

The GMO Omise app provided by this business is a service to produce the O2O marketing app for use by stores. An original, company-developed app is provided for various companies and brands, including those in the restaurant, retail, apparel, hotel, vehicles sales and maintenance, leisure facilities and beauty industries. By digitalizing promotional measures, it reduces marketing costs and realizes personalized customer communication, thereby supporting the promotion of DX.

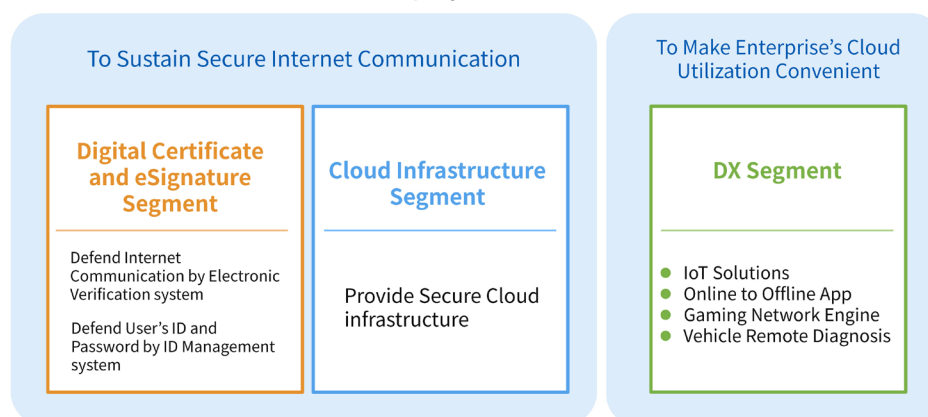
#### c) Network engine

The Group provides Photon to develop online games. Recently, the strengths of Photon have been utilized including for remotely sharing 3D information for entertainment, such as for virtual live events in which two-way communication is possible. Therefore, its use is expanding to outside the gaming industry as well.

#### d) Vehicle remote diagnosis

The Company provides vehicle condition automatic analysis and vehicle remote diagnosis as IoT solutions for vehicles, by connecting to the on-board connector of LinkDrive Connector, which can collect and manage vehicle data on the cloud accumulated in the vehicle's ECU.

#### The Company's business areas



Source: The Company's results briefing materials

## Results trends

**Introduced the digital signature service into a local government for the first time. Issues of digital certificates are strong both in Japan and overseas**

#### 1. Summary of the FY12/21 1Q results

In the FY12/21 1Q consolidated results, net sales were ¥3,417mn (down 0.8% YoY), operating income was ¥308mn (down 25.9%), ordinary income was ¥293mn (down 40.4%), and profit attributable to owners of parent was ¥229mn (down 36.2%).

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# Results trends

## FY12/21 1Q consolidated results

	FY12/20 1Q		FY12/21 1Q		YoY	
	Results	% of net sales	Results	% of net sales	Change	Change (%)
Net sales	3,445	-	3,417	-	-28	-0.8%
Gross profit	2,064	59.9%	2,043	59.8%	-20	-1.0%
Selling, general and administrative expenses	1,648	47.9%	1,735	50.8%	87	5.3%
Operating income	415	12.1%	308	9.0%	-107	-25.9%
Ordinary income	493	14.3%	293	8.6%	-199	-40.4%
Profit attributable to owners of parent	359	10.4%	229	6.7%	-130	-36.2%

Source: Prepared by FISCO from the Company's financial results

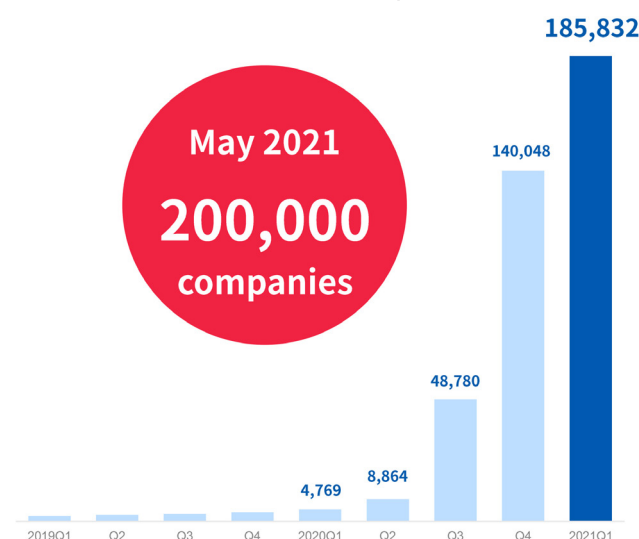
## 2. Digital Certificate and eSignature segment

In the Digital Certificate and eSignature segment, net sales were ¥1,833mn (down 1.0% YoY) and segment income\* was ¥281mn (down 45.5%). Sales of SSL server certificates continued to grow both in Japan and overseas. However, they were affected by the decline in unit prices due to the shortening of the SSL validity period, which was changed (from renewal every two years to one year) in September 2020 in an aim to improve security, while the Company also increased investment in GMO Sign digital signature, and therefore sales and profits declined. This business is at the upfront investment stage, so on looking at results in line with the growth scenario, we do not think the current decline in profits is a particular cause for concern.

\* Segment income is the value adjusted from ordinary income on the quarterly consolidated profit and loss statement.

In terms of topics, at the end of FY12/21 1Q the number of user companies of GMO Sign digital signature, which has been positioned as the main product, had increased by 39 times YoY to 185,832 companies. The number of contract transmissions had also increased by 2.6 times to 465,000 transmissions. While this indicator in itself does not directly lead to topline growth, it is a leading indicator showing a future increase in paid-for services, which are the source of earnings. So, it can be said that the results of investment are steadily rising.

### Number of user companies



Source: The Company's results briefing materials



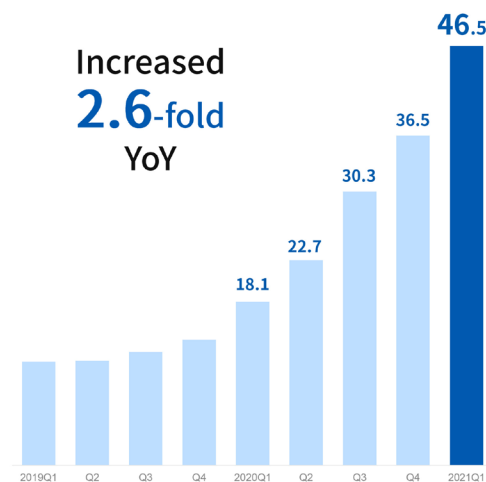
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# Results trends

## Number of contract transmissions



Source: The Company's results briefing materials

## Company users (sample)

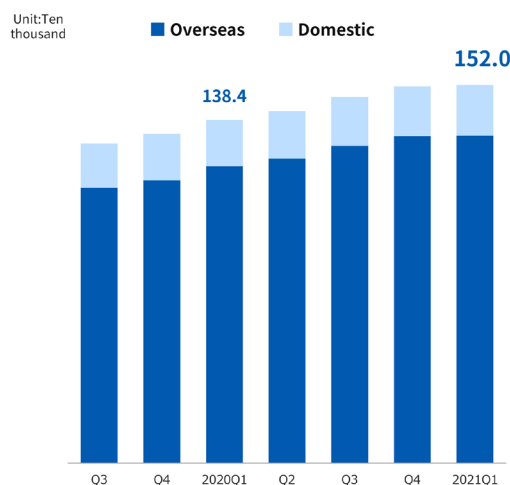


Additionally, in March 2021, Sanjo City in Niigata Prefecture became the first local government to officially introduce the GMO Sign digital signature e-contract service. This means that the Company has acquired a foothold to increase introductions of the service into local governments, and at FISCO, we think it is an achievement that can be expected to lead to growth in the future.

Digital certificates are also currently performing strongly, and the number of user customers is steadily increasing on a global scale. At the end of FY12/21 1Q, the number of valid SSL certificates issued\* in Japan and overseas was 1.52mn in total (1.384mn in the same period in the previous fiscal year).

\* The number of valid certificates issued is the current number of active certificates that are actually being used within the digital certificate's valid period.

## Number of valid SSL certificates issued



Source: The Company's results briefing materials

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Results trends

### 3. Cloud Infrastructure segment

In the Cloud Infrastructure segment, net sales were ¥1,462mn (down 0.2% YoY) and segment income\* was ¥520mn (up 15.9%). In this business, net sales of conventional hosting services continued to trend downward, if only moderately, due to price competition and the Company's consolidation and abolition of its services. Conversely, sales grew rapidly of CloudCREW, which is a managed cloud service that undertakes tasks including cloud introduction support, design, and construction, and monitoring and management, as it is benefitting from the increase in teleworking demand in a situation of the continued growth of the cloud market. In this situation, because of the consolidation and abolition of services which the Company has been continuing from previous fiscal years, the number of users of some services decreased and personnel costs increased due to the growth of CloudCREW. But profits increased even while sales decreased, as the Company is optimizing costs, including by moving to in-house manufacturing that was previously outsourced, and keeping down SG&A expenses, such as depreciation expenses.

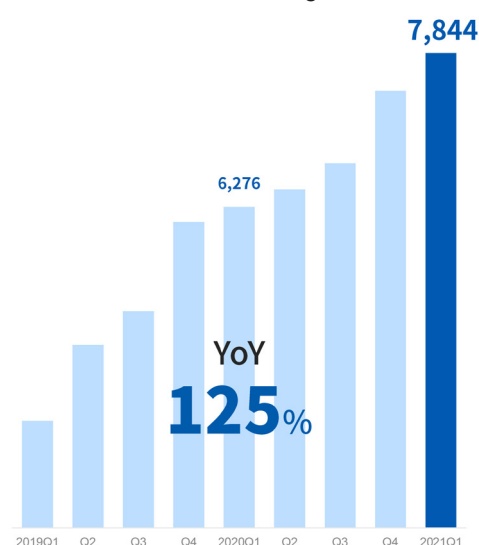
| \* Segment income is the value adjusted from ordinary income on the quarterly consolidated profit and loss statement. |

### 4. DX segment

In the DX segment, net sales were ¥237mn (up 3.6% YoY) and the segment loss\* was ¥64mn (a loss of ¥98mn in the same period in the previous fiscal year). Sales increased due to the growth of sales of LINKDrive by GMO and the increase in users of Photon. In the connected car business, the Company started to provide LINKDrive collabo by GMO, which is a service to produce an in-house brand app for businesses in the automotive industry, to NEXTAGE <3186>, which is a major auto sales company. Against the backdrop of the growth of companies' DX demand, introductions of the GMO Omise app, which is a customer-attraction support app for use by companies and stores, into major customers are increasing, and in April 2021, the Company conducted development support for HondaGO RIDE, which is the official app of Honda Motorcycle Japan Co., Ltd., and started providing this service. As a result, the number of stores using the GMO Omise app increased by 25% to 7,844 stores and is showing steady growth momentum.

| \* Segment loss is the value adjusted from ordinary income on the quarterly consolidated profit and loss statement. |

Trend in the number of stores using the GMO Omise app



Source: The Company's results briefing materials

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Results trends

## 5. Financial status

At the end of FY12/21 1Q, total assets were up ¥107mn on the end of the previous period to ¥11,170mn. The main change factors were that although there were decreases in current assets, including ¥550mn in deposits paid to subsidiaries and associates, there were increases in non-current assets, including ¥58mn in tools, furniture and fixtures, net, ¥182mn in software, and ¥29mn in investment securities. In liabilities, in current liabilities there were increases of advances received of ¥105mn and deposits received of ¥165mn, while in non-current liabilities, the increases included ¥20mn in lease obligations and ¥28mn in deferred tax liabilities, and therefore total liabilities increased. Total net assets decreased ¥128mn to ¥7,160mn.

### Consolidated balance sheet and management indicators

	FY12/18	FY12/19	FY12/20	FY12/21 1Q	Change
(¥mn)					
Current assets	6,505	6,864	7,390	7,247	-142
(Cash and Deposits)	4,356	4,433	4,670	4,743	72
Non-current assets	2,618	3,089	3,672	3,923	250
Total assets	9,124	9,954	11,063	11,170	107
Total liabilities	3,291	3,519	3,774	4,010	235
Total net assets	5,832	6,434	7,288	7,160	-128
Stability					
Equity ratio	63.6%	64.6%	63.2%	61.6%	-1.6pt
Profitability					
ROA (Return on Asset)	16.8%	15.6%	13.3%	-	-
ROE (Return on Equity)	17.4%	17.6%	17.5%	-	-
Operating income margin	11.1%	11.0%	10.2%	-	-

Source: Prepared by FISCO from the Company's financial results

## ■ Outlook

### Results in all businesses are trending strongly toward achieving the FY12/21 results forecasts, and the rates of progress in the 1Q for net sales and every profit item were excellent

In the FY12/20 consolidated results, net sales increased 1.7% YoY to ¥13,332mn, operating income decreased 5.7% to ¥1,357mn, EBITDA rose 0.2% to ¥2,100mn, and profit attributable to owners of parent grew 9.1% to ¥1,170mn. Also, since FY12/16, the compound annual growth rate (CAGR) of net sales was an increase of 3.0%, while the CAGR of EBITDA was growth of 5.8% during the same period.

#### 1. Outlook for FY12/21

For the FY12/21 consolidated results forecasts, the Company has left its initial forecasts unchanged, of net sales of ¥14,229mn (up 6.7% YoY), operating income of ¥1,008mn (down 25.7%), ordinary income of ¥1,050mn (down 24.7%), and profit attributable to owners of parent of ¥775mn (down 33.8%). The rates of progress for these forecasts up to FY12/21 1Q were 24.0% for net sales, 30.6% for operating income, 27.9% for ordinary income, and 29.5% for profit attributable to owners of parent. So, these results were basically in line with the forecasts and we can expect the Company to achieve its full fiscal year forecasts.

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## Outlook

### Consolidated results outlook for FY12/21

	FY12/20 Results	FY12/21 Forecasts	YoY	
			Change	Change (%)
Net sales	13,332	14,229	896	6.7%
Operating income	1,357	1,008	-349	-25.7%
Ordinary income	1,394	1,050	-344	-24.7%
Profit attributable to owners of parent	1,170	775	-395	-33.8%

Source: Prepared by FISCO from the Company's financial results

Below is described the progress made for the forecasts in the recent results in each segment. However, it is necessary to be aware that the segments have been changed. Specifically, in FY12/20 the business segments were (1) the Security segment, (2) the Cloud Hosting segment, and (3) the Solutions segment, but since FY12/21, one part of (3) the Solutions segment and (1) the Security segment were integrated to create the Digital Certificate and eSignature segment, the name of (2) the Cloud Hosting segment was changed to the Cloud Infrastructure segment, and the remaining part of (3) the Solutions segment became the DX segment.

## 2. Digital Certificate and eSignature segment

Currently, the Company has positioned GMO Sign digital signature, the e-contract service, as the main product, and it is concentrating its investment of management resources into it with the aim of growing its market share. As previously stated, the number of user companies and the number of contract transmissions, the leading indicators of topline growth, are both growing remarkably, and at FISCO we strongly anticipate a scenario of increasing sales in the future. Since the launch of the official app on May 12, 2021, it seems that the number of users is further increasing. In the future, the Company will enhance functions, specifically the signature function, notification function, storage and search function, and linkage to the My Number card, while it also plans to strengthen promotions through distributing PR videos. Therefore, we at FISCO expect the presence of this service will further rise both in terms of functions and name awareness.

In addition, the Company has been leading Goodbye Seal 100mn Total Digitalization Project, which aims to improve the convenience of government administrative services and to promote workstyle reforms through the digitalization of work in regional local governments since January 2021. Following the achievement of the official introduction of the GMO Sign digital signature service into Sanjo City in Niigata Prefecture, its use among local governments is strongly expected to increase. Demonstration experiments are conducted as the stage prior to introductions, and as of May 14, 2021, 50 local governments have participated in demonstration experiments. Therefore, it can be said that preparations are progressing smoothly toward increasing the number of users.

The Company's policy is to continue to work to strengthen the GMO Sign digital signature functions and service. So going forward, at FISCO we think the key will be expanding the customer base to make it an important product that supports the Company's growth.

Another issue is conducting measures to respond to the security risks of IoT. Amid these conditions, the Company began a demonstration experiment in May 2021 utilizing security chips contained in digital certificates for the social implementation of drones. As IoT is penetrating and spreading not only in drones but also in various other devices, a foundation is being established that will lead to its market expansion in the IoT industry, which encompasses a wide variety of relevant industries.

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## Outlook

Furthermore, TrustLogin by GMO, which is a single sign-on service for the integrated management of multiple IDs and to create a secure work environment, was being used by 6,352 companies at the end of April 2021, and it ranks first for the number of user companies among single sign-on services in Japan. Going forward also, in many companies the use of multiple cloud services and teleworking are expected to increase. Needs are increasing for measures for information security and to deal with the risk of information leaks, and in this situation demand for this service is forecast to rise, so the Company is continuing to work to grow this business.

### 3. Cloud Infrastructure segment

Due to the selection and concentration of products in the Cloud Infrastructure segment, in the 1Q sales decreased slightly. But the end market is expected to expand, benefitting from the growth of teleworking demand, while sales are strong of the CloudCREW managed cloud service. Going forward, the Company will optimize costs for existing services while also aiming to strengthen sales of CloudCREW and further increase recurring revenue by strengthening the organizational structure in order to grow the recurring revenue businesses. This business segment's market environment is severe, but it strongly has the aspect of being a recurring revenue business and will be a stable source of earnings. Therefore, we at FISCO expect that it will also contribute to generating investment funds for the Digital Certificate and eSignature segment.

### 4. DX segment

In the DX segment, the Company uses the expertise cultivated in the Digital Certificate and eSignature segment and Cloud Infrastructure segment to help companies to resolve the various issues they face by aiming to improve work efficiency and to create high added value through DX. Currently, LINKDrive and Photon are contributing to topline growth. LINKDrive has been accumulating a remarkable track record, including that this service has started to be provided to NEXTAGE, Honda Motorcycle Japan, and various regional local governments. This service had been a joint venture business with Sojitz Corporation <2768>, but as the GlobalSign Group will focus on this business in the future, in April 2021 it ended the joint venture business with Sojitz and acquired the shares in GMO Mobility Cloud K.K. held by Sojitz and made it a wholly owned subsidiary. This transfer of shares does not completely end the relationship between Sojitz and the GlobalSign Group, and they have once again concluded a business partnership agreement and the policy is to work to grow sales of the LINKDrive system.

The number of major customers introducing GMO Omise app, which is a customer-attraction support app for companies and stores, is increasing against the backdrop of the growth of companies' DX demand. For instance, the Company conducted development support for HondaGO RIDE, which is the official app of Honda Motorcycle Japan, and started providing this service. In the future, it plans measures including shifting to a no-code platform, enhancing functions through supplementing development personnel, and capturing DX demand by strengthening acquisitions of large-scale projects. At FISCO, we think that it can be expected to become a service that will have a major impact on sales, by enhancing the appeal of its services and acquiring large-scale projects.

In services for local governments, in August 2021, the Company plans to start to provide GMO Houespay, which will digitalize the product coupons issued by local governments. It will contribute to improving work efficiency in local governments, and moreover, the need for regional economic revitalization is being viewed as important due to COVID-19. So going forward, the market is expected to grow for premium product coupons, which stimulate and support consumption in regional areas.

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## ■ Medium- to long-term growth strategy

### Benefiting from the strong macro market, is strengthening the positioning of digital signature and certification services

#### 1. Market trends

The scale of the e-contract services market has been growing year by year and is performing strongly as a macro market. Within Japan, companies adopting digital signatures have mainly been large-sized companies, but in addition more medium- and small-sized companies are using them or considering using them. The business environment is benefiting from the fact that due to COVID-19, there are a growing number of medium- and small-sized companies advancing digitalization through a top-down approach. Looking globally also, the digital signature market environment is similarly excellent.

The Company's Digital Certificate and eSignature business includes TrustLogin by GMO, a single sign-on service, and the teleworking market, which is the end market in relation to this service, is expected to grow stably. There is the view that teleworking causes problems, including impeding communication between employees and affecting employees' mental health, and it is difficult to imagine that it will continue to grow rapidly in the future. However, from its advantages of having cost-reduction effects and enabling the avoidance of the Three Cs (closed spaces, crowded places, and close-contact settings), at FISCO we expect it to continue to grow in the long term.

At FISCO, we think that we can expect the information security market to also achieve stable, high growth in the future. Currently, it is growing remarkably centered on SaaS-type security software. There is also the point that since COVID-19, it has been supported by the spread of teleworking, and also that against the backdrop of the government's promotion of digitalization, companies are progressing DX as well, and it seems that the shift from an on-premises IT environment to a cloud environment will accelerate. In addition, the trend is strengthening toward bolstering information governance and compliance responses, such as for the EU's General Data Protection Regulation (GDPR) and the Act on the Protection of Personal Information. In this situation, at FISCO we strongly expect demand to increase for security-related services as measures to counter cyber-attacks.

In addition, the DX market is forecast to grow significantly in the future, and in particular, going forward the promotion of DX will be active in the manufacturing, finance, and information communication industries. The major IT vendors in Japan are focusing on these areas, and the government is also strengthening its measures, including establishing the Digital Agency. Moreover, spurred-on by COVID-19, the same trend, of the spread of DX, can be seen overseas as well. For DX investment, companies are aware of the need to invest in contactless operations and in teleworking, so in the future, at FISCO we expect it to grow in the long term.

Among drug stores and supermarkets, on the one hand there are companies increasing sales through progressing investment in e-commerce (EC), but on the other hand there is the aspect of in industries that involve the movement of people, such as service industries like the tourism, accommodation, and travel industries, and railway and airline industries, the momentum of DX investment is being lost. An issue in the future is likely to be correcting the disparity in DX between industries. In the manufacturing industry, it is possible that investment will accelerate in digital technologies in order to optimize the supply chain. But whatever the case, for the Company the end market is forecast to grow in the medium- to long-term, so it is anticipated that it will be an environment that will enable it to target excellent results.

**GMO GlobalSign Holdings K.K.**  
3788 Tokyo Stock Exchange First Section

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Medium- to long-term growth strategy

## 2. Trends and growth strategy in the Digital Certificate and eSignature segment

The number of GMO Sign digital signature user companies is 185,832 companies (as of the end of FY12/21 1Q), and it has the top share of the domestic market. In May 2021, the Company started providing the official app for its e-contract service on the App store and on Google play. Going forward also, its policy is to capture demand for digital certification projects not only from private-sector companies, but also in sectors in which the culture of using seals has been deep up to the present time, such as in government ministries and agencies. In terms of specific local governments, it covers all of Japan, including Tokyo, Fukuoka City, Fukui City, and Yonago City, but increasing sales through acquiring projects from public-sector organizations and governments will be an issue.

For the customer base, the Company is using the GMO Internet Group's customer base to strengthen synergies within the Group, and also to accelerate promotions. At FISCO, we think that the pace of topline growth will accelerate through cross selling that utilizes the customer network of the Group as a whole.

Also, as the measures for global business development, the Company acquired a business company in Brazil and it will first accelerate the South America business (SSL share, 68%), and it seems it is forecast to further develop its business globally depending on the M&A strategy. There are competitors for global business development, but currently the situation is that each competitor company is acquiring new customers and it seems there is no intense "fighting for customers" and that the color of the Blue Ocean is dark. Against the backdrop of this situation, at FISCO we think that it is highly likely that overseas sales will also increase steadily in the future.

## 3. Cloud Infrastructure segment's growth strategy

As the business policy for the Cloud Infrastructure segment in the future, the Company's strategy is, while utilizing the CloudCREW platform, to increase recurring revenue and strengthen the customer base through accelerating promotions.

## 4. DX segment's growth strategy

The Company's web solution O2O has the track record of being introduced by Honda Motor Cycle Japan, and in FY12/21 1Q, the GMO Omise app was being used by 7,844 stores. As it is conducting sales not only for private-sector companies, but also for regional local governments, it seems that this business' growth strategy is to acquire a customer base with no distinction between private sector companies and public sector organizations. Going forward, it will implement measures including enhancing functions, capturing DX demand, and strengthening collaborations with LINE and within the GMO Internet Group.

## 5. Market strategy for the future

In terms of market development in the future, the number of user companies and the number of contract transmissions for e-contract services, including GMO Sign digital signature, will continue to trend strongly, so the Company thinks that investment for further growth will increase going forward. In the cloud market as well, which is expected to continue to grow through the advance of teleworking due to COVID-19, sales of managed cloud services are forecast to continue to increase.

Based on the above-described business environment, the Company plans to achieve further growth by allocating its management resources to growth markets, including e-contract services, cloud services, O2O services, and IDaaS. The DX market is forecast to grow, and in this situation, at FISCO we think that the key point for topline growth will be to what extent it can capture companies' needs for digitalization.

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## ■ Shareholder return policy

**Basic policy is to pay a dividend targeting a dividend payout ratio of 50%. Also conducts a shareholder benefits program, providing cashback on the Group's services**

The Company considers returning profits to shareholders to be its most important management issue, and based on this, its basic policy is to pay a dividend linked to results, targeting a dividend payout ratio of 50% of profit attributable to owners of parent. In FY12/20, it paid a dividend per share of ¥50.81 for a dividend payout ratio of 50.0%. For FY12/21, it is forecasting a dividend per share of ¥33.64 for a dividend payout ratio of 50.0%.

Also, in its shareholder benefits program, the Company provides cashbacks on the usage fees for the various services provided by the Group, and also on brokerage commission for the services of GMO CLICK Securities, Inc.



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