

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

**3788**

Tokyo Stock Exchange Prime Market

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## Summary

### KPI of GMO Sign digital signature, which is positioned as a main product, are growing steadily through strategic investment

GMO GlobalSign Holdings K.K.<3788> (hereafter, also “the Company”) provides comprehensive internet service, and 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. Its segments consist of the Digital Certificate and eSignature segment, the Cloud Infrastructure segment, and the DX segment.

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

In the FY12/21 consolidated results, net sales were ¥14,046mn (up 5.4% year-on-year (YoY)) and operating income was ¥1,171mn (down 13.7%). The impact from the shortening of the SSL validity period showed signs of improvement in Q3, and its negative impact was eliminated in Q4, which resulted in a sales increase, largely achieving the targets. In terms of profit, the Company continued its strategic investment in GMO Sign digital signature, and achieved its operating income target for the full year. Looking at results by segment, although the Digital Certificate and eSignature segment saw an increase in sales through the elimination of the negative impact from the shortening of the SSL validity period and from new sales growth, profit decreased due to an increase of strategic investment costs for GMO Sign digital signature. In regard to GMO Sign digital signature, which is positioned as a main product, the key performance indicators (KPI) of number of user companies and number of contracted transmissions increased. Meanwhile, the Cloud Infrastructure segment and DX segment saw steady sales of main services, and finished with an increase in both sales and profit.

#### 2. Outlook for FY12/22

For the FY12/22 consolidated results forecasts, since the impact from the shortening of the SSL validity period will be eliminated, the Company is targeting an increase in both sales and profit, with net sales rising 8.1% YoY to ¥15,187mn, and operating income up 30.1% to ¥1,524mn. It will continue strategic investments in GMO Sign digital signature, which is positioned as a main product, and strive to improve user interface (UI) and services. In addition, it will aim for the top share of contract transmissions by increasing the number of external services that allow for collaboration and widening its customer base.

#### 3. Medium- to long-term growth strategy

As a medium- to long-term growth strategy, the Company will continue investment toward more practical services, from certification of device identification including IoT to certification of assets accompanying the shift to digitalization of assets, and move ahead with market development in order to realize a world in which valuable information is securely connected. Specifically, it will aim for further business expansion through strategic investment in the expanding e-contract services and by concentrating managerial resources in growth markets such as cloud services, O2O services and IDaaS\*.

\* Stands for Identity as a Service, and refers to services in which IDs are managed on a cloud.

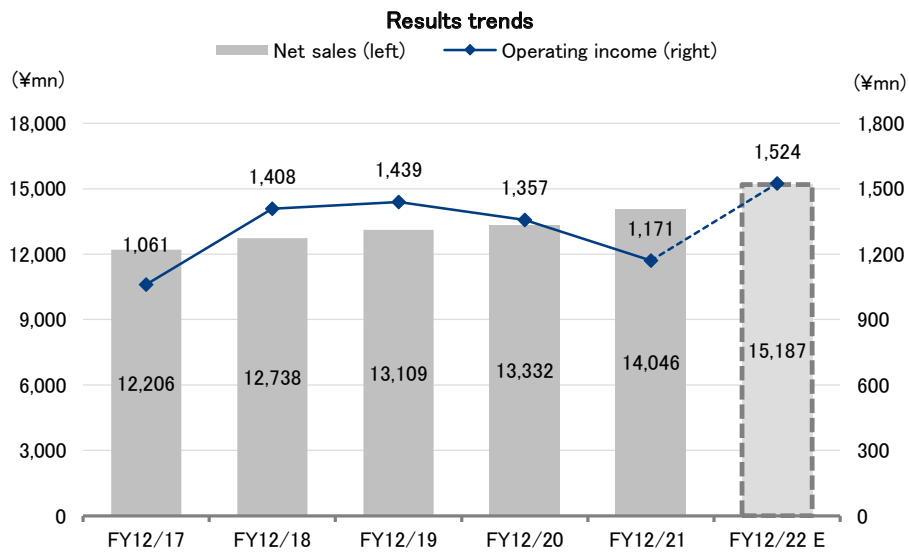
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Summary

In addition to this, the Company intends to raise the overseas sales ratio from the current level at roughly 35% to 40% over the medium- to long-term. As measures for global business development, the Company set its sights on development in South America in addition to Asia and the Middle East, acquired a business company in Brazil, and appears to be forecasting further global development. With regard to overseas development, the situation is that each competitor company is acquiring new customers, but there are still ample opportunities in unexplored markets without fierce competition. For this reason, we at FISCO think there is a strong possibility that overseas sales will increase steadily in the future as well.

**Key Points**

- In FY12/21, the Company achieved its operating income target for the full year and continued strategic investment in GMO Sign digital signature
- The number of user companies and number of contracted transmissions, the KPI of GMO Sign digital signature, positioned as a main product, grew steadily
- Because the negative impact from the shortening of the SSL validity period will be eliminated, the Company targets an increase of sales and profit for FY12/22 consolidated results. GMO Sign digital signatures will aim for the top share of contract transmissions



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

## Company profile

### Has an overwhelmingly large share and strong brand in the field of security supporting internet safety

#### 1. Company profile

The Company was founded through the establishment of iSLE Ltd. in 1993, 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 September 2021, it had 13 consolidated subsidiaries (6 in Japan and 7 overseas) and 3 non-consolidated companies for a total of 16 companies.

#### 2. Business description

The Company provides comprehensive internet service, and 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. Its segments consist of the Digital Certificate and eSignature segment (digital certificates, e-contracts, and ID and password management services for companies), the Cloud Infrastructure segment (cloud hosting services), and the DX segment (IoT-related services, O2O apps, network engines, and vehicle remote diagnosis).

Overview of business areas and services

Business areas	Segment	Segment overview	Services
To sustain secure internet communication	Digital Certificate and eSignature segment	Protect internet communication through electronic verification system Protect users' ID and password through ID management system	<ul style="list-style-type: none"> <li>GlobalSign SSL server certificates</li> <li>GMO Sign digital signature</li> <li>GMO TrustLogin</li> <li>GMO facial recognition eKYC</li> <li>Code signing certificates</li> <li>Client certificates</li> <li>Certificates for document signatures</li> <li>My Number ID confirmation service</li> </ul>
	Cloud Infrastructure segment	Provide secure cloud infrastructure	<ul style="list-style-type: none"> <li>CloudCREW</li> <li>ALTUS</li> <li>iCLUSTA+</li> <li>VPS</li> <li>Dedicated servers</li> <li>Private clouds</li> <li>Rental servers</li> </ul>
To make an enterprise's cloud utilization convenient	DX segment	IoT solutions, online to offline (O2O) apps, gaming network engines, vehicle remote diagnosis	<ul style="list-style-type: none"> <li>Photon</li> <li>O2O apps for stores</li> <li>EC apps for stores</li> <li>LINKDrive</li> <li>hakaru.ai</li> <li>IoT security</li> </ul>

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

## Company profile

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

This segment develops digital certifications, e-contracts, and ID and password management services for corporations, issues digital certificates under the Global Sign brand through a certification authority, which is managed by a subsidiary, and also provides security services by other brands. It has developed services that all boast top shares in the market such as e-contract service GMO Sign digital signature, which is positioned as a main product (with the top number of user companies in Japan); GlobalSign® by GMO, a domestic certification authority managed by the Company itself (occupies the top SSL share in Japan and is No. 3 in the world); and single sign-on service GMO TrustLogin (with the top number of user companies in Japan).

The information security market, to which this segment belongs, is performing well, as its scale grew 3.5% YoY to ¥1,159.8bn in fiscal 2020, and is projected\*1 to grow 4.6% to ¥1,212.7bn in fiscal 2021, and the percentage of enterprises using e-contracts reached approximately 70% in 2021\*2. DX promotion is projected to become active going forward, so further growth can be expected.

\*1 Source: JNSA (Japan Network Security Association) 2020 Domestic Information Security Market Research Report.

\*2 Source: JIPDEC IT-Report 2021 Spring.

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 certify that the user is legitimate, which can prevent identity theft and other such problems.

**c) Service to certify a company or organization is valid**

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 service**

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**

GMO TrustLogin 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 complex task of 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.

**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.

#### Company profile

The number of companies using GMO Sign digital signature surpassed 500,000 in February 2022, achieving the highest number among companies using e-contract services. The e-contract service market is projected to expand due to telework in conjunction with the COVID-19 pandemic and DX promotion, and there are also 98 local governments (as of February 2022) participating in pilot tests, so further growth can be expected.

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. Additionally, to own a certification authority, a company must have not only the capital but also the technical capabilities to maintain an advanced security system and third party-recognition of results as a certification authority which, in FISCO's view, seems to set the barriers to entry high and ensure a competitive advantage.

#### (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 using their own company's name or the name of their product for the domain name and send and receive e-mail. This service includes a shared hosting service, which refers to a single server that can be used jointly by a certain number of customers and therefore offers excellent cost performance, and a dedicated hosting service, in which one server is used exclusively by one customer, so it is excellent in terms of the degree of freedom of operations and management and scalability for hardware and software.

CloudCREW by GMO, which is the service that this segment focuses 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 and management support. 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 25 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. Additionally, in CloudCREW by GMO, the Company launched a Google Cloud business beginning in January 2022, and has also begun to support the utilization of Google Cloud as a Google Cloud Service partner.

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

## Company profile

**b) Web solution services**

As IoT support services, the Group provides a web consulting service for the production of homepages, 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.

The GMO Omise app provided by this business, which is an app designated for stores to support customer attraction, offers a service to produce O2O marketing apps for use by stores. The original, company-developed app is provided for various companies and brands, including those in the restaurant, retail, apparel, hotel, vehicle 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. This service is steadily expanding, as the number of stores using the app increased by 42.9% YoY to 10,660 at the end of FY12/21.

**c) Network engines**

The Group provides Photon to develop online games. Recently, the strengths of Photon have been utilized including for remotely sharing 3D information and applications for entertainment such as 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.

## Results trends

### In FY12/21, the Company achieved its operating income targets for the full year and continued strategic investment in GMO Sign digital signature

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

In the FY12/21 results, net sales were ¥14,046mn (up 5.4% YoY), operating income was ¥1,171mn (down 13.7%), ordinary income was ¥1,199mn (down 13.9%), and profit attributable to owners of parent was ¥483mn (down 58.7%). Although the impact from the shortening of the SSL validity period showed signs of improvement in Q3, and its negative impact was eliminated in Q4, which resulted in a sales increase, net sales fell just short of the target at 98.7% due to factors including the prolonging of the LINKDrive by GMO project in the DX segment. In terms of profit, the Company continued its strategic investment in GMO Sign digital signature, and achieved its operating income target for the full year. Profit attributable to owners of parent fell short of the target due to the recording of impairment loss in the DX segment in Q4.



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Results trends

Looking at result by segment, although the Digital Certificate and eSignature segment saw an increase in sales through the elimination of the negative impact from the shortening of the SSL validity period and new sales growth, profit decreased due to an increase of strategic investment costs for GMO Sign digital signature. In regard to GMO Sign digital signature, which is positioned as a main product, the KPI of number of user companies and number of contracted transmissions increased. Meanwhile, the Cloud Infrastructure segment and DX segment saw steady sales of main services, and finished with increases in both sales and profit.

**FY12/21 consolidated results**

	FY12/20		FY12/21		YoY		Vs. forecast Progress rate	
	Results	% of net sales	Forecast	Results	% of net sales	Change		Change (%)
Net sales	13,332	100.0%	14,229	14,046	100.0%	713	5.4%	98.7%
Gross profit	7,953	59.7%	-	8,442	60.1%	489	6.1%	-
Selling, general and administrative expenses	6,596	49.5%	-	7,270	51.8%	674	10.2%	-
Operating income	1,357	10.2%	1,008	1,171	8.3%	-185	-13.7%	116.2%
Ordinary income	1,394	10.5%	1,050	1,199	8.5%	-194	-13.9%	114.3%
Profit attributable to owners of parent	1,170	8.8%	775	483	3.4%	-686	-58.7%	62.4%

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

## 2. Trends by business segment

**FY12/21 results by segment**

	FY12/20		FY12/21		YoY Change
	Results	% of net sales	Results	% of net sales	
Net sales	13,332	100.0%	14,046	100.0%	5.4%
Digital Certificate and eSignature segment	7,102	53.3%	7,721	55.0%	8.7%
Cloud Infrastructure segment	5,748	43.1%	5,875	41.8%	2.2%
DX segment	922	6.9%	966	6.9%	4.7%
Internal transaction	-440	-	-517	-	-
Operating income	1,357	-	1,171	-	-13.7%
Digital Certificate and eSignature segment	1,420	-	1,054	-	-25.8%
Cloud Infrastructure segment	344	-	422	-	22.6%
DX segment	-396	-	-284	-	-
Internal transaction	-11	-	-20	-	-

Note: Segment income is the value adjusted from ordinary income on the quarterly consolidated profit and loss statement

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

### (1) Digital Certificate and eSignature segment

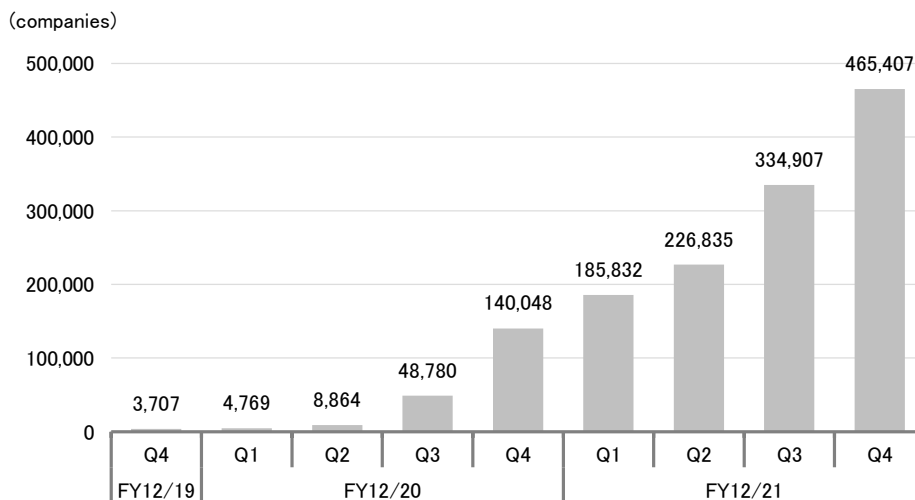
In the Digital Certificate and eSignature segment, net sales were ¥7,721mn (up 8.7% YoY) and segment income\* was ¥1,054mn (down 25.8%). Although the segment saw an increase in sales through the elimination of the negative impact from the shortening of the SSL validity period and new sales growth, profit decreased due to an increase of strategic investment costs for GMO Sign digital signature.

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

Results trends

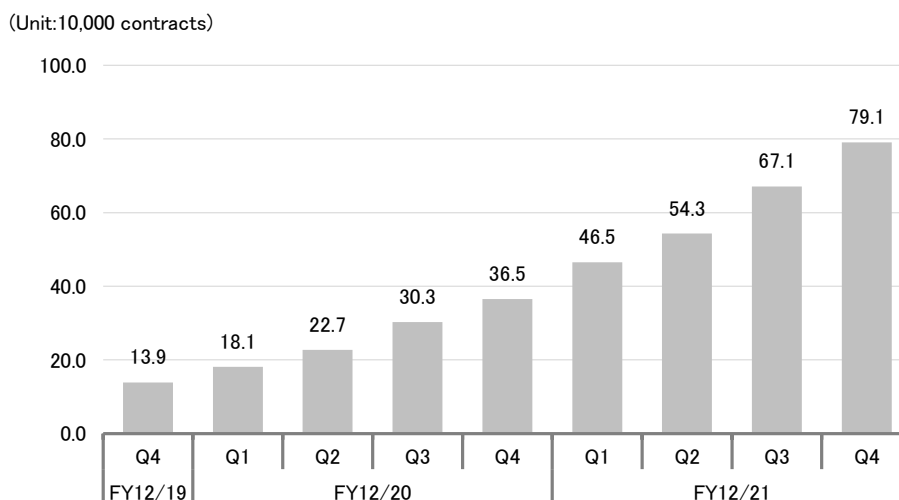
With regard to GMO Sign digital signature, which is positioned as a main product, the KPI of number of user companies and number of contract transmissions continued to increase at a good pace, up 232.3% from the end of the previous fiscal year to 465,407 companies (at the end of FY12/21) and up 116.2% to 791,258 contracts, respectively. The number of user companies surpassed 500,000 companies in February 2022, attaining the highest number among companies using e-contract services. Meanwhile, as a strategic investment, the Company is working to enhance its systems by increasing awareness of services and proactively hiring personnel, which we at FISCO think will contribute to further growth.

Number of user companies



Note: Indicates the number of companies using GMO Sign digital signature to handle either party concerned-type or third-party-type (business operator-type) signatures. Each business operator (a company or individual) has been counted as one account and duplications have been eliminated in case where multiple accounts are used  
 Source: Prepared by FISCO from the Company's results briefing materials

Number of contracted transmissions



Source: Prepared by FISCO from the Company's results briefing materials

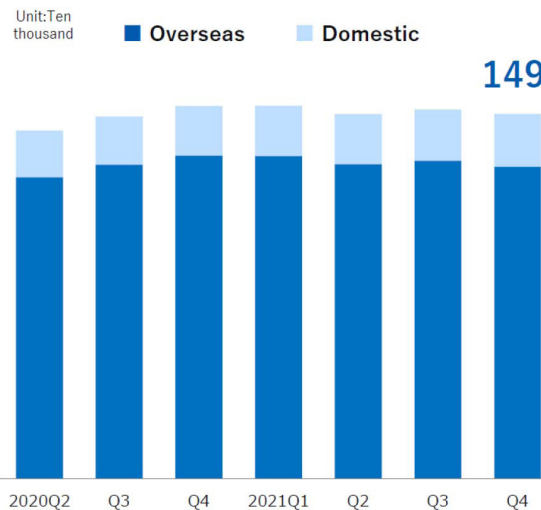
Results trends

Since January 2021, the Company has been leading the “So Long to Seals~ 100 Million Digitalization Project,” which is intended to improve the convenience of administrative services and promote workstyle reform through the digitalization of operations at local governments. Beginning with the achievement of the official introduction of GMO Sign digital signature in Sanjo City, Niigata Prefecture, adoption has been determined by seven local governments and organizations (as of February 2022) including the introduction of “GMO Sign for Administrative Reform DX” (a plan to provide the functions of GMO Sign digital signature for administrations) by Chigasaki City in Kanagawa Prefecture. 98 local governments are participating in pilot tests (of this project), which are conducted as a step prior to introduction, and it can be said that preparations to increase the number of users are steadily underway. In December 2021, the Company launched provision of a LGWAN-compatible version of “GMO Digital Sign,” Japan’s first e-contract service compatible with LGWAN, which is a closed, comprehensive administration network reserved for government administration.

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, the number of valid SSL certificates issued\* in Japan and overseas was largely unchanged YoY at 1.49mn in total.

\* 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

In other topics, the Company signed a business agreement with major industry player Tokyu Livable Inc. and public corporation ZENTAKUREN in order to become an industry pioneer in anticipation of the lifting of the ban on e-contracts for real estate transactions scheduled for May 2022. The Company has already begun work on the practical application of e-contracts for real estate deals that are just as effective as registered seals through ID confirmation using My Number cards (a social security and tax number system), and intends to promote real estate DX through product development and awareness-raising activities. Furthermore, ZENTAKUREN provides its members with a proprietary system which is used by many real estate businesses. For this reason, we at FISCO see a strong possibility that collaboration with ZENTAKUREN will lead to a further increase in usage of the Company’s services.

Results trends

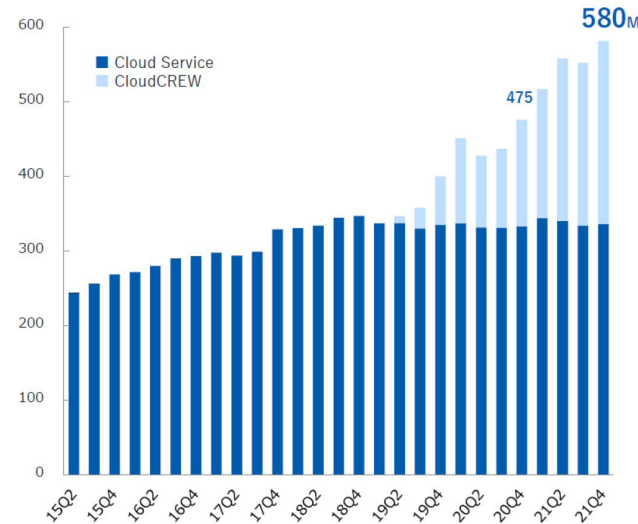
Additionally, GMO TrustLogin received the highest ranking “Leader” award in the SSO and ID Management Division of the ITreview Grid Award 2022 Winter for seven consecutive periods.

**(2) Cloud Infrastructure segment**

In the Cloud Infrastructure segment, net sales were ¥5,875mn (up 2.2% YoY) and segment income\* was ¥422mn (up 22.6%). 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 of CloudCREW by GMO, which is a managed cloud service that undertakes tasks including cloud introduction support, design, construction, and monitoring and management, grew steadily by 71% YoY and continued to achieve rapid growth as the cloud market continues to grow, driven by expanding demand for teleworking. In terms of profit, profits increased through a rise in sales of CloudCREW by GMO and cost optimization.

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

Trends in cloud service sales



Source: The Company’s results briefing materials

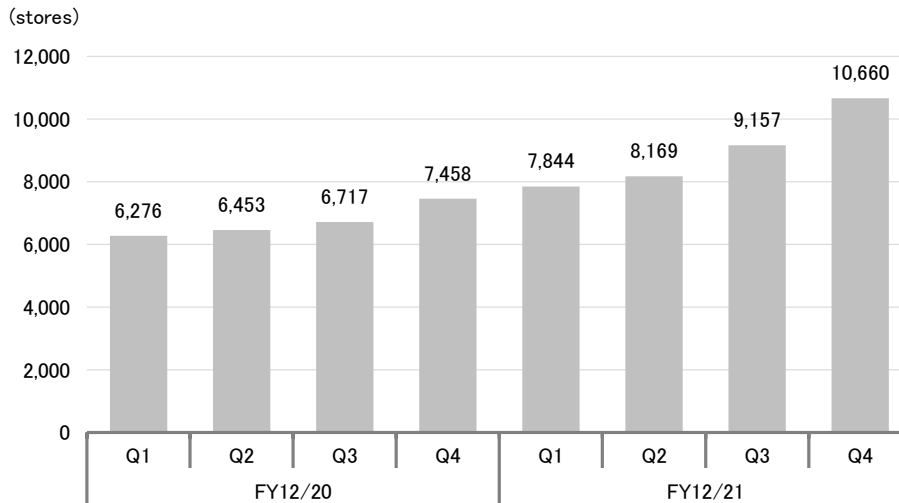
**(3) DX segment**

In the DX segment, net sales were ¥966mn (up 4.7% YoY) and the segment loss\* was ¥284mn (a loss of ¥396mn in the previous fiscal year). Sales of IoT-related services such as the GMO Omise app and hakaru.ai by GMO were strong in conjunction with an expansion of digital investment by companies. In term of profit, profit increased through an increase in sales of the GMO Omise app and a decline in selling, general and administrative expenses for IoT-related business. Amid circumstances which required responses to the rapid DX transformation brought on by the COVID-19 pandemic, the GMO Omise app was introduced across various industries and business types, and as a result, the number of user companies increased 42.9% YoY to 10,660 at the end of FY12/21.

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

Results trends

Trend in the number of stores using the GMO Omise app



Source: Prepared by FISCO from the Company's results briefing materials

3. Financial status and management indicators

At the end of FY12/21, total assets were up ¥449mn from the end of the previous year to ¥11,512mn. Current assets increased by ¥126mn to ¥7,517mn mainly through an increase in accounts receivable of ¥254mn and a decrease in cash and deposits of ¥80mn. Non-current assets were up ¥322mn to ¥3,395mn mainly because of an increase in software of ¥361mn and an increase in investments and other assets of ¥27mn.

Meanwhile, total liabilities increased ¥585mn from the end of the previous fiscal year to ¥4,360mn. The main factors among current liabilities included an increase in short-term loans of ¥200mn, an increase in advances by customers of ¥226mn, and a decrease in accrued consumption taxes of ¥111mn, while the main factors among non-current liabilities included a ¥185mn increase in deferred tax liabilities and a decrease of ¥18mn in long-term lease obligations. Total net assets decreased ¥136mn to ¥7,152mn, mainly due to an increase in foreign currency translation adjustment of ¥311mn, a ¥159mn decrease in retaining earnings, and a ¥273mn decrease in non-controlling interest.

With regard to stability, the equity ratio at the end of FY12/21 was 62.0% (63.2% at the end of the previous fiscal year) while the current ratio was 192.6%, so there should be no issues with liquidity on hand. Meanwhile, ROA decreased by 2.7 pts compared to the end of the previous fiscal year to 10.6%, and ROE decreased 10.7 pts to 6.8%. Despite this, our view at FISCO is that stability will improve if the impact from the shortening of the SSL validity period is eliminated and the losses of the DX segment improve.

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## Results trends

## Consolidated balance sheet and management indicators

	(¥mn)				
	FY12/18	FY12/19	FY12/20	FY12/21	Change
Current assets	6,505	6,864	7,390	7,517	126
(Cash and Deposits)	4,356	4,433	4,670	4,590	-80
Non-current assets	2,618	3,089	3,672	3,995	322
<b>Total assets</b>	<b>9,124</b>	<b>9,954</b>	<b>11,063</b>	<b>11,512</b>	<b>449</b>
Total liabilities	3,291	3,519	3,774	4,360	585
<b>Total net assets</b>	<b>5,832</b>	<b>6,434</b>	<b>7,288</b>	<b>7,152</b>	<b>-136</b>
<b>Stability</b>					
Equity ratio	63.6%	64.6%	63.2%	62.0%	-1.2pt
<b>Profitability</b>					
ROA (Return on Asset)	16.8%	15.6%	13.3%	10.6%	-2.7pt
ROE (Return on Equity)	17.4%	17.6%	17.5%	6.8%	-10.7pt
Operating income margin	11.1%	11.0%	10.2%	8.3%	-1.9pt

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

In FY12/21, cash flows from operating activities were ¥1,564mn. The main cash inflows were the recording of income before income taxes of ¥879mn, depreciation and amortization of ¥850mn, and impairment loss of ¥382mn, while the main outflows were a ¥144mn increase in accounts receivable, a ¥83mn decrease in accounts payable, a ¥107mn decrease in accrued consumption taxes, and a ¥208mn payment of income taxes expense. Cash flows from investing activities totaled ¥1,191mn. The main outflows were acquisitions of property, plant and equipment of ¥218mn and intangible assets of ¥1,018mn, while the main inflows were proceeds from distributions from investment partnerships of ¥63mn and proceeds from sale of investment securities of ¥40mn. Cash flows from financing activities totaled ¥822mn. The main outflows were dividends paid of ¥584mn and acquisitions of shares in subsidiaries in ¥329mn, while the main inflows were acquisition of shares in subsidiaries of ¥200mn. As a result, cash and cash equivalents decreased by ¥230mn compared to the end of the previous fiscal year to ¥5,020mn.

## Consolidated cash flows

	(¥mn)	
	FY12/20	FY12/21
Cash flows from operating activities	1,902	1,564
Cash flows from investing activities	-1,158	-1,191
Cash flows from financing activities	-64	-822
<b>Cash and cash equivalents</b>	<b>5,250</b>	<b>5,020</b>

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

## ■ Outlook

### In FY12/22 results, the Company targets an increase in sales and profit due to the elimination of the impact from the shortening of the SSL validity period

#### 1. Outlook for FY12/22

For the FY12/22 consolidated results, the Company forecasts an increase in net sales by 8.1% YoY to ¥15,187mn, a 30.1% increase in operating income to ¥1,524mn, an increase in ordinary income of 26.8% to ¥1,521mn, and an 86.1% increase in profit attributable to owners of parent to ¥900mn. It is targeting an increase in sales and profit because of the elimination of the impact from the shortening of the SSL validity period. It will also continue strategic investment in GMO Sign digital signature, which is positioned as a main product, and aim for the top share of contract transmissions.

#### Consolidated results outlook for FY12/22

	FY12/21		FY12/22		YoY	
	Results	% of net sales	Forecasts	% of net sales	Change	Change (%)
Net sales	14,046	100.0%	15,187	100.0%	1,140	8.1%
Operating income	1,171	8.3%	1,524	10.0%	352	30.1%
Ordinary income	1,199	8.5%	1,521	10.0%	321	26.8%
Profit attributable to owners of parent	483	3.4%	900	5.9%	416	86.1%

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

#### 2. Outlook by business segment

##### FY12/22 forecasts by segment

	FY12/21		FY12/22		YoY Change (%)
	Results	% of net sales	Forecasts	% of net sales	
Net sales	14,046	100.0%	15,187	100.0%	8.1%
Digital Certificate and eSignature segment	7,721	55.0%	8,638	56.9%	11.9%
Cloud Infrastructure segment	5,875	41.8%	5,901	38.9%	0.4%
DX segment	966	6.9%	1,232	8.1%	27.5%
Internal transactions	-517	-	-584	-	-
Operating income	1,171	-	1,524	-	30.1%
Digital Certificate and eSignature segment	1,054	-	1,402	-	32.9%
Cloud Infrastructure segment	422	-	423	-	0.2%
DX segment	-284	-	-274	-	-
Internal transactions	-20	-	-27	-	-

Note: Segment income is the value adjusted from ordinary income on the quarterly consolidated profit and loss statement

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

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

Net sales are forecast to increase 11.9% YoY to ¥8,638mn, while segment income will increase 32.9% to ¥1,402mn. The Company will aim for further business expansion by positioning the trust service, which is centered on the Digital Certificate and eSignature segment, as a pillar of its business strategy, and continue to concentrate managerial resources in digital signature and e-contract services, for which market growth is expected.

Outlook

a) GMO Sign digital signature

The Company will continue strategic investment in GMO Sign digital signature, which is positioned as a main product, and aim for the top share of contract transmissions. In addition, it will strive to improve UI and services with a focus on the GMO Sign digital signature smartphone app\*1 and My Number Registered Seal\*2 released in FY12/21, and also aim to increase sales by increasing the number of external services that allow for collaboration and widening its customer base.

\*1 An application that makes it possible to easily complete the process up to confirmation and signature of a contractual document via smartphone.

\*2 An application that enables ID confirmation and digital signatures using a My Number card.

External services that allow for collaboration

	 Salesforce連携	 kintone連携	 LegalForce連携	 LegalForceキャビネ連携
 AgileWorks連携	 X-point連携	 ActRecipe連携	 Box連携	 ダンドリワーク連携
 SmartDB連携	 BUNTAN連携	 Hubble連携	 Gluegent Flow連携	 Legaledge連携
 Chalaza連携	 ESいい物件One連携	 OPTIM Contract連携	 業務デザイナー連携	 Tradeshift連携
 moconavi連携	 トラスト・ログイン	 onelogin	 HENNGE	 Okta
 Azure Active Directory	 サテライトオフィス	 ネクストセット	 CloudGate	 Gluegent Gate
 FQ-MA				

Source: From the Company's website

As a strategic investment, the Company is continually promoting enhancement of its systems by proactively hiring personnel. In addition to increasing its own sales staff, beginning in December 2021, the Company opened applications for “GMO Sign Partners” to propel DX promotion together in different regions and industries within Japan by utilizing GMO Sign digital signature. The Company will offer its partners the expertise and knowledge about topics such as sales, introductions, and management it has acquired so far, and enhance its systems for cooperation in an aim for further business expansion going forward.

We encourage readers to review our complete legal statement on “Disclaimer” page.



## Outlook

**b) GlobalSign® by GMO**

The Company intends to make Digital Signature Solution DSS by GMO\* into a revenue base following digital certification. It has a track record of introducing the service overseas to companies such as major automobile manufacturers, and will aim to increase its customers even further.

\* A cloud-based digital signature service to improve operational efficiency through secure digitalization (the elimination of paper) of paper documents. Simple and speedy collaboration enables a large volume of digital signatures.

**c) GMO TrustLogin**

The Company will aim to increase sales of GMO TrustLogin by expanding service collaboration and enhancing its competitive sales advantage. Demand for reducing workloads through single sign-on remains firm, backed by an increase in usage of SaaS in conjunction with the expansion of clouds, and we at FISCO think that further business growth can be expected. As an example of service collaboration in FY12/21, the Company initiated a collaboration with Nulab Pass, a solution to enhance the security and governance of products offered by Nulab in November 2021. This made it possible for Nulab Pass users to carry out a single sign-on to Nulab Pass simply through GMO TrustLogin. In addition, the service comprehensively has managed the information of accounts tied to services provided by Nulab and worked to greatly enhance security.

**(2) Cloud Infrastructure segment**

In the Cloud Infrastructure segment, the Company forecasts ¥5,901mn in net sales (up 0.4% YoY) and ¥423mn in segment income (up 0.2%). Corporate behavior patterns have been changing drastically due to the COVID-19 pandemic, and the use of clouds is expected to increase going forward, so the Company will strive to expand the CloudCREW by GMO business even further. Specifically, it will continue to optimize the costs of existing services while working even more to enhance its organization and promote sales in line with the launch of the Google Cloud business, and promote business expansion through managed cloud services.

As previously mentioned, for CloudCREW by GMO, the Company launched a Google Cloud business in January 2022, and has also begun to support the utilization of Google Cloud as a Google Services partner. This has allowed the Company to securely capture demand even in fields that it could not fully support with the products it has handled up until now. Additionally, the rate of Cloud introduction was 54.2% as of 2021 (60.5% in the US\*) and further expansion is forecast due to factors including DX promotion, so our view is that the number of contracts for CloudCREW by GMO will continue to grow steadily going forward.

\* Source: Information and Communications in Japan White Paper 2021.

**(3) DX segment**

The Company forecasts an increase in net sales by 27.5% YoY to ¥1,232mn, and operating loss of ¥274mn (operating loss was ¥284mn in the previous fiscal year). In order to stimulate new future demand for the GMO Omise app and differentiate the product from competitors, it will continue to develop functions, thereby expanding opportunities for utilization from major companies to local governments, and aim for further business expansion by working to solve problems across various industries.

## ■ Medium- to long-term growth strategy

### **Benefitting from the strong macro market, the Company will accelerate growth as much as possible and aim to increase the scope of sales by concentrating managerial resources in the Digital Signature and eCertificate segment**

#### 1. Market trends

The e-contract services market has been growing year by year in scale 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 or considering using them. The business environment is benefiting from the fact that due to the COVID-19 pandemic, there are a growing number of medium- and small-sized companies advancing digitalization through a top-down approach. According to the 2021 Spring JIPDEC IT-Report, the percentage of companies using e-contracts as of 2021 was approximately 70% (approximately 40% at the time of the previous report), showing that the trend toward expansion is continuing. Looking globally, the digital signature market environment is similarly excellent.

The Company's Digital Certificate and eSignature segment includes GMO TrustLogin, a single sign-on service, and the teleworking market, which is the end market in relation to this service, is expected to grow stably. Based on its advantages of having cost-reduction effects and enabling the avoidance of the Three Cs (closed spaces, crowded places, and close-contact settings), we at FISCO expect that it will continue to grow in the long term.

The information security market grew to ¥1,159.8bn in fiscal 2020 (up 3.5% YoY) and is anticipated to grow to ¥1,212.7bn in fiscal 2021\* (up 4.6% YoY), so stable, high growth can be expected in the future as well. Currently, it is growing remarkably centered on SaaS-type security software. There is also the issue that since the COVID-19 pandemic, it has been supported by the spread of teleworking, and also that against the backdrop of the government's promotion of digitalization, companies are advancing DX as well, and it appears that the shift from an on-premises IT environment to a cloud environment will accelerate. In addition, there is a strengthening trend 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. Amid these circumstances, we at FISCO strongly expect demand to increase for security-related services as measures to counter cyber-attacks.

\* Source: JNSA (Japan Network Security Association) 2020 Domestic Information Security Market Research Report.

In addition, the DX market is forecast to grow significantly in the future, and it is thought that the promotion of DX will be particularly 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 the COVID-19 pandemic, the same trend of DX promotion can be seen overseas as well. For DX investment, companies are aware of the need to invest in contactless operations and teleworking, so in the future, it can be expected to grow in the long term.

Medium- to long-term growth strategy

## 2. Companywide direction

Under the theme of “Change things with IT,” the Company provides all people with new experiential value through internet services. By harnessing the expertise it has accumulated through internet security service and cloud service, and concentrating managerial resources in the Digital Signature and eCertificate segment, it will accelerate growth as much as possible and aim to increase the scope of sales. In order to promote medium- to long-term business expansion even more, it will continue investment toward more practical services, from certification of device identification including IoT to certification of assets accompanying the shift to digitalization of assets, and move ahead with market development in order to realize a world in which valuable information is securely connected. Specifically, it will aim for further business expansion through strategic investment in the expanding e-contract services and by concentrating managerial resources in growth markets such as cloud services, O2O services and IDaaS.

In addition to this, the Company intends to raise the overseas sales ratio from the current level at around 35% to 40% over the medium- to long-term. As measures for global business development, the Company set its sights on development in South America in addition to Asia and the Middle East, acquired a business company in Brazil, and appears to be forecasting further global development. With regard to overseas development, the situation is that each competitor company is acquiring new customers, but there are still ample opportunities in unexplored markets without fierce competition. For this reason, we at FISCO think there is a strong possibility that overseas sales will increase steadily in the future.

## 3. Strategy by business segment

### (1) Digital Certificate and eSignature segment

The Company will continue strategic investments in GMO Sign digital signature, which is positioned as a main product, and strive to improve UI and services, and will also aim to increase sales by increasing the number of external services that allow for collaboration and widening its customer base. Furthermore, in GlobalSign® by GMO, new services following Digital Signature Solution DSS by GMO are expected.

### (2) Cloud Infrastructure segment

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

### (3) DX segment

In the DX segment, the Company will harness the expertise it has accumulated in the Digital Certificate and eSignature and Cloud Infrastructure segments, and work toward improving operational efficiency and adding high value through DX, thereby helping companies to solve various problems.

In this segment, the Company will aim to diversify its services through collaboration with the GMO Internet Group. As one example, it provides services including stera pack\*, which utilizes payment device solutions from GMO Financial Gate<4051> and the mobile gift certificate platform by GMO which utilizes platforms provided by GMO Payment Gateway<3769> and GMO DIGITAL Lab. Going forward, it will strive to develop new services by continuing to utilize diverse resources within the Group. The Company will also use the GMO Internet Group’s customer base to enhance synergies within the Group, while accelerating promotions as well.

\* A service to improve the efficiency of store operations centered on cashless payments.

## ■ Shareholder return policy

**Basic policy is to pay a dividend targeting a dividend payout ratio of 50%. Also conducts a shareholder benefits program, providing cashbacks for 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 FY12/21, it paid a dividend per share of ¥33.64 for a dividend payout ratio of 80.1%. For FY12/22, it is forecasting a dividend per share of ¥39.06 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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