

Financial Results Briefing Report for Q2, FY03/22



October 29, 2021
WOW WORLD Inc.

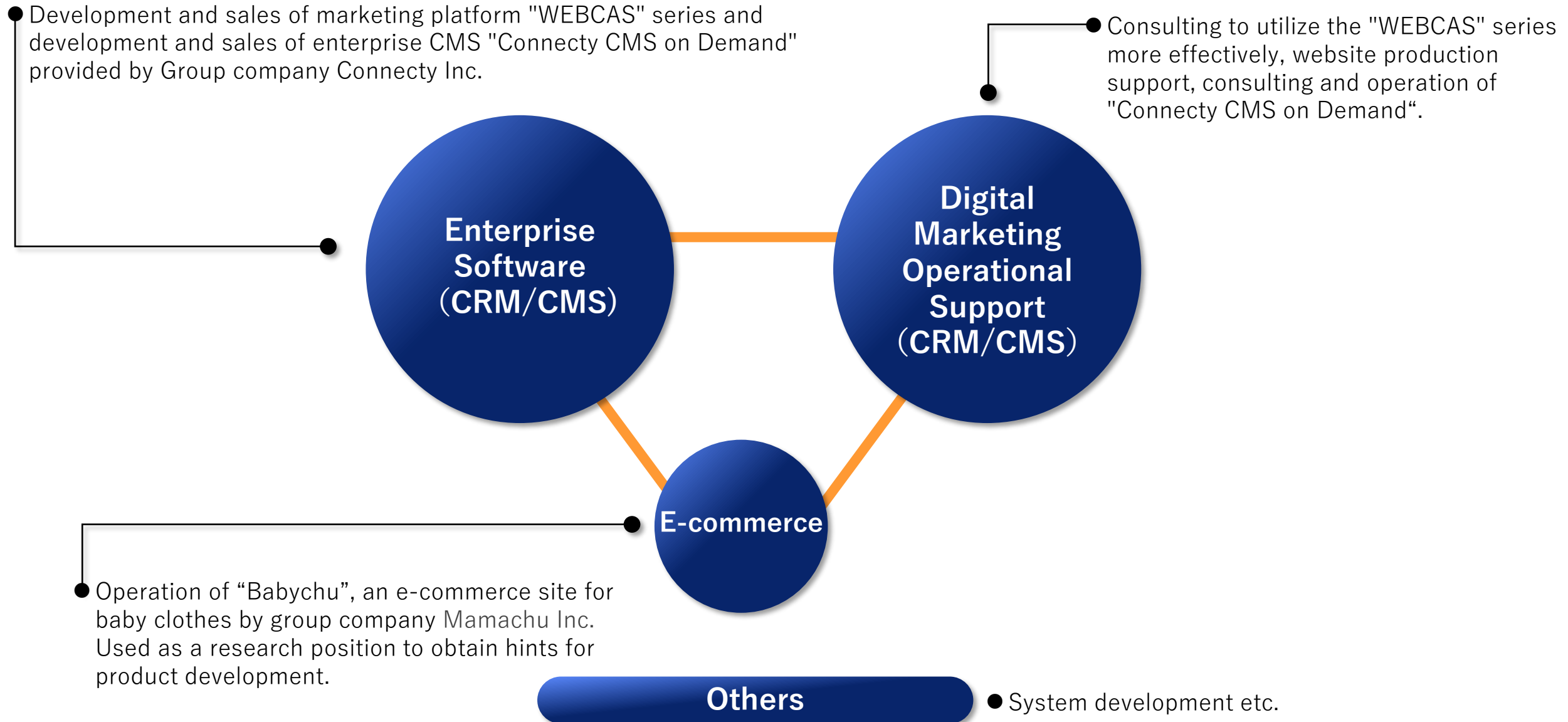


- **Q2 FY03/22 Results**
- **Earnings forecast for FY03/22**
- **Topics**
- **Medium-Term Management Plan Review**
- **Future Growth**

Q2 FY03/22 Results



- Consolidated net sales amounted to ¥1,388 million, up 50.7% year on year, and representing a 12th consecutive year of growth.
- With the contribution of growth of existing services and newly consolidated subsidiary Connecty Inc., cloud services sales amounted to ¥768 million, up 33.8%.
- EBITDA reached a record high of ¥317 million, up 62.1% year on year.
- Ordinary profit amounted to ¥214 million, up to 38.6% year on year, mainly due to the amortization of goodwill associated with the new consolidation of Connecty Inc., amortization arising from the issuance of stock options, and costs related to preparing for the transition to IFRS accounting.



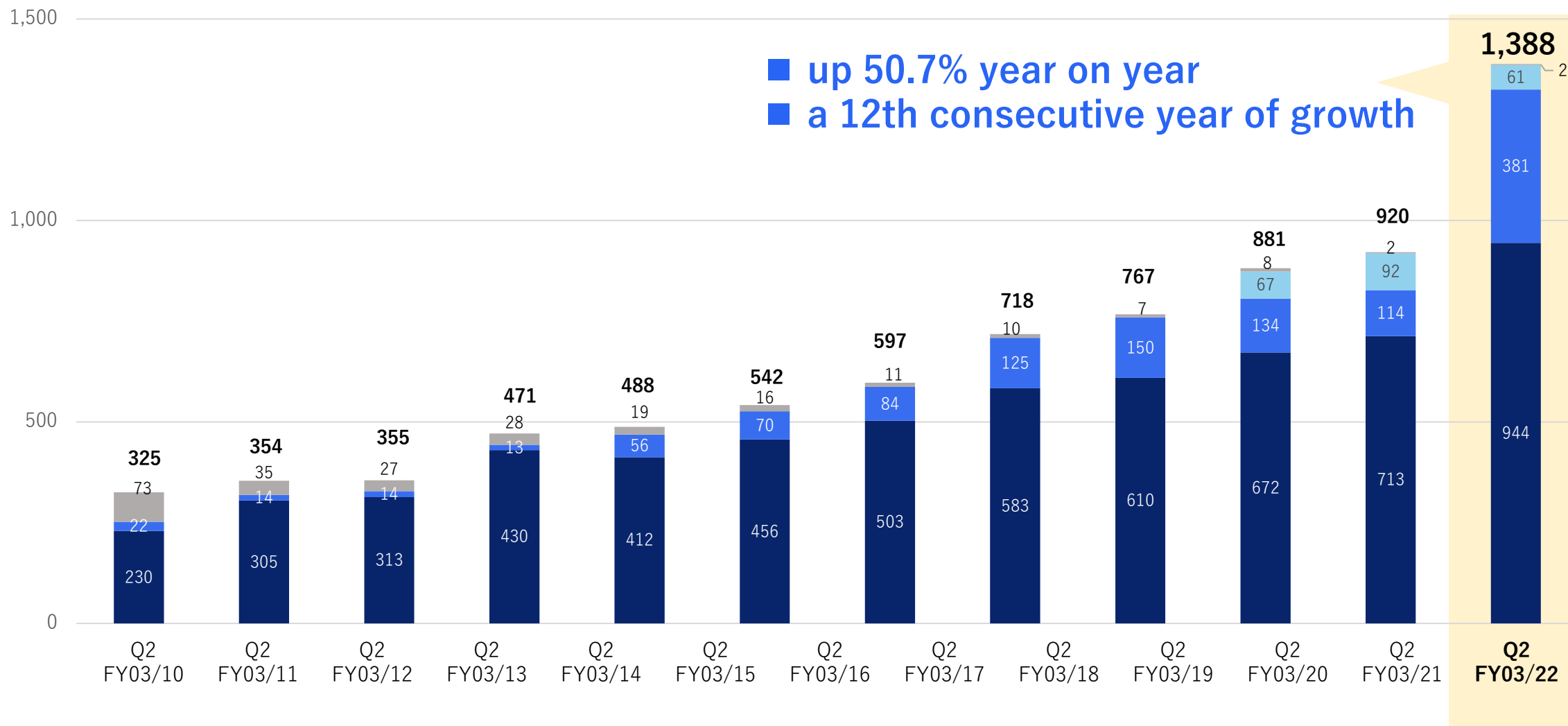
(Million yen)

■ Enterprise Software

■ Digital Marketing Operational Support

■ E-Commerce

■ Others



- Net sales increased by 50.7% year on year and EBITDA increased by 62.1% year on year due to growth of existing services and newly consolidated subsidiary Connecty Inc.
- Ordinary income rose 38.6%, limited due to amortization of goodwill resulting from making Connecty Inc. a consolidated subsidiary, amortization related to the issuance of stock options, and costs of preparing to transition to IFRS.

(Million yen)

| | Q2 FY03/21 | Q2 FY03/22 | YoY(%) |
|---|---------------|---------------|--------|
| Net Sales | 920 | 1,388 | +50.7% |
| EBITDA※ | 195 | 317 | +62.1% |
| EBITDA margin (%) | 21.3% | 22.9% | |
| Operating profit | 153 | 216 | +40.6% |
| Operating margin (%) | 16.7% | 15.6% | |
| Ordinary profit | 154 | 214 | +38.6% |
| Profit attributable to owners of parent | 98 | 117 | +20.0% |

※EBITDA = Operating profit + Depreciation + Amortization of goodwill + Share-based remuneration expenses

- WOW WORLD experienced a slow recovery from the impact COVID-19 on our large-scale cloud services project in Q1, falling short of plan. However, we but performed well beginning in Q2, and operating income grew both year on year and in comparison to plan.
- FUCA operating profit fell approximately ¥20 million short of plan due to the impact of restrained investment among apparel and cosmetics companies, the company's main customers.
- Mamachu posted negative growth year-on-year and in comparison with plan due to sluggish demand for apparel worn outside the home caused by the COVID-19 pandemic.

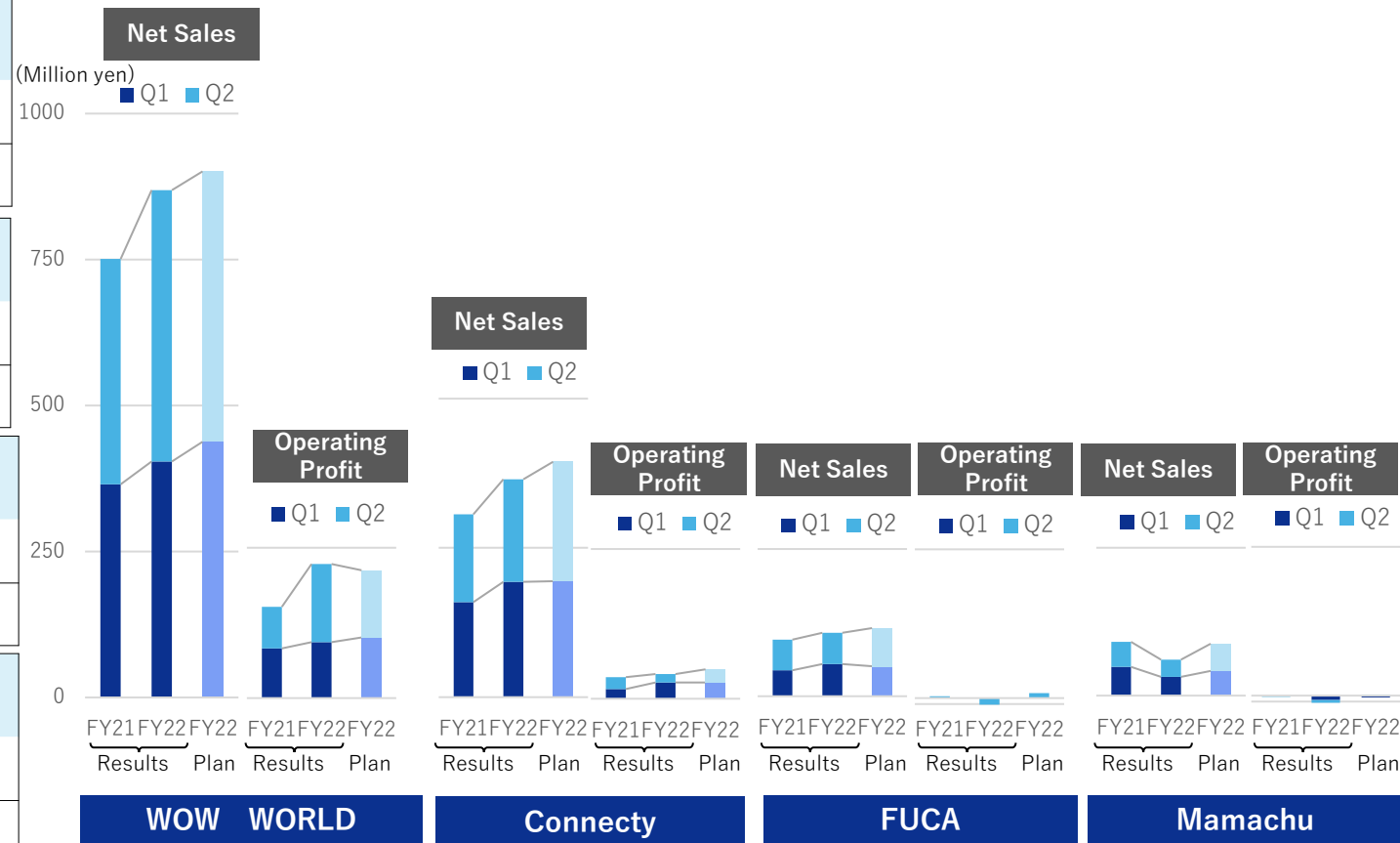
(Million yen)

| WOW WORLD | Results FY21Q2 | Results FY22Q2 | Plan FY22Q2 | Change (%) | vs Plan (%) |
|------------------|----------------|----------------|-------------|------------|-------------|
| Net Sales | 752 | 869 | 902 | +15.7% | (3.6%) |
| Operating Profit | 152 | 223 | 213 | +46.8% | +4.8% |

| Connecty | Results FY21Q2* | Results FY22Q2 | Plan FY22Q2 | Change (%) | vs Plan (%) |
|------------------|-----------------|----------------|-------------|------------|-------------|
| Net Sales | 307 | 365 | 394 | +18.9% | (7.3%) |
| Operating Profit | 37 | 41 | 50 | +10.8% | (18.2%) |

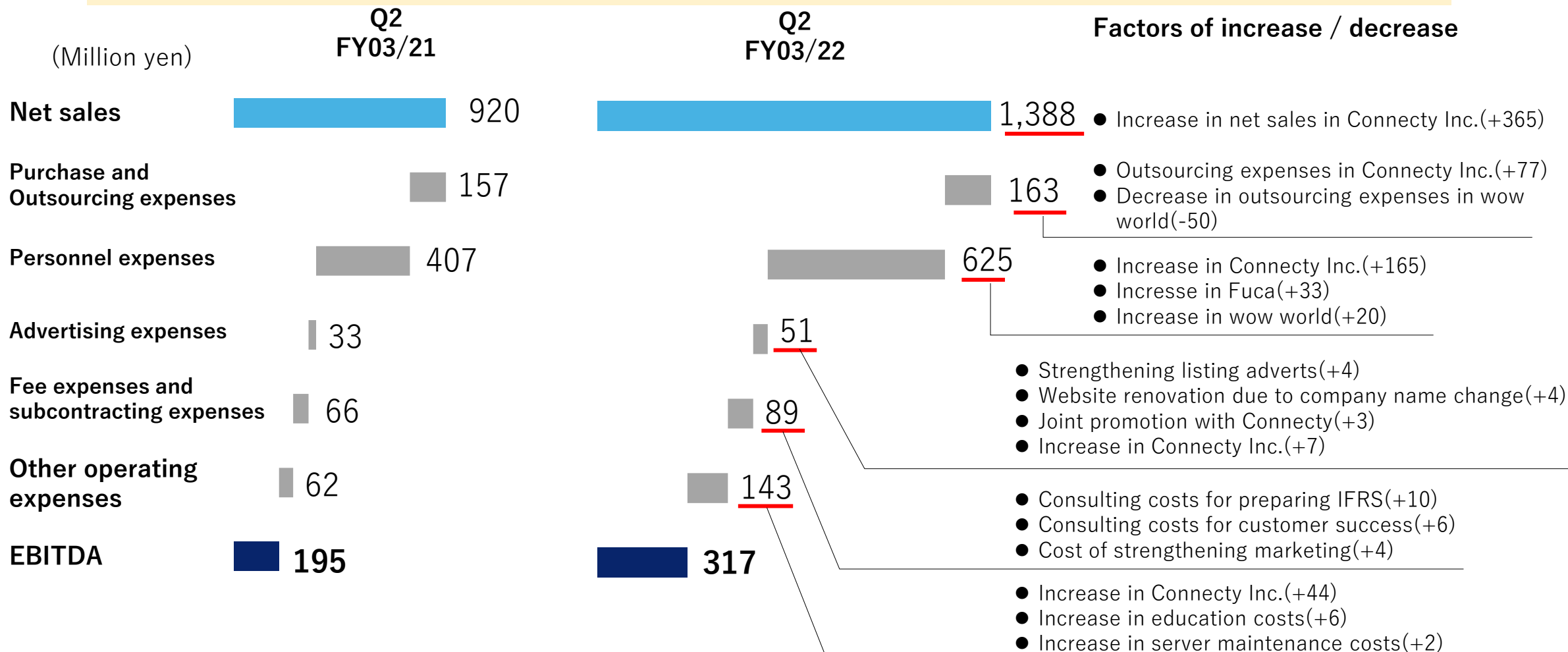
| FUCA | Results FY21Q2 | Results FY22Q2 | Plan FY22Q2 | Change (%) | vs Plan (%) |
|------------------|----------------|----------------|-------------|------------|-------------|
| Net Sales | 96 | 108 | 116 | +12.5% | (6.8%) |
| Operating Profit | 2 | (11) | 7 | (508.1%) | (245.7%) |

| Mamachu | Results FY21Q2 | Results FY22Q2 | Plan FY22Q2 | Change (%) | vs Plan (%) |
|------------------|----------------|----------------|-------------|------------|-------------|
| Net Sales | 91 | 61 | 88 | (33.4%) | (31.1%) |
| Operating Profit | (2) | (12) | (2) | (472.0%) | (514.9%) |

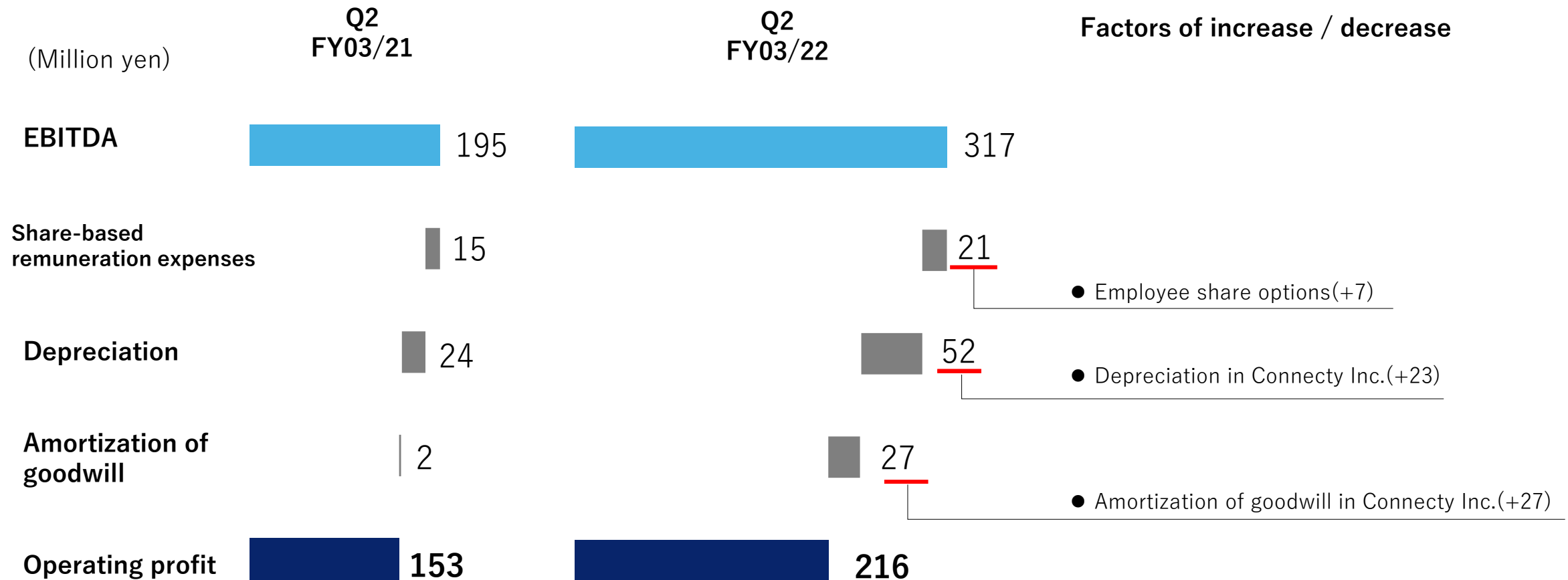


*FY21Q2 results of Connecty are reference values before becoming a consolidated subsidiary.

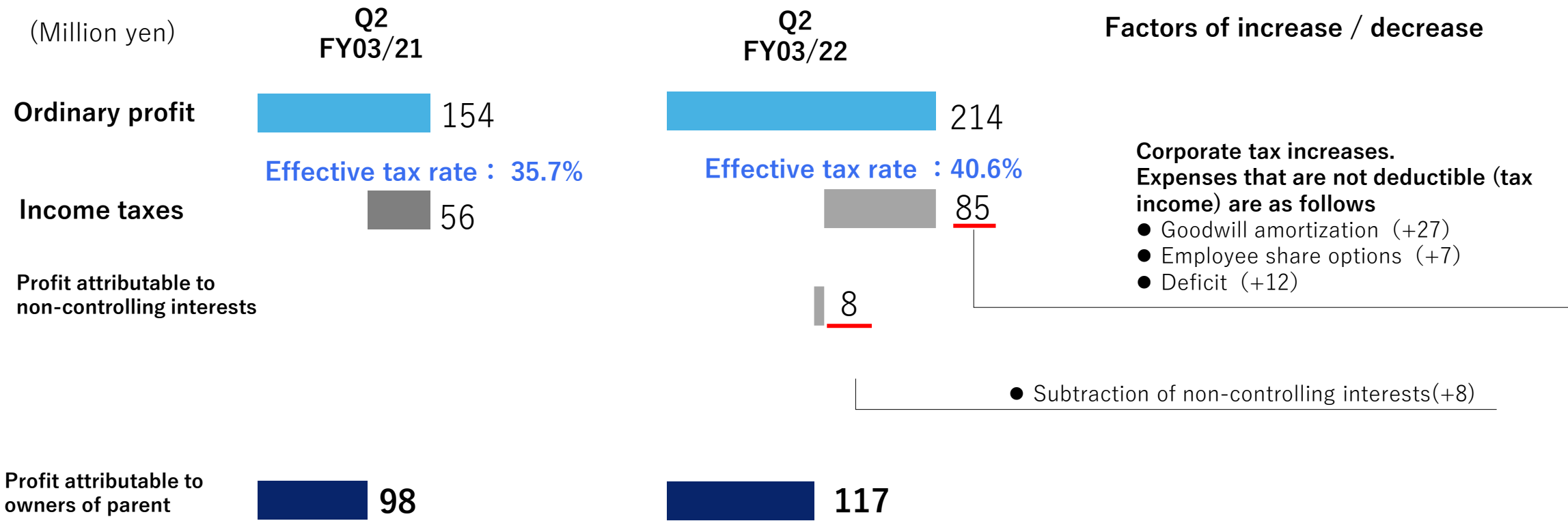
- Increase in purchasing, subcontracting, and personnel expenses tied to the increase in net sales resulting from the consolidation of Connecty as a subsidiary.
- The decrease in non-consolidated outsourcing expenses at WOW World was due to the normalization of the unusual increase in outsourcing expenses for large-scale projects in the previous fiscal year.



- Depreciation and amortization including amortization of goodwill related to Connecty Inc.”, and Share-based remuneration expenses associated with the issuance of stock options.



- Income taxes increased due to the non-deductibility of the amortization of goodwill related to Connecty Inc. and stock option expenses.
- We subtracted non-controlling interests of Connecty Inc., which became a consolidated subsidiary



- In addition to growth in existing CRM, the Connecty CMS contributed to overall growth of 50.7% year-on-year.
- On-premises sales increased 27.3% due to the contribution of large-scale projects accounted for under the percentage-of-completion method.

(Million yen)

| | | | Q2 FY03/21 | Q2 FY03/22 | YoY(%) |
|---------------------------------------|----------------|-----|---------------|---------------|---------|
| Enterprise Software | Cloud services | CRM | 574 | 657 | +14.5% |
| | | CMS | 92* | 110 | +19.6% |
| | | | 574 | 768 | +33.8% |
| | On-premises | | 138 | 176 | +27.3% |
| | | | 712 | 944 | +32.5% |
| Digital Marketing Operational Support | | CRM | 114 | 126 | +10.7% |
| | | CMS | 215* | 254 | +18.1% |
| | | 114 | 380 | +233.7% | |
| E-commerce | | | 91 | 61 | (33.4%) |
| Others | | | 2 | 1 | (33.6%) |
| Total Net sales | | | 920 | 1,388 | +50.7% |

* CMS results for the second quarter of the fiscal year ending March 2021 are reference values before becoming a consolidated subsidiary (not included in the total).

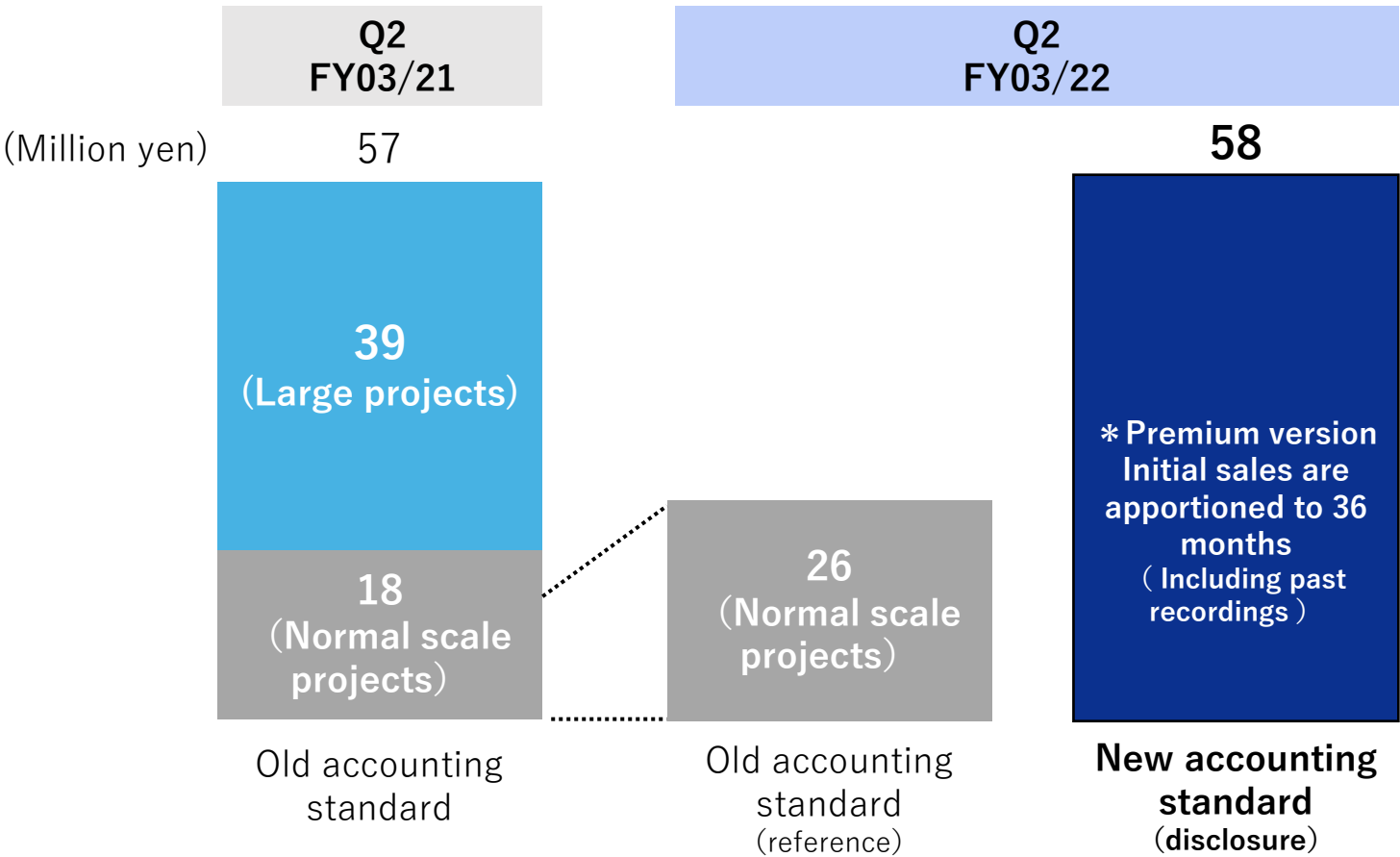
- Overall cloud services grew 33.8% YoY due to the consolidation of Connecty as a subsidiary company.
- CRM sales grew 14.5% year-on-year due to upsales of customer success initiatives in the standard version and increased digital demand under the COVID-19 pandemic.
- Initial sales of the premium version increased only marginally due to the absence of large-scale projects of the type conducted in the previous fiscal year.

(Million yen)

| | | | Q2 FY03/21 | Q2 FY03/22 | YoY(%) |
|---------------------------|---------------------------|---------|---------------|---------------|--------|
| CRM | “WEBCAS” Premium version | Initial | 57 | 58 | +0.8% |
| | | Monthly | 314 | 339 | +8.0% |
| | “WEBCAS” Standard version | Initial | 15 | 19 | +27.0% |
| | | Monthly | 186 | 240 | +28.8% |
| | | | 574 | 657 | +14.5% |
| CMS | Connecty CMS on Demand | | 92* | 110 | +19.6% |
| Total cloud service sales | | | 574 | 768 | +33.8% |

* CMS results for the second quarter of the fiscal year ending March 2021 are reference values before becoming a consolidated subsidiary (not included in the total).

- Beginning this fiscal year, we have applied a new accounting standard to the initial sales of cloud services.
 - ✓ The results of recalculating sales for the current term based on the old accounting standards are indicated below.
 - ✓ Excluding the impact of large-scale projects in the same period of the previous year, regular projects are on an upward trend this fiscal year.

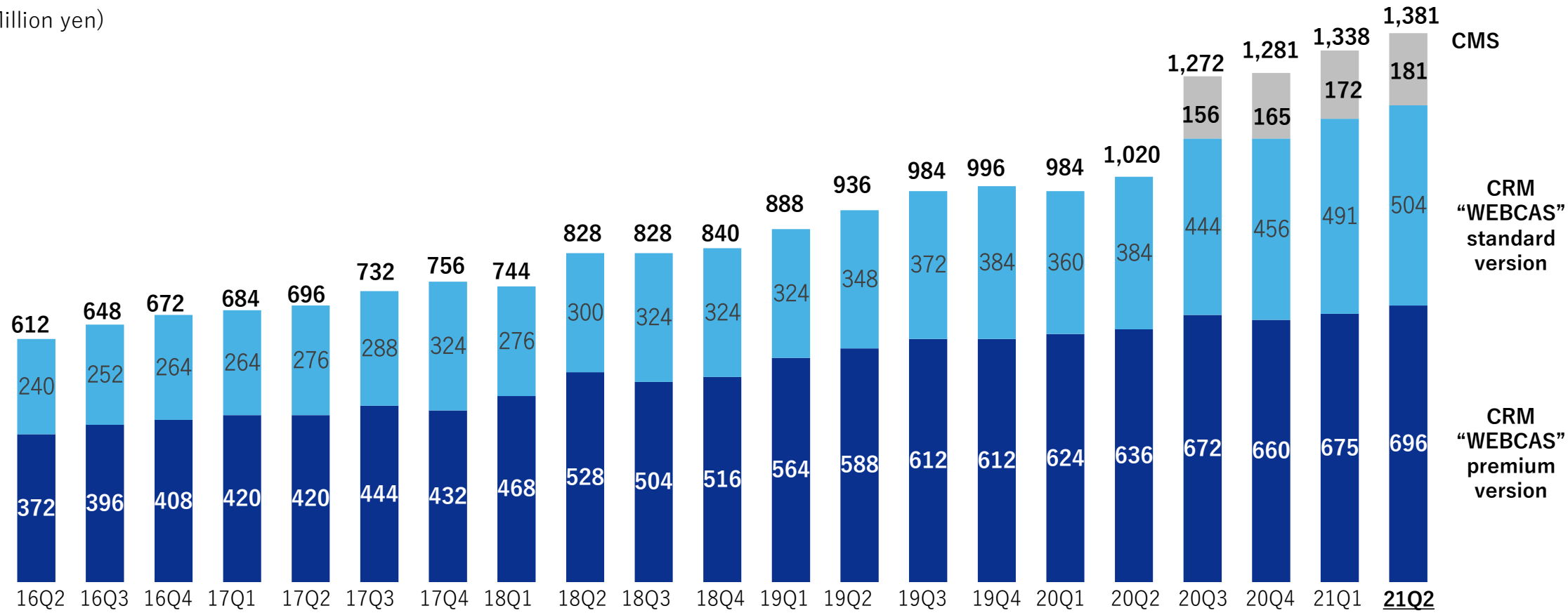


Change of revenue recognition

- Revenue recognition changed as follows from FY03/22.
 - ✓ Initial sales of standard version are divided into 20 months.
 - ✓ Initial sales of premium version and “Connecty CMS” are divided into 36 months.
- The new standard will reduce the impact of large projects on business performance and promote the leveling of sales.

ARR (Annual Recurring Revenue)

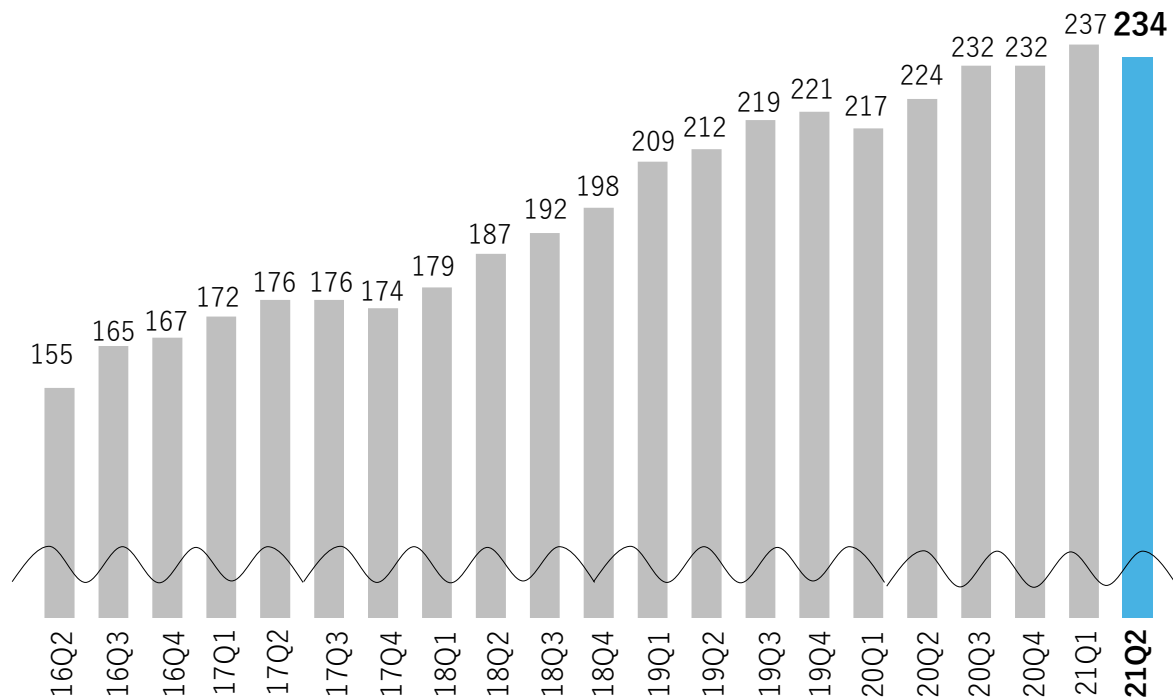
(Million yen)



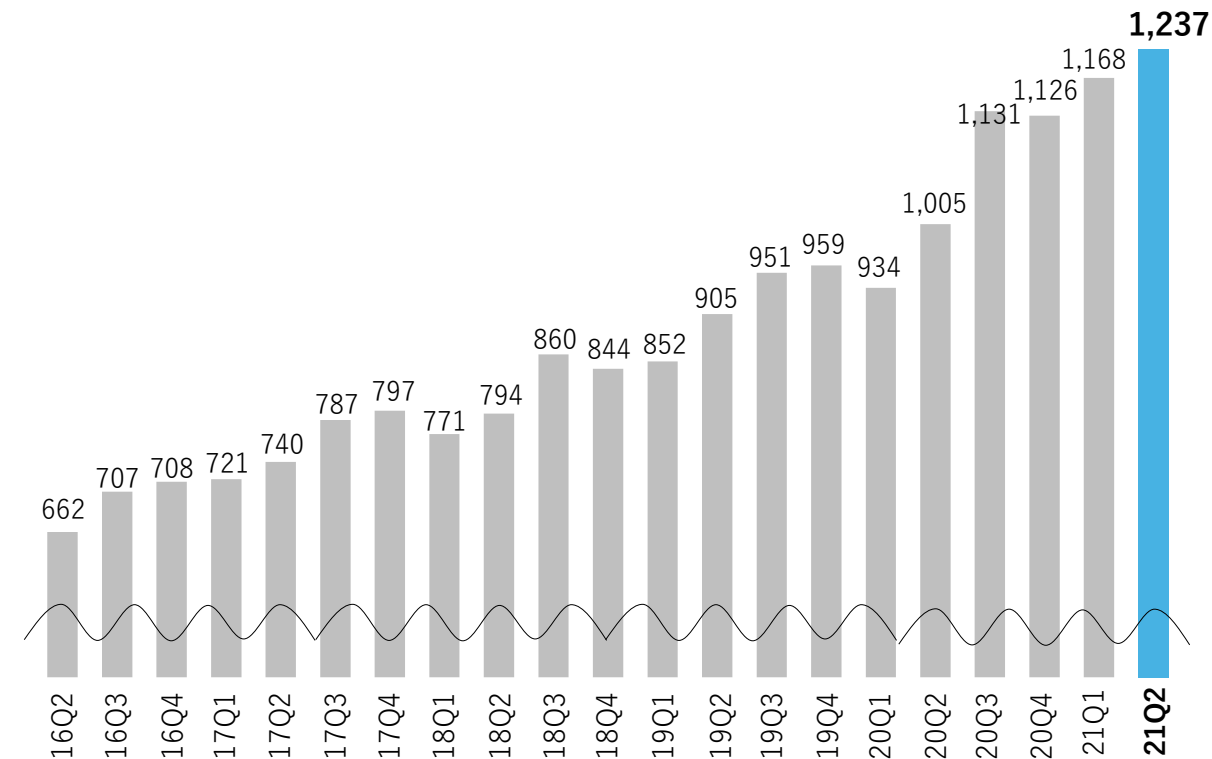
※ Calculate by multiplying monthly sales of cloud services as of the end of each quarter(MRR) by 12

- Subscriptions for the premium version decreased as some customers opted to downgrade to the standard version.
- Subscriptions for the standard version increased steadily due the shift noted above and an increase in digital demand under the COVID-19 pandemic.

Renewal contracts ("WEBCAS" premium version)



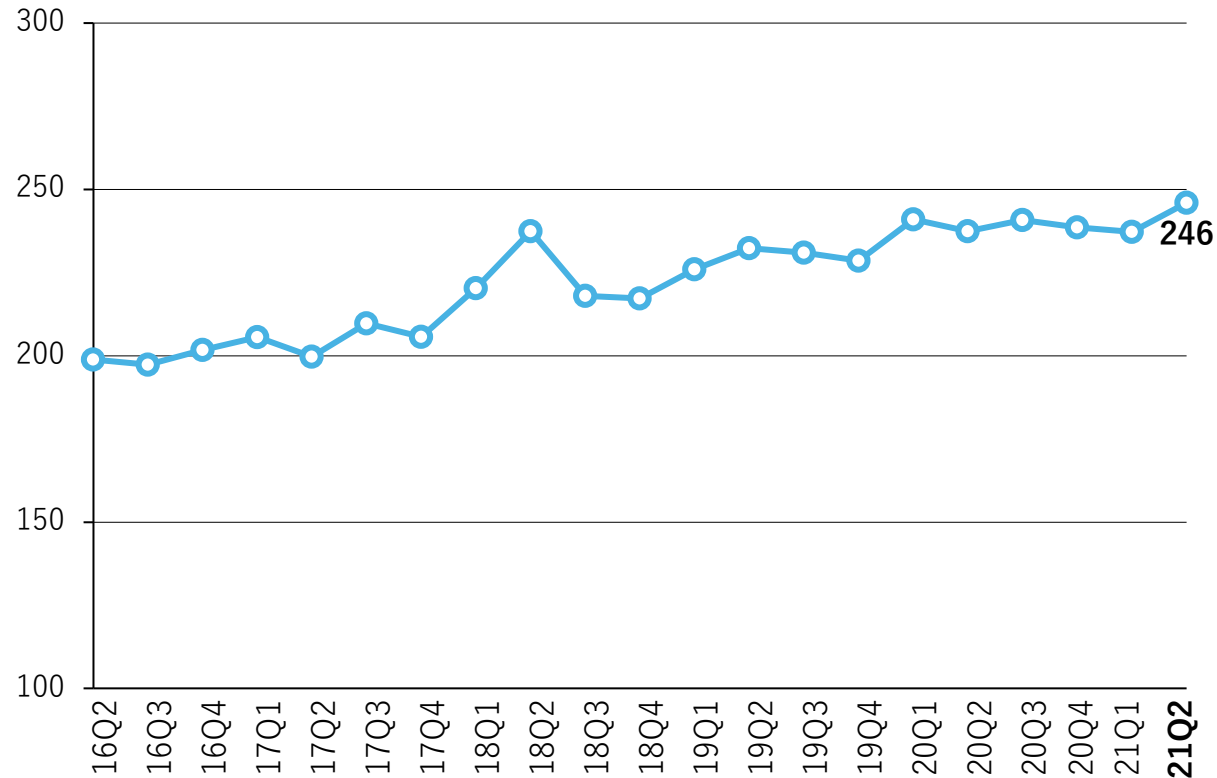
Renewal contracts ("WEBCAS" standard version)



- Subscriptions for the premium version decreased as some customers opted to downgrade to the standard version.
- Although subscriptions to the standard version declined slightly year on year, customer success initiatives drove performance higher.

ARPU ("WEBCAS" premium version)

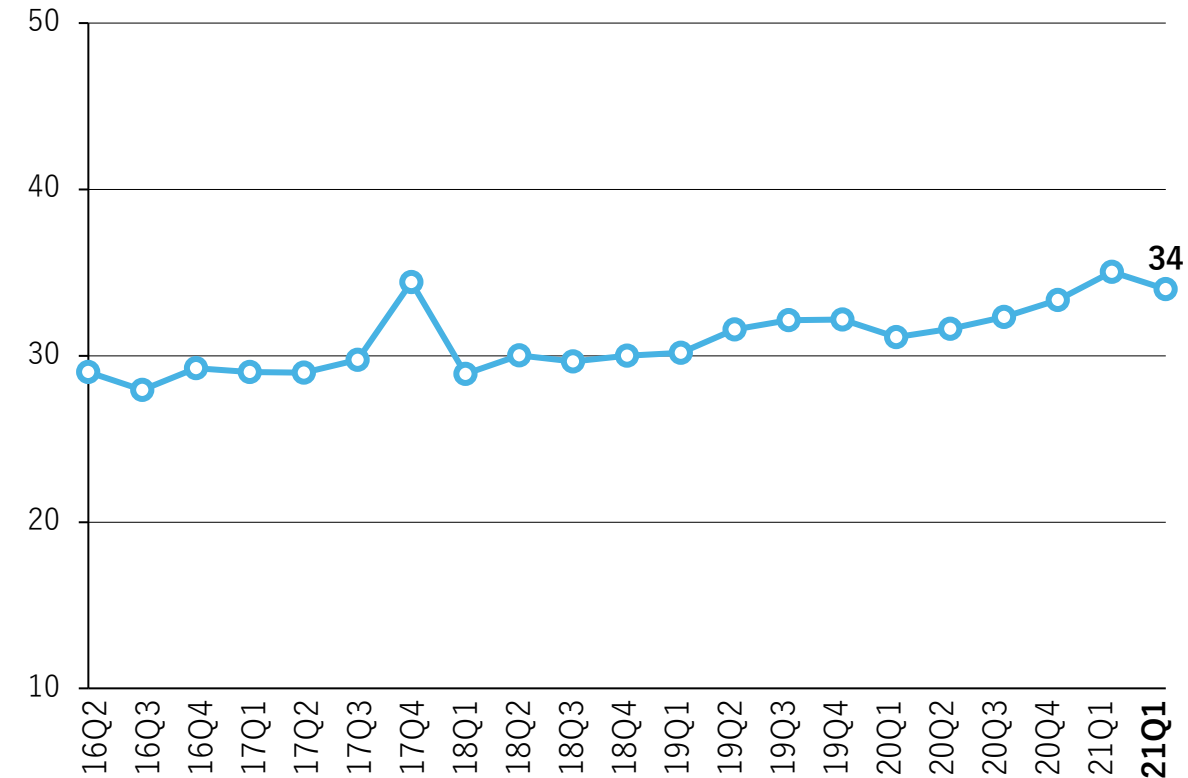
(Thousand yen)



ARPU = Average monthly sales per contract (excluding initial sales)

ARPU ("WEBCAS" standard version)

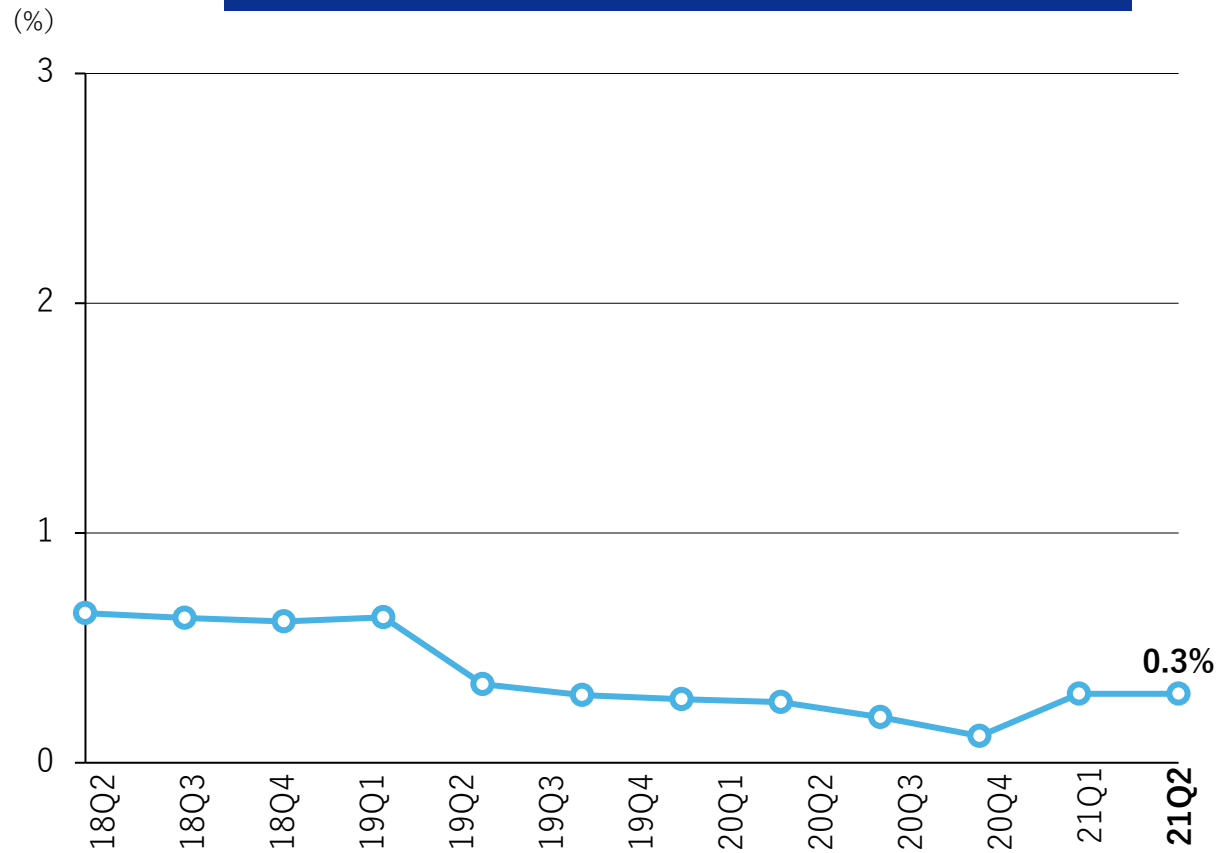
(Thousand yen)



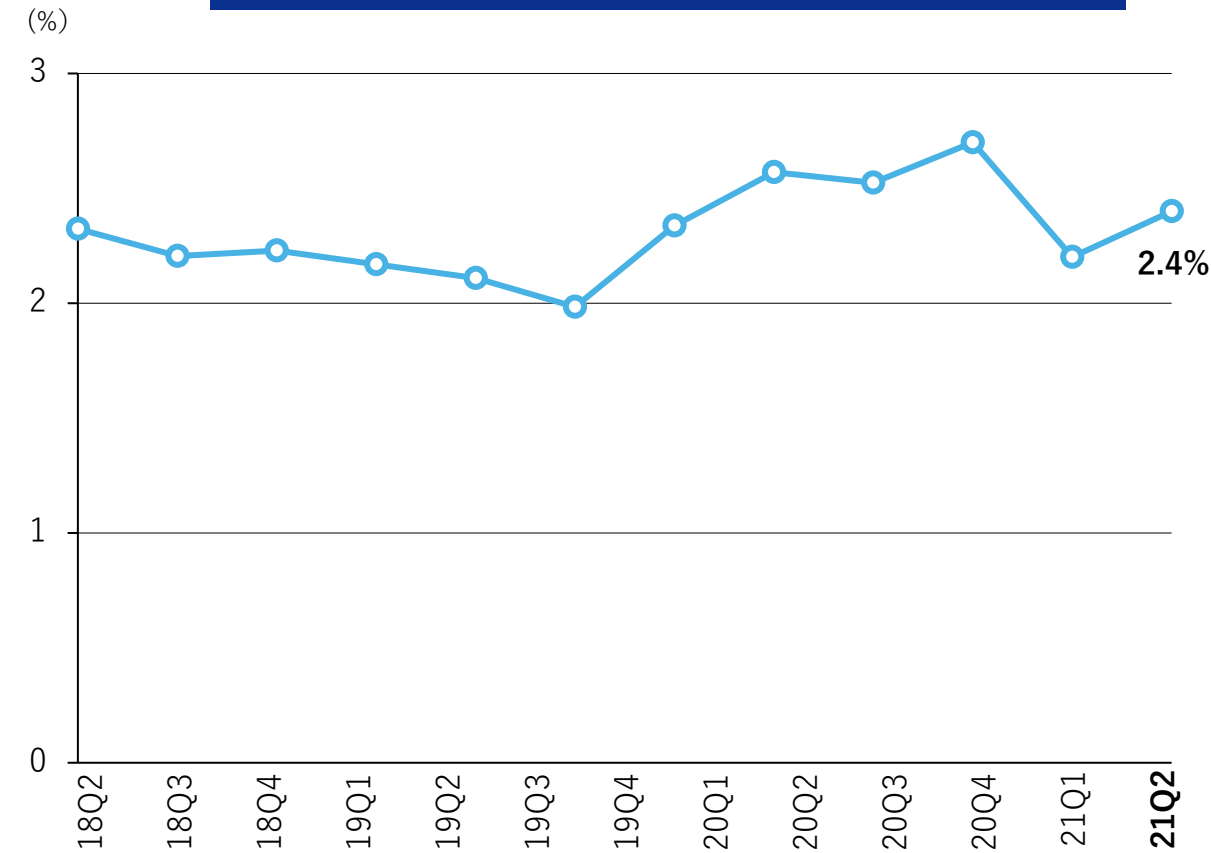
※ Excluding option contracts and spot contracts

- Churn rate for the premium version remained low.
- Churn rate for the standard edition stayed at the same level as the same period in the previous fiscal year due to effective customer success initiatives.

Churn rate ("WEBCAS" premium version)



Churn rate ("WEBCAS" standard version)

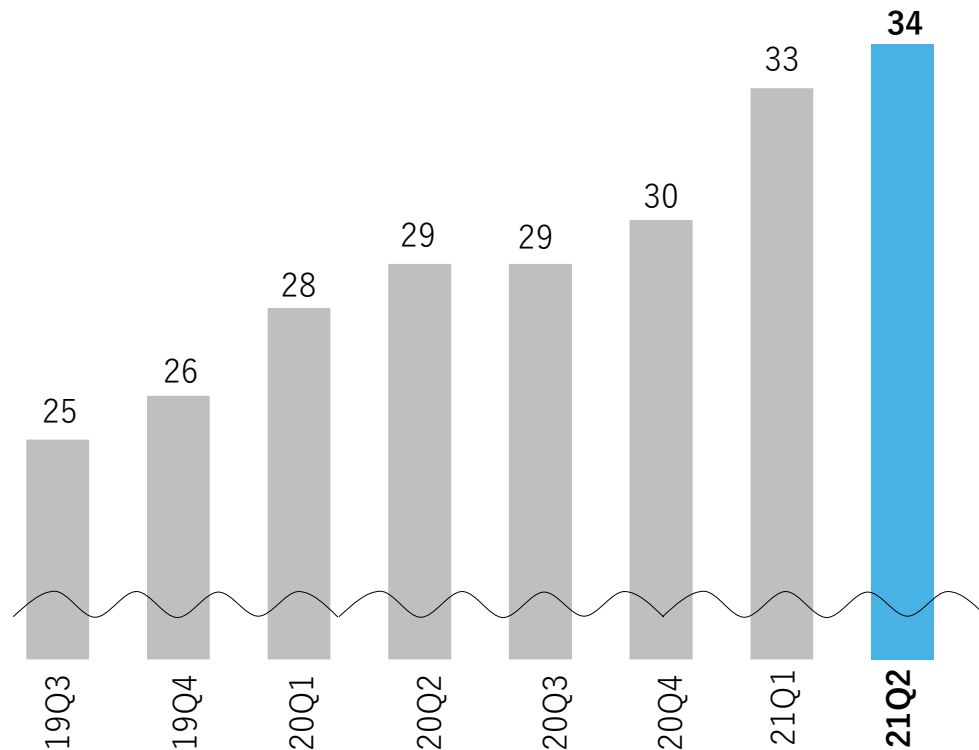


※ Average of churn rate calculated by churn sales in MRR at the end of the month for the past 12 months

※ Excluding option contracts and spot contracts

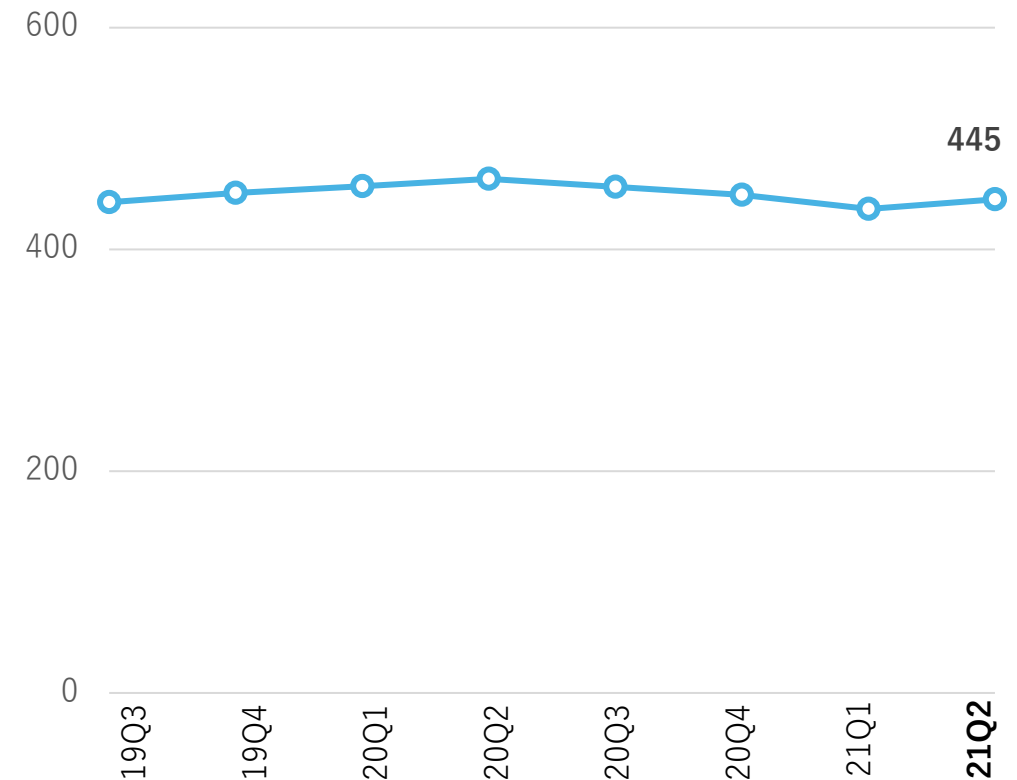
- Increase in customers due to the success of service recognition and positive sales activities.
- Only one case of cancellation in the last two years.

Renewal contracts



ARPU

(Thousand yen)



Earnings forecast for FY03/22



■ No change from the earnings forecast announced on May 11, 2021

(Million yen)

| | Results FY03/21 | Forecast FY03/22 | YoY(%) |
|--|--------------------|---------------------|---------|
| Net Sales | 2,356 | 3,150 | + 33.7% |
| EBITDA | 565 | 850 | + 50.3% |
| EBITDA margin (%) | 24.0% | 27.0% | |
| Operating profit | 411 | 600 | + 45.8% |
| Operating margin (%) | 17.0% | 19.0% | |
| Ordinary profit | 425 | 600 | +41.1% |
| Profit attributable to owners of parent | 222 | 339 | +52.3% |

- Overall sales expected to exceed the previous year by a significant margin due to growth in existing CRM and the contribution of the CMS business of newly consolidated subsidiary, Connecty Inc.

(Million yen)

| | | | Results FY03/21 | Forecast FY03/22 | YoY(%) |
|---------------------------------------|----------------|-----|--------------------|---------------------|---------|
| Enterprise Software | Cloud services | CRM | 1,216 | 1,520 | +24.9% |
| | | CMS | 105 | 210 | +100.4% |
| | | | 1,321 | 1,731 | +31.0% |
| | On-premises | | 359 | 323 | (10.0%) |
| Digital Marketing Operational Support | | CRM | 253 | 275 | +8.4% |
| | | CMS | 250 | 632 | +152.5% |
| E-commerce | | | 165 | 184 | +11.4% |
| Others | | | 5 | 4 | (30.6%) |
| Total net sales | | | 2,356 | 3,150 | +33.7% |

Topics





WOW WORLD Group

- Our officer was in charge of email marketing instructor at Digital Marketing Human Resources Development Online Course “Digimana” (August 6)
- Participated in the programming contest "PG BATTLE 2021" as a sponsor (August 24)
- Notice regarding decision on matters related to acquisition of treasury stock (August 26)
- Release of English site for IR (September 6)
- Sponsored "JAPAN CHALLENGER AWARD 2021" (September 13)
- **Free online event for web professionals 「DIGITAL RELATIONS 2021 Autumn」 (September 28)**



Product development

- **Release of Connecty CMS on Demand Ver.2.11.0 (8/17)**
- **Launch of joint sales for CDP service Connecty CDP, developed by group company Connecty (10/1)**
- **Introduction of WEBCAS e-mail V9.0, the latest version of the e-mail broadcast system (10/5)**

- Free online event for website managers on the topic of increasing customer engagement
- Introduced case studies from Sompo Japan Insurance Inc. and Saison Asset Management Inc.; held a panel discussion on building relationships with customers
- Number of pre-registered participants: 119; number of live viewers: 107



KeySession

Creating Relationships Between Customers and Companies That Create WOW Experiences

WOW WORLD Inc.
President Kazuo Mino



Session1

Leveraging CRM Platforms to Activate Digital Communications With Customers

Sompo Japan Insurance Inc.
Business Design Strategy Department
Manager Hirooomi Shimizu



Panel discussion

The Shape of Company-Customer Relations in the Future



Session2

Case Studies: Using WEBCAS to Strengthen Customer Engagement

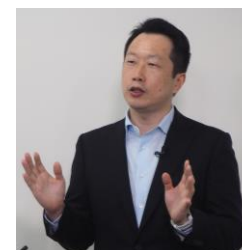
WOW WORLD Inc.
Marketing Manager Ryujiro Nakamura



Session3

Website Redesign With a Purpose: Co-Creation Between Companies and Customers

Connecty Inc.
President Yasuyuki Hattori



Session4

Creating Websites That Foster Understanding and Using CMS for Deeper Communications

SAISON ASSET MANAGEMENT CO.,LTD.
President COO Takahiro Sonobe

■ Launched the latest version of WEBCAS e-mail and Connecty CDP platform

WEBCAS

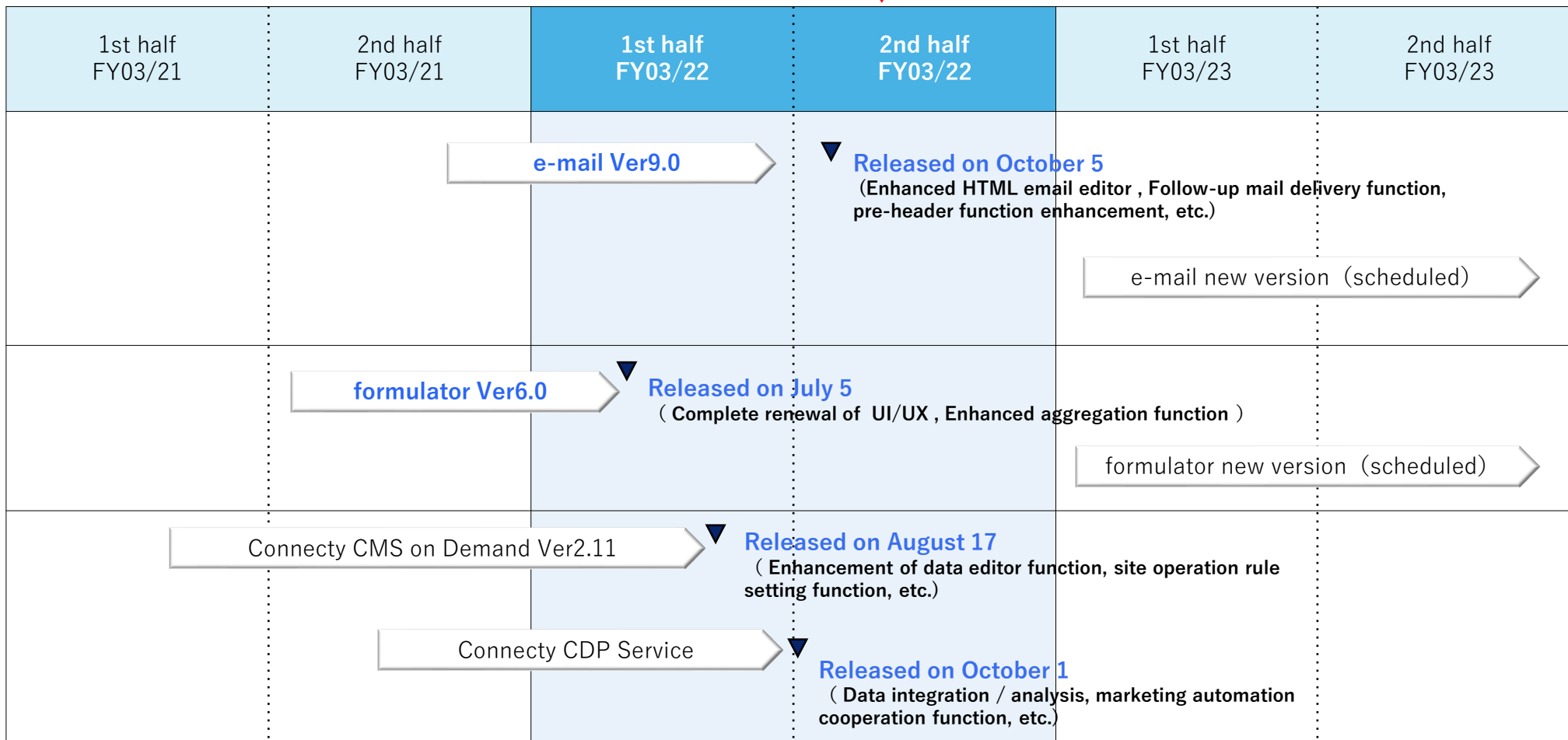
WEBCAS
e-mail

Mail delivery
system

WEBCAS
formulator

“Formulator”,
Questionnaire
management system

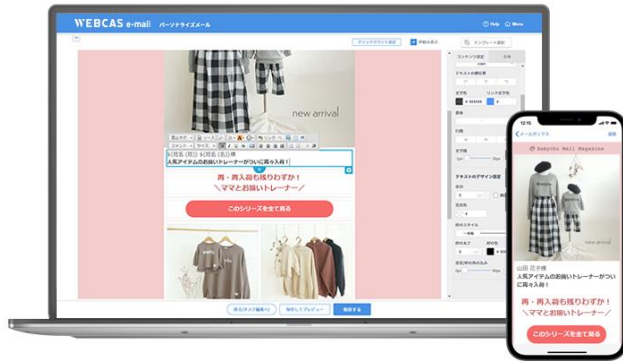
Connecty
CMS on Demand



- HTML e-mail editor for simple, intuitive HTML e-mail generation included as standard
- A total of **20** functional improvements, including action-triggered follow-up e-mail broadcasts

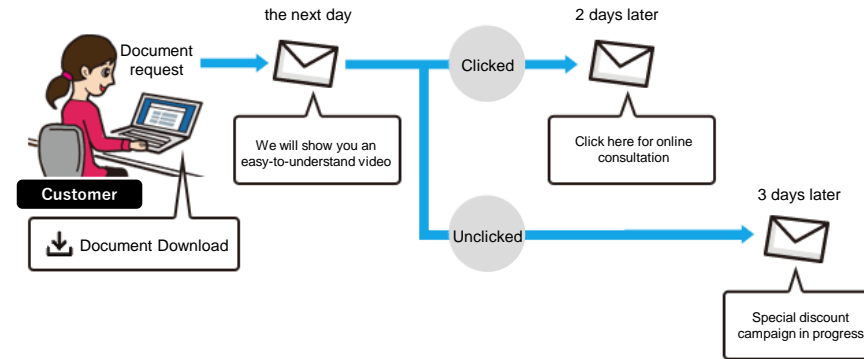
Major Improvements

- HTML e-mail editor included as standard
- Design templates for specific use cases
- Follow-up e-mail broadcasts
- Pre-header function
- Updated preview design (prevents configuration errors)
- Improved image upload function



HTML mail editor

Sophisticated UI / UX and design templates support efficient HTML email creation



Follow-up email delivery function

Automated e-mails based on scenarios tied to clicks, opens, and other actions, such as sending an email X days after request for literature.



Pre-header function

The open rate is improved by the function to display the contents of the mail in the mailbox.

- Installed with a data editor enabling faster site construction.
- Improved role configuration function for flexible site operation design.

Allows for website-database
integration without complex
configuration tasks



Usage screen of the new function "Data Editor"



Usage screen of role setting function

Role Function Use Case:

Separate the functions or locations accessible by the designer and site updater, allowing for safe website management by multiple people within the company.

広報・Web担当者のためのWeb戦略情報まとめ！

CMSNEWS
DX推進のためのCMS活用術が見つかる

CMSとは 広報・Web担当者の皆様へ



製品紹介



ニュース



導入事例



イベント



特集・その他

TOP > カテゴリー > News



News

News



News



News

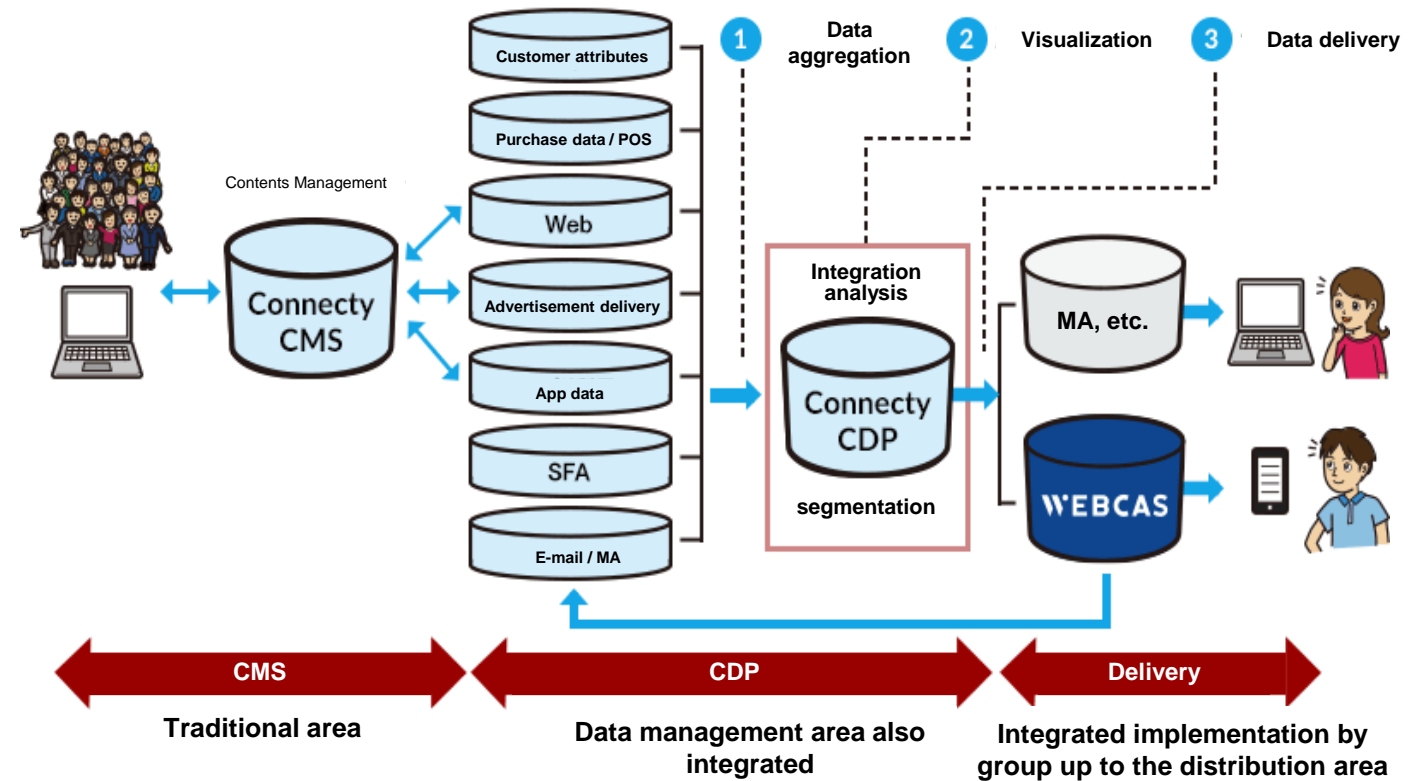


News

- One-stop marketing operations support for the group via customer a data analysis platform.
- Customer segment data based on data analysis results can be sent to MA tools such as email broadcast systems.

Major Features

- Issue unique cookies to conduct centralized management of various customer data.
- Consolidate and integrate various data owned within the company, including data from websites, customer and data obtained from e-commerce sites and apps, POS data, etc.
- Use for data analysis such as reporting and identifying customer segments.



CDP is an abbreviation for Customer Data Platform, which integrates and manages and analysis data such as customer attributes, behavior history on websites, purchase history on EC sites, offline POS data, and smartphone location information.

Medium-Term Management Plan Review



Medium-Term Management Plan Review

■ Initial plan (Published May 14, 2020)

(Million yen)

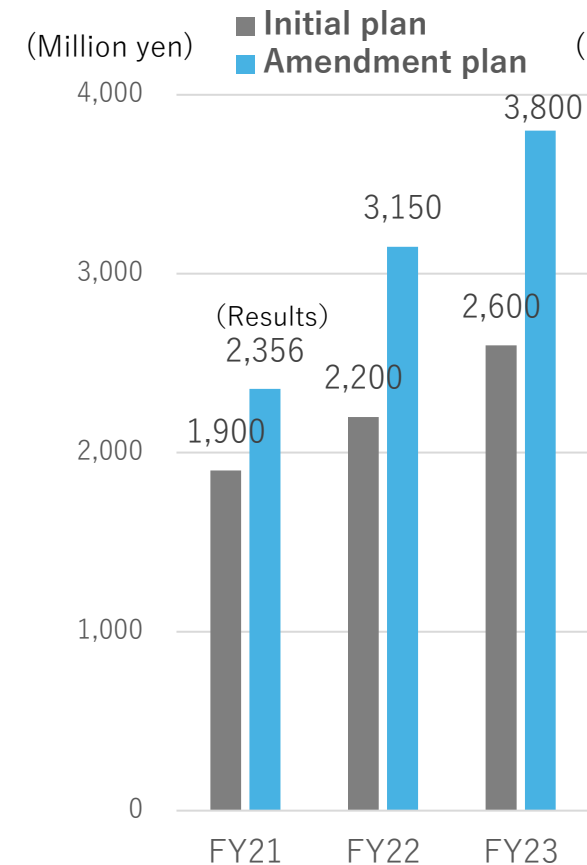
| | Forecasts FY03/21 | Plan FY03/22 | Plan FY03/23 |
|------------------|----------------------|-----------------|-----------------|
| Net Sales | 1,900 | 2,200 | 2,600 |
| EBITDA | 435 | 585 | 800 |

■ Amendment plan (Published May 11, 2021)

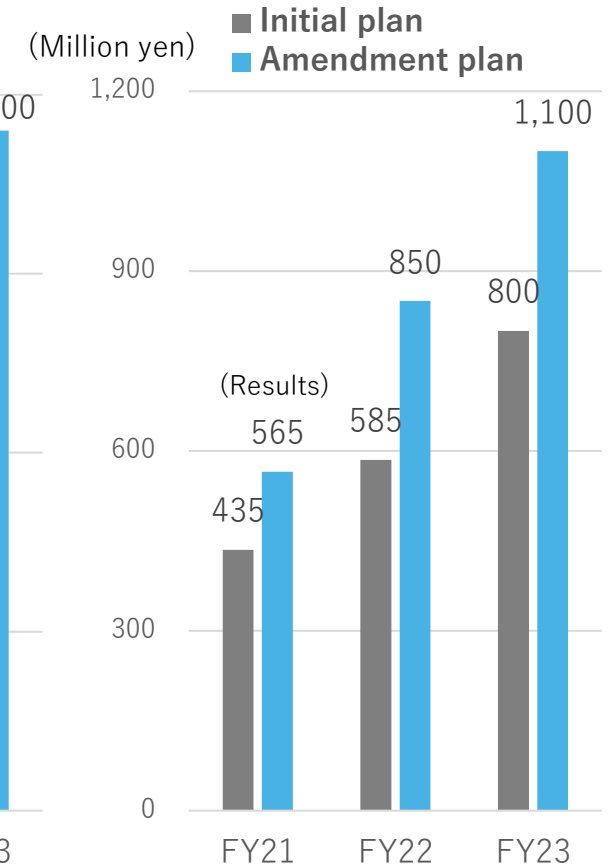
(Million yen)

| | Results FY03/21 | Forecasts FY03/22 | Plan FY03/23 |
|------------------|--------------------|----------------------|-----------------|
| Net Sales | 2,356 | 3,150 | 3,800 |
| EBITDA | 565 | 850 | 1,100 |

Net Sales



EBITDA



■ Vision of medium-term management plan (FY03/21 – FY03/23)

Taking on a “new pillar” for innovative growth

① Dramatic growth of existing businesses

Aim for a compound annual growth rate of 25% * for cloud service sales by introducing customer success, etc. ※Excluding FY03/21, which is affected by COVID-19.

② Creating a "new pillar" for new businesses

Actively pursue new business development through M & A, etc.
Specifically, we will expand our business to upstream fields of marketing such as **data analysis support and marketing strategy consulting**.

③ Optimizing financial strategies

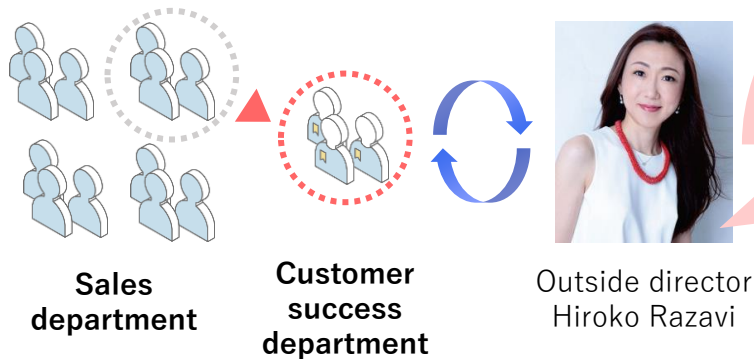
- ✓ Prepare abundant M & A funds and actively invest toward "creating another pillar"
- ✓ Strengthen development investment in existing businesses such as improving service functions

① Dramatic growth of existing businesses

Aim for a compound annual growth rate of 25% * for cloud service sales by introducing customer success, etc. ※Excluding FY03/21, which is affected by COVID-19.

Customer success promotion status

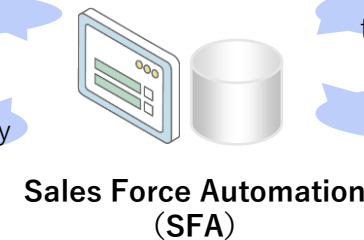
Established a dedicated organization and held regular meetings with Hiroko Razavi, a leading expert in customer success, to discuss more effective measures and implementation methods.



Complete redesign/upgrade of sales support system.
In addition to customer data, we analyzed case studies and customer feedback to develop/propose and establish new applications.

Customer attributes,
contract information,
industry, scale of use, etc.

Usage history



Customer testimonials

Case Study

Main customer success measures

Secure customers via onboarding*

Upsell based on usage
Promotional e-mails

Scoring based on usage history
Focused follow-up with high-priority customers

- Improve usage log functions
- Adopt Techtouch (on-screen operation guide)
- Online tutorials
- Customer journey map

under consideration

Implementation effect comparison with the first year of the medium-term management plan

Low Churn for SaaS Standard Version

FY21Q1 : 2.6% → FY22Q2 : 2.4%

Increased ARPU for SaaS Standard Version

FY21Q1 : 32 Thousand yen
→ FY22Q2 : 34 Thousand yen

Increased Upsales

(Initial Sales of SaaS Standard Version Options)
83% increase compared to FY21Q1 and FY22Q2

* Onboarding

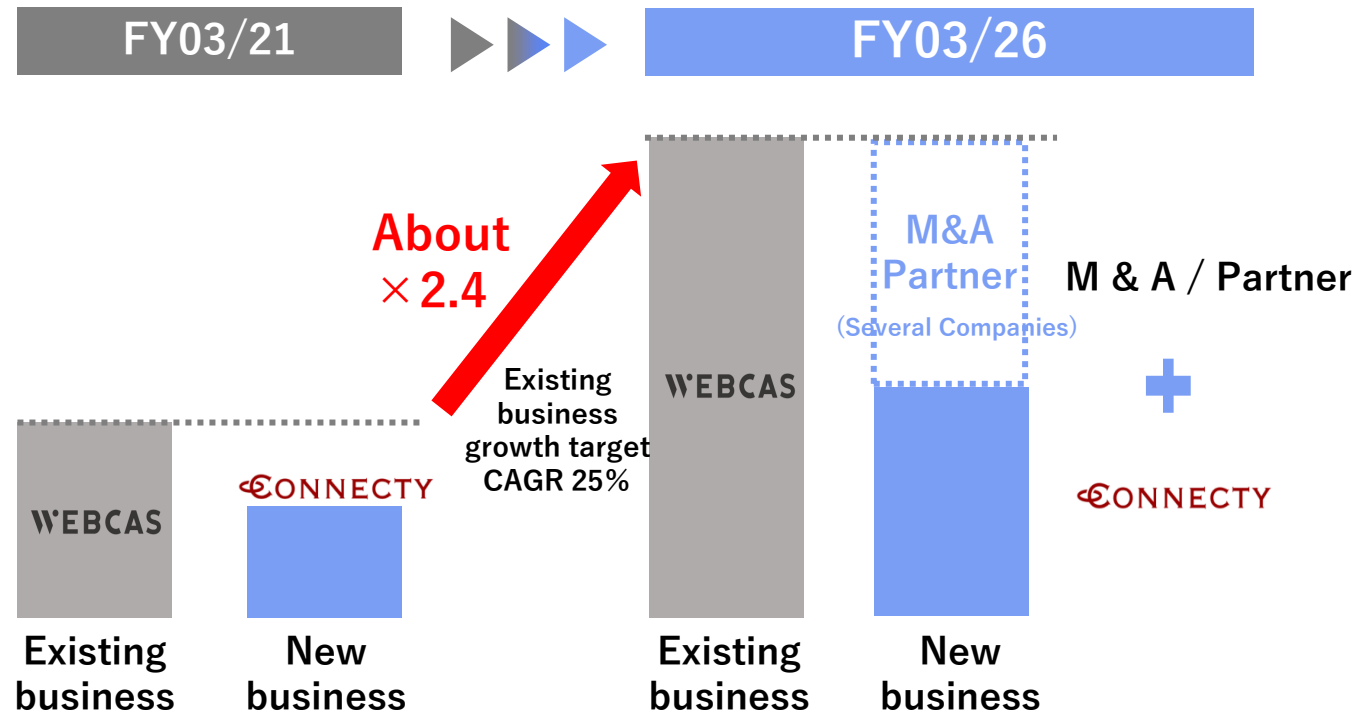
Activities that support the use of services for SaaS users and the subsequent retention of use, as the term refers to lectures and training for newcomers on board.

②Creating a "new pillar" for new businesses

Actively pursue new business development through M & A, etc.

Specifically, we will expand our business to upstream fields of marketing such as **data analysis support and marketing strategy consulting**.

Grow to the same sales scale as existing businesses in 5 years



● Joint sales and promotions

- ✓ Co-sponsored webinar (P.25)
- ✓ Joint sales of new CDP service (P.30)
- ✓ Joint advertising and trade show exhibition

● Bolster intra-group customer referrals

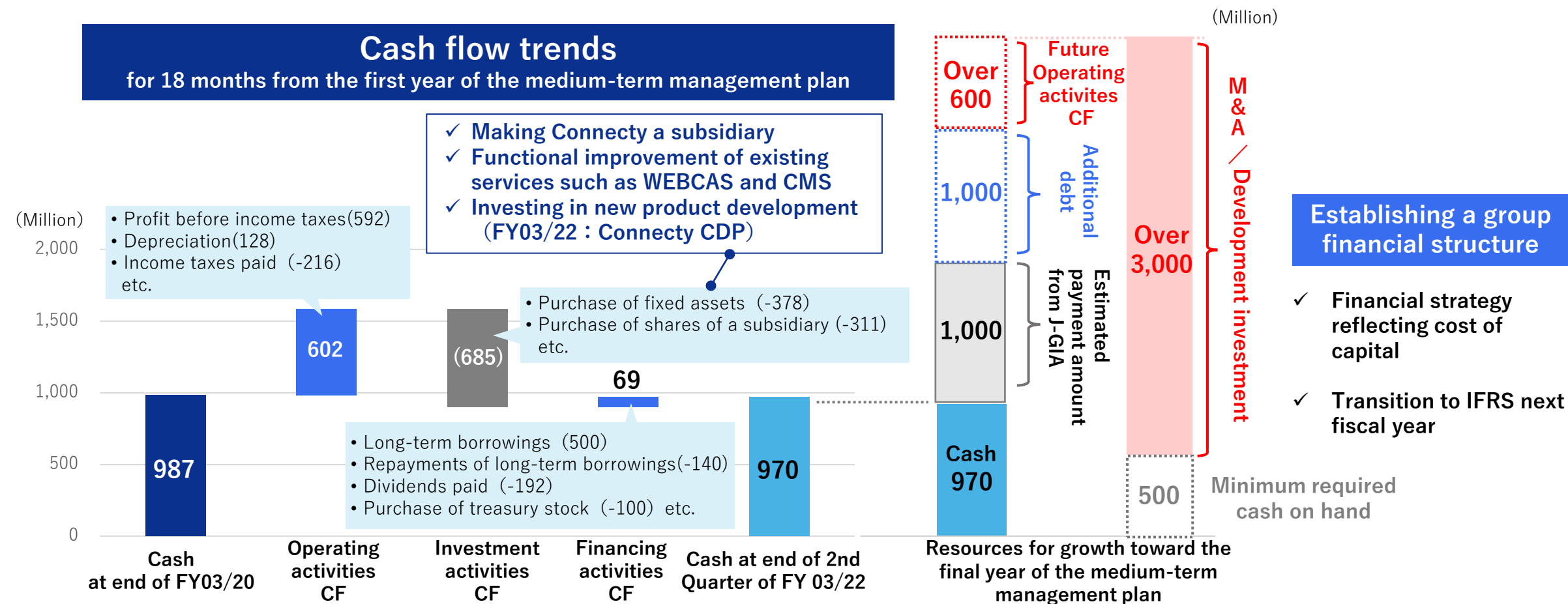
- ✓ Began activities to promote CDP service to WEBCAS users

● Active M&A

- ✓ Development and administration of large-scale websites
- ✓ Marketing consulting
- ✓ Web content development
- ✓ Big data analysis Etc.

③Optimizing financial strategies

- ✓ Prepare abundant M & A funds and actively invest toward "creating another pillar"
- ✓ Strengthen development investment in existing businesses such as improving service functions

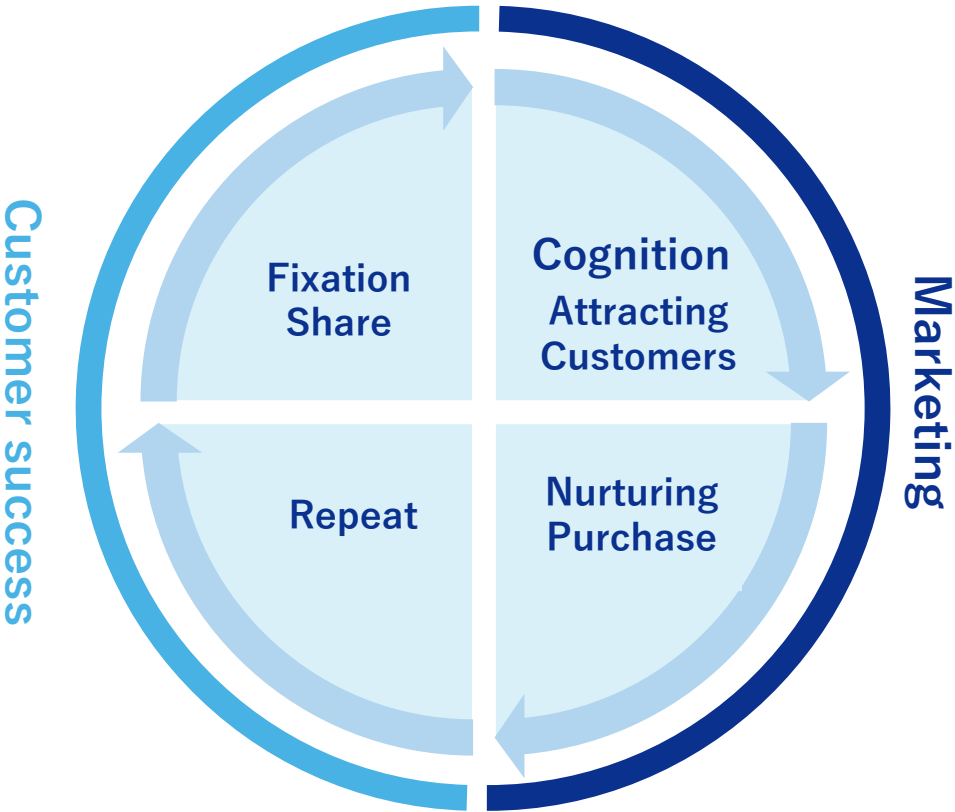


Future Growth



- Transitioning to a corporate group that supports solutions to customer success and marketing communications challenges
- Integrating group company services to build a sales structure for offering comprehensive proposals that combine services for each purpose

Propose the optimal combination of services according to the application

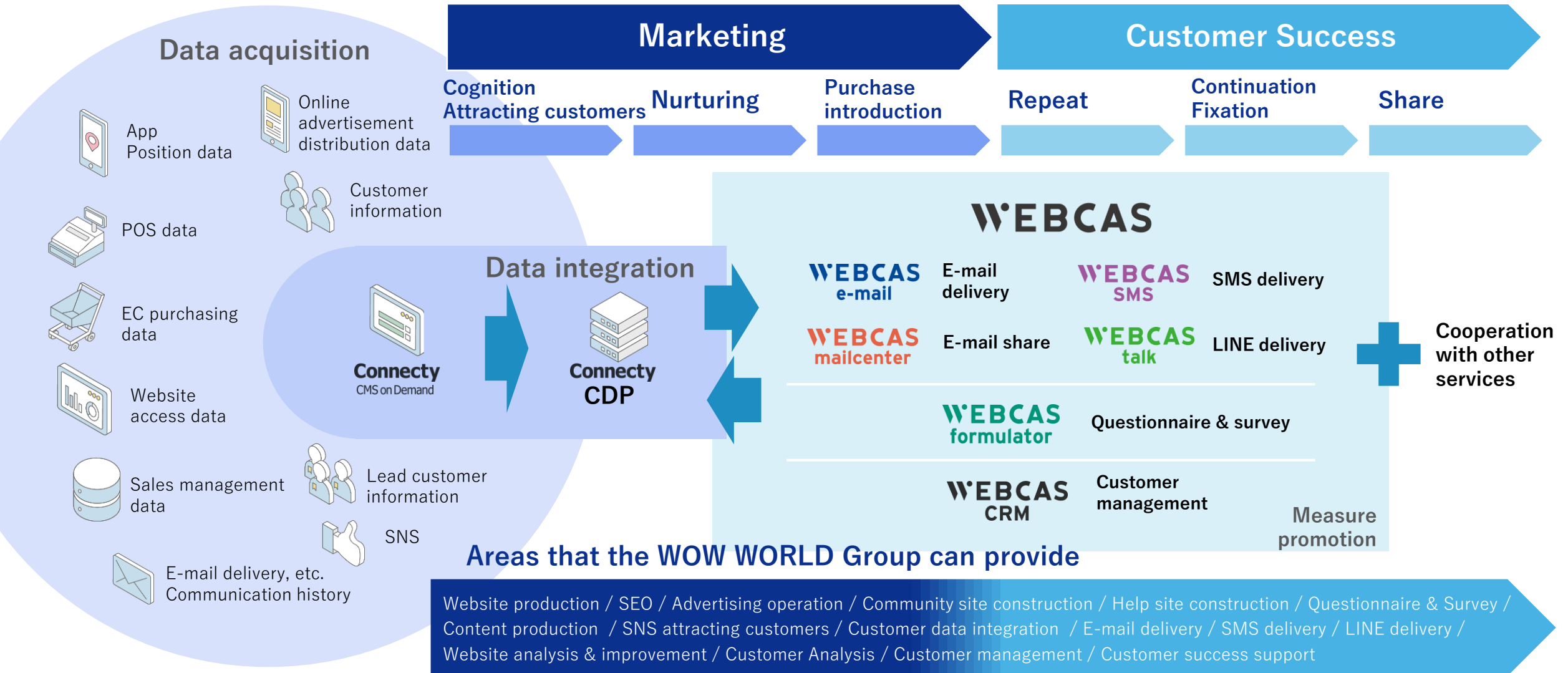


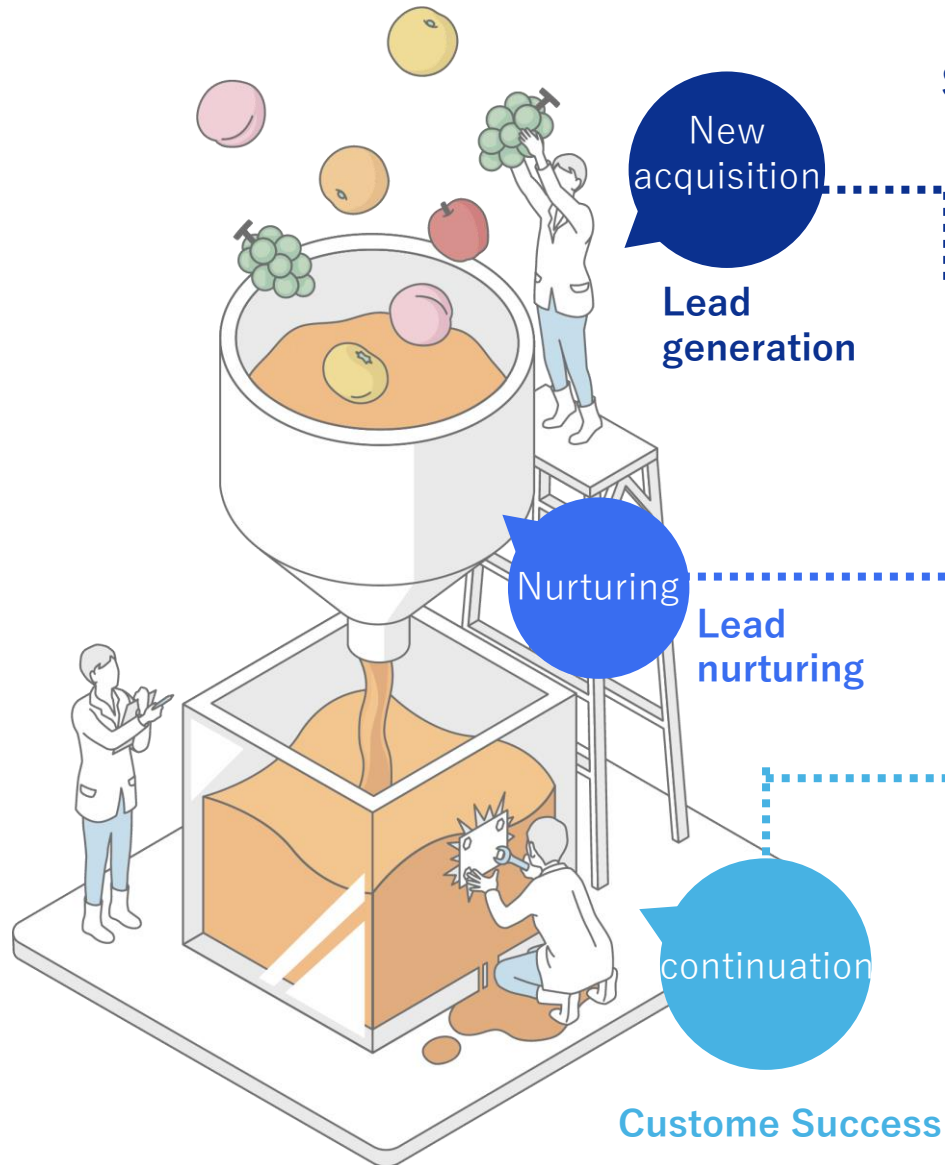
Reference: Percentage of customers by application of WEBCAS standard version in WOW WORLD



Approximately 44% of customers use it for customer success-related purposes
(As of the end of September 2021)

WOW World Group = Solving Company-Customer Communication Issues





Services that can be provided by the WOW WORLD Group

- Website construction and operation
- Listing advertisement
- Content production
- SNS operation
- SEO, etc.
- E-mail delivery
- Step mail delivery
- LINE delivery
- SMS delivery
- Form creation, etc.
- Community site construction
- Data integration
- Segment distribution
- Customer success support
- Customer management, etc.



WEBCAS



Market size

FY03/20
(Online advertising market
2.2 trillion)

Market size *1



12 billion yen



CAGR20%

Forecasts FY03/23
(Online advertising market
2.6 trillion)



17 billion yen

Market size*2



50 billion yen



CAGR14%



63 billion yen

Market size*3



8.5 billion yen



CAGR20%



15 billion yen

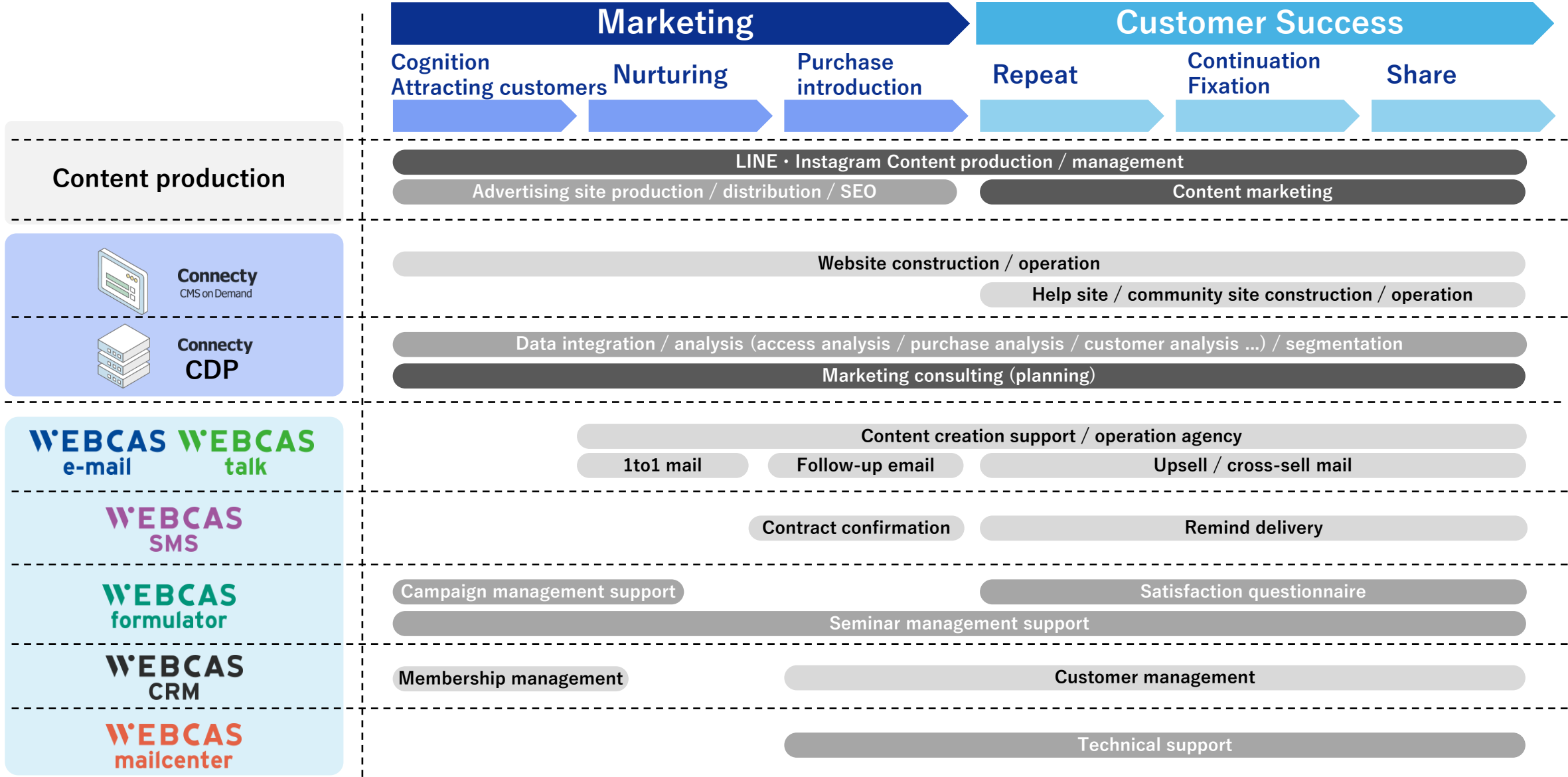
Growing into a market of 260 billion yen worldwide * 3

*1) Calculated in the DMP market "Digital Marketing 2020 DMP/MA/CRM/SFA Market Trends" (Yano Research Institute Ltd. Sep. 2020)

*2) Calculated in MA Market "E-mail / Web Marketing Market 2021(Japanese Only)" (ITR Corporation Jan. 2021)

*3) Calculated in CDP Market "Global market for customer success platforms(Japanese Only)" (Global Information, Inc. Apr.2021)

Service menu map



Low touch

Tech touch

High touch

The purpose of this material is to help shareholders, investors, etc. understand information such as our management policy, plans, and financial status, and it is not intended to solicit investment such as purchase or sale of our shares.

The information provided in this material is our current plans, outlooks, strategies, etc. that are not historical facts are prospects for future performance, etc., which are based on currently available information. It is based on the judgment of our management team and contains risks and uncertainties.

Actual performance may differ significantly from the outlook for these performances due to various factors such as economic conditions, competitive conditions in the telecommunications industry, and the success or failure of new services. In the future, even if there is new information or future events, we are not obligated to update or correct the "outlook information" included in this announcement.

Creating a surprise-filled world with the power of people and technology.



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