

Financial Results Briefing Report for Q3, FY03/22



January 31, 2022
WOW WORLD Inc.

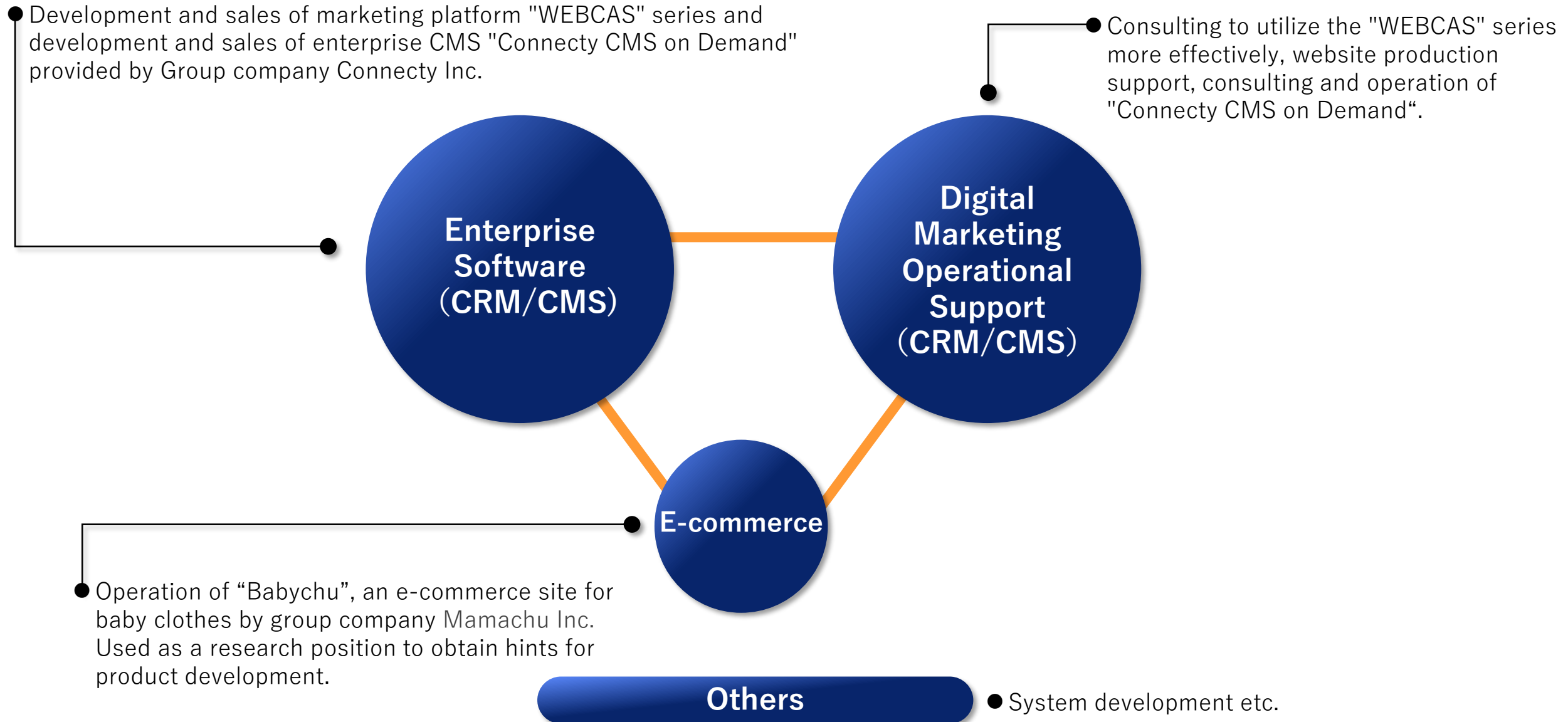


- **Q3 FY03/22 Results**
- **Earnings forecast for FY03/22**
- **Topics**
- **ESG initiatives**

Q3 FY03/22 Results



- Consolidated net sales amounted to ¥2,108 million and representing a 13th consecutive year of growth. (+28.6% year-on-year)
Meanwhile, results underperformed Q3 plan due to the lingering impact of slow Q1 sales of WEBCAS premium version and the impact of COVID-19 on subsidiaries (FUCA, Mamachu)
- Although WEBCAS premium version in CRM was sluggish, cloud services sales increased by 25.9% year-on-year due to the contribution of the WEBCAS standard version and Connecty
- EBITDA was ¥446 million , an increase of 29.6% year-on-year
- Operating profit amounted to ¥301 million, up to 14.9% year on year
Goodwill was amortized due to the conversion of Connecty into a consolidated subsidiary, and the amortization burden associated with the issuance of stock options was incurred



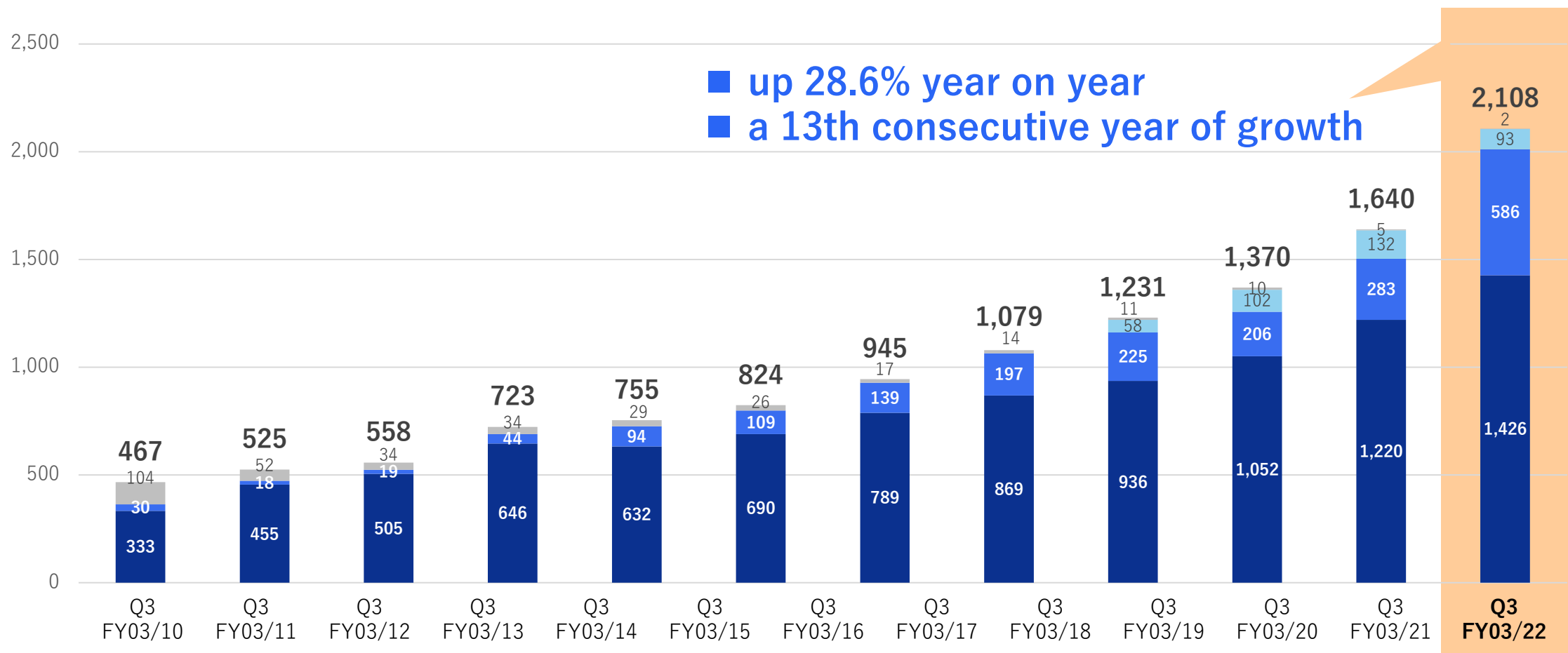
(Million yen)

■ Enterprise Software

■ Digital Marketing Operational Support

■ E-Commerce

■ Others



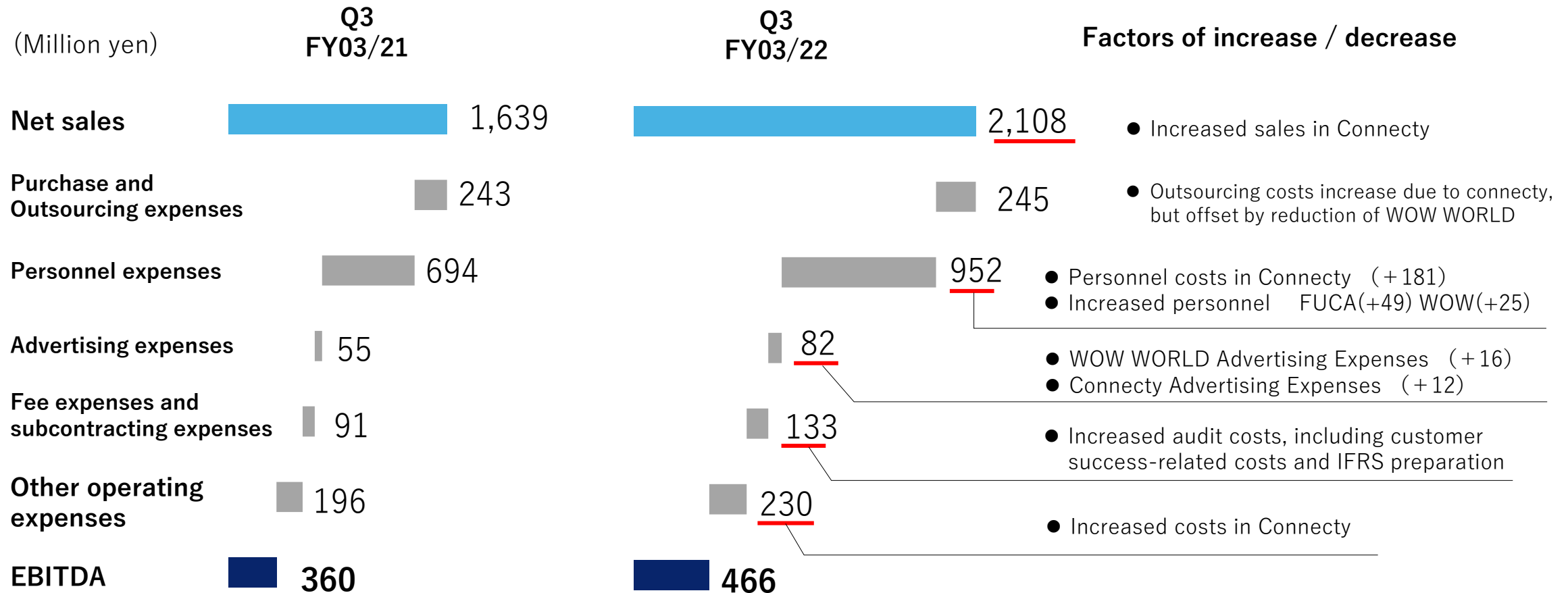
- Net sales increased by 28.6% year-on-year as a result of the growth of existing businesses and the contribution of making Connecty a consolidated subsidiary
- EBITDA increased 29.6% year-on-year, despite increased costs associated with customer success efforts and IFRS preparation
- Operating profit increased 14.9% year-on-year. Goodwill was amortized as a result of making Connecty a consolidated subsidiary, and amortization burden was incurred due to the issuance of stock options

(Million yen)

	Q3 FY03/21	Q3 FY03/22	YoY(%)
Net Sales	1,639	2,108	+28.6%
EBITDA※	360	466	+29.6%
EBITDA margin (%)	22.0%	22.1%	
Operating profit	262	301	+14.9%
Operating margin (%)	16.0%	14.3%	
Ordinary profit	274	299	+9.2%
Profit attributable to owners of parent	167	167	(0.4%)

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

- Personnel costs will increase due to increased sales due to the conversion of Connecty into a consolidated subsidiary
- Increased costs due to strengthened customer success efforts and increased audit costs including IFRS preparation

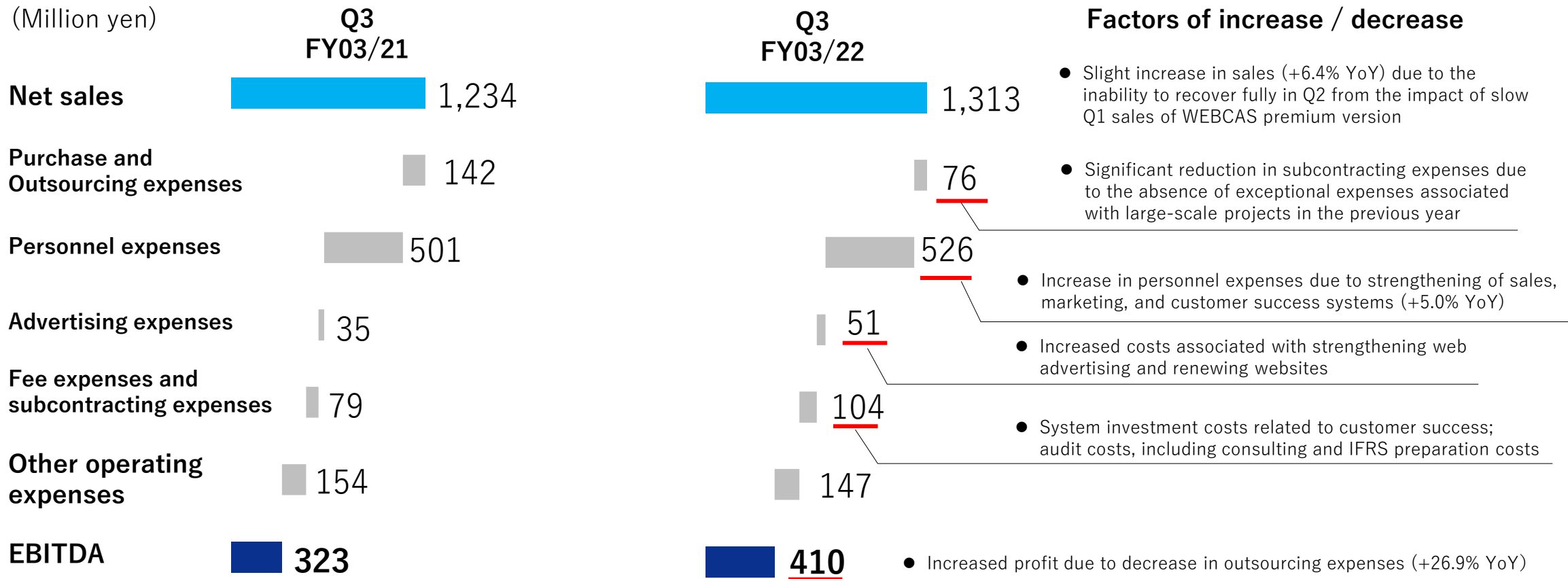


Factors that increase or decrease EBITDA on a stand-alone basis

- **WOW WORLD**
- **Connecty**
- **FUCA**
- **Mamachu**

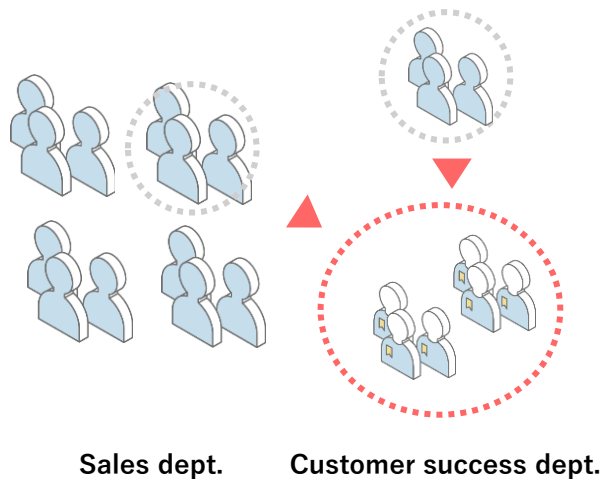


- While sales of WEBCAS premium version were slow in Q1, we secured profit through cost reductions, including a reduction in outsourcing expenses
- We are making upfront investments to launch full-scale customer success initiatives (*see the next page for details)



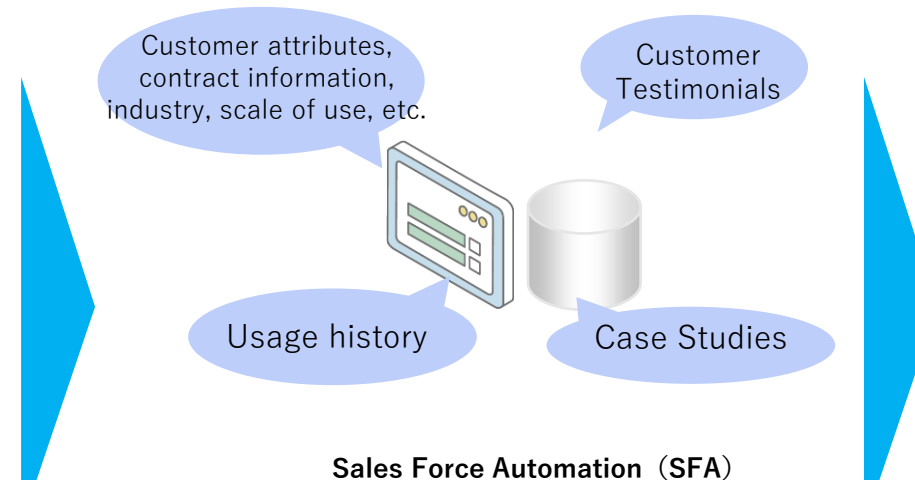
1. Launching a dedicated customer success organization

Organize existing organizations and hire new personnel

**2. System investment, data maintenance(¥7.5 million)**

Complete renewal of sales support system

In addition to various customer data, we analyze use cases and customer feedback to develop / propose new applications, which will lead to establishment.



Extraction of sales issues by calculating KPI of customer success (NRR, CAC, etc)

*Under development

3. PDCA practice in collaboration with external consultants (¥9.0 million)

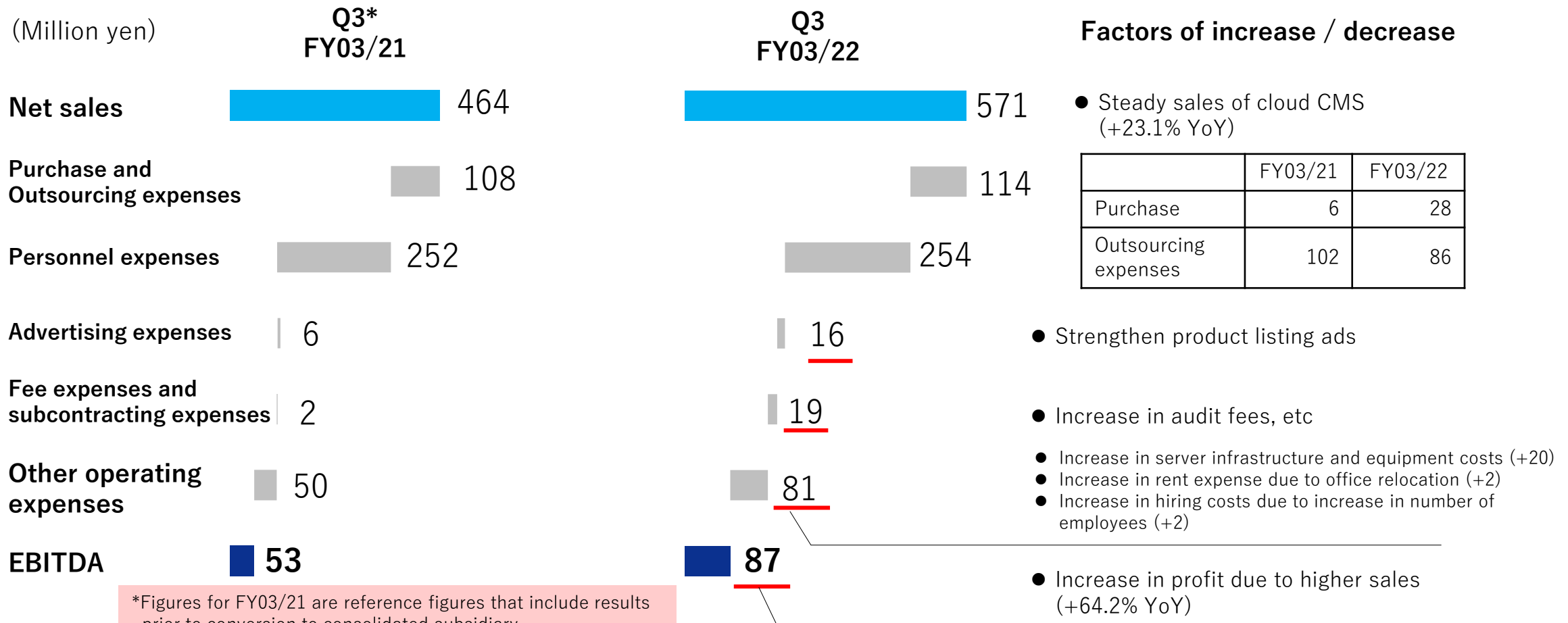
Various customer success measures

Preventing churn and promoting retention through onboarding*

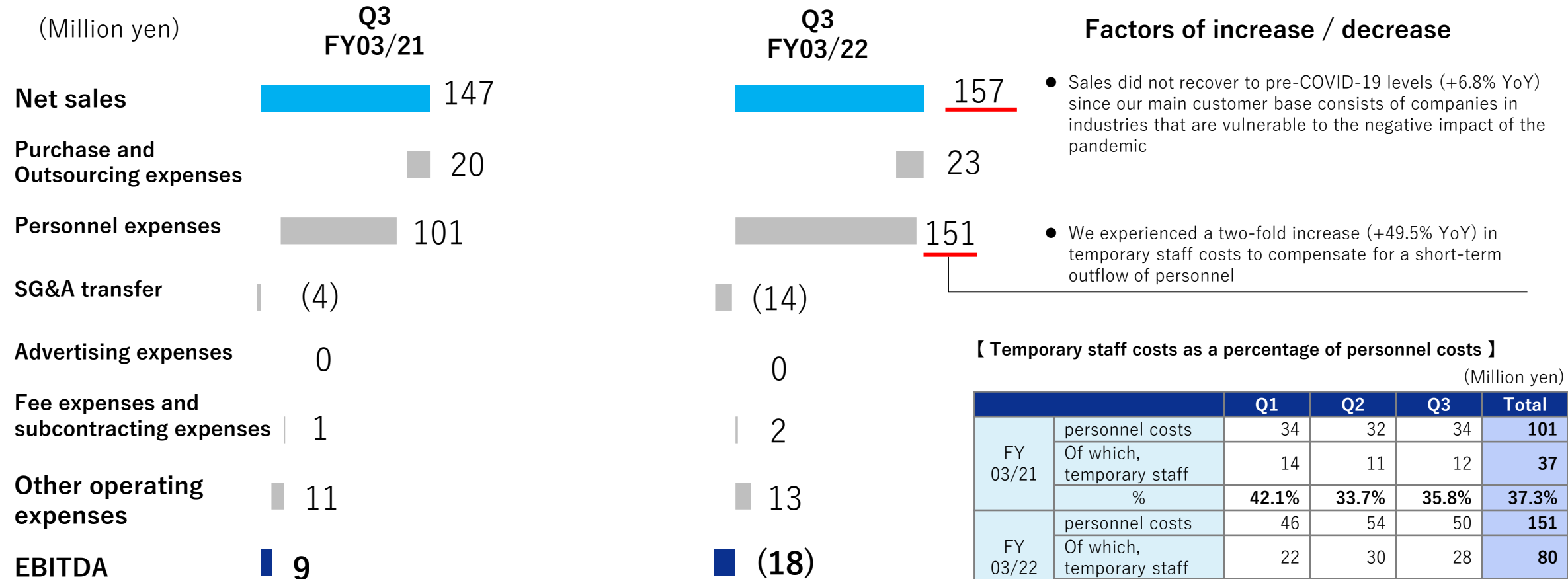
Delivering upsell promotion emails by usage content

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

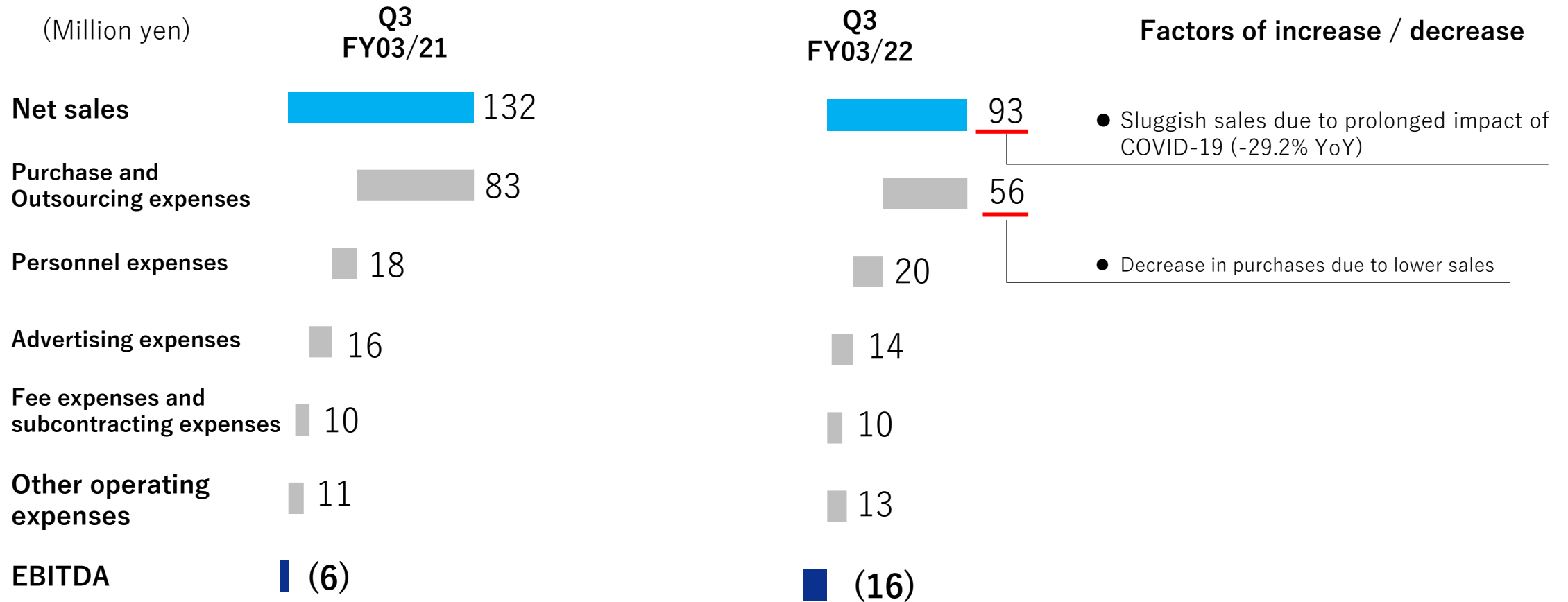
- Net sales increased 23.1% YoY due to growth in cloud CMS
- Increase in production costs (server infrastructure costs due to an increase in projects, etc.), increase in hiring costs (increase in employees), increase in rent expense (office relocation)



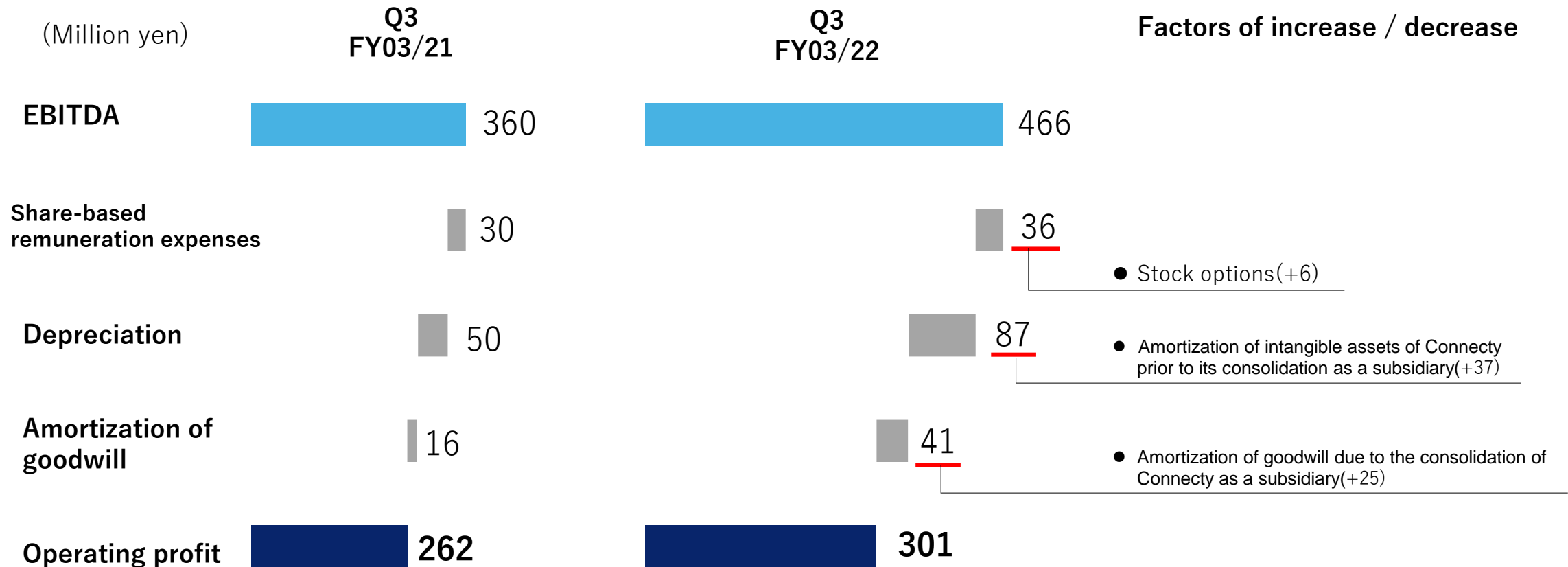
- Although in line with the previous fiscal year, sales fell short of plan due to the prolonged impact of the COVID-19
- While we endeavored to hire more employees in anticipation of a post-COVID-19 sales recovery, profits were pressured due to sluggish sales growth



- Significant decrease in sales YoY due to lower demand for outings caused by COVID-19



- Amortization of intangible assets of Connecty prior to its consolidation as a subsidiary
- Amortization of goodwill due to the consolidation of Connecty as a subsidiary
- Stock-based compensation expense incurred due to the issuance of stock options



■ Effective tax rate rises because goodwill amortization of Connecty and stock option costs are not deductible

(Million yen)	Q3 FY03/21	Q3 FY03/22	Factors of increase / decrease
Ordinary profit	274	299	
Extraordinary losses	1	2	
Income taxes	97	122	Corporate tax increases. Expenses that are not deductible (tax income) are as follows <ul style="list-style-type: none">● Goodwill amortization (+25)● Employee share options (+6)● Deficit (+12)
Profit attributable to non-controlling interests	7	7	
Profit attributable to owners of parent	167	167	

- CRM and CMS sales increased, but overall sales were up 28.6% year-on-year due to lower on-premises and e-commerce sales.

(Million yen)

			Q3 FY03/21	Q3 FY03/22	YoY(%)
Enterprise Software	Cloud services	CRM	885	1,007	+13.8%
		CMS*	48	169	+246.2%
			934	1,176	+25.9%
	On-premises		284	249	(12.3%)
			1,219	1,426	+ 17.0%
Digital Marketing Operational Support		CRM	174	184	+6.0%
		CMS*	109	401	+ 267.9%
			283	586	+ 106.9%
E-commerce			132	93	(29.2%)
Others (Various entrusted development)			4	2	(51.8%)
Total Net Sales			1,639	2,108	+ 28.6%

- Sales of WEBCAS premium version recovered only slightly in Q3, impacted in Q1 by the sluggish acquisition of new clients and a decrease in large projects
- Monthly sales of WEBCAS standard version were strong due to upsales of customer success initiatives and increased digital demand under the COVID-19 pandemic
- CMS has been firm since the first half of the year, reflecting a steady increase in projects

(Million yen)

			Q3 FY03/21	Q3 FY03/22	YoY(%)
CRM	“WEBCAS” Premium version	Initial	79	86	+8.8%
		Monthly	480	514	+7.1%
	“WEBCAS” Standard version	Initial	29	33	+13.5%
		Monthly	295	372	+26.1%
			885	1,007	+13.8%
CMS*	Connecty CMS on Demand		48	169	+246.2%
Total cloud service sales			934	1,176	+ 25.9%

[WOW WORLD] Sales fell slightly short of the plan due to the significant impact of the slump in Q1 WECAS premium version sales, which we could not recover from fully in Q2 and later; operating profit was largely in line with plan

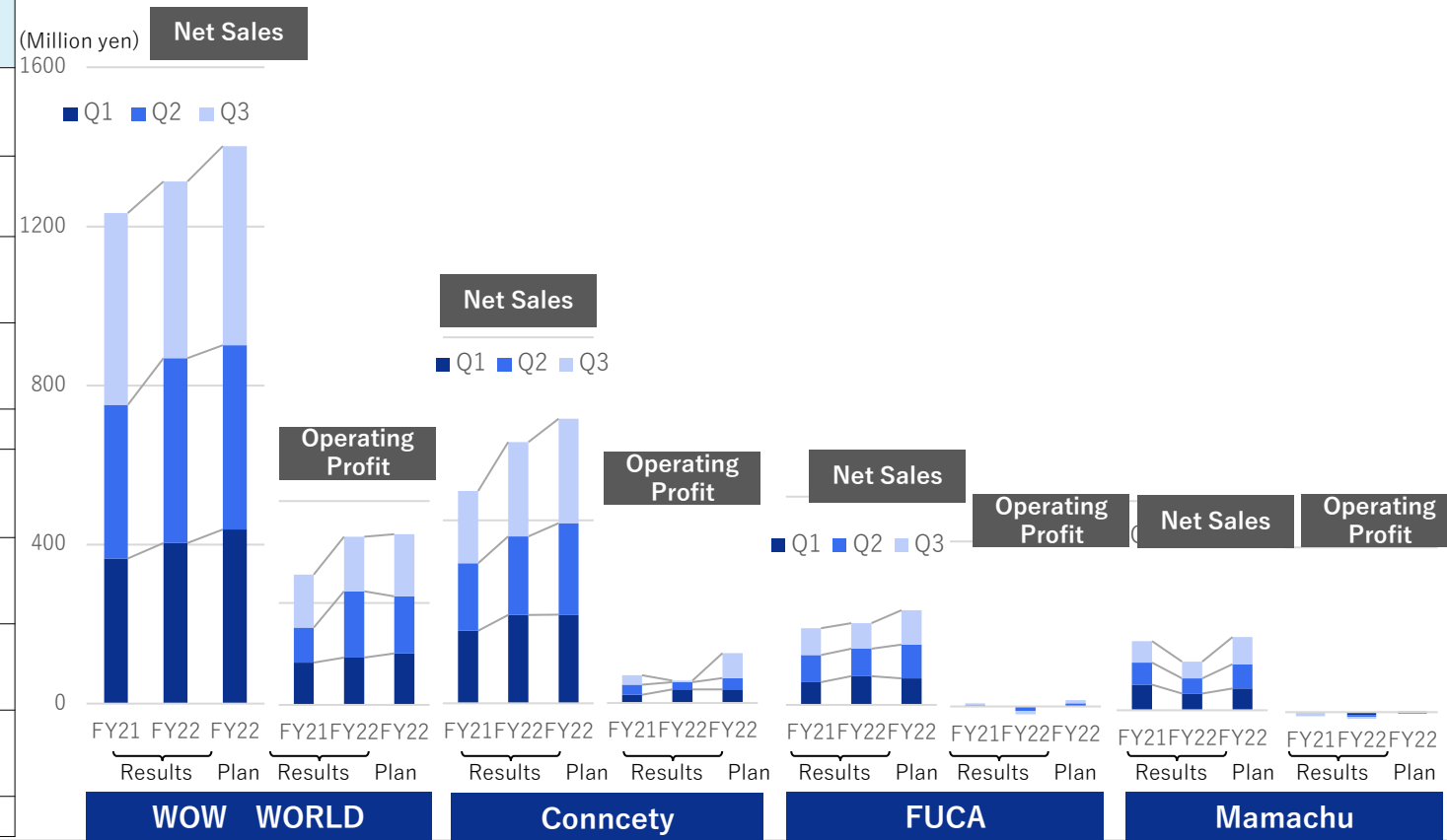
[Connecty] The cloud business performed well. Operating profit fell year on year due to a temporary increase in costs to deal with projects and upfront investments

[FUCA] The company is hiring in anticipation of a recovery; however, the COVID-19 pandemic has put pressure on profits as sales have not progressed as planned

[Mamachu] Sales struggled due to the decline in demand for apparel to wear outside caused by the pandemic. The company is striving to reduce fixed costs such as personnel and facilities

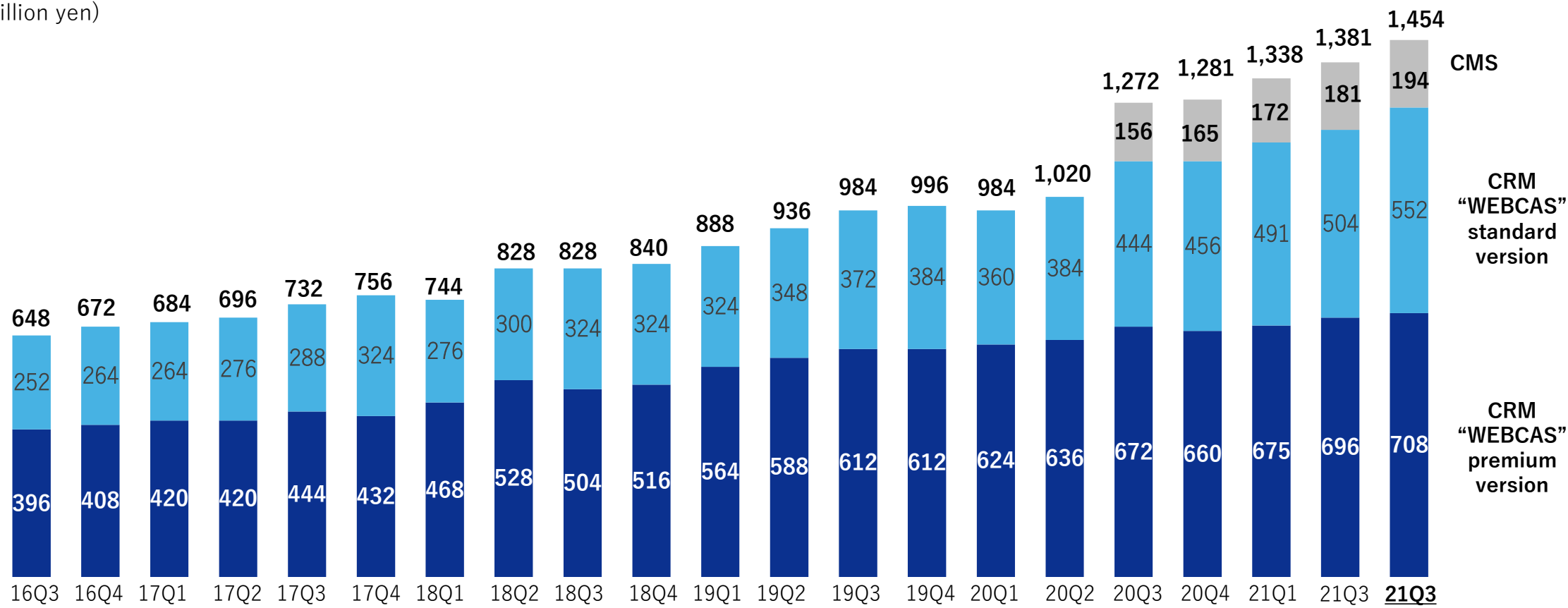
(Million yen)

		Results FY21Q3	Results FY22Q3	Plan FY22Q3	YoY (%)	vs Plan (%)
Net Sales	WOW WORLD	1,234	1,313	1,402	+6.4%	(6.4%)
	Connecty*	464	571	622	+23.1%	(8.3%)
	FUCA	147	157	182	+6.8%	(14.0%)
	Mamachu	132	93	140	(29.2%)	(33.5%)
Operating Profit	WOW WORLD	256	330	335	+29.1%	(1.3%)
	Connecty*	55	44	98	(20.6%)	(55.1%)
	FUCA	8	(19)	14	(327.8%)	(234.8%)
	Mamachu	(10)	(16)	(0)	(63.0%)	(5848.4%)



ARR (Annual Recurring Revenue)

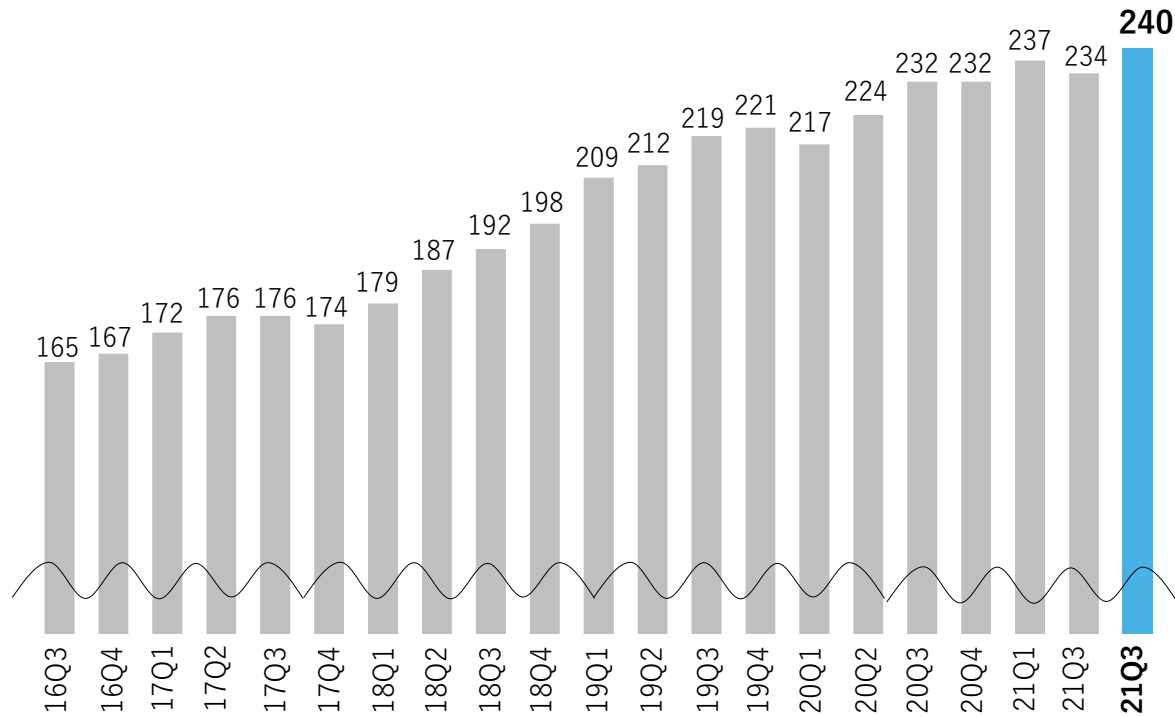
(Million yen)



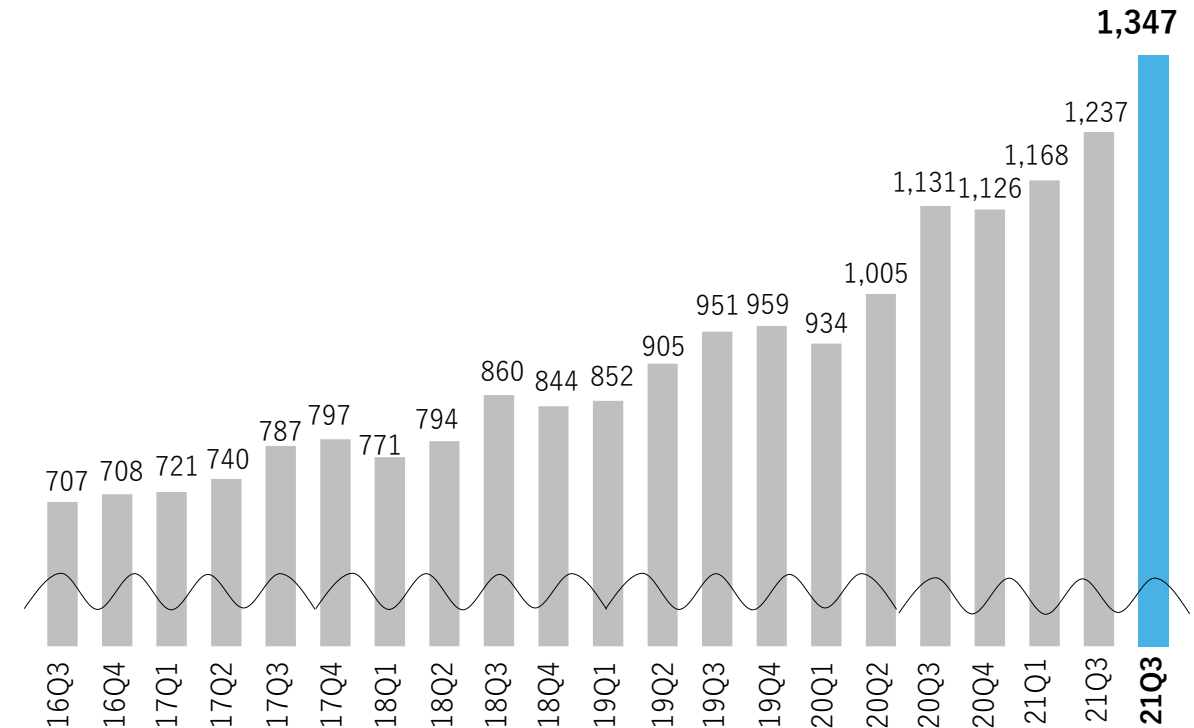
* Calculate by multiplying monthly sales of cloud services as of the end of each quarter(MRR) by 12

- Premium version contracts rose due to new client acquisitions in Q3, despite some downgrades to the standard version in Q2.
- Standard version contracts remained strong due to increased demand for corporate digital transformation during the COVID-19 pandemic; number of contracts increased significantly

Renewal contracts ("WEBCAS" premium version)



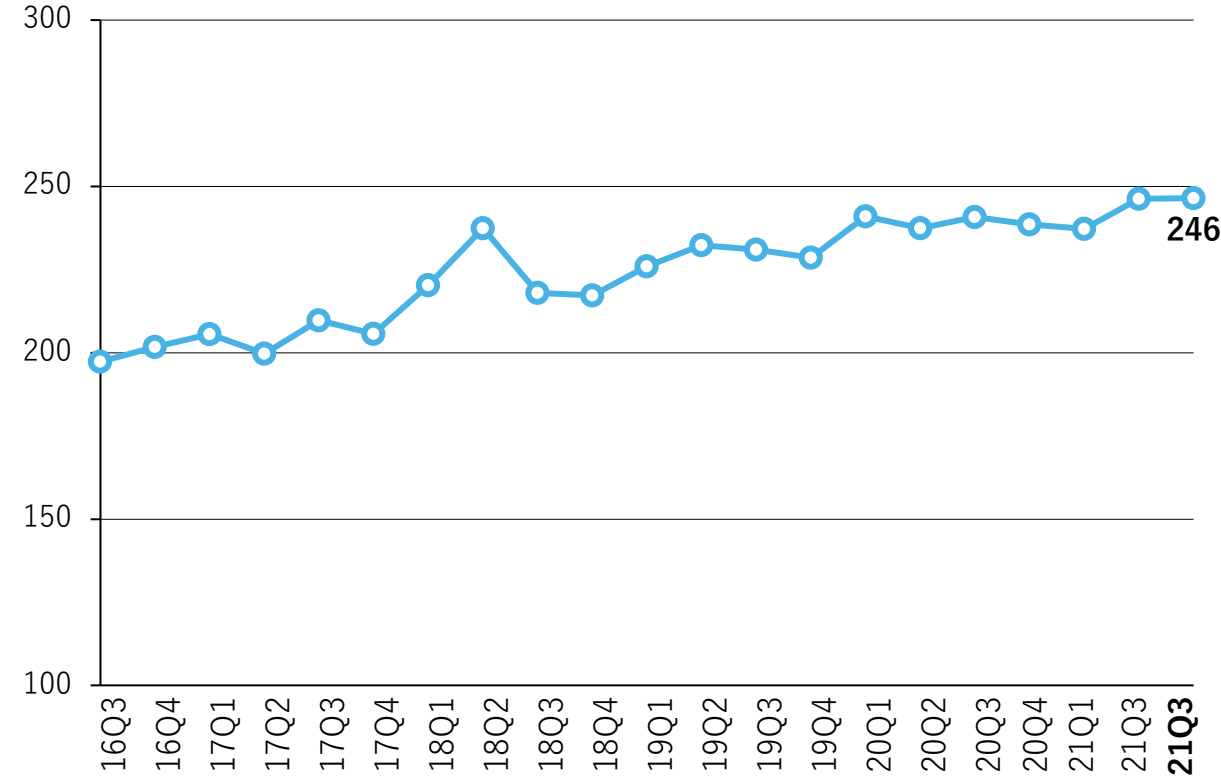
Renewal contracts ("WEBCAS" standard version)



- Premium version remained level QoQ, but continues an upward trend
- Standard version increased YoY due to customer success initiatives

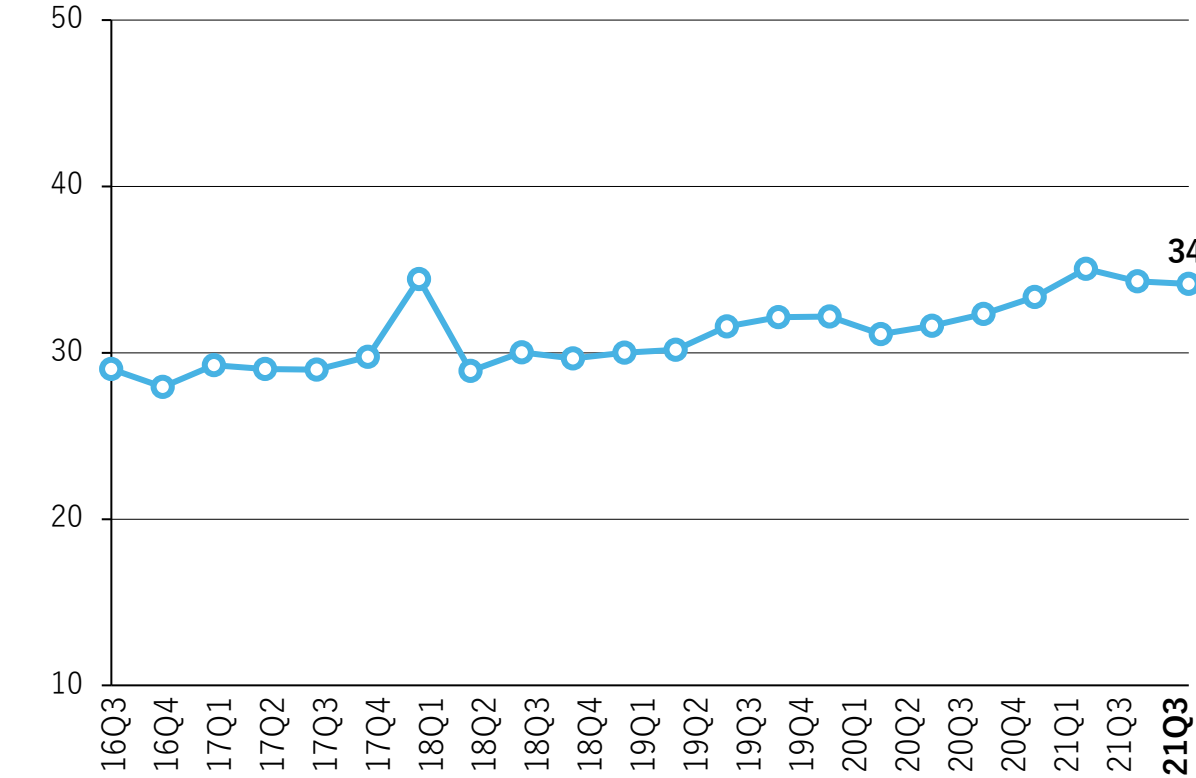
ARPU ("WEBCAS" premium version)

(Thousand yen)



ARPU ("WEBCAS" standard version)

(Thousand yen)

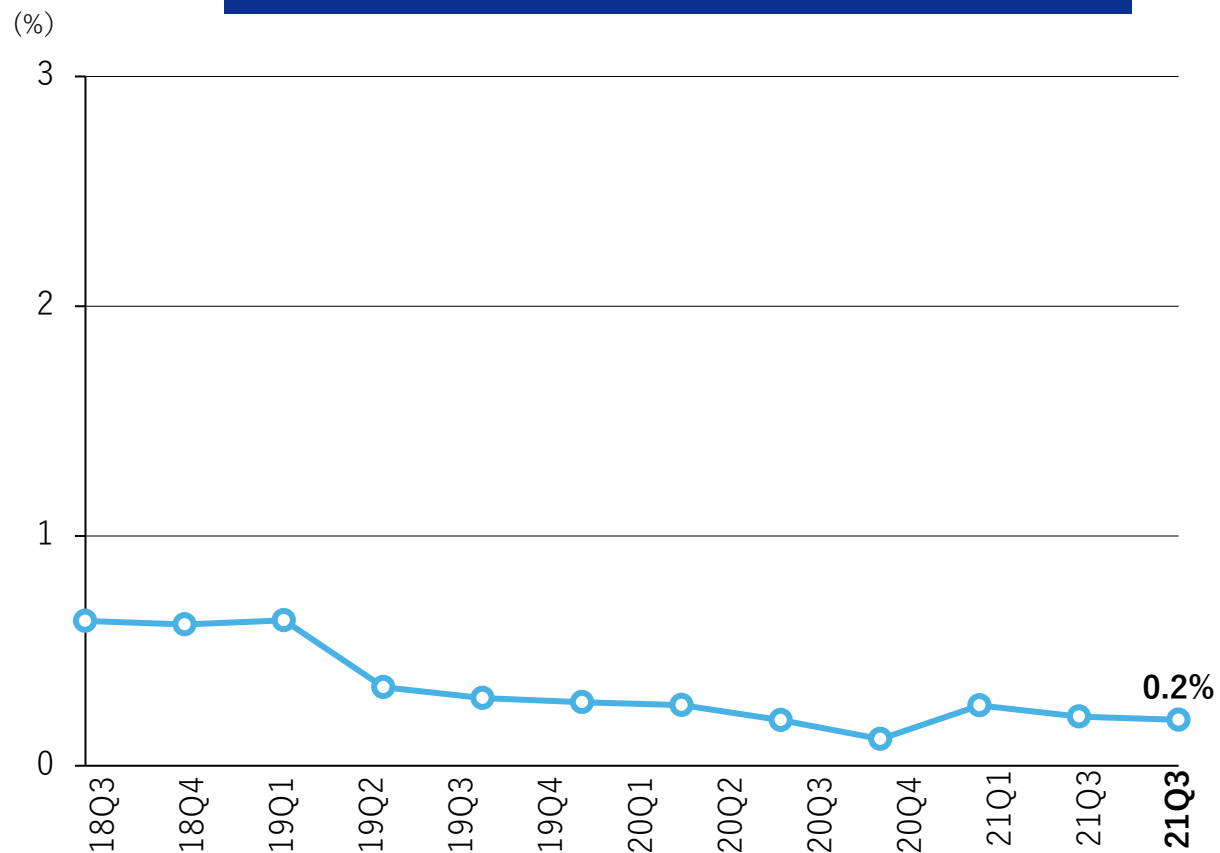


ARPU = Average monthly sales per contract (excluding initial sales)

* Excluding option contracts and spot contracts

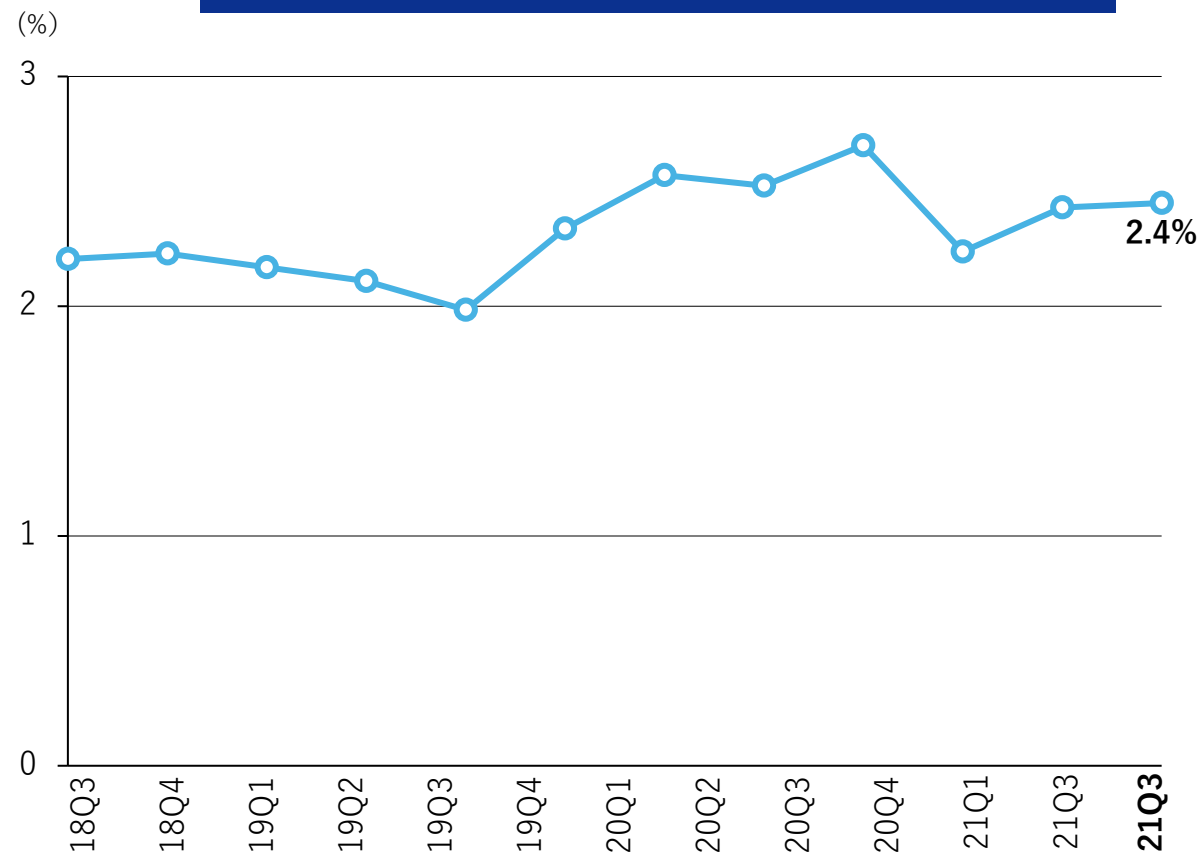
- Churn rate for premium version remained low
- Standard version sales declined only slightly YoY as a result of customer success initiatives

Churn rate ("WEBCAS" premium version)



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

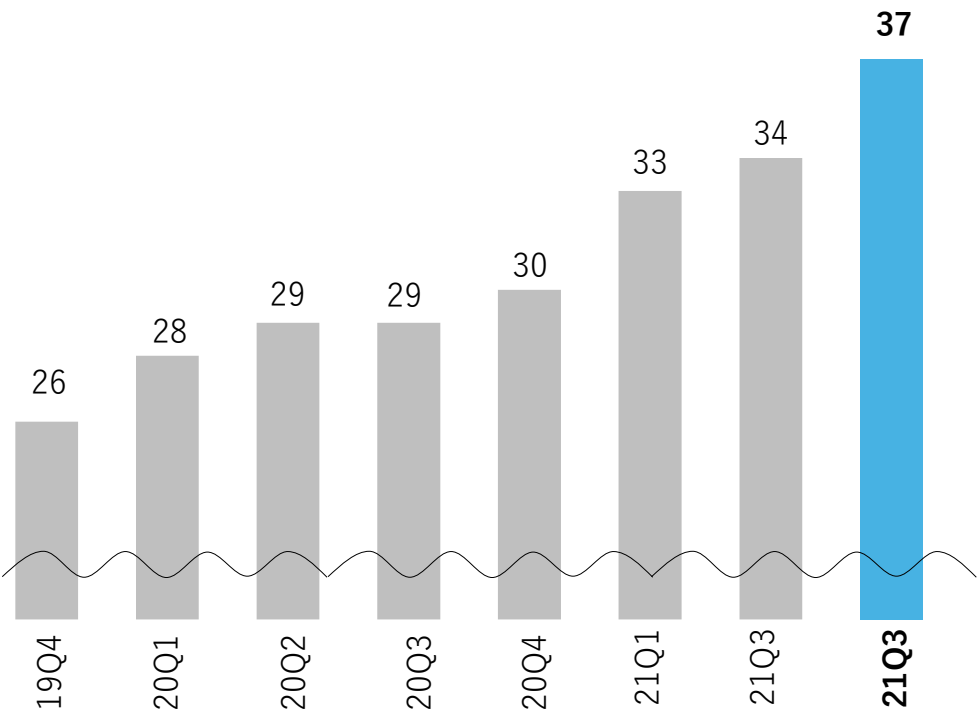
Churn rate ("WEBCAS" standard version)



※ Excluding option contracts and spot contracts

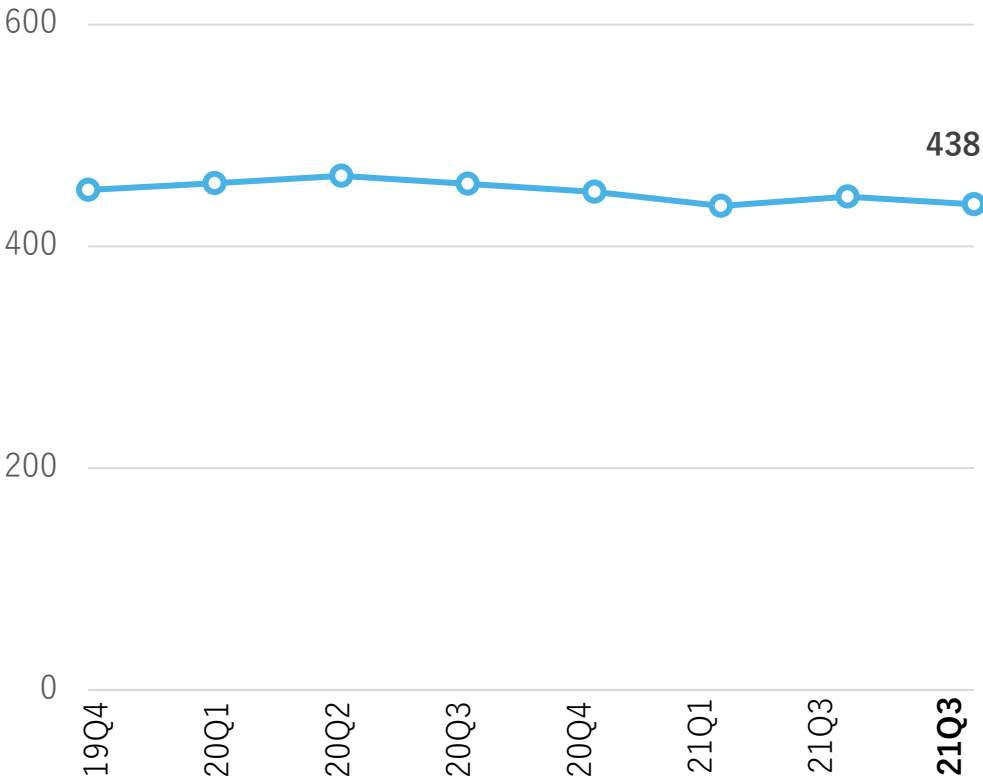
■ Steady introduction to new customers and increase in the number of customers due to high competitiveness

Renewal contracts



ARPU

(Thousand yen)



Earnings forecast for FY03/22



- Announced a downward revision from the forecast published on May 11, 2021, in light of the following circumstances
 - Net sales: Expected to fall short of initial forecasts for CRM (enterprise software), CMS (digital marketing operational support), and EC (e-commerce) businesses (see the next page for detailed factors by segment)
 - Operating profit: Revised forecast downward in light of Q4 conditions due to a sharp increase in subcontracting costs at group subsidiaries and personnel costs for temporary staff
 - Profit attributable to owners of parent : Expecting to record an extraordinary loss due to the retirement of fixed assets associated with the relocation of Connecty

(Million yen)

	Results FY03/21	Initial forecast FY03/22	Revised forecast FY03/22	YoY(%)	Compared to initial forecast (%)
Net Sales	2,356	3,150	2,840	+20.5%	(9.8%)
EBITDA	565	850	570	+ 0.8%	(32.9%)
EBITDA margin (%)	24.0%	27.0%	20.1%		
Operating profit	411	600	370	(10.1%)	(38.3%)
Operating margin (%)	17.0%	19.0%	13.0%		
Ordinary profit	425	600	370	(13.0%)	(38.3%)
Profit attributable to owners of parent	222	339	185	(16.9%)	(45.4%)

- Enterprise software
 - ✓ We will engage in CRM sales activities (upsales to existing customers, etc.) to make up for delayed progress in Q1; making a significant recovery in cloud computing will be a challenge during the fiscal year, and we expect results to be lower than initial forecast
 - ✓ We expect CMS to exceed initial forecast slightly as the number of customers continues to increase
- Digital marketing operational support
 - ✓ We have made a downward revision due to delays in securing resources for CMS stemming from difficulties in hiring human resources (hiring was completed at the beginning of Q4 and the resource shortage has been largely resolved)
- E-commerce We revised our initial forecast downward for the fiscal year due to a slow recovery stemming from the decline in demand for apparel to wear outside during the COVID-19 pandemic

(Million yen)

			Results FY03/21	Initial forecast FY03/22	Revised forecast FY03/22	YoY (%)
Enterprise Software	Cloud services	CRM	1,216	1,520	1,350	+10.9%
		CMS	105	210	231	+119.6%
			1,321	1,731	1,581	+19.6%
	On-premises		359	323	308	(14.3%)
Digital Marketing Operational Support		CRM	253	275	268	+5.6%
		CMS	250	632	554	+121.1%
E-commerce			165	184	125	(24.4%)
Others			5	4	4	(30.6%)
Total net sales			2,356	3,150	2,840	+20.5%

Efforts for the fourth quarter and for next fiscal year

- **WOW WORLD**
- **Connecty**
- **FUCA**
- **Mamachu**



Efforts for the fourth quarter

1. Creating a mechanism to improve sales and investing

- Complete the full redesign of the sales support system
- Establish an organization that closes on leads (nurturing)
- Develop options tailored to each customer by accumulating and analyzing case studies, identifying customer attributes, and projecting usage status

2. Sales Activities

- Hire and train sales and customer success personnel (ongoing)
- Concentrate sales resources on upsales activities (adding licenses at existing customers, etc.), which should increase sales in the short term

Efforts for next fiscal year

1. Management System

- Begin case management based on cloud KPIs (NRR, CAC, etc.) using data from the sales support system developed in the previous fiscal year

2. New acquisition activities

- Expand our sales organization specializing in SaaS premium version, provide sales support to systems integrators, and cultivate business to acquire projects
- Introduce an MA system (Pardot) and engage in nurturing via a dedicated organization
- Review prices to curb the loss of new orders

3. Existing Customer Activities (Customer Success)

- Conduct onboarding activities for SaaS standard version customers to curb churn and promote retention
- Improve accuracy of upsales and cross-sales through a detailed understanding of customer usage and extensive sales follow-up according to customer status

Efforts for the fourth quarter

- Promote closing activities for this fiscal year's projects without delay.

Efforts for next fiscal year

1. Development of business infrastructure for business expansion

- Pursue hiring activities across the group
- Expand website production personnel structure via partnerships
- Strengthen project progress management and budget vs. actual management

2. Efforts to expand CMS business

- Strengthen sales force by developing sales partners
- Engage in joint proposals with WOW WORLD sales staff (won one major project in the previous fiscal year)

Efforts for next fiscal year

3. Efforts to expand sales of CDP services

- Engage in development to enhance functions (API development, recommendation functions, etc.)
- Develop data analysis and consulting system through alliances and business tie-ups
- Accumulate expertise quickly by cross-selling to existing customers (WOW WORLD, Connecty)
- Consider creating solutions within the group structure

Efforts for the fourth quarter

- Continue to support high unit price projects of Connecty.

Efforts for next fiscal year

- Shift to a customer base less susceptible to COVID-19
- Shift to a structure allowing for the continued acceptance of high-unit-price Connecty projects and optimize development resources for the group

Efforts for the fourth quarter

- Reduce fixed expenses
 - ✓ Reduce personnel, facilities (completed early in Q4)

Efforts for next fiscal year

1. Promote measures to improve profitability (ensure profitability)

- Strengthen SEO and mall operations for our own websites
- Add LINE streaming feature via WEBCAS (product availability, campaigns, etc.)

2. Improving WEBCAS functions and planning new services

- Pursue collaborations with e-commerce support services of other companies
- Investigate new marketing methods

Topics





WOW WORLD Group

- Exhibit at Web & Digital Marketing EXPO 【autumn】 (October 27-29, 2021)
- Notice of Renewal of ISMS and ISMS Cloud Security Certification (November 15, 2021)
- Notice regarding appearance on Radio NIKKEI (November 25, 2021)
- Notice regarding acquisition of treasury stock (January 5, 2022)
- Notice regarding the transition to the new market segment "Prime Market" (January 14, 2022)



Product development

- The number of companies that have installed the WEBCAS series communication system exceeds 7,500

■ WEBCAS formulator V6.1 scheduled to be released at the end of March

WEBCAS

WEBCAS
e-mail
Mail delivery
system

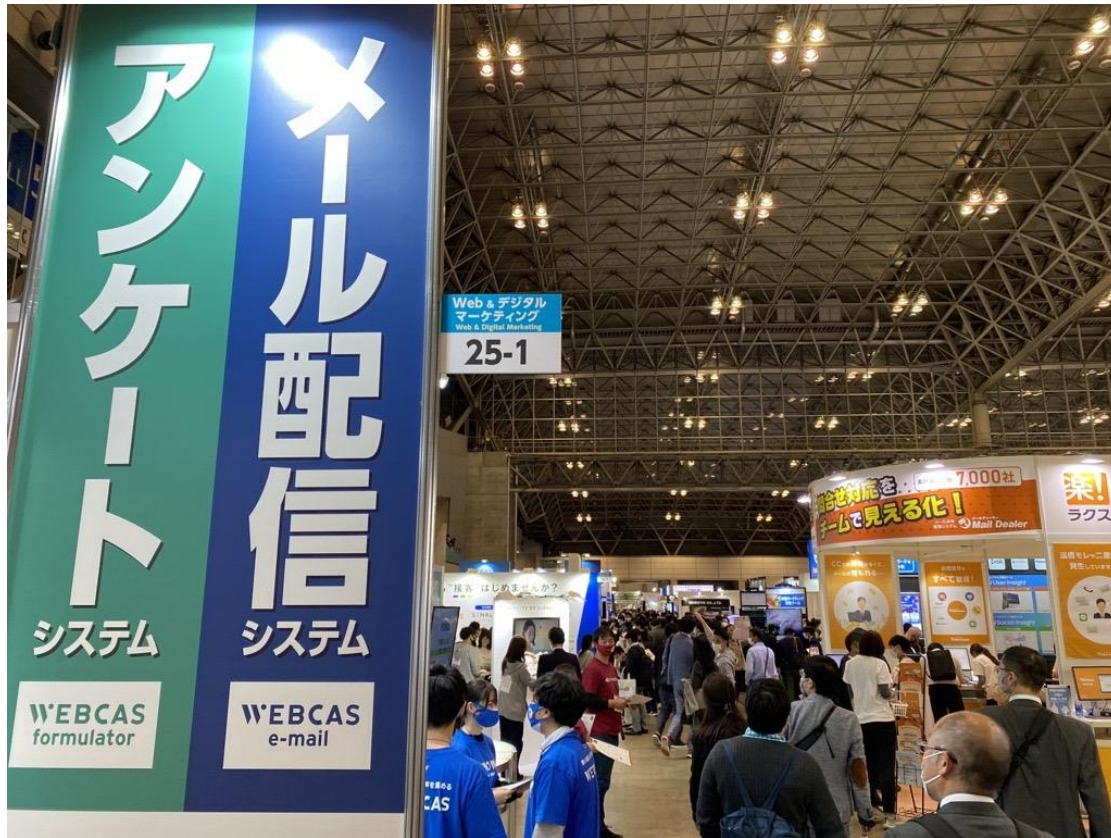
WEBCAS
formulator
Questionnaire
management system

Connecty
CMS on Demand

Connecty CDP

1st half FY03/21	2nd half FY03/21	1st half FY03/22	2nd half FY03/22	1st half FY03/23	2nd half FY03/23
		e-mail Ver9.0	Released on October 5	e-mail new version (scheduled)	
	formulator Ver6.0	Released on July 5	formulator Ver6.1 scheduled to be released at the end of March	formulator new version (scheduled)	
	Connecty CMS on Demand Ver2.11	Released on August 17		CMS new version (scheduled)	
		Connecty CDP Ver1.0	Released on October 1	CDP new version (scheduled)	

- Exhibited at Japan's largest IT exhibition "Web & Digital Marketing EXPO [Autumn]" held from October 27 to 29, 2021, jointly with our group company Connecty Inc.



- President & CEO Mino appeared on Radio NIKKEI's "PRONEXUS presents Morning Market Square ASAZAI" (broadcast on December 1, 2021) to explain the Group's business operations and financial results.



- With respect to the review of the market classification of the Tokyo Stock Exchange scheduled for April 2022, it was decided to shift to the Prime Market.
- As we don't meet the listing maintenance criteria of the Prime Market, it has submitted a plan to comply with the listing maintenance criteria.

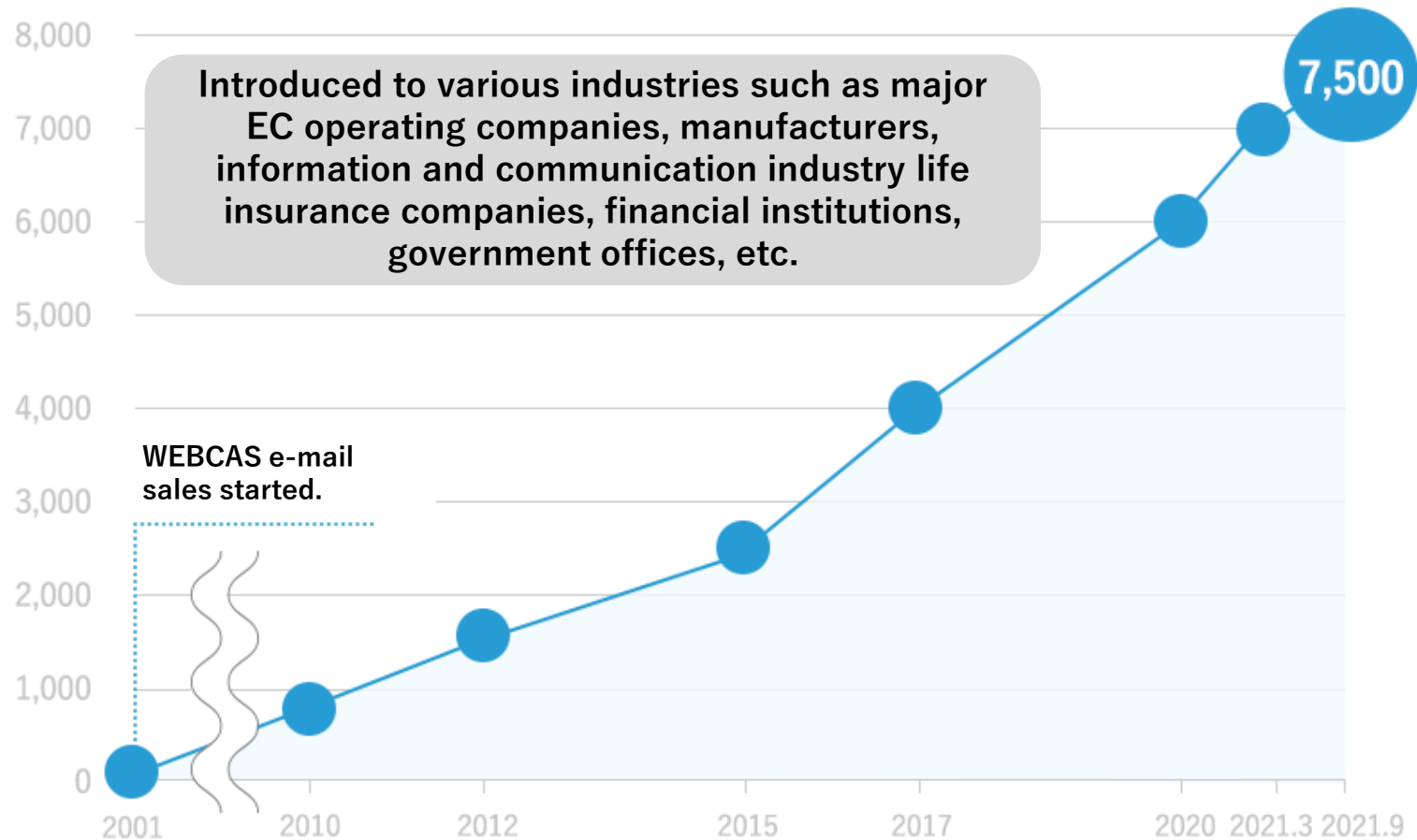
【 Prime Market Listing Maintenance Criteria and Our Compliance Status 】

Item		Criteria	Judgment results by TSE		[Reference] Calculated in-house
			Situation of our company	Conformance	As of September 30
Liquidity	Number of shareholders	Over 800 people	3,401	✓	3,539
	Number of shares in circulation	Over 20,000 units	36,167	✓	38,235
	Market capitalization of shares in circulation	Over ¥10 billion	¥7,260,713,488	—	¥6,854,598,881
	Trading value	Daily average Over 20 million yen	¥183,425,387	✓	¥155,262,780
Governance	Distribution stock ratio	over 35%	81.9%	✓	92.8%

【 Outline of the Conformance Plan 】

We are steadily advancing various measures to achieve the management goals formulated in the current medium-term management plan (FY03/21 to FY03/23), as well as efforts to disclose information, enhance corporate governance, and return profits to shareholders. By doing so, we aim to improve corporate value and meet the listing maintenance standards by the end of March 2023.

- This year marks the 20th anniversary of the launch of the WEBCAS series.
- Introduced companies exceeded 7,500 as of September 30, 2021



ESG Initiatives



Environment

- Contributing to the environment by digitizing operations and making them paperless
(Status of efforts to eliminate paper handling)

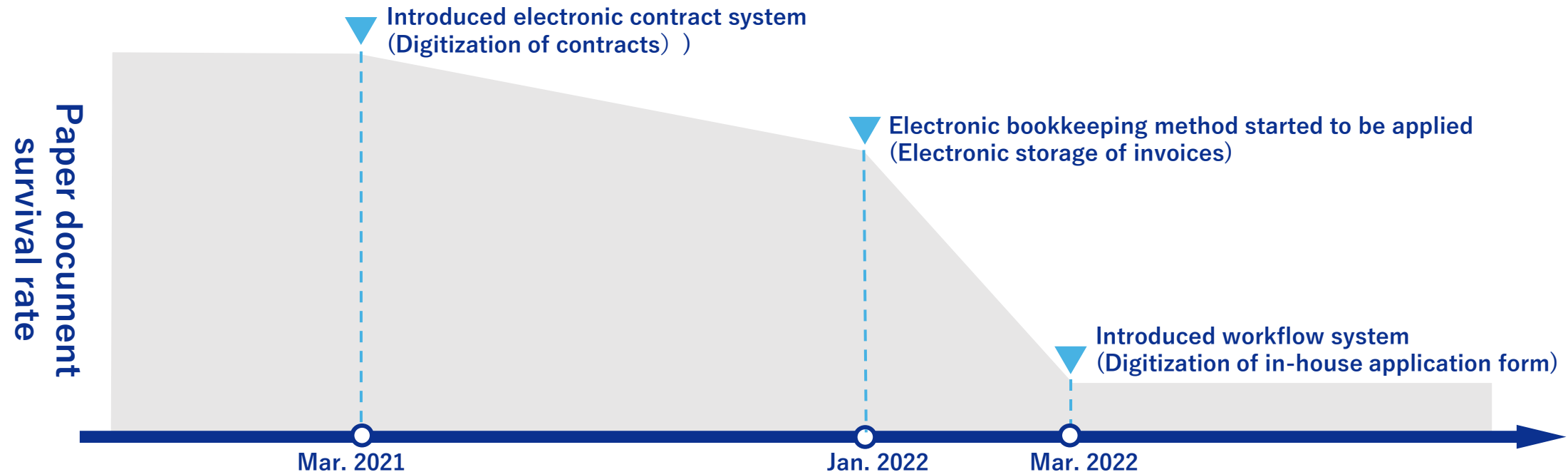
Social

- SDGs summary site "SDGs fan" becomes a media partner of "World Peace Business Council Hiroshima Tokyo Session"任
- Sponsorship of social activities

Governance

- Comply status of revised CG code

- We are digitizing our operations to improve productivity, reduce costs, and conserve resources by improving operational efficiencies
 - We should complete the digitalization of application documents and invoices (excluding government offices and some customers) by the end of March 2022, at which point we expect to eliminate paper completely
-
- Eliminate paper document work and reduce paper document storage costs by adopting various business systems
 - ✓ Contract
 - ✓ Invoice (Digitization by the end of March)
 - ✓ In-house application form (Digitization by the end of March)



- SDGs fan (operated by group company Connecty) was appointed media partner for the 2021 World Peace Business Council Hiroshima Tokyo Session (October 8, 2021)
- Eight sessions were held on various topics including Diversity & Inclusion, environmental issues, well-being, and economic security, to explore the possibility of peacebuilding from the perspective of economic activities

Media summarizing "examples of SDG initiatives by companies and organizations" in Japan and around the world.
<https://sdgs.fan/sdgs/>



- **Sponsorship of the Japan Challenger Project, a public interest incorporated association**

Our CEO participated in “From Tango, Kyoto! JAPAN CHALLENGER AWARD” as a judge. (November 7, 2021)



- **Appearance as a guest speaker at a health management seminar**

Our CEO appeared as a guest speaker at a health management seminar co-hosted by Empheal Inc. and Brainworks Inc. (December 10, 2021)

- **Support for labor mobility (sponsorship of radio programs)**

Our CEO appeared as a guest on the radio program "Sayaka Mori's Life is the journey" (Kawasaki FM).



- Comply status of revised CG code **96.3%**
- Prospect of full compliance in June 2022. (100%)

1.3pt improvement from previous disclosure (95.0%)

【 Items that are not compliant 】

(As of January 31, 2022)

No	Principles and ideas	Reasons for not complying
1-2-④	Taking into account the ratio of institutional investors and overseas investors among their own shareholders, listed companies should promote the creation of an environment that enables electronic exercise of voting rights (e.g., the use of electronic voting platforms) and the translation of convocation notices into English. In particular, companies listed on the prime market should be able to use electronic voting platforms, at least for institutional investors.	The Company has a growing percentage of overseas investors, and in addition to supporting the electronic exercise of voting rights, the Company plans to use an electronic voting platform and to translate the notice of convocation into English at the annual general meeting of shareholders to be held in <u>June 2022</u> .
3-1-②	Listed companies should promote the disclosure and provision of information in English to a reasonable extent, taking into account the proportion of overseas investors, etc., among their own shareholders. In particular, companies listed on the prime market should disclose and provide necessary information in English in their disclosure documents.	As the ratio of overseas investors is increasing, we will prepare an English translation of the notice of convocation for the annual general meeting of shareholders scheduled to be held in <u>June 2022</u> , and have already translated the financial statements and supplementary explanatory materials into English.
4-1-③	The Board of Directors should be proactively involved in the formulation and operation of the succession plan (planning) for the CEO, etc., taking into account the company's goals (management philosophy, etc.) and specific management strategies, and should appropriately supervise the systematic development of potential successors with sufficient time and resources.	As for the plan for the successor to the President and CEO, who is the chief executive officer, the Nomination and Compensation Committee will consider the candidates and the development plan, and the Board of Directors will make a decision, and the plan will be formulated by <u>March 2022</u> .

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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