

(English Translation)

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Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2023[IFRS]

January 31, 2023

Listed company name: WOW WORLD GROUP Inc.

Stock exchange listing: Tokyo

Securities code: 5128 URL <https://www.wow-world-group.co.jp>

Representative: (Position) President GROUP CEO (Name)Kazuo Mino

Contact: (Position) GROUP CFO and Corporate Planning Office Manager (Name)Hiroaki Yamashita (TEL) +81-3-6387-8080

Scheduled date to file securities report: February 14, 2023

Scheduled date to commence dividend payments: —

Preparation of supplementary materials on financial results: Yes

Holding of financial results briefing: None

1. Consolidated Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2023

(April 1, 2022 to December 31, 2022)

(Amounts less than one million yen are rounded down)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year increases.)

	Revenue		EBITDA※		Operating profit		Profit before Tax		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Month ended December 31, 2022	2,159	—	412	—	178	—	162	—	98	—	98	—
December 31, 2021	—	—	—	—	—	—	—	—	—	—	—	—

	Basic Earnings per Share		Diluted Earnings per Share	
	Yen		Yen	
Nine Month ended December 31, 2022	25.56		25.56	
December 31, 2021	—		—	

* EBITDA = operating profit + depreciation / impairment / retirement loss (tangible / intangible fixed assets) + stock-based compensation expenses

(Note) Our company was established on October 3, 2022 through a sole share transfer, so there are no results for the same quarter of the previous year or year-on-year changes.

(2) Consolidated financial position

	Total Assets		Total Equity		Equity Attributable to Owners of Parent		Ratio for Equity Attributable to Owners of Parent	
	Million yen		Million yen		Million yen		%	
As of December 31, 2022	3,818		2,155		2,121		55.6	
March 31, 2022	—		—		—		—	

(Note) Our company was established on October 3, 2022 through a sole share transfer, so there are no results for the previous fiscal year.

2. Dividends

	Dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	—	—	—	—
Fiscal year ending March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2023 (forecast)	—	—	—	0.00	0.00

(Note)

1. Adjustment for the most recent forecasts of dividends: Yes

2. For details, please refer to the announcement on January 31, 2023, "Notice Regarding Revision of Year-End Dividend Forecast for Fiscal Year Ending March 31, 2023 (No Dividend) and Abolition of Shareholder Benefit Program"(Japanese only).

3. Our company was established on October 3, 2022 through a sole share transfer, so there are no results for the previous fiscal year and the second quarter.

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2023

(Percent figures indicate the rate of changes from the previous fiscal year)

	Revenue		EBITDA※		Operating profit		Profit before tax		Profit Attributable to Owners of Parent		Basic Earnings Per Share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	%
Full-year	3,000	—	620	—	330	—	320	—	200	—	50.00	—

(Note)

1. Adjustment for the most recent earnings forecasts: None

2. Our company was established on October 3, 2022 through a sole share transfer, so there is no year-on-year or year-on-year rate of change.

*EBITDA = operating profit + depreciation / impairment / retirement loss (tangible / intangible fixed assets) + stock-based compensation expenses

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

New — company (Company name) Exclusion — company (Company name)

(2) Changes in Accounting Policies, Accounting Estimations

(1) Changes in accounting policies required by IFRS : None

(2) Changes in accounting policies except (1) : None

(3) Changes in accounting estimates : None

(3) Number of Outstanding Shares (Ordinary shares)

(1) Number of shares outstanding at the end of period (including treasury shares)	As of December 31, 2022	4,017,152 Shares	As of March 31, 2022	— Shares
(2) Number of treasury shares at the end of period	As of December 31, 2022	132,031 Shares	As of March 31, 2022	— Shares
(3) Average number of ordinary shares outstanding during the period (quarterly total)	As of December 31, 2022	3,870,675 Shares	As of September 30, 2021	— Shares

(Note) Our company was established on October 3, 2022 through a sole share transfer, so there are no results for the previous fiscal year and the same quarter last year.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The quarterly consolidated financial statements for the current third quarter consolidated cumulative period have been prepared by taking over the quarterly consolidated financial statements of WOW WORLD Inc, which became a wholly owned subsidiary on October 3, 2022 through a sole share transfer.

(Notes on forward-looking statements, etc.)

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Results may differ materially from the consolidated forecasts due to various factors.

Please refer to "1. Qualitative Information on Quarterly Results (3) Explanation of Forward-Looking Statements, including Consolidated Earnings Forecasts" on page 5 of the attached materials for the assumptions used for earnings forecasts and precautionary statements regarding the use of earnings forecasts.

(Application of International Financial Reporting Standards (IFRS))

Our company has adopted International Financial Reporting Standards (IFRS) from the third quarter of the fiscal year ending March 31, 2023.

Attached Material

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1. Qualitative Information on Quarterly Financial Results

Forward-looking statements in this disclosure are based on judgments made as of the end of the current consolidated quarter. As the Company was established as a wholly owning parent company of WOW WORLD Inc. on October 3, 2022 by means of a sole-share transfer, no statements regarding comparisons with the previous consolidated fiscal year or the same period of the previous year are presented herein.

In addition, the quarterly consolidated financial statements for the third quarter of the current consolidated cumulative fiscal year (April 1, 2022 to December 31, 2022) have been prepared by succeeding the quarterly consolidated financial statements of WOW WORLD Inc., which became a wholly owned subsidiary through said sole-share transfer.

(1) Explanation of operating results

During the cumulative consolidated third quarter of the current fiscal year (April 1, 2022 to December 31, 2022), the Japanese economy remained unpredictable due to concerns about the reemergence of COVID-19 infections, although vaccinations have progressed, and the economy is beginning to normalize after the gradual relaxation of restrictions on business activities.

Further, the economic situation remained uncertain due to factors that include interest rate hikes in the U.S. and other countries around the world, as well as political instability caused by the situation in Russia and Ukraine.

The digital marketing industry, of which our group is a part, has seen an acceleration during COVID-19 in which the marketing domain is shifting toward digital. Demand for digital-based approaches to customers and communications has been firm.

Under these circumstances, the WOW WORLD Group achieved a 15th consecutive year of sales growth (calculated under WOW WORLD Inc. prior to reorganization under a holding company structure). We attribute these results to upselling and cross-selling customer success activities, as well as increase in the number of new inquiries and orders received due to digital-related demand in the wake of the COVID-19.

As a result, we posted revenue of 2,159,821 thousand yen, EBITDA of 412,047 thousand yen, operating profit of 178,223 thousand yen, and profit attributable to owners of parent of 98,927 thousand yen.

The performance of the segment is as follows.

a. Enterprise Software

WEBCAS e-mail, our mainstay email communications product, was ranked No. 1 in sales in the fiscal 2019 email broadcast package market vendor rankings in the market survey report (*ITR Market View: Email/Web Marketing Market 2022*) published by ITR CORPORATION. By sales, our market share was 41.3%. According to the forecast in said report, we are expected to hold top share (41.8%) for fiscal 2021 as well.

As a result, overall revenue of this business was 1,468,562 thousand yen and gross profit margin 65.0%.

b. Large-scale web development

During the cumulative consolidated third quarter, we saw progress in corporate website construction using the Connecty Inc. CMS. At the same time, business for website operations and maintenance grew.

As a result, overall revenue of this business was 440,553 thousand yen and gross profit margin 15.2%.

c. Communication Support and Consulting

In the third quarter of the current consolidated cumulative period, Despite the impact of curtailed investment due to the COVID-19 infections, efforts focused on profitability progressed smoothly.

As a result, overall revenue of this business was 186,326 thousand yen and gross profit margin 17.2%.

d. Others

In the third quarter of the current consolidated cumulative period, the slump continued due to factors such as a decline in customer demand due to the COVID-19 infections and the impact of lockdowns in China, one of our suppliers.

As a result, overall revenue of this business was 64,379 thousand yen and gross profit margin 39.5%.

Given the circumstances described above, the Company resolved to dissolve Mamachu Inc. as of January 11, 2023. For details, refer to 2. Quarterly Consolidated Financial Statements and Principal Notes (5) Notes on Quarterly Consolidated Financial Statements (Subsequent event).

(2) Explanation of financial position

A) Status of assets, liabilities and net assets

Total assets at the end of the third quarter of the current consolidated fiscal year were 3,818,012 thousand yen.

The main breakdown of current assets is cash and cash equivalents of 989,105 thousand yen and trade and other receivables of 298,449 thousand yen.

The main breakdown of non-current assets is financial assets of 853,002 thousand yen and intangible assets of 683,940 thousand yen.

Total liabilities at the end of the third quarter of the current consolidated fiscal year were 1,662,513 thousand yen.

The main breakdown of current liabilities is contract liabilities of 361,936 thousand yen and borrowings of 181,803 thousand yen.

The main breakdown of non-current liabilities is borrowings of 557,623 thousand yen and deferred tax liabilities of 59,728 thousand yen.

Total equity at the end of the third quarter of the current consolidated fiscal year were 2,155,498 thousand yen.

B) Cash flow status

The balance of cash and cash equivalents (hereinafter referred to as “funds”) at the end of the third quarter of the current consolidated fiscal year was 989,105 thousand yen.

The status of each cash flow and its main causes are as follows.

(Cash flows from operating activities)

Funds obtained as a result of operating activities during the third quarter of the current consolidated cumulative period were 451,760 thousand yen.

The main factors for the increase in funds were due to profit before tax of 162,656 thousand yen and depreciation and amortization of 203,293 thousand yen and decrease in trade and other receivables of 75,033 thousand yen. The main factors for the decrease in funds were due to income taxes paid of 55,638 thousand yen.

(Cash flows from investing activities)

Funds paid as a result of investment activities during the third quarter of the current consolidated cumulative period were 312,163 thousand yen. The factors behind the decrease in funds were purchase of intangible assets of 206,737 thousand yen and purchase of investment securities of 102,465 thousand yen.

(Cash flows from financing activities)

Funds paid as a result of financial activities during the third quarter of the current consolidated cumulative period were 126,157 thousand yen. The factors behind the increase in funds were expenditures for dividends paid of 119,653 thousand yen.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

At this stage, there are no changes to the full-year consolidated earnings forecast.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	As of December 31, 2022
Assets	
Current assets	
Cash and cash equivalents	989,105
Trade and other receivables	298,449
Contract assets	22,914
Inventories	5,781
Other current assets	82,075
Total current assets	1,398,326
Non-current assets	
Property, plant and equipment	156,156
Right-of-use assets	117,137
Intangible assets	683,940
Goodwill	541,497
Financial assets	853,002
Deferred tax assets	41,551
Other non-current assets	26,401
Total non-current assets	2,419,686
Total assets	3,818,012

(Thousand yen)

	As of December 31, 2022
Liabilities	
Current liabilities	
Trade and other payables	100,820
Contract liabilities	361,936
Borrowings	181,803
Lease liabilities	65,542
Income taxes payable	22,148
Short-term employee benefits	141,767
Provisions	—
Other current liabilities	95,738
Total current liabilities	969,758
Non-current liabilities	
Borrowings	557,623
Lease liabilities	50,353
Other financial liabilities	—
Provisions	25,049
Deferred tax liabilities	59,728
Total non-current liabilities	692,755
Total liabilities	1,662,513
Equity	
Share capital	330,370
Capital surplus	342,251
Retained earnings	1,292,815
Treasury shares	(225,517)
Other components of equity	381,856
Equity attributable to owners of parent	2,121,775
Non-controlling interests	33,722
Total equity	2,155,498
Total liabilities and equity	3,818,012

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (Third quarter consolidated cumulative period)

(Thousand yen)

	Nine months ended from April 1, 2022 to December 31, 2022
Revenue	2,159,821
Cost of sales	1,089,903
Gross profit	1,069,917
Selling, general and administrative expenses	910,355
Other income	31,520
Other expenses	12,859
Operating profit (loss)	178,223
Finance income	886
Finance costs	16,454
Profit (loss) before tax	162,656
Income tax expense	66,134
Profit (loss)	96,521
Profit (loss) attributable to	
Owners of parent	98,927
Non-controlling interests	(2,405)
Earnings (loss) per share	
Basic earnings (loss) per share (yen)	25.56
Diluted earnings (loss) per share (yen)	25.56

(Third quarter consolidated accounting period)

(Thousand yen)

	Three months ended from October 1, 2022 to December 31, 2022
Revenue	744,139
Cost of sales	380,790
Gross profit	363,348
Selling, general and administrative expenses	287,161
Other income	27,215
Other expenses	11,705
Operating profit (loss)	91,697
Finance income	0
Finance costs	8,091
Profit (loss) before tax	83,606
Income tax expense	35,518
Profit (loss)	48,087
Profit (loss) attributable to	
Owners of parent	47,620
Non-controlling interests	467
Earnings (loss) per share	
Basic earnings (loss) per share (yen)	12.29
Diluted earnings (loss) per share (yen)	12.29

(Quarterly Consolidated Statement of Comprehensive Income)
 (Third quarter consolidated cumulative period)

(Thousand yen)

	Nine months ended from April 1, 2022 to December 31, 2022
Profit (loss)	96,521
Other comprehensive income	
Items that will not be reclassified to profit or loss	
Financial assets measured at fair value through other comprehensive income	2,219
Total of items that will not be reclassified to profit or loss	2,219
Other comprehensive income	2,219
Comprehensive income	98,741
Comprehensive income attributable to	
Owners of parent	101,147
Non-controlling interests	(2,405)

(Third quarter consolidated accounting period)

(Thousand yen)

	Three months ended from October 1, 2022 to December 31, 2022
Profit (loss)	48,087
Other comprehensive income	
Items that will not be reclassified to profit or loss	
Financial assets measured at fair value through other comprehensive income	2,701
Total of items that will not be reclassified to profit or loss	2,701
Other comprehensive income	2,701
Comprehensive income	50,789
Comprehensive income attributable to	
Owners of parent	50,322
Non-controlling interests	467

(3) Quarterly Consolidated Statement of Changes in Equity
 Nine month ended December 31, 2022 (April 1, 2022 through December 31, 2022)

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of parent		
Balance as of April 1, 2022	322,420	292,931	1,313,860	(227,831)	379,636	2,081,016	12,107	2,093,123
Comprehensive income	—	—	98,927	—	—	98,927	(2,405)	96,521
Other comprehensive income	—	—	—	—	2,219	2,219	—	2,219
Total comprehensive income	—	—	98,927	—	2,219	101,147	(2,405)	98,741
Issuance of new shares	7,949	7,949	—	—	—	15,899	—	15,899
Change due to acquisition of control of subsidiary	—	—	—	—	—	—	5,775	5,775
Changes in ownership interest in subsidiaries	—	30,954	—	—	—	30,954	18,245	49,200
Disposal of treasury shares	—	—	—	1,074	—	1,074	—	1,074
Dividends	—	—	(119,972)	—	—	(119,972)	—	(119,972)
Share-based payment transactions	—	10,416	—	1,239	—	11,656	—	11,656
Total transactions with owners	7,949	49,320	(119,972)	2,314	—	(60,387)	24,021	(36,366)
Balance as of December 31, 2022	330,370	342,251	1,292,815	(225,517)	381,856	2,121,775	33,722	2,155,498

(4) Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	Nine month ended December 31, 2022 (April 1, 2022 through December 31, 2022)
Cash flows from operating activities	
Profit (loss) before tax	162,656
Depreciation and amortization	203,293
Finance income	(886)
Finance costs	16,454
Share-based payment expenses	27,723
Loss on retirement of fixed assets	2,806
Increase (decrease) in provisions	(9,669)
Decrease (increase) in trade and other receivables	75,033
Decrease (increase) in contract assets	4,112
Decrease (increase) in inventories	12,695
Increase (decrease) in trade and other payables	31,204
Increase (decrease) in contract liabilities	(1,819)
Short-term employee benefits	2,215
Others	(8,326)
Subtotal	517,494
Interest and dividends received	886
Interest paid	(10,981)
Income taxes paid	(55,638)
Net cash provided by (used in) operating activities	451,760
Cash flows from investing activities	
Purchase of property, plant and equipment	(24,650)
Purchase of intangible assets	(206,737)
Purchase of investment securities	(102,465)
Payments of leasehold and guarantee deposits	(2,408)
Proceeds from refund of leasehold and guarantee deposits	39,009
Payments for acquisition of subsidiaries	(15,000)
Others	90
Net cash provided by (used in) investing activities	(312,163)

(Thousand yen)

	Nine month ended December 31, 2022 (April 1, 2022 through December 31, 2022)
Cash flows from financing activities	
Proceeds from long-term borrowings	160,000
Repayments of long-term borrowings	(152,803)
Repayments of lease liabilities	(62,800)
Dividends paid	(119,753)
Capital contribution from non-controlling interests	49,200
Net cash provided by (used in) financing activities	(126,157)
Net increase (decrease) in cash and cash equivalents	13,439
Cash and cash equivalents at beginning of period	975,665
Cash and cash equivalents at end of period	989,105

(5) Notes on Quarterly Consolidated Financial Statements

(Notes for Going Concern)

Not applicable

(Subsequent event)

(Dissolution of a Specified Subsidiary)

Reasons for Dissolution

Since its establishment in 2018, Mamachu Inc. has operated the Babychu e-commerce site for baby clothes. As e-commerce companies represent one of the main customer bases for the WOW WORLD Group's mainstay communications platform, WEBCAS, operating an e-commerce site within the group provides a means of research related to customer needs, test marketing, and clues for developing various services.

However, Mamachu Inc. has continued to perform poorly due to declining customer demand in the wake of the COVID-19 pandemic and the lockdowns in China, where the company sources certain products. As a result, we have decided to dissolve Mamachu Inc., judging that a recovery in future performance is uncertain.

Outline of subsidiary to be dissolved

(1)	Company name	Mamachu Inc.		
(2)	Address	2-8-4 Tamagawa, Fukushima-ku, Osaka-shi, Osaka		
(3)	Title and name of representative	Representative Director Koji Nakanishi		
(4)	Business content	Mail-order sales of clothing such as baby clothes		
(5)	Capital	50 million yen		
(6)	Date of establishment	August 23, 2018		
(7)	Major shareholders and shareholding ratio	Our company 100%		
(8)	Relationship with our company			
	Capital relationship	Our company owns 100% of the voting rights of Mamachu Inc.		
	Personal relationship	A director of our company concurrently serves as an auditor of the company (one person).		
	Business relationship	Not applicable.		
	Applicability to related parties	This company is a specified subsidiary of our company.		
(9)	Financial status and operating results for the last three years (million yen)			
	Accounting period	Fiscal year ending March 31, 2019	Fiscal year ending March 31, 2020	Fiscal year ending March 31, 2021
	Net assets	34	(8)	(29)
	Total assets	54	28	33
	Net assets per share (yen)	688.94	(166.32)	(587.78)
	Sales	136	165	117
	Operating profit	(12)	(19)	(20)
	Ordinary profit	(12)	(19)	(20)
	Profit attributable to owners of the parent company	(12)	(42)	(21)
	Earnings per share (yen)	(258.39)	(855.27)	(421.45)
	Dividend per share (yen)	No dividend	No dividend	No dividend

Dissolution schedule

January 11, 2023	Resolution of dissolution by our board of directors
March 31, 2023	Completion of the company's liquidation (planned)

Amount of loss due to dissolution and future outlook

The impact of this matter on the Company's consolidated financial results for the fiscal year ending March 31, 2023 is currently expected to be minor.

We will promptly notify you of any matters that should be announced in the future.

(Reference) Earnings forecast for the current fiscal year and results for the previous fiscal year

(million yen)

	Revenue	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent
Consolidated earnings forecast for the current fiscal year (Ending March 31, 2023)	3,000	330	320	200
Consolidated results for the previous fiscal year (Ending March 31, 2022)	2,833	399	394	244

(Note) Consolidated results for the previous fiscal year (fiscal year ended March 31, 2022) are the results of WOW WORLD Inc. before the transition to a holding company structure on October 3, 2022.

(Regarding the Tender Offer for the Company's Shares by JG16 Co., Ltd.)

At a meeting held January 31, 2023, the Company's board of directors resolved to express its opinion in favor of a tender offer ("Tender Offer") by JG16 Co., Ltd. ("Offeror") for common shares of Company stock ("Stock") and stock acquisition rights. The board also resolved to recommend that shareholders and stock acquisition rights holders tender their shares to Offeror.

The above resolution by the board was passed on the assumption that Offeror intends to make the Company a wholly owned subsidiary of Offeror via said Tender Offer and that Company shares will be scheduled for delisting after a series of subsequent procedures.

For details, please refer to the *Notice of Expression of Opinion in Favor of Tender Offer for Shares, Etc., of the Company by JG16 Co. Ltd., and Recommendation to Tender* (Japanese only) released on January 31, 2023.