

## 4x upside potential with 5 years of growth value according to GCC Management™ analysis

Transformation into a total solution company like Twilio (market capitalization over 2 trillion yen)<sup>1</sup> in the U.S.

This report analyzes corporate value from the perspective of GCC Management™, a framework developed by J-Phoenix Research Corporation ("JPR") that emphasizes the three elements of Growth (sales growth), Connection (improved connections between people and business = higher return on capital), and Confidence (improved trust = lower business risk).

Transformation comparable to a second founding, CPaaS<sup>2</sup> market with a projected CAGR of over 34%.

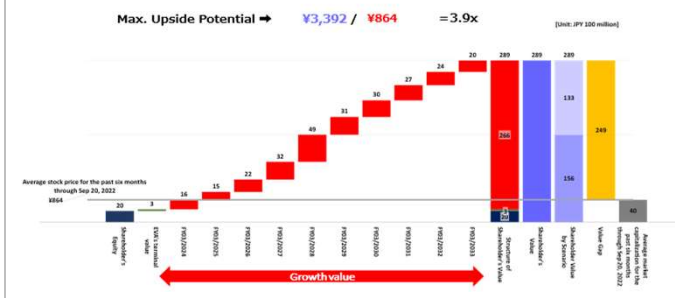
On October 3, 2022, WOW WORLD GROUP Inc. (Securities code: 5128, hereinafter referred to as "WW", including wholly owned subsidiary WOW WORLD Inc.), a pure holding company was established through a sole-share transfer and listed on the Prime Market of the Tokyo Stock Exchange. Founded in 1995, listed on TSE Mothers in 2005, and currently listed on TSE Prime, WW has developed its business based on the value of "client satisfaction", and has become the No. 1 company in the mail transmission package market by providing "WEBCAS e-mail". Through its transformation from "AZIA, the email application company" to "AZIA as the global provider of e-commerce sales-increasing solutions," and further to "WOW WORLD, creating a world full of surprises with total solutions that realize customer success," WW will continue to achieve high growth and will enter the high-growth CPaaS market, where the benchmark is Twilio (market capitalization of over 2 trillion yen) from the United States. WW has launched a new solution, "WOW engage," and will actively promote development, alliances, and M&A to realize "what you need, when you need it, and where you need it. The composition of the Board of Directors after the transition to the new structure will have a 1:1 gender ratio, which is expected to enhance sustainability by establishing a more advanced governance structure.

In this report, each indicator of WOW WORLD GROUP has been taken over and described based on the assumption that WOW WORLD GROUP will maintain business continuity even after becoming the parent company of WOW WORLD.

Potential for up to another 7.1x in market capitalization, depending on 10-year growth scenario

The shareholder value reflecting this transformation was estimated using the "excess profit method" (see "4. Reference Materials") based on the GCC Management™ framework. The value of a "SaaS-type e-mail delivery service company" based on the existing "WEBCAS" series was estimated to be 17.3 billion yen, or 4.3 times the current market capitalization, if 5 years of growth value is reflected, and 29.3 billion yen (7.1 times the current market capitalization) if 10 years of growth value is reflected (for details, please see "Invest Summary" in Section 1). WW's market capitalization is expected to have room to increase significantly as it progresses with its growth scenario.

WW plans to achieve a market capitalization of 10 billion yen in FY3/25 in its "Plan for Compliance with the Listing Maintenance Standards for the New Market Classification. JPR believes that this plan is achievable because the value of growth up to two years from 2025 will exceed 10 billion yen if the market capitalization is factored in as of the fiscal year ending March 31, 2025 (for details, see "Reference Material 3.)



### Basic Report

Written and Edited by J-Phoenix Research Inc.

Osamu Miyashita/Taizo Honda  
www.j-phoenix.com

### Corporate Profile

Headquarters	Shinagawa-ku, Tokyo
President & CEO	Kazuo Mino
Established	Oct-2022
Capital	JPY 322 million
Listed	Oct-2022
URL	<a href="https://www.wow-world-group.co.jp/">https://www.wow-world-group.co.jp/</a>
Industry	Information and communication industry

### Key Indicators (as of October 7, 2022)

Stock price	JPY 900
Highest in 52 weeks	JPY 1,940
Lowest in 52 weeks	JPY 832
Outstanding Shares	3,999,084 stocks
Trading Units	100 stocks
Market Capitalization	JPY 3,599 million
Prospective Dividend	JPY 33
Estimated EPS	JPY 50.00
Estimated PER	18 times
Actual BPS (Mar 2022)	JPY 519.08
Actual PBR	1.73 times

Performance Trends	Sales	YoY	Operating income	YoY	Ordinary income	YoY	Net income	YoY	EPS	Stock Price	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	High Price(JPY)	Low Price(JPY)
Results for FY 3, 2020	1,875	10.1	462	24.5	470	27.0	320	147.0	81.01	1,616	1,007
Results for FY 3, 2021	2,356	25.6	411	-11.0	425	-9.6	222	-30.6	56.14	2,855	1,080
Results for FY 3, 2022	2,833	20.2	362	-11.9	365	-14.0	213	-4.1	54.21	2,339	1,012
Results for FY 3, 2022 1Q	677	50.3	100	16.4	101	14.6	55	-12.3	14.03	2,339	1,759
Results for FY 3, 2023 1Q	679	0.4	-4	-	-	-	-1	-	-0.46	1,260	985
Plans for FY 3, 2023	3,000	-	330	-	-	-	200	-	50.00	-	-

1: From Yahoo Finance, as of June 27, 2022

2: The global CPaaS (Communication Platform as a Service) market is expected to grow at a CAGR of 34.30% from 2021 to 2027, according to a study by Report Ocean.

3: Calculations are based on IFRS since WW has decided to voluntarily apply International Financial Reporting Standards ("IFRS") from the fiscal year ending March 31, 2023. Therefore, the percentage change from the actual results for the fiscal year ended March 31, 2023, when Japanese GAAP was applied, is not shown.

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# 1. Investment Summary

## Shareholder Value Analysis

Market capitalization 3.9x with 5-year growth factored in.

## Estimation using the excess profit method

### Potential for a big leap forward

Shareholder value was estimated using the "Excess Profit Method" (see "Reference Materials 2.") based on the GCC Management™ framework. The following chart visualizes the results of the estimation. Assumptions are shown on the next page and thereafter. The value of the existing "WEBCAS" series up to this fiscal year's forecast is estimated at 4.1 billion yen based on WW's outlook, and the value as a "total solution provider that has transformed from an e-mail delivery system provider" is estimated at around 13.3 billion yen based on JPR's own growth potential assumptions for the next five years. The total of 15.6 billion yen is 3.9 times the current market capitalization. The market capitalization is expected to increase significantly as it progresses with its growth scenario. As these moves are realized from time to time in the future, there is a good possibility that the market capitalization will reflect the value of WW's growth 10 years from now in the next 1-2 years ahead of schedule.

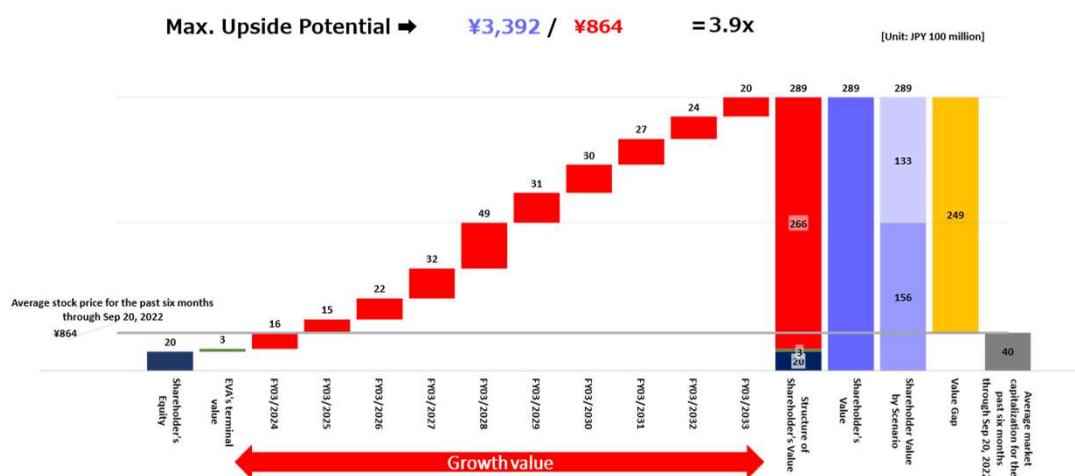
### Shareholder value analysis (Unit: JPY billion)

Market capitalization			
4.0		15.6 ÷ 4.0 = 3.9 x	
Shareholder value reflecting a 5-year growth scenario to the maximum extent possible		7.3 x	
Shareholders' Equity + EVA's Terminal Value + Growth Value =		15.6	Total 28.9
Shareholders' equity	Excess profit value	5-years growth value	10-years growth value
2.0	0.3	13.3	13.3
Value incorporating up to this fiscal year's forecast	Value as a total solution provider that has transformed from an e-mail distribution system provider		
4.1	24.8		

[Source]JPR

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## Time series analysis of shareholder value



\*The above graph is not a time-series projection of market capitalization, but a visualization of the time-series projection of shareholder value created annually, discounted from the current point of view. Therefore, it is considered possible for WW to achieve the listing maintenance standard of JPY10 billion in market capitalization of tradable shares by FY03/2025, as disclosed in the "Plan for Compliance with the Listing Maintenance Standard for New Market Classification" (see "Reference Material 3." for details).

[JPY 100 million]	Current Year	1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	10 years later
	2023.03	2024.03	2025.03	2026.03	2027.03	2028.03	2029.03	2030.03	2031.03	2032.03	2033.03
Sales	30	40	54	72	97	130	165	201	236	269	298
Operating income	3.3	5.0	7.5	11.4	17.2	25.9	33.0	40.1	47.1	53.7	59.7
Operating margin	11.0%	12.4%	14.0%	15.7%	17.7%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Sales growth rate	5.9%	34.0%	34.0%	34.0%	34.0%	34.0%	27.2%	21.8%	17.4%	13.9%	11.1%
NOPAT margin	7.6%	8.6%	9.7%	10.9%	12.3%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
Invested capital turnover ratio	97.2%	70.2%	67.0%	64.0%	63.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
WACC	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
ROIC = NOPAT margin × invested capital net sales ratio	7.8%	12.2%	14.4%	17.0%	19.5%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
ROIC / WACC (value created with the original hand of 1 yen)	¥1.1	¥1.7	¥2.0	¥2.4	¥2.7	¥3.2	¥3.2	¥3.2	¥3.2	¥3.2	¥3.2
NOPAT	2.28	3.45	5.20	7.86	11.87	17.92	22.80	27.76	32.59	37.13	41.27
Invested capital × WACC	2.07	2.00	2.56	3.28	4.33	5.52	7.02	8.55	10.04	11.44	12.71
EVA	0.21	1.44	2.64	4.58	7.54	12.40	15.77	19.21	22.55	25.69	28.55
EVA = NOPAT - invested capital × WACC	0.21	1.44	2.64	4.58	7.54	12.40	15.77	19.21	22.55	25.69	28.55
Value created in each year	3	17	17	27	42	68	48	48	47	44	40
Discount Rate	100%	33%	67%	81%	76%	71%	66%	62%	58%	54%	50%
Present value of EVA	3	16	19	22	32	49	31	30	27	24	20
Invested capital ① Origin	29										
Over profit value (Permanent value of EVA of this term) ②	3										
Growth value (Present value of increase in EVA) ③	266										
Non-business asset value ④	0										
Corporate value = ① + ② + ③ + ④	298										
Interest-bearing debt, etc.	-9										
Shareholder value	289										

[Source]JPR

## GCC Management™ Analysis

To the Japanese  
version of Twilio,  
specializing in  
digital marketing

Increase continuous  
use services by  
maximizing marketing  
effectiveness through  
optimization of  
message transmission

Highly sustainable  
business model  
from three  
perspectives

## Potentially very large room for growth

### Growth: Enter CPaaS market and grow by capturing new customers and cross-selling

With "WOW engage," WW will transform itself from a conventional e-mail delivery system provider to a total solution provider like Twilio (a US company with sales of \$2.8 billion in the previous fiscal year and a market capitalization of approximately \$17 billion<sup>1</sup>). Through this, WW will enter the CPaaS market, which is expected to grow at a CAGR of 34% until 2027, and provide "WOW engage," a total solution that realizes customer success for clients. Connect, Inc. ("Connecty"), which is strong in attracting new major industry customers, and aims to expand its market share and grow through cross-selling.

### Connection: Customer Success Enablement Service Reduces Churn

In the subscriber-based business, customer success is becoming increasingly important, aiming at continued use (prevention of churn) and expansion of the scale of use by providing active support according to the user's usage status. "WOW engage" integrates and analyzes all customer information (purchase history, POS data, website activity history, etc.) through CDP to provide optimal communication for customers. In addition, WOW engage uses advanced statistical analysis methods such as statistical causal inference to propose measures to increase customer engagement, such as "not sending information that the customer does not want" or "replacing the information with other information". This will help clients achieve customer success.

### Confidence: Stable revenue while reducing wasteful mail

Message transmission optimization by "WOW engage" is a service suitable for the transition from a sender-oriented, technology-centered society where mass transmission is based on server enhancement to a recipient-oriented, human-centered society where only necessary information is delivered when desired. In addition, the lower churn rate of the service will promote stable revenue accumulation and strengthen financial stability. Furthermore, the reduction in the number of e-mails sent and cloud management through CDP will contribute to the achievement of SDGs goals. WW's sustainability is also strengthened by its enhanced governance structure through the transition to a holding company structure, as well as by its enhanced training programs, especially for new graduates.

## GCC Management™ Analysis of 10-Year Future Story Financials

Growth	Connection	Confidence
Sales growth CAGR of 34% <sup>2</sup> for 5 years	Improved return on invested capital (ROIC <sup>3</sup> ) to 23.0% <sup>4</sup> .	WACC 7.1% <sup>5</sup>

1. As of June 27, 2022, from Yahoo Finance.

2. Based on the annual growth rate of the CPaaS market as released by Report Ocean (<https://prtimes.jp/main/html/rd/p/000003541.000067400.html>).

3. See "3. Reference Materials" at the end of this report for the calculation method of return on invested capital.

4. The ratio of invested capital to sales is estimated to be 60% by the end of FY2028, after which it will level off. Gross profit margin is expected to increase due to reduced outsourcing costs, and SG&A expenses are expected to decrease due to improved hiring plans and human resource development.

5. WACC is currently estimated at 7.1% as JPR based on stock price fluctuations over the past five years.

[Source]JPR

## Prerequisite Future Story

"WOW engage" to create value as a total solution provider that achieves customer success.

## Providing Total Solutions in Customer Engagement

### Transformed from an email distribution system provider

WW is developing the business based on the value of "creating a world full of surprises as encounters that exceed expectations through the commitment to people and our reliable technology. Until now, WW have been providing e-mail distribution systems for more than 20 years based on these values, and have been adopted by more than 8,000 companies. From now on, in this era of information overload, WW will promote "WOW engage," proposing "dare not send messages" by combining services such as large-scale web development, communication platforms, CDP/marketing consulting, and data analysis. Furthermore, WW will expand its service lineup through aggressive development, alliances, and M&A to transform itself into a total solution provider to enhance customer engagement and achieve customer success.

### Values, Strategy, Business Model, Sustainability

Based on the content of this report, JPR have drawn a future story that will lead to growth in shareholder value. The starting point is the sense of value. The values are systematized in terms of the concept of "growth" because they define the growth potential of the markets involved. Next, the plan to achieve the values becomes the strategy and business model. These are systematized under the concept of "Connection," which refers to the linkage of management resources. Sustainability is systematized as Confidence.

## GCC Management™ Analysis - Qualitative Future Story Visualization

Growth	Connection	Confidence
Values	Strategies and Business Models	Sustainability
Provide people with various "encounters" that exceed their expectations with exquisite timing, and create a pleasant "connection."	Providing e-mail distribution system and marketing support mainly for e-commerce sites.	Over 20 years of providing a high-performance, high-security email delivery platform that has earned the trust of our customers.
Creating a world overflowing with surprises as encounters that exceed expectations, with a heart that is close to people and reliable technology.	High growth and profitability as a domestic mail distribution system provider	More than 8,000 companies, major companies such as e-commerce operators, manufacturers, life insurance companies, financial institutions, and government agencies, have adopted our services.
Delivering pleasant experiences to each and every person in this world through "relationship engineering," a technology that creates joyful "connections."	"WOW engage" to increase customer engagement and promote customer success	Returning to a human-centered society in the age of information overload to optimize digital marketing as a whole.
Transformed into a total solution provider, not just an email distribution system	Realization of a total solution offering structure to enhance customer success through development, alliances and M&A	Contributing to the SDGs through human capital enhancement and digitalization
Achieve customer success by delivering "information you really want" at "the right place" at "the right time".	Expansion through cross-selling of total solutions based on overwhelmingly low churn rate by promoting customer success	Stable revenue base to support a virtuous cycle toward growth

[Source]JPR

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## Stock Price Analysis

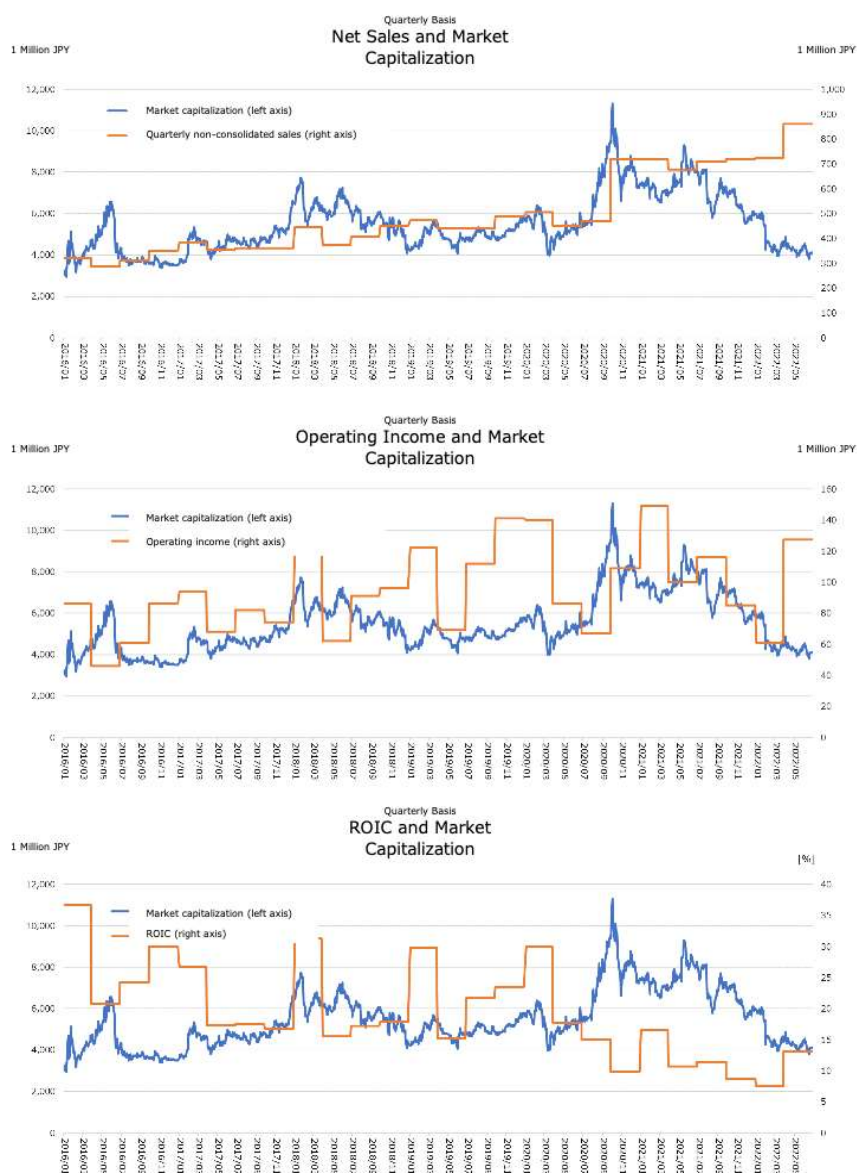
Upside realization triggered by ROIC improvement

## Improvement of ROIC is key

Temporary weakness in ROIC is the reason for the divergence between sales, operating income and stock price

The following chart graphically depicts WW's stock price and quarterly individual sales, operating income, and ROIC movements. The stock price is stagnant even though net sales and operating income have increased. This suggests that an improvement in ROIC may lead to an increase in the stock price.

### Stock price and quarterly non-consolidated sales, operating income, and ROIC



[Source]JPR

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## Very undervalued when compared with PER

### Profit to date = credibility leads to growth expectations

The stock prices of SaaS-type companies, which have been highly valued in the stock market, are currently in an adjustment phase. The PERs of companies that have been reevaluated have fallen from over 100x to around 30-40x. This is because they were evaluated as not being able to meet expectations with profits. On the other hand, WW, on the other hand, was evaluated as very undervalued, with a PER of around 17-20x, even though it was profitable. In addition, when comparing EV/EBITDA and EV/Sales, WW's EV/EBITDA and EV/Sales are at very low levels. We believe that WW's credibility to date is a factor in stimulating expectations for future growth. Details of the comparison are provided in "Appendix 2.

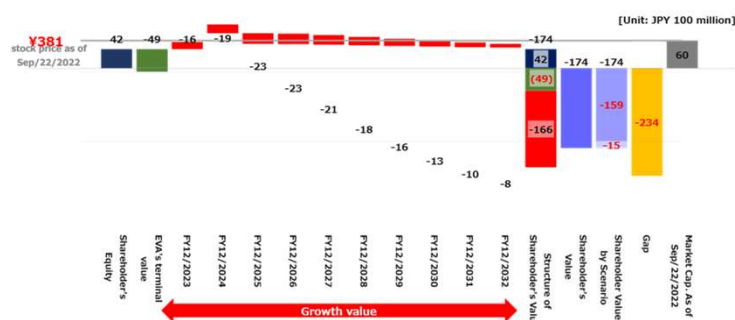
Below is JPR's estimated shareholder value structure and value gap analysis of the comparable companies as an example of a 10-year growth value factored into the stock price.

#### Comparison of 15 publicly traded companies that have attracted attention for their use of AI/SaaS and databases

Company name	PER (times)		EV/EBITDA (times)		EV/Sales (times)		ROIC(%) JPR estimation	Market capitalization
	Last term	Forecast for this term	Last term	Forecast for this term	Last term	Forecast for this term		JPY mil
WOW WORLD	16.32	22.29	9.79	10.74	1.25	1.18	7.8%	3,475
Hotto Link	7.91	61.02	14.66	32.31	0.79	0.65	1.9%	6,041
oRo	17.29	17.16	9.27	9.16	3.40	3.04	36.9%	24,622
YMIRLINK	17.03	15.17	7.92	6.98	1.70	1.51	33.2%	4,870
Speee	31.19	26.66	18.94	14.35	1.70	1.72	22.4%	26,043
Orchestra Holdings	32.90	26.22	18.03	13.63	1.37	2.28	33.4%	24,904

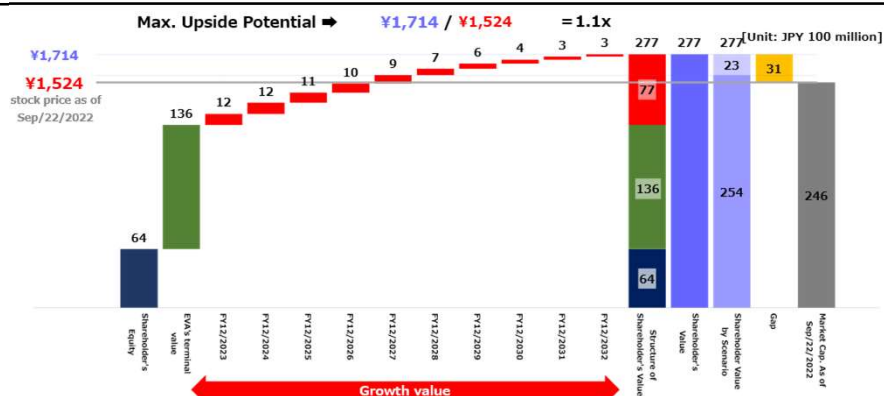
[Source]: Compiled by JPR from FactSet and other sources. Market capitalization is based on the closing price on August 5.

#### Shareholder Value Structure and Value Gap Analysis of Hotto Link(3680)

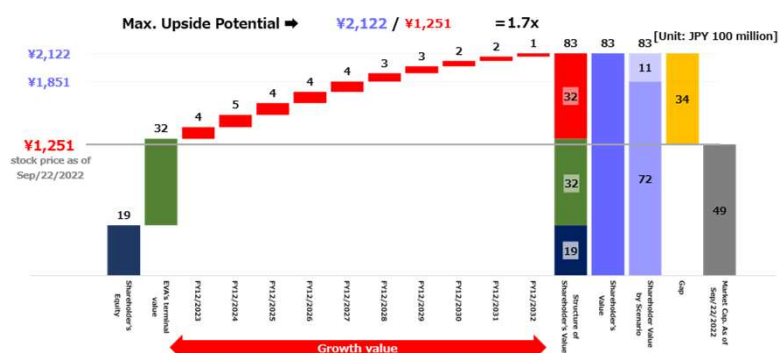




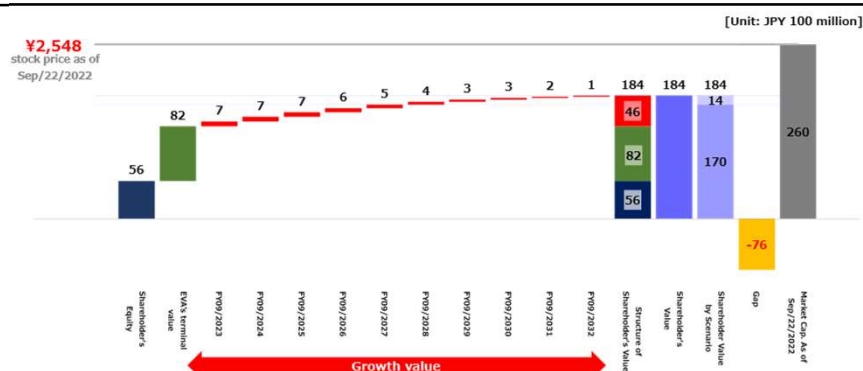
## Shareholder Value Structure and Value Gap Analysis of oRo(3983)



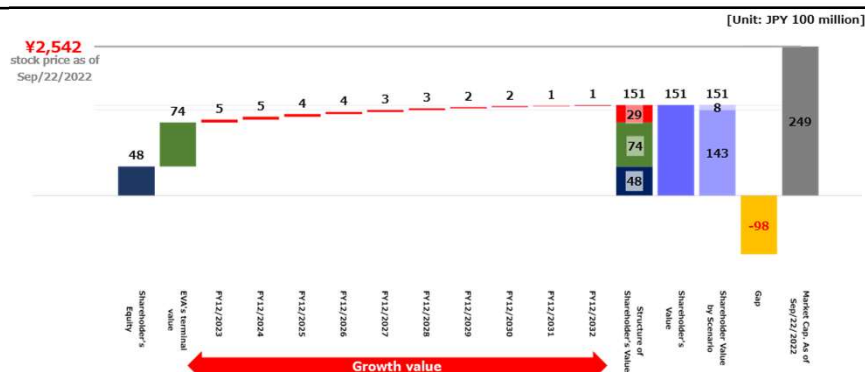
## Shareholder Value Structure and Value Gap Analysis for YMIRLINK (4372)



## Shareholder Value Structure and Value Gap Analysis of Speee (4499)



## Shareholder Value Structure and Value Gap Analysis of Orchestra Holdings (6533)



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## 2. Future Story

### History of Value Formation

The "WEBCAS" series was born as a result of commissioned development.

General-purpose package  
×  
Customized  
+  
Cloud-based SaaS  
↓  
High performance and low cost software

WW is overwhelmingly confident  
From performance with confidence to Reversal of ideas

### Shift from quantity and speed of messages to quality of communication

#### Establish a highly profitable structure with the "WEBCAS" series

#### Supporting a predecessor president by participating in WW from just before it was listed on the stock exchange

In 1995, Aasia Corporation (now WOW WORLD, Inc.) was founded by Akira Eto, WW's predecessor president, in the early days of the Internet with this sense of excitement "I don't know where to start, but it's going to be great." WW's growth began with the development of the "WEBCAS" e-mail distribution system, which became a hit after receiving hints from WW's website development work.

After working at a bank, a securities company, and starting his own business, President Mino was put in charge of IR, M&A, and corporate planning by the previous president, and joined WW as CFO in 2005.

#### Rapid growth in cloud-based SaaS after two shocks

President Mino has been President and Representative Director since 2009, and between his joining, WW experienced the Livedoor Shock and the Lehman Shock. Since that time, WW's greatest strength had been the basic performance of its software products and services, which were absolutely unrivaled by any other company in terms of e-mail delivery performance. However, after the two shocks, WW revised its product lineup from an on-premise, high-performance, and expensive service to a cloud-based SaaS with easy access and small initial costs that can be used continuously.

This was supported by a strategy of general-purpose packaging and aggressive customization. While the introduction of packaged software was progressing, WW covered 80% of the needs with general-purpose models and the remaining 20% with customization, keeping costs down by reducing prices and delivery times to a fraction of those of full-scratch software. This has established an overwhelmingly high-profit structure for the "WEBCAS" series, which has been installed in more than 8,000 companies.

#### Conversion to quality because of top class delivery performance. Beginning of WOW WORLD

The "WEBCAS" series has been introduced as a mail distribution system that can realize one-to-one communication, and its performance in terms of volume and speed has been a selling point. However, President Mino wondered if doubling the current performance would be good for the world. The starting point of "WOW Engage" was the shift in thinking that the emphasis should be on the quality, not the quantity, of communication between WW and its customers. As a first step to share this solution with partners, WW name was changed to "WOW WORLD," aiming for a world full of pleasant surprises.

## values

Building "connections" that continue to generate pleasant surprises and "WOW"

Send messages at just the right time to the recipients  
Breaking away from simple mass sending

**Delivering pleasant experiences to each and every person in this world through "relationship engineering," a technology that creates joyful "connections"**

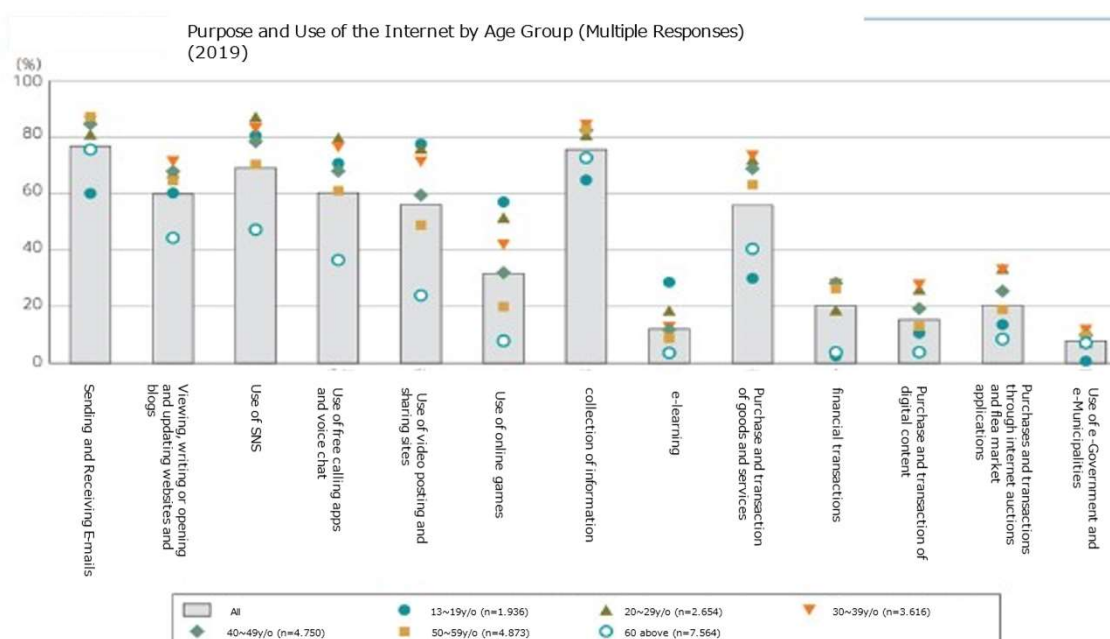
Through the provision of communication systems and services, WW will continue to create moments of pleasant surprise between companies and their customers

In order to solve communication issues between companies and users, WW offer the "WABCAS" series, a system that enables two-way communication through a variety of channels including e-mail. In addition to sending necessary information from WW via e-mail, LINE, and SMS, WABCAS also enables comfortable communication between the two parties by collecting users' opinions through questionnaires, centralized management of inquiry e-mails, and user management.

**Optimize the exploding "amount of information" people receive**

With the explosion of information received by users, email marketing no longer works as it used to in the past. WW believe that messages that "treat the recipients like everyone else" and that are sent in large volumes unilaterally without consideration for the recipients' convenience, even if they are valuable information, will not move users' minds. Solving this problem and providing a pleasant communication experience between companies and users is what WW is aiming for in the future.

## "Sending and receiving e-mail" is the most common purpose of Internet use



[Source] "2020 White Paper on Information and Communications," Ministry of Internal Affairs and Communications: <https://www.soumu.go.jp/johotsusintokei/whitepaper/ja>

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Allows analysis  
using cookie-free  
first-party data

Aiming to provide  
total solutions to  
create happy  
"connections"

## Transforming from an Email Distribution System Provider to a Total Solution Provider that supports optimal communication between customers and users

In order for a company to move the hearts and minds of its customers, it is important to "deliver the best information at the best time" using the latest digital technology

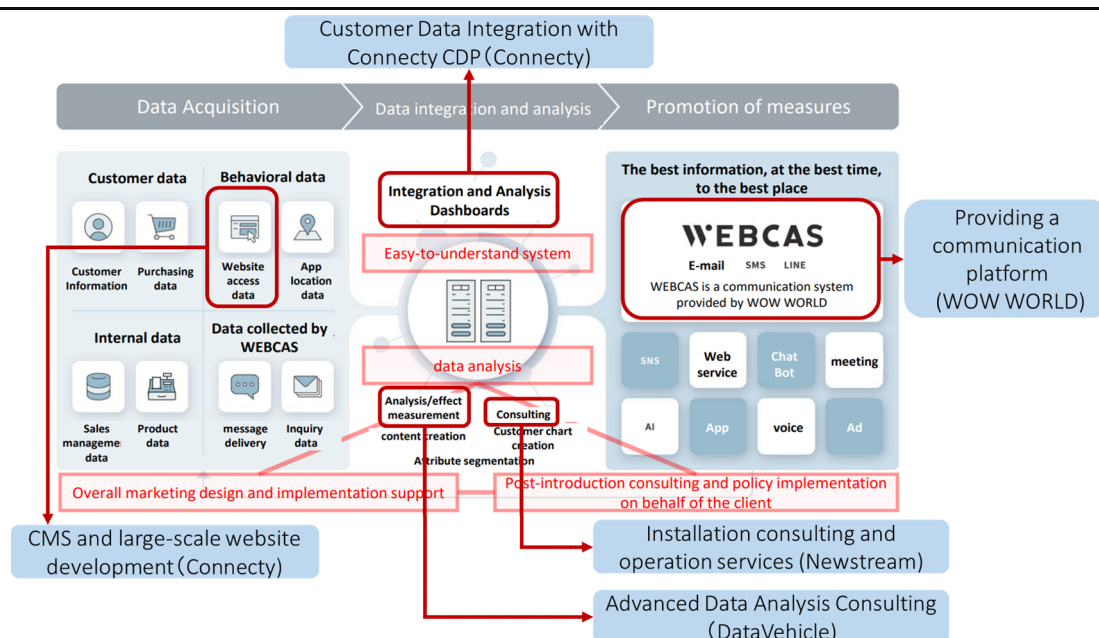
For a pleasant communication experience, it is necessary to deliver "truly wanted information" at "the right time" and "the right place". In order to realize this, WW group integrates, analyzes, and utilizes customer information through CDP (Customer Data Platform) to clarify "information that people really want," "timing when they want it," and "location where they want it," and uses this information in communication.

CDP is to utilize and analyze first-party data in addition to third-party data handled by DMPs utilized in the advertising industry.

Provide people with various "encounters" that exceed their expectations with exquisite timing, and create a pleasant "connection" between WW and its customers.

When the right information is delivered at the right time, it creates an experience that exceeds expectations, an emotional experience. WW aims to continuously provide this emotional experience to its clients and users, and to create a happy "connection" between its company, its clients, and end users. In order to expand these connections, WW will transform itself from a conventional e-mail delivery system provider to a company that provides total solutions for creating happy "connections".

## Total solutions provided by WOW WORLD GROUP



[Source]: Prepared by JPR based on company data.

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Entering high-growth markets  
Aiming to become a total solution provider equivalent to Twilio, Inc. of the U.S. (market capitalization of over 2 trillion JPY)

Finding room for growth in the churn rate of the standard version (industry average level)

Promote optimal support and proposals based on the user's usage situation, rather than simply providing systems

## Entering the high-growth CPaaS market by providing total solutions

Twilio, a U.S. company, is a total solution provider that uses relationship engineering to increase customer engagement. Twilio started its business in 2008 by providing an API to manage incoming and outgoing calls, and is now one of the leading companies in the CPaaS market, supporting personalized communication and reliable global communications.

Twilio is close to WW's goal of becoming a total solution provider, with a CAGR of 59%<sup>1</sup> from 2016-2021. The CPaaS market is expected to grow at a rate of more than 34.30%<sup>2</sup> from 2021-2027. By entering this market, WW expects to significantly increase our growth potential.

## Achieve customer success by delivering "information that people really want" at "the right place" at "the right time"

### Contribute to customer success for clients

#### Customer Success Important for Subscription-Based Services

The concept of customer success is becoming increasingly important to companies that provide subscription-based services. Customer success is the concept of defining the success of users and helping them achieve it. This reduces churn, increases return on sales costs, and facilitates cross-selling to existing customers. Therefore, customer success is critical to the growth of a subscription-based service provider.

Currently, the premium version of WW's "WEBCAS" in the high price range has maintained high customer satisfaction by providing customization that other companies cannot achieve. The premium version of WW's "WEBCAS" has maintained a high level of customer satisfaction and a churn rate of less than 1%, thanks to customization that other companies cannot provide. WW aims to reduce the churn rate and increase Average Revenue Per Use (ARPU) by promoting customer success.

#### Maximize LTV by promoting customer success

Customer success differs from customer support, which is a passive response to user requests, in that it actively provides optimal support and proposals based on the user's usage situation. WW aims to maximize LTV (customer lifetime value) by establishing a dedicated customer success unit within the sales organization, collecting user feedback and case studies on a daily basis, and establishing activities to promote the use of the service.

1. from WW's "Fourth Quarter 2021 Earnings Presentation" ([https://s21.q4cdn.com/963721274/files/doc\\_financials/2021/q4/Q4'21-Earnings-Presentation.pdf](https://s21.q4cdn.com/963721274/files/doc_financials/2021/q4/Q4'21-Earnings-Presentation.pdf)).
2. from PEROTOCEAN (<https://prtimes.jp/main/html/rd/p/000003541.000067400.html>)

## Strategy Business Model

Connecting large  
websites and  
message delivery  
with CDP

Customer Success  
is paramount to  
the success of CDP  
services

## "WOW Engage" to Increase Customer Engagement and Achieve Customer Success

### Consistent business model with Connecty

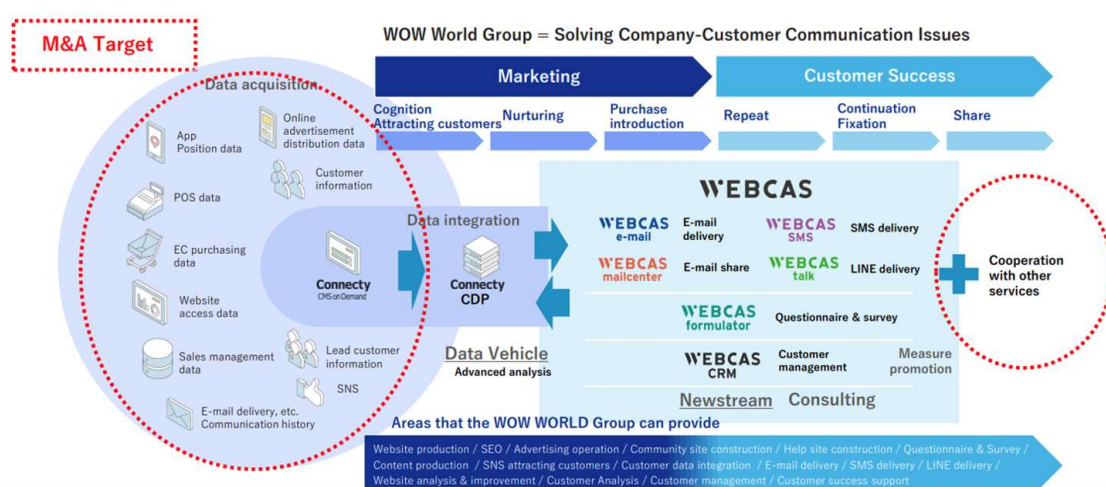
#### Complete range of services from upstream to downstream in digital marketing

In October 2020, WW added Connecty, which specializes in the construction and operation of large-scale websites with tens of thousands of pages and has numerous major companies in various industries as clients, to its group. The acquisition of Connecty has enabled WW to build and operate a website that is cost-effective for acquiring new customers, and to provide communications to existing customers through "WEBCAS," a service provided by WW. Thus, the services necessary for customer acquisition, nurturing, and customer success (maximization of customer LTV) in digital marketing are now in place. Furthermore, the quality of the solution is expected to be improved by CDP, which realizes the integration, analysis, and utilization of customer information.

#### Aiming for a total solution offering system that maximizes CDP

One of the challenges with CDP services is that they are too rich in functions to be fully utilized, resulting in increased workloads rather than the expected results. WW's "WOW engage" enables flexible service provision by sharing marketing issues and goals through consulting services such as communication design at the time of introduction, combined with data analysis services necessary for operational support of various measures, effectiveness measurement, and improvement of the accuracy of measures, etc. To strengthen this solution, WW will actively pursue M&A and business alliances.

### Total Solution Providing System to Customer Success



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## Continued development and healthy increase in invested capital

### Realization of a total solution offering system through active development, alliances, and M&A







#### R&D expenses/sales increase in order to strengthen development capabilities

WW will constantly develop the services necessary to achieve customer success. For this reason, in parallel with sales growth, WW's goal is to increase R&D expenses/sales to 3%, which is currently around 2%. This is the guideline for the will to develop the system. In addition, since the developed systems will be recorded as software assets, WW's invested capital will increase, but since sales growth is expected to exceed the rate of increase, the ratio of invested capital to sales is expected to decrease.

#### Building and operating large-scale websites

Connecty and FUCA, two companies with strengths in website construction and operation, are participating in WW group. FUCA, on the other hand, is strong in the production and management of well-designed landing pages, and until it was hit by the COVID-19 pandemic, its main clients were in the cosmetics, apparel, and travel industries. These are not only offered as stand-alone services, but also serve as a trigger for cross-selling and a source of data to be stored in CDP.

#### Examples of large-scale website building and management that Connecty has worked on

 <p><b>Aderans Company Limited</b></p> <p>Reinforces corporate branding and strengthens CVI Single point of contact for complicated coordination with agencies and drastically reduce operational costs!</p> <p>#Website renewal #CMSoD #Digital Marketing #Branding</p>	 <p><b>Ushio Inc.</b></p> <p>Website renewal, DX promotion. Supported global company's operating profit with CMS.</p> <p>#Website renewal #CMSoD #Corporate Site #DX Promotion #Global Site</p>	 <p><b>Thermos K.K</b></p> <p>Website renewal. To realize the on-demand media of the company's website, a CMS was implemented to manage the products and recipes in a database.</p> <p>#Website renewal #CMSoD #Corporate Site #Digital Marketing #Brand Site</p>
 <p><b>Sangetsu Corporation</b></p> <p>Renewal of the site design optimized for both B2B and B2C users. Successfully increased access!</p> <p>#Website renewal #CMSoD #Corporate Site #Digital Marketing #IR Site #Global Site</p>	 <p><b>Doutor Coffee Co., Ltd.</b></p> <p>CMS implementation for updating new menus and streamlining store information. Integrated management of multiple brands through a common mechanism.</p> <p>#Website renewal #CMSoD #Corporate Site #Digital Marketing #Brand Site</p>	 <p><b>POKKA SAPPORO Food &amp; Beverage LTD.</b></p> <p>Total support from CMS provision to operation for corporate and brand websites.</p> <p>#CMSoD #Corporate Site #Digital Marketing #Brand Site</p>

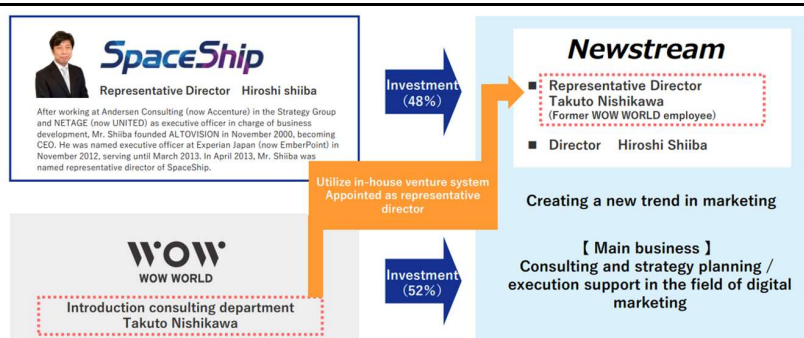
[Source]: Connecty HP



### Maximize email marketing effectiveness through consulting

Newstream Inc. ("Newstream"), established jointly with Spaceship Inc., provides consulting, strategic planning, and execution support in the digital marketing domain, and will create group synergy through creative production and email operation support for WW's clients, develop various services in the digital marketing domain, and promote independent business operations.

### Establishment of Newstream, Inc. as a joint venture



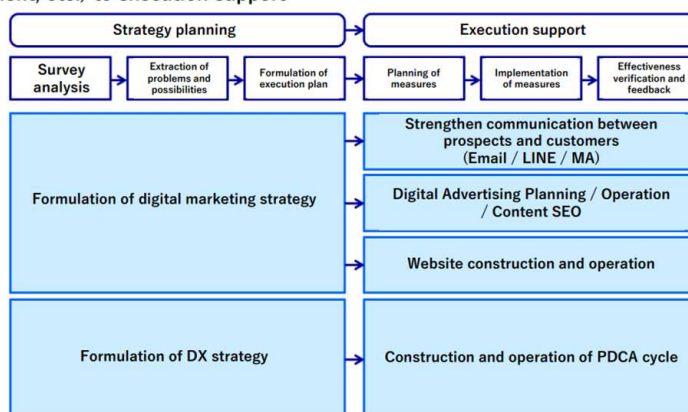
[Source]:Based on company data.

Mr. Shiiba, who will become a director of Newstream, has been involved in e-mail marketing consulting since the dawn of the Internet. The company he founded at that time, Altvision, Inc., through mergers and acquisitions, is now the source of consulting capabilities that are the strength of Emberpoint Co., the largest provider of email marketing services internationally.

**Strong partner for  
email marketing  
consulting**

### Newstream's Strengths

Support the PDCA cycle of overall marketing activities from strategic planning (issue identification and execution plan development, etc.) to execution support



[Source]:Based on company data.

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## Use of advanced statistical analysis techniques (e.g., statistical causal inference)

Data Vehicle, Inc. ("Data Vehicle"), which has entered into a capital and business alliance with WW, develops and sells data analysis tools / provides DX human resource development training / data analysis services. This alliance enables the cross-selling of Data Vehicle's services to WEBCAS users and the joint development of integrated digital marketing tools that link Data Vehicle's data analysis tools with our services.

### Data Vehicle, Inc. Management Team

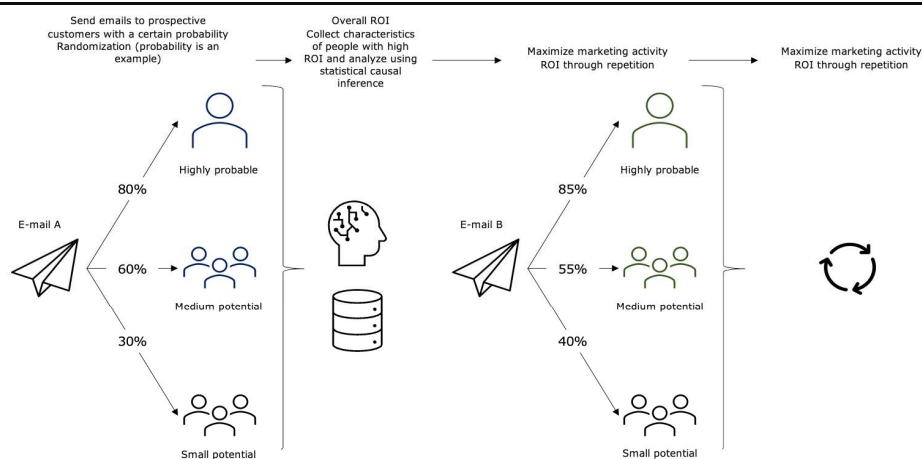
 <p><b>President CEO</b> Tatsuya Yuno</p> <p>Mr. Yuno has 35 years of experience in IT going back to 1987. He has practical business experience in areas such as sales, manufacturing planning, overseas subsidiary management, working in a wide range of business models that include systems integration, packages, and cloud services.</p>	 <p><b>vice president CPO</b> Hiromu Nishiuchi</p> <p>After serving as an assistant professor at the University of Tokyo and deputy general manager of the University of Tokyo Medical Information Network Center, Mr. Nishiuchi currently conducts data analysis and human resources education for numerous corporations. In 2017, he received the 10th Japan Statistical Society Award.</p>	 <p><b>Managing Director COO</b> Masayoshi Yamazaki</p> <p>Mr. Yamazaki worked in various capacities, including in the systems integration company of a trading company. He subsequently moved to a domestic package vendor in 2005. After working in product planning, he established a local subsidiary in China and assumed the position of general manager.</p>
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[Source]: Based on company data.

Identify  
unnecessary  
messages and  
optimize company  
and customer  
communications

This joint development will make it possible to suggest, "Dare we not send that message?" By utilizing statistical analysis techniques such as statistical causal inference, it is possible to deliver "necessary information" "at the right time" and "where necessary" with far less data than AI analysis. This can optimize communication between WW and its customers and lead to the realization of corporate customer success.

### Statistical Causal Inference Suggests "Dare Not Send That Email"



It will be possible to avoid sending unnecessary e-mails to customers who take purchasing actions without communication.

It will be possible to send e-mails at the right time to customers who will not take purchasing actions without communication.

→Contributes to lowering abandonment rates while maximizing ROI in a relatively short period of time, without requiring large amounts of data like AI.

[Source]: Compiled by JPR based on interviews.

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### Efficiently service for the increased R&D

### Focus on the relationship between operating costs and sales to be collected

### Each of the total solutions triggers a cross-sell

### Different sales policies contribute to higher profit margins for the entire group

#### **Demonstration test of a new service on a Group-operated e-commerce site**

Mamachu Co.,Ltd ("Mamachu"), a member of WW group, operates an EC site specializing in baby clothes called "Bebichu". Although WW's stand-alone business has been affected by the decline in outgoings at COVID-19 pandemic, it is seen as a place to understand its customers and to demonstrate the products it has developed, as the Group has many customers who operate e-commerce sites. This is a business that contributes to sales growth for the group as a whole, as increased R&D expenses will lead to more efficient expansion of new services.

#### **Focus on customer success to make sales even more efficient**

##### **Aiming to maximize LTV by achieving customer success**

#### **Build-up of sales due to lower churn rate**

If sales activities are based on the idea that sales growth is all that is needed, without considering customer success, the churn rate is likely to increase, even if sales growth is greater. If a customer cancels subscriptions, the sales costs incurred up to that point will be wasted. According to WW, WW use a 1.5-year monthly fee as a guideline for the sales cost that can be spent on new acquisitions. For example, for a 100,000 monthly service, 1.8 million sales costs are considered acceptable. Thus, WW's sales activities are always focused on sales to be recovered, which contributes to a high return on investment and profit margin.

#### **Efficient sales through cross-selling**

As mentioned above, WW is growing with overwhelming sales efficiency in new acquisitions, but it will particularly focus on cross-selling total solutions to existing customers. Sales efficiency in cross-selling is higher than in new acquisitions, and WW aims to maximize LTV by accumulating optimal solution proposals with an emphasis on customer success.

##### **Consistent sales strategy with Connecty**

The collaboration with Connecty will leverage the strengths of both companies in terms of sales. MJS has a strength in cross-selling to existing clients, and has adopted a pull-type advertising sales strategy for attracting new clients. On the other hand, Connecty boasts an overwhelming market share and quality from the perspective of large companies in the industry, and is strong in sales to large new clients. Therefore, WW's efficient sales strategy is to cross-sell a variety of services to the large clients acquired through Connecty in order to achieve customer success.

## Sustainability

Confirmation and judgment of unwanted messages itself is complicated.

## Returning to a human-centered society in the age of information overload to optimize digital marketing as a whole.

### Society 5.0, a human-centered society

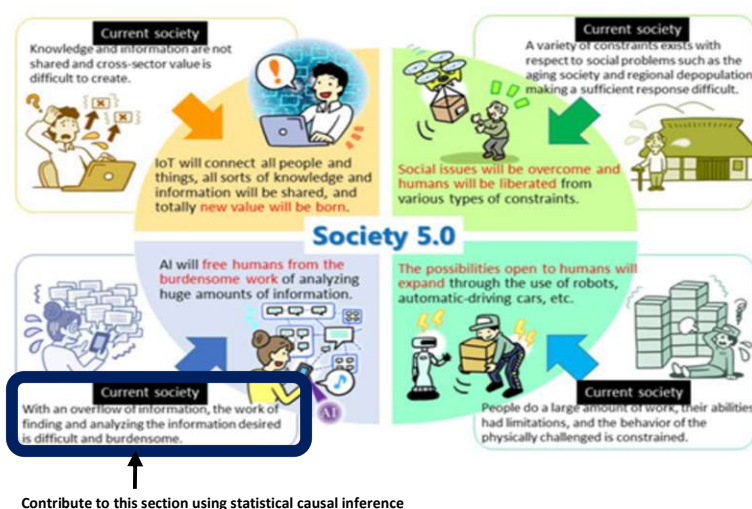
According to the Cabinet Office, "In the past, the economy and organizational systems were prioritized, resulting in disparities in the goods and services that individuals receive based on their individual abilities, etc. In Society 5.0, AI and robots based on big data will assist in tasks and adjustments that were previously performed by humans, freeing us from the daily grind and allowing everyone to lead a comfortable, energetic, and high-quality life." <sup>1</sup>.

### Optimal communication tools with the end user in mind

The same problem has been occurring in the field of digital marketing. From the end-user's point of view, they are forced to check or delete without checking the huge number of unnecessary e-mails sent to them every day, which is a cumbersome and wasteful task in their lives.

Here, WW is contributing to a human-centered society by proposing a solution to "avoid sending unnecessary messages". By providing optimal communication tools that provide happy "connections," WW believes that a more comfortable and respectful human-centered relationship will be established between companies and end-users.

### WOW WORLD's activities to realize a human-centered society



[Source]: Compiled by JPR from figures and tables prepared by the Cabinet Office.

1. from the Cabinet Office HP "Society5.0" ([https://www8.cao.go.jp/cstp/society5\\_0/](https://www8.cao.go.jp/cstp/society5_0/))

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## Contributing to the SDGs through human capital enhancement and digitalization

### The Future Envisioned by WOW WORLD, Inc.

Based on the information disclosed by WW, JPR has picked up the activities that fall under the SDGs in WW in the following chart. As a premise, JPR believes that these activities are based on WW's values and contribute to the sustainability of WW.

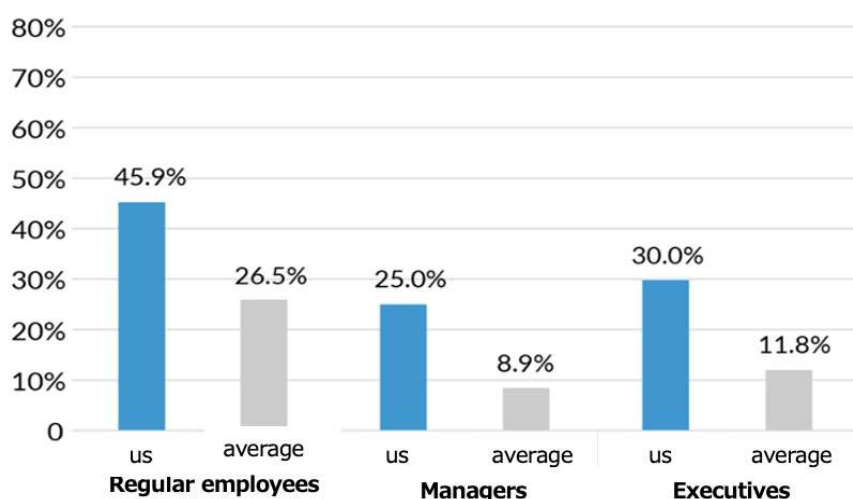
## SDG activities in WW



The percentage of female executives and employees in WW is well above the Japanese average in both general and managerial positions and in management. In addition, the ratio of female employees at WW on a non-consolidated basis is approximately 40-45%, while the ratio of female employees on a consolidated basis is approximately 50%. According to the Basic Survey on Wage Structure conducted by the Ministry of Health, Labour and Welfare, the percentage of women in the information service industry will be 21% by 2021, and we believe that our company is well positioned to incorporate diverse values to provide happy "connections".

In addition, as will be explained later, the number of female directors is 36% as a result of the transfer of directors disclosed on June 28, 2022, and has been 50% in the board of directors since the transition to a holding company structure, making it a more advanced structure.

## Percentage of female executives and employees (as of April 1, 2022)


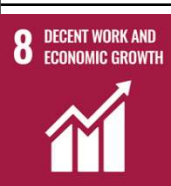



[Source] WOW WORLD Inc. website

※ Source of average values: Teikoku Databank Business Trends Survey July 2020 (compared for reference only)

[Source]: JPR

## SDG activities in WW

	<p>From the interviews with WW, the following initiatives are noteworthy in the context of the requirement to disclose human capital.</p> <ul style="list-style-type: none"> <li>▪ In principle, WW hires new graduates for the core of the business.</li> </ul> <p>In order to increase the number of engineers and salespeople, the core of the business, WW will hire new graduates in principle and train and develop them to become a competitive force. For this reason, the average age of our employees is low at 31-32 years old, and most of them are in their 20s.</p> <ul style="list-style-type: none"> <li>▪ Reinforcement of Training System</li> </ul> <p>All new graduates are given training periods in engineering and sales, and after acquiring skills through off-the-job training, they are given on-the-job training in their respective departments. By starting e-learning training in April 2020, immediately after the COVID-19 pandemic, training costs per employee are recovering to the pre-COVID-19 pandemic level and to the highest level ever.</p>
	<ul style="list-style-type: none"> <li>▪ Introduction of Flextime System</li> </ul> <p>Introduced a "flextime system" to allow employees to adjust their working hours to suit their own and their families' life events and lifestyles. will accelerate the appointment of diverse human resources.</p> <ul style="list-style-type: none"> <li>▪ Career Development Initiatives</li> </ul> <p>In principle, new graduates are hired for sales, development, and field engineering personnel, who are the core of our business, and WW is constantly increasing its workforce through education and training. WW is also focusing on recruitment, and President Mino will give a direct explanation at the explanatory meeting. In addition, WW has adopted a concurrent employment system that allows employees to be transferred to another company for up to two days per week. This allows employees to focus on their own work by dividing their work by day, thereby increasing their own value and income.</p>
	<ul style="list-style-type: none"> <li>▪ Resource Conservation by Promoting Remote Work</li> </ul> <p>WW reduced the employee attendance rate by 70-90% by encouraging remote work. At the same time, WW's electricity consumption was reduced by 25% from the previous year through power saving efforts. After COVID-19, WW will continue to work on resource conservation while optimizing work styles and organization. Currently, WW has introduced a full-time telecommuting system that covers all of Japan.</p> <ul style="list-style-type: none"> <li>▪ Efforts to abolish paper handling (for customers, such as invoices, and for internal use, such as meeting materials, requests for approval, applications, etc.)</li> </ul> <p>WW is promoting the digitization of all business operations to improve productivity and reduce costs by increasing operational efficiency, enhancing security, and conserving resources. WW has completed the digitization of all contracts and applications, and is actively requesting external parties to make the switch as well.</p>

[Source]: JPR



Premium version  
with by far the  
lowest churn rate  
Current goal is to  
reduce churn rate of  
standard version

## Stable revenue base to support a virtuous cycle toward growth

### Establishing a stable revenue base with an overwhelmingly low churn rate

The cloud services that are driving WW's growth not only add value in the future, but also provide stability due to our low churn rate. The low churn rate is due to the fact that WW place the highest priority on customer success in its sales activities. The stable revenue base established in this way creates a virtuous cycle of further service development. In particular, from now on, WW aims to reduce the churn rate of the standard version by strengthening customer success, which is expected to further stabilize the revenue base.

## Revenue Churn Rate in WOW WORLD's Cloud Services

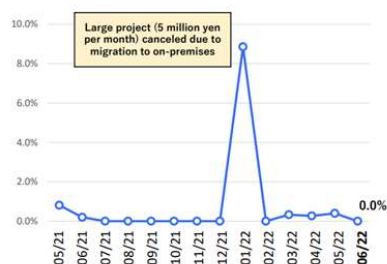
### 【Changes to Churn Rate Calculation Method】

Churn Rate =  $\frac{\text{Churn MRR}}{\text{Last month MRR}}$

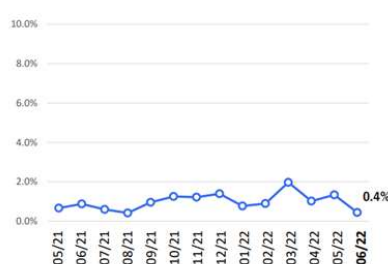
Change point : Exclude spot contracts (including option contracts), which are limited-time usage forms, from Churn MRR

\*Since the churn rate is generally calculated by excluding spot contracts, recalculation was carried out retroactively to the previous fiscal year.

#### Churn rate ("WEBCAS" premium version)



#### Churn rate ("WEBCAS" standard version)



[出所] WOW WORLD社2023年3月期第1四半期決算補足説明資料

## Corporate Governance System

### Strengthening the structure through the transition to a holding company structure

#### Transition Overview

WW resolved at a meeting of its Board of Directors held on May 19, 2022, after preparing a share transfer plan for the Share Transfer, to establish WOW WORLD GROUP, Inc. (WOW WORLD GROUP), as a pure holding company by means of a sole-share transfer, with October 3, 2022, as the scheduled effective date, making WW a wholly-owned subsidiary of the Share Transfer.

As a result, WW will be delisted, but WOW WORLD GROUP listed on the Tokyo Stock Exchange Prime Market on October 3, 2022, the date of registration of incorporation.



A group of experts  
aiming to  
strengthen  
customer success

### **Transition Objectives**

Through the transition to a holding company structure, WW is working to flexibly and promptly realize further strategic alliances by promoting M&A, while at the same time, developing inter-group business synergies by enhancing the centripetal force and sense of unity of the entire group, and developing next-generation group management personnel from the accumulated management experience of its operating subsidiaries.

### **Institutional Design**

WW has chosen to establish an audit committee.

### **Board of Directors**

The Board of Directors of WW consists of one representative director, three directors (excluding directors who are members of the Audit Committee), and four directors who are members of the Audit Committee (all of whom have been selected by the Audit Committee as Audit Committee members as stipulated in Article 399-3 of the Companies Act) totaling 8 members (as of the date of submission).

WW has a progressive composition in terms of its governance system, with four female directors (50.0%) and five outside directors (62.5%).

As for the composition of the Board of Directors, the internal directors consist of a representative from Dai-Ichi Kangyo Bank (currently Mizuho Bank) and three mid-career directors who have been with WW for more than 10 years and are in charge of administration, planning, sales, development, and execution of their respective duties. The three outside directors consist of a former Sony and Fujitsu employee and Hiroko Razavi, who has expertise in customer success and authored "What is Customer Success?" and are expected to function not only as supervisors but also as a group of experts for business expansion.

### **Audit Committee**

Four members (three of whom are outside directors) consisting of securities firms, certified public accountants, and lawyers, each of whom is expected to perform a supervisory function based on their different expertise.

### **Nominating and Compensation Committee**

The committee was established to further enhance the corporate governance system by ensuring objectivity and transparency in procedures related to the nomination and compensation of directors. The committee consists of two internal directors and four external directors.

### **Reward System**

### **Incentive compensation to directors**

Performance-based compensation is adopted.

### **Stock Options**

Introduced stock options for three directors at the 25th annual general meeting of shareholders held on June 26, 2020. Then, a specified restricted stock compensation plan was introduced at the 26th annual general meeting of shareholders held on June 25, 2021. WW granted stock options to directors (excluding directors who are members of the Audit and Supervisory Committee), employees, and directors of WW's subsidiaries with the aim of further raising morale and motivation to improve business performance and to further enhance corporate value. The exercise period is from July 1, 2022 to June 30, 2030.

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## Company overviews

### Company overviews

Name	WOW WORLD GROUP Inc.
Established	October 3, 2022(Founded April 1995)
President&CEO	Kazuo Mino
Headquarters	KDX Nishi-Gotanda Building 4F, 7-20-9 Nishi-Gotanda, Shinagawa-ku, Tokyo
Capital	JPY 322 million
Number of employees	117
Fiscal Year End	March
Business	Development and sales of cloud-based sales support software using e-mail
Listing Date	October 3, 2022
Stock Exchange Listing	Tokyo Stock Exchange Prime

[Source]Prepared by JPR based on company data

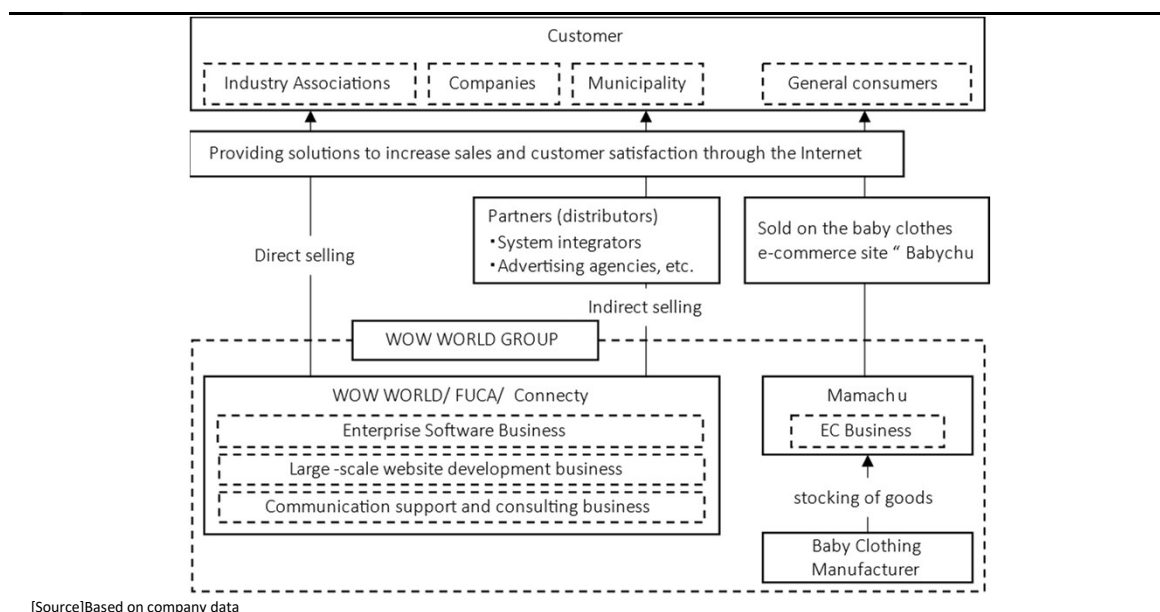
### Company History

Year	Month	Details
1995	April	Established with capital of JPY 10 million for the purpose of website production (creative business)
1997	June	Started business focusing on contracted website development (solution business)
2002	June	WEBCAS ASP business was launched.
2005	October	Listed on Tokyo Stock Exchange Mothers
2006	April	Established Asia Communications Inc. as a joint venture with Tokyo Telemarketing, Inc. to become a consolidated subsidiary of WW.
2009	March	Launched "WEBCAS SaaS"*, an integrated marketing service, as a new offering format for the "WEBCAS" series.
2011	April	Invested in ASIA Business Investment Co.,Ltd., which operates in Vietnam, and began test marketing in Vietnam.
2012	March	Signed an exclusive distribution agreement with CRESCERE (THAILAND) for "WEBCAS" and decided to enter the Thai market.
2012	December	Capital and business alliance with GREASE Co.,Ltd.
2012	December	Signed an exclusive distribution agreement with CRESCERE (THAILAND) for "WEBCAS" in Malaysia and decided to enter the Malaysian market.
2013	September	FUCA Co., Ltd. becomes a subsidiary.
2016	August	Changed to the Second Section of the Tokyo Stock Exchange.
2017	December	Changed to the First Section of the Tokyo Stock Exchange
2018	August	Established Mamachu Co.,Ltd (wholly owned subsidiary)
2018	September	Launched EC business by taking over the baby clothes EC site "Bebichu".
2020	May	Formed capital and business alliance with Japan Growth Investment Alliance Inc.
2020	October	CONNECTY HOLDING Co., Ltd. became a subsidiary.
2021	July	Company name was changed from AZIA CO., LTD. to WOW WORLD Inc.
2022	October	WOW WORLD GROUP Inc. established as a holding company, making WOW WORLD Inc. a wholly owned subsidiary.

[Source]Prepared by JPR based on company data

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## Business System Diagram



## Major Consolidated Subsidiaries and Group Companies

Business System	Name of Company	Business Overview	Capital	Investment Ratio
Communication support and consulting Business	FUCA Co., Ltd.	Web design creation	JPY 11 mil	75%
EC Businesses	Mamachu Co.,Ltd	Management of an EC site for baby clothes	JPY 50 mil	100%
Enterprise Softwares Business	CONNECTY HOLDING Co., Ltd.	Cloud CMS Website Construction and Management	JPY 0.1 mil	67%
Communication support and consulting Business	Newstream Inc.	Consulting in the digital marketing domain Strategy planning and implementation support	JPY 0.01 mil	52%

[Source]Based on company data

## ■ Major M&A/Investments

Year	Month	Target Companies	Type and purpose of investment
2018	August	Hammonds Inc.	JPY 33 mil : Enhancement of "WEBCAS" series functions and acquisition of in-house marketing service know-how
2019	November	Digital Asset Markets, Inc.	JPY 100 mil: Participated in a crypto asset-related business and provided an e-mail distribution system to support the expansion of this business.
2020	May	Japan Growth Investment Alliance Inc.	M&A, new business development, sales and marketing support, etc.
2020	September	CONNECTY HOLDING Co., Ltd.	JPY 550 mil : Establishment of a comprehensive DX platform
2022	May	Newstream Inc.	JPY 28.5 mil: Enables support for digital marketing from acquisition of prospects to nurturing and conversion to customers
2022	May	Data Vehicle, Inc.	JPY 100 mil: Increase in revenue per WEBCAS-using client, joint development of integrated marketing tools

[Source]Based on company data

## ■ Major Business Alliances

Year	Month	Target Companies	Purpose
2018	January	Data Cohorts	Subsidiary Asia Marketing Malaysia launches email distribution service for financial institutions and government agencies with Data Cohorts in Malaysia.
2018	March	SENSY Inc.	Joint research on email marketing using artificial intelligence
2018	May	AI CROSS Inc.	Collaboration of the two companies' products for the purpose of promoting the use of SMS in marketing
2018	July	Val Laboratory Corporation	Marketing Use of Val Research Institute's " Eki-Supato" User Movement Prediction Data
2018	September	Marketo Inc.	Linking "WEBCAS" email delivery engine to Marketo's engagement platform
2018	September	DDS, Inc.	Promote sales of solutions that link "WEBCAS" with the DDS authentication solution provided by Yokogawa Rental & Leasing.
2019	June	giftee, Inc.	Provide services that enable effective web survey campaigns utilizing e-gifts.
2019	June	MyVoice Communications, Inc.	Launched "Web Survey Operation Support Service".

[Source]Based on company data

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## 4. Business Segment Information

(Reclassified from the fiscal year ending March 31, 2023)

### Enterprise Software Business

**Core business accounting for nearly 70% of sales**

#### Business Overview

This segment develops and sells the "WEBCAS" communication platform series and the "Connecty CMS onDemand," a cloud-based CMS provided by Connecty.

#### Services provided by Enterprise Software Business



[Source] Based on company data

#### Main Services

##### WEBCAS series

The "WEBCAS" series is a communication platform that enables two-way communication between companies and customers through a variety of channels. WW's strength lies in its high functionality and performance. Its mainstay e-mail distribution system is highly regarded for its industry-leading distribution speed, reachability, and high security, and has been installed by more than 8,000 companies, mainly major corporations and government agencies. WW's cloud service is also characterized by its ability to be customized, enabling individual customization and integration with multiple systems.

#### Lineup of the WEBCAS series



[Source] Based on company data

Communication platform with high functionality, high performance, and customizability

Smooth support and  
project management  
due to direct sales  
from the  
manufacturer

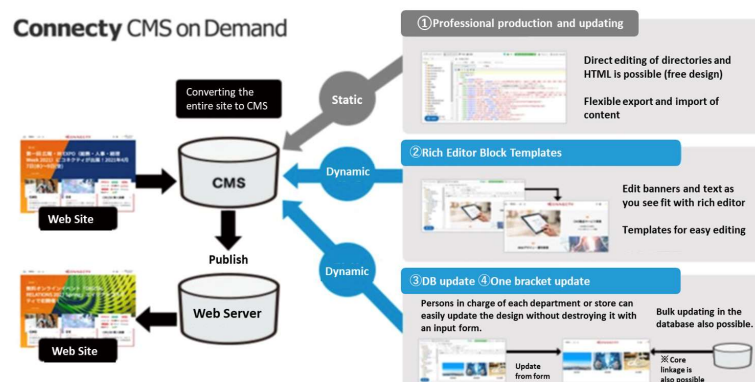
### Connecty CMS on Demand

Connecty CMS on Demand" is a purely domestic CMS<sup>1</sup> for large companies with multilingual support.

- (1) Unparalleled performance in terms of support, cost, and operation, due to its purely domestic production and large scale enterprise use
- (2) Multilingual web governance and comprehensiveness that enables centralized management of multiple sites
- (3) Static/dynamic hybrid model that combines page editing using conventional HTML and rich editors with updating by staff using input forms
- (4) Reduction of infrastructure investment and management costs through cloud computing and free version upgrades on a perpetual basis

These four features have made it a popular choice for companies that want to manage and deploy websites on a group or global basis.

Both professionals and personnel participate in operations to promote DX



[Source] Based on company data

### Connecty CDP

The "Connecty CDP" is a CDP<sup>2</sup> that comprehensively supports digital communication through integration, visualization, and segmentation of customer data.

- (1) Centralized management and consolidation
  - (2) Analysis
  - (3) Segmentation
- Provides comprehensive support for digital communication with three features
- (2) Analysis
  - (3) Segmentation

- (1) Centralization of various digital customer data by issuing 1st Party Cookie and aggregation of CMS, sales data, POS data, etc. in WW
- (2) Data analysis by setting and extracting customer segments using reporting functions and SQL<sup>3</sup> descriptions for the aggregated and integrated data.
- (3) Segmentation of the integrated data into customer segments, and classification and delivery of the data to the direct approach service

In these three steps, MA<sup>4</sup> enables the development and refinement of marketing initiatives, the distribution of surveys to specific segments, and customer service on the Web that is tailored to the attributes of the customer.

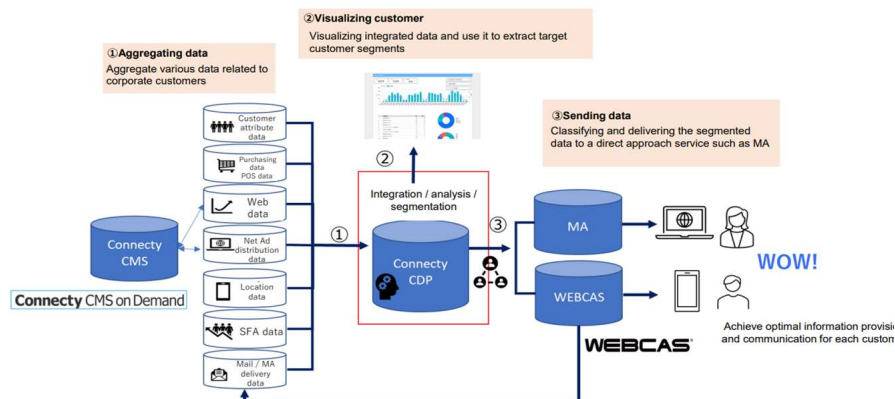
- 1: Content Management System, to centrally manage content on a website.
- 2: Customer data platform, manages data of individual customers.
- 3: Database language, a database language for defining and manipulating databases.
- 4: Marketing Automation

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The "Connecty CDP" will not only be linked to the "WEBCAS" series, but also to a sequential increase in the number of services that can be linked.

### "Connecty CDP," which connects services within a business



[Source] Based on company data

### Large-scale website development business

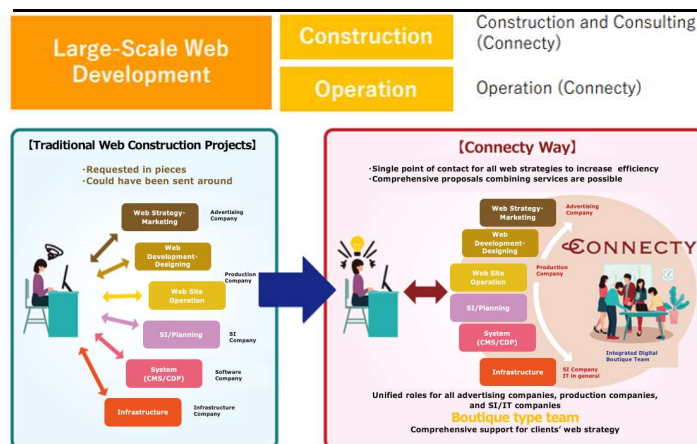
Breaking away from general contractor-style development and operation

### Point of contact with new customers and entry point for corporate data

### Business Overview

In this business, WW develops and operates large-scale websites using Connecty. While conventional large-scale website development and operation was handled separately by advertising agencies, production companies, SI companies, software companies, and infrastructure companies, Connecty has realized greater efficiency and cost reductions by providing a one-stop service.

### Services provided for large-scale website development projects



[Source] Based on company data

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Communication  
support and consulting  
business

Significant  
contribution to  
group-wide sales and  
profit

## Support Businesses Essential to Achieving Customer Success

### Business Overview

This business mainly provides operational support and consulting services for various services developed and sold by the enterprise software business. WW proactively solves problems, such as those caused by the lack of understanding of how to use the software or the increased workload resulting from its introduction, to achieve customer success, which in turn reduces the churn rate and leads to growth in the enterprise software business.

#### Communication support and consulting services provided



[Source] Based on company data

With the establishment of Newstream and its subsidiaries, WW is now able to provide support for all marketing activities, from strategic planning, including problem identification and implementation plan development, to implementation support.

#### Services provided by Newstream



[Source] Based on company data

Other  
Businesses

Obtaining hints for  
development and  
operation and using  
for demonstration  
experiments

## A place to create new services quickly and efficiently

### Business Overview

In this business, WW is engaged in contracted development, which was the inspiration for "WEBCAS" at the time of its founding, and the operation of the "Bebichu" e-commerce site for baby clothes by Mamachu. It is being utilized as a research project to obtain hints for product development and to conduct demonstration tests of services.

## 5. ROIC analysis

### Net Sales Operating Income Trend

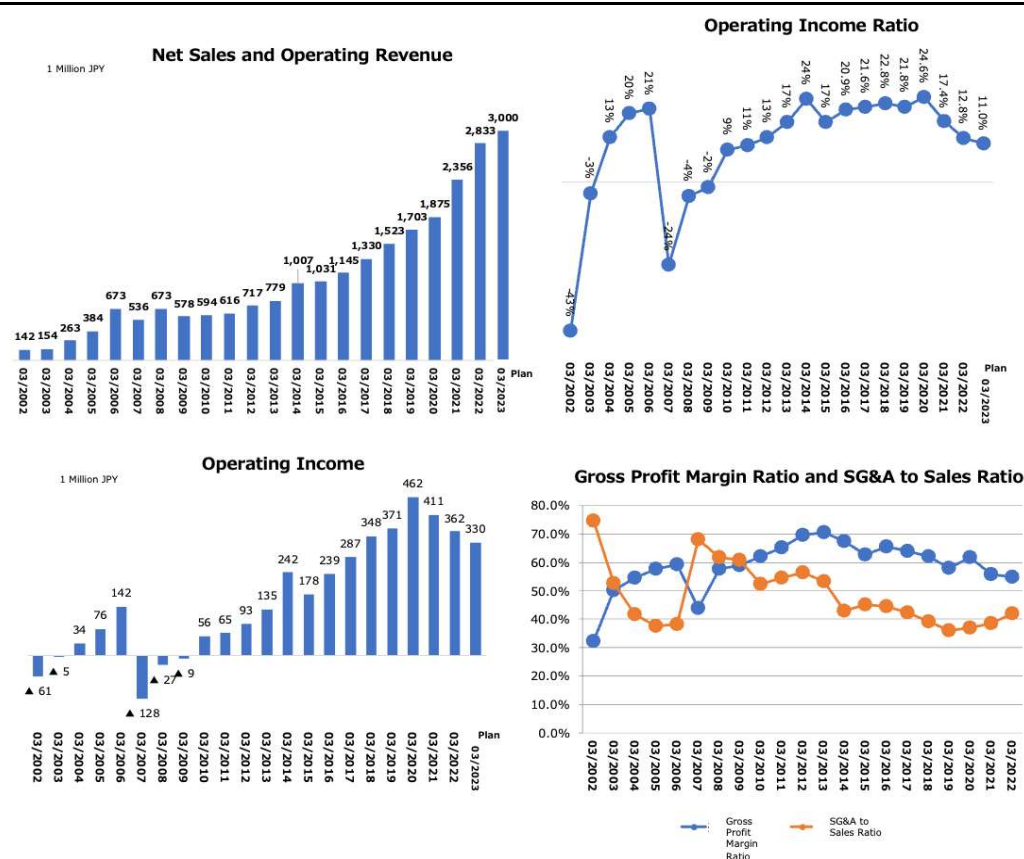
### Sales to increase for 15 consecutive fiscal years

However, operating profit margin will be slightly sluggish due to upfront investment.

WW's sales are expected to increase for the 15th consecutive fiscal year, and further growth is expected from the growth strategy based on the WOW engage. On the other hand, due to factors such as the consolidation of low-margin companies as subsidiaries and the transition to a new structure in order to increase the speed of growth, both operating income and operating margin have been stagnant as the gross profit margin has trended downward and the SG&A-to-sales ratio has trended upward since the fiscal year ending March 2020.

In this environment, WW aims to expand sales and improve operating profit margin by focusing on customer success to lower the churn rate of various services, and by building up stock revenues to achieve further growth.

### Sales and operating income trends



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## Trends in ROIC

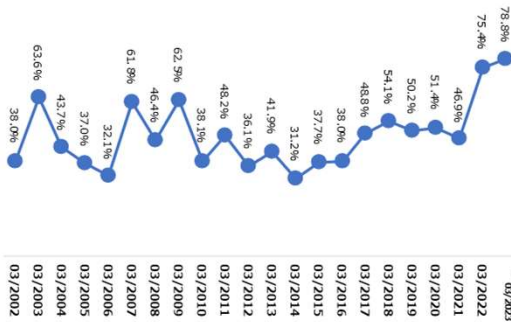
## ROIC once exceeded 40%.

## ROIC to temporarily decline due to upfront investment in goodwill and software

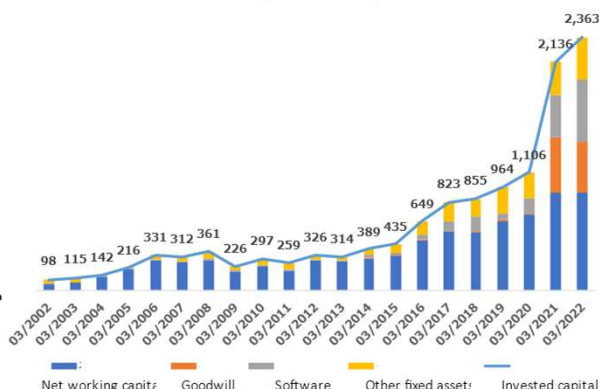
Until now, WW has specialized in e-mail distribution services, and its ROIC has been very high, reaching a maximum of 48.0%, due to the small amount of capital invested. However, WW decided to expand our business because WW felt that continuing to pursue speed and volume in mail delivery service would not benefit society nor lead to our company's growth. As a result, invested capital, mainly goodwill and software, has been increasing, and ROIC has been decreasing. Since goodwill is not amortized under the IFRS that WW has adopted and will remain unchanged, goodwill will increase as the group expands. In addition, since software is a source of value that WW can provide, WW intends to continue to increase it in the future. JPR believes that WW will aim to improve ROIC by achieving growth that exceeds this increasing trend.

## Trends in Ratio of Invested Capital to Sales and ROIC

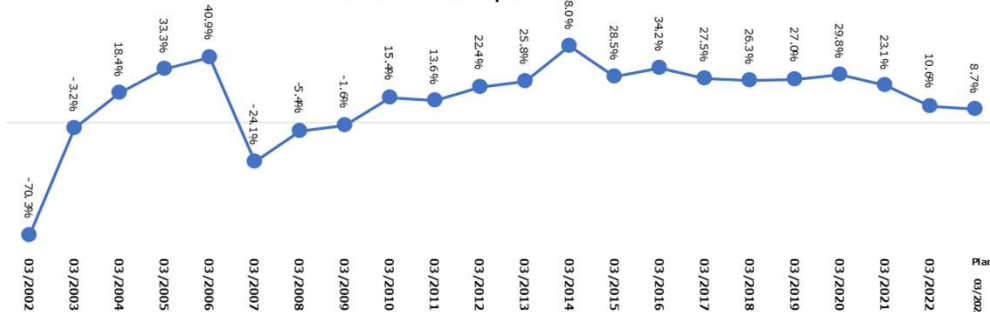
The period of the first investment in the capital on the high ratio



Invested capital at end of period



Return on Invested Capital



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## 6. Review of the first quarter of the fiscal year ending March 31, 2023

Consolidated  
Information**Revenues increased but profits decreased due to one-time expenses****Increase in revenue due to strong existing business**

The main reasons for the increase in sales were (1) higher cloud service sales in the core enterprise software business, and (2) cloud services, which are expected to generate stable revenues from the subscription model that has been strengthened over the years, increased orders and monthly sales due to an increase in new inquiries from digital-related demand for COVID-19 pandemic. This is the reason for the increase in orders and monthly sales. As a result, net sales for the first quarter of the current fiscal year totaled JPY 679,639 thousand(+0.4% YoY), marking the 14th consecutive year of full-year sales growth and a new record high.

**Decrease due to one-time special expenses, etc.****Summary of Decrease in Profit**

In the first quarter under review, EBITDA was JPY 78,483 thousand(down 53.7% year-on-year), operating loss was JPY 4,536 thousand(operating income of JPY 113,453 thousand in the same quarter of the previous year), and loss attributable to owners of the parent company was JPY 1,760 thousand(quarterly income attributable to owners of the parent company was JPY 69,061 thousand in the same period of the previous year).

**Special expenses that contributed to the decrease in profit**

The main reasons for the decrease are the following special expenses. Most of them are temporary and are expected to decrease from the second quarter onward.

(1) Increase in initial sales promotion expenses for press conferences and other events related to "WOW engage," a new group solution.

→Initial sales promotion expenses are expected to be zero.

(2) Increase in upfront investment expenses due to strengthening of marketing and development structure, etc.

→Improvement due in part to the end of amortization of stock options for executives and employees

(3) Expenses for ISMAP certification required for transactions with government agencies

→Outsourcing costs for obtaining ISMAP certification required for transactions with government agencies

(4) Expenses for transition to a pure holding company

→Consulting fees and expenses for the annual shareholders' meeting continued.

(5) Investment in human resources and increase in outsourcing expenses in the large-scale web development business

→Outsourcing expenses will decrease, but investment in human resources will increase to secure the development resources needed to expand orders.

## **Revised full-year forecasts from initial forecasts**

### **Sales revenue revised downward, but up from the previous year**

#### **Summary of downward revisions**

WW has revised its full-year sales revenue forecast as follows.

Initial forecast: JPY 3,440 million → Revised forecast: JPY 3,000 million; Percentage change in earnings forecast: -12.8%, up 5.9% from the previous year.

#### **Main reason for the revision**

- Large on-premise WEBCAS projects that were expected to generate sales are expected to fall short of the initial plan.
- Although WEBCAS Standard Edition is currently performing well, it is expected to fall short of the initial plan.
- The lead time for new CDP and WOW engage services is taking longer than initially forecasted, resulting in a lower contribution to sales in the current fiscal year.
- Sluggish EC business due to prolonged COVID-19

### **EBITDA negative y-o-y due to downward revision**

#### **Summary of downward revisions**

WW revised its full-year EBITDA forecast as follows.

Initial forecast: JPY 730 million → Revised forecast: JPY 620 million; Percentage change in earnings forecast: -15.1%, -7.0% from the previous year.

#### **Main reason for the revision**

- Increase in outsourcing costs in the large-scale web development business (impacted only in the first half of the fiscal year)
- Increase in infrastructure costs in the CMS business
- IFRS adjustment: Amortization of right-of-use assets was not included in the initial plan, but has been revised to be included in the revised forecast.

### **Future Prospects**

WW intends to rewind from Q2 onward by focusing on expanding sales of new services and the high-margin cloud business. In fact, many of the factors that dragged down Q1 were transient, and we believe a turnaround is possible: a lower churn rate and higher Average Revenue Per User (ARPU) for WEBCAS Standard Edition, new customers for Premium Edition, and how far the new "WOW engage" service will grow. It will be a question of whether the transition to a holding company will lead to increased sales through cross-group synergies and reciprocal customer acquisition.

## Information by Segment

### Revenues increased but profits decreased due to one-time expenses

#### Enterprise Software Business

Sales of our cloud service WEBCAS SaaS Standard Edition and Connecty's CMS sales grew 8.6% YoY due to steady growth. WEBCAS e-mail, our main product, won the No.1 share of the e-mail transmission package market by vendor in terms of sales value in FY2020, according to a market research report issued by T.I.R. Inc. According to the report's forecast, it is expected to continue to hold the No. 1 share in FY2021.

Sales were JPY 480 million(+8.6% YoY), and gross profit margin was 65.6% (-1.1 percentage point YoY).

#### Large-scale web development business

Sales declined mainly due to delays in the progress of projects to build websites using Connecty's CMS, and earnings declined due to higher outsourcing costs.

Sales were JPY 124 million(-10.6% YoY), and the gross profit margin was 2.2%, down 25.2 percentage points YoY.

#### Communication support and consulting business

Sales were down due to reduced demand in the wake of the prolonged COVID-19 pandemic.

Sales were JPY 50 million(-21.4% y-o-y), and gross profit margin was 15.8% (-4.8 percentage points y-o-y).

#### Other Businesses

EC business did not reach the plan due to delays in receiving original products caused by the China lockdown.

Sales were JPY 25 million(-22.0% YoY), and gross profit margin was 42.0% (-1.2 percentage points YoY).



## 7. External Environment Analysis

### Market Environment

### Market Analysis

#### Limitations of Email Marketing: Toward Two-Way Communication

Traditionally, e-mail marketing has been dominated by mass, one-way distribution via simultaneous e-mails. In the past few years, one-to-one e-mail, in which content is tailored to each individual's preferences and delivered at the most appropriate time, has become more important.

At the same time, however, regulations have been tightened for promotional emails, as there are many undesirable emails that can be easily and inexpensively sent out for marketing purposes.

In light of the current situation, WW has developed the "One to One" e-mail service as a means of realizing "communication that reaches" customers, such as "message delivery tailored to customer needs" and "questionnaires that elicit true feelings," as a means of "building better relationships with customers." Various types of message delivery are being used as a means for companies to connect with customers who "want to build a better relationship with their customers."

### PEST analysis

### The Age of Pursuing Customer Success

#### Politics

Politics	+ Factors	Expand investment in new business startups
	- Factors	Laws regulating the use of electronic mail

#### Restrictions on unsolicited mailings

The Law Concerning the Proper Transmission of Specified Electronic Mail (Specified Electronic Mail Law), which was enacted in 2002 and revised in 2008, has tightened regulations and stipulated penalties, so it is no longer the time for careless sending of e-mail.

Emails that advertise products must be sent with the consent of the recipient, and even if consent is obtained, simple advertisements of products are no longer considered acceptable. It is important to select the right recipients and delivery methods that will attract the recipients' interest, meet their needs, and motivate them to buy.

### **Increase in startups (new businesses) triggered increased use of e-mail**

On the other hand, as the government's investment in start-ups expands, and as more new businesses emerge, e-mail will be used more and more to attract customers. The regulation of e-mail does not mean that e-mail use will be reduced, but rather that e-mail will become more selective.

The evolution of distribution services, the selective use of e-mail, the tightening of regulations such as the Specified Electronic Mail Act, and the emergence of a variety of new businesses are all considered tailwinds for WW, which has expertise in e-mail distribution regulations, can handle a wide variety of e-mail distribution, and is the number one company in the industry.

### **Economy**

Economy	+ Factors	<ul style="list-style-type: none"> <li>▪ Continuation of monetary easing</li> <li>▪ DX Promotion</li> </ul>
	- Factors	COVID-19 Pandemic Inflation and rising resource prices

### **Potential lost opportunities due to decreased marketing expenditures**

Even after the end of the COVID-19 Pandemic, inflation, the depreciation of the Japanese yen, and rising energy prices have had a significant impact on business activity. In addition to raw materials, rising logistics and energy costs are having a significant impact not only on the manufacturing industry, but also on a wide range of industries and, ultimately, on the economy as a whole.

In such an environment, companies are expected to reduce costs, and investments in efficiency improvement will be promoted and DX promotion will be further accelerated. The cost reductions are likely to take a toll on marketing expenses, such as advertising and promotion.

### **If you value cost-effectiveness, you will have a chance to switch to WW**

If corporate marketing strategies lead to an emphasis on efficiency, there is a great possibility that e-mail distribution and CRM will also become more important. Furthermore, as the market changes, "subscription-based" services and products are increasingly being offered, and subscriptions are considered effective in building long-term relationships with customers. With the need for two-way communication tools, the style of subscriptions is compatible with CRM and other customer management in terms of being able to build good relationships with customers.

With "WOW engage," a fusion of CRM, CDP, and a communication platform, WW provide optimal communication means between customers and users, helping them realize customer success. Therefore, there is an aspect where demand for switching from other companies' services can be expected due to optimization of marketing activities and cost efficiency from a long-term perspective.

## Society

Society	+ Factors	<ul style="list-style-type: none"> <li>▪ Change to a style that accompanies the customer</li> <li>▪ Interactive subscription style</li> <li>▪ Trend toward elimination of third-party cookies</li> </ul>
	- Factors	<ul style="list-style-type: none"> <li>▪ Increased competition in e-commerce, etc.</li> </ul>

### **Subscribed SaaS systems have changed to a style in which they excel.**

We are moving from an era of pursuing volume and operational efficiency to an era of pursuing "customer success," a two-way flow of creating success based on mutual understanding. To this end, in addition to passively providing customers with what they are looking for, as in the case of customer support, it is important to proactively explore customers' latent needs and make proactive proposals in a style that accompanies the customer. For this purpose, a SaaS system is considered to be the best choice.

Reforms in work styles are also providing a tailwind for SaaS providers, and in particular, the use of marketing-related SaaS is expected to increase in response to the expansion of the EC market.

### **Abolition of Third-Party Cookie is a Tailwind for CDP**

Third-party cookies are being phased out in major Web browsers to protect privacy. Third-party cookies are sent by a third party that is not the operator of the website the user is visiting. Third-party cookies are sent by third parties that are not the operators of the web sites visited by the user. They are mainly used to serve web advertisements of interest to the user based on the behavioral logs.

This will have two main effects: first, it will reduce the efficiency of web advertising, since the key for automatic delivery of web ads will be eliminated, requiring either time-consuming web advertising to attract new customers or enhanced marketing to existing customers; and second, it will lead to the decline of DMPs (data management platforms). The second is the decline of DMPs (data management platforms). DMPs, which have been utilized in ad:tech, also rely on third-party cookies, so services using DMPs are on the decline.

These two influences will be a tailwind for our "WOW Engage" concept. This is because we ourselves are focusing on cross-selling to existing customers, and we are also aiming to achieve marketing and customer success through message delivery rather than advertising, using first-party cookies.

## Technology

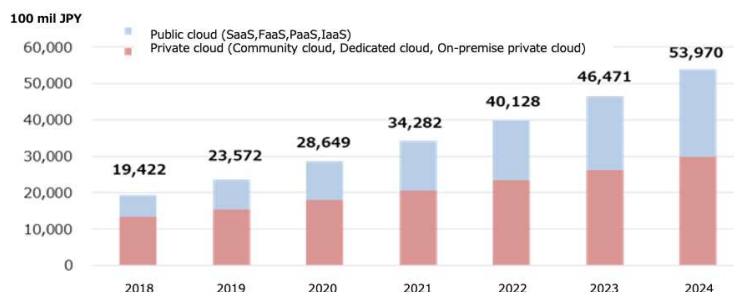
Technology	+ Factors	<ul style="list-style-type: none"> <li>▪ Accelerate new product development</li> <li>▪ Build sustainable relationships with</li> </ul>
	- Factors	—

IT is also developing in the pursuit of customer success, and subscriptions are a very important factor in terms of building sustainable relationships with customers. In response, WW will work to speed up new development. Furthermore, WW expects to increase its technological capabilities by focusing on R&D investment.

## Market Size

## Market Size

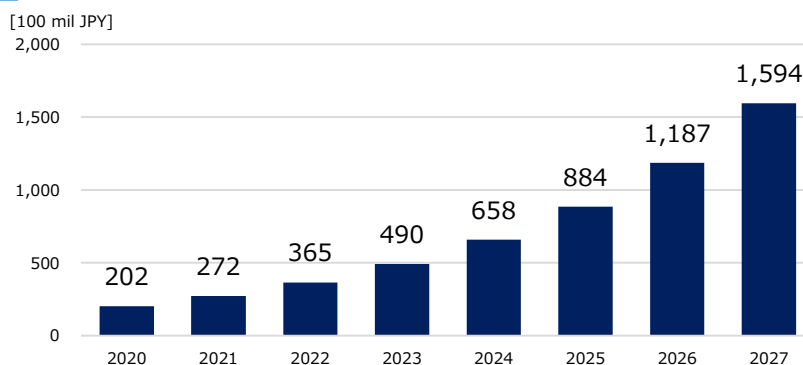
## TAM: Domestic Cloud Market to Exceed 5 Trillion JPY by 2024



[Source]: MM Research Institute, "Domestic Cloud Service Demand Trend Survey (as of May 2020)," June 18, 2020.

The COVID-19 pandemic has been driving DX, including remote work, and further expand the domestic cloud market.

## SAM: CPaaS market expected to grow rapidly among



[Source]: Compiled by JPR based on a report by Report Ocean, Inc. and the Ministry of Economy, Trade and Industry's 2020 Market Survey on Electronic Commerce.

## SOM: The market for customer success is expanding.

## CRM Application Market in Japan in 2020

Functional Market	Amount of sales	YoY
Advertising Application Market	JPY 39,771 mil	0.3%
Contact Center Application Market	JPY 32,606 mil	4.8%
Customer Service Application Market	JPY 39,780 mil	7.3%
Digital Commerce Application Market	JPY 14,519 mil	9.9%
Marketing Campaign Management Application Market	JPY 31,447 mil	11.3%
Sales Productivity/Management Application Market	JPY 29,049 mil	10.9%
Total CRM application market in Japan	JPY 187,173 mil	6.7%

[Source] Nikkei BP, Nikkei Cross Tech ACTIVE, "CRM market continues to grow after the COVID-19 pandemic, improving essential customer contact points" 2021.08.03

In an era of evolution from a simple email distribution tool to a complex tool that includes customer management, marketing strategy development, etc.

## 【Survey Report】"Communication Methods with Customers" by 701 Corporate Marketing and Public Relations Managers

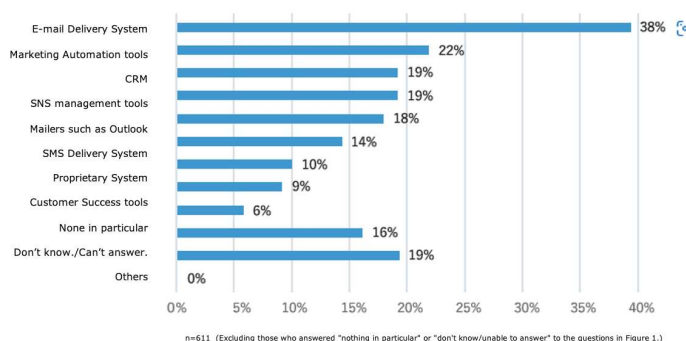
### Summary of Survey Results

- BtoC companies actively use SNS and mass media.
- The most common purpose of information dissemination by companies was "to attract new customers" (79%), followed by "to improve brand power" (60%). This was followed by "Improve brand power" (60%) and "Improve relationships with prospective customers" (58%).
- The most common system used to send out information was an "e-mail distribution system" (38%), followed by "marketing automation tools" (38%). This was followed by "marketing automation tools" (22%).
- The most common "means of listening to customers' opinions" was "contact form/contact representative e-mail address" (53%), followed by "call to contact person" (58%) and "call to contact person" (22%). This was followed by "Calling the inquiry desk" (45%).
- The most common system used to collect customer opinions was "survey form creation system" (38%). This was followed by "marketing automation tools" (20%).
- The most common "Initiatives to improve customer relations" was "Establishment of a customer support desk" (29%), followed by "Orientation and training" (28%), and "Establishment of a customer service center" (29%). This was followed by "Holding orientations/events/seminars" and "Customer success initiatives" (24%).
- The measures that should be implemented in the future were "Updating website announcements, etc." and "Distribution via official corporate SNS" (18%), tied for the highest percentage. This was followed by "Installation of chat systems and web-based customer service tools" (14%). There is interest in interactive communication on the Internet.

[Source]:WW 【Survey Report】"Communication Methods with Customers" by 701 Corporate Marketing and Public Relations Managers

### WW's activities to realize a human-centered society

<Figure 4>.  
What systems does your company have in place for information dissemination (multiple responses allowed)?



[Source]:WW 【Survey Report】"Communication Methods with Customers" by 701 Corporate Marketing and Public Relations Managers

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## 5-Force Analysis

### Smaller positions for various threats

#### Relatively easy for newcomers to enter the market, but there are large first-mover advantages

Although it is relatively easy for new entrants to enter the mail delivery system market, they are recognized as "spam" when they enter the market and rapidly start delivering large volumes of mail.

With more than 8,000 companies already using the system, a sales track record spanning nearly 20 years, and a NO.1 share of the mail delivery package market, the advantage of not having to deal with spam once again is significant.

#### Wide range of support and low cost to meet customer requirements

From the customer side, efficient CRM operations are possible by combining email distribution, surveys, customer management, and email sharing systems, rather than just using stand-alone systems.

#### Expand communication channels in line with IT evolution

WW has realized message delivery through a variety of channels that go beyond e-mail, such as LINE delivery and SMS delivery linked to its user database, and will continue to increase communication channels in line with the diversification of lifestyles and the evolution of IT.

For users, the evolution to realize communication that "touches the heart" and "reaches the thoughts" of customers is continuing. In other words, by responding to the needs of users, they will be selected.

#### Less threat of substitutes and alternative services

Communication tools between companies and their customers are evolving, but the method of "communication" will remain the same, even though text may replace images. If they remain mere e-mail distribution tools, they may be eliminated, but as "communication tools," the number of users will not decrease.

CDPs are becoming increasingly important, especially as people become more aware of one-to-one marketing. In this context, WW is offering CDP as one of its solutions through the acquisition of Connecty as a subsidiary, and WW is flexibly incorporating and utilizing what could be an alternative service.

#### Competitive Environment

In the market for cloud services related to communication, while specialized services are offered separately, there are companies like MHI and Twilio that provide CPaaS on their own. While the CPaaS offerings may appear to be very similar, there are certainly strengths that reflect our values, and WW believe that its service is very unique in that it tries to deliver only the information we want.

## Appendix 1. Review of Twilio, Inc.

### Benchmarking the CPaaS Market

Providing  
communication  
tools that are  
valued worldwide

Pay-as-you-go  
pricing is adapted  
to today's era of  
increasing  
messages

How many to send  
properly and how  
many happy  
experiences you  
can have.

### A super growth company ,a good example of WW

#### Overview of Twilio, Inc.

Twilio is developing a wide range of tools essential for improving business operations, with a focus on APIs that help companies build communication platforms. In the past, communication platforms such as telephone, chat, and e-mail were built into corporate systems, and even modifications to the extent of adding functions required modifications to the entire system. Communication tools are evolving, and awareness of customer communication is increasing. Under these circumstances, Twilio provides communication tools in the cloud and integrates them with corporate systems via APIs. This separates the communication tool from the customer's system, reducing the time and cost of modifications. Customers will always be able to use the most up-to-date communication tools. These services have been well received and are used by more than 250,000 organizations and companies worldwide.

#### Values

Twilio is "changing the world through business. CEO Jeff Lawson is a serial entrepreneur who realized the importance of communication in business from his previous entrepreneurial experience. CEO Jeff Lawson is a serial entrepreneur who, through his entrepreneurial experience, realized the importance of communication in business and founded Twilio in 2008 with friends Evan Cooke and John Wolthuis, following the AWS model. The company was founded in 2008 by Evan Cooke and John Wolthuis, who were friends.

#### Business Models

Twilio's revenue model is a pay-as-you-go system based on the amount of calls and messages sent and received. Compared to a flat-rate billing system, it lacks stability and is difficult to plan for. On the other hand, Twilio's usage fees are linked to the business growth of its customers, in other words, customer growth is directly linked to Twilio's revenue, and the model can be said to be one in which both parties enjoy growth.

#### Similarities and differences between WW and Twilio

Both companies share the same goal of providing smooth communication between companies and customers, but a comparison can be made in terms of quantity and quality.

Twilio's strength lies in its ability to organize the situation and connect with customers according to the network's delivery performance and cost evaluation. This is one of its strengths. WW, on the other hand, is able to deliver only the necessary information to the customer while reminding the customer of extraneous messages through statistical causal inference.

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## Appendix 2. For those new to JPR reports

### Exceeds Profit Analysis

Companies with low PER, EV/EBITDA, EV/Sales are almost fair value or overvalued

### Steady and undervalued compared to high-profile listed companies in AI/SaaS

#### WW is the most undervalued

SaaS-related companies similar to WW, or companies that utilize databases and were valued in the stock market, have begun to lose their valuation in recent years, and their P/E ratios have been declining along with their market capitalizations. JPR selected 16 such companies in total, including WW. The table below shows PER, EV/EBITDA, and EV/Sales calculated based on the last quarter's results and the current quarter's forecast. A histogram of these indicators averaged over the last quarter and the current quarter forecast, from the smallest positive value to the third largest value, shows that all of WW's indicators are low, falling in the bottom 0-10%. This indicates that WW is very undervalued with solid profits in the last quarter and in the current quarter forecast.

In the following pages, JPR present graphs of visualized EVA and details of the financial basis for the five companies (underlined in the table) other than WW that fall in the bottom 0-20% in two or more of the three indicators. It can be seen that while the market capitalizations of many of these companies have incorporated most of their shareholder value for the next 10 years, the value gap of WW is very undervalued at about 7x.

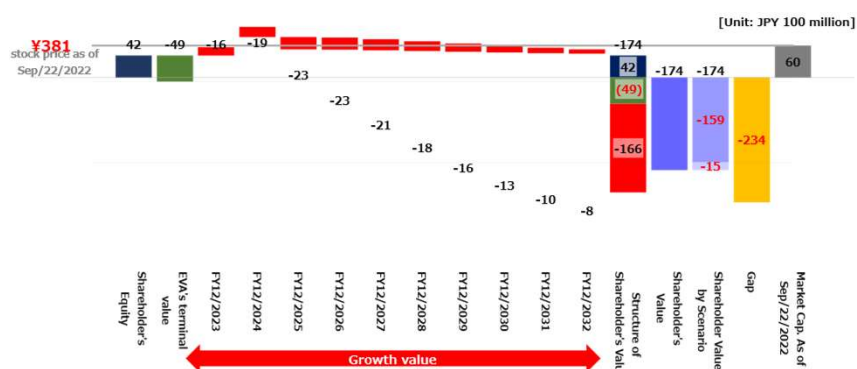
### Comparison of 15 publicly traded companies that have attracted attention for their use of AI/SaaS and databases

Company name	PER (times)		EV/EBITDA (times)		EV/Sales (times)		ROIC(%) JPR estimated	Market capitalization JPY mil
	Last period	Forecast for this term	Last period	Forecast for this term	Last period	Forecast for this term		
Members	23.73	21.18	16.06	13.69	2.02	1.66	23.9%	33,322
WOW WORLD	16.32	22.29	9.79	10.74	1.25	1.18	7.8%	3,475
BrainPad	25.74	25.84	15.53	16.15	2.07	1.72	17.8%	20,673
<u>Hotto Link</u>	7.91	61.02	14.66	32.31	0.79	0.65	1.9%	6,041
Datasection	2,004.79	-23.11	50.06	-19.27	2.28	1.93	-4.1%	4,010
<u>oRo</u>	17.29	17.16	9.27	9.16	3.40	3.04	36.9%	24,622
PKSHA Technology	397.55	73.05	70.57	33.55	5.77	4.41	5.6%	58,440
PLAID	-188.97	-16.12	101.25	-14.19	3.16	2.40	-23.3%	20,031
WACUL	20.63	28.61	21.96	22.70	3.74	2.93	19.7%	4,663
Appier Group	-107.20	-440.01	-98.88	-1,313.67	8.72	5.98	-0.5%	126,283
ExaWizards	-274.19	1,473.12	-161.33	32,427.67	6.74	4.99	0.0%	37,565
<u>YMIRLINK</u>	17.03	15.17	7.92	6.98	1.70	1.51	33.2%	4,870
JDSC	-95.31	-94.24	-82.63	424.97	3.16	2.63	1.3%	7,815
<u>Speee</u>	31.19	26.66	18.94	14.35	1.70	1.72	22.4%	26,043
<u>Orchestra Holdings</u>	32.90	26.22	18.03	13.63	1.37	2.28	16.5%	24,904
ProjectCompany	89.99	52.10	60.41	33.85	14.40	7.41	33.4%	32,305

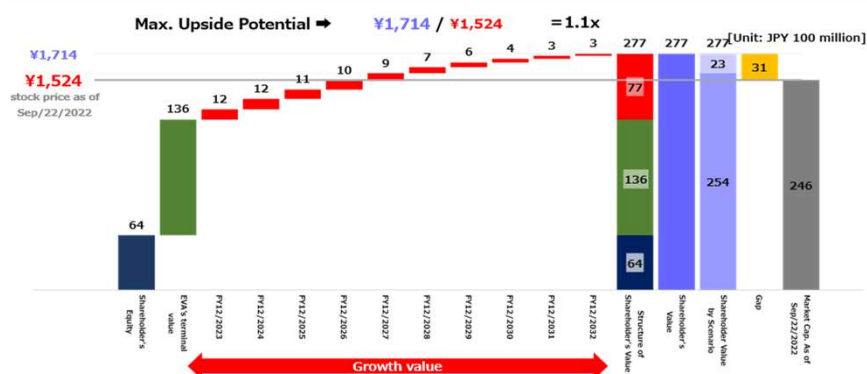
[Source]: Compiled by JPR from FactSet and other sources. Market capitalization is based on the closing price on September 22.

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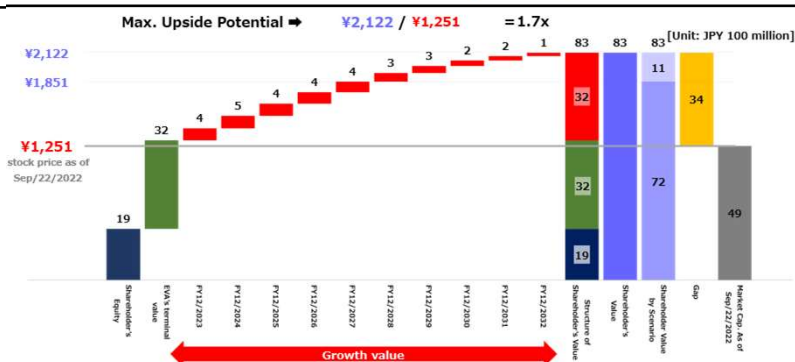
## Shareholder Value Structure and Value Gap Analysis of Hotto Link (3680)



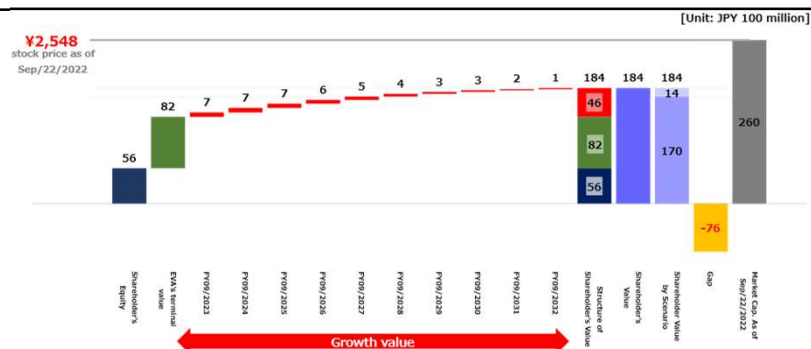
## Shareholder Value Structure and Value Gap Analysis of oRo (3983)



## Shareholder Value Structure and Value Gap Analysis of YMIRLINK (4372)

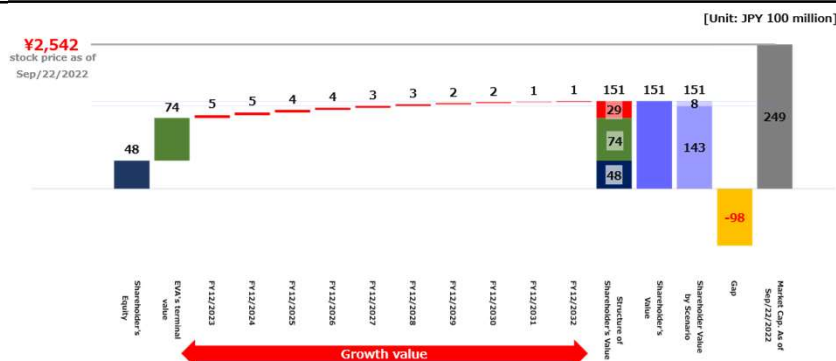


## Shareholder Value Structure and Value Gap Analysis of Spee (4499)



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## Shareholder Value Structure and Value Gap Analysis of Orchestra Holdings (6533)



## Hotto Link (3680) Financial Forecast to 10 Years

[JPY 100 million]	Current Year 2022.12	1 year later 2023.12	2 years later 2024.12	3 years later 2025.12	4 years later 2026.12	5 years later 2027.12	6 years later 2028.12	7 years later 2029.12	8 years later 2030.12	9 years later 2031.12	10 years later 2032.12
Sales	80	108	147	200	257	316	375	430	480	525	565
Operating income	1.6	2.2	3.0	4.0	5.2	6.4	7.6	8.7	9.7	10.6	11.4
Operating margin	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sales growth rate	21.4%	35.0%	35.0%	35.0%	28.7%	22.9%	18.4%	14.7%	11.7%	9.4%	7.5%
NOPAT margin	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Invested capital turnover ratio	73.3%	73.3%	73.3%	73.3%	73.3%	73.3%	73.3%	73.3%	73.3%	73.3%	73.3%
WACC	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%
ROIC = NOPAT margin × invested capital net sales ratio	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
ROIC / WACC (value created with the original hand of 1)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
NOPAT	1.11	1.51	2.05	2.79	3.59	4.42	5.23	5.99	6.70	7.33	7.88
Invested capital × WACC	6.86	9.31	12.65	17.19	22.12	27.20	32.19	36.92	41.26	45.14	48.53
EVA	-5.74	-7.80	-10.60	-14.40	-18.53	-22.78	-26.97	-30.93	-34.56	-37.81	-40.65
EVA = NOPAT - invested capital × WACC	-5.74	-7.80	-10.60	-14.40	-18.53	-22.78	-26.97	-30.93	-34.56	-37.81	-40.65
Value created in each year	-	-	-	-	-	-	-	-	-	-	-
Discount Rate	100%	90%	80%	72%	64%	57%	51%	46%	41%	37%	33%
Present value of EVA	-49	-16	-19	-23	-23	-21	-18	-16	-13	-10	-8
Invested capital: Origin	96										
Over profit value (Permanent value of EVA of this ten)	-49										
Growth value (Present value of increase in EVA) ③	-166										
Non-business asset value ⑤	6										
Corporate value = ① + ② + ③ + ⑤	-155										
Interest-bearing debt, etc.	-23										
Shareholder value	-174										

## oRo (3983) Financial Forecast to 10 Years

[JPY 100 million]	Current Year 2022.12	1 year later 2023.12	2 years later 2024.12	3 years later 2025.12	4 years later 2026.12	5 years later 2027.12	6 years later 2028.12	7 years later 2029.12	8 years later 2030.12	9 years later 2031.12	10 years later 2032.12
Sales	62	68	74	81	87	93	98	103	106	109	112
Operating income	20.5	22.5	24.6	26.7	28.8	30.8	32.6	34.0	35.2	36.2	37.1
Operating margin	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%
Sales growth rate	11.7%	9.6%	9.6%	8.6%	7.8%	7.0%	5.6%	4.5%	3.6%	2.9%	2.3%
NOPAT margin	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%
Invested capital turnover ratio	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
ROIC = NOPAT margin × invested capital net sales ratio	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%
ROIC / WACC (value created with the original hand of 1)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
NOPAT	14.17	15.53	17.02	18.49	19.92	21.32	22.51	23.52	24.36	25.05	25.63
Invested capital × WACC	3.13	3.43	3.75	4.08	4.40	4.70	4.97	5.19	5.37	5.53	5.65
EVA	11.05	12.11	13.27	14.41	15.53	16.61	17.54	18.33	18.98	19.53	19.97
EVA = NOPAT - invested capital × WACC	11.05	12.11	13.27	14.41	15.53	16.61	17.54	18.33	18.98	19.53	19.97
Value created in each year	136	13	14	14	14	13	11	10	8	7	5
Discount Rate	100%	92%	86%	80%	74%	68%	63%	59%	55%	52%	49%
Present value of EVA	136	12	12	11	10	9	7	6	4	3	3
Invested capital: Origin	38										
Over profit value (Permanent value of EVA of this ten)	136										
Growth value (Present value of increase in EVA) ③	-23										
Non-business asset value ⑤	33										
Corporate value = ① + ② + ③ + ⑤	244										
Interest-bearing debt, etc.	-7										
Shareholder value	277										

## YMIRLINK (4372) Financial Forecast to 10 Years

[JPY 100 million]	Current Year 2022.12	1 year later 2023.12	2 years later 2024.12	3 years later 2025.12	4 years later 2026.12	5 years later 2027.12	6 years later 2028.12	7 years later 2029.12	8 years later 2030.12	9 years later 2031.12	10 years later 2032.12
Sales	22	25	28	32	36	40	43	46	48	50	52
Operating income	4.7	5.4	6.2	7.0	7.8	8.6	9.3	9.9	10.5	10.9	11.3
Operating margin	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%
Sales growth rate	12.7%	14.4%	14.4%	13.0%	11.7%	10.5%	8.4%	6.7%	5.4%	4.3%	3.4%
NOPAT margin	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%
Invested capital turnover ratio	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
ROIC = NOPAT margin × invested capital net sales ratio	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%
ROIC / WACC (value created with the original hand of 1)	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
NOPAT	3.25	3.72	4.25	4.81	5.37	5.93	6.43	6.86	7.23	7.54	7.80
Invested capital × WACC	0.76	0.87	0.94	1.12	1.25	1.38	1.50	1.60	1.64	1.70	1.82
EVA	2.49	2.85	3.26	3.69	4.12	4.55	4.93	5.26	5.55	5.78	5.98
EVA = NOPAT - invested capital × WACC	2.49	2.85	3.26	3.69	4.12	4.55	4.93	5.26	5.55	5.78	5.98
Value created in each year	32	5	5	5	6	6	5	4	4	3	3
Discount Rate	100%	93%	86%	80%	74%	68%	64%	59%	55%	51%	47%
Present value of EVA	32	4	5	4	4	4	3	3	2	2	1
Invested capital: Origin	10										
Over profit value (Permanent value of EVA of this ten)	32										
Growth value (Present value of increase in EVA) ③	-23										
Non-business asset value ⑤	9										
Corporate value = ① + ② + ③ + ⑤	83										
Interest-bearing debt, etc.	0										
Shareholder value	83										

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## Speee (4499) Financial Forecast to 10 Years

[JPY 100 million]	Current Year 2022.09	1 year later 2023.09	2 years later 2024.09	3 years later 2025.09	4 years later 2026.09	5 years later 2027.09	6 years later 2028.09	7 years later 2029.09	8 years later 2030.09	9 years later 2031.09	10 years later 2032.09
Sales	125	137	150	162	175	187	197	206	213	219	224
Operating income	15.0	16.4	18.0	19.5	21.0	22.5	23.7	24.7	25.6	26.3	26.9
Operating margin	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Sales growth rate	-1.6%	9.5%	9.5%	8.5%	7.7%	6.9%	5.5%	4.4%	3.5%	2.8%	2.3%
NOPAT margin	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Invested capital turnover ratio	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
ROIC = NOPAT margin × invested capital net sales ratio	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%
ROIC / WACC (value created with the original hand of 1)	X2.8	X2.8	X2.8	X2.8	X2.8	X2.8	X2.8	X2.8	X2.8	X2.8	X2.8
NOPAT	10.38	11.36	12.43	13.49	14.53	15.53	16.39	17.11	17.71	18.21	18.63
Invested capital × WACC	3.75	4.11	4.50	4.88	5.25	5.62	5.93	6.19	6.41	6.59	6.74
EVA	6.62	7.25	7.94	8.61	9.27	9.91	10.46	10.92	11.31	11.63	11.89
EVA = NOPAT - Invested capital × WACC	6.62	7.25	7.94	8.61	9.27	9.91	10.46	10.92	11.31	11.63	11.89
Value created in each year	82	8	8	8	8	8	7	6	5	4	3
Discount Rate	100%	93%	86%	79%	73%	68%	63%	58%	54%	50%	46%
Present value of EVA	12	7	7	7	6	5	4	3	3	2	1
Invested capital (1) Origin	46										
Over profit value (Permanent value of EVA of this ter	82										
Growth value (Present value of increase in EVA) ③	-46										
Non-business asset value ④	20										
Corporate value = ① + ② + ③ + ④	194										
Interest-bearing debt, etc.	-10										
Shareholder value	184										

## Orchestra Holdings (6533) Financial Forecast to 10 Years

[JPY 100 million]	Current Year 2022.12	1 year later 2023.12	2 years later 2024.12	3 years later 2025.12	4 years later 2026.12	5 years later 2027.12	6 years later 2028.12	7 years later 2029.12	8 years later 2030.12	9 years later 2031.12	10 years later 2032.12
Sales	100	107	115	122	129	136	141	146	150	153	155
Operating income	16.7	17.9	19.1	20.4	21.5	22.6	23.6	24.3	25.0	25.5	26.0
Operating margin	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Sales growth rate	-39.9%	7.1%	7.1%	6.4%	5.7%	5.2%	4.1%	3.3%	2.6%	2.1%	1.7%
NOPAT margin	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Invested capital turnover ratio	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%
WACC	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
ROIC = NOPAT margin × invested capital net sales ratio	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%
ROIC / WACC (value created with the original hand of 1)	X2.1	X2.1	X2.1	X2.1	X2.1	X2.1	X2.1	X2.1	X2.1	X2.1	X2.1
NOPAT	11.55	12.36	13.24	14.08	14.89	15.65	16.30	16.84	17.28	17.64	17.94
Invested capital × WACC	5.62	6.02	6.45	6.86	7.25	7.62	7.94	8.20	8.41	8.59	8.74
EVA	5.92	6.34	6.79	7.22	7.64	8.03	8.36	8.64	8.87	9.05	9.21
EVA = NOPAT - Invested capital × WACC	5.92	6.34	6.79	7.22	7.64	8.03	8.36	8.64	8.87	9.05	9.21
Value created in each year	74	5	6	5	5	5	4	3	3	2	2
Discount Rate	100%	93%	86%	79%	73%	68%	63%	58%	54%	50%	46%
Present value of EVA	12	5	5	4	4	3	3	2	2	1	1
Invested capital (1) Origin	70										
Over profit value (Permanent value of EVA of this ter	74										
Growth value (Present value of increase in EVA) ③	-38										
Non-business asset value ④	-5										
Corporate value = ① + ② + ③ + ④	173										
Interest-bearing debt, etc.	-22										
Shareholder value	151										

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## Appendix 3. Explanation of Time series analysis of shareholder value

### Overview

The time-series transition is Represents the time-series structure of growth value discounted to present value

Time series transition is not market capitalization but shareholder value created

The "growth value" in present value X years later is expressed as less than the "excess profit value" in X years later.

### Visualization of shareholder value from the present to 10 years in the future

#### Staircase Chart "Time Series Analysis of Shareholder Value" Format and Common Misconceptions

This report often uses a time-series analysis of shareholder value ("staircase graph"), which is a stair-step graph of "invested capital (blue)," "excess profit value (green)," and "growth value (red)." The "growth value" here is the future "excess profit increase" divided by 10 years and discounted by WACC.

On the other hand, a misinterpretation of the value can lead to an incorrect valuation. Two examples are as follows. One is the misunderstanding that the market capitalization changes over time, and the other is the misunderstanding that the shareholder value is created as shown in the graph for each viewpoint after X years as an expression of future value.

#### Not a "time-series market capitalization" graph.

What is expressed chronologically as X years later in the staircase graph is only the "growth value" that constitutes theoretical shareholder value. By visualizing how many years after the current point in time this is factored into market capitalization and how much it is not, the gap between theoretical shareholder value and market capitalization is visualized. For this reason, it is not an expression of how much the market capitalization is as of year X.

#### Factored in as present value, not future value

In the staircase graph, the "excess profit increase" for each year created in the future 10 years is discounted by the discount rate (WACC) and expressed as the "growth value" of the present value. Therefore, the "Excess Profit Value" at the end of X years is the sum of the values on the staircase graph and the discounted amount backward, and the shareholder value created at the end of X years is theoretically greater than the sum of the "Excess Profit Value" and the "Growth Value" on the staircase graph.

#### What is the fair value after X years?

Given the explanations for the two misconceptions, the fair value of the analyzed companies as of X years later can be explained as follows.

$$\begin{aligned} \text{Fair Value} = & \text{"Shareholder Value (changes from year to year)"} \\ & + \text{"Excess profit value" in X years (= "Growth value" after 1 year} \\ & * (1+WACC) + \dots + \text{"Growth value" after X years} * (1+WACC)^X \\ & + \Sigma (\text{"Growth Value" after X+N years} / (1+WACC)^N) \end{aligned}$$

However, N (=1, 2, . . . .) is the number of years for which growth expectations are recognized by the market through IR activities, etc.

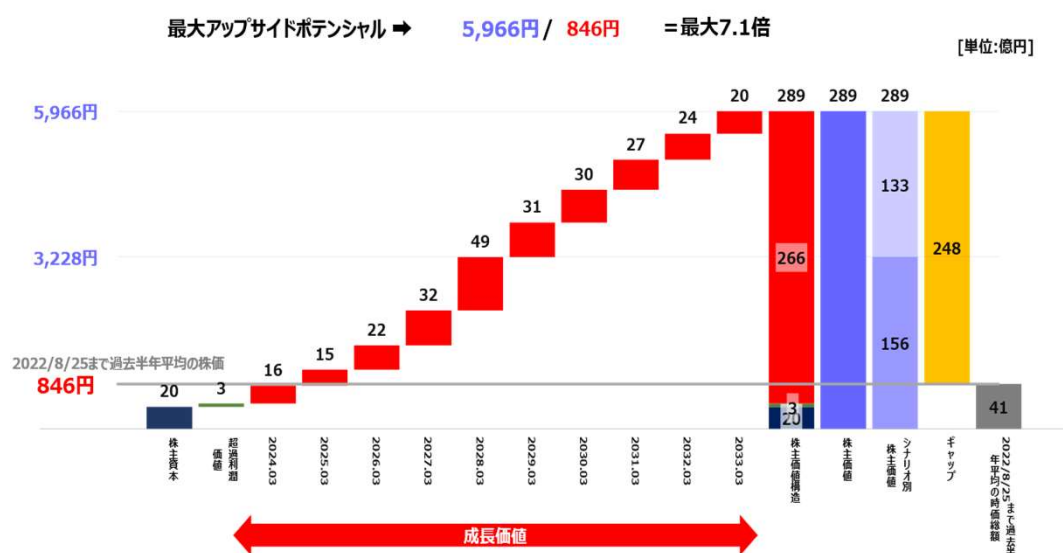
## Individual cases

## WW's Plan for Compliance with TSE Prime Listing Maintenance Criteria

Estimated market capitalization of 10 billion yen in FY2025 is achievable.

WW plans to achieve a market capitalization of JPY 10 billion in the fiscal year ending March 31, 2025 in its "Plan for Compliance with the Listing Maintenance Criteria for the New Market Classification. Based on the time-series analysis discussed in the previous section, JPR believes that achieving a market capitalization of JPY 10 billion is feasible.

## Time series analysis of shareholder value



The shareholder value to be created by FY2025 as of FY2023 is  $20+3+16+15 = 54$  in present value. From the first explanation, it is expected that growth value will be factored in from FY 03/ 2025 onward, just as growth value one year from now is factored in as of FY 03/ 2023. In particular, WW has sufficient factors for expected growth, such as "WOW engage" and entry into the CPaaS market discussed in this report, and continues to grow while remaining profitable despite the downward revision in the current fiscal year. Therefore, it is quite possible that the growth value could be factored in up to 1-2 years from FY 03 / 2025, when the market capitalization is required to reach JPY 10 billion.

In addition, given that the second explanation is discounted to present value, it is possible that WW will be able to reach a market capitalization of JPY 10 billion just by factoring in growth value one year and a bit after the FY 03/ 2025.

**Growth  
expectations  
Expanding  
recognition is key**



## Reference 1. For those new to JPR reports

### GCC Management™ Analysis

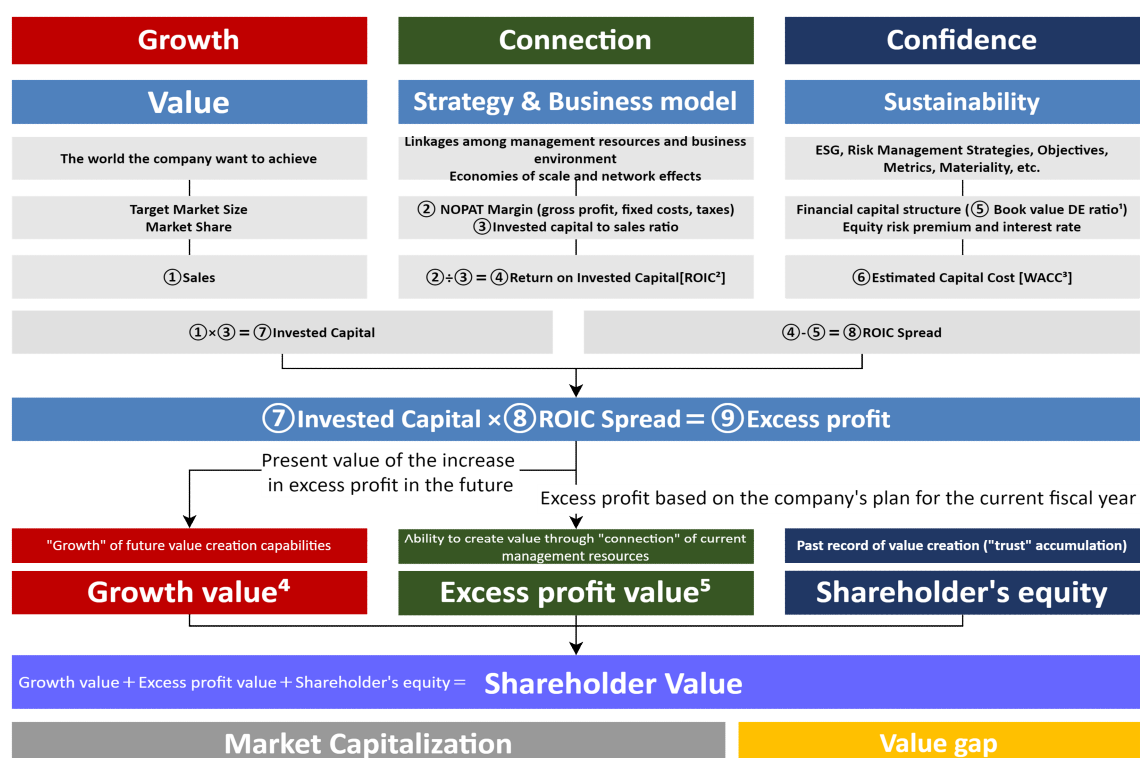
Visualize the value gap between theoretical shareholder value and market capitalization

Analyze by the three elements of Growth, Connection, and Confidence.

A framework for directly linking qualitative stories to shareholder value

This report analyzes corporate value from the perspective of GCC Management™, a framework developed by J-Phoenix Research Corporation ("JPR"), emphasizing three elements: Growth (sales growth), Connection (improved human and business connections = higher return on capital), and Confidence (improved trust = lower business risk). The following chart shows the overall picture of the GCC Management™ framework. The following diagram shows the overall picture. The qualitative future story is linked to financial indicators, which are finally integrated to estimate shareholder value. Using the excess profit method (see "Appendix 3. Basis of Calculation" at the end of this report), JPR estimates the final theoretical shareholder value and visualize the value gap by comparing it with the market

### GCC Management™ Analysis Framework



[Source: JPR] [Notes] 1. Book value DE ratio: Ratio of interest-bearing debt to shareholders' equity.

2. ROIC: Return on Invested Capital, See "Appendix 3." at the end of this document. 3. WACC: Weighted Cost of Capital, see "Appendix 3." at the end of this document. 4. growth value = cumulative present value of the perpetuity value of the excess profit increment through year X. The perpetuity value is calculated as the excess profit increment divided by WACC. The present value of that amount is discounted by the WACC. Cumulative future value up to year X as assumed by the growth scenario. 5. Excess profit value = the perpetual value of excess profit based on the current year's company plan. The excess profit value is estimated by dividing the excess profit calculated from the current year's company plan and the invested capital at the beginning of the period by the WACC.



Visualize the value gap between theoretical shareholder value and market capitalization

Visualization of various scenario analysis

## Visualization of value gap through 10-year growth scenario analysis

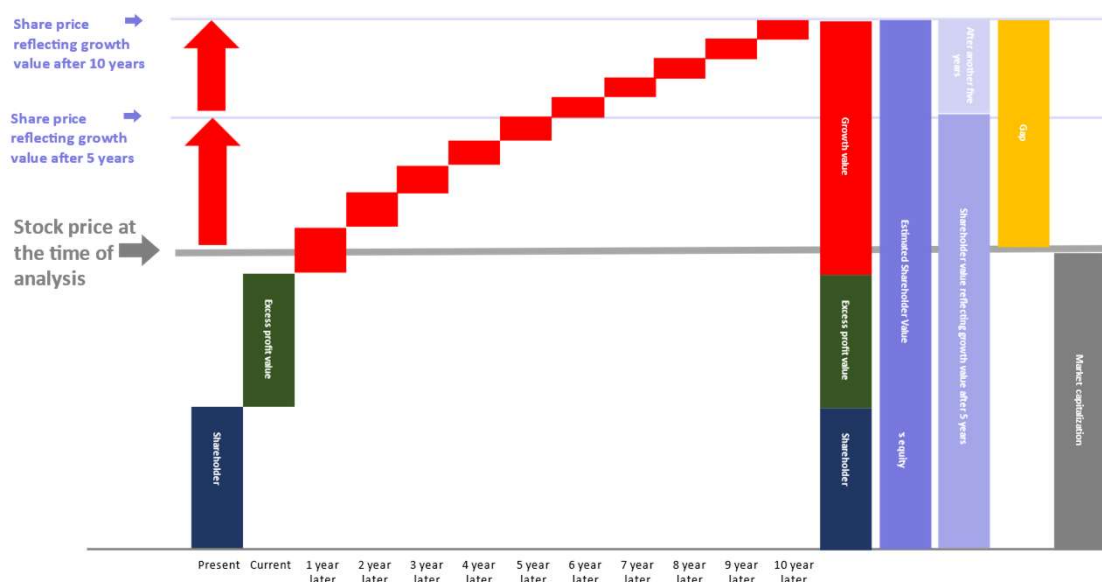
### Comparison of increase in shareholder value by year and market capitalization

The potential increase in shareholder value generated by a 10-year growth scenario based on the future story is visualized for each year and compared to the market capitalization. This allows us to visualize how many years of the future story are reflected in the market capitalization. 10 years of shareholder value is expected to be reflected in the market capitalization as the expectations for the achievability of the 10-year future story increase. The difference between the market capitalization and the estimated shareholder value reflecting up to 10 years of future story is the estimated upside potential. As investors' expectations of the feasibility of the future story are raised by the specific current performance, the likelihood of the realization of that value gap increases.

### Conservative growth scenarios and scenarios reflecting changes in future stories

This analysis is useful when the firm's strategy undergoes significant change. As shown in the figure below, it is also possible to visualize separately the growth potential under the conservative scenario and the growth potential under the change. Shareholder value without incorporating change represents a conservative amount.

## Visualizing the Value Gap



[出所]JPR

## Reference 2. Basis of Calculation

Corporate value  
estimated by use of  
ROIC and excess return

### Excess return analysis framework

Excess profit or economic value added is globally used as an indicator to estimate corporate value, evidenced by its adoption by Kao Corporation, a Grand Prix winner of the Tokyo Stock Exchange Fifth Corporate Value Improvement Award (FY2016). In the calculation of excess return, corporate value can be broken down into four elements: invested capital, excess return value, growth value, and non-business assets. This facilitates a better understanding of the structure that creates corporate value. A company might be overvalued or undervalued when its market cap is higher or is lower than its theoretical corporate value, respectively. The contribution of each

### Breakdown of corporate value using excess return



[source] JPR

Estimated excess return is profit that exceeds investors' return expectations against invested capital. Its present value is "excess return value," while a potentially growing portion of excess return is "growth value." Moreover, assets not used in business are added as non-business asset value in estimating a theoretical corporate value. Theoretically, the estimated corporate value using excess return should be the same as the value estimated using the discount cash flow (DCF)

- ② Excess return = NOPAT – Invested capital X WACC
- ② Net Operating Profit After Tax (NOPAT) = Operating profit X (1 - Effective tax rate)
- ② Invested capital = Total assets – Non-business assets – Current liabilities excluding Interest-bearing debt
- ② Non-business assets = Cash and deposits exceeding 10% of sales + Short-term investment securities + Investment securities + Deferred gains or losses on hedges + Land revaluation difference + Foreign currency translation adjustments
- ② Weighted average cost of capital (WACC) = After-tax interest rate of interest-bearing debt X (D/(E+D)) + Cost of shareholders' equity X (E/(D+E))
- ② Cost of shareholders' equity = 0.5% + 5% X β
- ② β = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company
- ② E = Market cap at the time of calculation
- ② D = Short-term interest-bearing debt + Long-term liabilities + Minority interests in the latest

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