English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Consolidated Financial Results for the nine months ended September 30, 2023 [IFRS]

November 13, 2023

Company name: Appier Group, Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 4180
URL: https://www.appier.com/
Representative: Chih-Han Yu, Representative Director and CEO
Contact: Koji Tachibana, Senior Vice President of Finance
Phone: +81 3 6435 6617
Scheduled date for filing of quarterly securities report: November 13, 2023
Scheduled date of commencing dividend payments: -
Supplementary briefing material on quarterly financial results: Yes
Quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts are recorded to nearest million yen)

1. Consolidated Financial Results for the nine months ended September 30, 2023

(1) Consolidated Operating Results (cumulative)

(% changes year-over-year)
(Millions of yen)

	Revenue		EBITDA *		Operating income (loss)		Income (loss) before income taxes		Net income (loss)		Net income (loss) attributable to owners of the parent company		Total comprehensive income	
Nine months ended September 30, 2023	18,802	37.6	1,792	115.5	362	-	429	-	383	-	383	-	3,792	(28.4)
Nine months ended September 30, 2022	13,669	56.1	832	-	(87)	-	(224)	-	(289)	-	(289)	-	5,296	-

* EBITDA = Operating income + Depreciation and amortization + Tax expenses included in operating expenses

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2023	3.77	3.73
Nine months ended September 30, 2022	(2.85)	(2.85)

*1 Outstanding share options equivalent to1,345,938 shares of common shares are antidilutive as of September 30, 2022, thus not included in the calculation of diluted loss per share for the nine months period ended September 30, 2022. Such share options may become dilutive in the future.

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company
As of September 30, 2023	39,142	30,114	30,114	76.9
As of December 31, 2022	35,939	26,201	26,201	72.9

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY2022	-	0.00	-	0.00	0.00
FY2023	-	0.00	-		
FY2023 (Forecast)				0.00	0.00

(Note) Revision of most recently announced dividend forecasts: No

3. Consolidated Financial Results Forecast for the year ending December 31, 2023

(% changes year-over-year)
(Millions of yen)

	Revenue		EBITDA *		Operating Income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
		%		%		%		%		%		%	Yen
FY2023	26,195	34.8	2,623	92.4	704	-	840	656.8	771	-	771	-	7.57

* EBITDA = Operating income + Depreciation and amortization + Tax expenses included in operating expenses

(Note) Revision of most recently announced consolidated financial results forecasts: Yes

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

(Notes)

(1) Changes in Significant Subsidiaries during the Period: No

(2) Changes in Accounting Policies and Changes in Accounting Estimates
1) Changes in accounting policies required by IFRS: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)
1) Total number of shares issued at the end of the period (including treasury stock):
As of September 30, 2023: 101,771,133 shares
As of December 31, 2022: 101,511,035 shares
2) Total number of treasury stock at the end of the period:
As of September 30, 2023: 257 shares
As of December 31, 2022: 195 shares
3) Average number of shares during the period (cumulative):
Nine months ended September 30, 2023: 101,628,240 shares
Nine months ended September 30, 2022: 101,267,913 shares

* This quarterly financial report is outside the scope of quarterly review procedures by a certified public accountant or an audit firm.

* Explanation of the Proper Use of Financial Results Forecasts and Other Notes
(Caution Concerning Forward-Looking Statements)
The forward-looking statements including the financial results forecast herein are based on information currently available to the Company and certain assumptions that can be deemed reasonable and are not intended as the Company's commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" of the Appendix.

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Contents of Appendix

1. Qualitative Information on Consolidated Financial Results for the Period …… 2
(1) Explanation on Operating Results …… 2
(2) Explanation on Financial Position …… 3
(3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast …. 5
2. Condensed Consolidated Financial Statements and Major Notes …… 6
(1) Condensed Quarterly Consolidated Statements of Financial Position …… 6
(2) Condensed Quarterly Consolidated Statements of Profit or Loss
and Condensed Quarterly Consolidated Statements of Comprehensive Income…… 7
(3) Condensed Quarterly Consolidated Statements of Changes in Equity …… 9
(4) Condensed Quarterly Consolidated Statements of Cash Flows …… 10
(5) Notes to Condensed Quarterly Consolidated Financial Statements……..… 11
Notes on Going Concern Assumption ……..…..…..…. 11
Notes on Significant Changes in the Amount of Equity Attributable to
Owners of the Parent Company ……...……..…… 11
Segment Information ……..… 11
Events after the reporting period ……...…… 11

1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating results

The Company's mission is "Turning AI into ROI by Making Software Intelligent".

Revenue for the nine months ended September 30, 2023, was ¥18,802 million (up 37.6 % year-over-year) due to increased revenue from existing customers through up-selling and cross-selling, and from new customers through verticals and regions expansion. In addition, ARR (*1) as of September 2023 was ¥25,663 million, a 40.7 % growth from ¥18,240 million as of September 2022.

Gross profit for the nine months ended September 30, 2023, was ¥ 9,671 million (up 38.3 % year-over-year) and gross margin was 51.4 % (51.2 % in the same period of the previous fiscal year).

Although the amount of operating expenses (Sales and marketing expenses, Research and development expenses, and General and administrative expenses) has increased with the expansion of the business scale and the impact of foreign exchange rates, the ratio to revenue of operating expenses has decreased. As a result, EBITDA (*3) was ¥1,792 million (¥832 million in the same period of the previous fiscal year), operating income was ¥362 million (¥87 million loss in the same period of the previous fiscal year), profit before tax was ¥429 million (¥224 million loss in the same period of the previous fiscal year), and profit attributable to owners of the parent company was ¥383 million (¥289 million loss in the same period of the previous fiscal year).

(*1) Annual recurring revenue. For solutions provided under a consumption-based pricing structure, the ARR is calculated by annualizing the average monthly recurring revenue (*2) for the relevant period multiplied by 12. For solutions provided under a subscription-based pricing structure, the ARR is calculated by annualizing the recurring revenue for the last month of the relevant period multiplied by 12. The ARR for September 2023 is calculated by multiplying the one-month average of recurring revenue from April 2023 to September 2023 by 12 for solutions provided under the consumption-based pricing structure, and by multiplying the recurring revenue for September 2023 by 12 for solutions provided under the subscription-based pricing structure.

(*2) Revenue from recurring customers. For solutions provided under the consumption-based pricing structure, this refers to (1) customers that have used the Company's solutions for four or more quarters in a row and (2) new customers within the latest twelve months that have used the Company's solutions for three or more months in a row. For solutions provided under the subscription-based pricing structure, this refers to customers who have a contract with the Company for more than one year.

(*3) EBITDA = Operating income + Depreciation and amortization + Tax expenses included in operating expenses

(2) Financial Position

(a) Assets, liabilities, and equity

(Assets)

Total assets as of September 30, 2023, amounted to ¥39,142 million, an increase of ¥3,203 million from December 31, 2022. Current assets increased by ¥985 million from December 31, 2022, mainly due to an increase of ¥1,580 million in other financial assets due to the acquisition of financial assets at fair value through profit or loss, an increase of ¥1,791 million in trade receivables and contract assets due to increasing in revenue, an increase of ¥837 million in cash and cash equivalents due to withdrawal of time deposits, etc., and a decrease of ¥3,514 million in time deposits due to withdrawal. Non-current assets increased by ¥2,218 million from December 31, 2022, mainly due to an increase of ¥2,425 million in goodwill and intangible assets due to capitalization of development costs that meet the requirements for capitalization, and a decrease of ¥353 million in right-of-use assets due to amortization.

(Liabilities)

Total liabilities as of September 30, 2023, amounted to ¥9,028 million, a decrease of ¥709 million from December 31, 2022. Current liabilities decreased by ¥346 million from December 31, 2022, mainly due to a decrease of ¥1,403 million in borrowings due to repayment, an increase of ¥580 million in other liabilities due to an increase of unpaid salaries and taxes, etc., and an increase of ¥468 million in trade payables due to an increase of cost of sales. Non-current liabilities decreased by ¥363 million from December 31, 2022, mainly due to a decrease of ¥367 million in lease liabilities due to payment.

(Equity)

Equity as of September 30, 2023, amounted to ¥30,114 million, an increase of ¥3,912 million from December 31, 2022, mainly due to an increase of ¥3,409 million in other components of equity due to changes in exchange rates.

(b) Cash flows

Cash and cash equivalents as of September 30, 2023, was ¥4,641 million, an increase of ¥837 million from December 31, 2022.

Cash flows from each activity for the nine months ended September 30, 2023, and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥764 million, increased by ¥356 million compared to the same period of the previous fiscal year. This is mainly attributable to an increase of ¥863 million in profit before tax adjusted for non-cash items compared to the same period of the previous fiscal year, an increase of ¥374million in interest received compared to the same period of the previous fiscal year, and an increase of ¥821 million in working capital compared to the same period of the previous fiscal year.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥1,379 million, decreased by ¥1,664 million compared to the same period of the previous fiscal year. This is mainly attributable to a decrease in income from net decrease of ¥2,569 million in time deposits compared to the same period of the previous fiscal year, an increase in payments for intangible assets by ¥689 million compared to the same period of the previous fiscal year, and a decrease of ¥1,602 million in acquisition of financial assets measured at fair value through profit or loss compared to the same period of the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,943 million, increased by ¥1,558 million compared to the same period of the previous fiscal year. This is mainly attributable to an increase of ¥1,499 million in repayment of short-term borrowing compared to the same period of the previous fiscal year.

(3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast

We outperformed our guidance announced on February 13, 2023, in both revenue and profit for the first nine months of the year, ending September 30, 2023.

The outperformance of revenue was mainly driven by our continuous business expansion in NEA and US & EMEA regions, increasing spending from existing customers and persistent penetration in new verticals. The increase in profit was supported by better-than-expected business growth and continuous and disciplined investment in S&M and R&D, along with consistent productive execution in achieving profitable growth.

Accordingly, we have made an upward revision to our consolidated full-year guidance.

For further details, please refer to the "Announcement on Revision of the Consolidated Full-year Guidance" disclosed on November 13, 2023.

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

2 Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	3,803,630	4,641,065
Time deposits	13,932,568	10,418,420
Trade receivables	2,843,653	3,870,443
Contract assets	920,117	1,684,206
Other receivables	164,292	200,692
Other current assets	121,969	376,819
Other financial assets	3,576,577	5,156,218
Total current assets	25,362,806	26,347,863
Non-current assets		
Property, plant and equipment	192,491	255,250
Right-of-use assets	2,881,598	2,528,180
Goodwill and intangible assets	6,937,098	9,361,740
Deferred tax assets	174,669	175,140
Other financial assets	389,959	473,509
Total non-current assets	10,575,815	12,793,819
Total assets	35,938,621	39,141,682
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,149,053	745,959
Contract liabilities	158,189	115,209
Trade payables	1,833,823	2,301,385
Other liabilities	2,413,623	2,993,911
Current tax payables	51,367	58,777
Lease liabilities	582,535	627,289
Other current liabilities	98,293	98,478
Total current liabilities	7,286,883	6,941,008
Non-current liabilities		
Provisions	62,387	66,875
Deferred tax liabilities	58,989	57,908
Lease liabilities	2,329,027	1,962,121
Total non-current liabilities	2,450,403	2,086,904
Total liabilities	9,737,286	9,027,912
Equity		
Share capital	7,535,199	7,545,847
Capital surplus	23,712,343	23,822,117
Treasury shares	(246)	(355)
Retained earnings	(9,472,977)	(9,089,809)
Other components of equity	4,427,016	7,835,970
Equity attributable to owners of the parent company	26,201,335	30,113,770
Total equity	26,201,335	30,113,770
Total liabilities and equity	35,938,621	39,141,682

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Condensed Quarterly Consolidated Statements of Comprehensive Income

Condensed Quarterly Consolidated Statements of Profit or Loss

For the nine months ended September 30, 2023

(Thousands of yen)

	2022 (From January 1, 2022 to September 30, 2022)	2023 (From January 1, 2023 to September 30, 2023)
Revenue	13,669,113	18,802,484
Cost of sales	(6,674,137)	(9,131,319)
Gross profit	6,994,976	9,671,165
Sales and marketing expenses	(4,550,426)	(5,893,421)
Research and development expenses	(1,641,773)	(2,228,820)
General and administrative expenses	(1,144,352)	(1,364,322)
Other income	256,588	183,487
Other expenses	(1,993)	(6,526)
Operating income (loss)	(86,980)	361,563
Finance income	96,327	405,520
Finance costs	(233,306)	(338,353)
Profit (loss) before tax	(223,959)	428,730
Income taxes	(64,601)	(45,562)
Profit (loss) for the period	(288,560)	383,168
Profit (loss) attributable to:		
Owners of the parent company	(288,560)	383,168
Basic earnings (loss) per share (yen)	(2.85)	3.77
Diluted earnings (loss) per share (yen)	(2.85)	3.73

For the three months ended September 30, 2023

(Thousands of yen)

	2022 (From July 1, 2022 to September 30, 2022)	2023 (From July 1, 2023 to September 30, 2023)
Revenue	5,111,903	7,080,269
Cost of sales	(2,408,225)	(3,356,893)
Gross profit	2,703,678	3,723,376
Sales and marketing expenses	(1,712,881)	(2,162,419)
Research and development expenses	(598,688)	(831,229)
General and administrative expenses	(416,454)	(484,062)
Other income	29,425	73,174
Other expenses	(84)	(5,315)
Operating income (loss)	4,996	313,525
Finance income	55,176	148,536
Finance costs	(88,751)	(143,684)
Profit (loss) before tax	(28,579)	318,377
Income taxes	(26,786)	(16,876)
Profit (loss) for the period	(55,365)	301,501
Profit (loss) attributable to:		
Owners of the parent company	(55,365)	301,501
Basic earnings (loss) per share (yen)	(0.55)	2.96
Diluted earnings (loss) per share (yen)	(0.55)	2.94

Condensed Quarterly Consolidated Statements of Comprehensive Income

For the nine months ended September 30, 2023

(Thousands of yen)

	2022 (From January 1, 2022 to September 30, 2022)	2023 (From January 1, 2023 to September 30, 2023)
Profit (loss) for the period	(288,560)	383,168
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of an equity investment at fair value through other comprehensive income	(32,476)	45,928
Total items that will not be reclassified subsequently to profit or loss	(32,476)	45,928
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	5,616,691	3,363,026
Total items that may be reclassified subsequently to profit or loss	5,616,691	3,363,026
Total other comprehensive income for the period	5,584,215	3,408,954
Total comprehensive income for the period	5,295,655	3,792,122
Total comprehensive income attributable to:		
Owners of the parent company	5,295,655	3,792,122

For the three months ended September 30, 2023

(Thousands of yen)

	2022 (From July 1, 2022 to September 30, 2022)	2023 (From July 1, 2023 to September 30, 2023)
Profit (loss) for the period	(55,365)	301,501
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of an equity investment at fair value through other comprehensive income	(64,392)	(31,064)
Total items that will not be reclassified subsequently to profit or loss	(64,392)	(31,064)
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	1,569,086	981,134
Total items that may be reclassified subsequently to profit or loss	1,569,086	981,134
Total other comprehensive income for the period	1,504,694	950,070
Total comprehensive income for the period	1,449,329	1,251,571
Total comprehensive income attributable to:		
Owners of the parent company	1,449,329	1,251,571

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022)

(Thousands of yen)

	Equity attributable to owners of the parent company							
					Other components of equity			
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2022	7,526,244	23,644,664	-	(9,494,299)	1,134,939	24,140	1,159,079	22,835,688
Loss for the period	-	-	-	(228,560)	-	-	-	(288,560)
Other comprehensive income	-	-	-	-	5,616,691	(32,476)	5,584,215	5,584,215
Total comprehensive income	-	-	-	(288,560)	5,616,691	(32,476)	5,584,215	5,295,655
Share options of the Company	-	38,547	-	-	-	-	-	38,547
Exercise of share options	6,161	6,161	-	-	-	-	-	12,322
Purchase of treasury shares	-	-	(58)	-	-	-	-	(58)
Total transactions with owners	6,161	44,708	(58)	-	-	-	-	50,811
Balance at September 30, 2022	7,532,405	23,689,372	(58)	(9,782,859)	6,751,630	(8,336)	6,743,294	28,182,154

For the nine months ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

(Thousands of yen)

	Equity attributable to owners of the parent company							
					Other components of equity			
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial statements translation differences of foreign operations	Unrealized (loss) gains from financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2023	7,535,199	23,712,343	(246)	(9,472,977)	4,442,874	(15,858)	4,427,016	26,201,335
Profit for the period	-	-	-	383,168	-	-	-	383,168
Other comprehensive income	-	-	-	-	3,363,026	45,928	3,408,954	3,408,954
Total comprehensive income	-	-	-	383,168	3,363,026	45,928	3,408,954	3,792,122
Share options of the Company	-	99,126	-	-	-	-	-	99,126
Exercise of share options	10,648	10,648	-	-	-	-	-	21,296
Purchase of treasury shares	-	-	(109)	-	-	-	-	(109)
Total transactions with owners	10,648	109,774	(109)	-	-	-	-	120,313
Balance at September 30, 2023	7,545,847	23,822,117	(355)	(9,089,809)	7,805,900	30,070	7,835,970	30,113,770

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	2022 (From January 1, 2022 to September 30, 2022)	2023 (From January 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit (loss) before tax	(223,959)	428,730
Depreciation and amortization	914,109	1,426,158
Interest income	(96,327)	(405,520)
Interest expense	45,128	80,234
Expected credit losses	91,216	83,931
Gains on financial assets measured at fair value through profit or loss	(30,415)	(177,734)
Gains on forfeited contingent consideration	(57,178)	-
Share-based compensation expense	50,597	120,162
Others	(108)	58
Change in working capital		
Trade receivables	(286,405)	(782,652)
Contract assets	109,131	(620,257)
Other receivables	52,957	(43,526)
Other current assets	(63,021)	(220,322)
Contract liabilities	(5,568)	(55,463)
Trade payables	(183,413)	237,707
Other liabilities	123,663	414,264
Other current liabilities	(3,476)	(6,510)
Subtotal	436,931	479,260
Interest received	53,842	428,163
Interest paid	(44,983)	(79,953)
Income taxes paid	(37,003)	(63,181)
Net cash provided by operating activities	408,787	764,289
Cash flows from investing activities		
Payments for property, plant and equipment	(47,905)	(117,849)
Payments for intangible assets	(1,617,972)	(2,306,858)
Payment for acquisition of a subsidiary	(35,298)	(41,569)
Withdrawal of time deposits	17,185,392	31,561,351
Placement of time deposits	(9,951,545)	(26,896,540)
Acquisition of financial assets measured at fair value through profit or loss	(2,491,005)	(888,627)
Proceeds from disposal of financial assets at fair value through profit or loss	-	71,977
Others	1,109	(2,743)
Net cash provided by investing activities	3,042,776	1,379,142
Cash flows from financing activities		
Repayment of short-term borrowing	-	(1,498,620)
Payment of lease liabilities	(384,954)	(444,200)
Proceeds from issuance of shares	272	260
Payments to acquire treasury shares	(58)	(109)
Net cash used in financing activities	(384,740)	(1,942,669)
Effects of exchange rate changes on cash and cash equivalents	849,168	636,673
Net increase in cash and cash equivalents	3,915,991	837,435
Cash and cash equivalents at the beginning of the period	6,560,906	3,803,630
Cash and cash equivalents at end of period	10,476,897	4,641,065

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not Applicable.

(Notes on Significant Changes in the Amount of Equity Attributable to Owners of the Parent Company)

Not Applicable.

(Segment Information)

The presentation of segments information is omitted as Appear Group consists of a single segment by AISaaS business.

(Events after the reporting period)

Not Applicable.