

(English Translation)

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

August 5, 2022

Listed company name: WOW WORLD Inc. Stock exchange listing: Tokyo

Securities code: 2352 URL <https://www.wow-world.co.jp/>

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Scheduled date to file securities report: August 12, 2022

Scheduled date to commence dividend payments: —

Preparation of supplementary materials on financial results: Yes

Holding of financial results briefing: No

### 1. Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to June 30, 2022)

(Amounts less than one million yen are rounded down)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year increases.)

	Revenue		EBITDA※		Operating profit		Profit before Tax		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three Month ended June 30, 2022	679	0.4	78	(53.7)	(4)	—	(7)	—	(1)	—	(13)	—
June 30, 2021	677	—	169	—	113	—	114	—	69	—	69	—

	Basic Earnings per Share		Diluted Earnings per Share	
	Yen		Yen	
Three Month ended June 30, 2022	(0.46)		(0.46)	
June 30, 2021	17.39		16.13	

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

#### (2) Consolidated financial position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio for Equity Attributable to Owners of Parent
	Million yen	Million yen	Million yen	%
As of June 30, 2022	3,612	2,030	2,007	55.6
March 31, 2022	3,685	2,093	2,081	56.5

### 2. Dividends

	Dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	0.00	—	30.00	30.00
Fiscal year ending March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2023 (forecast)	—	0.00	—	33.00	33.00

(Note) Adjustment for the most recent forecasts of dividends: None

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

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

	Revenue		EBITDA※		Operating profit		Profit before tax		Profit Attributable to Owners of Parent		Basic Earnings Per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2nd Quarter	1,410	—	200	—	60	—	50	—	30	—	7.50
Full-year	3,000	—	620	—	330	—	320	—	200	—	50.00

(Note) Adjustment for the most recent earnings forecasts: Yes

(Note) The above consolidated earnings forecasts are prepared based on IFRS, as the Company has voluntarily adopted International Financial Reporting Standards (IFRS) from the consolidated financial statements for the first quarter of the fiscal year ending March 31, 2023. For this reason, the rate of change from the actual figures for the fiscal year ended March 31, 2022, when Japanese GAAP were applied, is not stated.

## \* Notes

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

(2) Changes in Accounting Policies, Accounting Estimations

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

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

(3) Changes in accounting estimates : None

(3) Number of Outstanding Shares (Ordinary shares)

(1) Number of shares outstanding at the end of period (including treasury shares)	As of June 30, 2022	3,999,084 Shares	As of March 31, 2022	3,999,084 Shares
(2) Number of treasury shares at the end of period	As of June 30, 2022	132,660 Shares	As of March 31, 2022	132,660 Shares
(3) Average number of ordinary shares outstanding during the period (quarterly total)	As of June 30, 2022	3,866,424 Shares	As of June 30, 2021	3,972,265 Shares

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

\* Proper use of earnings forecasts, and other special matters

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

(Application of International Financial Reporting Standards (IFRS))

We have applied International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2023. In addition, financial figures for the first quarter of the previous consolidated cumulative period and the previous consolidated fiscal year are also presented in accordance with IFRS.

Condensed Quarterly Consolidated Financial Statements and Major Notes (5) Notes to Condensed Quarterly Consolidated Financial Statements (first-time adoption)" on page 12 of the attachment for the differences between IFRS and Japanese GAAP regarding financial figures.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of operating results

During the first quarter of the current consolidated fiscal year (April 1, 2022 to June 30, 2022), the Japanese economy remained unpredictable due to concerns about the reemergence of COVID-19 infections, although vaccinations have progressed, and the economy is beginning to normalize after the gradual relaxation of restrictions on business activities.

The global economic situation also remains uncertain due to the prolonged invasion of Ukraine by Russia, the rapid depreciation of the yen, soaring prices due to the tightening of U.S. monetary policy, and other factors. The impact of the lockdowns caused by COVID-19 in China have also had a negative effect.

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

Amid these circumstances, the WOW WORLD Group reported the following business results for the third quarter of the current consolidated fiscal year.

#### a. Revenue increase for 14 consecutive terms and was record high.

During the first quarter of the current consolidated cumulative period, Revenue was 679,639 thousand yen (up 0.4% year-on-year), the 14th consecutive year of sales growth. This was mainly due to an increase in revenue of cloud services in our core enterprise software business.

#### b. Cloud services grew significantly, up 8.3% year-on-year.

Cloud services, which we have been strengthening for many years, represent a revenue base that we expect to grow steadily through the so-called subscription model. During the first quarter of the current consolidated cumulative period, in addition to the manifestation of up-selling and cross-selling through customer success, the number of new inquiries increased due to digital-related demand for Corona Disaster, and the number of orders received grew, resulting in a steady increase in monthly sales.

	(Thousand yen)		
	Q1 FY03/21	Q1 FY03/22	Q1 FY03/23
Cloud service sales	289,894	376,631	407,941
Change	+21,925	+86,736	+31,310
YoY(%)	+8.2%	+29.9%	+8.3%

#### c. EBITDA decrease by 53.7% year-on-year

First quarter EBITDA fell to 78,483 thousand yen (down 53.7% year-on-year).

The main factors were an increase in initial sales promotion expenses, including press conferences related to *WOW engage*, a new group solution, and upfront investment costs due to the implementation of marketing and development system enhancements. At the same time, we incurred costs for ISMAP certification, which is required for government transactions, one-time costs associated with the transition to a pure holding company structure, and an increase in human resources investments and subcontract expenses in connection with our large-scale web development business.

As a result of these efforts, in the first quarter of the current consolidated cumulative period, revenue was 679,639 thousand yen (up 0.4% year-on-year), EBITDA 78,483 thousand yen (down 53.7% year-on-year), and operating loss was 4,536 thousand yen (operating profit was 113,453 thousand yen for the same period of the previous year), and loss attributable to owners of parent of 1,760 thousand yen. (profit attributable to owners of parent was 69,061 thousand yen for the same period of the previous year)

The performance of the segment is as follows.

#### a. Enterprise Software

Revenue for the cumulative consolidated first quarter rose by 8.6% year-on-year, due to steady growth of “WEBCAS Standard Edition”, a cloud service of WOW WORLD, Inc. and CMS of Connecty, Inc.

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

As a result, overall revenue of this business was 480,039 thousand yen (up 8.6% year-on-year) and gross profit margin 65.6% (down 1.1pt year-on-year).

#### b. Large-scale web development

During the first quarter of the consolidated cumulative period, revenue declined mainly due to a delay in the progress of a project to build a website utilizing the CMS of Connecty Corporation, and earnings declined due to an increase in outsourcing costs.

As a result, overall revenue of this business was 123,953 thousand yen (down 10.6% year-on-year) and gross profit margin 2.2% (down 25.2pt year-on-year).

#### c. Communication Support and Consulting

During the first quarter of the consolidated cumulative period, revenue decreased due to a decline in demand due to the prolonged COVID-19. As a result, overall revenue of this business was 49,914 thousand yen (down 21.4% year-on-year) and gross profit margin 15.8% (down

4.8pt year-on-year).

## Net sales by segment and gross profit margin

		Q1 FY03/22		Q1 FY03/23	
		Amount	Composition ratio	Amount	Composition ratio
		Profit rate		Profit rate	YoY(%)
Enterprise Software	Net sales (thousand yen)	442,146	65.3%	480,039	70.6%
	Gross profit margin (%)	66.7%	—	65.6%	+8.6%
Large-scale web development	Net sales (thousand yen)	138,609	20.5%	123,953	18.2%
	Gross profit margin (%)	27.4%	—	2.2%	(10.6%)
Communication Support and Consulting	Net sales (thousand yen)	63,480	9.4%	49,914	7.3%
	Gross profit margin (%)	20.6%	—	15.8%	(21.4%)
Others	Net sales (thousand yen)	33,021	4.9%	25,731	3.8%
	Gross profit margin (%)	43.2%	—	42.0%	(22.1%)
Total	Net sales (thousand yen)	677,257	100.0%	679,639	100.0%
	Gross profit margin (%)	53.2%	—	49.5%	+0.4%

## \*1 Cloud services

A form in which a user company uses software running on a server managed by a software provider (in this case, Wow World Group) as a service via the Internet. User companies can use the server software at a relatively low cost by paying a monthly usage fee without incurring server software management and licensing costs.

## (2) Explanation of financial position

## A) Status of assets, liabilities and net assets

Total assets at the end of the first quarter of the current consolidated fiscal year decreased by 73,123 thousand yen from the end of the previous consolidated fiscal year to 3,612,745 thousand yen (down 2.0% from the end of the previous consolidated fiscal year).

Current assets decreased by 240,176 thousand yen due to a decrease of 202,990 thousand yen in cash and cash equivalents compared to the end of the previous consolidated fiscal year.

Non-current assets increased by 167,053 thousand yen due to an increase of 97,541 thousand yen in financial assets, and an increase of 31,382 thousand yen in right-of-use assets compared to the end of the previous consolidated fiscal year.

Total liabilities at the end of the first quarter of the current consolidated fiscal year decreased by 10,095 thousand yen from the end of the previous consolidated fiscal year to 1,582,649 thousand yen (down 0.6% from the end of the previous consolidated fiscal year).

Current liabilities decreased by 6,374 thousand yen due to an increase of 26,276 thousand yen in trade and other payables and of 21,363 thousand yen in other current liabilities and a decrease of 50,963 thousand yen in income taxes payable compared to the end of the previous consolidated fiscal year.

Non-current liabilities decreased by 3,721 thousand yen due to an increase of 24,456 thousand yen in lease liabilities and a decrease of 41,235 thousand yen in borrowings compared to the end of the previous consolidated fiscal year.

Total net assets at the end of the first quarter of the current consolidated fiscal year decreased by 63,027 thousand yen from the end of the previous consolidated fiscal year to 2,030,095 thousand yen (down 3.0% from the end of the previous consolidated fiscal year). This was due to the fact that while recording a change in equity of 49,200 thousand yen in changes in ownership interest in subsidiaries, the distribution of 119,972 thousand yen from dividends of surplus.

## B) Cash flow status

The balance of cash and cash equivalents (hereinafter referred to as “funds”) at the end of the first quarter of the current consolidated fiscal year decreased by 202,990 thousand yen from the end of the previous consolidated fiscal year to 772,674 thousand yen (20.8% decrease compared to the end of the previous consolidated fiscal year).

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

## (Cash flows from operating activities)

Funds obtained as a result of operating activities during the first quarter of the current consolidated cumulative period were 103,964 thousand yen (during the same quarter of the previous year, of 140,731 thousand yen).

The main factors for the increase in funds were the decrease in depreciation and amortization of 67,629 thousand yen and trade and other receivables of 61,877 thousand yen. The main factors for the decrease in funds were due to income taxes paid of 37,388 thousand yen.

## (Cash flows from investing activities)

Funds paid as a result of investment activities during the first quarter of the current consolidated cumulative period were 172,834 thousand yen (during the same quarter of the previous year, 81,120 thousand yen). The factors behind the decrease in funds were the expenditure of 102,465 thousand yen for purchase of investment securities.

(Cash flows from financing activities)

Funds paid as a result of financial activities during the first quarter of the current consolidated cumulative period were 134,121 thousand yen (during the consolidated cumulative period of the same quarter of the previous year of 160,884 thousand yen). The factors behind the decrease in funds were expenditures for dividends paid of 117,572 thousand yen.

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

We have revised the consolidated financial forecasts for the second quarter and the full year announced on May 10, 2022. Regarding the forecast for the consolidated financial results for the second quarter and the full year, the movement to strengthen the digital shift in the marketing field is accelerating due to the COVID-19, and the demand for digitizing approaches to customers and information dissemination is solid, taking into consideration the results of the current first quarter and recent demand trends.

For details, refer to the Notice Concerning Revision of Full-year Earnings Forecasts and reduction of executive compensation (Japanese only), published August 5, 2022.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

## (1) Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	As of April 1, 2021 [date of transition to IFRSs]	As of March 31, 2022	As of June 30, 2022
Assets			
Current assets			
Cash and cash equivalents	1,270,453	975,665	772,674
Trade and other receivables	313,835	362,598	290,692
Contract assets	29,490	25,202	38,586
Inventories	71,615	18,475	18,292
Other current assets	80,552	71,384	92,903
Total current assets	1,765,948	1,453,326	1,213,150
Non-current assets			
Property, plant and equipment	109,026	146,388	154,806
Right-of-use assets	205,554	124,318	155,700
Intangible assets	409,708	600,303	624,328
Goodwill	520,350	520,350	520,350
Financial assets	406,794	789,091	886,633
Investments accounted for using equity method	15,018	—	—
Deferred tax assets	180,521	25,809	34,083
Other non-current assets	33,552	26,278	23,692
Total non-current assets	1,880,527	2,232,541	2,399,595
Total assets	3,646,475	3,685,868	3,612,745

(Thousand yen)

	As of April 1, 2021 [date of transition to IFRSs]	As of March 31, 2022	As of June 30, 2022
Liabilities			
Current liabilities			
Trade and other payables	104,717	66,703	92,980
Contract liabilities	314,863	363,755	380,449
Borrowings	158,666	165,783	164,943
Lease liabilities	88,787	61,207	70,213
Income taxes payable	73,373	54,803	3,840
Short-term employee benefits	109,635	118,220	90,197
Provisions	47,785	9,907	10,021
Other current liabilities	116,393	97,920	119,283
Total current liabilities	1,014,223	938,303	931,929
Non-current liabilities			
Borrowings	701,391	566,447	525,211
Lease liabilities	110,132	57,003	81,460
Other financial liabilities	—	—	-
Provisions	28,425	18,712	22,763
Deferred tax liabilities	—	12,277	21,284
Total non-current liabilities	839,949	654,441	650,719
Total liabilities	1,854,172	1,592,744	1,582,649
Equity			
Share capital	322,420	322,420	322,420
Capital surplus	494,459	292,931	344,283
Retained earnings	1,152,040	1,313,860	1,192,126
Treasury shares	(307,139)	(227,831)	(226,592)
Other components of equity	121,940	379,636	374,782
Equity attributable to owners of parent	1,783,722	2,081,016	2,007,020
Non-controlling interests	8,581	12,107	23,075
Total equity	1,792,303	2,093,123	2,030,095
Total liabilities and equity	3,646,475	3,685,868	3,612,745



(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income  
(Quarterly Consolidated Statement of Income)

(Thousand yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Revenue	677,257	679,639
Cost of sales	320,025	347,795
Gross profit	357,232	331,843
Selling, general and administrative expenses	246,237	338,689
Other income	2,581	3,462
Other expenses	123	1,153
Operating profit (loss)	113,453	(4,536)
Finance income	3,557	883
Finance costs	3,009	3,463
Share of profit (loss) of investments accounted for using equity method	437	-
Profit (loss) before tax	114,439	(7,117)
Income tax expense	39,648	1,922
Profit (loss)	74,790	(9,039)
Profit (loss) attributable to		
Owners of parent	69,061	(1,760)
Non-controlling interests	5,728	(7,278)
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	17.39	(0.46)
Diluted earnings (loss) per share (yen)	16.13	(0.46)

## (Quarterly Consolidated Statement of Comprehensive Income)

(Thousand yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss)	74,790	(9,039)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(4,893)	(4,854)
Total of items that will not be reclassified to profit or loss	(4,893)	(4,854)
Other comprehensive income	(4,893)	(4,854)
Comprehensive income	69,896	(13,893)
Comprehensive income attributable to		
Owners of parent	64,168	(6,614)
Non-controlling interests	5,728	(7,278)

(3) Quarterly Consolidated Statement of Changes in Equity  
Three Month ended June 30, 2021 (April 1, 2021 through June 30, 2021)

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of parent		
Balance as of April 1, 2021	322,420	494,459	1,152,040	(307,139)	121,940	1,783,722	8,581	1,792,303
Comprehensive income	—	—	69,061	—	—	69,061	5,728	74,790
Other comprehensive income	—	—	—	—	(4,893)	(4,893)	—	(4,893)
Total comprehensive income	—	—	69,061	—	(4,893)	64,168	5,728	69,896
Purchase of treasury shares	—	—	—	(77)	—	(77)	—	(77)
Disposal of treasury shares	—	—	—	506	—	506	—	506
Dividends	—	—	(101,003)	—	—	(101,003)	—	(101,003)
Share-based payment transactions	—	13,191	—	—	—	13,191	—	13,191
Total transactions with owners	—	13,191	(101,003)	428	—	(87,383)	—	(87,383)
Balance as of June 30, 2021	322,420	507,650	1,120,099	(306,710)	117,047	1,760,506	14,309	1,774,816

Three Month ended June 30, 2022 (April 1, 2022 through June 30, 2022)

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of parent		
Balance as of April 1, 2022	322,420	292,931	1,313,860	(227,831)	379,636	2,081,016	12,107	2,093,123
Comprehensive income	-	-	(1,760)	-	-	(1,760)	(7,278)	(9,039)
Other comprehensive income	-	-	-	-	(4,854)	(4,854)	-	(4,854)
Total comprehensive income	-	-	(1,760)	-	(4,854)	(6,614)	(7,278)	(13,893)
Changes in ownership interest in subsidiaries	-	30,954	-	-	-	30,954	18,245	49,200
Dividends	-	-	(119,972)	-	-	(119,972)	-	(119,972)
Share-based payment transactions	-	20,398	-	1,239	-	21,638	-	21,638
Total transactions with owners	-	51,352	(119,972)	1,239	-	(67,380)	18,245	(49,134)
Balance as of June 30, 2022	322,420	344,283	1,192,126	(226,592)	374,782	2,007,020	23,075	2,030,095

## (4) Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	Three Month ended June 30, 2021 (April 1, 2021 through June 30, 2021)	Three Month ended June 30, 2022 (April 1, 2022 through June 30, 2022)
Cash flows from operating activities		
Profit (loss) before tax	114,439	(7,117)
Depreciation and amortization	46,655	67,629
Finance income	(3,557)	(883)
Finance costs	3,009	3,463
Share-based payment expenses	9,470	15,390
Share of loss (profit) of investments accounted for using equity method	(437)	-
Increase (decrease) in provisions	(47,785)	(1,870)
Decrease (increase) in trade and other receivables	89,134	61,877
Decrease (increase) in contract assets	(32,313)	(3,355)
Decrease (increase) in inventories	57,609	183
Increase (decrease) in trade and other payables	6,208	26,641
Increase (decrease) in contract liabilities	29,200	16,693
Short-term employee benefits	(34,364)	(28,023)
Others	(31,477)	(8,006)
Subtotal	205,792	142,623
Interest and dividends received	671	883
Interest paid	(2,227)	(2,153)
Income taxes paid	(63,505)	(37,388)
Net cash provided by (used in) operating activities	140,731	103,964
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,898)	(2,408)
Purchase of intangible assets	(63,222)	(65,581)
Purchase of investment securities	-	(102,465)
Payments of leasehold and guarantee deposits	-	(2,408)
Others	-	30
Net cash provided by (used in) investing activities	(81,120)	(172,834)

(Thousand yen)

	Three Month ended June 30, 2021 (April 1, 2021 through June 30, 2021)	Three Month ended June 30, 2022 (April 1, 2022 through June 30, 2022)
Cash flows from financing activities		
Repayments of long-term borrowings	(39,458)	(42,075)
Repayments of lease liabilities	(22,144)	(23,672)
Purchase of treasury shares	(77)	-
Dividends paid	(99,203)	(117,572)
Capital contribution from non-controlling interests	-	49,200
Net cash provided by (used in) financing activities	(160,884)	(134,121)
Net increase (decrease) in cash and cash equivalents	(101,274)	(202,990)
Cash and cash equivalents at beginning of period	1,270,453	975,665
Cash and cash equivalents at end of period	1,169,179	772,674

(5) Notes on Quarterly Consolidated Financial Statements  
 (Notes for Going Concern)  
 Not applicable

(First-time adoption)

The WOW WORLD Group has been disclosing condensed quarterly consolidated financial statements in accordance with IFRSs since the first quarter of the current fiscal year. The most recent consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP) are for the consolidated fiscal year ended March 31, 2022. The transition date from Japanese GAAP to IFRS was April 1, 2021. We have applied the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020) and other standards to the Japanese GAAP figures as of the transition date.

(1) IFRS 1 Exemptions

As a rule, IFRS requires companies applying IFRS for the first time to apply the standards retrospectively. However, IFRS 1 contains voluntary exemption provisions for certain standards and mandatory exceptions that prohibit retrospective application. WOW WORLD applied the effect of these provisions by adjusted retained earnings or other components of equity as of the transition date. The main voluntary exemptions applied by WOW WORLD are as follows.

• Business Combinations

IFRS 1 allows an entity to elect not to apply IFRS 3 retrospectively to past business combinations.

If retrospective application is elected, all subsequent business combinations will be revised in accordance with IFRS 3.

The WOW WORLD Group elected not to apply IFRS 3 retrospectively to business combinations that took place before the transition date. As a result, the amount of goodwill arising from business combinations prior to the transition date has not been adjusted to its carrying amount in accordance with previous accounting standards. We have tested the goodwill in question for impairment as of the transition date, regardless as to any indication of impairment.

• Designation of financial instruments recognized before the transition date

IFRS 1 allows for the designation of financial assets in accordance with IFRS 9 *Financial Instruments* based on facts and circumstances existing as of the transition date. The WOW WORLD Group has designated equity instruments held as of the transition date as financial instruments at fair value through other comprehensive income (equity instruments) based on the facts and circumstances existing as of the transition date.

• Leases

IFRS 1 allows a first-time adopter to apply the new definition of leases to contracts that exist as of the transition date based on the facts and circumstances that exist as of that date. In recognizing lease liabilities and right-of-use assets under lessee leases, the group is permitted to measure lease liabilities and right-of-use assets as of the transition date for all leases. The WOW WORLD Group measures lease liabilities as of the transition date, which is the present value of the remaining lease payments discounted at the lessee's additional borrowing rate as of the transition date. Right-of-use assets are measured as of the transition date and are equal to the lease liability (adjusted for the amount of prepaid or accrued lease payments recognized in the statement of financial position immediately before the date of transition to IFRS with respect of such leases).

We have applied IAS 36 *Impairment of Assets* to right-of-use assets as of the date of transition to IFRS.

• Share-based compensation

IFRS 1 allows companies to elect not to adopt IFRS 2 *Share-based Compensation* ("IFRS 2," below) for share-based compensation granted on or after November 7, 2002, and vested prior to the transition date.

The WOW WORLD Group has elected to apply the exemption and not apply IFRS 2 retrospectively to share-based compensation that vested prior to the transition date.

• Revenue

IFRS 1 allows companies to apply the transitional provisions of IFRS 15, paragraph C5. The Company has applied IFRS 15 retrospectively using the practical implementation in paragraph C5(d) of IFRS 15. We have not disclosed consideration allocated to remaining performance obligations or when we expect to recognize such amounts as revenue for any reporting period presented prior to the beginning of the first reporting period under IFRS (current fiscal year).

(2) Mandatory exceptions to the retrospective application of IFRS 1

IFRS 1 prohibits retrospective application of IFRS to estimates, derecognition of financial assets and financial liabilities, noncontrolling interests, and classification and measurement of financial assets. The Company has applied these items prospectively from the transition date.

(3) Reconciliations

The reconciliations required by IFRS 1 are as follows. Reclassifications in the reconciliation include adjustments that do not affect retained earnings and comprehensive income. Recognition and measurement differences include adjustments that affect retained earnings and comprehensive income

Adjustments to equity as of the date of transition to IFRSs (1 April 2021)

(Thousand yen)

Subjects under Japanese GAAP	J-GAAP	Reclassification adjustments	Difference	IFRS	Notes	Subjects under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	1,183,336	87,117	—	1,270,453		Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	342,450	(28,615)	—	313,835		Trade and other receivables
	—	29,490	—	29,490		Contract assets
Merchandise and finished goods	12,094	59,520	—	71,615	J	Inventories
Work in process	58,310	(58,310)	—	—		
Supplies	1,210	(1,210)	—	—		
Prepaid expenses	52,991	(52,991)	—	—		
Accounts receivable – other	875	(875)	—	—		
Deposits paid	87,117	(87,117)	—	—		
Others	375	52,991	27,185	80,552	H	Other current assets
Total current assets	1,738,762	—	27,185	1,765,948		Total current assets
Non-current assets						Non-current assets
Buildings, net	40,331	87,986	(19,290)	109,026		Property, plant and equipment
Tools, furniture and fixtures, net	87,986	(87,986)	—	—		
	—	—	205,554	205,554	E	Right-of-use assets
Trademark right	101	409,607	—	409,708		Intangible assets
Software	281,484	(281,484)	—	—		
Software in progress	109,639	(109,639)	—	—		
Telephone subscription right	149	(49)	—	—		
Goodwill	520,350	—	—	520,350	B	Goodwill
Client assets	18,333	(18,333)	—	—		
Investment securities	272,196	54,852	79,746	406,794	A、K	Financial assets
	—	15,018	—	15,018		Investments accounted for using equity method
Investments in capital	100	(100)	—	—		
Long-term prepaid expenses	2,504	—	31,048	33,552	H	Other non-current assets
Guarantee deposits	69,770	(69,770)	—	—		
Deferred tax assets	167,535	—	12,986	180,521	D	Deferred tax assets
Total non-current assets	1,570,483	—	310,044	1,880,527		Total non-current assets
Total non-current assets	3,309,246	—	337,229	3,646,475		Total assets

## WOW WORLD Inc. (TSE 2352) Financial Results for FY2023 Q1

(Thousand yen)

Subjects under Japanese GAAP	J-GAAP	Reclassification adjustments	Difference	IFRS	Notes	Subjects under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable – trade	40,220	64,496	—	104,717		Trade and other payables
Contract liabilities	314,863	—	—	314,863		Contract liabilities
Current portion of long-term borrowings	159,167	—	(500)	158,666		Borrowings
—	—	—	88,787	88,787	E	Lease liabilities
Accounts payable – other	64,496	(64,496)	—	—		
Accrued expenses	62,444	52,605	1,342	116,393	G	Other current liabilities
Income taxes payable	73,373	—	—	73,373	C	Income taxes payable
Accrued consumption taxes	46,769	(46,769)	—	—		
Deposits received	12,498	(12,498)	—	—		
Provision for loss on orders received	47,785	—	—	47,785		Provisions
Provision for bonuses	59,048	13,064	37,522	109,635	F	Short-term employee benefits
Others	6,402	(6,402)	—	—		
Total current liabilities	887,081	—	127,152	1,014,223		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	703,225	—	(1,833)	701,391		Borrowings
—	—	—	110,132	110,132	E	Lease liabilities
Provision for share awards	49,774	(49,774)	—	—		
Provision for shareholder benefit program	5,476	22,949	—	28,425		Provisions
Asset retirement obligations	22,949	(22,949)	—	—		
Total non-current liabilities	781,424	(49,774)	108,298	839,949		Total non-current liabilities
Total liabilities	1,668,495	(49,774)	235,450	1,854,172		Total liabilities
Net assets						
Shareholders' equity						Equity
Share capital	322,420	—	—	322,420		Share capital
Capital surplus	392,054	102,404	—	494,459	L	Capital surplus
Retained earnings	1,105,681	—	46,359	1,152,040	I	Retained earnings
Treasury shares	(307,139)	—	—	(307,139)		Treasury shares
Valuation difference on available-for-sale securities	66,612	—	55,327	121,940	A	Other components of equity
Total equity attributable to owners of parent	1,579,630	102,404	101,687	1,783,722		Equity attributable to owners of parent
Share acquisition rights	52,630	(52,630)	—	—		
Non-controlling interests	8,489	—	91	8,581		Non-controlling interests
Total net assets	1,640,750	49,774	101,778	1,792,303		Total equity
Liabilities and net assets	3,309,246	—	337,229	3,646,475		Liabilities and equity



Adjustments to equity for the first quarter of the previous fiscal year (June 30, 2021)

(Thousand yen)

Subjects under Japanese GAAP	J-GAAP	Reclassification n adjustments	Difference	IFRS	Notes	Subjects under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	1,081,409	87,770	—	1,169,179		Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	286,093	(61,393)	—	224,700		Trade and other receivables
	—	61,803	—	61,803		Contract assets
Merchandise and finished goods	11,997	2,008	—	14,005	J	Inventories
Work in process	610	(610)	—	—		
Supplies	1,397	(1,397)	—	—		
Deposits paid	87,770	(87,770)	—	—		
Others	72,730	(410)	25,517	97,837	H	Other current assets
Total current assets	1,542,009	—	25,517	1,567,527		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	128,103	—	(19,379)	108,723		Property, plant and equipment
	—	—	182,992	182,992	E	Right-of-use assets
Goodwill	506,656	—	13,693	520,350	B	Goodwill
Other intangible assets	454,418	—	—	454,418		Intangible assets
Investment securities	268,904	54,414	79,307	402,627	A、K	Financial assets
	—	15,456	—	15,456		Investments accounted for using equity method
Deferred tax assets	134,543	—	14,028	148,572	D	Deferred tax assets
Others	72,006	(69,870)	29,034	31,169	H	Other non-current assets
Total non-current assets	1,564,633	—	299,677	1,864,310		Total non-current assets
Total assets	3,106,642	—	325,195	3,431,837		Total assets

WOW WORLD Inc. (TSE 2352) Financial Results for FY2023 Q1

(Thousand yen)

Subjects under Japanese GAAP	J-GAAP	Reclassification adjustments	Difference	IFRS	Notes	Subjects under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable - trade	33,792	63,552	—	97,344		Trade and other payables
Contract liabilities	240,686	103,377	—	344,064		Contract liabilities
Current portion of long-term borrowings	159,444	—	(500)	158,943		Borrowings
	—	—	88,927	88,927	E	Lease liabilities
Income taxes payable	9,873	—	—	9,873	C	Income taxes payable
Deposits received	34,493	(34,493)	—	—		
Provision for bonuses	26,249	12,502	36,519	75,271	F	Short-term employee benefits
Others	145,201	(41,561)	999	179,910	G	Other current liabilities
Total current liabilities	649,740	103,377	125,945	879,063		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	663,364	—	(1,708)	661,655		Borrowings
	—	—	87,847	87,847	E	Lease liabilities
Provision for share awards	54,132	(54,132)	—	—		
Long-term contract liabilities	103,377	(103,377)	—	—		
Provision for shareholder benefit program	5,476	22,978	—	28,454		Provisions
Asset retirement obligations	22,978	(22,978)	—	—		
Total non-current liabilities	849,327	(157,509)	86,139	777,957		Total non-current liabilities
Total liabilities	1,499,068	(54,132)	212,084	1,657,020		Total liabilities
Net assets						
Shareholders' equity						Equity
Share capital	322,420	—	—	322,420		Share capital
Capital surplus	392,054	115,595	—	507,650	L	Capital surplus
Retained earnings	1,060,427	—	59,671	1,120,099	I	Retained earnings
Treasury shares	△306,710	—	—	(306,710)		Treasury shares
Valuation difference on available-for-sale securities	64,025	—	53,021	117,047	A	Other components of equity
	1,532,218	115,595	112,693	1,760,506		Equity attributable to owners of parent
Share acquisition rights	61,463	(61,463)	—	—		
Non-controlling interests	13,892	—	417	14,309		Non-controlling interests
Total net assets	1,607,574	54,132	113,110	1,774,816		Total equity
Liabilities and net assets	3,106,642	—	325,195	3,431,837		Liabilities and equity

Adjustments to equity at the end of the previous fiscal year (March 31, 2022)

(Thousand yen)

Subjects under Japanese GAAP	J-GAAP	Reclassification adjustments	Difference	IFRS	Notes	Subjects under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	888,221	87,444	—	975,665		Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	387,231	(24,632)	—	362,598		Trade and other receivables
	—	25,202	—	25,202		Contract assets
Merchandise	16,941	1,534	—	18,475	J	Inventories
Supplies	1,534	(1,534)	—	—		
Prepaid expenses	37,016	(37,016)	—	—		
Accounts receivable - other	569	(569)	—	—		
Deposits paid	87,444	(87,444)	—	—		
Income taxes refund receivable	9,877	(9,877)	—	—		
Others	2,379	46,893	22,111	71,384	H	Other current assets
Total current assets	1,431,215	-	22,111	1,453,326		Total current assets
Non-current assets						Non-current assets
Buildings, net	30,451	133,215	(17,277)	146,388		Property, plant and equipment
Tools, furniture and fixtures, net	133,215	(133,215)	—	—		
	—	—	124,318	124,318	E	Right-of-use assets
Trademark right	1,302	599,001	—	600,303		Intangible assets
Software	558,741	(558,741)	—	—		
Software in progress	25,109	(25,109)	—	—		
Telephone subscription right	149	(149)	—	—		
Goodwill	465,576	—	54,773	520,350	B	Goodwill
Client assets	14,999	(14,999)	—	—		
Investment securities	201,804	90,362	496,925	789,091	A、K	Financial assets
Long-term prepaid expenses	1,027	70	25,180	26,278	H	Other non-current assets
Guarantee deposits	90,362	(90,362)	—	—		
Deferred tax assets	123,760	—	(97,950)	25,809	D	Deferred tax assets
Others	70	(70)	—	—		
Total non-current assets	1,646,571	-	585,970	2,232,541		Total non-current assets
Total non-current assets	3,077,786	-	608,081	3,685,868		Total assets

WOW WORLD Inc. (TSE 2352) Financial Results for FY2023 Q1

(Thousand yen)

Subjects under Japanese GAAP	J-GAAP	Reclassification adjustments	Difference	IFRS	Notes	Subjects under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable – trade	41,264	25,439	-	66,703		Trade and other payables
Contract liabilities	363,755	-	-	363,755		Contract liabilities
Current portion of long-term borrowings	166,284	-	(500)	165,783		Borrowings
Accounts payable - other	25,439	(25,439)	-	-		
Accrued expenses	52,888	(52,888)	61,207	61,207	E	Lease liabilities
Income taxes payable	54,803	-	-	54,803	C	Income taxes payable
Accrued consumption taxes	37,093	(37,093)	-	-		
Deposits received	14,732	(14,732)	-	-		
Provision for bonuses	61,639	9,697	46,884	118,220	F	Short-term employee benefits
Asset retirement obligations	9,907	-	-	9,907		Provisions
Others	997	95,015	1,907	97,920	G	Other current liabilities
Total current liabilities	828,804	-	109,498	938,303		Total current liabilities
Non-current liabilities						Non-current liabilities
Provision for share awards	64,589	(64,589)	-	-		
Long-term borrowings	567,781	-	(1,333)	566,447		Borrowings
	-	-	57,003	57,003	E	Lease liabilities
Provision for shareholder benefit program	5,554	13,158	-	18,712		Provisions
Asset retirement obligations	13,158	(13,158)	-	-		
	-	-	12,277	12,277		Deferred tax liabilities
Total non-current liabilities	651,083	(64,589)	67,947	654,441		Total non-current liabilities
Total liabilities	1,479,887	(64,589)	177,446	1,592,744		Total liabilities
Net assets						
Shareholders' equity						Equity
Share capital	322,420	-	-	322,420		Share capital
Capital surplus	138,185	158,625	(3,879)	292,931	L	Capital surplus
Retained earnings	1,218,110	-	95,750	1,313,860	I	Retained earnings
Treasury shares	(226,592)	-	(1,239)	(227,831)		Treasury shares
Valuation difference on available-for-sale securities	38,669	-	340,966	379,636	A	Other components of equity
	1,490,793	158,625	431,597	2,081,016		Equity attributable to owners of parent
Share acquisition rights	94,035	(94,035)	-	-		
Non-controlling interests	13,069	-	(961)	12,107		Non-controlling interests
Total net assets	1,597,899	64,589	430,635	2,093,123		Total equity
Liabilities and net assets	3,077,786	-	608,081	3,685,868		Liabilities and equity

Adjustments to profit and loss and comprehensive income for the previous first quarter consolidated accounting period (from April 1, 2021 to June 30, 2021)

(Thousand yen)

Subjects under Japanese GAAP	J-GAAP	Reclassification adjustments	Difference	IFRS	Notes	Subjects under IFRS
Net sales	677,257	—	—	677,257		Revenue
Cost of sales	316,789	(10)	3,246	320,025	H	Cost of sales
Gross profit	360,468	10	(3,246)	357,232		Gross profit
Selling, general and administrative expenses	260,172	465	(14,400)	246,237	B, C, G	Selling, general and administrative expenses
		2,581	—	2,581	M	Other revenue
		123	—	123	M	Other expenses
Operating profit (loss)	100,295	2,003	11,153	113,453		Operating profit (loss)
Non-operating income	3,690	(3,690)	—	—		
Non-operating expenses	2,676	(2,676)	—	—		
		671	2,886	3,557	M	Finance income
		2,582	426	3,009	M	Financial expenses
		437	—	437		Share of profit (loss) of investments accounted for using equity method
Profit (loss) before distributions of profit or loss on silent partnerships and income taxes	101,309	(483)	13,613	114,439		Profit (loss) before tax
Income taxes - current	6,023	(6,023)	—	—		
Income taxes - deferred	34,133	(34,133)	—	—		
		39,673	(24)	39,648	D,N	Income tax expense
Profit (loss)	61,152	—	13,637	74,790		Profit (loss)
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
						Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Valuation difference on available-for-sale securities	(2,587)	—	(2,306)	(4,893)		
Total other comprehensive income	(2,587)	—	(2,306)	(4,893)		Total other comprehensive income
Total comprehensive income	58,565	—	11,331	69,896		Total comprehensive income

Adjustments to profit and loss and comprehensive income for the previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Thousand yen)

Subjects under Japanese GAAP	J-GAAP	Reclassification adjustments	Difference	IFRS	Notes	Subjects under IFRS
Net sales	2,833,767	—	—	2,833,767		Revenue
Cost of sales	1,279,472	(41)	12,492	1,291,923	H	Cost of sales
Gross profit	1,554,295	41	(12,492)	1,541,844		Gross profit
Selling, general and administrative expenses	1,191,541	1,860	(50,699)	1,142,702	B、C、G	Selling, general and administrative expenses
	—	13,464	—	13,464	M	Other revenue
	—	12,810	706	13,516	M	Other expenses
Operating profit (loss)	362,753	(1,164)	37,500	399,089		Operating profit (loss)
Non-operating income	14,446	(14,446)	—	—		
Non-operating expenses	11,435	(11,435)	—	—		
Extraordinary income	27,664	(1,079)	(26,585)	—		
Extraordinary losses	15,871	(12,687)	(3,184)	—		
	—	981	5,477	6,458	M	Finance income
	—	9,023	301	9,325	M	Financial expenses
	—	1,324	—	1,324		Share of profit (loss) of investments accounted for using equity method
Profit (loss) before distributions of profit or loss on silent partnerships and income taxes	377,558	(1,935)	19,275	394,898		Profit (loss) before tax
Income taxes - current	103,438	54,172	(10,617)	146,993	D、N	
Income taxes - deferred	56,107	(56,107)	—	—		
Profit (loss)	218,011	—	29,892	247,904		Income tax expense
Other comprehensive income						Profit (loss)
						Other comprehensive income
Valuation difference on available-for-sale securities	(27,943)	—	304,083	276,140		Items that will not be reclassified to profit or loss
Total other comprehensive income	(27,943)	—	304,083	276,140		Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Total comprehensive income	190,068	—	333,976	524,045		Total other comprehensive income

Notes on Adjustments (Date of transition to IFRSs (April 1, 2021), Previous first quarter consolidated accounting period (June 30, 2021), End of the previous consolidated fiscal year (March 31, 2022))

A. Non-marketable equity instruments

Under J-GAAP, non-marketable equity instruments were recorded at cost. Under IFRS, they are classified as equity instruments measured at fair value through other comprehensive income based on IFRS 9 "Financial Instruments," and are measured at fair value regardless of marketability. Recognized through other comprehensive income.

B. Goodwill

Under J-GAAP, goodwill was amortized using the straight-line method over the period over which the goodwill effect was reasonably estimated. Under IFRS, goodwill arising from business combinations is not amortized but is tested for impairment every fiscal year.

C. Income taxes

Some of the items presented as income taxes, inhabitant tax and enterprise tax under JGAAP are presented as selling, general and administrative expenses under IFRS.

D. Deferred tax assets

Deferred tax assets and deferred tax liabilities are recorded for temporary differences, etc. arising from adjustments to other IFRSs. As a result of the above, "Deferred tax assets" as of Date of transition to IFRSs have increased by 12,986 thousand yen.

E. Lease liabilities and Right-of-use assets

Under Japanese GAAP, lessees' leases are classified into finance leases and operating leases, and operating leases are accounted for in accordance with the method for ordinary rental transactions.

Under IFRS, lessees' leases are not classified as finance leases or operating leases, and right-of-use assets and lease liabilities are recognized for lease transactions.

F. Paid vacation liabilities

Under IFRS, a liability is recognized for unutilized paid leave, which was not required to be recognized under Japanese GAAP.

G. Levies

Under Japanese standards, items corresponding to levies such as fixed property taxes that were obligatory to pay were expensed over the fiscal year. Under IFRS, the full amount is expensed when the payment obligation arises.

H. Contract cost

Fulfillment costs directly related to contracts with customers were recognized as expenses when incurred, but are recognized as assets to the extent that they are expected to be recoverable.

Contract fulfillment costs are amortized on a straight-line basis over the period for which the related services are expected to be provided.

## I. Adjustments to retained earnings

The impact of the above adjustments on retained earnings is as follows.(Parentheses are losses)

(Thousand yen)

	As of April 1, 2021 [date of transition to IFRSs]	As of June 30, 2021	As of March 31, 2022
Adjustments for measurement of financial instruments	—	2,886	5,477
Adjustments to goodwill	—	13,693	54,773
Adjustments for tax effect	37,404	37,428	40,253
Adjustments to leases	—	(417)	(372)
Adjustments to vacation liability	(37,522)	(36,519)	(46,884)
Adjustments to levies	(1,342)	(655)	(1,907)
Adjustments to contract costs	64,868	61,186	58,046
Other adjustments	(17,048)	(17,914)	(14,010)
Retained earnings adjustment	46,359	59,671	95,750

## Presentation Reclassification of Condensed Consolidated Statement of Financial Position

Based on the provisions of IFRS, mainly the following items have been reclassified.

J. Merchandise and finished products, work-in-progress, raw materials and supplies that are separately listed under Japanese GAAP are collectively displayed as "inventories."

K. "Investment securities" and "Guarantee deposits", which were presented separately under Japanese GAAP, have been transferred to "Financial assets" under IFRS.

L. "Stock Acquisition Rights" and "Provision for Stock Benefits," which were separately presented under Japanese GAAP, have been transferred to "Capital Surplus" under IFRS.

## Presentation Reclassification of Condensed Consolidated Statement of Income

Based on the provisions of IFRS, mainly the following items have been reclassified.

M. Under Japanese GAAP, income and expenses were presented as non-operating income, non-operating expenses, extraordinary gains and extraordinary losses. Under IFRS, finance-related items are classified as "financial income" and "financial expenses," and other items are classified as "other items." are included in "Revenue of Others" and "Other Expenses".

N. Under Japanese GAAP, "corporate tax, inhabitant tax and business tax" and "income tax deferred" were listed separately, but under IFRS, they are presented collectively as "income tax expenses."

Adjustments to cash flows for the previous consolidated cumulative first quarter (from April 1, 2021 to June 30, 2021) and the previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)

Under Japanese GAAP, lease payments related to operating lease transactions are classified as cash flows from operating activities, but under IFRS, in principle, all leases are required to be recognized as lease liabilities. Expenditures for repayments are included in cash flows from financing activities.

As a result, cash flow from financing activities decreased by 22,144 thousand yen and cash flow from operating activities increased by the same amount.

(Subsequent event)

Not applicable