

(English Translation)

This English translation is an abridged version of the original document in Japanese. In the event of any discrepancy, the Japanese version prevails.



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

October 31, 2022

Listed company name: WOW WORLD GROUP Inc. (Contents of WOW WORLD Inc.) Stock exchange listing: Tokyo
Securities code: 5128 URL <https://www.wow-world-group.co.jp>
Representative: (Position) President GROUP CEO (Name) Kazuo Mino
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Scheduled date to file securities report: —
Scheduled date to commence dividend payments: —
Preparation of supplementary materials on financial results: Yes
Holding of financial results briefing: Yes

1. Consolidated Business Results for the Second Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 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	%
Six Month ended September 30, 2022	1,415	2.0	240	(33.6)	86	(63.4)	79	(66.1)	51	(63.9)	47	(81.7)
September 30, 2021	1,388	—	361	—	236	—	232	—	141	—	261	—

	Basic Earnings per Share		Diluted Earnings per Share	
	Yen		Yen	
Three Month ended June 30, 2022	13.27		13.27	
June 30, 2021	35.74		33.40	

(Note) The above is the consolidated operating results of WOW WORLD Inc.

* 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 September 30, 2022	3,786	2,096	2,061	54.4
March 31, 2022	3,685	2,093	2,081	56.5

(Note) The above is the consolidated financial position of WOW WORLD Inc.

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
- Dividend results at the end of the second quarter of the fiscal year ending March 31, 2023 are those of WOW WORLD Inc.
- The year-end dividend forecast for the fiscal year ending March 31, 2023 is the dividend forecast for WOW WORLD GROUP Inc.

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

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

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

(Note)

- Adjustment for the most recent earnings forecasts: None
- The above is WOW WORLD GROUP Inc.'s consolidated earnings forecast for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023).

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

New 1 company (Company name) Newstream Inc. Exclusion — company (Company name)

(2) Changes in Accounting Policies, Accounting Estimations

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

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

(3) Changes in accounting estimates : None

(3) Number of Outstanding Shares (Ordinary shares)

(1) Number of shares outstanding at the end of period (including treasury shares)	As of September 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 September 30, 2022	132,531 Shares	As of March 31, 2022	132,660 Shares
(3) Average number of ordinary shares outstanding during the period (quarterly total)	As of September 30, 2022	3,866,427 Shares	As of September 30, 2021	3,971,788 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.

Attached Material

1. Qualitative information on quarterly consolidated financial results	4
(1) Explanation of operating results	4
(2) Explanation of financial position	5
(3) Explanation of consolidated earnings forecasts and other forward-looking statements	6
2. Quarterly Consolidated Financial Statements and Principal Notes	7
(1) Quarterly Consolidated Statement of Financial Position	7
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	9
(3) Quarterly Consolidated Statement of Changes in Equity	11
(4) Quarterly Consolidated Statement of Cash Flows.....	12
(5) Notes on Quarterly Consolidated Financial Statements.....	14
(Notes for Going Concern).....	14
(First-time Adoption)	14
(Subsequent event).....	24

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

During the first half of the current consolidated fiscal year (April 1, 2022 to September 30, 2022), the Japanese economy showed signs of recovery as restrictions on economic activities gradually eased despite the impact of COVID-19 infections. However, the economic situation remained uncertain due to concerns about the prolonged invasion of Ukraine by Russia and the soaring prices of commodities caused by the record-low valuation of the yen.

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 second quarter of the current consolidated fiscal year.

a. Revenue increase for 15 consecutive terms and was record high.

During the second quarter of the current consolidated cumulative period, Revenue was 1,415,682 thousand yen (up 2.0% year-on-year), the 15th consecutive year of sales growth. Sales in the enterprise software business grew as we focused sales resources on the cloud services (*1) business. Our large-scale web development business saw an increase in sales due to a continued increase in the number of projects.

b. Cloud services grew significantly, up 8.9% 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 second 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 COVID-19 pandemic, and the number of orders received grew, resulting in a steady increase in monthly sales.

(Thousand yen)			
	Q2 FY03/21	Q2 FY03/22	Q2 FY03/23
Cloud service sales	574,065	768,263	836,942
Change	+38,609	+194,197	+68,679
YoY(%)	+7.2%	+33.8%	+8.9%

c. EBITDA decrease by 33.6% year-on-year

Second quarter EBITDA failed to 240,100 thousand yen (down 33.6% 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 second quarter of the current consolidated cumulative period, revenue was 1,415,682 thousand yen (up 2.0% year-on-year), EBITDA 240,100 thousand yen (down 33.6% year-on-year), and operating profit was 86,526 thousand yen (down 63.4% year-on-year), and profit attributable to owners of parent of 51,307 thousand yen. (down 63.9% year-on-year)

The performance of the segment is as follows.

a. Enterprise Software

Profits decreased in the first half of the current consolidated fiscal year, due to a decline in WEBCAS on-premises sales, despite a rise in sales of cloud services related to WEBCAS SaaS and CMS in response to the concentration of sales resources on the cloud services business. The year-on-year increase in software amortization expenses was also a factor in the decline in profits.

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 964,504 thousand yen (up 2.1% year-on-year) and gross profit margin 65.5% (down 2.6pt year-on-year).

b. Large-scale web development

Profit decreased in the first half of the current consolidated fiscal year, mainly due to an increase in outsourcing costs, even as sales rose due to factors including an increase in the number of projects for building and managing websites utilizing CMS.

As a result, overall revenue of this business was 290,199 thousand yen (up 14.1% year-on-year) and gross profit margin 14.3% (down 15.5pt year-on-year).

c. Communication Support and Consulting

In the first half of the current fiscal year and under the ongoing COVID-19 pandemic, the Company shifted from a focus on acquiring spot projects to a policy emphasizing profitability. This shift in policy resulted in an improvement in profitability, despite a decline in sales.

As a result, overall revenue of this business was 115,821 thousand yen (down 8.3% year-on-year) and gross profit margin 19.8% (up 5.0pt year-on-year).

Net sales by segment and gross profit margin

		Q2 FY03/22		Q2 FY03/23	
		Amount	Composition ratio	Amount	Composition ratio
		Profit rate		Profit rate	YoY(%)
Enterprise Software	Net sales (thousand yen)	944,757	68.1%	964,504	68.1%
	Gross profit margin (%)	68.1%	—	65.5%	+2.1%
Large-scale web development	Net sales (thousand yen)	254,400	18.3%	290,199	20.5%
	Gross profit margin (%)	29.8%	—	14.3%	+14.1%
Communication Support and Consulting	Net sales (thousand yen)	126,343	9.1%	115,821	8.2%
	Gross profit margin (%)	14.7%	—	19.8%	(8.3%)
Others	Net sales (thousand yen)	62,669	4.5%	45,157	3.2%
	Gross profit margin (%)	42.7%	—	40.2%	(27.9%)
Total	Net sales (thousand yen)	1,388,171	100.0%	1,415,682	100.0%
	Gross profit margin (%)	55.1%	—	49.5%	+2.0%

(Note) Consolidated gross profit margin including the impact of IFRS adjustments.

*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 second quarter of the current consolidated fiscal year increased by 100,723 thousand yen from the end of the previous consolidated fiscal year to 3,786,591 thousand yen (up 2.7% from the end of the previous consolidated fiscal year).

Current assets decreased by 71,433 thousand yen due to a decrease of 97,418 thousand yen in cash and cash equivalents compared to the end of the previous consolidated fiscal year.

Non-current assets increased by 172,156 thousand yen due to an increase of 62,593 thousand yen in financial assets, and an increase of 56,460 thousand yen in intangible assets compared to the end of the previous consolidated fiscal year.

Total liabilities at the end of the second quarter of the current consolidated fiscal year increased by 97,793 thousand yen from the end of the previous consolidated fiscal year to 1,690,538 thousand yen (up 6.1% from the end of the previous consolidated fiscal year).

Current liabilities increased by 68,739 thousand yen due to an increase of 51,836 thousand yen in trade and other payables compared to the end of the previous consolidated fiscal year.

Non-current liabilities increased by 29,054 thousand yen due to an increase of 9,303 thousand yen in lease liabilities and an increase of 8,610 thousand yen in deferred tax liabilities compared to the end of the previous consolidated fiscal year.

Total net assets at the end of the second quarter of the current consolidated fiscal year increased by 2,929 thousand yen from the end of the previous consolidated fiscal year to 2,096,053 thousand yen (up 0.1% from the end of the previous consolidated fiscal year). This was due to the fact that while recording a change in equity of 122,901 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 second quarter of the current consolidated fiscal year decreased by 97,419 thousand yen from the end of the previous consolidated fiscal year to 878,246 thousand yen (10.0% 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 second quarter of the current consolidated cumulative period were 236,748 thousand yen (during the same quarter of the previous year, of 232,968 thousand yen).

The main factors for the increase in funds were depreciation and amortization of 136,035 thousand yen and profit before tax of 79,050 thousand yen. The main factors for the decrease in funds were due to income taxes paid of 36,466 thousand yen.

(Cash flows from investing activities)

Funds paid as a result of investment activities during the second quarter of the current consolidated cumulative period were 235,267 thousand yen (during the same quarter of the previous year, 207,585 thousand yen). The factors behind the decrease in funds were the expenditure of 130,560 thousand yen for purchase of intangible assets

(Cash flows from financing activities)

Funds paid as a result of financial activities during the second quarter of the current consolidated cumulative period were 98,899 thousand yen (during the consolidated cumulative period of the same quarter of the previous year of 325,491 thousand yen).

The factors behind the increase in funds were proceeds from issuance of bonds and long-term borrowings of 130,000 thousand yen.

The factors behind the decrease in funds were expenditures for dividends paid of 119,653 thousand yen and expenditures for repayments of long-term borrowings of 115,144 thousand yen.

- (3) Explanation of consolidated earnings forecasts and other forward-looking statements
At this stage, there are no changes to the full-year consolidated earnings forecast.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	As of April 1, 2021 [date of transition to IFRSs]	As of March 31, 2022	As of September 30, 2022
Assets			
Current assets			
Cash and cash equivalents	1,270,453	975,665	878,246
Trade and other receivables	313,835	362,598	334,706
Contract assets	29,490	25,202	42,992
Inventories	71,615	18,475	19,491
Other current assets	80,552	71,384	106,454
Total current assets	1,765,948	1,453,326	1,381,893
Non-current assets			
Property, plant and equipment	109,026	146,388	163,860
Right-of-use assets	205,554	124,318	141,746
Intangible assets	409,708	600,303	656,763
Goodwill	520,350	520,350	539,814
Financial assets	406,794	789,091	851,685
Investments accounted for using equity method	15,018	—	—
Deferred tax assets	180,521	25,809	25,791
Other non-current assets	33,552	26,278	25,036
Total non-current assets	1,880,527	2,232,541	2,404,698
Total assets	3,646,475	3,685,868	3,786,591

(Thousand yen)

	As of April 1, 2021 [date of transition to IFRSs]	As of March 31, 2022	As of September 30, 2022
Liabilities			
Current liabilities			
Trade and other payables	104,717	66,703	118,540
Contract liabilities	314,863	363,755	405,811
Borrowings	158,666	165,783	175,803
Lease liabilities	88,787	61,207	74,298
Income taxes payable	73,373	54,803	30,355
Short-term employee benefits	127,130	138,735	151,068
Provisions	47,785	9,907	—
Other current liabilities	98,898	77,405	51,164
Total current liabilities	1,014,223	938,303	1,007,043
Non-current liabilities			
Borrowings	701,391	566,447	571,282
Lease liabilities	110,132	57,003	66,306
Other financial liabilities	—	—	—
Provisions	28,425	18,712	25,017
Deferred tax liabilities	—	12,277	20,888
Total non-current liabilities	839,949	654,441	683,495
Total liabilities	1,854,172	1,592,744	1,690,538
Equity			
Share capital	322,420	322,420	322,420
Capital surplus	494,459	292,931	340,869
Retained earnings	1,152,040	1,313,860	1,245,195
Treasury shares	(307,139)	(227,831)	(226,371)
Other components of equity	121,940	379,636	379,154
Equity attributable to owners of parent	1,783,722	2,081,016	2,061,267
Non-controlling interests	8,581	12,107	34,785
Total equity	1,792,303	2,093,123	2,096,053
Total liabilities and equity	3,646,475	3,685,868	3,786,591

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

(Thousand yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	1,388,171	1,415,682
Cost of sales	631,966	709,112
Gross profit	756,204	706,569
Selling, general and administrative expenses	520,689	623,193
Other income	3,734	4,304
Other expenses	3,140	1,153
Operating profit (loss)	236,108	86,526
Finance income	3,551	886
Finance costs	5,437	8,363
Share of profit (loss) of investments accounted for using equity method	△1,324	-
Profit (loss) before tax	232,897	79,050
Income tax expense	83,251	30,616
Profit (loss)	149,646	48,434
Profit (loss) attributable to		
Owners of parent	141,953	51,307
Non-controlling interests	7,692	△2,873
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	35.74	13.27
Diluted earnings (loss) per share (yen)	33.40	13.27

(Quarterly Consolidated Statement of Comprehensive Income)

(Thousand yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit (loss)	149,646	48,434
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	112,148	(482)
Total of items that will not be reclassified to profit or loss	112,148	(482)
Other comprehensive income	112,148	(482)
Comprehensive income	261,794	47,951
Comprehensive income attributable to		
Owners of parent	254,101	50,825
Non-controlling interests	7,692	(2,873)

(3) Quarterly Consolidated Statement of Changes in Equity
Six Month ended September 30, 2021 (April 1, 2021 through September 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	—	—	141,953	—	—	141,953	7,692	149,646
Other comprehensive income	—	—	—	—	112,148	112,148	—	112,148
Total comprehensive income	—	—	141,953	—	112,148	254,101	7,692	261,794
Purchase of treasury shares	—	(368)	—	(245,643)	—	(246,011)	—	(246,011)
Disposal of treasury shares	—	116,363	—	50,857	—	167,221	—	167,221
Cancellation of treasury shares	—	(228,304)	—	228,304	—	—	—	—
Dividends	—	—	(101,003)	—	—	(101,003)	—	(101,003)
Share-based payment transactions	—	10,338	—	(3,719)	—	6,619	—	6,619
Total transactions with owners	—	(101,970)	(101,003)	29,800	—	(173,173)	—	(173,173)
Balance as of September 30, 2021	322,420	392,489	1,192,990	(277,338)	234,088	1,884,650	16,273	1,880,923

Six Month ended June 30, 2022 (April 1, 2022 through September 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	—	—	51,307	—	—	51,307	(2,873)	48,434
Other comprehensive income	—	—	—	—	(482)	(482)	—	(482)
Total comprehensive income	—	—	51,307	—	(482)	50,825	(2,873)	47,951
Change due to acquisition of control of subsidiary	—	—	—	—	—	—	7,304	7,304
Changes in ownership interest in subsidiaries	—	30,954	—	—	—	30,954	18,245	49,200
Disposal of treasury shares	—	—	—	220	—	220	—	220
Dividends	—	—	(119,972)	—	—	(119,972)	—	(119,972)
Share-based payment transactions	—	16,984	—	1,239	—	18,224	—	18,224
Total transactions with owners	—	47,938	(119,972)	1,460	—	△70,573	25,550	(45,022)
Balance as of September 30, 2022	322,420	340,869	1,245,195	(226,371)	379,154	2,061,267	34,785	2,096,053

(4) Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	Six Month ended September 30, 2021 (April 1, 2021 through September 30, 2021)	Six Month ended September 30, 2022 (April 1, 2022 through September 30, 2022)
Cash flows from operating activities		
Profit (loss) before tax	232,897	79,050
Depreciation and amortization	97,515	136,035
Finance income	(3,551)	(886)
Finance costs	5,437	8,363
Share-based payment expenses	27,836	17,537
Share of loss (profit) of investments accounted for using equity method	1,324	-
Loss on retirement of fixed assets	3,017	-
Increase (decrease) in provisions	(47,781)	(9,669)
Decrease (increase) in trade and other receivables	62,204	38,992
Decrease (increase) in contract assets	(85,913)	(15,965)
Decrease (increase) in inventories	55,829	(1,014)
Increase (decrease) in trade and other payables	4,528	43,633
Increase (decrease) in contract liabilities	3,863	42,055
Short-term employee benefits	18,408	11,516
Others	(75,327)	(71,529)
Subtotal	300,290	278,117
Interest and dividends received	777	886
Interest paid	(5,404)	(5,789)
Income taxes paid	(62,694)	(36,466)
Net cash provided by (used in) operating activities	232,968	236,748
Cash flows from investing activities		
Purchase of property, plant and equipment	(79,875)	(23,901)
Purchase of intangible assets	(127,710)	(130,560)
Purchase of investment securities	-	(102,465)
Payments of leasehold and guarantee deposits	-	(2,408)
Proceeds from refund of leasehold and guarantee deposits	-	39,009
Payments for acquisition of subsidiaries	-	(15,000)
Others	-	60
Net cash provided by (used in) investing activities	(207,585)	(235,267)

(Thousand yen)

	Six Month ended September 30, 2021 (April 1, 2021 through September 30, 2021)	Six Month ended September 30, 2022 (April 1, 2022 through September 30, 2022)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	130,000
Repayments of long-term borrowings	(79,194)	(115,144)
Repayments of lease liabilities	(44,831)	(43,301)
Purchase of treasury shares	(100,560)	-
Dividends paid	(100,903)	(119,653)
Capital contribution from non-controlling interests	-	49,200
Net cash provided by (used in) financing activities	(325,491)	(98,899)
Net increase (decrease) in cash and cash equivalents	(300,108)	(97,418)
Cash and cash equivalents at beginning of period	1,270,453	975,665
Cash and cash equivalents at end of period	970,345	878,246

(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 GROUP Inc. (TSE 5128) Financial Results for FY2023 Q2

(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	35,110	1,342	98,898	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	30,560	37,522	127,130	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 second quarter of the previous fiscal year (September 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	883,070	87,275	—	970,345		Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	366,455	(114,824)	—	251,631		Trade and other receivables
	—	115,404	—	115,404		Contract assets
Merchandise and finished goods	13,141	2,644	—	15,785	J	Inventories
Work in process	1,332	(1,332)	—	—		
Supplies	1,311	(1,311)	—	—		
Deposits paid	87,868	(87,868)	—	—		
Others	76,946	13	11,445	88,405	H	Other current assets
Total current assets	1,430,126	—	11,445	1,441,572		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	182,291	—	(19,507)	162,784		Property, plant and equipment
	—	—	172,507	172,507	E	Right-of-use assets
Goodwill	492,963	—	27,386	520,350	B	Goodwill
Other intangible assets	502,999	—	—	502,999		Intangible assets
Investment securities	264,190	56,177	250,844	571,212	A, K	Financial assets
	—	13,693	—	13,693		Investments accounted for using equity method
Deferred tax assets	126,330	—	(36,868)	89,462	D	Deferred tax assets
Others	71,704	(69,870)	25,167	27,001	H	Other non-current assets
Total non-current assets	1,640,480	—	419,530	2,060,010		Total non-current assets
Total assets	3,070,606	—	430,976	3,501,582		Total assets

WOW WORLD GROUP Inc. (TSE 5128) Financial Results for FY2023 Q2

(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	32,293	70,082	—	102,376		Trade and other payables
Contract liabilities	223,838	94,888	—	318,727		Contract liabilities
Current portion of long-term borrowings	149,364	—	(500)	148,863		Borrowings
	—	—	82,342	82,342	E	Lease liabilities
Income taxes payable	51,373	—	—	51,373	C	Income taxes payable
Deposits received	13,620	(13,620)	—	—		
Provision for bonuses	59,951	31,186	36,905	128,043	F	Short-term employee benefits
Others	131,643	(87,648)	668	44,662	G	Other current liabilities
Total current liabilities	662,086	94,888	119,415	876,390		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	633,583	—	(1,583)	631,999		Borrowings
	—	—	83,781	83,781	E	Lease liabilities
Provision for share awards	51,754	(51,754)	—	—		
Long-term contract liabilities	94,888	(94,888)	—	—		
Provision for shareholder benefit program	5,480	23,007	—	28,488		Provisions
Asset retirement obligations	23,007	(23,007)	—	—		
Total non-current liabilities	808,714	(146,643)	82,197	744,268		Total non-current liabilities
Total liabilities	1,470,801	(51,754)	201,612	1,620,659		Total liabilities
Net assets						
Shareholders' equity						Equity
Share capital	322,420	—	—	322,420		Share capital
Capital surplus	280,114	121,850	9,475	392,489	L	Capital surplus
Retained earnings	1,122,548	—	70,441	1,192,990	I	Retained earnings
Treasury shares	(273,619)	—	(3,719)	(277,338)		Treasury shares
Valuation difference on available-for-sale securities	61,977	—	172,110	234,088	A	Other components of equity
	1,513,441	121,850	229,358	1,864,650		Equity attributable to owners of parent
Share acquisition rights	70,095	(70,095)	—	—		
Non-controlling interests	16,269	—	4	16,273		Non-controlling interests
Total net assets	1,599,805	51,754	229,363	1,880,923		Total equity
Liabilities and net assets	3,070,606	—	430,976	3,501,582		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 GROUP Inc. (TSE 5128) Financial Results for FY2023 Q2

(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	3,022	46,884	138,735	F	Short-term employee benefits
Asset retirement obligations	9,907	-	-	9,907		Provisions
Others	997	74,501	1,907	77,405	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

WOW WORLD GROUP Inc. (TSE 5128) Financial Results for FY2023 Q2

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

(Thousand yen)

Subjects under Japanese GAAP	J-GAAP	Reclassification adjustments	Difference	IFRS	Notes	Subjects under IFRS
Net sales	1,388,171	—	—	1,388,171		Revenue
Cost of sales	623,510	(20)	8,476	631,966	H	Cost of sales
Gross profit	764,660	20	(8,476)	756,204		Gross profit
Selling, general and administrative expenses	548,229	930	(28,469)	520,689	B, C, G	Selling, general and administrative expenses
		3,734	—	3,734	M	Other revenue
		123	3,017	3,140	M	Other expenses
Operating profit (loss)	216,431	2,701	16,975	236,108		Operating profit (loss)
Non-operating income	4,511	(4,511)	—	—		
Non-operating expenses	6,532	(6,001)	(530)	—		
Extraordinary losses	3,017	—	(3,017)	—		
		777	2,774	3,551	M	Finance income
		4,611	826	5,437	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	211,393	(967)	22,471	232,897		Profit (loss) before tax
Income taxes - current	42,491	(42,491)	—	—		
Income taxes - deferred	43,250	(43,250)	—	—		
		84,775	(1,524)	83,251	D,N	Income tax expense
Profit (loss)	125,650	—	23,995	149,646		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	(4,635)	—	116,783	112,148		
Total other comprehensive income	(4,635)	—	116,778	112,148		Total other comprehensive income
Total comprehensive income	121,015	—	140,778	261,794		Total comprehensive income

WOW WORLD GROUP Inc. (TSE 5128) Financial Results for FY2023 Q2

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

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 September 30, 2021	As of March 31, 2022
Adjustments for measurement of financial instruments	—	2,774	5,477
Adjustments to goodwill	—	27,386	54,773
Adjustments for tax effect	37,404	41,910	40,253
Adjustments to leases	—	(250)	(372)
Adjustments to vacation liability	(37,522)	(22,187)	(46,884)
Adjustments to levies	(1,342)	(247)	(1,907)
Adjustments to contract costs	64,868	32,325	58,046
Other adjustments	(17,048)	(11,269)	(14,010)
Retained earnings adjustment	46,359	70,441	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 second quarter (from April 1, 2021 to September 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 44,831 thousand yen and cash flow from operating activities increased by the same amount.

(Subsequent event)

We resolved to establish our holding company, "WOW WORLD GROUP Inc.", through a sole share transfer method, and established it on October 3, 2022 at the meeting of the Board of Directors held on May 19, 2022 and the ordinary general meeting of shareholders held on June 28, 2022.

For details, please refer to the "Notice of Establishment of WOW WORLD GROUP Inc. (Japanese only)" announced by WOW WORLD GROUP Inc. on October 3, 2022.