*(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 First Quarter of the Fiscal Year Ending March 31, 2022 [Japanese GAAP]

July 30, 2021

Listed company name: WOW WORLD Inc.
Stock exchange listing: Tokyo
Securities code: 2352
URL https://www.wow-world.co.jp/
Representative: (Position) President (Name)Kazuo Mino
Contact: (Position) Executive secretary （Name）Masahiro Muko (TEL) +81-3-6387-8080

Scheduled date to file securities report: August 13, 2021
Scheduled date to commence dividend payments: —
Preparation of supplementary materials on financial results: Yes
Holding of financial results briefing: No

(Amounts less than one million yen are rounded down)

## 1. Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 31, 2022 (April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative)

（Percentages indicate year-on-year increases.）

| | Net sales | | EBITDA * | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|---|---|
| Three month ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| June 30, 2021 | 677 | 50.3 | 147 | 46.6 | 100 | 16.4 | 101 | 14.6 | 55 | (12.3) |
| June 30, 2020 | 450 | 2.0 | 100 | 24.3 | 86 | 23.9 | 88 | 23.2 | 63 | 29.8 |

（Note）Comprehensive income : First quarter of the fiscal year ending March 31, 2022 ¥58 Million（-48.4%）; First quarter of the fiscal year ended March 31, 2021 ¥ 113 Million（316.6%）

| | Earnings per share | Diluted earnings per share |
|---|---|---|
| Three month ended | Yen | Yen |
| June 30, 2021 | 14.03 | 13.02 |
| June 30, 2020 | 16.06 | — |

* EBITDA＝ Operating profit +Depreciation＋Amortization of goodwill＋Share-based remuneration expenses

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Net assests per share |
|---|---|---|---|---|
| As of | Million yen | Million yen | % | Yen |
| June 30, 2021 | 3,106 | 1,607 | 49.3 | 385.70 |
| March 31, 2021 | 3,237 | 1,813 | 53.8 | 438.87 |

（Note）Shareholders' equity : First quarter of the fiscal year ending March 31, 2022 ￥1,532 Million; First quarter of the fiscal year ending March 31, 2021 ￥1,743 Million

## 2. Dividends

| | Dividends per share | | | | |
|---|---|---|---|---|---|
| | End-Q1 | End-Q2 | End-Q3 | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2021 | — | 0.00 | — | 25.00 | 25.00 |
| Fiscal year ending March 31, 2022 | — | | | | |
| Fiscal year ending March 31, 2022 (forecast) | | 0.00 | — | 30.00 | 30.00 |

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

## 3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2022

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

| | Net sales | | EBITDA | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| 2nd Quarter | 1,450 | 57.5 | 350 | 78.7 | 240 | 55.9 | 240 | 55.1 | 135 | 37.4 | 33.99 |
| Full-year | 3,150 | 33.7 | 850 | 50.3 | 600 | 45.8 | 600 | 41.1 | 339 | 52.3 | 85.34 |

（Note）Adjustment for the most recent earnings forecasts: None

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

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement
  a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
  b. Changes in accounting policies due to other reasons: Yes
  c. Changes in accounting estimates: Yes
  d. Restatement: None

(4) Number of issued shares (Common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

| | |
|---|---|
| As of June 30, 2021 | 4,412,400 shares |
| As of March 31, 2021 | 4,412,400 shares |

b. Number of treasury shares at the end of the period

| | |
|---|---|
| As of June 30, 2021 | 439,817 shares |
| As of March 31, 2021 | 440,161 shares |

c. Average number of outstanding shares during the period

| | |
|---|---|
| As of June 30, 2021 | 3,972,265 shares |
| As of March 31, 2021 | 3,957,977 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.

## Attached Material

# 1．Qualitative information on quarterly consolidated financial results

## (1) Explanation of operating results

The global economy during the first quarter of the current consolidated fiscal year (April 1, 2021 to June 30, 2021) continued to struggle due to the impact of COVID-19. Certain sectors, however, showed signs of recovery, and digital-related businesses in particular experienced a tailwind.

With the approval of the 26th Ordinary General Meeting of Shareholders held June 25, 2021, we changed our corporate name was changed to WOW WORLD Inc. on July 1, 2021. Creating a world of surprises through the power of people and technology. Under this slogan, we will continue to create pleasant surprises between companies and their customers; a world of WOW experiences in which people encounter something that exceeds all expectations.

Based on this new management philosophy, WOW WORLD has defined three strategic pillars for the current fiscal year: (1) engage in full-scale operations of Customer Success ; (2) create group synergies; and (3) pursue further growth through M&A.

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

a. Net sales increase for 12 consecutive terms and was record high.

During the first quarter of the current consolidated cumulative period, sales were ¥677 million (up 50.3% year-on-year), the 12th consecutive year of sales growth. The main reasons for this were the contribution of sales from Connecty Inc., which joined the group from October 2020, and the increase in cloud services * 1 in the enterprise software business, which has been the main business of the past.

b. EBITDA up 46.6% year-on-year and was record high.

First quarter EBITDA rose to a record-high ¥147 million (up 46.6% year on year). Profit rose due to several factors in addition to the factors mentioned above that increased net sales. These factors included lower expenses related to work-style reform investments compared to the year-ago quarter, in which we purchased a large number of PCs for telecommuting during the COVID-19 pandemic. We also saw lower expenses related to referral fees for the recruitment of mid-career professionals and an increase in capitalized R&D expenses as we shifted resources to large-scale product development.

Meanwhile, we recorded an increase in personnel expenses related to increased hiring (mainly new graduates) and salary increases. Consulting fees rose due to preparations for the transition to international accounting standards in the next fiscal year. We also incurred expenses related to consulting fees to begin full-scale operations of Customer Success (no such fees in the year-ago quarter). Although these and other expenses limited the degree of profit posted, we more than absorbed these increased cost factors, posting record-high profits.

c. Cloud services grew significantly, up 29.9% 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.

Over the first quarter of the current consolidated fiscal year, we maintained the level of new inquiries, which increased in step with the rise in digital demand during the COVID-19 pandemic. As a result, new orders rose, driving a steady build-up of monthly sales.

(Thousand yen)

| | Q1 FY03/20 | Q1 FY03/21 | Q1 FY03/22 (Without connecty Inc.) | Q1 FY03/22 (Including connecty Inc.) |
|---|---|---|---|---|
| Cloud service sales | 267,970 | 289,894 | 322,487 | 376,631 |
| Change | +65,995 | +21,925 | +32,592 | +86,736 |
| YoY(%) | +32.7% | +8.2% | +11.2% | +29.9% |

As a result of these efforts, in the first quarter of the current consolidated cumulative period, net sales were ¥677 million (up 50.3% year-on-year), EBITDA ¥147 million (up 46.6% year-on-year), and operating profit was ¥100 million (up 16.4% year-on-year), ordinary profit ¥101 million (up 14.6% year-on-year), and Profit attributable to owners of parent of ¥55 million (down 12.3% year-on-year).

The performance of the segment is as follows.

a. Enterprise Software

First quarter sales rose by a significant 29.9% year on year, mainly due to the contributions of Connecty Inc., which was not a part of the group in the year-ago quarter, and a steady increase in sales of existing cloud services.

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 share of the market was 35.0%, and, according to the forecast in said report, we are expected to hold top share (43.1%) in fiscal 2020 as well.

As a result, overall sales of this business were ¥442 million (up 27.8% year-on-year) and gross profit margin 66.7% (down 1.4 points year-on-year).

b. Digital Marketing Operational Support

We achieved a significant increase in sales for the first quarter, mainly due to the contributions of Connecty Inc. as described above. FUCA Co., Ltd. Also recorded a recovery in sales as demand returned following a decline in production outsourcing due to the spread of COVID-19 beginning in the year-ago quarter.

As a result, overall sales of this business were ¥202 million (up 276.7% year-on-year) and gross profit margin was 25.3% (up 1.6 points year-on-year).

c. E-commerce

This segment consists of the Babychu e-commerce site operated by wholly owned subsidiary Mamachu, Inc.

First quarter sales for the segment decreased due to a decline in demand for apparel worn outside the home , which is the target of this e-commerce site, due to prolonged declarations of a state of emergency in Japan.

As a result, sales in the EC business were ¥32 million (down 35.2% year-on-year) and gross profit margin was 42.2% (down 0.1 points year-on-year).

Net sales by segment and gross profit margin

| | | Q1 FY03/21 | | Q1 FY03/22 | |
|---|---|---|---|---|---|
| | | Amount | Composition ratio | Amount | Composition ratio |
| | | Profit rate | | Profit rate | YoY(%) |
| Enterprise Software | Net sales (thousand yen) | 345,985 | 76.8% | 442,146 | 65.3% |
| | Gross profit margin(%) | 68.2% | — | 66.7% | ＋27.8% |
| Digital Marketing Operational Support | Net sales (thousand yen) | 53,652 | 11.9% | 202,090 | 29.8% |
| | Gross profit margin(%) | 23.6% | — | 25.3% | ＋276.7% |
| E-commerce | Net sales (thousand yen) | 49,741 | 11.0% | 32,224 | 4.8% |
| | Gross profit margin(%) | 42.3% | — | 42.2% | (35.2%) |
| Others | Net sales (thousand yen) | 1,247 | 0.3% | 796 | 0.1% |
| | Gross profit margin(%) | 34.6% | — | 82.1% | (36.2%) |
| Total | Net sales (thousand yen) | 450,626 | 100.0% | 677,257 | 100.0% |
| | Gross profit margin(%) | 59.9% | — | 53.2% | ＋50.3% |

*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 131,325 thousand yen from the end of the previous consolidated fiscal year to 3,106,642 thousand yen (down 4.1% from the end of the previous consolidated fiscal year).

Current assets decreased by 201,557 thousand yen due to a decrease of 101,927 thousand yen in cash and deposits and 86,297 thousand yen in work in process compared to the end of the previous consolidated fiscal year.

Non-current assets increased by 70,231 thousand yen due to an increase of 31,016 thousand yen in intangible fixed assets and an increase of 39,429 thousand yen in investment and other 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 increased by 74,240 thousand yen from the end of the previous consolidated fiscal year to 1,499,068 thousand yen (up 5.2% from the end of the previous consolidated fiscal year).

Current liabilities decreased by 63,500 thousand yen for accrued corporate taxes, 47,785 thousand yen for loss on orders, and 100,783 thousand yen for others compared to the end of the previous consolidated fiscal year, while contract liabilities increased by 240,686 thousand yen. It increased by 11,660 thousand yen.

Non-current liabilities increased by 62,580 thousand yen due to an increase of 103,377 thousand yen in long-term contract liabilities 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 205,566 thousand yen from the end of the previous consolidated fiscal year to 1,607,574 thousand yen (down 11.3% from the end of the previous consolidated fiscal year).

This was due to a decrease of 172,390 thousand yen in the balance of retained earnings at the beginning of the current fiscal year due to the application of the “Accounting Standard for Revenue Recognition” from the beginning of the first quarter of the current consolidated accounting period.。

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 101,842 thousand yen from the end of the previous consolidated fiscal year to 1,168,600 thousand yen (8.0% 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 first quarter of the current consolidated cumulative period were 118,143 thousand yen (during the same quarter of the previous year, of 113,537 thousand yen).

The main factors for the increase in funds were net income before tax adjustment of 101,309 thousand yen and the increase / decrease in inventories of 67,191 thousand yen. This is due to an increase or decrease in the provision of 47,785 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 81,120 thousand yen (during the same quarter of the previous year, 22,149 thousand yen).

The factors behind the decrease in funds were the expenditure of 17,898 thousand yen for the acquisition of tangible fixed assets and the expenditure of 63,222 thousand yen for the acquisition of intangible fixed assets.

(Cash flows from financing activities)

Funds paid as a result of financial activities during the first quarter of the current consolidated cumulative period were 138,865 thousand yen (during the consolidated cumulative period of the same quarter of the previous year of 85,105 thousand yen).

The factors behind the decrease in funds were dividend payments of 99,203 thousand yen and expenditures for repayment of long-term debt of 39,584 thousand yen.

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

At this stage, there are no changes to the consolidated earnings forecasts for the second quarter and the full year.

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Quarterly consolidated balance sheet

(Thousand yen)

| | As of March 31, 2021 | As of June 30, 2021 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,183,336 | 1,081,409 |
| Notes receivable – trade, accounts receivable – trade and contract assets | 318,658 | 286,093 |
| Merchandise and Finished goods | 12,094 | 11,997 |
| Work in process | 86,907 | 610 |
| Supplies | 1,210 | 1,397 |
| Deposits paid | 87,117 | 87,770 |
| Others | 54,242 | 72,730 |
| Total current assets | 1,743,566 | 1,542,009 |
| Non-current assets | | |
| Property, plant and equipment | 128,317 | 128,103 |
| Intangible assets | | |
| Goodwill | 520,350 | 506,656 |
| Others | 409,708 | 454,418 |
| Total Intangible assets | 930,058 | 961,075 |
| Investments and other assets | | |
| Investment securities | 272,196 | 268,904 |
| Deferred tax assets | 91,453 | 134,543 |
| Others | 72,375 | 72,006 |
| Total Investments and other assets | 436,025 | 475,454 |
| Total Non-current assets | 1,494,401 | 1,564,633 |
| Total assets | 3,237,968 | 3,106,642 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable – trade | 40,220 | 33,792 |
| Current portion of long-term borrowings | 159,167 | 159,444 |
| Income taxes payable | 73,373 | 9,873 |
| Deposits received | 12,498 | 34,493 |
| Provision for loss on order received | 47,785 | — |
| Provision for bonuses | 59,048 | 26,249 |
| Contract liabilities | — | 240,686 |
| Others | 245,984 | 145,201 |
| Total Current Liabilities | 638,080 | 649,740 |
| Non-current liabilities | | |
| Provision for share-based remuneration | 49,774 | 54,132 |
| Long-term borrowings | 703,225 | 663,364 |
| Long-term unearned revenue | 5,322 | — |
| Long-term contract liability | — | 103,377 |
| Provision for shareholder benefit program | 5,476 | 5,476 |
| Asset retirement obligations | 22,949 | 22,978 |
| Total Non-current liabilities | 786,747 | 849,327 |
| Total liabilities | 1,424,827 | 1,499,068 |

(Thousand yen)

| | As of March 31, 2021 | As of June 30, 2021 |
|---|---|---|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 322,420 | 322,420 |
| Capital surplus | 392,054 | 392,054 |
| Retained earnings | 1,269,342 | 1,060,427 |
| Treasury shares | (307,139) | (306,710) |
| Total Shareholders' equity | 1,676,678 | 1,468,192 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 66,612 | 64,025 |
| Total accumulated other comprehensive income | 66,612 | 64,025 |
| Share acquisition rights | 52,630 | 61,463 |
| Non-controlling interests | 17,219 | 13,892 |
| Total net assets | 1,813,140 | 1,607,574 |
| Total liabilities and net assets | 3,237,968 | 3,106,642 |

(2) Quarterly consolidated statements of income and comprehensive income

（Quarterly consolidated statement of income）

（First quarter consolidated cumulative period)

(Thousand yen)

| | Three months ended June 30, 2020 | Three months ended June 30, 2021 |
|---|---|---|
| Net sales | 450,626 | 677,257 |
| Cost of sales | 180,669 | 316,789 |
| Gross profit | 269,956 | 360,468 |
| Selling, general and administrative expenses | 183,822 | 260,172 |
| Operating profit | 86,134 | 100,295 |
| Non-operating income | | |
| Interest income | 137 | ― |
| Share of profit of entities accounted for using equity method | 111 | 437 |
| Dividend income | 927 | 671 |
| Gain on valuation of compound financial instruments | 2,116 | ― |
| Gain on forfeiture of unclaimed dividends | 177 | 216 |
| Subsidy income | 2,000 | 2,212 |
| Others | 2,043 | 151 |
| Total Non-operating income | 7,514 | 3,690 |
| Non-operating expenses | | |
| Commission expenses | 5,168 | 739 |
| Interest expenses | ― | 1,814 |
| Miscellaneous loss | 46 | 123 |
| Total Non-operating expenses | 5,214 | 2,676 |
| Ordinary profit | 88,433 | 101,309 |
| Profit before income taxes | 88,433 | 101,309 |
| Income taxes – current | 11,889 | 6,023 |
| Income taxes – deferred | 12,714 | 34,133 |
| Total income taxes | 24,603 | 40,157 |
| Profit | 63,830 | 61,152 |
| Loss attributable to non-controlling interests | 282 | 5,402 |
| Profit attributable to owners of parent | 63,547 | 55,750 |

（Quarterly consolidated statement of comprehensive income)
（First quarter consolidated cumulative period)

(Thousand yen)

| | Three months ended June 30, 2020 | Three months ended June 30, 2021 |
|---|---|---|
| Profit | 63,830 | 61,152 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 49,744 | (2,587) |
| Total other comprehensive income | 49,744 | (2,587) |
| Comprehensive income | 113,574 | 58,565 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 113,291 | 53,162 |
| Comprehensive income attributable to non-controlling interests | 282 | 5,402 |

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

| | Three months ended June 30, 2020 | Three months ended June 30, 2021 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 88,433 | 101,309 |
| Depreciation | 11,585 | 24,005 |
| Amortization of goodwill | 1,080 | 13,693 |
| Share-based remuneration expenses | 1,789 | 9,470 |
| Increase (decrease) in provision for shareholder benefit program | (2,122) | — |
| Increase (decrease) in provision for bonuses | (17,717) | (32,799) |
| Interest and dividend income | (1,064) | (671) |
| Increase (decrease) in provision for share-based remuneration | 4,447 | 4,864 |
| Increase (decrease) in provision for loss on order received | — | (47,785) |
| Subsidy income | (2,000) | (2,212) |
| Interest expenses | — | 1,814 |
| Share of loss (profit) of entities accounted for using equity method | (111) | (437) |
| Loss (gain) on valuation of compound financial instruments | (2,116) | — |
| Commission expenses | 5,168 | — |
| Decrease (increase) in trade receivables | 41,939 | 44,204 |
| Decrease (increase) in inventories | (4,083) | 67,191 |
| Increase (decrease) in trade payables | (25,178) | (6,427) |
| Decrease (increase) in other current assets | (22,533) | (20,859) |
| Decrease (increase) in other non-current assets | 385 | 369 |
| Increase (decrease) in other current liabilities | 116,945 | 33,722 |
| Increase (decrease) in other non-current liabilities | 1,146 | (8,430) |
| Others | 22 | 29 |
| Subtotal | 196,015 | 181,048 |
| Interest and dividends received | 1,064 | 671 |
| Proceeds from subsidy income | 2,000 | 2,212 |
| Interest paid | — | (1,801) |
| Income taxes paid | (85,543) | (63,988) |
| Net cash provided by (used in) operating activities | 113,537 | 118,143 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (4,591) | (17,898) |
| Purchase of intangible assets | (22,987) | (63,222) |
| Proceeds from redemption of investment securities | 5,430 | — |
| Others | — | — |
| Net cash provided by (used in) investing activities | (22,149) | (81,120) |
| Cash flows from financing activities | | |
| Proceeds from issuance of share acquisition rights | 4,810 | — |
| Dividends paid | (89,915) | (99,203) |
| Repayments of long-term borrowings | — | (39,584) |
| Purchase of treasury shares | — | (77) |
| Net cash provided by (used in) financing activities | (85,105) | (138,865) |
| Effect of exchange rate change on cash and cash equivalents | — | — |
| Net increase (decrease) in cash and cash equivalents | 6,282 | (101,842) |
| Cash and cash equivalents at beginning of period | 983,223 | 1,270,442 |
| Cash and cash equivalents at end of period | 989,505 | 1,168,600 |

## (4) Notes to the quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Changes in accounting estimates)

(Adoption of revenue recognition accounting standard)

At the beginning of the current consolidated first quarter, we adopted Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) ("Revenue Recognition Standard," below). With the adoption of this standard, the company now recognizes revenue when the control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for said goods or services.

In adopting the change in question, the company follows the transitional treatment as prescribed in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of applying the new accounting policy retrospectively for periods prior to the beginning of the first quarter of the current consolidated fiscal year has been added to or deducted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year, and the new accounting policy has been applied beginning with the relevant beginning balance.

As a result, net sales for the first quarter of the current fiscal year increased by ¥16 million, cost of sales increased by ¥3 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥13 million. In addition, the balance of retained earnings at the beginning of the current fiscal year decreased by ¥172 million.

(Adoption Accounting Standard for Fair Value Measurement)

We adopted Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019) ("Fair Value Measurement Standard," below) as of the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), we will apply the new accounting policy provided in Fair Value Measurement Standard prospectively. The adoption of this accounting standard will have no impact on quarter consolidated financial statements.

(Accounting policy changes that are difficult to distinguish from changes in accounting estimates)

The WOW WORLD Group previously used the declining-balance method for the depreciation of certain property, plant and equipment. Beginning with the current fiscal year, the group will use the straight-line depreciation method for all property, plant and equipment.

Our cloud services and other service provider businesses have become a more important component of the group with our provision of CMS cloud services via Connecty Inc. (added as a subsidiary in the previous fiscal year) and various measures provided in our medium-term management plan, formulated in the previous fiscal year. Accordingly, we conducted a review of the actual state of our property, plant and equipment. As a result, we confirmed that the assets in question are being used in a stable manner over their respective useful lifetimes, and that with the adoption of the new Revenue Recognition Standard, profits will be earned evenly over the relevant contract periods. Therefore, we have determined that changing to the straight-line depreciation method, which recognizes expenses evenly over the useful life of the asset in question, more appropriately reflects the economic reality.

The impact of this change on the quarterly consolidated financial statements for the first quarter of the current consolidated fiscal year is minimal.

(Significant latecomers)

(Disposal of Treasury Shares as Restricted Stock-Based Compensation)

At a meeting held June 25, 2021, the WOW WORLD Inc. board of directors resolved to dispose of treasury shares as restricted stock-based compensation as described below. We completed payment procedures for the disposal of treasury shares as restricted stock-based compensation on July 21, 2021.

Purpose and Reason for Disposal

By strengthening the link between director compensation and stock prices further, the company intends to provide an incentive to directors (excluding directors who are members of the Audit and Supervisory Board; “Eligible Directors,” below) to improve corporate value of the company on a continual basis. At the same time, this link fosters a greater sense of shared value between Eligible Directors and shareholders.

Summary of disposal

| | |
|---|---|
| A) Payment date | July 21, 2021 |
| B) Type and number of shares to be disposed of | 8,521 shares (Common stock) |
| C) Disposal price | 2,007 yen per share |
| D) Total disposal amount | 17,101 thousand yen |
| E) Recruitment or allocation method | How to Allocate Restricted Shares |
| F) How to fulfill the investment | By in-kind contribution of monetary compensation receivables |
| G) Persons to be allotted shares and their number of shares and number of shares to be allotted | 4 directors of the company 8,521 shares |

(Cancellation of treasury stock)

At a meeting held July 30, 2021, the WOW WORLD Inc. board of directors resolved to retire treasury stock in accordance with the provisions of Article 178 of the Companies Act.

Of the 363,816 shares of treasury stock held by the Company (as of July 30, 2021), the board resolved today to dispose of 71,100 shares (approximately ¥145.612 million) to an ESOP trust, and further resolved to retire all remaining treasury shares simultaneously.

| | |
|---|---|
| １． Types of shares to be canceled | Common stock of the company |
| ２． Number of shares to be canceled | 292,716 shares<br>（Percentage of total number of issued shares before cancellation 6.63%） |
| ３． Scheduled cancellation date | September 17, 2021 |

４． Reason for cancellation

With the transition to the prime market in the TSE market classification review scheduled for April 2022 in mind, the treasury stock for which the purpose of use has not been determined will be canceled with the aim of increasing the ratio of shares in circulation and improving capital efficiency.

（Disposal of treasury shares via third-party allocation）

At a meeting held July 30, 2021, the WOW WORLD Inc. board of directors resolved to dispose of treasury shares via third-party allocation (“Disposal”).

１． Summary of disposal

| | |
|---|---|
| A) Disposal date | September 2, 2021 |
| B) Type and number of shares to be disposed of | 71,100 shares (Common stock) |
| C) Disposal price | 2,048 yen per share |
| D) Amount of funding | 145,612,800 yen |
| E) Disposal method | Disposition by third-party allocation |
| F) Disposal destination | The Master Trust Bank of Japan, Ltd.<br>(Share grant ESOP Trust opening) |

G) Others

The disposal of treasury stock is subject to the entry into force of the notification under the Financial Instruments and Exchange Act.

２． Purpose and reason for disposal

At a meeting held July 30, 2021, the WOW WORLD Inc. board of directors resolved to extend the employee stock ownership plan trust (“ESOP Trust”) and to make an additional monetary contribution to said plan. The ESOP Trust serves as an employee incentive plan to improve medium- and long-term improvement in corporate value by instilling in employees a sense of participation in company management and by motivating employees to improve business performance and increase the price of company stock. The Disposal will be conducted via third-party allocation of treasury stock to the Master Trust Bank of Japan, Ltd. (ESOP Trust Account), the co-trustee under an agreement executed between the company and the Mitsubishi UFJ Trust and Banking Corporation.

The number of shares to be disposed of is the number of shares expected to be delivered to employees during the trust period in accordance with the share delivery regulations. The degree of dilutive effect of said shares will be 1.61% of the 4,412,400 shares issued and outstanding as of March 31, 2021 (rounded to the hundredths; 1.76% of the 40,368 total voting rights as of March 31, 2021).

Company shares allocated in Disposal will be delivered to employees in accordance with share delivery regulations, and the shares disposed of in Disposal are expected to have only a minimal impact on the stock market, as said shares are not expected to be flow into the stock market. Therefore, the company believes that the number of shares subject to disposal and the degree of dilution are reasonable.

Contents of this trust agreement

| | |
|---|---|
| Types of trust | Money trusts other than specified independent money trusts (Other interest trust) |
| Purpose of the trust | Granting incentives to employees |
| Entruster | Our company |
| Trustee | Mitsubishi UFJ Trust and Banking Corporation<br>(Co-trustee The Master Trust Bank of Japan, Ltd.) |
| Beneficiary | Employees who meet beneficiary requirements |
| Trust manager | Third party who has no interest in our company (certified accountant) |
| Trust contract date | May 25, 2016 (Changed as of April 30, 2021) |
| Trust period | May 25, 2016-May end of 2026<br>（Scheduled to be extended until the end of May 2026 due to a change in the trust contract in April 2021） |
| Exercise voting rights | The trust manager gives instructions and exercises voting rights. |

３． Basis for calculation of disposal price and its specific contents

The disposal price has been set at ¥2,048 per share (rounded down to the nearest yen), which is the closing price of the company's shares on the Tokyo Stock Exchange, Inc. (“TSE”) on the business day immediately prior to the board resolution regarding the disposal of treasury shares (July 29, 2021). This disposal price is in accordance with the Rules Concerning Handling of Allotment of New Shares to Third Party, Etc. published by Japan Securities Dealers Association, referenced to eliminate arbitrariness in light of recent changes to stock prices. We chose the closing price of company shares on the business day immediately preceding the board resolution as it represents the market price immediately preceding said resolution and we believe this to be a reasonable disposal price.

The company’s Audit and Supervisory Board has expressed the opinion that the basis for calculation of the above-mentioned disposal price is rational, that said price is not particularly advantageous, and that said price is lawful.

４． Procedures under the Corporate Code of Conduct

Since the dilution ratio of the shares in this transaction is less than 25%, and as there is no change in controlling shareholder, we are not required to receive an opinion letter from an independent third party or a letter confirming the intent of shareholders as provided in Article 432 of the Securities Listing Regulations of the TSE.