

(English Translation)

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Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 [Japanese GAAP]

October 29, 2021

Listed company name: WOW WORLD Inc. Stock exchange listing: Tokyo
Securities code: 2352 URL <https://www.wow-world.co.jp/>
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Contact: (Position) Executive secretary (Name) Masahiro Muko (TEL) +81-3-6387-8080
Scheduled date to file securities report: November 12, 2021
Scheduled date to commence dividend payments: —
Preparation of supplementary materials on financial results: Yes
Holding of financial results briefing: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated Business Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (April 1, 2021 to September 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six month ended										
September 30, 2021	1,388	50.7	317	62.1	216	40.6	214	38.6	117	20.0
September 30, 2020	920	4.5	195	(3.7)	153	(15.1)	154	(18.4)	98	(23.2)

(Note) Comprehensive income : Second quarter of the fiscal year ending March 31, 2022 ¥121 Million (-16.7%); Second quarter of the fiscal year ended March 31, 2021 ¥ 145 Million (34.3%)

	Earnings per share		Diluted earnings per share	
Six month ended	Yen		Yen	
September 30, 2021	29.68		27.74	
September 30, 2020	24.83		24.11	

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

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio		Net assets per share	
As of	Million yen		Million yen		%		Yen	
September 30, 2021	3,070		1,599		49.3		385.07	
March 31, 2021	3,237		1,813		53.8		438.87	

(Note) Shareholders' equity : Second quarter of the fiscal year ending March 31, 2022 ¥1,513 Million; 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				
Fiscal year ended March 31, 2021	—	0.00	—	25.00	25.00
Fiscal year ending March 31, 2022	—	0.00	—	—	—
Fiscal year ending March 31, 2022 (forecast)	—	—	—	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
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 September 30, 2021	4,119,684 shares
As of March 31, 2021	4,412,400 shares

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

As of September 30, 2021	189,426 shares
As of March 31, 2021	440,161 shares

c. Average number of outstanding shares during the period

As of September 30, 2021	3,971,788 shares
As of September 30, 2020	3,957,967 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.

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1. Qualitative information on quarterly consolidated financial results

(1) Explanation of operating results

During the cumulative consolidated second quarter of the current fiscal year (April 1, 2021 to September 30, 2021), the economic situation in Japan remained challenging due to the impact of COVID-19. However, with the progress of vaccinations, the number of new infections began to decline. Corporate activities began to pick up, and digital demand remained firm throughout the period.

With the approval of the 26th Ordinary General Meeting of Shareholders held June 25, 2021, we changed our corporate name 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 second quarter of the current consolidated fiscal year.

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

During the second quarter of the current consolidated cumulative period, net sales were ¥1,388 million (up 50.7% 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 62.1% year-on-year and was record high.

EBITDA for the cumulative consolidated second quarter rose to a record-high ¥317 million (up 62.1% year-on-year). Profit rose due to several factors in addition to those mentioned above that increased net sales. These factors included the normalization and decrease in subcontract expenses, which we incurred in the previous fiscal year in connection with work on large-scale projects. We also recorded an increase in capitalized research and development expenses in connection with the consolidation of resources for the development of large-scale projects.

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 period). In addition, our change in corporate name resulted in costs related to website updates and other matters. 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 33.8% 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 second 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)			
	Q2 FY03/20	Q2 FY03/21	Q2 FY03/22 (Without connecty Inc.)	Q2 FY03/22 (Including connecty Inc.)
Cloud service sales	535,456	574,065	657,133	768,263
Change	+84,886	+38,609	+83,067	+194,197
YoY(%)	+18.8%	+7.2%	+14.5%	+33.8%

As a result of these efforts, in the second quarter of the current consolidated cumulative period, net sales were ¥1,388 million (up 50.7% year-on-year), EBITDA ¥317 million (up 62.1% year-on-year), and operating profit was ¥216 million (up 40.6% year-on-year), ordinary profit ¥214 million (up 38.6% year-on-year), and Profit attributable to owners of parent of ¥117 million (up 20.0% year-on-year).

The performance of the segment is as follows.

a. Enterprise Software

Sales for the cumulative consolidated second quarter rose by a significant 33.8%, mainly due to the cloud services contributions of Connecty Inc., which was not part of the group in the year-ago period. Other factors included the fact that the constrained investment situation for large-scale projects during the first quarter in connection with our mainstay e-mail communications product, WEBCAS e-mail, resolved itself mainly during the second quarter, and our progress advanced in line with plan.

Further, our on-premises business grew 27.3% year-on-year, mainly due to the adoption the percentage-of-completion method for large-scale projects, which resulted in sales for some projects in the second half to be posted ahead of original schedule.

As a result, overall sales of this business were ¥944 million (up32.6% year-on-year) and gross profit margin 68.1% (No change year-on-year).

b. Digital Marketing Operational Support

We achieved a significant increase in sales for the cumulative consolidated second quarter, mainly due to the contributions of Connecty Inc. as described above. FUCA Co., Ltd. fell short of plan, although sales were higher than the year-ago period. This result was due to sluggish performance among the company's main customers in the apparel and cosmetics industries.

As a result, overall sales of this business were ¥380 million (up 233.7% year-on-year) and gross profit margin was 24.8% (up 2.3 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 ¥61 million (down 33.4% year-on-year) and gross profit margin was 41.8% (up 0.2 points year-on-year).

Net sales by segment and gross profit margin

		Q2 FY03/21		Q2 FY03/22	
		Amount	Composition ratio	Amount	Composition ratio
		Profit rate		Profit rate	YoY(%)
Enterprise Software	Net sales (thousand yen)	712,708	77.4%	944,757	68.1%
	Gross profit margin(%)	68.1%	—	68.1%	+32.6%
Digital Marketing Operational Support	Net sales (thousand yen)	114,113	12.4%	380,743	27.4%
	Gross profit margin(%)	22.5%	—	24.8%	+233.7%
E-commerce	Net sales (thousand yen)	91,753	10.0%	61,124	4.4%
	Gross profit margin(%)	41.6%	—	41.8%	(33.4%)
Others	Net sales (thousand yen)	2,326	0.3%	1,545	0.1%
	Gross profit margin(%)	47.3%	—	80.4%	(33.6%)
Total	Net sales (thousand yen)	920,902	100.0%	1,388,171	100.0%
	Gross profit margin(%)	59.8%	—	55.1%	+50.7%

*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 decreased by 167,361 thousand yen from the end of the previous consolidated fiscal year to 3,070,606 thousand yen (down 5.2% from the end of the previous consolidated fiscal year).

Current assets decreased by 313,440 thousand yen due to a decrease of 300,266 thousand yen in cash and deposits compared to the end of the previous consolidated fiscal year.

Non-current assets increased by 146,078 thousand yen due to an increase of 53,974 thousand yen in Property, plant and equipment and an increase of 65,904 thousand yen in intangible fixed assets and an increase of 26,200 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 45,973 thousand yen from the end of the previous consolidated fiscal year to 1,470,801 thousand yen (up 3.2% from the end of the previous consolidated fiscal year).

Current liabilities increased by 24,005 thousand yen due to a decrease of 114,343 thousand yen in Others and an increase of 223,838 thousand yen in contract liability compared to the end of the previous consolidated fiscal year.

Non-current liabilities increased by 21,967 thousand yen due to a decrease of 69,642 thousand yen in long-term borrowings and an increase of 94,888 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 second quarter of the current consolidated fiscal year decreased by 213,335 thousand yen from the end of the previous consolidated fiscal year to 1,599,805 thousand yen (down 11.8% from the end of the previous consolidated fiscal year).

This was due to a decrease of 111,940 thousand yen in capital surplus and due to a decrease of 163,660 thousand yen in the balance of retained earnings at the beginning of the current fiscal year and a decrease of 8,729 thousand yen in the balance of non-controlling interests at the beginning of the period 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 second quarter of the current consolidated fiscal year decreased by 300,096 thousand yen from the end of the previous consolidated fiscal year to 970,345 thousand yen (23.6% 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 187,867 thousand yen (during the same quarter of the previous year, of 160,651 thousand yen).

The main factors for the increase in funds were net income before tax adjustment of 211,393 thousand yen. The main factors for the decrease in funds were income taxes paid of 64,456 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 207,585 thousand yen (during the same quarter of the previous year, 67,572 thousand yen).

The factors behind the decrease in funds were the expenditure of 127,710 thousand yen for the acquisition of intangible fixed assets and the expenditure of 79,875 thousand yen for the acquisition of tangible fixed 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 280,379 thousand yen (during the consolidated cumulative period of the same quarter of the previous year of 89,021 thousand yen).

The factors behind the decrease in funds were dividend payments of 100,903 thousand yen and expenditures for treasury stock acquisition of 100,030 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 September 30, 2021
Assets		
Current assets		
Cash and deposits	1,183,336	883,070
Notes receivable – trade, accounts receivable – trade and contract assets	318,658	366,455
Merchandise and Finished goods	12,094	13,141
Work in process	86,907	1,332
Supplies	1,210	1,311
Deposits paid	87,117	87,868
Others	54,242	76,946
Total current assets	1,743,566	1,430,126
Non-current assets		
Property, plant and equipment	128,317	182,291
Intangible assets		
Goodwill	520,350	492,963
Others	409,708	502,999
Total intangible assets	930,058	995,962
Investments and other assets		
Investment securities	272,196	264,190
Deferred tax assets	91,453	126,330
Others	72,375	71,704
Total investments and other assets	436,025	462,225
Total non-current assets	1,494,401	1,640,480
Total assets	3,237,968	3,070,606
Liabilities		
Current liabilities		
Accounts payable – trade	40,220	32,293
Current portion of long-term borrowings	159,167	149,364
Income taxes payable	73,373	51,373
Deposits received	12,498	13,620
Provision for loss on order received	47,785	–
Provision for bonuses	59,048	59,951
Contract liabilities	–	223,838
Others	245,984	131,643
Total Current Liabilities	638,080	662,086
Non-current liabilities		
Provision for share-based remuneration	49,774	51,754
Long-term borrowings	703,225	633,583
Long-term unearned revenue	5,322	–
Long-term contract liability	–	94,888
Provision for shareholder benefit program	5,476	5,480
Asset retirement obligations	22,949	23,007
Total Non-current liabilities	786,747	808,714
Total liabilities	1,424,827	1,470,801

(Thousand yen)

	As of March 31, 2021	As of September 30, 2021
Net assets		
Shareholders' equity		
Share capital	322,420	322,420
Capital surplus	392,054	280,114
Retained earnings	1,269,342	1,122,548
Treasury shares	(307,139)	(273,619)
Total Shareholders' equity	1,676,678	1,451,463
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	66,612	61,977
Total accumulated other comprehensive income	66,612	61,977
Share acquisition rights	52,630	70,095
Non-controlling interests	17,219	16,269
Total net assets	1,813,140	1,599,805
Total liabilities and net assets	3,237,968	3,070,606

- (2) Quarterly consolidated statements of income and comprehensive income
 (Quarterly consolidated statement of income)
 (Second quarter consolidated cumulative period)

(Thousand yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	920,902	1,388,171
Cost of sales	370,541	623,510
Gross profit	550,360	764,660
Selling, general and administrative expenses	396,392	548,229
Operating profit	153,967	216,431
Non-operating income		
Interest income	143	5
Share of profit of entities accounted for using equity method	8	—
Dividend income	927	771
Gain on valuation of compound financial instruments	2,116	—
Gain on forfeiture of unclaimed dividends	176	216
Subsidy income	2,000	3,333
Others	2,274	183
Total Non-operating income	7,646	4,511
Non-operating expenses		
Interest expenses	—	3,550
Commission expenses	6,858	1,533
Share of loss of entities accounted for using equity method	—	1,324
Miscellaneous loss	45	123
Total Non-operating expenses	6,903	6,532
Ordinary profit	154,710	214,410
Extraordinary losses		
Loss on retirement of non-current assets	128	3,017
Total extraordinary losses	128	3,017
Profit before income taxes	154,582	211,393
Income taxes – current	53,132	42,491
Income taxes – deferred	2,776	43,250
Total income taxes	55,909	85,742
Profit	98,672	125,650
Loss attributable to non-controlling interests	408	7,779
Profit attributable to owners of parent	98,264	117,871

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

(Thousand yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	98,672	125,650
Other comprehensive income		
Valuation difference on available-for-sale securities	46,592	(4,635)
Total other comprehensive income	46,592	(4,635)
Comprehensive income	145,265	121,015
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	144,856	113,236
Comprehensive income attributable to non-controlling interests	408	7,779

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	154,582	211,393
Depreciation	24,672	52,216
Amortization of goodwill	2,160	27,386
Share-based remuneration expenses	15,017	21,348
Increase (decrease) in provision for shareholder benefit program	11,294	903
Increase (decrease) in provision for bonuses	458	4
Interest and dividend income	(1,070)	(777)
Increase (decrease) in provision for share-based remuneration	8,659	6,488
Increase (decrease) in provision for loss on order received	—	(47,785)
Subsidy income	(2,000)	(3,333)
Interest expenses	—	3,550
Share of loss (profit) of entities accounted for using equity method	(8)	1,324
Loss (gain) on valuation of compound financial instruments	(2,116)	—
Loss on retirement of non-current assets	128	3,017
Commission expenses	6,858	1,533
Decrease (increase) in trade receivables	(2,329)	(33,586)
Decrease (increase) in inventories	(54,981)	65,411
Increase (decrease) in trade payables	(19,954)	(7,926)
Decrease (increase) in other current assets	(26,238)	5,601
Decrease (increase) in other non-current assets	(3,107)	671
Increase (decrease) in other current liabilities	130,616	(38,850)
Increase (decrease) in other non-current liabilities	(16)	(16,919)
Others	45	58
Subtotal	242,671	251,730
Interest and dividends received	1,070	777
Proceeds from subsidy income	2,000	3,333
Interest paid	—	(3,517)
Income taxes paid	(85,090)	(64,456)
Net cash provided by (used in) operating activities	160,651	187,867
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,777)	(79,875)
Purchase of intangible assets	(54,225)	(127,710)
Proceeds from redemption of investment securities	5,430	—
Net cash provided by (used in) investing activities	(67,572)	(207,585)
Cash flows from financing activities		
Purchase of treasury shares	(66)	(100,030)
Proceeds from issuance of share acquisition rights	3,014	—
Dividends paid	(91,969)	(100,903)
Repayments of long-term borrowings	—	(79,445)
Net cash provided by (used in) financing activities	(89,021)	(280,379)
Effect of exchange rate change on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	4,057	(300,096)
Cash and cash equivalents at beginning of period	983,223	1,270,442
Cash and cash equivalents at end of period	987,280	970,345

(4) Notes to the quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Changes in accounting policies)

(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 second quarter of the current fiscal year increased by ¥66 million, cost of sales increased by ¥8 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥58 million. In addition, the balance of retained earnings at the beginning of the current fiscal year decreased by ¥163 million and the balance of non-controlling interests at the beginning of the current fiscal year decreased by ¥8 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 second 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 second quarter of the current consolidated fiscal year is minimal.

(Notes on significant changes in the amount of shareholders' equity)
(Cancellation of treasury stock)

On September 17, 2021, we canceled 292,716 shares of treasury stock in accordance with the provisions of Article 178 of the Companies Act in the resolution of the Board of Directors held on July 30, 2021.

As a result, capital surplus and treasury stock decreased by 228,304 thousand yen, respectively, during the second quarter of the current consolidated fiscal year.

(Disposal of treasury shares via third-party allocation)

In a resolution of the Board of Directors on July 30, 2021, the Company resolved to dispose of treasury stock by third-party allotment in connection with the extension of the share-granting ESOP trust, and on September 2, 2021, The Master Trust Bank of Japan, Ltd. has acquired the shares of the Company. The Company's shares remaining in the trust are recorded as treasury stock. As a result, capital surplus and treasury stock increased by 104,221 thousand yen, respectively.

(Purchase of treasury shares)

During the second quarter of the current consolidated fiscal year, we acquired 53,800 shares and 99,858 thousand yen of treasury stock based on the resolution of the Board of Directors held on August 26, 2021.

As a result of the cancellation, acquisition and disposal of treasury stock including the above, capital surplus was 280,114 thousand yen and treasury stock was 273,619 thousand yen at the end of the second quarter fiscal year.

(Notes regarding significant subsequent events)
(Cancellation of treasury stock)

At a meeting held October 15, 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.

- | | |
|---|---|
| 1.Types of shares to be canceled | Common stock of the company |
| 2.Number of shares to be canceled | 53,800 shares
(Percentage of total number of issued shares before cancellation 1.31%) |
| 3.Scheduled cancellation date | October 29, 2021 |
| 4.Reason for cancellation | The purpose is to cancel treasury stock for which the purpose of use has not been determined, with the aim of increasing the ratio of shares in circulation and improving capital efficiency. |
| 5. Total number of issued shares after cancellation | 4,065,884 shares |