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Consolidated Financial Results for the Six Months Ended August 31, 2021 (under IFRS)

October 12, 2021

Company name: **WingArc1st Inc.**
 Listing: Tokyo Stock Exchange
 Securities code: 4432
 URL: <https://www.wingarc.com/en/>
 Representative: Jun Tanaka, President, Executive Officer and CEO
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 TEL: +81-3-5962-7400
 Scheduled date to file quarterly securities report: October 12, 2021
 Scheduled date to commence dividend payments: November 10, 2021
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the six months ended August 31, 2021 (from March 1, 2021 to August 31, 2021)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2021	9,652	10.0	2,923	74.3	2,881	73.1	2,126	77.7
August 31, 2020	8,776	–	1,677	–	1,664	–	1,196	–

	Profit attributable to equity holders of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended August 31, 2021	2,126	77.7	2,115	60.7	66.47	62.13
August 31, 2020	1,196	–	1,316	–	38.56	38.56

Note: The Company's shares were unlisted as of August 31, 2020, and although stock acquisition rights exist, vesting is conditional on listing, and therefore stock acquisition rights are not included in the calculation of the diluted earnings per share for the six months ended August 31, 2020.

(Reference)

	EBITDA		Adjusted EBITDA		Adjusted profit attributable to equity holders of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2021	3,553	54.9	3,574	13.1	2,141	17.7
August 31, 2020	2,293	–	3,160	–	1,819	–

Note: The Company uses EBITDA, adjusted EBITDA and adjusted profit attributable to equity holders of the parent as important management indicators. For information about each indicator, refer to “(Notes when referring to summary information)” below.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to equity holders of the parent	Ratio of equity attributable to equity holders of the parent
As of	Millions of yen	Millions of yen	Millions of yen	%
August 31, 2021	57,838	28,621	28,620	49.5
February 28, 2021	55,909	25,677	25,676	45.9

2. Cash dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2021	0.00	0.00	0.00	24.00	24.00
Fiscal year ending February 28, 2022	0.00	20.60			
Fiscal year ending February 28, 2022 (Forecast)			0.00	20.60	41.20

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending February 28, 2022	19,000	3.9	5,880	83.3	5,760	82.7	4,216	71.9

	Profit attributable to equity holders of the parent		Basic earnings per share
	Millions of yen	%	Yen
Fiscal year ending February 28, 2022	4,216	71.9	137.34

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
 - (i) Changes in accounting policies required by IFRS: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

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

As of August 31, 2021	34,100,070 shares
As of February 28, 2021	31,198,000 shares

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

As of August 31, 2021	500,000 shares
As of February 28, 2021	500,000 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

For the six months ended August 31, 2021	31,985,125 shares
For the six months ended August 31, 2020	31,024,087 shares

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

* **Proper use of earnings forecasts, and other special items**

(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.

(Notes when referring to summary information)

1. EBITDA = Operating profit + Depreciation and amortization expenses
2. From the fiscal year ended February 29, 2020, due to the adoption of IFRS 16, the right of use related to office leases is recognized as a right-of-use asset, and depreciation related to this asset is also recorded. However, in the calculation of EBITDA, depreciation related to this right-of-use asset is excluded from "Depreciation and amortization expenses."
3. Adjusted EBITDA = EBITDA + One-time expenses
4. Adjusted profit attributable to equity holders of the parent = Profit attributable to equity holders of the parent + One-time expenses – Tax effect adjustment
5. EBITDA, Adjusted EBITDA and Adjusted quarterly profit attributable to equity holders of the parent are not measures prescribed by IFRS, but rather are financial measures that the Group believes are useful for investors to evaluate the Group's performance.
6. EBITDA, Adjusted EBITDA and Adjusted quarterly profit attributable to equity holders of the parent should not be considered as alternative measures to other measures presented in accordance with IFRS, as they exclude some of the items that affect quarterly profit and have significant limitations as a means of analysis. EBITDA, Adjusted EBITDA, and Adjusted quarterly profit attributable to equity holders of the parent for the Group may not be comparable to the measures used by other companies in the industry due to different calculation methods from those used for the same or similar measures. As a result, their usefulness may be reduced.

Condensed Quarterly Consolidated Financial Statements

(1) Condensed quarterly consolidated statements of financial position

(Unit: thousand yen)

	As of February 28, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and cash equivalents	5,170,346	7,644,203
Trade and other receivables	1,728,618	1,667,993
Other financial assets	19,105	19,295
Other current assets	373,631	490,269
Total current assets	7,291,702	9,821,763
Non-current assets		
Property and equipment	1,910,629	1,728,037
Goodwill	27,248,000	27,227,167
Other intangible assets	17,206,028	16,800,021
Other financial assets	2,245,766	2,253,489
Other non-current assets	7,775	7,802
Total non-current assets	48,618,199	48,016,517
Total assets	55,909,901	57,838,280
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	833,934	516,635
Contract liabilities	5,526,490	6,114,529
Current portion of long-term borrowings	1,997,480	1,997,479
Income taxes payable	402,520	654,453
Other financial liabilities	440,998	422,067
Other current liabilities	1,974,056	1,582,875
Total current liabilities	11,175,481	11,288,042
Non-current liabilities		
Long-term borrowings, net of current portion	14,164,417	13,178,300
Provisions	91,519	90,183
Other financial liabilities	259,407	122,338
Deferred tax liabilities	4,541,151	4,537,477
Total non-current liabilities	19,056,496	17,928,300
Total liabilities	30,231,977	29,216,342
Equity		
Issued capital	200,000	1,004,001
Capital surplus	11,124,874	11,928,807
Other components of equity	656,664	602,972
Treasury shares	(650,000)	(650,000)
Retained earnings	14,345,215	15,734,665
Equity attributable to equity holders of the parent	25,676,754	28,620,447
Non-controlling interests	1,170	1,490
Total equity	25,677,924	28,621,938
Total liabilities and equity	55,909,901	57,838,280

(2) Condensed quarterly consolidated statements of profit or loss and condensed quarterly consolidated statements of comprehensive income
(Condensed quarterly consolidated statements of profit or loss)

(Unit: thousand yen, unless otherwise stated)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Revenue	8,776,725	9,652,153
Personnel expenses except those included in research and development costs	(2,323,889)	(2,517,483)
Research and development costs	(1,124,222)	(1,221,397)
Outsourcing expenses	(691,328)	(868,566)
Commission expenses	(378,439)	(407,886)
Other operating income	5,710	7,760
Other operating expenses	(2,587,201)	(1,721,290)
Operating profit	1,677,355	2,923,288
Finance income	68,474	27,059
Finance costs	(81,643)	(69,271)
Profit before income taxes	1,664,185	2,881,076
Income taxes	(467,503)	(754,553)
Profit	1,196,682	2,126,522
Profit attributable to:		
Equity holders of the parent	1,196,441	2,126,201
Non-controlling interests	240	320
Profit	1,196,682	2,126,522
Earnings per share		
Basic earnings per share (yen)	38.56	66.47
Diluted earnings per share (yen)	38.56	62.13

(Condensed quarterly consolidated statements of comprehensive income)

	(Unit: thousand yen)	
	Six months ended August 31, 2020	Six months ended August 31, 2021
Profit	1,196,682	2,126,522
Other comprehensive income (loss)		
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Financial assets measured at fair value through other comprehensive income	87,657	(2,795)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	87,657	(2,795)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	31,923	(8,097)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	31,923	(8,097)
Other comprehensive income (loss), net of income taxes	119,581	(10,892)
Total comprehensive income, net of income taxes	1,316,263	2,115,629
Attributable to:		
Equity holders of the parent	1,316,022	2,115,309
Non-controlling interests	240	320
Total comprehensive income	1,316,263	2,115,629

(3) Condensed quarterly consolidated statement of changes in equity
Six months ended August 31, 2020

(Unit: thousand yen)

	Equity attributable to equity holders of the parent					Total
	Issued capital	Capital surplus	Other components of equity			
			Exchange differences on translation of foreign operations	Stock acquisition rights	Financial assets measured at fair value through other comprehensive income	
As of March 1, 2020	200,000	11,124,874	(83,882)	51,886	342,511	310,514
Profit						–
Other comprehensive income (loss)			31,923		87,657	119,581
Comprehensive income	–	–	31,923	–	87,657	119,581
Share-based payments				16,848		16,848
Purchase of treasury shares						–
Total transactions with equity holders	–	–	–	16,848		16,848
As of August 31, 2020	200,000	11,124,874	(51,959)	68,734	430,169	446,944

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Retained earnings	Total			
As of March 1, 2020	–	11,893,096	23,528,485	545	23,529,030
Profit		1,196,441	1,196,441	240	1,196,682
Other comprehensive income (loss)			119,581		119,581
Comprehensive income		1,196,441	1,316,022	240	1,316,263
Share-based payments			16,848		16,848
Purchase of treasury shares	(650,000)		(650,000)		(650,000)
Total transactions with equity holders	(650,000)	–	(633,151)	–	(633,151)
As of August 31, 2020	(650,000)	13,089,538	24,211,356	785	24,212,142

Six months ended August 31, 2021

(Unit: thousand yen)

	Equity attributable to equity holders of the parent					Total
	Issued capital	Capital surplus	Other components of equity			
			Exchange differences on translation of foreign operations	Stock acquisition rights	Financial assets measured at fair value through other comprehensive income	
As of March 1, 2021	200,000	11,124,874	(13,565)	75,980	594,250	656,664
Profit						–
Other comprehensive income (loss)			(8,097)		(2,795)	(10,892)
Comprehensive income	–	–	(8,097)	–	(2,795)	(10,892)
Dividends						–
Exercise of stock acquisition rights	804,001	804,001		(42,799)		(42,799)
Purchase of treasury shares						–
Cancellation of treasury shares		(67)				–
Total transactions with equity holders	804,001	803,933	–	(42,799)	–	(42,799)
As of August 31, 2021	1,004,001	11,928,807	(21,662)	33,180	591,454	602,972

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Treasury shares	Retained earnings	Total		
As of March 1, 2021	(650,000)	14,345,215	25,676,754	1,170	25,677,924
Profit		2,126,201	2,126,201	320	2,126,522
Other comprehensive income (loss)			(10,892)		(10,892)
Comprehensive income	–	2,126,201	2,115,309	320	2,115,629
Dividends		(736,752)	(736,752)		(736,752)
Exercise of stock acquisition rights			1,565,203		1,565,203
Purchase of treasury shares	(67)		(67)		(67)
Cancellation of treasury shares	67		–		–
Total transactions with equity holders	–	(736,752)	828,383	–	828,383
As of August 31, 2021	(650,000)	15,734,665	28,620,447	1,490	28,621,938

(4) Condensed quarterly consolidated statements of cash flows

(Unit: thousand yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,664,185	2,881,076
Depreciation and amortization expenses	1,266,464	762,617
Finance income	(74,782)	(27,059)
Finance costs	80,680	74,004
Decrease (increase) in trade and other receivables	16,750	60,625
Increase (decrease) in trade and other payables	(338,589)	(317,298)
Increase (decrease) in contract liabilities	789,891	588,039
Increase (decrease) in accrued bonuses	(113,056)	(357,311)
Others	256,733	(170,545)
Subtotal	3,548,277	3,494,147
Interest and dividends received	13,665	25,737
Interest paid	(60,547)	(47,155)
Income taxes paid	(941,405)	(457,727)
Net cash flows from operating activities	2,559,990	3,015,002
Cash flows from investing activities		
Purchase of property and equipment	(340,924)	(71,140)
Purchase of intangible assets	(9,969)	(101,017)
Payments for leasehold and guarantee deposits	(6,665)	(1,306)
Proceeds from refund of leasehold and guarantee deposits	1,069	9,170
Purchase of investments	–	(19,999)
Proceeds from sale and redemption of investments	60,957	–
Others	–	(2,184)
Net cash flows used in investing activities	(295,533)	(186,477)
Cash flows from financing activities		
Repayments of lease liabilities	(374,989)	(186,507)
Proceeds from short-term borrowings	4,500,000	–
Repayments of long-term borrowings	(1,000,000)	(1,000,000)
Purchase of treasury shares	(650,000)	(67)
Dividends paid	–	(736,752)
Proceeds from issuance of new shares	–	1,565,203
Others	4,400	(1,476)
Net cash flows from (used in) financing activities	2,479,411	(359,599)
Net foreign exchange differences	8,897	4,931
Net increase (decrease) in cash and cash equivalents	4,752,765	2,473,856
Cash and cash equivalents at the beginning of the period	4,962,584	5,170,346
Cash and cash equivalents at the end of the period	9,715,350	7,644,203