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Consolidated Financial Results for the Nine Months Ended November 30, 2021 (under IFRS)

January 13, 2022

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: January 13, 2022
 Scheduled date to commence dividend payments: –
 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 nine months ended November 30, 2021 (from March 1, 2021 to November 30, 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	%
Nine months ended								
November 30, 2021	14,836	10.2	4,658	111.3	4,585	112.6	3,381	113.3
November 30, 2020	13,468	(3.4)	2,204	(52.1)	2,157	(51.8)	1,585	(50.4)

	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
Nine months ended						
November 30, 2021	3,381	113.3	3,405	82.0	103.78	98.37
November 30, 2020	1,585	(50.4)	1,871	(46.5)	51.28	51.28

Notes: 1. The Company's shares were unlisted as of November 30, 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 nine months ended November 30, 2020.

2. Effective the nine months ended November 30, 2021, the Company has adopted a share-based remuneration system which utilizes an officer remuneration BIP trust, and shares of the Company held by the trust are included in treasury shares. In line with this, for the calculation of basic earnings per share and diluted earnings per share, the number of the Company's own shares held by the trust was included in the number of treasury shares, which are excluded from the calculation for the weighted average number of ordinary shares outstanding during the period.

(Reference)

	EBITDA		Adjusted EBITDA		Adjusted profit attributable to equity holders of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended						
November 30, 2021	5,609	79.1	5,630	12.9	3,396	15.2
November 30, 2020	3,131	(43.5)	4,987	(10.6)	2,949	(8.4)

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	%
November 30, 2021	58,172	29,351	29,349	50.5
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	0.00		
Fiscal year ending February 28, 2022 (Forecast)				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 November 30, 2021	34,296,370 shares
As of February 28, 2021	31,198,000 shares

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

As of November 30, 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 nine months ended November 30, 2021	32,580,873 shares
For the nine months ended November 30, 2020	30,916,182 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 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 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 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 November 30, 2021
Assets		
Current assets		
Cash and cash equivalents	5,170,346	7,785,835
Trade and other receivables	1,728,618	1,906,839
Other financial assets	19,105	30,263
Other current assets	373,631	564,159
Total current assets	<u>7,291,702</u>	<u>10,287,098</u>
Non-current assets		
Property and equipment	1,910,629	1,615,204
Goodwill	27,248,000	27,234,555
Other intangible assets	17,206,028	16,719,346
Other financial assets	2,245,766	2,307,177
Other non-current assets	7,775	8,736
Total non-current assets	<u>48,618,199</u>	<u>47,885,019</u>
Total assets	<u><u>55,909,901</u></u>	<u><u>58,172,117</u></u>
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	833,934	492,082
Contract liabilities	5,526,490	5,964,925
Current portion of long-term borrowings	1,997,480	1,998,319
Income taxes payable	402,520	509,831
Other financial liabilities	440,998	576,230
Other current liabilities	1,974,056	1,402,077
Total current liabilities	<u>11,175,481</u>	<u>10,943,466</u>
Non-current liabilities		
Long-term borrowings, net of current portion	14,164,417	13,183,984
Provisions	91,519	90,240
Other financial liabilities	259,407	55,423
Deferred tax liabilities	4,541,151	4,547,765
Total non-current liabilities	<u>19,056,496</u>	<u>17,877,414</u>
Total liabilities	<u>30,231,977</u>	<u>28,820,881</u>
Equity		
Issued capital	200,000	1,060,686
Capital surplus	11,124,874	12,006,287
Other components of equity	656,664	634,924
Treasury shares	(650,000)	(650,000)
Retained earnings	14,345,215	16,297,673
Equity attributable to equity holders of the parent	<u>25,676,754</u>	<u>29,349,572</u>
Non-controlling interests	1,170	1,663
Total equity	<u>25,677,924</u>	<u>29,351,236</u>
Total liabilities and equity	<u><u>55,909,901</u></u>	<u><u>58,172,117</u></u>

(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)

	Nine months ended November 30, 2020	Nine months ended November 30, 2021
Revenue	13,468,771	14,836,121
Personnel expenses except those included in research and development costs	(3,483,374)	(3,801,907)
Research and development costs	(1,690,291)	(1,826,638)
Outsourcing expenses	(1,081,003)	(1,306,488)
Commission expenses	(571,479)	(620,481)
Other operating income	5,904	7,969
Other operating expenses	(4,444,178)	(2,630,123)
Operating profit	2,204,348	4,658,452
Finance income	72,669	28,275
Finance costs	(120,003)	(101,339)
Profit before income taxes	2,157,014	4,585,388
Income taxes	(571,393)	(1,203,523)
Profit	1,585,621	3,381,865
Profit attributable to:		
Equity holders of the parent	1,585,227	3,381,371
Non-controlling interests	393	493
Profit	1,585,621	3,381,865
Earnings per share		
Basic earnings per share (yen)	51.28	103.78
Diluted earnings per share (yen)	51.28	98.37

(Condensed quarterly consolidated statements of comprehensive income)

(Unit: thousand yen)

	Nine months ended November 30, 2020	Nine months ended November 30, 2021
Profit	1,585,621	3,381,865
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	261,496	20,516
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	261,496	20,516
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	24,695	3,577
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	24,695	3,577
Other comprehensive income (loss), net of income taxes	286,191	24,093
Total comprehensive income, net of income taxes	1,871,812	3,405,958
Attributable to:		
Equity holders of the parent	1,871,419	3,405,464
Non-controlling interests	393	493
Total comprehensive income	1,871,812	3,405,958

(3) Condensed quarterly consolidated statement of changes in equity
Nine months ended November 30, 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)			24,695		261,496	286,191
Comprehensive income	–	–	24,695	–	261,496	286,191
Share-based payments				21,897		21,897
Purchase of treasury shares						–
Total transactions with equity holders	–	–	–	21,897	–	21,897
As of November 30, 2020	200,000	11,124,874	(59,187)	73,783	604,007	618,603

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Treasury shares	Retained earnings	Total		
As of March 1, 2020	–	11,893,096	23,528,485	545	23,529,030
Profit		1,585,227	1,585,227	393	1,585,621
Other comprehensive income (loss)			286,191		286,191
Comprehensive income	–	1,585,227	1,871,419	393	1,871,812
Share-based payments			21,897		21,897
Purchase of treasury shares	(650,000)		(650,000)		(650,000)
Total transactions with equity holders	(650,000)	–	(628,102)	–	(628,102)
As of November 30, 2020	(650,000)	13,478,324	24,771,802	938	24,772,740

Nine months ended November 30, 2021

(Unit: thousand yen)

	Equity attributable to equity holders of the parent					
	Issued capital	Capital surplus	Other components of equity			Total
			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)			3,577		20,516	24,093
Comprehensive income	–	–	3,577	–	20,516	24,093
Share-based payments		20,794				–
Dividends						–
Exercise of stock acquisition rights	860,686	860,686		(45,833)		(45,833)
Purchase of treasury shares						–
Cancellation of treasury shares		(67)				–
Total transactions with equity holders	860,686	881,413	–	(45,833)	–	(45,833)
As of November 30, 2021	1,060,686	12,006,287	(9,988)	30,146	614,766	634,924

(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		3,381,371	3,381,371	493	3,381,865
Other comprehensive income (loss)			24,093		24,093
Comprehensive income	–	3,381,371	3,405,464	493	3,405,958
Share-based payments			20,794		20,794
Dividends		(1,428,913)	(1,428,913)		(1,428,913)
Exercise of stock acquisition rights			1,675,540		1,675,540
Purchase of treasury shares	(67)		(67)		(67)
Cancellation of treasury shares	67		0		0
Total transactions with equity holders	0	(1,428,913)	267,353	–	267,353
As of November 30, 2021	(650,000)	16,297,673	29,349,572	1,663	29,351,236

(4) Condensed quarterly consolidated statements of cash flows

(Unit: thousand yen)

	Nine months ended November 30, 2020	Nine months ended November 30, 2021
Cash flows from operating activities		
Profit before income taxes	2,157,014	4,585,388
Depreciation and amortization expenses	2,728,000	1,149,156
Finance income	(77,426)	(28,275)
Finance costs	120,003	108,539
Decrease (increase) in trade and other receivables	(16,479)	(178,221)
Increase (decrease) in trade and other payables	244,881	(341,851)
Increase (decrease) in contract liabilities	535,701	438,435
Increase (decrease) in accrued bonuses	(305,370)	(533,979)
Others	(269,268)	27,902
Subtotal	5,117,056	5,227,094
Interest and dividends received	14,031	25,860
Interest paid	(86,338)	(68,670)
Income taxes paid	(1,743,885)	(1,137,420)
Net cash flows from operating activities	3,300,863	4,046,863
Cash flows from investing activities		
Purchase of property and equipment	(407,716)	(97,540)
Purchase of intangible assets	(10,795)	(276,929)
Payments for leasehold and guarantee deposits	(6,728)	(2,021)
Proceeds from refund of leasehold and guarantee deposits	–	9,287
Purchase of investments	–	(41,299)
Proceeds from sale and redemption of investments	60,957	2,229
Others	11,199	(2,184)
Net cash flows used in investing activities	(353,083)	(408,457)
Cash flows from financing activities		
Repayments of lease liabilities	(561,078)	(278,402)
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	–	(1,428,913)
Proceeds from issuance of new shares	–	1,675,540
Others	4,109	(1,476)
Net cash flows from (used in) financing activities	2,293,030	(1,033,319)
Net foreign exchange differences	11,106	10,401
Net increase (decrease) in cash and cash equivalents	5,251,917	2,615,488
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	10,214,501	7,785,835