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Consolidated Financial Results for the Three Months Ended May 31, 2022 (under IFRS)

July 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: July 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 three months ended May 31, 2022 (from March 1, 2022 to May 31, 2022)

(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	%
Three months ended								
May 31, 2022	5,723	21.4	1,935	37.2	1,908	39.0	1,440	43.0
May 31, 2021	4,713	11.2	1,410	17.6	1,372	18.3	1,007	20.9

	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
Three months ended						
May 31, 2022	1,447	43.6	1,621	60.7	42.68	42.05
May 31, 2021	1,007	20.9	1,009	22.6	32.49	29.65

Note: Effective the fiscal year ended February 28, 2022, 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	%
Three months ended						
May 31, 2022	2,259	31.0	2,259	30.2	1,447	42.5
May 31, 2021	1,724	14.4	1,735	14.0	1,015	20.3

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	%
May 31, 2022	60,258	31,536	31,448	52.2
February 28, 2022	58,919	30,619	30,543	51.8

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, 2022	0.00	20.60	0.00	22.00	42.60
Fiscal year ending February 28, 2023	0.00				
Fiscal year ending February 28, 2023 (Forecast)		21.30	0.00	21.30	42.60

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

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Adjusted EBITDA		Adjusted profit attributable to equity holders of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending February 28, 2023	21,000	5.9	4,750	(20.6)	6,000	(18.0)	3,450	(21.5)

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 May 31, 2022	34,394,770 shares
As of February 28, 2022	34,372,370 shares

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

As of May 31, 2022	479,459 shares
As of February 28, 2022	500,000 shares

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

For the three months ended May 31, 2022	33,898,164 shares
For the three months ended May 31, 2021	31,009,747 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, 2022	As of May 31, 2022
Assets		
Current assets		
Cash and cash equivalents	9,016,639	9,940,808
Trade and other receivables	1,495,336	1,733,591
Other financial assets	32,215	42,225
Other current assets	396,721	609,484
Total current assets	10,940,914	12,326,109
Non-current assets		
Property and equipment	1,481,054	1,369,307
Goodwill	27,249,587	27,309,490
Other intangible assets	16,636,995	16,462,467
Other financial assets	2,597,678	2,777,490
Other non-current assets	13,141	14,014
Total non-current assets	47,978,457	47,932,771
Total assets	58,919,371	60,258,881
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	636,663	711,210
Contract liabilities	5,746,468	6,702,616
Current portion of long-term borrowings	1,997,478	1,998,318
Income taxes payable	840,301	401,328
Other financial liabilities	383,667	556,570
Other current liabilities	1,798,507	1,433,251
Total current liabilities	11,403,085	11,803,296
Non-current liabilities		
Long-term borrowings, net of current portion	12,191,351	12,196,618
Provisions	90,297	90,355
Other financial liabilities	57,041	39,131
Deferred tax liabilities	4,558,135	4,593,409
Total non-current liabilities	16,896,826	16,919,515
Total liabilities	28,299,912	28,722,812
Equity		
Issued capital	1,084,100	1,089,851
Capital surplus	12,061,694	12,064,687
Other components of equity	778,173	952,119
Retained earnings	17,269,118	17,964,998
Treasury shares	(650,000)	(623,296)
Equity attributable to equity holders of the parent	30,543,086	31,448,360
Non-controlling interests	76,372	87,708
Total equity	30,619,458	31,536,069
Total liabilities and equity	58,919,371	60,258,881

(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)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Revenue	4,713,690	5,723,872
Personnel expenses except those included in research and development costs	(1,261,216)	(1,314,711)
Research and development costs	(603,755)	(644,866)
Outsourcing expenses	(419,660)	(534,268)
Commission expenses	(193,751)	(270,954)
Other operating income	3,486	3,811
Other operating expenses	(828,585)	(1,027,427)
Operating profit	1,410,206	1,935,456
Finance income	1,405	11,955
Finance costs	(38,953)	(39,326)
Profit before income taxes	1,372,658	1,908,084
Income taxes	(364,995)	(467,359)
Profit	1,007,663	1,440,725
Profit attributable to:		
Equity holders of the parent	1,007,475	1,447,045
Non-controlling interests	187	(6,320)
Profit	1,007,663	1,440,725
Earnings per share		
Basic earnings per share (yen)	32.49	42.68
Diluted earnings per share (yen)	29.65	42.05

(Condensed quarterly consolidated statements of comprehensive income)

(Unit: thousand yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Profit	1,007,663	1,440,725
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	(27,414)	90,608
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	(27,414)	90,608
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	28,794	90,389
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	28,794	90,389
Other comprehensive income (loss), net of income taxes	1,380	180,998
Total comprehensive income, net of income taxes	<u>1,009,044</u>	<u>1,621,723</u>
Attributable to:		
Equity holders of the parent	1,008,856	1,628,043
Non-controlling interests	187	(6,320)
Total comprehensive income	<u>1,009,044</u>	<u>1,621,723</u>

(3) Condensed quarterly consolidated statement of changes in equity
Three months ended May 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)			28,794		(27,414)	1,380
Comprehensive income	–	–	28,794	–	(27,414)	1,380
Dividends						–
Exercise of stock acquisition rights	116,487	116,487		(6,124)		(6,124)
Purchase of treasury shares						–
Cancellation of treasury shares		(67)				–
Total transactions with equity holders	116,487	116,420	–	(6,124)	–	(6,124)
As of May 31, 2021	316,487	11,241,294	15,229	69,855	566,835	651,920

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Retained earnings	Treasury shares	Total		
As of March 1, 2021	14,345,215	(650,000)	25,676,754	1,170	25,677,924
Profit	1,007,475		1,007,475	187	1,007,663
Other comprehensive income (loss)			1,380		1,380
Comprehensive income	1,007,475	–	1,008,856	187	1,009,044
Dividends	(736,752)		(736,752)		(736,752)
Exercise of stock acquisition rights			226,850		226,850
Purchase of treasury shares		(67)	(67)		(67)
Cancellation of treasury shares		67	–		–
Total transactions with equity holders	(736,752)	–	(509,969)	–	(509,969)
As of May 31, 2021	14,615,939	(650,000)	26,175,641	1,357	26,176,999

Three months ended May 31, 2022

(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, 2022	1,084,100	12,061,694	(3,837)	18,420	763,589	778,173
Profit						-
Other comprehensive income (loss)			90,389		90,608	180,998
Comprehensive income	-	-	90,389	-	90,608	180,998
Dividends						-
Share-based payments	-	(11,851)				-
Exercise of stock acquisition rights	5,751	5,751		(302)		(302)
Forfeiture of stock acquisition rights		6,750		(6,750)		(6,750)
Changes in ownership interest in subsidiaries		2,343				-
Total transactions with equity holders	5,751	2,993	-	(7,052)	-	(7,052)
As of May 31, 2022	1,089,851	12,064,687	86,552	11,368	854,198	952,119

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Retained earnings	Treasury shares	Total		
As of March 1, 2022	17,269,118	(650,000)	30,543,086	76,372	30,619,458
Profit	1,447,045		1,447,045	(6,320)	1,440,725
Other comprehensive income (loss)			180,998		180,998
Comprehensive income	1,447,045	-	1,628,043	(6,320)	1,621,723
Dividends	(751,165)		(751,165)		(751,165)
Share-based payments		26,703	14,851		14,851
Exercise of stock acquisition rights			11,200		11,200
Forfeiture of stock acquisition rights			-		-
Changes in ownership interest in subsidiaries			2,343	17,656	20,000
Total transactions with equity holders	(751,165)	26,703	(722,769)	17,656	(705,113)
As of May 31, 2022	17,964,998	(623,296)	31,448,360	87,708	31,536,069

(4) Condensed quarterly consolidated statements of cash flows

	(Unit: thousand yen)	
	Three months ended May 31, 2021	Three months ended May 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,372,658	1,908,084
Depreciation and amortization expenses	380,300	392,308
Finance income	(1,405)	(11,955)
Finance costs	39,140	51,490
Decrease (increase) in trade and other receivables	129,141	(238,254)
Increase (decrease) in trade and other payables	(349,533)	63,053
Increase (decrease) in contract liabilities	878,551	956,147
Others	(371,356)	(321,194)
Subtotal	2,077,497	2,799,679
Interest and dividends received	134	209
Interest paid	(23,854)	(20,253)
Income taxes paid	(449,313)	(917,907)
Net cash flows from operating activities	1,604,463	1,861,729
Cash flows from investing activities		
Purchase of property and equipment	(31,118)	(24,887)
Purchase of intangible assets	(29,368)	(108,761)
Payments for leasehold and guarantee deposits	(1,159)	(1,469)
Proceeds from refund of leasehold and guarantee deposits	3,434	289
Purchase of investments	–	(34,690)
Others	–	(10,381)
Net cash flows used in investing activities	(58,212)	(179,900)
Cash flows from financing activities		
Repayments of lease liabilities	(93,502)	(90,627)
Purchase of treasury shares	(67)	–
Dividends paid	(736,752)	(739,670)
Proceeds from issuance of new shares	226,850	11,200
Proceeds from sale of interests in subsidiaries to non-controlling interests	–	20,000
Others	(30)	(924)
Net cash flows used in financing activities	(603,502)	(800,023)
Net foreign exchange differences	9,170	42,363
Net increase (decrease) in cash and cash equivalents	951,918	924,169
Cash and cash equivalents at the beginning of the period	5,170,346	9,016,639
Cash and cash equivalents at the end of the period	6,122,265	9,940,808