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Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (under IFRS)

April 13, 2023

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
 Inquiries: Taisuke Fujimoto, Director, Executive Officer and CFO
 TEL: +81-3-5962-7400
 Scheduled date of annual general meeting of shareholders: May 25, 2023
 Scheduled date to commence dividend payments: May 11, 2023
 Scheduled date to file annual securities report: May 26, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of 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 fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(1) Consolidated operating results (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 ended								
February 28, 2023	22,349	12.7	5,945	(0.7)	5,860	(0.8)	4,364	0.2
February 28, 2022	19,833	8.5	5,986	86.7	5,910	87.4	4,353	77.5

	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
Fiscal year ended						
February 28, 2023	4,401	1.1	5,249	15.8	129.54	127.49
February 28, 2022	4,352	77.5	4,532	63.3	132.30	126.48

	Return on equity attributable to equity holders of the parent	Ratio of profit before income tax to total assets	Ratio of operating profit to revenue
	%	%	%
Fiscal year ended			
February 28, 2023	13.5	9.6	26.6
February 28, 2022	15.5	10.3	30.2

(Reference) Share of profit (loss) of investments accounted for using equity method

February 28, 2023 ¥- million

February 28, 2022 ¥- million

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)

Fiscal year ended	EBITDA		Adjusted EBITDA		Adjusted profit attributable to equity holders of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2023	7,163	(1.3)	7,163	(2.1)	4,401	0.2
February 28, 2022	7,260	63.4	7,314	11.1	4,392	6.7

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

As of	Total assets	Total equity	Equity attributable to equity holders of the parent	Ratio of equity attributable to equity holders of the parent	Equity attributable to equity holders of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
February 28, 2023	62,550	34,574	34,516	55.2	1,012.47
February 28, 2022	58,919	30,619	30,543	51.8	901.71

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2023	6,870	(1,020)	(3,730)	11,175
February 28, 2022	6,439	(532)	(2,084)	9,016

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 ended February 28, 2023	0.00	21.30	0.00	21.80	43.10
Fiscal year ending February 29, 2024 (Forecast)	0.00	22.50	0.00	22.50	45.00

Fiscal year ended	Total cash dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to equity holders of the parent (consolidated)
	Millions of yen	%	%
February 28, 2022	1,443	33.2	4.7
February 28, 2023	1,477	33.6	4.5
Fiscal year ending February 29, 2024 (Forecast)		33.6	

**3. Consolidated earnings forecasts for the fiscal year ending February 29, 2024
(from March 1, 2023 to February 29, 2024)**

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		EBITDA		Profit attributable to equity holders of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending February 29, 2024	23,800	6.5	6,350	6.8	7,600	6.1	4,600	4.5

*** 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: Yes
- (3) Number of issued shares (ordinary shares)

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

As of February 28, 2023	34,571,170 shares
As of February 28, 2022	34,372,370 shares

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

As of February 28, 2023	479,513 shares
As of February 28, 2022	500,000 shares

c. Average number of shares outstanding during the period

For the fiscal year ended February 28, 2023	33,973,094 shares
For the fiscal year ended February 28, 2022	32,898,706 shares

(Reference) Summary of Non-consolidated Financial Results (under IFRS)

Non-consolidated financial results for the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
February 28, 2023	21,681	13.3	3,399	(3.9)	3,416	(2.5)	2,137	(0.8)
February 28, 2022	19,141	8.3	3,538	42.7	3,504	44.4	2,154	724.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
February 28, 2023	62.91	61.92
February 28, 2022	65.49	62.61

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
February 28, 2023	44,564	18,959	42.5	555.85
February 28, 2022	43,745	17,432	39.8	514.11

(Reference) Equity February 28, 2023 ¥18,950 million
February 28, 2022 ¥17,414 million

<Reasons for differences in non-consolidated financial results from actual results for the previous fiscal year>

For the fiscal year ended February 28, 2023, due to steady net sales, there is a difference between the actual results of the previous fiscal year and the actual results of the current fiscal year.

*** Financial results reports are exempt from audit 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.

(Method of accessing supplementary material on financial results and contents of financial results presentation meeting)

The Company will hold a live online presentation meeting for institutional investors and analysts on Thursday, April 13, 2023. The material on financial results to be used on the day will be posted on the Company's website.

(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.

Consolidated Financial Statements**(1) Consolidated statements of financial position**

	(Unit: thousand yen)	
	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and cash equivalents	9,016,639	11,175,988
Trade and other receivables	1,495,336	1,472,914
Other financial assets	32,215	41,319
Other current assets	396,721	548,328
Total current assets	10,940,914	13,238,550
Non-current assets		
Property and equipment	1,481,054	1,604,798
Goodwill	27,249,587	27,309,157
Other intangible assets	16,636,995	16,231,589
Other financial assets	2,597,678	4,148,468
Other non-current assets	13,141	17,506
Total non-current assets	47,978,457	49,311,520
Total assets	58,919,371	62,550,070
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	636,663	1,061,108
Contract liabilities	5,746,468	6,357,711
Current portion of long-term borrowings	1,997,478	1,997,476
Income taxes payable	840,301	778,487
Other financial liabilities	383,667	526,509
Other current liabilities	1,798,507	2,031,092
Total current liabilities	11,403,085	12,752,384
Non-current liabilities		
Long-term borrowings, net of current portion	12,191,351	10,214,954
Provisions	90,297	90,528
Other financial liabilities	57,041	260,441
Deferred tax liabilities	4,558,135	4,657,620
Total non-current liabilities	16,896,826	15,223,544
Total liabilities	28,299,912	27,975,928
Equity		
Issued capital	1,084,100	1,135,142
Capital surplus	12,061,694	12,161,273
Other components of equity	778,173	1,653,532
Retained earnings	17,269,118	20,190,350
Treasury shares	(650,000)	(623,385)
Equity attributable to equity holders of the parent	30,543,086	34,516,913
Non-controlling interests	76,372	57,228
Total equity	30,619,458	34,574,141
Total liabilities and equity	58,919,371	62,550,070

(2) Consolidated statements of profit or loss and consolidated statements of comprehensive income
(Consolidated statements of profit or loss)

(Unit: thousand yen, unless otherwise stated)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Revenue	19,833,201	22,349,081
Personnel expenses except those included in research and development costs	(5,186,632)	(5,791,508)
Research and development costs	(2,446,336)	(2,636,429)
Outsourcing expenses	(1,862,558)	(2,395,069)
Commission expenses	(846,463)	(1,142,606)
Other operating income	8,379	6,659
Other operating expenses	(3,513,530)	(4,444,323)
Operating profit	5,986,058	5,945,803
Finance income	53,511	72,782
Finance costs	(129,533)	(158,091)
Profit before income taxes	5,910,036	5,860,494
Income taxes	(1,556,524)	(1,496,258)
Profit	4,353,512	4,364,236
Profit attributable to:		
Equity holders of the parent	4,352,816	4,401,036
Non-controlling interests	695	(36,800)
Profit	4,353,512	4,364,236
Earnings per share		
Basic earnings per share (yen)	132.30	129.54
Diluted earnings per share (yen)	126.48	127.49

(Consolidated statements of comprehensive income)

(Unit: thousand yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit	4,353,512	4,364,236
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	169,339	772,813
Total of items that will not be reclassified to profit or loss	169,339	772,813
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	9,728	111,979
Total of items that may be reclassified to profit or loss	9,728	111,979
Other comprehensive income, net of income taxes	179,068	884,793
Total comprehensive income, net of income taxes	4,532,580	5,249,029
Attributable to:		
Equity holders of the parent	4,531,884	5,285,829
Non-controlling interests	695	(36,800)
Total comprehensive income	4,532,580	5,249,029

(3) Consolidated statement of changes in equity
Fiscal year ended February 28, 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, 2021	200,000	11,124,874	(13,565)	75,980	594,250	656,664
Profit						–
Other comprehensive income			9,728		169,339	179,068
Comprehensive income	–	–	9,728	–	169,339	179,068
Dividends						–
Share-based payment transactions		42,323				–
Purchase of treasury shares						–
Cancellation of treasury shares		(67)				–
Exercise of stock acquisition rights	884,100	884,100		(47,095)		(47,095)
Forfeiture of stock acquisition rights		10,464		(10,464)		(10,464)
Obtaining of control of subsidiaries						–
Total transactions with equity holders	884,100	936,820	–	(57,559)	–	(57,559)
As of February 28, 2022	1,084,100	12,061,694	(3,837)	18,420	763,589	778,173

(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		4,352,816	4,352,816	695	4,353,512
Other comprehensive income			179,068		179,068
Comprehensive income	–	4,352,816	4,531,884	695	4,532,580
Dividends		(1,428,913)	(1,428,913)		(1,428,913)
Share-based payment transactions			42,323		42,323
Purchase of treasury shares	(67)		(67)		(67)
Cancellation of treasury shares	67		–		–
Exercise of stock acquisition rights			1,721,105		1,721,105
Forfeiture of stock acquisition rights			–		–
Obtaining of control of subsidiaries			–	74,506	74,506
Total transactions with equity holders	–	(1,428,913)	334,447	74,506	408,953
As of February 28, 2022	(650,000)	17,269,118	30,543,086	76,372	30,619,458

Fiscal year ended February 28, 2023

(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			111,979		772,813	884,793
Comprehensive income	–	–	111,979	–	772,813	884,793
Dividends						–
Share-based payment transactions		39,443				–
Purchase of treasury shares						–
Exercise of stock acquisition rights	51,041	51,041		(2,683)		(2,683)
Forfeiture of stock acquisition rights		6,750		(6,750)		(6,750)
Changes in ownership interest in subsidiaries		2,343				–
Total transactions with equity holders	51,041	99,579	–	(9,433)	–	(9,433)
As of February 28, 2023	1,135,142	12,161,273	108,142	8,986	1,536,403	1,653,532

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Treasury shares	Retained earnings	Total		
As of March 1, 2022	(650,000)	17,269,118	30,543,086	76,372	30,619,458
Profit		4,401,036	4,401,036	(36,800)	4,364,236
Other comprehensive income			884,793		884,793
Comprehensive income	–	4,401,036	5,285,829	(36,800)	5,249,029
Dividends		(1,479,804)	(1,479,804)		(1,479,804)
Share-based payment transactions	26,703		66,147		66,147
Purchase of treasury shares	(89)		(89)		(89)
Exercise of stock acquisition rights			99,400		99,400
Forfeiture of stock acquisition rights			–		–
Changes in ownership interest in subsidiaries			2,343	17,656	20,000
Total transactions with equity holders	26,614	(1,479,804)	(1,312,002)	17,656	(1,294,346)
As of February 28, 2023	(623,385)	20,190,350	34,516,913	57,228	34,574,141

(4) Consolidated statements of cash flows

(Unit: thousand yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	5,910,036	5,860,494
Depreciation and amortization expenses	1,538,900	1,490,231
Finance income	(50,026)	(72,782)
Finance costs	143,948	160,356
Decrease (increase) in trade and other receivables	233,281	22,422
Increase (decrease) in trade and other payables	(204,222)	422,902
Increase (decrease) in contract liabilities	219,978	611,242
Increase (decrease) in other current liabilities	(239,532)	185,612
Others	76,249	7,814
Subtotal	7,628,613	8,688,295
Interest and dividends received	42,822	52,033
Interest paid	(89,784)	(79,190)
Income taxes paid	(1,142,201)	(1,790,334)
Net cash flows from operating activities	6,439,450	6,870,802
Cash flows from investing activities		
Purchase of property and equipment	(104,090)	(93,162)
Purchase of intangible assets	(391,472)	(468,442)
Payments for leasehold and guarantee deposits	(2,021)	(59,827)
Proceeds from refund of leasehold and guarantee deposits	9,287	15,934
Purchase of investment securities	(121,299)	(414,686)
Proceeds from sale and redemption of investment securities	2,229	–
Proceeds from acquisition of subsidiaries	77,000	–
Others	(2,184)	(281)
Net cash flows used in investing activities	(532,551)	(1,020,466)
Cash flows from financing activities		
Repayments of long-term borrowings	(2,000,000)	(2,000,000)
Repayments of lease liabilities	(369,941)	(362,769)
Proceeds from issuance of new shares	1,721,105	99,400
Purchase of treasury shares	(67)	(89)
Dividends paid	(1,428,913)	(1,478,262)
Proceeds from sale of interests in subsidiaries to non-controlling interests	–	20,000
Others	(6,856)	(8,624)
Net cash flows used in financing activities	(2,084,673)	(3,730,346)
Effect of exchange rate changes on cash and cash equivalents	24,067	39,358
Net increase (decrease) in cash and cash equivalents	3,846,292	2,159,348
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	9,016,639	11,175,988