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Consolidated Financial Results for the Nine Months Ended November 30, 2023 (under IFRS)

January 12, 2024

Company name: **WingArc1st Inc.**
 Listing: Tokyo Stock Exchange
 Securities code: 4432
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 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 12, 2024
 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, 2023 (from March 1, 2023 to November 30, 2023)

(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, 2023	19,684	15.7	6,255	19.5	6,250	21.1	4,474	15.4
November 30, 2022	17,019	14.7	5,233	12.3	5,160	12.5	3,878	14.7

	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, 2023	4,499	15.1	5,586	30.8	131.60	129.79
November 30, 2022	3,907	15.6	4,269	25.3	115.14	113.19

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	
	Millions of yen	%
Nine months ended		
November 30, 2023	7,202	17.1
November 30, 2022	6,149	9.6

Notes: 1. The Group uses EBITDA as an important management indicator. For information about the indicator, refer to "(Notes when referring to summary information)" below.

2. The Group has disclosed "adjusted EBITDA" and "adjusted profit" (hereinafter, "adjusted indicators") as important management indicators thus far, but will not disclose "adjusted indicators" from the fiscal year ending February 29, 2024 as expenses for which adjustments are deemed necessary when making investment decisions have, for the most part, not arisen since the fiscal year ended February 28, 2022. If the Group utilizes comparisons against "adjusted indicators" going forward, it will specify that it has done so.

(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, 2023	66,557	38,429	38,399	57.7
February 28, 2023	62,550	34,574	34,516	55.2

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, 2023	0.00	21.30	0.00	21.80	43.10
Fiscal year ending February 29, 2024	0.00	33.50	0.00		
Fiscal year ending February 29, 2024 (Forecast)				42.20	75.70

Note: Revisions to the forecast of cash dividends most recently announced: Yes

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	25,400	13.7	7,200	21.1	8,470	18.2	5,200	18.2

Note: Revisions to the earnings forecasts most recently announced: Yes

* 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, 2023	34,797,470 shares
As of February 28, 2023	34,571,170 shares

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

As of November 30, 2023	433,895 shares
As of February 28, 2023	479,513 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, 2023	34,190,361 shares
For the nine months ended November 30, 2022	33,937,929 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. EBITDA is not a measure prescribed by IFRS, but rather is a financial measure that the Group believes is useful for investors to evaluate the Group's performance.
4. EBITDA should not be considered as an alternative measure to other measures presented in accordance with IFRS, as it excludes some of the items that affect quarterly profit and has significant limitations as a means of analysis. EBITDA 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, its usefulness may be reduced.

Condensed Quarterly Consolidated Financial Statements

(1) Condensed quarterly consolidated statements of financial position

(Unit: thousand yen)

	As of February 28, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and cash equivalents	11,175,988	12,644,590
Trade and other receivables	1,472,914	1,916,661
Other financial assets	41,319	49,921
Other current assets	548,328	655,961
Total current assets	<u>13,238,550</u>	<u>15,267,134</u>
Non-current assets		
Property and equipment	1,604,798	1,938,587
Goodwill	27,309,157	27,346,098
Other intangible assets	16,231,589	15,859,296
Other financial assets	4,148,468	6,109,956
Other non-current assets	17,506	35,979
Total non-current assets	<u>49,311,520</u>	<u>51,289,917</u>
Total assets	<u><u>62,550,070</u></u>	<u><u>66,557,052</u></u>
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,061,108	780,726
Contract liabilities	6,357,711	7,402,293
Current portion of long-term borrowings	1,997,476	1,998,316
Income taxes payable	778,487	780,658
Other financial liabilities	526,509	752,646
Other current liabilities	2,031,092	1,784,667
Total current liabilities	<u>12,752,384</u>	<u>13,499,309</u>
Non-current liabilities		
Long-term borrowings, net of current portion	10,214,954	9,229,520
Provisions	90,528	171,766
Other financial liabilities	260,441	141,682
Deferred tax liabilities	4,657,620	5,085,589
Total non-current liabilities	<u>15,223,544</u>	<u>14,628,559</u>
Total liabilities	<u>27,975,928</u>	<u>28,127,869</u>
Equity		
Issued capital	1,135,142	1,193,244
Capital surplus	12,161,273	12,219,611
Other components of equity	1,653,532	2,761,965
Retained earnings	20,190,350	22,788,803
Treasury shares	(623,385)	(564,188)
Equity attributable to equity holders of the parent	<u>34,516,913</u>	<u>38,399,436</u>
Non-controlling interests	57,228	29,746
Total equity	<u>34,574,141</u>	<u>38,429,182</u>
Total liabilities and equity	<u><u>62,550,070</u></u>	<u><u>66,557,052</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, 2022	Nine months ended November 30, 2023
Revenue	17,019,915	19,684,980
Personnel expenses except those included in research and development costs	(4,056,816)	(4,588,572)
Research and development costs	(1,950,227)	(2,253,590)
Outsourcing expenses	(1,679,620)	(1,809,871)
Commission expenses	(834,815)	(889,257)
Other operating income	5,886	16,635
Other operating expenses	(3,270,588)	(3,905,257)
Operating profit	5,233,732	6,255,067
Finance income	49,865	81,485
Finance costs	(123,079)	(86,531)
Profit before income taxes	5,160,518	6,250,021
Income taxes	(1,281,872)	(1,775,455)
Profit	3,878,645	4,474,565
Profit attributable to:		
Equity holders of the parent	3,907,742	4,499,545
Non-controlling interests	(29,096)	(24,979)
Profit	3,878,645	4,474,565
Earnings per share		
Basic earnings per share (yen)	115.14	131.60
Diluted earnings per share (yen)	113.19	129.79

(Condensed quarterly consolidated statements of comprehensive income)

(Unit: thousand yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Profit	3,878,645	4,474,565
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	259,094	1,042,147
Total of items that will not be reclassified to profit or loss	259,094	1,042,147
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	131,581	69,341
Total of items that may be reclassified to profit or loss	131,581	69,341
Other comprehensive income, net of income taxes	390,676	1,111,488
Total comprehensive income, net of income taxes	4,269,322	5,586,053
Attributable to:		
Equity holders of the parent	4,298,418	5,611,033
Non-controlling interests	(29,096)	(24,979)
Total comprehensive income	4,269,322	5,586,053

(3) Condensed quarterly consolidated statement of changes in equity
Nine months ended November 30, 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			131,581		259,094	390,676
Comprehensive income	—	—	131,581	—	259,094	390,676
Dividends						—
Share-based payment transactions		18,029				—
Exercise of stock acquisition rights	23,929	23,929		(1,258)		(1,258)
Forfeiture of stock acquisition rights		6,750		(6,750)		(6,750)
Purchase of treasury shares						—
Changes in ownership interest in subsidiaries		2,343				—
Total transactions with equity holders	23,929	51,052	—	(8,008)	—	(8,008)
As of November 30, 2022	1,108,029	12,112,746	127,744	10,412	1,022,684	1,160,842

(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	3,907,742		3,907,742	(29,096)	3,878,645
Other comprehensive income			390,676		390,676
Comprehensive income	3,907,742	—	4,298,418	(29,096)	4,269,322
Dividends	(1,479,804)		(1,479,804)		(1,479,804)
Share-based payment transactions		26,703	44,732		44,732
Exercise of stock acquisition rights			46,600		46,600
Forfeiture of stock acquisition rights			—		—
Purchase of treasury shares		(89)	(89)		(89)
Changes in ownership interest in subsidiaries			2,343	17,656	20,000
Total transactions with equity holders	(1,479,804)	26,614	(1,386,217)	17,656	(1,368,560)
As of November 30, 2022	19,697,055	(623,385)	33,455,288	64,932	33,520,220

Nine months ended November 30, 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, 2023	1,135,142	12,161,273	108,142	8,986	1,536,403	1,653,532
Profit						—
Other comprehensive income			69,341		1,042,147	1,111,488
Comprehensive income	—	—	69,341	—	1,042,147	1,111,488
Dividends						—
Share-based payment transactions		609				—
Exercise of stock acquisition rights	58,102	58,102		(3,055)		(3,055)
Purchase of treasury shares						—
Changes in ownership interest in subsidiaries		(374)				—
Total transactions with equity holders	58,102	58,337	—	(3,055)	—	(3,055)
As of November 30, 2023	1,193,244	12,219,611	177,483	5,931	2,578,550	2,761,965

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Retained earnings	Treasury shares	Total		
As of March 1, 2023	20,190,350	(623,385)	34,516,913	57,228	34,574,141
Profit	4,499,545		4,499,545	(24,979)	4,474,565
Other comprehensive income			1,111,488		1,111,488
Comprehensive income	4,499,545	—	5,611,033	(24,979)	5,586,053
Dividends	(1,901,092)		(1,901,092)		(1,901,092)
Share-based payment transactions		59,398	60,007		60,007
Exercise of stock acquisition rights			113,150		113,150
Purchase of treasury shares		(201)	(201)		(201)
Changes in ownership interest in subsidiaries			(374)	(2,502)	(2,876)
Total transactions with equity holders	(1,901,092)	59,197	(1,728,510)	(2,502)	(1,731,012)
As of November 30, 2023	22,788,803	(564,188)	38,399,436	29,746	38,429,182

(4) Condensed quarterly consolidated statements of cash flows

	(Unit: thousand yen)	
	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,160,518	6,250,021
Depreciation and amortization expenses	1,120,376	1,190,488
Finance income	(49,865)	(81,485)
Finance costs	128,418	98,160
Decrease (increase) in trade and other receivables	(234,180)	(443,746)
Increase (decrease) in trade and other payables	125,637	(284,707)
Increase (decrease) in contract liabilities	781,804	1,044,582
Others	(194,342)	(24,730)
Subtotal	6,838,367	7,748,582
Interest and dividends received	29,523	65,172
Interest paid	(59,759)	(51,856)
Income taxes paid	(1,788,998)	(1,779,805)
Net cash flows from operating activities	5,019,133	5,982,092
Cash flows from investing activities		
Purchase of property and equipment	(69,110)	(473,581)
Purchase of intangible assets	(332,811)	(517,348)
Payments for leasehold and guarantee deposits	(1,675)	(8,061)
Proceeds from refund of leasehold and guarantee deposits	2,946	7,567
Purchase of investment securities	(34,690)	(487,095)
Proceeds from sale and redemption of investment securities	—	35,548
Others	(341)	(30,608)
Net cash flows used in investing activities	(435,681)	(1,473,579)
Cash flows from financing activities		
Repayments of lease liabilities	(275,208)	(287,956)
Repayments of long-term borrowings	(1,000,000)	(1,000,000)
Purchase of treasury shares	(89)	(201)
Dividends paid	(1,469,636)	(1,896,766)
Proceeds from issuance of new shares	46,600	113,150
Proceeds from sale of interests in subsidiaries to non-controlling interests	20,000	—
Purchase of interests in subsidiaries from non-controlling interests	—	(2,876)
Others	(6,815)	(3,315)
Net cash flows used in financing activities	(2,685,148)	(3,077,965)
Net foreign exchange differences	57,678	38,055
Net increase (decrease) in cash and cash equivalents	1,955,982	1,468,602
Cash and cash equivalents at the beginning of the period	9,016,639	11,175,988
Cash and cash equivalents at the end of the period	10,972,622	12,644,590