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Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (under IFRS)

April 11, 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 of annual general meeting of shareholders: May 30, 2024
Scheduled date to commence dividend payments: May 16, 2024
Scheduled date to file annual securities report: May 31, 2024
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 29, 2024 (from March 1, 2023 to February 29, 2024)

(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 29, 2024	25,752	15.2	7,309	22.9	7,304	24.6	5,378	23.2
February 28, 2023	22,349	12.7	5,945	(0.7)	5,860	(0.8)	4,364	0.2

	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 29, 2024	5,411	23.0	6,216	18.4	158.05	156.03
February 28, 2023	4,401	1.1	5,249	15.8	129.54	127.49

	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 29, 2024	14.7	11.4	28.4
February 28, 2023	13.5	9.6	26.6

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

February 29, 2024 ¥- million

February 28, 2023 ¥- 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	
	Millions of yen	%
February 29, 2024	8,597	20.0
February 28, 2023	7,163	(1.3)

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 ended 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	Equity attributable to equity holders of the parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
February 29, 2024	65,950	39,096	39,074	59.2	1,136.24
February 28, 2023	62,550	34,574	34,516	55.2	1,012.47

(3) Consolidated cash flows

	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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 29, 2024	7,840	(1,600)	(4,462)	12,986
February 28, 2023	6,870	(1,020)	(3,730)	11,175

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 ended February 29, 2024	0.00	33.50	0.00	45.20	78.70
Fiscal year ending February 28, 2025 (Forecast)	0.00	42.00	0.00	42.00	84.00

	Total cash dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to equity holders of the parent (consolidated)
	Millions of yen	%	%
Fiscal year ended February 28, 2023	1,477	33.6	4.5
Fiscal year ended February 29, 2024	2,716	50.2	7.3
Fiscal year ending February 28, 2025 (Forecast)		50.1	

**3. Consolidated earnings forecasts for the fiscal year ending February 28, 2025
(from March 1, 2024 to February 28, 2025)**

(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 28, 2025	27,600	7.2	8,000	9.5	9,470	10.1	5,800	7.2

*** 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 February 29, 2024	34,823,070 shares
As of February 28, 2023	34,571,170 shares

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

As of February 29, 2024	433,932 shares
As of February 28, 2023	479,513 shares

c. Average number of shares outstanding during the period

For the fiscal year ended February 29, 2024	34,237,838 shares
For the fiscal year ended February 28, 2023	33,973,094 shares

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

Non-consolidated financial results for the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(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 29, 2024	24,955	15.1	4,974	46.3	4,979	45.7	3,331	55.9
February 28, 2023	21,681	13.3	3,399	(3.9)	3,416	(2.5)	2,137	(0.8)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
February 29, 2024	97.30	96.05
February 28, 2023	62.91	61.92

(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 29, 2024	45,549	21,354	46.9	620.79
February 28, 2023	44,564	18,959	42.5	555.85

(Reference) Equity February 29, 2024 ¥21,348 million
February 28, 2023 ¥18,950 million

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

For the fiscal year ended February 29, 2024, 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 11, 2024. 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. 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 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.

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

	(Unit: thousand yen)	
	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and cash equivalents	11,175,988	12,986,833
Trade and other receivables	1,472,914	1,669,666
Other financial assets	41,319	48,396
Other current assets	548,328	568,832
Total current assets	13,238,550	15,273,728
Non-current assets		
Property and equipment	1,604,798	1,803,563
Goodwill	27,309,157	27,348,960
Other intangible assets	16,231,589	15,674,016
Other financial assets	4,148,468	5,826,150
Other non-current assets	17,506	23,607
Total non-current assets	49,311,520	50,676,299
Total assets	62,550,070	65,950,027
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,061,108	857,791
Contract liabilities	6,357,711	6,989,780
Current portion of long-term borrowings	1,997,476	1,426,936
Income taxes payable	778,487	1,181,178
Other financial liabilities	526,509	497,285
Other current liabilities	2,031,092	2,395,864
Total current liabilities	12,752,384	13,348,837
Non-current liabilities		
Long-term borrowings, net of current portion	10,214,954	8,515,758
Provisions	90,528	169,700
Other financial liabilities	260,441	108,529
Deferred tax liabilities	4,657,620	4,710,751
Total non-current liabilities	15,223,544	13,504,740
Total liabilities	27,975,928	26,853,578
Equity		
Issued capital	1,135,142	1,199,817
Capital surplus	12,161,273	12,250,296
Other components of equity	1,653,532	2,487,971
Retained earnings	20,190,350	23,700,677
Treasury shares	(623,385)	(564,305)
Equity attributable to equity holders of the parent	34,516,913	39,074,456
Non-controlling interests	57,228	21,993
Total equity	34,574,141	39,096,449
Total liabilities and equity	62,550,070	65,950,027

(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, 2023	Fiscal year ended February 29, 2024
Revenue	22,349,081	25,752,957
Personnel expenses except those included in research and development costs	(5,791,508)	(6,424,574)
Research and development costs	(2,636,429)	(3,055,193)
Outsourcing expenses	(2,395,069)	(2,498,931)
Commission expenses	(1,142,606)	(1,212,474)
Other operating income	6,659	17,819
Other operating expenses	(4,444,323)	(5,270,420)
Operating profit	5,945,803	7,309,182
Finance income	72,782	123,892
Finance costs	(158,091)	(128,238)
Profit before income taxes	5,860,494	7,304,837
Income taxes	(1,496,258)	(1,926,151)
Profit	4,364,236	5,378,686
Profit attributable to:		
Equity holders of the parent	4,401,036	5,411,419
Non-controlling interests	(36,800)	(32,732)
Profit	4,364,236	5,378,686
Earnings per share		
Basic earnings per share (yen)	129.54	158.05
Diluted earnings per share (yen)	127.49	156.03

(Consolidated statements of comprehensive income)

	(Unit: thousand yen)	
	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Profit	4,364,236	5,378,686
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	772,813	763,692
Total of items that will not be reclassified to profit or loss	772,813	763,692
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	111,979	74,145
Total of items that may be reclassified to profit or loss	111,979	74,145
Other comprehensive income, net of income taxes	884,793	837,838
Total comprehensive income, net of income taxes	5,249,029	6,216,524
Attributable to:		
Equity holders of the parent	5,285,829	6,249,257
Non-controlling interests	(36,800)	(32,732)
Total comprehensive income	5,249,029	6,216,524

(3) Consolidated statement of changes in equity
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

Fiscal year ended February 29, 2024

(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			74,145		763,692	837,838
Comprehensive income	–	–	74,145	–	763,692	837,838
Dividends						–
Share-based payment transactions		24,721				–
Purchase of treasury shares						–
Exercise of stock acquisition rights	64,675	64,675		(3,400)		(3,400)
Changes in ownership interest in subsidiaries		(374)				–
Total transactions with equity holders	64,675	89,022	–	(3,400)	–	(3,400)
As of February 29, 2024	1,199,817	12,250,296	182,288	5,586	2,300,096	2,487,971

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Treasury shares	Retained earnings	Total		
As of March 1, 2023	(623,385)	20,190,350	34,516,913	57,228	34,574,141
Profit		5,411,419	5,411,419	(32,732)	5,378,686
Other comprehensive income			837,838		837,838
Comprehensive income	–	5,411,419	6,249,257	(32,732)	6,216,524
Dividends		(1,901,092)	(1,901,092)		(1,901,092)
Share-based payment transactions	59,398		84,119		84,119
Purchase of treasury shares	(317)		(317)		(317)
Exercise of stock acquisition rights			125,950		125,950
Changes in ownership interest in subsidiaries			(374)	(2,502)	(2,876)
Total transactions with equity holders	59,080	(1,901,092)	(1,691,714)	(2,502)	(1,694,217)
As of February 29, 2024	(564,305)	23,700,677	39,074,456	21,993	39,096,449

(4) Consolidated statements of cash flows

(Unit: thousand yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	5,860,494	7,304,837
Depreciation and amortization expenses	1,490,231	1,612,451
Finance income	(72,782)	(123,893)
Finance costs	160,356	142,889
Decrease (increase) in trade and other receivables	22,422	(196,751)
Increase (decrease) in trade and other payables	422,902	(203,872)
Increase (decrease) in contract liabilities	611,242	632,068
Increase (decrease) in other current liabilities	185,612	223,395
Others	7,814	207,101
Subtotal	8,688,295	9,598,226
Interest and dividends received	52,033	101,339
Interest paid	(79,190)	(68,152)
Income taxes paid	(1,790,334)	(1,791,385)
Net cash flows from operating activities	6,870,802	7,840,027
Cash flows from investing activities		
Purchase of property and equipment	(93,162)	(488,573)
Purchase of intangible assets	(468,442)	(585,223)
Payments for leasehold and guarantee deposits	(59,827)	(16,436)
Proceeds from refund of leasehold and guarantee deposits	15,934	11,482
Purchase of investment securities	(414,686)	(527,095)
Proceeds from sale and redemption of investment securities	–	35,548
Others	(281)	(30,608)
Net cash flows used in investing activities	(1,020,466)	(1,600,906)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	10,000,000
Repayments of long-term borrowings	(2,000,000)	(12,250,000)
Repayments of lease liabilities	(362,769)	(390,372)
Proceeds from issuance of new shares	99,400	125,950
Purchase of treasury shares	(89)	(317)
Dividends paid	(1,478,262)	(1,900,536)
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	(8,624)	(44,249)
Net cash flows used in financing activities	(3,730,346)	(4,462,403)
Effect of exchange rate changes on cash and cash equivalents	39,358	34,127
Net increase (decrease) in cash and cash equivalents	2,159,348	1,810,845
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	11,175,988	12,986,833