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Consolidated Financial Results for the Three Months Ended May 31, 2024 (under IFRS)

July 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 to file quarterly securities report: July 11, 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 three months ended May 31, 2024 (from March 1, 2024 to May 31, 2024)

(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, 2024	7,120	2.9	2,413	(6.4)	2,405	(5.7)	1,742	(4.8)
May 31, 2023	6,921	20.9	2,578	33.2	2,551	33.7	1,829	27.0

	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, 2024	1,748	(4.8)	1,358	(32.6)	50.80	50.34
May 31, 2023	1,837	27.0	2,016	24.3	53.85	53.08

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	%
Three months ended		
May 31, 2024	2,761	(4.2)
May 31, 2023	2,883	27.6

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 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
As of	Millions of yen	Millions of yen	Millions of yen	%
May 31, 2024	66,675	38,923	38,907	58.4
February 29, 2024	65,950	39,096	39,074	59.2

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

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

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

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, 2024	34,840,370 shares
As of February 29, 2024	34,823,070 shares

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

As of May 31, 2024	389,428 shares
As of February 29, 2024	433,932 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, 2024	34,419,574 shares
For the three months ended May 31, 2023	34,118,020 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 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and cash equivalents	12,986,833	13,014,365
Trade and other receivables	1,669,666	2,205,815
Other financial assets	48,396	86,107
Other current assets	568,832	1,081,661
Total current assets	15,273,728	16,387,949
Non-current assets		
Property and equipment	1,803,563	1,726,426
Goodwill	27,348,960	27,745,838
Other intangible assets	15,674,016	15,502,674
Other financial assets	5,826,150	5,267,230
Other non-current assets	23,607	44,975
Total non-current assets	50,676,299	50,287,144
Total assets	65,950,027	66,675,094
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	857,791	884,316
Contract liabilities	6,989,780	8,763,997
Current portion of long-term borrowings	1,426,936	1,500,885
Income taxes payable	1,181,178	572,252
Other financial liabilities	497,285	882,545
Other current liabilities	2,395,864	1,844,612
Total current liabilities	13,348,837	14,448,609
Non-current liabilities		
Long-term borrowings, net of current portion	8,515,758	8,533,771
Provisions	169,700	169,985
Other financial liabilities	108,529	92,168
Deferred tax liabilities	4,710,751	4,506,899
Total non-current liabilities	13,504,740	13,302,825
Total liabilities	26,853,578	27,751,435
Equity		
Issued capital	1,199,817	1,204,259
Capital surplus	12,250,296	12,220,376
Other components of equity	2,487,971	2,104,232
Retained earnings	23,700,677	23,885,570
Treasury shares	(564,305)	(506,450)
Equity attributable to equity holders of the parent	39,074,456	38,907,988
Non-controlling interests	21,993	15,670
Total equity	39,096,449	38,923,658
Total liabilities and equity	65,950,027	66,675,094

(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, 2023	Three months ended May 31, 2024
Revenue	6,921,955	7,120,388
Personnel expenses except those included in research and development costs	(1,515,095)	(1,646,416)
Research and development costs	(713,577)	(823,250)
Outsourcing expenses	(606,085)	(616,914)
Commission expenses	(298,478)	(336,497)
Other operating income	15,494	14,804
Other operating expenses	(1,226,080)	(1,298,408)
Operating profit	2,578,133	2,413,704
Finance income	7,900	12,186
Finance costs	(34,739)	(20,000)
Profit before income taxes	2,551,294	2,405,890
Income taxes	(721,633)	(663,652)
Profit	1,829,660	1,742,237
Profit attributable to:		
Equity holders of the parent	1,837,373	1,748,560
Non-controlling interests	(7,713)	(6,323)
Profit	1,829,660	1,742,237
Earnings per share		
Basic earnings per share (yen)	53.85	50.80
Diluted earnings per share (yen)	53.08	50.34

(Condensed quarterly consolidated statements of comprehensive income)

(Unit: thousand yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Profit	1,829,660	1,742,237
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	192,875	(461,526)
Total of items that will not be reclassified to profit or loss	192,875	(461,526)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(6,461)	78,020
Total of items that may be reclassified to profit or loss	(6,461)	78,020
Other comprehensive income, net of income taxes	186,413	(383,505)
Total comprehensive income, net of income taxes	2,016,073	1,358,732
Attributable to:		
Equity holders of the parent	2,023,787	1,365,055
Non-controlling interests	(7,713)	(6,323)
Total comprehensive income	2,016,073	1,358,732

(3) Condensed quarterly consolidated statement of changes in equity
Three months ended May 31, 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			(6,461)		192,875	186,413
Comprehensive income	-	-	(6,461)	-	192,875	186,413
Dividends						-
Share-based payment transactions		(44,087)				-
Exercise of stock acquisition rights	3,748	3,748		(197)		(197)
Total transactions with equity holders	3,748	(40,338)	-	(197)	-	(197)
As of May 31, 2023	1,138,890	12,120,935	101,680	8,789	1,729,278	1,839,748

(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	1,837,373		1,837,373	(7,713)	1,829,660
Other comprehensive income			186,413		186,413
Comprehensive income	1,837,373	-	2,023,787	(7,713)	2,016,073
Dividends	(748,669)		(748,669)		(748,669)
Share-based payment transactions		59,398	15,310		15,310
Exercise of stock acquisition rights			7,300		7,300
Total transactions with equity holders	(748,669)	59,398	(726,058)	-	(726,058)
As of May 31, 2023	21,279,055	(563,987)	35,814,642	49,514	35,864,156

Three months ended May 31, 2024

(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, 2024	1,199,817	12,250,296	182,288	5,586	2,300,096	2,487,971
Profit						–
Other comprehensive income			78,020		(461,526)	(383,505)
Comprehensive income	–	–	78,020	–	(461,526)	(383,505)
Dividends						–
Share-based payment transactions		(34,361)				–
Exercise of stock acquisition rights	4,441	4,441		(233)		(233)
Total transactions with equity holders	4,441	(29,919)	–	(233)	–	(233)
As of May 31, 2024	1,204,259	12,220,376	260,309	5,352	1,838,569	2,104,232

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Retained earnings	Treasury shares	Total		
As of March 1, 2024	23,700,677	(564,305)	39,074,456	21,993	39,096,449
Profit	1,748,560		1,748,560	(6,323)	1,742,237
Other comprehensive income			(383,505)		(383,505)
Comprehensive income	1,748,560	–	1,365,055	(6,323)	1,358,732
Dividends	(1,563,667)		(1,563,667)		(1,563,667)
Share-based payment transactions		57,855	23,493		23,493
Exercise of stock acquisition rights			8,650		8,650
Total transactions with equity holders	(1,563,667)	57,855	(1,531,523)	–	(1,531,523)
As of May 31, 2024	23,885,570	(506,450)	38,907,988	15,670	38,923,658

(4) Condensed quarterly consolidated statements of cash flows

	(Unit: thousand yen)	
	Three months ended May 31, 2023	Three months ended May 31, 2024
Cash flows from operating activities		
Profit before income taxes	2,551,294	2,405,890
Depreciation and amortization expenses	386,818	429,283
Finance income	(4,660)	(11,333)
Finance costs	40,071	28,251
Decrease (increase) in trade and other receivables	(967,535)	(452,714)
Increase (decrease) in trade and other payables	(288,907)	(56,925)
Increase (decrease) in contract liabilities	1,663,884	1,774,217
Increase (decrease) in other current liabilities	(391,411)	(559,781)
Others	199,819	(8,570)
Subtotal	3,189,373	3,548,317
Interest and dividends received	2,959	5,604
Interest paid	(18,108)	(13,230)
Income taxes paid	(831,421)	(1,318,990)
Net cash flows from operating activities	2,342,803	2,221,701
Cash flows from investing activities		
Purchase of property and equipment	(16,456)	(52,228)
Purchase of intangible assets	(220,435)	(96,851)
Payments for leasehold and guarantee deposits	(7,991)	(22,469)
Proceeds from refund of leasehold and guarantee deposits	890	120
Purchase of investment securities	(341,960)	-
Proceeds from sale and redemption of investment securities	34,301	-
Payments for acquisition of subsidiaries	-	(410,059)
Others	(30,608)	-
Net cash flows used in investing activities	(582,259)	(581,489)
Cash flows from financing activities		
Repayments of lease liabilities	(91,021)	(104,499)
Dividends paid	(745,957)	(1,558,136)
Proceeds from issuance of new shares	7,300	8,650
Others	(924)	(924)
Net cash flows used in financing activities	(830,604)	(1,654,910)
Net foreign exchange differences	1,019	42,230
Net increase (decrease) in cash and cash equivalents	930,958	27,532
Cash and cash equivalents at the beginning of the period	11,175,988	12,986,833
Cash and cash equivalents at the end of the period	12,106,946	13,014,365