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Consolidated Financial Results for the Six Months Ended August 31, 2024 (under IFRS)

October 10, 2024

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 semi-annual securities report: October 10, 2024
 Scheduled date to commence dividend payments: November 11, 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 six months ended August 31, 2024 (from March 1, 2024 to August 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	%
Six months ended								
August 31, 2024	14,875	10.2	4,964	5.2	4,994	6.0	3,585	6.1
August 31, 2023	13,498	18.6	4,720	26.6	4,713	27.4	3,378	21.4

	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
Six months ended						
August 31, 2024	3,597	6.0	3,680	(0.4)	104.43	103.53
August 31, 2023	3,395	21.2	3,694	13.1	99.40	97.99

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	%
Six months ended		
August 31, 2024	5,667	6.2
August 31, 2023	5,335	22.5

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	%
August 31, 2024	69,013	41,281	41,271	59.8
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	42.00			
Fiscal year ending February 28, 2025 (Forecast)			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) Significant changes in the scope of consolidation during the period: 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 August 31, 2024	34,866,470 shares
As of February 29, 2024	34,823,070 shares

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

As of August 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 six months ended August 31, 2024	34,445,958 shares
For the six months ended August 31, 2023	34,154,313 shares

* **Semi-annual financial results reports are exempt from 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 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 Semi-annual Consolidated Financial Statements

(1) Condensed semi-annual consolidated statements of financial position

(Unit: thousand yen)

	As of February 29, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and cash equivalents	12,986,833	13,575,158
Trade and other receivables	1,669,666	3,335,661
Other financial assets	48,396	85,494
Other current assets	568,832	1,031,595
Total current assets	15,273,728	18,027,910
Non-current assets		
Property and equipment	1,803,563	1,856,582
Goodwill	27,348,960	27,708,764
Other intangible assets	15,674,016	15,343,641
Other financial assets	5,826,150	6,036,334
Other non-current assets	23,607	40,450
Total non-current assets	50,676,299	50,985,773
Total assets	65,950,027	69,013,684
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	857,791	985,521
Contract liabilities	6,989,780	8,463,831
Current portion of long-term borrowings	1,426,936	1,489,330
Income taxes payable	1,181,178	1,137,885
Other financial liabilities	497,285	572,562
Other current liabilities	2,395,864	2,254,325
Total current liabilities	13,348,837	14,903,456
Non-current liabilities		
Long-term borrowings, net of current portion	8,515,758	7,815,415
Provisions	169,700	192,084
Other financial liabilities	108,529	77,172
Deferred tax liabilities	4,710,751	4,743,768
Total non-current liabilities	13,504,740	12,828,439
Total liabilities	26,853,578	27,731,896
Equity		
Issued capital	1,199,817	1,210,960
Capital surplus	12,250,296	12,250,111
Other components of equity	2,487,971	2,582,906
Retained earnings	23,700,677	25,734,421
Treasury shares	(564,305)	(506,450)
Equity attributable to equity holders of the parent	39,074,456	41,271,949
Non-controlling interests	21,993	9,838
Total equity	39,096,449	41,281,788
Total liabilities and equity	65,950,027	69,013,684

- (2) Condensed semi-annual consolidated statements of profit or loss and condensed semi-annual consolidated statements of comprehensive income
(Condensed semi-annual consolidated statements of profit or loss)

(Unit: thousand yen, unless otherwise stated)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Revenue	13,498,761	14,875,339
Personnel expenses except those included in research and development costs	(3,021,665)	(3,435,050)
Research and development costs	(1,458,023)	(1,645,538)
Outsourcing expenses	(1,201,116)	(1,361,874)
Commission expenses	(596,480)	(679,356)
Other operating income	16,108	18,470
Other operating expenses	(2,517,043)	(2,807,907)
Operating profit	4,720,541	4,964,081
Finance income	58,348	69,152
Finance costs	(65,814)	(39,144)
Profit before income taxes	4,713,075	4,994,089
Income taxes	(1,334,796)	(1,408,832)
Profit	3,378,278	3,585,257
Profit attributable to:		
Equity holders of the parent	3,395,201	3,597,411
Non-controlling interests	(16,922)	(12,154)
Profit	3,378,278	3,585,257
Earnings per share		
Basic earnings per share (yen)	99.40	104.43
Diluted earnings per share (yen)	97.99	103.53

(Condensed semi-annual consolidated statements of comprehensive income)

(Unit: thousand yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Profit	3,378,278	3,585,257
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	271,381	74,739
Total of items that will not be reclassified to profit or loss	271,381	74,739
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	44,790	20,781
Total of items that may be reclassified to profit or loss	44,790	20,781
Other comprehensive income, net of income taxes	316,171	95,521
Total comprehensive income, net of income taxes	3,694,450	3,680,778
Attributable to:		
Equity holders of the parent	3,711,373	3,692,932
Non-controlling interests	(16,922)	(12,154)
Total comprehensive income	3,694,450	3,680,778

(3) Condensed semi-annual consolidated statement of changes in equity
Six months ended August 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			44,790		271,381	316,171
Comprehensive income	–	–	44,790	–	271,381	316,171
Dividends						–
Share-based payment transactions		(19,976)				–
Exercise of stock acquisition rights	14,917	14,917		(784)		(784)
Purchase of treasury shares						–
Total transactions with equity holders	14,917	(5,059)	–	(784)	–	(784)
As of August 31, 2023	1,150,059	12,156,214	152,933	8,202	1,807,784	1,968,920

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Retained earnings	Treasury shares	Total		
As of March 1, 2023	20,190,350	(623,385)	34,516,913	57,228	34,574,141
Profit	3,395,201		3,395,201	(16,922)	3,378,278
Other comprehensive income			316,171		316,171
Comprehensive income	3,395,201	–	3,711,373	(16,922)	3,694,450
Dividends	(748,669)		(748,669)		(748,669)
Share-based payment transactions		59,398	39,421		39,421
Exercise of stock acquisition rights			29,050		29,050
Purchase of treasury shares		(83)	(83)		(83)
Total transactions with equity holders	(748,669)	59,314	(680,280)	–	(680,280)
As of August 31, 2023	22,836,883	(564,071)	37,548,006	40,305	37,588,311

Six months ended August 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			20,781		74,739	95,521
Comprehensive income	–	–	20,781	–	74,739	95,521
Dividends						–
Share-based payment transactions		(11,327)				–
Exercise of stock acquisition rights	11,142	11,142		(585)		(585)
Total transactions with equity holders	11,142	(184)	–	(585)	–	(585)
As of August 31, 2024	1,210,960	12,250,111	203,070	5,000	2,374,835	2,582,906

(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	3,597,411		3,597,411	(12,154)	3,585,257
Other comprehensive income			95,521		95,521
Comprehensive income	3,597,411	–	3,692,932	(12,154)	3,680,778
Dividends	(1,563,667)		(1,563,667)		(1,563,667)
Share-based payment transactions		57,855	46,527		46,527
Exercise of stock acquisition rights			21,700		21,700
Total transactions with equity holders	(1,563,667)	57,855	(1,495,440)	–	(1,495,440)
As of August 31, 2024	25,734,421	(506,450)	41,271,949	9,838	41,281,788

(4) Condensed semi-annual consolidated statements of cash flows

	(Unit: thousand yen)	
	Six months ended August 31, 2023	Six months ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	4,713,075	4,994,089
Depreciation and amortization expenses	776,569	869,881
Finance income	(58,348)	(70,250)
Finance costs	75,096	29,820
Decrease (increase) in trade and other receivables	(650,889)	(1,582,561)
Increase (decrease) in trade and other payables	(207,161)	48,348
Increase (decrease) in contract liabilities	1,337,233	1,474,051
Others	(415,421)	(573,688)
Subtotal	5,570,153	5,189,691
Interest and dividends received	53,366	62,492
Interest paid	(35,570)	(27,518)
Income taxes paid	(840,907)	(1,336,742)
Net cash flows from operating activities	4,747,041	3,887,923
Cash flows from investing activities		
Purchase of property and equipment	(231,504)	(193,693)
Purchase of intangible assets	(355,605)	(215,489)
Payments for leasehold and guarantee deposits	(8,061)	(22,469)
Proceeds from refund of leasehold and guarantee deposits	7,493	1,993
Purchase of investment securities	(341,960)	–
Proceeds from sale and redemption of investment securities	34,301	612
Payments for acquisition of subsidiaries	–	(410,059)
Others	(30,608)	2,542
Net cash flows used in investing activities	(925,945)	(836,561)
Cash flows from financing activities		
Repayments of lease liabilities	(185,057)	(210,645)
Repayments of long-term borrowings	(1,000,000)	(733,726)
Dividends paid	(747,959)	(1,562,204)
Proceeds from issuance of new shares	29,050	21,700
Purchase of treasury shares	(83)	–
Others	(2,369)	(1,799)
Net cash flows used in financing activities	(1,906,420)	(2,486,676)
Net foreign exchange differences	21,648	23,640
Net increase (decrease) in cash and cash equivalents	1,936,323	588,325
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	13,112,311	13,575,158