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# Consolidated Financial Results for the Six Months Ended August 31, 2023 (under IFRS)

October 12, 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 to file quarterly securities report: October 12, 2023
Scheduled date to commence dividend payments: November 13, 2023
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 six months ended August 31, 2023 (from March 1, 2023 to August 31, 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 | % |
| Six months ended August 31, 2023 | 13,498 | 18.6 | 4,720 | 26.6 | 4,713 | 27.4 | 3,378 | 21.4 |
| August 31, 2022 | 11,377 | 17.9 | 3,728 | 27.6 | 3,698 | 28.4 | 2,782 | 30.8 |

| | 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, 2023 | 3,395 | 21.2 | 3,694 | 13.1 | 99.40 | 97.99 |
| August 31, 2022 | 2,800 | 31.7 | 3,265 | 54.4 | 82.56 | 81.23 |

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, 2023 | 5,335 | 22.5 |
| August 31, 2022 | 4,353 | 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 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 | % |
| August 31, 2023 | 66,154 | 37,588 | 37,548 | 56.8 |
| 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 | | | |
| Fiscal year ending February 29, 2024 (Forecast) | | | 0.00 | 33.50 | 67.00 |

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 | 23,800 | 6.5 | 6,350 | 6.8 | 7,600 | 6.1 | 4,600 | 4.5 |

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 August 31, 2023 | 34,629,270 shares |
| As of February 28, 2023 | 34,571,170 shares |

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

| | |
|---|---|
| As of August 31, 2023 | 433,852 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 six months ended August 31, 2023 | 34,154,313 shares |
| For the six months ended August 31, 2022 | 33,918,998 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 August 31, 2023 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 11,175,988 | 13,112,311 |
| Trade and other receivables | 1,472,914 | 2,123,804 |
| Other financial assets | 41,319 | 44,797 |
| Other current assets | 548,328 | 846,466 |
| Total current assets | 13,238,550 | 16,127,380 |
| Non-current assets | | |
| Property and equipment | 1,604,798 | 1,772,217 |
| Goodwill | 27,309,157 | 27,328,327 |
| Other intangible assets | 16,231,589 | 16,033,657 |
| Other financial assets | 4,148,468 | 4,847,815 |
| Other non-current assets | 17,506 | 44,969 |
| Total non-current assets | 49,311,520 | 50,026,988 |
| Total assets | 62,550,070 | 66,154,368 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 1,061,108 | 854,656 |
| Contract liabilities | 6,357,711 | 7,694,945 |
| Current portion of long-term borrowings | 1,997,476 | 1,997,475 |
| Income taxes payable | 778,487 | 1,147,605 |
| Other financial liabilities | 526,509 | 580,636 |
| Other current liabilities | 2,031,092 | 1,992,650 |
| Total current liabilities | 12,752,384 | 14,267,969 |
| Non-current liabilities | | |
| Long-term borrowings, net of current portion | 10,214,954 | 9,225,505 |
| Provisions | 90,528 | 90,643 |
| Other financial liabilities | 260,441 | 231,475 |
| Deferred tax liabilities | 4,657,620 | 4,750,463 |
| Total non-current liabilities | 15,223,544 | 14,298,087 |
| Total liabilities | 27,975,928 | 28,566,057 |
| Equity | | |
| Issued capital | 1,135,142 | 1,150,059 |
| Capital surplus | 12,161,273 | 12,156,214 |
| Other components of equity | 1,653,532 | 1,968,920 |
| Retained earnings | 20,190,350 | 22,836,883 |
| Treasury shares | (623,385) | (564,071) |
| Equity attributable to equity holders of the parent | 34,516,913 | 37,548,006 |
| Non-controlling interests | 57,228 | 40,305 |
| Total equity | 34,574,141 | 37,588,311 |
| Total liabilities and equity | 62,550,070 | 66,154,368 |

(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)

| | Six months ended August 31, 2022 | Six months ended August 31, 2023 |
|---|---|---|
| Revenue | 11,377,139 | 13,498,761 |
| Personnel expenses except those included in research and development costs | (2,667,063) | (3,021,665) |
| Research and development costs | (1,278,053) | (1,458,023) |
| Outsourcing expenses | (1,099,071) | (1,201,116) |
| Commission expenses | (552,007) | (596,480) |
| Other operating income | 5,356 | 16,108 |
| Other operating expenses | (2,057,511) | (2,517,043) |
| Operating profit | 3,728,789 | 4,720,541 |
| Finance income | 47,216 | 58,348 |
| Finance costs | (77,530) | (65,814) |
| Profit before income taxes | 3,698,474 | 4,713,075 |
| Income taxes | (916,112) | (1,334,796) |
| Profit | 2,782,362 | 3,378,278 |
| Profit attributable to: | | |
| Equity holders of the parent | 2,800,426 | 3,395,201 |
| Non-controlling interests | (18,063) | (16,922) |
| Profit | 2,782,362 | 3,378,278 |
| Earnings per share | | |
| Basic earnings per share (yen) | 82.56 | 99.40 |
| Diluted earnings per share (yen) | 81.23 | 97.99 |

(Condensed quarterly consolidated statements of comprehensive income)

(Unit: thousand yen)

| | Six months ended August 31, 2022 | Six months ended August 31, 2023 |
|---|---|---|
| Profit | 2,782,362 | 3,378,278 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | 344,182 | 271,381 |
| Total of items that will not be reclassified to profit or loss | 344,182 | 271,381 |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 139,406 | 44,790 |
| Total of items that may be reclassified to profit or loss | 139,406 | 44,790 |
| Other comprehensive income, net of income taxes | 483,588 | 316,171 |
| Total comprehensive income, net of income taxes | 3,265,951 | 3,694,450 |
| Attributable to: | | |
| Equity holders of the parent | 3,284,014 | 3,711,373 |
| Non-controlling interests | (18,063) | (16,922) |
| Total comprehensive income | 3,265,951 | 3,694,450 |

## (3) Condensed quarterly consolidated statement of changes in equity
Six months ended August 31, 2022

(Unit: thousand yen)

| | Equity attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | | | Other components of equity | | | |
| | Issued capital | Capital surplus | Exchange differences on translation of foreign operations | Stock acquisition rights | Financial assets measured at fair value through other comprehensive income | Total |
| As of March 1, 2022 | 1,084,100 | 12,061,694 | (3,837) | 18,420 | 763,589 | 778,173 |
| Profit | | | | | | — |
| Other comprehensive income | | | 139,406 | | 344,182 | 483,588 |
| Comprehensive income | — | — | 139,406 | — | 344,182 | 483,588 |
| Dividends | | | | | | — |
| Share-based payment transactions | | 3,825 | | | | — |
| Exercise of stock acquisition rights | 16,586 | 16,586 | | (872) | | (872) |
| 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 | 16,586 | 29,505 | — | (7,622) | — | (7,622) |
| As of August 31, 2022 | 1,100,686 | 12,091,200 | 135,569 | 10,798 | 1,107,771 | 1,254,140 |

(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 | 2,800,426 | | 2,800,426 | (18,063) | 2,782,362 |
| Other comprehensive income | | | 483,588 | | 483,588 |
| Comprehensive income | 2,800,426 | — | 3,284,014 | (18,063) | 3,265,951 |
| Dividends | (751,165) | | (751,165) | | (751,165) |
| Share-based payment transactions | | 26,703 | 30,529 | | 30,529 |
| Exercise of stock acquisition rights | | | 32,300 | | 32,300 |
| 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 | (751,165) | 26,614 | (686,081) | 17,656 | (668,425) |
| As of August 31, 2022 | 19,318,379 | (623,385) | 33,141,020 | 75,964 | 33,216,985 |

Six months ended August 31, 2023

(Unit: thousand yen)

| | Equity attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | | | Other components of equity | | | |
| | Issued capital | Capital surplus | Exchange differences on translation of foreign operations | Stock acquisition rights | Financial assets measured at fair value through other comprehensive income | Total |
| 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 |

(4) Condensed quarterly consolidated statements of cash flows

(Unit: thousand yen)

| | Six months ended August 31, 2022 | Six months ended August 31, 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 3,698,474 | 4,713,075 |
| Depreciation and amortization expenses | 760,944 | 776,569 |
| Finance income | (47,216) | (58,348) |
| Finance costs | 97,595 | 75,096 |
| Decrease (increase) in trade and other receivables | (624,320) | (650,889) |
| Increase (decrease) in trade and other payables | 42,822 | (207,161) |
| Increase (decrease) in contract liabilities | 894,604 | 1,337,233 |
| Others | (395,709) | (415,421) |
| Subtotal | 4,427,195 | 5,570,153 |
| Interest and dividends received | 28,283 | 53,366 |
| Interest paid | (40,889) | (35,570) |
| Income taxes paid | (918,533) | (840,907) |
| Net cash flows from operating activities | 3,496,055 | 4,747,041 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (34,971) | (231,504) |
| Purchase of intangible assets | (238,488) | (355,605) |
| Payments for leasehold and guarantee deposits | (1,519) | (8,061) |
| Proceeds from refund of leasehold and guarantee deposits | 904 | 7,493 |
| Purchase of investment securities | (34,690) | (341,960) |
| Proceeds from sale and redemption of investment securities | — | 34,301 |
| Others | (401) | (30,608) |
| Net cash flows used in investing activities | (309,166) | (925,945) |
| Cash flows from financing activities | | |
| Repayments of lease liabilities | (182,339) | (185,057) |
| Repayments of long-term borrowings | (1,000,000) | (1,000,000) |
| Purchase of treasury shares | (89) | (83) |
| Dividends paid | (748,868) | (747,959) |
| Proceeds from issuance of new shares | 32,300 | 29,050 |
| Proceeds from sale of interests in subsidiaries to non-controlling interests | 20,000 | — |
| Others | (49) | (2,369) |
| Net cash flows used in financing activities | (1,879,047) | (1,906,420) |
| Net foreign exchange differences | 65,287 | 21,648 |
| Net increase (decrease) in cash and cash equivalents | 1,373,129 | 1,936,323 |
| 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 | 10,389,769 | 13,112,311 |