

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Three Months Ended May 31, 2021 (under IFRS)

July 13, 2021

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: July 15, 2021
 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, 2021 (from March 1, 2021 to May 31, 2021)

(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, 2021	4,713	11.2	1,410	17.6	1,372	18.3	1,007	20.9
May 31, 2020	4,238	—	1,199	—	1,160	—	833	—

	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, 2021	1,007	20.9	1,009	22.6	32.49	29.65
May 31, 2020	833	—	823	—	26.72	—

Note: The Company's shares were unlisted as of May 31, 2020, and although stock acquisition rights exist, vesting is conditional on listing, and therefore diluted earnings per share for the three months ended May 31, 2020 are not presented.

(Reference)

	EBITDA		Adjusted EBITDA		Adjusted profit attributable to equity holders of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2021	1,724	14.4	1,735	14.0	1,015	20.3
May 31, 2020	1,507	—	1,521	—	843	—

Note: The Company uses EBITDA, adjusted EBITDA and adjusted profit attributable to equity holders of the parent as important management indicators. For information about each indicator, refer to “(Notes when referring to summary information)” below.

(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
	Millions of yen	Millions of yen	Millions of yen	%
As of				
May 31, 2021	56,521	26,176	26,175	46.3
February 28, 2021	55,909	25,677	25,676	45.9

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, 2021	0.00	0.00	0.00	24.00	24.00
Fiscal year ending February 28, 2022	0.00				
Fiscal year ending February 28, 2022 (Forecast)		20.60	0.00	20.60	41.20

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

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

(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 ending February 28, 2022	19,000	3.9	5,880	83.3	5,760	82.7	4,216	71.9

	Profit attributable to equity holders of the parent		Basic earnings per share
	Millions of yen	%	Yen
Fiscal year ending February 28, 2022	4,216	71.9	137.34

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, 2021	31,651,670 shares
As of February 28, 2021	31,198,000 shares

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

As of May 31, 2021	500,000 shares
As of February 28, 2021	500,000 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, 2021	31,009,747 shares
For the three months ended May 31, 2020	31,198,000 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. Adjusted EBITDA = EBITDA + One-time expenses
4. Adjusted profit attributable to equity holders of the parent = Profit attributable to equity holders of the parent + One-time expenses – Tax effect adjustment
5. EBITDA, Adjusted EBITDA and Adjusted quarterly profit attributable to equity holders of the parent are not measures prescribed by IFRS, but rather are financial measures that the Group believes are useful for investors to evaluate the Group's performance.
6. EBITDA, Adjusted EBITDA and Adjusted quarterly profit attributable to equity holders of the parent should not be considered as alternative measures to other measures presented in accordance with IFRS, as they exclude some of the items that affect quarterly profit and have significant limitations as a means of analysis. EBITDA, Adjusted EBITDA, and Adjusted quarterly profit attributable to equity holders of the parent 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, their usefulness may be reduced.

Condensed Quarterly Consolidated Financial Statements**(1) Condensed quarterly consolidated statements of financial position**

(Unit: thousand yen)

	As of February 28, 2021	As of May 31, 2021
Assets		
Current assets		
Cash and cash equivalents	5,170,346	6,122,265
Trade and other receivables	1,728,618	1,599,476
Other financial assets	19,105	17,282
Other current assets	373,631	517,389
Total current assets	7,291,702	8,256,414
Non-current assets		
Property and equipment	1,910,629	1,805,105
Goodwill	27,248,000	27,256,453
Other intangible assets	17,206,028	16,988,473
Other financial assets	2,245,766	2,204,829
Other non-current assets	7,775	9,938
Total non-current assets	48,618,199	48,264,800
Total assets	55,909,901	56,521,214
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	833,934	484,400
Contract liabilities	5,526,490	6,405,042
Current portion of long-term borrowings	1,997,480	1,998,319
Income taxes payable	402,520	336,226
Other financial liabilities	440,998	796,536
Other current liabilities	1,974,056	1,352,456
Total current liabilities	11,175,481	11,372,982
Non-current liabilities		
Long-term borrowings, net of current portion	14,164,417	14,170,517
Provisions	91,519	91,578
Other financial liabilities	259,407	181,212
Deferred tax liabilities	4,541,151	4,527,923
Total non-current liabilities	19,056,496	18,971,232
Total liabilities	30,231,977	30,344,214
Equity		
Issued capital	200,000	316,487
Capital surplus	11,124,874	11,241,294
Other components of equity	656,664	651,920
Treasury shares	(650,000)	(650,000)
Retained earnings	14,345,215	14,615,939
Equity attributable to equity holders of the parent	25,676,754	26,175,641
Non-controlling interests	1,170	1,357
Total equity	25,677,924	26,176,999
Total liabilities and equity	55,909,901	56,521,214

(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, 2020	Three months ended May 31, 2021
Revenue	4,238,874	4,713,690
Personnel expenses except those included in research and development costs	(1,149,821)	(1,261,216)
Research and development costs	(552,113)	(603,755)
Outsourcing expenses	(332,763)	(419,660)
Commission expenses	(188,566)	(193,751)
Other operating income	5,077	3,486
Other operating expenses	(821,591)	(828,585)
Operating profit	1,199,094	1,410,206
Finance income	593	1,405
Finance costs	(39,643)	(38,953)
Profit before income taxes	1,160,045	1,372,658
Income taxes	(326,320)	(364,995)
Profit	833,724	1,007,663
Profit attributable to:		
Equity holders of the parent	833,655	1,007,475
Non-controlling interests	69	187
Profit	833,724	1,007,663
Earnings per share		
Basic earnings per share (yen)	26.72	32.49
Diluted earnings per share (yen)	—	29.65

(Condensed quarterly consolidated statements of comprehensive income)

(Unit: thousand yen)

	Three months ended May 31, 2020	Three months ended May 31, 2021
Profit	833,724	1,007,663
Other comprehensive income (loss)		
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Financial assets measured at fair value through other comprehensive income	4,068	(27,414)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	4,068	(27,414)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	(14,590)	28,794
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	(14,590)	28,794
Other comprehensive income (loss), net of income taxes	(10,521)	1,380
Total comprehensive income, net of income taxes	823,202	1,009,044
Attributable to:		
Equity holders of the parent	823,133	1,008,856
Non-controlling interests	69	187
Total comprehensive income	823,202	1,009,044

(3) Condensed quarterly consolidated statement of changes in equity
Three months ended May 31, 2020

(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, 2020	200,000	11,124,874	(83,882)	51,886	342,511	310,514
Profit						—
Other comprehensive income (loss)			(14,590)		4,068	(10,521)
Comprehensive income	—	—	(14,590)	—	4,068	(10,521)
Share-based payments				9,549		9,549
Total transactions with equity holders	—	—	—	9,549		9,549
As of May 31, 2020	200,000	11,124,874	(98,473)	61,435	346,580	309,541

(Unit: thousand yen)

	Equity attributable to equity holders of the parent		Non-controlling interests	Total
	Retained earnings	Total		
As of March 1, 2020	11,893,096	23,528,485	545	23,529,030
Profit	833,655	833,655	69	833,724
Other comprehensive income (loss)		(10,521)		(10,521)
Comprehensive income	833,655	823,133	69	823,202
Share-based payments		9,549		9,549
Total transactions with equity holders	—	9,549	—	9,549
As of May 31, 2020	12,726,751	24,361,167	614	24,361,782

Three months ended May 31, 2021

(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, 2021	200,000	11,124,874	(13,565)	75,980	594,250	656,664
Profit						—
Other comprehensive income (loss)			28,794		(27,414)	1,380
Comprehensive income	—	—	28,794	—	(27,414)	1,380
Dividends						—
Exercise of stock acquisition rights	116,487	116,487		(6,124)		(6,124)
Purchase of treasury shares						—
Cancellation of treasury shares		(67)				—
Total transactions with equity holders	116,487	116,420	—	(6,124)	—	(6,124)
As of May 31, 2021	316,487	11,241,294	15,229	69,855	566,835	651,920

(Unit: thousand yen)

	Equity attributable to equity holders of the parent			Non-controlling interests	Total
	Treasury shares	Retained earnings	Total		
As of March 1, 2021	(650,000)	14,345,215	25,676,754	1,170	25,677,924
Profit		1,007,475	1,007,475	187	1,007,663
Other comprehensive income (loss)			1,380		1,380
Comprehensive income	—	1,007,475	1,008,856	187	1,009,044
Dividends		(736,752)	(736,752)		(736,752)
Exercise of stock acquisition rights			226,850		226,850
Purchase of treasury shares	(67)		(67)		(67)
Cancellation of treasury shares	67		—		—
Total transactions with equity holders	—	(736,752)	(509,969)	—	(509,969)
As of May 31, 2021	(650,000)	14,615,939	26,175,641	1,357	26,176,999

(4) Condensed quarterly consolidated statements of cash flows

(Unit: thousand yen)

	Three months ended May 31, 2020	Three months ended May 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,160,045	1,372,658
Depreciation and amortization expenses	464,101	380,300
Finance income	(593)	(1,405)
Finance costs	35,140	39,140
Increase in trade and other receivables	393,776	129,141
Decrease in trade and other payables	(445,810)	(349,533)
Increase in contract liabilities	919,096	878,551
Others	(366,192)	(371,356)
Subtotal	2,159,564	2,077,497
Interest and dividends received	593	134
Interest paid	(33,304)	(23,854)
Income taxes paid	(935,941)	(449,313)
Net cash flows from operating activities	1,190,911	1,604,463
Cash flows from investing activities		
Purchase of property and equipment	(59,982)	(31,118)
Purchase of intangible assets	(6,378)	(29,368)
Payments for leasehold and guarantee deposits	(2,851)	(1,159)
Proceeds from refund of leasehold and guarantee deposits	318	3,434
Net cash flows used in investing activities	(68,894)	(58,212)
Cash flows from financing activities		
Repayments of lease liabilities	(188,890)	(93,502)
Proceeds from short-term borrowings	4,500,000	—
Purchase of treasury shares	—	(67)
Dividends paid	—	(736,752)
Proceeds from issuance of new shares	—	226,850
Others	3,565	(30)
Net cash flows from (used in) financing activities	4,314,674	(603,502)
Net foreign exchange differences	(5,814)	9,170
Net increase (decrease) in cash and cash equivalents	5,430,877	951,918
Cash and cash equivalents at the beginning of the period	4,962,584	5,170,346
Cash and cash equivalents at the end of the period	10,393,461	6,122,265