



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2020 [Japanese GAAP]

November 12, 2020

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 Scheduled date to file Quarterly Securities Report November 12, 2020
 Scheduled date of commencement of dividend payment -

Preparation of supplementary material on quarterly financial results: Yes
 Quarterly results briefing: Yes

(Millions of yen are rounded down)

Third Quarter of the Year Ending December 31, 2020 (January 1, 2020-September 30, 2020)

(1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent Net profit	
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%
Third Quarter of FY2020	3,495	11.1	116	△12.8	109	△23.7	71	96.6
Third Quarter of FY2019	3,145	△10.9	133	△77.1	143	△75.4	36	△90.1

(NOTE) Comprehensive income Third Quarter of FY2020 71 JPY mil. (84.9%) Third Quarter of FY2019 38 JPY mil. (△89.5%)

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Third Quarter of FY2020	12.55	12.25
Third Quarter of FY2019	6.36	6.20

(NOTE) We conducted a 2-for-1 stock split on October 1, 2019. Calculations of "Quarterly net income per share" and "Diluted net income per share" are based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
	JPY mil.	JPY mil.	%
Third Quarter of FY2020	3,012	2,097	69.6
End of FY2019	3,269	2,185	66.8

Reference: Shareholders' equity Third Quarter of FY2020 2,097 JPY mil. End of FY2019 2,185 JPY mil.

2. Dividend Status

	Dividend per share				
	End of first quarter	End of second quarter	End of the third quarter	Term end	Total
	Yen	Yen	Yen	Yen	Yen
End of FY2019	-	0.00	-	23.00	23.00
End of FY2020	-	0.00	-		
End of FY2020 (Forecast)				-	-

(NOTE) Revisions to the most recently announced dividend forecasts: None

We plan to pay a dividend for the year ended December 31, 2020, but we have not yet determined the expected amount of dividend.

Forecasts for the fiscal year ended December 31, 3.2020 (January 1, 2,020 to December 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Attributable to owners of parent company		Net income per share
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%	Yen
Full year	5,300	11.1	800	20.6	800	17.8	557	29.7	97.68

(NOTE) Revisions to the most recently announced earnings forecasts: None

※ Notes

(1) Changes in significant subsidiaries during this quarter (changes in specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies due to revisions to accounting standards, etc.: None

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Restatement of revisions: None

(4) Number of shares of common stock outstanding

① Number of shares issued at the end of the period (including treasury stock)

Third Quarter of FY2020	5,756,880 Shares	End of FY2019	5,706,000 Shares	
② Number of treasury stock at the end of the period	Third Quarter of FY2020	31,502 Shares	End of FY2019	4,126 Shares
③ Average number of shares during the period (cumulative)	Third Quarter of FY2020	5,687,158 Shares	Third Quarter of FY2019	5,701,954 Shares

(NOTE) We conducted a 2-for-1 stock split on October 1, 2019. The number of outstanding shares at the end of the period (including treasury shares) and the number of treasury shares at the end of the period and the average number of shares during the period (cumulative quarterly period) are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

※ Quarterly financial results are not subject to quarterly review by certified public accountants or auditing firms.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

(Cautionary Statement with Respect to Forward-Looking Statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to us and certain assumptions that we believe to be reasonable, and are not intended to guarantee the achievement of the forecasts.

Actual results may differ materially from the forecast depending on a range of factors. Please refer to "1. Qualitative Information on This Quarterly Financial Results, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statement" on page 3 of the attached material for the assumptions underlying the forecasts and notes on the use of the forecasts.

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1. Qualitative Information on This Quarterly Financial Results

(1) Explanations of Operation Results

The outlook for the Japanese economy during the first three quarters of the current fiscal year (January 1, 2020 to September 30, 2020) is extremely uncertain because economic activities have been stagnant due to the impact of restricted travel and voluntary restraints resulting from the expansion of the new coronavirus disease (COVID-19) amid sluggish consumer spending and a decline in corporate capital spending following the consumption tax hike, and the outlook for the future remains unclear.

Under such a business environment, our group continued to focus on proposals aimed at resolving corporate issues in an integrated manner by providing comprehensive services that leverage management consulting, financial advisory, revitalization support, and other functions.

As a result of the above, our Group's results for the third quarter of the fiscal year under review were as follows. Although revenues in the Financial Advisory Business decreased compared with the same period of the previous fiscal year due to the impact of the COVID-19, revenues in the Management Consulting Business increased and revenues in the Revitalization Support Business increased significantly. As a result, net sales in the Financial Advisory Business were JPY3,495 million (up 11.1% compared with the same period of the previous fiscal year). In terms of expenses, recruitment and personnel expenses increased as a result of aggressive recruitment of personnel in preparation for management consulting needs and revitalization support needs, which are expected to increase further in the future, far exceeding initial plans. As a result, operating income was JPY116 million (down 12.8% year on year), and as a result of the recording of JPY17 million in non-operating expenses for the transfer to the First Section of the Tokyo Stock Exchange, ordinary income was JPY109 million (down 23.7%). Profit attributable to owners of parent for the quarter was JPY71 million (up 96.6% year on year) due to the absence of the impact of JPY43 million in expenses related to the relocation of the head office, which had been recorded as an extraordinary loss in the previous fiscal year.

Operating results by business are as follows.

<Management Consulting Business>

The business results of the Management Consulting Business for the first three quarters of the current fiscal year were net sales of JPY1,701 million (an increase of 12.5% from the same quarter of the previous fiscal year). In the third quarter of the current fiscal year, net sales increased compared with the same period of the previous fiscal year as a result of the expansion of the scope of operations for which the same customer consults and the increasing size of projects.

<Financial Advisory Business>

The financial advisory business posted net sales of JPY1,020 million for the first three quarters of the current fiscal year (15.3% decrease from the same period of the previous fiscal year). In the third quarter of the fiscal year under review, sales decreased compared with the same period of the previous fiscal year due to factors such as the disruption of cross-border M&A deals between domestic companies and overseas companies and delays in advancing due to constraints on physical movement abroad caused by the impact of the COVID-19.

<Revitalization Support Program>

The business results of the Revitalization Support Business for the first three quarters of the fiscal year under review were net sales of JPY730 million (up 114.0% from the same quarter of the previous fiscal year). In the third quarter of the fiscal year under review, net sales increased significantly compared with the same period of the previous fiscal year due to the continued strong number of referral projects from financial institutions from the previous fiscal year and the execution of multiple large-scale projects.

<Other Business>

The results of the Other Business for the third quarter of the current fiscal year were net sales of JPY42 million (a decrease of 51.0% from the same quarter of the previous fiscal year).

(2) Explanation of Financial Position

<Assets>

The Group's assets at the end of the third quarter of the current fiscal year were JPY3,012 million (compared with JPY3,269 million at the end of the previous fiscal year), a decrease of JPY256 million from the end of the previous fiscal year.

This was mainly due to an increase of JPY56 million in investment securities, a decrease of JPY181 million in notes and accounts receivable-trade, and a decrease of JPY151 million in cash and deposits.

<Liabilities>

The Group's balance of liabilities at the end of the third quarter of the current fiscal year was JPY915 million (compared to JPY1,083 million at the end of the previous fiscal year), a decrease of JPY168 million from the end of the previous fiscal year.

This was mainly due to increases of JPY49 million in other current liabilities and JPY34 million in accounts payable-other, and decreases of JPY148 million in income taxes payable and JPY124 million in provision for bonuses.

<Net assets>

The Group's net assets at the end of the third quarter of the current fiscal year were JPY2,097 million (compared with JPY2,185 million at the end of the previous fiscal year), a decrease of JPY88 million from the end of the previous fiscal year.

This was mainly due to the recording of profit attributable to owners of parent of JPY71 million for the third quarter of the current fiscal year and the disposal of treasury stock of JPY75 million as restricted stock compensation (a decrease of JPY54 million in treasury stock and an increase of JPY20 million in capital surplus), which increased. On the other hand, there was a decrease in retained earnings due to dividends of JPY131 million and the acquisition of treasury stock of JPY111 million.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

There is no change in the full-year consolidated earnings forecast from the consolidated earnings forecast announced on February 13, 2020.

The Financial Advisory Business posted a challenging performance in the third quarter, continuing from the second quarter, due to factors such as the disruption of cross-border M&A deals between domestic companies and overseas companies and delays in advancing due to constraints on physical migration abroad caused by the impact of the COVID-19. In addition, we achieved our initial target of having 200 employees at the end of the fiscal year, significantly exceeding the target of having 223 employees at the end of September ahead of schedule. In the third quarter, we were able to invest in more than planned personnel, despite the heavy burden of personnel expenses and recruitment expenses recorded ahead of schedule. We will continue to actively invest in this area, with the expectation that it will serve as a foundation for growth from the next fiscal year onward.

In the fourth quarter, we anticipate continued strong performance due to continued strong demand in the management consulting business and the revitalization support business, as well as the effects of personnel expansion. In the financial advisory business, we anticipate multiple M&A deals, for which progress had been delayed since the second and third quarters. As in FY2019, we expect contract conclusions to be concentrated in the fourth quarter.

Furthermore, in the Financial Advisory Business, the number of consultations on carve-out projects (selling companies' non-core businesses and non-core subsidiaries to other companies) is currently increasing, and the number of projects that are expected to be concluded in the next fiscal year is increasing.

With regard to the status of the COVID-19, we assume that the current status will continue at least within the fiscal year. After factoring in the impact of these conditions, we believe that our earnings forecasts will be broadly in line with the consolidated earnings forecasts announced on February 13, 2020 due to the foregoing expectations. In the event that it becomes necessary to revise the earnings forecast in the future, the Company plans to promptly disclose the information.

With the relocation of the head office in the previous fiscal year, we have enhanced the IT environment and security, thereby creating an environment in which operations can be fully executed in remote work. The balance between business execution and remote work in our offices is adjusted while closely monitoring the spread of the COVID-19. In any event, the impact on our business execution system is minimal even when there are restrictions on going out.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of Dec 31, 2019)	End of current consolidated third quarter (As of Sep 30, 2020)
Assets		
Current assets		
Cash and deposits	1,733,235	1,581,813
Notes and accounts receivable	695,233	513,766
Operational investment securities	56,394	55,437
Others	113,966	150,976
Allowance for doubtful accounts	△13,651	△11,385
Total current assets	2,585,177	2,290,608
Fixed assets		
Property, plant and equipment		
Buildings, net	218,677	200,525
Tools, furniture, and fixtures, net	28,326	21,751
Total property, plant and equipment	247,003	222,277
Intangible assets		
Software	14,640	11,596
Others	102	102
Total intangible assets	14,742	11,698
Investments and other assets		
Investment securities	-	56,800
Stocks of subsidiaries and affiliates	29,871	35,787
Lease deposits	211,086	211,113
Deferred tax assets	174,910	137,486
Others	6,318	46,629
Total investments and other assets	422,187	487,817
Total noncurrent assets	683,933	721,792
Total assets	3,269,111	3,012,400

(Thousands of yen)

	Previous fiscal year (As of Dec. 31, 2019)	End of current consolidated third quarter (As of Sep 30, 2020)
Liabilities		
Current liabilities		
Accounts payable	18,631	48,966
Accounts payable-other	92,783	127,036
Income taxes payable	158,336	9,550
Provision for bonuses	511,547	387,300
Provision for directors' bonuses	25,098	15,056
Others	195,120	245,099
Total current liabilities	1,001,516	833,009
Long-term liabilities		
Asset retirement obligations	82,253	82,256
Total noncurrent liabilities	82,253	82,256
Total liabilities	1,083,769	915,266
Net assets		
Shareholders' equity		
Paid-in Capital	158,137	161,953
Capital surplus	808,967	833,644
Retained earnings	1,206,655	1,146,905
Treasury stock	△613	△57,932
Total shareholders' equity	2,173,146	2,084,570
Other accumulated comprehensive income		
Foreign currency translation adjustment	12,194	12,563
Total other accumulated comprehensive income	12,194	12,563
Total net assets	2,185,341	2,097,134
Total liabilities and net assets	3,269,111	3,012,400

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
(Third Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Accumulated period for previous consolidated third quarter (Jan 1, 2019 to Sep 30, 2019)	Accumulated period for current consolidated third quarter (Jan 1, 2020 to Sep 30, 2020)
Net sales	3,145,889	3,495,604
Cost of sales	1,310,236	1,466,300
Gross profit	1,835,652	2,029,303
Selling, general and administrative expenses	1,702,059	1,912,777
Operating income	133,592	116,526
Non-operating income		
Interest income	43	57
Equity in earnings of affiliates	8,281	5,915
Insurance dividend income	1,158	968
Income from insurance claim	7,727	72
Reversal of allowance for doubtful accounts	3,678	2,266
Others	2,004	3,677
Total non-operating income	22,893	12,958
Non-operating expenses		
Interest expenses	727	667
Market change costs	-	17,376
Expenses for information security	7,010	-
Foreign exchange losses	4,859	1,361
Others	-	256
Total non-operating expenses	12,597	19,661
Ordinary income	143,889	109,823
Extraordinary losses		
Expenses for relocation of head office	43,169	-
Total extraordinary loss	43,169	-
Current net income for the quarter before income taxes and minority interests	100,719	109,823
Income taxes	1,048	1,006
Income taxes-deferred	63,357	37,423
Total income taxes	64,405	38,430
Net profit	36,314	71,393
Net profit attributable to owners of parent	36,314	71,393

Quarterly Consolidated Statements of Comprehensive Income
(Third Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Accumulated period for previous consolidated third quarter (Jan 1, 2019 to Sep 30, 2019)	Accumulated period for current consolidated third quarter (Jan 1, 2020 to Sep 30, 2020)
Net profit	36,314	71,393
Other comprehensive income		
Foreign currency translation adjustment	2,499	368
Total other comprehensive income	2,499	368
Quarterly comprehensive income	38,813	71,761
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	38,813	71,761
Quarterly comprehensive income attributable to non- controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Accounting Estimate of the Impact of the COVID-19)

With respect to the status of the COVID-19, the Company makes accounting estimates, such as the recoverability of deferred tax assets, based on currently available information, assuming that current conditions will continue at least within the fiscal year.

As a consequence, we are not aware of any material impact on the valuation of our accounting estimates; however, due to the highly uncertain impact of the spread of the COVID-19, our financial condition and results of operations may be impacted depending on the future.

(Segment information, etc.)

[Segment Information]

I. Previous Third Quarter Consolidated Cumulative Period (from January 1, 2019 to September 30, 2019)

Disclosure is omitted because the business segments of the Group are a single segment.

II Current Third Quarter Consolidated Cumulative Period (From January 1, 2020 to September 30, 2020)

Disclosure is omitted because the business segments of the Group are a single segment.

(Significant Subsequent Events)

(Stock Splits and Partial Amendment to the Articles of Incorporation)

Company resolved at the meeting of the Board of Directors held on November 12, 2020, the stock split and partial amendment to the articles of incorporation.

1. Purpose of the stock split

Company aims to reduce the investment unit price for the Company's stock, increase the liquidity of the stocks, and expand our investor base by implementing the stock split.

2. Outline of stock split

(1) Method

On Thursday, December 31, 2020 as a record date (a holiday for the shareholder registry administrator, effectively on Wednesday, December 30, 2020), the Company will split the shares owned by shareholders recorded in the final shareholder registry two-for-one.

(2) Increase in number of shares due to stock split

Number of shares issued before the stock split:	5,756,880 shares
Increased number of shares upon the split:	5,756,880 shares
Total number of shares issued after the stock split:	11,513,760 shares
Total number of shares issuable after the stock split:	45,648,000 shares

(NOTE) Total number of issued shares described above may increase by the record date of the stock split upon the exercise of stock acquisition rights.

(3) Schedule of the split

Announcement of record date	December 14, 2020
Record date	December 31, 2020
Effective Date	January 1, 2021

(4) Effect on per share information

Per share data assuming the stock split had taken place at the beginning of the previous fiscal year is as follows:

	Accumulated period for previous consolidated third quarter (Jan 1, 2019 to Sep 30, 2019)	Accumulated period for current consolidated third quarter (Jan 1, 2020 to Sep 30, 2020)
Quarterly net income per share	JPY3.18	JPY6.27
Fully diluted Quarterly net income per share	JPY3.10	JPY6.12

3. Partial Amendment to Articles of Incorporation upon Stock Split

(1) Reason for amendment of the articles of incorporation

In accordance with this stock split, the Company will amend as of January 1, 2021, the total number of shares issuable set by Article 5 in the Articles of Incorporation of the Company by a resolution of the Board of Directors pursuant to the Article 184.2 of the Companies Act of Japan.

(2) Amendments to the Articles of Incorporation

Details of the changes are as follows.

(Underlined area indicates change)

Current Articles of Incorporation	Amended articles of incorporation
(Total Number of Shares Issuable) Article 5 The total number of shares issuable of the Company shall be <u>22,824,000 shares</u> .	(Total Number of Shares Issuable) Article 5 The total number of shares issuable of the Company shall be <u>45,648,000 shares</u> .

(3) Schedule of Amendment to Articles of Incorporation

Effective Date January 1, 2021

4. Others

(1) Change in the Amount of Stated Capital

There is no change in the amount of capital stock at this stock split.

(2) Adjustment of exercise price of stock acquisition rights

In accordance with this stock split, the exercise price per share of the stock acquisition rights to be exercised on or after January 1, 2021 shall be adjusted:

	Date of resolution of the Board of Directors	Exercise price before the adjustment	Exercise price after the adjustment
Stock acquisition right	May 15, 2018	JPY150	JPY75