



Consolidated Financial Results for the 1Q of the Fiscal Year Ending December 2022

[Japanese GAAP]

May 13, 2022

Listed company name Frontier Management Inc. Listed Tokyo Stock Exchange
 Code number 7038 URL <https://www.frontier-mgmt.com/>
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 Executive Officer, Head of
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 Administration Department
 Scheduled date to file Quarterly Securities Report May 13, 2022 Scheduled date of commencement of dividend - payment
 Preparation of supplementary material on quarterly financial results: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Millions of yen are rounded down)

1. Quarterly consolidated results for FY2022 1Q (January 1, 2022-March 31, 2022)

(1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	JPY Mil.	%	JPY Mil.	%	JPY Mil.	%	JPY Mil.	%
FY2022 1Q	2,224	67.4	408	335.8	416	318.8	236	246.1
FY2021 1Q	1,329	9.4	93	△30.7	99	△34.0	68	△31.9

(NOTE) Comprehensive income FY2022 1Q 241 JPY Mil. (259.6%) FY2021 1Q 67 JPY Mil. (△33.8%)

	Net income per share	Fully diluted net income per share
	JPY	JPY
FY2022 1Q	20.77	20.46
FY2021 1Q	5.96	5.87

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	JPY Mil.	JPY Mil.	%
FY2022 1Q	4,876	2,692	52.1
End of FY2021	3,819	2,454	63.0

Reference: Shareholders' equity FY2022 1Q 2,542 JPY Mil. End of FY2021 2,407 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
FY2021	-	0.00	-	10.00	10.00
FY2022	-				
FY12/2022 (forecast)		0.00	-	-	-

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

We plan to pay a dividend for the year ended December 31, 2022, but we have not yet decided on the expected amount of dividends.

3.Forecasts for FY2022 (January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	JPY Mil.	%	JPY Mil.	%	JPY Mil.	%	JPY Mil.	%	JPY
Full year	7,000	21.9	800	59.6	800	55.5	500	47.6	43.88

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

※ Due to the large fluctuations in performance during the fiscal year depending on the timing of sales of incentive fees in the Financial Advisory Business, our group has made it difficult to calculate the consolidated performance forecast figures for the second quarter (cumulative) and manages the performance for the year. Therefore, we only announce the results forecast for the full fiscal year.

※ Notes

(1) Changes in significant subsidiaries during the quarter under review (changes in specified subsidiaries accompanied by changes in the scope of consolidation): Yes

Newly consolidated: 1 company (company name) Celebration Corporation

(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.: Yes
- 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)
- ② Number of treasury stock at the end of the period
- ③ Average number of shares during the period (quarterly consolidated cumulative period)

FY2022 1Q	11,428,378 Shares	FY2021	11,418,398 Shares
FY2022 1Q	25,819 Shares	FY2021	25,819 Shares
FY2022 1Q	11,395,620 Shares	FY2021 1Q	11,469,799 Shares

※ 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 Quarterly Financial Results, (3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Information" 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. Overview of Quarterly Financial Results

(1) Operating Results

During the 1Q of the current fiscal year (from January 1, 2022 to March 31, 2022), Japanese economy remained in a severe situation due to the impact of the spread of the infectious diseases of the new Corona Virus (Omicron strain). The outlook is uncertain, as the spread of infectious diseases is expected to converge due to the application of priority measures such as prevention of epidemics and promotion of vaccination, and economic activities are expected to normalize. In this situation, the downside risk of the economy is expanding due to the beginning of Russia's invasion of Ukraine and the implementation of economic sanctions by each country against Russia.

Under such a company environment, our group continued to focus on proposals and execution to resolve corporate issues on a one-stop basis by providing comprehensive services utilizing management consulting, financial advisory, revitalization support, and other functions.

As a result of the above, our Group's financial results for the first quarter of the fiscal year under review were favorable in the Management Consulting Business and the Financial Advisory Business, and net sales were JPY2,224,878K (up 67.4% from the same quarter of the previous fiscal year). In terms of profits, operating income was JPY408,404K (up 335.8%), ordinary income was JPY416,064K (up 318.8%), and profit attributable to owners of parent was JPY236,713K (up 246.1%).

Operating results by business are as follows.

< Management Consulting Business >

The business results of the Management Consulting Business for the first quarter of the current fiscal year were net sales of JPY1,136,693K (up 80.3%). In the first quarter of the current fiscal year, in addition to the effects of increased personnel through active recruitment, the enhancement and expansion of consulting services, including those related to SR/IR, DX, and personnel affairs, contributed to a significant increase in sales compared with the same quarter of the previous fiscal year.

< Financial Advisory Business >

The financial advisory business posted net sales of JPY958,450K for the first quarter of the current fiscal year (up 103.2%). In the first quarter of the fiscal year under review, several large-scale projects were completed, resulting in a significant increase in sales compared with the same quarter of the previous fiscal year.

< Revitalization Support Business >

The business results of the Revitalization Support Business for the first quarter of the current fiscal year were net sales of JPY88,682K (down 58.1%). Due to the continuation of emergency loans to companies by financial institutions, the need for revitalization support continued to not expand, and net sales decreased compared with the same quarter of the previous year.

< Other Business >

For the first quarter of the fiscal year under review, the other business recorded sales of JPY41,052K (up 173.9%).

(2) Financial Position

<Assets>

The Group's assets at the end of the first quarter of the current fiscal year were JPY4,876,198K (compared with JPY3,819,274K at the end of the previous fiscal year), an increase of JPY1,056,923K from the end of the previous fiscal year.

This was mainly due to an increase of JPY682,521K in cash and deposits and JPY297,432K in goodwill.

<Liabilities>

The Group's balance of liabilities at the end of the first quarter of the current fiscal year was JPY2,183,541K (compared with JPY1,365,207K at the end of the previous fiscal year), an increase of JPY818,333K from the end of the previous fiscal year.

This was mainly due to an increase of JPY500,000K in short-term loans payable, JPY357,557K in long-term loans payable, JPY98,738K in provision for directors' bonuses, and JPY283,567K in other current liabilities due to an increase in deposits received and accrued consumption taxes, and a decrease of JPY283,582K in provision for bonuses and JPY174,490K in income taxes payable.

<Net assets>

The Group's net assets at the end of the first quarter of the current fiscal year were JPY2,692,656K (compared with JPY2,454,066K at the end of the previous fiscal year), an increase of JPY238,589K from the end of the previous fiscal year.

This was mainly due to the recording of profit attributable to owners of parent of JPY236,713K, the recording of stock subscription rights of JPY48,739K, and the recording of non-controlling interests of JPY42,064K in the first quarter of the current fiscal year, which increased, but decreased due to the payment of dividends of JPY113,925K from retained earnings.

(3)Future Outlook

There is no change in the full-year consolidated earnings forecast from the consolidated earnings forecast announced on February 10, 2022.

2. Quarterly Consolidated Financial Statements

(1) Balance Sheets

(Thousands of yen)

	The previous fiscal year (As of December 31, 2021)	The 1Q of current fiscal year (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	1,784,218	2,466,740
Notes and accounts receivable	1,073,376	-
Notes, accounts receivable and contract assets	-	1,227,370
Operational investment securities	9,837	23,256
Other	147,710	170,937
Allowance for doubtful accounts	△16,936	△26,536
Total current assets	2,998,206	3,861,768
Fixed assets		
Tangible assets		
Buildings, net	193,854	186,846
Tools, furniture and fixtures, net	14,473	13,359
Net property, plant and equipment	208,328	200,205
Intangible fixed assets		
Software	11,267	10,212
Goodwill	-	297,432
Other	102	102
Total intangible assets	11,369	307,747
Investments and other assets		
Investment securities	56,800	57,096
Investments in affiliates	43,633	45,459
Lease deposits	212,055	214,901
Deferred tax assets	277,356	183,383
Other	11,524	5,636
Total investments and other assets	601,370	506,476
Total fixed assets	821,068	1,014,430
Total assets	3,819,274	4,876,198

(Thousands of yen)

	The previous fiscal year (As of December 31, 2021)	The 1Q of current fiscal year (As of March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable	45,424	58,668
Short-term borrowings	-	500,000
Current portion of long-term debt	-	40,292
Accounts payable	94,699	118,726
Income taxes payable	259,633	85,142
Accrued bonuses	553,014	269,431
Provision for directors' bonuses	-	98,738
Provision for shareholder benefit program	7,079	4,175
Other	323,095	606,662
Total current liabilities	1,282,944	1,781,836
Fixed liabilities		
Long-term debt	-	317,265
Asset retirement obligations	82,262	84,440
Total long-term liability	82,262	401,705
Total liabilities	1,365,207	2,183,541
Net assets		
Shareholders' equity		
Paid-in Capital	178,723	180,600
Capital surplus	558,745	569,687
Retained earnings	1,696,822	1,819,610
Treasury stock	△36,575	△36,575
Total shareholders' equity	2,397,717	2,533,323
Other accumulated comprehensive income		
Foreign currency translation adjustments	9,380	9,216
Total accumulated other comprehensive income	9,380	9,216
Stock subscription rights	-	48,739
Stock acquisition right	46,969	59,312
Non-controlling shareholders' equity	-	42,064
Total net assets	2,454,066	2,692,656
Total liabilities and net assets	3,819,274	4,876,198

(2) Statements of Income and Comprehensive Income
(Statements of Income)
(1Q Cumulative Period)

(Thousands of yen)

	1Q of previous fiscal year (1 January 2021 to March 31, 2021)	1Q of current fiscal year (January 1, 2022 to March 31, 2022)
Net sales	1,329,051	2,224,878
Cost of sales	492,256	797,962
Gross income	836,795	1,426,916
Selling, general and administrative expenses	743,087	1,018,511
Operating income	93,707	408,404
Non-operating income		
Interest income	31	40
Equity in earnings of affiliates	2,087	1,825
Insurance dividend income	1,125	1,802
Reversal of allowance for doubtful accounts	565	-
Foreign exchange gains	3,382	3,935
Other	661	809
Total non-operating income	7,854	8,413
Non-operating expenses		
Interest expense	6	695
Charges for stock compensation	1,963	-
Other	256	58
Total non-operating expenses	2,226	753
Ordinary income	99,335	416,064
Current net income for the quarter before income taxes and minority interests	99,335	416,064
Income taxes	393	69,339
Income taxes-deferred	30,548	105,446
Total income taxes	30,942	174,786
Diluted net income	68,392	241,277
Quarterly net income attributable to non-controlling shareholders	-	4,564
Quarterly income attributable to owners of parent	68,392	236,713

(Statements of Comprehensive Income)
(1Q Cumulative Period)

(Thousands of yen)

	1Q of previous fiscal year (1 January 2021 to March 31, 2021)	1Q of current fiscal year (January 1, 2022 to March 31, 2022)
Net income	68,392	241,277
Other comprehensive income		
Foreign currency translation adjustments	△1,340	△163
Total other comprehensive income	△1,340	△163
Quarterly comprehensive income	67,052	241,114
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	67,052	236,549
Quarterly comprehensive income attributable to non-controlling shareholders	-	4,564

(3)Notes to Quarter Consolidated Financial Statements

(Going Concern)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") from the beginning of the first quarter of the current fiscal year and recognized revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

With regard to the application of the revenue recognition accounting standards, etc., in accordance with the transitional treatment stipulated in the provisions of Article 84 of the Revenue Recognition Accounting Standard, the cumulative effect of retrospectively applying a new accounting policy prior to the beginning of the first quarter of the current fiscal year is to be added or deducted from retained earnings at the beginning of the first quarter of the current fiscal year and a new accounting policy is to be applied from the beginning of the current fiscal year. However, there is no cumulative effect to be added or deducted from retained earnings at the beginning of the first quarter of the current fiscal year.

There is also no impact on the Company's profit and loss for the first quarter of the current fiscal year.

Due to the adoption of revenue recognition accounting standards, the "Notes and accounts receivable-trade," which was presented in "Current assets" in the consolidated balance sheets for the previous fiscal year, is now included in "Notes and accounts receivable-trade and contract assets" from the first quarter of the fiscal year under review. In accordance with the transitional treatment set forth in paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassifications have been made to the prior period under the new presentation method.

(Application of Accounting Standard for Calculation of Fair Value)

The Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Calculation of Fair Value") and other standards were applied from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Calculation of Fair Value and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Calculation of Fair Value will be applied in the future. There is no impact on the quarterly consolidated financial statements for the first quarter of the current fiscal year.

(Additional Information)

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

There have been no material changes in the assumptions described in (additional information) in the previous fiscal year's financial statements in the accounting estimates related to the impact of the spread of the new Corona Virus Infectious Disease (COVID-19).

(Segment Information)

I Previous 1st Quarter (From January 1, 2021 to March 31, 2021)

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

II 1st Quarter Under Review (From January 1, 2022 to March 31, 2022)

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

(Significant Subsequent Events)

(Establishment of a Subsidiary)

At a meeting of the Board of Directors held on February 10, 2022, we resolved to establish a subsidiary upon commencement of a new business and established it on April 1, 2022.

(1) Purpose of Incorporation

Over the past few years, the global society has undergone major changes. Japanese companies are also required to reform their business models, such as responding to environmental issues such as carbon neutrality, responding to productivity improvements such as digitization, responding to the revitalization of local economies, which are facing issues such as the declining birthrate and aging population and business succession issues, and responding to the aftersales covid-19.

We have decided to establish an investment company that will enable us to make medium-to long-term investments involving the dispatch of management personnel in order to resolve such important corporate issues and solve social issues.

The newly established investment subsidiary does not invest for the purpose of short-term return on investment, but rather directly invests funds raised in common stock or class shares from financial institutions and operating companies with the aim of enhancing corporate value over the long term. This will enable the company to grow by reforming the business model of the investee company and reorganizing the industry over the medium to long term.

In addition to the Investment Company, in principle, the Investment Company's portfolio companies are also assumed to be subject to our consolidated accounting. Accordingly, we anticipate that the size of our group will be much larger than it is now, and we believe that accelerating the scale expansion of our group while significantly strengthening our investment business will also contribute to enhancing our shareholder value.

(2) Overview of Subsidiaries

①	Name	Frontier Capital Inc.	
②	Address	2-1, Roppongi 3-chome, Minato-ku, Tokyo	
③	Job Title/Name of Representative	Representative Director, Co-President Shoichiro Onishi Representative Director, Co-President Masahiro Matsuoka Representative Director, Senior Managing Director Yasuo Horikoshi	
④	Description of Businesses	Investment business involving the dispatch of management personnel	
⑤	Paid-in Capital	500 million yen (Note 1) We will invest a total of 1 billion yen, with 500 million yen as common stock and 500 million yen as additional paid-in capital. (Note 2) We plan to raise funds totaling 20 billion yen from financial institutions, operating companies, etc. that have agreed with the purpose of establishing a new subsidiary, but the amount to be included in shareholders' equity has not been determined.	
⑥	Date of Incorporation	April 1, 2022	
⑦	Fiscal year end	December 31	
⑧	Major shareholders and percentage of shares	Frontier Management Inc. 100% (NOTE) We plan to issue common stock or class shares to financial institutions and operating companies that have agreed with the purpose of establishing a new subsidiary, but we hold a majority of the voting rights.	
⑨	Listed companies and the companies concerned Relationship with	Capital relationship	It is our subsidiary.
		Personnel relationship	Shoichiro Onishi and Masahiro Matsuoka, our Representative Directors, will also serve as Representative Directors of the relevant companies.
		Business relationship	There is no business relationship with us because we have not commenced operations.