



Consolidated Financial Results for the 2 Q of the Fiscal Year Ending December 2022 [Japanese GAAP]

August 12, 2022

Listed company name Frontier Management Inc. Listed Exchange Tokyo
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 Scheduled date to file Quarterly Securities Report August 12, 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 2Q (January 1, 2022-June 30, 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 2Q	3,972	53.8	543	632.6	556	581.7	277	444.4
FY2021 2Q	2,582	12.0	74	△37.6	81	△35.3	51	△37.6

(NOTE) Comprehensive income FY2022 2Q 283 JPY mil. (475.7%) FY2021 2Q 49 JPY mil. (△40.4%)

	Net income per share	Fully diluted Net income per share
	JPY	JPY
FY2022 2Q	24.32	23.89
FY2021 2Q	4.46	4.40

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	JPY mil.	JPY mil.	%
FY2022 2Q	5,436	2,734	48.5
End of FY2021	3,819	2,454	63.0

Reference: Shareholders' equity FY2022 2Q 2,638 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
	JPY	JPY	JPY	JPY	JPY
FY2021	-	0.00	-	10.00	10.00
FY2022	-	0.00			
FY2022 (Forecast)			-	-	-

(NOTE)1. Revisions to the most recently announced dividend forecasts: None

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

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

(Percentages indicate previous fiscal 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.	%	Yen
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

※ 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: 2 companies (company name: Celebrain Corporation and Frontier Capital Inc.)

(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)

FY2022 2Q	11,458,998 Shares	FY2021	11,418,398 Shares
FY2022 2Q	5,821 Shares	FY2021	25,819 Shares
FY2022 2Q	11,420,326 Shares	FY2021 2Q	11,418,641 Shares

② Number of treasury stock at the end of the period

③ Average number of shares during the period (quarterly consolidated cumulative period)

※ 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 2Q of the current fiscal year (from January 1, 2022 to June 30, 2022), Japanese economy saw some signs of economic recovery as action regulations were relaxed in line with the spread of the infectious diseases of the new Corona Virus. However, downside risks to the economy remain largely uncertain, such as resource supply constraints and soaring energy prices due to the prolonged situation in Russia and the Ukraine, the impact of the slowdown in growth due to China's zero corona policy, and rising prices due to the rapid depreciation of the yen.

Under this business environment, our Group will continue to focus on proposals and execution to resolve corporate issues on a one-stop basis by providing comprehensive services utilizing management consulting, M&A advisory, revitalization support, and other functions. At the same time, we will establish Frontier Capital Inc. on April 1, 2022, and commence an investment business involving the dispatch of management personnel as a new business.

As a result of the above, our Group's financial results for the second quarter of the current fiscal year were net sales of JPY3,972,843k (up 53.8% from the same quarter of the previous fiscal year), operating income of JPY543,416k (up 632.6%), ordinary income of JPY556,776k (up 581.7%), and profit attributable to owners of parent of JPY277,805k (up 444.4%).

Operating results by segment are as follows.

Our Group's business has been a single segment, but from the second quarter of the current fiscal year, we have changed to two segments: the Consulting Advisory Business and the Investment Business. As a result, no comparisons and analyses are made with the same quarter of the previous year except for net sales and operating income in the Consulting Advisory Business and net sales by business.

(Consulting & Advisory Business Segment)

In the Consulting & Advisory Business Segment, the results for the second quarter of the current fiscal year were as follows. The Management Consulting Business and the M&A Advisory Business remained strong. As a result, net sales were JPY3,972,843k (up 53.8%) and operating income was JPY567,600k (up 665.2%).

Operating results by business are as follows.

< Management Consulting Business >

In the management consulting business, net sales for the second quarter under review were JPY2,188,399k (up 61.2%). In the second quarter of the fiscal year under review, 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 period of the previous fiscal year.

<M&A advisory business>

The M&A advisory business posted net sales of JPY1,536,734k for the second quarter of the current fiscal year (up 90.5%). As a result of the conclusion of several large-scale projects in the consolidated cumulative second quarter under review, revenues increased significantly compared with the same period of the previous fiscal year.

< Revitalization Support Business >

In the Revitalization Support Business, net sales for the second quarter under review were JPY165,918k (down 56.2%). Due to the continuation of financial institutions' stance on lending support to companies, the need for revitalization support has not expanded, and net sales declined compared with the same quarter of the previous fiscal year.

< Other Business >

In other businesses, net sales for the second quarter under review were JPY81,792k (up 108.5%).

(Investment Business Segment)

The Investment Business Segment posted an operating loss of JPY24,183k for the second quarter of the current fiscal year, reflecting various expenses, including personnel expenses, associated with the start-up of this business.

(2) Financial Position

<Assets>

The Group's assets at the end of the second quarter of the current fiscal year were JPY5,436,027k (compared with JPY3,819,274k at the end of the previous fiscal year), an increase of JPY1,616,753k from the end of the previous fiscal year.

This was mainly due to increases of JPY1,761,010k in cash and deposits and JPY289,806k in goodwill, and decreases of JPY337,303k in notes and accounts receivable-trade and contract assets and JPY45,148k in deferred tax assets.

<Liabilities>

The Group's balance of liabilities at the end of the second quarter of the current fiscal year was JPY2,701,739k (compared with JPY1,365,207k at the end of the previous fiscal year), an increase of JPY1,336,531k from the end of the previous fiscal year.

This was mainly due to an increase of JPY847,486k in long-term debt (including current portion of long-term debt) and JPY500,000k in short-term debt.

<Net assets>

The balance of net assets of the Group at the end of the second quarter of the current fiscal year was JPY2,734,288k (compared to JPY2,454,066k at the end of the previous fiscal year), an increase of JPY280,221k from the end of the previous fiscal year.

This was mainly due to the recording of profit attributable to owners of parent of JPY277,805k in the second quarter of the current fiscal year.

<Cash Flows>

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased by JPY1,761,010k from the end of the previous fiscal year to JPY3,545,228k.

The status of each cash flow and its factors in the second quarter of the current fiscal year are as follows.

Cash flows from operating activities

Net cash provided by operating activities was JPY782,690k (net cash used of JPY318,645k in the same quarter of the previous fiscal year). This was mainly due to an increase of JPY503,270k in profit before income taxes, a decrease of JPY393,502k in notes and accounts receivable-trade, and a decrease of JPY83,636k in stock-based compensation expenses, and a decrease of JPY106,229k in provision for bonuses and JPY228,691k in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities was JPY246,860k (net cash used of JPY5,824k in the same quarter of the previous fiscal year). This was mainly due to purchase of shares of subsidiaries resulting in change in scope of consolidation amounting to JPY238,932k.

Cash flows from financing activities

Net cash provided by financing activities amounted to JPY1,215,363k (net cash provided by financing activities was JPY94,165k in the first quarter of the previous fiscal year). This was mainly due to a net increase in short-term loans payable of JPY500,000k, proceeds from long-term loans payable of JPY860,000k, and a decrease in dividends paid of JPY125,096k.

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

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 Dec 31, 2021)	The 2Q of current fiscal year (As of Jun 30, 2022)
Assets		
Current assets		
Cash and deposits	1,784,218	3,545,228
Notes and accounts receivable	1,073,376	-
Notes, accounts receivable and contract assets	-	736,072
Operational investment securities	9,837	23,866
Other	147,710	157,136
Allowance for doubtful accounts	△16,936	△23,010
Total current assets	2,998,206	4,439,294
Fixed assets		
Tangible assets		
Buildings, net	193,854	180,131
Tools, furniture and fixtures, net	14,473	12,271
Net property, plant and equipment	208,328	192,403
Intangible fixed assets		
Software	11,267	9,378
Goodwill	-	289,806
Other	102	102
Total intangible assets	11,369	299,286
Investments and other assets		
Investment securities	56,800	3,591
Investments in affiliates	43,633	49,036
Lease deposits	212,055	214,864
Deferred tax assets	277,356	232,207
Other	11,524	66
Total investments and other assets	601,370	499,766
Total fixed assets	821,068	991,456
Deferred assets		
Business commencement expense/	-	5,277
Total deferred assets	-	5,277
Total assets	3,819,274	5,436,027

(Thousands of yen)

	The Previous fiscal year (As of Dec 31, 2021)	The 2Q of current fiscal year (As of Jun 30, 2022)
Liabilities		
Current liabilities		
Accounts payable	45,424	71,989
Short-term borrowings	-	500,000
Current portion of long-term debt	-	139,578
Accounts payable	94,699	129,888
Income taxes payable	259,633	192,730
Accrued bonuses	553,014	446,784
Provision for directors' bonuses	-	68,891
Provision for shareholder benefit program	7,079	11,162
Other	323,095	351,045
Total current liabilities	1,282,944	1,912,071
Fixed liabilities		
Long-term debt	-	707,908
Asset retirement obligations	82,262	81,760
Total long-term liability	82,262	789,668
Total liabilities	1,365,207	2,701,739
Net assets		
Shareholders' equity		
Paid-in Capital	178,723	205,175
Capital surplus	558,745	571,181
Retained earnings	1,696,822	1,860,702
Treasury stock	△36,575	△8,246
Total shareholders' equity	2,397,717	2,628,812
Other accumulated comprehensive income		
Foreign currency translation adjustments	9,380	9,828
Total accumulated other comprehensive income	9,380	9,828
Stock subscription rights	-	33,185
Stock acquisition right	46,969	19,309
Non-controlling shareholders' equity	-	43,152
Total net assets	2,454,066	2,734,288
Total liabilities and net assets	3,819,274	5,436,027

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

(Thousands of yen)

	2Q of previous fiscal year (Jan 1, 2021 to Jun 30, 2021)	2Q of current fiscal year (Jan 1, 2022 to Jun 30, 2022)
Net sales	2,582,299	3,972,843
Cost of sales	1,016,441	1,539,398
Gross income	1,565,857	2,433,444
Selling, general and administrative expenses	1,491,683	1,890,028
Operating income	74,174	543,416
Non-operating income		
Interest income	60	79
Equity in earnings of affiliates	3,208	2,902
Insurance dividend income	1,125	1,802
Reversal of allowance for doubtful accounts	874	-
Foreign exchange gains	3,415	9,973
Other	1,647	1,490
Total non-operating income	10,330	16,248
Non-operating expenses		
Interest expense	613	2,780
Charges for stock compensation	1,963	-
Other	256	109
Total non-operating expenses	2,833	2,889
Ordinary income	81,671	556,776
Extraordinary losses		
Write-down of investment securities	-	53,505
Total extraordinary loss	-	53,505
Current net income for the quarter before income taxes and minority interests	81,671	503,270
Income taxes	853	163,190
Income taxes-deferred	29,793	56,622
Total income taxes	30,646	219,813
Net income	51,025	283,457
Quarterly net income attributable to non-controlling shareholders	-	5,652
Quarterly income attributable to owners of parent	51,025	277,805

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

(Thousands of yen)

	2Q of previous fiscal year (Jan 1, 2021 to Jun 30, 2021)	2Q of current fiscal year (Jan 1, 2022 to Jun 30, 2022)
Net income	51,025	283,457
Other comprehensive income		
Foreign currency translation adjustments	△1,710	447
Other total comprehensive income	△1,710	447
Quarterly comprehensive income	49,314	283,905
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	49,314	278,253
Quarterly comprehensive income attributable to non-controlling shareholders	-	5,652

(3) Statements of Cash Flows

(Thousands of yen)

	2Q of previous fiscal year (Jan 1, 2021 to Jun 30, 2021)	2Q of current fiscal year (Jan 1, 2022 to Jun 30, 2022)
Net cash provided by (used in) operating activities		
Current net income for the quarter before income taxes and minority interests	81,671	503,270
Depreciation and amortization	17,879	20,406
Amortization of goodwill	-	15,252
Share of profit (loss) of entities accounted for using equity method (Δ: profit)	Δ3,208	Δ2,902
Charges for stock compensation	37,518	83,636
Loss (gain) on revaluation of marketable securities (Δ: gain)	-	53,505
Increase (decrease) in accrued bonuses	Δ270,424	Δ106,229
Increase (decrease) in provision for directors' bonuses (Δ)	Δ1,000	68,891
Increase (decrease) in allowance for doubtful accounts (Δ)	Δ874	5,747
Increase (decrease) in provision for shareholder benefit program (Δ)	4,767	4,082
Interest income	Δ60	Δ79
Interest expense	613	2,780
Increase (Δ) in notes and accounts receivable-trade	264,704	393,502
Increase (Δ) in operational investment securities	159	Δ14,028
Increase (Δ) in notes and accounts payable-trade	Δ45,056	11,350
Increase (decrease) in accounts payable-other (Δ)	Δ62,237	28,189
Other	Δ138,437	Δ52,032
Sub total	Δ113,982	1,015,343
Interest received	60	79
Interest paid	Δ826	Δ4,040
Income taxes paid	Δ203,896	Δ228,691
Net cash provided by (used in) operating activities	Δ318,645	782,690
Net cash used in investing activities		
Purchases of property, plant and equipment	Δ4,977	-
Purchase of intangible assets	-	Δ230
Additional investments in newly consolidated entities	-	Δ238,932
Acquisition of shares of subsidiaries	-	Δ2,500
Payments for lease and guarantee deposits	Δ847	Δ860
Proceeds from collection of lease and guarantee deposits	-	940
Purchase of deferred assets	-	Δ5,277
Net cash used in investing activities	Δ5,824	Δ246,860
Net cash used in financing activities		
Net increase (Δ) in short-term borrowings	500,000	500,000
Proceeds from long-term debt	-	860,000
Repayments of long-term debt	-	Δ20,499
Purchase of treasury stock	Δ270,080	-
Dividends paid	Δ137,836	Δ113,996
Cash dividends paid to non-controlling shareholders	-	Δ11,100
Proceeds from exercise of stock options	2,082	958
Net cash used in financing activities	94,165	1,215,363
Effect of exchange rate changes on cash and cash equivalents	2,371	9,816
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	Δ227,933	1,761,010
Cash and cash equivalents at beginning of year	1,899,100	1,784,218
Period-end balance of cash and cash equivalents	1,671,167	3,545,228

(4) Notes to Quarterly 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, the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition is applied, and the cumulative effect of retrospective application of a new accounting policy prior to the beginning of the first quarter of the current fiscal year is to be added to 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 balance of the current fiscal year. However, there is no cumulative effect to be added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year.

There is also no impact on the consolidated financial statements for the second 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. In addition, in accordance with the transitional treatment stipulated in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), information broken down revenues from contracts with customers for the second quarter of the previous fiscal year is not presented.

(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.

(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).

(Method of Accounting for Deferred Assets)

Origination expenses are amortized on a straight-line basis over 5 years.

(Segment Information)

Previous 2nd Quarter (From January 1, 2021 to June 30, 2021)

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

Current Second Quarter (From January 1, 2022 to June 30, 2022)

1.Information on net sales and income (loss) by reportable segment and revenue decomposition information

(Thousands of yen)

	Reportable segments			Adjusted amount	Amount recorded in quarterly consolidated financial statements (Note)
	Consulting Advisory Business	Investment business	Total		
Net sales					
Revenue from contracts with customers	3,972,843	-	3,972,843	-	3,972,843
Other income	-	-	-	-	-
Sales to customers	3,972,843	-	3,972,843	-	3,972,843
Intersegment sales	-	-	-	-	-
Total	3,972,843	-	3,972,843	-	3,972,843
Segment profit (loss) (Δ)	567,600	Δ 24,183	543,416	-	543,416

(NOTE)"Segment income (loss)" is consistent with operating income in the quarterly consolidated statements of income.

2.Changes in reportable segments

The reportable segments of the Group were previously a single segment. However, from the second quarter of the fiscal year under review, the Company established Frontier Capital Inc.and added the "Investment Business" as a new reportable segment in conjunction with the launch of an investment business involving the dispatch of management personnel. This segment has been reclassified into two segments: "Consulting and Advisory Business" and "Investment Business."

Segment information for the second quarter of the previous fiscal year has been prepared using the reportable segment classification method for the second quarter of the fiscal year under review. Due to the addition of the "Investment Business" from the second quarter of the fiscal year under review, no disclosure has been made.

3.Information on assets by reportable segment

Due to the inclusion of Frontier Capital Inc. in the scope of consolidation, the amount of segment assets in the Investment Business for the second quarter of the current fiscal year increased by JPY1,005,733k from the end of the previous fiscal year.