



FY2023 Q2 Financial Results

August 10, 2023

Frontier Management Inc.

TSE Prime Market: 7038

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Section 1

FY2023 Q2 Financial Results



Summary: Consolidated Results for Frontier Management Group [Entire Group]

Entire Group

- In the second quarter of FY2023, net sales and operating income were 126% and 128% of the levels a year earlier respectively, both reaching second quarter record highs.
- The management consulting business continued to perform strongly, posting record second quarter net sales.
- As in the first quarter, the revitalization support business maintained record high sales, buoyed by strong demand from the end of FY2022.
- The M&A advisory business performed solidly, with net sales reaching 102% of the level a year earlier.
- The number of employees at the end of July 2023 was 366, a net increase of 31 from the end of FY2022. This represents progress of 55% toward achievement of the FY2023 personnel expansion plan of 56 employees.
- Frontier Capital Inc. (FCI) is currently in the process of sourcing investees and examining projects, aiming for the conclusion of contracts in the second half of 2023.

(JPY Mil.)						
	2022 / 2Q Results	2023 / 2Q Results	YoY change (amount)	YoY change (ratio)	FY2023 Forecasts (Feb. 10, 2023)	Rate of achievement of Forecast
Net sales	3,972	4,991	+1,018	126%	10,000	50%
Operating income	543	695	+152	128%	1,200	58%
(Operating income margin)	(14%)	(14%)	(+0%)	—	(12%)	—
Ordinary income	556	695	+138	125%	1,200	58%
(Ordinary income margin)	(14%)	(14%)	(△0%)	—	(12%)	—
Net income attributable to owners of parent	277	406	+128	146%	700	58%
(Net income margin attributable to owners of parent)	(7%)	(8%)	(+1%)	—	(7%)	—



Summary: Consolidated Results for Frontier Management Group [Excluding FCI]

Excluding FCI

Looking at consolidated financial results for the second quarter of FY2023 of Frontier Management Group excluding FCI, the operating income margin was 18%, up 4 percentage points from the same period a year earlier.

	2022 / 2Q Results	2023 / 2Q Results	YoY change (amount)	YoY change (ratio)	(JPY Mil.)	
					FY2023 Forecasts (Feb. 10, 2023)	Rate of achievement of Forecast
Net sales	3,982	4,973	+991	125%	9,650	52%
Operating income	561	888	+327	158%	1,500	59%
(Operating income margin)	(14%)	(18%)	(+4%)	—	(16%)	—
Ordinary income	573	900	+327	157%	1,500	60%
(Ordinary income margin)	(14%)	(18%)	(+4%)	—	(16%)	—
Net income attributable to owners of parent	316	612	+295	193%	1,000	61%
(Net income margin attributable to owners of parent)	(8%)	(12%)	(+4%)	—	(10%)	—

Net Sales by Business [Entire Group]

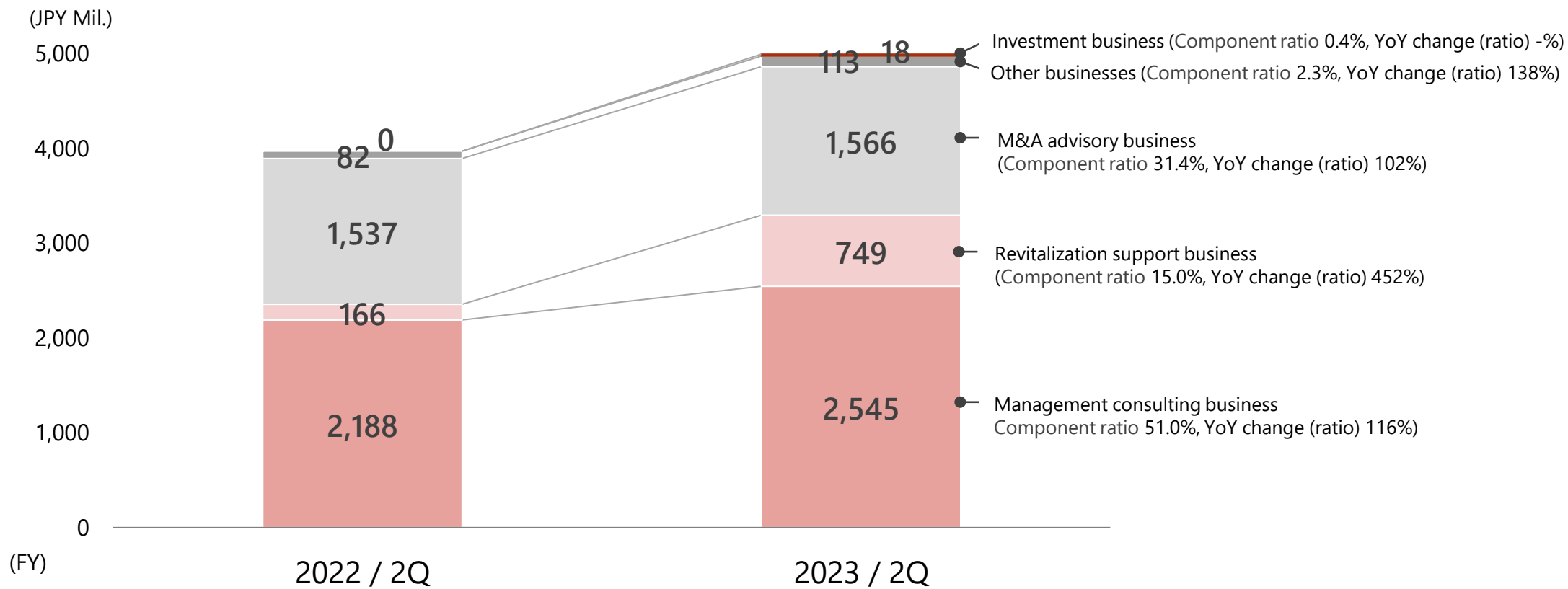
Entire Group

Management consulting business: The management consulting business maintained a strong performance. Net sales reached 116% of the level a year earlier.

Revitalization support business: Net sales in the revitalization support business grew to 452% of the level a year earlier due to strong demand from the end of FY2022.

M&A advisory business: The M&A advisory business maintained the high level of performance seen last year, with net sales reaching 102% of the level a year earlier.

Investment business: The investment business is still in the process of examining investment and therefore accounts for no more than 0.4% of total sales.



(JPY Mil.)

Legend:

- Other businesses
- M&A advisory business
- Revitalization support business
- Management consulting business

FY	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q				
2015	361	385	374	400	443	349	303	325	373	447	480	509	574	470	451	449	543	440	529	504	485	567	649	715	631	727	896	1,026	1,137	1,051	1,173	994	1,293	1,252
2016	102	126	73	121	53	64	52	30	41	100	61	49	40	65	98	65	99	104	138	226	298	203	230	214	212	167	153	89	579	129	307	379	663	
2017	299	554	347	392	254	612	371	314	359	374	403	534	358	914	435	629	513	277	416	859	403	315	302	757	472	335	659	958	576	680	903	2,323		
2018	824	1,100	811	933	822	1,057	752	706	819	953	983	1,126	993	1,502	1,035	1,160	1,174	858	1,114	1,625	1,214	1,092	1,190	1,697	1,329	1,253	1,849	2,225	1,747	1,916	2,027	2,651		
2019	824	1,100	811	933	822	1,057	752	706	819	953	983	1,126	993	1,502	1,035	1,160	1,174	858	1,114	1,625	1,214	1,092	1,190	1,697	1,329	1,253	1,849	2,225	1,747	1,916	2,027	2,651		
2020	824	1,100	811	933	822	1,057	752	706	819	953	983	1,126	993	1,502	1,035	1,160	1,174	858	1,114	1,625	1,214	1,092	1,190	1,697	1,329	1,253	1,849	2,225	1,747	1,916	2,027	2,651		
2021	824	1,100	811	933	822	1,057	752	706	819	953	983	1,126	993	1,502	1,035	1,160	1,174	858	1,114	1,625	1,214	1,092	1,190	1,697	1,329	1,253	1,849	2,225	1,747	1,916	2,027	2,651		
2022	824	1,100	811	933	822	1,057	752	706	819	953	983	1,126	993	1,502	1,035	1,160	1,174	858	1,114	1,625	1,214	1,092	1,190	1,697	1,329	1,253	1,849	2,225	1,747	1,916	2,027	2,651		
2023	824	1,100	811	933	822	1,057	752	706	819	953	983	1,126	993	1,502	1,035	1,160	1,174	858	1,114	1,625	1,214	1,092	1,190	1,697	1,329	1,253	1,849	2,225	1,747	1,916	2,027	2,651		

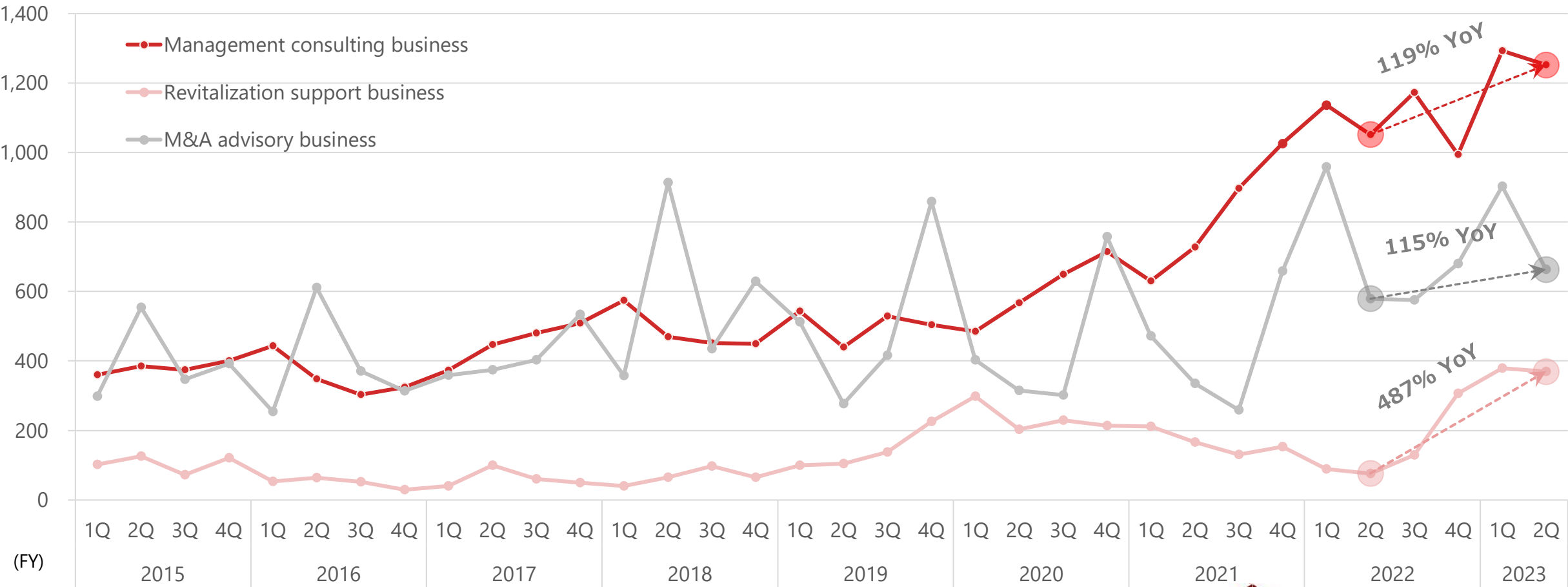
(FY)

Quarterly Net Sales Trends by Business [Excluding FCI] (2/2)

Excluding FCI

The management consulting business maintained a strong performance and achieved second quarter record high sales.
The M&A advisory business performed solidly, with net sales reaching 115% of the level a year earlier.
As in the first quarter, the revitalization support business maintained record high sales, with net sales growing to 487% of the level a year earlier due to strong demand from the end of FY2022.

(JPY Mil.)



Overview of Consolidated Statements of Income [Entire Group]

Entire Group

Net sales, operating income, EBITDA, ordinary income, and net income attributable to owners of parent all reached record second quarter highs.

	(JPY Mil.)			
	2022 / 2Q Results	2023 / 2Q Results	YoY change (amount)	YoY change (ratio)
Net sales	3,972	4,991	+1,018	126%
Operating expenses	3,429	4,295	+866	125%
Outsourcing	204	500	+296	245%
Personnel	2,436	2,776	+340	114%
Recruiting	214	181	△33	85%
Others	575	837	+263	146%
Operating income	543	695	+152	128%
Ordinary income	556	695	+138	125%
Net income before tax	503	695	+192	138%
Net income attributable to owners of parent	277	406	+128	146%
Depreciation and amortization	20	32	+13	161%
EBITDA	563	728	+164	129%



Overview of Consolidated Statements of Income [Excluding FCI]

Excluding FCI

	(JPY Mil.)			
	2022 / 2Q Results	2023 / 2Q Results	YoY change (amount)	YoY change (ratio)
Net sales	3,982	4,973	+991	125%
Operating expenses	3,421	4,085	+664	119%
Outsourcing	204	521	+317	256%
Personnel	2,415	2,641	+225	109%
Recruiting	214	174	△39	82%
Others	587	747	+160	127%
Operating income	561	888	+327	158%
Ordinary income	573	900	+327	157%
Net income before tax	535	900	+365	168%
Net income attributable to owners of parent	316	612	+295	193%
Depreciation and amortization	20	32	+12	161%
EBITDA	581	921	+340	158%



Overview of Consolidated Balance Sheets [Entire Group]

Entire Group

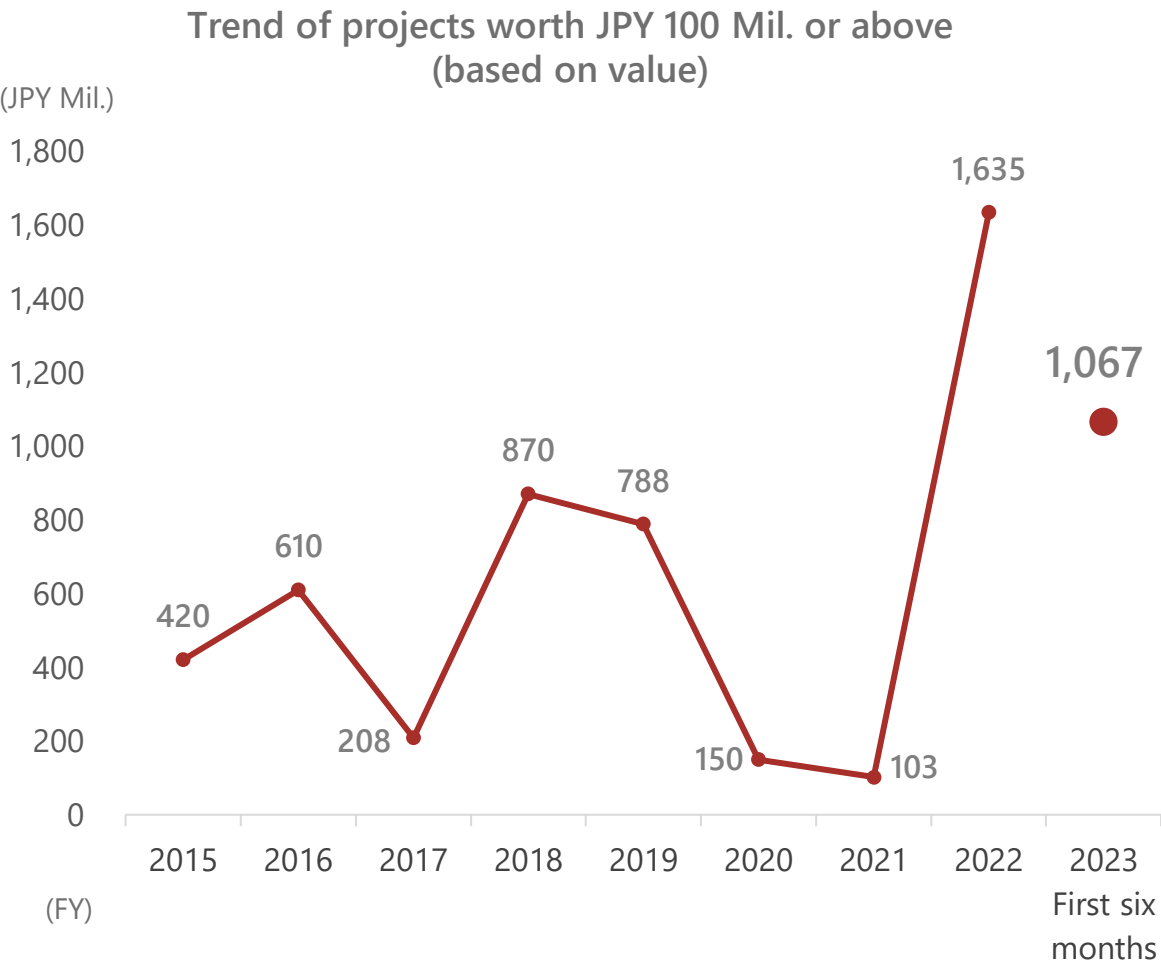
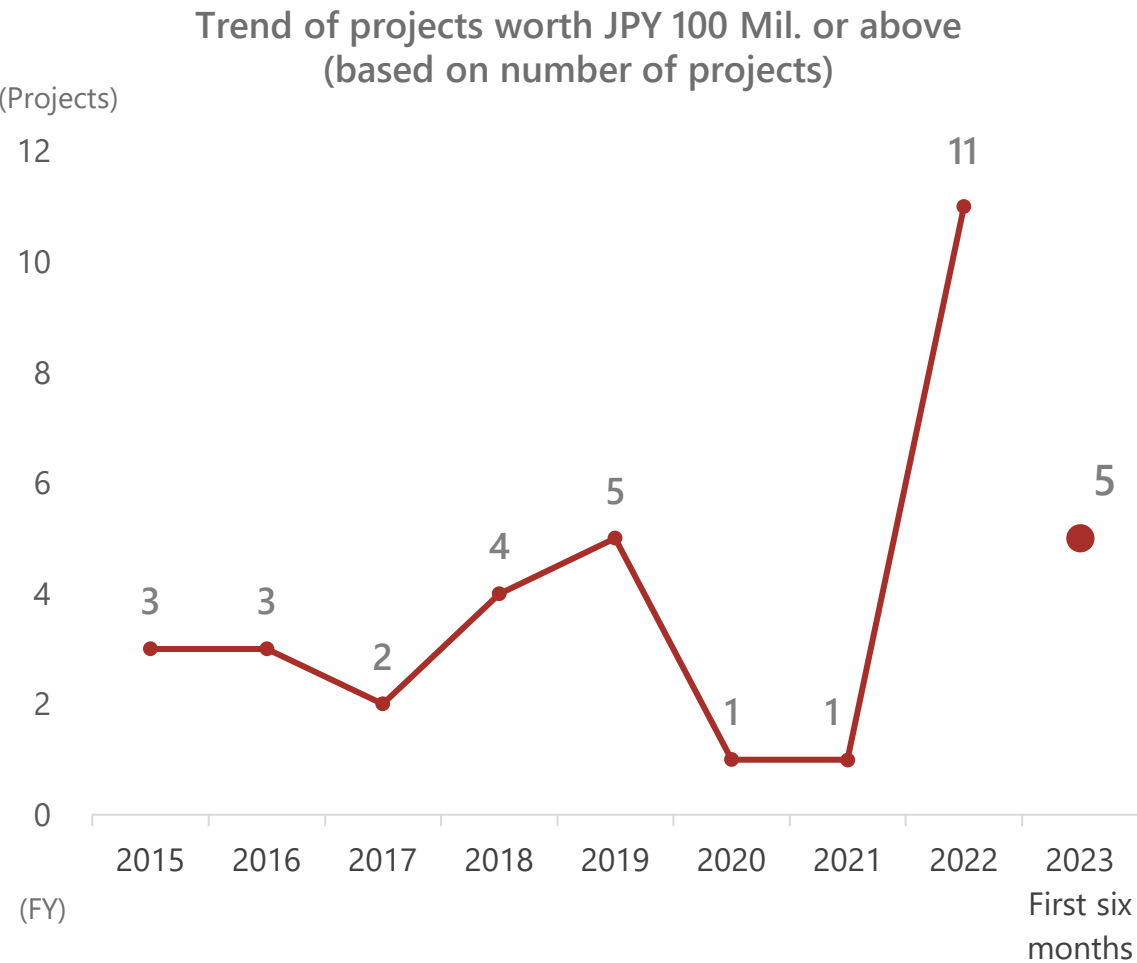
Current assets and other net assets increased, mainly due to an increase in cash and deposits due to payments to FCI (capital increase through third-party allotment).

	(JPY Mil.)			
	End of December 2022	End of June 2023	YoY change (amount)	YoY change (ratio)
Current assets	4,276	7,653	+3,378	179%
Fixed assets	1,375	1,279	△96	93%
Deferred assets	7	6	△1	88%
Total assets	5,658	8,939	+3,281	158%
Current liabilities	1,868	2,097	+228	112%
Fixed liabilities	774	701	△72	91%
Shareholders' equity	2,918	3,026	+107	104%
Other net assets	97	3,114	+3,018	3,211%
Total liabilities and net assets	5,658	8,939	+3,281	158%
Cash and deposits	3,199	6,605	+3,407	206%
Interest-bearing debt	777	1,207	+430	155%
Net Debt	△2,421	△5,397	△2,977	223%



Trend in Number of Large-scale Projects in M&A Advisory Business

The M&A advisory business won 5 large-scale projects worth JPY 100 Mil. or above during the first six months ended June 30, 2023 and the average value of large-scale projects trended up.



* The number and value of large-scale projects are based on period from January to December of each fiscal year. Data for the consulting business will be disclosed in the full-year financial results announcement, as the majority of projects in the consulting business are long-term projects.



Section 2

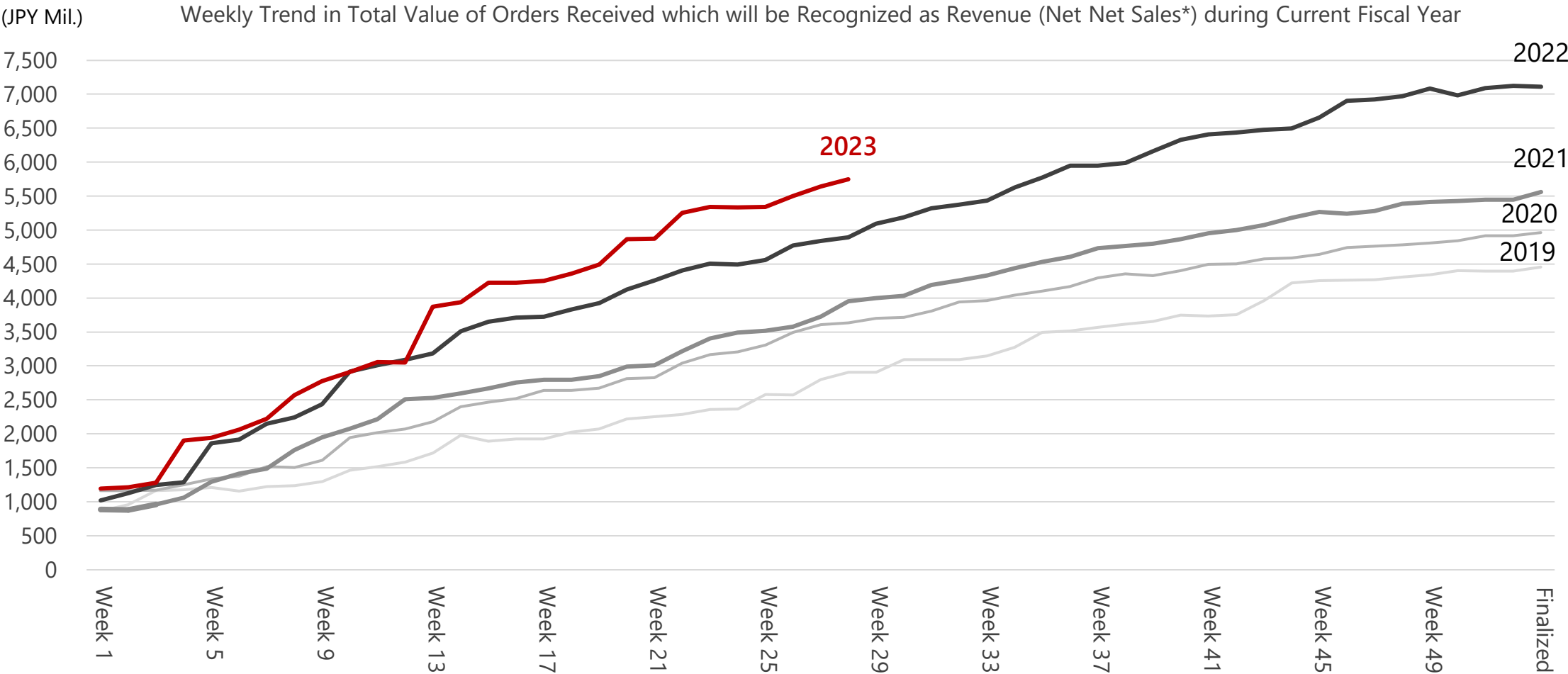
Progress of Measures Taken



Weekly Trend in Total Value of Orders Received which will be Recognized as Revenue during Current Fiscal Year [Excluding FCI]

Excluding FCI

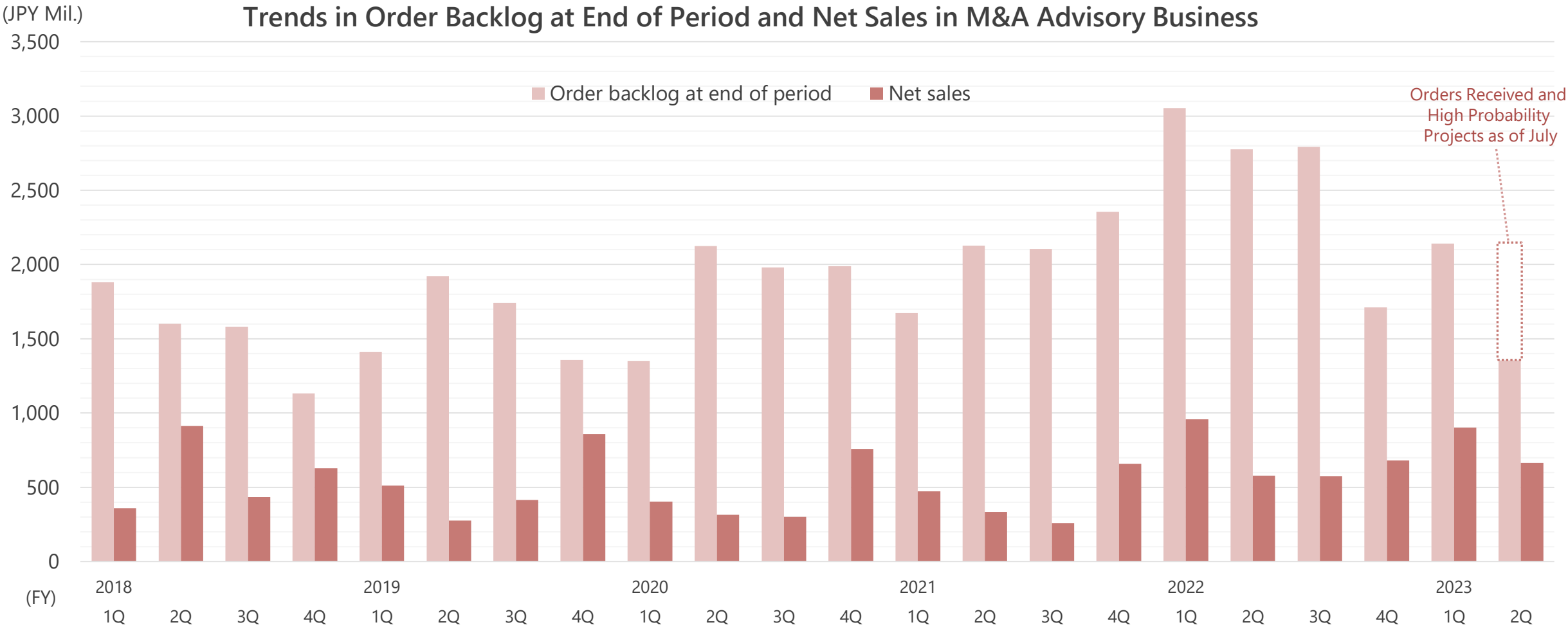
In the second quarter as in the first quarter, the total value of orders received which will be recognized as revenue during the current fiscal year was higher than in past fiscal years.



* Net net sales means net sales less outsourcing expenses and project referral fees.

Order Backlog in M&A Advisory Business

Efforts to manage the probability of projects in a more refined manner have been made since the second half of 2022. The order backlog, which reflects orders received and high probability projects, as of the end of July was unchanged from the first quarter.

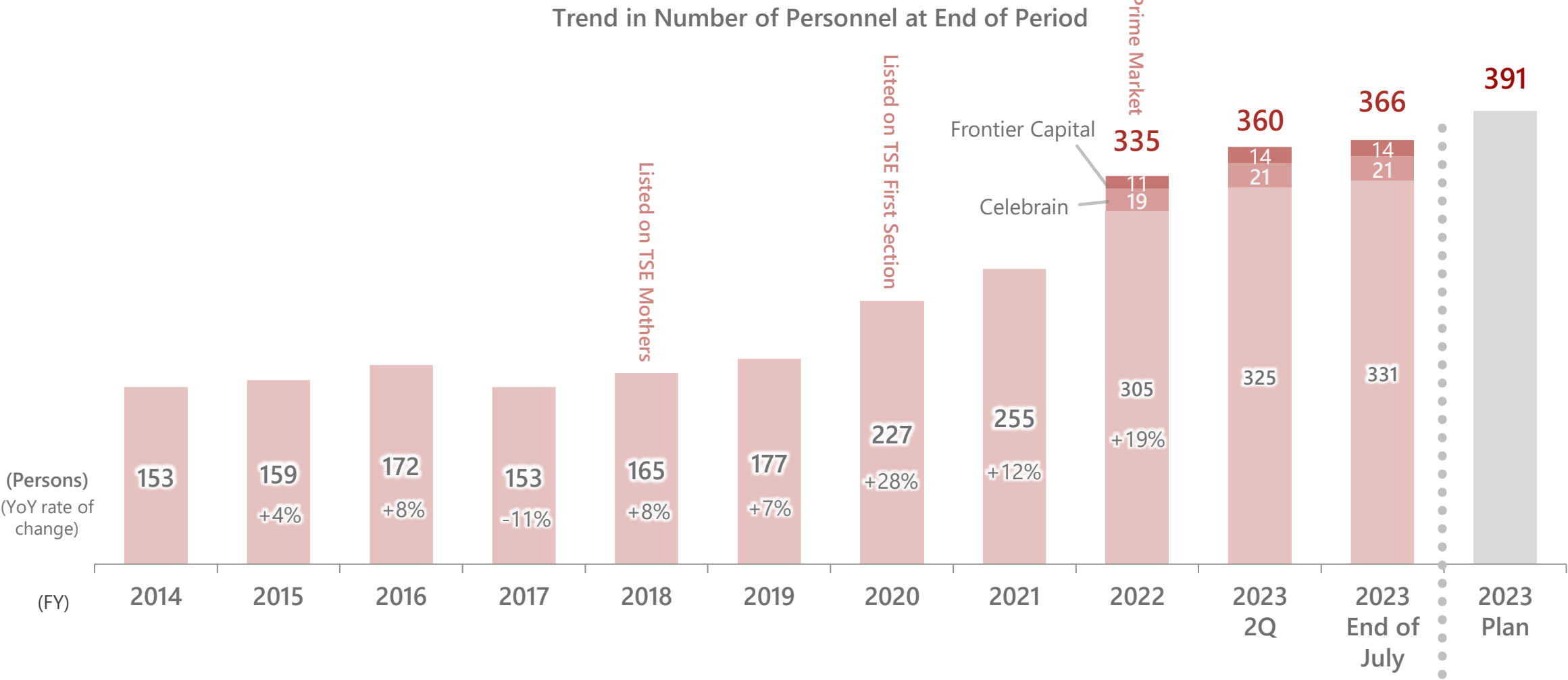


* Order backlog figures are based on net net sales excluding outsourcing expenses and project referral fees.
In some cases, contracts are not concluded for high probability projects.

Aggressive Personnel Expansion Strategy

Entire Group

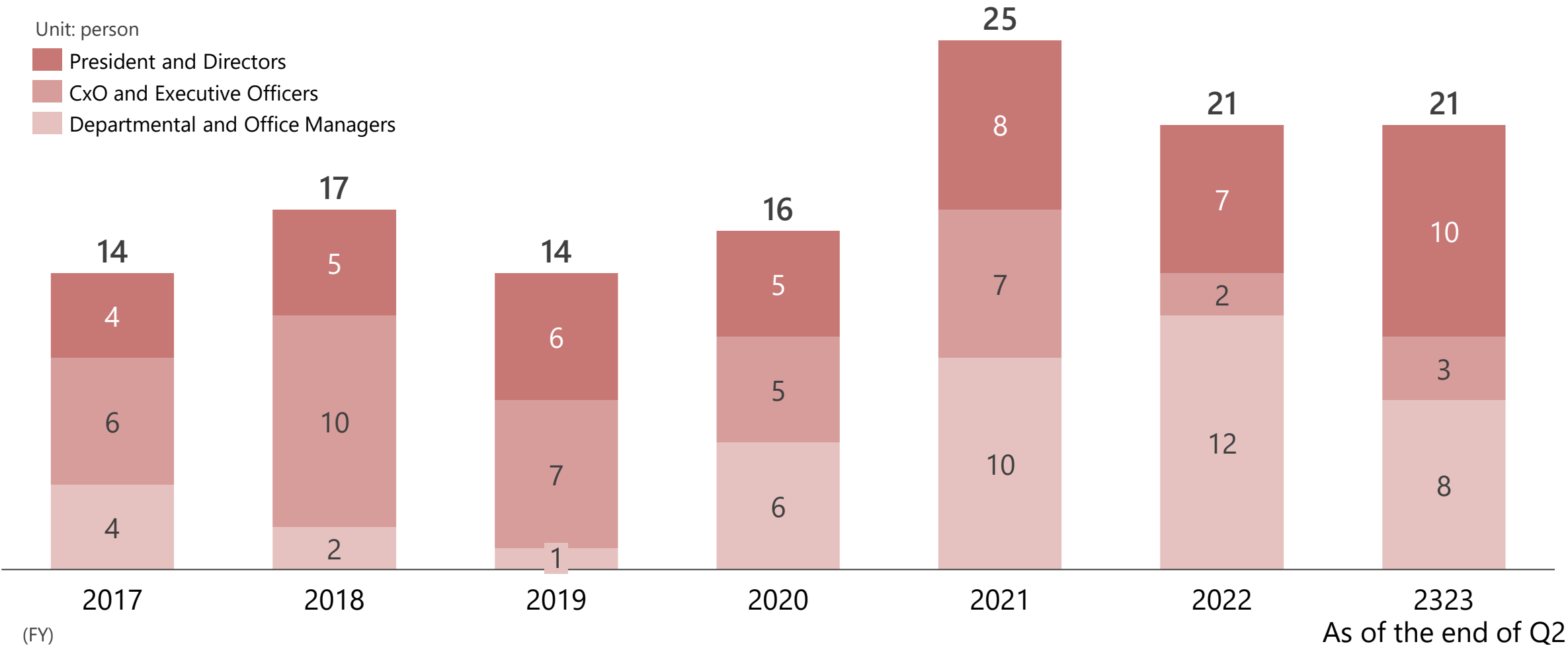
Continuing measures to hire more talented human resources to strengthen the organizational foundation



* The number of personnel at the end of the 2023 plan period under the Medium-Term Management Plan announced in February 2021 is 350.

Expanding and Strengthening Solutions: Hands-on Support - Trend in Actual Dispatch of Managerial Personnel

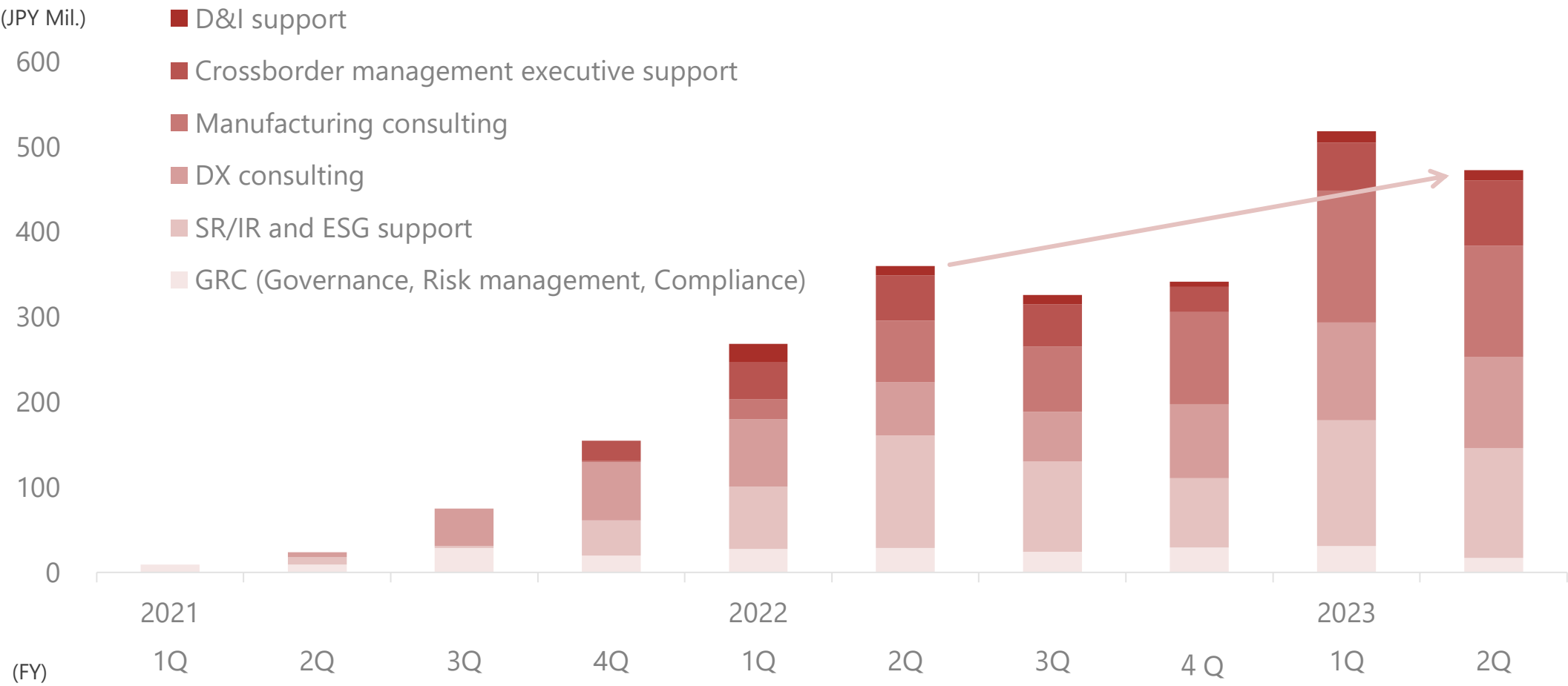
The number of personnel dispatched in manager (management team) dispatch services remained at a high level at the end of the second quarter of FY2023, unchanged from the end of FY2022.



Expanding and Strengthening Solutions: New Solutions - Trend of Net Sales

New solutions grew steadily. Sales almost doubled year on year.

Progress of Solutions Launched in 2020- 2022



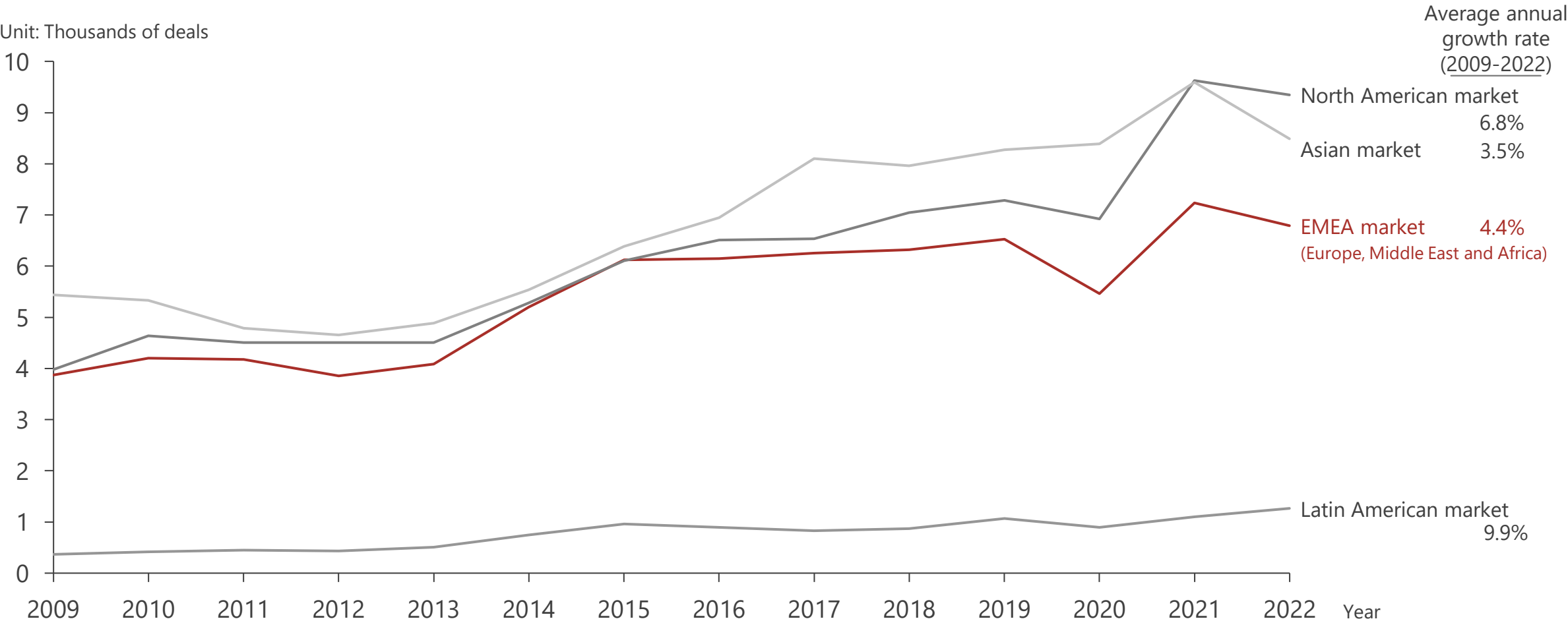
Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (1)

- Market Environment (Number of M&A Deals by Region)

A breakdown of the number of M&A deals worldwide by region shows a steady increase in all regions, with the highest number of deals in North America, followed by Asia and then EMEA.

The EMEA market, the core market of Athema, which formed a capital and business alliance with the company in July, has also grown significantly.

Trend in the number of M&A deals by region (including crossborder and domestic deals)



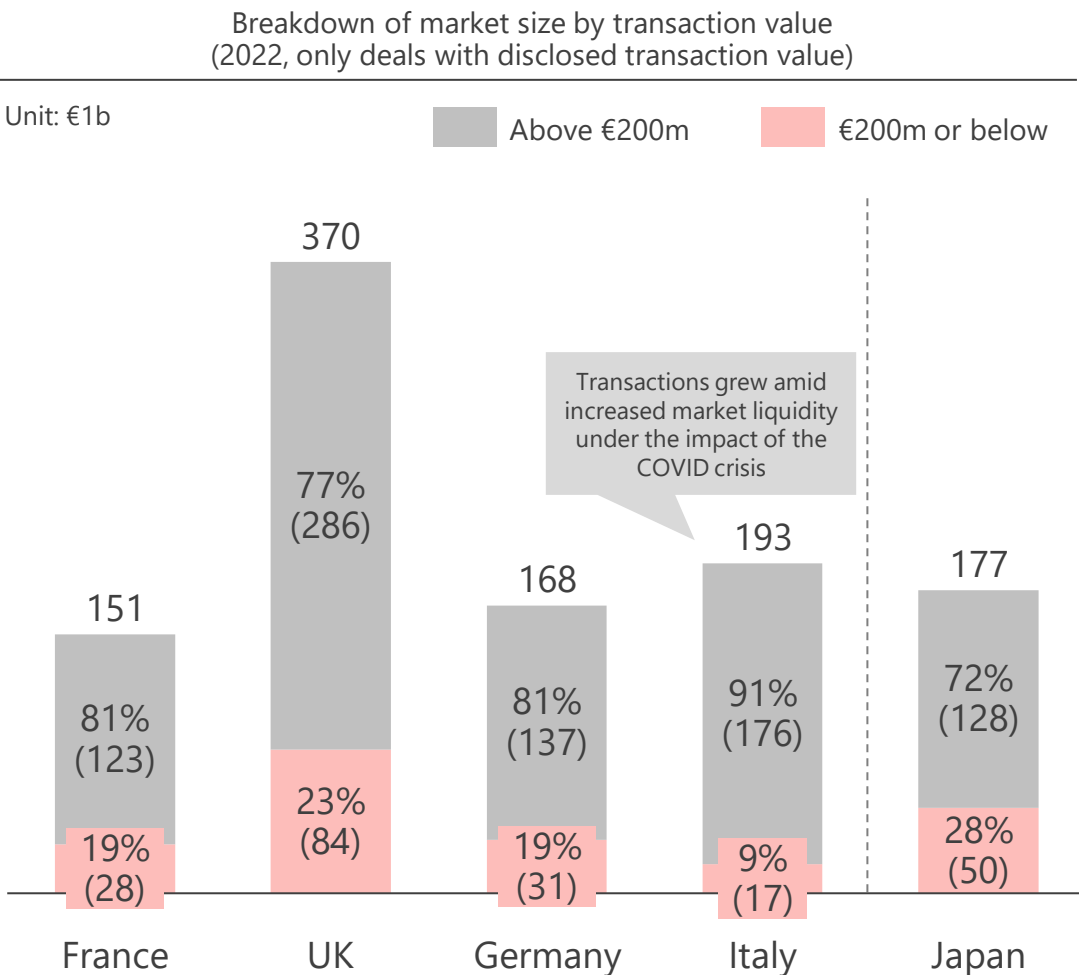
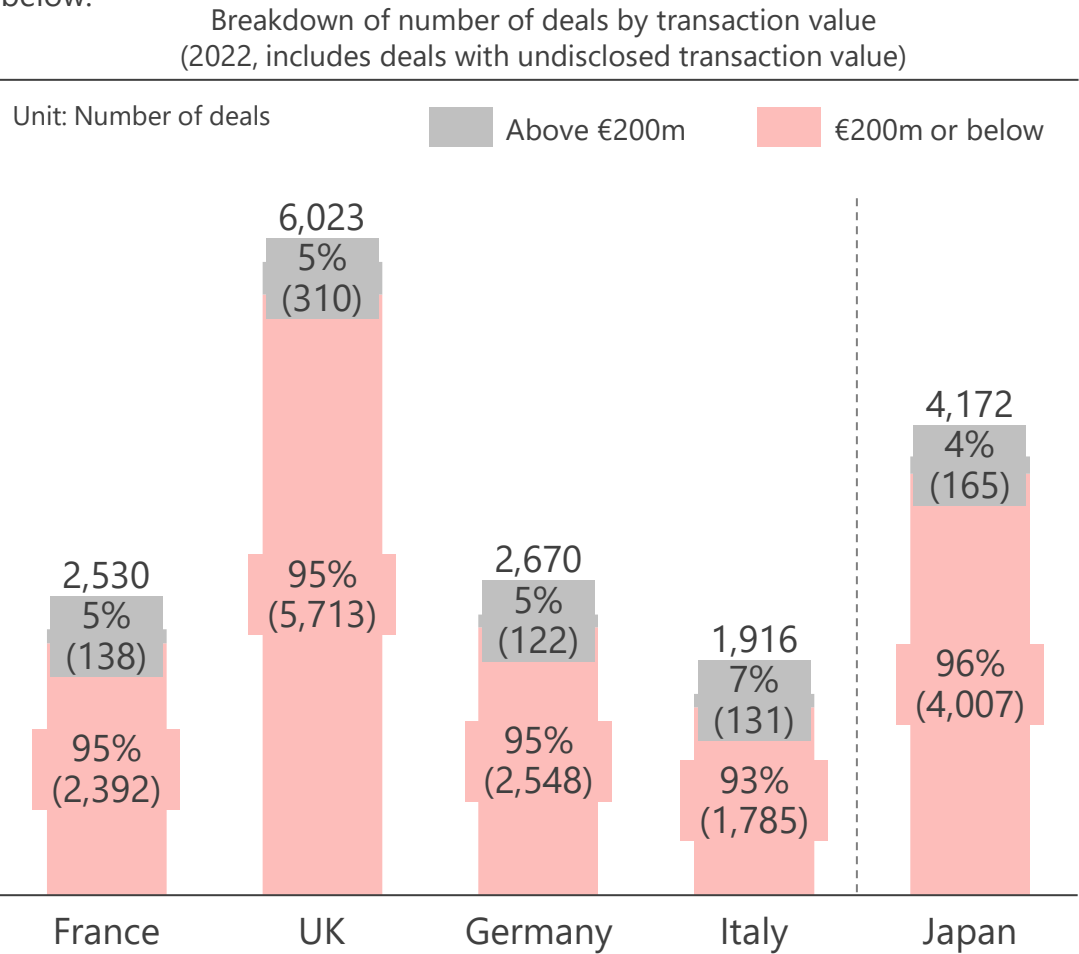
Source: Prepared based on Bloomberg data

Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (2)

- Market Environment (M&A Market in Major European Economies)

The UK market is larger than the Japanese market both in terms of the number and value of M&A deals.

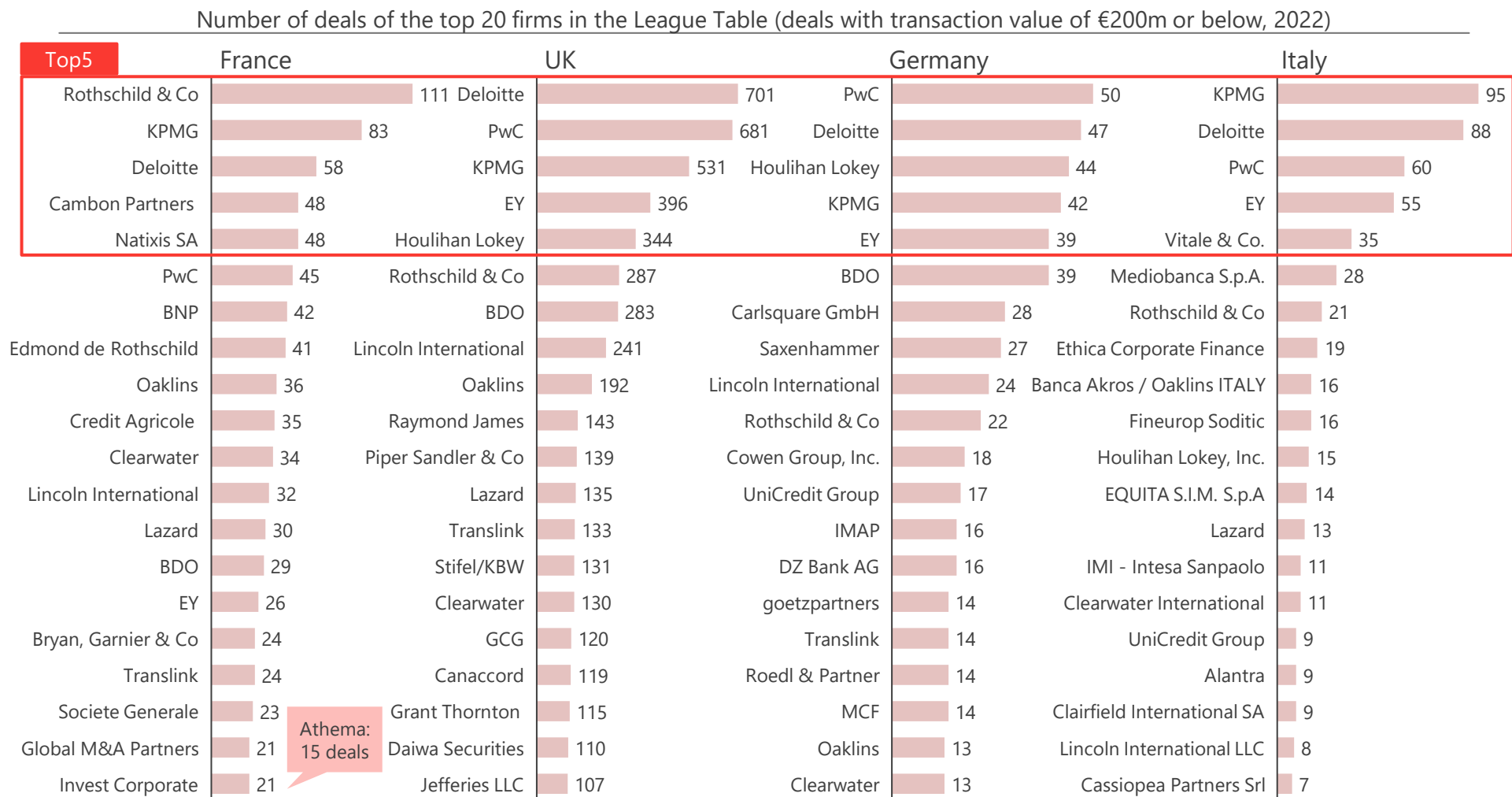
The French and German markets are comparable to the Japanese market in value terms and, in both these markets, most M&A deals have a transaction value of €200m or below.



Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (3)

- Market Environment (Overview of M&A Firms in Major European Economies)

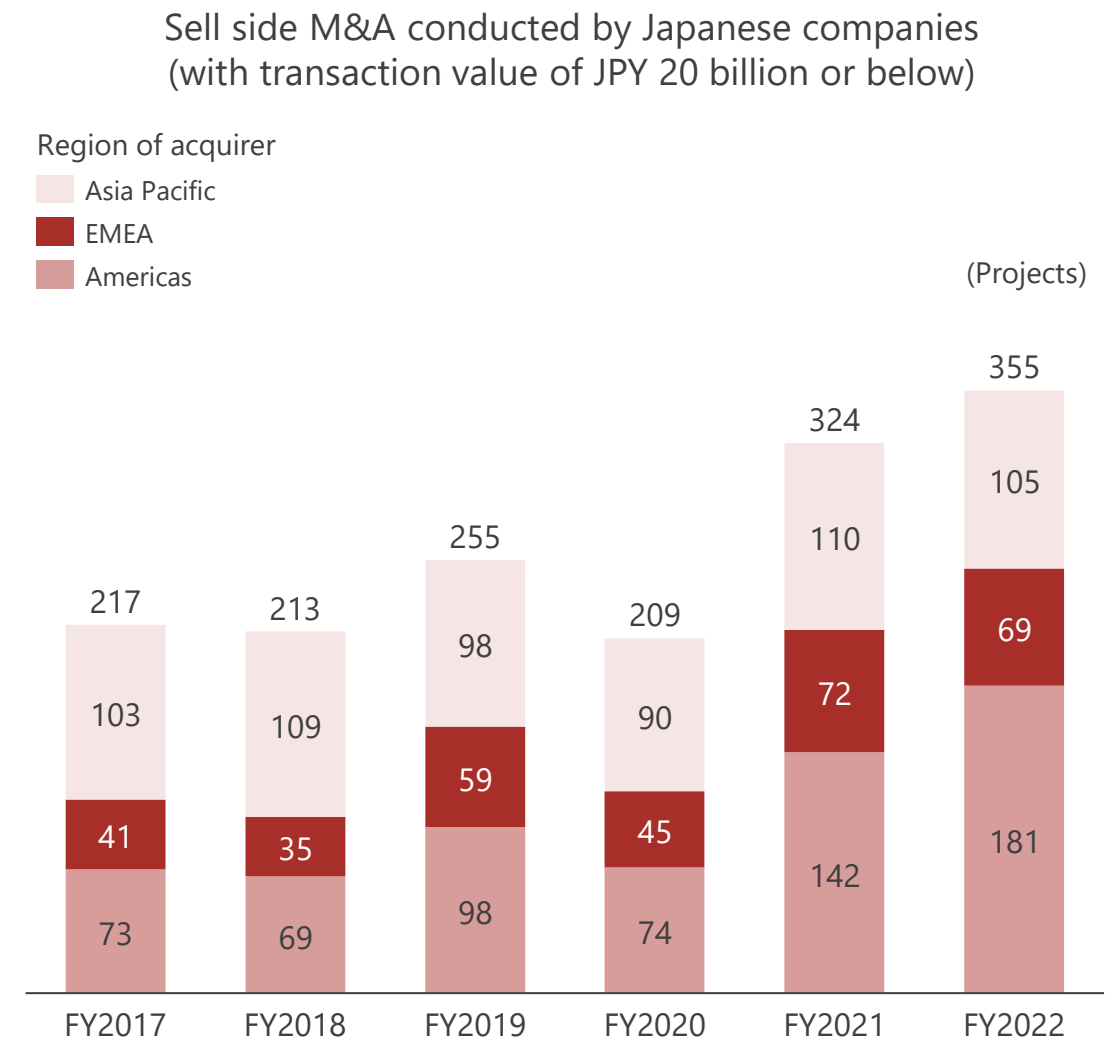
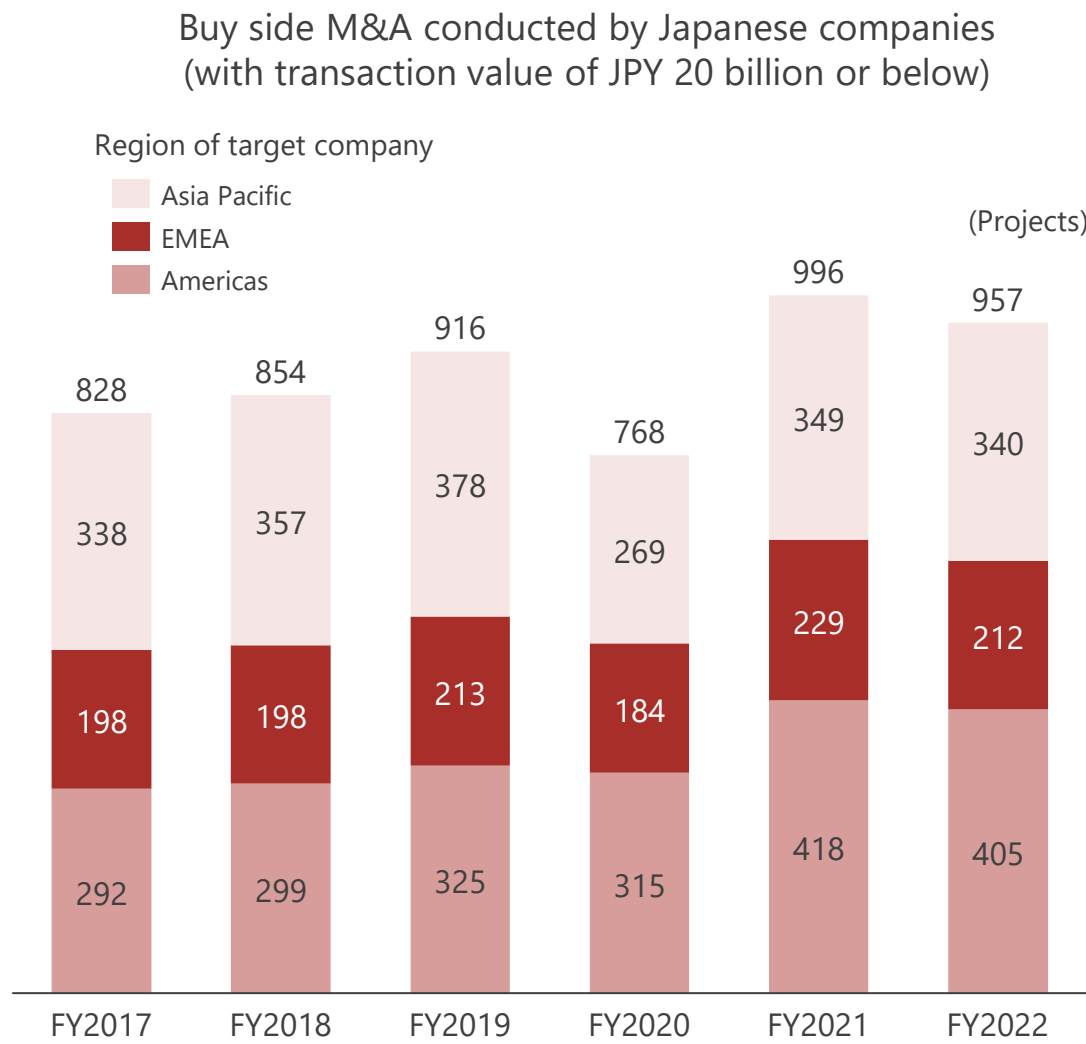
While in the UK, Germany and Italy, global accounting firms occupy the top spots, in France, independent French consulting firms are major market players.



Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (4)

- Market Environment (Number of Crossborder M&A Deals of Japanese Companies)

The number of crossborder M&A deals with a transaction value of JPY 20 billion or below increased for both buy side M&A and sell side M&A. There was also a steady increase in the EMEA market.



Source: Prepared based on Bloomberg data

Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (5)

- Overview of Measures to Strengthen Frontier Management's Overseas Operations

Enhancing M&A advisory, management consulting and PMI solutions provided in each region. Focusing on strengthening operations in Europe in FY2023.

Initiatives this
fiscal year

Category		China	ASEAN	Americas	Europe
The Company	M&A	2011 Established Frontier Management (Shanghai) Inc.	2012 Singapore Branch	2017 New York Branch	
	Consulting and PMI	2011 Same as above	2023 Assigned Senior Consultant to Singapore Branch		2023 Plan to open branch in Paris
Alliance	M&A				Athema Investment
	Consulting and PMI			2019 Joined the CFI Group	helbling Business alliance



Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (6)

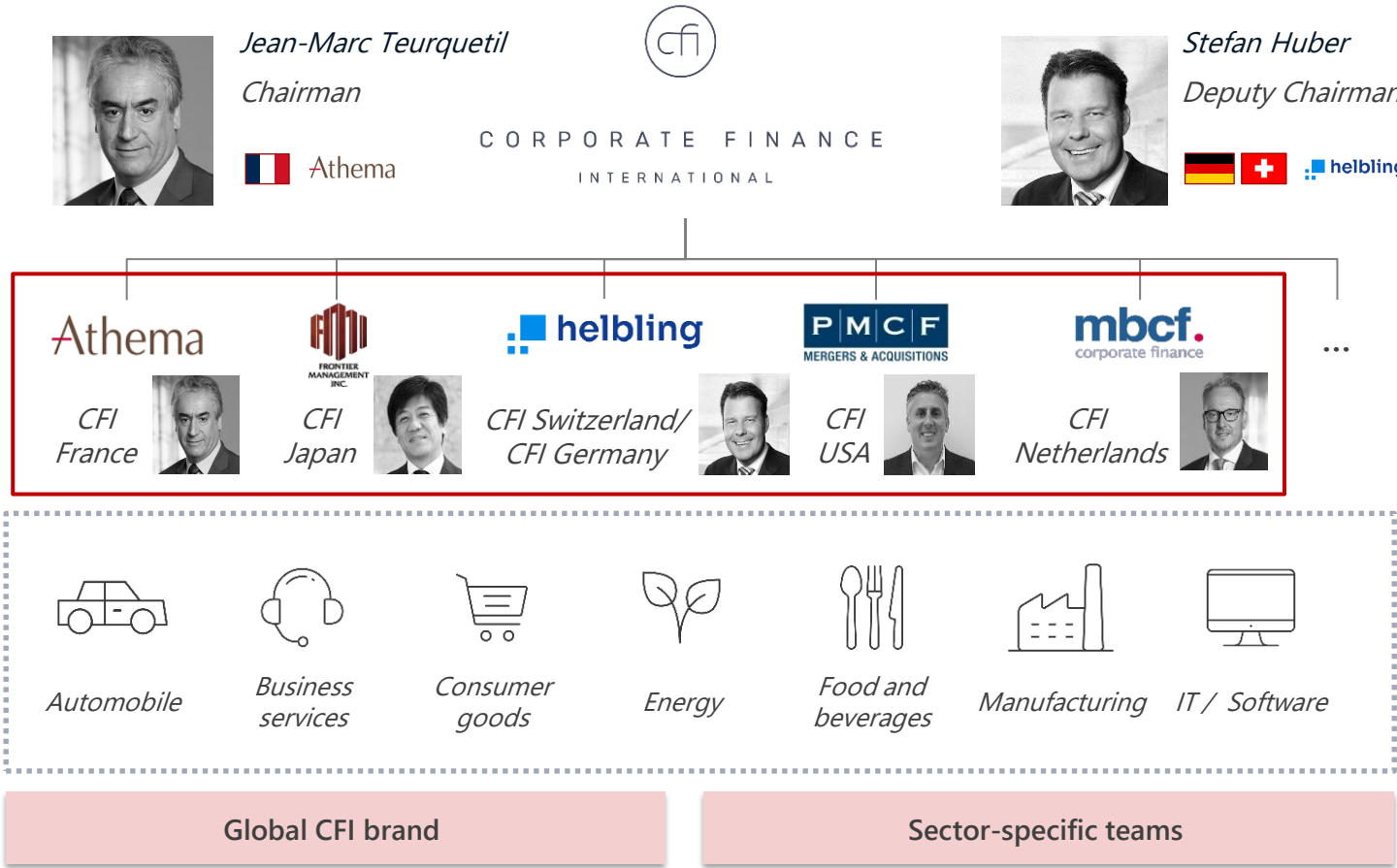
- Overview of CFI Group

Frontier Management, Athema and Helbling are three of the five firms that make up the CFI Group.

What is CFI?

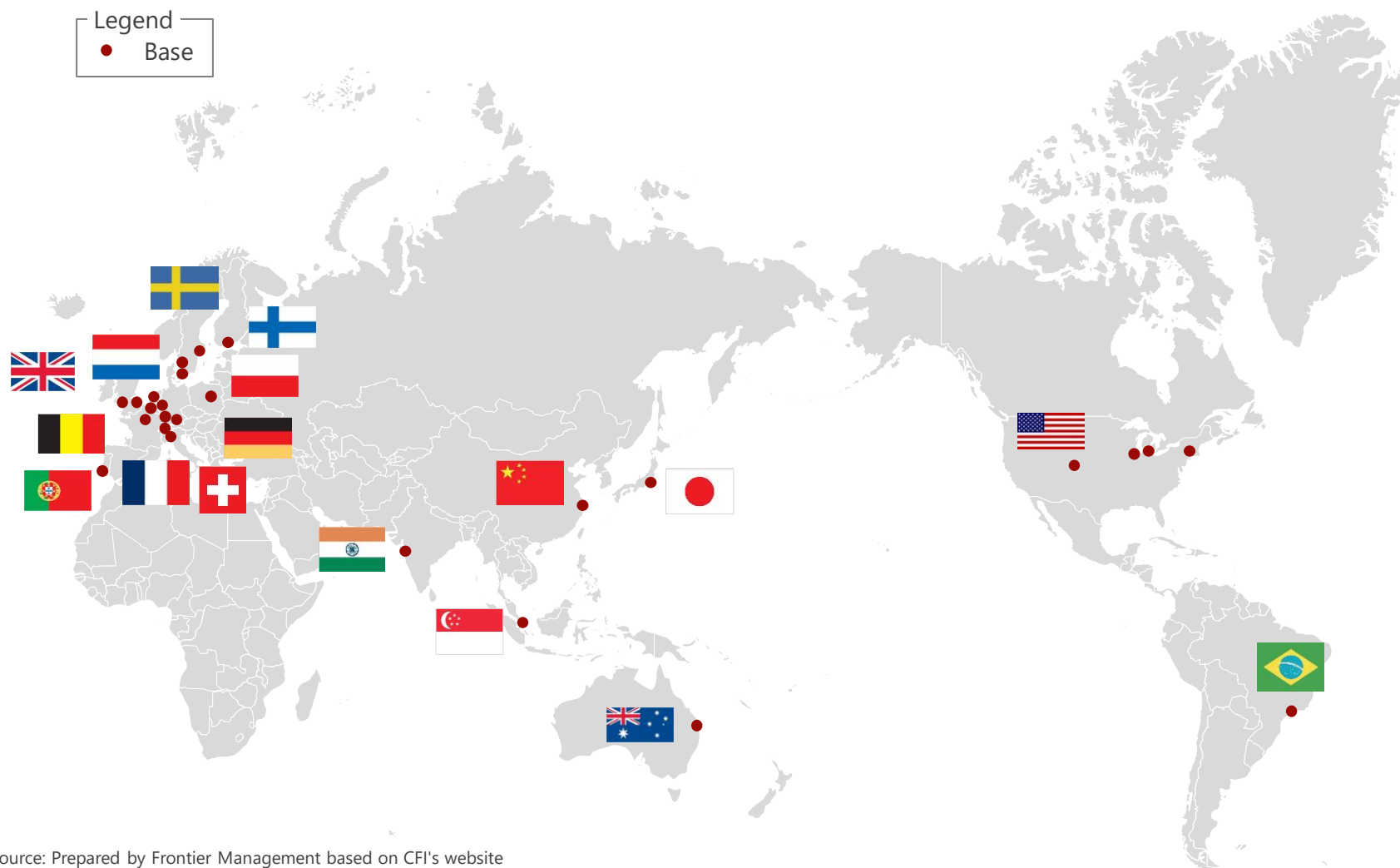
- CFI is a global M&A consulting team having strength in crossborder M&A deals and operating in 17 countries, with a focus on Europe.
- In 2017, Athema's Jean-Marc Teurquetil became Chairman of the Board at CFI and pursued collaboration with consulting firms around the world.

5 firms represented on the Board



Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (7) - CFI Group's Global Network

CFI has built a network of M&A firms centered on Europe, North America and Asia.



Source: Prepared by Frontier Management based on CFI's website

Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (8)

- CFI Group's Track Record (in European League Table)

In the first quarter of 2023, CFI ranked 13th in the European M&A league table (based on number of deals with transaction value of €200m or below). CFI's ranking has improved significantly from 2021 through 2023.

EUROPE Q1 2023 UP TO € 200 MILLION				
Rank	Financial Advisor	# of Deals	Ranking Q1 2022	Ranking Q1 2021
1	K3 Capital Group	86	4*	2
2	PricewaterhouseCoopers	58	1	1
3	KPMG	44	2	3
4	Grant Thornton	30	7	10
5*	Clearwater International	29	8	8
5*	Deloitte	29	6	4
7*	Ernst & Young LLP	28	11	12*
7*	Houlihan Lokey	28	10	15
9	Oaklins	26	8	7
10	Rothschild & Co	25	4*	11
11	BDO	23	3	6
12	IMAP	20	14	18
13	CFI	16	25*	23
14*	Clairfield International	15	13	20
14*	Globalscope	15	40*	NA
16	Translink Corporate Finance	14	17*	17
17*	GCG	13	16	12*
17*	Lincoln International	13	20*	15*
19*	Benchmark International	12	17*	21
19*	Edmond de Rothschild Hldg SA	12	NA	NA
21*	Baker Tilly International	10	12	14
21*	Cooperatieve Rabobank UA	10	31*	35*
21*	Natixis	10	30	37*
24*	Carlsquare GmbH	9	40*	49*
24*	Daiwa Securities Group Inc	9	31*	49*

EUROPE Q1 2023 UP TO €500 MILLION				
Rank	Financial Advisor	# of Deals	Ranking Q1 2022	Ranking Q1 2021
1	K3 Capital Group	86	5	3
2	PricewaterhouseCoopers	61	1	1
3	KPMG	45	2	2
4	Grant Thornton	30	7	9*
5*	Clearwater International	29	10	15*
5*	Deloitte	29	6	4
5*	Houlihan Lokey	29	9	8
8	Ernst & Young LLP	28	8	7
9	Oaklins	26	11	12*
10	Rothschild & Co	25	3	6
11	BDO	23	4	11
12	IMAP	20	15	19
13	CFI	16	23*	26*
14*	Clairfield International	15	14	20
14*	Globalscope	15	41*	NA
16	Translink Corporate Finance	14	18*	17
17*	GCG	13	16	12*
17*	Lincoln International	13	21*	15*
19*	Benchmark International	12	18*	21
19*	Edmond de Rothschild Hldg SA	12	NA	NA
21*	Baker Tilly International	10	12	14
21*	Cooperatieve Rabobank UA	10	34*	37*
21*	Lazard	10	13	22*
21*	Natixis	10	32*	42*
25*	BNP Paribas SA	9	17	25

Source: Prepared by CFI based mainly on Bloomberg data

Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (9)

- Capital and Business Alliance with Athema

The Company formed a capital and business alliance with Athema, a French firm providing M&A advisory services, in July 2023. The Company plans to open a branch in Paris, France during FY2023.



Company Profile

Company name	Athema (Registered trademark: AT Conseil)
Business	Provides M&A advisory services mainly to the manufacturing, IT, business services, food and beverages, retail, energy, real estate, and aviation sectors.
Established	2001
Representative	Antema SAS (Representative of Antema SAS: Jean-Marc Teurquetil)
Address	Paris, France
Number of employees	19
Net assets (End of FY2022)	3.4 million euro (JPY 496 million)
Total assets (End of FY2022)	6.5 million euro (JPY 949 million)
Ratio of net assets (End of FY2022)	52.7%

Frontier Management's Branch in Paris, France

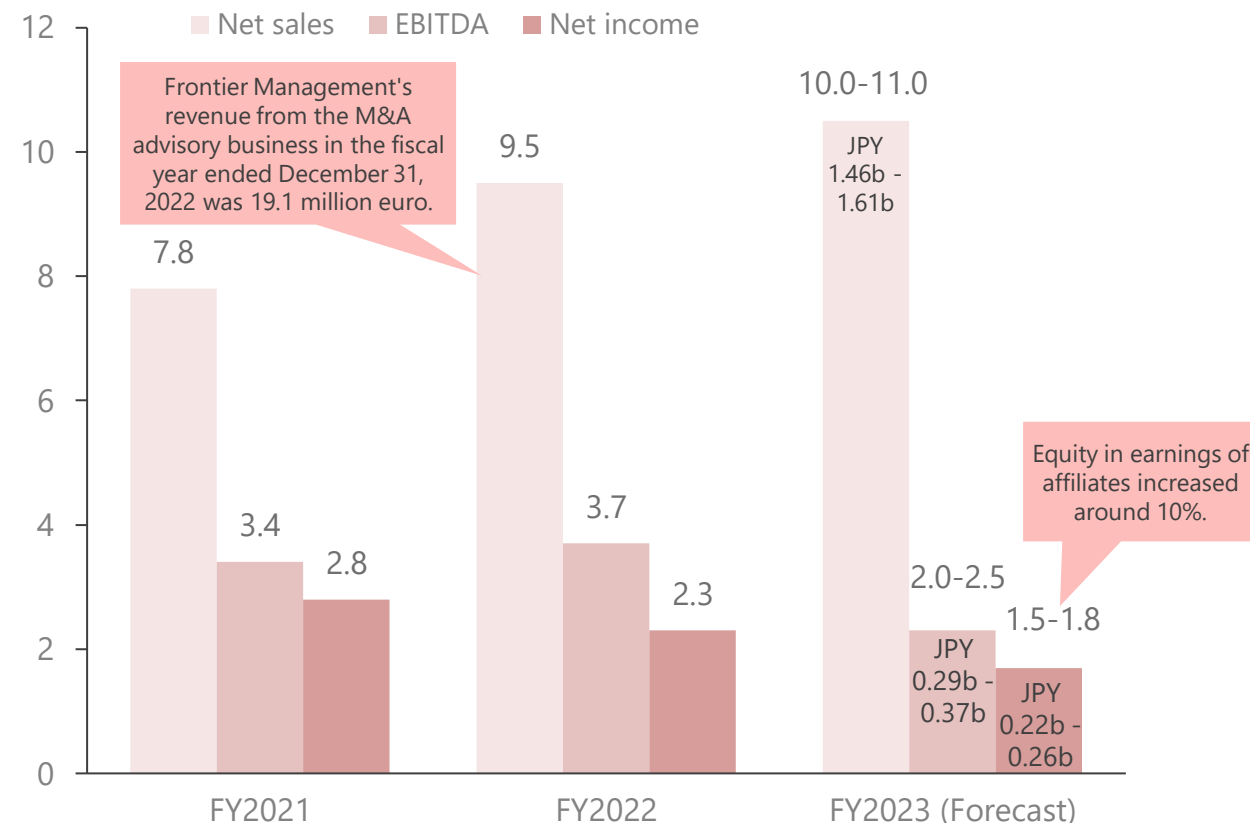
Frontier Management plans to open a branch in Paris, France at the same address as Athema's headquarters during FY2023.

[Purpose]

- ✓ To further strengthen partnership with Athema, Helbling and other European partner firms.
- ✓ To globally expand the Company's excellent integrated solutions combining management consulting, M&A advisory services, PMI and other services.

* Based on yen-euro rate of 1 euro=JPY 146

Income Trend - French GAAP - Unit: Millions of euro



* Some of the accounting principles under French GAAP are different from those under IFRS. After the formation of the capital and business alliance, Athema will make reclassification adjustments required to move from French GAAP to IFRS at the same time as applying the equity method and applying consolidated accounting.




Expanding and Strengthening Solutions: Overseas M&A and Consulting Strategy (10)

- Formation of Business Alliance with Helbling

The Company formed a business alliance in the management consulting market with Helbling, which provides professional services mainly in Switzerland (where it is headquartered) and Germany.



Group Profile

Group	Helbling Group
Established	1963
Number of employees	621 employees (450 engineers) 36 partners
Address	Head office: Zurich (Switzerland) (Switzerland: 430 employees, Germany: 50 employees, US: 30 employees, China: 20 employees)
Net sales (2022)	CHF144M (Approx. JPY 23.0 billion)
Management team	 Dr. Christian Peclat CEO, Partner  Marcel Faeh CFO, Partner  Stefan Huber Strategic Biz Dev., Partner

Main Business



