

# Consolidated Financial Results for the Fiscal Year Ended December 2023 [Japanese GAAP]



February 14, 2024

Company name: Frontier Management Inc.  
 Listing: Tokyo Stock Exchange  
 Stock code: 7038 URL: <https://www.frontier-mgmt.com/>  
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Scheduled date of Annual General Meeting of Shareholders: March 27, 2024

Scheduled date of commencement of dividend payment: March 28, 2024

Scheduled date of filing securities report: March 27, 2024

Supplementary materials for annual financial results: Yes

Information meeting for annual financial results: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest one million yen.)

## 1. Consolidated financial results for the fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Consolidated operating results (Percentages represent 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.	%
FY 2023	10,025	26.6	1,251	37.8	1,238	34.4	780	40.2
FY 2022	7,915	37.9	908	81.2	921	79.1	556	64.4

(Note) Comprehensive income FY 2023: 785 JPY mil. (38.9%) FY 2022: 565 JPY mil. (68.2%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY 2023	67.51	66.47	23.6	15.0	12.5
FY 2022	48.67	47.93	20.9	19.4	11.5

(Reference) Equity in earnings (losses) of affiliates FY 2023: 4 JPY mil. FY 2022: 8 JPY mil.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY mil.	JPY mil.	%	Yen
FY 2023	10,874	6,822	34.0	315.81
FY 2022	5,658	3,015	51.7	255.37

(Reference) Shareholders' equity FY 2023: 3,700 JPY mil. FY 2022: 2,927 JPY mil.

Net assets ratio FY 2023: 62.7% FY 2022: 53.3%

The equity ratio is calculated using the following formula: (net assets at end of fiscal year – share award rights at end of fiscal year – share acquisition rights at end of fiscal year – non-controlling shareholder's equity at end of fiscal year) ÷ total assets at end of fiscal year.

The net assets ratio is calculated by dividing net assets at the end of the fiscal year by total assets at the end of the fiscal year. During the first three months of the fiscal year ended December 31, 2023, Frontier Capital Inc., a consolidated subsidiary, accepted investments worth a total of 3 billion yen from eight financial institutions and one operating company under its business plan. As a result, Group's non-controlling interests increased 2,999 million yen, and the equity ratio decreased. Except for the investments, the equity ratio was at 47.0%. The equity ratio except for the investments is calculated using the following formula: (net assets at end of fiscal year – share award rights at end of fiscal year – share acquisition rights at end of fiscal year – non-controlling shareholder's equity at end of fiscal year – an increase in capital surplus of 0.9 million yen due to the investments) ÷ (total assets at end of fiscal year – these investments of 3 billion yen).

## (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	JPY mil.	JPY mil.	JPY mil.	JPY mil.
FY 2023	225	(1,377)	3,787	5,838
FY 2022	1,250	(486)	646	3,199

## 2. Dividends

	Annual dividends					Total dividend amount (Total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	JPY mil.	%	%
FY 2022	–	0.00	–	28.00	28.00	320	57.5	11.9
FY 2023	–	0.00	–	41.00	41.00	480	60.7	14.4
FY 2024 (Forecast)	–	0.00	–	–	–	–	–	–

(Note) The Company plans to pay dividends for the fiscal year ended December 31, 2024. The year-end dividend amount is yet to be determined.

3. Consolidated forecasts for the fiscal year ending December 31, 2024 (January 1, 2024 – December 31, 2024)

(Percentages represent year-on-year changes.)

Full year	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
	13,000	29.7	1,620	29.4	1,570	26.8	1,000	28.1	85.33

(Note) Given the large fluctuation in business results during the fiscal year attributable to the timing at which sales of incentive fees in the M&A Advisory Business were recorded, it is difficult to calculate consolidated earnings forecasts for the second quarter (cumulative). In addition, because the Group manages its earnings on an annual basis, the Group announces its earnings forecasts for the full fiscal year only.

\* Notes

- (1) Changes in important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates and restatement
  - (i) Changes in accounting policies caused by revision of accounting standards: Yes
  - (ii) Changes in accounting policies other than (i): None
  - (iii) Changes in accounting estimates: None
  - (iv) Restatement: None
- (3) Number of shares outstanding (common shares)
  - (i) Number of shares outstanding at end of period (including treasury shares)
 

FY 2023	11,726,457 shares	FY 2022	11,468,478 shares
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  - (ii) Number of treasury shares at end of period
 

FY 2023	7,903 shares	FY 2022	5,821 shares
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  - (iii) Average number of shares outstanding during the period
 

FY 2023	11,562,872 shares	FY 2022	11,437,677 shares
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(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated results for the year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%
FY 2023	9,557	26.7	1,629	51.0	1,625	50.3	1,191	58.0
FY 2022	7,546	31.6	1,078	110.3	1,081	110.8	754	118.4

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY 2023	103.08	101.49
FY 2022	65.96	64.96

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY mil.	JPY mil.	%	Yen
FY 2023	8,166	4,348	52.6	366.30
FY 2022	5,646	3,136	54.9	270.56

(Reference) Shareholders' equity

FY 2023: 4,292 JPY mil.

FY 2022: 3,101 JPY mil.

\* Summaries of consolidated financial results are not subject to audit by certified public accountants or audit corporations.

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

(Notes regarding forward-looking statements)

The forward-looking statements in these materials, including financial prospects included in this report, are based on information available to the Company when this report was prepared and assumptions that the management considers reasonable, which do not guarantee the achievement of such projected results.

Actual results may differ significantly from these statements for a number of reasons. For a discussion of the assumptions and other factors considered by Frontier Management in preparing the above projections, please refer to page 6 of the attachments, "1. Overview of Financial Results, etc., (4) Future Outlook."

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## 1. Overview of Financial Results, etc.

### (1) Overview of Operating Results for the Fiscal Year

During the fiscal year under review (January 1, 2023 to December 31, 2023), the Japanese economy staged a moderate recovery with the normalization of social and economic activities following the easing of the movement restrictions imposed amid the COVID-19 pandemic as well as improvements in consumer spending and capital expenditure. Nonetheless, the economy continued to face uncertainties, mainly associated with price hikes caused by geopolitical risks such as conflicts between Russia and Ukraine and in the Middle East as well as a weaker yen, in addition to downside risks to overseas economies linked to global monetary tightening.

Amid this business environment, the Group continued to focus on proposing and executing one-stop solutions to corporate issues by offering comprehensive services that leverage management consulting, M&A advisory, revitalization support and other functions. Frontier Capital Inc. ("FCI"), a consolidated subsidiary of the Company which was in its second year of establishment, also commenced full-fledged business activities, including signing two investment contracts and investing in one of them, after raising funds of 3,000.6 million yen mainly from financial institutions through a private placement of shares.

Consequently, consolidated net sales for the fiscal year under review increased 26.6% year on year, to 10,025.083 million yen, and consolidated operating income expanded 37.8% year on year, to 1,251.629 million yen. Consolidated ordinary income rose 34.4% year on year, to 1,238.574 million yen, and net income attributable to owners of parent grew 40.2% year on year, to 780.683 million yen.

Operating results by business segment are as follows: Net sales include inter-segment sales.

#### Consulting and Advisory Business Segment

In the Consulting and Advisory Business segment, during the fiscal year under review, the management consulting business and the M&A advisory business remained strong, in addition to a significant increase in sales in the revitalization support business. Net sales stood at 10,003.683 million yen (up 26.4% year on year), and operating income was 1,645.950 million yen (up 49.7%).

The following is operating results by segment.

#### <Management Consulting Business>

Net sales in the Management Consulting Business for the fiscal year under review came to 5,084.124 million yen (up 16.8% year on year). This is attributable to an increase in personnel due to active recruitment, strategic assistance in helping manufacturers enhance their corporate value, the expansion of solutions, particularly consulting services related to SR (shareholder relations), IR (investor relations) and DX (digital transformation). In addition, there was an increase in orders from large companies.

#### <M&A Advisory Business>

Net sales in the M&A Advisory Business for the fiscal year under review were 3,023.043 million yen (up 8.2% year on year). Net sales increased year on year as a result of the successful completion of multiple large-scale M&A deals, including cross-border M&A deals.

#### <Revitalization Support Business>

Net sales in the Revitalization Support business for the fiscal year under review stood at 1,648.476 million yen (up 174.2% year on year). The significant year-on-year increase in net sales was mainly due to a continued rise in the number of revitalization projects in the fiscal year under review as well as orders for large-scale revitalization projects and their execution.

#### <Other Business>

Net sales in the Other Businesses for the fiscal year under review were 248.038 million yen (up 49.4% year on year).

#### Investment Business Segment

During the fiscal year under review, FCI raised funds from financial institutions through a private placement of shares and started business activities in earnest, investing in its first project. However, as a result of the advanced recording of fixed costs such as personnel expenses due to the pushing back of the investment period to the end of the year, net sales amounted to 42.646 million yen (up 142.3% year on year), and the operating loss was 394.320 million yen (compared with an operating loss of 191.272 million yen in the year-ago period).

## (2) Overview of Financial Position for the Fiscal Year

### (Assets)

The total assets at the end of the fiscal year under review stood at 10,874.682 million yen, an increase of 5,216.038 million yen from 5,658.644 million yen at the end of the previous fiscal year. The breakdown shows 8,159.931 million yen in current assets (4,276.116 million yen at the end of the previous fiscal year), 2,709.108 million yen in non-current assets (1,375.149 million yen at the end of the previous fiscal year) and 5.642 million yen in deferred assets (7.379 million yen at the end of the previous fiscal year). As a result, current assets and non-current assets increased by 3,883.815 million yen and 1,333.959 million yen, respectively, from the end of the previous fiscal year. Deferred assets decreased 1.736 million yen. The main changes in current assets were an increase of 2,639.656 million yen in cash and deposits due to the private placement of shares by FCI, an increase of 581.492 million yen in notes and accounts receivable - trade, and contract assets and an increase of 493.071 million yen in operational investment securities. The main components of the change in non-current assets were a 1,250.092 million yen increase in investments in affiliates mainly due to the acquisition of shares in Athema (registered trade name: AT Conseil), an 86.246 million yen increase in other investments, and a 73.091 million yen increase in deferred tax assets. The change in deferred assets was a decrease of 1.736 million yen in founding costs.

### (Liabilities)

The total liabilities at the end of the fiscal year under review were 4,052.318 million yen, an increase of 1,409.630 million yen from 2,642.688 million yen at the end of the previous fiscal year. Of this, current liabilities were 2,569.015 million yen (1,868.624 million yen at the end of the previous fiscal year), and non-current liabilities were 1,483.303 million yen (774.063 million yen at the end of the previous fiscal year). As a result, current liabilities and non-current liabilities increased 700.390 million yen and 709.239 million yen, respectively, from the end of the previous fiscal year. The main changes in current liabilities were a 229.599 million yen increase in provision for bonuses, a 133.133 million yen increase in income taxes payable, a 98.925 million yen increase in current portion of long-term loans payable, a 93.603 million yen increase in other current liabilities due to increases in accrued consumption taxes and accrued expenses, a 54.179 million yen increase in accounts payable - other, and a 40.519 million yen increase in accounts payable - trade. The main change in non-current liabilities was an increase of 712.687 million yen in long-term loans payable.

### (Net assets)

The net assets at the end of the fiscal year under review came to 6,822.364 million yen, an increase of 3,806.407 million yen from 3,015.956 million yen at the end of the previous fiscal year. This increase was primarily due to a rise in common stock of 153.819 million yen and an increase in capital surplus of 153,819 million yen resulting from a private placement of shares to Athema SAS, growth in non-controlling shareholders' equity of 2,999.700 million yen due to FCI's private placement of shares primarily to financial institutions, and net income attributable to owners of parent of 792.280 million yen, which were partially offset by dividends of retained earnings of 320.954 million yen.

## (3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the fiscal year under review totaled 5,838.745 million yen, an increase of 2,639.656 million yen from the end of the previous fiscal year.

The following is a summary of cash flows and major factors for the fiscal year under review.

### (Cash flows from operating activities)

Net cash provided by operating activities was 225.607 million yen (compared with net cash provided by operating activities of 1,250.257 million yen in the previous fiscal year). This was mainly attributable to factors behind the increase in cash, such as net income before income taxes of 1,240.249 million yen, an increase of 229.599 million yen in provision for bonuses, depreciation and amortization of 67.567 million yen, an increase of 60.362 million yen in accounts payable - other, and an increase of 45.322 million yen in stock-based compensation expenses, as well as factors behind the decrease in cash, such as an increase of 581.178 million yen in accounts receivable - trade, an increase of 493.071 million yen in operational investment securities and 412.331 million yen income taxes paid.

### (Cash flows from investing activities)

Net cash used in investing activities was 1,377.671 million yen (compared with net cash used of 486.911 million yen in the previous fiscal year). This was mainly due to a 1,252.492 million yen disbursement for investment in affiliated company, 87.842 million yen in payments for investments and other assets and 37.192 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was 3,787.732 million yen (compared with net cash provided by operating activities of 646.534 million yen in the previous fiscal year). This was mainly due to factors behind the increase in cash, such as 1,000.000 million yen in proceeds from long-term loans payable, 2,900.098 million yen in proceeds from capital increase of consolidated subsidiaries, and 306.231 million yen in proceeds from issuance of shares, as well as factors behind the decrease in cash, such as 320.408 million yen in cash dividends paid and 188.388 million yen in repayments of long-term loans payable.

#### (4) Future Outlook

The 17th fiscal year (fiscal year ended December 2023) is the final year of the Medium-Term Management Plan for Fiscal 2021-2023 announced on February 9, 2021. With regard to numerical targets (consolidated net sales of at least 8.7 billion yen, a consolidated operating income margin of at least 20%, ROE of at least 20%) for the fiscal year ended December 2023, we achieved the targets, with consolidated sales and ROE of 10 billion yen and 23.5%, respectively, but the consolidated operating income margin was 12.5%, falling short of the target. The consolidated operating income margin would be 16.4% if subtracting the losses of FCI, which we did not anticipate when we formulated the Medium-Term Management Plan for Fiscal 2021-2023, but we recognize an improvement in profit margins as a future issue.

Based on the above, we developed and adopted a medium-term management plan covering the fiscal year ending December 31, 2024 to the fiscal year ending December 31, 2026 at a meeting of the Board of Directors held on February 14, 2024.

Our vision and growth strategies (business strategies and organization reinforcement) in the new medium-term management plan are as follows.

\* For more details, please refer to the Medium-Term Management Plan for Fiscal 2024-2026 announced today (February 14, 2024).

##### 1. Our Vision

We aim to become a global independent professional firm that supports the realization of results that will enhance corporate value by providing optimal services tailored to the characteristics of our clients' businesses.

##### 2. Growth Strategies (Business Strategies and Organization Reinforcement)

We will work on the business strategies and organizational strengthening described below in order to enhance corporate value by realizing results that will strengthen and develop the value-creating capability of companies' management resources and create new growth businesses.

###### (1) Consulting and M&A Advisory Business

We will focus on solutions that will strengthen and develop the value-creating capability of client companies' management resources.

- (i) Providing one-stop support for strategy formulation, M&A execution, and PMI related to the business portfolio
- (ii) Improving customer productivity by providing hands-on support for digitalization
- (iii) Equipped with full-spec support functions such as planning, hands-on, investment, and CxO dispatch for revitalization projects
- (iv) Strengthening the global competitiveness of clients by providing one-stop support for mid-cap cross-border M&A and PMI
- (v) Supporting the formation of management teams and the development of management personnel responsible for future growth tailored to management strategies

###### (2) Investment Business

We will work on the full-scale investment of FCI and the formation of a new fund with diverse investment policies.

- (i) Strengthening the investment business that will increase our involvement in the realization of results
- (ii) FCI will achieve the dramatic growth of client companies by accelerating full-scale investment in regional core companies, and will also contribute to the expansion of the Group's scale through consolidated investments.
- (iii) Launching new funds (Revital Funds, Venture Funds, etc.)

###### (3) Strengthening the Organization

We will aim for quantitative expansion and productivity improvement through active recruitment, as well as non-continuous growth through M&A.

- (i) Increasing personnel by 200 over three years (on a non-consolidated basis). Diversifying recruitment methods to achieve both a quantitative expansion and improved efficiency

- (ii) Significantly improving business productivity through knowledge DB advancement, generative AI and business BPO
- (iii) Actively implementing M&A and alliances with companies where synergies are expected

Based on the above, the numerical targets for the fiscal year ending December 31, 2026 (the 20th fiscal year of the Company), the final year of the Medium-term Management Plan, are consolidated net sales of 23 billion yen, consolidated ordinary income of 3.5 billion yen, and consolidated net income of 2.4 billion yen, and the major KPIs are (i) consolidated ordinary income of 3.5 billion yen or more, (ii) consolidated ordinary profit margin of 20% or more excluding FCI, (iii) ROE of at least 30%, (iv) a consolidated number of personnel (excluding FCI's consolidated portfolio companies) of at least 620, (v) 8 investment projects in the Investment Business (2 projects on a consolidated basis) and an investment amount of 15 billion yen, and (vi) the annual number of dispatched CxOs of at least 50.

Our consolidated earnings forecasts for the 18th fiscal year (ending December 31, 2024) are net sales of 13,000 million yen (up 29.7% year on year), operating income of 1,620 million yen (up 29.4% year on year), ordinary income of 1,570 million yen (up 26.8% year on year) and net income attributable to owners of parent of 1,000 million yen (up 28.1% year on year).

## 2. Basic Concept to Selection of Accounting Standards

The Group prepares consolidated financial statements under Japanese GAAP, considering the comparability of consolidated financial statements between different fiscal years and comparability between different companies. The Group plans to respond appropriately if international accounting standards are to be applied after giving due consideration to conditions both in Japan and overseas.

### 3. Consolidated Financial Statements and Key Notes

#### (1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	3,199,089	5,838,745
Notes and accounts receivable - trade, and contract assets	912,827	1,494,319
Operational investment securities	23,833	516,904
Other	164,580	325,208
Allowance for doubtful accounts	(24,214)	(15,247)
Total current assets	4,276,116	8,159,931
Non-current assets		
Property, plant and equipment		
Buildings, net	282,593	252,933
Tools, furniture and fixtures, net	31,122	29,353
Total property, plant and equipment	313,716	282,287
Intangible assets		
Software	10,471	10,222
Goodwill	265,130	235,671
Customer-related intangible assets	18,750	12,500
Other	102	1,420
Total intangible assets	294,454	259,814
Investments and other assets		
Investment securities	3,591	296
Shares of subsidiaries and associates	51,707	1,301,800
Investments in capital of subsidiaries and associates	2,485	1,963
Leasehold and guarantee deposits	361,403	355,817
Deferred tax assets	346,194	419,285
Other	1,595	87,842
Total investments and other assets	766,978	2,167,006
Total non-current assets	1,375,149	2,709,108
Deferred assets		
Organization expenses	7,379	5,642
Total deferred assets	7,379	5,642
Total assets	5,658,644	10,874,682



(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	71,030	111,549
Current portion of long-term borrowings	138,388	237,313
Accounts payable - other	128,860	183,039
Income taxes payable	288,143	421,277
Provision for bonuses	764,486	994,085
Provision for bonuses for directors (and other officers)	5,050	43,555
Provision for shareholder benefit program	13,924	25,849
Other	458,742	552,345
Total current liabilities	1,868,624	2,569,015
Non-current liabilities		
Long-term borrowings	639,313	1,352,000
Asset retirement obligations	134,750	131,303
Total non-current liabilities	774,063	1,483,303
Total liabilities	2,642,688	4,052,318
<b>Net assets</b>		
Shareholders' equity		
Share capital	210,062	374,743
Capital surplus	577,503	734,019
Retained earnings	2,139,619	2,599,348
Treasury shares	(8,246)	(8,363)
Total shareholders' equity	2,918,939	3,699,747
Accumulated other comprehensive income		
Foreign currency translation adjustment	8,352	1,198
Total accumulated other comprehensive income	8,352	1,198
Share award rights	–	19,000
Share acquisition rights	34,673	37,130
Non-controlling interests	53,990	3,065,287
Total net assets	3,015,956	6,822,364
Total liabilities and net assets	5,658,644	10,874,682

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
Consolidated Statements of Income

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Fiscal year under review (January 1, 2023 to December 31, 2023)
Net sales	7,915,655	10,025,083
Cost of sales	3,230,126	4,497,697
Gross profit	4,685,528	5,527,385
Selling, general and administrative expenses		
Salaries and allowances	1,419,541	1,594,497
Provision for bonuses	364,820	446,907
Provision for bonuses for directors (and other officers)	2,025	40,227
Recruiting	469,080	406,633
Retirement benefit expenses	23,259	24,892
Provision for shareholder benefit program	6,845	11,924
Provision of allowance for doubtful accounts	6,903	–
Other	1,484,921	1,750,672
Total selling, general and administrative expenses	3,777,396	4,275,756
Operating income	908,131	1,251,629
Non-operating income		
Interest income	158	135
Share of profit of entities accounted for using equity method	8,059	4,053
Dividend income of insurance	1,802	2,130
Administrative service fee income	1,502	1,247
Reversal of allowance for doubtful accounts	–	520
Gain on forfeiture of unclaimed dividends	–	1,467
Foreign exchange gains	9,158	1,013
Other	375	17
Total non-operating income	21,057	10,586
Non-operating expenses		
Interest expenses	7,429	11,403
Share issuance costs	–	11,908
Other	247	330
Total non-operating expenses	7,676	23,642
Ordinary income	921,511	1,238,574
Extraordinary income		
Gain on sale of investment securities	–	1,675
Total extraordinary income	–	1,675
Extraordinary losses		
Loss on valuation of investment securities	53,505	–
Total extraordinary losses	53,505	–
Net income before income taxes	868,006	1,240,249
Income taxes - current	366,689	521,059
Income taxes - deferred	(65,019)	(73,091)
Total income taxes	301,670	447,968
Net income	566,336	792,280
Net income attributable to non-controlling interests	9,614	11,597
Net income attributable to owners of parent	556,722	780,683

## Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Fiscal year under review (January 1, 2023 to December 31, 2023)
Net income	566,336	792,280
Other comprehensive income		
Foreign currency translation adjustment	(1,027)	(178)
Share of other comprehensive income of entities accounted for using equity method	–	(6,975)
Total other comprehensive income	(1,027)	(7,154)
Comprehensive income	565,308	785,126
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	555,694	773,529
Comprehensive income attributable to non-controlling interests	9,614	11,597

## (3) Consolidated Statements of Changes in Equity

Previous fiscal year (January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	178,723	558,745	1,696,822	(36,575)	2,397,717
Changes during period					
Issuance of new shares - exercise of share acquisition rights	26,806	26,806			53,613
Dividends of surplus			(113,925)		(113,925)
Net income attributable to owners of parent			556,722		556,722
Restricted stock compensation	4,532	(8,048)		28,329	24,812
Capital increase of consolidated subsidiaries					
Net changes in items other than shareholders' equity					
Total changes during period	31,338	18,758	442,796	28,329	521,222
Balance at end of period	210,062	577,503	2,139,619	(8,246)	2,918,939

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of period	9,380	9,380	46,969	-	2,454,066
Changes during period					
Issuance of new shares - exercise of share acquisition rights					53,613
Dividends of surplus					(113,925)
Net income attributable to owners of parent					556,722
Restricted stock compensation					24,812
Capital increase of consolidated subsidiaries					
Net changes in items other than shareholders' equity	(1,027)	(1,027)	(12,295)	53,990	40,666
Total changes during period	(1,027)	(1,027)	(12,295)	53,990	561,889
Balance at end of period	8,352	8,352	34,673	53,990	3,015,956

Fiscal year under review (January 1, 2023 – December 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	210,062	577,503	2,139,619	(8,246)	2,918,939
Changes during period					
Issuance of new shares	153,819	153,819			307,638
Issuance of new shares - exercise of share acquisition rights	5,518	5,518			11,036
Dividends of surplus			(320,954)		(320,954)
Net income attributable to owners of parent			780,683		780,683
Purchase of treasury shares				(117)	(117)
Restricted stock compensation	5,343	(3,722)			1,621
Capital increase of consolidated subsidiaries		900			900
Net changes in items other than shareholders' equity					
Total changes during period	164,680	156,515	459,729	(117)	780,807
Balance at end of period	374,743	734,019	2,599,348	(8,363)	3,699,747

	Accumulated other comprehensive income		Share award rights	Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income				
Balance at the beginning of period	8,352	8,352	–	34,673	53,990	3,015,956
Changes during period						
Issuance of new shares						307,638
Issuance of new shares - exercise of share acquisition rights						11,036
Dividends of surplus						(320,954)
Net income attributable to owners of parent						780,683
Purchase of treasury shares						(117)
Restricted stock compensation						1,621
Capital increase of consolidated subsidiaries						900
Net changes of items other than shareholders' equity	(7,154)	(7,154)	19,000	2,457	3,011,297	3,025,600
Total changes during period	(7,154)	(7,154)	19,000	2,457	3,011,297	3,806,407
Balance at end of period	1,198	1,198	19,000	37,130	3,065,287	6,822,364

## (4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Fiscal Year under review (January 1, 2023 to December 31, 2023)
<b>Cash flows from operating activities</b>		
Net income before income taxes	868,006	1,240,249
Depreciation and amortization	47,495	67,567
Amortization of deferred assets	1,302	1,736
Amortization of goodwill	29,458	29,458
Customer-related intangible assets	6,250	6,250
Share of loss (net income) of entities accounted for using equity method	(8,059)	(4,053)
Share-based payment expenses	88,167	45,322
Share issuance costs	–	11,908
Loss (gain) on sales of investment securities	–	(1,675)
Loss (gain) on valuation of investment securities	53,505	–
Increase (decrease) in provision for bonuses	211,471	229,599
Increase (decrease) in provision for bonuses for directors (and other officers)	5,050	38,505
Increase (decrease) in provision for shareholder benefit program	6,845	11,924
Increase (decrease) in allowance for doubtful accounts	6,952	(8,967)
Interest income	(158)	(135)
Interest expenses	7,429	11,403
Decrease (increase) in trade receivables	215,932	(581,178)
Decrease (increase) in operational investment securities	(13,995)	(493,071)
Increase (decrease) in trade payables	11,792	40,356
Increase (decrease) in accounts payable - other	22,160	60,362
Other	42,018	(55,094)
Subtotal	1,601,625	650,469
Interest received	158	135
Interest paid	(8,433)	(12,665)
Income taxes paid	(343,093)	(412,331)
Net cash provided by (used in) operating activities	1,250,257	225,607
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(87,142)	(37,192)
Purchase of intangible assets	(3,133)	(7,224)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(238,932)	–
Payments for asset retirement obligations	–	(3,530)
Payments for investments in capital of subsidiaries and associates	(2,500)	(1,252,492)
Proceeds from sale of investment securities	–	4,970
Payments of leasehold and guarantee deposits	(148,174)	(2,046)
Proceeds from refund of leasehold and guarantee deposits	1,652	7,685
Payments for deferred assets	(8,681)	–
Payments for investments and other assets	–	(87,842)
Net cash provided by (used in) investing activities	(486,911)	(1,377,671)

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Fiscal Year under review (January 1, 2023 to December 31, 2023)
Cash flows from financing activities		
Proceeds from long-term borrowings	860,000	1,000,000
Repayments of long-term borrowings	(90,284)	(188,388)
Purchase of treasury shares	–	(117)
Dividends paid	(113,750)	(320,408)
Dividends paid to non-controlling interests	(11,100)	–
Proceeds from issuance of shares	–	306,231
Proceeds from capital increase of consolidated subsidiaries	–	2,990,098
Proceeds from exercise of employee share options	1,669	316
Net cash provided by (used in) financing activities	646,534	3,787,732
Effect of exchange rate change on cash and cash equivalents	4,991	3,988
Net increase (decrease) in cash and cash equivalents	1,414,871	2,639,656
Cash and cash equivalents at beginning of period	1,784,218	3,199,089
Cash and cash equivalents at end of period	3,199,089	5,838,745

(5) Notes for Consolidated Financial Statements

(Notes on the Going Concern)

None

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021; “Guidance”) at the beginning of the fiscal year under review, and decided to apply the new accounting policies described in the Guidance in future periods in accordance with the transitional procedures set out in Paragraph 27-2 of the Guidance. There is no impact for the consolidated financial statements.

(Additional Information)

(Increase in non-controlling shareholders’ equity due to capital increases at a subsidiary)

At meetings of the Board of Directors held on December 27, 2022, and February 10, 2023, the Company resolved that Frontier Capital Inc., a consolidated subsidiary, would raise funds through private placements of shares. The payments for these placements were completed on January 18, 2023, and on February 28, 2023, and Frontier Capital raised a total of 3,000.6 million yen.

The private placements resulted in a 0.9 million yen increase in capital surplus and a 2,999.7 million yen increase in non-controlling shareholders’ equity.

In the private placements, a total of 30,006 shares were issued, consisting of 29,997 Class A shares and 9 Class B shares. The following is descriptions of Class A and Class B shares.

[Class A shares]

The holder of Class A shares receives priority payment of dividends of surplus in cash over the shareholders of shares of other classes.

The holder of Class A shares receives residual assets before the shareholders of shares of other classes.

The holder of Class A shares may not exercise any voting rights at shareholders’ meetings of Frontier Capital Inc.

Once ten years from the date of the first issuance of the Class A shares have passed, the holder of these shares may demand that Frontier Capital Inc. purchases all or part of their shares in exchange for cash.

[Class B shares]

No dividends of surplus are paid to the holder of Class B shares.

After the distribution of residual assets to Class A share holders, the Class B share holders receive residual assets before Class C share holders and common shareholders.

The holder of Class B shares has a voting right per Class B share at shareholders’ meetings of Frontier Capital Inc.

(Segment Information)

1. Description of reporting segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is available, and which are subject to periodic review by decision-making bodies such as the Board of Directors in order to determine the allocation of management resources and evaluate business performance.

The Group consists of segments by business type, and we have two reportable segments: the Consulting and Advisory Business and the Investment Business.

The Consulting and Advisory Business operates a management consulting business, an M&A advisory business and a revitalization support business. The Investment Business operates an investment business involving the dispatch of management personnel with the aim of enhancing the long-term and sustainable corporate value of the investee.

2. Methods of calculating net sales, income or loss, assets, liabilities and other items by reportable segment

The accounting policies of the reportable segments are generally consistent with the summary of significant accounting policies.

Segment income as reported in this section is based on operating income.

Internal income and the transfer amount among the segments are based on the actual market prices.



3. Information on net sales, income or loss, assets, liabilities and other items by reportable segment

Previous fiscal year (January 1, 2022 - December 31, 2022)

(Thousands of yen)

	Reportable segments			Adjustment	Amounts in consolidated financial statements
	Consulting Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	7,912,655	3,000	7,915,655	–	7,915,655
Intersegment internal sales and transfers	–	14,603	14,603	(14,603)	–
Total	7,912,655	17,603	7,930,258	(14,603)	7,915,655
Segment income (loss)	1,099,403	(191,272)	908,131	–	908,131
Segment assets	4,800,439	858,204	5,658,644	–	5,658,644
Other items					
Depreciation and amortization	47,495	–	47,495	–	47,495
Amortization of goodwill	29,458	–	29,458	–	29,458
Depreciation of customer-related assets	6,250	–	6,250	–	6,250
Investment in equity method affiliates	54,193	–	54,193	–	54,193
Increase in property, plant and equipment and intangible assets	473,430	–	473,430	–	473,430

(Note) Segment income (loss) matches the operating income in the consolidated statements of income.

Fiscal year under review (January 1, 2023 – December 31, 2023)

(Thousands of yen)

	Reportable segments			Adjustment	Amounts in consolidated financial statements
	Consulting Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	10,003,683	21,400	10,025,083	–	10,025,083
Intersegment internal sales and transfers	–	21,246	21,246	(21,246)	–
Total	10,003,683	42,646	10,046,330	(21,246)	10,025,083
Segment income (loss)	1,645,950	(394,320)	1,251,629	–	1,251,629
Segment assets	7,262,775	3,611,907	10,874,682	–	10,874,682
Other items					
Depreciation and amortization	67,460	106	67,567	–	67,567
Amortization of goodwill	29,458	–	29,458	–	29,458
Depreciation of customer-related assets	6,250	–	6,250	–	6,250
Investment in equity method affiliates	1,245,516	58,247	1,303,764	–	1,303,764
Increase in property, plant and equipment and intangible assets	35,777	1,425	37,202	–	37,202

(Note) Segment income (loss) matches the operating income in the consolidated statements of income.

(Per Share Information)

(Yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Fiscal year under review (January 1, 2023 to December 31, 2023)
Net assets per share	255.37	315.81
Net income per share	48.67	67.51
Diluted net income per share	47.93	66.47

(Note) The basis for the calculation of net income per share and diluted net income per share is as follows.

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Fiscal year under review (January 1, 2023 to December 31, 2023)
Net income per share		
Net income attributable to owners of parent (thousand yen)	556,722	780,683
Amount not attributable to common shareholders (thousand yen)	–	–
Net income attributable to owners of parent pertaining to common stock (thousand yen)	556,722	780,683
Average number of shares of common stock outstanding during the period (shares)	11,437,677	11,562,872
Diluted net income per share		
Adjustments to net income attributable to owners of parent (thousand yen)	–	–
Increase in the number of common shares (shares)	176,925	180,779
[Of which number of share acquisition rights (shares)]	[176,925]	[180,779]
Descriptions of potentially dilutive common stock that were not included in the computation of diluted earnings per share because of their anti-dilutive effect	–	–

(Significant Subsequent Events)

None