

# Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending December 2024 [Japanese GAAP]



November 13, 2024

Company name: Frontier Management Inc.  
 Listing: Tokyo Stock Exchange  
 Stock code: 7038 URL: <https://www.frontier-mgmt.com/>  
 Representative: Shoichiro Onishi, Representative Director, President & Executive Officer  
 Contact: Hiroaki Hamada, Executive Officer, Head of Company Planning and Administration Department  
 TEL +81-3-6862-8335

Scheduled date of commencement of dividend payment: –  
 Preparation of supplementary material on financial results: Yes  
 Financial results briefing: Yes (for institutional investors and analysts)

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

## 1. Quarterly consolidated results for the first nine months of fiscal year ending December 31, 2024 (January 1, 2024 to September 30, 2024)

### (1) Consolidated operating results (Cumulative)

(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.	%
First nine months, FY2024	6,748	(7.1)	92	(89.2)	18	(97.9)	(109)	–
First nine months, FY2023	7,267	23.4	854	25.7	852	22.3	529	50.6

(Note) Comprehensive income First nine months, FY2024: (103) JPY mil. (-%)  
 First nine months, FY2023: 537 JPY mil. (49.2%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
First nine months, FY2024	(9.33)	–
First nine months, FY2023	45.96	45.33

(NOTE) Diluted quarterly net interest per share for the third quarter of the year ended December 31, 2024 is not shown because it is a quarterly net loss per share although there are potential shares.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY mil.	JPY mil.	%
First nine months, FY2024	14,153	11,268	22.4
FY2023	10,874	6,822	34.0

(Reference) Shareholders' equity First nine months, FY2024: 3,163 JPY mil. FY2023: 3,700 JPY mil.  
 Net assets ratio First nine months, FY2024: 79.6% FY2023: 62.7%

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.

Frontier Capital Inc., a consolidated subsidiary, accepted investments worth a total of 3,000 million yen in the first quarter of the fiscal year ended December 31, 2023, and 5,000 million yen in the third quarter under review primarily from financial institutions under its business plan. As a result, the Group's non-controlling interests increased 7,999 million yen, and the equity ratio decreased. Except for the investments, the equity ratio was at 51.4%. 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 interests 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 8,000 million yen).

## 2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2023	–	0.00	–	41.00	41.00
FY2024	–	0.00	–	–	–
FY2024 (Forecast)	–	–	–	–	–

(Notes) 1. Revisions to dividend forecasts published most recently: Yes  
 2. Dividends for the year ended December 31, 2024 are undecided.

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

(Percentages represent 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.	%	Yen
Full year	9,000	△10.2	△950	–	△1,030	–	△870	–	△74.12

(Note) Revisions to financial forecasts published most recently: Yes

\* Notes

(1) Important changes in the scope of consolidation during the period: None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement

(i) Changes in accounting policies caused by revision of accounting standards: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of shares outstanding (common shares)

(i) Number of shares outstanding at end of period (including treasury shares)

First nine months, FY2024	11,757,603 shares	FY2023	11,726,457 shares
---------------------------	-------------------	--------	-------------------

(ii) Number of treasury shares at end of period

First nine months, FY2024	12,903 shares	FY2023	7,903 shares
---------------------------	---------------	--------	--------------

(iii) Average number of shares outstanding during the period

First nine months, FY2024	11,735,336 shares	First nine months, FY2023	11,510,401 shares
---------------------------	-------------------	---------------------------	-------------------

\* Statutory review of the attached quarterly consolidated financial statements by a certified public accountant or an audit corporation:  
None

\* 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 more information, such as the assumptions used in forecasting the results and remarks on their usage, please refer to 1. Qualitative information on consolidated operating results for the first nine months of the fiscal year ending December 2024, (3) Explanation regarding financial results forecasts and other forward-looking statements on page 5 of the accompanying materials.

Accompanying materials – contents

1. Qualitative information on consolidated operating results for the first nine months of the fiscal year ending December 2024 .....	4
(1) Explanation regarding results of operations.....	4
(2) Explanation regarding financial position .....	5
(3) Explanation regarding financial results forecasts and other forward-looking statements .....	5
2. Quarterly consolidated financial statements and key notes .....	6
(1) Quarterly consolidated balance sheets .....	6
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income .....	8
Quarterly consolidated statement of income	
First nine-month period.....	8
Quarterly consolidated statement of comprehensive income	
First nine-month period.....	9
(3) Notes to quarterly consolidated financial statements .....	10
(Notes on the going concern) .....	10
(Note on significant changes in the amount of shareholders' equity).....	10
(Notes to Quarter Consolidated Statements of Cash Flows) .....	10
(Additional information) .....	10
(Notes to segment information).....	11

1. Qualitative information on consolidated operating results for the first nine months of the fiscal year ending December 2024

(1) Explanation regarding results of operations

During the first nine months of the fiscal year under review (from January 1, 2024 to September 30, 2024), the Japanese economy was gradually recovering against a backdrop of the strong performance of corporations and the improvement of the employment and income situation, although there were still signs that some sectors were slowing down. There were concerns regarding geopolitical risks, such as the conflict between Russia and Ukraine and tensions in the Middle East, downside risks connected to overseas economies, and the effects of rising prices on personal consumption. As a result, the outlook for the Japanese economy remained uncertain.

In this business environment, the Group has focused 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 based on the Medium-Term Management Plan for Fiscal 2024-2026 published on February 14, 2024. The Group has also been making investments that involve dispatching management personnel at its consolidated subsidiary Frontier Capital Inc. (“FCI”).

The Management Consulting Business, the Revitalization Support Business and Other Business (hereinafter referred to as “consulting-based businesses”) maintained upward momentum during the first nine-month period under review, achieving record-high net sales throughout.

Net sales of the M&A Advisory Business are highly volatile because of its nature as a success fee-based business, resulting in a significant decrease in net sales from a year ago when success fees for large M&A deals were recorded.

The Group successfully increased the number of personnel, which reached 428 at the end of the first nine months. This is a net increase of 59 personnel from the end of FY2023, and the increase is 84% of the planned increase of 70 in FY2024. The larger workforce is expected to contribute to the Group’s growth in the medium to long term.

FCI completed investments in two companies by the end of the first nine-month period. In July 2024, it executed a capital increase of 5,000 million yen. In addition to expanding pipelines, FCI is actively pushing ahead with investment activities.

As a result of the above, the Group’s consolidated results for the nine-month period under review were net sales of 6,748.886 million yen (down 7.1% year on year), operating income of 92.054 million yen (down 89.2%), and ordinary income of 18.142 million yen (down 97.9%). The Group recorded a loss attributable to owners of parent of 109.599 million yen after paying income taxes of 139.379 million yen (compared to net income attributable to owners of parent of 529.130 million yen in the previous fiscal year).

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

Consulting and Advisory Business Segment

The Consulting and Advisory Business Segment’s business results for the first nine-month period under review were net sales of 6,674.054 million yen (down 7.9% year on year) and operating income of 366.648 million yen (down 68.0% year on year). Consulting-based businesses continued to perform strongly, posting net sales of 5,635.369 million yen (up 8.2% year on year). In the M&A Advisory Business, net sales were 6,674.054 million yen (down 7.9%) and operating income was 366.648 million yen (down 68.0%) due to a significant decrease in net sales compared to the same quarter of the previous year, when multiple large-scale projects were closed, affected by fluctuations in net sales on a fiscal year basis.

(Consulting-based Businesses)

The operating results by business are as follows.

<Management Consulting Business>

Net sales in the Management Consulting Business came to 4,444.074 million yen (up 18.1% year on year). The segment posted a year-on-year increase in sales for the first nine-month period under review thanks to the effect of increased personnel in line with a recruitment plan, the significant growth in DX (digital transformation) consulting, and an increase in orders from large companies.

<Revitalization Support Business>

Net sales in the Revitalization Support Business stood at 1,088.396 million yen (down 15.0% year on year). Orders for revitalization projects were firm during the first nine-month period under review, but sales declined from the previous year, chiefly due to the conclusion of large-scale projects.

<Other Business>

Net sales in the Other Businesses were 102.898 million yen (down 38.1% year on year).

(M&A Advisory Business)

Net sales in the M&A Advisory Business were 1,038.684 million yen (down 49.1% year on year). In the first nine months of the previous fiscal year, multiple large-scale M&A deals, including cross-border M&A deals, were successfully completed, but in the same period of the fiscal year under review, the number of completed large-scale M&A deals declined year on year, resulting in a year-on-year decrease in net sales.

Investment Business Segment

During the first nine months under review, the Group actively explored investment opportunities and made investments, including an investment in a second project in March 2024, following the first investment in December 2023. Additionally, the Group executed a capital increase to raise 5,000 million yen for future investments. Net sales in the period under review stood at 74.832 million yen (up 88.5% year on year). Meanwhile, the Group posted fixed costs, such as personnel expenses, in advance and recorded an operating loss of 274.593 million yen (compared to an operating loss of 292.923 million yen in the same period of the previous fiscal year).

(2) Explanation regarding financial position

<Assets>

The Group's net assets at the end of the first nine months under review came to 14,153.594 million yen, an increase of 3,278.911 million yen from 10,874.682 million yen at the end of the previous fiscal year.

This was mainly due to increases of 2,500.510 million yen in cash and deposits and 1,511.099 million yen in operational investment securities, as well as decreases of 445.195 million yen in notes and accounts receivable - trade, and contract assets and 132.914 million yen in deferred tax assets.

<Liabilities>

The Group's liabilities at the end of the first nine months under review were 2,884.825 million yen, a decrease of 1,167.493 million yen from 4,052.318 million yen at the end of the previous fiscal year.

This was mainly due to an increase of 600.000 million yen in short-term borrowings as well as decreases of 141.582 million yen in long-term borrowings, 826.222 million yen in provision for bonuses, 371.731 million yen in income taxes payable, and 363.906 million yen in other under current liabilities due to a fall in consumption tax payable, etc.

<Net assets>

The Group's net assets at the end of the first nine months under review came to 11,268.769 million yen, an increase of 4,446.405 million yen from 6,822.364 million yen at the end of the previous fiscal year.

This was mainly due to an increase of 4,982.981 million yen in non-controlling interests, chiefly due to a capital increase at the consolidated subsidiary FCI, a net loss attributable to owners of parent of 109.599 million yen, and dividends paid of 480.460 million yen.

(3) Explanation regarding financial results forecasts and other forward-looking statements

The Company has revised the forecasts of its consolidated financial results announced on February 14, 2024. For details, please see the notice of the revision of the consolidated results forecasts published on November 13, 2024.

## 2. Quarterly consolidated financial statements and key notes

### (1) Quarterly consolidated balance sheet

(Thousands of yen)

	End of the previous fiscal year (As of December 31, 2023)	End of 3Q of current fiscal year (As of September 30, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	5,838,745	8,339,256
Notes and accounts receivable - trade, and contract assets	1,494,319	1,049,124
Operational investment securities	516,904	2,028,004
Other	325,208	237,029
Allowance for doubtful accounts	(15,247)	(13,164)
Total current assets	8,159,931	11,640,249
Non-current assets		
Property, plant and equipment		
Buildings, net	252,933	215,887
Tools, furniture and fixtures, net	29,353	22,450
Total property, plant and equipment	282,287	238,338
Intangible assets		
Software	10,222	30,697
Goodwill	235,671	213,577
Customer-related intangible assets	12,500	7,812
Other	1,420	1,313
Total intangible assets	259,814	253,400
Investments and other assets		
Investment securities	296	296
Shares of subsidiaries and associates	1,301,800	1,266,691
Investments in capital of subsidiaries and associates	1,963	2,338
Leasehold and guarantee deposits	355,817	359,640
Deferred tax assets	419,285	286,371
Other	87,842	101,925
Total investments and other assets	2,167,006	2,017,265
Total non-current assets	2,709,108	2,509,004
Deferred assets		
Organization expenses	5,642	4,340
Total deferred assets	5,642	4,340
Total assets	10,874,682	14,153,594

(Thousands of yen)

	End of the previous fiscal year (As of December 31, 2023)	End of 3Q of current fiscal year (As of September 30, 2024)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	111,549	109,229
Short-term borrowings	–	600,000
Current portion of long-term borrowings	237,313	248,623
Accounts payable - other	183,039	161,894
Income taxes payable	421,277	49,545
Provision for bonuses	994,085	167,863
Provision for bonuses for directors (and other officers)	43,555	–
Provision for shareholder benefit program	25,849	17,446
Other	552,345	188,439
<b>Total current liabilities</b>	<b>2,569,015</b>	<b>1,543,041</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,352,000	1,210,418
Asset retirement obligations	131,303	131,365
<b>Total non-current liabilities</b>	<b>1,483,303</b>	<b>1,341,783</b>
<b>Total liabilities</b>	<b>4,052,318</b>	<b>2,884,825</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	374,743	384,443
Capital surplus	734,019	758,980
Retained earnings	2,599,348	2,009,287
Treasury shares	(8,363)	(8,363)
<b>Total shareholders' equity</b>	<b>3,699,747</b>	<b>3,144,348</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	1,198	19,124
<b>Total accumulated other comprehensive income</b>	<b>1,198</b>	<b>19,124</b>
Share award rights	19,000	–
Share acquisition rights	37,130	57,027
Non-controlling interests	3,065,287	8,048,268
<b>Total net assets</b>	<b>6,822,364</b>	<b>11,268,769</b>
<b>Total liabilities and net assets</b>	<b>10,874,682</b>	<b>14,153,594</b>

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income  
(Quarterly consolidated statement of income)  
(First nine-month period)

(Thousands of yen)

	First nine months of previous fiscal year (January 1, 2023 to September 30, 2023)	First nine months of current fiscal year (January 1, 2024 to September 30, 2024)
Net sales	7,267,676	6,748,886
Cost of sales	3,320,020	3,337,097
Gross profit	3,947,655	3,411,789
Selling, general and administrative expenses	3,093,647	3,319,735
Operating income	854,008	92,054
Non-operating income		
Interest income	113	460
Share of profit of entities accounted for using equity method	3,345	–
Dividend income of insurance	2,130	2,366
Compensation income	–	3,855
Reversal of allowance for doubtful accounts	4,589	1,937
Foreign exchange gains	5,208	–
Other	2,745	1,390
Total non-operating income	18,134	10,011
Non-operating expenses		
Interest expenses	7,391	13,315
Share issuance costs	11,908	17,500
Share of loss of entities accounted for using equity method	–	46,660
Foreign exchange losses	–	6,029
Other	515	417
Total non-operating expenses	19,816	83,922
Ordinary income	852,327	18,142
Net income before income taxes	852,327	18,142
Income taxes - current	298,440	6,465
Income taxes - deferred	16,514	132,914
Total income taxes	314,955	139,379
Net income (loss)	537,371	(121,237)
Net income (loss) attributable to non-controlling interests	8,241	(11,637)
Net income (loss) attributable to owners of parent	529,130	(109,599)



(Quarterly consolidated statements of comprehensive income)  
(First nine-month period)

(Thousands of yen)

	First nine months of previous fiscal year (January 1, 2023 to September 30, 2023)	First nine months of current fiscal year (January 1, 2024 to September 30, 2024)
Net income or net loss	537,371	(121,237)
Other comprehensive income		
Foreign currency translation adjustment	(306)	(581)
Share of other comprehensive income of entities accounted for using equity method	–	18,507
Total other comprehensive income	(306)	17,925
Comprehensive income	537,065	(103,311)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	528,823	(91,674)
Comprehensive income attributable to non-controlling interests	8,241	(11,637)

(3) Notes to quarterly consolidated financial statements

(Notes on the going concern)

None

(Note on significant changes in the amount of shareholders' equity)

None

(Notes to Quarter Consolidated Statements of Cash Flows)

The quarterly consolidated statements of cash flows for the third quarter of the current fiscal year have not been prepared. Depreciation and amortization related to the third quarter cumulative period (including amortization related to intangible assets excluding goodwill and customer-related assets), amortization of goodwill, and amortization of customer-related assets are as follows.

	(Thousands of yen)	
	First nine months of previous fiscal year (January 1, 2023 to September 30, 2023)	First nine months of current fiscal year (January 1, 2024 to September 30, 2024)
Depreciation and amortization	50,313	48,628
Amortization of goodwill	22,094	22,094
Amortization of customer-related assets	4,687	4,687

(Additional information)

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

The Company resolved at a meeting of its Board of Directors held on June 27, 2024 to raise capital by way of a private placement to be implemented by its consolidated subsidiary Frontier Capital Inc. A payment of 5,000 million yen was completed on July 26, 2024.

As a result of the private placement, the Group's non-controlling interests have increased by the same amount.

In the private placement, Frontier Capital issued 50,000 Class A shares. The details of its Class A shares are as follows.

[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.

(Notes to segment information)

First nine months of previous fiscal year (From January 1, 2023 to September 30, 2023)

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

(Thousands of yen)

	Reportable segments			Adjustment	Amount recorded in quarterly consolidated financial statements (Note)
	Consulting Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	7,249,226	18,450	7,267,676	–	7,267,676
Intersegment internal sales and transfers	–	21,246	21,246	(21,246)	–
Total	7,249,226	39,696	7,288,922	(21,246)	7,267,676
Segment income (loss)	1,146,932	(292,923)	854,008	–	854,008

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

2. Information on assets by reportable segment

In the first quarter, Frontier Capital Inc., a consolidated subsidiary, raised funds totaling 3,000.6 million yen mainly from financial institutions through a private placement. Due to the private placement, assets in the Investment Business segment in the third quarter increased 2,779.871 million yen from the end of the previous fiscal year.

First nine months of current fiscal year (From January 1, 2024 to September 30, 2024)

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

(Thousands of yen)

	Reportable segments			Adjustment	Amount recorded in quarterly consolidated financial statements (Note)
	Consulting Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	6,674,054	74,832	6,748,886	–	6,748,886
Intersegment internal sales and transfers	–	–	–	–	–
Total	6,674,054	74,832	6,748,886	–	6,748,886
Segment income (loss)	366,648	(274,593)	92,054	–	92,054

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

2. Information on assets by reportable segment

During the third quarter of the fiscal year under review, Frontier Capital Corporation, a consolidated subsidiary, raised funds totaling ¥5 billion from financial institutions through a third-party allocation of new shares. As a result, segment assets in the Investment Business for the third quarter of the current fiscal year increased by ¥4580780000 from the end of the previous fiscal year.

3. Information on impairment loss on noncurrent assets and goodwill by reportable segment

Not applicable.