

Consolidated Financial Results for the Fiscal Year Ended December 2024

[Japanese GAAP]



February 13, 2025

Company name: Frontier Management Inc.

Listing: Tokyo Stock Exchange

Stock code: 7038

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Scheduled date of Annual General Meeting of Shareholders: March 27, 2025

Scheduled date of commencement of dividend payment: –

Scheduled date of filing securities report: March 27, 2025

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. Consolidated financial results for the fiscal year ended December 31, 2024 (January 1, 2024 to December 31, 2024)

(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.	%
FY2024	9,265	(7.6)	(632)	–	(710)	–	(694)	–
FY2023	10,025	26.6	1,251	37.8	1,238	34.4	780	40.2

(Note) Comprehensive income

FY2024: (614) JPY mil. (–%)

FY2023: 785 JPY mil. (38.9%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2024	(59.20)	–	(21.9)	(5.7)	(6.8)
FY2023	67.51	66.47	23.6	15.0	12.5

(Reference) Equity in earnings (losses) of affiliates

FY2024: (48) JPY mil.

FY2023: 4 JPY mil.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY mil.	JPY mil.	%	Yen
FY2024	14,165	10,749	18.6	225.09
FY2023	10,874	6,822	34.0	315.81

(Reference) Shareholders' equity

FY2024: 2,640 JPY mil.

FY2023: 3,700 JPY mil.

Net assets ratio

FY2024: 75.9%

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 interests 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 of the fiscal year ended December 31, 2024, 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 42.8%. The equity ratio except for the investments is calculated using the following formula: (net assets 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).

(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.
FY2024	(2,518)	(63)	4,302	7,561
FY2023	225	(1,377)	3,787	5,838

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.	%	%
FY2023	–	0.00	–	41.00	41.00	480	60.7	14.4
FY2024	–	0.00	–	0.00	0.00	–	–	–
FY2025 (Forecast)	–	0.00	–	–	–	–	–	–

(Note) The Company plans to pay dividends for the fiscal year ending December 31, 2025. The year-end dividend amount is yet to be determined.

3. Consolidated forecasts for the fiscal year ending December 31, 2025 (January 1, 2025 – December 31, 2025)

(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	13,900	50.0	640	–	480	–	100	–	8.52

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

(2) 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

(3) Number of shares outstanding (common shares)

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

FY2024 11,757,603 shares FY2023 11,726,457 shares

(ii) Number of treasury shares at end of period

FY2024 26,839 shares FY2023 7,903 shares

(iii) Average number of shares outstanding during the period

FY2024 11,736,966 shares FY2023 11,562,872 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated results for the year ended December 31, 2024 (January 1, 2024 to December 31, 2024)

(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.	%
FY2024	8,816	(7.8)	(122)	–	(115)	–	(114)	–
FY2023	9,557	26.7	1,629	51.0	1,625	50.3	1,191	58.0

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY2024	(9.76)	–
FY2023	103.08	101.49

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY mil.	JPY mil.	%	Yen
FY2024	6,876	3,781	54.1	317.15
FY2023	8,166	4,348	52.6	366.30

(Reference) Shareholders' equity

FY2024: 3,720 JPY mil.

FY2023: 4,292 JPY mil.

<Reasons for differences between the non-consolidated financial results for the fiscal year ended December 31, 2024 and the actual results for the previous fiscal year>

Differences between results for the previous fiscal year and the fiscal year under review arose for the same reason stated on page 4 of the attachments, "1. Overview of Financial Results, etc. (1) Overview of Operating Results for the Fiscal Year."

* 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, 2024 to December 31, 2024), the Japanese economy gradually recovered against a backdrop of strong corporate earnings and an improved employment and income situation; however, the outlook remained uncertain amid concerns over geopolitical risks, such as the conflict between Russia and Ukraine and tensions in the Middle East, downside risks from overseas economies, and the effects of rising prices on personal consumption.

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") generally maintained upward momentum during the fiscal year under review, achieving record-high net sales throughout.

Net sales in the M&A Advisory Business significantly declined from a year ago, primarily due to sluggish activity in the domestic M&A business.

The Group increased the number of personnel to 433 at the end of the fiscal year under review. This is a net increase of 64 personnel from the end of FY2023, falling slightly short of the planned increase of 70 personnel in FY2024. Nonetheless, the larger workforce is expected to contribute to the Group's growth in the medium to long term.

FCI expanded pipelines and actively pushed ahead with investment activities. These included raising 5,000 million yen from outside investors through a capital increase in July 2024 and completing investments in three companies by the end of the fiscal year under review, and also signing a share transfer agreement for an investment by the Group in December 2024.

As a result of the above, the Group's consolidated results for the fiscal year under review were net sales of 9,265.110 million yen (down 7.6% year on year), an operating loss of 632.136 million yen (compared with operating income of 1,251.629 million yen the previous fiscal year), an ordinary loss of 710.582 million yen (compared with ordinary income of 1,238.574 million yen the previous fiscal year), and loss attributable to owners of parent of 694.858 million yen (compared to net income attributable to owners of parent of 780.683 million yen 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 fiscal under review were net sales of 9,174.433 million yen (down 8.3% year on year) and an operating loss of 199.411 million yen (compared with operating income of 1,645.950 million yen the previous fiscal year). Although consulting-based businesses continued to perform strongly, posting net sales of 7,714.452 million yen (up 10.5% year on year), the M&A Advisory Business posted a substantial year-on-year drop in sales mainly due to the lackluster performance of the M&A business in Japan.

(Consulting-based Businesses)

The operating results by business are as follows.

<Management Consulting Business>

Net sales in the Management Consulting Business for the fiscal year under review came to 6,344.585 million yen (up 24.8% year on year). The segment posted a year-on-year increase in sales for the fiscal year under review thanks to the effect of increased personnel in line with a recruitment plan, and significant growth in DX (digital transformation) consulting.

<Revitalization Support Business>

Net sales in the Revitalization Support business for the fiscal year under review stood at 1,245.618 million yen (down 24.4% year on year). New orders for revitalization projects were firm during the fiscal year under review, but sales declined from the previous year, chiefly due to the conclusion of large-scale projects underway since the previous fiscal year.

<Other Business>

Net sales in the Other Businesses for the fiscal year under review were 124.249 million yen (down 49.9% year on year).

(M&A Advisory Business)

Net sales in the M&A Advisory Business for the fiscal year under review were 1,459.980 million yen (down 51.7% year on year).

During the previous fiscal year, sales were solid as multiple large-scale M&A deals were successfully completed. However, during the fiscal year under review, the number of deals generating success fees declined, primarily due to a slowdown in the domestic M&A business, resulting in a significant year-on-year decrease in net sales.

Investment Business Segment

During the fiscal year under review, the Group actively explored investment opportunities and made investments, including investing in its second and third projects, and signing a share transfer agreement for an investment in December 2024. The Group also executed a capital increase to raise 5,000 million yen for future investments. However, due to upfront fixed costs, such as personnel expenses resulting mainly from delays in making investments, the results of the Investment Business Segment for the fiscal year under review were net sales of 99.967 million yen (up 134.4% year on year) and an operating loss of 432.724 million yen (compared to an operating loss of 394.320 million yen in the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year

(Assets)

The total assets at the end of the fiscal year under review stood at 14,165.057 million yen, an increase of 3,290.374 million yen from 10,874.682 million yen at the end of the previous fiscal year. The breakdown shows 11,470.340 million yen in current assets (8,159.931 million yen at the end of the previous fiscal year), 2,690.809 million yen in non-current assets (2,709.108 million yen at the end of the previous fiscal year) and 3.906 million yen in deferred assets (5.642 million yen at the end of the previous fiscal year). As a result, current assets increased 3,310.409 million yen and non-current assets decreased 18.298 million yen 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 1,722.434 million yen in cash and deposits, an increase of 1,715.550 million yen in operational investment securities, and a decrease of 103.494 million yen in notes and accounts receivable - trade, and contract assets. The main components of the change in non-current assets were a 33.023 million yen increase in other of investments and other assets, a 49.396 million yen decrease in buildings, net. The change in deferred assets was a decrease of 1.736 million yen in organization expenses.

(Liabilities)

The total liabilities at the end of the fiscal year under review were 3,415.634 million yen, a decrease of 636.684 million yen from 4,052.318 million yen at the end of the previous fiscal year. Of this, current liabilities were 2,122.901 million yen (2,569.015 million yen at the end of the previous fiscal year), and non-current liabilities were 1,292.733 million yen (1,483.303 million yen at the end of the previous fiscal year). As a result, current liabilities decreased 446.114 million yen and non-current liabilities decreased 190.570 million yen from the end of the previous fiscal year. The main changes in current liabilities were a 148.288 million yen increase in accounts payable-other, a 345.261 million yen decrease in income taxes payable, and a 216.401 million yen decrease in other current liabilities. The main changes in non-current liabilities were a 203.697 million yen decrease in long-term borrowings.

(Net assets)

The net assets at the end of the fiscal year under review came to 10,749.422 million yen, an increase of 3,927.058 million yen from 6,822.364 million yen at the end of the previous fiscal year. This increase was primarily due to a 4,982.929 million yen increase in non-controlling interests due to a capital increase implemented by FCI, which is a consolidated subsidiary, while it decreased due to the recognition of a net loss attributable to parent company shareholders of 694.858 million yen and the distribution of retained earnings of 480.460 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 7,561.180 million yen, an increase of 1,722.434 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 used in operating activities was 2,518.714 million yen (compared with net cash provided by operating activities of 225.607 million yen in the previous fiscal year). This was mainly attributable to factors for increase such as a loss before income taxes of 710.582 million yen, a 1,672.952 million decrease in operational investment securities, and 375.856 million yen in income taxes paid, and factors for increase such as a 146.443 million yen increase in accounts payable-other.

(Cash flows from investing activities)

Net cash used in investing activities was 63.854 million yen (compared with net cash used of 1,377.671 million yen in the previous fiscal year). This was primarily due to 33.023 million yen in payments for investments and other assets and 25.887 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities was 4,302.623 million yen (compared with net cash provided by financing activities of 3,787.732 million yen in the previous fiscal year). This was mainly due to factors for increase such as 4,980.750 million yen in proceeds from capital increase of consolidated subsidiaries and factors for decrease such as 480.623 million yen in cash dividends paid and 242.518 million yen in repayments of long-term borrowings.

(4) Future Outlook

Our financial results for the 18th fiscal year (fiscal year ended December 2024) showed a loss, and we recognize the need to revise the Medium-Term Management Plan for Fiscal 2024-2026 announced in February 2024; however, first, we developed a Structural Reform Plan on February 13, 2025 to achieve a return to profit in the fiscal year ending December 31, 2025.

We see this structural form as the first year of our second startup, and we will sharpen the focus of the solutions we provide and quickly change, etc. our management model and organizational structure.

For the development of “our own ecosystem” (refers to a unique system where our employees and the Group and its associates can coexist and continue to enhance each other’s value, achieving their own independence and growth), which is predicated on the transformation to the “ONE FMI Platform Management” and for the realization of further growth, we have set out two basic policies “Increased productivity” and “Future-oriented”, and we will aim for enhancement of our corporate value through the realization of an agile corporate structure and growth achieved by tapping into business opportunities.

The main measures we will focus on under the Structural Reform Plan are as follows.

* For further details, please refer to “Presentation Materials on Structural Reforms in the Fiscal Year Ending December 31, 2025” released today (February 13, 2025).

<Main measures in fiscal year ending December 31, 2025>

1. Enhancement of competitiveness through reorganization of consulting-based businesses

We will reorganize consulting-based businesses in areas where we are still competitive, streamlining the five businesses we have currently into three businesses, and we will increase efficiency through the consolidation of human capital and integrated operation, further increasing productivity in our growing consulting-based businesses.

2. Further growth through return to origins in the M&A middle-market in Japan

In FY2024, our focus on winning and executing cross-border deals, which can be very volatile, resulted in a poor performance in the M&A business in Japan, leading to a substantial drop in earnings. In light of this, we will achieve stable growth in the M&A middle-market in Japan, where we have always been strong.

3. Shift to the provision of integrated, linked solutions in our four client-facing businesses

We will create projects with high added value and a high unit cost through the cross-selling of integrated, linked solutions by our four client-facing businesses, namely the three consulting-based businesses and the M&A business.

4. Reform of operations for systematic expansion of accounts and network coverage

While maintaining cooperation with the financial institutions and PE funds that have strong relationships with us as our

foundations, we will accelerate expansion of accounts among large and mid-sized enterprises/network coverage.

5. Enhancement of group strategy and management capabilities through reorganization of corporate departments

We will seek to enhance our corporate capabilities as ONE-FMI by streamlining three departments by CxO domain as organizations reporting directly to the President and by consolidating and rationalizing department sections.

6. Generation of returns through increased investment by FMI

In view of the improved prospect of generating returns after expansion of the project pipeline in FY2024, FMI will invest in around four projects every year, while at the same time seeking to further strengthen cooperation with the Group.

Based on the above, our consolidated earnings forecasts for the 19th fiscal year (ending December 31, 2025) are net sales of 13,900.000 million yen (up 50.0% year on year), operating income of 640.000 million yen (the consolidated fiscal year reported operating loss of 632.136 million yen), ordinary income of 480.000 million yen (the consolidated fiscal year reported ordinary loss of 710.582 million yen) and net income attributable to owners of parent of 100.000 million yen (the consolidated fiscal year reported net loss attributable to owners of parent of 694.858 million yen).

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, 2023)	Fiscal year under review (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	5,838,745	7,561,180
Notes and accounts receivable - trade, and contract assets	1,494,319	1,390,825
Operational investment securities	516,904	2,232,455
Other	325,208	300, 543
Allowance for doubtful accounts	(15,247)	(14,663)
Total current assets	8,159,931	11,470,340
Non-current assets		
Property, plant and equipment		
Buildings, net	252,933	203,537
Tools, furniture and fixtures, net	29,353	19,899
Total property, plant and equipment	282,287	223,437
Intangible assets		
Software	10,222	30,314
Goodwill	235,671	206,212
Customer-related intangible assets	12,500	6,250
Other	1,420	1,277
Total intangible assets	259,814	244,054
Investments and other assets		
Investment securities	296	296
Shares of subsidiaries and associates	1,301,800	1,307,658
Investments in capital of subsidiaries and associates	1,963	2,648
Leasehold and guarantee deposits	355,817	360,147
Deferred tax assets	419,285	431,701
Other	87,842	120,865
Total investments and other assets	2,167,006	2,223,317
Total non-current assets	2,709,108	2,690,809
Deferred assets		
Organization expenses	5,642	3,906
Total deferred assets	5,642	3,906
Total assets	10,874,682	14,165,057

(Thousands of yen)

	Previous fiscal year (As of December 31, 2023)	Fiscal year under review (As of December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	111,549	127,016
Current portion of long-term borrowings	237,313	248,492
Accounts payable - other	183,039	331,328
Income taxes payable	421,277	76,015
Provision for bonuses	994,085	948,696
Provision for bonuses for directors (and other officers)	43,555	–
Provision for shareholder benefit program	25,849	55,343
Other	552,345	336,008
Total current liabilities	2,569,015	2,122,901
Non-current liabilities		
Long-term borrowings	1,352,000	1,148,303
Asset retirement obligations	131,303	131,386
Deferred tax liabilities	–	13,043
Total non-current liabilities	1,483,303	1,292,733
Total liabilities	4,052,318	3,415,634
Net assets		
Shareholders' equity		
Share capital	374,743	386,224
Capital surplus	734,019	745,500
Retained earnings	2,599,348	1,424,029
Treasury shares	(8,363)	(8,363)
Total shareholders' equity	3,699,747	2,547,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	29,554
Foreign currency translation adjustment	1,198	63,568
Total accumulated other comprehensive income	1,198	93,122
Share award rights	19,000	–
Share acquisition rights	37,130	60,691
Non-controlling interests	3,065,287	8,048,217
Total net assets	6,822,364	10,749,422
Total liabilities and net assets	10,874,682	14,165,057

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

(Thousands of yen)

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Fiscal year under review (January 1, 2024 to December 31, 2024)
Net sales	10,025,083	9,265,110
Cost of sales	4,497,697	5,005,344
Gross profit	5,527,385	4,259,766
Selling, general and administrative expenses		
Salaries and allowances	1,594,497	1,903,919
Provision for bonuses	446,907	409,507
Provision for bonuses for directors (and other officers)	40,227	–
Recruiting	406,633	423,495
Retirement benefit expenses	24,892	31,123
Provision for shareholder benefit program	11,924	29,494
Other	1,750,672	2,094,361
Total selling, general and administrative expenses	4,275,756	4,891,902
Operating income (loss)	1,251,629	(632,136)
Non-operating income		
Interest income	135	510
Share of profit of entities accounted for using equity method	4,053	–
Dividend income of insurance	2,130	2,366
Administrative service fee income	1,247	1,247
Reversal of allowance for doubtful accounts	520	519
Gain on forfeiture of unclaimed dividends	1,467	49
Compensation income	–	3,855
Foreign exchange gains	1,013	–
Other	17	143
Total non-operating income	10,586	8,692
Non-operating expenses		
Interest expenses	11,403	18,906
Share of loss of entities accounted for using equity method	–	48,602
Share issuance costs	11,908	19,250
Foreign exchange losses	–	158
Other	330	220
Total non-operating expenses	23,642	87,138
Ordinary income (loss)	1,238,574	(710,582)
Extraordinary income		
Gain on sale of investment securities	1,675	–
Total extraordinary income	1,675	–
Net income (loss) before income taxes	1,240,249	(710,582)
Income taxes - current	521,059	8,381
Income taxes - deferred	(73,091)	(12,415)
Total income taxes	447,968	(4,034)
Net income (loss)	792,280	(706,547)
Net income (loss) attributable to non-controlling interests	11,597	(11,689)
Net income (loss) attributable to owners of parent	780,683	(694,858)

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Fiscal year under review (January 1, 2024 to December 31, 2024)
Net income	792,280	(706,547)
Other comprehensive income		
Valuation difference on available-for-sale securities		29,554
Foreign currency translation adjustment	(178)	643
Share of other comprehensive income of entities accounted for using equity method	(6,975)	61,725
Total other comprehensive income	(7,154)	91,924
Comprehensive income	785,126	(614,622)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	773,529	(602,933)
Comprehensive income attributable to non-controlling interests	11,597	(11,689)

(3) Consolidated Statements of Changes in Equity

Previous fiscal year (January 1, 2023 to 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 in 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

Fiscal year under review (January 1, 2024 to December 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	374,743	734,019	2,599,348	(8,363)	3,699,747
Changes during period					
Issuance of new shares - exercise of share acquisition rights	198	198			396
Dividends of surplus			(480,460)		(480,460)
Net loss attributable to owners of parent			(694,858)		(694,858)
Restricted stock compensation	11,283	11,283			22,566
Net changes in items other than shareholders' equity					
Total changes during period	11,481	11,481	(1,175,319)	–	(1,152,356)
Balance at end of period	386,224	745,500	1,424,029	(8,363)	2,547,391

	Accumulated other comprehensive income			Share award rights	Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income				
Balance at the beginning of period	–	1,198	1,198	19,000	37,130	3,065,287	6,822,364
Changes during period							
Issuance of new shares - exercise of share acquisition rights							396
Dividends of surplus							(480,460)
Net loss attributable to owners of parent							(694,858)
Restricted stock compensation							22,566
Net changes in items other than shareholders' equity	29,554	62,369	91,924	(19,000)	23,560	4,982,929	5,079,414
Total changes during period	29,554	62,369	91,924	(19,000)	23,560	4,982,929	3,927,058
Balance at end of period	29,554	63,568	93,122	–	60,691	8,048,217	10,749,422

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Fiscal year under review (January 1, 2024 to December 31, 2024)
Cash flows from operating activities		
Net income (loss) before income taxes	1,240,249	(710,582)
Depreciation and amortization	67,567	65,512
Amortization of deferred assets	1,736	1,736
Amortization of goodwill	29,458	29,458
Customer-related intangible assets	6,250	6,250
Share of loss (profit) of entities accounted for using equity method	(4,053)	48,602
Share-based payment expenses	45,322	27,127
Share issuance costs	11,908	19,250
Loss (gain) on sales of investment securities	(1,675)	–
Increase (decrease) in provision for bonuses	229,599	(45,389)
Increase (decrease) in provision for bonuses for directors (and other officers)	38,505	(43,555)
Increase (decrease) in provision for shareholder benefit program	11,924	29,494
Increase (decrease) in allowance for doubtful accounts	(8,967)	(583)
Interest income	(135)	(510)
Interest expenses	11,403	18,906
Decrease (increase) in trade receivables	(581,178)	104,362
Decrease (increase) in operational investment securities	(493,071)	(1,672,952)
Increase (decrease) in trade payables	40,356	14,816
Increase (decrease) in accounts payable - other	60,362	146,443
Other	(55,094)	(169,694)
Subtotal	650,469	(2,131,306)
Interest received	135	7,091
Interest paid	(12,665)	(19,253)
Income taxes paid	(412,331)	(375,856)
Income taxes refund	–	611
Net cash provided by (used in) operating activities	225,607	(2,518,714)
Cash flows from investing activities		
Purchase of property, plant and equipment	(37,192)	(716)
Purchase of intangible assets	(7,224)	(25,887)
Payments for asset retirement obligations	(3,530)	–
Purchase of shares of subsidiaries and associates	(1,252,492)	–
Proceeds from sale of investment securities	4,970	–
Payments of leasehold and guarantee deposits	(2,046)	(5,365)
Proceeds from refund of leasehold and guarantee deposits	7,685	1,137
Payments for investments and other assets	(87,842)	(33,023)
Net cash provided by (used in) investing activities	(1,377,671)	(63,854)

(Thousands of yen)

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Fiscal year under review (January 1, 2024 to December 31, 2024)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,000,000	50,000
Repayments of long-term borrowings	(188,388)	(242,518)
Purchase of treasury shares	(117)	–
Dividends paid	(320,408)	(480,623)
Dividends paid to non-controlling interests	–	(5,381)
Proceeds from issuance of shares	306,231	–
Proceeds from capital increase of consolidated subsidiaries	2,990,098	4,980,750
Proceeds from exercise of employee share options	316	396
Net cash provided by (used in) financing activities	3,787,732	4,302,623
Effect of exchange rate change on cash and cash equivalents	3,988	2,379
Net increase (decrease) in cash and cash equivalents	2,639,656	1,722,434
Cash and cash equivalents at beginning of period	3,199,089	5,838,745
Cash and cash equivalents at end of period	5,838,745	7,561,180

(5) Notes to Consolidated Financial Statements

(Notes on the going concern)

None

(Additional information)

(Increase in non-controlling interests 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)

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 in accordance with the accounting policies adopted for the preparation of the consolidated financial statements.

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, 2023 to 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.

Fiscal year under review (January 1, 2024 to December 31, 2024)

(Thousands of yen)

	Reportable segments			Adjustment	Amounts in consolidated financial statements
	Consulting Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	9,165,143	99,967	9,265,110	—	9,265,110
Intersegment internal sales and transfers	9,290	—	9,290	(9,290)	—
Total	9,174,433	99,967	9,274,401	(9,290)	9,265,110
Segment income (loss)	(199,411)	(432,724)	(632,136)	—	(632,136)
Segment assets	5,443,217	8,721,839	14,165,057	—	14,165,057
Other items					
Depreciation and amortization	65,328	183	65,512	—	65,512
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	1,294,352	15,954	1,310,306	—	1,310,306
Increase in property, plant and equipment and intangible assets	26,603	—	26,603	—	26,603

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

(Per share information)

(Yen)

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Fiscal year under review (January 1, 2024 to December 31, 2024)
Net assets per share	315.81	225.09
Net income (loss) per share	67.51	(59.20)
Diluted net income per share	66.47	—

(Notes) 1. The fully diluted net income per share for the fiscal year under review is not presented despite its presence due to net loss per share incurred during the period.

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

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Fiscal year under review (January 1, 2024 to December 31, 2024)
Net income (loss) per share		
Net income (loss) attributable to owners of parent (thousand yen)	780,683	(694,858)
Amount not attributable to common shareholders (thousand yen)	—	—
Net income (loss) attributable to owners of parent pertaining to common stock (thousand yen)	780,683	(694,858)
Average number of shares of common stock outstanding during the period (shares)	11,562,872	11,736,966
Diluted net income per share		
Adjustments to net income attributable to owners of parent (thousand yen)	—	—
Increase in the number of common shares (shares)	180,779	—
[Of which number of share acquisition rights (shares)]	[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