



## Consolidated Financial Results for the Fiscal Year Ending December 31, 2021 [Japanese GAAP]

February 10, 2022

Listed company name Frontier Management Inc.

Listed Tokyo Stock Exchange

Code number 7038 URL <https://www.frontier-mgmt.com>

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Scheduled date of the ordinary general meeting of shareholders March 24, 2022 Scheduled date of commencement of dividend payment March 25, 2022

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Preparation of supplementary material on financial results: Yes

Financial results briefing: Yes (for institutional investors and analysts)

(Millions of yen are rounded down)

Consolidated financial results for the fiscal year ending December 31, 1.2021 (January 1, 2021-December 31, 2021)

### (1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%
End of FY2021	5,741	10.6	501	△13.7	514	△10.6	338	△19.5
End of FY2020	5,192	8.8	580	△12.4	575	△15.2	420	△2.1

(NOTE) FY12/2021 336 JPY mil (△20.0%) FY12/2020 420 JPY mil (△2.4%)  
Comprehensive income

	Net income per share	Fully diluted Net income per share	Shareholders' equity Net income ratio	Total assets Ordinary income ratio	Net sales Operating income margin
	Yen	Yen	%	%	%
End of FY2021	29.70	29.24	14.0	13.5	8.7
End of FY2020	36.89	36.05	18.1	16.3	11.2

(Reference) Equity in earnings of affiliates FY12/2021 6 JPY mil FY12/2020 7 JPY mil

(NOTE) We conducted a 2-for-1 stock split on January 1, 2021. Net income per share and diluted net income per share are calculated as if the stock split had taken place at the beginning of the previous fiscal year.

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY mil.	JPY mil.	%	Yen
End of FY2021	3,819	2,454	63.0	215.40
End of FY2020	3,792	2,448	64.6	213.05

Reference: FY12/2021 2,407 JPY mil FY12/2020 2,448 JPY mil  
Shareholders' equity

(NOTE) We conducted a 2-for-1 stock split on January 1, 2021. Net assets per share are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

### (3) Consolidated Cash Flows

	Operating	Investing	Financing	Cash and cash equivalents end of fiscal year
	JPY mil.	JPY mil.	JPY mil.	JPY mil.
End of FY2021	316	△31	△404	1,784
End of FY2020	456	△59	△230	1,899

## 2.Dividend Status

	Dividend per share					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 the third quarter	Term end	Total			
	Yen	Yen	Yen	Yen	Yen	JPY mil.	%	%
End of FY2020	-	0.00	-	24.00	24.00	137	32.5	5.9
End of FY2021	-	0.00	-	10.00	10.00	113	33.7	4.7
End of FY2022 (forecast)	-	0.00	-	-	-		-	

(NOTE) 1. We plan to pay a dividend for the year ending December 31, 2022, but we have not yet decided on the expected amount of year-end dividend.

2. We conducted a 2-for-1 stock split on January 1, 2021. For the year ended December 31, 2020, the actual amount of dividends prior to the stock split is stated.

## 3.Forecasts for the fiscal year ending December 31, 3.2022 (January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Attributable to owners of parent Net income		Per share Net income
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%	Yen
Full year	7,000	21.9	800	59.6	800	55.5	500	47.6	43.88

(NOTE) Due to the timing of recording sales of incentive fees in the Financial Advisory Business, the Group's performance fluctuates significantly during the fiscal year, making it difficult to calculate consolidated earnings forecasts for the second quarter (cumulative) and managing earnings for the fiscal year. Accordingly, the Group only announces full-year earnings forecasts.

※ Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies due to revisions to accounting standards, etc.: None

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Restatement of revisions: None

(3) Number of shares of common stock outstanding

① Number of shares issued at the end of the period (including treasury stock)

② Number of treasury stock at the end of the period

③ Average number of shares during the period

FY12/2021	11,418,398	Shares	FY12/2020	11,555,800	Shares
FY12/2021	25,819	Shares	FY12/2020	63,080	Shares
FY12/2021	11,404,286	Shares	FY12/2020	11,397,504	Shares

(NOTE) We conducted a 2-for-1 stock split on January 1, 2021. The number of outstanding shares at the end of the period (including treasury shares), the number of treasury shares at the end of the period, and the average number of shares during the period have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated results for the year ending December 31, 1.2021 (January 1, 2021 to December 31, 2021)

(1) Explanations of Non-Consolidated Results of Operation

(Percentages indicate ear-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%
End of FY2021	5,732	10.5	512	△10.0	513	△7.9	345	△16.4
End of FY2020	5,188	8.9	569	△13.2	556	△15.7	413	△1.0

	Net income per share	Fully diluted net income per share
	Yen	Yen
End of FY2021	30.29	29.82
End of FY2020	36.24	35.42

(NOTE) We conducted a 2-for-1 stock split on January 1, 2021. Net income per share and diluted net income per share are calculated as if the stock split had taken place at the beginning of the previous fiscal year.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY mil.	JPY mil.	%	Yen
End of FY2021	3,800	2,429	62.7	213.24
End of FY2020	3,759	2,414	64.2	210.09

Reference: FY12/2021 2,382 JPY mil. FY12/2020 2,414 JPY mil.  
Shareholders' equity

(NOTE) We conducted a 2-for-1 stock split on January 1, 2021. Net assets per share are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

※ This financial results report is not subject to the audit by a certified public accountant or an auditing firm.

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

(Cautionary Statement with Respect to Forward-Looking Statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to us and certain assumptions that we believe to be reasonable, and are not intended to guarantee the achievement of the forecasts.

Actual results may differ materially from the forecast depending on a range of factors. Please refer to "1. Overview of Operating Results, etc., (4) Future Outlook" on page 3 of the attached materials for the assumptions for the forecasts and cautions regarding the use of the forecasts.

○Accompanying Materials - Contents

1. Overview of Financial Results, etc. ....	2
(1) Overview of Operating Results for the Fiscal Year.....	2
(2) Overview of Financial Position for the Fiscal Year.....	2
(3) Overview of Cash Flows for the Fiscal Year.....	3
(4) Future outlook .....	3
2. Basic Concept to Selection of Accounting Standards.....	4
3. Consolidated Financial Statements.....	5
(1) Consolidated Balance Sheets .....	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	7
Consolidated Statements of Income.....	7
Consolidated Statement of Comprehensive Income .....	8
(3) Consolidated Statements of Shareholders' Equity.....	9
(4) Consolidated Statements of Cash Flows.....	11
(5) Notes to Consolidated financial statements .....	12
(Notes on the Going Concern) .....	12
(Additional Information) .....	12
(Segment Information) .....	12
(Per Share Information) .....	12
(Significant Subsequent Events) .....	13

## 1. Overview of Financial Results, etc.

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

During the fiscal year (from January 1, 2021 to December 31, 2021), the Japanese economy continued to face severe conditions due to the impact of the new Corona Virus infectious disease (COVID-19). The outlook is unclear, as the vaccination progresses and the spread of infections is expected to converge and economic activities are expected to normalize. However, there are concerns about the negative impact on the economy due to the emergence of new variant stocks, a shortage of semiconductors, and an increase in logistics costs.

Under such a company environment, our group continued to focus on proposals for one-stop solutions to corporate issues by providing comprehensive services that leverage management consulting, financial advisory, revitalization support, and other functions.

As a result of the above, the Group's financial results for the fiscal year were JPY5,741,654 k (up 10.6% from the previous fiscal year) as a result of a significant increase in sales in the Management Consulting Business due to the utilization of the human resources of the Revitalization Support Business in the Management Consulting Business, despite a decrease in sales in the Revitalization Support Business compared to the previous fiscal year due to the fact that the revitalization support needs of companies in financial difficulties did not materialize due to the continuation of emergency loans by financial institutions to companies. In addition, personnel expenses have increased due to aggressive recruitment that has been ongoing since last year, but amid the ongoing expansion of earnings through increased staff, operating income was JPY501,285 k (down 13.7%), ordinary income was JPY514,576 k (down 10.6%), and profit attributable to owners of parent was JPY338,707 k (down 19.5%).

An overview of operating results by business segment is as follows.

#### < Management Consulting Business >

The business results of the management consulting business for the current consolidated fiscal year were JPY3,280,302 k in net sales (up 35.7%). In the fiscal year, the positive effect of an increase in personnel was realized, and the continuation of large-scale client projects also contributed. In addition, the steady start-up of the Digital Strategy Office, which was established during the fiscal year, resulted in an accumulation of sales. As a result, net sales in the Management Consulting Business increased significantly.

#### < Financial Advisory Business >

The financial advisory business posted net sales of JPY1,725,210 k for the fiscal year (down 3.0%). In the fiscal year, there were no large-scale M&A deals carried over from the previous fiscal year that were originally anticipated, and net sales declined slightly compared with the previous fiscal year.

#### < Revitalization Support Business >

The results of the Revitalization Support Business for the current fiscal year were net sales of JPY662,331 k (down 29.9%). In the fiscal year, the Company had expected that the need for regeneration support would expand due to the impact of the new Corona contagious disease. However, although business performance was deteriorating due to the continuation of emergency loans to companies by financial institutions, many companies had no cash flow tightening, and the need for regeneration support was not expanding more than anticipated at present. As a result, net sales decreased compared with the previous fiscal year.

#### < Other Business >

The results of the Other Business for the fiscal year were net sales of JPY73,810 k (up 37.3%).

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

#### (Assets)

Total assets at the end of the fiscal year were JPY3,819,274 k (the end of the previous fiscal year was JPY3,792,731 k), increased of JPY26,542 k from the end of the previous fiscal year. Current assets were JPY2,998,206 k (the end of the previous fiscal year was JPY2,994,271 k) and non-current assets were JPY821,068 (the end of the previous fiscal year was JPY798,459 k). Current assets increased by JPY3,934 k and non-current assets increased by JPY22,608 K compared with the end of the previous fiscal year. The main changes in current assets were an increase of JPY110,731 k in notes and accounts receivable-trade, an increase of JPY8,473 k in operational investment securities, and a decrease of JPY114,882 k in cash and depo

sits. The main changes in non-current assets were an increase of JPY53,119 k in deferred tax assets and a decrease of JPY27,703 k in other investments and other assets due to a decrease in long-term prepaid expenses.

#### (Liabilities)

Total liabilities at the end of the fiscal year were JPY1,365,207 k (the end of the previous fiscal year was JPY1,344,132 k), an increase of JPY21,075 k from the end of the previous fiscal year. Current liabilities were JPY1,282,944 k yen (the end of the previous fiscal year was JPY1,261,874 k) and non-current liabilities were JPY82,262 k (the end of the previous fiscal year was JPY82,257 k). Current liabilities increased by JPY21,070 k and non-current liabilities increased by JPY4 k compared with the end of the previous fiscal year. The main factors of the change in current liabilities were an increase of JPY31,045 k in income taxes payable, an increase of JPY47,277 k in provision for bonuses, and a decrease of JPY53,213 k in accounts payable-other.

#### (Net Assets)

Net assets at the end of the fiscal year were JPY2,454,066 k (the end of the previous fiscal year was JPY2,448,598 k), an increase of JPY5,467 k from the end of the previous fiscal year. This was mainly due to the recording of profit attributable to owners of parent of JPY338,707 k and the recording of stock-based compensation expenses of JPY74,161 k, while there was a decrease due to the shareholder of dividends of JPY137,912 k from retained earnings and the purchase of treasury stock of JPY270,080 k.

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

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the fiscal year decreased by JPY114,882 k from the end of the previous fiscal year to JPY1,784,218 k.

The status of cash flows and their factors for the current consolidated fiscal year are as follows.

#### Cash flows from operating activities

Net cash provided by operating activities was JPY316,813 k (net cash provided by operating activities was JPY456,102 k in the previous fiscal year). This was mainly attributable to an increase in income before income taxes and minority interests of JPY514,576 k and stock-based compensation expenses of JPY102,189 k, and a decrease in income taxes paid of JPY204,740 k and an increase in notes and accounts receivable-trade of JPY109,713 k.

#### Cash flows from investing activities

Net cash used in investing activities was JPY31,524 k (net cash used of JPY59,305 k in the previous fiscal year). This was mainly due to purchase of property, plant and equipment of JPY25,876 k.

#### Cash flows from financing activities

Net cash used in financing activities was JPY404,765 k (net cash used of JPY230,684 k in the previous fiscal year). This was mainly due to dividend payments of JPY137,880 k and purchase of treasury stock of JPY270,080 k.

### (4) Future outlook

In the 16th fiscal year ending December 2022, we will maintain our medium-term management policy of achieving the targets for the fiscal year ending December 2023 (sales of JPY8,700 m, operating income margin of 20% and ROE20% or more) in the "Mid-term Management Plan for the Fiscal Year 2021-2023" announced on February 9, 2021. We will continue to work hard as the second year of the Mid-term Management Plan.

Priority measures in the fiscal year ending December 2022 include: (1) establishing an organizational coverage system for business corporations to increase sales across the company, (2) enhancing branding (raising the name of our front members through our FRONTIER EYES ONLINE, webinars, magazines, and books publishing, etc.), (3) enhancing our investment business (an investment business involving the dispatch of management personnel through a new investment company, which was announced on February 10, 2022), and (4) improving the working environment for employees (including the creation of a working environment in which diverse human resources can work, the suppression of overtime work, the elimination of harassment, and training for management).

In order to realize these priority measures, in the Management Consulting Business, we have strengthened our consulting services in the digital transformation (DX) field and have begun providing comprehensive SR/IR strategy advice to increase the corporate value of our customers, and we have already achieved results. We are also building a system to provide new solutions,

such as carbon neutral response and portfolio restructuring, to increase the corporate value of the manufacturing industry. In addition, we have established a system to support management execution in the overseas business expansion of Japanese companies and support business investment and the dispatch of managers from the entry phase to the growth phase of overseas companies into the Japanese market.

In addition, in January 2022, we welcomed Celebrain Corporation. to our Group, which now has personnel consulting functions.

In the Financial Advisory Business, the M&A market is expected to remain brisk, so we will also aim to steadily expand our business. In particular, for cross-border M&A to cultivate overseas markets, we have become a full member of CFI (Corporate Finance International: an M&A firm that operates in more than 20 countries around the world, mainly in Europe), and have become more accessible to information on trading candidates for overseas companies than in the past, thereby strengthening our cross-border M&A functions.

In the revitalization support business, it is anticipated that the need for regeneration support will increase after the outbreak of the new Corona Virus infections converges, and the Group is strengthening its system to respond to this need. Until the revitalization support needs begin to fully fledged, the Group is working to maximize earnings by allocating human resources to the management consulting business.

In addition to the existing businesses mentioned above, we plan to commence an investment business involving the dispatch of management personnel from April 2022 onward. In this business, we will conduct investment businesses aimed at enhancing the long-term corporate value of the companies in which we invest. We believe that this will enable us to grow over the medium to long term by transforming the business models of investee companies and reorganizing the industry, thereby solving social issues. In addition, the investment business of this investment subsidiary is, in principle, assumed to be subject to our consolidated accounting by the investee companies, and we believe that accelerating the scale expansion of our group will also contribute to enhancing shareholder value.

Based on the above, the forecasts for the next fiscal year are for net sales of JPY7,000,000 k (up 21.9% from the current fiscal year), operating income of JPY800,000 k (up 59.6%), ordinary income of JPY800,000 k (up 55.5%), and profit attributable to owners of parent of JPY500,000 k (up 47.6%).

## 2. Basic Concept to Selection of Accounting Standards

The Group prepares its consolidated financial statements in accordance with Japanese GAAP, considering the comparability of consolidated financial statements between periods and between companies. With regard to the adoption of International Financial Reporting Standards, the Company's policy is to respond appropriately, taking into account various domestic and overseas circumstances.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Thousands of yen)

	End of fiscal year (As of December 31, 2020)	End of fiscal year (As of December 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,899,100	1,784,218
Notes and accounts receivable	962,644	1,073,376
Operational investment securities	1,364	9,837
Other	146,795	147,710
Allowance for doubtful accounts	△15,633	△16,936
Total current assets	2,994,271	2,998,206
Fixed assets		
Property, plant and equipment		
Buildings, net	198,844	193,854
Tools, furniture and fixtures, net	19,951	14,473
Total property, plant and equipment	218,795	208,328
Intangible assets		
Software	11,043	11,267
Others	102	102
Total intangible assets	11,145	11,369
Investments and other assets		
Investment securities	56,800	56,800
Stocks of subsidiaries and affiliates	37,127	43,633
Lease deposits	211,126	212,055
Deferred tax assets	224,236	277,356
Other	39,228	11,524
Total investments and other assets	568,518	601,370
Total noncurrent assets	798,459	821,068
Total assets	3,792,731	3,819,274



(Thousands of yen)

	End of previous fiscal year (As of December 31, 2020)	End of current fiscal year (As of December 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	59,407	45,424
Accounts payable-other	147,912	94,699
Income taxes payable	228,587	259,633
Provision for bonuses	505,736	553,014
Provision for directors' bonuses	1,000	-
Provision for shareholder benefit program	-	7,079
Other	319,230	323,095
Total current liabilities	1,261,874	1,282,944
Long-term liabilities		
Asset retirement obligations	82,257	82,262
Total noncurrent liabilities	82,257	82,262
Total liabilities	1,344,132	1,365,207
<b>Net assets</b>		
Shareholders' equity		
Paid-in Capital	163,530	178,723
Capital surplus	835,220	558,745
Retained earnings	1,496,027	1,696,822
Treasury stock	△58,163	△36,575
Total shareholders' equity	2,436,614	2,397,717
Other accumulated comprehensive income		
Foreign currency translation adjustment	11,984	9,380
Total accumulated other comprehensive income	11,984	9,380
Stock acquisition right	-	46,969
Total net assets	2,448,598	2,454,066
<b>Total liabilities and net assets</b>	<b>3,792,731</b>	<b>3,819,274</b>

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

(Thousands of yen)

	End of previous fiscal year (January 1, 2020 to December 31, 2020)	End of current fiscal year (January 1, 2021 to December 31, 2021)
Net sales	5,192,527	5,741,654
Cost of sales	2,083,943	2,247,959
Gros profit	3,108,583	3,493,695
Selling, general and administrative expenses		
Salaries and allowances	1,013,018	1,302,744
Provision for bonuses	237,237	269,041
Provision for directors' bonuses	1,000	-
Retirement benefit expenses	19,452	23,174
Provision of allowance for shareholder benefit program	-	7,079
Transfer of allowance for doubtful accounts	1,981	1,303
Other	1,255,088	1,389,067
Cost of sales and totals general administrative expenses	2,527,778	2,992,409
Operating income	580,805	501,285
Non-operating income		
Interest income	78	125
Equity in earnings of affiliates	7,255	6,506
Insurance dividend income	968	1,125
Income from insurance claim	72	-
Administrative fees received	2,268	2,268
Subsidy from Government etc.	2,759	686
Foreign exchange gains	-	6,751
Other	52	239
Total non-operating income	13,456	17,702
Non-operating expenses		
Interest expense	667	1,253
Market change costs	17,376	-
Charges for stock compensation	-	2,902
Foreign exchange losses	328	-
Other	256	256
Total non-operating expenses	18,628	4,411
Ordinary income	575,633	514,576
Income before income taxes	575,633	514,576
Income taxes	204,444	228,988
Income taxes-deferred	△49,326	△53,119
Total income taxes	155,118	175,868
Net income	420,515	338,707
Net income attributable to owners of parent	420,515	338,707

## (Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	End of previous fiscal year (January 1, 2020 to December 31, 2020)	End of current fiscal year (January 1, 2021 To December 31, 2021)
Net income	420,515	338,707
Other comprehensive income		
Foreign currency translation adjustments	△210	△2,603
Total other comprehensive income	△210	△2,603
Comprehensive income	420,304	336,103
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	420,304	336,103
Comprehensive income attributable to non-controlling interests	-	-

## (3) Consolidated Statements of Shareholders' Equity

Previous fiscal year (January 1, 2020, to December 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Paid-in Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	158,137	808,967	1,206,655	△613	2,173,146
Change during the year					
Issuance of new shares (exercise of subscription rights to shares)	5,392	5,392			10,785
Dividends			△131,143		△131,143
Net income attributable to owners of parent			420,515		420,515
Purchase of treasury stock				△112,127	△112,127
Disposal of treasury stock		20,860		54,577	75,438
Net changes of items other than shareholders' equity (Net)					
Total changes during the period	5,392	26,253	289,372	△57,550	263,468
Closing Balance	163,530	835,220	1,496,027	△58,163	2,436,614

	Other accumulated comprehensive income		Total net assets
	Foreign currency translation adjustments	Total other accumulated comprehensive income	
Opening balance	12,194	12,194	2,185,341
Change during the year			
Issuance of new shares (exercise of subscription rights to shares)			10,785
Dividends			△131,143
Net income attributable to owners of parent			420,515
Purchase of treasury stock			△112,127
Disposal of treasury stock			75,438
Net changes of items other than shareholders' equity (Net)	△210	△210	△210
Total changes of items during the period	△210	△210	263,257
Closing Balance	11,984	11,984	2,448,598

Current fiscal year (from January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Paid-in Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	163,530	835,220	1,496,027	△58,163	2,436,614
Change during the year					
Issuance of new shares (exercise of subscription rights to shares)	1,597	1,597			3,195
Dividends			△137,912		△137,912
Net income attributable to owners of parent			338,707		338,707
Purchase of treasury stock				△270,080	△270,080
Retirement of treasury stock		△291,668		291,668	-
Restricted stock awards	13,596	13,596			27,192
Net changes of items other than shareholders' equity (Net)					
Total changes of items during the period	15,193	△276,474	200,794	21,588	△38,897
Closing Balance	178,723	558,745	1,696,822	△36,575	2,397,717

	Other accumulated comprehensive income		Stock acquisition right	Total net assets
	Foreign currency translation adjustments	Total other accumulated comprehensive income		
Opening balance	11,984	11,984	-	2,448,598
Change during the year				
Issuance of new shares (exercise of subscription rights to shares)				3,195
Dividends				△137,912
Net income attributable to owners of parent				338,707
Purchase of treasury stock				△270,080
Retirement of treasury stock				-
Restricted stock awards				27,192
Net changes of items other than shareholders' equity (Net)	△2,603	△2,603	46,969	44,365
Total changes during the period	△2,603	△2,603	46,969	5,467
Closing Balance	9,380	9,380	46,969	2,454,066

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	End of previous fiscal year (January 1, 2020 to December 31, 2020)	End of current fiscal year (January 1, 2021 to December 31, 2021)
Net cash provided by (used in) operating activities		
Income before income taxes	575,633	514,576
Depreciation and amortization	38,694	36,478
Share of investment (loss) of entities accounted for using equity method (Δ: profit)	Δ7,255	Δ6,506
Charges for stock compensation	-	102,189
Increase (decrease) in accrued bonuses	Δ5,810	47,277
Increase (decrease) in provision for directors' bonuses (Δ)	Δ24,098	Δ1,000
Increase (decrease) in provision for shareholder benefit program (Δ)	-	7,079
Increase (decrease) in allowance for doubtful accounts (Δ)	1,981	1,303
Interest income	Δ78	Δ125
Interest expense	667	1,253
Decrease (Δ) in notes and accounts receivable-trade	Δ267,373	Δ109,713
Decrease (Δ) in operational investment securities	55,030	Δ8,473
Increase (Δ) in notes and accounts payable-trade	40,756	Δ14,741
Increase (decrease) in accounts payable-other (Δ)	50,446	Δ51,600
Other	132,016	4,685
Sub total	590,609	522,681
Interest received	78	125
Interest expenses paid	Δ667	Δ1,253
Income taxes paid	Δ133,918	Δ204,740
Net cash provided by (used in) operating activities	456,102	316,813
Cash flow from investing activities		
Purchases of property, plant and equipment	Δ1,767	Δ25,876
Purchase of intangible assets	Δ707	Δ4,800
Purchases of investment securities	Δ56,800	-
Payments for lease and guarantee deposits	Δ31	Δ847
Cash flow from investing activities	Δ59,305	Δ31,524
Cash flow from financing activities		
Purchase of treasury stock	Δ112,127	Δ270,080
Cash dividends paid	Δ129,342	Δ137,880
Proceeds from exercise of stock options	10,785	3,195
Cash flow from financing activities	Δ230,684	Δ404,765
Effect of exchange rate changes on cash and cash equivalents	Δ246	4,593
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	165,865	Δ114,882
Cash and cash equivalents at beginning of period	1,733,235	1,899,100
Cash and cash equivalents at end of period	1,899,100	1,784,218

(5) Notes to Consolidated financial statements

(Notes on the Going Concern Assumption)

Not applicable.

(Additional Information)

(Accounting Estimate of the Impact of Infectious Disease of COVID-19)

With respect to the status of the COVID-19, we make accounting estimates, such as the recoverability of deferred tax assets, based on currently available information, assuming that current conditions will continue for at least FY2022.

As a consequence, we are not aware of any material impact on the valuation of our accounting estimates; however, due to the highly uncertain impact of the spread of the COVID-19, our financial condition and results of operations may be impacted depending on the future..

(Segment Information)

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

(Per Share Information)

	End of previous fiscal year (January 1, 2020 to December 31, 2020)	End of current fiscal year (January 1, 2021 to December 31, 2021)
Net assets per share	JPY 213.05	JPY 215.40
Net income per share	JPY 36.89	JPY 29.70
Net income-diluted	JPY 36.05	JPY 29.24

(NOTE)1. We conducted a 2-for-1 stock split on January 1, 2021. Net assets per share, net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

2. The basis for calculating net income per share and diluted net income per share is as follows:

	End of previous fiscal year (January 1, 2020 to December 31, 2020)	End of current fiscal year (January 1, 2021 to December 31, 2021)
Net income per share		
Net income attributable to owners of parent (Thousands of yen)	420,515	338,707
Amount not attributable to common stock (Thousand yen)	-	
Net income attributable to owners of parent attributable to common stock (Thousand yen)	420,515	338,707
Average number of shares of common stock outstanding during the period (shares)	11,397,504	11,404,286
Net income-diluted		
Adjustment of net income attributable to owners of parent (Thousands of yen)	-	-
Increase in common stock (shares)	264,812	177,288
(Stock acquisition rights (shares))	(264,812)	(177,288)
Explanation of residual stock not included in calculation of diluted net income per share due to lack of dilutive potential	-	-

(Significant Subsequent Events)

(Business Combination through Acquisition)

At a meeting of the Board of Directors held on December 27, 2021, we resolved to acquire the shares of Celebrain Corporation and make it a consolidated subsidiary. On the same day, we concluded a share transfer agreement and acquired the shares on January 14, 2022.

(1) The outline of the Business Combination

① Name of the purchase company and the contents of its business

Name of purchase company: Celebrain Corporation

Business: Human Resources Strategy Consulting, Human Resources Development and Education Training, and HR Technology Consulting

② Main reasons for the business combination

In HR consulting, there is growing demand from clients who face issues such as the promotion of work style reforms and retention due to a shortage of human resources. By providing HR-related consulting functions as an integrated solution for our group, we can realize the enhancement of our functions as a comprehensive consulting firm.

In addition, HR consulting will enable us to transform our clients' corporate culture from the perspective of "people" and enhance our ability to realize strategies. At the same time, by broadly exploring CXO candidates from our networks, we will be able to provide management personnel that are suitable for our clients.

In addition, we will be able to develop the HR Tech domain, which is growing through collaboration between our Digital Strategy Office and HR Consulting.

We believe that we can expect significant synergies between the two companies through this matter, and we will further accelerate our growth strategy as a comprehensive consulting firm for the Group.

③ Date of business combination

January 14, 2022

④ Legal form of business combination

Acquisition of shares

⑤ Name following business combination

Celebrain Corporation

⑥ Percentage of voting rights acquired

60%

⑦ Main grounds for deciding on the purchase company

This is due to our acquisition of shares in exchange for cash.

(2) Acquisition cost of the purchase company and breakdown by type of consideration

We will refrain from disclosing the information depending on the intention of the other party.

(3) Details and amount of major acquisition-related expenses

Advisory fees, commissions, etc. JPY10,651 k

(4) Goodwill, reason for recognizing goodwill, amortization method and amortization term

This is not fixed at this time.

(5) The amount of assets accepted and liabilities assumed on the date of the Business Combination, and major breakdown thereof

This is not fixed at this time.



(Establishment of a Subsidiary)

We hereby announce that at the Board of Directors meeting held on February 10, 2022, we resolved to establish a subsidiary upon the commencement of a new business.

(1) Objective of establishing a subsidiary

Over the past few years, the global society has undergone major changes. Japanese companies are also required to reform their business models, such as responding to environmental issues such as carbon neutrality, responding to productivity improvements such as digitization, responding to the revitalization of local economies, which are facing issues such as the declining birthrate and aging population and business succession issues, and responding to the after covid-19 convergence.

We believe that in order to solve these important corporate issues and solve social issues, it is necessary to establish an investment company that will enable investment in the medium to long term and involve the dispatch of management personnel.

The newly established investment subsidiary does not invest for the purpose of short-term return on investment, but rather directly invests capital raised in common stock or class shares from financial institutions and operating companies with the aim of enhancing corporate value over the long term. This will enable the company to grow by reforming the business model of the investee company and reorganizing the industry over the medium to long term.

In addition to the Investment Company, in principle, the Investment Company's portfolio companies are also assumed to be subject to our consolidated accounting. Accordingly, we anticipate that the size of our group will be much larger than it is now, and we believe that accelerating the scale expansion of our group while significantly strengthening our investment business will also contribute to enhancing our shareholder value.

(2) Overview of newly established subsidiaries

(1) Name	Frontier Capital Co., Ltd. (tentative name)	
(2) Address	3-2-1, Roppongi, Minato-ku, Tokyo	
(3) Job Title/Name of Representative	Shoichiro Onishi Representative Director Masahiro Matsuoka Representative Director	
(4) Description of Businesses	Investment business involving the dispatch of management personnel	
(5) Paid-in Capital	Undecided (Note 1) Although we plan to invest a total of approximately JPY1 billion, the amount to be included in capital has not been determined. (Note 2) We plan to raise funds totaling 20 billion yen from financial institutions, operating companies, etc. that have agreed with the purpose of establishing a new subsidiary, but the amount to be included in capital has not been determined.	
(6) Date of Incorporation	April 1, 2022 (planned)	
(7) Fiscal year end	December 31 (planned)	
(8) Major shareholders and percentage of shares	Frontier Management Inc. (percentage of voting rights is undecided, but we hold a majority). (NOTE)We plan to issue common stock or class shares to financial institutions and operating companies that have agreed with the purpose of establishing a new subsidiary.	
(9) Listed companies and the companies concerned Relationship with	Capital relationship	Our Subsidiary
	Personnel relationship	Shoichiro Onishi and Masahiro Matsuoka, Representative Directors of us, will also serve as Representative Directors of the relevant companies.
	Business relationship	There is no business relationship with us because newly established subsidiaries have not commenced operations.