



Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]

February 10, 2023

Listed company name Frontier Management Inc. Listed Tokyo Stock Exchange
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 Scheduled date of ordinary general meeting of shareholders March 24, 2023 Scheduled date of commencement of dividend payment March 27, 2023
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 Financial results briefing: Yes (for institutional investors and analysts)

(Millions of yen are rounded down)

1. Consolidated financial results for the fiscal year ending December 31, 1.2022 (January 1, 2022 to December 31, 2022)

(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 FY 2022	7,915	37.9	908	81.2	921	79.1	556	64.4
End of FY 2021	5,741	10.6	501	△13.7	514	△10.6	338	△19.5

(NOTE)

Comprehensive income FY12/2022 565JPY mil. (68.2%) FY12/2021 336JPY mil. (△20.0%)

	Net income Per share	Fully diluted Net income per share	Shareholders' equity Net income margin	Total assets Ordinary income ratio	Net sales Operating income margin
	Yen	Yen	%	%	%
End of FY2022	48.67	47.93	20.9	19.4	11.5
End of FY2021	29.70	29.24	14.0	13.5	8.7

(Reference) Equity in earnings of affiliates

FY12/2022 8JPY mil. FY12/2021 6JPY mil.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY mil	JPY mil	%	Yen
End of FY2022	5,658	3,015	51.7	255.37
End of FY2021	3,819	2,454	63.0	215.40

Reference: Shareholders' equity FY12/2022 2,927JPY mil FY12/2021 2,407JPY mil

(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 FY2022	1,250	△486	646	3,199
End of FY2021	316	△31	△404	1,784

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	Term end	Total			
End of FY2021	-	0.00	-	10.00	10.00	113	33.7	4.7
End of FY2022	-	0.00	-	28.00	28.00	320	57.5	11.9
End of FY 2023(Forecast)	-	0.00	-	-	-	-	-	-

(NOTE)We plan to pay a dividend for the fiscal year ending December 2023, but we have not yet determined the expected year-end dividend amount.

3. Forecasts for the fiscal year ending December 31,2023 (January 1, 2023 to December 31, 2023)

((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	10,000	26.3	1,200	32.1	1,200	30.2	700	25.7	61.06

(NOTE)Due to the large fluctuation in business results during the fiscal year due to the timing of recording sales of incentive fees in the M&A Advisory Business, it is difficult to calculate consolidated earnings forecasts for the second quarter (cumulative). In addition, because the Group manages its earnings over the course of the year, the Group has announced its earnings forecasts only for the full fiscal year.

※ Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

New: 2 companies (company name) Celebrain Corporation and Frontier Capital Inc.

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

① Changes in accounting policies due to revisions to accounting standards, etc.: Yes

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Restatement of revisions: None

(3) Number of shares outstanding (common shares)

① Number of shares outstanding 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 outstanding

FY12/2022	11,468,478Shares	FY12/2021	11,418,398Shares
FY12/2022	5,821Shares	FY12/2021	25,819Shares
FY12/2022	11,437,677Shares	FY12/2021	11,404,286Shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated results for the year ended December 31, 1.2022 (January 1, 2022 to December 31, 2022)

(1)Non-Consolidated Results of Operations

(Percentages represent previous fiscal year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%
End of FY 2022	7,546	31.6	1,078	110.3	1,081	110.8	754	118.4
End of FY2021	5,732	10.5	512	△10.0	513	△7.9	345	△16.4

	Net income		Fully diluted	
	Per share		Net income per share	
	Yen		Yen	
End of FY 2022	65.96		64.96	
End of FY2021	30.29		29.82	

(2)Non-Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	JPY mil.		JPY mil.		%		Yen	
End of FY 2022	5,646		3,136		54.9		270.56	
End of FY2021	3,800		2,429		62.7		213.24	

Reference: Shareholders' equity FY2022

3,101JPY mil

FY2021

2,382JPY mil

※ The financial results are outside the scope of audits by a certified public accountant or an auditing firm.

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

(Notes on forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance.

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 4 of the attached material for the assumptions upon which the forecasts are based and notes on the use of the forecasts.

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1. Overview of Financial Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year under review (January 1, 2022 to December 31, 2022), the Japanese economy experienced a gradual relaxation of behavioral controls accompanying the spread of the outbreak of a new type of coronavirus infectious disease (COVID-19) and the normalization of social and economic activities and signs of an economic recovery. Nevertheless, the economic outlook remains largely uncertain, as evidenced by the shortage of supplies of natural resources due to the prolonged situation in Russia and Ukraine, soaring energy prices, and rising prices accompanying the depreciation of the yen.

In this company environment, our group continued to focus on proposing and executing one-stop solutions to executive officer issues by providing comprehensive services that leverage management consulting, M&A advisory, revitalization support, and other functions. In January, we welcomed Celebrain Corporation which operates a personnel-related consulting business, to our group, and expanded the solutions domain in management consulting. In April, we established Frontier Capital Inc. which operates an investment business involving the dispatch of management personnel, and made preparations for the start of the business.

As a result of the above, our Group reported consolidated net sales of JPY7,915,655k (up 37.9% year on year), operating income of JPY908,131k (up 81.2%), ordinary income of JPY921,511k (up 79.1%), and net income attributable to owners of parent of JPY556,722k (up 64.4%).

Operating results by segment are as follows.

Until now, the business of our group had been a single segment. However, from this consolidated fiscal year, we have changed to two segments: the Consulting and Advisory Business and the Investment Business. The details are described in "(5) Notes to Consolidated Financial Statements (Segment Information)" of "3. Consolidated Financial Statements and Major Notes." As a result, year-on-year comparisons and analyses are not performed except for net sales, operating income and net sales by business in the Consulting and Advisory Business.

[Consulting and Advisory Business Segment]

In the Consulting and Advisory business segment, the management consulting business and the M&A advisory business performed well, with sales of JPY7,912,655k (up 37.8%) and operating income of JPY1,099,403k (up 119.3%).

Results of operations by business segment are as follows.

< Management Consulting Business >

The business results of the management consulting business for this consolidated fiscal year were JPY4,351,972k in net sales (up 32.7%). In the fiscal year under review, sales increased substantially compared with the previous fiscal year. In addition to the benefits of increased personnel resulting from aggressive recruitment, the Company contributed to the expansion of its consulting-related services, including SR/IR services, DX services, and human resources.

<M&A Advisory Business>

In the M&A Advisory business, consolidated net sales for the fiscal year under review were JPY2,793,465k (up 61.9%). In the fiscal year under review, sales increased substantially compared with the previous fiscal year as a result of the successful completion of large-and medium-sized M&A deals.

< Revitalization Support Business >

In the revitalization support business, net sales for the fiscal year under review were JPY601,236k (down 9.2%). In the fiscal year under review, the continuation of financial institutions' support for loans to companies prevented the expansion of the need for revitalization support, and net sales decreased compared with the previous fiscal year.

< Other Business >

Operating revenues in the Other segment for the fiscal year under review were JPY165,982k (up 124.9%).

[Investment Business Segment]

In the investment business segment, the Company posted a net sales of JPY17,603k and an operating loss of JPY191,272k as a result of the recording of personnel expenses and other expenses associated with the start-up of this business.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets at the end of the fiscal year under review were JPY5,658,644k (compared with JPY3,819,274k at the end of the previous fiscal year), an increase of JPY1,839,369k from the end of the previous fiscal year. The breakdown shows JPY4,276,116k in current assets (JPY2,998,206k at the end of the previous fiscal year), JPY1,375,149k in non-current assets (JPY821,068k at the end of the previous fiscal year) and JPY7,379k in deferred assets (-JPY1 thousand at the end of the previous fiscal year). As a result, current assets increased by JPY1,277,909k, non-current assets increased by JPY554,081k and deferred assets increased by JPY7,379k from the end of the previous fiscal year. The main changes in current assets were an increase of JPY1,414,871k in cash and deposits and a decrease of JPY160,549k in notes and accounts receivable, trade and contract assets (notes and accounts receivable in the previous fiscal year). The main components of the change in fixed assets were a JPY265,130k increase in goodwill, a JPY149,347k increase in lease and guarantee deposits, a JPY88,738k increase in facilities attached to buildings, a JPY68,838k increase in deferred tax assets, and a JPY53,209k decrease in investment securities. The change in deferred charges was an increase of JPY7,379k in founding costs.

(Liabilities)

Total liabilities at the end of the fiscal year under review were JPY2,642,688k (compared with JPY1,365,207k at the end of the previous fiscal year), an increase of JPY1,277,480k from the end of the previous fiscal year. Of this, current liabilities were JPY1,868,624k (JPY1,282,944k at the end of the previous fiscal year) and non-current liabilities were JPY774,063k (JPY82,262k at the end of the previous fiscal year). As a result, current liabilities increased JPY585,680k and non-current liabilities increased JPY691,800k from the end of the previous fiscal year. The main changes in current liabilities were a JPY211,471k increase in provision for bonuses, a JPY138,388k increase in current portion of long-term loans payable, a JPY135,647k increase in other current liabilities due to an increase in accrued consumption taxes and an increase in accrued expenses, a JPY34,161k increase in accounts payable-other, a JPY28,510k increase in income taxes payable, and a JPY25,606k increase in accounts payable-trade. The main changes in long-term liabilities were an increase of JPY639,313k in long-term loans payable and an increase of JPY52,487k in asset retirement obligations.

(Net Assets)

Net assets at the end of the fiscal year under review were JPY3,015,956k (compared with JPY2,454,066k at the end of the previous fiscal year), an increase of JPY561,889k from the end of the previous fiscal year. This was mainly due to the recording of profit attributable to owners of parent of JPY556,722k.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the fiscal year under review increased by JPY1,414,871k from the end of the previous fiscal year to JPY3,199,089k.

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 JPY1,250,257k (compared with net cash provided by operating activities of JPY316,813k in the previous fiscal year). This was mainly attributable to income before income taxes and minority interests of JPY868,006k, a decrease in notes and accounts receivable-trade of JPY215,932k, an increase in provision for bonuses of JPY211,471k, stock-based compensation expenses of JPY88,167k, valuation loss on investment securities of JPY53,505k, and depreciation and amortization of JPY47,495k, as well as a decrease in income taxes paid of JPY343,093k.

Cash flows from investing activities

Net cash used in investing activities was JPY486,911k (compared with net cash used of JPY31,524k in the previous fiscal year). This was mainly due to purchase of shares of subsidiaries resulting in change in scope of consolidation of JPY238,932k, payment for lease and guarantee deposits of JPY148,174k, and purchase of property, plant and equipment of JPY87,142k.

Cash flows from financing activities

Net cash provided by financing activities was JPY646,534k (compared with net cash used of JPY404,765k in the previous fiscal year). This was mainly due to an increase of JPY860,000k in proceeds from long-term loans payable, and cash dividends paid of JPY113,750k and repayments of long-term loans payable of JPY90,284k.

(4) Future outlook

Our 17th fiscal year (fiscal year ended December 2023) is the final year of the Medium-Term Management Plan for Fiscal 2021-2023 announced on February 9, 2021. We will make every effort to achieve our target for the fiscal year ending December 2023 (JPY8.7b in sales and an operating income margin of at least 20% · ROE20%).

Our key measures for the year ending December 2023 include ① enhancing our organizational sales structure (enhancing our organizational coverage system to expand sales), ② enhancing our investment business (enhancing earning power through the start of operations of Frontier Capitals, Inc. and differentiating our group's services in general), ③ enhancing branding (raising the awareness of our front desk staff through our owned media, magazine contributions, book publishing, etc.), ④ further improving the working environment for our employees (building and enhancing retention of the work environment where diverse human resources can play an active role through the promotion of our sustainability basic policy and materiality with human resources as the core, and DE&I).

Through these priority measures, in the management consulting business and the M&A advisory business, we will expand profit opportunities by making multifaceted proposals to client companies, while expanding the earnings base by continuously recruiting human resources and improving the retention rate.

In the revitalization support business, the need for revitalization support is expected to increase along with the normalization of social and economic activities due to the convergence of the corona disaster, and we are strengthening our system to respond to these needs.

In addition to the existing businesses mentioned above, we believe that the full-scale operation of our consolidated subsidiary Frontier Capital Co., Ltd. will contribute to the expansion of the Group's business scale and enhancement of shareholder value.

As a result of the above, for the fiscal year ending December 2023, we forecast consolidated net sales of JPY10,000,000k (up 26.3% year on year), operating income of JPY1,200,000k (up 32.1%), ordinary income of JPY1,200,000k (up 30.2%), and profit attributable to owners of parent of 700 million yen (up 25.7%).

2. Basic Approach to Selection of Accounting Standards

Our group prepares consolidated financial statements in accordance with Japanese GAAP, considering the comparability of consolidated financial statements between periods and among companies. The Company's policy regarding the application of International Financial Reporting Standards 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, 2021)	End of fiscal year (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	1,784,218	3,199,089
Notes and accounts receivable	1,073,376	-
Notes, accounts receivable and contract assets	-	912,827
Operational investment securities	9,837	23,833
Other	147,710	164,580
Allowance for doubtful accounts	△16,936	△24,214
Total current assets	2,998,206	4,276,116
Fixed assets		
Tangible assets		
Buildings, net	193,854	282,593
Tools, furniture and fixtures, net	14,473	31,122
Net property, plant and equipment	208,328	313,716
Intangible fixed assets		
Software	11,267	10,471
Goodwill	-	265,130
Customer related asset	-	18,750
Other	102	102
Total intangible assets	11,369	294,454
Investments and other assets		
Investment securities	56,800	3,591
Investments in affiliates	43,633	51,707
Contribution to affiliated company	-	2,485
Lease deposits	212,055	361,403
Deferred tax assets	277,356	346,194
Other	11,524	1,595
Total investments and other assets	601,370	766,978
Total fixed assets	821,068	1,375,149
Deferred assets		
Organization expenses	-	7,379
Total deferred assets	-	7,379
Total assets	3,819,274	5,658,644

(Thousands of yen)

	Previous fiscal year (As of Dec 31, 2021)	End of fiscal year (As of December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable	45,424	71,030
Current portion of long-term debt	-	138,388
Accounts payable	94,699	128,860
Income taxes payable	259,633	288,143
Accrued bonuses	553,014	764,486
Provision for directors' bonuses	-	5,050
Provision for shareholder benefit program	7,079	13,924
Other	323,095	458,742
Total current liabilities	1,282,944	1,868,624
Fixed liabilities		
Long-term debt	-	639,313
Asset retirement obligations	82,262	134,750
Total long-term liability	82,262	774,063
Total liabilities	1,365,207	2,642,688
Net assets		
Shareholders' equity		
Common stock	178,723	210,062
Capital surplus	558,745	577,503
Retained earnings	1,696,822	2,139,619
Treasury stock	△36,575	△8,246
Total shareholders' equity	2,397,717	2,918,939
Other accumulated comprehensive income		
Foreign currency translation adjustments	9,380	8,352
Total accumulated other comprehensive income	9,380	8,352
Stock acquisition right	46,969	34,673
Non-controlling shareholders' equity	-	53,990
Total net assets	2,454,066	3,015,956
Total liabilities and net assets	3,819,274	5,658,644

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

(Consolidated Profit and Loss Statement)

(Thousands of yen)

	End of previous fiscal year (January 1, 2021 to December 31, 2021)	End of current fiscal year (January 1, 2022 to December 31, 2022)
Net sales	5,741,654	7,915,655
Cost of sales	2,247,959	3,230,126
Gross income	3,493,695	4,685,528
Selling, general and administrative expenses		
Salaries and allowances	1,302,744	1,419,541
Provision for bonuses	269,041	364,820
Provision for directors' bonuses	-	2,025
Recruiting expenses	231,835	469,080
Retirement benefit expenses	23,174	23,259
Provision for shareholder benefit program	7,079	6,845
Provision for allowance for doubtful accounts	1,303	6,903
Other	1,157,231	1,484,921
Total selling, general and administrative expenses	2,992,409	3,777,396
Operating income	501,285	908,131
Non-operating income		
Interest income	125	158
Equity in earnings of affiliates	6,506	8,059
Insurance dividend income	1,125	1,802
Administrative fees received	2,268	1,502
Income from subsidies	686	-
Foreign exchange gains	6,751	9,158
Other	239	375
Total non-operating income	17,702	21,057
Non-operating expenses		
Interest expense	1,253	7,429
Charges for stock compensation	2,902	-
Other	256	247
Total non-operating expenses	4,411	7,676
Ordinary income	514,576	921,511
Extraordinary losses		
Write-down of investment securities	-	53,505
Total extraordinary loss	-	53,505
Income before income taxes and minority interests	514,576	868,006
Income taxes	228,988	366,689
Income taxes-deferred	△53,119	△65,019
Total income taxes	175,868	301,670
Net income	338,707	566,336
Net income attributable to owners of non-controlling interests	-	9,614
Net income attributable to owners of parent	338,707	556,722

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	End of previous fiscal year (January 1, 2021 to December 31, 2021)	End of current fiscal year (January 1, 2022 To December 31, 2022)
Net income	338,707	566,336
Other comprehensive income		
Foreign currency translation adjustments	△2,603	△1,027
Other total comprehensive income	△2,603	△1,027
Comprehensive income	336,103	565,308
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	336,103	555,694
Comprehensive income attributable to noncontrolling interests	-	9,614

(3) Consolidated Statements of Shareholders' Equity

Previous fiscal year (January 1, 2021, to December 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Common stock	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 of surplus;			△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
Ending 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 accumulated other 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 of surplus;				△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 of items during the period	△2,603	△2,603	46,969	5,467
Ending Balance	9,380	9,380	46,969	2,454,066

Current fiscal year (from January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	178,723	558,745	1,696,822	△36,575	2,397,717
Change during the year					
Issuance of new shares (exercise of subscription rights to shares)	26,806	26,806			53,613
Dividends of surplus;			△113,925		△113,925
Net income attributable to owners of parent			556,722		556,722
Restricted stock awards	4,532	△8,048		28,329	24,812
Net changes of items other than shareholders' equity ((net))					
Total changes of items during the period	31,338	18,758	442,796	28,329	521,222
Ending Balance	210,062	577,503	2,139,619	△8,246	2,918,939

	Other accumulated comprehensive income		Stock acquisition right	Non-controlling shareholders' equity	Total net assets
	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Opening balance	9,380	9,380	46,969	-	2,454,066
Change during the year					
Issuance of new shares (exercise of subscription rights to shares)					53,613
Dividends of surplus;					△113,925
Net income attributable to owners of parent					556,722
Restricted stock awards					24,812
Net changes of items other than shareholders' equity ((net))	△1,027	△1,027	△12,295	53,990	40,666
Total changes of items during the period	△1,027	△1,027	△12,295	53,990	561,889
Ending Balance	8,352	8,352	34,673	53,990	3,015,956

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	The previous fiscal year (January 1, 2021 To December 31, 2021)	The current Account fiscal year (January 1, 2022 To December 31, 2022)
Net cash provided by operating activities		
Income before income taxes and minority interests	514,576	868,006
Depreciation and amortization	36,478	47,495
Amortization of deferred charge	-	1,302
Amortization of goodwill	-	29,458
Amortization of customer-related assets	-	6,250
Equity in earnings (Δ) of investments	Δ 6,506	Δ 8,059
Charges for stock compensation	102,189	88,167
Unrealized gains (losses) on available-for-sale securities. (Gain on Δ)	-	53,505
Increase (decrease) in accrued bonuses	47,277	211,471
Increase (decrease) in provision for directors' bonuses (decrease in Δ)	Δ 1,000	5,050
Increase (decrease) in provision for shareholder benefits (Δ : decrease)	7,079	6,845
Increase (decrease) in allowance for doubtful accounts (Δ : decrease)	1,303	6,952
Interest income	Δ 125	Δ 158
Interest expense	1,253	7,429
Decrease (increase) in notes and accounts receivable-trade (increase in Δ)	Δ 109,713	215,932
Increase (decrease) in operational investment securities. (Δ increased)	Δ 8,473	Δ 13,995
Increase (decrease) in notes and accounts payable-trade (decrease in Δ)	Δ 14,741	11,792
Increase (decrease) in accounts payable-other (decrease in Δ)	Δ 51,600	22,160
Other	4,685	42,018
Sub total	522,681	1,601,625
Interest received	125	158
Interest paid	Δ 1,253	Δ 8,433
Income taxes paid	Δ 204,740	Δ 343,093
Net cash provided by operating activities	316,813	1,250,257
Net cash used in investing activities		
Purchases of property, plant and equipment	Δ 25,876	Δ 87,142
Purchase of intangible assets	Δ 4,800	Δ 3,133
Additional investments in newly consolidated entities	-	Δ 238,932
Disbursement for investment in affiliated company	-	Δ 2,500
Payments for lease and guarantee deposits	Δ 847	Δ 148,174
Proceeds from collection of lease and guarantee deposits	-	1,652
Purchase of deferred charges	-	Δ 8,681
Net cash used in investing activities	Δ 31,524	Δ 486,911
Net cash used in financing activities		
Proceeds from long-term debt	-	860,000
Repayments of long-term debt	-	Δ 90,284
Purchase of treasury stock	Δ 270,080	-
Dividends paid	Δ 137,880	Δ 113,750
Dividends paid to non-controlling interests	-	Δ 11,100
Proceeds from exercise of stock options	3,195	1,669
Net cash used in financing activities	Δ 404,765	646,534
Effect of exchange rate changes on cash and cash equivalents	4,593	4,991
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	Δ 114,882	1,414,871
Cash and cash equivalents at beginning of year	1,899,100	1,784,218
Cash and cash equivalents at end of year	1,784,218	3,199,089

(5)Notes fo consolidated financial statements

(Going Concern)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, "Revenue Recognition Accounting Standard") from the beginning of the fiscal year under review, and decided to recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of those goods or services is transferred to customers.

With regard to the application of the Revenue Recognition Accounting Standard, the Company follows the transitional treatment stipulated in the proviso in paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the current fiscal year is to be adjusted to include retained earnings at the beginning of the current fiscal year, and the new accounting policy is to be applied from the beginning of the current fiscal year. However, there is no cumulative effect that should be added to or deducted from retained earnings at the beginning of the current fiscal year.

In addition, there is no impact on profit and loss for the current fiscal year.

Due to the adoption of the Revenue Recognition Accounting Standards, the Company has decided to include "Notes and accounts receivable-trade," which had been presented as "Current assets" in the Consolidated Balance Sheets for the previous fiscal year, in "Notes and accounts receivable-trade" from the current fiscal year. In accordance with the transitional treatment stipulated in paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassifications have been made for the previous fiscal year using the new presentation method.

(Application of Accounting Standard for Calculation of Market Value)

The Company adopted the "Accounting Standard for Calculation of Market Value" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Market Value Accounting Standard") from the beginning of the fiscal year under review, and adopted the new accounting policy stipulated by the Current Value Accounting Standard in accordance with the transitional treatment stipulated in Article 19 of the Current Value Accounting Standard and Article 44-2 of the Financial Instruments Accounting Standard (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements.

(Additional Information)

(Accounting Estimate of the Impact of spread of COVID-19)

The Company has made accounting estimates, such as the recoverability of deferred tax assets based on currently available information, assuming that current conditions will continue at least during fiscal 2023 for the status of contagious new coronavirus infectious diseases (COVID-19).

As a consequence, we are not aware of any material impact on the valuation of our fiscal estimates; however, the impact of the spread of new-type coronavirus infectious disease (COVID-19) is highly uncertain and, accordingly, depending on the future course of action, our financial condition and results of operations may be affected.

Segment Information

1.The outline of any Reporting Segment

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

Our 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.Matters concerning changes in reportable segments

Until now, our Group's segment has been a single segment. However, in the current fiscal year, we established Frontier Capital Inc. and commenced an investment business involving the dispatch of management personnel. Accordingly, we have added the Investment Business as a new reportable segment and changed it to two segments: the Consulting and Advisory Business and the Investment Business.

The information prepared by the segment information for the previous fiscal year using the classification method for the reportable segments for the current fiscal year is not disclosed because the "Investment Business" was added from the current fiscal year.

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

The method of accounting for reportable business segments is in accordance with the accounting policies used to prepare the consolidated financial statements.

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

Previous fiscal year (January 1, 2021, to December 31, 2021)

Disclosure is omitted because the business segments of our group are single segments.

Current fiscal year (from January 1, 2022 to December 31, 2022)

(Unit: thousand yen)

	Reportable Segments			Adjusted amount	Carrying value
	Consulting Advisory Business	Investment business	Total		
Sales to customers	7,912,655	3,000	7,915,655	-	7,915,655
Intersegment sales	-	14,603	14,603	△14,603	-
Total	7,912,655	17,603	7,930,258	△14,603	7,915,655
Segment profit (loss) (△)	1,099,403	△191,272	908,131	-	908,131
Segment assets	4,800,439	858,204	5,658,644	-	5,658,644
Other items					
Depreciation and amortization	47,495	-	47,495	-	47,495
Amortization of goodwill	29,458	-	29,458	-	29,458
Investments in affiliated companies	54,193	-	54,193	-	54,193
Increase in property, plant and equipment, and intangible assets	473,430	-	473,430	-	473,430

(NOTE)"Segment income (loss)" is the same as operating income in the consolidated statements of income.

(Per Share Information)

	End of previous fiscal year (January 1, 2021 to December 31, 2021)	End of current fiscal year (January 1, 2022 to December 31, 2022)
Net assets per share	JPY 215.40.	JPY 255.37.
Net income per share	JPY 29.70.	JPY 48.67.
Diluted net income per share	JPY 29.24.	JPY 47.93.

(NOTE)The basis for calculating net income per share and diluted net income per share is as follows.

	End of previous fiscal year (January 1, 2021 to December 31, 2021)	End of current fiscal year (January 1, 2022 to December 31, 2022)
Net income per share		
Net income attributable to owners of parent (thousand yen)	338,707	556,722
Amount not attributable to common shareholders	-	-
Profit attributable to owners of parent related to common stock (thousand yen)	338,707	556,722
Average number of shares of common stock outstanding during the period (shares)	11,404,286	11,437,677
Diluted net income per share		
Adjustment to net income that is available for parent-company stockholders (thousand yen)	-	-
Increase in common stock (shares)	177,288	176,925
(Stock acquisition rights (shares))	(177,288)	(176,925)
Explanation of residual stock not included in calculation of diluted net income per share due to lack of dilutive potential	-	-

(Significant subsequent events)

(Capital increase by subsidiaries)

At the Board of Directors meeting held on December 27, 2022, Frontier Capital Inc., a consolidated subsidiary, resolved to raise funds through a third-party allocation of new shares from seven financial institutions, and the payment was completed on January 18, 2023.

(1) Purpose of capital increase

Funds were raised to fund the investment business involving the dispatch of management personnel to be conducted by Frontier Capital Inc.

We believe that the investment business of Frontier Capital Inc. will contribute to enhancing our corporate value by enabling us to achieve growth through reforming the business model and industry reorganization of investee companies by making direct investments with the aim of enhancing the corporate value of investee companies over the medium to long term, and by accelerating the expansion of the scale of our group.

In promoting our investment business, in addition to dispatching management personnel from Frontier Capital Inc. to investee companies, we will also provide consulting services as necessary.

THE BANK OF FUKUOKA, LTD., JAPAN POST BANK Co., Ltd., and The Bank of Yokohama, Ltd. are positioned as anchor investors, and four other banks (Saitama Resona Bank, Limited, Daishi Hokuetsu Bank, Ltd., THE HOKURIKU BANK, LTD., and Sumitomo Mitsui Banking Corporation) also invest in the business. This will enable us to utilize a combination of the regional relations and finance expertise that each bank maintains, and the consulting, M&A, management staffing, and revitalization support expertise held by us and Frontier Capital Inc., and further strengthen the promotion of this business. Through these initiatives, we will increase the corporate value of our portfolio companies and Frontier Capital Inc.

(2) Consolidated Companies

① Name	Frontier Capital Inc.
② Address	3-2-1, Roppongi, Minato-ku, Tokyo
③ Job Title/Name of Representative	Shoichiro Onishi President, CEO and COO Masahiro Matsuoka Representative Director
④ Description of Businesses	Investment business involving the dispatch of management personnel
⑤ Capital before capital increase	500 million yen (500 million yen in capital, 500 million yen in capital reserve)
⑥ Date of Incorporation	April 1, 2022
⑦ Fiscal year end	December 31
⑧ Our ownership and voting rights before the capital increase	100% shareholding and 100% voting rights

(3) Funding Profile

① Number of newly issued shares	26,673 stocks (26,664 Class A shares and 9 Class B shares)
② Issue price	100,000 per share
③ Amount incorporated into capital	1.333 billion yen (50,000 yen per share)
④ Payment date	January 18, 2023
⑤ Allottee	[Class A shares] THE BANK OF FUKUOKA, LTD., JAPAN POST BANK Co., Ltd., The Bank of Yokohama, Ltd., Saitama Resona Bank, Limited, Daishi Hokuetsu Bank, Ltd., THE HOKURIKU BANK, LTD., Sumitomo Mitsui Banking Corporation [Class B shares] THE BANK OF FUKUOKA, LTD., JAPAN POST BANK Co., Ltd., The Bank of Yokohama, Ltd.
⑥ Capital after capital increase	1.833 billion yen
⑦ Number of shares outstanding after the capital increase	36,673 shares
⑧ Our ownership and voting rights ratio after the capital increase	27.3% shareholding and 91.0% voting rights
⑨ Conditions of certain class of share	[Class A shares] <ul style="list-style-type: none"> • Dividends of surplus in cash shall be paid to Class A Shareholders prior to the shareholders, etc. who hold shares of other classes. • Distribution of residual assets to allotment shall be made prior to shareholders holding other types of shares. • Allottees may not exercise their voting rights at the shareholders' meeting of Frontier Capital Inc. • Class A Shareholders may request Frontier Capital Inc. to acquire all or part of Class A Shares in exchange for the payment of monies ten years after the day of the first Class A Shares issue. [Class B shares] <ul style="list-style-type: none"> • Dividends of surplus will not be paid to Class B Shareholders, etc. • In the event that residual assets are further distributed to Class A Shareholders after distribution of residual assets to Class A Shareholders, the distribution of residual assets to Class B Shareholders shall be made prior to Class C Shareholders, etc. and Ordinary Shareholders, etc. • The allottee has one voting right for each Class B share at the shareholders' meeting of Frontier Capital Inc.