



Consolidated Financial Results for the 1Q of the Fiscal Year Ending December 2023 [Japanese GAAP]

May 12, 2023

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 Scheduled date to file Quarterly Securities Report May 12, 2023 Scheduled date of commencement of dividend payment -
 Preparation of supplementary material on quarterly financial results: Yes
 Quarterly results briefing: Yes

(Millions of yen are rounded down)

1. Quarterly consolidated results for FY2023 1Q (January 1, 2023 to March 31, 2023)

(1) Consolidated Operating Results (Cumulative) (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.	%
FY 2023 1Q	2,653	19.3	480	17.6	478	15.1	260	10.2
FY 2022 1Q	2,224	67.4	408	335.8	416	318.8	236	246.1

(NOTE)

Comprehensive income FY 2023 1Q 265 JPY mil. (10.1%) FY2022 1Q 241 JPY mil. (259.6%)

	Net income per share	Fully diluted Net income per share
	JPY	JPY
FY 2023 1Q	22.75	22.40
1 Q of FY 2022	20.77	20.46

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	JPY mil.	JPY mil.	%
FY 2023 1Q	8,785	6,000	32.8
End of FY 2022	5,658	3,015	51.7

Reference: Shareholders' equity First Quarter of FY 2023 2,884 JPY mil. FY12/2022 2,927 JPY mil.
 Net assets ratio First Quarter of FY 2023 68.3% FY12/2022 53.3%

The equity ratio is calculated by dividing (total net assets at the end of the period-stock subscription rights at the end of the period-stock subscription rights to shares at the end of the period-non-controlling shareholders at the end of the period) by total assets at the end of the period.

Net assets ratio is calculated by dividing total net assets at the end of the fiscal year by total assets at the end of the fiscal year.

In the first quarter of the fiscal year ending December 31, 2023, Frontier Capital Corporation, a consolidated subsidiary, received 3 billion yen from eight financial institutions and one company in accordance with the Company's business plan. As a result, the non-controlling interests of the Group increased by 2.999 billion yen, resulting in a decrease in the equity ratio. Excluding the amount of such investment, the equity ratio was 49.8%. The equity ratio excluding the said amount of investment is calculated by dividing (total net assets at the end of the period-share subscription rights at the end of the period-share subscription rights at the end of the period-non-controlling interests at the end of the period-increase in capital surplus due to the said investment of 0.9 million yen) by (total assets at the end of the period-such investment of 3 billion yen).

2. Dividend Status

	Dividend per share				
	End of First Quarter	End of second quarter	End of the third quarter	Term end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	-	0.00	-	28.00	28.00
FY2023	-				
FY2023 (Forecast)		0.00	-	-	-

(NOTE) Revisions to the most recently announced dividend forecasts: None

We plan to pay a dividend for the fiscal year ending December 2023, but the amount of the dividend forecast remains undecided.

3.Forecast for FY2023 (January 1, 2023-December 31, 2023)

(Percentages indicate previous fiscal 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	10,000	26.3	1,200	32.1	1,200	30.2	700	25.7	61.06

(NOTE)Revisions to the most recently announced earnings forecasts: None

※ Due to the large fluctuation in business results during the fiscal year due to the timing of 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)Significant changes in subsidiaries during the quarter under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2)Application of special accounting methods for preparing quarterly consolidated financial statements: None

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

- ① Changes in accounting policies due to revision of accounting standards: Yes
- ② Changes in accounting policies other than ①: None
- ③ Changes in accounting estimates: None
- ④ Restatement of revisions: None

(4)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 (quarterly consolidated cumulative period)

FY2023 1Q	11,481,998 Shares	FY2022	11,468,478 Shares
FY2023 1Q	5,821 Shares	FY2022	5,821 Shares
FY2023 1Q	11,468,830 Shares	FY2022 1Q	11,395,620 Shares

※ Quarterly financial results are not subject to quarterly review by a certified public accountant or 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. Qualitative Information on Quarterly Financial Results, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 3 of the attached material for the assumptions on which the forecasts are based and notes for using the forecasts.

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1. Overview of Quarterly Financial Results

(1) Operating Results

During the first quarter of the current fiscal year (from January 1, 2023 to March 31, 2023), Japanese economy continued to face uncertainty, including the prolonged situation in Russia and Ukraine, rising prices, and the risk of a downturn in overseas economies due to global monetary tightening, despite moves toward normalization of social and economic activities as a result of the gradual relaxation of behavioral restrictions caused by a new type of coronavirus infectious disease.

Under such a company environment, our Group continues to focus on proposing and executing one-stop solutions to corporate issues by providing comprehensive services utilizing management consulting, M&A advisory, revitalization support, and other functions. Frontier Capital Co., Ltd., established in April last year, procured funds totaling JPY3,000,600k from financial institutions and other entities through a third-party allocation of new shares and began full-fledged investment execution.

As a result of the above, our Group's consolidated results for the first quarter under review were net sales of JPY2,653,539k (up 19.3% year on year), operating income of JPY480,451k (up 17.6%), ordinary income of JPY478,845k (up 15.1%), and profit attributable to owners of parent of JPY260,963k (up 10.2%).

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

In addition, since the second quarter of the previous fiscal year, our Group's segments have been reclassified into two categories, the Consulting and Advisory Business Segment and the Investment Business Segment. Therefore, we do not compare or analyze the Investment Business Segment with the same period of the previous fiscal year in the first quarter of the fiscal year under review.

(Consulting and Advisory Business Segment)

In the consulting and advisory business segment, performance in the first quarter of this fiscal year was favorable in the management consulting business and the revitalization support business. As a result, net sales were JPY2,650,539k (up 19.1%) and operating income was JPY581,135k (up 42.3%).

Results by business segment are as follows.

< Management Consulting Business >

The business results of the management consulting business for the first quarter of this fiscal year were JPY1,292,991k in net sales (up 13.8%). In the first quarter of the fiscal year under review, sales increased compared with the same quarter of the previous fiscal year. This was attributable to the benefits of increased personnel resulting from aggressive recruitment, as well as to the contribution of strategic support for improving the corporate value of the manufacturing industry and the enhancement of SR/IR and DX related consulting services.

<M&A Advisory Business>

In the M&A advisory business, sales for the first quarter of the current fiscal year amounted to JPY902,673k (down 5.8%). Net sales declined slightly compared with the first quarter of the previous fiscal year, when several large-and medium-sized M&A deals were concluded. However, in the first quarter of the fiscal year under review, there were several large-scale M&A deals, including cross-border M&A deals, which resulted in steady growth.

< Revitalization Support Business >

In the Revitalization Support Business, consolidated net sales for the first quarter of the current fiscal year were JPY379,223k (up 327.6%). Although the need for revitalization support shrank due to the continuation of emergency loans by financial institutions to companies, the number of revitalization projects began to increase from the second half of the previous fiscal year, and there were also large-scale revitalization projects executed. As a result, net sales increased significantly compared with the same quarter of the previous fiscal year.

< Other Business >

In the Other Business, consolidated net sales for the first quarter of the current fiscal year were JPY75,651k (up 84.3%).

(Investment Business Segment)

In the first quarter of the fiscal year under review, the Investment Business Segment raised funds from financial institutions through the allocation of new shares to a third party and began full-scale investment. However, due to the recording of fixed costs such as personnel expenses, net sales were JPY9,246k and operating loss was JPY100,683k.

(2) Financial Position

<Assets>

The balance of assets of our group at the end of the first quarter of the current fiscal year was JPY8,785,833k (compared with JPY5,658,644k at the end of the previous fiscal year), up JPY3,127,189k from the end of the previous fiscal year.

This was mainly due to an increase of JPY2,652,128k in cash and deposits, an increase of JPY635,218k in notes and accounts receivable-trade and contract assets, and a decrease of JPY181,025k in deferred tax assets.

<Liabilities>

The balance of liabilities of our group at the end of the first quarter of the current fiscal year was JPY2,784,994k (compared with JPY2,642,688k at the end of the previous fiscal year), an increase of JPY142,306k from the end of the previous fiscal year.

This was mainly due to increases of JPY500,000k in short-term loans payable, JPY73,989k in accounts payable-trade, JPY53,565k in provision for directors' bonuses, and JPY284,756k in other current liabilities due to an increase in deposits received, and decreases of JPY508,598k in provision for bonuses and JPY236,643k in income taxes payable.

<Net assets>

The balance of net assets of our group at the end of the first quarter of the current fiscal year was JPY6,000,839k (compared with JPY3,015,956k at the end of the previous fiscal year), up JPY2,984,882k from the end of the previous fiscal year.

This was mainly due to the recording of JPY2,999,700k in non-controlling interests through a third-party allotment of shares of consolidated subsidiary Frontier Capital Inc. and the recording of JPY260,963k in quarterly net income attributable to owners of the parent in the first quarter under review. On the other hand, there was a decrease due to JPY320,954k in dividends from retained earnings.

(3) Future Outlook

The full-year consolidated earnings forecast has not changed from the consolidated earnings forecast announced on February 10, 2023.

2. Quarterly Consolidated Financial Statements

(1) Balance Sheets

(Thousands of yen)

	The previous fiscal year (As of Dec 31, 2022)	The 1Q of current fiscal year (As of Mar 31, 2023)
Assets		
Current assets		
Cash and deposits	3,199,089	5,851,217
Notes, accounts receivable and contract assets	912,827	1,548,046
Operational investment securities	23,833	23,185
Other	164,580	191,907
Allowance for doubtful accounts	△24,214	△20,650
Total current assets	4,276,116	7,593,706
Fixed assets		
Tangible assets		
Buildings, net	282,593	282,530
Tools, furniture and fixtures, net	31,122	33,174
Net property, plant and equipment	313,716	315,705
Intangible fixed assets		
Software	10,471	9,539
Goodwill	265,130	257,765
Customer related asset	18,750	17,187
Other	102	102
Total intangible assets	294,454	284,595
Investments and other assets		
Investment securities	3,591	3,591
Investments in affiliates	51,707	53,821
Contribution to affiliated company	2,485	2,952
Lease deposits	361,403	357,766
Deferred tax assets	346,194	165,168
Other	1,595	1,581
Total investments and other assets	766,978	584,881
Total fixed assets	1,375,149	1,185,182
Deferred assets		
Organization expenses	7,379	6,945
Total deferred assets	7,379	6,945
Total assets	5,658,644	8,785,833

(Thousands of yen)

	The previous fiscal year (As of Dec 31, 2022)	The 1Q of current fiscal year (As of Mar 31, 2023)
Liabilities		
Current liabilities		
Accounts payable	71,030	145,019
Short-term borrowings	-	500,000
Current portion of long-term debt	138,388	137,428
Accounts payable	128,860	148,067
Income taxes payable	288,143	51,500
Accrued bonuses	764,486	255,887
Provision for directors' bonuses	5,050	58,615
Provision for shareholder benefit program	13,924	8,898
Other	458,742	743,498
Total current liabilities	1,868,624	2,048,916
Fixed liabilities		
Long-term debt	639,313	604,837
Asset retirement obligations	134,750	131,241
Total long-term liability	774,063	736,078
Total liabilities	2,642,688	2,784,994
Net assets		
Shareholders' equity		
Common stock	210,062	215,559
Capital surplus	577,503	589,150
Retained earnings	2,139,619	2,079,627
Treasury stock	△8,246	△8,246
Total shareholders' equity	2,918,939	2,876,092
Other accumulated comprehensive income		
Foreign currency translation adjustments	8,352	8,269
Total accumulated other comprehensive income	8,352	8,269
Stock purchase warrants	-	28,614
Stock acquisition right	34,673	29,466
Non-controlling shareholders' equity	53,990	3,058,397
Total net assets	3,015,956	6,000,839
Total liabilities and net assets	5,658,644	8,785,833

(2) Statements of Income and Comprehensive Income
(Statements of Income)
(1st Quarter Consolidated Cumulative Period)

(Thousands of yen)

	1Q of previous fiscal year (Jan 1, 2022 to Mar 31, 2022)	1Q of current fiscal year (Jan 1, 2023 to Mar 31, 2023)
Net sales	2,224,878	2,653,539
Cost of sales	797,962	1,082,611
Gross income	1,426,916	1,570,927
Selling, general and administrative expenses	1,018,511	1,090,476
Operating income	408,404	480,451
Non-operating income		
Interest income	40	37
Equity in earnings of affiliates	1,825	2,580
Insurance dividend income	1,802	2,130
Reversal of allowance for doubtful accounts	-	3,506
Foreign exchange gains	3,935	456
Other	809	1,944
Total non-operating income	8,413	10,656
Non-operating expenses		
Interest expense	695	1,620
Stock issuance	-	10,502
Other	58	139
Total non-operating expenses	753	12,262
Ordinary income	416,064	478,845
Current net income for the quarter before income taxes and minority interests	416,064	478,845
Income taxes	69,339	32,148
Income taxes-deferred	105,446	181,025
Total income taxes	174,786	213,174
Net income	241,277	265,670
Quarterly net income attributable to non-controlling shareholders	4,564	4,707
Quarter income attributable to owners of parent	236,713	260,963

(Statements of Comprehensive Income)
(1st Quarter Consolidated Cumulative Period)

(Thousands of yen)

	1Q of previous fiscal year (Jan 1, 2022 to Mar 31, 2022)	1Q of current fiscal year (Jan 1, 2023 to Mar 31, 2023)
Net income	241,277	265,670
Other comprehensive income		
Foreign currency translation adjustments	△163	△82
Other total comprehensive income	△163	△82
Quarterly comprehensive income	241,114	265,587
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of parent	236,549	260,880
Quarterly comprehensive income attributable to non-controlling shareholders	4,564	4,707

(3)Notes to Quarter Consolidated Financial Statements

(Going Concern)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Calculation of Market Value)

The Company will apply the "Implementation Guidance on Accounting Standard for Calculation of Market Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Guidance on Accounting Standard for Market Value Calculation") from the beginning of the first quarter of the current fiscal year, and apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Market Value Calculation in accordance with the transitional treatment stipulated in Article 27-2 of the Guidance on Accounting Standard for Market Value Calculation in the future. There is no impact on the quarterly consolidated financial statements.

(Additional Information)

(Increase in non-controlling interests due to capital increase of subsidiaries)

At the meetings of the Board of Directors held on December 27, 2022 and February 10, 2023, we resolved to raise funds through a third-party allotment of shares by Frontier Capital Inc., a consolidated subsidiary. Payments were completed on January 18, 2023 and February 28, 2023, respectively, for a total of JPY3,000,6000k.

As a result, capital surplus of our group increased by JPY900,000k and non-controlling interests increased by JPY2,999,7000k.

The shares issued through the third-party allotment totaled 30,006 shares, consisting of 29,997 shares of Class A stock and 9 shares of Class B stock. Details of each class of shares are as follows:

[Class A stocks]

- 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 the allotment destination shall take place prior to the shareholders, etc. holding the shares of other classes.
- 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]

- 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.

(Segment Information)

Previous 1st Quarter (From January 1, 2022 to March 31, 2022)

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

First Quarter (January 1, 2023-March 31, 2023)

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

(Thousands of yen)

	Reportable Segments			Adjusted amount	Amount recorded in quarterly consolidated financial statements (Note)
	Consulting Advisory Business	Investment business	Total		
Net sales					
Sales to customers	2,650,539	3,000	2,653,539	-	2,653,539
Intersegment sales	-	6,246	6,246	△6,246	-
Total	2,650,539	9,246	2,659,785	△6,246	2,653,539
Segment profit (loss) (△)	581,135	△100,683	480,451	-	480,451

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

2.Changes in reportable segments

The reportable segments of our group were single segments until the first quarter of the previous fiscal year.

However, from the second quarter of the previous fiscal year, Frontier Capital Inc. was established and the Investment Business was newly added as a reportable segment following the start of an investment business involving the dispatch of management personnel. The Company has changed its classification into two segments: the Consulting and Advisory Business and the Investment Business.

Information prepared using the segment information for the first quarter of the previous fiscal year using the reportable segment classification method for the first quarter of the current fiscal year is not disclosed because the "Investment Business" was added from the previous second quarter of the fiscal year.