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Company Name	Frontier Management Inc.
Representative	Akinori Nishida Representative Director, President & Executive Officer(COO) (Stock Code:7038 The Prime Market of the Tokyo Stock Exchange)
Contact	Hiroaki Hamada Head of Corporate Promotion Division (TEL +81-3-6862-8335)

(Correction and Numerical Data Correction) Partial Correction of “Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 2025 [Japanese GAAP]”

We have made some corrections in the “Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 2025 [Japanese GAAP]” which we disclosed on May 14, 2025, and we will inform you as follows.

The corrections are indicated with an underline. In addition, since there have been corrections to the numerical data (XBRL), we will also send the corrected numerical data.

Note

1. Details of the correction and the reason

From the first quarter of the fiscal year ended December 2025, FCI1 Inc., Eagle Invesco Ltd., Hobbylink Japan Ltd., and Beaver Corporation, Inc. were newly included in the scope of consolidation. However, the accounts and amounts recorded as a result of incorporation of these four individual financial statements into our consolidated financial statements were incorrect, and this was corrected. Specific corrections are as follows. There was no impact on the Company's earnings for the first quarter of the fiscal year ending December 31, 2025.

(Thousands of Yen)

Title	Amount before the correction	Revised amount	Amount after the correction
Cash and deposits	7,291,700	△131,860	7,159,840
Current assets - Other	391,748	+131,860	523,609
Goodwill	3,860,130	+137,936	3,998,066
Investment securities	138,233	△137,936	296
Short-term borrowings	800,000	+500,000	1,300,000
Current portion of long-term borrowings	248,492	+300,000	548,492
Long-term borrowings	5,186,180	△800,000	4,386,180

2. Corrections

Due to the large number of corrections, the full text after and before the correction are attached respectively, and the corrected text is underlined.

以上

[After Correction]

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 2025 [Japanese GAAP]



May 14, 2025

Company name: Frontier Management Inc.
 Listing: Tokyo Stock Exchange
 Stock code: 7038 URL: <https://www.frontier-mgmt.com/>
 Representative: Akinori Nishida, Representative Director, President & Executive Officer (COO)
 Contact: Hiroaki Hamada, Executive Officer, Head of Corporate Promotion Division
 TEL +81-3-6862-8335

Scheduled date of commencement of dividend payment: –
 Preparation of supplementary material on financial results: Yes
 Financial results briefing: Yes

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

1. Quarterly consolidated results for the first three months of fiscal year ending December 31, 2025 (January 1, 2025 to March 31, 2025)

(1) Consolidated operating results (Cumulative) (Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%
First three months, FY2025	2,434	12.7	55	(12.3)	(74)	–	(129)	–
First three months, FY2024	2,161	(18.6)	63	(86.9)	72	(84.8)	13	(94.9)

(Note) Comprehensive income First three months, FY2025: -161 JPY mil. (-%) First three months, FY2024: 62 JPY mil. (-76.5%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
First three months, FY2025	(11.02)	–
First three months, FY2024	1.12	1.11

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY mil.	JPY mil.	%
First three months, FY2025	19,645	10,793	12.7
FY2024	14,165	10,749	18.6

(Reference) Shareholders' equity First three months, FY2025: 2,499 JPY mil. FY2024: 2,640 JPY mil.

Net assets ratio First three months, FY2025: 54.9% FY2024: 75.9%

The equity ratio is calculated using the following formula: (net assets at end of fiscal year – share acquisition rights at end of fiscal year – non-controlling interests at end of fiscal year) ÷ total assets at end of fiscal year.

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

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2024	–	0.00	–	0.00	0.00
FY2025	–				
FY2025 (Forecast)		0.00	–	–	–

(Note) Revisions to dividend forecasts published most recently: None

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

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

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%	Yen
Full year	13,900	50.0	640	–	480	–	100	–	8.52

(Note) Revisions to financial forecasts published most recently: None

* Given the large fluctuation in business results during the fiscal year attributable to the timing at which sales of incentive fees in the M&A Advisory Business were recorded, it is difficult to calculate consolidated earnings forecasts for the second quarter (cumulative). In addition, because the Group manages its earnings on an annual basis, the Group announces its earnings forecasts for the full fiscal year only.

* Notes

(1) Important changes in the scope of consolidation during the period: Yes

Newly included: 4 companies (Company name) FCI1 Inc., Eagle Invesco Ltd., Hobbylink Japan Ltd., Beaver Corporation, Inc.

(NOTE)For details, please refer to "Changes in the scope of consolidation and the scope of application of the equity method" on page 10 of the quarterly financial results summary (attached material).

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

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

(i) Changes in accounting policies caused by revision of accounting standards: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of shares outstanding (common shares)

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

First three months, FY2025	11,768,803 shares	FY2024	11,757,603 shares
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(ii) Number of treasury shares at end of period

First three months, FY2025	26,839 shares	FY2024	26,839 shares
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(iii) Average number of shares outstanding during the period

First three months, FY2025	11,741,964 shares	First three months, FY2024	11,720,913 shares
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* Statutory review of the attached quarterly consolidated financial statements by a certified public accountant or an audit corporation:
None

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

(Notes regarding forward-looking statements)

The forward-looking statements in these materials, including financial prospects included in this report, are based on information available to the Company when this report was prepared and assumptions that the management considers reasonable, which do not guarantee the achievement of such projected results.

Actual results may differ significantly from these statements for a number of reasons. For more information, such as the assumptions used in forecasting the results and remarks on their usage, please refer to 1. Qualitative information on consolidated operating results for the first three months of the fiscal year ending December 2025, (3) Explanation regarding financial results forecasts and other forward-looking statements on page 5 of the accompanying materials.

Accompanying materials – contents

1. Qualitative information on consolidated operating results for the first three months of the fiscal year ending December 2025.....	4
(1) Explanation regarding results of operations	4
(2) Explanation regarding financial position.....	5
(3) Explanation regarding financial results forecasts and other forward-looking statements	5
2. Quarterly consolidated financial statements and key notes	6
(1) Quarterly consolidated balance sheet	6
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income.....	8
Quarterly consolidated statement of income	
First three-month period.....	8
Quarterly consolidated statement of comprehensive income	
First three-month period.....	9
(3) Notes to quarterly consolidated financial statements.....	10
(Notes on the going concern).....	10
(Changes in scope of consolidation and scope of application of equity method).....	10
(Note on significant changes in the amount of shareholders' equity).....	10
(Notes on changes in accounting policies).....	10
(Notes on consolidated quarterly statement of cash flows).....	10
(Notes to segment information)	10
(Business combinations)	11

1. Qualitative information on consolidated operating results for the first three months of the fiscal year ending December 2025

(1) Explanation regarding results of operations

During the first three months of the fiscal year under review (from January 1, 2025 to March 31, 2025), the Japanese economy remained on a gradual recovery path against a backdrop of strong corporate earnings and improvement in the employment and income situation. However, the economic outlook remained uncertain, amid concern over the impact of geopolitical risks such as the Russia-Ukraine conflict and Middle East tensions, the risk of recession due to U.S. trade policy, and the impact of the continued cost-of-living crisis on consumer spending.

In this business environment, the Group worked on the measures set out in the Structural Reforms Plan formulated on February 13, 2025, and also focused on proposing and executing one-stop solutions to corporate issues by offering comprehensive services that leverage management consulting, M&A advisory, revitalization support and other functions, aiming for achievement of the FY2025 targets. The Group has also been making investments that involve dispatching management personnel at its consolidated subsidiary Frontier Capital Inc. ("FCI").

The Management Consulting Business, the Revitalization Support Business and Other Business (hereinafter referred to as "consulting-based businesses") generally maintained upward momentum during the first three months of the fiscal year under review, achieving net sales of 2,047.458 million yen (up 12.3% year on year).

Net sales in the M&A Advisory Business were 333.681 million yen (up 0.7% year on year), mostly unchanged from a year ago, reflecting efforts to strengthen sales to tap into medium-sized M&A deals in Japan, which is our biggest strength. However, thanks to strong performances in consulting-based businesses, the operating profit of the Consulting and Advisory Business Segment reached 188.591 million yen (up 16.7% year on year).

During the first three months of the fiscal year under review, FCI energetically pushed ahead with bolstering its pipeline and investment activities, such as making two investments including a consolidated investment project. However, due to upfront fixed costs, such as personnel expenses resulting mainly from delays in making investments, the Investment Business Segment reported an operating loss of 133.317 million yen (compared to an operating loss of 98.580 million yen in the same period of the previous fiscal year).

The Group's financial results for the first three months of the fiscal year under review were net sales of 2,434.544 million yen (up 12.7% year on year) and operating profit of 55.273 million yen (down 12.3%). However, due to the recording of financing expenses of 121.730 million yen, including a syndicated loan arrangement fee, which are temporary expenses at the period of closing of consolidated investment projects, at consolidated subsidiary FCI1, Inc., the Group posted an ordinary loss of 74.626 million yen (compared to an ordinary profit of 72.603 million yen in the same period of the previous year), and, after deductions including total income taxes of 63.371 million yen, reported a loss attributable to owners of parent of 129.419 million yen (compared to profit attributable to owners of parent of 13.223 million yen in the same period of the previous year). Consolidated investment projects will also be included in the scope of consolidated financial results from the second quarter.

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

Consulting and Advisory Business Segment

The Consulting and Advisory Business Segment's financial results for the first three months of the fiscal year under review were net sales of 2,385.139 million yen (up 10.7% year on year) and operating profit of 188.591 million yen (up 16.7% year on year), due to strong performances in consulting-based businesses generally, despite no real year-on-year change in the M&A Advisory Business.

(Consulting-based Businesses)

The following is business results by segment.

<Management Consulting Business>

Net sales in the management Consulting Business came to 1,625.777 million yen (up 16.8% year on year). Net sales for the first three months of the fiscal year under review increased year on year due to the continuation of large deals and new orders.

<Revitalization Support Business>

Net sales in the Revitalization Support business stood at 405.320 million yen (up 3.4% year on year). Net sales for the first three months of the fiscal year under review increased year on year due to new orders for revitalization projects, reflecting continued needs for revitalization support.

<Other Business>

Net sales in the other businesses were 16,360 million yen (down 59.1% year on year).

(M&A Advisory Business)

The M&A Advisory Business reported net sales for the first three months of the fiscal year under review of 333.681 million yen (up 0.7% year on year). The slight year-on-year increase reflects efforts to strengthen sales in order to tap into medium-sized M&A deals in Japan, which are our biggest strength.

Investment Business Segment

The Investment Business Segment's financial results for the first three months of the fiscal year under review were net sales of 53.404 million yen (up 797.6% year on year) and an operating loss of 133.317 million yen (compared to an operating loss of 98.580 million yen in the same period of the previous fiscal year). The loss was due to upfront fixed costs, such as personnel expenses resulting mainly from delays in making investments, despite the energetic pursuit of enhancement of the pipeline and investment activities, such as the execution of two investments including a consolidated investment project.

(2) Explanation regarding financial position

<Assets>

The Group's assets at the end of the first three months under review came to 19,645,594 million yen, an increase of 5,480,537 million yen from 14,165,057 million yen at the end of the previous fiscal year.

This was mainly due to an increase of 443.191 million yen in operational investment securities, as well as increases of 3,791,854 million yen in goodwill, 768,345 million yen in merchandise, and 634.748 million yen in property, plant and equipment such as buildings (net) and land due to the consolidation of 4 companies including FCII, Inc.

<Liabilities>

The Group's liabilities at the end of the first three months under review were 8,852,478 million yen, an increase of 5,436,843 million yen from 3,415,634 million yen at the end of the previous fiscal year.

This was mainly due to an increase of 1,300,000 million yen in short-term borrowings and increases of 3,537,877 million yen in long-term borrowings (includes current portion of long-term borrowings), 273.352 million yen in accounts payable-trade, 834,411 million yen in other (advances received and deposits received, etc.) of current liabilities, and 155.323 million yen in other (long-term guarantee deposits, etc.) of non-current liabilities due mainly to the consolidation of 4 companies including FCII, Inc., offsetting a decrease of 809.511 million yen in provision for bonuses.

<Net assets>

The Group's net assets at the end of the first three months under review came to 10,793.116 million yen, an increase of 43.693 million yen from 10,749.422 million yen at the end of the previous fiscal year.

This was mainly due to an increase of 191.421 million yen in non-controlling interests due mainly to the consolidation of FCII, Inc., which offset decreases due to the recording of a loss attributable to owners of parent of 129.419 million yen for the first three months of the fiscal year under review and a decrease of 23.730 million yen in foreign currency translation adjustment.

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

No changes have been made to the full-year forecasts of consolidated financial results for the fiscal year ending December 31, 2025 that were announced on February 13, 2025.

2. Quarterly consolidated financial statements and key notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	End of the previous fiscal year (As of December 31, 2024)	End of 1Q of current fiscal year (As of March 31, 2025)
Assets		
Current assets		
Cash and deposits	7,561,180	<u>7,159,840</u>
Notes and accounts receivable - trade, and contract assets	1,390,825	1,177,963
Operational investment securities	2,232,455	2,675,646
Merchandise	–	768,345
Other	300,543	<u>523,609</u>
Allowance for doubtful accounts	(14,663)	(11,963)
Total current assets	<u>11,470,340</u>	<u>12,293,442</u>
Non-current assets		
Property, plant and equipment		
Buildings, net	203,537	397,913
Machinery and equipment, net	–	144,985
Tools, furniture and fixtures, net	19,899	20,890
Land	–	181,068
Construction in progress	–	112,200
Other, net	–	1,128
Total property, plant and equipment	<u>223,437</u>	<u>858,185</u>
Intangible assets		
Software	30,314	58,068
Software in progress	–	102,475
Goodwill	206,212	<u>3,998,066</u>
Customer-related intangible assets	6,250	4,687
Other	1,277	1,242
Total intangible assets	<u>244,054</u>	<u>4,164,540</u>
Investments and other assets		
Investment securities	296	<u>296</u>
Shares of subsidiaries and associates	1,307,658	1,280,957
Investments in capital of subsidiaries and associates	2,648	3,025
Leasehold and guarantee deposits	360,147	381,476
Deferred tax assets	431,701	371,234
Other	120,865	288,962
Total investments and other assets	<u>2,223,317</u>	<u>2,325,953</u>
Total non-current assets	<u>2,690,809</u>	<u>7,348,679</u>
Deferred assets		
Organization expenses	3,906	3,472
Total deferred assets	<u>3,906</u>	<u>3,472</u>
Total assets	<u>14,165,057</u>	<u>19,645,594</u>

(Thousands of yen)

	End of the previous fiscal year (As of December 31, 2024)	End of 1Q of current fiscal year (As of March 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	127,016	400,369
Short-term borrowings	–	1,300,000
Current portion of long-term borrowings	248,492	548,492
Accounts payable - other	331,328	389,858
Income taxes payable	76,015	132,981
Provision for bonuses	948,696	139,184
Provision for bonuses for directors (and other officers)	–	1,732
Provision for shareholder benefit program	55,343	18,861
Other	336,008	1,170,419
Total current liabilities	2,122,901	4,101,899
Non-current liabilities		
Long-term borrowings	1,148,303	4,386,180
Asset retirement obligations	131,386	131,407
Deferred tax liabilities	13,043	77,667
Other	–	155,323
Total non-current liabilities	1,292,733	4,750,578
Total liabilities	3,415,634	8,852,478
Net assets		
Shareholders' equity		
Share capital	386,224	392,450
Capital surplus	745,500	751,726
Retained earnings	1,424,029	1,294,609
Treasury shares	(8,363)	(8,363)
Total shareholders' equity	2,547,391	2,430,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,554	29,554
Foreign currency translation adjustment	63,568	39,837
Total accumulated other comprehensive income	93,122	69,392
Share acquisition rights	60,691	53,662
Non-controlling interests	8,048,217	8,239,638
Total net assets	10,749,422	10,793,116
Total liabilities and net assets	14,165,057	19,645,594

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

(Thousands of yen)

	First three months of previous fiscal year (January 1, 2024 to March 31, 2024)	First three months of previous fiscal year (January 1, 2025 to March 31, 2025)
Net sales	2,161,011	2,434,544
Cost of sales	1,032,398	1,258,986
Gross profit	1,128,612	1,175,557
Selling, general and administrative expenses	1,065,603	1,120,283
Operating income	63,008	55,273
Non-operating income		
Interest income	50	3,766
Share of profit of entities accounted for using equity method	1,511	–
Dividend income of insurance	2,366	3,162
Reversal of allowance for doubtful accounts	2,111	3,299
Compensation income	3,855	–
Foreign exchange gains	2,743	–
Other	496	198
Total non-operating income	13,136	10,427
Non-operating expenses		
Interest expenses	3,362	5,255
Share of loss of entities accounted for using equity method	–	4,017
Share issuance costs	–	6,398
Financing expenses	–	121,730
Foreign exchange losses	–	2,811
Other	179	115
Total non-operating expenses	3,541	140,328
Ordinary income (loss)	72,603	(74,626)
Net income (loss) before income taxes	72,603	(74,626)
Income taxes - current	8,162	1,468
Income taxes - deferred	50,086	61,902
Total income taxes	58,248	63,371
Net income (loss)	14,355	(137,998)
Net income (loss) attributable to non-controlling interests	1,131	(8,578)
Net income (loss) attributable to owners of parent	13,223	(129,419)

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

(Thousands of yen)

	First three months of previous fiscal year (January 1, 2024 to March 31, 2024)	First three months of previous fiscal year (January 1, 2025 to March 31, 2025)
Net income (loss)	14,355	(137,998)
Other comprehensive income		
Foreign currency translation adjustment	(149)	(1,425)
Share of other comprehensive income of entities accounted for using equity method	48,298	(22,305)
Total other comprehensive income	48,148	(23,730)
Comprehensive income	62,503	(161,728)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	61,372	(153,149)
Comprehensive income attributable to non-controlling interests	1,131	(8,578)

(3) Notes to quarterly consolidated financial statements

(Notes on the going concern)

None

(Changes in the scope of consolidation and the scope of application of the equity method)

(Significant changes in the scope of consolidation)

Frontier Capital Inc., our consolidated subsidiary, established FCI1 Inc. On February 28, 2025, we acquired all the shares and stock acquisition rights of Eagle Invesco Ltd., which owns all the shares of Hobbylink Japan Ltd. Accordingly, from the first quarter of the current fiscal year, FCI1 Inc., Eagle Invesco Ltd., Hobbylink Japan Ltd., and its subsidiary Beaver Corporation, Inc. were included in the scope of consolidation. As the deemed acquisition date is the end of the first quarter of the consolidated fiscal year under review for the acquired Eagle Invesco Ltd., Hobbylink Japan Ltd. and Beaver Corporation, Inc., only the balance sheet is consolidated for the first quarter of the consolidated fiscal year under review. Moreover, the change in the scope of consolidation is expected to significantly impact the consolidated financial statements for the consolidated fiscal year to which the first quarter consolidated accounting period belongs. The overview of this impact includes increases in total assets and total liabilities on the consolidated balance sheet, as well as increases in sales and other items on the consolidated income statement.

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

None

(Notes on changes in accounting policies)

Application of the "Accounting Standard for Current Income Taxes" and other relevant Accounting Standards Board of Japan (ASBJ) regulations

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter, the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter, the "Revised Guidance of 2022"). There is no impact for the quarterly consolidated financial statements.

With regard to revisions related to changes in the accounting treatment for consolidated financial statements when gains/losses on sale of shares, etc. in subsidiaries resulting from transactions between consolidated subsidiaries are deferred for tax purposes, the Company has applied the Revised Guidance of 2022 from the beginning of the first quarter under review. This change in accounting policies is applied retrospectively, and quarterly consolidated financial statements and consolidated financial statements for the previous year are after retrospective application. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Notes on consolidated quarterly statement of cash flows)

The Company has not prepared a quarterly consolidated statement of cash flows for the first three months of the fiscal year under review. Depreciation and amortization (including amortization of intangible assets except for goodwill and customer-related assets) as well as amortization of goodwill and amortization of customer-related assets for the first three months of the fiscal year under review are as shown below.

	First three months of previous fiscal year (January 1, 2024 to March 31, 2024)	First three months of previous fiscal year (January 1, 2025 to March 31, 2025)
Depreciation and amortization	16,011 thousand yen	16,032 thousand yen
Amortization of goodwill	7,364 thousand yen	7,364 thousand yen
Amortization of customer-related assets	1,562 thousand yen	1,562 thousand yen

(Notes to segment information)

[Segment information]

First three months of previous fiscal year (January 1, 2024 to March 31, 2024)

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

(Thousands of yen)

	Reportable segments			Adjustment	Amount recorded in quarterly consolidated financial statements (Note)
	Consulting Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	2,155,061	5,950	2,161,011	—	2,161,011
Intersegment internal sales and transfers	—	—	—	—	—
Total	2,155,061	5,950	2,161,011	—	2,161,011
Segment income (loss)	161,589	(98,580)	63,008	—	63,008

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

First three months of previous fiscal year (January 1, 2025 to March 31, 2025)

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

(Thousands of yen)

	Reportable segments			Adjustment	Amount recorded in quarterly consolidated financial statements (Note)
	Consulting Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	2,381,139	53,404	2,434,544	—	2,434,544
Intersegment internal sales and transfers	4,000	—	4,000	(4,000)	—
Total	2,385,139	53,404	2,438,544	(4,000)	2,434,544
Segment income (loss)	188,591	(133,317)	55,273	—	55,273

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

2. Information on assets by reportable segment

(Significant increase in assets due to acquisition of subsidiaries)

During the first three months of the fiscal year under review, consolidated subsidiary Frontier Capital Inc. included Eagle Invesco., Ltd., which owns all of the shares of HobbyLink Japan Ltd. through its consolidated subsidiary FCII Inc., in the scope of consolidation. As a result, segment assets in the investment business increased by 5,263,260 thousand yen from the end of the previous fiscal year.

3. Information on impairment loss from non-current assets, goodwill and other items by reportable segment

(Significant change in goodwill)

In the Investment Business Segment, Frontier Capital, Inc., a consolidated subsidiary of the Company, made Eagle Invesco., Ltd., which owns all of the shares of HobbyLink Japan Ltd. through its consolidated subsidiary FCII Inc., into a consolidated subsidiary and recognized goodwill as a result. The increase in goodwill as a result of this event during the first three months of the fiscal year under review is 3,799,219 thousand yen.

(Business combinations)

(Business combination through acquisition)

Frontier Capital Inc., a consolidated subsidiary of the Company, completed the acquisition of shares and stock acquisition rights of Eagle Invesco., Ltd., which owns all of the shares of HobbyLink Japan Ltd. through its consolidated subsidiary FCII Inc. on February 28, 2025.

1. Overview of the business combination

(1) Names and business descriptions of acquired companies

Name of acquired company (1): Eagle Invesco., Ltd.

Business description: Ownership of shares of HobbyLink Japan Ltd.

Name of acquired company (2): HobbyLink Japan Ltd.

Business description: Sale of models, self-assembly plastic models, toys, etc., ownership off shares of Beaver Corporation, Inc.

Name of acquired company (3): Beaver Corporation, Inc.

Business description: Sale and import of toys from overseas, etc.

(2) Main reason for business combination

HobbyLink Japan, which is based in Sano City, Tochigi Prefecture, is an online toy retailer that mainly handles models, plastic self-assembly models, figurines and similar products.

HobbyLink mainly procures products from domestic toy manufacturers through wholesalers and sells them to customers around the world, chiefly in North America. The company provides services to fans all around the world who love Japan's unique pop culture, including anime, plastic self-assembly models, and figurines. Despite the niche market of hobby goods ecommerce, HobbyLink, founded in 1997, has a long history in the industry and has built a stable customer base as one of the longest serving players in the industry.

Frontier Capital, Inc. (FCI) endorses HobbyLink's founding mission, which is to provide high-quality toys from Japan globally by making content and entertainment products such as models, plastic self-assembly models, and figurines available to fans not only in Japan but all over the world. FCI would also like to contribute to the hobby goods ecommerce business through investment because the Japanese hobby contents market has great potential to grow sustainably due to the rapid spread of Japanese animation contents in North America, EU, Asia and other countries.

By drawing on the Frontier Management Group's consulting functions to provide hands-on support, FCI will accelerate implementation of HobbyLink's growth strategies so that more people can enjoy a pop culture originated in Japan.

(3) Date of business combination

February 28, 2025 (Deemed acquisition: March 31, 2025)

(4) Legal method of business combination

Purchase of shares

(5) Names of companies after combination

Eagle Invesco. Ltd., Hobbylink Japan Ltd., Beaver Corporation, Inc.

(6) Ratio of voting rights acquired

100%

(7) Main grounds for deciding on the acquiring company

For the Company to deliver equivalent value and acquire an equity stake.

2. Period of financial results of acquired company included in the quarterly consolidated statement of income for the period under review

The financial results of the acquired company are not included in the quarterly consolidated financial statements because the deemed date of acquisition is March 31, 2025.

3. Acquisition cost of acquired company and its breakdown

Consideration for acquisition	Cash	2,000,000 thousand yen
Acquisition cost		2,000,000 thousand yen

4. Details and amounts of major acquisition-related costs

Due diligence expenses, etc. 62,378 thousand yen

5. Amount of goodwill recognized, the reason for recognition, and the method and period of amortization

(1) Amount of goodwill recognized

3,799,219 thousand yen

The amount of goodwill is a provisional amount because purchase price allocation was not completed at the end of the first quarter under review.

(2) Reason for recognition

Goodwill was recognized mainly due to the future excess earning power expected to be derived from business development going forward.

(3) Method and period of amortization

Amortized on a straight-line basis over the effective period. The amortization period is being calculated.

6. Amount of assets accepted and liabilities assumed on date of business combination and their principal breakdown

Current assets	1,776,623 thousand yen
Non-current assets	<u>815,959 thousand yen</u>
Total assets	<u>2,592,583 thousand yen</u>
Current liabilities	1,011,555 thousand yen
Non-current liabilities	3,380,247 thousand yen
Total liabilities	<u>4,391,802 thousand yen</u>

[Before Correction]

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 2025 [Japanese GAAP]



May 14, 2025

Company name: Frontier Management Inc.
 Listing: Tokyo Stock Exchange
 Stock code: 7038 URL: <https://www.frontier-mgmt.com/>
 Representative: Akinori Nishida, Representative Director, President & Executive Officer (COO)
 Contact: Hiroaki Hamada, Executive Officer, Head of Corporate Promotion Division
 TEL +81-3-6862-8335

Scheduled date of commencement of dividend payment: –
 Preparation of supplementary material on financial results: Yes
 Financial results briefing: Yes

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

1. Quarterly consolidated results for the first three months of fiscal year ending December 31, 2025 (January 1, 2025 to March 31, 2025)

(1) Consolidated operating results (Cumulative) (Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%
First three months, FY2025	2,434	12.7	55	(12.3)	(74)	–	(129)	–
First three months, FY2024	2,161	(18.6)	63	(86.9)	72	(84.8)	13	(94.9)

(Note) Comprehensive income First three months, FY2025: -161 JPY mil. (-%) First three months, FY2024: 62 JPY mil. (-76.5%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
First three months, FY2025	(11.02)	–
First three months, FY2024	1.12	1.11

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY mil.	JPY mil.	%
First three months, FY2025	19,645	10,793	12.7
FY2024	14,165	10,749	18.6

(Reference) Shareholders' equity First three months, FY2025: 2,499 JPY mil. FY2024: 2,640 JPY mil.

Net assets ratio First three months, FY2025: 54.9% FY2024: 75.9%

The equity ratio is calculated using the following formula: (net assets at end of fiscal year – share acquisition rights at end of fiscal year – non-controlling interests at end of fiscal year) ÷ total assets at end of fiscal year.

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

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2024	–	0.00	–	0.00	0.00
FY2025	–				
FY2025 (Forecast)		0.00	–	–	–

(Note) Revisions to dividend forecasts published most recently: None

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

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

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%	Yen
Full year	13,900	50.0	640	–	480	–	100	–	8.52

(Note) Revisions to financial forecasts published most recently: None

* Given the large fluctuation in business results during the fiscal year attributable to the timing at which sales of incentive fees in the M&A Advisory Business were recorded, it is difficult to calculate consolidated earnings forecasts for the second quarter (cumulative). In addition, because the Group manages its earnings on an annual basis, the Group announces its earnings forecasts for the full fiscal year only.

* Notes

(5) Important changes in the scope of consolidation during the period: Yes

Newly included: 4 companies (Company name) FCI1 Inc., Eagle Invesco Ltd., Hobbylink Japan Ltd., Beaver Corporation, Inc.

(NOTE)For details, please refer to "Changes in the scope of consolidation and the scope of application of the equity method" on page 10 of the quarterly financial results summary (attached material).

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

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

(i) Changes in accounting policies caused by revision of accounting standards: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(8) Number of shares outstanding (common shares)

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

First three months, FY2025	11,768,803 shares	FY2024	11,757,603 shares
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(ii) Number of treasury shares at end of period

First three months, FY2025	26,839 shares	FY2024	26,839 shares
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(iii) Average number of shares outstanding during the period

First three months, FY2025	11,741,964 shares	First three months, FY2024	11,720,913 shares
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* Statutory review of the attached quarterly consolidated financial statements by a certified public accountant or an audit corporation:
None

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

(Notes regarding forward-looking statements)

The forward-looking statements in these materials, including financial prospects included in this report, are based on information available to the Company when this report was prepared and assumptions that the management considers reasonable, which do not guarantee the achievement of such projected results.

Actual results may differ significantly from these statements for a number of reasons. For more information, such as the assumptions used in forecasting the results and remarks on their usage, please refer to 1. Qualitative information on consolidated operating results for the first three months of the fiscal year ending December 2025, (3) Explanation regarding financial results forecasts and other forward-looking statements on page 5 of the accompanying materials.

Accompanying materials – contents

1. Qualitative information on consolidated operating results for the first three months of the fiscal year ending December 2025.....	4
(1) Explanation regarding results of operations	4
(2) Explanation regarding financial position.....	5
(3) Explanation regarding financial results forecasts and other forward-looking statements	5
2. Quarterly consolidated financial statements and key notes	6
(1) Quarterly consolidated balance sheet	6
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income.....	8
Quarterly consolidated statement of income	
First three-month period.....	8
Quarterly consolidated statement of comprehensive income	
First three-month period.....	9
(3) Notes to quarterly consolidated financial statements.....	10
(Notes on the going concern).....	10
(Changes in scope of consolidation and scope of application of equity method).....	10
(Note on significant changes in the amount of shareholders' equity).....	10
(Notes on changes in accounting policies).....	10
(Notes on consolidated quarterly statement of cash flows).....	10
(Notes to segment information)	10
(Business combinations)	11

1. Qualitative information on consolidated operating results for the first three months of the fiscal year ending December 2025

(1) Explanation regarding results of operations

During the first three months of the fiscal year under review (from January 1, 2025 to March 31, 2025), the Japanese economy remained on a gradual recovery path against a backdrop of strong corporate earnings and improvement in the employment and income situation. However, the economic outlook remained uncertain, amid concern over the impact of geopolitical risks such as the Russia-Ukraine conflict and Middle East tensions, the risk of recession due to U.S. trade policy, and the impact of the continued cost-of-living crisis on consumer spending.

In this business environment, the Group worked on the measures set out in the Structural Reforms Plan formulated on February 13, 2025, and also focused on proposing and executing one-stop solutions to corporate issues by offering comprehensive services that leverage management consulting, M&A advisory, revitalization support and other functions, aiming for achievement of the FY2025 targets. The Group has also been making investments that involve dispatching management personnel at its consolidated subsidiary Frontier Capital Inc. ("FCI").

The Management Consulting Business, the Revitalization Support Business and Other Business (hereinafter referred to as "consulting-based businesses") generally maintained upward momentum during the first three months of the fiscal year under review, achieving net sales of 2,047.458 million yen (up 12.3% year on year).

Net sales in the M&A Advisory Business were 333.681 million yen (up 0.7% year on year), mostly unchanged from a year ago, reflecting efforts to strengthen sales to tap into medium-sized M&A deals in Japan, which is our biggest strength. However, thanks to strong performances in consulting-based businesses, the operating profit of the Consulting and Advisory Business Segment reached 188.591 million yen (up 16.7% year on year).

During the first three months of the fiscal year under review, FCI energetically pushed ahead with bolstering its pipeline and investment activities, such as making two investments including a consolidated investment project. However, due to upfront fixed costs, such as personnel expenses resulting mainly from delays in making investments, the Investment Business Segment reported an operating loss of 133.317 million yen (compared to an operating loss of 98.580 million yen in the same period of the previous fiscal year).

The Group's financial results for the first three months of the fiscal year under review were net sales of 2,434.544 million yen (up 12.7% year on year) and operating profit of 55.273 million yen (down 12.3%). However, due to the recording of financing expenses of 121.730 million yen, including a syndicated loan arrangement fee, which are temporary expenses at the period of closing of consolidated investment projects, at consolidated subsidiary FCI1, Inc., the Group posted an ordinary loss of 74.626 million yen (compared to an ordinary profit of 72.603 million yen in the same period of the previous year), and, after deductions including total income taxes of 63.371 million yen, reported a loss attributable to owners of parent of 129.419 million yen (compared to profit attributable to owners of parent of 13.223 million yen in the same period of the previous year). Consolidated investment projects will also be included in the scope of consolidated financial results from the second quarter.

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

Consulting and Advisory Business Segment

The Consulting and Advisory Business Segment's financial results for the first three months of the fiscal year under review were net sales of 2,385.139 million yen (up 10.7% year on year) and operating profit of 188.591 million yen (up 16.7% year on year), due to strong performances in consulting-based businesses generally, despite no real year-on-year change in the M&A Advisory Business.

(Consulting-based Businesses)

The following is business results by segment.

<Management Consulting Business>

Net sales in the management Consulting Business came to 1,625.777 million yen (up 16.8% year on year). Net sales for the first three months of the fiscal year under review increased year on year due to the continuation of large deals and new orders.

<Revitalization Support Business>

Net sales in the Revitalization Support business stood at 405.320 million yen (up 3.4% year on year). Net sales for the first three months of the fiscal year under review increased year on year due to new orders for revitalization projects, reflecting continued needs for revitalization support.

<Other Business>

Net sales in the other businesses were 16,360 million yen (down 59.1% year on year).

(M&A Advisory Business)

The M&A Advisory Business reported net sales for the first three months of the fiscal year under review of 333.681 million yen (up 0.7% year on year). The slight year-on-year increase reflects efforts to strengthen sales in order to tap into medium-sized M&A deals in Japan, which are our biggest strength.

Investment Business Segment

The Investment Business Segment's financial results for the first three months of the fiscal year under review were net sales of 53.404 million yen (up 797.6% year on year) and an operating loss of 133.317 million yen (compared to an operating loss of 98.580 million yen in the same period of the previous fiscal year). The loss was due to upfront fixed costs, such as personnel expenses resulting mainly from delays in making investments, despite the energetic pursuit of enhancement of the pipeline and investment activities, such as the execution of two investments including a consolidated investment project.

(2) Explanation regarding financial position

<Assets>

The Group's assets at the end of the first three months under review came to 19,645,594 million yen, an increase of 5,480,537 million yen from 14,165,057 million yen at the end of the previous fiscal year.

This was mainly due to an increase of 443,191 million yen in operational investment securities, as well as increases of 3,653,917 million yen in goodwill, 768,345 million yen in merchandise, and 634,748 million yen in property, plant and equipment such as buildings (net) and land due to the consolidation of 4 companies including FCII, Inc.

<Liabilities>

The Group's liabilities at the end of the first three months under review were 8,852,478 million yen, an increase of 5,436,843 million yen from 3,415,634 million yen at the end of the previous fiscal year.

This was mainly due to an increase of 800,000 million yen in short-term borrowings and increases of 4,037,877 million yen in long-term borrowings, 273,352 million yen in accounts payable-trade, 834,411 million yen in other (advances received and deposits received, etc.) of current liabilities, and 155,323 million yen in other (long-term guarantee deposits, etc.) of non-current liabilities due mainly to the consolidation of 4 companies including FCII, Inc., offsetting a decrease of 809,511 million yen in provision for bonuses.

<Net assets>

The Group's net assets at the end of the first three months under review came to 10,793.116 million yen, an increase of 43,693 million yen from 10,749.422 million yen at the end of the previous fiscal year.

This was mainly due to an increase of 191,421 million yen in non-controlling interests due mainly to the consolidation of FCII, Inc., which offset decreases due to the recording of a loss attributable to owners of parent of 129,419 million yen for the first three months of the fiscal year under review and a decrease of 23,730 million yen in foreign currency translation adjustment.

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

No changes have been made to the full-year forecasts of consolidated financial results for the fiscal year ending December 31, 2025 that were announced on February 13, 2025.

2. Quarterly consolidated financial statements and key notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	End of the previous fiscal year (As of December 31, 2024)	End of 1Q of current fiscal year (As of March 31, 2025)
Assets		
Current assets		
Cash and deposits	7,561,180	7,291,700
Notes and accounts receivable - trade, and contract assets	1,390,825	1,177,963
Operational investment securities	2,232,455	2,675,646
Merchandise	–	768,345
Other	300,543	391,748
Allowance for doubtful accounts	(14,663)	(11,963)
Total current assets	11,470,340	12,293,442
Non-current assets		
Property, plant and equipment		
Buildings, net	203,537	397,913
Machinery and equipment, net	–	144,985
Tools, furniture and fixtures, net	19,899	20,890
Land	–	181,068
Construction in progress	–	112,200
Other, net	–	1,128
Total property, plant and equipment	223,437	858,185
Intangible assets		
Software	30,314	58,068
Software in progress	–	102,475
Goodwill	206,212	3,860,130
Customer-related intangible assets	6,250	4,687
Other	1,277	1,242
Total intangible assets	244,054	4,026,603
Investments and other assets		
Investment securities	296	138,233
Shares of subsidiaries and associates	1,307,658	1,280,957
Investments in capital of subsidiaries and associates	2,648	3,025
Leasehold and guarantee deposits	360,147	381,476
Deferred tax assets	431,701	371,234
Other	120,865	288,962
Total investments and other assets	2,223,317	2,463,890
Total non-current assets	2,690,809	7,348,679
Deferred assets		
Organization expenses	3,906	3,472
Total deferred assets	3,906	3,472
Total assets	14,165,057	19,645,594

(Thousands of yen)

	End of the previous fiscal year (As of December 31, 2024)	End of 1Q of current fiscal year (As of March 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	127,016	400,369
Short-term borrowings	–	800,000
Current portion of long-term borrowings	248,492	248,492
Accounts payable - other	331,328	389,858
Income taxes payable	76,015	132,981
Provision for bonuses	948,696	139,184
Provision for bonuses for directors (and other officers)	–	1,732
Provision for shareholder benefit program	55,343	18,861
Other	336,008	1,170,419
Total current liabilities	2,122,901	3,301,899
Non-current liabilities		
Long-term borrowings	1,148,303	5,186,180
Asset retirement obligations	131,386	131,407
Deferred tax liabilities	13,043	977,667
Other	–	155,323
Total non-current liabilities	1,292,733	5,550,578
Total liabilities	3,415,634	8,852,478
Net assets		
Shareholders' equity		
Share capital	386,224	392,450
Capital surplus	745,500	751,726
Retained earnings	1,424,029	1,294,609
Treasury shares	(8,363)	(8,363)
Total shareholders' equity	2,547,391	2,430,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,554	29,554
Foreign currency translation adjustment	63,568	39,837
Total accumulated other comprehensive income	93,122	69,392
Share acquisition rights	60,691	53,662
Non-controlling interests	8,048,217	8,239,638
Total net assets	10,749,422	10,793,116
Total liabilities and net assets	14,165,057	19,645,594

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

(Thousands of yen)

	First three months of previous fiscal year (January 1, 2024 to March 31, 2024)	First three months of previous fiscal year (January 1, 2025 to March 31, 2025)
Net sales	2,161,011	2,434,544
Cost of sales	1,032,398	1,258,986
Gross profit	1,128,612	1,175,557
Selling, general and administrative expenses	1,065,603	1,120,283
Operating income	63,008	55,273
Non-operating income		
Interest income	50	3,766
Share of profit of entities accounted for using equity method	1,511	–
Dividend income of insurance	2,366	3,162
Reversal of allowance for doubtful accounts	2,111	3,299
Compensation income	3,855	–
Foreign exchange gains	2,743	–
Other	496	198
Total non-operating income	13,136	10,427
Non-operating expenses		
Interest expenses	3,362	5,255
Share of loss of entities accounted for using equity method	–	4,017
Share issuance costs	–	6,398
Financing expenses	–	121,730
Foreign exchange losses	–	2,811
Other	179	115
Total non-operating expenses	3,541	140,328
Ordinary income (loss)	72,603	(74,626)
Net income (loss) before income taxes	72,603	(74,626)
Income taxes - current	8,162	1,468
Income taxes - deferred	50,086	61,902
Total income taxes	58,248	63,371
Net income (loss)	14,355	(137,998)
Net income (loss) attributable to non-controlling interests	1,131	(8,578)
Net income (loss) attributable to owners of parent	13,223	(129,419)

(Quarterly consolidated statements of comprehensive income)

(First three-month period)

(Thousands of yen)

	First three months of previous fiscal year (January 1, 2024 to March 31, 2024)	First three months of previous fiscal year (January 1, 2025 to March 31, 2025)
Net income (loss)	14,355	(137,998)
Other comprehensive income		
Foreign currency translation adjustment	(149)	(1,425)
Share of other comprehensive income of entities accounted for using equity method	48,298	(22,305)
Total other comprehensive income	48,148	(23,730)
Comprehensive income	62,503	(161,728)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	61,372	(153,149)
Comprehensive income attributable to non-controlling interests	1,131	(8,578)

(3) Notes to quarterly consolidated financial statements

(Notes on the going concern)

None

(Changes in the scope of consolidation and the scope of application of the equity method)

(Significant changes in the scope of consolidation)

Frontier Capital Inc., our consolidated subsidiary, established FCI1 Inc. On February 28, 2025, we acquired all the shares and stock acquisition rights of Eagle Invesco Ltd., which owns all the shares of Hobbylink Japan Ltd. Accordingly, from the first quarter of the current fiscal year, FCI1 Inc., Eagle Invesco Ltd., Hobbylink Japan Ltd., and its subsidiary Beaver Corporation, Inc. were included in the scope of consolidation. As the deemed acquisition date is the end of the first quarter of the consolidated fiscal year under review for the acquired Eagle Invesco Ltd., Hobbylink Japan Ltd. and Beaver Corporation, Inc., only the balance sheet is consolidated for the first quarter of the consolidated fiscal year under review. Moreover, the change in the scope of consolidation is expected to significantly impact the consolidated financial statements for the consolidated fiscal year to which the first quarter consolidated accounting period belongs. The overview of this impact includes increases in total assets and total liabilities on the consolidated balance sheet, as well as increases in sales and other items on the consolidated income statement.

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

None

(Notes on changes in accounting policies)

Application of the "Accounting Standard for Current Income Taxes" and other relevant Accounting Standards Board of Japan (ASBJ) regulations

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter, the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter, the "Revised Guidance of 2022"). There is no impact for the quarterly consolidated financial statements.

With regard to revisions related to changes in the accounting treatment for consolidated financial statements when gains/losses on sale of shares, etc. in subsidiaries resulting from transactions between consolidated subsidiaries are deferred for tax purposes, the Company has applied the Revised Guidance of 2022 from the beginning of the first quarter under review. This change in accounting policies is applied retrospectively, and quarterly consolidated financial statements and consolidated financial statements for the previous year are after retrospective application. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Notes on consolidated quarterly statement of cash flows)

The Company has not prepared a quarterly consolidated statement of cash flows for the first three months of the fiscal year under review. Depreciation and amortization (including amortization of intangible assets except for goodwill and customer-related assets) as well as amortization of goodwill and amortization of customer-related assets for the first three months of the fiscal year under review are as shown below.

	First three months of previous fiscal year (January 1, 2024 to March 31, 2024)	First three months of previous fiscal year (January 1, 2025 to March 31, 2025)
Depreciation and amortization	16,011 thousand yen	16,032 thousand yen
Amortization of goodwill	7,364 thousand yen	7,364 thousand yen
Amortization of customer-related assets	1,562 thousand yen	1,562 thousand yen

(Notes to segment information)

[Segment information]

First three months of previous fiscal year (January 1, 2024 to March 31, 2024)

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

(Thousands of yen)

	Reportable segments			Adjustment	Amount recorded in quarterly consolidated financial statements (Note)
	Consulting Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	2,155,061	5,950	2,161,011	—	2,161,011
Intersegment internal sales and transfers	—	—	—	—	—
Total	2,155,061	5,950	2,161,011	—	2,161,011
Segment income (loss)	161,589	(98,580)	63,008	—	63,008

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

First three months of previous fiscal year (January 1, 2025 to March 31, 2025)

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

(Thousands of yen)

	Reportable segments			Adjustment	Amount recorded in quarterly consolidated financial statements (Note)
	Consulting Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	2,381,139	53,404	2,434,544	—	2,434,544
Intersegment internal sales and transfers	4,000	—	4,000	(4,000)	—
Total	2,385,139	53,404	2,438,544	(4,000)	2,434,544
Segment income (loss)	188,591	(133,317)	55,273	—	55,273

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

2. Information on assets by reportable segment

(Significant increase in assets due to acquisition of subsidiaries)

During the first three months of the fiscal year under review, consolidated subsidiary Frontier Capital Inc. included Eagle Invesco., Ltd., which owns all of the shares of HobbyLink Japan Ltd. through its consolidated subsidiary FCII Inc., in the scope of consolidation. As a result, segment assets in the investment business increased by 5,263,260 thousand yen from the end of the previous fiscal year.

3. Information on impairment loss from non-current assets, goodwill and other items by reportable segment

(Significant change in goodwill)

In the Investment Business Segment, Frontier Capital, Inc., a consolidated subsidiary of the Company, made Eagle Invesco., Ltd., which owns all of the shares of HobbyLink Japan Ltd. through its consolidated subsidiary FCII Inc., into a consolidated subsidiary and recognized goodwill as a result. The increase in goodwill as a result of this event during the first three months of the fiscal year under review is 3,661,282 thousand yen.

(Business combinations)

(Business combination through acquisition)

Frontier Capital Inc., a consolidated subsidiary of the Company, completed the acquisition of shares and stock acquisition rights of Eagle Invesco., Ltd., which owns all of the shares of HobbyLink Japan Ltd. through its consolidated subsidiary FCII Inc. on February 28, 2025.

1. Overview of the business combination

(1) Names and business descriptions of acquired companies

Name of acquired company (1): Eagle Invesco., Ltd.

Business description: Ownership of shares of HobbyLink Japan Ltd.

Name of acquired company (2): HobbyLink Japan Ltd.

Business description: Sale of models, self-assembly plastic models, toys, etc., ownership of shares of Beaver Corporation, Inc.

Name of acquired company (3): Beaver Corporation, Inc.

Business description: Sale and import of toys from overseas, etc.

(2) Main reason for business combination

HobbyLink Japan, which is based in Sano City, Tochigi Prefecture, is an online toy retailer that mainly handles models, plastic self-assembly models, figurines and similar products.

HobbyLink mainly procures products from domestic toy manufacturers through wholesalers and sells them to customers around the world, chiefly in North America. The company provides services to fans all around the world who love Japan's unique pop culture, including anime, plastic self-assembly models, and figurines. Despite the niche market of hobby goods ecommerce, HobbyLink, founded in 1997, has a long history in the industry and has built a stable customer base as one of the longest serving players in the industry.

Frontier Capital, Inc. (FCI) endorses HobbyLink's founding mission, which is to provide high-quality toys from Japan globally by making content and entertainment products such as models, plastic self-assembly models, and figurines available to fans not only in Japan but all over the world. FCI would also like to contribute to the hobby goods ecommerce business through investment because the Japanese hobby contents market has great potential to grow sustainably due to the rapid spread of Japanese animation contents in North America, EU, Asia and other countries.

By drawing on the Frontier Management Group's consulting functions to provide hands-on support, FCI will accelerate implementation of HobbyLink's growth strategies so that more people can enjoy a pop culture originated in Japan.

(3) Date of business combination

February 28, 2025 (Deemed acquisition: March 31, 2025)

(4) Legal method of business combination

Purchase of shares

(5) Names of companies after combination

Eagle Invesco. Ltd., Hobbylink Japan Ltd., Beaver Corporation, Inc.

(6) Ratio of voting rights acquired

100%

(7) Main grounds for deciding on the acquiring company

For the Company to deliver equivalent value and acquire an equity stake.

2. Period of financial results of acquired company included in the quarterly consolidated statement of income for the period under review

The financial results of the acquired company are not included in the quarterly consolidated financial statements because the deemed date of acquisition is March 31, 2025.

3. Acquisition cost of acquired company and its breakdown

Consideration for acquisition	Cash	2,000,000 thousand yen
Acquisition cost		2,000,000 thousand yen

4. Details and amounts of major acquisition-related costs

Due diligence expenses, etc. 62,378 thousand yen

5. Amount of goodwill recognized, the reason for recognition, and the method and period of amortization

(1) Amount of goodwill recognized

3,661,282 thousand yen

The amount of goodwill is a provisional amount because purchase price allocation was not completed at the end of the first quarter under review.

(2) Reason for recognition

Goodwill was recognized mainly due to the future excess earning power expected to be derived from business development going forward.

(3) Method and period of amortization

Amortized on a straight-line basis over the effective period. The amortization period is being calculated.

6. Amount of assets accepted and liabilities assumed on date of business combination and their principal breakdown

Current assets	1,776,623 thousand yen
Non-current assets	953,896 thousand yen
Total assets	2,730,520 thousand yen
Current liabilities	1,011,555 thousand yen
Non-current liabilities	3,380,247 thousand yen
Total liabilities	4,391,802 thousand yen