

Consolidated Financial Results for the Fiscal Year Ended December 31, 2025 (Under Japanese GAAP)

February 13, 2026

Company name: Frontier Management Inc.
 Stock exchange listings: Tokyo Stock Exchange
 Stock code: 7038
 URL: <https://www.frontier-mgmt.com>
 Representative: Shoichiro Onishi, Representative Director and Chairman of the Board (CEO)
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 Scheduled date for ordinary general meeting of shareholders: March 26, 2026
 Scheduled date for dividend payment: None
 Scheduled date for submission of securities report: March 25, 2026
 Supplementary materials for financial summaries: Yes
 Financial results briefing: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2025 (from January 01, 2025 to December 31, 2025)

(1) Consolidated operating results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2025	13,489	45.3	(335)	-	(664)	-	(1,106)	-
December 31, 2024	9,265	(7.6)	(632)	-	(710)	-	(694)	-

(Note) Comprehensive income For the fiscal year ending December 2025: (1,017) million yen (-%) For the fiscal year ending December 2024: (614) million yen (-%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income to total assets ratio	Net sales Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2025	(94.08)	-	(51.1)	(4.1)	(2.5)
December 31, 2024	(59.20)	-	(21.9)	(5.7)	(6.8)

(Reference) Investment profit (loss) on equity method For the fiscal year ending December 2025: (10) million yen For the fiscal year ended December 2024: (48) million yen

(2) Consolidated financial positions

	Total assets	Equity	Equity to total assets ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2025	18,434	9,943	9.2	143.68
December 31, 2024	14,165	10,749	18.6	225.09

(Reference) Owner's equity Fiscal year ending December 2025: 1,691 million yen Fiscal year ending December 2024: 2,640 million yen

Equity ratio 53.9% for the fiscal year ending December 2025, 75.9% for the fiscal year ended December 2024

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

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

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents, end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended December 31, 2025	(2,051)	(1,160)	1,059	5,421
December 31, 2024	(2,518)	(63)	4,302	7,561

2. Cash dividends

	Annual dividends per share					Total dividends (aggregate)	Payout ratio (Consolidated)	Ratio of dividends to net assets (consolidated)
	End of first quarter	End of second quarter	At the end of the third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2024	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended December 31, 2025	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2026 (Forecast)	-	0.00	-	-	-			

(Note) The Company plans to pay a dividend for the fiscal year ending December 2026; however, the year-end dividend forecast has not yet been determined.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2026 (from January 01, 2026 to December 31, 2026)

(Percentage indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending December 31, 2026	15,000	11.4	610	-	430	-	50	-	4.24

(Note) As it is difficult for our group to calculate consolidated forecast figures for the second quarter (cumulative), and since we manage our business performance on a full-year basis, we only disclose full-year forecasts.

* Notes

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

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

(Note) For details, please refer to page 13 of the Financial Results (Attached Materials), "Changes in the Scope of Consolidation and Application of the Equity Method."

(2) Changes in accounting policies, Changes in accounting estimates, Retrospective restatement

(i) Changes in accounting policies due to revisions of accounting standards: Yes

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

(iii) Changes in accounting estimates : None

(iv) Retrospective restatement : None

(3) Number of shares issued (common stock)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2025	11,819,161 shares
As of December 31, 2024	11,757,603 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2025	46,981 shares
As of December 31, 2024	26,839 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2025	11,761,106 shares
Fiscal year ended December 31, 2024	11,736,966 shares

(Reference) Overview of Non-consolidated Results

1. Non-consolidated financial results for the fiscal year ended December 31, 2025 (from January 01, 2025 to December 31, 2025)

(1) Non-consolidated operating results

(Percentages indicate YoY changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2025	8,082	(8.3)	(154)	-	(74)	-	(313)	-
December 31, 2024	8,816	(7.8)	(122)	-	(115)	-	(114)	-
	Basic earnings per share		Diluted earnings per share					
Fiscal year ended	Yen		Yen					
December 31, 2025	(26.68)		-					
December 31, 2024	(9.76)		-					

(2) Non-consolidated financial positions

As of	Total assets	Equity	Equity to total assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2025	6,990	3,479	49.0	290.87
December 31, 2024	6,876	3,781	54.1	317.15

(Reference) Owner's equity Fiscal year ending December 2025: 3,424 million yen Fiscal year ended December 2024: 3,720 million yen

* Financial results reports are not subject to audits by certified public accountants or audit firms.

Note regarding appropriate use of forecasts and other special items

(Cautionary Statement Regarding Forward-Looking Statements)

The forward-looking statements such as earnings forecasts contained in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and are not intended as a guarantee of their achievement by the Company.

Actual results may differ significantly due to various factors. For the assumptions underlying the forecasts and notes regarding the use of forecasts, please refer to page 5 of the attached materials, "1. Overview of Operating Results, etc. (4) Outlook for the Future."

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period

During the fiscal year ended December 31, 2025, the Japanese economy maintained a moderate recovery trend, supported by improvements in the employment and income environment. However, concerns remain regarding the outlook for the economy due to ongoing geopolitical risks such as the situation in Russia and Ukraine and the Middle East, downside risks to the economy stemming from the impact of U.S. trade policies, and the effects of continued price increases on personal consumption. As a result, the future outlook for the economy remains uncertain.

Under such a business environment, our group has been working on various initiatives outlined in the "Structural Reform Plan" formulated on February 13, 2025, while also focusing on providing comprehensive services that leverage our strengths in management consulting, M&A, business revitalization support, and other functions, in order to offer one-stop solutions for corporate challenges through proposals and execution. In addition, our consolidated subsidiary, Frontier Capital Inc. (hereinafter referred to as "FCI"), made investments involving the dispatch of management personnel to four companies during the fiscal year under review, bringing the cumulative total to seven companies, and exited (recovered investment) from one of these companies at the end of the fiscal year.

The management consulting business, business revitalization support, and other businesses (hereinafter referred to as the "consulting-related businesses") recorded net sales of 6,892,777 thousand yen (a decrease of 10.7% compared to the previous fiscal year), mainly due to a temporary decline in net sales of the management consulting business caused by the replacement of senior members and other effects associated with personnel optimization. However, in the domestic and mid-sized M&A sector, where the Company has its greatest strength, net sales for the fiscal year under review were 1,611,402 thousand yen (an increase of 10.4% compared to the previous fiscal year), resulting in a year-on-year increase in net sales.

As a result, net sales in the Consulting and Advisory business segment were 8,504,179 thousand yen (a decrease of 7.3% compared to the previous fiscal year), and operating loss was 147,924 thousand yen (operating loss of 199,411 thousand yen in the previous fiscal year).

In the investment business segment, net sales increased significantly to 5,018,698 thousand yen (an increase of 4,918,730 thousand yen compared to the previous consolidated fiscal year) due to an increase in consulting fee income resulting from the accumulation of investment projects, an increase in sales from the transfer of shares associated with the exit of one investee company, and the recording of sales from the toy retail business as a result of including Hobbylink Japan Ltd. and two other companies as consolidated subsidiaries. However, due to delays in the execution timing of investments in the investment business and other factors, fixed costs such as personnel expenses were recorded in advance, resulting in an operating loss of 187,141 thousand yen (compared to an operating loss of 432,724 thousand yen in the previous consolidated fiscal year).

As a result, the consolidated operating results of our group for the fiscal year ended March 31, 2024 were as follows: Net sales were 13,489,533 thousand yen (an increase of 45.6% compared to the previous fiscal year), operating loss was 335,066 thousand yen (operating loss of 632,136 thousand yen in the previous fiscal year), and in addition to interest expenses of 141,763 thousand yen, FCI Corporation, a consolidated subsidiary, recorded financing expenses of 121,624 thousand yen, including arrangement fees for syndicated loans as a temporary expenditure at the closing of a consolidated investment project. As a result, ordinary loss was 664,436 thousand yen (ordinary loss of 710,582 thousand yen in the previous fiscal year). Extraordinary losses amounted to 301,632 thousand yen, including impairment losses of 137,500 thousand yen and business restructuring expenses of 107,509 thousand yen. After deducting total income taxes of 191,530 thousand yen, net loss attributable to owners of the parent was 1,106,548 thousand yen (net loss attributable to owners of the parent of 694,858 thousand yen in the previous fiscal year). The operating results by segment are as follows. Note that net sales include inter-segment net sales.

Consulting and Advisory Business Segment

For the Consulting and Advisory Business segment in the fiscal year under review, Net sales from the consulting business were 6,892,777 thousand yen (a decrease of 10.7% YoY), resulting in a decline compared to the previous fiscal year. However, M&A advisory business, 611,402 thousand yen (an increase of 10.4% YoY) was recorded, resulting in an increase compared to the previous fiscal year. As a result, Net sales for this segment were 8,504,179 thousand yen (a decrease of 7.3% YoY), and operating loss was 147,924 thousand yen (compared to an operating loss of 199,411 thousand yen in the previous fiscal year). (Consulting-related business)

The operating results for each business segment within the consulting-related business are as follows.

<Management Consulting Business/>

For the fiscal year ended March 31, 2024, the performance of the management consulting business recorded net sales of 5,569,534 thousand yen (a decrease of 12.2% compared to the previous fiscal year). During the fiscal year, we worked to strengthen our sales channels to acquire projects from major business corporations as well as financial institutions. However, due to factors such as the replacement of senior members associated with personnel optimization, net sales decreased compared to the previous fiscal year.

<Business Revitalization Support Business/>

For the fiscal year ended March 31, 2024, the performance of the Business Revitalization Support segment recorded net sales of 1,216,835 thousand yen (a decrease of 2.3% compared to the previous fiscal year). Although the number of orders remained steady during the fiscal year, net sales decreased year on year due to a decline in large-scale projects compared to the previous fiscal year.

<Other businesses/>

For the fiscal year ended, net sales in the Other Business segment were 106,407 thousand yen (down 14.4% YoY).
(The M&A advisory business)

The M&A advisory business, In the domestic and mid-sized M&A, where our company has the greatest strength, net sales for the fiscal year ended amounted to 1,611,402 thousand yen (up 10.4% YoY), resulting in an increase in net sales compared to the previous fiscal year.

(Investment Business Segment)

In the investment business segment, net sales increased due to a rise in consulting fee income from the accumulation of investment projects and the recording of sales related to the transfer of shares following the exit of one investee company. Additionally, the inclusion of Hobbylink Japan Ltd. and two other companies as consolidated subsidiaries resulted in the recording of sales from the toy retail business. As a result, net sales significantly increased to 5,018,698 thousand yen (an increase of 4,918,730 thousand yen compared to the previous fiscal year). However, due to delays in the execution timing of investments in the investment business and other factors, fixed costs such as personnel expenses were recorded ahead of schedule, resulting in an operating loss of 187,141 thousand yen (compared to an operating loss of 432,724 thousand yen in the previous fiscal year).

(Investment Business)

For the fiscal year under review, in the investment business, four investments including consolidated investment projects were executed. As a result of accumulating investment achievements, consulting fee income increased, and with the recording of sales from the transfer of shares due to the exit of one investee, net sales amounted to 956,686 thousand yen.

(Toy Retail Business)

As a result of focusing on overseas retail sales of figures, models, and other products, net sales in the toy retail business for the fiscal year ended amounted to 4,062,011 thousand yen.

(2) Overview of the financial position for the period

(Assets)

Total assets at the end of the fiscal year amounted to 18,434,591 thousand yen (14,165,057 thousand yen at the end of the previous fiscal year), an increase of 4,269,534 thousand yen compared to the end of the previous fiscal year.

This was mainly due to an increase in operational investment securities of 1,032,440 thousand yen, and an increase in other current assets such as accounts receivable and advances paid of 484,558 thousand yen. In addition, as a result of acquiring Eagle Invesco., Ltd., which owns all shares of Hobbylink Japan Ltd., and including it in the scope of consolidation, goodwill increased by 2,874,368 thousand yen, merchandise by 600,840 thousand yen, property, plant and equipment such as land and buildings (net) by 712,144 thousand yen, and customer-related intangible assets by 667,477 thousand yen, while cash and deposits decreased by 2,237,869 thousand yen.

(Liabilities)

At the end of the fiscal year, total liabilities amounted to 8,490,968 thousand yen (compared to 3,415,634 thousand yen at the end of the previous fiscal year), representing an increase of 5,075,333 thousand yen from the end of the previous fiscal year.

This was mainly due to an increase in short-term borrowings by 800,000 thousand yen, as well as the consolidation of three companies including Eagle Invesco., Ltd., resulting in an increase in long-term borrowings (including those scheduled for repayment within one year) by 3,201,508 thousand yen, accounts payable - trade by 249,969 thousand yen, other current liabilities (such as advances received) by 189,380 thousand yen, deferred tax liabilities by 358,870 thousand yen, and other non-current liabilities (such as long-term guarantee deposits) by 155,254 thousand yen.

(Net assets)

Net assets at the end of the fiscal year were 9,943,623 thousand yen (10,749,422 thousand yen at the end of the previous fiscal year), a decrease of 805,799 thousand yen compared to the end of the previous fiscal year.

This was mainly due to an increase in Foreign currency translation adjustment of 139,919 thousand yen, an increase in Non-controlling interests of 148,949 thousand yen resulting from the consolidation of FCI1 Corporation, and a decrease in Retained earnings of 1,106,548 thousand yen due to the recording of net loss attributable to owners of the parent.

(3) Overview of Cash Flows for the Period

Cash and cash equivalents (hereinafter referred to as "funds") for the fiscal year ended decreased by 2,139,296 thousand yen compared to the end of the previous fiscal year, resulting in a balance of 5,421,884 thousand yen.

Cash flows and their factors for the fiscal year are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was 2,051,465 thousand yen (compared to 2,518,714 thousand yen used in the previous fiscal year). This was mainly due to a loss before income taxes of 966,068 thousand yen, an increase in operational investment securities of 1,032,440 thousand yen, interest paid of 325,095 thousand yen, and income taxes paid of 216,256 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,160,591 thousand yen (compared to 63,854 thousand yen used in the previous consolidated fiscal year). This was mainly due to Purchase of shares of subsidiaries resulting in change in scope of consolidation, amounting to 1,148,107 thousand yen.

(Cash flows from financing activities)

Funds obtained as a result of financing activities amounted to 1,059,213 thousand yen (compared to 4,302,623 thousand yen obtained in the previous consolidated fiscal year). This was mainly due to an increase from a net increase in short-term borrowings of 800,000 thousand yen and proceeds from long-term borrowings of 3,600,000 thousand yen, and a decrease due to repayments of long-term borrowings of 3,508,492 thousand yen.

(4) Future Outlook

Although the 19th fiscal period (fiscal year ending December 2025) resulted in a net loss for the second consecutive year, the various measures outlined in the "Structural Reform Plan" formulated on February 13, 2025, are steadily progressing, and we expect improved profitability in the fiscal year ending December 2026 through fixed cost reductions.

In addition, while we announced the outline of our new medium-term management plan, "Policy Toward a New Frontier," on August 13, 2025, today (February 13, 2026), we have announced the full "Medium-Term Management Plan for Fiscal Years 2026-2028," including numerical targets.

In the "Medium-Term Management Plan for FY2026-2028," the "vision our company aspires to" is to "accelerate initiatives that enable us to realize the cutting-edge approach from our founding days as a new state-of-the-art model." The five initiatives to achieve this are as follows.

Five Initiatives for the Next Step

(i) Strengthening integrated support for Consulting × FA (M&A)

Taking into account the revitalization of the capital market and the expansion of portfolio restructuring, we aim to further enhance our existing businesses while increasing integrated support, performance-linked initiatives, and transformation support.

(ii) GrowthM&A

By combining traditional consulting services with solutions through business investments, we aim to evolve into a long-term co-creation business model, including the dispatch of CXOs.

(iii) Adoption and Utilization of Advanced Technologies (Business Co-creation)

Accelerate technology-driven business development and co-creation partnerships, including the adoption of advanced technologies (initially promoting operational efficiency through the use of AI/AI agents in front-office and corporate operations).

(iv) Expand cross-border operations in terms of both regions and capabilities

Our company is an investor in CFI (Corporate Finance International B.V. (CFI), which is headquartered in Amsterdam, the Netherlands, and operates in 17 countries as a global M&A membership organization), and as the only member firm in Japan, we will strengthen our collaboration with CFI and reconsider our office operation policy from the perspectives of global M&A, overseas business M&A, and building overseas networks.

(v) Initiatives to Strengthen the ONE-FMI Organizational Foundation and Expand Recruitment and Success of Outstanding Talent

Based on the recognition that the growth of our employees is the very foundation of our business growth, we are promoting the development of an organizational foundation as ONE-FMI, while creating an environment where each individual can build their career and continue to work with peace of mind.

We will steadily promote these initiatives and, in the final year of our medium-term management plan, the fiscal year ending December 2028, strive to achieve, on a consolidated basis excluding the consolidated profit and loss of Frontier Capital Inc., a net sales growth rate of over 10%, an operating profit margin of over 12.5%, net sales per employee of 30 million yen, ROE of 20%, and a total return ratio of 40%. We will also make every management effort to achieve profit attributable to owners of parent of 1,000 million yen on a consolidated basis for the fiscal year ending December 2028.

In addition, for the first year of the medium-term management plan, the 20th fiscal year (fiscal year ending December 2026), the consolidated forecasts are as follows: Net sales of 15,000 million yen (an increase of 11.4% compared to the fiscal year under review), operating profit of 610 million yen (compared to an operating loss of 335 million yen in the fiscal year under review), ordinary profit of 430 million yen (compared to an ordinary loss of 664 million yen in the fiscal year under review), and profit attributable to owners of parent of 50 million yen (compared to a net loss attributable to owners of parent of 1,106 million yen in the fiscal year under review).

(5) Significant events, etc. concerning the assumption of a going concern

Our group has recorded operating losses for two consecutive fiscal years, primarily due to sluggish sales in the consulting business in the fiscal year ending December 2025, and delays in investment execution in the investment business in the fiscal year ending December 2024, which led to the earlier recognition of fixed costs such as personnel expenses. As a result, we recognize that there are events or conditions that raise significant doubts about the assumption of a going concern.

Under these circumstances, our group has been steadily implementing various measures outlined in the "Structural Reform Plan" formulated on February 13, 2025, and expects to improve profitability in the fiscal year ending December 2026 through fixed cost reductions. In addition, on August 13, 2025, we announced the "Policy Toward a New Frontier," which forms the basis of our medium-term management plan, and today (February 13, 2026), we have announced the "Medium-Term Management Plan for Fiscal Years 2026-2028," including numerical targets. The specific initiatives, planned figures for the first year, and target figures for the final year of the "Medium-Term Management Plan for Fiscal Years 2026-2028" are as stated in 1. Operating results, etc. (4) Outlook for the future. Our group will make every management effort to achieve this "Medium-Term Management Plan for Fiscal Years 2026-2028" and resolve the aforementioned material event as soon as possible.

In addition, the Company has entered into overdraft agreements with three financial institutions, and since there are no significant concerns regarding cash flow, we have determined that there are no material uncertainties regarding the going concern assumption.

2. Basic policy regarding the selection of accounting standards

Our group prepares consolidated financial statements in accordance with Japanese standards, taking into consideration the comparability of consolidated financial statements over periods and among companies. Regarding the application of International Financial Reporting Standards, we intend to respond appropriately after considering various domestic and international circumstances.

3. Consolidated Financial Statements and Main Notes (1) Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous fiscal year (December 31, 2024)	For the fiscal year (December 31, 2025)
Assets		
Current assets		
Cash and deposit	7,561,180	5,323,310
Notes and accounts receivable - trade, and contract assets	1,390,825	1,487,393
Operational investment securities	2,232,455	3,264,896
Merchandise	-	600,840
Other	300,543	785,101
Allowance for doubtful accounts	(14,663)	(26,408)
Total current asset	11,470,340	11,435,134
Non-current assets		
Property, plant, and equipment		
Buildings, net	203,537	556,485
Machinery and equipment, net	-	131,666
Tools, furniture and fixtures, net	19,899	16,906
Land	-	229,620
Other (net)	-	902
Total property, plant and equipment, net	223,437	935,581
Intangible assets		
Software	30,314	42,743
Software in progress	-	114,685
Goodwill	206,212	3,080,580
Customer-related intangible assets	6,250	673,727
Other	1,277	1,135
Total intangible assets	244,054	3,912,872
Investment Other assets		
Investment securities	296	296
Shares of subsidiaries and associates	1,307,658	1,263,995
Investments in capital of subsidiaries and associates	2,648	2,972
Leasehold and guarantee deposits	360,147	379,852
Deferred tax assets	431,701	333,492
Other	120,865	199,846
Allowance for doubtful accounts	-	(31,623)
Total investment and other assets	2,223,317	2,148,832
Total non-current assets	2,690,809	6,997,286
Deferred assets		
Organization expenses	3,906	2,170
Total deferred assets	3,906	2,170
Total assets	14,165,057	18,434,591

(Unit: Thousands of yen)

	Previous fiscal year (December 31, 2024)	For the fiscal year (December 31, 2025)
Liabilities		
Current liabilities		
Trade payables	127,016	376,986
Short-term borrowings	-	800,000
Current portion of long-term borrowings	248,492	548,492
Accounts payable	331,328	464,324
Income taxes payable	76,015	100,115
Provision for bonuses	948,696	886,940
Provision for bonuses for directors	-	9,240
Provision for shareholder benefit program	55,343	71,031
Other	336,008	525,389
Total current liabilities	2,122,901	3,782,519
Non-current liabilities		
Long-term borrowings	1,148,303	4,049,811
Asset retirement obligations	131,386	131,469
Deferred tax liabilities	13,043	371,913
Others	-	155,254
Total non-current liabilities	1,292,733	4,708,448
Total liabilities	3,415,634	8,490,968
Net assets		
Shareholders' equity		
Share capital	386,224	395,022
Capital surplus	745,500	754,298
Retained earnings	1,424,029	317,480
Treasury shares	(8,363)	(8,363)
Total shareholders' equity	2,547,391	1,458,438
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,554	29,554
Foreign currency translation adjustment	63,568	203,487
Total accumulated other comprehensive income	93,122	233,042
Share acquisition rights	60,691	54,976
Non-controlling interests	8,048,217	8,197,166
Total net assets	10,749,422	9,943,623
Total liabilities and net assets	14,165,057	18,434,591

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

(Unit: Thousands of yen)

	Previous fiscal year (From January 1, 2024 until December 31, 2024)	For the fiscal year (From January 1, 2025 until December 31, 2025)
Net sales	9,265,110	13,489,533
Cost of sales	5,005,344	8,474,725
Gross profit	4,259,766	5,014,808
Selling, general and administrative expenses		
Salaries and allowances	1,903,919	2,001,792
Provision for bonuses	409,507	371,258
Provision for directors' bonuses	-	5,152
Hiring expenses	423,495	300,606
Retirement benefit expenses	31,123	30,340
Provision of allowance for doubtful accounts	-	11,109
Provision for shareholder benefit program	29,494	15,687
Others	2,094,361	2,613,926
Total selling, general and administrative expenses	4,891,902	5,349,874
Operating loss (-)	(632,136)	(335,066)
Non-operating income		
Interest income	510	10,957
Dividend income of insurance received	2,366	3,162
Administrative service fee income	1,247	-
Reversal of allowance for doubtful accounts	519	9,394
Gain on forfeiture of unclaimed dividends	49	55
Compensation income	3,855	-
Electricity sale income	-	19,610
Foreign exchange gains	-	13,241
Other	143	11,979
Total non-operating income	8,692	68,402
Non-operating expenses		
Interest expense	18,906	141,763
Share of loss of investments accounted for using equity method	48,602	10,295
Share issuance costs	19,250	8,732
Depreciation	-	13,353
Financing expenses	-	121,624
Provision of allowance for doubtful accounts	-	9,245
Loss on valuation of derivatives	-	84,643
Foreign exchange losses	158	-
Other	220	8,115
Total non-operating expenses	87,138	397,772
Ordinary loss (-)	(710,582)	(664,436)
Extraordinary losses		
Provision of allowance for doubtful accounts	-	31,623
Impairment losses	-	137,500
Restructuring costs	-	107,509
Shareholders' meeting-related expenses	-	25,000
Total extraordinary losses	-	301,632
Loss before income taxes and other adjustments (-)	(710,582)	(966,068)
Income taxes - current	8,381	141,567
Income taxes - deferred	(12,415)	49,962
Total income taxes	(4,034)	191,530
Net loss (-)	(706,547)	(1,157,599)
Net loss attributable to non-controlling interests (-)	(11,689)	(51,050)
Net loss attributable to owners of the parent (-)	(694,858)	(1,106,548)

(Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	Previous fiscal year From January 1, 2024 until December 31, 2024	For the fiscal year From January 1, 2025 until December 31, 2025
Net loss (-)	(706,547)	(1,157,599)
Other comprehensive income (loss), net of tax		
Valuation difference on available-for-sale securities	29,554	-
Foreign currency translation adjustment	643	1,726
Share of profit (loss) of entities accounted for using equity method	61,725	138,193
Other comprehensive income, net of tax	91,924	139,919
Comprehensive income	(614,622)	(1,017,679)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(602,933)	(966,629)
Comprehensive income attributable to non-controlling interests	(11,689)	(51,050)

(3) Consolidated Statement of Changes in Shareholders' Equity, etc.

For the fiscal year ended December 31, 2024

(Unit: Thousands of yen)

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

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

For the fiscal year ended December 31, 2025

(Unit: Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	386,224	745,500	1,424,029	(8,363)	2,547,391
Changes during period					
Issuance of new shares - exercise of share acquisition rights	8,798	8,798			17,596
Net loss attributable to owners of the parent (-)			(1,106,548)		(1,106,548)
Changes during the period in items other than shareholders' equity (Net amount)					
Total changes during period	8,798	8,798	(1,106,548)	-	(1,088,952)
Balance at end of period	395,022	754,298	317,480	(8,363)	1,458,438

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	29,554	63,568	93,122	60,691	8,048,217	10,749,422
Changes during period						
Issuance of new shares - exercise of share acquisition rights						17,596
Net loss attributable to owners of the parent (-)						(1,106,548)
Changes during the period in items other than shareholders' equity (Net amount)	-	139,919	139,919	(5,715)	148,949	283,152
Total changes during period	-	139,919	139,919	(5,715)	148,949	(805,799)
Balance at end of period	29,554	203,487	233,042	54,976	8,197,166	9,943,623

(4) Consolidated Statement of Cash Flows

(Unit: Thousands of yen)

	Previous fiscal year From January 1, 2024 until December 31, 2024	For the fiscal year From January 1, 2025 until December 31, 2025
Cash flows from operating activities		
Loss before income taxes and other adjustments (-)	(710,582)	(966,068)
Depreciation	65,512	102,854
Impairment losses	-	137,500
Amortization of deferred assets	1,736	1,736
Amortization of goodwill	29,458	264,904
Amortization of customer-related intangible assets	6,250	84,522
Share of loss (profit) of investments accounted for using the equity method	48,602	10,295
Share-based payment expenses	27,127	11,822
Share issuance costs	19,250	8,732
Increase (decrease) in provision for bonuses	(45,389)	(99,756)
Increase (decrease) in provision for bonuses for directors (negative indicates decrease)	(43,555)	9,240
Increase (decrease) in provision for shareholder benefit program	29,494	15,687
Increase (decrease) in allowance for doubtful accounts	(583)	42,862
Loss (gain) on valuation of derivatives	-	84,643
Interest income	(510)	(10,957)
Interest expense	18,906	141,763
Decrease (increase) in trade receivables	104,362	(60,039)
Decrease (increase) in operational investment securities for sale	(1,672,952)	(1,032,440)
Increase (decrease) in trade payables	14,816	(4,254)
Increase (decrease) in accounts payable (negative indicates decrease)	146,443	(39,739)
Others	(169,694)	(262,533)
Subtotal	(2,131,306)	(1,559,224)
Interest and dividends received	7,091	37,638
Interest paid	(19,253)	(325,095)
Income taxes paid	(375,856)	(216,256)
Income taxes refund	611	11,472
Cash flows from operating activities	(2,518,714)	(2,051,465)
Cash flows from investing activities		
Purchase of property and equipment	(716)	(7,898)
Purchase of intangible assets	(25,887)	(13,418)
Payments of leasehold and guarantee deposits	(5,365)	(61)
Proceeds from refund of leasehold and guarantee deposits	1,137	2,567
Expenditures for acquisition of other assets under investment	(33,023)	-
Payment for acquisition of subsidiaries resulting in change in scope of consolidation	-	(1,148,107)
Proceeds from liquidation of subsidiaries and associates	-	6,326
Cash flows from investing activities	(63,854)	(1,160,591)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	800,000
Proceeds from long-term borrowings	50,000	3,600,000
Repayment of long-term borrowings	(242,518)	(3,508,492)
Cash dividends paid	(480,623)	(76)
Dividends paid to non-controlling interests	(5,381)	-
Income from capital increase of consolidated subsidiaries	4,980,750	191,267
Proceeds from exercise of employee share options	396	58
Other	-	(23,544)

Cash flows from financing activities	4,302,623	1,059,213
Effect of exchange rate change on cash and cash equivalents	2,379	13,548
Increase (decrease) in cash and cash equivalents	1,722,434	(2,139,296)
Cash and cash equivalents at the beginning of the period	5,838,745	7,561,180
Cash and cash equivalents at end of the period	7,561,180	5,421,884

(5) Notes to Consolidated Financial Statements

(Notes regarding the assumption of a going concern)

There are no applicable items.

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

(Significant changes in the scope of consolidation)

Frontier Capital Inc., a consolidated subsidiary of our company, established FCII Inc. and, through this company, acquired all shares and share acquisition rights of Eagle Invesco., Ltd., which owns all shares of Hobbylink Japan Ltd., on February 28, 2025. As a result, from the current consolidated fiscal year, FCII Inc., Eagle Invesco., Ltd., Hobbylink Japan Ltd., and its subsidiary Beaver Corporation, Inc. are included in the scope of consolidation.

On November 30, 2025, an absorption-type company split was carried out, with Hobbylink Japan Ltd. as the splitting company and FCII Inc. as the successor company. On the same date, an absorption-type merger was executed, with FCII Inc. as the surviving company and Eagle Invesco., Ltd. as the absorbed company. In addition, on the same date, the trade name of FCII Inc. was changed to Hobbylink Japan Ltd., and the trade name of Hobbylink Japan Ltd. was changed to Hobby Link Property Co., Ltd.

(Notes on changes in accounting policies)

Application of accounting standards such as 'Income taxes - current'

The "Accounting Standard for Income Taxes - Current, etc." (Accounting Standard No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard") and other related standards have been applied from the beginning of the current consolidated fiscal year.

Regarding the amendment to the classification of income taxes (taxation on other comprehensive income), we have complied with the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso to Paragraph 65-2 (2) of the "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Implementation Guidance"). There is no impact on the consolidated financial statements as a result of this.

In addition, regarding the revision related to the handling in consolidated financial statements of the deferral for tax purposes of gains or losses arising from the sale of shares of subsidiaries among consolidated companies, the 2022 revised application guidelines have been applied from the beginning of the current consolidated fiscal year. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous consolidated fiscal year have been restated accordingly. There is no impact on the consolidated financial statements for the previous consolidated fiscal year as a result of this change.

(Notes on segment information, etc.)

[Segment Information]

1. Overview of Reportable Segments

The reportable segments of our group are those components for which separate financial information is available, and which are subject to regular review by the Board of Directors and other decision-making bodies for the purpose of allocating management resources and evaluating performance.

Our group is composed of segments based on business type, with two reportable segments: the 'Consulting and Advisory Business' and the 'Investment Business.'

The "Consulting and Advisory Business" engages in management consulting, M&A, and business revitalization support. The "Investment Business" engages in investment activities that involve the dispatch of management personnel, with the aim of enhancing the long-term and sustainable corporate value of investee companies. In addition, during the fiscal year under review, Hobbylink Japan Ltd., which operates a toy retail business, and its subsidiary Beaver Corporation joined the Investment Business. As a result, net sales in the Investment Business segment for the fiscal year under review consist of consulting fee income from investee companies and merchandise sales from the toy retail business.

2. Method of calculating the amounts of Net sales, profit or loss, assets, liabilities, and other items by reportable segment

The accounting methods for the reported business segments are in accordance with the accounting policies adopted for the preparation of the consolidated financial statements.

The profit of the reportable segments is based on operating profit.

Internal net sales and transfers between segments are based on market prices.

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

For the previous fiscal year (from January 1, 2024 to December 31, 2024)

(Unit: thousand yen)

	Reportable segment			Adjustment amount	Amounts recorded in the consolidated financial statements
	Consulting and Advisory Business	Investment business	Total		
Revenue					
Net sales to external customers	9,165,143	99,967	9,265,110	-	9,265,110
Internal net sales or transfers between segments	9,290	-	9,290	(9,290)	-
Total	9,174,433	99,967	9,274,401	(9,290)	9,265,110
Segment loss (-)	(199,411)	(432,724)	(632,136)	-	(632,136)
Segment Assets	5,443,217	8,721,839	14,165,057	-	14,165,057
Other items					
Depreciation	65,328	183	65,512	-	65,512
Amortization of goodwill	29,458	-	29,458	-	29,458
Amortization of customer-related intangible assets	6,250	-	6,250	-	6,250
Investment in equity-method affiliates	1,294,352	15,954	1,310,306	-	1,310,306
Increase in property, plant and equipment and intangible assets	26,603	-	26,603	-	26,603

(Note) "Segment loss" is consistent with operating loss in the consolidated statement of income.

For the fiscal year ended December 31, 2025

(Unit: thousand yen)

	Reportable segment		

	Consulting and Advisory Business	Investment business	Total	Adjustment amount	Amounts reported in the consolidated financial statements
Net sales					
Net sales to external customers	8,470,835	5,018,698	13,489,533	-	13,489,533
Internal net sales or transfers between segments	33,344	-	33,344	(33,344)	-
Total	8,504,179	5,018,698	13,522,878	(33,344)	13,489,533
Segment loss (-)	(147,924)	(187,141)	(335,066)	-	(335,066)
Segment Assets	5,556,210	12,878,381	18,434,591	-	18,434,591
Other items					
Depreciation	64,301	38,503	102,805	-	102,805
Impairment losses	-	137,500	137,500	-	137,500
Amortization of goodwill	29,458	235,445	264,904	-	264,904
Amortization of customer-related intangible assets	6,250	78,272	84,522	-	84,522
Investment in equity-method affiliates	1,263,995	2,972	1,266,967	-	1,266,967
Increase in property, plant and equipment and intangible assets	8,036	13,281	21,317	-	21,317

(Note) "Segment loss" is consistent with operating loss in the consolidated statement of income.

(Per share information)

	Previous fiscal year (From January 1, 2024 until December 31, 2024)	For the fiscal year From January 1, 2025 until December 31, 2025
Net assets per share	225.09 yen	143.68 yen
Net loss per share (-)	59.2 yen	94.08 yen
Diluted earnings per share	Yen	- Yen

(Note) 1. Although there are potential shares for diluted earnings per share, it is not presented because there is a net loss per share for the period.

2. The basis for calculating net loss per share for the period is as follows.

	Previous fiscal year (From January 1, 2024 until December 31, 2024)	For the fiscal year From January 1, 2025 until December 31, 2025
Net loss per share		
Net loss attributable to owners of parent (-) (thousand yen)	(694,858)	(1,106,548)
Amount not attributable to common shareholders (thousand yen)	-	-
Net loss attributable to owners of parent for common stock (-) (thousand yen)	(694,858)	(1,106,548)
Average number of common shares (shares)	11,736,966	11,761,106

(Significant Subsequent Events)

There are no applicable items.

(Matters related to business combinations, etc.)

(Business combination through acquisition)

Frontier Capital Inc., a consolidated subsidiary of our company, as of February 28, 2025, through its consolidated subsidiary FC11 Inc., acquired shares and share acquisition rights of Eagle Invesco., Ltd., which owns all shares of Hobbylink Japan Ltd.

1. Overview of Business Combination

(1) Name of the acquired company and details of its business

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

Business description: Holding shares of Hobbylink Japan Ltd.

Name of the acquired company (2): Hobbylink Japan Ltd.

Business description: Sales of models, plastic models, toys, etc., and holding shares of Beaver Corporation, Inc.

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

Business description: Sales and import of overseas toys, etc.

(2) Main reasons for the business combination

Hobbylink Japan Ltd. is a toy retailer based in Sano City, Tochigi Prefecture, primarily handling models, plastic models, and figures, and selling them mainly through the internet.

The company primarily procures merchandise from domestic toy manufacturers through wholesalers and sells them to overseas customers, mainly in North America, providing services to fans around the world who love Japanese pop culture such as anime, plastic models, and figures. Although the e-commerce business for hobby goods is a niche market, the company has a long history in the industry since its founding in 1997 and, as one of the oldest players, possesses a stable customer base.

In addition to our agreement with the company's founding philosophy—to deliver content and entertainment products such as models, plastic models, and figures not only to fans in Japan but also to fans around the world, so that people everywhere can enjoy high-quality toys originating from Japan—the spread of Japanese anime in North America, Europe, and Asia has created significant potential for sustained growth in the global hobby goods e-commerce market. For these reasons, Frontier Capital Inc. wishes to contribute to this business through investment.

By utilizing the consulting capabilities of the Frontier Management Group to provide hands-on support, we will accelerate the execution of the company's growth strategy so that more people can enjoy Japanese pop culture.

(3) Date of business combination

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

(4) Legal form of business combination

Acquisition of shares

(5) Name of the combined company

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

On November 30, 2025, an absorption-type company split was carried out, with Hobbylink Japan Ltd. as the splitting company and FC11 Inc. as the successor company. On the same date, an absorption-type merger was executed, with FC11 Inc. as the surviving company and Eagle Invesco., Ltd. as the absorbed company. In addition, on the same date, the trade name of FC11 Inc. was changed to Hobbylink Japan Ltd., and the trade name of Hobbylink Japan Ltd. was changed to Hobby Link Property Co., Ltd.

(6) Acquired voting rights ratio

100%

(7) Main reasons for deciding on the acquired company

This is due to the acquisition of shares by the Company in exchange for cash.

2. Period of the acquired company's performance included in the interim consolidated statement of income for the interim consolidated accounting period

From March 1, 2025 to May 31, 2025

3. Breakdown of acquisition cost of the acquired company and types of consideration

Acquisition cost	Cash	2,000,000
		thousand yen
Acquisition cost		2,000,000
		thousand yen

4. Details and amounts of major acquisition-related expenses

Due diligence expenses, etc. 62,378 thousand yen

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

(1) Amount of goodwill incurred

3,139,272 thousand yen

At the end of the third quarter of the consolidated fiscal period, the allocation of acquisition cost had not been completed and provisional accounting treatment was applied; however, the allocation of acquisition cost was finalized at the end of the current consolidated fiscal year.

(2) Cause of occurrence

This arises primarily from the expected future excess earning power anticipated through future business development.

(3) Depreciation methods and useful lives

Straight-line amortization over 10 years

6. Amounts of assets received and liabilities assumed on the date of business combination, and their main breakdown

Current assets	1,776,623 thousand yen
Non-current assets	1,820,196 thousand yen
<u>Total assets</u>	<u>3,596,819 thousand yen</u>
Current liabilities	1,011,555 thousand yen
Non-current liabilities	3,724,537 thousand yen
<u>Total liabilities</u>	<u>4,736,092 thousand yen</u>