FRONTIER MANAGEMENT INC.

FY2025 Q2 Financial Results

August 13, 2025

Frontier Management Inc.

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About Frontier Management Group

- Frontier Management Group (FMI) is engaged in Consulting-based Businesses (Management Consulting Business and Revitalization Support Business), the M&A Advisory Business and the Investment Business both in Japan and overseas. This fiscal year, the Group made Hobbylink Japan Ltd., which sells mainly models, self-assembly plastic models and toys, into a consolidated subsidiary through investment by Frontier Capital Inc. (FCI).

FRONTIER MANAGEMENT INC.
フロンティア・マネジメント株式会社

Consulting and Advisory Business Segment

Consulting-based Businesses

Management consulting

- Business analysis and strategy formulation, business due diligence
- Support for the formulation and execution of a medium-term business plan
- Support for drafting/reform of DX strategy
- Support for corporate value improvement
- Human capital management support
- Support for governance, risk management and compliance
- Management execution support

Revitalization support

- Support for rehabilitation procedures
- Crisis/Emergency PMO management support
- Support for business and financial restructuring
- Support for the adjustment of interests among stakeholders

M&A Advisory Business

- M&A deal advisory
- Post-M&A (PMI) consulting
- Business succession consulting

Investment Business Segment

Investment Business

- Execution of investment and management for the purpose of the long-term, sustainable enhancement of corporate value of portfolio companies
- Formation and management of joint investment funds with financial institutions, business companies, etc.

Group companies	Japan	Frontier Capital Inc. (Investment business)
		Celebrain Corporation (HR consulting)
	Overseas (France)	Athema (M&A advisory)
Investees (Consolidated)		Hobbylink Japan Ltd. (Sale of models, self-assembly plastic models, toys, etc.)

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Overview of FY2025 Q2 Financial Results

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1. FY2025 Q2 Financial Results － Financial Highlights

- The second-quarter results showed a year-on-year increase in sales and a year-on-year decline in income. The current structural reform measures are progressing steadily and improvement in earnings is expected in the second half as the effects of fixed cost reductions materialize. At the same time, the Group is pressing ahead without delay with the expansion of members and strengthening of sales for further growth.

Overall evaluation of the Group (six-months results)

- Consolidated net sales increased to 5,771 million yen, which is **127% of the level a year earlier**, due to the consolidation of Hobbylink Japan, which is an investee of FCI.
- The **reduction of fixed costs due to the optimization of personnel, which was an issue in the previous fiscal year, was largely completed**, and the effects of raising incomes due to the elimination of inefficiencies in divisional operations are expected in the second half. In addition, consolidated operating income will ▲ only 10 million yen due to concurrent aggressive upfront spending to increase the number of senior members in the M&A division and improve company-wide productivity, etc.
- The **impact of one-time costs associated with structural reforms**, etc. (extraordinary losses) resulted in a net loss attributable to owners of parent of 398 million yen.

Results by business (six-month results)

- The Consulting Business (management consulting business and revitalization support business) recorded sales of 3.666 billion yen (97% YoY). Sales shrank due to a combination of temporary allocations of personnel to structural reform operations, the replacement of senior members due to the optimization of personnel, and discontinuities in large projects. In the second half of the fiscal year, in addition to **expanding and stabilizing the number of members**, we will work on **expanding the direct channel of business corporations** with a sense of speed.
- The M&A Advisory Business posted net sales of 692 million yen (93% of the level a year earlier). Nonetheless, a new leadership structure was put in place in June this year, with Senior Managing Executive Officer Matsumoto joining the company, and **Domestic projects, including the order backlog and pipeline, are on the recovery path**.
- In the Investment Business, investment in 3 projects was completed over the six-month period, including the consolidation of Hobbylink Japan. We are seeing steady progress toward FCI's profitability on a standalone basis through the buildup of an investment track record and the resulting increase in retainer fees, etc.

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1. FY2025 Q2 Financial Results － Highlights of Consolidated Financial Results (Entire Group/Excluding FCI)

- Consolidated net sales (entire Group) for Q2 of FY2025 amounted to 5.7 billion yen, 127% of the level a year earlier, due to the consolidation of Hobbylink Japan Ltd.
  - ✓ In Consulting-based Businesses (Management Consulting Business, Revitalization Support Business and Other Business), net sales were 97% of the level a year earlier.
  - ✓ In the M&A Advisory Business, net sales were 93% of the year-ago level.
- However, the entire Group posted a consolidated operating loss of 10 million yen, reflecting decreased income at FMI, and one-time expenses incurred at FCI.

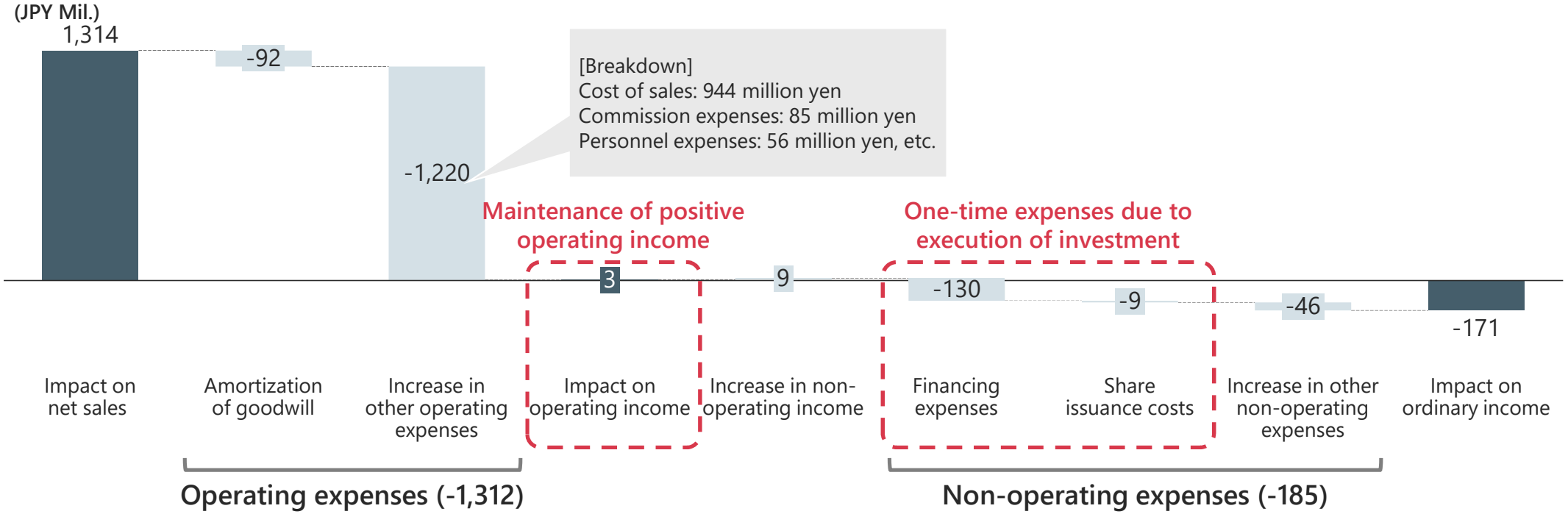
(JPY Mil.)	Entire Group				Excluding FCI			
	2024 six-month results	2025 six-month results	YoY change (amount)	YoY (%)	2024 six-month results	2025 six-month results	YoY change (amount)	YoY (%)
Net sales	4,559	5,771	+1,212	127%	4,520	4,362	-159	96%
Operating expenses	4,451	5,782	+1,331	130%	4,249	4,201	-48	99%
Outsourcing	553	643	+90	116%	549	624	+75	114%
Personnel	2,618	2,684	+66	103%	2,504	2,465	-39	98%
Recruiting	264	242	-22	92%	255	227	-28	89%
Others	1,013	2,211	+1,198	218%	940	883	-57	94%
Operating income	108	-10	-120	—	271	160	-110	59%
Ordinary income	113	-199	-313	—	278	147	-131	53%
Extraordinary income (losses)		-124	-125	—		-124	-125	—
Net income (loss) before tax	113	-324	-438	—	278	22	-256	8%
Net income (loss) attributable to owners of parent	13	-398	-411	—	178	-22	-200	—
Depreciation and amortization	50	131	+81	261%	49	29	-20	59%
EBITDA	159	121	-38	76%	320	190	-131	59%
[Reference]								
FMI non-consolidated operating income					286	163	-123	57%
Cerbrain operating income (loss)					-17	15	+33	—
Equity in earnings (losses) of affiliates in Athema					0	-2	-3	—

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(For Reference) Impact of Consolidation of Hobbylink Japan Ltd. on Q2 Financial Results

- We began providing support from February 2025, and began incorporating Hobbylink Japan's financial results in our statements of income from Q2 of FY2025. The impact of this on net sales was +1,314 million yen, while the impact on operating income was +3 million yen due to increased operating expenses including goodwill amortization. However, financing expenses and share issuance costs totaling 139 million yen as one-time expenses associated with making Hobbylink Japan into a subsidiary put downward pressure on ordinary income, and the impact on ordinary income was -171 million yen.

Impact of Consolidation of Hobbylink Japan Ltd. on Our Statements of Income (FY2025 Q2 Financial Results)

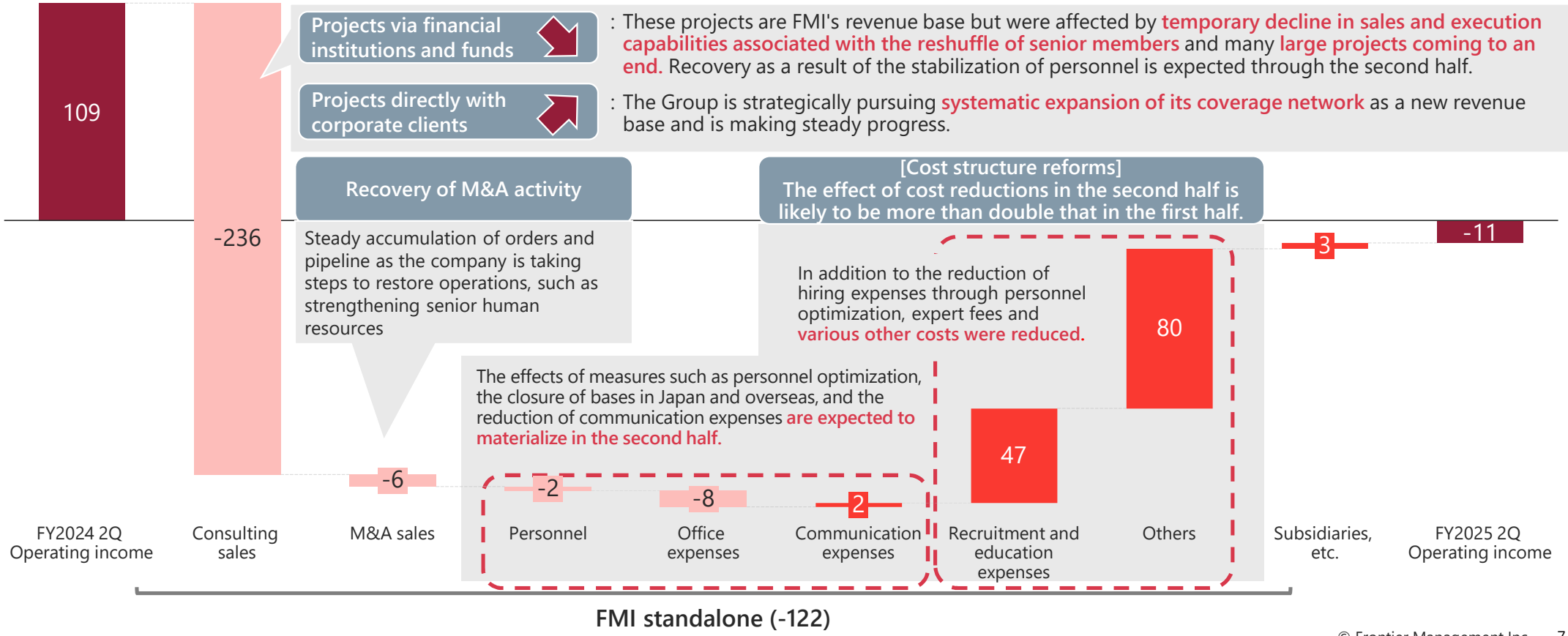


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1. FY2025 Q2 Financial Results － Factors for Change in Operating Income or Loss (Entire Group)

- This fiscal year, the Group is pressing ahead with personnel optimization and cost structure reforms. Looking at results for the first six months, temporary decline in sales and execution capabilities as an organization can be seen in year-on-year results comparisons due to factors such as the reshuffle of senior members but such measures will accelerate improvements in sales and productivity in the second half.

(JPY Mil.)

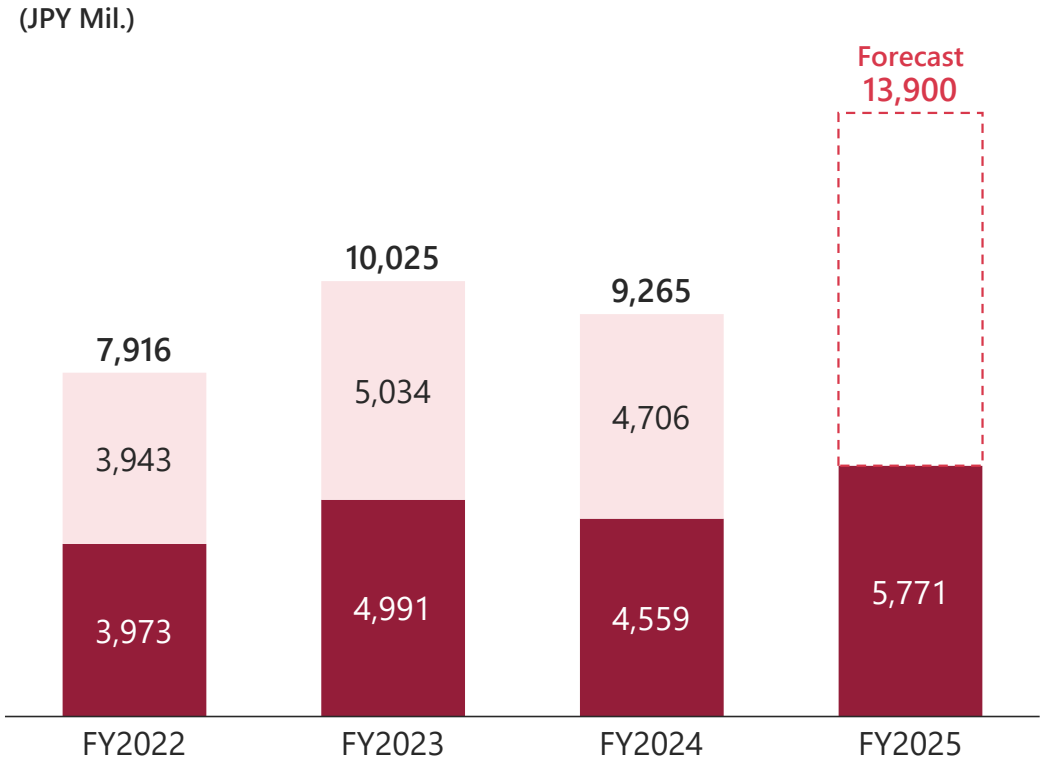


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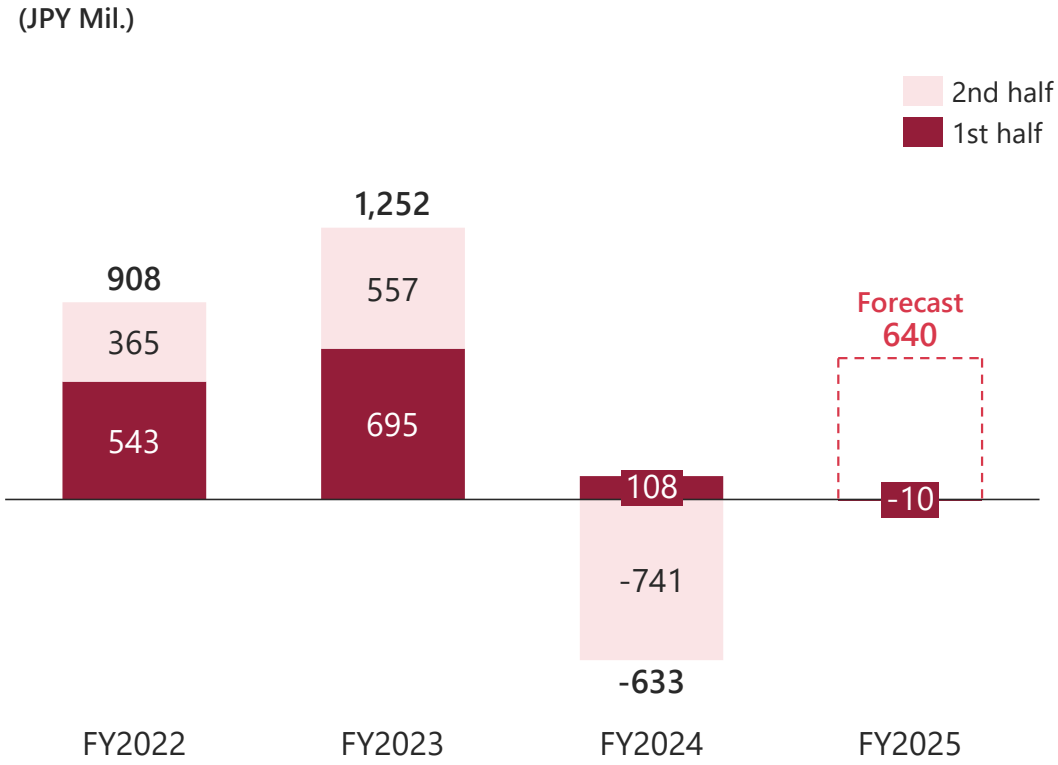
1. FY2025 Q2 Financial Results – Consolidated Performance Trends

- While net sales increased due to the consolidation of Hobbylink Japan, operating income and net income attributable to owners of parent turned negative, with the effects of structural reforms yet to materialize.

Net sales



Operating income



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(For Reference) Balance Sheet (Entire Group)

- The sharply increase in non-current assets and non-current liabilities is due to the incorporation of those of Hobbylink Japan with its consolidation, therefore, the financial condition of our company on a standalone basis has not deteriorated.
- Other net assets increased to 102% of the level at the end of FY2024, due to an increase in non-controlling interests.

(JPY Mil.)

	End of December 2024	End of June 2025	YoY change (amount)	YoY (%)
Current assets	11,470	11,066	-404	96%
Non-current assets	2,690	7,281	+4,591	271%
Deferred assets	3	3	-1	78%
Total assets	14,165	18,351	+4,186	130%
Current liabilities	2,122	3,055	+933	144%
Non-current liabilities	1,292	4,719	+3,427	365%
Shareholders' equity	2,547	2,170	-376	85%
Other net assets	8,202	8,404	+203	102%
Total liabilities and net assets	14,165	18,351	+4,186	130%
Cash and deposits	7,561	5,673	-1,888	75%
Interest-bearing debt	1,396	4,872	+3,476	349%
Net debt	-6,164	-800	+5,364	13%

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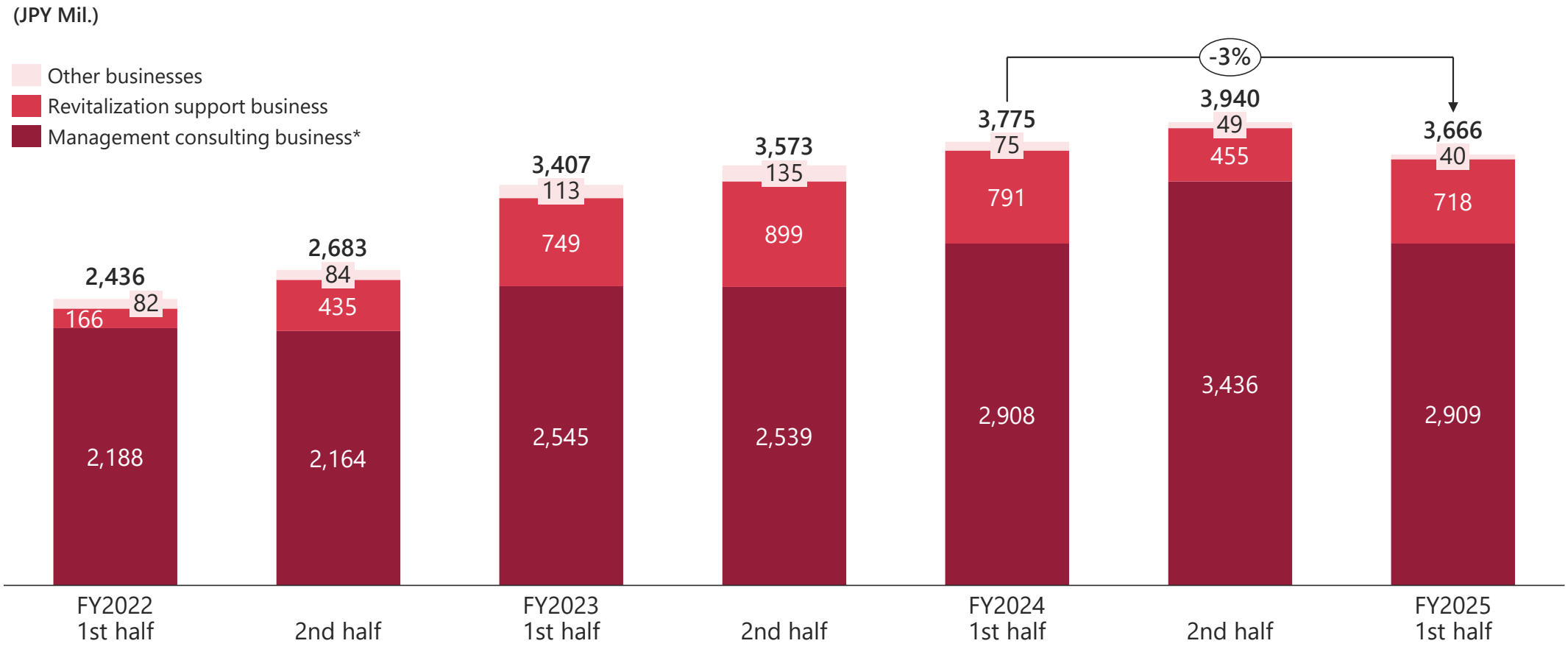
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Overview of Q2 Financial Results by Business

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1. Consulting-based Businesses – Net Sales Trends

- Total net sales of Consulting-based Businesses for Q2 of FY2025 were just 97% of the level a year earlier, reflecting factors such as personnel changes. Initiatives and policies for the second half in light of issues in the first half have already been put in place.

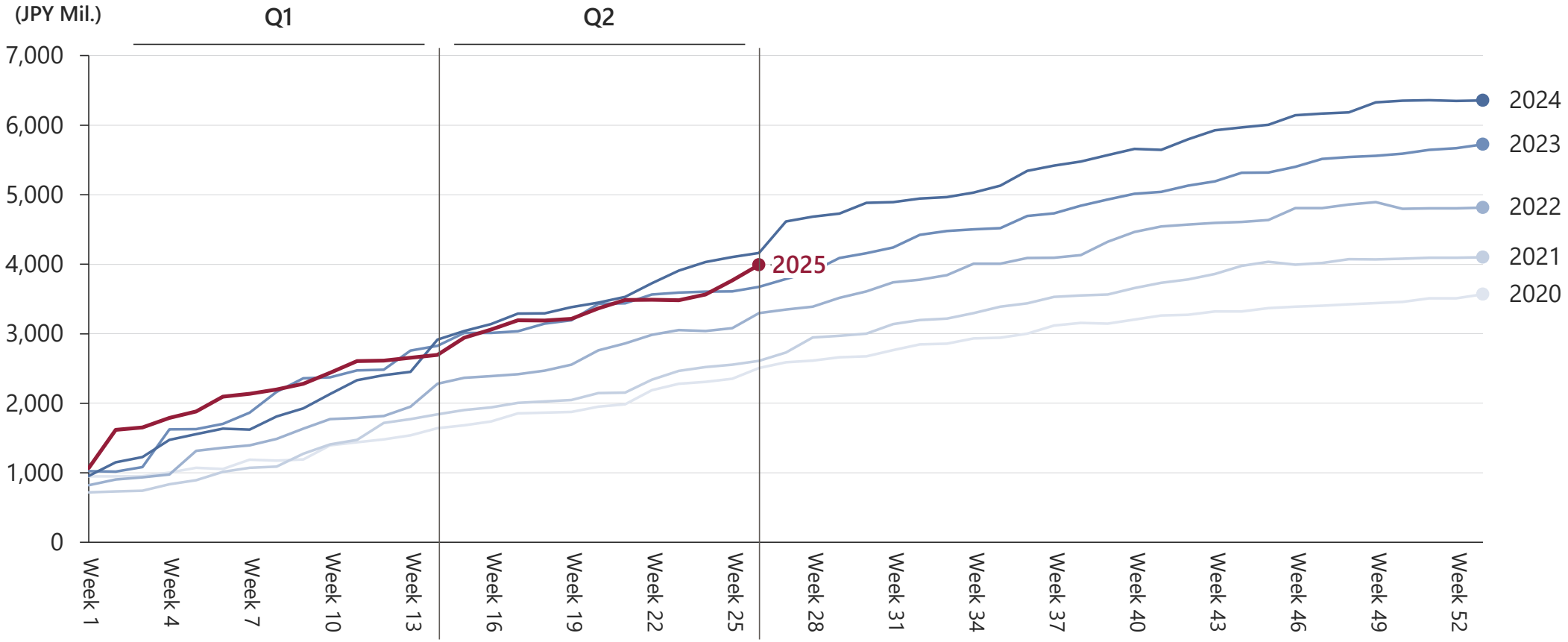


* Includes sales of Celebrain Corporation

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1. Consulting-based Businesses – Weekly Trend in Total Value of Orders Received which will be Recognized as Net Sales for Current Fiscal Year

- During Q1, the total value of orders received which will be recognized as net sales for the current fiscal year grew at a pace exceeding the record-breaking pace of the previous year, but was lagging slightly behind the previous year's pace at the end of Q2.



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(For Reference) Issues in Consulting-based Businesses and Policies for Addressing Them

- During the first half, the consulting departments faced one problem after another, with their proposal capability temporarily diminished due to organizational restructuring and large projects coming to an end. Currently, the Group's policy is to focus on strengthening sales aiming for recovery in performance.

Purpose and background of organizational restructuring

- From March this fiscal year, Consulting-based Businesses have been integrated and reorganized from five departments into three departments, with the intention of improving productivity through the consolidation of human capital.

Review of current status

- Progress has been made with the reduction of hiring expenses and other fixed costs through consolidation and reorganization and with the streamlining of indirect departments
- Personnel optimization has rejuvenated the workforce and resulted in a leaner structure.

- However, there was a temporary decline in proposal capability as a result of the reshuffling of personnel who lead the acquisition and execution of projects.
- This was compounded by other factors, for example, projects through financial institutions and funds tended to be seeding projects, albeit still plentiful, and large projects came to an end.

Future direction of initiatives

New potential projects are building up, and the following initiatives will be implemented through the formation of a sales taskforce directly under the President tasked with generating more sales.

- Priority follow-up of projects through financial institutions, funds, and general trading companies
- Intensification of proposal activities focused on potential core clients
- Expand cross-border arrangements, such as restructuring of overseas subsidiaries

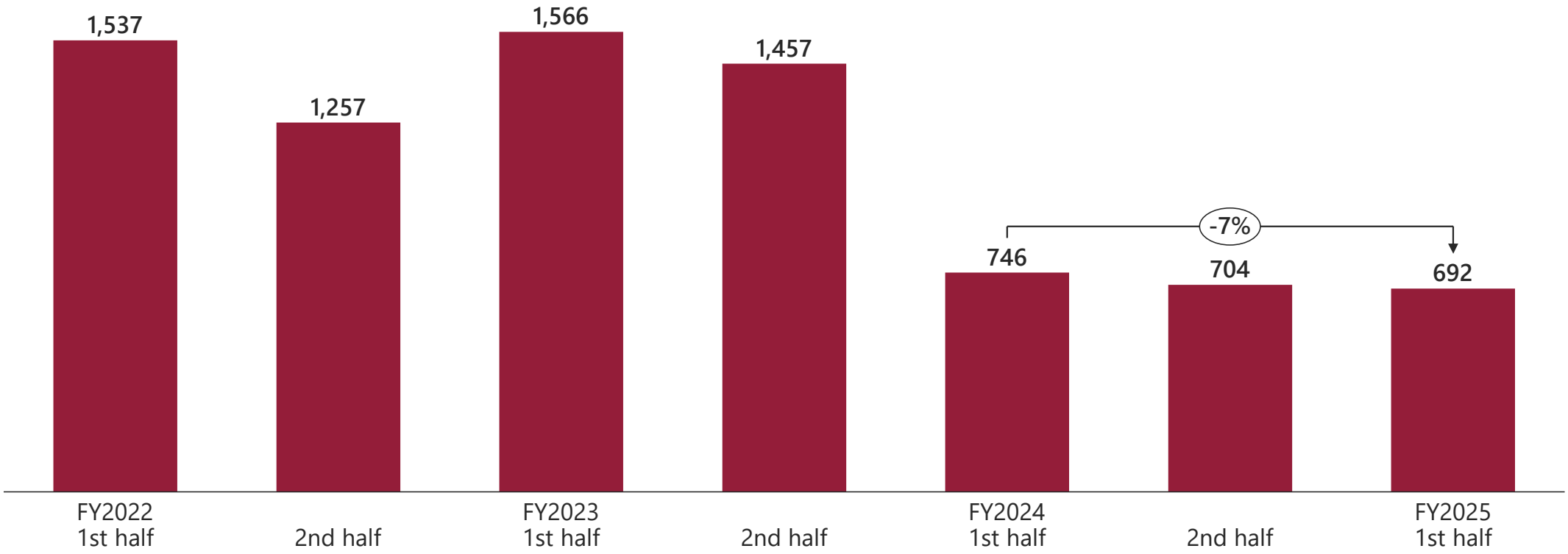
Also, following the completion of personal optimization, seek further enhancement of personnel focusing on quality, especially seniors who can lead the acquisition and execution of projects.

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2. M&A Advisory Business – Net Sales Trends

- The net sales of the M&A Advisory Business for Q2 of FY2025 were just 93% of the level a year earlier.

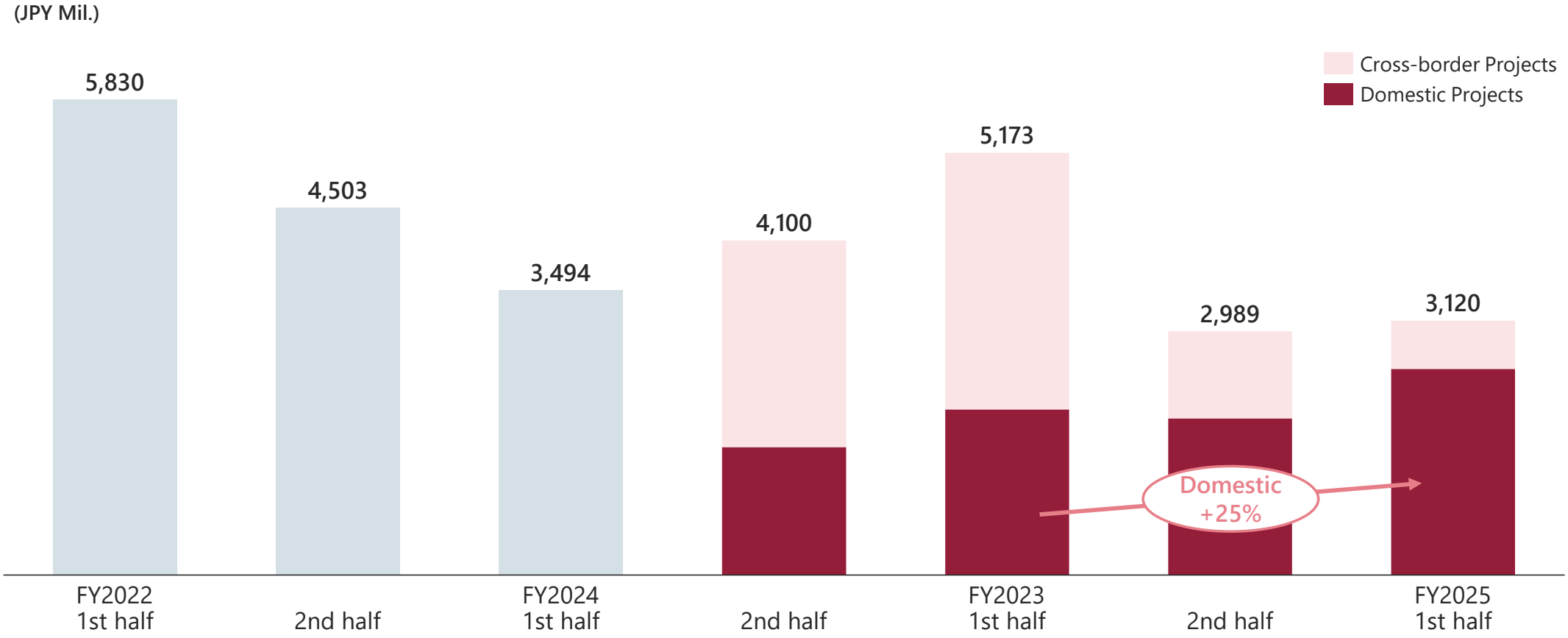
(JPY Mil.)



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2. Advisory Business – Order Backlog Trends

- The share of domestic projects in the total order backlog increased, reflecting focused efforts on increasing the number of orders received for projects in Japan. The backlog of domestic projects increased 25% from the level a year earlier but needs to be increased still further.



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(For Reference) Management Structure of M&A Advisory Business

- We strengthened the M&A Advisory Department's ability to win projects and execute projects by newly appointing Kazunori Matsumoto as head of department and Tsuyoshi Yamada as head of division and adopting a management structure with two business unit heads and two general managers.

Head of department



Shoichiro Onishi

+

Newly appointed



Kazunori Matsumoto

[Career]
He worked at a major general trading company and a mid-sized audit corporation before joining what is now Deloitte Tohmatsu Financial Advisory LLC (DTFA). There, he performed a range of advisory services for domestic and international M&A projects in the pharmaceutical and healthcare industries, as well as IP valuation and various consulting services relating to IP. After managing the M&A Division as DTFA COO, he served as Deloitte Tohmatsu Group COO from June 2019 to May 2022, and as Deloitte Tohmatsu Group Clients & Industries Leader from June 2022 to October 2023. He became a Partner and Chairman of the Executive Committee of DTFA in June 2022. He joined Frontier Management Inc. in 2025.

Head of division



Yosinao Kawashima

+

Newly appointed



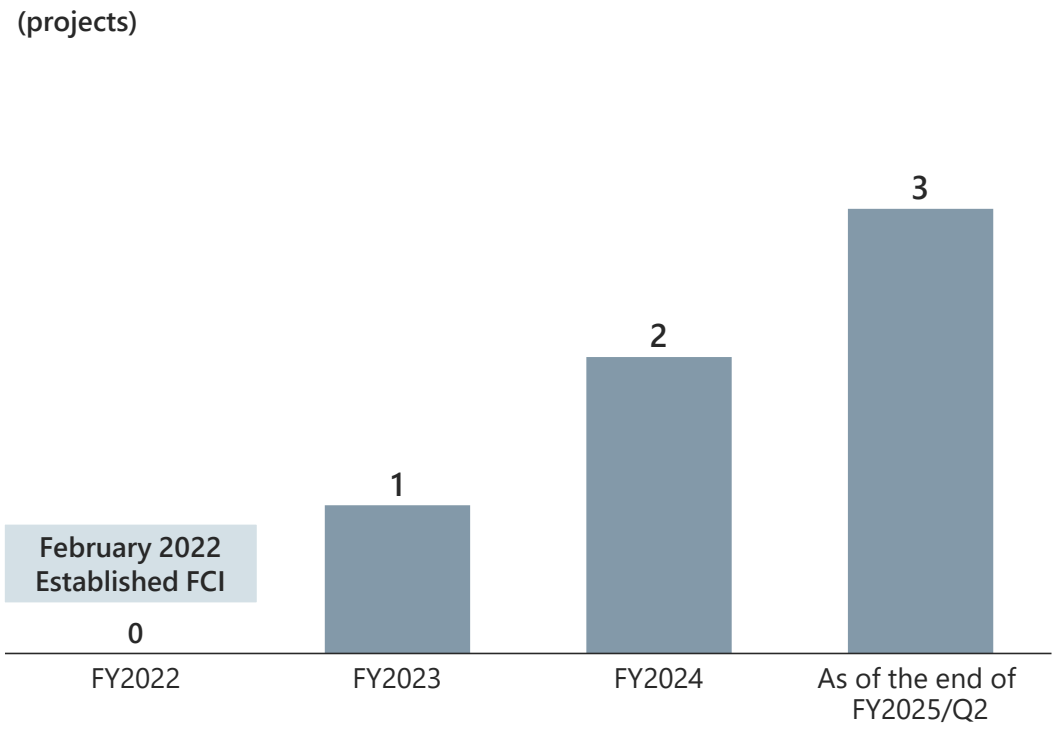
Tsuyoshi Yamada

[Career]
He joined Nomura Securities Co., Ltd. in 1999. He consistently worked in the investment banking sector since 2002, covering major companies in Japan and overseas in the machinery, automobile, electronics, precision machinery and semiconductor sectors, as well as providing various solutions such as advisory services for domestic and international M&A deals, underwriting finance, and consulting on increasing corporate value. For three years starting in 2019, he was based in the UK, where he worked as a managing director in charge of developing cross-border M&A deals. He has been involved in many projects from the development stage for both In-Out and Out-In projects. He joined Frontier Management Inc. in 2025.

3. Investment Business － Results Trends

- Since launching the Investment Business in 2022, we have executed investments in a **total of 6 projects**. In FY2025, we have already executed investments in 3 projects and, in Q2 of FY2025, invested in Team Barista Co., Ltd. in the restaurant industry.
- Looking ahead, there are **6 projects** for which we have exclusive rights and are conducting DD, etc., and we are currently working to further increase the execution of investments.

Trend in number of investments



Investment projects to date

Invested company	Business description	Support launched
ZOO LABO Inc.	- Production of dental laboratory work - Dental laboratory work using CAD and CAM	December 2023
Sanritsu Doken Co., Ltd.	- General construction business (contract for a complete set of civil engineering and architectural works) - Planning and design of civil engineering and architectural works and supervision of construction, etc.	March 2024
Hiroyoshikai Medical Corporation	- Operation of dental clinics	December 2024
Hobbylink Japan Ltd.	- Sale of models, self-assembly plastic models, toys, etc.	February 2025
Tokyo Heart Medical Corporation	- Operation of internal medicine and pediatric clinics	March 2025
Team Barista Co., Ltd.	- Operation of restaurants and sales of food products through EC websites	June 2025

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(For Reference) Acceleration of Start-Up by Frontier Management

- FCI is steadily increasing projects for startup, and will consider strengthening personnel according to the status of the project pipeline.

Priority investment areas

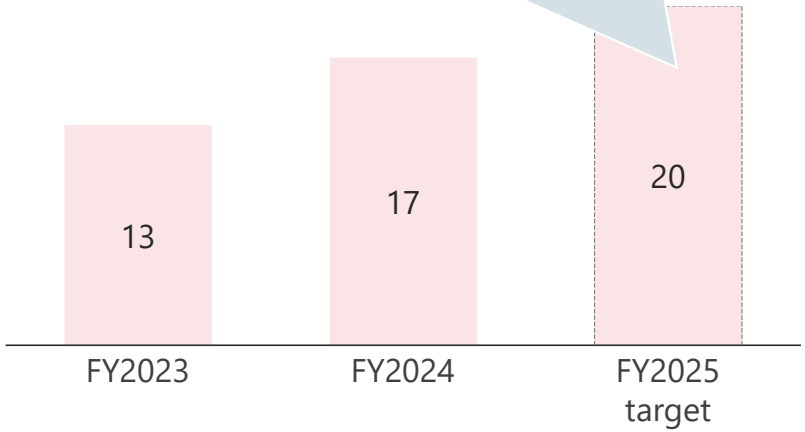
Healthcare	• Medical corporations, clinics • Cosmetics (manufacturing and sale) • Functional foods, etc.
Amusement & Entertainment	• Figurines • Trading cards, etc.
Food business	• Restaurants • Food (manufacturing and sale), etc.
Civil engineering and architecture	• Civil engineering an construction industry, facility construction industry • Inspection and maintenance industry, construction DX companies, etc.

- We will continually adjust the priority investment areas and their details while pursuing investments
- We will also create examples of successful overseas expansion for regional companies

Personnel structure

(People)

With the increase in projects FCI is involved in, FCI is strengthening its business structure, including secondments and transfers from FMI. However, the speed of personnel increase will be adjusted according to the pipeline of potential projects.



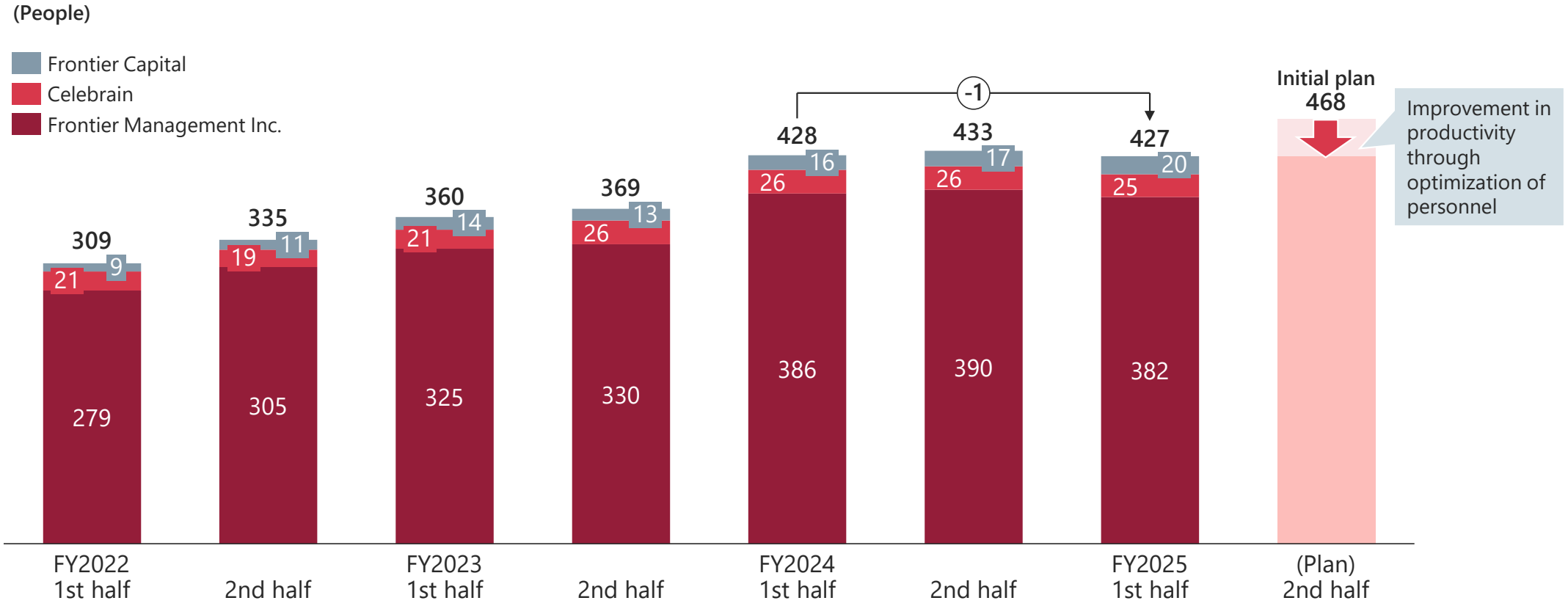
Funding and Investment Cycle

- FCI is steadily building up a track record of investment and enhancing the value of investees, aiming to raise additional capital of 5.5 billion yen (making total capital of 15.0 billion yen) from its investors.
- FCI plans to exit 1 investment project each fiscal year. It implements new investment based on the funds recovered (initial investment amount + gain on sale).

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(For Reference) Trend in Number of Personnel

- Reassess the previous upward trend in staffing and focus on improving productivity per employee. Therefore, the number of personnel at the end of this fiscal year is expected to be below the initial plan of 468 due to workforce optimization



* Excludes personnel of Hobbylink Japan

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Policies for New Frontiers

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Change to Medium-Term Management Plan Announcement Schedule

- We have decided to postpone the announcement of our Medium-Term Management Plan for FY2026-FY2028 "ONE-FMI Growth Strategy Vision", which we had initially planned to coincide with the Q2 financial results announcement.

■ Reasons behind change to announcement schedule

(1) To review the impact of the consolidation of Hobbylink Japan

- We need to verify the medium-term income situation of Hobbylink Japan, which became a consolidated subsidiary from April 2025.

(2) To review the impact of structural reforms on second-half income in light of progress on the structural reform plan

- Although optimization of personnel and additional cuts was completed in the first half, we expect the effects of the cuts to materialize mainly in the second half.
- While other additional measures to reduce SG&A expenses were also implemented in the first half, more finetuning of profitability is required in the second half.

(3) To review the appropriateness of exercising our call option on Athema stock

- We hold 40% of the issued shares of Athema and are currently considering the appropriateness of acquiring an additional 20% stake in Athema by exercising our call option.

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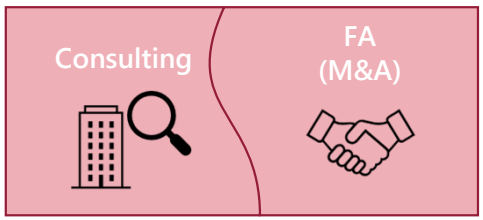
Our Vision

- Accelerate initiatives to realize the cutting edge at the time of establishment as a new cutting-edge model

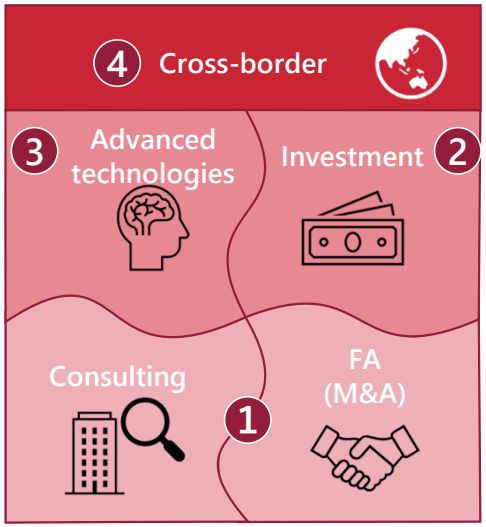
Building on existing businesses and organically integrating each business to evolve into a stock leverage-type entity

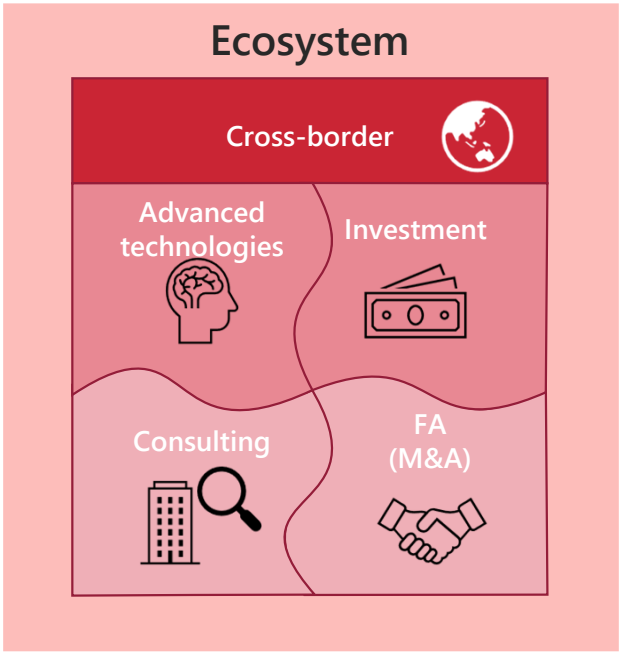
Realizing collaboration aimed at further industrial transformation and creation

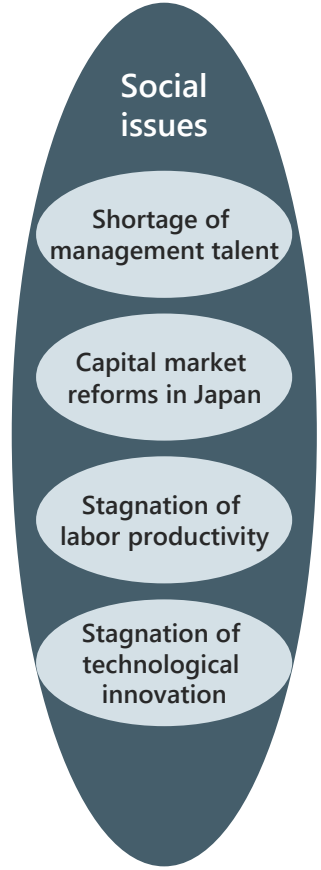
At the time of our foundation, consulting services combined with FA support was a frontier



Five initiatives toward the next step







5 ONE-FMI organizational foundation

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(1) Strengthening of consulting services combined with integrated support for FA (M&A)

- Aim to increase integrated support/results-linked/transformation support while refining existing businesses in light of the revitalization of capital markets/larger-scale portfolio reorganization, etc.

Changes in the client environment

Changes in the external economic environment, such as carbon neutrality and additional tariffs, and the revitalization of the capital market through the TSE reform, etc.

- **Capital markets need to transform business models and further improve capital efficiency**
- **Increasing the number of M&A deals** due to going private, and on the contrary, **increasing the value of maintaining listing**
- **Larger company portfolio reorganization** in response to expansion of PE fund size
- Consideration and implementation of **overseas business opportunities** regardless of enterprise size

Tailwind for our business growth

Expand integrated consulting × FA reform projects

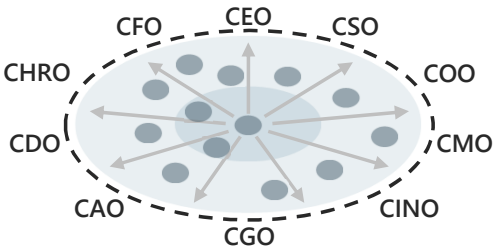


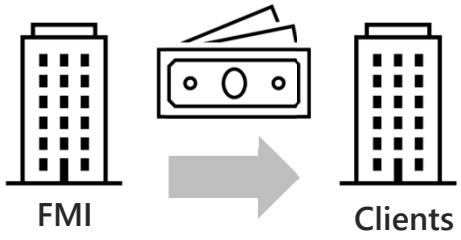
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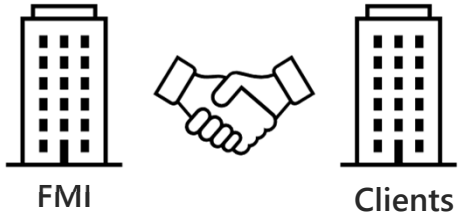
(2) Growth M&A and Principal Investment Initiatives

- Provide more in-depth support by combining solutions through investment with existing consulting services

Solutions		Direction of initiatives
Growth M&A and alliances		• **Leverage each CxO module to build a partnership with each company, and develop the platform for CxO services. Aim for initiatives that, through the right combination of services, help enhance corporate value.** ➢ Existing areas such as CHRO (CLB) and CAO (ATM) ➢ New areas such as CDO and COO
Principal investment	Funding for clients undergoing transformation	• **Deliver solutions that go further than existing solutions business and get to the essence of issues by making minority investments, etc. in clients to which have provided consulting services and M&A support** ➢ Temporary management functions and funding on revitalization/business succession ➢ Strengthening of management base for IPO, together with support in terms of capital policy ➢ Dispatch of management team and capital policy in response to activist shareholders
	Partnerships with clients	• **Accelerate the transformation of clients and industries by combining our diverse solutions business (including the dispatch of CxO teams) with clients' industry and business insights** ➢ Potential partners are core clients and next-generation industry sectors ➢ Angles include establishment of joint venture, capital and business alliance, establishment of CVC, etc.







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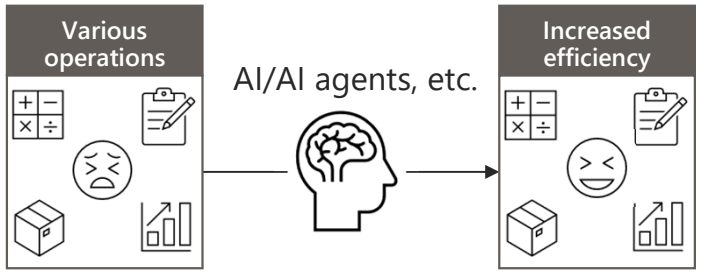
(3) Use and Provision of Advanced Technologies

- Explore improvement of operational efficiency through the use of advanced technologies such as AI and AI agents, starting with front-office and corporate operations.

[Internal] Incremental improvement in productivity

Promote development of technologies including AI agents in front-office and corporate operations

Increased efficiency of front-office and corporate operations



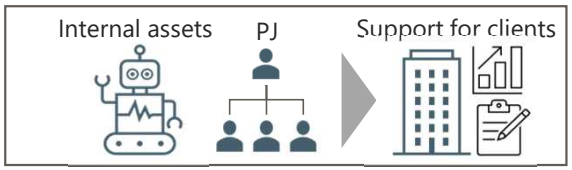
- Improve efficiency of tasks such as information gathering and preparation of documents necessary for the formation and execution of projects
- Achieve improvement in added value of services and improvement in employee satisfaction through sophistication of front-office support function.

[External] Non-continuous growth through provision of value derived from combination of FMI assets and AI

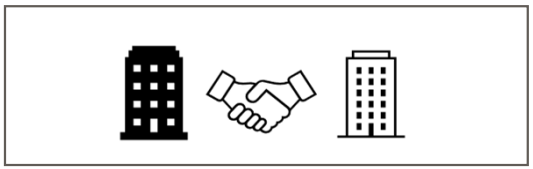
Leverage FMI's unique knowhow to support use of advanced technologies to address issues faced by markets and clients

Provision of services to clients using internal knowhow

Delivery of projects utilizing internal assets



Consideration of establishment of startups and JVs



- Use internal knowhow and assets related to advanced technologies such as AI to support increased efficiency and sophistication of governance systems and M&A processes.
- Explore collaboration partners with which to form partnerships for the joint provision of advanced technology services.

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(4) Expansion and Reorganization of Cross-Border Services Both in Terms of Geographical Regions and Capabilities

- As a CFI* investor and the only member in Japan, we provides global M&A services. For our clients in Japan, we will strengthen cooperation with CFI and reconsider our policy on the operation of bases from the perspectives of strengthening the development of integrated support for overseas business on the M&A and consulting fronts and building our overseas network.



1	**Strengthen structure for global cooperation in terms of both consulting and M&A support** to meet the overseas-related needs of clients in Japan
2	**Leverage cooperation of CFI network for M&A,** and for bases where services need strengthening, **expand services offered in region through alliances, etc.**
3	**Focus on Asia in the consulting business,** considering as a priority **supporting clients that need support for a foreign subsidiary**

* Corporate Finance International B.V. (CFI) is a global M&A membership organization based in Amsterdam, Netherlands, which operates in 17 countries.

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(5) Personnel Initiatives for the Acquisition and Active Participation of Talent

- Promote the sophistication of personnel functions and systems as ONE-FMI, aiming to develop an environment in which employees can continue working with peace of mind, while achieving growth and career advancement.

Expansion of opportunities for diverse experiences	• **Medium-to-long-term career development support** under the leadership of management and HR for the cultivation of "transformational managers" ✓ Enhancement of systems for secondments and transfers within the Group offering the opportunity to gain experience of consulting, M&A, funds and other operations. ✓ Expansion of opportunities for front-office employees to actively participate in and contribute to corporate operations.
Support and rewards for growth and taking on challenges	• **Expansion of education and training opportunities** across departments ✓ Strengthening of operation structure for education and training (appointment of executive officer in charge of education, etc.) ✓ Development and systemization of starter training, core skills training, and guest speaker (inspirational) training • **Overhaul of evaluation and compensation systems** to make them more attractive
Development of environment where employees can continue to work with peace of mind	• **Expansion of work style options** offering greater flexibility and fairness to meet diverse needs ✓ Continuation of system for working from home up to two days a week (depending on status of project or operations) ✓ Promotion of childcare leave for male employees through the enhancement of internal childcare leave guides and childcare leave information sessions • **Improvement of operational productivity** through the use of AI agents, etc.
Sophistication of base for organizational operations as ONE-FMI	• **Planning and execution of engagement measures** through more frequent engagement surveys • **Strengthening of recruitment activities** across departments for the acquisition of talent ✓ Regular implementation of recruitment information sessions as ONE-FMI

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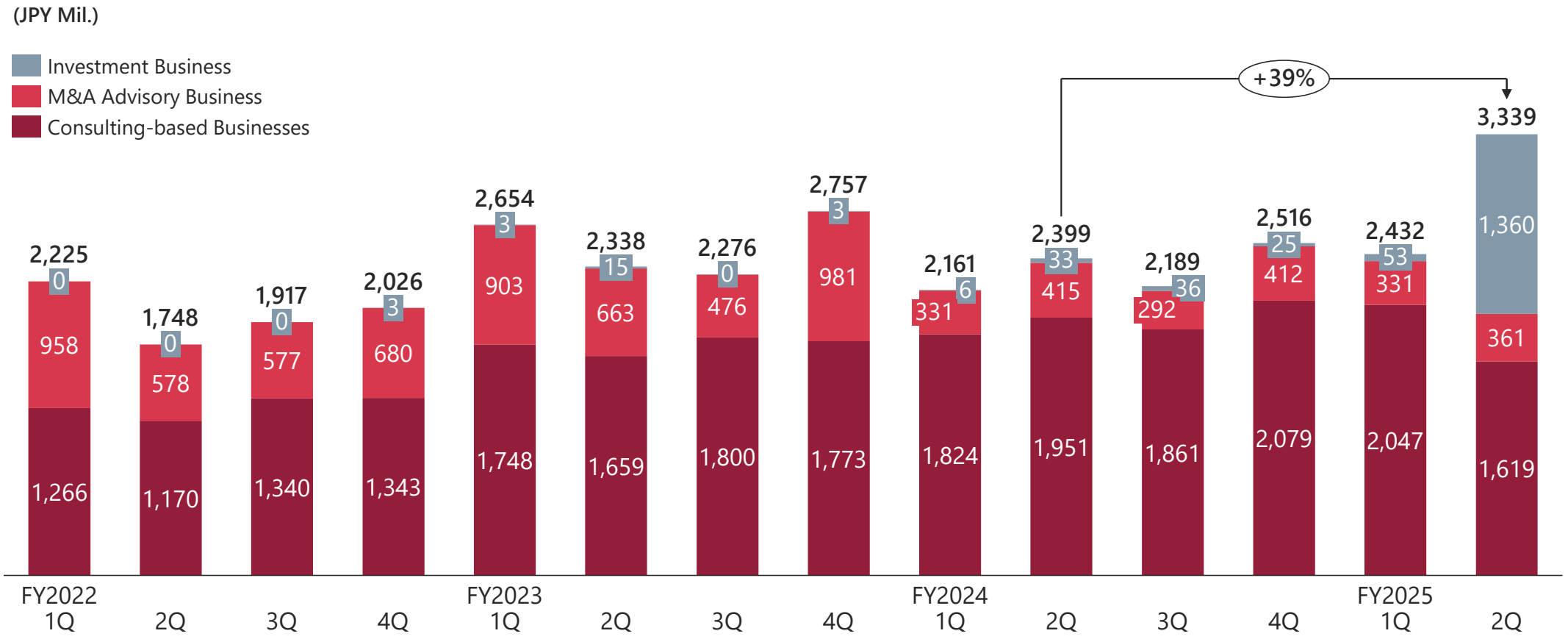
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Appendix

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FY2025 Q2 Financial Results – Quarterly Consolidated Net Sales Trends

- Net sales for Q2 of FY2025 increased 39% year on year, to 3,339 million yen, reflecting a sharp rise in the net sales of the Investment Business as a result of consolidation of Hobbylink Japan.



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About "Excluding FCI"

- We usually disclose figures on an "Excluding FCI" basis, which exclude the impact of the Investment Business, in addition to our consolidated financial figures, with the intention of clarifying the source of dividends, as well as the characteristics of the Investment Business. We are driving business growth and internal structural reforms with a view to resuming the payment of dividends in the future.

Reason for disclosing figures on an "Excluding FCI" basis

Business characteristics of FCI	- **FCI, which invests in businesses and companies to then implement management reforms, has an irregular and significant impact on our consolidated financial results depending on whether it invests or not in the year.** - **Accordingly, to accurately convey to investors the business progress and growth potential of the consulting and advisory businesses that are the Group's core businesses, we disclose figures on an "Excluding FCI basis" excluding the impact of FCI, in addition to figures on an "Entire Group" basis.**
Clarification of intention to pay stable dividends to shareholders and the source of dividends	- **We have announced that it will pay dividend at a payout ratio of 40% to the net income attributable to owners of parent on an "Excluding FCI" basis.** - **We disclose figures on an "Excluding FCI" basis to clarify our intention to generate earnings in our core consulting and advisory businesses and to pay stable dividends to shareholders without being affected by the highly volatile investment results of FCI and to clarify the source of dividends.**

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Impact of Consolidation of Hobbylink Japan Ltd. on Q2 Financial Results

- In addition to endorsing the mission of Hobbylink Japan which is to provide high-quality toys from Japan to fans globally, we made this investment based on the judgment that the Japanese hobby contents e-commerce market has great potential to grow sustainably due to the rapid spread of Japanese animation contents in North America, Europe, Asia and other countries.
- By drawing on our consulting functions to provide hands-on support, we will accelerate implementation of their growth strategies so that more people can enjoy a pop culture originated in Japan.

Corporate Profile

Name	Hobbylink Japan Ltd.
Location	162-1, Kurohakama-cho, Sano, Tochigi
Established	1997
Representative	Yasutaro Watanabe, President and Representative Director
Business description	Sales and import / export of models, self-assembly plastic models, toys, etc.
Number of employees	41* (As of June 30, 2025)
Group companies	BEAVER CORPORATION (wholly owned subsidiary)
Main banks	Tatebayashi Shinkin Bank, Ashikaga Bank, Gunma Bank, Tochigi Bank, Sumitomo Mitsui Banking Corporation
Major shareholders	Try Hard Investments Co., Ltd.

History

1995	Hobbylink Japan opened as online overseas mail order business
1997	January 6: Established corporation in Adachi, Tokyo
1999	Headquarters moved to Tatebayashi, Gunma
2007	Headquarters moved to Sano, Tochigi
2009	Opened online domestic mail order business
2013	December: Acquired all shares of Beaver Corporation and acquired Beaver Corporation as subsidiary
2023	Became a subsidiary of Try Hard Investments Co., Ltd.
2025	Joined the Frontier Management Group when FCI made Eagle Invesco Ltd. into a subsidiary

* 8 of whom are employees of Beaver Corporation

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External Environment

- The management challenges facing Japanese companies are becoming increasingly multi-faceted and complex, and we recognize that demand for our end-to-end solution business model that leverages our diverse expertise will continue to grow. However, the weakening of the Japanese economy itself and macro effects associated with the geopolitical climate are unavoidable, making support based on international perspectives essential.

Basic Trends

World

Competition for global hegemony, expanding political influence
⇨ Geopolitics / GX / supply / foreign exchange, etc.

Evolution into an AI-native world driven by generative AI
⇨ The start of the AI revolution following the information revolution

Steady growth of the Asian economic sphere
⇨ Decline in the relative position of the Japanese economy

Japan

Declining working age population in Japan
⇨ Deteriorating social infrastructure, uncertainty about the future

The era of large-scale business successions and the normalization of takeover bids
⇨ Momentum for mid-sized M&A activities and business restructuring

Growing number and expanding size of private equity funds
⇨ Shortage of value-enhancing managerial talent

Questions Asked of Japanese Companies

- **With the expanding economic impact of global politics**, how will you proactively build sustainable foundations for corporate management, including GX initiatives?
- **In transitioning to an AI-native industrial structure**, how can the pressure to advance innovation drive the transformation of your business and organizational structure?
- How will you transform into a high-productivity business model in anticipation of **the contraction of the Japanese economy?**
- How will you rapidly develop human capital to deal **with chronic shortages of management talent?**
- **In light of the fact that business value lifecycles are getting shorter**, how can you maximize capital efficiency through strategic investments?

Our Business Opportunities

1 **Focus on support involving hands-on participation**
There is a growing need for implementation support as a principal partner integrating wide-ranging expertise to drive management transformation

2 **Focus on support for comprehensive business transformation**
Growing demand for support in transforming corporate operations incorporating DX to respond to business and organizational changes driven by environmental shifts

3 **Focus on support for mid-sized M&A activities**
Rising demand for comprehensive deal-making support due to domestic labor shortages and business restructuring leading to increased capital market activity

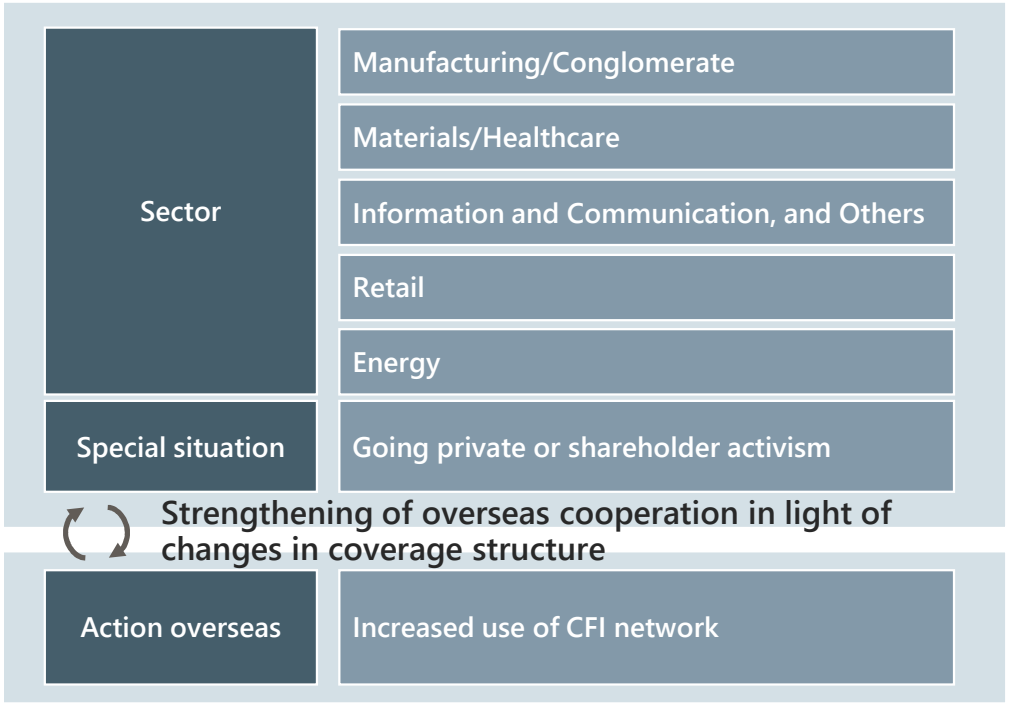
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Strengthening of Structure for the Rebuilding of the M&A Advisory Department

- In the M&A Advisory Department, we are rebuilding the coverage structure through sector teams and special situation teams, and also strengthening overseas cooperation in light of this. The pipeline is gradually increasing, and we will endeavor to further strengthen sales, including recruiting human resources with deep insights in each sector.

Development of coverage structure

- We have strategically developed and transitioned to a coverage structure with a total of six areas of expertise, allowing us to cover five priority sectors and one special situation.
- Globally, we will promote the identification of overseas deals using the CFI network.



[1st half] Improvement initiatives including structure development

- It takes a considerable amount of time for the acquisition of projects to contribute to earnings and so 1st half result are improving, with the number of orders received showing an upward trend.
- We newly appointed Senior Managing Executive Officer Matsumoto as joint head of the department, giving the M&A Advisory Department clear leadership.

[2nd half] Initiatives for further growth

- Organize priority project themes and work to expand and accelerate sales.
  - Carve-outs at operating companies
  - Deals led by PE funds
  - Mid-size cross-border M&A of operating companies
  - Special situations such as going private or shareholder activism
- Also increase development of projects in collaboration with consulting teams.

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