

February 10, 2022

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Notice Regarding Revision of Monetary Compensation for Directors

Frontier Management Inc. (hereafter the “Company”) hereby announced that, at the meeting of the Board of Directors held today, the Company decided to revise the Monetary Compensation for Directors as follows and resolved to priopose to the 15th Ordinary General Meeting of Shareholders to be held on March 24, 2022.

1. Revision of Monetary Compensation for Directors

Compensation for Director of the Company (including outside directors) was approved at an extraordinary general meeting of shareholders held on August 14, 2018 to be within the annual amount of 300 million yen (including 20 million yen for outside directors, but excluding employee salaries for directors serving concurrently as employees).

In addition, stock-based compensation for the directors of the company, excluding outside directors, separate with this Revision of Monetary Compensation, Shareholders of the Company approved that at the ordinary general meeting of shareholders held on March 25, 2021 as follows. (i) the total annual amount of shares of the Company's common stock to be issued or disposed of as stock compensation A linked to the consolidated performance of a single fiscal year shall not exceed 100 million yen, and the total number of shares shall not exceed 40,000. (ii) the total annual amount of shares of the Company's common stock to be issued or disposed of as stock compensation B linked to the degree of achievement of the management targets of the medium-term management plan and the degree of improvement in corporate value shall not exceed 50 million yen, and the total number of shares shall not exceed 20,000.

At the General Meeting of Shareholders, the maximum annual amount of monetary compensation will be revised from 300 million yen to 400 million yen (including 25 million yen for outside directors). In addition, as in the past, the amount of Compensation for Directors does not include the amount of employee salaries for Directors who concurrently serve as Employees.

Based on the "Policy on Determining the Content of Individual Compensation for Directors," the Company has determined that this proposal is considerable from the viewpoint of increasing the roles and responsibilities of Directors against the backdrop of responding to the rapidly changing business environment, and the necessity to maintain a compensation level appropriate for securing outstanding human resources in order to further strengthen corporate governance.

2. Details of decision policy regarding individual compensation for directors

(1) Basic Policy

To provide compensation that enables the Company to appoint as Directors excellent human resources who practice the corporate mission and contribute to the achievement of short-term performance targets, achievement of medium- to long-term performance targets, and continuous enhancement of corporate value.

The Company will create a compensation system that is highly transparent, fair, and reasonable to ensure accountability to our stakeholders.

(2) Compensation composition

Compensation for Directors (excluding Outside Directors) is comprised of basic compensation, which is fixed compensation, and single-fiscal-year performance-based compensation and medium- to long-term performance-based compensation, which vary depending on performance, while balancing the elements listed in the above basic policy.

Compensation for Outside Directors is comprised of only basic compensation, from the perspective of their role and independence.

The compensation composition ratio of each performance-based compensation to basic compensation for Directors (excluding Outside Directors) will be determined in accordance with the category of the Directors.

(3) Basic Compensation

Basic compensation, which is fixed compensation, will be paid monthly to Directors.

The amount of basic compensation for Directors (excluding Outside Directors) will be determined by taking into account the work duties they are in charge of, scope of responsibility, years of service, degree of contribution to short-term and medium- to long-term performance, degree of contribution to enhancement of corporate value, and the like, as well as taking into consideration the level of other companies in the same industry. The amount of basic compensation for Outside Directors will be determined by taking into consideration the work responsibilities and the level of other companies.

(4) Single-fiscal-year performance-based compensation

Single-fiscal-year performance-based compensation (cash bonus and stock-based compensation A) is linked to consolidated results for a single fiscal year and the amount of compensation is determined based on the Company's performance results and the like for a single year, and the determined amount of compensation will be paid to Directors (excluding Outside Directors; hereafter the "Eligible Directors") in the form of cash bonuses and restricted stock (stock-based compensation A) after confirmation of the results of each fiscal year.

The structure ratio of single-fiscal-year performance-based compensation for each Eligible Director is composed of a cash bonus, representing two-thirds of such compensation, and stock-based compensation A, representing one-third of such compensation.

With respect to indicators for consolidated results, consolidated operating income and the like are used as basic indicators, and the paid amount of single-fiscal-year performance-based compensation for each Eligible Director will be determined in light of the degree of contribution to performance, the maximum amount of compensation for the Eligible Directors, and the like.

(5) Medium-to long-term performance-based compensation

Medium-to long-term performance-based compensation (stock-based compensation B) is linked to the level of achievement of the management target for the medium-term management plan, the degree of enhancement of corporate value, and the like, and restricted stock (stock-based compensation B) will be paid to the Eligible Directors based on the compensation base amount in accordance with their position at the beginning of each fiscal year. In principle, after the end of the period falling under the medium-term management plan, the number of shares with respect to which the Transfer Restriction is removed will be determined, regarding the shares granted during such period, in accordance with the level of achievement of the management target for the medium-term management plan, the degree of enhancement of corporate value, and the like.

The indicators of management targets for the medium-term management plan during the period from 2021 to 2023 include the level of achievement of growth rate of consolidated net sales, consolidated operating income margin and consolidated ROE and the like. If a new medium-term management plan is formulated in the future, such indicators of management targets may be changed by a resolution of the Board of Directors.

An outline of the details of the medium- to long-term performance-based compensation (stock-based compensation B) is as described in “2. Details of compensation concerning the restricted stock compensation plan for Directors” below.

(6) Compensation governance

Compensation for Directors (basic compensation, single-fiscal-year performance-based compensation, and medium-to long-term performance-based compensation) will be determined by a resolution of the Board of Directors in light of voluntary deliberations and reports by the Compensation Advisory Committee.

Clawback provisions are set out to the effect that if a certain event such as a material accounting fraud, huge amount of loss, or the like occurs, all or part of the stock-based compensation A and stock-based compensation B that have already been paid will be returned without any consideration in accordance with each Director’s liability.