

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 7038

March 8, 2023

To Our Shareholders:

Shoichiro Onishi, Representative Director
Masahiro Matsuoka, Representative Director
Frontier Management Inc.
3-2-1 Roppongi, Minato-ku, Tokyo, Japan

Notice of the 16th Annual General Meeting of Shareholders

You are cordially notified that the 16th Annual General Meeting of Shareholders of Frontier Management Inc. (the “Company”) will be held as stated below.

In convening the General Meeting of Shareholders, the Company has taken measures to provide electronically the information that is the content of the Reference Documents for the General Meeting of Shareholders, etc. (the matters to be electronically provided) and posted such information on each of the websites shown below on the Internet. You are kindly requested to access one of the following websites to review the information.

The Company’s website:

<https://www.frontier-mgmt.com/> (in Japanese only)

(Please access the above website to select from the menu “IR,” and then “General Meeting of Shareholders” to review the information.)

Website on which the materials for the General Meeting of Shareholders are posted:

<https://d.sokai.jp/7038/teiji/> (in Japanese only)

Tokyo Stock Exchange’s website (TSE’s Company Announcements Service for listed companies):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese only)

(Please access the above website and enter “FRONTIER MANAGEMENT” in “Security Name (Company Name)” or the Company’s securities code “7038” in “Code” to search, select “Basic information” and then “Documents for public inspection/PR information,” and see the “Convocation notices/documents for shareholder meetings” column under “Documents for public inspection.”)

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. After reviewing the Reference Documents for the General Meeting of Shareholders, please exercise your voting rights by indicating your approval or disapproval of each of the proposals on the voting form provided together with this notice and return the voting form, or by accessing the designated website for exercising voting rights (<https://evote.tr.mufg.jp/>) and entering your vote for approval or disapproval. Either way, please exercise your voting rights by no later than 6 p.m. on Thursday, March 23, 2023 (JST).

1. Date and Time:	Friday, March 24, 2023, at 10 a.m. (JST) (The reception desk opens at 9:30 a.m.)
2. Venue:	Belle Salle Roppongi Grand Conference Center, Sumitomo Fudosan Roppongi Grand Tower, 9th floor 3-2-1 Roppongi, Minato-ku, Tokyo, Japan
3. Purpose of the Meeting	
Matters to be reported:	<ol style="list-style-type: none"> 1. Business Report and Consolidated Financial Statements for the 16th fiscal year (from January 1, 2022 to December 31, 2022) and audit results of Consolidated Financial Statements by Accounting Auditor and the Audit & Supervisory Board 2. Non-consolidated Financial Statements for the 16th fiscal year (from January 1, 2022 to December 31, 2022)
Matters to be resolved:	
Proposal No. 1	Dividends of Surplus
Proposal No. 2	Election of One Director
Proposal No. 3	Election of One Substitute Audit & Supervisory Board Member

- When attending the meeting in person, please hand in the voting form as an attendance slip at the reception desk at the meeting venue.
- Please also bring with you this Notice of the Annual General Meeting of Shareholders as a reference at the meeting.
- Only shareholders can enter the venue on the day of the event. In the case of proxy attendance, the proxy must also be a shareholder. In addition to the voting form to be exercised as a proxy and a written document certifying the authority of proxy, please submit the voting form in the name of the proxy.
- If you wish to make a diverse exercise of your voting rights (voting for and against the same proposal), please advise us three days prior to the Annual General Meeting of Shareholders, with your reasons therefor.
- If any changes are made to the matters to be electronically provided, such change will be announced on each of the websites shown above on the Internet, together with information before and after the changes.
- In accordance with the amendment to the Companies Act, shareholders shall confirm the matters subject to measures for electronic provision by accessing any of the websites shown above on the Internet as a general rule. The Company shall send paper-based documents only to shareholders who have requested the delivery of paper-based documents by the reference date, but for this General Meeting of Shareholders, the Company shall send paper-based documents stating the matters subject to measures for electronic provision to all shareholders regardless of whether or not delivery of paper-based documents has been requested. Among matters for which measures for providing information in electronic format are to be taken, the following matters are not included in the documents to be delivered in accordance with laws and regulations and Article 15 of the Company's Articles of Incorporation.
 - (i) "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements
 - (ii) "Notes to the Non-consolidated Financial Statements" of the Non-consolidated Financial Statements
 Consolidated financial statements and non-consolidated financial statements attached to such documents are part of the documents audited by the Accounting Auditor when preparing the accounting audit report and the same documents audited by the Audit and Supervisory Board in preparing the audit report.

<Notice Concerning COVID-19>

Currently there is a pandemic of the novel coronavirus disease (COVID-19).

Shareholders attending the General Meeting of Shareholders in person are requested to check the status of infection on the date of the meeting and take note of their own health condition. Please take measures to protect yourself from infection, such as wearing a face mask, when you attend.

In addition, there may be additional measures in place at the venue to prevent the spread of infection, and your cooperation with such measures is requested.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Dividends of Surplus

The Company maintains a basic policy of paying stable dividends on a continual basis, while securing sufficient internal reserves to develop future business and enhance the management structure of the Company group (the “Group”).

In accordance with the above basic policy, the Company proposes to pay a year-end dividend for the fiscal year as follows:


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|---|---|
| (1) Type of dividend property | To be paid in cash. |
| (2) Allotment of dividend property and their aggregate amount | The Company proposes to pay a dividend of ¥28 per common share of the Company.
In this event, the total dividends will be ¥320,954,396 . |
| (3) Effective date of dividends of surplus | March 27, 2023 |

Proposal No. 2 Election of One Director

The Company proposes the election of one Director, increasing the number of Directors by one to enhance the management system. In addition, as provided for in the Company's Articles of Incorporation, the term of office of the newly elected Director will be until the terms of office of the other currently serving Directors expire.

The candidate for Director is as follows:

When selecting the candidate for Director, the Board of Directors decided on the candidate in consideration of voluntary deliberations by the Nomination and Compensation Advisory Committee.

<p>Masao Nishihara</p> <p>New election</p>  <p>Date of birth May 18, 1951</p> <p>Number of the Company's shares owned 0</p> <p>Number of years in office 0</p> <p>Attendance at Board of Directors meetings -</p>	<p>Career summary and position and responsibility in the Company</p> <p>Apr. 1975 Joined the Ministry of Finance</p> <p>Jul. 2004 Director-General of the Inspection Bureau of the Financial Services Agency</p> <p>Jul. 2007 Director-General of the Supervision Bureau of the Financial Services Agency</p> <p>Jul. 2008 Secretary-General of the Executive Bureau of Securities and Exchange Surveillance Commission</p> <p>Aug. 2009 Senior Managing Director of Organization for Promoting Urban Development</p> <p>Jun. 2013 Vice Chairman and Senior Managing Director of Regional Banks Association of Japan</p> <p>Aug. 2022 Advisor of the Company (current position)</p> <p>Significant concurrent positions outside the Company</p> <p>-</p> <p>Reasons for nomination as candidate for Director</p> <p>The Company has nominated Mr. Nishihara as a candidate for Director as he will likely manage the organization appropriately and contribute to increasing its corporate value, based on his abundant experience in fiscal and monetary policies and deep insight into the regional banking industry gained through his career in key positions at the Financial Services Agency, the Organization for Promoting Urban Development, and the Regional Bank Association of Japan.</p>
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- Notes: 1. There is no special interest between Masao Nishihara and the Company.
2. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, thereby covering losses that may arise from a Director, an insured person, assuming liability incurred in the course of the performance of duties or receiving claims pertaining to the pursuit of such liability. Masao Nishihara will be included as an insured person in such policy. In addition, when the policy is renewed, the Company plans to renew the policy with the same terms.

Proposal No. 3 Election of One Substitute Audit & Supervisory Board Member


Pursuant to the provision of Article 329, paragraph 3 of the Companies Act, the Company proposes to elect one Substitute Outside Audit & Supervisory Board Member in advance to prepare for a case where the number of statutory auditors comes to fall below that stipulated by law.

The substitute Audit & Supervisory Board Member shall assume office on condition that the number of Audit & Supervisory Board Members comes to fall below the required number. The term of office of such substitute Audit & Supervisory Board Member shall be the remaining term of their predecessor. Further, this resolution will be valid until the commencement of the next annual general meeting of shareholders.

When selecting the candidate for Substitute Audit & Supervisory Board Member, the Board of Directors decided on the candidate in consideration of voluntary deliberations by the Nomination and Compensation Advisory Committee.

The candidate for Audit & Supervisory Board Member is as follows:

The consent of the Audit & Supervisory Board has been obtained for this proposal.

Hiroko Noda <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent</div>  Date of birth July 3, 1960 Number of the Company's shares owned 0 Number of years in office 0 Attendance at Board of Directors meetings – Attendance at Audit & Supervisory Board meetings –	<div style="border: 1px solid black; padding: 2px;">Career summary and position in the Company</div> Apr. 1987 Joined Minato Audit Corporation (current KPMG AZSA LLC) Aug. 1987 Joined Prudential Securities Incorporated, Tokyo Branch Aug. 1992 Joined Banque Indosuez S.A., Tokyo Branch (current Credit Agricole CIB) Jun. 2000 Joined Canadian Imperial Bank of Commerce, Tokyo Branch Jul. 2006 Joined BUSICOM Co., Ltd. Sep. 2007 Representative Director of Prominent Consulting Co., Ltd. May 2010 Representative Director of Probity Consulting Co., Ltd. (current position) Apr. 2014 Part-time Lecturer at Graduate School of Asian and International Business Strategy of Asia University (current position) Mar. 2019 External Director of MODEC, Inc. (current position) Mar. 2019 Outside Director (Audit and Supervisory Committee Member) of Okabe Co., Ltd. (current position) Mar. 2021 Substitute Audit & Supervisory Board Member of Pigeon Corporation (current position) Jun. 2021 Outside Director of S.T. CORPORATION (current position) Jun. 2022 Outside Director of CHORI CO., LTD. (current position)
	<div style="border: 1px solid black; padding: 2px;">Significant concurrent positions outside the Company</div> Representative Director of Probity Consulting Co., Ltd. Part-time Lecturer at Graduate School of Asian and International Business Strategy of Asia University External Director of MODEC, Inc. Outside Director (Audit and Supervisory Committee Member) of Okabe Co., Ltd. Substitute Audit & Supervisory Board Member of Pigeon Corporation Outside Director of S.T. CORPORATION Outside Director of CHORI CO., LTD.
	<div style="border: 1px solid black; padding: 2px;">Reasons for nomination as candidate for Substitute Audit & Supervisory Board Member</div> The Company has nominated Ms. Noda as a candidate for substitute Audit & Supervisory Board Member as it believes she will likely monitor its management and provide it with appropriate advice as an Outside Audit & Supervisory Board Member by using her knowledge in business administration gained as a corporate executive and a certified public accountant. As she meets the requirements for independent officers stipulated by the Tokyo Stock Exchange, the Company has decided that there will be no conflict of interest with general shareholders if she assumes office as Audit & Supervisory Board Member and plans to designate her as an independent officer.

- Notes:
1. There is no special interest between Hiroko Noda and the Company.
 2. Hiroko Noda is a candidate for Outside Audit & Supervisory Board Member as stipulated in Article 2, paragraph (3), item (viii) of the Ordinance for Enforcement of the Companies Act.
 3. When Hiroko Noda assumes office as Audit & Supervisory Board Member, the Company plans to enter into a limited liability agreement with Hiroko Noda to limit her liability for damages under Article 423, paragraph (1) of the Companies Act, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act. Pursuant to such agreement, the defined maximum amount of liability for damages is the minimum liability amount provided for under Article 425, paragraph (1) of the Companies Act.
 4. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, thereby covering losses that may arise from an Audit & Supervisory Board Member, an insured person, assuming liability incurred in the course of the performance of duties or receiving claims pertaining to the pursuit of such liability. If Hiroko Noda assumes office as Audit & Supervisory Board Member, she will be included as an insured person in such policy.
In addition, when the policy is renewed, the Company plans to renew the policy with the same terms.
 5. If Hiroko Noda assumes office as Audit & Supervisory Board Member, the Company plans to submit notification to Tokyo Stock Exchange, Inc. concerning her designation as an independent officer as provided for by the aforementioned exchange.

(Reference) Skill matrix for Directors and Audit & Supervisory Board Members (including candidates for Directors and candidates for Substitute Audit & Supervisory Board Members) of the Company

Name (Current position)	Attributes	Corporate management	Economy	Finance and accounting	Corporate loans and investments	Management of legal risks	Sales and marketing	Global	Environment and society
Shoichiro Onishi (Representative Director)		•			•	•	•		•
Masahiro Matsuoka (Representative Director)		•	•		•		•	•	
Tadaaki Komori (Director)				•	•		•	•	
Masao Nishihara (Candidate for Director)			•	•	•				•
Kazuhito Osugi (Director)	Outside Independent		•	•	•			•	
Keiko Unotoro (Director)	Outside Independent		•			•			•
Takeshi Umemoto (Audit & Supervisory Board Member)	Outside Independent		•	•	•				
Kazuhiko Shimokobe (Audit & Supervisory Board Member)	Outside Independent	•	•			•			
Nobumichi Hattori (Audit & Supervisory Board Member)	Outside Independent		•	•	•			•	
Hiroko Noda (Candidate for Substitute Audit & Supervisory Board Member)	Outside Independent	•		•					•

(Attached documents)

Business Report

(From January 1, 2022 to December 31, 2022)

I Current Situation of the Group

(1) Progress and results of operations

During the fiscal year under review (January 1, 2022 to December 31, 2022), the Japanese economy experienced a gradual relaxation of behavioral restrictions associated with the spread of the novel coronavirus (COVID-19) and the normalization of social and economic activities, and also saw signs of an economic recovery. Nonetheless, the economic outlook remains largely uncertain, as evidenced by the supply shortages of natural resources due to the prolonged situation in Russia and Ukraine, soaring energy prices, and rising prices associated with the depreciation of the yen.

In this management environment, the Group continued to focus on proposing and executing one-stop solutions to issues faced by companies by providing comprehensive services that leverage management consulting, M&A advisory, revitalization support, and other functions. In January, we welcomed Celebrain Corporation, which engages in a personnel-related consulting business, to the Group, and expanded the solutions domain in management consulting. In April, we established Frontier Capital Inc., which engages in an investment business involving the dispatch of management personnel, and made preparations for the start of the business.

As a result of the above, the Group reported consolidated net sales of ¥7,915,655 thousand (up 37.9% from the previous fiscal year), operating income of ¥908,131 thousand (up 81.2%), ordinary income of ¥921,511 thousand (up 79.1%), and net income attributable to owners of parent of ¥556,722 thousand (up 64.4%) for the fiscal year under review.

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

Further, the business of the Group had been a single segment. However, we added the Investment Business to change it to two segments from this fiscal year—the Consulting and Advisory Business and the Investment Business—as we established Frontier Capital Inc. to commence an investment business involving the dispatch of management personnel. As a result, comparisons with the previous fiscal year and analyses have not been performed, except with respect to net sales and operating income in the Consulting and Advisory Business as well as net sales by business.

(Consulting and Advisory Business Segment)

For the fiscal year under review, in the Consulting and Advisory Business segment, the Management Consulting Business and the M&A Advisory Business (the Financial Advisory Business was renamed to the M&A Advisory Business from this fiscal year) performed well, with net sales of ¥7,912,655 thousand (up 37.8% from the previous year) and operating income of ¥1,099,403 thousand (up 119.3%).

Results of operations by business are as follows.

Management Consulting Business

The business results of the Management Consulting Business for the fiscal year under review were ¥4,351,972 thousand (up 32.7% from the previous year) in net sales. In the fiscal year under review, sales increased substantially compared with the previous fiscal year. In addition to the effect of increased personnel resulting from aggressive recruitment, the expansion of the consulting-related services, including SR/IR services, DX services, and human resources, contributed to such increase.

M&A Advisory Business

In the M&A Advisory Business, net sales for the fiscal year under review were ¥2,793,465 thousand (up 61.9% from the previous year). In the fiscal year, sales increased substantially compared with the previous fiscal year as a result of the successful completion of large- and medium-sized M&A deals.

Revitalization Support Business

In the Revitalization Support Business, net sales for the fiscal year under review were ¥601,236 thousand (down 9.2% from the previous year). In the fiscal year under review, the continued support provided by financial institutions in providing loans to companies continued to prevent the need for revitalization support from expanding, and net sales decreased compared with the previous fiscal year.

Other Business

The business results of Other Business for the fiscal year under review were net sales of ¥165,982 thousand (up 124.9% from the previous year).

(Investment Business Segment)

In the Investment Business segment, net sales and operating loss for the fiscal year under review were ¥17,603 thousand and ¥191,272 thousand, respectively, due to personnel expenses and other expenses associated with the launch of this business.

(2) Capital expenditure

The Group's capital expenditure (tangible assets and intangible assets; excluding goodwill and customer-related assets) for the fiscal year under review totaled ¥153,841 thousand, of which major items were equipment installation at the head office and Osaka office, as well as furniture and fixtures, among others.

There was no selling or retirement of significant facilities during the fiscal year under review.

(3) Financing activities

During the fiscal year under review, the Group financed ¥500,000 thousand in short-term borrowings and ¥860,000 thousand in long-term borrowings from a financial institution for business purposes.

(4) Transfer of business, absorption-type company split, and incorporation-type company split

Not applicable

(5) Acquisition of business from other company

Not applicable

(6) Succession of rights and obligations related to business of other entities through absorption-type merger or absorption-type company split

Not applicable

(7) Acquisition or disposal of other company's shares, equities, or stock acquisition rights and the like

The Company acquired the shares of Celebrain Corporation on January 14, 2022 to make it a consolidated subsidiary.

In addition, the Company newly established Frontier Capital Inc. on April 1, 2022 to make it a consolidated subsidiary.

(8) Issues to address

In order to expand our existing businesses and provide customers with optimal services for their challenges, the Group is working to enhance the following measures and solutions.

- (i) Proactive recruitment and accelerated development of professionals and creation of an environment in which employees can work easily

Personnel are the most important management resource for the Group, and we will continue proactive recruitment to secure professionals able to meet diversifying project demand, and will expand the scale of the Group.

In the Management Consulting Business, in order to promote differentiation from other companies, we will keep accelerating recruitment and development of personnel who have rich industry insights and are accomplished in specific business fields. Moreover, to cater for a growing number of deals related to mergers and acquisitions (M&As) and global transactions, we will actively recruit and develop highly skilled experts.

Furthermore, the Group will invite analysts from each industry field to build a support system for a wide range of industries, aiming to expand the key industrial coverage as well as to further develop new business areas over the medium term.

We will build an environment in which diverse staff can thrive, and recruit such staff and enhance their retention by promoting the Company's Basic Sustainability Policy centered on human capital and key issues (materiality) as well as diversity, equity, and inclusion (DE&I), while working to limit overtime work, eliminate harassment, and train management executives.

- (ii) Reinforcing consulting business related to investment and investment activities for small and medium-sized enterprises (SMEs)

For SMEs, as the market shrinks, the development of new businesses has become a major issue, and there are increasing needs for consulting support for this purpose. At the same time, as the demand for risk capital to develop new businesses has been increasing, the Group provides support to client companies through funds and self-investment, dispatches management, and offers consulting services, aiming to enhance the corporate value of the investee client company to ensure the invested capital and accompanying success fee are collected.

Furthermore, we will continue to provide consulting services that assist investment projects done by regional financial institutions.

Japanese companies are also required to change their business models through working to: i) address sustainability; ii) achieve increased productivity through digitalization; iii) vitalize regional economies beset with low birth rates and an aging population and business succession issues; and iv) take post-COVID-19 measures. To resolve these key corporate issues and social challenges, we have started an investment business that can make medium- to long-term investments and involves the dispatch of management personnel, thereby growing by reforming the business models of investee companies and reshuffling industries.

- (iii) Reinforcing consulting and M&A execution support for large companies

Large corporate clients of the Group have many needs for support for transforming their business structure. Against such background, the Group will also focus on a support system to provide services from consulting on business portfolio review to M&A execution to post merger integration (PMI) on a one-stop basis since the system is expected to expand further in the future.

(iv) Reinforcing M&A support for SMEs

There have been a growing number of business succession issues and business succession-type M&A deals due to the aging of top managers of SMEs in Japan. The Group will grow its business succession services with a focus on business succession-type M&A deals brought in through a financial corporation network unique to the Company.

(v) Reinforcing consulting business through ESG and sustainability strategies and digital transformation (DX) strategies

As client companies' needs for support for efforts to address ESG, sustainability, and DX have been growing rapidly, the Group will continue to recruit expert professionals and widen the scope of its consulting services.

(vi) Increasing visibility and brand power

In order to increase the trust of the Group's potential clients, it is necessary for us to enhance its visibility and brand power.

For that purpose, the Group will strive to operate its owned media Frontier Eyes Online as well as Webinars sponsored by the Company.

(vii) Developing an organizational sales system

To maximize the sales of the Group, we will further enhance an organizational coverage system for companies that constituted a growth driver for us in recent years.

(9) Assets and profit and loss

(i) Changes in the Group's assets and profit and loss

Category	Fiscal year	The 13th Fiscal Year (FY2019)	The 14th Fiscal Year (FY2020)	The 15th Fiscal Year (FY2021)	The 16th Fiscal Year (the fiscal year under review) (FY2022)
Net sales	(Thousands of yen)	4,771,144	5,192,527	5,741,654	7,915,655
Ordinary income	(Thousands of yen)	678,872	575,633	514,576	921,511
Net income attributable to owners of parent	(Thousands of yen)	429,382	420,515	338,707	556,722
Net income per share	(Yen)	37.65	36.89	29.70	48.67
Net assets	(Thousands of yen)	2,185,341	2,448,598	2,454,066	3,015,956
Total assets	(Thousands of yen)	3,269,111	3,792,731	3,819,274	5,658,644

(ii) Changes in the Company's assets and profit and loss

Category	Fiscal year	The 13th Fiscal Year (FY2019)	The 14th Fiscal Year (FY2020)	The 15th Fiscal Year (FY2021)	The 16th Fiscal Year (the fiscal year under review) (FY2022)
Net sales	(Thousands of yen)	4,762,968	5,188,593	5,732,196	7,546,117
Ordinary income	(Thousands of yen)	660,550	556,817	513,057	1,081,609
Net income	(Thousands of yen)	417,231	413,157	345,454	754,497
Net income per share	(Yen)	36.58	36.24	30.29	65.96
Net assets	(Thousands of yen)	2,158,459	2,414,569	2,429,387	3,136,089
Total assets	(Thousands of yen)	3,243,878	3,759,798	3,800,171	5,646,614

Note: The Company carried out a two-for-one common stock split on October 1, 2019, and a two-for-one common stock split on January 1, 2021. Net income per share was calculated assuming that these stock splits were effected at the beginning of the 13th Fiscal Year (FY2019).

(10) Significant subsidiaries

Company name	Paid-in capital (thousands of yen)	Capital contribution rate (%)	Description of business
Frontier Management (Shanghai) Inc.	120,000	100.00	Management Consulting Business M&A advisory business
Celebrain Corporation	64,500	60.36	Management Consulting Business Other Business
Frontier Capital Inc.	500,000	100.00	Investment business that involves the dispatch of management personnel

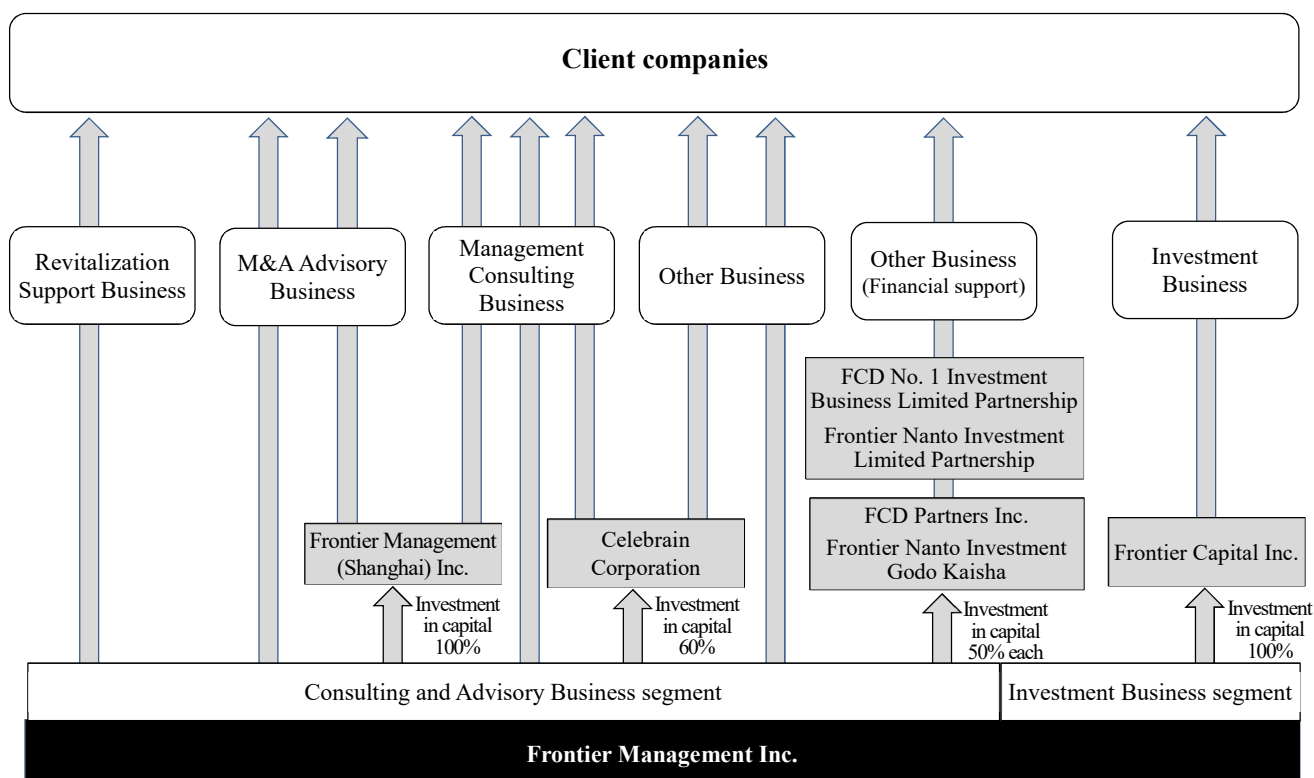
- Notes: 1. The Company acquired the shares of Celebrain Corporation on January 14, 2022 to make the company a consolidated subsidiary.
2. The Company newly established Frontier Capital Inc. on April 1, 2022 to make the company a consolidated subsidiary.

(11) Principal businesses (as of December 31, 2022)

The Group consists of six companies: the Company (Frontier Management Inc.), three consolidated subsidiaries (Frontier Management (Shanghai) Inc., Celebrain Corporation, and Frontier Capital Inc.), and two affiliates accounted for by the equity method (FCD Partners Inc. and Frontier Nanto Investment Godo Kaisha).

Under the management philosophy of “contributing to the interests of clients,” “contributing to the interests of stakeholders,” and “contributing to society,” the Group provides management-support services, principally including management consulting, M&A advisory services and revitalization support, and a financial support service involving the dispatch of management personnel as its core business fields.

The Group provides these services alone or in combination, depending on the needs of its client companies. In addition, as an independent consulting firm that does not have a capital relationship with any specific financial institution, audit corporation, or other business corporation, the Group provides services from a neutral standpoint without conflicts of interest.



The Group's businesses consist of two segments: Consulting and Advisory Business and Investment Business. An outline of each segment is as follows.

(i) Consulting and Advisory Business segment

Net sales of the Consulting and Advisory Business segment are classified under (a) Management Consulting Business, (b) M&A Advisory Business, (c) Revitalization Support Business, or (d) Other Business.

An outline of each business is as follows.

a) Management Consulting Business

For client companies, the roster of consulting solutions that Frontier Management offers includes proposal of management strategies (company-wide strategies, business strategies, function-specific strategies (strategies related to marketing, operation, and other individual functions of a company)), support for medium-term management plans from drafting to execution, permanent support for management execution through dispatch of management teams and due diligence related to M&A (research and analysis of business activities, etc.).

One of the key features of the Group's consulting business is that we provide various solutions designed and developed by our experienced analysts to our client companies in a wide range of industries according to the characteristics of each industry, including retail and distribution, transportation, restaurants, service, information and communication, technology, manufacturing, trading companies, and pharmaceuticals and healthcare.

In addition, opportunities to support management execution have diversified against the background of the sophistication of management and the increase in business succession, and the Group is expanding the service of providing permanent support for management execution through the dispatch of management teams.

The Group has begun to address ESG, sustainability, and digital transformation (DX) on the part of client companies.

Since its foundation, the Group has steadily built a corps of industry analysts and consultants with knowledge of a wide range of industries, as well as specialists deeply versed in their respective business fields. By sharing the knowledge and expertise of these specialists, the Group deepens its Group-wide knowledge of the industries to which each client company belongs and expands the breadth of solutions it can offer. In this way the Group constantly improves the quality of its services.

b) M&A Advisory Business

For client companies contemplating M&A or reorganization, the Group provides comprehensive advice and assistance. Services in this area include formulation of M&A strategies, selection and approaching of target companies, a wide variety of due diligence (research and analysis), calculation of corporate value, negotiation of contracts and terms and conditions, and handling of closing procedures (settlement, etc.).

In this business, the Group has been ranked highly in total number of M&A since 2011 in the advisor ranking in Bloomberg's Japan M&A market review, and rivals major financial institutions in record of accomplishments.

As Japanese enterprises develop their businesses globally, client needs for cross-border M&A services are growing. To serve this demand, the Group actively recruits professionals with a wealth of results. We are also strengthening our framework for executing cross-border M&A projects while expanding our overseas network. For example, the Group has established a subsidiary in China, opened Singapore and New York branches, and joined CFI (Corporate Finance International) as a full member. CFI is an M&A firm organization that operates in more than 20 countries, mainly in Europe, and Matsuoka, Representative Director of the Company, became a Board Member of CFI in January 2021.

c) Revitalization Support Business

The Group is pleased to offer total support in revitalization, from drafting of a business-revitalization plan to implementation support, reconciliation of interests with financial institutions, participation in management for the purpose of management innovation (turnaround) and support for various processes associated with revitalization.

A key feature of the Group's Revitalization Support Business is the hands-on management innovation support (support for implementation of management innovation by permanently seconded staff). At the Group, "hands-on management innovation support" means the dispatch of consultants accomplished in management innovation (turnaround) to serve as members of the client company's management team, providing direct support for the execution of revitalization plans and management innovation. The Group commits fully and directly with the client company to draft the revitalization plan and implement management innovation, seeing the project through to realization.

d) Other Business

In relation to the Revitalization Support Business and M&A Advisory Business, the Group offers research services (legal, financial and tax due diligence) conducted by lawyers, certified public accountants, tax accountants and other specialists in various systems and provides advice related to respective systems regarding business revitalization plans, M&A and reorganization in the execution phase.

To provide education and training to the executives and employees of business companies and financial institutions, the Group operates the Frontier Business School.

Through FCD Partners Inc. and Frontier Nanto Investment Godo Kaisha, affiliates of the Group, the Group offers financial support (investment) via funds.

(ii) Investment Business segment

For customers who require funds for growth through business model reforms and industry consolidation, we will not only make direct investment aimed at increasing corporate value over the medium to long term but also dispatch management personnel.

(12) Major offices (as of December 31, 2022)

• The Company

Head office	3-2-1 Roppongi, Minato-ku, Tokyo, Japan
Osaka Branch	3-3-13 Imabashi, Chuo-ku, Osaka City, Osaka, Japan
Nagoya Branch	2-45-14 Meieki, Nakamura-ku, Nagoya City, Aichi, Japan
Singapore Branch	Republic of Singapore
New York Branch	United States of America

• Subsidiaries

Frontier Management (Shanghai) Inc.	People's Republic of China
Celebrain Corporation	3-4-4 Akasaka, Minato-ku, Tokyo
Frontier Capital Inc.	3-2-1 Roppongi, Minato-ku, Tokyo

(13) Employees (as of December 31, 2022)

(i) Employees of the Group

Segment name	Number of employees	Change from the end of the previous fiscal year
Consulting and Advisory Business	324	67 (increase)
Investment Business	11	11 (increase)
Total	335	78 (increase)

- Notes: 1. The number of employees represents the number of the Group's full-time staff members (excluding seconded persons from the Group to companies outside the Group) and does not include the number of part-time employees, contract employees, temporary employees, etc.
2. The 67-person increase in the number of employees of the Consulting and Advisory Business from the end of the previous fiscal year is due to aggressive recruitment and Celebrain Corporation's becoming a consolidated subsidiary.
3. The 11-person increase in the number of employees of the Investment Business from the previous fiscal year is due to the establishment of Frontier Capital Inc.

(ii) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average years of service
304	48 (increase)	37.8 years old	3.0 years

- Note: The number of employees represents the number of the Company's full-time staff members (excluding seconded persons from the Company to other companies) and does not include the number of part-time employees, contract employees, temporary employees, etc.

(14) Principal lenders (as of December 31, 2022)

Lender	Loan amount (millions of yen)
Sumitomo Mitsui Banking Corporation	774

(15) Material information related to the current situation of the corporate group other than the above

Not applicable

II Shares of the Company (as of December 31, 2022)

- (1) Total number of shares issuable: 45,648,000
(2) Total number of shares issued: 11,462,657 (excluding 5,821 shares of treasury stock)
(3) Number of shareholders: 3,743
(4) Major shareholders (top 10)

Name of shareholders	Number of shares owned (shares)	Shareholding ratio (%)
Shoichiro Onishi	2,169,974	18.93
Masahiro Matsuoka	2,169,974	18.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	875,300	7.64
Custody Bank of Japan, Ltd. (Trust Account)	805,600	7.03
SBI SECURITIES Co., Ltd.	622,715	5.43
Masaya Yajima	614,880	5.36
Tomohiro Murata	266,880	2.33
Takahiro Yamaguchi	160,000	1.40
Toshiyuki Mitsuzawa	146,000	1.27
Akinori Nishida	112,200	0.98

Note: Shareholding ratio is calculated excluding the number of shares of treasury stock (5,821 shares).

- (5) Shares delivered to officers as consideration for the execution of duties during the fiscal year under review

	Number of shares (shares)	Number of persons to whom shares were delivered (persons)
Directors (excluding Outside Directors)	19,998	3

- (6) Other material information related to the Company shares

(i) Stock option(s)

The total number of shares issued increased by 50,080 due to the exercise of stock options.

(ii) Shares subject to transfer restriction

At its Board of Directors' meeting held on March 24, 2022, the Company resolved to dispose of treasury stock, and disposed of 19,998 shares of treasury stock on April 15, 2022 in order to grant shares subject to a transfer restriction to three Directors (excluding Outside Directors).

III Stock Acquisition Rights, etc. of the Company

(1) Stock acquisition rights held by the officers of the Company that were delivered as consideration for the execution of duties

		14th Stock Acquisition Rights
Resolution date of issuance		February 10, 2022
Number of stock acquisition rights		100
Type and number of shares underlying the stock acquisition rights		10,000 shares of common stock (100 shares per stock acquisition right)
Payment of money for the stock acquisition rights		Payment of money is not required in exchange for stock acquisition rights
Value of property to be contributed upon exercise of the stock acquisition rights		¥100 per stock acquisition right (¥1 per share)
Exercise period		From February 11, 2023 to February 10, 2028
Conditions for exercise of the stock acquisition rights		(Note)
Stock acquisition rights held by officers	Directors (excluding Outside Directors)	Number of stock acquisition rights: 100 Number of shares underlying the stock acquisition rights: 10,000 Number of persons who hold the stock acquisition rights: 1

Notes: Conditions for exercise of the stock acquisition rights are as follows.

1. The person to whom the stock acquisition rights have been allotted must be a Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company even when exercising the rights. However, stock acquisition rights are allowed to be exercised if the person resigns due to reaching a specified retirement age, Company reasons, or industrial illness, or if the person is transferred to a different company, or if exercise is approved by its Board of Directors as having a legitimate reason.
2. Any person who has waived stock acquisition rights is not allowed to exercise them.
3. The stock acquisition rights held by one Director are those that were granted while serving as an employee.

(2) Stock acquisition rights delivered to employees, etc. as consideration for the execution of duties during the fiscal year under review

		13th Stock Acquisition Rights	14th Stock Acquisition Rights
Issuance resolution date		February 10, 2022	February 10, 2022
Number of stock acquisition rights		631	100
Type and number of shares underlying the stock acquisition rights		63,100 shares of common stock (100 shares per stock acquisition right)	10,000 shares of common stock (100 shares per stock acquisition right)
Payment of money for the stock acquisition rights		Payment of money is not required in exchange for stock acquisition rights	Payment of money is not required in exchange for stock acquisition rights
Value of property to be contributed upon exercise of the stock acquisition rights		¥100 per stock acquisition right (¥1 per share)	¥100 per stock acquisition right (¥1 per share)
Exercise period		From February 11, 2025 to February 10, 2028	From February 11, 2023 to February 10, 2028
Conditions for exercise of the stock acquisition rights		(Note)	(Note)
Delivery to employees, etc.	Employees of the Company	Number of stock acquisition rights: 631 Number of shares underlying the stock acquisition rights: 63,100 Number of persons who hold the stock acquisition rights: 182	Number of stock acquisition rights: 100 Number of shares underlying the stock acquisition rights: 10,000 Number of persons who hold the stock acquisition rights: 1
	Officers and employees of subsidiaries	—	—

Notes: Conditions for exercise of the stock acquisition rights are as follows.

1. The person to whom the stock acquisition rights have been allotted must be a Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company even when exercising the rights. However, stock acquisition rights are allowed to be exercised if the person resigns due to reaching a specified

retirement age, Company reasons, or industrial illness, or if the person is transferred to a different company, or if exercise is approved by its Board of Directors as having a legitimate reason.

2. Any person who has waived stock acquisition rights is not allowed to exercise them.

(3) Other material information related to stock acquisition rights

Not applicable

IV Company Officers

(1) Directors and Audit & Supervisory Board Members

Name	Position and responsibility		Significant concurrent positions outside the Company
Shoichiro Onishi	Representative Director	Co-President and Executive Officer Member of the Nomination and Compensation Advisory Committee Chairperson of the Risk Management Committee	President, CEO and COO of Frontier Capital Inc. Representative Director of FCD Partners Inc. Outside Director of Tokyo Electric Power Company Holdings, Incorporated
Masahiro Matsuoka	Representative Director	Co-President and Executive Officer Member of the Nomination and Compensation Advisory Committee Member of the Risk Management Committee	Representative Director of Frontier Capital Inc. Director of Celebrain Corporation Chairman of Frontier Management (Shanghai) Inc. Representative Director of FCD Partners Inc. Representative Director and Chairman of ORENO Corporation Outside Director of RIZAP GROUP, Inc.
Tadaaki Komori	Director	Deputy President and Executive Officer Head of M&A Advisory Business General Manager of Marketing Department	
Kazuhiro Osugi	Director	Chairperson of the Nomination and Compensation Advisory Committee	Independent Outside Director of the Board of Nissha Co., Ltd. Outside Director of The Gunma Bank, Ltd.
Keiko Unotoro	Director	Member of the Nomination and Compensation Advisory Committee	Outside Director of SAN-AI OBBLI CO., LTD. Outside Director (Audit and Supervisory Committee Member) of OS Co., Ltd. Outside Director of OHBA CO., LTD. Commissioner of Public Security Examination Commission Advisor of OH-EBASHI LPC & PARTNERS Part-time Lecturer of Graduate School of Economics of Senshu University Auditor of Tokyo Metropolitan Public University Corporation
Takeshi Umemoto	Full-time Audit & Supervisory Board Member		
Kazuhiro Shimokobe	Audit & Supervisory Board Member	Member of the Nomination and Compensation Advisory Committee	Outside Auditor of Industrial Growth Platform, Inc.
Nobumichi Hattori	Audit & Supervisory Board Member	Member of the Nomination and Compensation Advisory Committee	External Director of FAST RETAILING CO., LTD. Outside Director of Hakuodo DY Holdings Inc. Visiting Professor of Graduate School of Business and Finance of Waseda University Visiting Professor of Graduate School of Business Administration of Keio University

- Notes: 1. Kazuhiro Osugi and Keiko Unotoro are Outside Directors as stipulated in Article 2, item (xv) of the Companies Act.
2. Takeshi Umemoto, Kazuhiro Shimokobe, and Nobumichi Hattori are Outside Audit & Supervisory Board Members as stipulated in Article 2, item (xvi) of the Companies Act.
3. The Company has designated Mr. Osugi and Ms. Unotoro, who are Directors of the Company, and Mr. Umemoto, Mr. Shimokobe and Mr. Hattori, who are Audit & Supervisory Board Members of the Company, as independent officers based on the provisions of the Tokyo Stock Exchange, and has submitted notification to the exchange.
4. Takeshi Umemoto, full-time Audit & Supervisory Board Member, has been in charge of audits for many years and possesses considerable knowledge in finance and accounting.
Nobumichi Hattori, Audit & Supervisory Board Member, possesses considerable knowledge in finance and accounting, having worked at a leading U.S. investment bank.

(2) Amount of compensation, etc. for Directors and Audit & Supervisory Board Members

(i) Total amount of compensation, etc. paid during the fiscal year under review

Category	Total amount of compensation, etc. (Thousands of yen)	Total amount of compensation, etc. by category (thousands of yen)				Number of target officers (persons)
		Basic compensation	Single-fiscal-year performance-based compensation		Medium- to long-term performance-based compensation	
			Cash bonuses	Stock-based compensation A	Stock-based compensation B	
Directors	211,912	187,100	–	–	24,812	6
(Of whom, outside officers)	(15,600)	(15,600)	(–)	(–)	(–)	(2)
Audit & Supervisory Board Members	29,400	29,400	–	–	–	3
(Of whom, outside officers)	(29,400)	(29,400)	(–)	(–)	(–)	(3)
Total	241,312	216,500	–	–	24,812	9
(Of whom, outside officers)	(45,000)	(45,000)	(–)	(–)	(–)	(5)

- Notes: 1. The total amount of compensation for Directors does not include salary paid as an employee to Directors concurrently serving as an employee.
2. The above includes one Director who retired upon the conclusion of the annual general meeting of shareholders held on March 24, 2022.

(ii) Matters relating to resolution of general meeting of shareholders for compensation, etc. for Directors and Audit & Supervisory Board Members

The Annual General Meeting of Shareholders held on March 24, 2022 passed a resolution for setting monetary compensation for the Company's Directors (including its Outside Directors) at ¥400 million or less per year (including ¥25 million or less per year for Outside Directors, excluding employee salaries for Directors concurrently serving as employees). The number of Directors (including two Outside Directors) at the conclusion of said General Meeting of Shareholders was five.

The Annual General Meeting of Shareholders held on March 25, 2021 passed a resolution for stock-based compensation for the Company's Directors, excluding Outside Directors, separately from the aforementioned monetary compensation: (i) the total value and total number of shares of the Company's common stock to be issued or disposed of as stock-based compensation A linked to single-year consolidated business performance shall be ¥100 million or less per year and 40,000 shares or less per year, respectively; and (ii) the total value and total number of shares of the Company's common stock to be issued or disposed of as stock-based compensation B linked to an achievement rate against medium-term business plan targets and the extent of improvement of its corporate value shall be ¥50 million or less per year and 20,000 shares or less per year, respectively. The number of Directors (excluding Outside Directors) at the conclusion of said General Meeting of Shareholders was three.

The total amount of compensation for the Audit & Supervisory Board Members was decided by a resolution at the Extraordinary General Meeting of Shareholders held on August 14, 2018 to be ¥50 million or less per year. The number of Audit & Supervisory Board Members at the conclusion of said General Meeting of Shareholders was three.

(iii) Policy for determining the details of compensation for officers

- A) How to decide the policy for determining the details of compensation for individual Directors
The policy for determining the details of compensation for the Company's individual Directors was resolved by the Board of Directors meeting held on February 9, 2021 in light of voluntary deliberations and reports by the Nomination and Compensation Advisory Committee. The Board of Directors judged the compensation for individual Directors for the fiscal year under review to be consistent with the policy since the Board checked that: i) the determined details of the compensation and the method for determining them were consistent with the determination policy resolved by the Board; and ii) the details were determined by the Board of Directors within a range of total compensation amount resolved beforehand by a general meeting of shareholders in light of voluntary deliberations by the Nomination and Compensation Advisory Committee and its recommendation.
- B) Description of the policy for determining the details of compensation for individual Directors
- Basic policy
To provide compensation that enables the Company to appoint as Directors the finest persons 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.
At the Company, we will create a compensation system that is highly transparent, fair, and reasonable to ensure accountability to our stakeholders.
 - 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 officers.
 - 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.
 - Single-fiscal-year performance-based compensation
Single-fiscal-year performance-based compensation (cash bonuses 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; "Eligible Directors") in the form of cash bonuses and restricted stock (stock-based compensation A) after the results of each fiscal year are fixed.
The maximum amount of single-fiscal-year performance-based compensation (total amount to be paid to all Eligible Directors) is the smaller of one-third of an amount in excess of targeted operating income, or a total amount of 18-month basic compensation for the Representative Directors and nine-month basic compensation for Eligible Directors (excluding Representative Directors).
The amount of single-fiscal-year performance-based compensation to be paid to Eligible Directors is determined in light of: i) the degree of contribution to performance in relation to an

amount in excess of targeted operating income; and ii) the maximum amount of compensation for the Eligible Directors, and the like.

The composition 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.

We chose the performance indicator because operating income, representing income from principal business activities, is an evaluation metric that reflects results very directly.

This performance indicator could potentially be changed in the future by a resolution of the Board of Directors.

Shown below are the target for the indicator for single-fiscal-year performance-based compensation and the actual amount for the fiscal year under review.

	Target	Actual amount
Consolidated operating income	¥800 million	¥908 million

- Medium- to long-term performance-based compensation
Medium- to long-term performance-based compensation (stock-based compensation B) is linked to the degree 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 delivered to the Eligible Directors at the beginning of each fiscal year based on the compensation base amount in accordance with their position. 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 lifted will be determined, regarding such shares granted during such period, in accordance with the degree of achievement of the management target for the medium-term management plan, the degree of enhancement of corporate value, and the like.

The performance indicators for the medium-term management plan from 2021 to 2023 include the level of achievement of consolidated net sales, consolidated operating margin, consolidated ROE and ESG/SDGs.

We chose these performance indicators because we thought it appropriate to consider them exhaustively in order to reflect the Company's performance in Directors' compensation in a multi-faceted manner while attaching importance to growth potential and profitability in light of the purpose of the performance-based compensation scheme, namely to further contribute to raising our corporate value in the medium to long term. This was after linking this type of compensation to business targets specified in the medium-term management plan as it is linked to performance for the plan.

If a new medium-term management plan is formulated in the future, the performance indicators serving as the basis for computing this type of compensation could potentially be changed by a resolution of the Board of Directors.

Shown below are the targets for the indicators for medium- to long-term performance-based compensation. After the term of the medium-term management plan, we will conduct performance evaluations.

	Target	Evaluation ratio
Consolidated net sales	¥8,700 million	30%
Consolidated operating margin	20%	30%
Consolidated ROE	At least 20%	30%
ESG/SDGs	Items shown in the medium-term management plan	10%

- 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 Nomination and Compensation Advisory Committee.

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

(3) Outside Directors and Outside Audit & Supervisory Board Members

- (i) Significant concurrent positions outside the Company as a business executor of other corporations, etc. and relevant relationship between the Company and the other corporations, etc.

Not applicable

- (ii) Significant concurrent positions outside the Company as an outside officer of other corporations, etc. and relevant relationship between the Company and the other corporations, etc.

Kazuhito Osugi, Director concurrently serves as Independent Outside Director of the Board of Nissha Co., Ltd. and Outside Director of The Gunma Bank, Ltd., but there is no special relationship between the Company and these companies.

Keiko Unotoro, Director concurrently serves in the following posts: Outside Director of SAN-AI OBBLI CO., LTD., Outside Director (Audit and Supervisory Committee Member) of OS Co., Ltd., Outside Director of OHBA CO., LTD., Commissioner of Public Security Examination Commission, Advisor of OH-EBASHI LPC & PARTNERS, Part-time Lecturer of Graduate School of Economics of Senshu University, and Auditor of Tokyo Metropolitan Public University Corporation. However, there is no special relationship between the Company and these organizations.

Kazuhiko Shimokobe, Audit & Supervisory Board Member concurrently serves as Outside Auditor of Industrial Growth Platform, Inc., but there is no special relationship between the Company and the corporation.

Nobumichi Hattori, Audit & Supervisory Board Member, concurrently serves as External Director of FAST RETAILING CO., LTD., Outside Director of Hakuholdo DY Holdings Inc., Visiting Professor of Graduate School of Business and Finance of Waseda University, and Visiting Professor of Graduate School of Business Administration of Keio University, but there is no special relationship between the Company and these organizations.

(iii) Main activities in the fiscal year under review

Category	Name	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Board meetings	Outline of main activities and duties executed in relation to roles expected
Director	Kazuhito Osugi	15/15	–	Kazuhito Osugi has been continuing to give diverse statements actively at Board of Directors meetings, provide advice on the management of the Company and each department, and oversee its business execution appropriately from an objective and specialized perspective by tapping into the in-depth knowledge in economy, finance, and business revitalization that he accumulated through serving in key posts at the Bank of Japan and Industrial Revitalization Corporation of Japan. In his capacity as Chairperson of the Nomination and Compensation Advisory Committee, he led deliberations on the policy for election of officers and determination of the details of Directors' compensation.
Director	Keiko Unotoro	15/15	–	Keiko Unotoro has been continuing to make diverse statements actively at Board of Directors meetings, provide advice on the management of the Company and each department, and oversee its business execution appropriately from an objective and specialized perspective by tapping into the in-depth knowledge in economic laws, competition policies, and corporate compliance that she accumulated through serving in key posts at the Fair Trade Commission. Further, she led deliberations on the desired direction of the Company and its Board of Directors in risk management and sustainability.
Full-time Audit & Supervisory Board Member	Takeshi Umemoto	15/15	14/14	Takeshi Umemoto has been conducting audits from an impartial and objective perspective by using his experience in audit operations to lead the Audit & Supervisory Board and giving necessary statements as appropriate from primarily a financial and accounting perspective at Board of Directors meetings and Audit & Supervisory Board meetings. In addition, he has been providing advice and suggestions in the deliberations to ensure the reasonableness and appropriateness of business execution.
Audit & Supervisory Board Member	Kazuhiko Shimokobe	15/15	14/14	Kazuhiko Shimokobe has been conducting audits from an impartial and objective perspective by using his experience of engaging in many corporate revitalization projects as an attorney to make necessary statements as appropriate at Board of Directors meetings and Audit & Supervisory Board meetings. In addition, he has been providing advice and suggestions in the deliberations to ensure the reasonableness and appropriateness of business execution.
Audit & Supervisory Board Member	Nobumichi Hattori	15/15	14/14	Nobumichi Hattori has been conducting audits from an impartial and objective perspective by using his experience at a leading U.S. investment bank as well as his knowledge in business administration as a university professor to make necessary statements as appropriate at Board of Directors meetings and Audit & Supervisory Board meetings. In addition, he has been providing advice and suggestions in the deliberations to ensure the reasonableness and appropriateness of business execution.

Note: Excluding the number of Board of Directors meetings for written resolution.

(iv) Summary of details of limited liability agreement

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into limited liability agreements with Outside Directors and Outside Audit & Supervisory Board Members to limit their liability for damages under Article 423, paragraph (1) of the Companies Act.

Pursuant to such agreements, the defined maximum amount of liability for damages is the minimum liability amount provided for under Article 425, paragraph (1) of the Companies Act with regard to both Outside Directors and Outside Audit & Supervisory Board Members.

(v) Outline of directors and officers liability insurance policy

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, thereby covering losses that may arise from a Director or an Audit & Supervisory Board Member, an insured person, assuming liability incurred in the course of the performance of duties or receiving claims pertaining to the pursuit of such liability. All of Directors and Audit & Supervisory Board Members will be included as the insured of the said insurance policy, and the Company bears insurance premiums for all the insured persons in full.

V Accounting Auditor

(1) Name KPMG AZSA LLC

(2) Compensation, etc.

	Amounts paid
Compensation, etc. paid to Accounting Auditor during the fiscal year under review	¥28,608 thousand
Total amount of monetary and other property benefits to be paid by the Company and its subsidiaries to Accounting Auditor	¥33,608 thousand

Notes: 1. The Audit & Supervisory Board verified as to whether the Accounting Auditor's audit plan, audit status and the basis for calculating the estimated compensation were appropriate, and then decided to agree on the amount.

2. In addition to the above, additional compensation of ¥5,964 thousand was paid for audits of the previous fiscal year.

(3) Description of non-auditing services

Not applicable

(4) Policy for decisions on dismissal and non-reappointment of Accounting Auditor

If the Audit & Supervisory Board judges it necessary, including where there is an obstacle to the execution of duties by the Accounting Auditor, the Audit & Supervisory Board will decide the content of the proposal regarding the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

In addition, if the Accounting Auditor is deemed to fall under any of the items of Article 340, paragraph (1) of the Companies Act, the Audit & Supervisory Board will dismiss the Accounting Auditor based on the unanimous consent of the Audit & Supervisory Board Members. In this case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the dismissal of the Accounting Auditor and the reason for the dismissal at the first General Meeting of Shareholders convened after the dismissal of the Accounting Auditor.

(5) Summary of details of limited liability agreement

Not applicable

VI Overview of the System to Ensure Appropriateness of Business Operations

An overview of the decisions made regarding the systems to ensure that Directors perform their duties in compliance with relevant laws and regulations and the Articles of Incorporation, and other systems to ensure appropriateness of business operations of the Company is as follows.

- (1) System to ensure that the execution of duties by Directors and employees conforms to laws and regulations and the Articles of Incorporation
 - (i) Recognizing that thorough compliance is indispensable for ensuring the survival and sustainable growth of an enterprise, the Company shall strive to make all Directors and all the employees aware of compliance, and provide compliance training to them.
 - (ii) The Audit & Supervisory Board Members shall conduct audits and the Internal Audit Office shall conduct internal audits to confirm that the execution of duties by Directors and employees is properly performed without violating laws and regulations, the Articles of Incorporation, and the internal rules.
 - (iii) Establish a reporting system for violating laws and regulations by stipulating the compliance rules and the internal reporting rules so that the Company can promptly recognize and deal with such acts.

- (2) System for storing and managing information related to the execution of duties by Directors
 - (i) Documents (including electromagnetic documents) related to the execution of duties by Directors shall be stored and managed in accordance with laws and regulations, the Articles of Incorporation, the documentation management rules, and other relevant rules.
 - (ii) These documents (including electromagnetic documents) shall be available per request from Directors and Audit & Supervisory Board Members.

- (3) Frameworks for managing the risks of loss including the relevant internal regulations
 - (i) The Representative Director shall be the Chief Risk Management Officer, and the Company shall establish the risk management rules and frameworks for risk management across the organizations.
 - (ii) Establish the crisis management rules and the reporting and command structure in an emergency so that the Company can identify emergencies promptly and minimize losses.

- (4) System to ensure that Directors perform their duties efficiently
 - (i) In principle, the Board of Directors holds a regular meeting once a month and an extraordinary meeting as necessary to make decisions on important matters in accordance with the rules of the Board of Directors and supervises the execution of duties by Directors.
 - (ii) Matters to be submitted to a Board of Directors meeting shall be subject to discussion at a voluntary meeting of the Nomination and Compensation Advisory Committee and by the Management Committee or the Executive Committee.

- (5) System to ensure appropriateness of business operations in the corporate group comprising the Company and its subsidiaries
 - (i) Establish subsidiary management rules to ensure the appropriateness of the business conducted by the corporate group comprising the Company and its subsidiaries, and manage the subsidiaries in accordance with the rules.
 - (ii) Communicate with the Directors of the subsidiaries on a daily basis to discuss management of the corporate group, and confirm that the subsidiaries are properly operated in accordance with the Company's management policies.

- (6) Matters concerning employees who assist in the duties of Audit & Supervisory Board Members when such Audit & Supervisory Board Members request the assignment of such employees

If Audit & Supervisory Board Members request the assignment of employees who are to assist in Audit & Supervisory Board Members' duties, Directors and Audit & Supervisory Board Members shall discuss and decide the assignment.

- (7) Matters related to independence of employees of the preceding item from Directors

If putting in place employees set forth in the preceding item, such employees shall not belong to the business operation and follow the instructions of the Audit & Supervisory Board Members. The opinions of the Audit & Supervisory Board shall be respected regarding the transfer of such employees, personnel assessments, and disciplinary actions.

- (8) Matters on securing the effectiveness of instruction to employees set forth in item 6 for Audit & Supervisory Board Members

If putting in place employees set forth in item 6, the Full-time Audit & Supervisory Board Member should check the status of duty execution by such employees by having a meeting with them periodically.

- (9) System for reporting by Directors and employees to Audit & Supervisory Board Members and other systems involving reporting to Audit & Supervisory Board Members

- (i) Directors and employees shall make a business report upon request from the Audit & Supervisory Board Members.
- (ii) Full-time Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings, and receive reports on important matters from Directors and employees.

- (10) The system to ensure that a person who has submitted a report as described in the preceding item is not treated disadvantageously on account of having reported it

As the internal reporting rules provide that a person who has done whistleblowing shall not be treated disadvantageously on account of having done so, operations will be run in conformity to the rules.

- (11) Matters on the policy to process expenses and liabilities that are incurred due to execution of duties by Audit & Supervisory Board Members

- (i) The Audit & Supervisory Board secures a budget required for executing an audit plan it approves.
- (ii) If being requested by an Audit & Supervisory Board Member to pay an expense for execution of his/her duties, the Company pays it swiftly unless deeming it evidently unnecessary for the execution.
- (iii) Control and payment of expenses for execution of duties by Audit & Supervisory Board Members are done by Audit & Supervisory Board Members and employees who assist in their duties.

- (12) Other systems for ensuring effective auditing by the Audit & Supervisory Board Members

- (i) The Audit & Supervisory Board shall establish the Audit & Supervisory Board rules and auditing standards for corporate audits, prepare an audit plan, explain its contents at the Board of Directors meetings, and obtain understanding and cooperation regarding the implementation of audits.
- (ii) Audit & Supervisory Board Members shall exchange opinions with Representative Directors through regular meetings.

(iii) Audit & Supervisory Board Members shall witness internal audits conducted by internal auditors, exchange opinions with internal auditors and coordinate closely with related departments to ensure the effectiveness of audits.

(13) System to ensure appropriateness of financial reports

Directors and employees shall ensure the appropriateness of financial reports through business execution in compliance with the “Basic policy for the maintenance, operation and evaluation of internal controls related to financial reporting.”

(14) Basic thinking on exclusion of antisocial forces and development status

The Company will confront any antisocial forces sternly and blocks any relationship with them. In addition, in order to block relationships with antisocial forces, the Company shall establish the compliance rules and other internal rules.

VII Overview of the Operational Status of the System to Ensure Appropriateness of Business Operations

An overview of the operational status of the systems to ensure that Directors perform their duties in compliance with relevant laws and regulations and the Articles of Incorporation, and other systems to ensure appropriateness of business operations of the Company is as follows.

- (1) The operational status of the system to ensure that the execution of duties by Directors and employees conforms to laws and regulations and the Articles of Incorporation
 - (i) To ensure thorough compliance, compliance training was provided to the Company's officers and employees. The Company has also created an environment in which the officers and employees can view the internal rules at any time. Furthermore, when the internal rules were changed during the fiscal year under review, the Company sent a notice to all officers and employees to inform them.
 - (ii) The Audit & Supervisory Board Members conducted audits and the Internal Audit Office conducted internal audits to confirm that the execution of duties by Directors and employees is properly performed without violating laws and regulations, the Articles of Incorporation, and the internal rules.
 - (iii) The Company has set up the compliance rules and operates a whistleblower contact based on the internal reporting rules.

- (2) The operational status of the system for storing and managing information related to the execution of duties by Directors

Documents (including electromagnetic documents) related to the execution of duties by Directors are stored and managed in accordance with laws and regulations, the Articles of Incorporation, the documentation management rules, and other relevant rules.

- (3) The operational status of the frameworks for managing the risks of loss including the relevant internal regulations

Financial risks are appropriately managed based on the risk management rules and the crisis management rules. During the fiscal year under review, the Risk Management Committee met three times to formulate the basic policy and an annual plan for risk management, identify risks, and implement and provide guidance on measures and policies for risks.

- (4) The operational status of the system to ensure that Directors perform their duties efficiently

During the fiscal year under review, 15 meetings of the Board of Directors were held to make decisions on important matters in accordance with the rules of the Board of Directors and supervise the execution of duties by Directors.

- (5) The operational status of the system to ensure appropriateness of business operations in the Group, comprising the Company and its subsidiaries
 - (i) The subsidiaries were managed in accordance with the subsidiary management rules to ensure the appropriateness of the business conducted by the Group, comprising the Company and its subsidiaries. Training to ensure thorough compliance was provided to the officers and employees of the subsidiaries.
 - (ii) The Company communicated with the Directors of the subsidiaries on a daily basis and requested reporting as needed to discuss management of the Group, and confirmed that the subsidiaries are properly operated in accordance with the Company's management policies.

- (6) Operation status for matters concerning employees who assist in the duties of Audit & Supervisory Board Members when such Audit & Supervisory Board Members request the assignment of such employees

The Company does not have a full-time employee to assist in the duties of Audit & Supervisory Board Members. However, two employees concurrently assist in the administrative work of the Audit & Supervisory Board.

- (7) Operation status for matters related to independence of employees of the preceding item from Directors
When carrying out the administrative work of the Audit & Supervisory Board, these employees follow the instructions and orders of the Audit & Supervisory Board Members and do not belong to the command system for business execution.
- (8) Operation status for matters on securing the effectiveness of instruction to employees set forth in item 6 for Audit & Supervisory Board Members
Full-time Audit & Supervisory Board Members check the status of duty execution by such employees by having a meeting with them periodically.
- (9) The operational status of the system for reporting by Directors and employees to Audit & Supervisory Board Members and other systems involving reporting to Audit & Supervisory Board Members
Full-time Audit & Supervisory Board Members attended the Board of Directors meetings and other important meetings, and received reports on important matters from officers and employees.
- (10) Operation status for the system to ensure that a person who has submitted a report as described in the preceding item is not treated disadvantageously on account of having reported it
No person who has submitted a report to an Audit & Supervisory Board Member has been treated disadvantageously.
- (11) Operational status for matters relating to the policy to process expenses and liabilities that are incurred due to execution of duties by Audit & Supervisory Board Members
- (i) If being requested by an Audit & Supervisory Board Member to pay an expense for execution of his/her duties, the Company pays it swiftly.
 - (ii) Control and payment of expenses for execution of duties by Audit & Supervisory Board Members are done by Audit & Supervisory Board Members and employees who assist in their duties.
- (12) The operational status of other systems for ensuring effective auditing by the Audit & Supervisory Board Members
- (i) The Audit & Supervisory Board prepared an audit plan, and Audit & Supervisory Board Members explained the contents at the Board of Directors meetings.
 - (ii) The Audit & Supervisory Board Members held two regular meetings during the year with Representative Directors and exchanged opinions.
 - (iii) The Audit & Supervisory Board Members held two regular meetings during the year with Outside Directors and exchanged opinions.
 - (iv) Audit & Supervisory Board Members exchanged opinions with internal auditors on a regular basis.
- (13) The operational status of the system to ensure appropriateness of financial reports
Directors and employees executed business in compliance with the “Basic policy for the maintenance, operation and evaluation of internal controls related to financial reporting.”
- (14) Basic thinking on exclusion of antisocial forces and operation status
In order to avoid contact with antisocial forces, antisocial force checks were carried out prior to commencement of transactions, and in order to block relationships with antisocial forces, provisions for exclusion of antisocial forces are included in contracts.

VIII Basic Policy Regarding Control of the Company

Not applicable

Note: The amounts stated in this Business Report are rounded down to the unit used for presentation.

Consolidated Balance Sheet

(As of December 31, 2022)

(Thousands of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	4,276,116	Current liabilities	1,868,624
Cash and deposits	3,199,089	Accounts payable	71,030
Notes and accounts receivable, and contract assets	912,827	Current portion of long-term borrowings	138,388
Operational investment securities	23,833	Accounts payable-other	128,860
Other	164,580	Income taxes payable	288,143
Allowance for doubtful accounts	(24,214)	Provision for bonuses	764,486
Fixed assets	1,375,149	Provision for officers' bonuses	5,050
Tangible assets	313,716	Provision for shareholder benefit program	13,924
Buildings	282,593	Other	458,742
Tools, furniture, and fixtures	31,122	Long-term liabilities	774,063
Intangible assets	294,454	Long-term borrowings	639,313
Software	10,471	Asset retirement obligations	134,750
Goodwill	265,130	Total liabilities	2,642,688
Customer-related assets	18,750	Net assets	
Other	102	Shareholders' equity	2,918,939
Investments and other assets	766,978	Paid-in Capital	210,062
Investment securities	3,591	Capital surplus	577,503
Stocks of subsidiaries and affiliates	51,707	Retained earnings	2,139,619
Investments in capital of subsidiaries and associates	2,485	Treasury stock	(8,246)
Lease deposits	361,403	Other accumulated comprehensive income	8,352
Deferred tax assets	346,194	Foreign currency translation adjustment	8,352
Other	1,595	Stock acquisition right	34,673
Deferred assets	7,379	Non-controlling interests	53,990
Organization expenses	7,379	Total net assets	3,015,956
Total assets	5,658,644	Total liabilities and net assets	5,658,644

Note: The amounts stated in the Balance Sheet are rounded down to the nearest thousand yen.

Consolidated Statement of Income
(from January 1, 2022 to December 31, 2022)

(Thousands of yen)

Item	Amount	
Net sales		7,915,655
Cost of sales		3,230,126
Gross profit		4,685,528
Selling, general and administrative expenses		3,777,396
Operating income		908,131
Non-operating income		
Interest income	158	
Equity in earnings of affiliates	8,059	
Insurance dividend income	1,802	
Administrative fees received	1,502	
Foreign exchange gains	9,158	
Other	375	21,057
Non-operating expenses		
Interest expense	7,429	
Other	247	7,676
Ordinary income		921,511
Extraordinary loss		
Loss on valuation of investment securities	53,505	53,505
Income before income taxes		868,006
Income taxes	366,689	
Income taxes-deferred	(65,019)	301,670
Net income		566,336
Net income attributable to non-controlling interests		9,614
Net income attributable to owners of parent		556,722

Note: The amounts stated in the Statement of Income are rounded down to the nearest thousand yen.

Consolidated Statement of Shareholders' Equity

(from January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Shareholders' equity					Other accumulated comprehensive income		Stock acquisition right	Non-controlling interests	Total net assets
	Paid-in Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation adjustment	Total other accumulated comprehensive income			
Balance as of January 1, 2022	178,723	558,745	1,696,822	(36,575)	2,397,717	9,380	9,380	46,969	-	2,454,066
Change during the fiscal year under review										
Issuance of new shares (exercise of subscription rights to shares)	26,806	26,806			53,613					53,613
Dividends			(113,925)		(113,925)					(113,925)
Net income attributable to owners of parent			556,722		556,722					556,722
Restricted share awards	4,532	(8,048)		28,329	24,812					24,812
Net changes of items other than shareholders' equity (net)						(1,027)	(1,027)	(12,295)	53,990	40,666
Total changes during the year under review	31,338	18,758	442,796	28,329	521,222	(1,027)	(1,027)	(12,295)	53,990	561,889
Balance as of December 31, 2022	210,062	577,503	2,139,619	(8,246)	2,918,939	8,352	8,352	34,673	53,990	3,015,956

Note: The amounts stated in the Statement of Shareholders' Equity are rounded down to the nearest thousand yen.

Non-consolidated Balance Sheet

(As of December 31, 2022)

(Thousands of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	3,214,359	Current liabilities	1,745,513
Cash and deposits	2,187,359	Accounts payable	71,215
Notes and accounts receivable, and contract assets	857,016	Current portion of long-term borrowings	136,000
Operational investment securities	23,833	Accounts payable-other	115,650
Prepaid expenses	120,335	Accrued expenses	139,316
Advances paid	41,232	Contract liabilities	14,220
Other	8,423	Deposits received	59,848
Allowance for doubtful accounts	(23,839)	Income taxes payable	274,196
Fixed assets	2,432,254	Accrued consumption taxes	174,031
Tangible assets	306,493	Provision for bonuses	745,174
Buildings	275,435	Provision for shareholder benefit program	13,924
Tools, furniture, and fixtures	31,057	Other	1,934
Intangible assets	10,346	Long-term liabilities	765,010
Software	10,244	Long-term borrowings	638,000
Other	102	Asset retirement obligations	127,010
Investments and other assets	2,115,415	Total liabilities	2,510,524
Investment securities	3,294	Net assets	
Stocks of subsidiaries and affiliates	1,380,613	Shareholders' equity	3,101,416
Investments in capital of subsidiaries and associates	2,500	Paid-in Capital	210,062
Long-term loans receivable from subsidiaries and associates	30,000	Capital surplus	577,503
Long-term accounts receivable - other	20,601	Capital reserve	210,062
Lease deposits	333,584	Other capital surplus	367,441
Deferred tax assets	347,568	Retained earnings	2,322,095
Allowance for doubtful accounts	(2,747)	Other retained earnings	2,322,095
		Retained earnings brought forward	2,322,095
		Treasury stock	(8,246)
		Stock acquisition right	34,673
		Total net assets	3,136,089
Total assets	5,646,614	Total liabilities and net assets	5,646,614

Note: The amounts stated in the Balance Sheet are rounded down to the nearest thousand yen.

Non-consolidated Statement of Income

(from January 1, 2022 to December 31, 2022)

(Thousands of yen)

Item	Amount	
Net sales		7,546,117
Cost of sales		3,014,856
Gross profit		4,531,261
Selling, general and administrative expenses		3,452,408
Operating income		1,078,852
Non-operating income		
Interest income	169	
Insurance dividend income	1,802	
Administrative fees received	3,115	
Foreign exchange gains	4,840	
Other	182	10,110
Non-operating expenses		
Interest expense	7,353	7,353
Ordinary income		1,081,609
Extraordinary income		
Gain on reversal of allowance for doubtful accounts for subsidiaries and associates	12,438	12,438
Extraordinary loss		
Loss on valuation of investment securities	53,505	53,505
Income before income taxes		1,040,542
Income taxes	356,257	
Income taxes-deferred	(70,212)	286,045
Net income		754,497

Note: The amounts stated in the Statement of Income are rounded down to the nearest thousand yen.

Non-consolidated Statement of Shareholders' Equity

(from January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Shareholders' equity								Stock acquisition right	Total net assets
	Paid-in Capital	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity		
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings				
					Retained earnings brought forward					
Balance as of January 1, 2022	178,723	178,723	380,022	558,745	1,681,523	1,681,523	(36,575)	2,382,418	46,969	2,429,387
Change during the year										
Issuance of new shares (exercise of subscription rights to shares)	26,806	26,806		26,806				53,613		53,613
Dividends					(113,925)	(113,925)		(113,925)		(113,925)
Net income					754,497	754,497		754,497		754,497
Restricted share awards	4,532	4,532	(12,580)	(8,048)			28,329	24,812		24,812
Net changes of items other than shareholders' equity (net)									(12,295)	(12,295)
Total changes during the year	31,338	31,338	(12,580)	18,758	640,571	640,571	28,329	718,997	(12,295)	706,702
Balance as of December 31, 2022	210,062	210,062	367,441	577,503	2,322,095	2,322,095	(8,246)	3,101,416	34,673	3,136,089

Note: The amounts stated in the Statement of Shareholders' Equity are rounded down to the nearest thousand yen.

Audit Report

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the execution of duties of the Directors during the 16th Fiscal Year from January 1, 2022 to December 31, 2022, based on the audit reports prepared by each Audit & Supervisory Board Member and hereby reports as follows:

1. Auditing Method Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof
 - (1) The Audit & Supervisory Board, having established an auditing policy and audit plan including division of duties, received from each Audit & Supervisory Board Member reports on the execution of audits and results thereof, and in addition, received from the Directors and Accounting Auditor reports on the execution of their duties and sought explanations as necessary.
 - (2) In compliance with the auditing standards for corporate audits established by the Audit & Supervisory Board, and in accordance with the auditing policy and division of duties, each Audit & Supervisory Board Member has communicated with the Directors, employees of the Internal Audit Department and other relevant personnel, collected information, improved the audit environment, and conducted audits using the following methods, while making use of media such as the phone and the Internet.
 - (i) We attended the Board of Directors meetings and other important meetings, received reports from the Directors, employees, and other relevant personnel regarding the execution of their duties, sought explanations as necessary, inspected important internal approval documents, and examined the operations and assets of the Company at the Head Office. We also communicated and exchanged information with the Directors and Audit & Supervisory Board Members of the subsidiaries, and received business reports from the subsidiaries as necessary.
 - (ii) We regularly received reports from the Directors and personnel in the internal audit division and other relevant departments, sought their explanations as necessary, and expressed our opinions with respect to the development and operation status of systems that are necessary to ensure that the execution of duties by the Directors stated in the Business Report complies with laws and regulations and with the Company's Articles of Incorporation; and other systems (internal control system), which have been developed in compliance with resolutions from the Board of Directors prescribed by Article 100, paragraphs (1) and (3) of the Ordinance for Enforcement of the Companies Act of Japan as systems necessary to ensure the properness of business operations of a corporate group comprising a stock company and its subsidiaries.
 - (iii) We also monitored and examined whether the Accounting Auditor maintains its independence and implement appropriate audits, received reports from the Accounting Auditor on the execution of their duties, and sought explanations as necessary. We also received notification from the Accounting Auditor that the "System for ensuring that duties are performed properly" (as enumerated in each Item of Article 131 of the Regulation on Corporate Accounting) have been established in accordance with the Quality Control Standards for Audits (Business Accounting Council, October 28, 2005) and other relevant standards and sought explanations as necessary.

Based on the foregoing method, we reviewed the Business Report for the fiscal year under review, its supplementary data, and Non-consolidated Financial Statements (Non-consolidated Balance Sheets, Non-consolidated Statements of Income, Non-consolidated Statements of Shareholders' Equity, and notes to the Non-consolidated Financial Statements), as well as its supplementary data and Consolidated Financial Statements (Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Shareholders' Equity, and notes to the Consolidated Financial Statements).

2. Audit results

(1) Audit results on the Business Report, etc.

- (i) In our opinion, the Business Report and supplementary data fairly represent the Company's condition in conformity with the applicable laws and regulations as well as the Articles of Incorporation of the Company.
- (ii) We have found no evidence of misconduct or material facts in violation of the applicable laws and regulations or the Articles of Incorporation of the Company in the course of the execution of duties of the Directors.
- (iii) In our opinion, the content of the resolutions of the Board of Directors regarding the internal control systems is appropriate. Furthermore, we have found no matters to be pointed out in regard to the contents of the Business Report and the execution of duties by the Directors regarding the internal control systems.

(2) Audit results of the Non-consolidated Financial Statements and Supplementary Data

In our opinion, the method and results of the audit employed and rendered by KPMG AZSA LLC, the Accounting Auditor, are fair and reasonable.

(3) Audit results of the Consolidated Financial Statements

In our opinion, the method and results of the audit employed and rendered by KPMG AZSA LLC, the Accounting Auditor, are fair and reasonable.

February 17, 2023

Audit & Supervisory Board
Frontier Management Inc.

Full-time Audit & Supervisory Board Member	Takeshi Umemoto
Audit & Supervisory Board Member	Kazuhiko Shimokobe
Audit & Supervisory Board Member	Nobumichi Hattori

Note: Mr. Umemoto, Audit & Supervisory Board Member, Mr. Shimokobe, Audit & Supervisory Board Member, and Mr. Hattori, Audit & Supervisory Board Member, are Outside Audit & Supervisory Board Members as stipulated in Article 2, item (xvi) and Article 335, paragraph (3) of the Companies Act.