

# Securities Report

**15th Fiscal Year (FY2021)**

**From January 1, 2021**

**To December 31, 2021**

**Frontier Management Inc.**

3-2-1 Roppongi, Minato-ku, Tokyo, Japan

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## Front cover

Submitted document	Securities Report
Legal basis	Article 24, Paragraph (1) of the Financial Instruments and Exchange Act
Submit to	Director-General of the Kanto Local Finance Bureau
Submission date	March 24, 2022
Fiscal year	15th Fiscal Year (from January 1, 2021 to December 31, 2021)
Company name	Frontier Management Inc.
Name translated in English	Frontier Management Inc.
Job title/Name of representative	Shoichiro Onishi, Representative Director, Co-President and Executive Officer
Location of head office	3-2-1 Roppongi, Minato-ku, Tokyo, Japan
Telephone	03-6862-8335
Administrative contact	Hiroaki Hamada, Executive Officer and Head of Company Planning and Administration Department
Contact location	3-2-1 Roppongi, Minato-ku, Tokyo, Japan
Telephone	03-6862-8335
Administrative contact	Hiroaki Hamada, Executive Officer and Head of Company Planning and Administration Department
Place available for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

## Section I. Corporate Information

### I. Company Overview

#### 1. Changes in Key Management Indicators, Etc.

##### (1) Key management indicators, etc.

Fiscal year		11th fiscal year (FY2017)	12th fiscal year (FY2018)	13th fiscal year (FY2019)	14th fiscal year (FY2020)	15th fiscal year (FY2021)
Fiscal year-end		Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Net sales	(Thousands of yen)	3,880,452	4,690,065	4,771,144	5,192,527	5,741,654
Ordinary income	(Thousands of yen)	254,237	676,615	678,872	575,633	514,576
Net income attributable to owners of parent	(Thousands of yen)	144,213	472,434	429,382	420,515	338,707
Comprehensive income	(Thousands of yen)	142,915	475,292	430,556	420,304	336,103
Net assets	(Thousands of yen)	741,979	1,897,531	2,185,341	2,448,598	2,454,066
Total assets	(Thousands of yen)	1,970,827	3,623,692	3,269,111	3,792,731	3,819,274
Net assets per share	(Yen)	74.10	166.39	191.63	213.05	215.40
Net income per share	(Yen)	14.40	45.64	37.65	36.89	29.70
Diluted net income per share	(Yen)	–	45.30	36.68	36.05	29.24
Equity ratio	(%)	37.6	52.4	66.8	64.6	63.0
Return on equity (ROE)	(%)	21.5	35.8	21.0	18.1	14.0
Price-earnings ratio (PER)	(Times)	–	16.16	19.26	64.59	25.28
Cash flows from operating activities	(Thousands of yen)	358,334	629,176	137,641	456,102	316,813
Cash flows from investing activities	(Thousands of yen)	(13,684)	(22,045)	(203,350)	(59,305)	(31,524)
Cash flows from financing activities	(Thousands of yen)	(175,000)	649,168	(317,748)	(230,684)	(404,765)
Cash and cash equivalents at end of period	(Thousands of yen)	860,870	2,116,453	1,733,235	1,899,100	1,784,218
Number of employees	(Persons)	153	165	177	227	257

- (Notes)
1. Consumption taxes are not included in net sales.
  2. Diluted net income per share for the 11th fiscal year is not recorded because there was no diluted stock.
  3. Price-earnings ratio (PER) for the 11th fiscal year is not recorded because the Company was not listed.
  4. Diluted net income per share for the 12th fiscal year is calculated with the average stock price from the date of new listing to the end of the 12th fiscal year assumed as the average stock price during the period, because the Company was listed on the Mothers Market of the Tokyo Stock Exchange on September 28, 2018.
  5. The Company carried out a 1,000-for-1 common stock split on July 13, 2018, a 2-for-1 common stock split on October 1, 2019, and a 2-for-1 common stock split on January 1, 2021. Net assets per share, net income per share and diluted net income per share were calculated as if these stock splits had taken place at the start of the 11th fiscal year.

## (2) Key management indicators, etc. of submitter company

Fiscal year		11th fiscal year (FY2017)	12th fiscal year (FY2018)	13th fiscal year (FY2019)	14th fiscal year (FY2020)	15th fiscal year (FY2021)
Fiscal year-end		Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Net sales	(Thousands of yen)	3,843,075	4,690,065	4,762,968	5,188,593	5,732,196
Ordinary income	(Thousands of yen)	246,520	665,292	660,550	556,817	513,057
Net income	(Thousands of yen)	344,955	461,787	417,231	413,157	345,454
Paid-in capital	(Thousands of yen)	158,137	158,137	158,137	163,530	178,723
Total number of shares issued	(Shares)	2,853	2,853,000	5,706,000	5,777,900	11,418,398
Net assets	(Thousands of yen)	741,926	1,883,974	2,158,459	2,414,569	2,429,387
Total assets	(Thousands of yen)	1,970,832	3,610,673	3,243,878	3,759,798	3,800,171
Net assets per share	(Yen)	74.10	165.20	189.27	210.09	213.24
Dividend per share (Of which, interim dividend per share)	(Yen)	17,300 (-)	50 (-)	23 (-)	24 (-)	10 (-)
Net income per share	(Yen)	34.45	44.61	36.58	36.24	30.29
Diluted net income per share	(Yen)	-	44.28	35.65	35.42	29.82
Equity ratio	(%)	37.6	52.2	66.5	64.2	62.7
Return on equity (ROE)	(%)	60.6	35.2	20.6	18.1	14.5
Price-earnings ratio (PER)	(Times)	-	16.53	19.83	65.75	24.79
Dividend payout ratio	(%)	12.6	28.0	31.4	33.1	33.0
Number of employees	(Persons)	152	164	177	226	256
Total shareholder return (TSR)	(%)	-	-	99.9	326.3	106.4
(Comparative index: Dividend-included TOPIX)	(%)	(-)	(-)	(118.1)	(126.8)	(143.0)
Highest stock price	(Yen)	-	7,990	1,488 (4,260)	2,453 (6,540)	2,635
Lowest stock price	(Yen)	-	2,601	1,151 (2,029)	2,283 (1,281)	681

- (Notes)
1. Consumption taxes are not included in net sales.
  2. Diluted net income per share for the 11th fiscal year is not recorded because there was no diluted stock.
  3. Price-earnings ratio (PER) for the 11th fiscal year is not recorded because the Company was not listed.
  4. In the 11th fiscal year, the Company took over Frontier Turnaround Inc., its consolidated subsidiary, through an absorption-type merger. In conjunction with this merger, gain on extinguishment of tie-in shares of ¥193,948 thousand was recorded.
  5. Diluted net income per share for the 12th fiscal year is calculated with the average stock price from the date of new listing to the end of the 12th fiscal year assumed as the average stock price during the period, because the Company was listed on the Mothers Market of the Tokyo Stock Exchange on September 28, 2018.
  6. The Company carried out a 1,000-for-1 common stock split on July 13, 2018, a 2-for-1 common stock split on October 1, 2019, and a 2-for-1 common stock split on January 1, 2021. Net assets per share, net income per share and diluted net income per share were calculated as if these stock splits had taken place at the start of the 11th fiscal year. Dividend per share reflects the amount of actual dividend prior to the aforementioned stock splits.
  7. Total shareholder return and comparative indicator for the 11th fiscal year and 12th fiscal year are not recorded, because the Company was listed on the Mothers Market of the Tokyo Stock Exchange on September 28, 2018.
  8. The Company switched its listing from the Mothers Market of the Tokyo Stock Exchange to the First Section of the said exchange effective September 7, 2020. The highest stock price and the lowest stock price on and before September 6, 2020 are on the Mothers Market of the Tokyo Stock Exchange while those from September 7, 2020 are on the First Section

of the said exchange. However, since the Company was listed on the Mothers Market of the Tokyo Stock Exchange effective September 28, 2018, the data on stock prices before this date do not apply.

9. The Company carried out a 2-for-1 common stock split on October 1, 2019, and a 2-for-1 common stock split on January 1, 2021. The highest stock price and the lowest stock price after ex-rights of the aforesaid stock splits are recorded for the stock prices of the 13th fiscal year and the 14th fiscal year, and the highest stock price and the lowest stock price before the ex-rights of the aforesaid stock splits are indicated in the parentheses.

## 2. History

Many members of Frontier Management Inc. (“the Company”) at the time of its foundation, including Representative Directors Shoichiro Onishi and Masahiro Matsuoka, were from Industrial Revitalization Corporation of Japan<sup>(Note)</sup> where they acquired a great deal of know-how on operations for management consulting, business revitalization and M&A through handling many projects.

To facilitate the execution of operations while solving various issues in management consulting, business revitalization and M&A projects, it is necessary to arrive at a total optimum solution by combining complex and advanced expertise as well as know-how in a variety of areas including business, finance, accounting and law. Generally, companies with needs for services of management consulting, business revitalization and M&A establish a special in-house team to execute the said operations and complement necessary expertise by individually hiring different companies and groups, such as a management consulting company, an investment bank, an accounting office and a law office, for each project.

However, it is not necessarily easy to facilitate the execution of operations for management consulting, business revitalization and M&A in a unified manner, because multiple experts need to cooperate while maintaining close communication. This is because each expert belongs to a company or group with its own organizational policy and circumstances in different locations. Mutual understanding could also be deemed insufficient in some cases.

Therefore, a special team of companies need to perform the difficult task of arriving at a total optimum solution by communicating with the expert group in each area and combining individually presented and partially optimum solutions to be considered comprehensively on their own.

In order to solve this issue, Shoichiro Onishi and Masahiro Matsuoka, the founders of the Company, came up with an idea of collecting experts with diverse backgrounds, such as a management consultant, an industrial analyst, business experts including those from business corporations, an M&A specialist from an investment bank, and institutional experts, such as a lawyer, a certified public accountant and a certified tax accountant, in a single consulting firm. They thought that if they could provide various management support services in one stop by finding experts in each area that meet the required needs as a single team from the in-house collection of experts, they could not only dramatically increase the convenience of customer companies, but also provide total optimum solutions to solve complex and advanced management issues facing the customer companies.

Given these circumstances, Shoichiro Onishi and Masahiro Matsuoka established the Company in January 2007 with other initial members who agreed with the idea for comprehensively solving management issues that are becoming increasingly complex and advanced, making excellent use of various expert methods by accepting an investment from RISA Partners, Inc. (currently, the capital relationship is dissolved).

(Note) Industrial Revitalization Corporation of Japan is a timed organization established in 2003 based on the Industrial Revitalization Corporation Act. It was dissolved in March 2007, with the termination of its operations.

Month & Year	History
January 2007	Frontier Management Inc. (capital stock: ¥85,000 thousand) was established in Minato-ku, Tokyo for the purpose of comprehensively solving management issues that are becoming increasingly complex and advanced by making excellent use of various expert methods.
November 2008	Head office was relocated to 3-2-11 Kudankita, Chiyoda-ku, Tokyo.
October 2011	Frontier Management (Shanghai) Inc. (consolidated subsidiary) was established in Shanghai, China for the purpose of providing Chinese companies and Japanese companies aiming to make inroads in China with various management support services, including management consulting and M&A.
September 2012	Frontier Turnaround Inc. (consolidated subsidiary) was established in Chiyoda-ku, Tokyo for the purpose of separating the Consulting Division that conducted hands-on management reform support (station-type support for implementation of management reforms) operations and other related operations from the Company and further strengthening these operations.
December 2012	Singapore Branch was opened as an information base to develop the market in Asia other than China for management consulting and cross-border M&A.
July 2014	Nagano Branch was opened in Nagano City, Nagano for the purpose of realizing community-based management support services.
August 2014	Osaka Branch was opened in Kita-ku, Osaka City, Osaka for the purpose of realizing community-based management support services.
May 2016	Frontier Business School was opened as an education and training business for officers and employees of business companies and financial institutions.

Month & Year	History
April 2017	Re-positioning the turnaround business as its core, the Company took over Frontier Turnaround Inc. through an absorption-type merger to further develop the turnaround business by solidifying cooperation with other resources in the Company.
June 2017	New York Branch was opened in New York, the U.S. for the purpose of strengthening the support system for the advancement and business expansion of Japanese companies in the North American region.
November 2017	FCD Partners Inc. (equity-method affiliate) was established as a joint venture with Development Bank of Japan Inc. for the purpose of providing customers with financial support services.
December 2017	The Company invested in FCD No. 1 Investment Business Limited Partnership.
September 2018	Listed on TSE Mothers.
July 2019	Nagoya Branch was opened in Nagoya City, Aichi for the purpose of realizing community-based management support services.
July 2019	Head office was relocated to 3-2-1 Roppongi, Minato-ku, Tokyo.
September 2020	Changed stock market listing to the First Section of the Tokyo Stock Exchange.



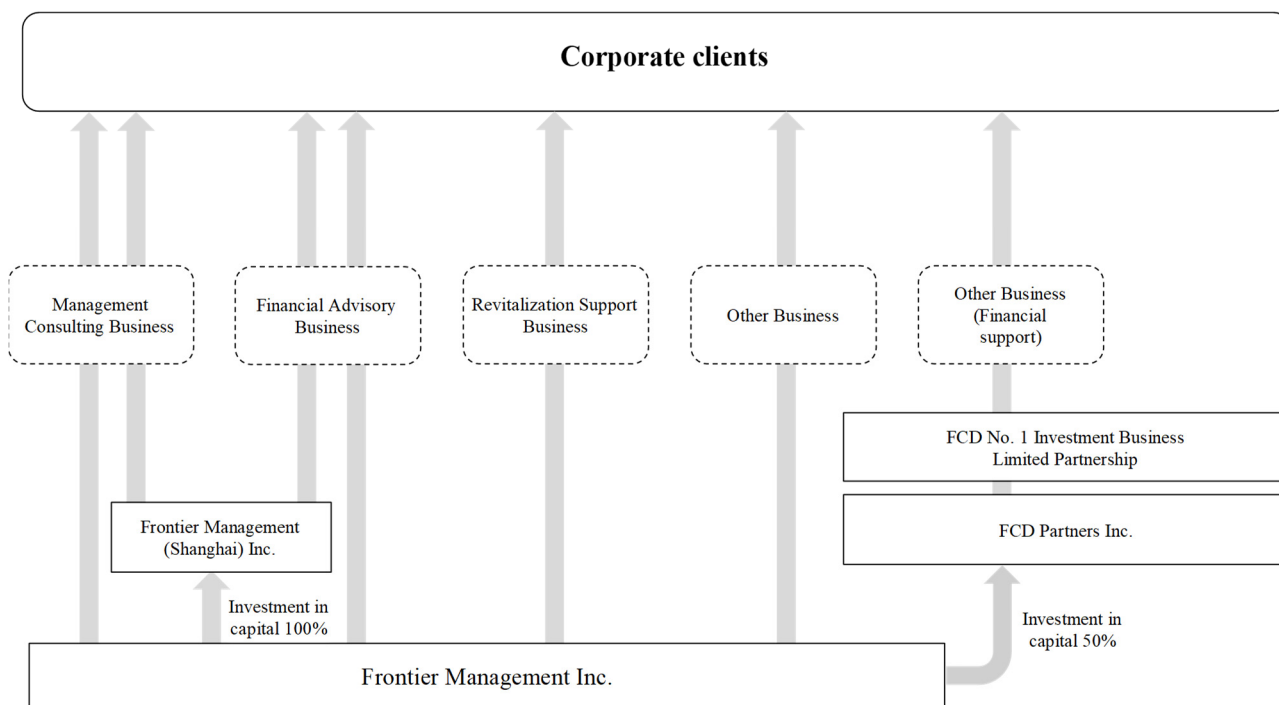
### 3. Description of Business

The Frontier Management Group consists of three companies: the Company (Frontier Management Inc.), a consolidated subsidiary (Frontier Management (Shanghai) Inc.), and an affiliate accounted for by the equity method (FCD Partners Inc.).

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, financial advisory services and revitalization support, as its core business fields.

The Group provides these services alone or in combination, depending on the needs of its corporate clients. 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.

[Business Structure]



The Group’s business is comprised of a single segment. Sales of the Group are classified into the (1) Management Consulting Business, (2) Financial Advisory Business, (3) Revitalization Support Business, and (4) Other Business.

(Outline of each business of the Group)

#### (1) Management Consulting Business

For corporate clients, 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 corporate clients 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 also 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 corporate client belongs and

expands the breadth of solutions it can offer. In this way the Group constantly improves the quality of its services.

(2) Financial Advisory Business

For corporate clients 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 terms 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 subsidiaries 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.

(3) 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 corporate client's management team, providing direct support for the execution of revitalization plans and management innovation. The Group commits fully and directly with the corporate client to draft the revitalization plan and implement management innovation, seeing the project through to realization.

(4) Other Business

In relation to the Revitalization Support Business and Financial Advisory Business, the Group offers research services (legal, financial and tax due diligence) conducted by lawyers, 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.

In addition, through FCD Partners Inc., an affiliate of the Group, the Group offers financial support (investment) via funds.

The Group has continued to be strongly conscious of enhancing the corporate value of client companies since its foundation. In order to accommodate diverse client needs, we have continued to focus on providing a variety of solutions and securing various experts to support those solutions.

As a result of keeping this focus, the Group has come to have the following features.

(Features of the Group)

(1) Experts in a diverse range of fields

The Group's professionals (experts providing various management support services to corporate clients) include institutional experts, such as a lawyer, a certified public accountant, and a certified tax accountant, management consultants, industrial analysts, business experts, including those from investment banks, business corporations and financial institutions, and other specialists. Since its founding, the Group has continued to consciously hire experts with diverse backgrounds to maintain a well-rounded base of expertise. Establishing such a portfolio of human resources enables the Group to provide a variety of solutions as follows.

(2) A variety of solutions

The Group engages in the Management Consulting Business, the Financial Advisory Business, the Revitalization Support Business, and Other Business, providing relevant services alone or in combination to clients. Being capable of offering diverse solutions enables the Group to propose a total optimum solution and offer integrated support to clients.

For example, proposals to enhance the corporate value of a client provided by a company specializing in M&A advisory are basically limited to supporting M&A while those from a company specializing in management consulting are basically limited to supporting self-driven growth. Meanwhile, the Group can offer proposals that meet the wide-ranging needs of clients because of its capabilities to comprehensively provide services.

The management environment surrounding companies is drastically changing due to globalization in the capital and product markets, decline in the workforce, changes in legal and accounting systems, deregulation and tightening of regulations and other factors. Companies are expected to have the capability to comprehensively utilize knowledge and information across different fields in an environment that is becoming increasingly complicated and sophisticated.

However, when solving highly complicated and sophisticated management issues across multiple areas of expertise, although an optimal solution for each field can be attained by consulting an expert in each field, it is not easy to derive a total optimum solution through integrating the individual solutions obtained.

Having in-house specialists who are well versed in their respective fields, the Group assembles teams of specialists optimized for each project. These in-house specialists closely cooperate with one another and comprehensively bring together the expertise across multiple fields to derive a total optimum solution. It is in this way that the Group offers strong, speedy, one-stop support services with high quality for solving management issues.

In addition, by being capable of adjusting interests based on abundant experience and executing hands-on support, the Group can offer integrated support, from drafting the necessary measures to realize the total optimum solution derived to executing such measures.

(3) Strong commitment

In carrying out projects, the Group is committed to enhancing the corporate value of clients. Ever since its founding, the Group has demonstrated strength in supporting business revitalization. Since an inadequate level of commitment when pursuing business revitalization can cause a failure in business revitalization and possibly lead to termination of business with the respective client, the Group has continued to be keenly conscious of maintaining a strong commitment. We demonstrate our strong commitment not only in the rehabilitation support services but also in all services we provide.

(4) Extensive industrial knowledge

The Group's Industry Research Department is composed of industrial specialists who have been observers of their respective sectors for 10 to 20 years. We continue to enhance the quality of our management consulting and financial advisory services through fully utilizing the extensive industrial knowledge of our specialists.

(5) A nationwide network of financial institutions

The Group's Business Development Department specializes in building and maintaining relationships with megabanks, regional banks and other financial institutions. As a result of building and deepening such relationships over many years, we have a nationwide network of financial institutions with which we have close relationships. Consequently, we are able to access not only financial institutions across the country but also their business partners and clients.

(6) Neutrality as an independent firm

Frontier Management Group is an independent consulting firm that does not have a capital relationship with any specific financial institution, audit corporation, or other business corporation.

If a consulting firm is part of the capital of a certain business corporation, for example, it would be difficult to handle an M&A that might bring benefit to a rival company of the business corporation, and the consulting firm would not necessarily be able to offer the optimum proposal for its client. Meanwhile, the Group, as an independent consulting firm that does not have a

capital relationship with another entity, can provide services from a neutral standpoint without conflicts of interest.

#### 4. Status of Subsidiaries and Affiliates

Name	Address	Paid-in capital or investments (Millions of yen)	Description of main business	Ratio of voting rights owned by the Company (owned in the Company) (%)	Business relationship
(Consolidated subsidiary)  Frontier Management (Shanghai) Inc. (Note)	People's Republic of China Shanghai	120	Management Consulting Business, Financial Advisory Business	100.0	Concurrent post held by officer Partial outsourcing of commissioned operations by the Company Partial outsourcing of commissioned operations to the Company Borrowings from the Company
(Equity method affiliate)  FCD Partners Inc.	Minato-ku, Tokyo	6	Operation of funds	50.0	Concurrent post held by officer Acceptance of seconded employees of the Company

(Note) It corresponds to a specified subsidiary.

## 5. Status of Employees

### (1) Status of consolidated subsidiaries

As of December 31, 2021

Segment name	Number of employees (Persons)
Company-wide	257
Total	257

- (Notes)
1. 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).
  2. Number of employees by business segment is not presented as the Group's business is comprised of a single segment.
  3. The increase in the number of employees by 30 from the end of the previous fiscal year is due to the proactive recruitment of talented people.

### (2) Status of submitter company

As of December 31, 2021

Number of employees (Persons)	Average age (Years old)	Average years of service (Years)	Average annual salary (Thousands of yen)
256	38.0	3.2	12,330

Segment name	Number of employees (Persons)
Company-wide	256
Total	256

- (Notes)
1. Number of employees represents the number of the Group's full-time staff members (excluding seconded persons from the Company to companies outside the Company).
  2. Number of employees by business segment is not presented as the Company's business is comprised of a single segment.
  3. Average annual salary includes bonuses and non-standard wages.

### (3) Status of labor union

No labor union has been formed, and the management-labor relationship is sound.

## II. Business Status

### 1. Management Policy, Management Environment and Issues to Address

Forward-looking statements in this document are based on the views of the Group as of December 31, 2021.

#### (1) Management environment

##### (i) Consulting market

According to International Data Corporation Japan, the business consulting market was significantly affected by the spread of the novel coronavirus disease (COVID-19) in the middle of 2020, causing stagnation in new projects and suspension of existing projects. Subsequently, however, demand rapidly recovered, and the market achieved positive growth also in 2020. Further, given the projection that the market will grow at an average rate of 9.3% between 2020 and 2025 and reach ¥801.2 billion in 2025 and that the U.S. market will be approximately ¥10 trillion, we view that there is still adequate room for growth.

##### (ii) M&A market

Information released by RECOF Corporation states that M&A deals have been on the rise since 2011. In 2020, M&A temporarily declined due to the spread of COVID-19. In 2021, however, the market turned around and marked a record-high number of M&A deals. It is expected that M&A will continue to grow going forward, backed by an increase in business-succession-type M&A deals due to the advancement of the aging population and an increase in business-reconstruction-type M&A deals. The aim of these M&A will be to respond to changes in business structures prompted by the spread of COVID-19. There will also be an increase in M&A for reorganization by domestic small and medium-sized enterprises (SMEs) due to market contraction in Japan associated with the population decline and low birthrate, among other factors.

##### (iii) Business revitalization market

According to TEIKOKU DATABANK, LTD., 6,015 companies went bankrupt in 2021 (down 23.0% from a year earlier), and the market posted the third-lowest number of bankruptcies in half a century since 1966. There was a subsidy program for sustaining businesses and other de facto capital injection measures introduced by the government. On top of these, the implementation of no-interest, no-collateral (so-called zero-zero) loans, a moratorium for existing loans and other multi-layered measures for SEMs under public-private collaboration to defer bankruptcies resulted in contributing significantly to the record-low level of bankruptcies. Financing support aimed at business continuation will continue to be available in 2022, and it is unlikely that the approach will be steered in the direction of encouraging slumping businesses to exit in the medium to long term. However, there are a fair number of companies at risk of bankruptcy with the likelihood of becoming financially unsound, leading us to perceive those latent needs for business rehabilitation are expanding.

#### (2) Future management policy

In order to expand our existing businesses and provide client companies with optimal services for their challenges under such management environment described above, we are working to enhance the following solutions.

##### (i) Reinforcing new 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 environmental issues such as carbon neutrality; 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 will establish an investment company that can make medium- to long-term investments through which to dispatch management professionals, thereby growing by reforming the business models of investee companies and reshuffling industries.

(ii) 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.

(iii) 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.

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

As client companies' needs for support 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.

(3) Issues to address

In order to promote growth of existing businesses of the Group, we will focus on the following issues.

(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 with 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 also build an environment in which diverse staff members can work well and recruit such staff while working to rein in overtime work, eliminate harassment, and train management executives.

(ii) Increasing visibility and brand power

In order to increase the trust placed in us by our potential clients, it is necessary for us to enhance our 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.

(iii) Developing an organizational sales system

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

## 2. Business and Other Risks

Matters that are likely to be risk factors in the business development of the Group are indicated below. Matters that are not necessarily risks associated with business but are considered important for decision-making by investors are also indicated from the perspective of active information disclosure to investors. Forward-looking statements are included in some of these matters that are based on the views of the Group as of December 31, 2021.

The Group recognizes the possibility that these risks could occur and works to avoid their occurrence and to respond should risks occur.

### (1) Risks arising from external environmental factors

#### (i) External environment and market trends, etc.

The Group engages in the Management Consulting Business, the Financial Advisory Business, the Revitalization Support Business, and Other Business primarily in Japan and Asia, including China, as well as in Europe and the U.S. If, due to the impact of economic fluctuations on the management status of client companies, there is a change in the quality or volume of projects entrusted with the Company, it may affect the financial position and operating results of the Group.

#### (ii) Intensifying competition

The Group's business does not require approval or a license to execute operations, making barriers to entry low while competition in the relevant fields is intensifying.

We will strive to differentiate ourselves from competitors in the business by providing various management support services on a one-stop basis, increasing sophistication of service details provided and taking other steps. However, it is possible that competition will continue to intensify, causing severer competition in prices. Such a situation may affect the financial position and operating results of the Group.

#### (iii) Change in performance due to success fees for large projects

Sales of the Financial Advisory Business, which is one of the primary businesses of the Group, consist of the basic remuneration mainly composed of a mobilization fee, pay received for hours of work performed and monthly fixed remuneration, and contingency remuneration which can be received only when certain conditions, such as signing of the contract for a project, are satisfied. Particularly in a large project, if a contract for the project cannot be signed between a client company and the other party, the profit of the Group will decline. On the other hand, if our remuneration increases more than expected, the Group's profit will significantly increase.

Further, in terms of our quarterly results, performance might fluctuate considerably from a quarter in which no success fee for a large project is recorded to a quarter where success fees of large projects are recorded.

The Group strives to stabilize profits through engaging in the Management Consulting Business, Revitalization Support Business, and Other Business in addition to the Financial Advisory Business. At the same time, we handle a number of smaller projects without being dependent on large projects. However, our performance may fluctuate depending on the amount of success fees from large projects in the Financial Advisory Business.

For reference, sales along with the amount of success fees included and the operating income/loss by quarter for the 15th fiscal year are provided below.

(Thousands of yen)

	First quarter of 15th fiscal year (FY2021)	Second quarter of 15th fiscal year (FY2021)	Third quarter of 15th fiscal year (FY2021)	Fourth quarter of 15th fiscal year (FY2021)	15th fiscal year (FY2021)
Net sales (of which, success fees)	1,329,051 (267,483)	1,253,247 (134,929)	1,310,656 (59,841)	1,848,698 (458,343)	5,741,654 (920,598)
Operating income (loss)	93,707	(19,532)	2,042	425,067	501,285

#### (iv) Legal restrictions

The Group views that there are no legal provisions that directly impose restrictions on its primary businesses. However, if legal provisions that can directly or indirectly impose restrictions on the Group's businesses are set in the future, or if any changes are made to the operation of conventional legal provisions, it is possible that the Group's business development may be subject to restrictions, and this may affect the business strategies and operating results of the Group.



The Company engages in the intermediation of loan agreements as a service that complements its primary business. In regard to this business, the Company has made the necessary registration under the Money Lending Business Act. In addition, the Company has received authorization to engage in the worker dispatch business and the fee-based job placement business.

(v) Possibility of lawsuits

The Group works to establish an effective compliance structure. However, it is possible that in the course of carrying out its business, a lawsuit or such action may be brought against the Group regardless of whether or not there was any legal violation on its part.

If such lawsuit is brought against it and depending on the results thereof, this may affect the Group's social credibility and operating results.

(vi) Overseas business activities and fluctuations in foreign exchange rates

Business activities that the Group engages in overseas are exposed to the following risks.

- a) Changes in laws and regulations that are normally unexpected
- b) Presence or occurrence of economically disadvantageous factors, such as difficulty in hiring and securing human resources
- c) Social or political confusion due to terrorism, war or other such events

If these risks become tangible, it is possible that the business activities of the Group may be disrupted, affecting the operating results of the Group.

Further, in the Group's overseas business, items that are denominated in local currencies are influenced by the value after conversion into yen using foreign exchange rates, and this may affect the operating results and financial position of the Group.

(vii) Impact of COVID-19

The restrictions on physical travel to overseas caused by COVID-19 have impacted the Group's Financial Advisory Business in that there have been interruptions and delays in the progress of cross-border M&A deals between domestic companies and overseas companies. If the COVID-19 pandemic carries on going forward, such impact may affect the financial position and operating results of the Group.

(2) Risks arising from internal environmental factors

(i) Recruitment and development of personnel

The Group allocates experienced persons in each of its businesses and departments as core staff in those fields, and our human capital comprises a wide variety of specialists. To expand the businesses of the Group, it is important to recruit and develop talented individuals. In particular, securing personnel with abundant experience and high expertise is an immense issue in carrying out the business activities of the Group.

Therefore, if the Group is unable to adequately and in a timely way secure the necessary personnel or if there is an outflow of individuals with high expertise who undertake key roles in the Group, such situations may affect the future business execution.

Furthermore, even when the Group can smoothly secure human resources, there is a likelihood of a rise in the cost for hiring talented individuals in conjunction with the tightening demand-supply balance and of increases in fixed costs including personnel and facility expenses. Such situation may affect the financial position and operating results of the Group.

(ii) Development of frameworks for internal control

As of December 31, 2021, the Group's organization is small in size, with five Directors (including two part-time Outside Directors), three Audit & Supervisory Board Members (including two part-time Outside Audit & Supervisory Board Members) and 257 employees. Accordingly, our frameworks for internal control and business execution are in line with the size of our organization.

The Group will strive to develop and operate more systematic frameworks for internal control than before by continuing to develop employees and hiring new employees from outside. If in the course of our efforts, however, a rapid business expansion or such like occurs, we may not be able to make an adequate human and organizational response. Such a situation may affect the business development and expansion of the Group.

(iii) Information management and insider trading

The Group's business is based on the acquisition of confidential information of client companies. Therefore, the Group has a duty of confidentiality to client companies and to potential future client companies under a confidentiality agreement or

such like.

The Group ensures it promotes strict information management and provides guidance and education to its employees about compliance with the duty of confidentiality. However, in the event of a leakage of confidential information to unauthorized parties for some reason, the Group's credibility will be impaired, and this may affect the business strategies and operating results of the Group.

Furthermore, the Group ensures proper information management and provides guidance and education on compliance with the duty of confidentiality to its employees as described above. It also prohibits officers and employees from carrying out stock transactions, etc. as a general rule set out under the internal rules regardless of inside or outside the country or of whether the transaction pertains to a client company or not, from the perspective of preventing insider trading. However, if by any chance an officer or employee of the Group conducts insider trading based on the confidential information of a client company, the Group's credibility will be impaired, and this may affect the business strategies and operating results of the Group.

(iv) Realizing profits in overseas business

With the purpose of providing services to Chinese and other Asian companies and Japanese companies aiming to make inroads in China and other countries in Asia, the Company established Frontier Management (Shanghai) Inc. as a wholly-owned subsidiary in Shanghai, China in October 2011 and opened the Singapore Branch in December 2012. In addition, the New York Branch was opened in June 2017 for the purpose of strengthening the support system for the advancement and business expansion of Japanese companies in North America. However, as of present, these entities are in the course of attaining earnings, and if the business plan cannot be realized smoothly going forward, this may affect the financial position and operating results of the Group.

(v) Dependence on certain individuals

Representative Director Shoichiro Onishi and Representative Director Masahiro Matsuoka who are the Company's founders and business promoters hold vital roles in the overall business activities of the Group such as making decisions on management policies and strategies.

At present, we do not expect Representative Directors Shoichiro Onishi and Masahiro Matsuoka to exit from the business of the Group. However, if a situation arises where they will withdraw from the management of the Group due to resignation or other reasons, it may affect the business strategies, organizational operation, operating results and other matters of the Group.

(3) Other

(i) Policy regarding shareholder return

The Group 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 Group.

Recognizing that appropriate return of profits to shareholders is an important management issue, the Group intends to aggressively distribute profit in order to meet the expectations of shareholders going forward. However, with a view to maximizing shareholder value through business expansion based on comprehensively taking into account the profit level of each fiscal year, forecasts for the following fiscal year and beyond, capital needs, status of internal reserves and other factors, the Group may not distribute dividends.

(ii) Exercise of stock options and dilution of stock value due to issuance of shares subject to transfer restriction

The Group adopts a stock option plan as a means of offering an incentive for officers and employees. If, in addition to the stock options currently granted as of the end of the fiscal year under review, stock options to be granted in the future are exercised, it is possible that the value of shares held by existing shareholders will be diluted.

As of December 31, 2021, there are 182,700 diluted shares caused by exercise of stock options, accounting for 1.60% of the total number of shares issued.

The Group also adopts a restricted stock compensation plan for the Company's Directors, excluding Outside Directors, and employees. If shares are issued or disposed of under the plan, it is possible that the value of shares held by existing shareholders will be diluted as in the case with the stock option plan.

### 3. Management's Discussion & Analysis of Financial Condition, Operating Results and Cash Flows

#### (1) Overview of results of operations

An overview of the financial condition, operating results and cash flows (hereinafter, "results of operations") of the Group (the Company, consolidated subsidiaries and equity method affiliates) for the fiscal year ended December 31, 2021 is as follows.

##### (i) Operating results

During the fiscal year (from January 1, 2021 to December 31, 2021), the Japanese economy continued to face severe conditions due to the impact of COVID-19. The spread of infections had been expected to be sufficiently contained and economic activities had been expected to normalize as vaccinations progressed. However, the outlook is unclear due to concerns about the negative impact on the economy caused by the emergence of new variants, a shortage of semiconductors, and an increase in logistics costs. Under such a business environment, the Group continued to focus on proposals for one-stop solutions to corporate issues by providing comprehensive services that leverage management consulting, financial advisory, revitalization support, and other functions.

As a result of the above, the Group's financial results for the fiscal year were net sales of ¥5,741,654 thousand (up 10.6% from the previous fiscal year). This was the result of a significant increase in sales in the Management Consulting Business due to the utilization of the human resources of the Revitalization Support Business in the Management Consulting Business. Net sales were up despite a decrease in sales in the Revitalization Support Business compared with the previous fiscal year due to the fact that the revitalization support needs of companies in financial difficulties did not materialize due to the continuation of emergency loans by financial institutions to companies. In addition, personnel expenses have increased due to aggressive recruitment that has been ongoing since last year. But amid the ongoing expansion of earnings through increased staff, operating income was ¥501,285 thousand (down 13.7%), ordinary income was ¥514,576 thousand (down 10.6%), and net income attributable to owners of parent was ¥338,707 thousand (down 19.5%).

An overview of operating results by business segment is as follows.

##### <Management Consulting Business>

In the fiscal year ended December 31, 2021, the Management Consulting Business recorded net sales of ¥3,280,302 thousand (up 35.7% from the previous fiscal year). In the fiscal year, the positive effect of an increase in personnel was realized, and the continuation of large-scale client projects also contributed. In addition, the steady start-up of the Digital Strategy Office, which was established during the fiscal year, resulted in an accumulation of sales. As a result, net sales in the Management Consulting Business increased significantly.

##### <Financial Advisory Business>

In the fiscal year ended December 31, 2021, the Financial Advisory Business recorded net sales of ¥1,725,210 thousand (down 3.0% from the previous fiscal year). In the fiscal year, there were no large-scale M&A deals carried over from the previous fiscal year that were originally anticipated, and net sales declined slightly from the previous fiscal year.

##### <Revitalization Support Business>

In the fiscal year ended December 31, 2021, the Revitalization Support Business recorded net sales of ¥662,331 thousand (down 29.9% from the previous fiscal year). In the fiscal year, the Company had expected that the need for regeneration support would expand due to the impact of COVID-19. However, although business performance was deteriorating, many companies had no cash flow tightening due to the continuation of emergency loans to companies by financial institutions, and the need for regeneration support was not expanding more than anticipated at present. As a result, net sales decreased from the previous fiscal year.

##### <Other Business>

In the fiscal year ended December 31, 2021, the Other Business recorded net sales of ¥73,810 thousand (up 37.3% from the previous fiscal year).

##### (ii) Financial condition

Total assets at the end of the fiscal year were ¥3,819,274 thousand (¥3,792,731 thousand at the end of the previous fiscal year), an increase of ¥26,542 thousand from the end of the previous fiscal year. Total liabilities were ¥1,365,207 thousand (¥1,344,132 thousand at the end of the previous fiscal year), up ¥21,075 thousand from the end of the previous fiscal year. Net assets were

¥2,454,066 thousand (¥2,448,598 thousand at the end of the previous fiscal year), an increase of ¥5,467 thousand from the end of the previous fiscal year.

(iii) Status of cash flows

Cash and cash equivalents (hereinafter, “funds”) on December 31, 2021 decreased ¥114,882 thousand from the end of the previous fiscal year to ¥1,784,218 thousand.

The status of cash flows and their factors for the fiscal year ended December 31, 2021 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥316,813 thousand (net cash provided of ¥456,102 thousand in the previous fiscal year). This was mainly attributable to income before income taxes and minority interests of ¥514,576 thousand and charges for stock compensation of ¥102,189 thousand, which were factors increasing cash, and to income taxes paid of ¥204,740 thousand and increase in notes and accounts receivable-trade of ¥109,713 thousand, which were factors decreasing cash.

(Cash flows from investing activities)

Net cash used in investing activities was ¥31,524 thousand (net cash used of ¥59,305 thousand in the previous fiscal year). This was mainly due to purchase of property, plant and equipment of ¥25,876 thousand.

(Cash flows from financing activities)

Net cash used in financing activities was ¥404,765 thousand (net cash used of ¥230,684 thousand in the previous fiscal year). This was mainly due to dividend payments of ¥137,880 thousand and purchase of treasury stock of ¥270,080 thousand.

(iv) Results of production, orders received and sales

a) Production

Not applicable.

b) Orders received

Not applicable.

c) Sales

Sales in the fiscal year ended December 31, 2021 were as follows. Sales are presented by category since the Group has only one business segment.

Name of sales category	Current fiscal year (January 1, 2021 to December 31, 2021)	
	Sales (Thousands of yen)	YoY change (%)
Management Consulting Business	3,280,302	135.7
Financial Advisory Business	1,725,210	97.0
Revitalization Support Business	662,331	70.1
Other Business	73,810	137.3
Total	5,741,654	110.6

(Note) Consumption taxes are not included in the above figures.

- (2) Analysis and considerations concerning the status of results of operations from the management's perspective  
The contents of analysis and considerations concerning the status of results of operations from the management's perspective are as follows.

Forward-looking statements in this document are based on the views as of December 31, 2021.

(i) Significant accounting policies and estimates

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles in Japan. In preparing the consolidated financial statements, estimations were made in part within the scope of certain accounting standards and have been reflected in the figures for assets, liabilities, income and expenses. These estimates are evaluated on a continual basis and are revised as needed. However, since estimates involve uncertainties, the actual results may differ from such estimates. of significant accounting policies and accounting estimates are stated in (Significant Matters Forming The Basis for Preparation of Consolidated Financial Statements) and (Significant Accounting Estimates) in "Notes to Consolidated Financial Statements" of "1. Consolidated Financial Statements" in "V. Accounting." Accounting estimates and assumptions related to the impact of COVID-19 are stated in (Additional Information) in "1. Consolidated Financial Statements" in "V. Accounting."

(ii) Recognition, analysis and considerations concerning the status of results of operations for the fiscal year ended December 31, 2021

(A) Analysis of results of operations

a. Net sales

In the fiscal year ended December 31, 2021, net sales were ¥5,741,654 thousand (up 10.6% from the previous fiscal year). The breakdown by business segment is as follows: ¥3,280,302 thousand (up 35.7% from the previous fiscal year) in the Management Consulting Business, ¥1,725,210 thousand (down 3.0% from the previous fiscal year) in the Financial Advisory Business, ¥662,331 thousand (down 29.9% from the previous fiscal year) in the Revitalization Support Business, and ¥73,810 thousand (up 37.3% from the previous fiscal year) in Other Business. Net sales increased 10.6% from the previous fiscal year as a result of a significant increase in sales in the Management Consulting Business mainly due to the active utilization of human resources and continuation of large-scale client projects. However, net sales decreased in the Revitalization Support Business from the previous fiscal year because revitalization support needs did not materialize due to the impact of COVID-19 and net sales slightly declined in the Financial Advisory Business due to a lack of large-scale deals.

b. Operating income

Operating income for the fiscal year ended December 31, 2021 came to ¥501,285 thousand (operating income of ¥580,805 thousand in the previous fiscal year) after recording cost of sales of ¥2,247,959 thousand (up 7.9% from the previous fiscal year) and selling, general and administrative expenses of ¥2,992,409 thousand (up 18.4% from the previous fiscal year). The main components of cost of sales are personnel expenses, such as salaries and allowances of ¥1,237,425 thousand and provision for bonuses of ¥280,523 thousand, and the major factor that contributed to the rise was an increase in salaries and allowances of ¥191,561 thousand as a result of actively hiring personnel. The main components of selling, general and administrative expenses are personnel expenses, such as salaries and allowances of ¥1,302,744 thousand and provision for bonuses of ¥269,041 thousand, and the major factor that contributed to the rise was an increase in salaries and allowances of ¥289,725 thousand for the same aforementioned reason.

c. Ordinary income

Ordinary income for the fiscal year ended December 31, 2021 came to ¥514,576 thousand (ordinary income of ¥575,633 thousand in the previous fiscal year) after recording non-operating income of ¥17,702 thousand and non-operating expenses of ¥4,411 thousand. Main components of non-operating income are foreign exchange gains of ¥6,751 thousand and equity in earnings of affiliates of ¥6,506 thousand while the main component of non-operating expenses is charges for stock compensation of ¥2,902 thousand.

d. Income before income taxes

Income before income taxes for the fiscal year ended December 31, 2021 came to ¥514,576 thousand (income before income taxes of ¥575,633 thousand in the previous fiscal year).

e. Net income attributable to owners of parent

Net income attributable to owners of parent for the fiscal year ended December 31, 2021 came to ¥338,707 thousand (net

income attributable to owners of parent of ¥420,515 thousand in the previous fiscal year) after recording income taxes of ¥175,868 thousand.

(B) Financial condition

a. Assets

Total assets at the end of the fiscal year were ¥3,819,274 thousand (¥3,792,731 thousand at the end of the previous fiscal year), an increase of ¥26,542 thousand from the end of the previous fiscal year. Current assets were ¥2,998,206 thousand (¥2,994,271 thousand at the end of the previous fiscal year) and non-current assets were ¥821,068 thousand (¥798,459 thousand at the end of the previous fiscal year). Current assets increased ¥3,934 thousand and non-current assets grew ¥22,608 thousand compared with the levels at the end of the previous fiscal year. The main changes in current assets were an increase of ¥110,731 thousand in notes and accounts receivable-trade, an increase of ¥8,473 thousand in operational investment securities, and a decrease of ¥114,882 thousand in cash and deposits. The main changes in non-current assets were an increase of ¥53,119 thousand in deferred tax assets and a decrease of ¥27,703 thousand in other investments and other assets due to a decrease in long-term prepaid expenses.

b. Liabilities

Total liabilities at the end of the fiscal year were ¥1,365,207 thousand (¥1,344,132 thousand at the end of the previous fiscal year), an increase of ¥21,075 thousand from the end of the previous fiscal year. Current liabilities were ¥1,282,944 thousand (¥1,261,874 thousand at the end of the previous fiscal year) and non-current liabilities were ¥82,262 thousand (¥82,257 thousand at the end of the previous fiscal year). Current liabilities increased ¥21,070 thousand and non-current liabilities increased ¥4 thousand compared with the levels at the end of the previous fiscal year. The main changes in current liabilities were an increase of ¥31,045 thousand in income taxes payable-other, an increase of ¥47,277 thousand in provision for bonuses, and a decrease of ¥53,213 thousand in accounts payable-other.

c. Net assets

Total assets at the end of the fiscal year were ¥2,454,066 thousand (¥2,448,598 thousand at the end of the previous fiscal year), an increase of ¥5,467 thousand from the end of the previous fiscal year. This was mainly due to the recording of profit attributable to owners of parent of ¥338,707 thousand, and an increase in paid-in capital of ¥13,596 thousand and an increase in capital surplus of ¥13,596 thousand due to the recording of expenses associated with restricted stock awards, and an increase in stock acquisition rights of ¥46,969 thousand due to the recording of stock-based compensation expenses while there was a decrease due to the shareholder dividends of ¥137,912 thousand from retained earnings and the purchase of treasury stock of ¥270,080 thousand.

(iii) Sources of capital and liquidity of capital

The status of cash flows is stated in “(iii) Status of cash flows” in “(1) Overview of results of operations” in “3. Management’s Discussion & Analysis of Financial Condition, Operating Results and Cash Flows.” The Company adopts the basic approach of covering the funds for working capital and capital investments with cash on hand and pursues financing by bank borrowings if needed.

(iv) Factors having a significant impact on operating results

The Financial Advisory Business, which is one of the core businesses of the Group, accounted for 30.0% of net sales in the fiscal year ended December 31, 2021. In this business, we provide customers with M&A advisory services. Due to the nature of the business, the ratio of success fees tends to be high. Whether success fees can be earned in M&A advisory services is dependent on whether clients can close their M&A deals, which is beyond the control of the Group. Closing and non-closing of M&A deals can possibly impact the operating results of the Group.

For details on the factors that have a significant impact on operating results, see “2. Business and Other Risks” in “II. Business Status.”

(v) Objective indicators for determining the status of achievement of management policies and strategies or management targets

The Group, in its medium-term management plan, has set out targets to achieve net sales of ¥8,700,000 thousand and operating income of ¥1,740,000 thousand (operating margin of 20.0%) in fiscal 2023. For this purpose, the Group focuses on the following indicators and determines the status of achievement.

	Target	Actual amount
CAGR	18.8%	10.6%
Increase in number of employees in a year	40	30
Operating margin	20.0%	8.7%
ROE	20.0%	14.0%
Dividend payout ratio	30.0%	33.7%

(Note) The actual value of CAGR is calculated with FY2020 as the base fiscal year.

4. Significant Contracts, ETC. in Business

Not applicable.

5. Research and Development Activities

Not applicable.



### III. Facilities

#### 1. Outline of Capital Expenditure

The total amount of capital expenditure (property, plant and equipment and intangible fixed assets) for the current fiscal year was ¥26,269 thousand, the main part of which was ¥20,899 thousand for equipment work due to the change of layout at the head office.

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

#### 2. Main Facilities

Main facilities in the Group are as follows.

(Submitter company)

As of December 31, 2021

Business office name (Address)	Description of facilities	Book value			Number of employees (Persons)
		Buildings (Thousands of yen)	Tools, furniture and fixtures (Thousands of yen)	Total (Thousands of yen)	
Head office (Minato-ku, Tokyo)	Office facilities	133,950	14,301	148,251	246

- (Notes)
1. Consumption taxes are not included in the above amounts.
  2. Segment information is omitted as the Group's business is comprised of a single segment.
  3. In addition to the above, the following is the main rented facility.

Business office name (Address)	Description of facilities	Annual rent (Thousands of yen)
Head office (Minato-ku, Tokyo)	Office	173,172

#### 3. Planned New Facilities and Retirement

##### (1) Significant new facilities

Not applicable.

##### (2) Retirement of significant facilities

Not applicable.

#### IV. Submitter Company

##### 1. Shares

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common stock	45,648,000
Total	45,648,000

(ii) Number of shares outstanding

Class	Number of shares issued as of the end of fiscal year (Shares) (December 31, 2021)	Number of shares issued as of the submission day (Shares) (March 24, 2022)	Name of financial instruments exchange listed on or registered authorized financial instruments firms association	Description
Common stock	11,418,398	11,421,358	Tokyo Stock Exchange First Section	It is full voting stock without any restriction on its rights, and is standard stock of the Company. There are 100 shares per unit.
Total	11,418,398	11,421,358	–	–

(Note) The section of “Number of shares issued as of the submission day” does not include the number of shares that have been issued by the exercise of stock acquisition rights from March 1, 2022 to the day of submitting this securities report.

(2) Stock acquisition rights

(i) Description of stock option

Date of resolution	Annual general meeting of shareholders held on March 29, 2018 Board of Directors meeting held on May 15, 2018
Grantee categories and count (Persons)	Director: 3 Employee: 140
Number of stock acquisition rights <sup>(Note)</sup>	18,600 [18,230]
Class, description and number of shares underlying stock acquisition rights (Shares) <sup>(Note)</sup>	Common stock: 148,800 [145,840] (Note 1)
Payment of money at the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	75 (Note 2)
Exercise period of stock acquisition rights <sup>(Note)</sup>	From May 16, 2020 to May 15, 2028
Issue price and the amount to be included in capital when issuing shares by the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	Issue price: 75 Amount to be included in capital: 37.5 (Note 3)
Conditions for exercise of the stock acquisition rights <sup>(Note)</sup>	(Note 4)
Transfer of stock acquisition rights <sup>(Note)</sup>	Approval of the Board of Directors of the Company shall be required to obtain stock acquisition rights.
Issuance of stock acquisition rights due to the act of reorganization <sup>(Note)</sup>	(Note 5)

(Note) The description is as of the end of the fiscal year under review (December 31, 2021). For the items that had been changed from the end of the fiscal year under review to the end of the previous month (February 28, 2022), their description as of the end of the previous month to the submission day was included in brackets, while there was no change from the description for other items.

(Notes) 1. When the Company splits shares (including allotment of shares without contribution; the same shall apply hereinafter) or consolidates them, the number of shares issued shall be adjusted using the following formula. However, such adjustments shall be made only for the number of shares to be issued upon the exercise of stock acquisition rights that have not been exercised among stock acquisition rights.

Number of shares after adjustment = Number of shares before adjustment × Ratio of split/consolidation.

Moreover, in the case of succession of stock acquisition rights due to the absorption-type merger or consolidation-type merger by the Company with other companies, or in the case of succession of stock acquisition rights due to share exchange or share transfer in which the Company becomes a wholly-owned subsidiary, the Company may adjust the number of shares deemed necessary according to the merger ratio and others.

2. The value of property to be contributed upon exercise of the stock acquisition rights shall be the one calculated by multiplying the amount of contribution per share to be made upon exercise of stock acquisition rights (the “exercise price”) by the number of shares to be issued per unit of stock acquisition rights.

However, if there is one of the following events, the amount shall be calculated by multiplying the exercise price adjusted by each formula below by the number of shares to be issued per unit of stock acquisition rights. For the exercise price after adjustment, any fraction less than one yen shall be rounded up.

(1) When the Company conducts a stock split or consolidation

$$\text{Exercise price after adjustment} = \frac{\text{Exercise price before adjustment}}{\text{Split/consolidation ratio}} \times \frac{1}{\text{Split/consolidation ratio}}$$

(2) When the Company issues shares for subscription or disposes of treasury stock shares below the market price (including the issuance of shares by allotment of shares without contribution, but excluding the exercise of stock acquisition rights (including corporate bonds with share options) and the conversion of securities that can be converted into common stocks of the Company).

$$\text{Exercise price after adjustment} = \frac{\text{Exercise price before adjustment} \times \left( \frac{\text{Number of shares already issued} + \frac{\text{Number of shares newly issued} \times \text{Amount of payment per share}}{\text{Stock price before issuance of shares for subscription}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}} \right)}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

However, the number of shares already issued in the formula shall be the total number of shares outstanding on the day before the effective day of the issuance of the above shares less the number of treasury stock shares owned by the Company at the time; if treasury stock shares are to be disposed of, the number of shares newly issued and the stock price before issuance of shares for subscription shall be replaced with the number of treasury stock shares to be disposed of and the stock price before disposal of treasury stock shares, respectively. Moreover, the stock price

before issuance of shares for subscription in the formula shall be the exercise price before adjustment if there is no market price for the Company stock, while it shall be the last traded price in the priority exchange of the Company immediately before issuance if there is a market price for the Company stock.

- (3) The Company shall adjust the exercise price as deemed necessary when conducting an absorption-type merger in which the Company becomes an existing entity by absorption, when conducting an absorption-type company split in which the Company becomes a successor entity by divestiture, when conducting a share exchange by which the Company becomes a parent of a wholly owned subsidiary, or when needing to adjust the exercise price in other cases pursuant to these cases.
3. The amount to be included in capital is as follows.
  - (1) The amount of paid-in capital to be increased when issuing shares by exercising stock acquisition rights shall be half of the upper limit of increases in paid-in capital, etc., calculated in accordance with Article 17, Paragraph (1) of the Regulation on Corporate Accounting, with any fraction less than one yen rounded up.
  - (2) The amount of capital reserve to be increased when issuing shares by exercising stock acquisition rights shall be the upper limit of increases in paid-in capital, etc. stated in (1) above less the amount of paid-in capital to be increased stipulated in (1) above.
4. Conditions for exercise of the stock acquisition rights are as follows.
  - (1) The person who is allotted stock acquisition rights (the “holder of share options”) must be a Director, Audit & Supervisory Board Member, or employee even when exercising the rights, and shall have five years or more of total service. However, stock acquisition rights may be exercised if employees of the Company or its subsidiaries resign due to reaching a specified retirement age and when exercise is approved by the Board of Directors of the Company.
  - (2) Stock acquisition rights may not be inherited if the holder of share options has died.
  - (3) Holders of share options may exercise their stock acquisition rights after the start date of exercising their rights or the listing date of the Company stock on any of the financial instruments exchanges in Japan, whichever is later.
5. Treatment at the time of reorganization is as follows.  
If stock acquisition rights of the following stock companies are to be issued in accordance with the provisions of the agreement, plan, or the like stipulated at the time of reorganization, stock acquisition rights of the following stock companies shall be issued according to the ratio of such reorganization.
  - (1) Merger (only in the case where the Company ceases to exist)  
Stock company that survives the merger or stock company incorporated as a result of the merger
  - (2) Absorption-type company split  
Stock company in which all or part of its rights and obligations related to its business are to be succeeded by a stock company conducting an absorption-type company split
  - (3) Incorporation-type company split  
Stock company to be established by incorporation-type company split
  - (4) Share exchange  
Stock company acquiring all the issued shares of a stock company to conduct a share exchange with.
  - (5) Share transfer  
Stock company to be established by share transfer

Date of resolution	Board of Directors meeting held on March 25, 2021
Grantee categories and count (Persons)	Executive Officer: 5 Employee: 10
Number of stock acquisition rights <sup>(Note)</sup>	339
Class, description and number of shares underlying stock acquisition rights (Shares) <sup>(Note)</sup>	Common stock: 33,900 (Note 1)
Payment of money at the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	1
Exercise period of stock acquisition rights <sup>(Note)</sup>	From March 26, 2022 to March 25, 2026
Issue price and the amount to be included in capital when issuing shares by the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	Issue price: 1 Amount to be included in capital: 1 (Note 2)
Conditions for exercise of the stock acquisition rights <sup>(Note)</sup>	(Note 3)
Transfer of stock acquisition rights <sup>(Note)</sup>	Approval of the Board of Directors of the Company shall be required to obtain stock acquisition rights.
Issuance of stock acquisition rights due to the act of reorganization <sup>(Note)</sup>	(Note 5)

(Note) The description is as of the end of the fiscal year under review (December 31, 2021). For the items that had been changed from the end of the fiscal year under review to the end of the previous month (February 28, 2022), their description as of the end of the previous month to the submission day was included in brackets, while there was no change from the description for other

items.

(Notes) 1. When conducting a stock split, allotment of shares without contribution, or stock consolidation, the number of shares granted shall be adjusted using the following formula, with any fraction less than one share as a result of the adjustment rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split, allotment of shares without contribution, or stock consolidation.

The number of shares granted after adjustment shall be applied after the day following the record date (effective date if the record date is not decided) for the stock split or allotment of shares without contribution in the case of a stock split or allotment of shares without contribution, while after the effective date for a stock consolidation. However, if a stock split or allotment of shares without contribution is conducted on condition that a proposal to increase paid-in capital or reserves by decreasing surplus is approved by the Company's general meeting of shareholders, and the record date for the stock split or allotment of shares without contribution is a date before the concluding date of such general meeting of shareholders, the number of shares granted after adjustment shall be applied after the day following the concluding date of such general meeting of shareholders.

Moreover, in the case of succession of stock acquisition rights due to an absorption-type merger or consolidation-type merger by the Company, or in the case of succession of stock acquisition rights due to share exchange or share transfer in which the Company becomes a wholly-owned subsidiary, or in other cases of requiring adjustment of the number of shares granted pursuant to these cases, the Company may adjust the number of shares granted appropriately within a reasonable scope.

2. The amount to be included in capital is as follows.

(1) The amount of paid-in capital to be increased when issuing shares by exercising stock acquisition rights shall be the amount calculated by multiplying the upper limit of increases in paid-in capital, etc., by 0.5 in accordance with Article 17, Paragraph (1) of the Regulation on Corporate Accounting, with any fraction less than one yen rounded up.

(2) The amount of capital reserve to be increased when issuing shares by exercising stock acquisition rights shall be the upper limit of increases in paid-in capital, etc. stated in (1) above less the amount of paid-in capital to be increased stipulated in (1) above.

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

(1) The holder of share options must be either 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) Stock acquisition rights may not be inherited if the holder of share options has died.

4. Treatment at the time of reorganization is as follows.

When the Company conducts a merger (limited to cases where the Company ceases to exist due to merger), absorption-type company split (limited to cases where the Company becomes a divesting entity to a successor entity by divestiture), incorporation-type company split, share exchange (limited to cases where the Company becomes a wholly-owned subsidiary), or share transfer (collectively, the "acts of reorganization"), stock acquisition rights of stock companies listed in Article 236, Paragraph (1), Item (viii) from (a) to (e) of the Companies Act (hereinafter, "target company of reorganization"), shall be issued to the holders of share options who hold remaining stock acquisition rights immediately before the effective date of acts of reorganization (hereinafter, the "Remaining Stock Acquisition Rights") (the effective date of absorption-type merger for an absorption-type merger, that of an incorporation-type company split for an incorporation-type company split, that of an absorption-type of company split for an absorption-type company split, that of a share exchange for a share exchange, and the date of establishment of a newly established parent company of a wholly owned subsidiary by transfer of shares for a share transfer) in respective cases. However, it is conditional upon stipulating in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan share exchange agreement or share transfer plan that stock acquisition rights of target companies of reorganization shall be issued in accordance with the following conditions.

(1) Number of stock acquisition rights for target company of reorganization to be issued

The same number as that of the Remaining Stock Acquisition Rights held by the holder of share options shall be issued, respectively.

(2) Class of stock of target company of reorganization underlying stock acquisition rights

Common stock of target company of reorganization

(3) Number of shares of target company of reorganization underlying stock acquisition rights

To be decided pursuant to 1. above, taking into account conditions for the acts of reorganization, and others

(4) Value of property to be contributed upon exercise of the stock acquisition rights

(i) The value of property to be contributed upon exercise of the stock acquisition rights shall be the amount obtained by multiplying the amount of payment after reorganization stipulated in (ii) below by the number of shares of the target company of reorganization underlying stock acquisition rights to be decided in accordance with (3) above.

(ii) The amount of payment after reorganization shall be one yen per share of the target company of reorganization that can be issued by exercising the stock acquisition rights granted.

(5) Period for exercise of stock acquisition rights

It shall be from the start date of the period for exercising stock acquisition rights or the effective date for the acts of

reorganization, whichever is later, to the expiration date of the period for exercising stock acquisition rights.

- (6) Matters regarding paid-in capital and capital reserve that increase when issuing shares by exercising stock acquisition rights  
To be decided pursuant to 2. above.
- (7) Restriction on acquisition of stock acquisition rights by transfer  
Acquisition of stock acquisition rights by transfer needs approval of the target company of reorganization.
- (8) Conditions for exercise of the stock acquisition rights  
To be decided pursuant to 3. above.

(ii) Description of the rights plan

Not applicable.

(iii) Other stock acquisition rights

Not applicable.

## (3) Status of exercise of corporate bonds with share options with an amended exercise price

Not applicable.

## (4) Changes in the total number of shares outstanding, paid-in capital and others

Date	Changes in the total number of shares outstanding (Shares)	Total number of shares outstanding (Shares)	Changes in the amount of paid-in capital (Thousands of yen)	Balance of paid-in capital (Thousands of yen)	Changes in the amount of capital reserve (Thousands of yen)	Balance of capital reserve (Thousands of yen)
July 13, 2018 (Note 1)	2,850,147	2,853,000	–	158,137	–	158,137
October 1, 2019 (Note 2)	2,853,000	5,706,000	–	158,137	–	158,137
January 1, 2020– December 31, 2020 (Note 3)	71,900	5,777,900	5,392	163,530	5,392	163,530
January 1, 2021 (Note 2)	5,777,900	11,555,800	–	163,530	–	163,530
April 15, 2021 (Note 4)	19,998	11,575,798	–	163,530	–	163,530
May 31, 2021 (Note 5)	(200,000)	11,375,798	–	163,530	–	163,530
January 1, 2021– December 31, 2021 (Note 3)	42,600	11,418,398	1,597	165,127	1,597	165,127
December 31, 2021 (Note 6)	–	11,418,398	13,596	178,723	13,596	178,723

- (Notes)
1. It is an increase due to a share split (1:1,000).
  2. It is an increase due to a share split (1:2).
  3. It is an increase due to the exercise of stock acquisition rights.
  4. It is an increase due to the issuance of new shares as restricted stock awards.  
Issue price: ¥1,813 per share  
Persons to be allotted: Three Directors (excluding Outside Directors)
  5. It is a decrease due to the cancellation of treasury stocks.
  6. It is an increase due to the provision of services for restricted stock awards issued without contribution as remuneration for Directors.
  7. During the period from January 1, 2022 to February 28, 2022, the total number of shares outstanding increased 2,960 shares, and paid-in capital and capital reserve grew by ¥111 thousand, respectively.

## (5) Status by owner

As of December 31, 2021

Category	Status of shares (100 shares per unit)							Shares less than one unit (Shares)	
	Central and local governments	Financial institutions	Financial instrument business operators	Other corporations	Foreign corporations, etc.		Individuals and others		Total
					Other than individuals	Individuals			
Number of shareholders (Persons)	–	11	29	30	31	8	4,033	4,142	–
Number of shares held (Unit)	–	18,329	5,048	3,630	2,188	32	84,887	114,114	6,998
Ratio of shares owned (%)	–	16.06	4.42	3.18	1.92	0.03	74.39	100.00	–

(Note) Among 25,819 shares of treasury stock, 258 units are included in “Individuals and others” and 19 shares in “Shares less than one unit.”

## (6) Major shareholders

As of December 31, 2021

Name	Address	Number of shares held (Shares)	Ratio of shares owned to the total number of shares outstanding (excluding treasury stock) (%)
Shoichiro Onishi	Suginami-ku, Tokyo	2,160,336	18.96
Masahiro Matsuoka	Minato-ku, Tokyo	2,160,336	18.96
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	699,000	6.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	683,500	6.00
Masaya Yajima	Minato-ku, Tokyo	614,880	5.40
UEDA YAGI TANSHI Co., Ltd.	2-4-2 Koraibashi, Chuo-ku, Osaka City	275,500	2.42
Tomohiro Murata	Ota-ku, Tokyo	265,880	2.33
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	208,500	1.83
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	182,700	1.60
Toshiyuki Mitsuzawa	Nakano-ku, Tokyo	161,000	1.41
Total	—	7,411,632	65.06

(Note) Among the above number of shares held, the number of shares for trust business is as follows.

Custody Bank of Japan, Ltd. (Trust Account)	699,000
The Master Trust Bank of Japan, Ltd. (Trust Account)	683,500
The Nomura Trust and Banking Co., Ltd. (Trust Account)	182,700



## (7) Voting rights

## (i) Number of shares outstanding

As of December 31, 2021

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Stock with no voting rights	–	–	–
Shares with restricted voting rights (treasury stock, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury stock, etc.)	Common stock 25,800	–	–
Shares with full voting rights (others)	Common stock 11,385,600	113,856	It is stock without any restriction on its rights as shareholders, and is standard stock of the Company. There are 100 shares per unit.
Shares less than one unit	Common stock 6,998	–	–
Total number of shares outstanding	11,418,398	–	–
Voting rights of all shareholders	–	113,856	–

(Note) In the section of “Number of shares” for “Shares less than one unit” there are 19 shares of treasury stock.

## (ii) Treasury stock

As of December 31, 2021

Name of owner	Address of owner	Number of shares owned under own name (Shares)	Number of shares owned under another person’s name (Shares)	Total of shares owned (Shares)	Ratio of shares owned to the total number of shares outstanding (%)
(Shares held by oneself) Frontier Management Inc.	3-2-1 Roppongi, Minato- ku, Tokyo, Japan	25,800	–	25,800	0.23
Total	–	25,800	–	25,800	0.23

## 2. Purchase of Treasury Stock

Class of stock, etc. Purchase of common stock falling under Article 155, Item (iii) of the Companies Act and those falling under Article 155, Item (vii) of the same Act

(1) Purchase by resolution of the general meeting of shareholders  
Not applicable.

(2) Purchase by resolution of the Board of Directors

Category	Number of shares (Shares)	Total amount of purchase (Yen)
Resolution at the Board of Directors meeting (March 10, 2021) (Purchase period: March 11, 2021)	180,000	303,840,000
Treasury stock purchased before the current fiscal year	–	–
Treasury stock purchased during the current fiscal year	160,000	270,080,000
Total number and amount of remaining shares resolved	–	–
Ratio of rights not exercised (%)	–	–
Treasury stock purchased during the current period	–	–
Ratio of rights not exercised as of the submission date (%)	–	–

- (Notes) 1. The Company acquired the above treasury stock purchased by treasury stock off-floor purchase transactions (ToSTNeT-3) at the Tokyo Stock Exchange, resolved by the Board of Directors meeting held on March 10, 2021, under Article 156 of the Companies Act, as applied by replacing certain terms pursuant to the provisions of Article 165, paragraph (3) of the Act.
2. As of March 11, 2021, the Company completed the purchase of treasury stock under the resolution of the Board of Directors meeting on March 10, 2021.

(3) Description of acquisition not by resolution of the general meeting of shareholders or the Board of Directors

Category	Number of shares (Shares)	Total amount of acquisition (Yen)
Treasury stock acquired during the current fiscal year	2,739	–
Treasury stock acquired during the current period	–	–

- (Notes) 1. Acquisition of treasury stock during the current fiscal year was due to the gratis acquisition of shares subject to transfer restriction
2. The treasury stock acquired during the current period does not include the purchase of shares less than one unit and the gratis acquisition of shares subject to transfer restriction from March 1, 2022 to the submission date of this securities report.

(4) Disposal and holding of the acquired treasury stock

Category	Current fiscal year		Current period	
	Number of shares (Shares)	Total amount of disposition (Yen)	Number of shares (Shares)	Total amount of disposition (Yen)
Acquired treasury stock solicited for subscribers	–	–	–	–
Acquired treasury stock disposed of by cancellation	200,000	–	–	–
Acquired treasury stock transferred for merger, share exchange, share issuance and company split	–	–	–	–
Other	–	–	–	–
Number of treasury stock held	25,819	–	25,819	–

(Note) The number of treasury stock held during the current period does not include the number of shares for the purchase of shares less than one unit and the gratis acquisition of shares subject to transfer restriction from March 1, 2022 to the submission date of the securities report.

### 3. Dividend Policy

For the profit distribution for the fiscal year under review (FYE December 2021), the Company has decided on a year-end dividend of ¥10 per share, wishing to aggressively return profit in order to meet the expectations of shareholders, with 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.

Moreover, regarding the profit distribution for the next fiscal year (FYE December 2022), while targeting 30% of consolidated net income, the Company will decide it, considering full-year consolidated business performance, financial positions, economic situations and the like of the Group.

We would like to make effective use of internal reserves to develop businesses in Japan and abroad, and secure excellent human resources.

For dividends of surplus, we have a basic policy of paying them as an annual year-end dividend. The general meeting of shareholders decides dividends of surplus. Moreover, it is stipulated in the Articles of Incorporation that the Company may pay an interim dividend by a resolution of the Board of Directors.

Dividends of surplus for the fiscal year under review are as follows.

Date of resolution	Total cash dividends paid (Thousands of yen)	Dividend per share (Yen)
Resolution of annual general meeting of shareholders held on March 24, 2022	113,925	10

## 4. Corporate Governance

### (1) Outline of corporate governance

#### (i) Basic policy of corporate governance

The Company recognizes that it is extremely important to promote efficient management through the facilitation of decision-making, and at the same time reinforce risk control in management, in order to improve enterprise value on a continual basis. The Company has adopted the Board of Directors system and the Audit & Supervisory Board system, to monitor management risks through the Board of Directors and the Audit & Supervisory Board Member audit, and thoroughly implement compliance and strive to strengthen its self-purification capability through audits by the Internal Audit Office. Through these measures, we will secure the effectiveness of corporate governance to further enhance business administration organizations in the Group.

#### (ii) Outline of the corporate governance system and reasons for adopting such system

The Company has adopted the Audit & Supervisory Board Member system for the Board of Directors and the Audit & Supervisory Board to make decisions on important business executions, and conduct supervision and audits. The Board of Directors consists of five Directors (including two Outside Directors), with the authority to decide business execution of the Company and supervise the execution of duties by Directors. The Audit & Supervisory Board consists of three Audit & Supervisory Board Members (all of them are Outside Audit & Supervisory Board Members) to monitor corporate governance and its operations, and audit daily activities, including the execution of duties by Directors. The Board of Directors and the Audit & Supervisory Board hold regular meetings once a month in principle, and extraordinary ones as necessary.

Moreover, the Company has established the Nomination and Compensation Advisory Committee as a voluntary advisory organization for the Board of Directors. The Nomination and Compensation Advisory Committee consists of two Representative Directors and four independent officers, to deliberate matters concerning the appointment and compensation for Directors and Audit & Supervisory Board Members upon consultation by the Board of Directors, and make recommendations to the Board of Directors. For decision-making on the appointment and compensation for Directors and Audit & Supervisory Board Members, we are striving to further enhance and strengthen the corporate governance system by securing appropriate opportunities for the involvement and advice of independent officers to improve the fairness, objectivity and transparency of the decision-making process at the Board of Directors.

For the business execution system, we have elected two Representative Directors, under whom an Executive Officer system has been adopted.

While checking each other, the two Representative Directors direct Executive Officers to manage the business execution of the entire company. Moreover, Representative Director Shoichiro Onishi, having served as an attorney, possesses knowledge in the area of law to demonstrate his expertise especially in the management of the general meeting of shareholders and the Board of Directors meeting, etc., while Representative Director Masahiro Matsuoka utilizes his experience as an analyst at a securities company to demonstrate his expertise in such areas as IR.

The Executive Officer system has been introduced to strengthen, streamline and expediate the business execution in management. Moreover, we have established the Executive Committee and the Management Committee for the Board of Directors to consult with in advance. The Executive Committee is held monthly in principle, and extraordinarily as necessary, to share information on the execution of duties and discuss matters related to important business execution, with the attendance of Representative Directors, full-time Directors, the President and Executive Officer, the Deputy President and Executive Officer, the Senior Managing Executive Officer, Managing Executive Officers, full-time Audit & Supervisory Board Members, the Head of the Internal Audit Office and other Executive Officers, Heads of Department, and Deputy Heads of Department or General Managers who are designated by the Representative Director. The Management Meeting is held monthly in principle, and when there is a matter in need of swiftness and that requires confidentiality such as important personnel affairs and business alliances with other companies, to have discussions, with the attendance of Representative Directors, full-time Directors, the President and Executive Officer, the Deputy President and Executive Officer, the Senior Managing Executive Officer, Managing Executive Officers, and full-time Audit & Supervisory Board Members.

The members of each meeting are as follows.

(Board of Directors)

Chairperson: Shoichiro Onishi, Representative Director

Member: Masahiro Matsuoka, Representative Director; Tadaaki Komori, Director; Kazuhito Osugi, Outside Director; Keiko Unotoro, Outside Director; Takeshi Umemoto, Outside Audit & Supervisory Board Member; Kazuhiko Shimokobe, Outside Audit & Supervisory Board Member; Nobumichi Hattori, Outside Audit & Supervisory Board Member

Outside Audit & Supervisory Board Members always attend the Board of Directors meetings and state their opinions as necessary.

(Audit & Supervisory Board)

Chairperson: Takeshi Umemoto, Outside Audit & Supervisory Board Member

Member: Kazuhiko Shimokobe, Outside Audit & Supervisory Board Member; Nobumichi Hattori, Outside Audit & Supervisory Board Member

(Nomination and Compensation Advisory Committee)

Chairperson: Kazuhito Osugi, Outside Director

Member: Shoichiro Onishi, Representative Director; Masahiro Matsuoka, Representative Director; Keiko Unotoro, Outside Director; Kazuhiko Shimokobe, Outside Audit & Supervisory Board Member; Nobumichi Hattori, Outside Audit & Supervisory Board Member

(Management Committee)

Chairperson: Shoichiro Onishi, Representative Director, President and Executive Officer

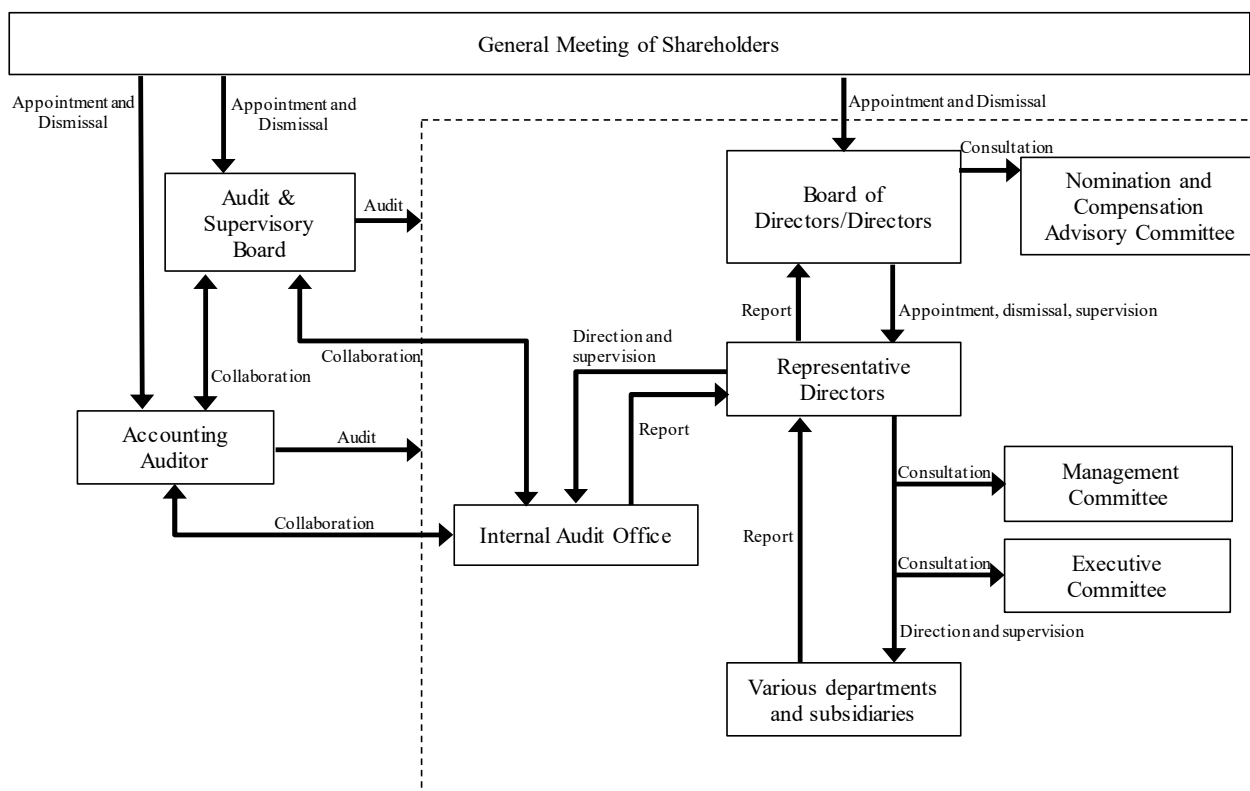
Member: Masahiro Matsuoka, Representative Director, President and Executive Officer; Tadaaki Komori, Director, Deputy President and Executive Officer; Toshiyuki Mitsuzawa, Senior Managing Executive Officer; Sumio Nishizawa, Managing Executive Officer; Akinori Nishida, Managing Executive Officer; Takeshi Umemoto, Outside Audit & Supervisory Board Member (Observer)

(Executive Committee)

Chairperson: Shoichiro Onishi, Representative Director, President and Executive Officer

Member: Masahiro Matsuoka, Representative Director, President and Executive Officer; Tadaaki Komori, Director, Deputy President and Executive Officer; Toshiyuki Mitsuzawa, Senior Managing Executive Officer; Sumio Nishizawa, Managing Executive Officer; Akinori Nishida, Managing Executive Officer; Shinji Hikoe, Executive Officer; Masaya Yajima, Executive Officer; Hitoshi Kuriyama, Executive Officer; Hiroaki Hamada, Executive Officer; Takeshi Umemoto, Outside Audit & Supervisory Board Member (Observer); Nobuhiro Yanagida, Head of Internal Audit Office (Observer)

<Schematic diagram of the corporate governance structure>



(iii) Development of the internal control systems

The Group has determined the basic policy for the internal control systems as follows, in order to realize the management philosophy of “contributing to the interests of clients,” “contributing to the interests of stakeholders,” and “contributing to society.”

- A. System to ensure that the execution of duties by Directors and employees conforms to laws and regulations and the Articles of Incorporation
  - (a) 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.
  - (b) 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.
  - (c) Establish a reporting system for violations of 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.
- B. System for storing and managing information related to the execution of duties by Directors
  - (a) 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.
  - (b) These documents (including electromagnetic documents) shall be available per request from Directors and Audit & Supervisory Board Members.
- C. Frameworks for managing the risks of loss including the relevant internal regulations
  - (a) 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.
  - (b) 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.
- D. System to ensure that Directors perform their duties efficiently
  - (a) 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 supervise the execution of duties by Directors.

- (b) Matters to be submitted to a Board of Directors meeting shall be subject to discussion at a voluntary meeting of the Nomination and Compensation Committee and by the Management Committee or the Executive Committee.

E. System to ensure appropriateness of business operations in the corporate group comprised of the Company and its subsidiary

- (a) Establish subsidiary management rules to ensure the appropriateness of the business conducted by the corporate group comprised of the Company and its subsidiary, and manage the subsidiary in accordance with the rules.
- (b) Communicate with the Directors of the subsidiary on a daily basis to discuss management of the corporate group, and confirm that the subsidiary is properly operated in accordance with the Company's management policies.

F. Matters concerning employees who assist in the duties of Audit & Supervisory Board Members when such Audit & Supervisory Board Members request to have such employees assigned

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.

G. Matters related to independence of employees in F. above from Directors

If putting in place employees set forth in F. above, 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.

H. Matters on securing the effectiveness of instruction to employees set forth in F. above for Audit & Supervisory Board Members

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

I. System for reporting by Directors and employees to Audit & Supervisory Board Members and other systems involving reporting to Audit & Supervisory Board Members

- (a) Directors and employees shall make a business report upon request from the Audit & Supervisory Board Members.
- (b) 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.

J. 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 whistle-blowing shall not be treated disadvantageously on account of having done so, operations will be run in conformity to the rules.

K. Matters on the policy to process expenses and liabilities the are incurred due to execution of duties by Audit & Supervisory Board Members

- (a) The Audit & Supervisory Board secures a budget required for executing an audit plan it approves.
- (b) 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.
- (c) 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.

L. Other systems for ensuring effective auditing by the Audit & Supervisory Board Members

- (a) 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.
- (b) Audit & Supervisory Board Members shall exchange opinions with Representative Directors through regular meetings.
- (c) 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.

M. 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."

N. Basic thinking on exclusion of antisocial forces and development status

The Company will confront any antisocial forces sternly and block 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.

(iv) Development of frameworks for risk management

As internal rules for risk management, the Company has established the “risk management rules” and is developing frameworks for appropriate risk management in order to minimize losses or disadvantages arising from business activities.

Specifically, we shall guide and supervise so that the “Chief Risk Management Officer,” mutually appointed by Representative Directors, “Risk Management Officer,” an Officer responsible for management, and other Officers and employees shall manage risks appropriately.

In normal times, while strengthening the sharing of risk information through important meetings such as the Executive Meeting based on the information collected at each department, we verify whether there are problems in compliance with laws, regulations and various rules as well as risk management, by conducting regular internal audits, and strengthen risk management by finding fraudulent acts early and correcting them.

Moreover, we have established the “crisis management rules” and developed frameworks so that even when there is an emergency that may lead to serious losses or events causing damage to the Company physically, economically, or reputationally such as natural disasters, accidents or system failures, the Company shall establish an emergency headquarters with the Representative Director as its head, and the headquarters, or officers/employees instructed by the headquarters shall take the necessary measures.

(v) Summary of details of limited liability agreement

The Company has stipulated in the Articles of Incorporation that pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company may, by resolution of the Board of Directors, exempt the liability of Outside Directors and Outside Audit & Supervisory Board Members for the acts under Article 423, paragraph (1) of the Act to the extent permitted by law. This aims to establish an environment where Directors (excluding Executive Directors, etc.) and Audit & Supervisory Board Members can fully demonstrate their abilities and fulfil their expected roles in executing their duties.

The Company has entered into limited liability agreements with Outside Directors Kazuhito Osugi and Keiko Unotoro, as well as Outside Audit & Supervisory Board Members Takeshi Umemoto, Kazuhiko Shimokobe and Nobumichi Hattori, based on which their liability for damages shall be the amount stipulated by law.

(vi) 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. Directors and Audit & Supervisory Board Members will be included as insured persons in such policy.

(vii) Fixed number of Directors

The Company has stipulated in the Articles of Incorporation that the fixed number of Directors shall be seven or less.

(viii) Requirements for resolution on election of Directors

The Company has stipulated in the Articles of Incorporation that a resolution on election of Directors shall be approved by a majority of the voting rights of attending shareholders, with the attendance of shareholders with no less than one-third of voting rights of shareholders who can exercise voting rights at the general meeting of shareholders, and shall not be approved by cumulative voting.

(ix) Matters that may be resolved by the Board of Directors among those to be resolved by the general meeting of shareholders

In order to flexibly return profit to shareholders by delegating the interim dividend from the general meeting of shareholders to the Board of Directors, the Company has stipulated in the Articles of Incorporation that by a resolution of the Board of Directors, the Company may give dividends of surplus stipulated by Article 454, paragraph (5) of the Companies Act to shareholders or registered pledgees listed in the final shareholder register of June 30 every year.

(x) Requirements for special resolution of general meeting of shareholders

In order to operate the general meeting of shareholders smoothly by relaxing the quorum for special resolution at the general



meeting of shareholders, the Company has stipulated in the Articles of Incorporation that resolutions stipulated by Article 309, paragraph (2) of the Companies Act shall be approved by no less than two-thirds of voting rights with the attendance of shareholders who have no less than one-third of voting rights of shareholders who can exercise voting rights.

(xi) Purchase of treasury stock

The Company has stipulated in the Articles of Incorporation that pursuant to Article 165, paragraph (2) of the Companies Act, treasury stock may, by resolution of the Board of Directors, be purchased through market transactions, etc. This is to enable the execution of flexible capital policies in response to changes in the business environment.

## (2) Officers

## (i) List of officers

Male: Seven Female: One

(Ratio of women among officers: 12.5%)

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)	
Representative Director Co-President and Executive Officer	Shoichiro Onishi	September 25, 1963	Apr. 1992	Joined Okuno & Partners Law Office (currently OKUNO & PARTNERS)	(Note 3)	2,160,336
			Apr. 1997	Partner		
			June 2003	Joined Industrial Revitalization Corporation of Japan		
			Nov. 2003	Managing Director		
			Jan. 2004	Outside Corporate Auditor of Mitsui Mining Co., Ltd. (currently NIPPON COKE & ENGINEERING. CO., LTD.)		
			June 2004	Outside Director of Kanebo, Ltd.		
			Mar. 2005	Outside Director of The Daiei, Inc.		
			Jan. 2007	Counsel of OKUNO & PARTNERS (current position)		
			Jan. 2007	Founded the Company, Representative Director (current position)		
			Sept. 2012	Representative Director and President of Frontier Turnaround Inc.		
			July 2016	Representative Director and Chairman		
			Nov. 2017	Representative Director of FCD Partners Inc. (current position)		
			June 2020	Outside Director of Tokyo Electric Power Company Holdings, Incorporated (current position)		
Representative Director Co-President and Executive Officer	Masahiro Matsuoka	September 20, 1967	Apr. 1990	Joined Nomura Research Institute, Ltd.	(Note 3)	2,160,336
			July 1994	Joined Barclays Securities Japan Co., Ltd. (currently Barclays Securities Japan Limited)		
			Sept. 1997	Joined SBC Warburg Securities Japan (currently UBS Securities Japan Co., Ltd.)		
			Sept. 1999	General Manager of Equity Research Department and Managing Director		
			July 2003	Joined Industrial Revitalization Corporation of Japan		
			Feb. 2004	Managing Director of the company		
			June 2004	Outside Director of Kanebo, Ltd.		
			Mar. 2005	Outside Director of The Daiei, Inc.		
			Jan. 2007	Founded the Company, Representative Director (current position)		
			Aug. 2012	Chairman and CEO of Frontier Management (Shanghai) Inc.		
			Sept. 2015	Chairman (current position)		
			Nov. 2017	Representative Director of FCD Partners Inc. (current position)		
			July 2018	Outside Director of ORENO Corporation		
June 2020	Outside Director of RIZAP GROUP, Inc. (current position)					
Nov. 2020	Representative Director and Chairman of ORENO Corporation (current position)					
Jan. 2022	Director of Celebrain Corporation (current position)					

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
Director Deputy President and Executive Officer	Tadaaki Komori	March 2, 1962	<p>Apr. 1985 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>Apr. 2006 Head of Financial Sponsor Dept., Corporate Advisory Div.</p> <p>Apr. 2013 Head of Corporate Sales Dept. at Yokohama</p> <p>Apr. 2015 Vice President and Head of Corporate Sales Dept. at Yokohama</p> <p>Apr. 2016 Vice President and Deputy Head of Corporate Advisory Div.</p> <p>Apr. 2017 Advisor of SMBC Nikko Securities Inc. (on loan)</p> <p>July 2017 Executive Officer and Head of Corporate Business Div. (joined the company)</p> <p>Mar. 2018 Managing Executive Officer and Head of Investment Banking Div.</p> <p>Mar. 2019 Managing Executive Officer and Head of M&amp;A Advisory Div.</p> <p>Mar. 2020 Managing Executive Officer, Deputy Head of Wholesale Business, and Head of M&amp;A Advisory Div.</p> <p>Apr. 2020 Managing Executive Officer and Deputy Head of Wholesale Business of Sumitomo Mitsui Financial Group, Inc. (concurrently serving at SMBC Nikko Securities Inc.)</p> <p>Mar. 2021 Advisor of SMBC Nikko Securities Inc.</p> <p>Aug. 2021 Deputy President and Executive Officer of the Company</p> <p>Jan. 2022 Deputy President and Executive Officer, Head of Financial Advisory Department, Head of Financial Advisory Division 1, and Head of Marketing Department (current position)</p> <p>Mar. 2022 Director of the Company (current position)</p>	(Note 3)	—
Director	Kazuhito Osugi	July 31, 1953	<p>Apr. 1977 Joined Bank of Japan</p> <p>Nov. 1986 Economist of Bank for International Settlements (BIS)</p> <p>June 1999 Branch Manager of Matsumoto Branch of Bank of Japan</p> <p>May 2001 Deputy Branch Manager of Osaka Branch</p> <p>May 2003 RM Manager and Senior Director of Industrial Revitalization Corporation of Japan</p> <p>July 2005 Deputy Director-General of Financial System and Bank Examination Department and Head of Center for Advanced Financial Technology of Bank of Japan</p> <p>May 2006 Internal Auditor and Director-General of Internal Auditors' Office</p> <p>Apr. 2007 Director-General of Secretariat of the Policy Board</p> <p>Apr. 2009 Visiting Professor of Ochanomizu University</p> <p>Sept. 2011 Auditor of Bank of Japan</p> <p>Oct. 2015 Advisor of Security Transport Business Division of Nippon Express Company, Limited</p> <p>Apr. 2016 Part-time Advisor of the Company</p> <p>June 2016 Independent Outside Director of the Board of Nissha Printing Co., Ltd. (currently Nissha Co., Ltd.) (current position)</p> <p>Aug. 2018 Outside Director of the Company (current position)</p> <p>June 2021 Outside Director of The Gunma Bank, Ltd. (current position)</p>	(Note 3)	—

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
Director	Keiko Unotoro	October 26, 1954	<p>Apr. 1977 Joined Secretariat of Japan Fair Trade Commission</p> <p>Apr. 2000 Part-time Lecturer of Graduate School of Economics of Senshu University (current position)</p> <p>June 2004 Chief Hearing Examiner of General Secretariat of Japan Fair Trade Commission</p> <p>Jan. 2007 Director General of Trade Practices Department</p> <p>June 2008 Senior Deputy Secretary General of Secretariat</p> <p>Jan. 2011 Director General of Economic Affairs Bureau</p> <p>Nov. 2012 Advisor of OH-EBASHI LPC &amp; PARTNERS (current position)</p> <p>Apr. 2013 Professor of Faculty of Business Administration of Toyo Gakuen University</p> <p>June 2013 Outside Director of Olympus Corporation</p> <p>Mar. 2015 Outside Director of Bridgestone Corporation</p> <p>June 2019 Outside Director of SAN-AI OIL CO., LTD. (current position)</p> <p>Dec. 2019 Member of Investment and Miscellaneous Issues Working Group of Council for Regulatory Reform</p> <p>Apr. 2020 Specially Appointed Professor of Faculty of Business Administration of Toyo Gakuen University</p> <p>Apr. 2020 Outside Director (Audit and Supervisory Committee Member) of OS Co., Ltd. (current position)</p> <p>Aug. 2020 Outside Director of OHBA CO., LTD. (current position)</p> <p>Jan. 2021 Commissioner of Public Security Examination Commission (current position)</p> <p>Mar. 2021 Outside Director of the Company (current position)</p>	(Note 3)	—
Standing Audit & Supervisory Board Member	Takeshi Umemoto	June 8, 1950	<p>Mar. 1973 Joined Ito-Yokado Co., Ltd.</p> <p>Nov. 1992 Securities General Manager</p> <p>Jan. 1998 General Manager of Treasury and Securities Department</p> <p>Jan. 2004 General Manager of Business Development Department of IY Bank Co., Ltd. (currently Seven Bank, Ltd.)</p> <p>July 2005 General Manager of General Affairs Division</p> <p>May 2006 General Manager of Planning Division</p> <p>Oct. 2007 General Manager of Audit &amp; Supervisory Board Members' Office</p> <p>June 2011 Counselor of Audit &amp; Supervisory Board Members' Office</p> <p>Feb. 2012 Outside Audit &amp; Supervisory Board Member of the Company (current position)</p>	(Note 4)	40,000

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)	
Audit & Supervisory Board Member	Kazuhiko Shimokobe	December 12, 1947	Apr. 1974	Registered as an attorney	(Note 4)	-
			Apr. 1996	Civil Conciliation Commissioner of Tokyo District Court		
			May 2000	Corporate reorganization provisional administrator and trustee for LIFE CO., LTD.		
			Nov. 2001	Corporate reorganization provisional administrator and trustee for Taisei Fire and Marine Insurance Co., Ltd. (currently Sompo Japan Insurance Inc.)		
			Oct. 2002	Representative Director and President of Taisei Reinsurance Company, Limited		
			Apr. 2003	Advisor of Industrial Revitalization Corporation of Japan		
			Oct. 2005	Director		
			Oct. 2005	Industrial Revitalization Committee Member		
			Apr. 2007	President of Tokyo Bar Association		
			Apr. 2007	Vice President of Japan Federation of Bar Associations		
			Oct. 2007	Outside Director (Audit Committee Member) of JAPAN POST HOLDINGS Co., Ltd.		
			Apr. 2011	President of Fujiwara Natural History Foundation		
			May 2011	Chairman of Management and Finance Examination Commission for Tokyo Electric Power		
			June 2011	Outside Audit & Supervisory Board Member of CHORI CO., LTD.		
			July 2011	Outside Audit & Supervisory Board Member of the Company (current position)		
			Oct. 2011	Chairperson of Management Committee of Nuclear Damage Compensation Facilitation Corporation		
			June 2012	Director and Chairman of Tokyo Electric Power Company, Incorporated		
			Dec. 2014	Outside Auditor of Industrial Growth Platform, Inc. (current position)		
June 2015	Outside Director of CHORI CO., LTD.					
June 2016	Outside Director (Audit & Supervisory Committee Member)					
June 2017	Outside Director of Japan Display Inc.					

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)	
Audit & Supervisory Board Member	Nobumichi Hattori	December 25, 1957	Apr. 1981	Joined Nissan Motor Co., Ltd.	(Note 4)	-
			June 1989	Joined Goldman Sachs & Co., New York headquarters		
			Nov. 1998	Managing Director M&A advisory manager in Japan		
			Oct. 2003	Visiting Associate Professor of School of International Corporate Strategy of Hitotsubashi University Business School		
			June 2005	Outside Director of Miraca Holdings Inc. (currently H.U. Group Holdings, Inc.)		
			Nov. 2005	External Director of FAST RETAILING CO., LTD. (current position)		
			Oct. 2006	Visiting Professor of School of International Corporate Strategy of Hitotsubashi University Business School		
			Apr. 2009	Visiting Professor, Graduate School of Finance, Accounting and Law of Waseda University		
			Mar. 2015	Audit & Supervisory Board Member of the Company (current position)		
			June 2015	Outside Director of Hakuhold DY Holdings Inc. (current position)		
			July 2016	Special Visiting Professor of Graduate School of Business Administration of Keio University		
			Apr. 2017	Visiting Professor of Graduate School of Business and Finance of Waseda University (current position)		
			Apr. 2017	Visiting Professor of Graduate School of Business Administration of Keio University (current position)		
Total					4,360,672	

- (Notes) 1. Directors Kazuhito Osugi and Keiko Unotoro are Outside Directors.
2. Audit & Supervisory Board Members Takeshi Umemoto, Kazuhiko Shimokobe, and Nobumichi Hattori are Outside Audit & Supervisory Board Members.
3. From the conclusion of the annual general meeting of shareholders held on March 24, 2022 to the conclusion of the annual general meeting of shareholders for the fiscal year ending December 2023.
4. From the conclusion of the annual general meeting of shareholders held on March 24, 2022 to the conclusion of the annual general meeting of shareholders for the fiscal year ending December 2025.
5. The Company has introduced the Executive Officer system to invigorate the Board of Directors meetings by separating decision-making/supervision and execution. Executive Officers (excluding those who concurrently serve as Director) are as follows.
- |                                   |                     |   |
|-----------------------------------|---------------------|---|
| Senior Managing Executive Officer | Toshiyuki Mitsuzawa | (Responsible for promoting Financial Advisory Department projects and Head of Global Innovation Support Section)  |
| Managing Executive Officer        | Sumio Nishizawa     | (General Manager of Business Development Department and Branch Manager of Osaka Branch)   |
| Managing Executive Officer        | Akinori Nishida     | (Head of Management Executive Support Department)   |
| Executive Officer                 | Masaya Yajima       | (Management Consulting Department and Manager of Company Planning Division of Company Planning and Administration Department)                                     |
| Executive Officer                 | Shinji Hikoe        | (Deputy Head of Management Consulting Department, General Manager of Management Innovation Support Division and General Manager of Professional Service Division) |
| Executive Officer                 | Hitoshi Kuriyama    | (General Manager of Industry Research Department)   |
| Executive Officer                 | Tomohiro Murata     | (Industry Research Department)  |
| Executive Officer                 | Hiroaki Hamada      | (Head of Company Planning and Administration Department and Auditor of Frontier Management (Shanghai) Inc.)   |

(ii) Outside officers

The Company has elected two Outside Directors and three Outside Audit & Supervisory Board Members.

The Company decided that Outside Director Kazuhito Osugi would utilize his in-depth knowledge of economy, finance and business rehabilitation, accumulated in serving in key positions at the Bank of Japan and Industrial Revitalization Corporation of Japan, in strengthening the supervisory function of the Company's Board of Directors, while Keiko Unotoro would utilize

her in-depth insights into economic laws, competition policy and corporate compliance as well as abundant experience, accumulated in serving in key positions at the Japan Fair Trade Commission, in strengthening the supervisory function of the Company's Board of Directors, and elected them as Outside Directors. These two persons meet the requirements for independent officers stipulated by the Tokyo Stock Exchange, and the Company has decided that there is no conflict of interest with general shareholders and designated them as independent officers.

The Company decided that Outside Audit & Supervisory Board Member Takeshi Umemoto would utilize his long experience in audits in monitoring management and providing appropriate advice as an Outside Audit & Supervisory Board Member, Kazuhiko Shimokobe would utilize his experience in handling many corporate rehabilitation cases as an attorney in monitoring management and providing appropriate advice as an Outside Audit & Supervisory Board Member, and Nobumichi Hattori would utilize his expertise at a U.S. major investment bank and knowledge in the management field as a university professor in monitoring management and providing appropriate advice as an Outside Audit & Supervisory Board Member. Accordingly, the Company elected them as Outside Audit & Supervisory Board Members. These three persons meet the requirements for independent officers stipulated by the Tokyo Stock Exchange, and the Company has decided that there is no conflict of interest with general shareholders and designated them as independent officers.

As the criteria and policy on independence for the election of Outside Directors, the Company has determined the composition of the Board of Directors and the policy on the election of candidates for Directors. For the election of candidates for Outside Directors, based on the policy, the Company nominates as candidates those who are deemed to be able to ensure sufficient independence for executing their duties as an Outside Director in a position independent from the management of the Company. For the election of candidates for Outside Audit & Supervisory Board Members, the Company nominates as candidates those who are deemed to be able to ensure sufficient independence for executing their duties as an Outside Audit & Supervisory Board Member in a position independent from the management of the Company, while there is no criteria or policy on independence for the election of Outside Audit & Supervisory Board Members.

(iii) Mutual coordination of supervision or audit by Outside Directors or Outside Audit & Supervisory Board Members with audits by Auditors and accounting audits, and relationship with the internal control department

Outside Directors are supervising the execution of business at the Board of Directors meetings. Outside Audit & Supervisory Board Members are auditing the supervision of the execution of business as well as the decision-making at the Board of Directors meetings.

For the audit system of Audit & Supervisory Board Members, the Audit & Supervisory Board of the Company consists of three Outside Audit & Supervisory Board Members for whom independence is secured. In addition, Audit & Supervisory Board Members are striving to share information on audit matters in cooperation with internal auditors and Accounting Auditor. For the internal audit system, the Company has established the Internal Audit Office, with one of the internal auditors conducting audits on the "effectiveness of internal control and the appropriateness of the management targets" across the company. The status of internal audits is reported by the Internal Audit Office at the Board of Directors and Audit & Supervisory Board meetings.

(3) Status of audits

(i) Status of audits by Audit & Supervisory Board Members

With the basic policy of ensuring sound and sustainable growth of a company and contributing to the establishment of a quality corporate governance system that can be worthy of the trust placed in the company by society, by appropriately exercising the granted broad authority and auditing the execution of duties by Directors, the Audit & Supervisory Board of the Company has determined the audit plan and is conducting audits primarily on the development and operation of the internal control system, and the promotion system of compliance and risk management. Each Audit & Supervisory Board Member is conducting audits by attending the Board of Directors meetings and other important meetings, exchanging opinions with Representative Directors, hearing about the execution of business from Directors, etc. on a regular basis, inspecting important internal approval documents such as requests for managerial decision, and examining the operations and assets at the Head Office, as well as for subsidiaries, communicating and exchanging information with Directors and Audit & Supervisory Board Members of subsidiaries, and receiving reports on business from subsidiaries as necessary.

The Standing Audit & Supervisory Board Member is conducting audits, by attending important meetings including those of the Board of Directors, the Management Committee, and the Executive Committee, hearing from each department, and inspecting important documents, etc., while sharing information with Part-time Audit & Supervisory Board Members.

During the fiscal year under review, the Company held 13 meetings of the Audit & Supervisory Board. Attendance by individual Audit & Supervisory Board Members is as follows.

Name	Number of meetings held	Number of times of attendance
Takeshi Umemoto	13	13
Kazuhiko Shimokobe	13	13
Nobumichi Hattori	13	12

(ii) Status of internal audits

It is as described in “(iii) Mutual coordination of supervision or audit by (Outside Directors or Outside Audit & Supervisory Board Members with audits by Auditors and accounting audits, and relationship with the internal control department” in “(2) Officers.”

(iii) Status of accounting audits

A. Name of the audit firm

KPMG AZSA LLC

B. Continuous audit period

Six years

C. Certified public accountants who executed the operation

Masaki Sugiyama, Designated Limited Liability Partner and Executive Member

Hidenori Kawamura, Designated Limited Liability Partner and Executive Member

D. Composition of assistants for audit operations

Assistants for accounting audit of the Company consist of three certified public accountants and four other people.

E. Policy and reasons for the selection of the audit firm

In the selection of the Accounting Auditor, the Company makes a comprehensive assessment by considering that the quality management system of the audit firm is appropriate and without problems of independence, and audit plans and fees are appropriate, among others.

F. Evaluation of the audit firm by Audit & Supervisory Board Members and the Audit & Supervisory Board

Audit & Supervisory Board Members and the Audit & Supervisory Board have evaluated that there is no reason falling under a cause for dismissal or non-reappointment of Accounting Auditor in terms of its execution of duties, audit system and independence among others.



(iv) Description of audit fees

A. Fees for auditing certified public accountants and others

(Thousands of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Submitter company	16,900	–	20,272	–
Consolidated subsidiary	–	–	–	–
Total	16,900	–	20,272	–

- (Notes) 1. During the previous fiscal year, the Company paid additional fees of ¥1,946 thousand for audit in the fiscal year before the previous one to Accounting Auditor KPMG AZSA LLC.
2. During the current fiscal year, the Company paid additional fees of ¥770 thousand for audit in the previous fiscal year to Accounting Auditor KPMG AZSA LLC.

B. Fees for organizations belonging to the same network of auditing certified public accountants (excluding A.)

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

C. Description of fees for other important audit certification services

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

D. Policy for the decision on audit fees

The Company decides audit fees for auditing certified public accountants and others by considering the business size and characteristics of operations of the Company, the audit plan, details of audits, number of staff, auditing hours, etc. for audit certification services, and by consulting with auditing certified public accountants and others.

E. Reasons for the consent of the Audit & Supervisory Board to fees for Accounting Auditor

Based on the actual audits in the past fiscal years, the Audit & Supervisory Board confirmed and examined as to whether the Accounting Auditor's audit plan, audit status and the basis for calculating the estimated compensation were appropriate, and the result of this was that it decided they were appropriate, and therefore, agreed on the amount.

(4) Compensation for officers

(i) Matters for the policy on the decision on the amount of compensation for officers and its calculation method

The Company has set a policy to decide on the amount of compensation for officers and its calculation method, and the description is as follows. 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 the 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.

A. 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.

B. 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 structure 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.

C. 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.

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

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.

(Thousands of yen)

	Target	Actual amount
Consolidated operating income	1,000,000	501,285

E. 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	¥8,700,000 thousand	30%
Consolidated operating margin	20%	30%
Consolidated ROE	At least 20%	30%
ESG, SDGs	Items shown in the medium-term management plan	10%

#### F. 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.

The General Meeting of Shareholders held on March 24, 2022 passed a resolution for setting monetary compensation, comprised of the basic compensation and single-fiscal-year performance-based compensation at ¥400 million or less per year (including ¥25 million or less per year for Outside Directors but 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: 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 at ¥100 million or less per year and 40,000 shares or less per year, respectively; and 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 at ¥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 (including two Outside Directors).

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.

(ii) Total amount of compensation, etc. for each officer category, total amount of compensation, etc. by category and the number of target officers

Officer category	Total amount of compensation, etc. (Thousands of yen)	Total amount of compensation, etc. by category (Thousands of yen)				Number of target officers
		Basic compensation	Performance-based compensation	Performance-based stock compensation	of which at left, non-monetary compensation	
Directors (excluding Outside Directors)	162,492	135,300	–	27,192	27,192	3 persons
Outside Officers	41,974	41,794	–	–	–	5 persons

(iii) Total amount of consolidated compensation, etc. for each officer

It is not described, as there is no officer whose total amount of consolidated compensation, etc. is ¥100 million or more.

(iv) Most important employee salary for officers concurrently serving as an employee

Not applicable.

(5) Stocks held

(i) Criteria and approach to category of investment stocks

Regarding the category of investment stocks which are held for the purpose of pure investment and those for purposes other than pure investment, the Company defines pure investment purpose as cases solely aiming to receive profit by changes in the value of stocks or dividends of stocks, while purposes other than that as purposes other than pure investment.

(ii) Investment stocks held for purposes other than pure investment purpose

A. Method of verifying the policy for holding and the rationality of holding, as well as the description of verification of the appropriateness of holding individual issues at the meeting of Board of Directors, etc.

Description is omitted, as the Company does not hold listed stocks.

B. Number of issues and amount recorded on non-consolidated balance sheet

	Number of issues (Issues)	Total amount recorded on the non-consolidated balance sheet (Thousands of yen)
Non-listed stocks	1	56,800
Stocks other than non-listed stocks	–	–

(Issues whose number of shares increased during the current fiscal year)

Not applicable.

(Issues whose number of shares decreased during the current fiscal year)

Not applicable.

C. Information on the number of specified investment stocks and deemed holding of stocks by issue, amount recorded on the non-consolidated balance sheet, etc.

Not applicable.

(iii) Investment stocks held for pure investment purposes

Not applicable.

## V. Accounting

### 1. Consolidated Financial Statements and Preparation Method

- (1) The Company's consolidated financial statements are prepared in accordance with the Regulations on Terms, Forms, and Preparation Method for Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976).
- (2) The Company's non-consolidated financial statements are prepared in accordance with the Regulations on Terms, Forms, and Preparation Method for Non-consolidated Financial Statements (Ministry of Finance Ordinance No. 59 of 1963).

### 2. Audit Certification

KPMG AZSA LLC audited the Company's consolidated financial statements and non-consolidated financial statements for the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021) in accordance with the provision of Article 193-2, Paragraph (1) of the Financial Instruments and Exchange Act.

### 3. Particular Efforts to Ensure the Appropriateness of Consolidated Financial Statements

The Company makes particular efforts to ensure the appropriateness of its consolidated financial statements. Specifically, to develop a platform allowing it to properly understand accounting principles and aptly respond to any change to them, the Company joined the Financial Accounting Standards Foundation, obtaining various pieces of information while having its personnel participate in training and seminars hosted by organizations having specialized information.

# 1. Consolidated Financial Statements

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,899,100	1,784,218
Notes and accounts receivable	962,644	1,073,376
Operational investment securities	1,364	9,837
Others	146,795	147,710
Allowance for doubtful accounts	(15,633)	(16,936)
Total current assets	2,994,271	2,998,206
Fixed assets		
Property, plant and equipment		
Buildings, net	198,844	193,854
Tools, furniture and fixtures, net	19,951	14,473
Total property, plant and equipment	Note 1) 218,795	Note 1) 208,328
Intangible fixed assets		
Software	11,043	11,267
Others	102	102
Total intangible fixed assets	11,145	11,369
Investments and other assets		
Investment securities	56,800	56,800
Stocks of subsidiaries and affiliates	Note 2) 37,127	Note 2) 43,633
Lease deposits	211,126	212,055
Deferred tax assets	224,236	277,356
Others	39,228	11,524
Total investments and other assets	568,518	601,370
Total noncurrent assets	798,459	821,068
Total assets	3,792,731	3,819,274

(Thousands of yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	59,407	45,424
Accounts payable-other	147,912	94,699
Income taxes payable	228,587	259,633
Provision for bonuses	505,736	553,014
Provision for directors' bonuses	1,000	–
Provision for shareholder benefit program	–	7,079
Others	319,230	323,095
Total current liabilities	1,261,874	1,282,944
Long-term liabilities		
Asset retirement obligations	82,257	82,262
Total non-current liabilities	82,257	82,262
Total liabilities	1,344,132	1,365,207
<b>Net assets</b>		
Shareholders' equity		
Paid-in capital	163,530	178,723
Capital surplus	835,220	558,745
Retained earnings	1,496,027	1,696,822
Treasury stock	(58,163)	(36,575)
Total shareholders' equity	2,436,614	2,397,717
Other accumulated comprehensive income		
Foreign currency translation adjustments	11,984	9,380
Total other accumulated comprehensive income	11,984	9,380
New share subscription rights	–	46,969
Total net assets	2,448,598	2,454,066
<b>Total liabilities and net assets</b>	<b>3,792,731</b>	<b>3,819,274</b>

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

(Thousands of yen)

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Net sales	5,192,527	5,741,654
Cost of sales	2,083,943	2,247,959
Gross profit	3,108,583	3,493,695
Selling, general and administrative expenses		
Salaries and allowances	1,013,018	1,302,744
Provision recorded for bonuses	237,237	269,041
Provision recorded for directors' bonuses	1,000	–
Retirement benefit expenses	19,452	23,174
Provision recorded for allowance for shareholder benefit program	–	7,079
Provision recorded for allowance for doubtful accounts	1,981	1,303
Others	1,255,088	1,389,067
Total selling, general and administrative expenses	2,527,778	2,992,409
Operating income	580,805	501,285
Non-operating income		
Interest income	78	125
Equity in earnings of affiliates	7,255	6,506
Insurance dividend income	968	1,125
Income from insurance claim	72	–
Administrative fees received	2,268	2,268
Subsidy from government etc.	2,759	686
Foreign exchange gains	–	6,751
Others	52	239
Total non-operating income	13,456	17,702
Non-operating expenses		
Interest expense	667	1,253
Market change costs	17,376	–
Charges for stock compensation	–	2,902
Foreign exchange losses	328	–
Others	256	256
Total non-operating expenses	18,628	4,411
Ordinary income	575,633	514,576
Income before income taxes	575,633	514,576
Income taxes	204,444	228,988
Income taxes-deferred	(49,326)	(53,119)
Total income taxes	155,118	175,868
Net income	420,515	338,707
Net income attributable to owners of parent	420,515	338,707



## Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Net income	420,515	338,707
Other comprehensive income		
Foreign currency translation adjustments	(210)	(2,603)
Total other comprehensive income	Note)(210)	Note)(2,603)
Comprehensive income	420,304	336,103
(Breakdown)		
Comprehensive income attributable to owners of the parent	420,304	336,103
Comprehensive income attributable to non-controlling interests	—	—

(iii) Consolidated Statement of Changes in Shareholders' Equity  
 Previous fiscal year (January 1, 2020 to December 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	158,137	808,967	1,206,655	(613)	2,173,146
Change during the period					
Issuance of new shares (exercise of new share subscription rights)	5,392	5,392			10,785
Dividends of surplus			(131,143)		(131,143)
Net income attributable to owners of parent			420,515		420,515
Purchase of treasury stock				(112,127)	(112,127)
Disposal of treasury stock		20,860		54,577	75,438
Net changes of items other than shareholders' equity (net)					
Total changes during the period	5,392	26,253	289,372	(57,550)	263,468
Closing balance	163,530	835,220	1,496,027	(58,163)	2,436,614

	Other accumulated comprehensive income		Total net assets
	Foreign currency translation adjustments	Total other accumulated comprehensive income	
Opening balance	12,194	12,194	2,185,341
Change during the period			
Issuance of new shares (exercise of new share subscription rights)			10,785
Dividends of surplus			(131,143)
Net income attributable to owners of parent			420,515
Purchase of treasury stock			(112,127)
Disposal of treasury stock			75,438
Net changes of items other than shareholders' equity (net)	(210)	(210)	(210)
Total changes during the period	(210)	(210)	263,257
Closing balance	11,984	11,984	2,448,598

Current fiscal year (January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	163,530	835,220	1,496,027	(58,163)	2,436,614
Change during the period					
Issuance of new shares (exercise of new share subscription rights)	1,597	1,597			3,195
Dividends of surplus			(137,912)		(137,912)
Net income attributable to owners of parent			338,707		338,707
Purchase of treasury stock				(270,080)	(270,080)
Cancellation of treasury stock		(291,668)		291,668	–
Restricted stock awards	13,596	13,596			27,192
Net changes of items other than shareholders' equity (net)					
Total changes during the period	15,193	(276,474)	200,794	21,588	(38,897)
Closing balance	178,723	558,745	1,696,822	(36,575)	2,397,717

	Other accumulated comprehensive income		New share subscription rights	Total net assets
	Foreign currency translation adjustments	Total other accumulated comprehensive income		
Opening balance	11,984	11,984	–	2,448,598
Change during the period				
Issuance of new shares (exercise of new share subscription rights)				3,195
Dividends of surplus				(137,912)
Net income attributable to owners of parent				338,707
Purchase of treasury stock				(270,080)
Cancellation of treasury stock				–
Restricted stock awards				27,192
Net changes of items other than shareholders' equity (net)	(2,603)	(2,603)	46,969	44,365
Total changes during the period	(2,603)	(2,603)	46,969	5,467
Closing balance	9,380	9,380	46,969	2,454,066

## (iv) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Net cash provided by (used in) operating activities		
Income before income taxes	575,633	514,576
Depreciation and amortization	38,694	36,478
Share of investment (loss) of entities accounted for using the equity method (-: profit)	(7,255)	(6,506)
Charges for stock compensation	–	102,189
Increase (decrease) in accrued bonuses (-: decrease)	(5,810)	47,277
Increase (decrease) in provision for directors' bonuses (-: decrease)	(24,098)	(1,000)
Increase (decrease) in provision for shareholder benefit program (-: decrease)	–	7,079
Increase (decrease) in allowance for doubtful accounts (-: decrease)	1,981	1,303
Interest income	(78)	(125)
Interest expense	667	1,253
Decrease in notes and accounts receivable-trade (-: increase)	(267,373)	(109,713)
Decrease in operational investment securities (-: increase)	55,030	(8,473)
Increase in notes and accounts payable-trade (-: decrease)	40,756	(14,741)
Increase (decrease) in accounts payable-other (-: decrease)	50,446	(51,600)
Others	132,016	4,685
Subtotal	590,609	522,681
Interest received	78	125
Interest expenses paid	(667)	(1,253)
Income taxes paid	(133,918)	(204,740)
Net cash provided by (used in) operating activities	456,102	316,813
Cash flow from investing activities		
Purchases of property, plant and equipment	(1,767)	(25,876)
Purchase of intangible assets	(707)	(4,800)
Purchases of investment securities	(56,800)	–
Payments for lease and guarantee deposits	(31)	(847)
Cash flow from investing activities	(59,305)	(31,524)
Cash flow from financing activities		
Purchase of treasury stock	(112,127)	(270,080)
Cash dividends paid	(129,342)	(137,880)
Proceeds from exercise of stock options	10,785	3,195
Cash flow from financing activities	(230,684)	(404,765)
Effect of exchange rate changes on cash and cash equivalents	(246)	4,593
Net (decrease) increase in cash and cash equivalents (-: decrease)	165,865	(114,882)
Cash and cash equivalents at beginning of period	1,733,235	1,899,100
Cash and cash equivalents at end of period	Note 1) 1,899,100	Note 1) 1,784,218

## Notes to Consolidated Financial Statements

(Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements)

### 1. Matters regarding the scope of consolidation

All subsidiaries of the Company are consolidated.

Number of consolidated subsidiaries 1

Names of consolidated subsidiaries

Frontier Management (Shanghai) Inc.

### 2. Matters regarding application of the equity method

(1) Number of equity method affiliates 1

Names of equity method affiliates

FCD Partners Inc.

(2) For an equity method affiliate whose balance sheet date differs from the consolidated balance sheet date of Company, the former's fiscal year balance sheets are used.

### 3. Matters regarding consolidated subsidiary fiscal years

Balance sheet dates of all consolidated subsidiaries of the Company are identical to its consolidated balance sheet date.

### 4. Matters regarding accounting policies

(1) Valuation standards and valuation methods for significant assets

Securities

Available-for-sale securities (including operational investment securities)

Securities without fair value

Available-for-sale securities without fair value are stated at cost using the moving-average method.

(2) Depreciation and amortization methods for significant depreciable and amortizable assets

A. Property, plant and equipment

Property, plant and equipment of the Company are depreciated using the declining-balance method and those of its overseas consolidated subsidiaries are depreciated using the straight-line method.

Buildings (fixtures) acquired on or after April 1, 2016 are depreciated using the straight-line method.

Useful lives are mainly as follows:

Buildings (fixtures) 2 to 15 years

Tools, furniture and fixtures 2 to 20 years

B. Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method in accordance with an internally usable period (5 years).

(3) Standard for recording allowances or provisions of importance

A. Allowance for doubtful accounts

To prepare for a potential loss from a default on receivables, an allowance for doubtful accounts is recorded for ordinary receivables in an amount determined by our historical loss experience ratio and for specific receivables feared to be defaulted on in an amount determined by considering the recoverability on a case-by-case basis.

B. Provision for bonuses

To prepare for paying bonuses to employees, we recorded a provision for bonuses in an amount required to be paid in the current fiscal year as part of an amount likely to be paid as bonuses for them.

C. Provision for shareholder benefit program

To prepare for spending of shareholder benefit points granted to shareholders under the shareholder benefit program, we at the end of the current fiscal year recorded a provision for shareholder benefit program in an amount likely to be incurred correspondingly in the future.

(4) Standard for recording revenues and expenses of importance

A. Standard for recording revenues and expenses associated with contract service agreements

The percentage of completion method was applied to such consulting services under service contracts as are deemed to deliver results reliably concerning the progress achieved by the end of the current fiscal year. The cost-to-cost method is used for

estimating progress.

B. Standard for recording contingency fee

We record a contingency fee when becoming able to claim it by meeting some requirement such as a conclusion of a project agreement between a customer company and its business partner

(5) Standard for translation of amounts of important foreign-currency-denominated assets or liabilities into Japanese yen

Amounts of foreign-currency-denominated receivables and payables are translated into Japanese yen at the spot exchange rate on the balance sheet date and any translation difference is recorded as a profit or loss. Amounts of assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate on the balance sheet date. Their revenues and expenses are translated into Japanese yen at the average foreign exchange rate during each term and any translation difference is recorded as foreign currency translation adjustments under net assets.

(6) Scope of funds in a consolidated statement of cash flows

Funds in a consolidated statement of cash flows consist of cash on hand, deposits able to be withdrawn any time, and short-term investments that are able to be cashed easily and are exposed to only a minuscule value fluctuation risk and mature within three months from the date of acquisition.

(7) Other significant matters for preparation of consolidated financial statements

Accounting treatment for consumption taxes

Consumption taxes and regional consumption taxes are accounted for by the tax-exclusion method.

(Significant Accounting Estimates)

(Investment securities)

1. Value recorded on the consolidated balance sheet for the current fiscal year

(Thousands of yen)

	Current fiscal year
Investment securities	56,800

2. Information on significant accounting estimates for items distinguished

Stocks whose fair value is deemed to be highly difficult to know are stated on the consolidated balance sheet at their purchase prices. We consider whether stocks purchased for prices mirroring investees' excess earning capacity have seen the capacity impaired in comprehensive consideration of market climate change for the investees as well as discrepancy between their budgets and results, coupled with their business performance, business plan progress, and latest financing activities. In the event of an investee's excess earning capacity hoped for at the time of the stock purchase being impaired, we must lower the stock's carrying value to a real value by using financial statements able to be obtained no later than the next balance sheet date, and this could potentially affect the consolidated financial statements for next fiscal year.

(Accounting standards not applied)

1. Accounting standard for revenue recognition, etc.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018, Accounting Standards Board of Japan)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018, Accounting Standards Board of Japan)
- Implementation Guideline for Disclosures about Fair Value of Financial Instruments (ASBJ Application Standard No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Outline

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 issued by IASB and Topic 606 issued by FASB) in May 2014. Considering the situation where the application of IFRS 15 is effective from the fiscal year beginning on or after January 1, 2018 and the application of Topic 606 is effective from the fiscal year beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with its implementation guidance.

The ASBJ's basic policy in developing the accounting standard for revenue recognition was to incorporate the basic principles of IFRS 15 as a starting point to establish the accounting standard, from the viewpoint of comparability between financial statements, which is one of the benefits of consistency with IFRS 15, and to add alternative accounting treatments, but to the extent not impairing comparability, where consideration should be given to practices that have been conducted to date in Japan.

(2) Planned date of initial application

The accounting standard will begin to be applied from the start of the fiscal year ending December 31, 2022.

(3) Effects of application of the accounting standards, etc.

The effects of applying the "Accounting Standard for Revenue Recognition" and relevant ASBJ regulations on the consolidated financial statements are currently under evaluation.

2. Accounting standard for fair value measurement, etc.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019, Accounting Standards Board of Japan)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan)
- Implementation Guideline for Disclosures about Fair Value of Financial Instruments (ASBJ Application Standard No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Outline

In light of the situation in which the International Accounting Standards Board (IASB) and the U.S. Financial Accounting

Standards Board (FASB) had established detailed guidance on fair value measurement with almost the same content (IFRS 13 “Fair Value Measurement” in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 “Fair Value Measurement” in the US GAAP), the Accounting Standards Board of Japan (ASBJ) worked to ensure consistency of the Japanese GAAP with international accounting standards mainly for guidance and disclosures on fair value of financial instruments and issued the “Accounting Standard for Fair Value Measurement” and relevant ASBJ regulations.

The ASBJ’s basic policy for the development of the accounting standard for fair value measurement is to incorporate, in principle, all the provisions of IFRS 13 from the perspective of increasing comparability of financial statements among companies in Japan and overseas by using a unified measurement method, and to establish other treatments of individual items to the extent that consideration is given to practices that have been conducted to date in Japan and comparability among financial statements is not impaired largely.

(2) Planned date of initial application

The accounting standard will begin to be applied from the start of the fiscal year ending December 31, 2022.

(3) Effects of application of the accounting standard, etc.

We have yet to identify monetary effects on consolidated financial statements from applying the accounting standard for measurement, etc.

(Change in presentation method)

(Application of the accounting standard for disclosure of accounting estimates)

Starting with the consolidated financial statements at the end of the current fiscal year, we began to apply the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020), and presented notes on significant accounting estimates on the consolidated financial statements.

These notes, however, do not refer to matters for the previous fiscal year in accordance with the transitional treatment provided for in the proviso clause of Paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates.

(Additional Information)

(Accounting Estimate of the Impact of Infectious Disease of COVID-19)

With respect to the status of COVID-19, we make accounting estimates such as for recoverability of deferred tax assets, based on currently available information, assuming that current conditions will continue for at least FY2022.

As a consequence, we are not aware of any material impact on the valuation of our accounting estimates; however, due to the highly uncertain impact of the spread of COVID-19, financial condition and results of operations of the Group may be impacted in the future.

(Consolidated Balance Sheet)

Note 1) Cumulative depreciation of property, plant and equipment

(Thousands of yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
	67,563	99,533

Note 2) Our affiliate information is as follows:

(Thousands of yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Stocks of subsidiaries and affiliates	37,127	43,633

(Consolidated Statement of Income)

Not applicable.



(Consolidated Statements of Comprehensive Income)

Note) Amounts of adjustments and tax effects associated with comprehensive income

(Thousands of yen)

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Foreign currency translation adjustments:		
Amounts recorded for the current fiscal year	(210)	(2,603)
Total other comprehensive income	(210)	(2,603)

## (Consolidated Statements of Changes in Shareholders' Equity)

Previous fiscal year (January 1, 2020 to December 31, 2020)

## 1. Matters regarding the classes and total numbers of shares outstanding and treasury stock shares

	Beginning number of shares for the current fiscal year (Shares)	Increase in number of shares during the current fiscal year (Shares)	Decrease in number of shares during the current fiscal year (Shares)	Ending number of shares for the current fiscal year (Shares)
Number of shares outstanding				
Common stock (Notes 1., 2.)	5,706,000	71,900	–	5,777,900
Total	5,706,000	71,900	–	5,777,900
Treasury stock				
Common stock (Notes 1., 3., 4.)	4,126	57,114	29,700	31,540
Total	4,126	57,114	29,700	31,540

- (Notes) 1. Although we conducted a 2-for-1 common stock split on January 1, 2021 by resolution of a Board of Directors meeting held on November 12, 2020, the numbers of shares shown are those prior to the stock split.
2. An increase of 71,900 shares in the total number of common stock shares outstanding was caused by exercise of stock options.
3. An increase of 57,114 shares in the number of treasury common stock shares was comprised of 114 shares caused by repurchases of shares less than one unit and 57,000 shares caused by purchase of shares of treasury stock by resolution of the Board of Directors.
4. A decrease of 29,700 shares in the number of treasury common stock shares was caused by disposing of treasury stock shares for restricted stock compensation.

## 2. Matters regarding new share subscription rights and new treasury stock share subscription rights

New share subscription right in the form of a stock option

Closing balance of new share subscription rights for the current fiscal year - thousand yen

## 3. Matters regarding dividend

## (1) Cash dividends paid

(Resolution)	Class of stock	Total cash dividends paid (Thousands of yen)	Sources of dividends	Dividend per share (Yen)	Record date	Effective date
March 27, 2020 Annual general meeting of shareholders	Common stock	131,143	Retained earnings	23	December 31, 2019	March 30, 2020

## (2) Of dividends whose record dates were in the current fiscal year, dividends whose effective dates will be in the next fiscal year

(Resolution)	Class of stock	Total cash dividends paid (Thousands of yen)	Sources of dividends	Dividend per share (Yen)	Record date	Effective date
March 25, 2021 Annual general meeting of shareholders	Common stock	137,912	Retained earnings	24	December 31, 2020	March 26, 2021

(Note) Although we conducted a 2-for-1 common stock split on January 1, 2021 by resolution of a Board of Directors meeting held on November 12, 2020, dividend per share shown is that prior to the stock split.

Current fiscal year (January 1, 2021 to December 31, 2021)

1. Matters regarding the classes and total numbers of shares outstanding and treasury stock shares

	Current fiscal year Beginning number of shares (Shares)	Current fiscal year Increase in number of shares (Shares)	Current fiscal year Decrease in number of shares (Shares)	Ending number of shares for the current fiscal year (Shares)
Number of shares outstanding				
Common stock (Notes 1., 3.)	5,777,900	5,840,498	200,000	11,418,398
Total	5,777,900	5,840,498	200,000	11,418,398
Treasury stock				
Common stock (Notes 2., 3.)	31,540	194,279	200,000	25,819
Total	31,540	194,279	200,000	25,819

- (Notes)
1. An increase of 5,840,498 shares in the total number of common stock shares outstanding consisted of 5,777,900 shares caused by a stock split, 19,998 shares by a new share issuance for restricted stock awards, and 42,600 shares by exercise of stock options.
  2. An increase of 194,279 shares in the number of treasury common stock shares was comprised of 31,540 shares caused by a stock split and 2,739 shares by gratis purchasing of restricted stock shares, and 160,000 shares by acquisition of treasury stock shares by resolution of the Board of Directors.
  3. A decrease of 200,000 shares in the number of common stock shares and treasury common stock shares was caused by retirement of treasury stock shares.

2. Matters regarding new share subscription rights and new treasury stock share subscription rights

Category	Breakdown subscription rights to shares	Class of stock underlying new share subscription rights	Number of shares of stock underlying new share subscription rights (Shares)				Closing balance for the current fiscal year (Thousands of yen)
			Start of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	End of the current fiscal year	
Submitter company (Parent company)	New share subscription right in the form of a stock option	-	-	-	-	-	46,969
Total		-	-	-	-	-	46,969

3. Matters regarding dividend

(1) Cash dividends paid

(Resolution)	Class of stock	Total cash dividends paid (Thousands of yen)	Sources of dividends	Dividend per share (Yen)	Record date	Effective date
March 25, 2021 Annual general meeting of shareholders	Common stock	137,912	Retained earnings	24	December 31, 2020	March 26, 2021

(Note) Although we conducted a 2-for-1 common stock split on January 1, 2021 by resolution of a Board of Directors meeting held on November 12, 2020, dividend per share shown is that prior to the stock split.

(2) Of dividends whose record dates were in the current fiscal year, dividends whose effective dates will be in the next fiscal year

(Resolution)	Class of stock	Total cash dividends paid (Thousands of yen)	Sources of dividends	Dividend per share (Yen)	Record date	Effective date
March 24, 2022 Annual general meeting of shareholders	Common stock	113,925	Retained earnings	10	December 31, 2021	March 25, 2022

(Consolidated Statements of Cash Flows)

Note 1) Relation between cash and cash equivalents at end of period and account amounts shown in consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Cash and deposits	1,899,100	1,784,218
Cash and cash equivalents	1,899,100	1,784,218

2 Description of significant non-monetary transactions

Not applicable.

(Lease transactions)

(Lessee)

1. Financial lease transactions

Not applicable.

2. Operating lease transactions

Unearned lease fees for operating lease transactions that are unable to be terminated

(Thousands of yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Within one year	227,017	224,416
In excess of one year	498,404	273,988
Total	725,422	498,404

(Financial products)

1. Matters regarding financial products

(1) Policy on handling financial products

We manage funds solely through deposits that are short in period and highly safe as we have a policy to refrain from entering into speculative transactions. We procure funds required in light of our business plans (mainly through loans from banks).

(2) Descriptions of financial products and their risks

Notes and accounts receivable, operating receivables, are exposed to customer credit risk.

Most of notes and accounts payable-other, operating payables, are due within one month.

Lease deposits, being associated mainly with the lease agreement for our head office space, are exposed to lessor credit risk.

(3) Framework for risk management for financial products

(i) Management of credit risk

We curb credit risk associated with operating receivables by managing due dates and balances for individual business partners.

(ii) Management of liquidity risk from obtaining financing

Our unit responsible manages liquidity risk by keeping liquidity on hand in consideration of cash flow control.

(4) Supplementary description of matters relating to fair value of financial products

Financial product fair value is based on price in the market. If it is not available, values computed reasonably are included. In computing the values, variable factors are factored in, meaning that they could potentially vary if different premises are used.

2. Matters regarding fair value of financial products

Shown below are amounts recorded on the consolidated balance sheet, fair value, and their differences. Items whose fair value is deemed to be highly difficult to know were not included (see Note 2)

Previous fiscal year (As of December 31, 2020)

(Thousands of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,899,100	1,899,100	–
(2) Notes and accounts receivable	962,644		
Allowance for doubtful accounts (Note)	(14,133)		
Difference	948,511	948,511	–
(3) Lease deposits	211,126	210,490	(635)
Total assets	3,058,738	3,058,102	(635)
(1) Notes and accounts payable	59,407	59,407	–
(2) Accounts payable-other	147,912	147,912	–
(3) Income taxes payable	228,587	228,587	–
Total liabilities	435,907	435,907	–

(Note) Amounts of corresponding allowance for doubtful accounts were deducted from notes and accounts receivable.

Current fiscal year (As of December 31, 2021)

(Thousands of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,784,218	1,784,218	–
(2) Notes and accounts receivable	1,073,376		
Allowance for doubtful accounts (Note)	(16,936)		
Difference	1,056,439	1,056,439	–
(3) Lease deposits	212,055	210,637	(1,418)
<b>Total assets</b>	<b>3,052,713</b>	<b>3,051,295</b>	<b>(1,418)</b>
(1) Notes and accounts payable	45,424	45,424	–
(2) Accounts payable-other	94,699	94,699	–
(3) Income taxes payable	259,633	259,633	–
<b>Total liabilities</b>	<b>399,756</b>	<b>399,756</b>	<b>–</b>

(Note) Amounts of corresponding allowance for doubtful accounts were deducted from notes and accounts receivable.

(Notes) 1. Matters regarding computation of fair value of financial products

Assets

(1) Cash and deposits and (2) notes and accounts receivable

Cash and deposits and notes and accounts receivable are stated at book value because their fair values are nearly equal to their book values as they are settled within a short period of time.

(3) Lease deposits

Fair value of lease deposits is computed using the present value of future cash flows as discounted at a rate incorporating credit risk into the yields on Japanese government bonds.

Liabilities

(1) Notes and accounts payable, (2) accounts payable-other, and (3) income taxes payable

Notes and accounts payable, accounts payable-other, and income taxes payable are stated at book value because their fair values are nearly equal to their book values as they are settled within a short period of time.

2. Financial products whose fair value is deemed to be highly difficult to know

(Thousands of yen)

Category	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Operational investment securities	1,364	9,837
Investment securities	56,800	56,800
Stocks of subsidiaries and affiliates	37,127	43,633

The fair values of stocks of subsidiaries and affiliates are not disclosed as they are deemed to be highly difficult to know in the absence of market prices.

3. Amounts of planned redemptions of receivables after balance sheet date

Previous fiscal year (As of December 31, 2020)

(Thousands of yen)

	Within one year	In excess of one year and within five years	In excess of five years and within ten years	In excess of ten years
Cash and deposits	1,899,100	–	–	–
Notes and accounts receivable	962,644	–	–	–
Lease deposits	1,466	5,118	203,968	573
Total	2,863,211	5,118	203,968	573

Current fiscal year (As of December 31, 2021)

(Thousands of yen)

	Within one year	In excess of one year and within five years	In excess of five years and within ten years	In excess of ten years
Cash and deposits	1,784,218	–	–	–
Notes and accounts receivable	1,073,376	–	–	–
Lease deposits	5,048	3,406	203,028	573
Total	2,862,642	3,406	203,028	573

4. Amounts of planned repayments of interest-bearing debt after balance sheet date

Previous fiscal year (As of December 31, 2020)

Not applicable.

Current fiscal year (As of December 31, 2021)

Not applicable.



(Securities)

1. Available-for-sale securities

Previous fiscal year (As of December 31, 2020)

The fair values of operational investment securities (¥1,364 thousand recorded on the consolidated balance sheet), investment securities (¥56,800 thousand recorded likewise), and stocks of subsidiaries and affiliates (¥37,127 thousand recorded likewise) are not disclosed as they are deemed to be highly difficult to know in the absence of market prices.

Current fiscal year (As of December 31, 2021)

The fair values of operational investment securities (¥9,837 thousand recorded on the consolidated balance sheet), investment securities (¥56,800 thousand recorded likewise), and stocks of subsidiaries and affiliates (¥43,633 thousand recorded likewise) are not disclosed as they are deemed to be highly difficult to know in the absence of market prices.

2. Available-for-sale securities sold

Not applicable.

(Retirement benefits)

Previous fiscal year (January 1, 2020 to December 31, 2020)

1. Outline of a retirement benefit program adopted

The Company adopted a selective defined contribution pension program in order to pay retirement benefits to employees.

2. Defined contribution pension program

The Company is required to contribute ¥37,478 thousand to its defined contribution pension program.

Current fiscal year (January 1, 2021 to December 31, 2021)

1. Outline of a retirement benefit program adopted

The Company adopted a selective defined contribution pension program in order to pay retirement benefits to employees.

2. Defined contribution pension program

The Company is required to contribute ¥42,552 thousand to its defined contribution pension program.

(Stock option, etc.)

(Stock option(s))

1. Expense amount to be recorded for stock options and the account

(Thousands of yen)

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Cost of sales	—	26,024
Selling, general and administrative expenses	—	20,945

2. Description and number of stock options and their change

(1) Description of stock option

	11th Stock Acquisition Rights	12th Stock Acquisition Rights
Company	Submitter company	Submitter company
Date of resolution	Annual general meeting of shareholders held on March 29, 2018 Board of Directors meeting held on May 15, 2018	Board of Directors meeting held on March 25, 2021
Grantee categories and count	Director 3 persons Employee 140 persons	Executive Officer 5 persons Employee 10 persons
Number of stock options by stock class (Note)	Common stock 335,200 shares	Common stock 34,900 shares
Date of granting	June 15, 2018	April 13, 2021
Requirements for determining rights	The requirements for determining rights are as shown in “(2) Stock acquisition rights” in “1. Shares” in “IV. Status of Submitting Company.”	Same as on the left
Applicable term of service	From June 15, 2018 to May 15, 2020	From March 15, 2021 to March 25, 2022
Period for rights exercise	From May 16, 2020 to May 15, 2028	From March 26, 2022 to March 25, 2026

(Note) Stated by translating into the number of shares Stated by translating into the number of shares after a stock split conducted on July 13, 2018 (1,000-for-1 stock split), and one conducted on October 1, 2019 (2-for-1 stock split), and one conducted on January 1, 2021 (2-for-1 stock split)

(2) Number of stock options and their change

Stated by translating the number of stock options in existence for the current fiscal year into the number of shares.



(2) Main basic numbers and estimation methods

	12th Stock Acquisition Rights
Stock price variability (Note 1)	56.54%
Expected residual period (Note 2)	2.95 years
Expected dividend (Note 3)	¥12 per share
Risk-free interest rate (Note 4)	(0.13)%

- (Notes)
1. Stock price variability was calculated in reference to stock prices from September 2018 to April 2021
  2. Since it is difficult to reasonably estimate a residual period in the absence of sufficient data accumulated, we estimated it by presuming that the stock options would be exercised at the midpoint of the option exercise period.
  3. Expected dividend was in reference to the dividend for the fiscal year ended December 31, 2020.
  4. The yield on Japanese government bonds for the expected residual period was used as risk-free interest rate.

4. Estimation method for the number of stock option rights determined

Since it is essentially difficult to reasonably estimate the number of future lapses, we adopted a method by which to reflect only the number of lapses done.

5. Total intrinsic value at the end of the current fiscal year for when computing using a stock option's intrinsic value per unit and the total exercise date value of stock options exercised at the end of the current fiscal year

- (1) Total intrinsic value at the end of the current fiscal year      ¥100,588 thousand
- (2) Total intrinsic value of options exercised during the current fiscal year      ¥62,881 thousand

(Restricted stock awards)

1. Description and number of advance grant-based stock options and their change, among options to be granted at no charge as director remuneration

(1) Description of advance grant-based stock options

	Advance grant-based stock options for 2021
Grantee categories and count (people)	Directors (excluding Outside Directors), 3 persons
Number of granted shares by class of stock	19,998 shares, common stock
Date of granting	April 15, 2021
Conditions for removing the restriction	<p>The restriction will be removed at expiration of the transfer restriction period by determining, by resolution of the Board of Directors, the number of shares for which the transfer restriction is to be removed. This will be in consideration of deliberations by a voluntary meeting of the Nomination and Compensation Advisory Committee and its recommendation in accordance with the fact that grantees were consecutively in office as Directors of the Company over the transfer restriction period and to the achievement rate for Medium-term Business Plan operational targets and the extent of corporate value improvement.</p> <p>If, before the expiration of the Transfer Restriction Period, an Eligible Director retires due to expiration of the term of office, death, or other justifiable reason, (i) where such retirement occurs during the period from the time of granting such shares to the time prior to determining the number of shares with respect to which the Transfer Restriction will be removed, the number of such shares with respect to which the Transfer Restriction will be removed and the timing of removing the Transfer Restriction will be reasonably adjusted as necessary in accordance with the degree of achievement of the management targets for the medium-term management plan and the degree of enhancement of corporate value as of that time, and the like, and (ii) where such retirement occurs during the period from the time of determining the number of shares with respect to which the Transfer Restriction will be removed to the time of expiration of the Transfer Restriction Period, the timing of removing the Transfer Restriction will be reasonably adjusted as necessary respectively by resolution of the Board of Directors in consideration of deliberations by a voluntary meeting of the Nomination and Compensation Advisory Committee and its recommendation.</p>
Transfer Restriction Period	From April 15, 2021 to April 14, 2024

(2) Number of advance grant-based stock options and their change

Stated by targeting advance grant-based stock options on which unremoved transfer restriction applied to a number of shares for the current fiscal year (the fiscal year ended December 31, 2021).

(i) Amount of expense recognized and account

(Thousands of yen)

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Cost of sales	–	–
Selling, general and administrative expenses	–	27,192

## (ii) Number of shares

	Advance grant-based stock options for 2021
Closing balance of restricted stock options for previous current fiscal year (Shares)	–
Granting (Shares)	19,998
Gratis acquisition (Shares)	–
Transfer restriction removed (Shares)	–
Closing balance of restricted stock options for the current fiscal year (Shares)	19,998

## (iii) Unit price information

	Advance grant-based stock options for 2021
Fairly valued unit price on date of grant (Yen)	1,813

## 2. Estimation method for fairly valued unit price

We used as the fairly valued unit price ¥1,813, which was the closing price of Frontier Management Inc.'s common stock on the Tokyo Stock Exchange's First Section on April 15, 2021, the date on which options were granted.

## 3. Estimation method for the number of shares whose transfer restriction will be removed

For advance grant-based stock options, it is essentially difficult to reasonably estimate the number of shares to be acquired at no charge in the future, so we adopted a method by which to reflect only the number of shares acquired at no charge in the past.

## (Tax effect accounting)

## 1. Breakdown of deferred tax assets and deferred tax liabilities by cause

	Previous fiscal year (As of December 31, 2020)	(Thousands of yen) Current fiscal year (As of December 31, 2021)
Deferred tax assets		
Income taxes payable	17,242	20,498
Provision for bonuses	154,880	169,359
Statutory welfare expenses payable	17,151	18,861
Disallowance of cost of sales	6,518	489
Loss carried forward	1,436	–
Allowance for doubtful accounts	5,828	4,727
Operational investment securities	16,779	16,779
Asset retirement obligations	25,191	25,192
Restricted stock awards	3,957	10,990
Charges for stock compensation	–	14,384
Other	8,592	15,555
Deferred tax assets subtotal	257,579	296,839
Valuation reserve	(2,936)	–
Total deferred tax assets	254,642	296,839
Deferred tax liabilities		
Disallowance of net sales	(9,748)	(1,343)
Asset retirement expenses	(20,657)	(18,139)
Total deferred tax assets and deferred tax liabilities	(30,406)	(19,483)
Net deferred tax assets	224,236	277,356

2. Breakdown of main matters that caused a significant difference to occur between the statutory effective tax rate and income tax rate after application of tax effect accounting

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Items not expensed without limit in time such as entertainment expenses	1.1	3.3
Per-capita inhabitant tax	0.3	0.3
Directors' bonuses	0.1	–
Equity method investment profit (loss)	(0.4)	(0.4)
Change in valuation reserve	(4.6)	0.7
Other	(0.2)	(0.3)
Income tax rate after application of tax effect accounting	26.9	34.2

(Asset retirement obligation)

Asset retirement obligation recorded on the consolidated balance sheet

1. Outline of the asset retirement obligation

Obligation to restore our head office space to its original condition under the real estate lease agreement

2. Method for computing the asset retirement obligation

The asset retirement obligation is computed with a discount rate for a proper indicator such as the yield on Japanese government bonds for an estimated usage period (0.000% to 0.980%) while predicting the period to be 3 to 15 years from acquisition.

3. Change in the total asset retirement obligation

	(Thousands of yen)	
	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Opening balance	82,253	82,257
Amount adjusted due to the passage of time	4	4
Ending balance	82,253	82,257



(Segment Information)

Segment Information

Presentation is omitted because the Group has only one segment.

Related Information

Previous fiscal year (January 1, 2020 to December 31, 2020)

1. Information on individual products and services

(Thousands of yen)

	Management consulting service	Financial advisory service	Rehabilitation support service	Other	Total
Sales to external customers	2,416,443	1,777,946	944,359	53,777	5,192,527

2. Information on individual areas

(1) Net sales

Presentation is omitted because sales to external customers in Japan exceeded 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Presentation is omitted because the value of property, plant and equipment in Japan exceeded 90% of the value of property, plant and equipment on the consolidated balance sheets.

3. Information on individual main customers

Presentation is omitted because no external customer accounted for 10% or more of net sales on the consolidated statement of income.

Current fiscal year (January 1, 2021 to December 31, 2021)

1. Information on individual products and services

(Thousands of yen)

	Management consulting service	Financial advisory service	Rehabilitation support service	Other	Total
Sales to external customers	3,280,302	1,725,210	662,331	73,810	5,741,654

2. Information on individual areas

(1) Net sales

Presentation is omitted because sales to external customers in Japan exceeded 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Presentation is omitted because the value of property, plant and equipment in Japan exceeded 90% of the value of property, plant and equipment on the consolidated statement of income.

3. Information on individual main customers

Presentation is omitted because no external customer accounted for 10% or more of net sales on the consolidated statement of income.

Information on impairment loss on fixed assets of individual reporting segments

Not applicable.

Information on goodwill amortization and unamortized balance of individual reporting segments

Not applicable.

Information on gain on negative goodwill in individual reporting segments

Not applicable.

### Information on Related Parties

#### Information on transactions with related parties

- (1) Transactions between the company submitting consolidated financial statements and related parties
  - (i) The parent of the company submitting consolidated financial statements and its major shareholders (limited to corporations)  
Not applicable.
  - (ii) Officers and major shareholders (limited to individuals) of the company submitting consolidated financial statements  
Not applicable.
- (2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties  
Not applicable.

## (Per Share Information)

(Yen)

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Net assets per share	213.05	215.40
Net income per share	36.89	29.70
Net income per share-diluted	36.05	29.24

(Notes) 1. We conducted a 2-for-1 common stock split on January 1, 2021. Net assets per share, net income per share and diluted net income per share were calculated as if these stock splits had taken place at the start of the previous fiscal year.

2. Shown below is the basis for calculating net income per share and diluted net income per share:

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Net income per share		
Net income attributable to owners of parent (Thousands of yen)	420,515	338,707
Amount not attributable to common stock (Thousands of yen)	–	
Net income attributable to owners of parent attributable to common stock (Thousands of yen)	420,515	338,707
Average number of shares of common stock outstanding during the period (Shares)	11,397,504	11,404,286
Net income per share-diluted		
Adjustment of net income attributable to owners of parent (Thousands of yen)	–	–
Increase in common stock (Shares)	264,812	177,288
(Of which, stock acquisition rights (Shares))	(264,812)	(177,288)
Explanation of residual stock not included in calculation of diluted net income per share due to lack of dilutive potential	–	–

(Significant Subsequent Events)

(Business Combination through Acquisition)

At a meeting of the Board of Directors held on December 27, 2021, we resolved to acquire shares of Celebrain Corporation and make it a consolidated subsidiary. On the same day, we concluded a share transfer agreement and acquired the shares on January 14, 2022.

(1) Outline of Business Combination

(i) Name of the company whose shares will be purchased and description of its business

Name of company whose shares will be purchased: Celebrain Corporation

Business: Human Resource Strategy Consulting, Human Resource Development and Education Training, and HR Technology Consulting

(ii) Main reasons for the business combination

In HR consulting, there is growing demand from clients who face issues such as the promotion of work style reforms and retention due to a shortage of human resources. By providing HR-related consulting functions as an integrated solution for our group, we can enhance our functions as a comprehensive consulting firm.

In addition, HR consulting will enable us to transform our clients' corporate culture from the perspective of *people* and enhance our ability to realize strategies. At the same time, by broadly exploring CXO candidates from our networks, we will be able to provide management personnel that are suitable for our clients.

In addition, we will be able to develop the HR Tech domain, which is growing through collaboration between our Digital Strategy Office and HR Consulting.

We believe that we can expect significant synergies between the two companies through this matter, and we will further accelerate our growth strategy as a comprehensive consulting firm for the Group.

(iii) Date of business combination

January 14, 2022

(iv) Legal form of business combination

Acquisition of shares

(v) Name following business combination

Celebrain Corporation

(vi) Percentage of voting rights acquired

60%

(vii) Main grounds for deciding on the company whose shares will be purchased

This is due to our acquisition of shares in exchange for cash.

(2) Acquisition cost of the company whose shares will be purchased and breakdown by type of consideration

		(Thousands of yen)
Price of acquisition	Cash	362,161
Cost of acquisition		362,161

(3) Details and amount of major acquisition-related expenses

Advisory fees, commissions, etc.: ¥10,651 thousand

(4) Goodwill, reason for recognizing goodwill, amortization method and amortization term

Not fixed at this time.

(5) The amount of assets accepted and liabilities assumed on the date of the Business Combination, and major breakdown thereof

Not fixed at this time.

(Establishment of a Subsidiary)

We hereby announce that at a Board of Directors meeting held on February 10, 2022, we resolved to establish a subsidiary upon the commencement of a new business.

(1) Objective of establishing a subsidiary

Over the past few years, the global society has undergone major changes. Japanese companies are also required to reform their business models, such as responding to environmental issues such as carbon neutrality, responding to productivity improvements such as digitization, responding to the revitalization of local economies, which are facing issues such as the declining birthrate and aging population and business succession issues, and responding to the time after COVID-19 settles

down.

We believe that in order to solve these important corporate issues and solve social issues, it is necessary to establish an investment company that will enable investment in the medium to long term and involve the dispatch of management personnel.

The newly established investment subsidiary does not invest for the purpose of short-term return on investment, but rather directly invests capital raised in common stock or class shares from financial institutions and operating companies with the aim of enhancing corporate value over the long term. This will enable the company to grow by reforming the business model of the investee company and reorganizing the industry over the medium to long term.

In addition to the Investment Company, in principle, the Investment Company's portfolio companies are also assumed to be subject to our consolidated accounting. Accordingly, we anticipate that the size of our group will be much larger than it is now, and we believe that accelerating the scale expansion of our group while significantly strengthening our investment business will also contribute to enhancing our shareholder value.

(2) Overview of newly established subsidiary

(i)	Name	Frontier Capital Co., Ltd.	
(ii)	Address	3-2-1 Roppongi, Minato-ku, Tokyo, Japan	
(iii)	Job Title/Name of Representative	Shoichiro Onishi, Representative Director and Co-CEO Masahiro Matsuoka, Representative Director and Co-CEO Yasuo Horikoshi, Representative Director and Senior Managing Director	
(iv)	Description of business	Investment business involving the dispatch of management personnel	
(v)	Paid-in capital	¥500 million (Note 1) We will invest a total of ¥1,000 million, appropriating ¥500 million as paid-in capital and ¥500 million as capital reserve. (Note 2) We plan to raise funds totaling ¥20 billion from financial institutions, operating companies, etc. that have agreed with the purpose of establishing a new subsidiary, but the amount to be included in capital has not been determined.	
(vi)	Date of Incorporation	April 1, 2022	
(vii)	Fiscal year end	December 31 of each year	
(viii)	Major shareholders and percentage of shares	Wholly owned by the Company (at founding) (Note) We plan to issue common stock or class shares to financial institutions and operating companies that have agreed with the purpose of establishing a new subsidiary, but we will hold the majority of voting rights.	
(ix)	Relationship between listed companies and the companies concerned	Capital relationship	Our Subsidiary
		Personnel relationship	Shoichiro Onishi and Masahiro Matsuoka, our Representative Directors, also serve as Representative Directors of the relevant companies.
		Business relationship	There is no business relationship with us because newly established subsidiaries have not commenced operations.

(v) Consolidated Supplementary Schedule

Breakdown of corporate bonds

Not applicable.

Breakdown of borrowings

Not applicable.

Schedule of Asset Retirement Obligations

Presentation of schedule of asset retirement obligations is omitted as information required to be stated in such schedule is shown in notes as provided for in Article 15-23 of the Regulations of Consolidated Financial Statements.

(2) Other

Quarterly information for the current fiscal year

(Cumulative periods)	Three months ended March 31, 2021	Six months ended June 30, 2021	Nine months ended September 30, 2021	Current fiscal year
Net sales (Thousands of yen)	1,329,051	2,582,299	3,892,955	5,741,654
Quarterly income before income taxes (Thousands of yen)	99,335	81,671	85,983	514,576
Quarterly net income attributable to owners of parent (Thousands of yen)	68,392	51,025	49,586	338,707
Quarterly net income per share (Yen)	5.96	4.46	4.34	29.70

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income (loss) per share (Yen)	5.96	(1.52)	(0.12)	25.35

## 2. Non-consolidated Financial Statements

### (1) Non-consolidated Financial Statements

#### (i) Non-consolidated Balance Sheet

(Thousands of yen)

	End of previous fiscal year (As of December 31, 2020)	End of current fiscal year (As of December 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,873,370	1,751,698
Notes and accounts receivable	962,549	1,077,761
Operational investment securities	1,364	9,837
Prepaid expenses	119,311	115,227
Advances paid	22,880	23,294
Other	5,148	8,858
Allowance for doubtful accounts	(15,633)	(16,936)
Total current assets	2,968,991	2,969,741
Fixed assets		
Property, plant and equipment		
Buildings, net	198,844	193,854
Tools, furniture and fixtures, net	19,802	14,357
Total property, plant and equipment	218,646	208,212
Intangible fixed assets		
Software	10,875	11,194
Others	102	102
Total intangible fixed assets	10,977	11,296
Investments and other assets		
Investment securities	56,800	56,800
Stocks of subsidiaries and affiliates	3,000	3,000
Investments in capital of subsidiaries and associates	0	0
Long-term loans receivable from subsidiaries and associates	30,000	30,000
Long-term accounts receivable - other	20,720	20,601
Lease deposits	210,526	211,373
Deferred tax assets	224,236	277,356
Other	39,228	26,975
Allowance for doubtful accounts	(23,329)	(15,186)
Total investments and other assets	561,182	610,920
Total noncurrent assets	790,806	830,429
Total assets	3,759,798	3,800,171

(Thousands of yen)

	End of previous fiscal year (As of December 31, 2020)	End of current fiscal year (As of December 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	60,299	52,016
Accounts payable-other	148,115	93,682
Accrued expenses	104,651	119,221
Income taxes payable	228,587	259,633
Accrued consumption taxes	149,168	118,051
Advances received	14,679	35,713
Deposits received	48,798	48,211
Provision for bonuses	505,736	553,014
Provision for directors' bonuses	1,000	–
Provision for shareholder benefit program	–	7,079
Others	1,932	1,897
Total current liabilities	1,262,970	1,288,520
Long-term liabilities		
Asset retirement obligations	82,257	82,262
Total noncurrent liabilities	82,257	82,262
Total liabilities	1,345,228	1,370,783
<b>Net assets</b>		
Shareholders' equity		
Paid-in capital	163,530	178,723
Capital surplus		
Capital reserve	163,530	178,723
Other capital surplus	671,690	380,022
Total capital surplus	835,220	558,745
Retained earnings		
Other retained earnings		
Retained earnings carried forward	1,473,982	1,681,523
Total retained earnings	1,473,982	1,681,523
Treasury stock	(58,163)	(36,575)
Total shareholders' equity	2,414,569	2,382,418
New share subscription rights	–	46,969
Total net assets	2,414,569	2,429,387
Total liabilities and net assets	3,759,798	3,800,171



## (ii) Non-consolidated Statement of Income

(Thousands of yen)

	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Net sales	5,188,593	5,732,196
Cost of sales	2,093,644	2,244,842
Gross profit	3,094,948	3,487,353
Selling, general and administrative expenses		
Salaries and allowances	1,009,083	1,299,291
Provision recorded for bonuses	237,237	269,041
Provision recorded for directors' bonuses	1,000	–
Retirement benefit expenses	19,452	23,174
Depreciation and amortization	19,575	18,768
Provision recorded for allowance for shareholder benefit program	–	7,079
Provision recorded for allowance for doubtful accounts	1,981	1,303
Others	1,236,807	1,355,787
Total selling, general and administrative expenses	2,525,137	2,974,445
Operating income	569,811	512,908
Non-operating income		
Interest income	167	345
Insurance dividend income	968	1,125
Income from insurance claim	72	–
Administrative fees received	Note) 2,268	Note) 2,268
Subsidy from government etc.	2,759	686
Others	1	158
Total non-operating income	6,238	4,584
Non-operating expenses		
Interest expense	667	1,253
Market change costs	17,376	–
Charges for stock compensation	–	2,902
Foreign exchange losses	932	23
Others	256	256
Total non-operating expenses	19,232	4,435
Ordinary income	556,817	513,057
Extraordinary income		
Reversal of allowance for doubtful accounts for subsidiaries and associates	11,468	8,142
Total extraordinary income	11,468	8,142
Income before income taxes	568,286	521,200
Income taxes	204,455	228,866
Income taxes-deferred	(49,326)	(53,119)
Total income taxes	155,128	175,746
Net income	413,157	345,454

Schedule of costs of sales

Category	Note Number	Previous fiscal year (January 1, 2020 to December 31, 2020)		Current fiscal year (January 1, 2021 to December 31, 2021)	
		Amount (Thousands of yen)	Breakdown (%)	Amount (Thousands of yen)	Breakdown (%)
I. Labor cost	Note 1)	1,525,139	72.8	1,775,039	79.1
II. Expenses	Note 2)	568,505	27.2	469,803	20.9
Cost of sales		2,093,644	100.0	2,244,842	100.0

Method for cost computation  
Individual costs are computed.

(Notes) Note 1) Shown below is the main breakdown of labor cost.

	(Thousands of yen)	
	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Salaries and allowances	1,045,087	1,235,926
Provision recorded for bonuses	255,891	280,523

Note 2) Shown below is the main breakdown of expenses.

	(Thousands of yen)	
	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Outsourcing cost	169,744	154,814
Rent	104,874	105,223
Fees paid	69,605	44,274

(iii) Non-consolidated Statement of Shareholders' Equity  
 Previous fiscal year (January 1, 2020 to December 31, 2020)

(Thousands of yen)

	Shareholders' equity					
	Paid-in capital	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
Opening balance	158,137	158,137	650,829	808,967	1,191,968	1,191,968
Change during the period						
Issuance of new shares (exercise of new share subscription rights)	5,392	5,392		5,392		
Dividends of surplus					(131,143)	(131,143)
Net income					413,157	413,157
Purchase of treasury stock						
Disposal of treasury stock			20,860	20,860		
Total changes in amounts during the period	5,392	5,392	20,860	26,253	282,014	282,014
Closing balance	163,530	163,530	671,690	835,220	1,473,982	1,473,982

	Shareholders' equity		Total net assets
	Treasury stock	Total shareholders' equity	
Opening balance	(613)	2,158,459	2,158,459
Change during the period			
Issuance of new shares (exercise of new share subscription rights)		10,785	10,785
Dividends of surplus		(131,143)	(131,143)
Net income		413,157	413,157
Purchase of treasury stock	(112,127)	(112,127)	(112,127)
Disposal of treasury stock	54,577	75,438	75,438
Total changes in amounts during the period	(57,550)	256,110	256,110
Closing balance	(58,163)	2,414,569	2,414,569

Current fiscal year (January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Shareholders' equity					
	Paid-in capital	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
Opening balance	163,530	163,530	671,690	835,220	1,473,982	1,473,982
Change during the period						
Issuance of new shares (exercise of new share subscription rights)	1,597	1,597		1,597		
Dividends of surplus					(137,912)	(137,912)
Net income					345,454	345,454
Purchase of treasury stock						
Cancellation of treasury stock			(291,668)	(291,668)		
Restricted stock awards	13,596	13,596		13,596		
Net changes of items other than shareholders' equity (net)						
Total changes during the period	15,193	15,193	(291,668)	(276,474)	207,541	207,541
Closing balance	178,723	178,723	380,022	558,745	1,681,523	1,681,523

	Shareholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity		
Opening balance	(58,163)	2,414,569	–	2,414,569
Change during the period				
Issuance of new shares (exercise of new share subscription rights)		3,195		3,195
Dividends of surplus		(137,912)		(137,912)
Net income		345,454		345,454
Purchase of treasury stock	(270,080)	(270,080)		(270,080)
Cancellation of treasury stock	291,668	–		–
Restricted stock awards		27,192		27,192
Net changes of items other than shareholders' equity (net)			46,969	46,969
Total changes during the period	21,588	(32,151)	46,969	14,818
Closing balance	(36,575)	2,382,418	46,969	2,429,387

## Notes to Non-consolidated Financial Statements

### (Significant Accounting Policies)

#### 1. Valuation standards and valuation methods for securities

##### (1) Investments in shares and capital of subsidiaries and affiliates

Investments in shares and capital of subsidiaries and affiliates are stated at cost using the moving-average method.

##### (2) Available-for-sale securities (including operational investment securities)

Available-for-sale securities without fair value

Available-for-sale securities without fair value are stated at cost using the moving-average method.

#### 2. Depreciation method for property, plant and equipment

##### (1) Property, plant and equipment

Property, plant and equipment are amortized using the declining-balance method.

However, buildings (fixtures) acquired on or after April 1, 2016 are depreciated using the straight-line method.

Useful lives are mainly as follows:

Buildings (fixtures)	2 to 15 years
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Tools, furniture and fixtures	2 to 20 years
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##### (2) Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method in accordance with an estimated internal usage period (5 years).

#### 3. Standard for translation of amounts of foreign-currency-denominated assets and liabilities into Japanese yen

Amounts of foreign-currency-denominated receivables and payables are translated into Japanese yen at the spot exchange rate on the balance sheet date and any translation difference is recorded as profit or loss.

#### 4. Standard for recording allowances or provisions

##### (1) Allowance for doubtful accounts

To prepare for a potential loss from a default on receivables, an allowance for doubtful accounts is recorded for ordinary receivables in an amount determined by our historical loss experience ratio and for specific receivables feared to be defaulted on in an amount determined by considering the recoverability on a case-by-case basis.

##### (2) Provision for bonuses

To prepare for paying bonuses to employees, we recorded a provision for bonuses in an amount required to be paid in the current fiscal year as part of an amount likely to be paid as bonuses for them.

##### (3) Provision for shareholder benefit program

To prepare for spending of shareholder benefit points granted to shareholders under the shareholder benefit program, we at the end of the current fiscal year recorded a provision for shareholder benefit program in an amount likely to be incurred correspondingly in the future.

#### 5. Standard for recording revenues and expenses

##### (1) Standard for recording revenues and expenses associated with contract service agreements

The percentage of completion method was applied to such consulting services under service contracts as are deemed to deliver results reliably concerning the progress achieved by the end of the current fiscal year. The cost-to-cost method is used for estimating progress.

##### (2) Standard for recording contingency fee

We record a contingency fee when becoming able to claim it by meeting some requirement such as a conclusion of a project agreement between a customer company and its business partner

#### 6. Other Significant Matters Forming the Basis for Preparation of Non-consolidated Financial Statements

##### Accounting treatment for consumption taxes

Consumption taxes are accounted for by the tax-exclusion method.

(Significant Accounting Estimates)

(Investment securities)

1. Value recorded on the non-consolidated balance sheet for the current fiscal year

(Thousands of yen)

	Current fiscal year
Investment securities	56,800

2. Information on significant accounting estimates for items distinguished

Stocks whose fair value is deemed to be highly difficult to know are stated on the non-consolidated balance sheet at their purchase prices. We consider whether stocks purchased for prices mirroring investees' excess earning capacity have seen the capacity impaired in comprehensive consideration of market climate change for the investees as well as discrepancy between their budgets and results, coupled with their business performance, business plan progress, and latest financing activities. In the event of an investee's excess earning capacity hoped for at the time of the stock purchase being impaired, we must lower the stock's carrying value to a real value by using financial statements able to be obtained no later than next balance sheet date, and this could potentially affect the non-consolidated financial statements for next fiscal year.

(Change in presentation method)

(Application of the accounting standard for disclosure of accounting estimates)

Starting with the non-consolidated financial statements at the end of the current fiscal year, we began to apply the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020), and presented notes on significant accounting estimates on the non-consolidated financial statements.

These notes, however, do not refer to matters for the previous fiscal year in accordance with the transitional treatment provided for in the proviso clause of Paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates.

(Additional Information)

(Accounting Estimate of the Impact of Infectious Disease of COVID-19)

With respect to the status of COVID-19, we make accounting estimates such as for recoverability of deferred tax assets, based on currently available information, assuming that current conditions will continue for at least FY2022.

As a consequence, we are not aware of any material impact on the valuation of our accounting estimates; however, due to the highly uncertain impact of the spread of COVID-19, our financial condition and results of operations may be impacted in the future.

(Non-consolidated Balance Sheet)

Not applicable.

(Non-consolidated Statement of Income)

Note) Matters relating to transactions between the Company and affiliates were included as shown below.

	(Thousands of yen)	
	Previous fiscal year (January 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Administrative fees received	2,268	2,268

(Securities)

Investments in shares and capital of subsidiaries and affiliates (¥3,000 thousand recorded as shares of subsidiaries and affiliates and ¥0 thousand as investments in their capital on the non-consolidated balance sheet for the current fiscal year and ¥3,000 thousand recorded as shares of subsidiaries and affiliates and ¥0 thousand as investments in their capital on the non-consolidated balance sheet for the previous fiscal year) are not presented as their fair values are deemed to be highly difficult to know in the absence of market prices.

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by cause

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Deferred tax assets		
Income taxes payable	17,242	20,498
Provision for bonuses	154,880	169,359
Statutory welfare expenses payable	17,151	18,861
Disallowance of cost of sales	6,518	489
Allowance for doubtful accounts	11,932	9,837
Operational investment securities	16,779	16,779
Asset retirement obligations	25,191	25,192
Restricted stock awards	3,957	10,990
Charges for stock compensation	-	14,384
Other	8,592	15,555
Deferred tax assets subtotal	262,246	301,950
Valuation reserve	(7,603)	(5,110)
Total deferred tax assets	254,642	296,839
Deferred tax liabilities		
Disallowance of net sales	(9,748)	(1,343)
Asset retirement expenses	(20,657)	(18,139)
Total deferred tax assets and deferred tax liabilities	(30,406)	(19,483)
Net deferred tax assets	224,236	277,356

2. Breakdown of main matters that caused a significant difference to occur between the statutory effective tax rate and income tax rate after application of tax effect accounting

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Items not expensed without limit in time such as entertainment expenses	1.2	3.3
Per-capita inhabitant tax	0.3	0.3
Directors' bonuses	0.1	-
Change in valuation reserve	(4.8)	(0.5)
Other	(0.1)	0.0
Income tax rate after application of tax effect accounting	27.3	33.7

(Significant Subsequent Events)

(Business Combination through Acquisition)

At a meeting of the Board of Directors held on December 27, 2021, we resolved to acquire shares of Celebrain Corporation and make it a consolidated subsidiary. On the same day, we concluded a share transfer agreement and acquired the shares on January 14, 2022.

Details are as shown in the section titled “Significant Subsequent Events” in Consolidated Financial Statements.

(Establishment of a Subsidiary)

We hereby announce that at a Board of Directors meeting held on February 10, 2022, we resolved to establish a subsidiary upon the commencement of a new business.

Details are as shown in the section titled “Significant Subsequent Events” in Consolidated Financial Statements.

(iv) Supplementary Schedule

Schedule of property, plant and equipment

(Thousands of yen)

Asset type	Opening balance for the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	Closing balance for the current fiscal year	Cumulative depreciation up to the end of the current fiscal year or cumulative depreciation	Depreciation for the current fiscal year	Net closing balance for the current fiscal year
Property, plant and equipment							
Buildings	239,513	20,672	–	260,186	66,332	25,662	193,854
Tools, furniture and fixtures	46,601	796	–	47,398	33,040	6,242	14,357
Total property, plant and equipment	286,115	21,469	–	307,584	99,372	31,904	208,212
Intangible fixed assets							
Software	27,195	4,800	–	31,995	20,801	4,480	11,194
Other	102	–	–	102	–	–	102
Total intangible assets	27,297	4,800	–	32,097	20,801	4,480	11,296

(Note) Shown below are the main amounts of increase for the current fiscal year.

Buildings	Equipment work at the head office	¥20,672 thousand
Tools, furniture and fixtures	Furniture and fixtures at the head office	¥796 thousand
Software	Collaboration and development for business card management service	¥4,800 thousand

Schedule of allowances and provisions

(Thousands of yen)

Category	Opening balance for the current fiscal year	Amount of increase for the current fiscal year	Amount of decrease for the current fiscal year (purpose use)	Amount of decrease for the current fiscal year (other)	Closing balance for the current fiscal year
Provision for bonuses	505,736	553,014	505,736	–	553,014
Provision for directors' bonuses	1,000	–	1,000	–	–
Allowance for doubtful accounts	38,962	1,303	–	8,142	32,123
Provision for shareholder benefit program	–	7,079	–	–	7,079

(Note) Amount of decrease in allowance for doubtful accounts for the current fiscal year (other) was an amount of allowance reversal caused by a reassessment of recoverability for receivables from subsidiary.



(2) Breakdown of Main Assets and Liabilities

Presentation is omitted as consolidated financial statements were prepared.

(3) Other

Not applicable.

## VI. Outline of Stock Administration by Submitter Company

Fiscal year	From January 1 to December 31 of each year																																		
Annual general meeting of shareholders	Within three months from the last day of each fiscal year																																		
Record date	December 31 of each year																																		
Record date for dividends of surplus	December 31 of each year June 30 of each year																																		
Number of shares per unit	100																																		
Repurchase of shares less than one unit																																			
Service place	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation																																		
Shareholder register manager	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation																																		
Intermediary place	-																																		
Repurchase fee	An amount to be separately determined as a handling free for agency service for stock trading																																		
Public notification method	To be done electronically However, if this is not possible for an unavoidable reason, notification will be done by posting it in the <i>Nikkei</i> newspaper. Public notification posting on: URL <a href="https://www.frontier-mgmt.com/">https://www.frontier-mgmt.com/</a>																																		
Privileges for shareholders	<p>We grant shareholder benefit points to shareholders recorded on the shareholder register on June 30 and December 31, each year who hold at least one unit (100 shares) of Frontier Management Inc. shares, in accordance with the number of shares held. Shareholders are allowed to exchange their shareholder benefit points for a benefit product choice from among at least 2,000 items on shareholder-only website Frontier Management Premium Benefit Club.</p> <table border="1"> <thead> <tr> <th>Number of shares held</th> <th>June 30</th> <th>December 31</th> </tr> </thead> <tbody> <tr> <td>100 to 199 shares</td> <td>1,000 points</td> <td>1,000 points</td> </tr> <tr> <td>200 to 299 shares</td> <td>1,500 points</td> <td>1,500 points</td> </tr> <tr> <td>300 to 399 shares</td> <td>2,000 points</td> <td>2,000 points</td> </tr> <tr> <td>400 to 499 shares</td> <td>2,500 points</td> <td>2,500 points</td> </tr> <tr> <td>500 to 599 shares</td> <td>3,000 points</td> <td>3,000 points</td> </tr> <tr> <td>600 to 699 shares</td> <td>3,500 points</td> <td>3,500 points</td> </tr> <tr> <td>700 to 799 shares</td> <td>4,000 points</td> <td>4,000 points</td> </tr> <tr> <td>800 to 899 shares</td> <td>4,500 points</td> <td>4,500 points</td> </tr> <tr> <td>900 to 999 shares</td> <td>5,000 points</td> <td>5,000 points</td> </tr> <tr> <td>At least 1,000 shares</td> <td>5,500 points</td> <td>5,500 points</td> </tr> </tbody> </table>		Number of shares held	June 30	December 31	100 to 199 shares	1,000 points	1,000 points	200 to 299 shares	1,500 points	1,500 points	300 to 399 shares	2,000 points	2,000 points	400 to 499 shares	2,500 points	2,500 points	500 to 599 shares	3,000 points	3,000 points	600 to 699 shares	3,500 points	3,500 points	700 to 799 shares	4,000 points	4,000 points	800 to 899 shares	4,500 points	4,500 points	900 to 999 shares	5,000 points	5,000 points	At least 1,000 shares	5,500 points	5,500 points
Number of shares held	June 30	December 31																																	
100 to 199 shares	1,000 points	1,000 points																																	
200 to 299 shares	1,500 points	1,500 points																																	
300 to 399 shares	2,000 points	2,000 points																																	
400 to 499 shares	2,500 points	2,500 points																																	
500 to 599 shares	3,000 points	3,000 points																																	
600 to 699 shares	3,500 points	3,500 points																																	
700 to 799 shares	4,000 points	4,000 points																																	
800 to 899 shares	4,500 points	4,500 points																																	
900 to 999 shares	5,000 points	5,000 points																																	
At least 1,000 shares	5,500 points	5,500 points																																	

(Note) As regards shares less than one unit that are held by shareholders of the Company, the Articles of Incorporation provide that they may not exercise rights other than those set forth in the items of Article 189, Paragraph (2) of the Companies Act

## VII. Reference Information on Submitter Company

### 1. Information on Parent of Submitter Company

The Company has no parent as set forth in Article 24-7, Paragraph (1) of the Financial Instruments and Exchange Act.

### 2. Other Reference Information

We submitted the following documents from the first day of the current fiscal year to the day of submitting a securities report.

(1) Securities report, its attachment and a letter of confirmation

The 14th fiscal year (from January 1, 2020 to December 31, 2020). Submitted to the Director-General of the Kanto Local Finance Bureau on March 25, 2021

(2) Internal control report

Submitted to the Director-General of the Kanto Local Finance Bureau on March 25, 2021

(3) Quarterly report and a letter of confirmation

(The first quarter of the 15th fiscal year) (from January 1, 2021 to March 31, 2021). Submitted to the Director-General of the Kanto Local Finance Bureau on May 13, 2021

(The second quarter of the 15th fiscal year) (from April 1, 2021 to June 30, 2021). Submitted to the Director-General of the Kanto Local Finance Bureau on August 12, 2021

(The third quarter of the 15th fiscal year) (from July 1, 2021 to September 30, 2021). Submitted to the Director-General of the Kanto Local Finance Bureau on November 12, 2021

(4) Ad hoc report

Submitted to the Director-General of the Kanto Local Finance Bureau on March 25, 2021

An ad hoc report under Article 19, Paragraph (2), Item (ix)-2 “Result of voting rights exercise at general meeting of shareholders” of the Cabinet Office ordinance on disclosure of corporate information

(5) Report on Treasury Stock Purchasing

Reporting period from March 1, 2021 to March 31, 2021. Submitted to the Director-General of the Kanto Local Finance Bureau on April 15, 2021

(6) Corrected Report on Treasury Stock Purchasing

Corrected report (corrected report for Report on Treasury Stock Purchasing set forth in item (5) above). Submitted to the Director-General of the Kanto Local Finance Bureau on April 22, 2021

(7) Securities registration statement and its attachment

Issuance of new shares as restricted stock awards. Submitted to the Director-General of the Kanto Local Finance Bureau on March 25, 2021

## Section II. Information on Guarantor Company for Submitter Company

Not applicable.