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Securities Code: 7038

March 8, 2022

To Our Shareholders:

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

Notice of the 15th Annual General Meeting of Shareholders

You are cordially invited to attend the 15th Annual General Meeting of Shareholders of Frontier Management Inc. (the “Company”) to be held as stated below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. After reviewing the Reference Documents for the General Meeting of Shareholders stated hereinafter, please exercise your voting rights by indicating your approval or disapproval of each of the proposals on the voting form enclosed herewith and return the voting form, or by accessing the designated website for exercising voting rights (<https://evote.tr.mufg.jp/>) and entering your vote for approval or disapproval. Either way, please exercise your voting rights by no later than 6 p.m. on Wednesday, March 23, 2022 (JST).

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- 1. Date and Time:** Thursday, March 24, 2022, at 10 a.m. (JST)
(The reception desk opens at 9:30 a.m.)
- 2. Venue:** Belle Salle Roppongi Grand Conference Center,
Sumitomo Fudosan Roppongi Grand Tower, 9th floor
3-2-1 Roppongi, Minato-ku, Tokyo, Japan
- 3. Purpose of the Meeting**
- Matters to be reported:**
1. Business Report and Consolidated Financial Statements for the 15th fiscal year (from January 1, 2021 to December 31, 2021) and audit results of Consolidated Financial Statements by Accounting Auditor and the Audit & Supervisory Board
 2. Non-consolidated Financial Statements for the 15th fiscal year (from January 1, 2021 to December 31, 2021)
- Matters to be resolved:**
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|-----------------------|--|
| Proposal No. 1 | Dividends of Surplus |
| Proposal No. 2 | Amendment to the Articles of Incorporation |
| Proposal No. 3 | Election of Five Directors |
| Proposal No. 4 | Election of Three Audit & Supervisory Board Members |
| Proposal No. 5 | Revision of Monetary Compensation Amount for Directors |
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- When attending the meeting in person, please hand in the enclosed voting form as an attendance slip at the reception desk at the meeting venue.
- Please also bring with you this Notice of the Annual General Meeting of Shareholders as a reference at the meeting.
- Only shareholders can enter the venue on the day of the event. In the case of proxy attendance, the proxy must also be a shareholder. In addition to the voting form to be exercised as a proxy and a written document certifying the authority of proxy, please submit the voting form in the name of the proxy.
- If you wish to make a diverse exercise of your voting rights, please advise us in writing three days prior to the Annual General Meeting of Shareholders, with your reasons therefor.
- Based on the laws and regulations and the provision of Article 15 of the Company's Articles of Incorporation, "Notes to Consolidated Financial Statements" of Consolidated Financial Statements and "Notes to Non-consolidated Financial Statements" of Non-consolidated Financial Statements that should be attached to this Notice of the Annual General Meeting of Shareholders are posted on the Company's website (<https://www.frontier-mgmt.com/>) and are therefore not available in this Notice. The attached documents of this Notice of the Annual General Meeting of Shareholders are part of the Consolidated Financial Statements and Non-consolidated Financial Statements that were audited by the Accounting Auditor and the Audit & Supervisory Board Members.
- Any corrections made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements, and the Consolidated Financial Statements shall be posted on the Company's website.

<Notice Concerning COVID-19>

Currently there is a pandemic of the novel coronavirus disease (COVID-19). Shareholders attending the General Meeting of Shareholders in person are requested to check the status of infection on the date of the meeting and take note of their own health condition. Please take measures to protect yourself from infection, such as wearing a face mask, when you attend.

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

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Dividends of Surplus

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

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

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| (1) Type of dividend property | To be paid in cash. |
| (2) Allotment of dividend property and their aggregate amount | The Company proposes to pay a dividend of ¥10 per common share of the Company.
In this event, the total dividends will be ¥113,925,790 . |
| (3) Effective date of dividends of surplus | March 25, 2022 |

Proposal No. 2 Amendment to the Articles of Incorporation

1. Reasons for the Amendment

The Company proposes to amend its Articles of Incorporation as follows in order to prepare for the new establishment of the system for providing informational materials for the general meeting of shareholders in electronic format since the amendment set forth in a proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will come into force on September 1, 2022.

- (1) Article 15, paragraph 1 in “Proposed amendments” will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
- (2) Article 15, paragraph 2 in “Proposed amendments” will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) The Company intends to delete the provision regarding Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 15 of the Articles of Incorporation currently in force) as it will become unnecessary.
- (4) The Company will put in place supplementary provisions on effective dates due to the above-mentioned new establishment and deletion.

2. Description of the Amendment

The proposed amendments are as follows.

(Parts underlined denote proposed amendments)

The Articles of Incorporation currently in force	Proposed amendments
<p data-bbox="188 1003 794 1064"><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p data-bbox="188 1064 794 1377"><u>Article 15. When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or indicated in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements and/or consolidated financial statements through the internet in accordance with the provisions prescribed by the Ordinance of the Ministry of Justice, it may be deemed that the Company has provided this information to shareholders.</u></p> <p data-bbox="188 1377 794 1881"><Newly establish></p>	<p data-bbox="794 1003 1391 1064"><Delete></p> <p data-bbox="794 1377 1391 1438"><u>(Measures for Providing Information in Electronic Format, Etc.)</u></p> <p data-bbox="794 1438 1391 1473"><u>Article 15.</u></p> <ol style="list-style-type: none"> <li data-bbox="861 1473 1391 1635">1. <u>When convening a general meeting of shareholders, the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u> <li data-bbox="861 1635 1391 1881">2. <u>In the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date for voting rights, the Company may refrain from stating the whole or a part of matters stipulated in the Ordinance of the Ministry of Justice, among items for which the measures for providing information in electronic format will be taken.</u>


The Articles of Incorporation currently in force	Proposed amendments
<p><Newly establish></p>	<p>(Supplementary Provisions)</p> <ol style="list-style-type: none"> <li data-bbox="820 230 1398 555">1. <u>The deletion of Article 15 of the pre-amendment Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) and the new establishment of Article 15 (Measures for Providing Information in Electronic Format, Etc.) in the post-amendment Articles of Incorporation shall come into force on a date on which the amendment set forth in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u> <li data-bbox="820 566 1398 779">2. <u>Notwithstanding the provision of the immediately preceding paragraph, Article 15 of the pre-amendment Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) shall still remain in force at a general meeting of shareholders held on a date within six months from the Date of Enforcement.</u> <li data-bbox="820 790 1398 960">3. <u>These Supplementary Provisions shall be deleted after the latter of a date on which six months have elapsed from the Date of Enforcement or a date on which three months have elapsed from the date of the general meeting of shareholders set forth in the immediately preceding paragraph.</u>


Proposal No. 3 Election of Five Directors


At the conclusion of this meeting, the terms of office of all five Directors will expire. Therefore, the Company proposes the election of five Directors.


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


The candidates for Directors are as follows:

Candidate No. 1	Career summary and position and responsibility in the Company		
Shoichiro Onishi	Apr. 1992	Joined Okuno & Partners Law Office (currently OKUNO & PARTNERS)	
Re-election	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 and was appointed Representative Director (current position)	
	Apr. 2008	Director of MATSUMOTO ELECTRIC RAILWAY CO., LTD. (currently ALPICO KOTSU Co., Ltd.)	
	Date of birth September 25, 1963	Sept. 2012	Representative Director and President of Frontier Turnaround Inc.
	Number of the Company's shares owned 2,160,336	July 2016	Representative Director and Chairman
Number of years in office 15	Nov. 2017	Representative Director of FCD Partners Inc. (current position)	
Attendance at Board of Directors meetings 14/14 (100%)	June 2020	Outside Director of Tokyo Electric Power Company Holdings, Incorporated (current position)	
	Significant concurrent positions outside the Company		
		Representative Director of FCD Partners Inc.	
		Outside Director of Tokyo Electric Power Company Holdings, Incorporated	
	Reasons for nomination as candidate for Director		
	Mr. Onishi has been overseeing the management of the whole Group as its founder over many years and contributing to raising its corporate value. The Company has nominated him as a candidate for Director as he will likely continue to manage the organization appropriately, based on his achievements and skills as well as and a wealth of experience as a corporate top manager.		

		Career summary and position and responsibility in the Company	
Candidate No. 2	Apr. 1990	Joined Nomura Research Institute, Ltd.	
Masahiro Matsuoka	July 1994	Joined Barclays Securities Japan Co., Ltd. (currently Barclays Securities Japan Limited)	
<u>Re-election</u>	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	
	June 2004	Outside Director of Kanebo, Ltd.	
	Mar. 2005	Outside Director of The Daiei, Inc.	
	Jan. 2007	Founded the Company and was appointed Representative Director (current position)	
	Aug. 2012	Chairman and CEO of Frontier Management (Shanghai) Inc.	
	Sept. 2015	Chairman (current position)	
	Date of birth September 20, 1967	Nov. 2017	Representative Director of FCD Partners Inc. (current position)
	Number of the Company's shares owned 2,160,336	July 2018	Outside Director of ORENO Corporation
Number of years in office 15	June 2020	Outside Director of RIZAP GROUP, Inc. (current position)	
Attendance at Board of Directors meetings 14/14 (100%)	Nov. 2020	Representative Director and Chairman of ORENO Corporation (current position)	
	Jan. 2022	Director of Celebrain Corporation (current position)	
		Significant concurrent positions outside the Company	
		Chairman of Frontier Management (Shanghai) Inc.	
		Representative Director of FCD Partners Inc.	
		Outside Director of RIZAP GROUP, Inc.	
		Representative Director and Chairman of ORENO Corporation	
		Director of Celebrain Corporation	
		Reasons for nomination as candidate for Director	
		Mr. Matsuoka has been overseeing the management of the whole Group as its founder over many years and contributing to raising its corporate value. The Company has nominated him as a candidate for Director as he will likely continue to manage the organization appropriately, based on his achievements and skills as well as and a wealth of experience as a corporate top manager.	

Career summary and position and responsibility in the Company		
Candidate No. 3	Apr. 1985	Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)
Tadaaki Komori	Apr. 2006	Head of Financial Sponsor Dept., Corporate Advisory Div.
New election	Apr. 2013	Head of Corporate Sales Dept. at Yokohama
	Apr. 2015	Vice President and Head of Corporate Sales Dept. at Yokohama
	Apr. 2016	Vice President and Deputy Head of Corporate Advisory Div.
	Apr. 2017	Advisor of SMBC Nikko Securities Inc. (on loan)
	July 2017	Executive Officer and Head of Corporate Business Div. (joined the company)
	Mar. 2018	Managing Executive Officer and Head of Investment Banking Div.
	Mar. 2019	Managing Executive Officer and Head of M&A Advisory Div.
	Mar. 2020	Managing Executive Officer, Deputy Head of Wholesale Business, and Head of M&A Advisory Div.
	Apr. 2020	Managing Executive Officer and Deputy Head of Wholesale Business of Sumitomo Mitsui Financial Group, Inc. (concurrently serving SMBC Nikko Securities Inc.)
	Mar. 2021	Advisor of SMBC Nikko Securities Inc.
	Aug. 2021	Deputy President and Executive Officer of the Company
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)	
Date of birth March 2, 1962		
Number of the Company's shares owned 0		
Number of years in office 0		
Attendance at Board of Directors meetings -		
Significant concurrent positions outside the Company		
-		
Reasons for nomination as candidate for Director		
The Company has nominated Mr. Komori as a candidate for Director as he will likely manage the organization appropriately and help to raise its corporate value, based on knowledge in treasury, accounting, finance, loans and investments that he accumulated through serving in key posts at SMBC Nikko Securities Inc. and Sumitomo Mitsui Financial Group, Inc. and on a wealth of overseas experience.		

	Career summary and position and responsibility in the Company	
Candidate No. 4	Apr. 1977	Joined Bank of Japan
Kazuhito Osugi	Nov. 1986	Economist of Bank for International Settlements (BIS)
	June 1999	Branch Manager of Matsumoto Branch of Bank of Japan
Re-election	May 2001	Deputy Branch Manager of Osaka Branch
Outside	May 2003	RM Manager and Senior Director of Industrial Revitalization Corporation of Japan
Independent	July 2005	Deputy Director-General of Financial System and Bank Examination Department and Head of Center for Advanced Financial Technology of Bank of Japan
	May 2006	Internal Auditor and Director-General of Internal Auditors' Office
	Apr. 2007	Director-General of Secretariat of the Policy Board
	Apr. 2009	Visiting Professor of Ochanomizu University
	Sept. 2011	Auditor of Bank of Japan
	Oct. 2015	Advisor of Security Transport Business Division of Nippon Express Company, Limited
	Apr. 2016	Part-time Advisor of the Company
	June 2016	Independent Outside Director of the Board of Nissha Printing Co., Ltd. (currently Nissha Co., Ltd.) (current position)
	Aug. 2018	Outside Director of the Company (current position)
	June 2021	Outside Director of The Gunma Bank, Ltd. (current position)
	Date of birth July 31, 1953	
Number of the Company's shares owned 0		
Number of years in office 3		
Attendance at Board of Directors meetings 14/14 (100%)		
	Significant concurrent positions outside the Company	
	Independent Outside Director of the Board of Nissha Co., Ltd.	
	Outside Director of The Gunma Bank, Ltd.	
	Reasons for nomination as candidate for Outside Director and outline of roles expected	
	<p>Mr. Osugi has been contributing to raising the Company's corporate value by tapping into much knowledge in economy, finance, and business revitalization that he accumulated through serving in key posts at Bank of Japan and Industrial Revitalization Corporation of Japan. The Company has again nominated him as a candidate for Outside Director for him to help the organization grow and reinforce its corporate governance to a greater extent. This is because we will have him supervise the management of the Company from an independent standpoint, based on his achievements and skills as well as a wealth of experience as a professional who served in key posts, and we hope to obtain advice from him on the overall management of the Company. He meets the requirements for independent officers stipulated by the Tokyo Stock Exchange, the Company has decided that there is no conflict of interest with general shareholders and plans to designate him as an independent officer.</p> <p>He has never in the past been involved in the management of a company except as an outside officer. However, the Company judges he will appropriately fulfill his duties as an Outside Director based on the above reasons.</p>	

		Career summary and position and responsibility in the Company
Candidate No. 5	Apr. 1977	Joined Secretariat of Japan Fair Trade Commission
Keiko Unotoro	Apr. 2000	Part-time Lecturer of Graduate School of Economics of Senshu University (current position)
Re-election	June 2004	Chief Hearing Examiner of General Secretariat of Japan Fair Trade Commission
Outside	Jan. 2007	Director General of Trade Practices Department
Independent	June 2008	Senior Deputy Secretary General of Secretariat
	Jan. 2011	Director General of Economic Affairs Bureau
	Nov. 2012	Advisor of OH-EBASHI LPC & PARTNERS (current position)
	Apr. 2013	Professor of Faculty of Business Administration of Toyo Gakuen University
	June 2013	Outside Director of Olympus Corporation
	Mar. 2015	Outside Director of Bridgestone Corporation
	June 2019	Outside Director of SAN-AI OIL CO., LTD. (current position)
	Dec. 2019	Member of Investment and Miscellaneous Issues Working Group of Council for Regulatory Reform
	Apr. 2020	Specially Appointed Professor of Faculty of Business Administration of Toyo Gakuen University
	Apr. 2020	Outside Director (Audit and Supervisory Committee Member) of OS Co., Ltd. (current position)
	Apr. 2020	Outside Director of OHBA CO., LTD. (current position)
Date of birth October 26, 1954	Jan. 2021	Commissioner of Public Security Examination Commission (current position)
Number of the Company's shares owned 0	Mar. 2021	Outside Director of the Company (current position)
Number of years in office 1		
Attendance at Board of Directors meetings 10/10 (100%)		
		Significant concurrent positions outside the Company
		Part-time Lecturer of Graduate School of Economics of Senshu University
		Advisor of OH-EBASHI LPC & PARTNERS
		Outside Director of SAN-AI OIL CO., LTD.
		Outside Director (Audit and Supervisory Committee Member) of OS Co., Ltd.
		Outside Director of OHBA CO., LTD.
		Commissioner of Public Security Examination Commission
		Reasons for nomination as candidate for Outside Director and outline of roles expected
		Ms. Unotoro has been contributing to raising the Company's corporate value by tapping into much knowledge in economic laws, competition policies, and corporate compliance that she accumulated through serving in key posts at the Fair Trade Commission. The Company has again nominated her as a candidate for Outside Director for her to help the organization grow and reinforce its corporate governance to a greater extent. This is because we will have her supervise the management of the Company from an independent standpoint, based on her achievements and skills as well as a wealth of experience as a professional who served in key posts, and we hope to obtain advice from her on the overall management of the Company.
		As she meets the requirements for independent officers stipulated by the Tokyo Stock Exchange, the Company has decided that there is no conflict of interest with general shareholders and plans to designate her as an independent officer.
		She has never in the past been involved in the management of a company except as an outside officer. However, the Company judges she will appropriately fulfill her duties as an Outside Director based on the above reasons.

- Notes:
1. There is no special interest between any of the candidates and the Company.
 2. Mr. Osugi and Ms. Unotoro are candidates for Outside Directors.
 3. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into limited liability agreements with Mr. Osugi and Ms. Unotoro to limit their liability for damages under Article 423, paragraph (1) of the Companies Act, and plans to continue the agreements if their re-elections are approved. Pursuant to such agreements, the defined maximum amount of liability for damages is the minimum liability amount provided for under Article 425, paragraph (1) of the Companies Act.
 4. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, thereby covering losses that may arise from a Director, an insured person, assuming liability incurred in the course of the performance of duties or receiving claims pertaining to the pursuit of such liability. The candidates for Directors will be included as insured persons in such policy.
In addition, when the policies are renewed, the Company plans to renew them with the same terms.
 5. The Company has submitted notification to Tokyo Stock Exchange concerning the designation of Mr. Osugi and Ms. Unotoro as independent officers as provided for by the aforementioned exchange.


Proposal No. 4 Election of Three Audit & Supervisory Board Members


The terms of office of Takeshi Umemoto, Kazuhiko Shimokobe, and Nobumichi Hattori as Audit & Supervisory Board Members will expire at the conclusion of this annual general meeting of shareholders. Therefore, the Company proposes the election of three Audit & Supervisory Board Members.


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

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

The candidates for Audit & Supervisory Board Members are as follows:

Candidate No. 1 Takeshi Umemoto <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">Re-election</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">Outside</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent</div>	<div style="border: 1px solid black; padding: 2px;">Career summary and position in the Company</div> Mar. 1973 Joined Ito-Yokado Co., Ltd. Nov. 1992 Securities General Manager Jan. 1998 General Manager of Treasury and Securities Department Jan. 2004 General Manager of Business Development Department of IY Bank Co., Ltd. (currently Seven Bank, Ltd.) July 2005 General Manager of General Affairs Division May 2006 General Manager of Planning Division Oct. 2007 General Manager of Audit & Supervisory Board Members' Office June 2011 Counselor of Audit & Supervisory Board Members' Office Feb. 2012 Outside Audit & Supervisory Board Member of the Company (current position)	
	<div style="border: 1px solid black; padding: 2px;">Significant concurrent positions outside the Company</div> -	
	<div style="border: 1px solid black; padding: 2px;">Reasons for nomination as candidate for Outside Audit & Supervisory Board Member</div> The Company has nominated Mr. Umemoto as a candidate for Outside Audit & Supervisory Board Member as it believes he will likely monitor its management and provide it with appropriate advice as an Outside Audit & Supervisory Board Member by using his many years of experience in audit operations. As he meets the requirements for independent officers stipulated by the Tokyo Stock Exchange, the Company has decided that there is no conflict of interest with general shareholders and designated him as an independent officer. He has never in the past been involved in the management of a company except as an outside officer. However, the Company judges he will appropriately fulfill his duties as an Outside Audit & Supervisory Board Member based on the above reasons.	
Date of birth June 8, 1950 Number of the Company's shares owned 40,000 Number of years in office 10 Attendance at Board of Directors meetings 14/14 (100%) Attendance at Audit & Supervisory Board meetings 13/13 (100%)		

		Career summary and position in the Company
Candidate No. 2	Apr. 1974	Registered as an attorney
Kazuhiko Shimokobe	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 Sompō 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.	
		Significant concurrent positions outside the Company
		Outside Auditor of Industrial Growth Platform, Inc.
		Reasons for nomination as candidate for Outside Audit & Supervisory Board Member
		The Company has nominated Mr. Shimokobe as a candidate for Outside Audit & Supervisory Board Member as it believes he will likely monitor its management and provide it with appropriate advice as an Outside Audit & Supervisory Board Member by using his experience of engaging in many corporate revitalization projects as an attorney.
		As he meets the requirements for independent officers stipulated by the Tokyo Stock Exchange, the Company has decided that there is no conflict of interest with general shareholders and designated him as an independent officer.

		Career summary and position in the Company
Candidate No. 3	Apr. 1981	Joined Nissan Motor Co., Ltd.
Nobumichi Hattori	June 1989	Joined Goldman Sachs & Co., New York headquarters
	Nov. 1998	Managing Director M&A advisory manager in Japan
Re-election Outside Independent	Oct. 2003	Visiting Associate Professor of School of International Corporate Strategy of Hitotsubashi University Business School
	June 2005	Outside Director of Miraca 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	Outside Audit & Supervisory Board Member of the Company (current position)
	June 2015	Outside Director of Hakuholdo 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)
	Date of birth December 25, 1957	
Number of the Company's shares owned 0		
Number of years in office 7		
Attendance at Board of Directors meetings 13/14 (93%)		
Attendance at Audit & Supervisory Board meetings 12/13 (92%)		
		Significant concurrent positions outside the Company
		External Director of FAST RETAILING CO., LTD. Outside Director of Hakuholdo DY Holdings Inc. Visiting Professor of Graduate School of Business and Finance of Waseda University Visiting Professor of Graduate School of Business Administration of Keio University
		Reasons for nomination as candidate for Outside Audit & Supervisory Board Member
		The Company has nominated Mr. Hattori as a candidate for Outside Audit & Supervisory Board Member as it believes he will likely monitor its management and provide it with appropriate advice as an Outside Audit & Supervisory Board Member by using his experience at a leading U.S. investment bank as well as his knowledge in business administration as a university professor. As he meets the requirements for independent officers stipulated by the Tokyo Stock Exchange, the Company has decided that there is no conflict of interest with general shareholders and designated him as an independent officer. He has never in the past been involved in the management of a company except as an outside officer. However, the Company judges he will appropriately fulfill his duties as an Outside Audit & Supervisory Board Member based on the above reasons.

- Notes:
1. There is no special interest between any of the candidates and the Company.
 2. Mr. Umemoto, Mr. Shimokobe, and Mr. Hattori are candidates for Outside Audit & Supervisory Board Members.
 3. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into limited liability agreements with Mr. Umemoto, Mr. Shimokobe, and Mr. Hattori to limit their liability for damages under Article 423, paragraph (1) of the Companies Act, and plans to continue the agreements if their re-elections are approved. Pursuant to such agreements, the defined maximum amount of liability for damages is the minimum liability amount provided for under Article 425, paragraph (1) of the Companies Act.
 4. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, thereby covering losses that may arise from an Audit & Supervisory Board Member, an insured person, assuming liability incurred in the course of the performance of duties or receiving claims pertaining to the pursuit of such liability. The candidates for Audit & Supervisory Board Members will be included as insured persons in such policy.
In addition, when the policies are renewed, the Company plans to renew them with the same terms.
 5. The Company has submitted notification to Tokyo Stock Exchange concerning the designation of Mr. Umemoto, Mr. Shimokobe, and Mr. Hattori as independent officers as provided for by the aforementioned exchange.

(Reference)**Skill matrix for candidates for Directors and candidates for Audit & Supervisory Board Members**

Name	Shoichiro Onishi	Masahiro Matsuoka	Tadaaki Komori	Kazuhito Osugi	Keiko Unotoro	Takeshi Umemoto	Kazuhiko Shimokobe	Nobumichi Hattori
Current position	Representative Director	Representative Director	Deputy President and Executive Officer	Director	Director	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member
Attributes				Outside/Independent	Outside/Independent	Outside/Independent	Outside/Independent	Outside/Independent
Corporate management	•	•					•	
Economy		•		•	•	•	•	•
Treasury and accounting			•	•		•		•
Finance, loans and investments	•	•	•	•		•		•
Management of legal risks	•				•		•	
Sales and marketing	•	•	•					
Global		•	•	•				•
Environment and society	•				•			

Proposal No. 5 Revision of Monetary Compensation Amount for Directors

The Extraordinary General Meeting of Shareholders held on August 14, 2018 gained approval for setting monetary compensation for the Company's Directors (including its Outside Directors) at ¥300 million or less per year (including ¥20 million or less per year for Outside Directors but excluding employee salaries for Directors concurrently serving as employees).

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

At this General Meeting of Shareholders, we propose that we change **the maximum amount of monetary compensation** from ¥300 million or less per year **to ¥400 million or less per year** (including ¥25 million or less per year for Outside Directors). We also propose that, as in the past, the amount of compensation for Directors not include employee salaries paid to Directors concurrently serving as employees.

We judge this proposal, based on the policy for determining the details of compensation for individual Directors, is an appropriate one as we must keep our compensation levels adequate for securing highly skilled professionals: i) due to the growing roles and responsibilities of Directors as they address the rapidly changing operating environment; and ii) for the purpose of further reinforcing our corporate governance.

The policy for determining the details of compensation for individual Directors is as shown on pages 30 to 31 of the Business Report.

Currently, there are five eligible Directors (including two Outside Directors), and if Proposal No. 3 is approved as originally proposed, the number of eligible Directors will remain five (including two Outside Directors).

(Attached documents)

Business Report

(From January 1, 2021 to December 31, 2021)

I Current Situation of the Group

(1) Progress and results of operations

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. Although the spread of infections had been expected to be sufficiently contained and economic activities had been expected to normalize as vaccinations progressed, 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) as a 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, despite a decrease in sales in the Revitalization Support Business compared to 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.

Business segment	Net sales (Thousands of yen)	Composition rate (%)	YoY change (%)
Management Consulting Business	3,280,302	57.1	35.7
Financial Advisory Business	1,725,210	30.1	(3.0)
Revitalization Support Business	662,331	11.5	(29.9)
Other Business	73,810	1.3	37.3
Total	5,741,654	100.0	10.6

(2) Capital expenditure

The Group's capital expenditure (property, plant and equipment and intangible assets) totaled ¥26,269 thousand for the fiscal year under review, including equipment installation at the head office and furniture and fixtures, among others, and internal system investments.

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

(3) Financing activities

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

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

Not applicable

(5) Acquisition of business from other company

Not applicable

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

Not applicable

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

Not applicable

(8) Issues to address

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

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

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

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

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

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

(ii) 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.

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

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

(iv) Reinforcing M&A support for SMEs

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

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

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

(vi) Increasing visibility and brand power

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

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

(vii) Developing an organizational sales system

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

(9) Assets and profit and loss

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

Category	Fiscal year	The 12th Fiscal Year (FY2018)	The 13th Fiscal Year (FY2019)	The 14th Fiscal Year (FY2020)	The 15th Fiscal Year (the fiscal year under review) (FY2021)
Net sales	(Thousands of yen)	4,690,065	4,771,144	5,192,527	5,741,654
Ordinary income	(Thousands of yen)	676,615	678,872	575,633	514,576
Net income attributable to owners of parent	(Thousands of yen)	472,434	429,382	420,515	338,707
Net income per share	(Yen)	45.64	37.65	36.89	29.70
Net assets	(Thousands of yen)	1,897,531	2,185,341	2,448,598	2,454,066
Total assets	(Thousands of yen)	3,623,692	3,269,111	3,792,731	3,819,274

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

Category	Fiscal year	The 12th Fiscal Year (FY2018)	The 13th Fiscal Year (FY2019)	The 14th Fiscal Year (FY2020)	The 15th Fiscal Year (the fiscal year under review) (FY2021)
Net sales	(Thousands of yen)	4,690,065	4,762,968	5,188,593	5,732,196
Ordinary income	(Thousands of yen)	665,292	660,550	556,817	513,057
Net income	(Thousands of yen)	461,787	417,231	413,157	345,454
Net income per share	(Yen)	44.61	36.58	36.24	30.29
Net assets	(Thousands of yen)	1,883,974	2,158,459	2,414,569	2,429,387
Total assets	(Thousands of yen)	3,610,673	3,243,878	3,759,798	3,800,171

Note: The Company carried out a one-thousand-for-one common stock split on July 13, 2018, a two-for-one common stock split on October 1, 2019, and a two-for-one common stock split on January 1, 2021. Net income per share was calculated assuming that these stock splits were effected at the beginning of the 12th Fiscal Year (FY2018).

(10) Significant subsidiaries

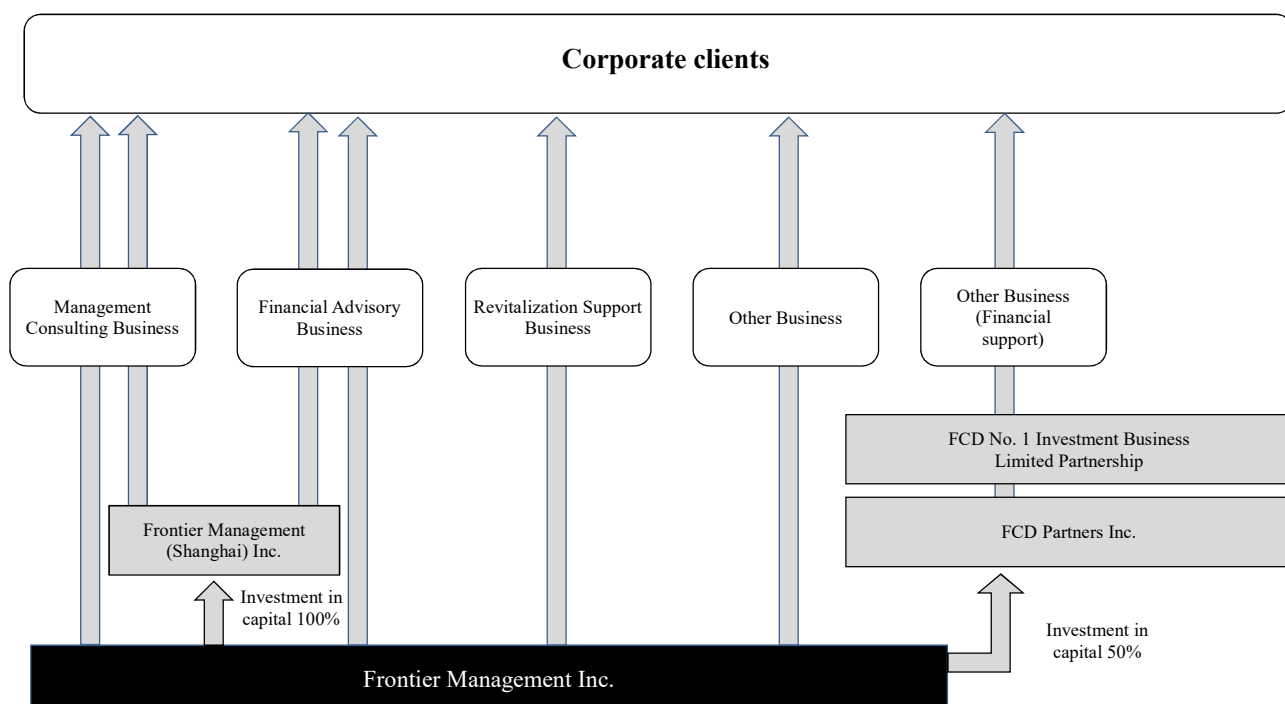
Company name	Paid-in capital (Thousands of yen)	Capital contribution rate (%)	Description of business
Frontier Management (Shanghai) Inc.	120,000	100.00	Management Consulting Business Financial Advisory Business

(11) Main business

The 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.



The Group's business is comprised of a single segment. Sales of the Group are classified into the (i) Management Consulting Business, (ii) Financial Advisory Business, (iii) Revitalization Support Business, and (iv) Other Business.

An outline of each business is as follows.

(i) 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 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.

(ii) 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 record of accomplishments.

As Japanese enterprises develop their businesses globally, client needs for cross-border M&A services are growing. To serve this demand, the Group actively recruits professionals with a wealth of results. We are also strengthening our framework for executing cross-border M&A projects while expanding our overseas network. For example, the Group has established 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.

(iii) 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.

(iv) 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.

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

(12) Major offices (as of December 31, 2021)

• The Company

Head office	3-2-1 Roppongi, Minato-ku, Tokyo, Japan
Osaka Branch	3-1-6 Doshomachi, Chuo-ku, Osaka City, Osaka, Japan
Nagoya Branch	2-45-14 Meieki, Nakamura-ku, Nagoya City, Aichi, Japan
Nagano Branch	1282-11 Minamiishido-cho, Nagano City, Nagano, Japan
Singapore Branch	Republic of Singapore
New York Branch	United States of America

• Subsidiary

Frontier Management (Shanghai) Inc.	People's Republic of China
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(13) Employees (as of December 31, 2021)

(i) Employees of the Group

Number of employees	Change from the end of the previous fiscal year
257	30 (increase)

- Notes: 1. The number of employees represents the number of the Group's full-time staff members (excluding seconded persons from the Group to companies outside the Group) and does not include the number of part-time employees, contract employees, temporary employees, etc.
2. The 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.
3. No segment-by-segment information is presented as the Group's business is comprised of a single segment.

(ii) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average years of service
256	30 (increase)	38.0 years old	3.2 years

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

(14) Principal lenders (as of December 31, 2021)

Not applicable

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

Not applicable

II Shares of the Company (as of December 31, 2021)

- (1) Total number of shares issuable: 45,648,000
(2) Total number of shares issued: 11,392,579 (excluding 25,819 shares of treasury stock)
(3) Number of shareholders: 4,142
(4) Major shareholders (top 10)

Name of shareholders	Number of shares owned (shares)	Shareholding ratio (%)
Shoichiro Onishi	2,160,336	18.96
Masahiro Matsuoka	2,160,336	18.96
Custody Bank of Japan, Ltd. (Trust Account)	699,000	6.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	683,500	6.00
Masaya Yajima	614,880	5.40
UEDA YAGI TANSHI Co., Ltd.	275,500	2.42
Tomohiro Murata	265,880	2.33
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	208,500	1.83
The Nomura Trust and Banking Co., Ltd. (Trust Account)	182,700	1.60
Toshiyuki Mitsuzawa	161,000	1.41

Note: Shareholding ratio is calculated excluding the number of shares of treasury stock (25,819 shares).

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

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

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

(i) Share split

The Company carried out a two-for-one common stock split on January 1, 2021 and accordingly amended the Articles of Incorporation. This caused the total number of shares issuable to increase by 22,824,000 shares and the total number of shares issued to increase by 5,777,900 shares.

(ii) Purchase of treasury stock

The Board of Directors meeting held on March 10, 2021 resolved matters for a purchase of treasury stock 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, and the Company purchased treasury stock pursuant to the resolution.

Class and number of shares purchased: Common stock, 160,000 shares
Total amount of purchase: ¥270,080 thousand
Purchase period: March 11, 2021

(iii) Disposal of treasury stock

Under Article 178 of the Companies Act, the Board of Directors meeting held on May 13, 2021 resolved matters for a retirement of treasury stock, and the Company retired treasury stock pursuant to the resolution.

Class and total number of shares retired: Common stock, 200,000 shares
Amount of treasury stock retired: ¥291,668 thousand
Date of retirement: May 31, 2021

(iv) Stock option(s)

The total number of shares issued increased by 42,600 shares due to the exercise of stock options.

(v) Shares subject to transfer restriction

On April 15, 2021, the Company issued 19,998 shares of its common stock in order to grant three Directors (excluding Outside Directors) with shares subject to transfer restriction.

III Stock Acquisition Rights, etc. of the Company

(1) Stock acquisition rights held by the officers of the Company that were delivered as consideration for the execution of duties
Not applicable

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

		12th Stock Acquisition Rights
Resolution date of issuance		March 25, 2021
Number of stock acquisition rights		349
Type and number of shares underlying the stock acquisition rights		34,900 shares of common stock (100 shares per stock acquisition right)
Payment of money for the stock acquisition rights		Payment of money is not required in exchange for stock acquisition rights
Value of property to be contributed upon exercise of the stock acquisition rights		¥100 per stock acquisition right (¥1 per share)
Exercise period		From March 26, 2022 to March 25, 2026
Conditions for exercise of the stock acquisition rights		(Note)
Delivery to employees, etc.	Employees of the Company	Number of stock acquisition rights: 349 Number of shares underlying the stock acquisition rights: 34,900 Number of persons who hold the stock acquisition rights: 15
	Officers and employees of subsidiary	–

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

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

(3) Other material information related to stock acquisition rights
Not applicable

IV Company Officers

(1) Directors and Audit & Supervisory Board Members

Name	Position and responsibility	Responsibility and significant concurrent positions outside the Company
Shoichiro Onishi	Representative Director	Representative Director of FCD Partners Inc. Outside Director of Tokyo Electric Power Company Holdings, Incorporated
Masahiro Matsuoka	Representative Director	Chairman of Frontier Management (Shanghai) Inc. Representative Director of FCD Partners Inc. Representative Director and Chairman of ORENO Corporation Outside Director of RIZAP GROUP, Inc.
Yoshiaki Takahashi	Director	
Kazuhito Osugi	Director	Independent Outside Director of the Board of Nissha Co., Ltd. Outside Director of The Gunma Bank, Ltd.
Keiko Unotoro	Director	Outside Director of SAN-AI OIL CO., LTD. Outside Director (Audit and Supervisory Committee Member) of OS Co., Ltd. Outside Director of OHBA CO., LTD. Commissioner of Public Security Examination Commission Advisor of OH-EBASHI LPC & PARTNERS Part-time Lecturer of Graduate School of Economics of Senshu University
Takeshi Umemoto	Full-time Audit & Supervisory Board Member	
Kazuhiko Shimokobe	Audit & Supervisory Board Member	Outside Auditor of Industrial Growth Platform, Inc.
Nobumichi Hattori	Audit & Supervisory Board Member	External Director of FAST RETAILING CO., LTD. Outside Director of Hakuholdo DY Holdings Inc. Visiting Professor of Graduate School of Business and Finance of Waseda University Visiting Professor of Graduate School of Business Administration of Keio University

- Notes: 1. Kazuhito Osugi and Keiko Unotoro are Outside Directors as stipulated in Article 2, item (xv) of the Companies Act.
2. Takeshi Umemoto, Kazuhiko Shimokobe, and Nobumichi Hattori are Outside Audit & Supervisory Board Members as stipulated in Article 2, item (xvi) of the Companies Act.
3. The Company has designated Mr. Osugi and Ms. Unotoro, who are Directors of the Company, and Mr. Umemoto, Mr. Shimokobe and Mr. Hattori, who are Audit & Supervisory Board Members of the Company, as independent officers based on the provisions of the Tokyo Stock Exchange, and has submitted notification to the exchange.

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

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

Category	Total amount of compensation, etc. (Thousands of yen)	Total amount of compensation, etc. by category (Thousands of yen)				Number of target officers (persons)
		Basic compensation	Single-fiscal-year performance-based compensation		Medium- to long-term performance-based compensation	
			Cash bonuses	Stock-based compensation A	Stock-based compensation B	
Directors	176,292	149,100	–	–	27,192	5
(Of whom, outside officers)	(13,800)	(13,800)	(–)	(–)	(–)	(2)
Audit & Supervisory Board Members	28,174	28,174	–	–	–	3
(Of whom, outside officers)	(28,174)	(28,174)	(–)	(–)	(–)	(3)
Total	204,467	177,275	–	–	27,192	8
(Of whom, outside officers)	(41,974)	(41,974)	(–)	(–)	(–)	(5)

Note: The total amount of compensation for Directors does not include salary paid as an employee to Directors concurrently serving as an employee.

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

The Extraordinary General Meeting of Shareholders held on August 14, 2018 passed a resolution for setting monetary compensation for the Company's Directors (including its Outside Directors) at ¥300 million or less per year (including ¥20 million or less per year for Outside Directors but excluding employee salaries for Directors concurrently serving as employees). The number of Directors (including one Outside Director) at the conclusion of said General Meeting of Shareholders was four.

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

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

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

A) How to decide the policy for determining the details of compensation for individual Directors

The policy for determining the details of compensation for the Company's individual Directors was resolved by the Board of Directors meeting held on February 9, 2021 in light of voluntary deliberations and reports by the Nomination and Compensation Advisory Committee.

The Board of Directors judged the compensation for individual Directors for the fiscal year under review to be consistent with the policy since the Board checked that: i) the determined details of the compensation and the method for determining them were consistent with the determination policy resolved by the Board; and ii) the details were determined by the Board of Directors within a range of total compensation amount resolved beforehand by a general meeting of shareholders in light of voluntary deliberations by the Nomination and Compensation Advisory Committee and its recommendation.

B) Description of the policy for determining the details of compensation for individual Directors

- Basic policy

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

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

- Compensation composition

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

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

The compensation 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.

- Basic compensation

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

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

- Single-fiscal-year performance-based compensation

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

The maximum amount of single-fiscal-year performance-based compensation (total amount to be paid to all Eligible Directors) is the smaller of one-third of an amount in excess of targeted operating income, or a total amount of 18-month basic compensation for the Representative Directors, 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 highly directly. This performance indicator could potentially be changed in the future by a resolution of the Board of Directors.

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

	Target	Actual amount
Consolidated operating income	¥1,000 million	¥501 million

- Medium- to long-term performance-based compensation

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

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

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

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

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

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

- Compensation governance

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

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

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

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

Not applicable

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

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

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

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

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

(iii) Main activities in the fiscal year under review

Category	Name	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Board meetings	Outline of main activities and duties executed in relation to roles expected
Director	Kazuhito Osugi	14/14	–	Kazuhito Osugi has been continuing to give diverse statements actively at Board of Directors meetings and provide advice on the management of the Company and oversee its business execution appropriately from an objective and expert perspective by tapping into much knowledge in economy, finance, and business revitalization that he accumulated through serving in key posts at Bank of Japan and Industrial Revitalization Corporation of Japan. In his capacity as Chairperson of the Nomination and Compensation Advisory Committee, he led deliberations on the policy for election of officers and determination of the details of Directors' compensation.
Director	Keiko Unotoro	10/10 (Note 1)	–	Keiko Unotoro has been continuing to give diverse statements actively at Board of Directors meetings, provide advice on the management of the Company, and oversee its business execution appropriately from an objective and expert perspective by tapping into much knowledge in economic laws, competition policies, and corporate compliance that she accumulated through serving in key posts at the Fair Trade Commission. She led deliberations on the desirable direction for the Board of Directors in order to make it more effective.
Full-time Audit & Supervisory Board Member	Takeshi Umemoto	14/14	13/13	Takeshi Umemoto has been conducting audits from an impartial and objective perspective by using his experience in audit operations to lead Audit & Supervisory Board and giving necessary statements as appropriate at Board of Directors meetings and Audit & Supervisory Board meetings.
Audit & Supervisory Board Member	Kazuhiko Shimokobe	14/14	13/13	Kazuhiko Shimokobe has been conducting audits from an impartial and objective perspective by using his experience of engaging in many corporate revitalization projects as an attorney to give necessary statements as appropriate at Board of Directors meetings and Audit & Supervisory Board meetings.
Audit & Supervisory Board Member	Nobumichi Hattori	13/14	12/13	Nobumichi Hattori has been conducting audits from an impartial and objective perspective by using his experience at a leading U.S. investment bank as well as his knowledge in business administration as a university professor to give necessary statements as appropriate at Board of Directors meetings and Audit & Supervisory Board meetings.

Notes: 1. Ten such meetings have been held since she took office.

2. Excluding the number of Board of Directors meetings for written resolution.

(iv) Summary of details of limited liability agreement

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

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

(v) Outline of directors and officers liability insurance policy

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

V Accounting Auditor

(1) Name KPMG AZSA LLC

(2) Compensation, etc.

	Amounts paid
Compensation, etc. paid to Accounting Auditor during the fiscal year under review	¥20,272 thousand
Total amount of monetary and other property benefits to be paid by the Company and its subsidiary to Accounting Auditor	¥20,272 thousand

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

2. In addition to the above, an additional compensation of ¥770 thousand was paid for audits of the previous fiscal year.

(3) Description of non-auditing services

Not applicable

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

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

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

(5) Summary of details of limited liability agreement

Not applicable

VI Overview of the System to Ensure Appropriateness of Business Operations

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

- (1) System to ensure that the execution of duties by Directors and employees conforms to laws and regulations and the Articles of Incorporation
 - (i) Recognizing that thorough compliance is indispensable for ensuring the survival and sustainable growth of an enterprise, the Company shall strive to make all Directors and all the employees aware of compliance, and provide compliance training to them.
 - (ii) The Audit & Supervisory Board Members shall conduct audits and the Internal Audit Office shall conduct internal audits to confirm that the execution of duties by Directors and employees is properly performed without violating laws and regulations, the Articles of Incorporation, and the internal rules.
 - (iii) Establish a reporting system for violating laws and regulations by stipulating the compliance rules and the internal reporting rules so that the Company can promptly recognize and deal with such acts.
- (2) System for storing and managing information related to the execution of duties by Directors
 - (i) Documents (including electromagnetic documents) related to the execution of duties by Directors shall be stored and managed in accordance with laws and regulations, the Articles of Incorporation, the documentation management rules, and other relevant rules.
 - (ii) These documents (including electromagnetic documents) shall be available per request from Directors and Audit & Supervisory Board Members.
- (3) Frameworks for managing the risks of loss including the relevant internal regulations
 - (i) The Representative Director shall be the Chief Risk Management Officer, and the Company shall establish the risk management rules and frameworks for risk management across the organizations.
 - (ii) Establish the crisis management rules and the reporting and command structure in an emergency so that the Company can identify emergencies promptly and minimize losses.
- (4) System to ensure that Directors perform their duties efficiently
 - (i) In principle, the Board of Directors holds a regular meeting once a month and an extraordinary meeting as necessary to make decisions on important matters in accordance with the rules of the Board of Directors and supervise the execution of duties by Directors.
 - (ii) Matters to be submitted to a Board of Directors meeting shall be subject to discussion at a voluntary meeting of the Nomination and Compensation Committee and by the Management Committee or the Executive Committee.
- (5) System to ensure appropriateness of business operations in the corporate group comprising the Company and its subsidiary
 - (i) Establish subsidiary management rules to ensure the appropriateness of the business conducted by the corporate group comprising the Company and its subsidiary, and manage the subsidiary in accordance with the rules.
 - (ii) 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(13) System to ensure appropriateness of financial reports

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

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

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

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

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

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

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

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

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

Financial risks are appropriately managed based on the risk management rules and the crisis management rules.

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

During the fiscal year under review, 14 meetings of the Board of Directors were held to make decisions on important matters in accordance with the rules of the Board of Directors and supervise the execution of duties by Directors.

- (5) The operational status of the system to ensure appropriateness of business operations in the Group, comprising the Company and its subsidiary

- (i) The subsidiary was managed in accordance with the subsidiary management rules to ensure the appropriateness of the business conducted by the Group, comprising the Company and its subsidiary.
- (ii) The Company communicated with the Directors of the subsidiary on a daily basis to discuss management of the Group, and confirmed that the subsidiary is properly operated in accordance with the Company's management policies.

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

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

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

VIII Basic Policy Regarding Control of the Company

Not applicable

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

Consolidated Balance Sheet

(As of December 31, 2021)

(Thousands of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	2,998,206	Current liabilities	1,282,944
Cash and deposits	1,784,218	Accounts payable	45,424
Notes and accounts receivable	1,073,376	Accounts payable-other	94,699
Operational investment securities	9,837	Income taxes payable	259,633
Other	147,710	Provision for bonuses	553,014
Allowance for doubtful accounts	(16,936)	Provision for shareholder benefit program	7,079
Fixed assets	821,068	Other	323,095
Tangible assets	208,328	Long-term liabilities	82,262
Buildings	193,854	Asset retirement obligations	82,262
Tools, furniture, and fixtures	14,473	Total liabilities	1,365,207
Intangible assets	11,369	Net assets	
Software	11,267	Shareholders' equity	2,397,717
Others	102	Paid-in Capital	178,723
Investments and other assets	601,370	Capital surplus	558,745
Investment securities	56,800	Retained earnings	1,696,822
Stocks of subsidiaries and affiliates	43,633	Treasury stock	(36,575)
Lease deposits	212,055	Other accumulated comprehensive income	9,380
Deferred tax assets	277,356	Foreign currency translation adjustment	9,380
Other	11,524	Stock acquisition right	46,969
Total assets	3,819,274	Total net assets	2,454,066
		Total liabilities and net assets	3,819,274

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

Consolidated Statement of Income
(from January 1, 2021 to December 31, 2021)

(Thousands of yen)

Item	Amount	
Net sales		5,741,654
Cost of sales		2,247,959
Gross profit		3,493,695
Selling, general and administrative expenses		2,992,409
Operating income		501,285
Non-operating income		
Interest income	125	
Equity in earnings of affiliates	6,506	
Insurance dividend income	1,125	
Administrative fees received	2,268	
Subsidy from Government etc.	686	
Foreign exchange gains	6,751	
Other	239	17,702
Non-operating expenses		
Interest expense	1,253	
Charges for stock compensation	2,902	
Other	256	4,411
Ordinary income		514,576
Income before income taxes		514,576
Income taxes	228,988	
Income taxes-deferred	(53,119)	175,868
Net income		338,707
Net income attributable to owners of parent		338,707

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

Consolidated Statement of Shareholders' Equity

(from January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Shareholders' equity					Other accumulated comprehensive income		Stock acquisition right	Total net assets
	Paid-in Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation adjustment	Total other accumulated comprehensive income		
Balance as of January 1, 2021	163,530	835,220	1,496,027	(58,163)	2,436,614	11,984	11,984	–	2,448,598
Change during the fiscal year under review									
Issuance of new shares (exercise of subscription rights to shares)	1,597	1,597			3,195				3,195
Dividends			(137,912)		(137,912)				(137,912)
Net income attributable to owners of parent			338,707		338,707				338,707
Purchase of treasury stock				(270,080)	(270,080)				(270,080)
Cancellation of treasury stock		(291,668)		291,668	–				–
Restricted share awards	13,596	13,596			27,192				27,192
Net changes of items other than shareholders' equity (Net)						(2,603)	(2,603)	46,969	44,365
Total changes during the year under review	15,193	(276,474)	200,794	21,588	(38,897)	(2,603)	(2,603)	46,969	5,467
Balance as of December 31, 2021	178,723	558,745	1,696,822	(36,575)	2,397,717	9,380	9,380	46,969	2,454,066

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

Non-consolidated Balance Sheet

(As of December 31, 2021)

(Thousands of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	2,969,741	Current liabilities	1,288,520
Cash and deposits	1,751,698	Accounts payable	52,016
Accounts receivable	1,077,761	Accounts payable-other	93,682
Operational investment securities	9,837	Accrued expenses	119,221
Prepaid expenses	115,227	Advances received	35,713
Advances paid	23,294	Deposits received	48,211
Other	8,858	Income taxes payable	259,633
Allowance for doubtful accounts	(16,936)	Accrued consumption taxes	118,051
Fixed assets	830,429	Provision for bonuses	553,014
Tangible assets	208,212	Provision for shareholder benefit program	7,079
Buildings	193,854	Other	1,897
Tools, furniture, and fixtures	14,357	Long-term liabilities	82,262
Intangible assets	11,296	Asset retirement obligations	82,262
Software	11,194	Total liabilities	1,370,783
Others	102	Net assets	
Investments and other assets	610,920	Shareholders' equity	2,382,418
Investment securities	56,800	Paid-in Capital	178,723
Stocks of subsidiaries and affiliates	3,000	Capital surplus	558,745
Investments in capital of subsidiaries and associates	0	Capital reserve	178,723
Long-term loans receivable from subsidiaries and associates	30,000	Other capital surplus	380,022
Long-term accounts receivable - other	20,601	Retained earnings	1,681,523
Lease deposits	211,373	Other retained earnings	1,681,523
Deferred tax assets	277,356	Retained earnings brought forward	1,681,523
Other	26,975	Treasury stock	(36,575)
Allowance for doubtful accounts	(15,186)	Stock acquisition right	46,969
Total assets	3,800,171	Total net assets	2,429,387
		Total liabilities and net assets	3,800,171

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

Non-consolidated Statement of Income

(from January 1, 2021 to December 31, 2021)

(Thousands of yen)

Item	Amount	
Net sales		5,732,196
Cost of sales		2,244,842
Gross profit		3,487,353
Selling, general and administrative expenses		2,974,445
Operating income		512,908
Non-operating income		
Interest income	345	
Insurance dividend income	1,125	
Administrative fees received	2,268	
Subsidy from Government etc.	686	
Other	158	4,584
Non-operating expenses		
Interest expense	1,253	
Charges for stock compensation	2,902	
Foreign exchange loss	23	
Other	256	4,435
Ordinary income		513,057
Extraordinary income		
Gain on reversal of allowance for doubtful accounts for subsidiaries and associates	8,142	8,142
Income before income taxes		521,200
Income taxes	228,866	
Income taxes-deferred	(53,119)	175,746
Net income		345,454

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

Non-consolidated Statement of Shareholders' Equity

(from January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Shareholders' equity								Stock acquisition right	Total net assets
	Paid-in Capital	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity		
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings				
					Retained earnings brought forward					
Balance as of January 1, 2021	163,530	163,530	671,690	835,220	1,473,982	1,473,982	(58,163)	2,414,569	-	2,414,569
Change during the year										
Issuance of new shares (exercise of subscription rights to shares)	1,597	1,597		1,597				3,195		3,195
Dividends					(137,912)	(137,912)		(137,912)		(137,912)
Net income					345,454	345,454		345,454		345,454
Purchase of treasury stock							(270,080)	(270,080)		(270,080)
Cancellation of treasury stock			(291,668)	(291,668)			291,668	-		-
Restricted share awards	13,596	13,596		13,596				27,192		27,192
Net changes of items other than shareholders' equity (Net)									46,969	46,969
Total changes during the year	15,193	15,193	(291,668)	(276,474)	207,541	207,541	21,588	(32,151)	46,969	14,818
Balance as of December 31, 2021	178,723	178,723	380,022	558,745	1,681,523	1,681,523	(36,575)	2,382,418	46,969	2,429,387

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

Audit Report

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the execution of duties of the Directors during the 15th Fiscal Year from January 1, 2021 to December 31, 2021, based on the audit reports prepared by each Audit & Supervisory Board Member and hereby reports as follows:

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

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

2. Audit results

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

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

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

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

(3) Audit results of the Consolidated Financial Statements

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

February 18, 2022

Audit & Supervisory Board
Frontier Management Inc.

Standing Audit & Supervisory Board Member	Takeshi Umemoto
Audit & Supervisory Board Member	Kazuhiko Shimokobe
Audit & Supervisory Board Member	Nobumichi Hattori

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