

Notice of Capital Increase by Consolidated Subsidiaries

December 27, 2022

Frontier Management Inc.

Background to Establishment of Frontier Capital Inc.

- In order to increase corporate value for client companies over the medium to long term, we established Frontier Capital, an investment subsidiary, as an organization that can support not only our services and human resource support, but also funds over the medium to long term.

To resolve social issues

Resolving important issues faced by client companies

Carbon neutral and other sustainability issues

Improve productivity through digitization, etc.

Revitalization of regional economies facing declining birthrates, an aging population, and business succession problems

Adapting to social change after COVID-19

Frontier Management Inc. (FMI)

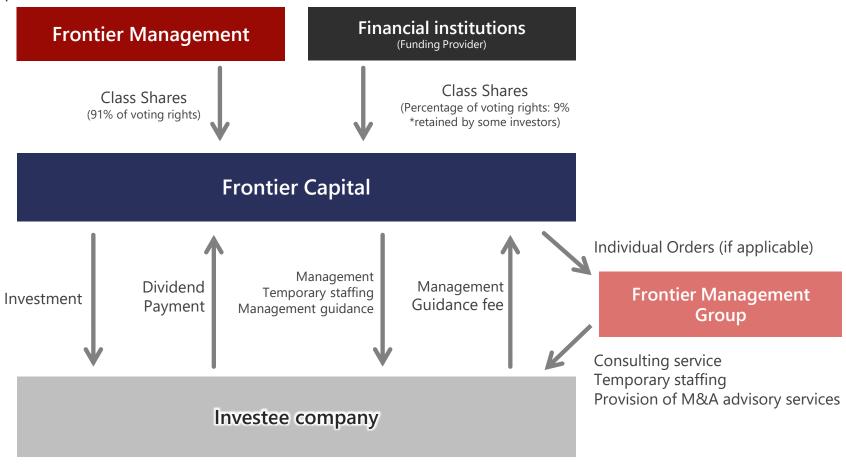
Frontier Capital Inc. (FCI)

- Provision of consulting services
- ·Management staffing
- ·Medium-to long-term funding
- Management staffing

Investee company

Frontier Capital's investment scheme

- It is a scheme that not only provides funds together with financial institutions, but also provides consulting services for the Frontier Management Group to ensure that it supports the improvement of corporate value of investees.



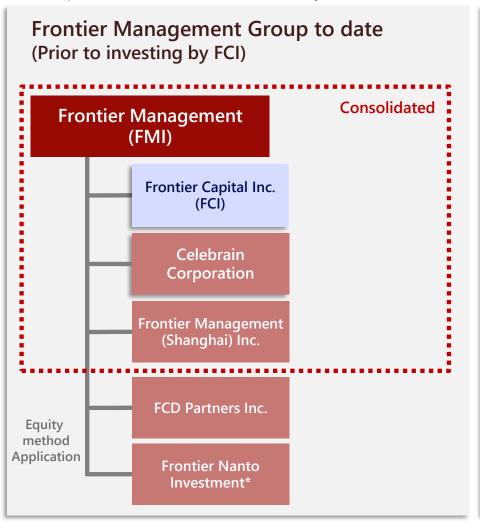
Purpose of establishing Frontier Capital

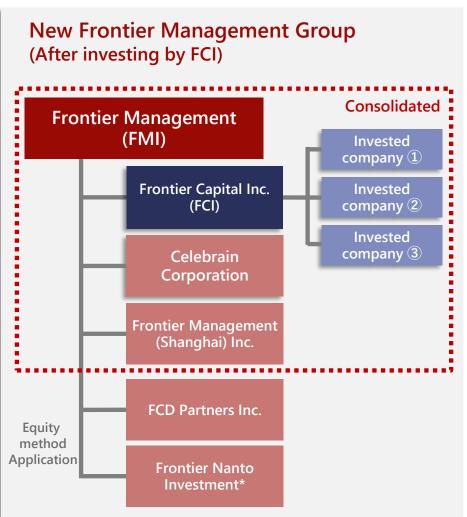
Solving social issues **Expanding our value** (1)Contribution to industrial 4 Growth in new business areas through restructuring and regional revitalization investment through long-term stockholding **3** Human Resource Development **5** Expand opportunities to collaborate through Investment and Hands-on with megabanks, major regional banks, and other operating companies Businesses 2 Improve customer enterprise value by improving 6 Improving our productivity and productivity through support for introduction of profitability digital transformation, etc.

Expanding the Corporate Value of Frontier Management through Solving Social Issues

Expansion of the Frontier Management Group's corporate scale

- Our Group will accelerate the expansion of our corporate scale through the new business of Frontier Capital, our investment subsidiary.





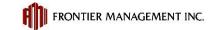
Future Procurement Schedule for Frontier Capital (Assumption)

- Ultimately, we plan to raise 15 billion yen by 2028. (Signed contract for procurement up to JPY13.5 billion this time)

(Unit: 100 million yen)

Timing		ltem	Amount of capital increase (FMI)	Amount of capital increase (Financial Institutions)
In 2022	February	Announcement of establishment of investment company		
	April	Company start-up	10	
	December	Resolution of capital increase by class shares		
In 2023		First Capital Increase (Class A and B)		30
		Start of full-scale business and execution of investment		
2023-20	28	Second Capital Increase (Class A) Third Capital Increase (Class A and C) Fourth Capital Increase (Class A)	5	105
		Total	15	50

^{*}Figures above are based on the assumption that procurement of 15 billion yen has been completed (the total amount of procurement may be only 13.5 billion yen)



^{*}Subsequent capital increases by financial institutions after the second round are premised on the achievement of certain conditions (such as the status of achievement of the plan and additional investment by FMI)

^{*}See the next page for the design of Class A, Class B, and Class C shares.

Overview of Frontier Capital's Class Shares

(Unit: Shares)

	Class A	Class B	Class C
Issue price		100,000 yen/share	
After this capital increase Number of shares outstanding	26,664 (Going forward: +108,327)	100	9,909 (Going forward: +5000)
Holder	Financial institutions	Financial institutions Frontier Management	Frontier Management
Dividend	(Refer to the next page.)	None	(Refer to the next page.)
Voting Rights	None	Yes	None

	Frontier Management	Financial institutions
Ratio of shareholding	10.0% (1.5 billion yen)	90.0% (13.5 billion yen)
Voting Rights	91.0% (91 shares)	9.0% (9 shares)

^{*}Figures for "future" in the number of shares issued are based on the assumption that all assumed procurement is completed.

^{*}The above figures are based on the assumption that procurement of 15 billion yen has been completed.

Dividends from Frontier Capital to Investors and FMI

■ Total dividends from Frontier Capital (FCI) to FCI shareholders

 The amount of dividends is expected to be 50% of FCI's consolidated net income (excluding 50% of gains on sales of FCI's non-consolidated investment securities) to the extent that the amount available for distribution under the Companies Act and the level of cash and deposits on hand required for operations are not lower.

Method of distribution of the total amount of dividends

- Total dividends will be distributed in the following order:
- ① Dividends on Class A Stocks Dividends to Class A Shareholders until full amount of Class A Stocks is invested
- ② Dividends on Class C Shares

 After ① above, dividends will be paid to Class C shareholders until the amount of Class C shares is fully invested
- ③ After the above Subsequent to ② above, in the event that dividends can still be paid after paying additional dividends (if any) to Class A Shareholders for each period, dividends shall be paid as prescribed to Class A Shareholders and Class C Shareholders.

Assessment of Frontier Capital (FCI) Initiatives in FMI

FMI holds 91% of the voting rights and becomes a consolidated subsidiary. It holds a ¥1.5 billion investment, or 10%, of the ¥15 billion total investment in FCI. For this reason, as a FMI, it is possible to increase sales, incomes, and net assets of FMI groups (consolidated basis) by holding management rights in FCI investee companies. ☐ Increased revenue opportunities for FMI by collaborating with FCI and strengthening relations with financial institutions (funders) **Benefits** ☐ As an FMI group. 75% of the principal and after-tax income recovered through EXIT of projects can be reinvested. ■ Full-fledged implementation of the investing business without diluting FMI stocks ☐ Increase in further growth opportunities for hands-on personnel due to increased opportunities for hands-on personnel ☐ Contributing to Industrial Restructuring and Regional Revitalization through Long-Term Stock **Holdings** Dividends on FCI are distributed to financial institutions on a preferential basis to the extent of laws and regulations, until such time as the amount invested by financial institutions is reached and thereafter. Points to • Continues to be subordinated to dividends, but the company expects to be able to generate more benefits than it did through the establishment of FCI (in collaboration with FCI, etc.) Note Dividends to FMI shareholder are calculated and implemented based on the consolidated net income of FMI Group excluding FCI (in the event of dividend payments from FCI to FMI, dividends are paid to FMI shareholder in accordance with FMI's payout ratio) Risks associated with 1.5 billion yen invested by FMI (limited to 1.5 billion yen) Risk Risk-of-impairment of shares in FCI's portfolio companies: Yes

Reasonableness of FMI's Investments in Frontier Capital (FCI)

- FMI will hold 91% of the voting rights of FCI and make FCI a consolidated subsidiary. This will be achieved by investing ¥1.5 billion, which is equivalent to 10% of the ¥15 billion total investment in FCI. This enables FMI to provide multifaceted support for improving the corporate value of its portfolio companies by holding management rights in FCI's portfolio companies. It also enables FMI to increase its sales, incomes, and net assets.
- In this investment, dividends will be subordinated in relation to the Class Shares held by the financial institution, but we believe that we will be able to obtain additional business opportunities as an FMI through this investment and enjoy economic benefits that exceed the subordination of dividends. Specifically, we anticipate an increase in consulting revenues, etc. due to collaboration with FCI, and an increase in consulting revenues, etc. due to deepening relations with the financial institutions that made this investment. Accordingly, we believe that this investment has certain economic rationality even without considering dividend income, etc.
- In addition, by significantly increasing the number of management personnel through increased hands-on opportunities for FMI Group, we can strengthen the differentiation of FMI Group's services in general, and expect to improve the profitability of FMI Group. FCI's contribution to industrial restructuring and regional revitalization through long-term shareholding is one of the materiality of FMI's "Contribution to the Transition of Society and Business" as disclosed in the "Basic Sustainability Policy" and the "Contribution to Regional Revitalization" as disclosed in "7 Contribution to Regional Revitalization."

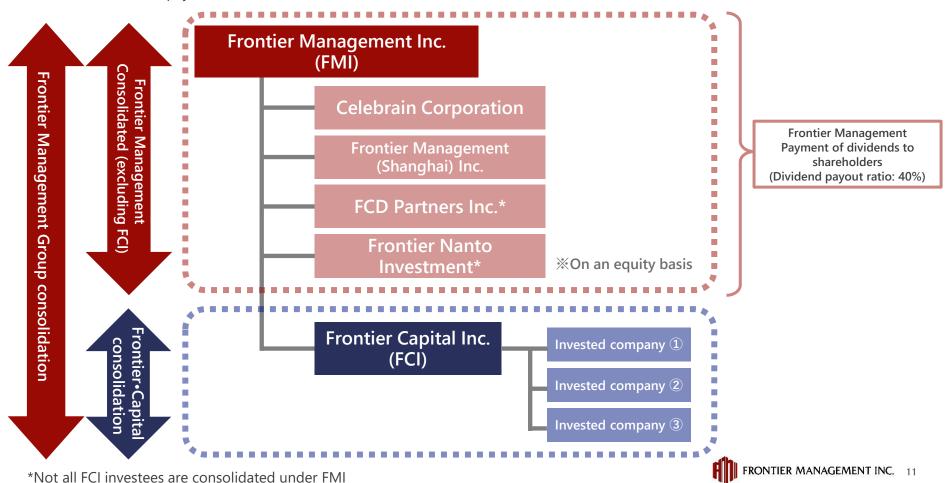
Future Disclosure Methods and Dividend Policies

Disclosure Policy

In addition to consolidated figures for the entire Group, we will also disclose figures for the Frontier Management Group excluding FCI.

Dividends Policy

Dividends to Frontier Management shareholders are calculated and implemented based on the consolidated net income of Frontier Management Group excluding FCI. (In the event that dividends are paid from FCI to FMI, dividends will be paid to FMI shareholders in accordance with FMI payout ratio.)



Frontier Capital Company Profile

Corporate Profile

Trade Name Frontier Capital, Inc. English Frontier Capital Inc.

Incorporation April 1, 2022

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

43F, Roppongi Grand Tower, Sumitomo Fudosan

Shoichiro Onishi Key members President, CEO and COO

> Representative Director Mohiro Matsuoka

Director and General Manager of Co-CIO Investing Business Division (Co)

Masaya Yajima

Director and General Manager of Co-CIO Investing Business Division (Co)

Nobuyuki Takahashi

Director Yasuo Horikoshi

Hiroaki Hamada Auditor (part-time)

Management division director Osamu Nakano

Advisor

Sumio Nishizawa

Number of employees 19 (as of December 27, 2022)

Shareholders Frontier Management Inc.

(As of December 27, 2022)

Corporate Philosophy

- In an era of dramatic changes in the recent business environment, FCI will realize long-term and sustainable enhancement of corporate value through bold reforms to the business model and organizational structure of investee companies.
- FCI will accurately grasp the changes of the times and, as a truly professional group capable of playing an active role globally, realize both the pursuit of incomes for our stockholders and the resolution of various social issues.
- FCI will contribute to society as a corporation that integrates and nurtures human resources who aim to become truly managerial personnel, and produces internationally and socially demanding human resources who can adequately respond to the diversity of language and culture.
- FCI demonstrates to the capitalist society a new way of investment and managing a company by transforming the company and dramatically increasing its corporate value through medium-to long-term investments.

Description of business

- Investment and management execution aimed at improving the long-term and sustainable corporate value of investees.
- Formation and management of joint investment funds with financial institutions and business companies.

History

2022 Apr Frontier Capital Co., Ltd. established



Business Concept

- FCI supports the resolution of management issues from a long-term perspective, and in turn contributes to the revitalization of local economies, by investing human resources, know-how, and money in a variety of companies that face management issues, not just in particular industries, regions, or industries.

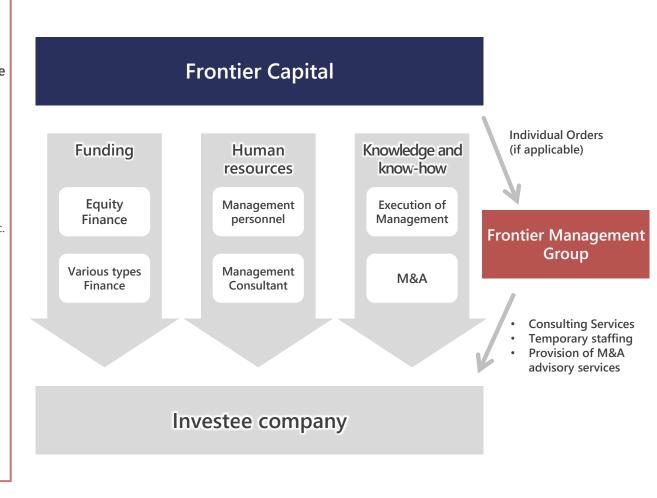
Environment Roles of FCI True business reforms Difficulty of managerial Common issues specific to through long-term personnel (uneven holding/ Realizing IPO distribution of people) each company Contribution to Regional Revitalization Investment and Sluggish productivity training of professional (uneven distribution of managers (human technologies) matching) Achieving Sustainable Growth for Regional Core Companies by Lack of alliances across areas (uneven Matching of businesses Eliminating Challenges from distribution of business) across areas Various Perspectives, such as Industry, Area, and Industry, over a Decline of regions due **Technological** Issues shared by Long Term to population decline, sophistication and matching etc. region **Economic stagnation** caused by the Corona Credit enhancement as disaster a listed company

Frontier Capital's Business (1/2)-Investment and Management Execution

FCI and Frontier Management Group companies will work together to provide a variety of support for the management issues faced by investees, and support long-term and continuous improvement of corporate value.

Investment and management execution with the aim of enhancing the long-term and Investment and sustainable corporate value of the investee <Specific examples of business activities> Investment verification and judgment Screening of target companies management execution Initial investment decision Determination of Basic Policy, etc. ■ Investment execution To negotiate terms **DD** Implementation Investment decisions, etc. ■ Value-Up Participation in management Implementation of Value-Up Measures • Performance monitoring, etc. Exit Refinancing M&A

IPO, etc.



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Frontier Capital's Business Activities (2/2) \sim GP Operations)

We provide "co GP management," in which financial institutions and business companies and FCI form and operate investment funds through joint GP, and "GP management support," in which financial institutions and business companies support the operation of investment funds that are GP invested

Formation and operation of joint investment funds with financial institutions and business companies

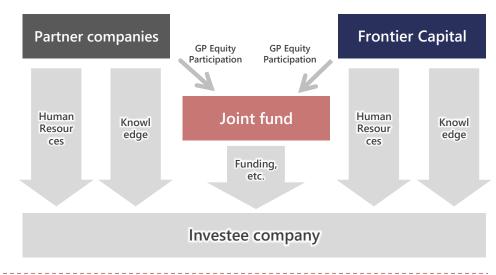
<Specific examples of business activities>

- Creation of operations and systems
 - In light of regulations Consideration of the optimal scheme
 - In-house necessary for realization Construction of operations
 - Development of various regulations, etc.

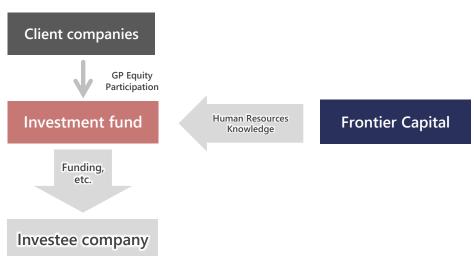
Support for fund management

- Educational activities such as study sessions
- Summary of points to be discussed
- Of the discussion materials for customers Preparation support
- In the documents submitted to the **Investment Committee** Preparation support, etc.
- In "investment and management execution" Various services related to

Joint GP operation



GP assist in the operation



Basic Investment Policy

Frontier Capital Corporation will make investments based on the following basic policies.

Policy

- Majority investment as a principle
- Promote industry/business transformation by investing in multiple companies with affinity among related companies in the same industry, in similar industries, and in the value chain

Scheme

- Direct investment from FCI (Use of LBO) loans as appropriate)
- Investment by co-investment and joint GP (targeted fund) with business companies or financial institutions

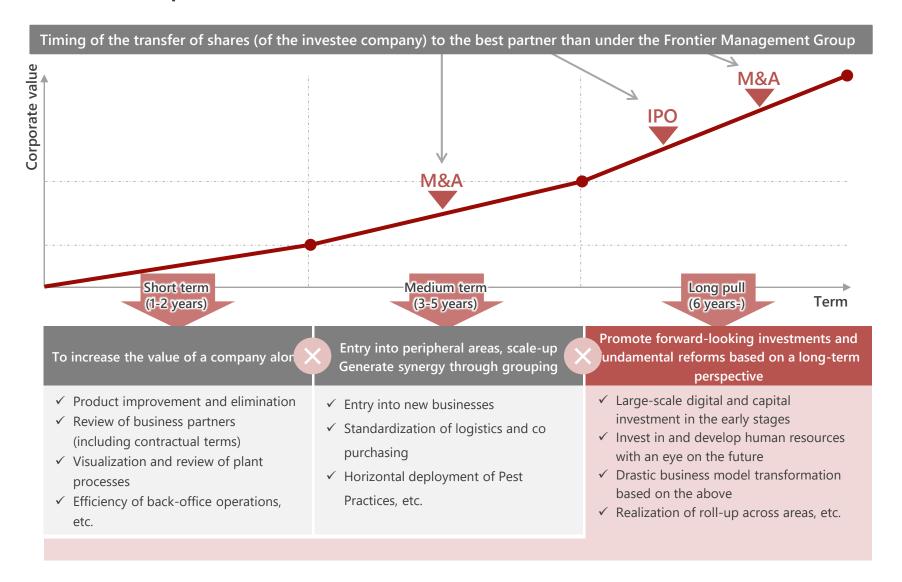
Approach

- Industries and industries where uneven. distribution of human resources, technology, and business is occurring
- Institutions where shareholders and FCI can work together from a long-term perspective and transform their industries and businesses (Industries and industries with such needs)

Management style after Investment

- Dispatch management personnel from FCI with the aim of enhancing the corporate value of investee companies over a sustainable and long term
- Holding shares over the long term as FCI is the best partner

Details of initiatives for each period to improve the corporate value of investee companies



Differences from Common PE Funds

- Unlike typical PE funds, FCI focuses on long-term, sustainable growth from a managerial perspective through diverse investment methods and group-wide teamwork. We believe that these characteristics lead to a sense of security and confidence in our investee companies.

	Frontier Capital	PE Fund
Investment period (Period of Involvement)	Long-term investment is also possible. (Business value maximization is the axis of exit decisions)	3-5 years (Clear Time Constraints)
Management style	Focus on sustainable growth (Management Perspective)	Focus on improving profitability until Exit (Investment Perspective)
Style of team formation	Team-up by professional human resources within the Group	Recruitment of outside personnel
Investment target	Diverse investments, including listed and minority investments, including unlisted stocks	Majority investment in unlisted stocks, in principle
Image from investee companies	Building a sense of security through listed companies and long-term holding	Concerns and concerns after Exit

Advantages of Frontier Management Group

- FCI has a consulting track record and knowledge as a frontier management group, as well as a wealth of management personnel and networks. We believe that the value we provide will enable us to grow our investees.

Diverse consulting experience

- ✓ Retail, service, manufacturer, etc. Strategy formulation and implementation in the industry Long-term support until support
- ✓ Approximately 300 professionals execute more than 300 projects annually

DX expertise and achievements

- ✓ Comprised of more than 10 DX experts Established Digital Strategy Office
- ✓ From large enterprises to small and mediumsized enterprises Promote a number of DX initiatives (top-line improvement, business improvement, etc.)

Value **Provided**

Wealth of management personnel

- ✓ A total of more than 70 management personnel have been dispatched since 2015, and approximately 20 management personnel (president and director class) have been dispatched in the most recent 2021.
- ✓ Opening of business schools (since 2016, a total of 1600 people from about 380 companies, of which half are managers and managers)

Domestic and overseas networks

- ✓ Build networks with operating companies (listed) companies to ventures) and financial institutions nationwide
- ✓ In overseas operations, focusing on M&A Building Alliances Globally

