



**FRONTIER  
MANAGEMENT  
INC.**

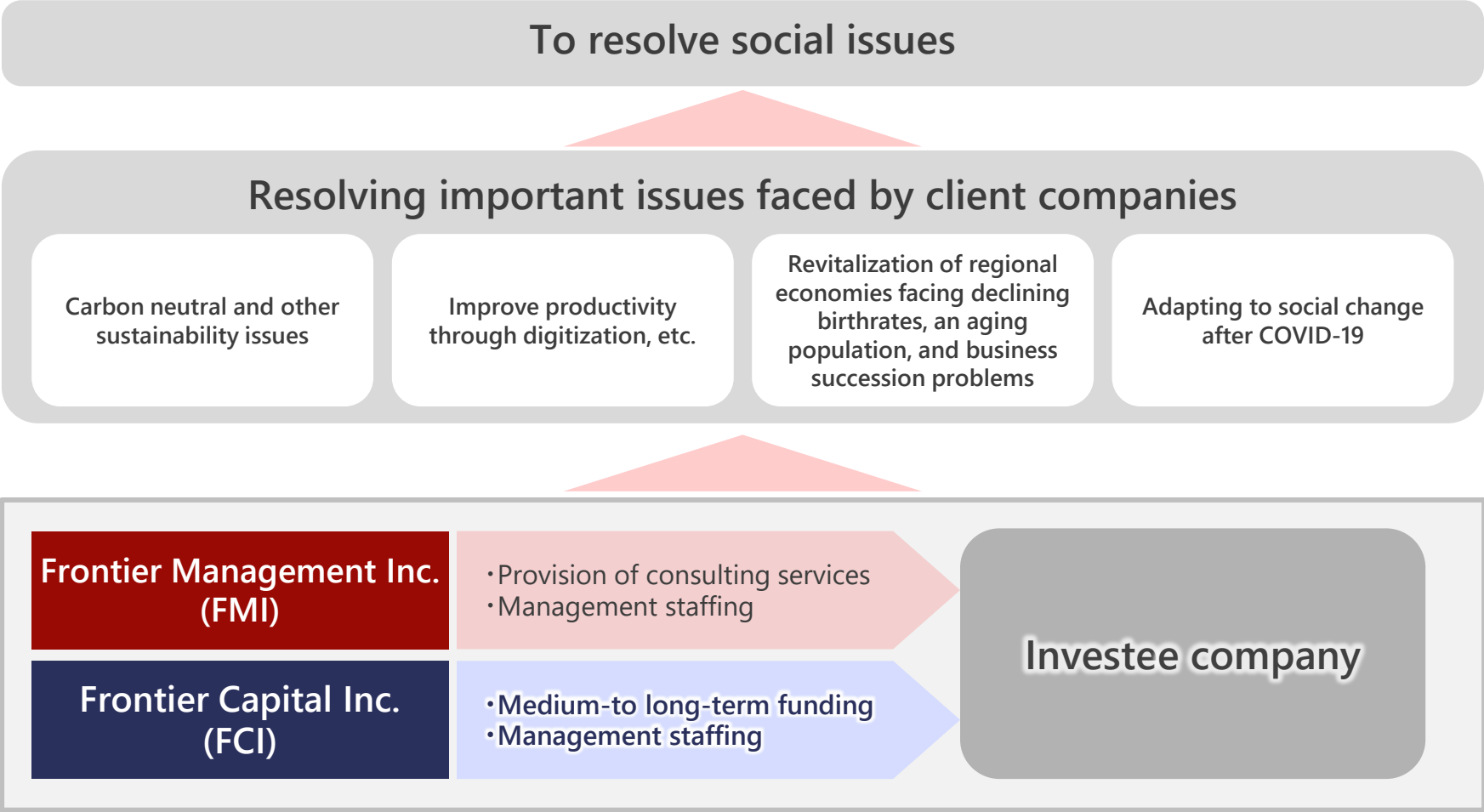
## **Notice of Capital Increase by Consolidated Subsidiaries**

December 27, 2022

Frontier Management Inc.

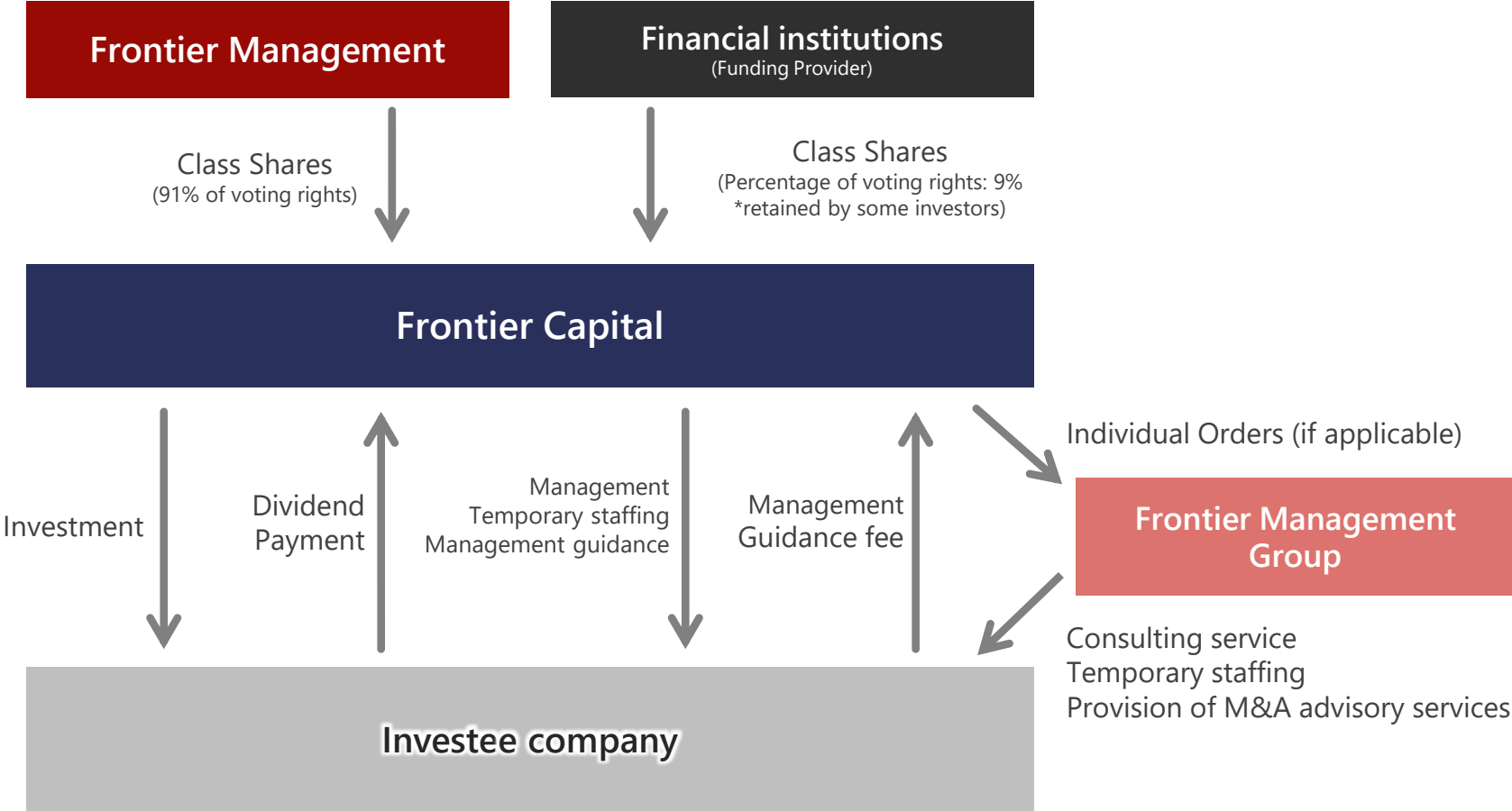
# Background to Establishment of Frontier Capital Inc.

- 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.



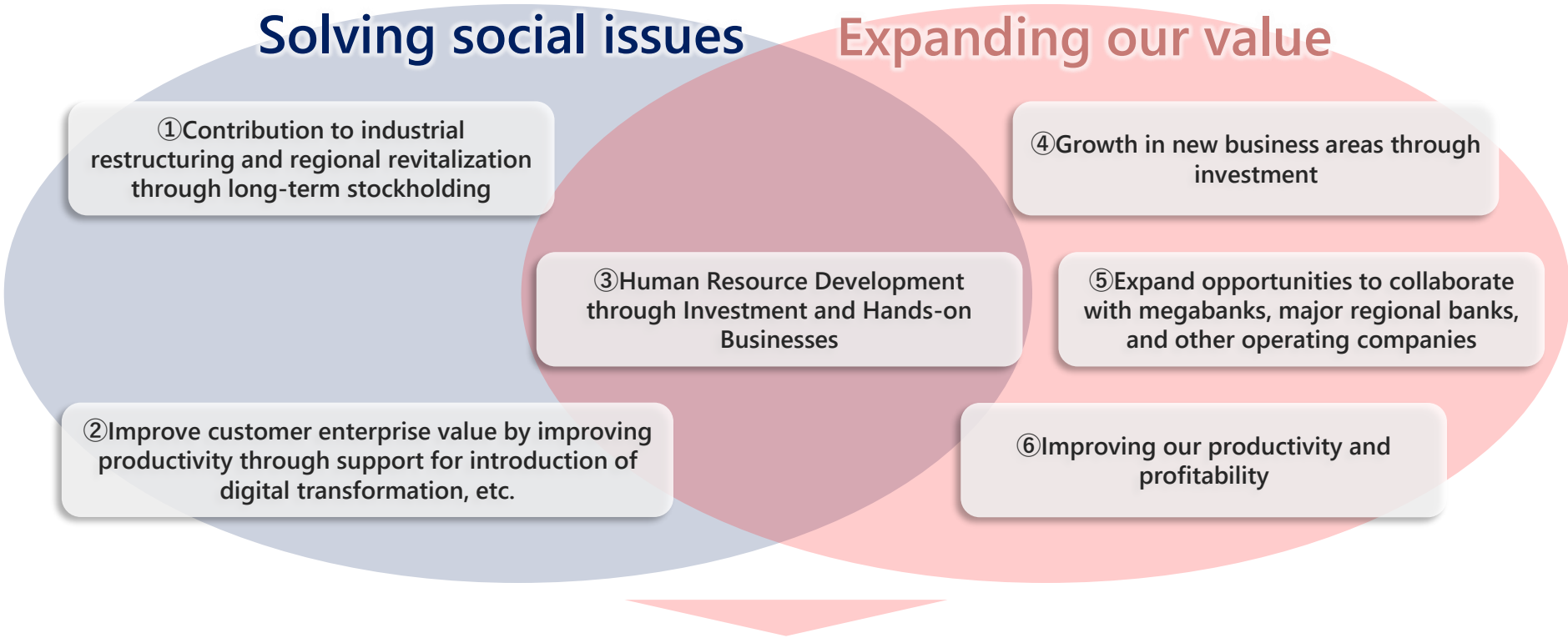
# Frontier Capital's investment scheme

- 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.



\*The above voting rights ratio is the figure after the first investment by a financial institution.

# Purpose of establishing Frontier Capital

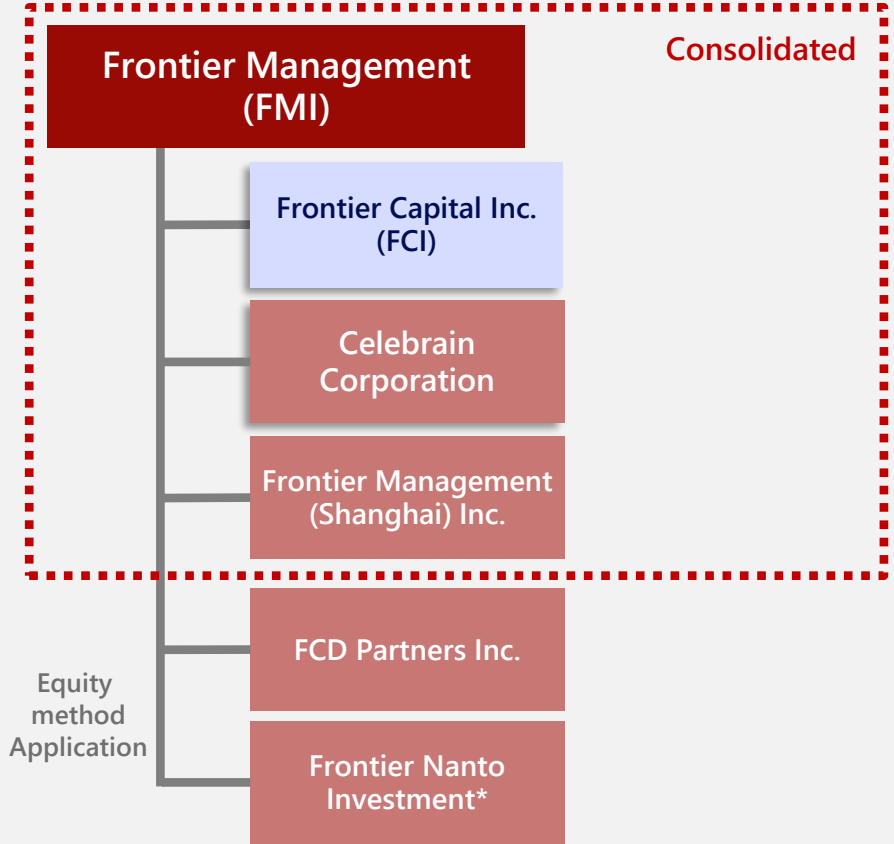


Expanding the Corporate Value of Frontier Management through Solving Social Issues

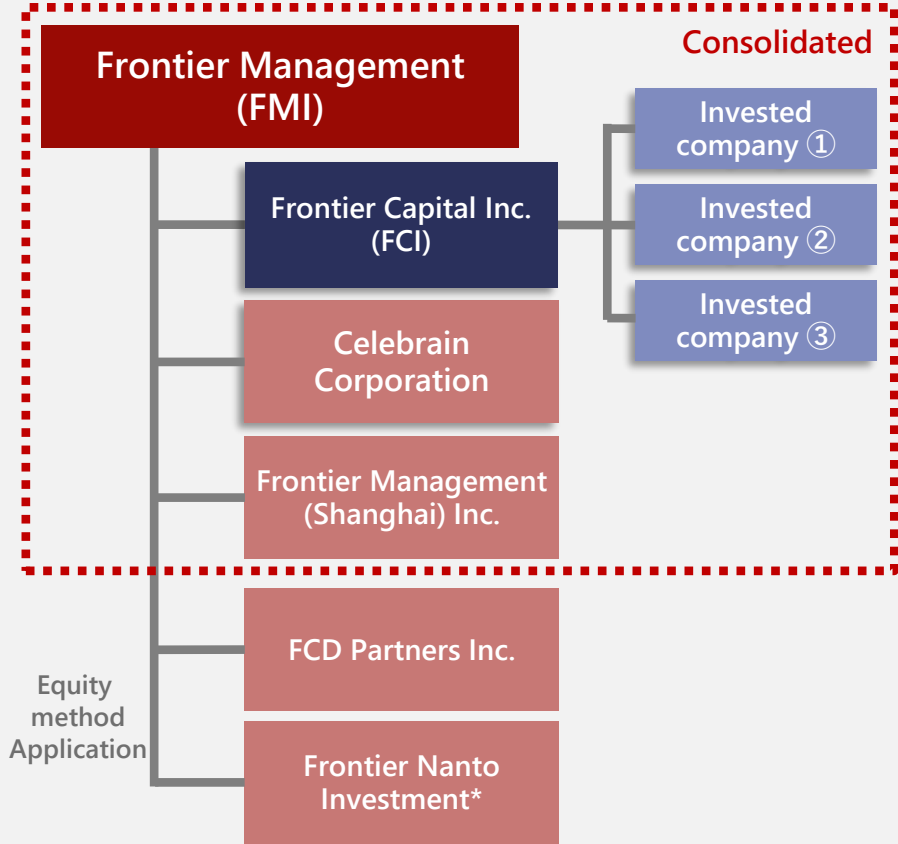
# Expansion of the Frontier Management Group's corporate scale

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

## Frontier Management Group to date (Prior to investing by FCI)



## New Frontier Management Group (After investing by FCI)



\*Not all FCI investees are consolidated under FMI

## 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		Item	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		
2023-2028		Second Capital Increase (Class A) Third Capital Increase (Class A and C) Fourth Capital Increase (Class A)	5	105
		<b>Total</b>		<b>150</b>

\*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.

\*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)

# 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

## Benefits

- ❑ 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)
- ❑ 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

## Points to Note

- ❑ 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.
- ❑ 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.)
- ❑ 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)

## Risk

- ❑ Risks associated with 1.5 billion yen invested by FMI (limited to 1.5 billion yen)
- ❑ 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."

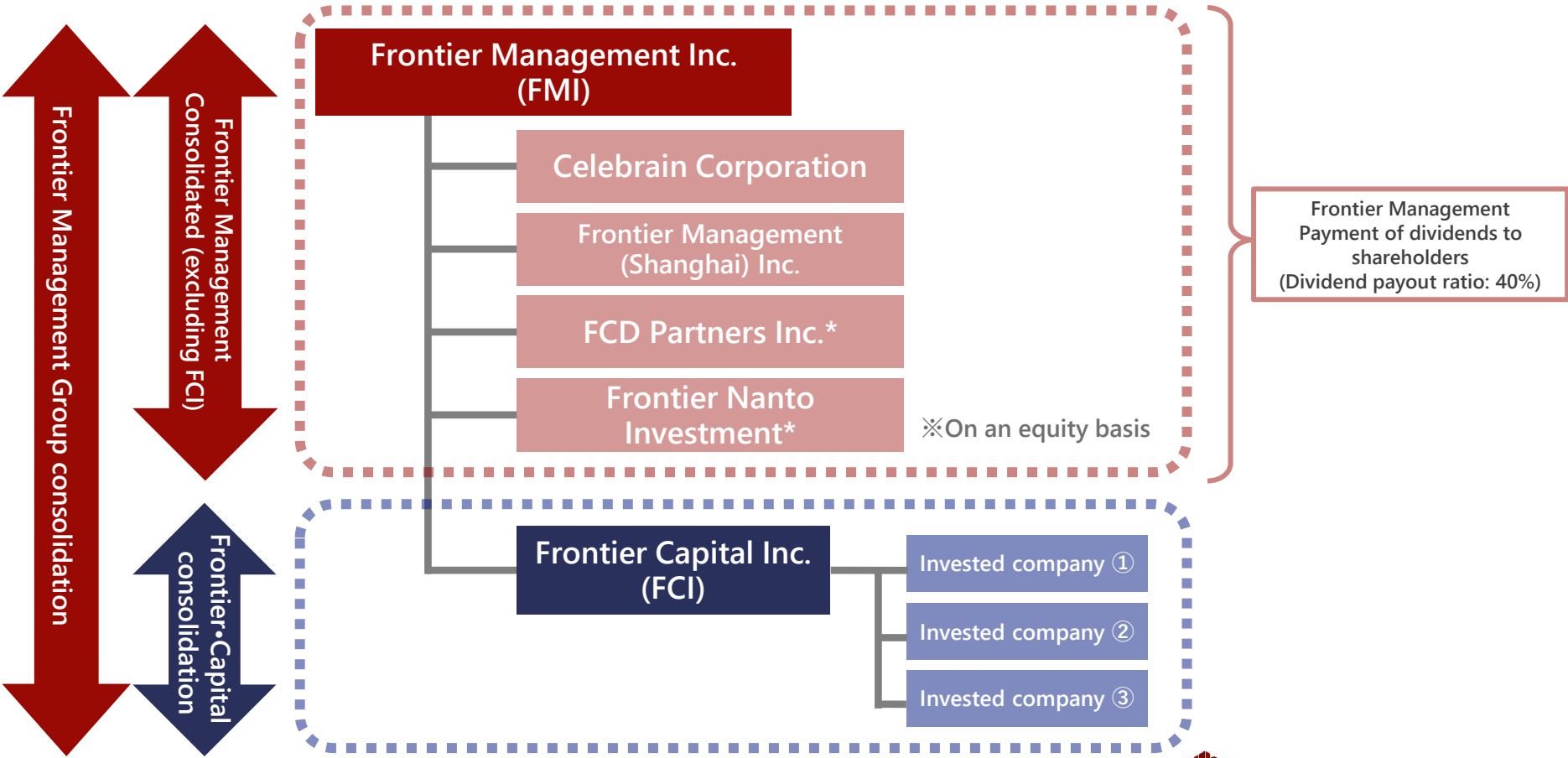
# Future Disclosure Methods and Dividend Policies

## 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.)



\*Not all FCI investees are consolidated under FMI

# 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	
Key members	President, CEO and COO	Shoichiro Onishi
	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
	Auditor (part-time)	Hiroaki Hamada
	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

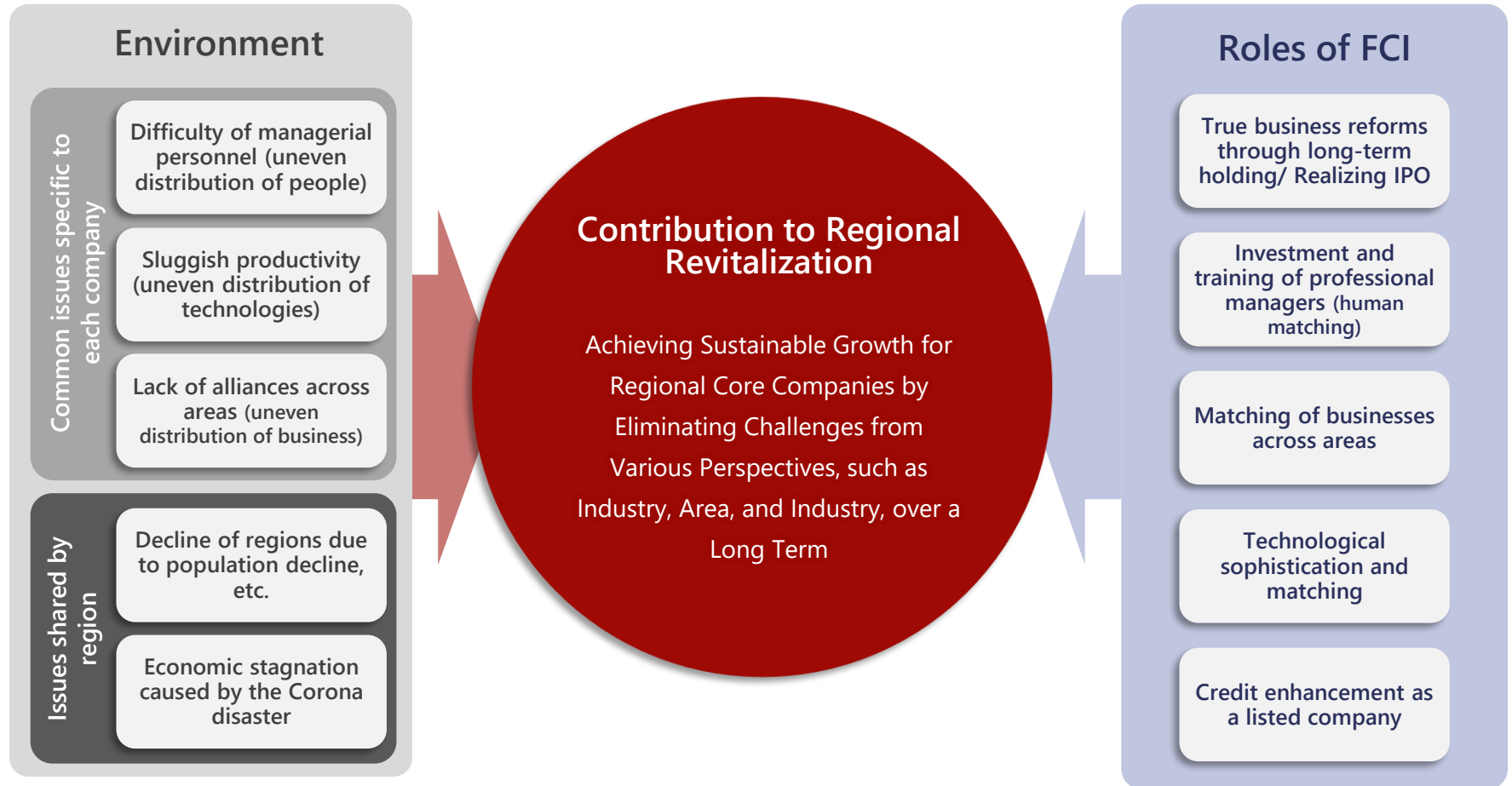
2022 Apr

Frontier Capital Co., Ltd. established



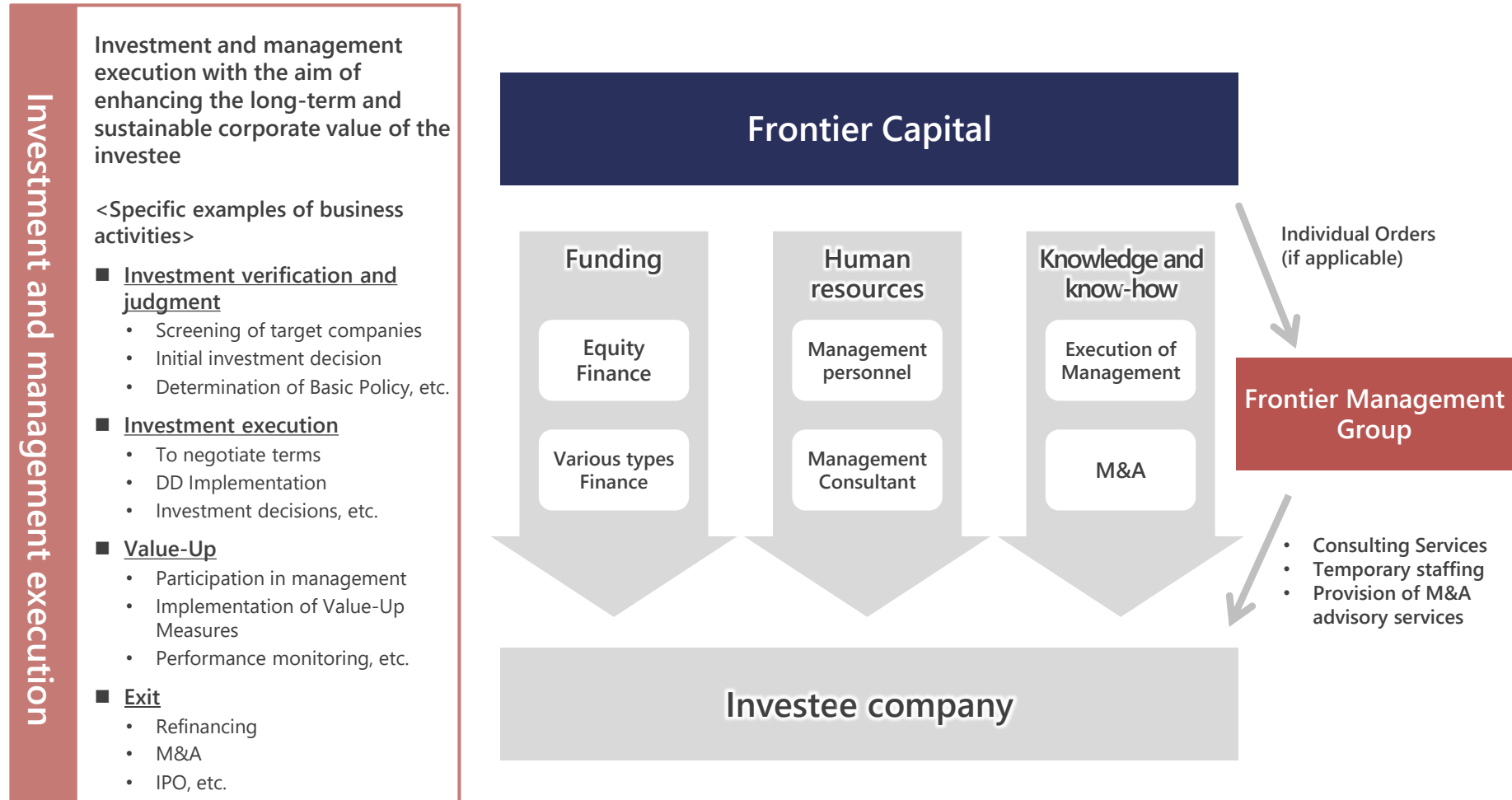
# Business Concept

- 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.



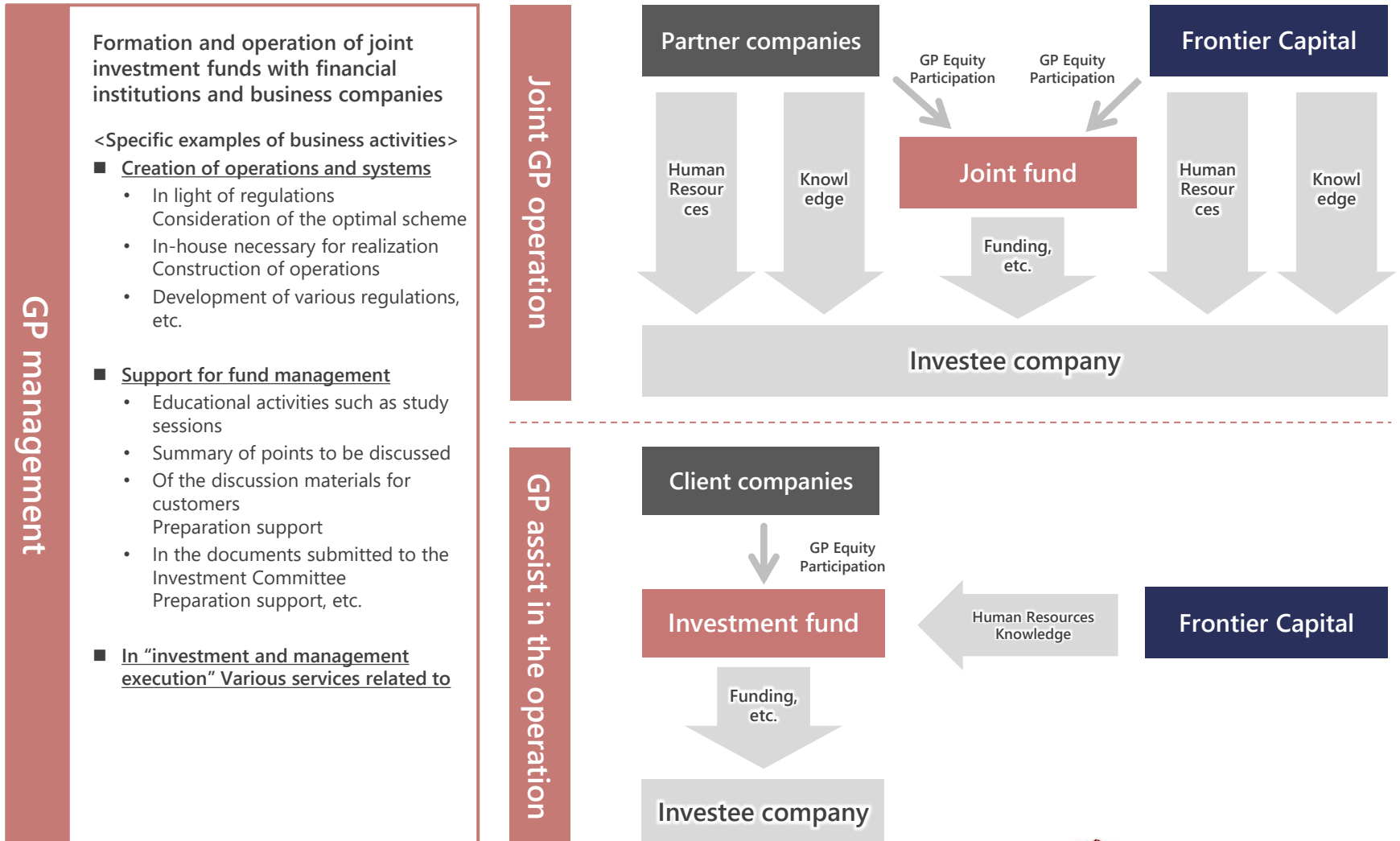
# Frontier Capital's Business (1/2)-Investment and Management Execution

- 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.



## Frontier Capital's Business Activities (2/2) ~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.



## 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

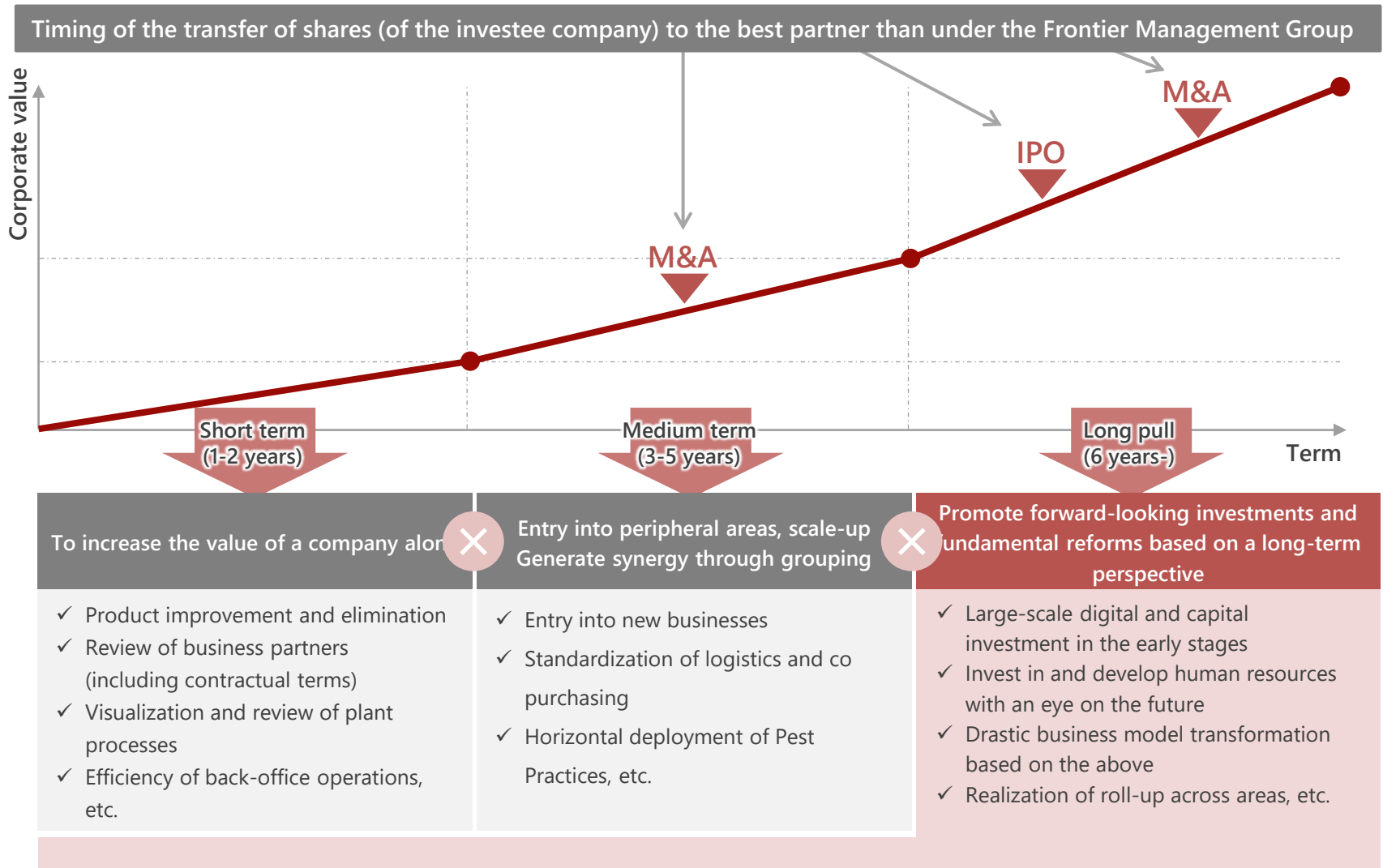
- Industries and industries where uneven distribution of human resources, technology, and business is occurring
- Institutions where shareholders and FCI can work together from a long-term perspective and transform their industries and businesses (Industries and industries with such needs)

### 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

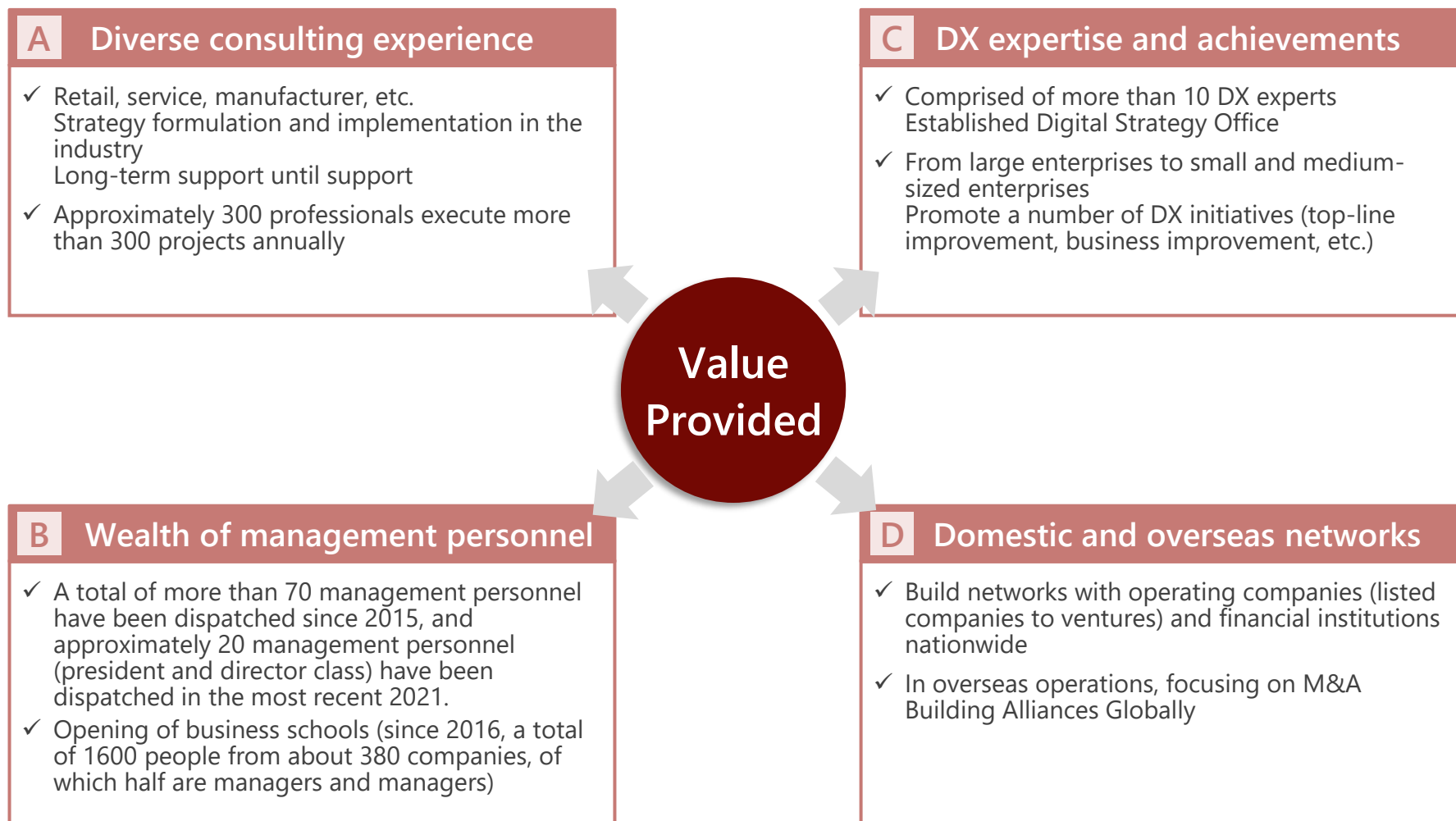
- Unlike typical PE funds, FCI focuses on long-term, sustainable growth from a managerial perspective through diverse investment methods and group-wide teamwork. We believe that these characteristics lead to a sense of security and confidence in our investee companies.

	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.





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