

# Securities Report

**17th Fiscal Year (FY2023)**

**From January 1, 2023  
To December 31, 2023**

**Frontier Management Inc.**

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

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## Front cover

Submitted document	Securities Report
Legal basis	Article 24, Paragraph (1) of the Financial Instruments and Exchange Act
Submit to	Director-General of the Kanto Local Finance Bureau
Submission date	March 27, 2024
Fiscal year	17th Fiscal Year (from January 1, 2023 to December 31, 2023)
Company name	Frontier Management Inc.
Name translated in English	Frontier Management Inc.
Job title/Name of representative	Shoichiro Onishi, Representative Director, President and Executive Officer
Location of head office	3-2-1 Roppongi, Minato-ku, Tokyo, Japan
Telephone	03-6862-8335
Administrative contact	Hiroaki Hamada, Executive Officer and Head of Company Planning and Administration Department
Contact location	3-2-1 Roppongi, Minato-ku, Tokyo, Japan
Telephone	03-6862-8335
Administrative contact	Hiroaki Hamada, Executive Officer and Head of Company Planning and Administration Department
Place available for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

## Section I. Corporate Information

### I. Company Overview

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

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

Fiscal year		13th fiscal year (FY2019)	14th fiscal year (FY2020)	15th fiscal year (FY2021)	16th fiscal year (FY2022)	17th fiscal year (FY2023)
Fiscal year-end		Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Net sales	(Thousands of yen)	4,771,144	5,192,527	5,741,654	7,915,655	10,025,083
Ordinary income	(Thousands of yen)	678,872	575,633	514,576	921,511	1,238,574
Net income attributable to owners of parent	(Thousands of yen)	429,382	420,515	338,707	556,722	780,683
Comprehensive income	(Thousands of yen)	430,556	420,304	336,103	565,308	785,126
Net assets	(Thousands of yen)	2,185,341	2,448,598	2,454,066	3,015,956	6,822,364
Total assets	(Thousands of yen)	3,269,111	3,792,731	3,819,274	5,658,644	10,874,682
Net assets per share	(Yen)	191.63	213.05	215.40	255.37	315.81
Net income per share	(Yen)	37.65	36.89	29.70	48.67	67.51
Diluted net income per share	(Yen)	36.68	36.05	29.24	47.93	66.47
Equity ratio	(%)	66.8	64.6	63.0	51.7	34.0
Return on equity (ROE)	(%)	21.0	18.1	14.0	20.9	23.6
Price-earnings ratio (PER)	(Times)	19.26	64.59	25.28	25.91	22.38
Cash flows from operating activities	(Thousands of yen)	137,641	456,102	316,813	1,250,257	225,607
Cash flows from investing activities	(Thousands of yen)	(203,350)	(59,305)	(31,524)	(486,911)	(1,377,671)
Cash flows from financing activities	(Thousands of yen)	(317,748)	(230,684)	(404,765)	646,534	3,787,732
Cash and cash equivalents at end of period	(Thousands of yen)	1,733,235	1,899,100	1,784,218	3,199,089	5,838,745
Number of employees	(Persons)	177	227	257	335	369

- (Notes)
1. The Company carried out a 2-for-1 common stock split on October 1, 2019, and a 2-for-1 common stock split on January 1, 2021. Net assets per share, net income per share and diluted net income per share were calculated as if these stock splits had taken place at the start of the 13th fiscal year.
  2. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan), etc. have been applied from the beginning of the 16th fiscal year, and the major management indices, etc. related to the 16th fiscal year are indices after the relevant accounting standards, etc. have been applied.

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

Fiscal year	13th fiscal year (FY2019)	14th fiscal year (FY2020)	15th fiscal year (FY2021)	16th fiscal year (FY2022)	17th fiscal year (FY2023)
Fiscal year-end	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Net sales (Thousands of yen)	4,762,968	5,188,593	5,732,196	7,546,117	9,557,654
Ordinary income (Thousands of yen)	660,550	556,817	513,057	1,081,609	1,625,830
Net income (Thousands of yen)	417,231	413,157	345,454	754,497	1,191,958
Paid-in capital (Thousands of yen)	158,137	163,530	178,723	210,062	374,743
Total number of shares issued (Shares)	5,706,000	5,777,900	11,418,398	11,468,478	11,726,457
Net assets (Thousands of yen)	2,158,459	2,414,569	2,429,387	3,136,089	4,348,730
Total assets (Thousands of yen)	3,243,878	3,759,798	3,800,171	5,646,614	8,166,955
Net assets per share (Yen)	189.27	210.09	213.24	270.56	366.30
Dividend per share (Yen)	23	24	10	28	41
[Of which, interim dividend per share]	[-]	[-]	[-]	[-]	[-]
Net income per share (Yen)	36.58	36.24	30.29	65.96	103.08
Diluted net income per share (Yen)	35.65	35.42	29.82	64.96	101.49
Equity ratio (%)	66.5	64.2	62.7	54.9	52.6
Return on equity (ROE) (%)	20.6	18.1	14.5	27.5	32.2
Price-earnings ratio (PER) (Times)	19.83	65.75	24.79	19.12	14.66
Dividend payout ratio (%)	31.4	33.1	33.0	42.4	39.8
Number of employees (Persons)	177	226	256	304	328
Total shareholder return (TSR) (%)	100.1	326.4	106.7	177.2	214.9
[Comparative index: Dividend-included TOPIX] (%)	[118.1]	[126.8]	[143.0]	[139.5]	(178.9)
Highest stock price (Yen)	1,488 [4,260]	2,453 [6,540]	2,635	1,570	1,714
Lowest stock price (Yen)	1,151 [2,029]	2,283 [1,281]	681	608	904

- (Notes)
- The Company carried out a 2-for-1 common stock split on October 1, 2019, and a 2-for-1 common stock split on January 1, 2021. Net assets per share, net income per share and diluted net income per share were calculated as if these stock splits had taken place at the start of the 13th fiscal year. Dividend per share reflects the amount of actual dividend prior to the aforementioned stock splits.
  - The Company switched its listing from the Mothers Market of the Tokyo Stock Exchange to the First Section of the said exchange effective September 7, 2020. Due to a review of the market categories on the Tokyo Stock Exchange, the Company transferred to the Prime Section of the said exchange from April 4, 2022. The highest stock price and the lowest stock price refer to those on the Mothers Market of the Tokyo Stock Exchange before September 6, 2020, on the First Section of the said exchange between September 7, 2020 and April 3, 2022, and on the Prime Market of the said exchange from April 4, 2022 onwards.
  - The Company carried out a 2-for-1 common stock split on October 1, 2019, and a 2-for-1 common stock split on January 1, 2021. The highest stock price and the lowest stock price after ex-rights of the aforesaid stock splits are recorded for the stock prices of the 13th fiscal year and the 14th fiscal year, and the highest stock price and the lowest stock price before the ex-rights of the aforesaid stock splits are indicated in the square brackets.
  - The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan), etc. have been applied from the beginning of the 16th fiscal year, and the major management indices, etc. related to the 16th fiscal year are indices after the relevant accounting standards, etc. have been applied.

## 2. History

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

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

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

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

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

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

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

Month & Year	History
January 2007	Frontier Management Inc. (capital stock: ¥85,000 thousand) was established in Minato-ku, Tokyo for the purpose of comprehensively solving management issues that are becoming increasingly complex and advanced by making excellent use of various expert methods.
November 2008	Head office was relocated to 3-2-11 Kudankita, Chiyoda-ku, Tokyo.
October 2011	Frontier Management (Shanghai) Inc. (consolidated subsidiary) was established in Shanghai, China for the purpose of providing Chinese companies and Japanese companies aiming to make inroads in China with various management support services, including management consulting and M&A.
September 2012	Frontier Turnaround Inc. (consolidated subsidiary) was established in Chiyoda-ku, Tokyo for the purpose of separating the Consulting Division that conducted hands-on management reform support (station-type support for implementation of management reforms) operations and other related operations from the Company and further strengthening these operations. (Merged through absorption into Frontier Management Inc. in April 2017)
December 2012	Singapore Branch was opened as an information base to develop the market in Asia other than China for management consulting and cross-border M&A.
July 2014	Nagano Branch was opened in Nagano City, Nagano for the purpose of realizing community-based management support services. (Closed in April 2022)
August 2014	Osaka Branch was opened in Kita-ku, Osaka City, Osaka for the purpose of realizing community-based management support services.
May 2016	Frontier Business School was opened as an education and training business for officers and employees of business companies and financial institutions.
June 2017	New York Branch was opened in New York, the U.S. for the purpose of strengthening the support system for the advancement and business expansion of Japanese companies in the North American region.

Month & Year	History
November 2017	FCD Partners Inc. (equity-method affiliate) was established as a joint venture with Development Bank of Japan Inc. for the purpose of providing customers with financial support services.
December 2017	The Company invested in FCD No. 1 Investment Business Limited Partnership.
September 2018	Listed on TSE Mothers.
July 2019	Nagoya Branch was opened in Nagoya City, Aichi for the purpose of realizing community-based management support services.
July 2019	Head office was relocated to 3-2-1 Roppongi, Minato-ku, Tokyo.
September 2020	Changed stock market listing to the First Section of the Tokyo Stock Exchange.
January 2022	Acquired the stock of Celebrain Corporation (consolidated subsidiary) and converted it to a consolidated subsidiary
April 2022	Established Frontier Capital Inc. (consolidated subsidiary) upon the commencement of the new investment business
April 2022	Due to a review of the market categories on the Tokyo Stock Exchange, transferred from the First Section to the Prime Section of the said exchange
June 2022	Frontier Nanto Investment Godo Kaisha (equity-method affiliate) was established as a joint venture with Nanto Capital Partners. Inc. with the purpose of supporting the management reform, growth and revitalization of the companies which have received investment
January 2023	Fukuoka Branch was opened in Fukuoka City, Fukuoka for the purpose of realizing community-based management support services.
July 2023	The Company acquired the shares of Athema (registered trade name: AT Conseil), making it an affiliate accounted for by the equity method, as a bridgehead for entering growth markets in Europe, the Middle East, Africa, and elsewhere.

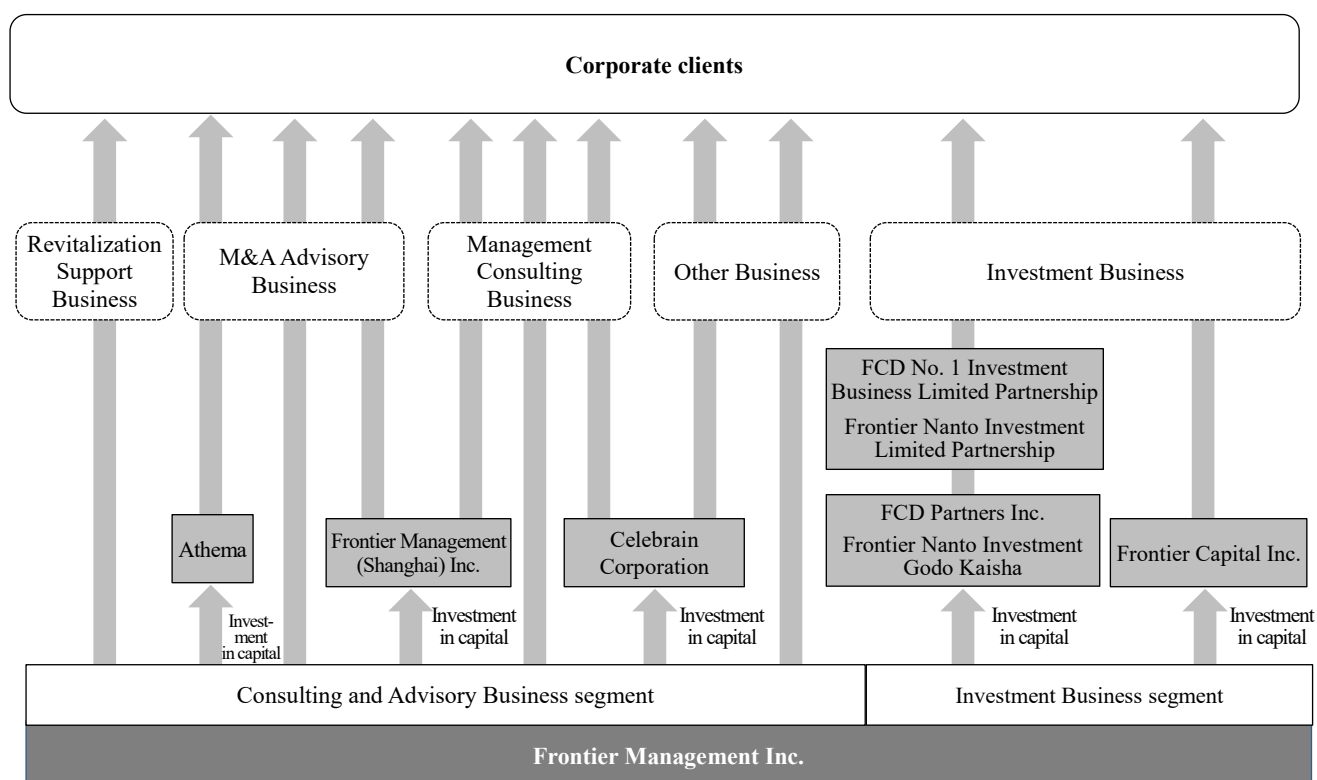
### 3. Description of Business

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

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

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

[Business Structure]



The Group’s businesses consist of two segments: Consulting and Advisory Business and Investment Business.

An outline of each segment is as follows.

(1) Consulting and Advisory Business segment

Net sales of the Consulting and Advisory Business segment are classified under (i) Management Consulting Business, (ii) M&A Advisory Business, (iii) Revitalization Support Business, or (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.

Furthermore, the Group is also working to provide solutions to address the increasingly complex management issues faced by client companies, such as ESG, sustainability, DX (Digital Transformation), and human capital management.

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) M&A 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 was ranked highly for both number and value of M&A deals in the advisor ranking in Bloomberg's 2023 Japan M&A market review, following close behind major financial institutions in terms of its accomplishments.

As Japanese enterprises develop their businesses globally, clients are experiencing a growing need for cross-border M&A services. To address this demand, the Group actively recruits professionals with extensive track records. We are also strengthening our framework for executing cross-border M&A projects while expanding our overseas network. For example, the Group has established a subsidiary in China, opened Singapore and New York branches, joined CFI (Corporate Finance International, an organization of M&A firms that operates in more than 20 countries, mainly in Europe) as a full member, formed a capital and business alliance with French M&A advisory company Athema, and opened a branch in Paris.

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

(2) Investment Business segment

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

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

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

(Features of the Group)

(1) Experts in a diverse range of fields

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

(2) A variety of solutions

The Group engages in the Management Consulting Business, the M&A Advisory Business, the Revitalization Support Business, the Investment Business, and Other Business, providing relevant services alone or in combination to clients. Being capable of offering diverse solutions enables the Group to propose a total optimum solution and offer a one-stop solution for various issues to clients.

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

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

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

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

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

(3) Strong commitment

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

(4) Extensive industrial knowledge

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

(5) A nationwide network of financial institutions

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

(6) Neutrality as an independent firm

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

If a consulting firm is part of the capital of a certain business corporation, for example, it would be difficult to handle an M&A that might bring benefit to a rival company of the business corporation, and the consulting firm would not necessarily be able to offer the optimum proposal for its client. Meanwhile, the Group, as an independent consulting firm that does not have a capital relationship with another entity, can provide services from a neutral standpoint without conflicts of interest.

#### 4. Status of Subsidiaries and Affiliates

Name	Address	Paid-in capital or investments (Millions of yen)	Description of main business	Ratio of voting rights owned by the Company (owned in the Company) (%)	Business relationship
(Consolidated subsidiary)					
Frontier Management (Shanghai) Inc. (Frontier Management (Shanghai) Inc.) (Note)	People's Republic of China Shanghai	120	Consulting and Advisory Business	100.0	Concurrent post held by officer Partial outsourcing of commissioned operations by the Company Partial outsourcing of commissioned operations to the Company Borrowings from the Company
Celebrain Corporation (Note)	Minato-ku, Tokyo	64	Consulting and Advisory Business	60.4	Concurrent post held by officer Partial outsourcing of commissioned operations by the Company
Frontier Capital Inc. (Note)	Minato-ku, Tokyo	500	Investment Business	91.0	Concurrent post held by officer Partial outsourcing of commissioned operations by the Company Acceptance of seconded employees of the Company
(Equity method affiliate)					
FCD Partners Inc.	Minato-ku, Tokyo	6	Investment Business	50.0	Concurrent post held by officer Acceptance of seconded employees of the Company
Frontier Nanto Investment Godo Kaisha	Nara City, Nara Prefecture	5	Investment Business	50.0	Outsourcing of fund management support operations to the Company
Athema (Registered trade name: AT Conseil)	French Republic Paris	158	Consulting and Advisory Business	40.0	Concurrent post held by officer

(Note) It corresponds to a specified subsidiary.

## 5. Status of Employees

### (1) Status of consolidated subsidiaries

(As of December 31, 2023)

Segment name	Number of employees (Persons)
Consulting and Advisory Business	356
Investment Business	13
Total	369

- (Notes)
1. Number of employees represents the number of the Group's full-time staff members (excluding seconded persons from the Group to companies outside the Group).
  2. The 32-person increase in the number of employees of the Consulting and Advisory Business from the end of the previous fiscal year is due to aggressive recruitment.

### (2) Status of submitter company

(As of December 31, 2023)

Number of employees (Persons)	Average age (Years old)	Average years of service (Years)	Average annual salary (Thousands of yen)
328	37.5	3.1	12,686

Segment name	Number of employees (Persons)
Consulting and Advisory Business	328
Total	328

- (Notes)
1. Number of employees represents the number of the Group's full-time staff members (excluding seconded persons from the Company to companies outside the Company).
  2. Average annual salary includes bonuses and non-standard wages.

### (3) Status of labor union

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

### (4) Ratio of female workers in managerial positions, ratio of male workers taking childcare leave, and disparity in wages between male and female workers

Submitter company

Submitter company					Supplementary explanation
Current fiscal year					
Ratio of female workers in managerial positions (%) (Note 1)	Ratio of male workers taking childcare leave (%) (Note 2)	Disparity in wages between male and female workers (%) (Note 1)			
		All workers	Full-time workers	Part-time workers	
6.8	28.6	51.9	55.0	31.1	(Note 3)

- (Notes)
1. This was calculated in accordance with the provision of Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
  2. Pursuant to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), the ratio for childcare leave is calculated in accordance with item (i) of Article 71-4 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).
  3. Supplementary explanation of disparity in wages between male and female workers  
Assessment and promotion within the Company are based on the individual's abilities, irrespective of their sex, age, or other attributes. In addition, the level of wages is linked to the nature of an individual's duties and their position, and there is no disparity between the level of wages for male and female workers involved in the same duties and serving in the same position.

## II. Business Status

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

Forward-looking statements in this document are based on the views of the Group as of December 31, 2023.

#### (1) Management environment

##### (i) Consulting market

According to International Data Corporation Japan, the business consulting market was significantly affected by the spread of the novel coronavirus disease (COVID-19) in the middle of 2020, causing stagnation in new projects and suspension of existing projects. Subsequently, however, demand rapidly recovered, and the market reached ¥643.0 billion, an 11.2% increase from a year earlier, in 2022. Given the projection that the market will continue to grow at an average rate of 9.7% between 2022 and 2027 and that the U.S. market will be approximately ¥10 trillion, we view that there is still adequate room for growth in the future.

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

According to data from RECOF Corporation, the number of M&A deals in 2023 declined in comparison to the record high posted in 2022 but remains at high levels, and the upward trend that has been in force since 2011 remains intact. It is expected that M&A will continue to grow going forward, backed by an increase in business-succession-type M&A deals due to the advancement of the aging population and an increase in business-reconstruction-type M&A deals. The M&A market is expected to continue to increase, with increases in M&As for reorganization by domestic small and medium-sized enterprises (SMEs) due to market contraction in Japan associated with the population decline and low birthrate, M&As for business restructuring in response to changes in business structures prompted by the spread of COVID-19, and increases in cross-border M&As due to the COVID-19 pandemic reducing.

##### (iii) Business revitalization market

According to TEIKOKU DATABANK, LTD., 8,497 companies went bankrupt in 2023 (up 33.3% from a year earlier), an increase for two consecutive years. Our perception is that the increase in bankruptcies is centered on small and medium-sized enterprises and driven not only by the scaling back of COVID-19 support measures but also by rising prices, labor shortages, and other factors resulting in higher costs. Because this phase of increasing bankruptcies is expected to continue going forward, it could lead to growing demand for business revitalization.

#### (2) Future management policy and issues to address

The Group aims to be a global independent professional firm that supports the achievement of increases in corporate value by providing the optimal services tailored to the unique characteristics of our clients' businesses.

In order to achieve this vision, the Group has formulated a medium-term management plan covering the period from the 18th fiscal year (fiscal year ending December 2024) to the 20th fiscal year (fiscal year ending December 2026) of the Company, and will focus on the following initiatives as priority issues.

##### (i) Consulting and Advisory Business

The Group will focus on solutions that strengthen and nurture the ability of client companies to create value from their management resources.

Priority strategies are as follows.

- a) Fully integrated support for the formulation of strategies related to business portfolios, M&A execution, and PMI
- b) Hands-on support for digitalization and improvement of productivity by customers
- c) Provision of a complete range of full-spec support functions for revitalization contracts, including plan formulation, hands-on support, investment, and CxO dispatch
- d) Strengthen customer global competitiveness through fully integrated support for mid-cap cross-border M&A and PMI
- e) Support for senior management team formation and senior management human resource development to oversee future growth, in accordance with management strategy

##### (ii) Investment Business

The Group will engage in the Investment Business in earnest, and create new funds with various investment policies.

Priority strategies are as follows.

- a) Strengthen the Investment Business to enhance participation in achieving results
- b) Frontier Capital Inc. will begin investment in core regional companies in earnest and achieve dramatic growth at investee companies, while also contributing to expanding the scale of the Group by executing consolidated investments.
- c) Establishment of new funds (revitalization fund, venture capital fund, etc.)

(iii) Organizational strengthening

The Group will work to achieve quantitative expansion and productivity improvements through active hiring, as well as discontinuous growth through M&A.

- a) Increase by 200 people in three years (non-consolidated basis). Diversify hiring methods and balance quantitative expansion with efficiency enhancements
- b) Enhancement of our knowledge database and significant improvements to operational productivity through generative AI and operations BPO (business process outsourcing)
- c) Active engagement in M&A and alliances with companies with which synergies are expected

## 2. Sustainability Approach and Initiatives

The Group's sustainability approach and initiatives are as follows.

Forward-looking statements in this document are based on the views of the Group as of December 31, 2023.

### (1) Basic policy for sustainability

Since its establishment, the Group has been operating under the corporate mission

“contributions to the interests of clients,” “contributions to the interests of stakeholders,” and “contributions to society.”

By bringing together the intelligence and wisdom of a diverse team of professionals to assist clients in solving their management issues, the Group will contribute to a thriving global environment and a sustainable society while achieving sustainable growth and development for the Group itself.

### (2) Key themes and materiality for sustainability

In accordance with the basic policy for sustainability, the Group's set key themes: (i) establishing diversity and expertise of human resources, (ii) contributing to a shift in the shape of society and business, (iii) strengthening corporate growth potential and resilience.

An outline of each key theme and materiality is as follows.

#### (i) Establishing diversity and expertise of human resources

Human capital management is becoming increasingly important. Under this approach, human resources are regarded as part of the “capital” of the Company and their value is maximized to open the way to increasing corporate value over the medium to long term.

The Company's business consists of resolving the management problems of clients, and human resources are its greatest asset and the driver of its profits. In order for the Company to achieve sustainable growth and development, it is necessary that we bring together, maintain, and enhance the intelligence and wisdom of a diverse team of professionals. For that reason, we will enhance and maintain a healthy workplace environment in which our diverse team of professionals can engage in friendly competition with each other, build their characters, hone their abilities, and demonstrate those abilities to the full.

The materiality for this theme is: a) deepen diversity and acceptance, b) continue investing in human capital, c) train and produce management talent, and d) contribute to a society where people can succeed while making most of their individuality.

For metrics and targets for each materiality, refer to “(5) Policy on human resources development including ensuring the diversity of human resources and policy on enhancing the internal environment (iii) Metrics and targets.”

#### (ii) Contributing to a shift in the shape of society and business

As a global consulting firm, the Company recognizes through its own business management and the business activities it undertakes in relation to client companies that various problems such as climate change, human rights, and population are issues that could have a significant impact on the environment and on society.

The Group places great importance on these issues, and in order to contribute to a thriving global environment and a sustainable society, it will raise awareness of environmental and social matters among its diverse team of professionals and promote measures to reduce the Company's emissions of greenhouse gases and its environmental impacts, as well as providing support and encouragement to client companies to shift to new business models that will facilitate the building of a sustainable global environment and society.

The materiality for this theme is: a) foster business ethics, b) promote the shift to a decarbonized and recycling-oriented society, and c) contribute to regional revitalization.

The metrics and targets for each materiality are as follows.

##### a) Foster business ethics

Description of implementation	Metrics	Fiscal 2023 results	Fiscal 2026 targets
Fostering ethics / human rights initiatives	Participation ratio for internal compliance training (With requirement for test on completion)	64.9%	100.0%
	Number of messages sent internally by top management to raise awareness of business ethics and human rights, based on the corporate mission	3	2

b) Promote the shift to a decarbonized and recycling-oriented society

Description of implementation	Metrics	Fiscal 2023 results	Fiscal 2026 targets
Response to TCFD	By the fiscal year ending December 2050, we will reduce greenhouse gas emissions to net-zero as compared to the fiscal year ended December 2021. (Scope 1 and 2 emissions/Percentage reduction in CO2 emitted due to use of electricity and gas at domestic business locations, compared to FY2021)	(95.0)%	(100.0)%
Providing services to promote shift to decarbonized/recycling business	Number of consulting projects promoting the shift by client companies to a decarbonized/circular economy.	5	10

c) Contribute to regional revitalization

Description of implementation	Metrics	Fiscal 2023 results	Fiscal 2026 targets
Providing services that contribute to regional revitalization	Number of consulting/M&A deals involving a company whose headquarters is located in regional areas	151	200

(iii) Strengthening corporate growth potential and resilience

The strengthening of corporate governance systems, which are frameworks to enable companies to make fair and transparent decisions swiftly and resolutely, is becoming increasingly important.

Our business consists of providing support to resolve the management issues faced by client companies, and this role includes providing them with support to achieve sustainable growth and development by complying with laws and regulations, controlling risks that could emerge in the future, and promoting a high level of ethics in the conduct of their businesses.

To that end, the Company will enhance the effectiveness of the Board of Directors and maintain and strengthen its internal control functions, so that our diverse team of professionals can maintain a high level of ethics in their dealings with client companies, and offer them assistance in establishing systems of self-supervision to ensure the sound management that will enable them to forge ahead with their businesses.

The materiality for this theme is: a) enhance long-term value of client companies and b) pursue a sound governance system. The metrics and targets for each materiality are as follows.

a) Enhance long-term value of client companies

Description of implementation	Metrics	Fiscal 2023 results	Fiscal 2026 targets
Enhancing value of client companies	Ratio of positive responses in customer satisfaction surveys to the question “Do you feel that we provided a service that contributed to improvements in your corporate value?”	76.2%	80.0%
Support for the building of sound governance structures by client companies	Number of consulting projects involving governance improvements by client companies	10	15

b) Pursue a sound governance system

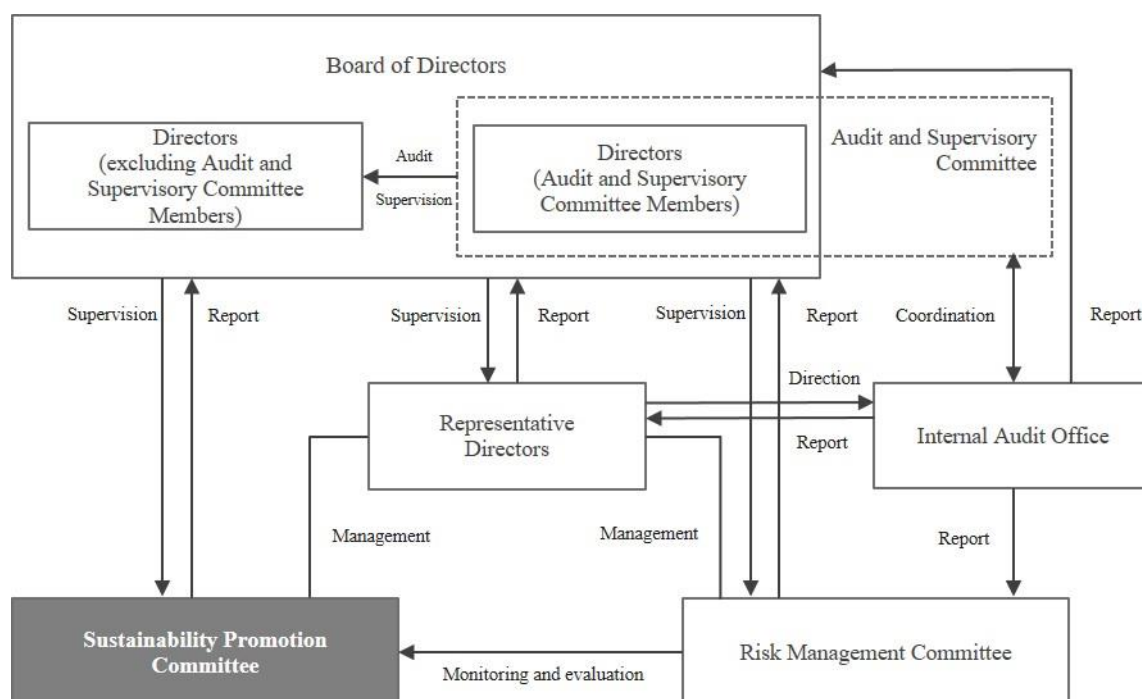
Description of implementation	Metrics	Fiscal 2023 results	Fiscal 2026 targets
Strengthening and enhancement of the corporate governance structure	Regular reports to the Board of Directors on the results of monitoring by the Risk Management Committee	1	2
	Regular reports to the Board of Directors on the results of internal audits	4	4



(3) Governance and risk management relating to sustainability in general

(i) Governance

In order to contribute to sustainability for the Group as a whole over the medium to long term, in November 2022, the Company established the above-mentioned Basic policy for sustainability and the important issues for sustainability (materiality) that the Group will address as a matter of priority, and also set up a Sustainability Promotion Committee.



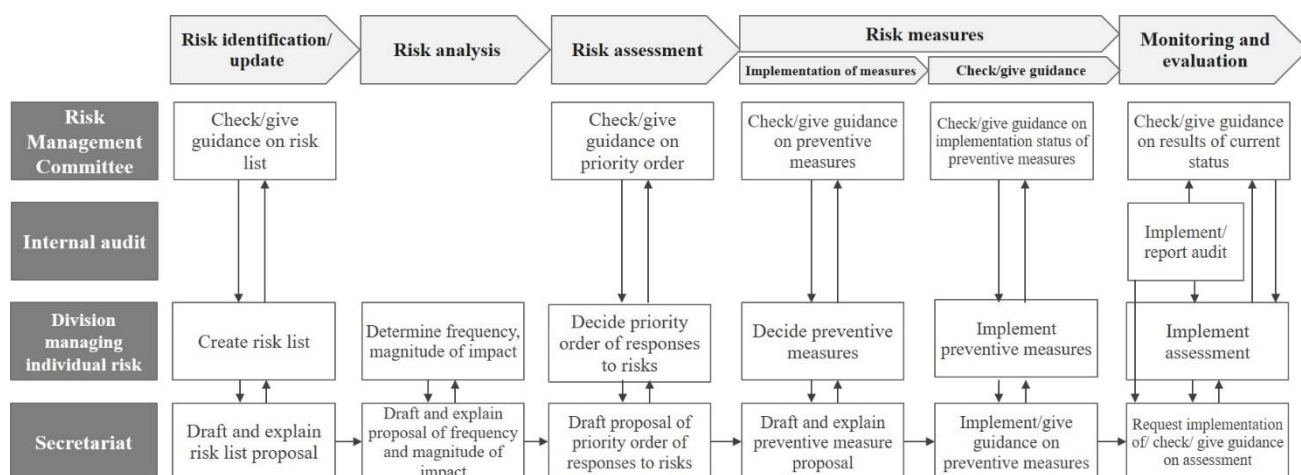
<Organization overview>

- The Sustainability Promotion Committee meets at regular intervals and discusses initiatives to address important issues related to sustainability.
- The status of initiatives to address important issues related to sustainability is reported by the Sustainability Promotion Committee to the Board of Directors. The Board of Directors supervises the Sustainability Promotion Committee.
- Monitoring of the status of risk measures by the Sustainability Promotion Committee is conducted by the Risk Management Committee, which is chaired by the Representative Director, and reported to the Board of Directors regularly at twice-yearly intervals.

(ii) Risk management

In addition to foreseeing business risks and assessing them appropriately, the Risk Management Committee establishes measures to avoid, mitigate, and transfer risks. It also provides regular reports on the status of such measures, etc. to the Board of Directors. The specifics of management by the Risk Management Committee are as follows.

- Identify and update risks.
- Determine the severity of each risk by considering its frequency and the magnitude of its impact (risk analysis) and establish a priority order (risk assessment).
- Determine a policy for response and establish preventive measures according to the nature of each risk (risk measures).
- Evaluate the response status using five evaluation levels (monitoring and evaluation).



(4) Strategies, metrics and targets related to climate change

As well as promoting measures to reduce the Company's emissions of greenhouse gases and its environmental impacts, the Group contributes to the prevention of climate change by providing support to client companies to shift to new business models that will facilitate the building of a sustainable global environment and society.

(i) Climate change scenarios and response strategies

The Group conducted a scenario analysis based on the risks and opportunities brought about by the climate change.

In the scenario analysis, we analyzed the financial impact in 2030 on our mainstay business, Consulting and Advisory Business, for two assumed scenarios: a 1.5°C scenario in which the impact is manifested in terms of transition and a 4°C scenario in which the impact is manifested in physical terms.

For the magnitude of the financial impact, we set our operating income for the fiscal year ended December 31, 2023 to 100, with "Major" representing more than 30%, "Medium" representing 10% to less than 30%, and "Minor" representing less than 10%.

While natural disasters and the like caused by the climate change were found to have a negative impact on the Consulting and Advisory Business, the demand for these services may increase as companies go through the transition to a decarbonized society and adapt to climate change.

<The 1.5°C scenario>

In this scenario, the temperature increase in 2100 will be suppressed to about 1.5°C above pre-industrial levels.

To address climate change, reductions in greenhouse gas emissions and environmental impacts will be promoted, and this will lead to increased transition risks in terms of policy regulations, markets, and so forth.

<The 4.0°C scenario>

In this scenario, the temperature increase in 2100 will be about 4°C above pre-industrial levels.

Insufficient measures to address climate change will result in higher physical risks, such as an increase in extreme weather events.

• Analysis of Financial Impact in 2030

Category	Item		Impact on Business	Scenario	
				1.5°C	4.0°C
Transition risks	Political measures, laws and regulations	Introduction of carbon pricing (carbon tax, etc.)	If there is a sharp increase in financial burden, such as a carbon tax, this could have a negative impact on our business performance.	Minor	–
		Tightening of environmental regulations on CO2 emissions	If there is a sharp increase in energy costs due to higher prices for renewable energy, this could have a negative impact on our business performance.	Minor	–
	Social evaluation	Requests from stakeholders	If our stakeholders' interest in the transition to a decarbonized society and the status of adaptation to climate change increases rapidly and our response is delayed, our social evaluation could be lowered, resulting in a negative impact on our business performance.	Minor	–
Transition opportunities	Political measures, laws and regulations	Introduction of carbon pricing (carbon tax, etc.)	If business conditions at our client companies deteriorate due to increases in burdens such as carbon taxes, there may be increased demand for M&A advisory and management consulting such as support for management improvement and rationalization.	Minor	–
	Market (trends)	Accelerated transition to decarbonized society	If requests for Japan's transition to a decarbonized society and the adaptation to the climate change accelerate and client companies are forced to act by changing their business models or the like, there may be increased demand for management consulting and M&A advisory.	Medium	–
		Expansion of environmental awareness among stakeholders	If the interest of stakeholders in the transition to a decarbonized society and the status of the adaptation to climate change increases, requests for information disclosure accelerate, and client companies are forced to react quickly, there may be increased demand for management consulting.	Minor	–
Physical risks	Chronic	Changes in climate patterns, such as rising average temperatures, due to the climate change	If our employees work with lower efficiency or there is a decrease in active personnel caused by more people suffering from heat stroke or other diseases, this could have a negative impact on our business performance.	Minor	Minor
	Acute	Extreme weather events such as heavy rainfall or flooding due to the climate change	If a natural disaster paralyzes transportation for an extended period of time, preventing employees from going to work or visiting clients, this could have a negative impact on our business performance.	Minor	Minor
			If a natural disaster causes a power outage and stagnation of business activities for an extended period of time, this could have a negative impact on our business performance.	Minor	Medium
		Outbreaks of infectious diseases such as Japanese encephalitis, malaria, and dengue fever due to global warming	If an outbreak and spread of an infectious disease affects cross-border projects due to restrictions on overseas travel, this could have a negative impact on our business performance.	Minor	Medium
			If an outbreak and spread of an infectious disease force us to suspend some of our business due to a decrease in active personnel caused by a mass infection of client employees/our employees, this could have a negative impact on our business performance.	Minor	Medium

Category	Item		Impact on Business	Scenario	
				1.5°C	4.0°C
Physical opportunities	Chronic, acute	Rebuilding of BCP measures of clients	If client companies are forced to rebuild their BCP measures (measures against flood damage, consideration of location and relocation of bases, review of companies in the value chain) due to the impact of natural disasters, there may be increased demand for management consulting	Minor	Medium

(ii) Metrics and Targets

The Company aims to achieve a “net zero” in carbon dioxide emissions.

- To shift office electricity to renewable energy, we switched our head office in Roppongi, Tokyo, to green power in September 2022.
- By the fiscal year ending December 2030, we will reduce greenhouse gas emissions by 50% as compared to the fiscal year ended December 2021.
- By the fiscal year ending December 2050, we will reduce greenhouse gas emissions to net-zero.
- We are working to reduce the amount of single-use plastics in our offices.
- We encourage climate-friendly business travel by our employees.
- We actively support our client companies for the shift to a decarbonized and recycling-oriented society.

(5) Policy on human resources development including ensuring the diversity of human resources and policy on enhancing the internal environment

The Group policy on human resources development including ensuring the diversity of human resources and policy on enhancing the internal environment, metrics and targets as well as results, are as follows.

(i) Human resources development policy and policy on enhancing the internal environment

In order for the Group to achieve sustainable growth and development, it is important that employees are healthy in mind and body, that they hone their skills and act in such a way as to win the trust of clients, stakeholders, and society, and that they provide high-value-added services as professionals on a continual basis.

The Company supports the growth of employees so that they can participate actively as professionals, and will enhance and maintain a healthy workplace environment in which they can demonstrate their abilities to the full.

(ii) Risks and Opportunities

Category	Item	Impact on Business
Risks	Recruitment	If the Company is unable to hire enough individuals with high levels of experience and expertise, this could have a negative impact on our business performance.
	Development	If the proportion of inexperienced individuals increases tremendously and we are unable to develop them adequately, this could have a negative impact on our business performance.
	Turnover	If turnover increases tremendously and hiring costs rise significantly as a result of subsequent additional recruitment, this could have a negative impact on our business performance.
	Health	If employees are affected by health problems caused by overwork (death, impairment of mental and bodily functions etc.) or operational efficiency declines as a result of long working hours, and the Company does not respond with appropriate measures, this may result in a loss of social trust in the Company and have a negative impact on our business performance.
	Internal environment	If employees do not gain a sense of personal growth and contribution to society, or feel unable to express their individuality, this could lead to a decline in employee motivation and accelerate turnover, and have a negative impact on our business performance.

Category	Item	Impact on Business
Opportunities	Recruitment	If the Company is able to hire enough individuals with high levels of experience and expertise, this could lead to the expansion of our solutions and have a positive impact on our business performance.
	Development	If we actively recruit and develop human resources, including inexperienced individuals, and develop human resources and headcount as planned, this could lead to an increase in the number of deals in which the Company is involved and have a positive impact on our business performance.
	Turnover	If loyalty among employees increases and turnover in human resources decreases, this could have a positive impact on our business performance.
	Health	If we take a more active approach to promoting and maintaining better health among employees, this could enhance employee productivity and invigorate the organization and have a positive impact on our business performance.
	Internal environment	If we take a more active approach to enhancing the internal environment of the Company, this could promote the recruitment and participation of diverse human resources and have a positive impact on our business performance.

(iii) Metrics and Targets

a) Deepen diversity and acceptance

In addition to establishing and facilitating a DE&I Promotion Committee, we are working to create a comfortable internal environment for diverse human resources, such as by maintaining and enhancing diversity of expertise and diversity of sex and nationality, introducing lifestyle support services for employees who are not of Japanese nationality, establishing leave, reduced working hours, and other systems for employees who are raising children, and encouraging employees to take childcare leave.

Our policies on recruitment and on working conditions are as follows.

- The Company's basic policy is one of fair recruitment activities, and we provide opportunities for applicants to respond regardless of their race, nationality, sex, age, or other attributes.
- The Company does not discriminate based on race, nationality, sex, age, or other attributes in the matter of working conditions.

Description of implementation	Metrics		Fiscal 2023 results	Fiscal 2026 targets
Establishing a comfortable culture/working environment for diverse human resources	Ratio of men taking childcare leave (%)		28.6%	40.0%
	Ratio of women taking childcare leave (%)		100.0%	100.0%
	Average years of service for senior management		5.6 years	6.0 years
	Ratio of paid leave taken		31.2%	70.0%
Facilitating recruitment/promotion of diverse human resources	Ratio of female employees		24.7%	30.0%
	Ratio of female employees in managerial positions		6.8%	15.0%
	Disparity in wages between male and female employees (Ratio of female employee wages to male employee wages)	All employees	51.9%	70.0%
		Full-time employees	55.0%	70.0%
		Part-time employees	31.1%	50.0%

(Note) Assessment and promotion within the Company are based on the individual's abilities, irrespective of their sex, age, or other attributes. In addition, the level of wages is linked to the nature of an individual's duties and their position, and there is no disparity between the level of wages for male and female workers involved in the same duties and serving in the same position.

b) Continue investing in human capital

In response to the question "When do you feel more strongly motivated towards your work?" in an internal questionnaire conducted in May 2023, the most popular response was "When I feel that my abilities and skills have improved," with "When I feel that I have been of use to people and society through my work" in second place, and "When I am praised or thanked by clients" in third place. This supports the idea that the employees of the Company are eager to grow and contribute to the client and society through their work.

As a rule the Company recruits people for specific departments, work types, and working locations, but it supports the participation of diverse human resources through such measures as transfers to different departments (including moves to subsidiaries) at the request of employees.

The Company strives to provide support for the growth of employees and to maintain and enhance their health, so that they can demonstrate their abilities as professionals to the full.

- Support for growth  
Employees other than managers and supervisors are provided with online educational and training tools that can be used freely for one year, and the Company also provides financial and other support to all employees for such purposes as acquiring qualifications and language study.
- Support for health  
All employees are provided with the opportunity to undergo a medical checkup and a stress check once a year at the expense of the Company.  
We have also established a Wellness Center, and put in place a system that makes an occupational physician available for meetings with employees once a week.

Description of implementation	Metrics	Fiscal 2023 results	Fiscal 2026 targets
Support for growth and health	Ratio of employees who had made use of educational and training tools by the end of the fiscal year (number of applicants/number of employees other than managers and supervisors)	56.3%	60.0%
	Ratio of employees taking stress check	84.3%	100.0%
	Number of employees moving between departments	4	10

c) Train and produce management talent

In order for employees to succeed as professionals, it is important that they act in such a way as to win the trust of clients, stakeholders, and society, that they hone their skills so that they can provide high-value-added services as professionals, and that they maintain their passion for contributing to clients and society.

In order to respond to employees' eagerness to grow and contribute to society through their own work, the Company supplies training in the professional skills required for each department to offer its services, provides opportunities for employees to resolve difficult issues tailored to their level of ability, and so on.

The Company also works to provide opportunities for secondment overseas and to alliance partners, as well as for the accumulation of experience through sending managers as CxOs to client companies.

(Persons)

Description of implementation	Metrics	Fiscal 2023 results	Fiscal 2026 targets
Train management talent	Number of people seconded overseas/to alliance partners	8	10
	Number of people sent as directors/CxOs	26	50

d) Contribute to a society where people can succeed while making most of their individuality

Human capital management that leads to increased corporate value over the medium to long term is also becoming increasingly important for client companies seeking to achieve sustainable growth and development, and this could lead to increased demand for our management consulting services.

In order to help achieve a society in which people can succeed while making the most of their individuality, the Company will promote DE&I to clients, and provide services related to human capital management, human rights, and other issues to client companies.

Description of implementation	Metrics	Fiscal 2023 results	Fiscal 2026 targets
Providing services for a society in which people can succeed while making the most of their individuality	Number of consulting projects involving the promotion of DE&I, human capital management, and human rights to client companies	9	15

### 3. Business and Other Risks

Matters that are likely to be risk factors in the business development of the Group are indicated below. Matters that are not necessarily risks associated with business but are considered important for decision-making by investors are also indicated from the perspective of active information disclosure to investors. Forward-looking statements are included in some of these matters that are based on the views of the Group as of December 31, 2023.

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

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

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

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

##### (ii) Intensifying competition

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

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

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

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

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

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

For reference, sales along with the amount of M&A Advisory Business success fees included and the operating income/loss by quarter for the 17th fiscal year are provided below.

	(Thousands of yen)				
	First quarter of 17th fiscal year (FY2023)	Second quarter of 17th fiscal year (FY2023)	Third quarter of 17th fiscal year (FY2023)	Fourth quarter of 17th fiscal year (FY2023)	17th fiscal year (FY2023)
Net sales	2,653,539	2,337,648	2,276,488	2,757,407	10,025,083
[success fees from the M&A Advisory Business]	[659,830]	[408,440]	[253,020]	[727,158]	[2,048,448]
Operating income	480,451	214,878	158,678	397,621	1,251,629

##### (iv) Legal restrictions

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

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

(v) Possibility of lawsuits

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

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

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

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

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

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

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

(2) Risks arising from internal environmental factors

(i) Recruitment and development of personnel

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

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

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

(ii) Development of frameworks for internal control

As of December 31, 2023, the Group's organization has become six Directors (including two part-time Outside Directors), three Audit & Supervisory Board Members (including two part-time Outside Audit & Supervisory Board Members) and 369 employees, but our frameworks for internal control and business execution are in line with the size of our organization.

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

(iii) Information management and insider trading

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

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



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

(iv) Realizing profits in overseas business

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

(v) Realizing profits in investment business

In April 2022 the Group established Frontier Capital Inc., which conducts investment business involving the dispatch of management personnel. The company has engaged in frequent fundraising activities to solicit funds from financial institutions that have agreed with the purpose of its establishment, and it has entered into underwriting agreements with eight banks and one other financial institution to increase capital in stages by a total of ¥13,500 million. As the first tranche of this funding, ¥3,000 million was raised in the fiscal year under review. The company entered into two capital alliance agreements in the fiscal year under review, with one of these having progressed as far as the investment being executed, and is working on scaling to full-fledged investment activities. However, if the business plan cannot be implemented smoothly going forward, this may affect the financial position and operating results of the Group.

In addition, if an impairment loss occurs due to the companies in which Frontier Capital Inc. has invested suffering significant losses in earnings due to changes in the external environment, etc., this may affect the operating results and financial position of the Group.

(vi) Dependence on certain individuals

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

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

(3) Other

(i) Policy regarding shareholder return

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

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

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

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

As of December 31, 2023, there are 191,640 diluted shares caused by exercise of stock options, accounting for 1.63% of the total number of shares issued.

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

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

### (1) Overview of results of operations

An overview of the financial condition, operating results and cash flows (hereinafter, "results of operations") of the Group (the Company, consolidated subsidiaries and equity method affiliates) for the fiscal year ended December 31, 2023 is as follows.

#### (i) Operating results

During the fiscal year under review (January 1, 2023 to December 31, 2023), in the Japanese economy, social and economic activities were normalizing with the easing of the movement restrictions imposed amid the COVID-19 pandemic, and the economy was recovering moderately due to improvements in consumer spending and capital expenditure. On the other hand, the Japanese economy continued to face uncertainties mainly due to price hikes caused chiefly by geopolitical risk, such as the Russia-Ukraine war and the situation in the Middle East, and the weaker yen, as well as downside risks to overseas economies as a result of global monetary tightening.

In this management environment, the Group continued to focus on proposing and executing one-stop solutions to issues faced by companies by providing comprehensive services that leverage management consulting, M&A advisory, revitalization support, and other functions. Frontier Capital Inc. (hereinafter, "FCI"), a consolidated subsidiary of the Company that is in its second year since its establishment, procured funds of ¥3,000,600 thousand mainly from financial institutions through a third-party allocation of shares, then began business activities in earnest, including concluding two investment agreements and executing investment in one of those projects.

As a result of the above, the Group reported consolidated net sales of ¥10,025,083 thousand (up 26.6% from the previous fiscal year), operating income of ¥1,251,629 thousand (up 37.8%), ordinary income of ¥1,238,574 thousand (up 34.4%), and net income attributable to owners of parent of ¥780,683 thousand (up 40.2%) for the fiscal year under review.

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

#### (Consulting and Advisory Business Segment)

For the fiscal year under review, in the Consulting and Advisory Business segment, sales grew significantly in the Revitalization Support Business, while the Management Consulting Business and the M&A Advisory Business also performed well, with net sales of ¥10,003,683 thousand (up 26.4% from the previous fiscal year) and operating income of ¥1,645,950 thousand (up 49.7%).

Results of operations by business are as follows.

#### Management Consulting Business

The business results of the Management Consulting Business for the fiscal year under review were ¥5,084,124 thousand (up 16.8% from the previous fiscal year) in net sales. In the fiscal year under review, sales increased compared with the previous fiscal year. In addition to the effect of increased personnel resulting from aggressive recruitment, the expansion of the consulting-related services, including strategic assistance in helping manufacturers enhance their corporate value, SR/IR services, and DX services, contributed to such increase. In addition, there was an increase in orders from large companies.

#### M&A Advisory Business

In the M&A Advisory Business, net sales for the fiscal year under review were ¥3,023,043 thousand (up 8.2% from the previous fiscal year). In the fiscal year under review, sales increased compared with the previous fiscal year as a result of the successful completion of multiple large-scale M&A deals, including cross-border M&A deals.

#### Revitalization Support Business

In the Revitalization Support Business, net sales for the fiscal year under review were ¥1,648,476 thousand (up 174.2% from the previous fiscal year). In the fiscal year under review, sales increased significantly compared with the previous fiscal year mainly due to a rise in the number of revitalization projects, as well as orders for large-scale revitalization projects and their execution.

#### Other Business

The business results of Other Business for the fiscal year under review were net sales of ¥248,038 thousand (up 49.4% from the previous fiscal year).

(Investment Business Segment)

During the fiscal year under review, FCI raised funds mainly from financial institutions through a third-party allocation of shares and began business activities in earnest, including executing investment in its first investment project. However, the timing of investments slipped toward the end of the year, and the Group incurred upfront personnel expenses and other fixed costs. As a result, net sales amounted to ¥42,646 thousand (up 142.3% from the previous fiscal year). The operating loss was ¥394,320 thousand (compared with an operating loss of ¥191,272 thousand in the previous fiscal year).

(ii) Financial condition

Total assets at the end of the fiscal year were ¥10,874,682 thousand (¥5,658,644 thousand at the end of the previous fiscal year), an increase of ¥5,216,038 thousand from the end of the previous fiscal year. Total liabilities were ¥4,052,318 thousand (¥2,642,688 thousand at the end of the previous fiscal year), up ¥1,409,630 thousand from the end of the previous fiscal year. Net assets were ¥6,822,364 thousand (¥3,015,956 thousand at the end of the previous fiscal year), an increase of ¥3,806,407 thousand from the end of the previous fiscal year.

(iii) Status of cash flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the fiscal year increased ¥2,639,656 thousand from the end of the previous fiscal year to ¥5,838,745 thousand.

The status of cash flows and their factors for the fiscal year ended December 31, 2023 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥225,607 thousand (net cash provided of ¥1,250,257 thousand in the previous fiscal year). This was mainly attributable to income before income taxes of ¥1,240,249 thousand, increase in provision for bonuses of ¥229,599 thousand, depreciation and amortization of ¥67,567 thousand, increase in accounts payable-other of ¥60,362 thousand and charges for stock compensation of ¥45,322 thousand, which were factors increasing cash, and increase in notes and accounts receivable-trade of ¥581,178 thousand, increase in operational investment securities of ¥493,071 thousand, and to income taxes paid of ¥412,331 thousand, which were factors decreasing cash.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,377,671 thousand (net cash used of ¥486,911 thousand in the previous fiscal year). This was mainly attributable to purchase of stocks of subsidiaries and associates of ¥1,252,492 thousand, purchase of investments and other assets of ¥87,842 thousand, and purchases of tangible fixed assets of ¥37,192 thousand.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥3,787,732 thousand (net cash provided of ¥646,534 thousand in the previous fiscal year). This was mainly attributable to proceeds from long-term debt of ¥1,000,000 thousand, proceeds from capital increase of consolidated subsidiaries of ¥2,900,098 thousand and proceeds from issuance of stocks of ¥306,231 thousand, which were factors increasing cash, and dividends paid of ¥320,408 thousand and repayments of long-term debt of ¥188,388 thousand, which were factors decreasing cash.

(iv) Results of production, orders received and sales

a) Production

Not applicable.

b) Orders received

Not applicable.

c) Sales

Sales in the fiscal year ended December 31, 2023 were as follows.

Segment name	Name of sales category	Current fiscal year (January 1, 2023 to December 31, 2023)	
		Sales (Thousands of yen)	YoY change (%)
Consulting and Advisory Business segment	Management Consulting Business	5,084,124	116.8
	M&A Advisory Business	3,023,043	108.2
	Revitalization Support Business	1,648,476	274.2
	Other Business	248,038	149.4
Investment Business segment	Investment Business	42,646	242.3
Removal of transactions between segments		(21,246)	—
Total		10,025,083	126.6

- (Notes) 1. Includes transactions between segments.  
2. Actual consolidated sales amounts and said sales as a ratio of total sales for the two most recent fiscal years by major external customer are as follows.

External customer	Previous fiscal year (January 1, 2022 to December 31, 2022)		Current fiscal year (January 1, 2023 to December 31, 2023)	
	Amount (Thousands of yen)	Ratio (%)	Amount (Thousands of yen)	Ratio (%)
TATSUMI SHOKAI CO., LTD.	133,600	1.7	1,078,700	10.8

(2) Analysis and considerations concerning the status of results of operations from the management's perspective

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

Forward-looking statements in this document are based on the views as of December 31, 2023.

(i) Significant accounting policies and estimates

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

(ii) Recognition, analysis and considerations concerning the status of results of operations for the fiscal year ended December 31, 2023

(A) Analysis of results of operations

a. Net sales

In the fiscal year ended December 31, 2023, net sales were ¥10,025,083 thousand (up 26.6% from the previous fiscal year). The breakdown by business segment is as follows: ¥10,003,683 thousand in the Consulting and Advisory Business (up 26.4% from the previous fiscal year), and ¥42,646 thousand in the Investment Business (up 142.3% from the previous fiscal year, including ¥21,246 thousand for inter-segment sales). Further, the breakdown by business segment within the Consulting and Advisory Business is as follows: ¥5,084,124 thousand (up 16.8% from the previous fiscal year) in the Management Consulting Business, ¥3,023,043 thousand (up 8.2% from the previous fiscal year) in the M&A Advisory Business, ¥1,648,476 thousand (up 174.2% from the previous fiscal year) in the Revitalization Support Business, and ¥248,038 thousand (up 49.4% from the previous fiscal year) in Other Business.

In the Consulting and Advisory Business segment, there was a significant increase in net sales in the Revitalization Support Business as a result of an increase in the number of revitalization projects, which included the winning and execution of some large revitalization projects. In addition, net sales in the Management Consulting Business rose due to the positive

effects of an increase in headcount resulting from proactive recruitment, due to the provision to the manufacturing industry of support strategies to enhance corporate value, and due to the contribution from the strengthening and expansion of consulting services related to SR/IR, DX, and other areas. Net sales in the M&A Advisory Business rose as a result of successfully concluding multiple large M&A projects, some of which were cross-border.

b. Operating income

Operating income for the fiscal year ended December 31, 2023 came to ¥1,251,629 thousand (up 37.8% from the previous fiscal year) after recording cost of sales of ¥4,497,697 thousand (up 39.2% from the previous fiscal year) and selling, general and administrative expenses of ¥4,275,756 thousand (up 13.2% from the previous fiscal year). The main components of cost of sales are personnel expenses, such as salaries and allowances of ¥1,887,139 thousand and provision for bonuses of ¥568,598 thousand, and outsourcing costs of ¥852,854 thousand, and the major factor that contributed to the rise was an increase in salaries and allowances of ¥342,699 thousand and provision for bonuses of ¥157,644 thousand as a result of actively hiring personnel, and an increase on outsourcing costs of ¥488,777 thousand due to the utilization of suppliers. The main components of selling, general and administrative expenses are personnel expenses, such as salaries and allowances of ¥1,594,497 thousand and provision for bonuses of ¥446,907 thousand, and recruiting expenses of ¥406,633 thousand, and the major factor that contributed to the rise was an increase in salaries and allowances of ¥174,956 thousand, provision for bonuses of ¥82,087 thousand as a result of actively hiring personnel.

c. Ordinary income

Ordinary income for the fiscal year ended December 31, 2023 came to ¥1,238,574 thousand (up 34.4% from the previous fiscal year) after recording non-operating income of ¥10,586 thousand and non-operating expenses of ¥23,642 thousand. Main components of non-operating income are equity in earnings of affiliates of ¥4,053 thousand and insurance dividend income of ¥2,130 thousand while the main components of non-operating expenses are interest expense of ¥11,403 thousand and share issuance costs of ¥11,908 thousand.

d. Income before income taxes

Income before income taxes for the fiscal year ended December 31, 2023 came to ¥1,240,249 thousand (up 42.9% from the previous fiscal year) after recording gain on sale of investment securities of ¥1,675 thousand.

e. Net income attributable to owners of parent

Net income attributable to owners of parent for the fiscal year ended December 31, 2023 came to ¥780,683 thousand (up 40.2% from the previous fiscal year) after recording income taxes of ¥447,968 thousand and net income attributable to owners of non-controlling interests of ¥11,597 thousand.

(B) Financial condition

a. Assets

Total assets at the end of the fiscal year were ¥10,874,682 thousand (¥5,658,644 thousand at the end of the previous fiscal year), an increase of ¥5,216,038 thousand from the end of the previous fiscal year. Current assets were ¥8,159,931 thousand (¥4,276,116 thousand at the end of the previous fiscal year), non-current assets were ¥2,709,108 thousand (¥1,375,149 thousand at the end of the previous fiscal year) and deferred assets were ¥5,642 thousand (¥7,379 thousand at the end of the previous fiscal year). Current assets increased ¥3,883,815 thousand, non-current assets increased ¥1,333,959 thousand and deferred assets decreased ¥1,736 thousand compared with the levels at the end of the previous fiscal year. The main changes in current assets were an increase of ¥2,639,656 thousand in cash and deposits due to raising funds through a third-party allocation of shares by FCI, an increase of ¥581,492 thousand in notes and accounts receivable, and contract assets, and an increase of ¥493,071 thousand in operational investment securities. The main changes in fixed assets were increases of ¥1,250,092 thousand in stocks of subsidiaries and associates due to acquisition of shares of Athema (registered trade name: AT Conseil), ¥86,246 thousand in other investments, etc., and ¥73,091 thousand in deferred tax assets. The change in deferred assets was a decrease of ¥1,736 thousand in organization expenses.

b. Liabilities

Total liabilities at the end of the fiscal year were ¥4,052,318 thousand (¥2,642,688 thousand at the end of the previous fiscal year), an increase of ¥1,409,630 thousand from the end of the previous fiscal year. Current liabilities were ¥2,569,015 thousand (¥1,868,624 thousand at the end of the previous fiscal year) and fixed liabilities were ¥1,483,303 thousand

(¥774,063 thousand at the end of the previous fiscal year). Current liabilities increased ¥700,390 thousand and fixed liabilities increased ¥709,239 thousand compared with the levels at the end of the previous fiscal year. The main changes in current liabilities were increases of ¥229,599 thousand in provision for bonuses, ¥133,133 thousand in income taxes payable, ¥98,925 thousand in current portion of long-term debt, ¥93,603 thousand in other current liabilities such as increases in accrued consumption taxes and accrued expenses, ¥54,179 thousand in accounts payable-other, and ¥40,519 thousand in accounts payable. The main change in fixed liabilities was an increase of ¥712,687 thousand in long-term debt.

c. Net assets

Total assets at the end of the fiscal year were ¥6,822,364 thousand (¥3,015,956 thousand at the end of the previous fiscal year), an increase of ¥3,806,407 thousand from the end of the previous fiscal year. This was mainly attributable to increases arising from the recording of paid-in capital and capital surplus of ¥153,819 thousand each in relation to the third-party allocation of shares to Antema SAS, the recording of ¥2,999,700 thousand in non-controlling interests in relation to the raising of funds from financial institutions, etc. through a third-party allocation of shares by FCI, and the recording of ¥780,683 thousand in net income attributable to owners of parent for the fiscal year under review, against which the payment of dividends of surplus resulted in a decrease of ¥320,954 thousand.

(iii) Sources of capital and liquidity of capital

The status of cash flows is stated in “(iii) Status of cash flows” in “(1) Overview of results of operations” in “4. Management’s Discussion & Analysis of Financial Condition, Operating Results and Cash Flows.” The Group adopts the basic approach of covering the funds for working capital and capital investments with cash on hand and pursues financing by bank borrowings if needed. Consolidated subsidiary Frontier Capital Inc., which operates an investment business involving the dispatch of management personnel, covers its needs by using those investment funds as cash on hand and investments in capital from financial institutions, etc. In order to source these investment funds, on January 18, 2023, and February 28, 2023, Frontier Capital Inc. raised a total of ¥3,000,600 thousand through a third-party allocation of shares to eight banks and one other financial institution, issuing 29,997 Class A shares and 9 Class B shares, for a total of 30,006 shares. As of the end of the fiscal year under review, the number of shares outstanding and their holding status was as follows.

	(Shares)			
	Class A shares	Class B shares	Class C shares	Total
Held by the Company	–	91	9,909	10,000
Held by non-controlling interests	29,997	9	–	30,006
Total	29,997	100	9,909	40,006

(Note) Class A Shares and Class C shares are preferred dividend shares that cannot exercise voting rights at general meetings of the shareholders of Frontier Capital Inc., while Class B shares are equivalent to common stock having one voting right per share at general meetings of the shareholders of Frontier Capital Inc., but are not paid dividends of surplus.

Frontier Capital Inc.’s policy will be to implement the following dividends going forward.

Frontier Capital Inc. is expected to pay a total dividend equivalent to 50% of the consolidated net income of the Frontier Capital Inc. group for the year in question (deducting, however, 50% of any gain on sale of investment securities at the non-consolidated entity), to the extent that it does not exceed the distributable amount as defined under the Companies Act or result in cash on hand and deposits falling below the level required to operate the business.

Total dividends will be distributed in the following order, in accordance with the provisions of the Articles of Incorporation.

(a) Dividends to Class A shares

Dividends will be paid to Class A shareholders until the full amount for Class A shares has been reached.

(b) Dividends to Class C shares

After dividends have been paid as described in (a) above, dividends will be paid to Class C shareholders until the full amount for Class C shares has been reached.

(c) Payments beyond the above

After dividends have been paid as described in (b) above, for each fiscal year, if additional dividends are to be paid to Class A shareholders, then after such dividends have been paid, and only if payment of dividends is still possible, dividends will be paid to Class A shareholders and Class C shareholders in accordance with provisions.

(iv) Factors having a significant impact on operating results

The M&A Advisory Business, which is one of the core businesses of the Group, accounted for 30.2% of net sales in the fiscal year ended December 31, 2023. In this business, we provide customers with M&A advisory services. Due to the nature of the business, the ratio of success fees tends to be high. Whether success fees can be earned in M&A advisory services is dependent on whether clients can close their M&A deals, which is beyond the control of the Group. Closing and non-closing of M&A deals may possibly impact the operating results of the Group.

For details on the factors that have a significant impact on operating results, see “3. Business and Other Risks” in “II. Business Status.”

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

The Group’s target and actual amount for the medium-term management plan from 2021 to 2023 are as follows.

	Target	Actual amount
Consolidated net sales	¥8,700,000 thousand	¥10,025,083 thousand
Consolidated operating margin	20.0%	12.5%
Consolidated ROE	At least 20%	23.6%

The metrics on which we are focusing to achieve the targets of the medium-term management plan are as follows.

	Target	Actual amount
CAGR	18.8%	24.5%
Increase in number of employees in a year	40	47
Consolidated operating margin	20.0%	12.5%
Consolidated ROE	20.0%	23.6%
Dividend payout ratio (consolidated)	30.0%	60.7%

- (Notes)
1. The actual value of CAGR is calculated with FY2020 as the base fiscal year.
  2. Figures for the annual increase in headcount show the average increase in headcount for the three years between FY2021 and FY2023.

5. Significant Contracts, ETC. in Business

Not applicable

6. Research and Development Activities

Not applicable



### III. Facilities

#### 1. Outline of Capital Expenditure

Capital expenditure (tangible assets and intangible assets; excluding goodwill and customer-related assets) for the fiscal year under review totaled ¥37,202 thousand, of which major items were equipment installation at the head office of the Company and consolidated subsidiary Celebrain Corporation, as well as furniture and fixtures, among others.

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

#### 2. Main Facilities

Main facilities in the Group are as follows.

(Submitter company)

(As of December 31, 2023)

Business office name (Address)	Segment name	Description of facilities	Book value			Number of employees (Persons)
			Buildings (Thousands of yen)	Tools, furniture and fixtures (Thousands of yen)	Total (Thousands of yen)	
Head office (Minato-ku, Tokyo)	Consulting and Advisory Business	Office facilities	144,799	24,327	169,126	328

(Note) In addition to the above, the following is the main rented facility.

Business office name (Address)	Segment name	Description of facilities	Annual rent (Thousands of yen)
Head office (Minato-ku, Tokyo)	Consulting and Advisory Business	Office	255,199

#### 3. Planned New Facilities and Retirement

##### (1) Significant new facilities

Not applicable.

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

Not applicable.

## IV. Submitter Company

### 1. Shares

(1) Total number of shares, etc.

(i) Total number of shares

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

(ii) Number of shares outstanding

Class	Number of shares issued as of the end of fiscal year (Shares) (December 31, 2023)	Number of shares issued as of the submission day (Shares) (March 27, 2024)	Name of financial instruments exchange listed on or registered authorized financial instruments firms association	Description
Common stock	11,726,457	11,738,387	Tokyo Stock Exchange Prime Market	It is full voting stock without any restriction on its rights, and is standard stock of the Company. There are 100 shares per unit.
Total	11,726,457	11,738,387	—	—

(Note) The section of “Number of shares issued as of the submission day” does not include the number of shares that have been issued by the exercise of stock acquisition rights from March 1, 2024 to the day of submitting this securities report.

(2) Stock acquisition rights

(i) Description of stock option

Date of resolution	Annual general meeting of shareholders held on March 29, 2018 Board of Directors meeting held on May 15, 2018
Grantee categories and count (Persons)	Director: 3 Employee: 140
Number of stock acquisition rights <sup>(Note)</sup>	15,355
Class, description and number of shares underlying stock acquisition rights (Shares) <sup>(Note)</sup>	Common stock: 122,840 (Note 1)
Payment of money at the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	75 (Note 2)
Exercise period of stock acquisition rights <sup>(Note)</sup>	From May 16, 2020 to May 15, 2028
Issue price and the amount to be included in capital when issuing shares by the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	Issue price: 75 Amount to be included in capital: 37.5 (Note 3)
Conditions for exercise of the stock acquisition rights <sup>(Note)</sup>	(Note 4)
Transfer of stock acquisition rights <sup>(Note)</sup>	Approval of the Board of Directors of the Company shall be required to obtain stock acquisition rights by transfer.
Issuance of stock acquisition rights due to the act of reorganization <sup>(Note)</sup>	(Note 5)

(Note) The description is as of the end of the fiscal year under review (December 31, 2023). As the details that should be stated as of the end of the month prior to the submission day have not changed from the details as of the end of the fiscal year under review, the description of details as of the end of the month prior to the submission day has been omitted.

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

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

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

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

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

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

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

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

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

However, the number of shares already issued in the formula shall be the total number of shares outstanding on the day before the effective day of the issuance of the above shares less the number of treasury stock shares owned by the Company at the time; if treasury stock shares are to be disposed of, the number of shares newly issued and the stock price before issuance of shares for subscription shall be replaced with the number of treasury stock shares to be disposed of and the stock price before disposal of treasury stock shares, respectively. Moreover, the stock price before issuance of shares for subscription in the formula shall be the exercise price before adjustment if there is no

market price for the Company stock, while it shall be the last traded price in the priority exchange of the Company immediately before issuance if there is a market price for the Company stock.

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

If stock acquisition rights of the following stock companies are to be issued in accordance with the provisions of the agreement, plan, or the like stipulated at the time of reorganization, stock acquisition rights of the following stock companies shall be issued according to the ratio of such reorganization.

  - (1) Merger (only in the case where the Company ceases to exist)  
Stock company that survives the merger or stock company incorporated as a result of the merger
  - (2) Absorption-type company split  
Stock company in which all or part of its rights and obligations related to its business are to be succeeded by a stock company conducting an absorption-type company split
  - (3) Incorporation-type company split  
Stock company to be established by incorporation-type company split
  - (4) Share exchange  
Stock company acquiring all the issued shares of a stock company to conduct a share exchange with.
  - (5) Share transfer  
Stock company to be established by share transfer

Date of resolution	Board of Directors meeting held on March 25, 2021
Grantee categories and count (Persons)	Executive Officer: 5 Employee: 10
Number of stock acquisition rights <sup>(Note)</sup>	57
Class, description and number of shares underlying stock acquisition rights (Shares) <sup>(Note)</sup>	Common stock: 5,700 (Note 1)
Payment of money at the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	1
Exercise period of stock acquisition rights <sup>(Note)</sup>	From March 26, 2022 to March 25, 2026
Issue price and the amount to be included in capital when issuing shares by the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	Issue price: 1 Amount to be included in capital: 1 (Note 2)
Conditions for exercise of the stock acquisition rights <sup>(Note)</sup>	(Note 3)
Transfer of stock acquisition rights <sup>(Note)</sup>	Approval of the Board of Directors of the Company shall be required to obtain stock acquisition rights by transfer.
Issuance of stock acquisition rights due to the act of reorganization <sup>(Note)</sup>	(Note 4)

(Note) The description is as of the end of the fiscal year under review (December 31, 2023). As the details that should be stated as of the end of the month prior to the submission day have not changed from the details as of the end of the fiscal year under review, the description of details as of the end of the month prior to the submission day has been omitted.

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

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

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

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

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

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

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

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

(1) The holder of share options must be either a Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company even when exercising the rights. However, stock acquisition rights are allowed to be exercised if the person resigns due to reaching a specified retirement age, Company reasons, or industrial illness, or if the person is transferred to a different company, or if exercise is approved by its Board of Directors as having a legitimate reason.

(2) Stock acquisition rights may not be inherited if the holder of share options has died.

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

When the Company conducts a merger (limited to cases where the Company ceases to exist due to merger), absorption-type company split (limited to cases where the Company becomes a divesting entity to a successor entity by divestiture), incorporation-type company split, share exchange (limited to cases where the Company becomes a wholly-owned subsidiary), or share transfer (collectively, the "acts of reorganization"), stock acquisition rights of stock companies listed in Article 236, Paragraph (1), Item (viii) from (a) to (e) of the Companies Act (hereinafter, "target company of

reorganization”), shall be issued to the holders of share options who hold remaining stock acquisition rights immediately before the effective date of acts of reorganization (hereinafter, the “Remaining Stock Acquisition Rights”) (the effective date of absorption-type merger for an absorption-type merger, that of an incorporation-type merger for an incorporation-type merger, that of an absorption-type of company split for an absorption-type company split, that of an incorporation-type of company split for an incorporation-type company split, that of a share exchange for a share exchange, and the date of establishment of a newly established parent company of a wholly owned subsidiary by transfer of shares for a share transfer) in respective cases. However, it is conditional upon stipulating in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan that stock acquisition rights of target companies of reorganization shall be issued in accordance with the following conditions.

- (1) Number of stock acquisition rights for target company of reorganization to be issued  
The same number as that of the Remaining Stock Acquisition Rights held by the holder of share options shall be issued, respectively.
- (2) Class of stock of target company of reorganization underlying stock acquisition rights  
Common stock of target company of reorganization
- (3) Number of shares of target company of reorganization underlying stock acquisition rights  
To be decided pursuant to 1. above, taking into account conditions for the acts of reorganization, and others
- (4) Value of property to be contributed upon exercise of the stock acquisition rights
  - (i) The value of property to be contributed upon exercise of the stock acquisition rights shall be the amount obtained by multiplying the amount of payment after reorganization stipulated in (ii) below by the number of shares of the target company of reorganization underlying stock acquisition rights to be decided in accordance with (3) above.
  - (ii) The amount of payment after reorganization shall be one yen per share of the target company of reorganization that can be issued by exercising the stock acquisition rights granted.
- (5) Period for exercise of stock acquisition rights  
It shall be from the start date of the period for exercising stock acquisition rights or the effective date for the acts of reorganization, whichever is later, to the expiration date of the period for exercising stock acquisition rights.
- (6) Matters regarding paid-in capital and capital reserve that increase when issuing shares by exercising stock acquisition rights  
To be decided pursuant to 2. above.
- (7) Restriction on acquisition of stock acquisition rights by transfer  
Acquisition of stock acquisition rights by transfer needs approval of the target company of reorganization.
- (8) Conditions for exercise of the stock acquisition rights  
To be decided pursuant to 3. above.

Date of resolution	Board of Directors meeting held on February 10, 2022
Grantee categories and count (Persons)	Employee: 182
Number of stock acquisition rights <sup>(Note)</sup>	631
Class, description and number of shares underlying stock acquisition rights (Shares) <sup>(Note)</sup>	Common stock: 63,100 (Note 1)
Payment of money at the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	1
Exercise period of stock acquisition rights <sup>(Note)</sup>	(February 11, 2025 to February 10, 2028)
Issue price and the amount to be included in capital when issuing shares by the exercise of stock acquisition rights (Yen) <sup>(Note)</sup>	Issue price: 1 Amount to be included in capital: 1 (Note 2)
Conditions for exercise of the stock acquisition rights <sup>(Note)</sup>	(Note 3)
Transfer of stock acquisition rights <sup>(Note)</sup>	Approval of the Board of Directors of the Company shall be required to obtain stock acquisition rights by transfer.
Issuance of stock acquisition rights due to the act of reorganization <sup>(Note)</sup>	(Note 4)

(Note) The description is as of the end of the fiscal year under review (December 31, 2023). As the details that should be stated as of the end of the month prior to the submission day have not changed from the details as of the end of the fiscal year under review, the description of details as of the end of the month prior to the submission day has been omitted.

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

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

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

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

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

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

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

- (1) The holder of share options must be either a Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company even when exercising the rights, and shall have five years or more of total service when exercising the rights that are held. However, stock acquisition rights are allowed to be exercised if the person resigns due to reaching a specified retirement age, Company reasons, or industrial illness, or if the person is transferred to a different company, or if exercise is approved by its Board of Directors as having a legitimate reason.
- (2) Stock acquisition rights may not be inherited if the holder of share options has died.

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

When the Company conducts a merger (limited to cases where the Company ceases to exist due to merger), absorption-type company split (limited to cases where the Company becomes a divesting entity to a successor entity by divestiture), incorporation-type company split, share exchange (limited to cases where the Company becomes a wholly-owned subsidiary), or share transfer (collectively, the "acts of reorganization"), stock acquisition rights of stock companies listed

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

- (1) Number of stock acquisition rights for target company of reorganization to be issued  
The same number as that of the Remaining Stock Acquisition Rights held by the holder of share options shall be issued, respectively.
- (2) Class of stock of target company of reorganization underlying stock acquisition rights  
Common stock of target company of reorganization
- (3) Number of shares of target company of reorganization underlying stock acquisition rights  
To be decided pursuant to 1. above, taking into account conditions for the acts of reorganization, and others
- (4) Value of property to be contributed upon exercise of the stock acquisition rights
  - (i) The value of property to be contributed upon exercise of the stock acquisition rights shall be the amount obtained by multiplying the amount of payment after reorganization stipulated in (ii) below by the number of shares of the target company of reorganization underlying stock acquisition rights to be decided in accordance with (3) above.
  - (ii) The amount of payment after reorganization shall be one yen per share of the target company of reorganization that can be issued by exercising the stock acquisition rights granted.
- (5) Period for exercise of stock acquisition rights  
It shall be from the start date of the period for exercising stock acquisition rights or the effective date for the acts of reorganization, whichever is later, to the expiration date of the period for exercising stock acquisition rights.
- (6) Matters regarding paid-in capital and capital reserve that increase when issuing shares by exercising stock acquisition rights  
To be decided pursuant to 2. above.
- (7) Restriction on acquisition of stock acquisition rights by transfer  
Acquisition of stock acquisition rights by transfer needs approval of the target company of reorganization.
- (8) Conditions for exercise of the stock acquisition rights  
To be decided pursuant to 3. above.

(ii) Description of the rights plan

Not applicable.

(iii) Other stock acquisition rights

Not applicable.

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

Not applicable.



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

Date	Changes in the total number of shares outstanding (Shares)	Total number of shares outstanding (Shares)	Changes in the amount of paid-in capital (Thousands of yen)	Balance of paid-in capital (Thousands of yen)	Changes in the amount of capital reserve (Thousands of yen)	Balance of capital reserve (Thousands of yen)
October 1, 2019 (Note 1)	2,853,000	5,706,000	—	158,137	—	158,137
January 1, 2020- December 31, 2020 (Note 2)	71,900	5,777,900	5,392	163,530	5,392	163,530
January 1, 2021 (Note 1)	5,777,900	11,555,800	—	163,530	—	163,530
April 15, 2021 (Note 3)	19,998	11,575,798	—	163,530	—	163,530
May 31, 2021 (Note 4)	(200,000)	11,375,798	—	163,530	—	163,530
January 1, 2021- December 31, 2021 (Note 2)	42,600	11,418,398	1,597	165,127	1,597	165,127
December 31, 2021 (Note 5)	—	11,418,398	13,596	178,723	13,596	178,723
January 1, 2022- December 31, 2022 (Note 2)	50,080	11,468,478	26,806	205,530	26,806	205,530
December 31, 2022 (Note 5)	—	11,468,478	4,532	210,062	4,532	210,062
April 14, 2023 (Note 6)	19,999	11,488,477	—	210,062	—	210,062
August 31, 2023 (Note 7)	223,900	11,712,377	153,819	363,881	153,819	363,881
January 1, 2023- December 31, 2023 (Note 2)	14,080	11,726,457	5,518	369,399	5,518	369,399
December 31, 2023 (Note 5)	—	11,726,457	5,343	374,743	5,343	374,743

- (Notes)
1. It is an increase due to a share split (1:2).
  2. It is an increase due to the exercise of stock acquisition rights.
  3. It is an increase due to the issuance of new shares as restricted stock awards.  
Issue price: ¥1,813 per share  
Persons to be allotted: Three Directors (excluding Outside Directors)
  4. It is a decrease due to the retirement of treasury stocks.
  5. It is an increase due to the provision of services for restricted stock awards issued without contribution as remuneration for Directors.
  6. It is an increase due to the issuance of new shares as restricted stock awards.  
Issue price: ¥950 per share  
Persons to be allotted: Four Directors (excluding Outside Directors)
  7. This increase was the result of a third-party allocation of shares.  
Issue price: ¥1,374  
Amount to be included in capital: ¥687  
Allottees Antema SAS  
\*Antema SAS is the parent company of Anthema SAS, which became an equity-method affiliate in the third quarter of the fiscal year under review.
  8. During the period between January 1, 2024 and the submission date of this securities report, the issuance of new shares for restricted stock awards resulted in the total number of shares outstanding increasing by 11,930, and in paid-in capital and capital reserve each increasing by ¥9,502 thousand.

## (5) Status by owner

(As of December 31, 2023)

(As of December 31, 2022)

Category	Status of shares (100 shares per unit)								Shares less than one unit (Shares)
	Central and local governments	Financial institutions	Financial instrument business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	—	8	24	29	41	5	3,629	3,736	—
Number of shares held (Unit)	—	16,211	4,094	1,262	8,551	5	87,069	117,192	7,257
Ratio of shares owned (%)	—	13.83	3.49	1.08	7.30	0.00	74.30	100.00	—

(Note) Among 7,903 shares of treasury stock, 79 units are included in “Individuals and others” and 3 shares in “Shares less than one unit.”

## (6) Major shareholders

(As of December 31, 2023)

Name	Address	Number of shares held (Shares)	Ratio of shares owned to the total number of shares outstanding (excluding treasury stock) (%)
Shoichiro Onishi	Suginami-ku, Tokyo	2,179,458	18.60
Masahiro Matsuoka	Minato-ku, Tokyo	2,179,458	18.60
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	878,200	7.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	657,300	5.61
Masaya Yajima	Minato-ku, Tokyo	614,880	5.25
Takahiro Yamaguchi	Minato-ku, Tokyo	503,200	4.29
Tomohiro Murata	Ota-ku, Tokyo	258,500	2.21
ANTEMA	31, RUE DU COLISEE 75008 PARIS FRANCE	223,900	1.91
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A 2BB UNITED KINGDOM	216,630	1.85
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	153,800	1.31
Total	—	7,865,326	67.12

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

Custody Bank of Japan, Ltd. (Trust Account)	878,200
The Master Trust Bank of Japan, Ltd. (Trust Account)	657,300

## (7) Voting rights

## (i) Number of shares outstanding

As of December 31, 2023

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	Common stock 7,900	—	—
Shares with full voting rights (others)	Common stock 11,711,300	117,113	It is stock without any restriction on its rights as shareholders, and is standard stock of the Company. There are 100 shares per unit.
Shares less than one unit	Common stock 7,257	—	—
Total number of shares outstanding	11,726,457	—	—
Voting rights of all shareholders	—	117,113	—

(Note) In the section of “Number of shares” for “Shares less than one unit” there are 3 shares of treasury stock.

## (ii) Treasury stock

As of December 31, 2023

Name of owner	Address of owner	Number of shares owned under own name (Shares)	Number of shares owned under another person's name (Shares)	Total of shares owned (Shares)	Ratio of shares owned to the total number of shares outstanding (%)
(Shares held by oneself) Frontier Management Inc.	3-2-1 Roppongi, Minato- ku, Tokyo, Japan	7,900	—	7,900	0.07
Total	—	7,900	—	7,900	0.07

## 2. Purchase of Treasury Stock

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

## (1) Purchase by resolution of the general meeting of shareholders

Not applicable.

## (2) Purchase by resolution of the Board of Directors

Not applicable.

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

Category	Number of shares (Shares)	Total amount of acquisition (Yen)
Treasury stock acquired during the current fiscal year	2,082	117,115
Treasury stock acquired during the current period	—	—

(Notes) 1. Acquisition of treasury stock during the current fiscal year were repurchase of 82 shares less than one unit and the gratis acquisition of 2,000 shares subject to transfer restriction.

2. The treasury stock acquired during the current period does not include the purchase of shares less than one unit and the gratis acquisition of shares subject to transfer restriction from March 1, 2024 to the submission date of this securities report.

(4) Disposal and holding of the acquired treasury stock

Category	Current fiscal year		Current period	
	Number of shares (Shares)	Total amount of disposition (Yen)	Number of shares (Shares)	Total amount of disposition (Yen)
Acquired treasury stock solicited for subscribers	—	—	—	—
Acquired treasury stock disposed of by cancellation	—	—	—	—
Acquired treasury stock transferred for merger, share exchange, share issuance and company split	—	—	—	—
Other	—	—	—	—
Number of treasury stock held	7,903	—	7,903	—

(Note) The number of treasury stock held during the current period does not include the number of shares for the purchase of shares less than one unit and the gratis acquisition of shares subject to transfer restriction from March 1, 2024 to the submission date of the securities report.

### 3. Dividend Policy

With regard to distribution of profits for the fiscal year under review (the fiscal year ended December 31, 2023), the Company's basic policy is to continue the payment of stable dividends while securing the internal reserves required for the future development of the business and the strengthening of the management structure. Given that the Company targets a dividend payout ratio of 40% of consolidated net income (excluding the contribution of consolidated subsidiary Frontier Capital Inc.; "FCI"), after taking into account the consolidated results and financial position of the Group, economic conditions, and other factors, it has decided to pay a year-end dividend of ¥41 per share.

Regarding the profit distribution for the next fiscal year (the fiscal year ending December 31, 2024), we believe that to allow profits and losses at FCI and profits and losses not accompanied by a transfer of cash, such as loss on valuation of investment securities, to reduce the dividend resources to be paid to our shareholders would be inconsistent with our basic dividend policy. Furthermore, considering the fact that in the future, if Frontier Capital Inc. invests in a company which becomes a consolidated subsidiary of Frontier Capital Inc., it will temporarily increase or decrease the Company's consolidated net income for accounting purposes, but will not in effect increase or decrease the Company's dividend resources, we will continue to target 40% of consolidated net income (excluding the contribution of Frontier Capital Inc.), and intend to decide upon the dividend after considering the full-year consolidated business performance and financial position of the Group, economic conditions, and other factors.

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

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

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

Date of resolution	Total cash dividends paid (Thousands of yen)	Dividend per share (Yen)
Resolution of annual general meeting of shareholders held on March 27, 2024	480,460	41

## 4. Corporate Governance

### (1) Outline of corporate governance

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

The Company recognizes that it is extremely important to promote efficient management through the facilitation of decision-making, and at the same time reinforce risk control in management, in order to improve enterprise value on a continual basis.

The Company has adopted the Board of Directors system and the Audit & Supervisory Board system, to monitor management risks through the Board of Directors and the Audit & Supervisory Board Member audit, and thoroughly implement compliance and strive to strengthen its self-purification capability through audits by the Internal Audit Office.

Through these measures, we will secure the effectiveness of corporate governance to further enhance business administration organizations in the Group.

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

The Company's corporate governance system at the end of the current fiscal year is as follows.

The Company has adopted the Audit & Supervisory Board system for the Board of Directors and the Audit & Supervisory Board to make decisions on important business executions, and conduct supervision and audits. The Board of Directors consists of six Directors (including two Outside Directors), with the authority to decide business execution of the Company and supervise the execution of duties by Directors. The Audit & Supervisory Board consists of three Audit & Supervisory Board Members (all of them are Outside Audit & Supervisory Board Members) to monitor corporate governance and its operations, and audit daily activities, including the execution of duties by Directors.

The Board of Directors and the Audit & Supervisory Board hold regular meetings once a month in principle, and extraordinary ones as necessary.

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

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

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

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

The members of each meeting are as follows.

(Board of Directors)

Chairperson: Shoichiro Onishi, Representative Director

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

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

(Audit & Supervisory Board)

Chairperson: Takeshi Umemoto, Outside Audit & Supervisory Board Member

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

(Nomination and Compensation Advisory Committee)

Chairperson: Kazuhito Osugi, Outside Director

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

(Management Committee)

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

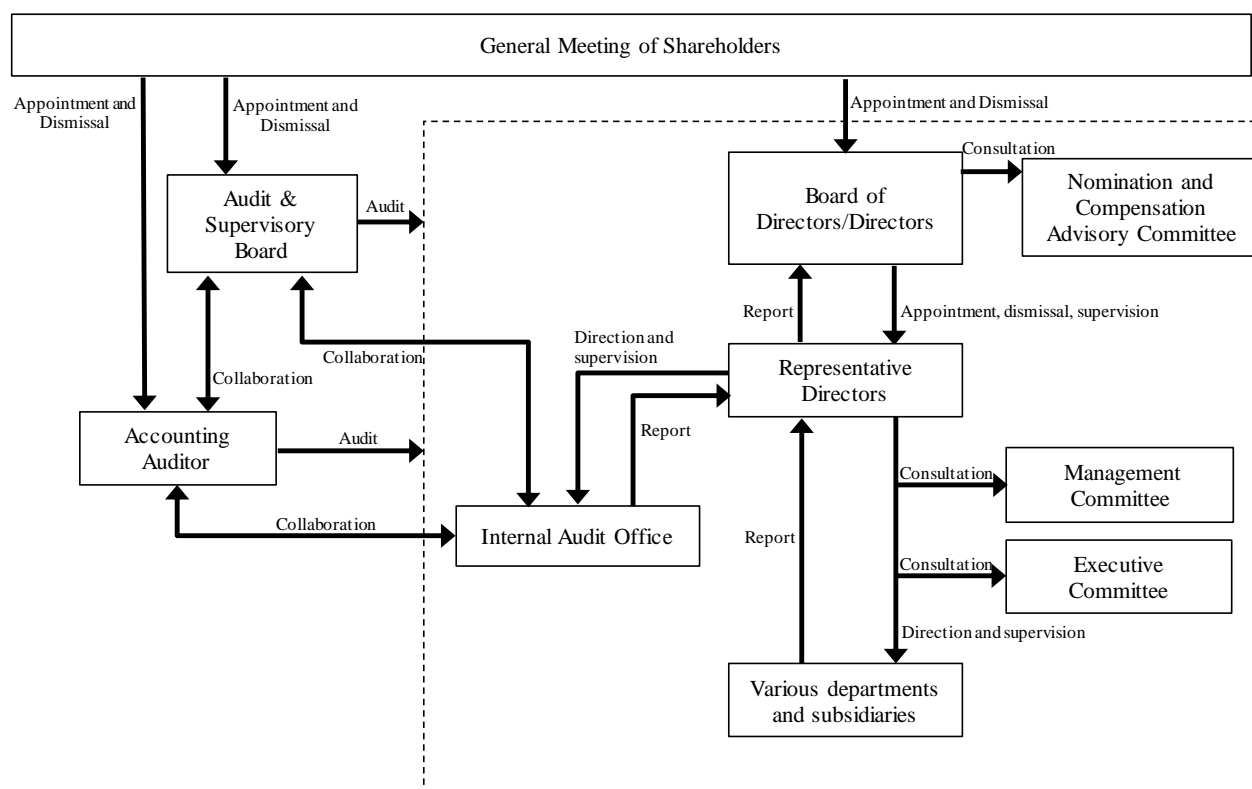
Member: Masahiro Matsuoka, Representative Director, Co-President and Executive Officer; Tadaaki Komori, Director, Deputy President and Executive Officer; Sumio Nishizawa, Managing Executive Officer; Akinori Nishida, Managing Executive Officer; Takeshi Umemoto, Full-time Audit & Supervisory Board Member (Observer)

(Executive Committee)

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

Member: Masahiro Matsuoka, Representative Director, Co-President and Executive Officer; Tadaaki Komori, Director, Deputy President and Executive Officer; Sumio Nishizawa, Managing Executive Officer; Akinori Nishida, Managing Executive Officer; Shinji Hikoe, Executive Officer; Tomohiro Murata, Executive Officer; Hiroaki Hamada, Executive Officer; Takeshi Umemoto, Full-time Audit & Supervisory Board Member (Observer); Nobuhiro Yanagida, Head of Internal Audit Office (Observer)

<Schematic diagram of the corporate governance structure>



(iii) Development of the internal control systems

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

A. System to ensure that the execution of duties by Directors and employees conforms to laws and regulations and the Articles of Incorporation

- 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.
- 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.
- Establish a reporting system for violations of laws and regulations by stipulating the compliance rules and the internal reporting rules so that the Company can promptly recognize and deal with such acts.

B. System for storing and managing information related to the execution of duties by Directors

- 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.
- These documents (including electromagnetic documents) shall be available per request from Directors and Audit & Supervisory Board Members.

C. Frameworks for managing the risks of loss including the relevant internal regulations

- 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.
- Establish the crisis management rules and the reporting and command structure in an emergency so that the Company can identify emergencies promptly and minimize losses.

D. System to ensure that Directors perform their duties efficiently

- In principle, the Board of Directors holds a regular meeting once a month and an extraordinary meeting as necessary to

make decisions on important matters in accordance with the rules of the Board of Directors and supervise the execution of duties by Directors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (a) The Audit & Supervisory Board shall establish the Audit & Supervisory Board rules and auditing standards for corporate audits, prepare an audit plan, explain its contents at the Board of Directors meetings, and obtain understanding and cooperation regarding the implementation of audits.
- (b) Audit & Supervisory Board Members shall exchange opinions with Representative Directors through regular meetings.
- (c) Audit & Supervisory Board Members shall witness internal audits conducted by internal auditors, exchange opinions with internal auditors and coordinate closely with related departments to ensure the effectiveness of audits.

M. System to ensure the appropriateness of financial reports

Directors and employees shall ensure the appropriateness of financial reports through business execution in compliance with



the “Basic policy for the maintenance, operation and evaluation of internal controls related to financial reporting.”

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

The Company will confront any antisocial forces sternly and block any relationship with them.

In addition, in order to block relationships with antisocial forces, the Company shall establish the compliance rules and other internal rules.

(iv) Development of frameworks for risk management

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

Specifically, the Risk Management Committee, which consists of the “Chief Risk Management Officer,” who is decided by mutual election between the Representative Directors and serves as the Chairperson, the other Representative Director as Vice Chairperson, and an Officer responsible for management, who is the “Risk Management Officer,” the Head of Internal Audit Office, and other Risk Management Committee Members who are designated by the Chairperson, provide guidance and supervision to each department of the Company to ensure appropriate risk management.

In normal times, under the guidance of the Risk Management Committee, each department identifies risks on a regular basis, reports to the Risk Management Committee and receives guidance on measures to address risks; whether there are problems in compliance with laws, regulations and various rules as well as risk management is verified by conducting regular internal audits, and risk management is strengthened by finding fraudulent acts early and correcting them.

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

(v) Summary of details of limited liability agreement

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

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

(vi) Outline of directors and officers liability insurance policy

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

(vii) Fixed number of Directors

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

(viii) Requirements for resolution on election of Directors

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

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

In order to flexibly return profit to shareholders by delegating the interim dividend from the general meeting of shareholders to the Board of Directors, the Company has stipulated in the Articles of Incorporation that by a resolution of the Board of Directors, the Company may give dividends of surplus stipulated by Article 454, paragraph (5) of the

Companies Act to shareholders or registered pledgees listed in the final shareholder register of June 30 every year.

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

In order to operate the general meeting of shareholders smoothly by relaxing the quorum for special resolution at the general meeting of shareholders, the Company has stipulated in the Articles of Incorporation that resolutions stipulated by Article 309, paragraph (2) of the Companies Act shall be approved by no less than two-thirds of voting rights with the attendance of shareholders who have no less than one-third of voting rights of shareholders who can exercise voting rights.

(xi) Purchase of treasury stock

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

(xii) Status of Board of Directors activities

a) Meetings and attendance

In principle, the Board of Directors holds a regular meeting once a month and an extraordinary meeting as necessary.

Attendance at Board of Directors meetings held during the current fiscal year is as follows.

Position (At the end of the current fiscal year)	Name	Attendance
Representative Director, Co-President and Executive Officer	Shoichiro Onishi	100% (14/14)
Representative Director, Co-President and Executive Officer	Masahiro Matsuoka	100% (14/14)
Director, Deputy President and Executive Officer	Tadaaki Komori	100% (14/14)
Director	Masao Nishihara	100% (10/10)
Director (Outside)	Kazuhito Osugi	100% (14/14)
Director (Outside)	Keiko Unotoro	100% (14/14)
Full-time Audit & Supervisory Board Member (Outside)	Takeshi Umemoto	100% (14/14)
Audit & Supervisory Board Member (Outside)	Kazuhiko Shimokobe	100% (14/14)
Audit & Supervisory Board Member (Outside)	Nobumichi Hattori	93% (13/14)

- (Notes)
1. Because Masao Nishihara was appointed Director by a resolution of the 16th Annual General Meeting of Shareholders held on March 24, 2023, the figures presented here reflect his attendance since assuming his position.
  2. Hiroko Noda, Audit & Supervisory Board Member (Outside), is omitted from the above table because she assumed her position on December 31, 2023.

b) Specific matters considered

Specific matters considered by the Board of Directors were as follows.

(Matters resolved)

Convocation of the annual general meeting of shareholders, yearly and quarterly closing of accounts, appropriation of surplus, personnel issues related to officers and executive officers, revisions to rules, budgets, corporate governance, sustainability, capital alliances, business alliances, fundraising, etc.

(Matters reported)

Monthly closing of accounts, performance of departments, results of internal audits, status of Risk Management Committee activities, etc.

(xiii) Status of non-statutory Nomination and Compensation Advisory Committee activities

A. Meetings and attendance

Meetings of the Nomination and Compensation Advisory Committee are held as and when necessary, and it was convened three times during the fiscal year under review.

Attendance at Nomination and Compensation Advisory Committee held during the current fiscal year is as follows.

	Position (At the end of the current fiscal year)	Name	Attendance
Chairperson	Director (Outside)	Kazuhito Osugi	100% (3/3)
Committee member	Representative Director, Co-President and Executive Officer	Shoichiro Onishi	100% (2/2)
Committee member	Representative Director, Co-President and Executive Officer	Masahiro Matsuoka	100% (2/2)
Committee member	Director (Outside)	Keiko Unotoro	100% (3/3)
Committee member	Audit & Supervisory Board Member (Outside)	Kazuhiko Shimokobe	100% (3/3)
Committee member	Audit & Supervisory Board Member (Outside)	Nobumichi Hattori	67% (2/3)

(Note) Attendance by Shoichiro Onishi and Masahiro Matsuoka excludes those meetings that they did not attend due to their having a special interest in the proposals tabled.

#### B. Specific matters considered

Specific matters considered by the Nomination and Compensation Advisory Committee are as follows.

- Original proposals for the election of candidates for Director to be submitted at the general meeting of shareholders
- Proposals for single-fiscal-year performance-based compensation
- Original proposals, etc. for remuneration of individual Directors to be submitted to the Board of Directors

#### Transition to a company with an Audit and Supervisory Committee

At the Annual General Meeting of Shareholders held on March 27, 2024, amendments to an Articles of Incorporation concerning the transition to a company with an Audit and Supervisory Committee were approved, and effective the same day the Company made the transition from a company with an Audit & Supervisory Board to a company with an Audit and Supervisory Committee.

(2) Officers

(i) List of officers

Male: Five Female: One (Ratio of women among officers: 16.7%)

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
Representative Director President and Executive Officer	Shoichiro Onishi	September 25, 1963	<p>Apr. 1992 Joined Okuno &amp; Partners Law Office (currently OKUNO &amp; PARTNERS)</p> <p>Apr. 1997 Partner</p> <p>June 2003 Joined Industrial Revitalization Corporation of Japan</p> <p>Nov. 2003 Managing Director</p> <p>Jan. 2004 Outside Corporate Auditor of Mitsui Mining Co., Ltd. (currently NIPPON COKE &amp; ENGINEERING. CO., LTD.)</p> <p>June 2004 Outside Director of Kanebo, Ltd.</p> <p>Mar. 2005 Outside Director of The Daiei, Inc.</p> <p>Jan. 2007 Counsel of OKUNO &amp; PARTNERS (current position)</p> <p>Jan. 2007 Founded the Company, Representative Director (current position)</p> <p>Sept. 2012 Representative Director and President of Frontier Turnaround Inc.</p> <p>July 2016 Representative Director and Chairman</p> <p>Nov. 2017 Representative Director of FCD Partners Inc. (current position)</p> <p>June 2020 Outside Director of Tokyo Electric Power Company Holdings, Incorporated (current position)</p> <p>Apr. 2022 President, CEO and COO of Frontier Capital Inc. (current position)</p>	(Note 2)	2,185,115
Director	Masao Nishihara	May 18, 1951	<p>Apr. 1975 Joined the Ministry of Finance</p> <p>July 2004 Director-General of the Inspection Bureau of the Financial Services Agency</p> <p>July 2007 Director-General of the Supervision Bureau</p> <p>July 2008 Secretary-General of the Executive Bureau of Securities and Exchange Surveillance Commission</p> <p>Aug. 2009 Senior Managing Director of Organization for Promoting Urban Development</p> <p>June 2013 Vice Chairman and Senior Managing Director of Regional Banks Association of Japan</p> <p>Aug. 2022 Advisor of the Company</p> <p>Mar. 2023 Director of the Company (current position)</p>	(Note 2)	511
Director (Audit and Supervisory Committee Member)	Takeshi Umemoto	June 8, 1950	<p>Mar. 1973 Joined Ito-Yokado Co., Ltd.</p> <p>Nov. 1992 Securities General Manager</p> <p>Jan. 1998 General Manager of Treasury and Securities Department</p> <p>Jan. 2004 General Manager of Business Development Department of IY Bank Co., Ltd. (currently Seven Bank, Ltd.)</p> <p>July 2005 General Manager of General Affairs Division</p> <p>May 2006 General Manager of Planning Division</p> <p>Oct. 2007 General Manager of Audit &amp; Supervisory Board Members' Office</p> <p>June 2011 Counselor of Audit &amp; Supervisory Board Members' Office</p> <p>Feb. 2012 Outside Audit &amp; Supervisory Board Member of the Company</p> <p>Mar. 2024 Director (Audit and Supervisory Committee Member) (current position)</p>	(Note 3)	40,000

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
Director (Audit and Supervisory Committee Member)	Kazuhito Osugi	July 31, 1953	<p>Apr. 1977 Nov. 1986 June 1999 May 2001 May 2003 July 2005 May 2006 Apr. 2007 Apr. 2009 Sept. 2011 Oct. 2015 Apr. 2016 June 2016 Aug. 2018 June 2021 Mar. 2024</p> <p>Joined Bank of Japan Economist of Bank for International Settlements (BIS) Branch Manager of Matsumoto Branch of Bank of Japan Deputy Branch Manager of Osaka Branch RM Manager and Senior Director of Industrial Revitalization Corporation of Japan Deputy Director-General of Financial System and Bank Examination Department and Head of Center for Advanced Financial Technology of Bank of Japan Internal Auditor and Director-General of Internal Auditors' Office Director-General of Secretariat of the Policy Board Visiting Professor of Ochanomizu University Auditor of Bank of Japan Advisor of Security Transport Business Division of Nippon Express Company, Limited Part-time Advisor of the Company Independent Outside Director of the Board of Nissha Printing Co., Ltd. (currently Nissha Co., Ltd.) (current position) Outside Director of the Company Outside Director of The Gunma Bank, Ltd. (current position) Outside Director (Audit and Supervisory Committee Member) (current position)</p>	(Note 3)	—
Director (Audit and Supervisory Committee Member)	Keiko Unotoro	October 26, 1954	<p>Apr. 1977 Apr. 2000 June 2004 Jan. 2007 June 2008 Jan. 2011 Nov. 2012 Apr. 2013 June 2013 Mar. 2015 June 2019 Dec. 2019 Apr. 2020 Apr. 2020 Aug. 2020 Jan. 2021 Mar. 2021 Sept. 2022 Jan. 2024 Mar. 2024</p> <p>Joined Secretariat of Japan Fair Trade Commission Part-time Lecturer of Graduate School of Economics of Senshu University (current position) Chief Hearing Examiner of General Secretariat of Japan Fair Trade Commission Director General of Trade Practices Department Senior Deputy Secretary General of Secretariat Director General of Economic Affairs Bureau Advisor of OH-EBASHI LPC &amp; PARTNERS (current position) Professor of Faculty of Business Administration of Toyo Gakuen University Outside Director of Olympus Corporation Outside Director of Bridgestone Corporation Outside Director of SAN-AI OIL CO., LTD. (currently SAN-AI OBBLI CO., LTD.) (current position) Member of Investment and Miscellaneous Issues Working Group of Council for Regulatory Reform Specially Appointed Professor of Faculty of Business Administration of Toyo Gakuen University Outside Director (Audit and Supervisory Committee Member) of OS Co., Ltd. (current position) Outside Director of OHBA CO., LTD. (current position) Commissioner of Public Security Examination Commission (current position) Outside Director of the Company Auditor of Tokyo Metropolitan Public University Corporation (current position) Advisor of T&amp;K Partners (current position) Outside Director (Audit and Supervisory Committee Member) (current position)</p>	(Note 3)	—

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
Director (Audit and Supervisory Committee Member)	Hikaru Minami	February 25, 1957	Apr. 1977 Joined Marubeni Corporation Apr. 2010 Executive Officer and Head of Finance, Logistics, and Information Division Apr. 2013 Managing Executive Officer and Head of Information, Finance, and Real Estate Division Apr. 2015 Managing Executive Officer; CAO; CIO; Assistant to Director of Audit Dept.; Chairman of Compliance Committee; Chairman of Internal Control Committee; Chairman of IT Strategy Committee; and Vice Chairman of Investment and Credit Committee Jun. 2015 Representative Director; Managing Executive Officer; CAO; CIO; Assistant to Director of Audit Dept.; Chairman of Compliance Committee; Chairman of Internal Control Committee; Chairman of IT Strategy Committee; and Vice Chairman of Investment and Credit Committee Nov. 2017 Representative Director; Managing Executive Officer; CAO; CIO; Assistant to Director of Audit Dept.; Assistant to Director of New Office Building Project Office; Chairman of Compliance Committee; Chairman of Internal Control Committee; Chairman of IT Strategy Committee; and Vice Chairman of Investment and Credit Committee Apr. 2018 Representative Director; Managing Executive Officer; and Chief Executive Officer, Consumer Products Group Jun. 2018 Managing Executive Officer and Chief Executive Officer, Consumer Products Group Apr. 2019 Managing Executive Officer June 2019 Audit & Supervisory Board Member Mar. 2024 Outside Director (Audit and Supervisory Committee Member) (current position)	(Note 3)	–
Total					2,225,626

- (Notes) 1. Directors who are Audit and Supervisory Committee Members Kazuhito Osugi, Keiko Unotoro and Hikaru Minami are Outside Directors.
2. From the conclusion of the annual general meeting of shareholders held on March 27, 2024 to the conclusion of the annual general meeting of shareholders for the fiscal year ending December 2024.
3. From the conclusion of the annual general meeting of shareholders held on March 27, 2024 to the conclusion of the annual general meeting of shareholders for the fiscal year ending December 2025.
4. The Company has introduced the Executive Officer system to invigorate the Board of Directors meetings by separating decision-making/supervision and execution. Executive Officers (excluding those who concurrently serve as Director) are as follows.

Deputy President and Executive Officer	Tadaaki Komori	(Head of M&A Advisory Business, Head of Marketing Department, and Director of Athema)
Senior Managing Executive Officer	Sumio Nishizawa	(General Manager of Business Development Department, Branch Manager of Osaka Branch, Branch Manager of Fukuoka Branch, and Advisor of Frontier Capital Inc.)
Senior Managing Executive Officer	Akinori Nishida	(Head of Management Executive Support Department)
Executive Officer	Yoshiaki Shiraishi	(Co-Head of Company Planning and Administration Department, General Manager of Company Planning Division, and Head of Value Creation Platform Department)
Executive Officer	Yoshiki Nakamura	(Head of Professional Service Department, General Manager of Professional Service Division, General Manager of Transaction Advisory Division, and Manager of Healthcare Business Section)
Executive Officer	Hiroaki Hamada	(Head of Company Planning and Administration Department and Auditor of Frontier Management (Shanghai) Inc., and Audit & Supervisory Board Member of Frontier Capital Inc.)
Executive Officer	Shinji Hikoe	(Co-Head of Consumer Strategy & Operation Department)
Executive Officer	Kyogo Murase	(Co-Head of Industrial Strategy & Operation Department)
Executive Officer	Tomohiro Murata	(General Manager of Industry Research Department)
Executive Officer	Masaya Yajima	(Assistant to Company Planning and Administration Department, seconded to Frontier Capital Inc., Co-CIO and General Manager of Investment Business Division)

(ii) Outside officers

The Company has elected three Outside Directors who are Audit and Supervisory Committee Members. The number of the Company's shares held by the Outside Directors who are Audit and Supervisory Committee Members is as described in the "Number of shares held" column of "(i) List of officers."

The Company decided that Outside Director who is an Audit and Supervisory Committee Member Kazuhito Osugi would utilize his in-depth knowledge of economy, finance and business revitalization, accumulated in serving in key positions at the Bank of Japan and Industrial Revitalization Corporation of Japan, in strengthening the supervisory function of the Company's Board of Directors. It also judged that Keiko Unotoro would utilize her in-depth insights into economic laws, competition policy and corporate compliance as well as abundant experience, accumulated in serving in key positions at the Japan Fair Trade Commission, in strengthening the supervisory function of the Company's Board of Directors. Finally, the Company also determined that Hikaru Minami would utilize his expertise in finance and accounting accumulated through his previous operational experience, as well as his knowledge related to all aspects of the management of general trading companies and global business management, to contribute to improving corporate value going forward.

Accordingly, the Company has elected all three individuals as Outside Directors. These three persons meet the requirements for independent officers stipulated by the Tokyo Stock Exchange, and the Company has decided that there is no conflict of interest with general shareholders and designated them as independent officers.

As the criteria and policy on independence for the election of Outside Directors, the Company has determined the composition of the Board of Directors and the policy on the election of candidates for Directors. For the election of candidates for Outside Directors, based on the policy, the Company nominates as candidates those who are deemed to be able to ensure sufficient independence for executing their duties as an Outside Director in a position independent from the management of the Company.

(iii) Supervision or audit by Outside Directors, mutual coordination of internal audits, audits by Audit and Supervisory Committee Members and accounting audits, and relationship with the internal control department

Outside Directors who are Audit and Supervisory Committee Members supervise business execution by the Board of Directors, and conduct audits of the supervision of business execution and decision-making by the Board of Directors.

In terms of the Audit and Supervisory Committee audit system, the Audit and Supervisory Committee has four members, three of whom are Outside Directors who are Audit and Supervisory Committee Members and whose independence is thus assured. In addition, Directors who are Audit and Supervisory Committee Members are striving to share information on audit matters in cooperation with internal auditors and Accounting Auditor.

For the internal audit system, the Company has established the Internal Audit Office, with one of the internal auditors conducting audits on the "effectiveness of internal control and the appropriateness of the management targets" across the company. The status of internal audits is reported by the Internal Audit Office at the Board of Directors and Audit and Supervisory Committee.

(3) Status of audits

As a result of the partial amendment of the Articles of Incorporation being approved at the 17th Annual General Meeting of Shareholders held on March 27, 2024, effective the same day, the Company made the transition from a company with an Audit & Supervisory Board to a company with an Audit and Supervisory Committee. “(i) Status of audits by Audit and Supervisory Committee, A. Organization, headcount, and procedures” describes the situation after the transition, and the status of the Company as a company with an Audit & Supervisory Board during the fiscal year under review is described from “(i) Status of audits by Audit and Supervisory Committee, B. Status of activities of Audit & Supervisory Board Members and Audit & Supervisory Board” onward.

(i) Status of audits by Audit and Supervisory Committee

A. Organization, headcount, and procedures

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

B. Status of activities of Audit & Supervisory Board Members and Audit & Supervisory Board

During the fiscal year under review, the Company held 15 meetings of the Audit & Supervisory Board. Attendance by individual Audit & Supervisory Board Members is as follows.

Name	Number of meetings held	Number of times of attendance
Takeshi Umemoto	15	15
Kazuhiko Shimokobe	15	15
Nobumichi Hattori	15	14

(Note) Hiroko Noda, Audit & Supervisory Board Member, is omitted from the above table because she assumed her position on December 31, 2023.

Specific matters considered by the Audit & Supervisory Board are as follows.

- Formulation of audit policy and audit plans, allocation of duties to Audit & Supervisory Board Members, preparation of audit reports
- Approval for reappointment and remuneration of Accounting Auditor
- Reports on results of audits and reviews by Accounting Auditor
- Reports, etc. on status and results of internal audits

(ii) Status of internal audits

The Company has established the Internal Audit Office as an organization that reports directly to the Representative Director and has one full-time staff member. The Internal Audit Office implements internal audits of each department in accordance with an internal audit plan for which approval has been obtained from the Representative Director, with the objective of ensuring the effectiveness and efficiency of operations. In addition to reporting the results of audits on a monthly basis to the Representative Director and the Full-Time Audit & Supervisory Board Member, the Internal Audit Office also provides quarterly reports to the Audit & Supervisory Board and the Board of Directors.

The Internal Audit Office cooperates closely with the Audit & Supervisory Board and the Accounting Auditor, ensuring greater effectiveness through sharing of information necessary for audits.

(iii) Status of accounting audits

A. Name of the audit firm

KPMG AZSA LLC



B. Continuous audit period

Eight years

C. Certified public accountants who executed the operation

Masaki Sugiyama, Designated Limited Liability Partner and Executive Member

Yoshinori Saito, Designated Limited Liability Partner and Executive Member

D. Composition of assistants for audit operations

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

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

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

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

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

(iv)Description of audit fees

A. Fees for auditing certified public accountants and others

(Thousands of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit certification services	Fees for non-audit services	Fees for audit certification services	Fees for non-audit services
Submitter company	28,608	—	36,990	—
Consolidated subsidiary	5,000	—	5,832	20,160
Total	33,608	—	42,822	20,160

- (Notes)
- During the previous fiscal year, the Company paid additional fees of ¥5,964 thousand for audit in the fiscal year before the previous one to Accounting Auditor KPMG AZSA LLC.
  - During the fiscal year on the review, the Company paid additional fees of ¥4,000 thousand for the audit in the previous fiscal year to Accounting Auditor KPMG AZSA LLC, as well as additional fees of ¥1,936 thousand in relation to the audits of consolidated subsidiaries.

(Description of non-audit services performed by auditing certified public accountants and others for consolidated subsidiaries)

Previous fiscal year

Not applicable

Current fiscal year

Non-audit services performed at consolidated subsidiaries consisted of financial research and other procedures.

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

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

C. Description of fees for other important audit certification services

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

D. Policy for the decision on audit fees

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

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

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

(4) Compensation for officers

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

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

A. Basic policy

To provide compensation that enables the Company to appoint as Directors the finest persons who practice the corporate mission and contribute to the achievement of short-term performance targets, achievement of medium- to long-term performance targets, and continuous enhancement of corporate value. At the Company, we will create a compensation system that is highly transparent, fair, and reasonable to ensure accountability to our stakeholders.

B. Compensation composition

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

The compensation structure ratio of each performance-based compensation to basic compensation for Directors (excluding Outside Directors) will be determined in accordance with the category of the officers.

C. Basic compensation

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

D. Single-fiscal-year performance-based compensation

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

The maximum amount of single-fiscal-year performance-based compensation (total amount to be paid to all Eligible Directors) is the smaller of either one-third of an amount in excess of targeted operating income, or a total amount of 18-month basic compensation for the Representative Directors and nine-month basic compensation for Eligible Directors (excluding Representative Directors).

The amount of single-fiscal-year performance-based compensation to be paid to Eligible Directors is determined in light of: i) the degree of contribution to performance in relation to an amount in excess of targeted operating income; and ii) the maximum amount of compensation for the Eligible Directors, and the like.

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

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

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

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

	(Thousands of yen)	
	Target	Actual amount
Consolidated operating income	1,200,000	1,251,629

#### E. Medium- to long-term performance-based compensation

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

In principle, after the end of the period falling under the medium-term management plan, the number of shares with respect to which the transfer restriction is lifted will be determined, regarding such shares granted during such period, in accordance with the degree of achievement of the management target for the medium-term management plan, the degree of enhancement of corporate value, and the like.

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

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

Shown below are the targets for the indicators for medium- to long-term performance-based compensation.

	Target	Evaluation ratio
Consolidated net sales	¥8,700,000 thousand	30%
Consolidated operating margin	20%	30%
Consolidated ROE	At least 20%	30%
ESG, SDGs	Items shown in the medium-term management plan	10%

Shown below are the actual amount for the indicators for medium- to long-term performance-based compensation.

	Actual amount	Level of achievement
Consolidated net sales	¥10,025,083 thousand	115.2%
Consolidated operating margin	12.5%	62.4%
Consolidated ROE	23.6%	117.8%
ESG, SDGs	—	50.0%

#### F. Compensation governance

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

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

The General Meeting of Shareholders held on March 24, 2022 passed a resolution for setting monetary compensation, comprised of the basic compensation and single-fiscal-year performance-based compensation at ¥400 million or less per year (including ¥25 million or less per year for Outside Directors but excluding employee salaries for Directors concurrently serving as employees). The number of Directors (including two Outside Directors) at the conclusion of said General Meeting of Shareholders was five.

The Annual General Meeting of Shareholders held on March 25, 2021 passed a resolution for stock-based compensation for the Company's Directors excluding Outside Directors, separately from the aforementioned monetary compensation: the total value and total number of shares of the Company's common stock to be issued or disposed of as stock-based compensation A at ¥100 million or less per year and 40,000 shares or less per year, respectively; and the total value and total number of shares of the Company's common stock to be issued or disposed of as stock-based compensation B at ¥50 million or less per year and 20,000 shares or less per year, respectively. The number of Directors (excluding Outside Directors) at the conclusion of said General Meeting of Shareholders was three.

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

Audit & Supervisory Board Members at the conclusion of said General Meeting of Shareholders was three.

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

Officer category	Total amount of compensation, etc. (Thousands of yen)	Total amount of compensation, etc. by category (Thousands of yen)				Number of target officers
		Basic compensation	Performance-based compensation	Performance-based stock compensation	of which at left, non-monetary compensation	
Directors (excluding Outside Directors)	236,021	177,400	38,000	20,621	20,621	4 persons
Outside Officers	48,050	48,050	—	—	—	6 persons

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

Name	Total amount of consolidated compensation, etc. (Thousands of yen)	Officer category	Company category	Amount of compensation, etc. by category (Thousands of yen)			
				Basic compensation	Performance-based compensation	Performance-based stock compensation	of which at left, non-monetary compensation
Shoichiro Onishi	107,703	Director	Submitter company	80,000	18,018	9,683	9,683
Masahiro Matsuoka	107,703	Director	Submitter company	80,000	18,018	9,683	9,683

(iv) Most important employee salary for officers concurrently serving as an employee  
Not applicable.

#### (5) Stocks held

(i) Criteria and approach to category of investment stocks

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

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

A. Method of verifying the policy for holding and the rationality of holding, as well as the description of verification of the appropriateness of holding individual issues at the meeting of Board of Directors, etc.  
Not applicable

B. Number of issues and amount recorded on non-consolidated balance sheet  
Not applicable

(Issues whose number of shares increased during the current fiscal year)  
Not applicable.

(Issues whose number of shares decreased during the current fiscal year)  
Not applicable.

C. Information on the number of specified investment stocks and deemed holding of stocks by issue, amount recorded on the non-consolidated balance sheet, etc.  
Not applicable.

(iii) Investment stocks held for pure investment purposes  
Not applicable.

## V. Accounting

### 1. Consolidated Financial Statements and Preparation Method

- (1) The Company's consolidated financial statements are prepared in accordance with the Regulations on Terms, Forms, and Preparation Method for Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976).
- (2) The Company's non-consolidated financial statements are prepared in accordance with the Regulations on Terms, Forms, and Preparation Method for Non-consolidated Financial Statements (Ministry of Finance Ordinance No. 59 of 1963; hereinafter the "Financial Statement Regulations").  
Further, the Company falls under the definition of a special company submitting financial statements, and financial statements are prepared pursuant to the provisions of Article 127 of the Financial Statement Regulations.

### 2. Audit Certification

KPMG AZSA LLC audited the Company's consolidated financial statements and non-consolidated financial statements for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023) in accordance with the provision of Article 193-2, Paragraph (1) of the Financial Instruments and Exchange Act.

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

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

# 1. Consolidated Financial Statements

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	3,199,089	5,838,745
Notes and accounts receivable, and contract assets	Note1) 912,827	Note1) 1,494,319
Operational investment securities	23,833	516,904
Other	164,580	325,208
Allowance for doubtful accounts	(24,214)	(15,247)
Total current assets	4,276,116	8,159,931
Fixed assets		
Tangible fixed assets		
Buildings, net	282,593	252,933
Tools, furniture and fixtures, net	31,122	29,353
Total tangible fixed assets	Note2) 313,716	Note2) 282,287
Intangible fixed assets		
Software	10,471	10,222
Goodwill	265,130	235,671
Customer-related assets	18,750	12,500
Other	102	1,420
Total intangible fixed assets	294,454	259,814
Investments and other assets		
Investment securities	3,591	296
Investments in affiliates	51,707	1,301,800
Investments in capital of subsidiaries and associates	2,485	1,963
Lease deposits	361,403	355,817
Deferred tax assets	346,194	419,285
Other	1,595	87,842
Total investments and other assets	766,978	2,167,006
Total fixed assets	1,375,149	2,709,108
Deferred assets		
Organization expenses	7,379	5,642
Total deferred assets	7,379	5,642
Total assets	5,658,644	10,874,682

(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	71,030	111,549
Current portion of long-term debt	138,388	237,313
Accounts payable-other	128,860	183,039
Income taxes payable	288,143	421,277
Provision for bonuses	764,486	994,085
Provision for directors' bonuses	5,050	43,555
Provision for shareholder benefit program	13,924	25,849
Other	Note3) 458,742	Note3) 552,345
Total current liabilities	1,868,624	2,569,015
Fixed liabilities		
Long-term debt	639,313	1,352,000
Asset retirement obligations	134,750	131,303
Total fixed liabilities	774,063	1,483,303
Total liabilities	2,642,688	4,052,318
<b>Net assets</b>		
Shareholders' equity		
Paid-in capital	210,062	374,743
Capital surplus	577,503	734,019
Retained earnings	2,139,619	2,599,348
Treasury stock	(8,246)	(8,363)
Total shareholders' equity	2,918,939	3,699,747
Other accumulated comprehensive income		
Foreign currency translation adjustments	8,352	1,198
Total other accumulated comprehensive income	8,352	1,198
Share award rights	–	19,000
Stock acquisition rights	34,673	37,130
Non-controlling interests	53,990	3,065,287
Total net assets	3,015,956	6,822,364
<b>Total liabilities and net assets</b>	<b>5,658,644</b>	<b>10,874,682</b>



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

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Net sales	Note) 7,915,655	Note) 10,025,083
Cost of sales	3,230,126	4,497,697
Gross income	4,685,528	5,527,385
Selling, general and administrative expenses		
Salaries and allowances	1,419,541	1,594,497
Provision for bonuses	364,820	446,907
Provision for directors' bonuses	2,025	40,227
Recruiting expenses	469,080	406,633
Retirement benefit expenses	23,259	24,892
Provision for shareholder benefit program	6,845	11,924
Provision recorded for allowance for doubtful accounts	6,903	—
Other	1,484,921	1,750,672
Total selling, general and administrative expenses	3,777,396	4,275,756
Operating income	908,131	1,251,629
Non-operating income		
Interest income	158	135
Equity in earnings of affiliates	8,059	4,053
Insurance dividend income	1,802	2,130
Administrative fees received	1,502	1,247
Reversal of allowance for doubtful accounts	—	520
Gain on forfeiture of unclaimed dividends	—	1,467
Foreign exchange gains	9,158	1,013
Other	375	17
Total non-operating income	21,057	10,586
Non-operating expenses		
Interest expense	7,429	11,403
Share issuance costs	—	11,908
Other	247	330
Total non-operating expenses	7,676	23,642
Ordinary income	921,511	1,238,574
Extraordinary income		
Gain on sale of investment securities	—	1,675
Total extraordinary income	—	1,675
Extraordinary losses		
Loss on valuation of investment securities	53,505	—
Total extraordinary losses	53,505	—
Income before income taxes	868,006	1,240,249
Income taxes	366,689	521,059
Income taxes-deferred	(65,019)	(73,091)
Total income taxes	301,670	447,968
Net income	566,336	792,280
Net income attributable to owners of non-controlling interests	9,614	11,597
Net income attributable to owners of parent	556,722	780,683

## Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Net income	566,336	792,280
Other comprehensive income		
Foreign currency translation adjustment	(1,027)	(178)
Share of other comprehensive income of entities accounted for using equity method	—	(6,975)
Total other comprehensive income	Note) (1,027)	Note) (7,154)
Comprehensive income	565,308	785,126
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	555,694	773,529
Comprehensive income attributable to non-controlling interests	9,614	11,597

(iii) Consolidated Statements of Changes in Shareholders' Equity  
Previous fiscal year (January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	178,723	558,745	1,696,822	(36,575)	2,397,717
Change during the period					
Issuance of new shares (exercise of stock acquisition rights)	26,806	26,806			53,613
Dividends of surplus			(113,925)		(113,925)
Net income attributable to owners of parent			556,722		556,722
Restricted stock awards	4,532	(8,048)		28,329	24,812
Capital increase of consolidated subsidiaries					
Net changes of items other than shareholders' equity (net)					
Total changes during the period	31,338	18,758	442,796	28,329	521,222
Ending balance	210,062	577,503	2,139,619	(8,246)	2,918,939

	Other accumulated comprehensive income		Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Total other accumulated comprehensive income			
Opening balance	9,380	9,380	46,969	—	2,454,066
Change during the period					
Issuance of new shares (exercise of stock acquisition rights)					53,613
Dividends of surplus					(113,925)
Net income attributable to owners of parent					556,722
Restricted stock awards					24,812
Capital increase of consolidated subsidiaries					
Net changes of items other than shareholders' equity (net)	(1,027)	(1,027)	(12,295)	53,990	40,666
Total changes during the period	(1,027)	(1,027)	(12,295)	53,990	561,889
Ending balance	8,352	8,352	34,673	53,990	3,015,956

Current fiscal year (January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	210,062	577,503	2,139,619	(8,246)	2,918,939
Change during the period					
Issuance of new shares	153,819	153,819			307,638
Issuance of new shares (exercise of stock acquisition rights)	5,518	5,518			11,036
Dividends of surplus			(320,954)		(320,954)
Net income attributable to owners of parent			780,683		780,683
Purchase of treasury stock				(117)	(117)
Restricted stock awards	5,343	(3,722)			1,621
Capital increase of consolidated subsidiaries		900			900
Net changes of items other than shareholders' equity (net)					
Total changes during the period	164,680	156,515	459,729	(117)	780,807
Ending balance	374,743	734,019	2,599,348	(8,363)	3,699,747

	Other accumulated comprehensive income		Share award rights	Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Total other accumulated comprehensive income				
Opening balance	8,352	8,352	—	34,673	53,990	3,015,956
Change during the period						
Issuance of new shares						307,638
Issuance of new shares (exercise of stock acquisition rights)						11,036
Dividends of surplus						(320,954)
Net income attributable to owners of parent						780,683
Purchase of treasury stock						(117)
Restricted stock awards						1,621
Capital increase of consolidated subsidiaries						900
Net changes of items other than shareholders' equity (net)	(7,154)	(7,154)	19,000	2,457	3,011,297	3,025,600
Total changes during the period	(7,154)	(7,154)	19,000	2,457	3,011,297	3,806,407
Ending balance	1,198	1,198	19,000	37,130	3,065,287	6,822,364

## (iv) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Net cash provided by (used in) operating activities		
Income before income taxes	868,006	1,240,249
Depreciation and amortization	47,495	67,567
Amortization of deferred assets	1,302	1,736
Amortization of goodwill	29,458	29,458
Amortization of customer-related assets	6,250	6,250
Equity in losses (earnings) of investments	(8,059)	(4,053)
Charges for stock compensation	88,167	45,322
Share issuance costs	–	11,908
Loss (gain) on sale of investment securities (–: profit)	–	(1,675)
Loss (gain) on valuation of investment securities (–: profit)	53,505	–
Increase (decrease) in provision for bonuses	211,471	229,599
Increase (decrease) in provision for directors' bonuses	5,050	38,505
Increase (decrease) in provision for shareholder benefit program	6,845	11,924
Increase (decrease) in allowance for doubtful accounts	6,952	(8,967)
Interest income	(158)	(135)
Interest expense	7,429	11,403
Decrease (increase) in notes and accounts receivable-trade	215,932	(581,178)
Decrease (increase) in operational investment securities	(13,995)	(493,071)
Increase (decrease) in notes and accounts payable-trade	11,792	40,356
Increase (decrease) in accounts payable-other	22,160	60,362
Other	42,018	(55,094)
Subtotal	1,601,625	650,469
Interest received	158	135
Interest paid	(8,433)	(12,665)
Income taxes paid	(343,093)	(412,331)
Net cash provided by (used in) operating activities	1,250,257	225,607
Net cash provided by (used in) investing activities		
Purchases of tangible fixed assets	(87,142)	(37,192)
Purchase of intangible assets	(3,133)	(7,224)
Additional investments in newly consolidated entities	Note2) (238,932)	–
Payments for asset retirement obligations	–	(3,530)
Purchase of stocks of subsidiaries and associates	–	(1,252,492)
Disbursement for investments in capital of subsidiaries and associates	(2,500)	–
Proceeds from sale of investment securities	–	4,970
Payments for lease and guarantee deposits	(148,174)	(2,046)
Proceeds from collection of lease and guarantee deposits	1,652	7,685
Purchase of deferred charges	(8,681)	–
Purchase of investments and other assets	–	(87,842)
Net cash provided by (used in) investing activities	(486,911)	(1,377,671)

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Net cash provided by (used in) financing activities		
Proceeds from long-term debt	860,000	1,000,000
Repayments of long-term debt	(90,284)	(188,388)
Purchase of treasury stock	—	(117)
Dividends paid	(113,750)	(320,408)
Dividends paid to non-controlling interests	(11,100)	—
Proceeds from issuance of stocks	—	306,231
Proceeds from capital increase of consolidated subsidiaries	—	2,990,098
Proceeds from exercise of stock options	1,669	316
Net cash provided by (used in) financing activities	646,534	3,787,732
Effect of exchange rate changes on cash and cash equivalents	4,991	3,988
Net (decrease) increase in cash and cash equivalents	1,414,871	2,639,656
Cash and cash equivalents at beginning of period	1,784,218	3,199,089
Cash and cash equivalents at end of period	Note1) 3,199,089	Note1) 5,838,745

## Notes to Consolidated Financial Statements

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

### 1. Matters regarding the scope of consolidation

All subsidiaries of the Company are consolidated.

Number of consolidated subsidiaries            3

Names of consolidated subsidiaries

Frontier Management (Shanghai) Inc.

Celebrain Corporation

Frontier Capital Inc.

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

#### (1) Number of equity method affiliates            3

Names of equity method affiliates

FCD Partners Inc.

Frontier Nanto Investment Godo Kaisha

Athema

The above includes Anthema, which became an equity-method affiliate following the acquisition of its shares in the fiscal year under review.

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

### 3. Matters regarding consolidated subsidiary fiscal years

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

### 4. Matters regarding accounting policies

#### (1) Valuation standards and valuation methods for significant assets

Securities

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

Securities without market value, etc.

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

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

##### A. Tangible fixed assets

Tangible fixed assets of the Company and its domestic consolidated subsidiaries are depreciated using the declining-balance method and those of its overseas consolidated subsidiaries are depreciated using the straight-line method.

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

Useful lives are mainly as follows:

Buildings (fixtures)                            2 to 15 years

Tools, furniture and fixtures            2 to 20 years

##### B. Intangible fixed assets

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

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

Also, customer-related assets and trademark rights are amortized using the straight-line method in accordance with their effective period (4 years for customer-related assets and 10 years for trademark rights).

#### (3) Treatment method for deferred assets

Organization expenses: amortized using the straight-line method over a five-year period.

#### (4) Standard for recording allowances or provisions of importance

##### A. Allowance for doubtful accounts

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

##### B. Provision for bonuses

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

C. Provision for directors' bonuses

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

D. Provision for shareholder benefit program

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

(5) Accounting treatment for retirement benefits

The Company has adopted a defined contribution pension program. Expenses related to retirement benefits under the defined contribution pension program are recognized at the time of contribution.

(6) Standard for recording revenues and expenses of importance

Details of the main performance obligations and the usual timing of satisfying the performance obligations (ordinary timing of recognizing revenue) in the main businesses of the Company and its consolidated subsidiaries related to revenue from contracts with customers are as follows.

- Recognition of revenue related to Consulting and Advisory (excluding success fees)

In the Consulting and Advisory Business, services such as management consulting, M&A advisory, and revitalization support are provided based on outsourcing contracts concluded with customers, and these services which are agreed to with customers are the performance obligations. Since these performance obligations are generally satisfied during the outsourcing period stipulated in the outsourcing contract, revenue is recognized over the outsourcing period.

- Success fees

Success fees, which are generated mainly in M&A advisory services, are recognized when the conditions for accruing success fees defined in an outsourcing contract are met, such as when a contract is concluded between the client company and its counterparty.

- Revenue recognition related to agency transactions

Regarding usage fees, etc. for services related to the talent management system provided by our consolidated subsidiary, the role of the consolidated subsidiary is determined as corresponding to that of an agent, and revenue is recognized as the net amount after relevant costs are deducted from the total consideration received from the customer.

(7) Goodwill amortization method and amortization term for goodwill

Goodwill is amortized using the straight-line method over a ten-year period.

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

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

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

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

(Changes to accounting policies)

(Policy on application of accounting standard for fair value measurement, etc.)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; "the Implementation Guidance on Accounting Standard for Fair Value Measurement") has been applied from the beginning of the fiscal year under review, and in accordance with the transitional treatment in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, we have decided that the new accounting policies prescribed in the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied in the future. This will not have an effect on the consolidated financial statements.



(Accounting standards not applied)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

ASBJ Statement No. 28 “Partial Amendments to Accounting Standard for Tax Effect Accounting” (“ASBJ Statement No. 28, etc.”) was published in February 2018. During the course of discussions leading up to the completion of the transfer of JICPA’s practical guidelines on tax effect accounting to ASBJ, the following two points were deliberated and published in accordance with the intention of examining them after the publication of ASBJ Statement No. 28, etc.

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects relating to sale of the stocks of subsidiaries, etc. (stocks of subsidiaries or associates) when a group taxation regime has been applied

(2) Planned date of initial application

The accounting standard will begin to be applied from the start of the fiscal year ending December 31, 2025.

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

The impact on the consolidated financial statements of the application of “Accounting Standard for Current Income Taxes” etc. is still being assessed.

(Additional Information)

(Increase in non-controlling interests following capital increase by subsidiary)

At meetings of the Board of Directors held on December 27, 2022, and February 10, 2023, the Company resolved that consolidated subsidiary Frontier Capital Inc. would raise funds through a third-party allocation of shares. Payments were completed on January 18, 2023 and February 28, 2023 respectively, resulting in the procurement of ¥3,000,600 thousand in funds.

As a result, the capital surplus of the Group rose by ¥900 thousand, and non-controlling interests increased by ¥2,999,700 thousand.

The shares issued as a result of this increase in capital via third-party allocation were 29,997 Class A shares and 9 Class B shares, for a total of 30,006 shares, with the details of each class of shares being as follows.

[Class A shares]

- Dividends of surplus in cash are made to Class A shareholders prior to shareholders, etc. who hold other types of shares.
- The distribution of residual assets to allottees shall be made prior to shareholders, etc. who hold other types of shares.
- The allottees cannot exercise voting rights at the general meeting of shareholders of Frontier Capital Inc.
- The Class A shareholders may demand acquisition of all or a part of the Class A shares against Frontier Capital Inc. in exchange for the payment of money after 10 years has passed from the date of the first issuance of the Class A shares.

[Class B shares]

- The payment of dividends of surplus will not be made to Class B shareholders.
- The distribution of residual assets to allottees shall be made to Class B shareholders, etc. prior to Class C shareholders, etc. and common shareholders, etc. in the case of further distribution of residual assets after distribution of residual assets to Class A shareholders.
- The allottees hold one voting right for each Class B shares at the general meeting of shareholders of Frontier Capital Inc.

(Consolidated Balance Sheet)

Note 1) Among notes and accounts receivable, and contract assets, the amount of liabilities arising from contracts with customers is presented in “Notes (Revenue recognition) of 3. (1) Balance of contract assets and contract liabilities, etc.” of the consolidated financial statements.

Note 2) Cumulative depreciation of tangible fixed assets

(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
	134,531	187,804

Note 3) Among other current liabilities, the amount of contract liabilities is presented in “Notes (Revenue recognition) of 3. (1) Balance of contract assets and contract liabilities, etc.” of the consolidated financial statements.

(Consolidated Statement of Income)

Note) Revenue from contracts with customers

Net sales are not presented as being categorized into revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is presented in “Notes (Revenue recognition), 1. Disaggregated information on revenue from contracts with customers” in the consolidated financial statements.

(Consolidated Statements of Comprehensive Income)

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

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Foreign currency translation adjustments:		
Amounts recorded for the current fiscal year	(1,027)	(178)
Share of other comprehensive income of entities accounted for using equity method:		
Amounts recorded for the current fiscal year	—	(6,975)
Total other comprehensive income	(1,027)	(7,154)

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

Previous fiscal year (January 1, 2022 to December 31, 2022)

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

	Beginning number of shares for the current fiscal year (Shares)	Increase in number of shares during the current fiscal year (Shares)	Decrease in number of shares during the current fiscal year (Shares)	Ending number of shares for the current fiscal year (Shares)
Number of shares outstanding				
Common stock (Note 1)	11,418,398	50,080	—	11,468,478
Total	11,418,398	50,080	—	11,468,478
Treasury stock				
Common stock (Note 2)	25,819	—	19,998	5,821
Total	25,819	—	19,998	5,821

(Notes) 1. An increase of 50,080 shares in the total number of common stock shares outstanding was caused by exercise of stock options.

2. A decrease of 19,998 shares in the number of treasury common stock shares was caused by disposing of treasury stock shares for restricted stock compensation.

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

Category	Breakdown of stock acquisition rights	Class of stock underlying stock acquisition rights	Number of shares of stock underlying stock acquisition rights (Shares)				Ending balance for the current fiscal year (Thousands of yen)
			Start of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	End of the current fiscal year	
Submitter company (Parent company)	Stock acquisition rights as stock options	—	—	—	—	—	34,673
Total		—	—	—	—	—	34,673

## 3. Matters regarding dividend

## (1) Dividends paid

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

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

(Resolution)	Class of stock	Total cash dividends paid (Thousands of yen)	Sources of dividends	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders held on March 24, 2023	Common stock	320,954	Retained earnings	28	December 31, 2022	March 27, 2023

Current fiscal year (January 1, 2023 to December 31, 2023)

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

	Beginning number of shares for the current fiscal year (Shares)	Increase in number of shares during the current fiscal year (Shares)	Decrease in number of shares during the current fiscal year (Shares)	Ending number of shares for the current fiscal year (Shares)
Number of shares outstanding				
Common stock (Note 1)	11,468,478	257,979	–	11,726,457
Total	11,468,478	257,979	–	11,726,457
Treasury stock				
Common stock (Note 2)	5,821	2,082	–	7,903
Total	5,821	2,082	–	7,903

(Notes) 1. The increase of 257,979 shares in the total number of common shares outstanding consisted of 223,900 shares resulting from a third-party allocation, 19,999 shares from a new share issuance for restricted stock awards, and 14,080 shares from the exercise of stock options.

2. The increase of 2,082 shares in the number of common stock treasury shares consisted of the gratis acquisition of 2,000 shares subject to transfer restriction and 82 shares arising from repurchases of shares less than one unit.

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

Category	Breakdown of stock acquisition rights	Class of stock underlying stock acquisition rights	Number of shares of stock underlying stock acquisition rights (Shares)				Ending balance for the current fiscal year (Thousands of yen)
			Start of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	End of the current fiscal year	
Submitter company (Parent company)	Stock acquisition rights as stock options	–	–	–	–	–	37,130
Total		–	–	–	–	–	37,130

3. Matters regarding dividend

(1) Dividends paid

(Resolution)	Class of stock	Total cash dividends paid (Thousands of yen)	Sources of dividends	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders held on March 24, 2023	Common stock	320,954	Retained earnings	28	December 31, 2022	March 27, 2023

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

(Resolution)	Class of stock	Total cash dividends paid (Thousands of yen)	Sources of dividends	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders held on March 27, 2024	Common stock	480,460	Retained earnings	41	December 31, 2023	March 28, 2024

(Consolidated Statements of Cash Flows)

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

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Cash and deposits	3,199,089	5,838,745
Cash and cash equivalents	3,199,089	5,838,745

Note 2) Description of non-monetary transactions

Please see “Notes (Asset retirement obligation)” regarding the recording of significant asset retirement obligations.

(Lease transactions)

(Lessee)

1. Financial lease transactions

Not applicable.

2. Operating lease transactions

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

(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Within one year	385,524	388,266
In excess of one year	238,105	869,973
Total	623,629	1,258,239

(Financial products)

1. Matters regarding financial products

(1) Policy on handling financial products

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

(2) Descriptions of financial products and their risks

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

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

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

Long-term debt is mainly used for capital payments for the establishment of subsidiaries and the procurement of funding for the acquisition of shares of subsidiaries, and is exposed to liquidity risk and interest rate fluctuation risk.

(3) Framework for risk management for financial products

(i) Management of credit risk

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

(ii) Market risks (management of fluctuation risk in exchange rates, interest rates, etc.)

Fluctuation risk in interest rates for long-term debt is managed by monitoring fluctuations in interest rates at all times.

(iii) Management of liquidity risk from obtaining financing

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

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

In computing the fair value of financial products, variable factors are factored in, meaning that they could potentially vary if different premises are used.

2. Matters regarding fair value of financial products

Shown below are amounts recorded on the consolidated balance sheet, fair value, and their differences.

Previous fiscal year (As of December 31, 2022)

(Thousands of yen)			
	Amount recorded on the consolidated balance sheet	Fair value	Difference
Lease deposits	361,403	352,080	(9,323)
Total assets	361,403	352,080	(9,323)
Long-term debt (Note)	777,701	777,700	(0)
Total liabilities	777,701	777,700	(0)

(Note) The amount recorded on the consolidated balance sheet and fair value of long-term debt includes the current portion of long-term debt (amount recorded on the consolidated balance sheet: ¥138,388 thousand).

Current fiscal year (As of December 31, 2023)

(Thousands of yen)			
	Amount recorded on the consolidated balance sheet	Fair value	Difference
Lease deposits	355,817	350,833	(4,984)
Total assets	355,817	350,833	(4,984)
Long-term debt (Note)	1,589,313	1,589,312	(0)
Total liabilities	1,589,313	1,589,312	(0)

(Note) The amount recorded on the consolidated balance sheet and fair value of long-term debt includes the current portion of long-term debt (amount recorded on the consolidated balance sheet: ¥237,313 thousand).

- (Notes) 1. Cash is omitted from the notes, and regarding deposits, notes and accounts receivable, and contract assets, accounts payable, accounts payable-other, and income taxes payable, the fair value should be close to the book value because they are settled in a short period of time, and therefore their presentation is omitted.
2. Securities without market value, etc. are not included in the above table. The amount recorded on the consolidated balance sheet for the relevant financial products is as follows.

(Thousands of yen)

Category	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Operational investment securities	23,833	516,904
Investment securities	3,591	296
Investments in affiliates	51,707	1,301,800
Investments in capital of subsidiaries and associates	2,485	1,963

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

Previous fiscal year (As of December 31, 2022)

	Within one year (Thousands of yen)	In excess of one year and within five years (Thousands of yen)	In excess of five years and within ten years (Thousands of yen)	In excess of ten years (Thousands of yen)
Cash and deposits	3,199,089	—	—	—
Notes and accounts receivable, and contract assets	912,827	—	—	—
Lease deposits	10,855	39,991	309,984	573
Total	4,122,771	39,991	309,984	573

Current fiscal year (As of December 31, 2023)

	Within one year (Thousands of yen)	In excess of one year and within five years (Thousands of yen)	In excess of five years and within ten years (Thousands of yen)	In excess of ten years (Thousands of yen)
Cash and deposits	5,838,745	—	—	—
Notes and accounts receivable, and contract assets	1,494,319	—	—	—
Lease deposits	6,562	38,698	309,984	573
Total	7,339,627	38,698	309,984	573

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

Previous fiscal year (As of December 31, 2022)

	Within one year (Thousands of yen)	In excess of one year and within five years (Thousands of yen)	In excess of five years and within ten years (Thousands of yen)	In excess of ten years (Thousands of yen)
Long-term debt	138,388	495,313	144,000	—
Total	138,388	495,313	144,000	—

Current fiscal year (As of December 31, 2023)

	Within one year (Thousands of yen)	In excess of one year and within five years (Thousands of yen)	In excess of five years and within ten years (Thousands of yen)	In excess of ten years (Thousands of yen)
Long-term debt	237,313	794,000	558,000	—
Total	237,313	794,000	558,000	—

3. Matters related to the breakdown of the fair value of financial products

The fair value of financial products is classified into the following three levels according to the observability and significance of the inputs used in the calculation of the fair value.

Level 1 fair value: Fair value calculated from the (unadjusted) market price in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

If multiple inputs that have a significant impact on the calculation of fair value are used, it is categorized as the lowest level of priority in the calculation of fair value from among the levels to which each input belongs.

(1) Financial products recorded at fair value in the consolidated balance sheet  
Not applicable

(2) Financial products other than the financial products recorded at fair value in the consolidated balance sheet  
Previous fiscal year (As of December 31, 2022)

Category	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Lease deposits	–	352,080	–	352,080
Total assets	–	352,080	–	352,080
Long-term debt	–	777,700	–	777,700
Total liabilities	–	777,700	–	777,700

Current fiscal year (As of December 31, 2023)

Category	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Lease deposits	–	350,833	–	350,833
Total assets	–	350,833	–	350,833
Long-term debt	–	1,589,312	–	1,589,312
Total liabilities	–	1,589,312	–	1,589,312

(Note) Explanation of the valuation method and inputs used in the calculation of the fair value

Lease deposits

The fair value of lease deposits is calculated based on the present value which is obtained by discounting the future cash flow by an interest rate that is based on an appropriate index such as government bond yields corresponding to the remaining period, and classified as Level 2.

Long-term debt

For long-term debt with variable interest rates, because the fair value approximates the book value, since they reflect market interest rates over the short term and the credit conditions have not changed significantly since execution, so they are listed according to the relevant book value.

The fair value of long-term debt with fixed interest rates is calculated using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining period of the debt and credit risk, and is classified as Level 2 fair value.



(Securities)

1. Available-for-sale securities

Previous fiscal year (As of December 31, 2022)

The fair values of operational investment securities (¥23,833 thousand recorded on the consolidated balance sheet), investment securities (¥3,591 thousand recorded likewise), investments in affiliates (¥51,707 thousand recorded likewise) and investments in capital of subsidiaries and associates (¥2,485 thousand recorded likewise) are not disclosed as they are securities without market value, etc.

Current fiscal year (As of December 31, 2023)

The fair values of operational investment securities (¥516,904 thousand recorded on the consolidated balance sheet), investment securities (¥296 thousand recorded likewise), investments in affiliates (¥1,301,800 thousand recorded likewise) and investments in capital of subsidiaries and associates (¥1,963 thousand recorded likewise) are not disclosed as they are securities without market value, etc.

2. Available-for-sale securities sold

Previous fiscal year (January 1, 2022 to December 31, 2022)

Not applicable

Current fiscal year (January 1, 2023 to December 31, 2023)

Class	Sale amount (Thousands of yen)	Total gain on sale amount (Thousands of yen)	Total loss on sale amount (Thousands of yen)
(1) Stocks	4,970	1,675	—
(2) Bonds			
(i) Government and local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	4,970	1,675	—

3. Securities subject to recording of impairment loss

In the previous fiscal year, ¥53,505 thousand of investment securities (¥53,505 thousand of available-for-sale securities) were recorded as impairment losses.

Not applicable for the current fiscal year.

Regarding impairment losses on securities without market value, etc., if the substantial value declines by 50% or more compared to the acquisition cost due to the deterioration of the issuing company's financial condition, impairment losses are recorded with consideration given to the possibility of recovery.

(Retirement benefits)

Previous fiscal year (January 1, 2022 to December 31, 2022)

1. Outline of a retirement benefit program adopted

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

2. Defined contribution pension program

The Company is required to contribute ¥46,663 thousand to its defined contribution pension program.

Current fiscal year (January 1, 2023 to December 31, 2023)

1. Outline of a retirement benefit program adopted

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

2. Defined contribution pension program

The Company is required to contribute ¥51,812 thousand to its defined contribution pension program.

(Stock option, etc.)

(Stock option(s))

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

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Cost of sales	22,269	7,746
Selling, general and administrative expenses	17,379	13,177

2. Description and number of stock options and their change

(1) Description of stock option

	11th Stock Acquisition Rights	12th Stock Acquisition Rights	13th Stock Acquisition Rights	14th Stock Acquisition Rights
Company	Submitter company	Submitter company	Submitter company	Submitter company
Date of resolution	Annual general meeting of shareholders held on March 29, 2018 Board of Directors meeting held on May 15, 2018	Board of Directors meeting held on March 25, 2021	Board of Directors meeting held on February 10, 2022	Board of Directors meeting held on February 10, 2022
Grantee categories and count	Director: 3 persons Employee: 140 persons	Executive Officer: 5 persons Employee: 10 persons	Employee: 182 persons	Employee: 1 person
Number of stock options by stock class (Note)	Common stock 335,200	Common stock 34,900	Common stock 63,100	Common stock 10,000
Date of granting	June 15, 2018	April 13, 2021	March 31, 2022	March 31, 2022
Vesting conditions	The requirements for determining rights are as shown in “(2) Stock acquisition rights” in “1. Shares” in “IV. Status of Submitting Company.”	Same as on the left	Same as on the left	Same as on the left
Applicable term of service	From June 15, 2018 to May 15, 2020	From March 15, 2021 to March 25, 2022	From February 11, 2022 to February 10, 2025	From February 11, 2022 to February 10, 2023
Period for rights exercise	From May 16, 2020 to May 15, 2028	From March 26, 2022 to March 25, 2026	From February 11, 2025 to February 10, 2028	From February 11, 2023 to February 10, 2028

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

(2) Number of stock options and their change

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

## (i) Number of stock options

	11th Stock Acquisition Rights	12th Stock Acquisition Rights	13th Stock Acquisition Rights	14th Stock Acquisition Rights
Company	Submitter company	Submitter company	Submitter company	Submitter company
Date of resolution	Annual general meeting of shareholders held on March 29, 2018 Board of Directors meeting held on May 15, 2018	Board of Directors meeting held on March 25, 2021	Board of Directors meeting held on February 10, 2022	Board of Directors meeting held on February 10, 2022
Before vesting (Shares)				
End of previous fiscal year	20,360	—	63,100	10,000
Granted	—	—	—	—
Lapsed	—	—	—	—
Vested	20,360	—	—	10,000
Unvested balance	—	—	63,100	—
After vesting (Shares)				
End of previous fiscal year	106,560	5,700	—	—
Vested	20,360	—	—	10,000
Exercised	4,080	—	—	10,000
Lapsed	—	—	—	—
Unexercised balance	122,840	5,700	—	—

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

## (ii) Unit price information

	11th Stock Acquisition Rights	12th Stock Acquisition Rights	13th Stock Acquisition Rights	14th Stock Acquisition Rights
Company	Submitter company	Submitter company	Submitter company	Submitter company
Date of resolution	Annual general meeting of shareholders held on March 29, 2018 Board of Directors meeting held on May 15, 2018	Board of Directors meeting held on March 25, 2021	Board of Directors meeting held on February 10, 2022	Board of Directors meeting held on February 10, 2022
Rights exercise price (Yen)	75	1	1	1
Average stock price at rights exercise (Yen)	1,385	—	—	1,160
Fairly valued unit price on date of grant (Yen)	—	1,842	1,062	1,072

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

## 3. Estimation method for the number of stock option rights vested

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

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

- (1) Total intrinsic value at the end of the current fiscal year ¥176,398 thousand
- (2) Total intrinsic value of options exercised during the current fiscal year ¥5,504 thousand

(Restricted stock awards)

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

(1) Description of advance grant-based stock options

	Advance grant-based stock options for 2021	Advance grant-based stock options for 2022	Advance grant-based stock options for 2023
Grantee categories and count (Persons)	Directors (excluding Outside Directors), 3 persons	Directors (excluding Outside Directors), 3 persons	Directors (excluding Outside Directors), 4 persons
Number of granted shares by class of stock	Common stock, 19,998 shares	Common stock, 19,998 shares	Common stock, 19,999 shares
Date of granting	April 15, 2021	April 15, 2022	April 14, 2023
Conditions for removing the restriction	<p>The restriction will be removed at expiration of the transfer restriction period by determining, by resolution of the Board of Directors, the number of shares for which the transfer restriction is to be removed. This will be in consideration of deliberations by a voluntary meeting of the Compensation Advisory Committee and its recommendation in accordance with the fact that grantees were consecutively in office as Directors of the Company over the transfer restriction period, as well as the degree of achievement of the management targets for the medium-term management plan and the degree of enhancement of corporate value. If, before the expiration of the Transfer Restriction Period, an Eligible Director retires due to expiration of the term of office, death, or other justifiable reason, (i) where such retirement occurs during the period from the time of granting such shares to the time prior to determining the number of shares with respect to which the Transfer Restriction will be removed, the number of such shares with respect to which the Transfer Restriction will be removed and the timing of removing the Transfer Restriction will be reasonably adjusted and determined as necessary in accordance with the degree of achievement of the management targets for the medium-term management plan and the degree of enhancement of corporate value as of that time, and the like, and (ii) where such retirement occurs during the period from the time of determining the number of shares with respect to which the Transfer Restriction will be removed to the time of expiration of the Transfer Restriction Period, the timing of removing the Transfer Restriction will be reasonably adjusted and determined as necessary. The number of shares and the timing of removing the Transfer Restriction in case of (i) and the timing of removing the Transfer Restriction in case of (ii) will be determined by resolution of the Board of Directors in consideration of deliberations by a voluntary meeting of the Compensation Advisory Committee and its recommendation.</p>	Same as on the left	Same as on the left
Transfer Restriction Period			
	From April 15, 2021 to April 14, 2024	From April 15, 2022 to April 14, 2025	From April 14, 2023 to April 13, 2026

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

Stated for advance grant-based stock options for which shares with unremoved transfer restrictions existed in the current fiscal year (the fiscal year ended December 31, 2023).

(i) Amount of expense recognized and account

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Cost of sales	—	—
Selling, general and administrative expenses	24, 812	1, 621

(ii) Number of shares

	Advance grant-based stock options for 2021	Advance grant-based stock options for 2022	Advance grant-based stock options for 2023
Closing balance of restricted stock options for the previous fiscal year (Shares)	19,998	19,998	—
Granted (Shares)	—	—	19,999
Gratis acquisition (Shares)	—	—	—
Transfer restriction removed (Shares)	—	—	—
Closing balance of restricted stock options for the current fiscal year (Shares)	19,998	19,998	19,999

(iii) Unit price information

	Advance grant-based stock options for 2021	Advance grant-based stock options for 2022	Advance grant-based stock options for 2023
Fairly valued unit price on date of grant (Yen)	1,813	1,050	950

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

(1) Description of subsequent grant-based stock options

	Subsequent grant-based stock options for 2023
Grantee categories and count (Persons)	Directors (excluding Outside Directors), 4 persons
Number of granted shares by class of stock	Common stock, 11,930 shares
Date of granting (Note)	February 14, 2024
Vesting conditions	Assuming that the targeted operating income for the fiscal year ended December 31, 2023 is achieved, the amount to be paid is determined after taking into account the degree of contribution to performance, the maximum amount of compensation for Eligible Directors, and the like.
Applicable term of service	From January 1, 2023 to the conclusion of the annual general meeting of shareholders for the fiscal year ended December 31, 2023
Transfer restriction period for stocks granted	Allotment date (March 14, 2024) to March 13, 2027

(Note) The date of the Board of Directors meeting at which the single-fiscal-year performance-based compensation was determined for each Eligible Director shall be the date of granting.

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

(i) Amount of expense recognized and account

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Cost of sales	—	—
Selling, general and administrative expenses	—	19,000

(ii) Number of shares

Stated for subsequent grant-based stock options for which unvested rights existed in the current fiscal year (the fiscal year ended December 31, 2023) or for which unissued shares after vesting existed as of the end of the current fiscal year (the fiscal year ended December 31, 2023).

	Subsequent grant-based stock options for 2023
End of previous fiscal year (Shares)	—
Granted (Shares)	11,930
Lapsed (Shares)	—
Vested (Shares)	11,930
Unvested balance (Shares)	—
Unissued balance after vesting (Shares)	11,930

(iii) Unit price information

	Subsequent grant-based stock options for 2023
Fairly valued unit price on date of grant (Yen)	1,593

3. Estimation method for fairly valued unit price

The advance grant-based stock options for 2021 used the closing price of the Company's common stock on the Tokyo Stock Exchange on the date of granting as the fairly valued unit price.

The advance grant-based stock options for 2022 and 2023 used the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the date of resolution of Board of Directors meeting as the fairly valued unit price.

The subsequent grant-based stock options for 2023 use the closing price of the Company's common stock on the Tokyo Stock Exchange on the trading day before the date of granting as the fairly valued unit price.

4. Method for estimating the number of shares on which transfer restrictions have been removed and the number of shares for which rights have been vested

With regard to estimating the number of shares for advance grant-based stock options on which transfer restrictions have been removed, it is inherently difficult to reasonably estimate the number of shares to be acquired at no charge in the future, so we adopted a method by which only the number of shares acquired at no charge in the past is reflected.

With regard to the number of shares for subsequent grant-based stock options for which rights have been vested, the amount of single-fiscal-year performance-based compensation paid as stock awards is calculated by dividing the amount of single-fiscal-year performance-based compensation for each Eligible Director by the closing price of the Company's common stock on the Tokyo Stock Exchange on the trading day before the Board of Directors meeting at which the single-fiscal-year performance-based compensation for each Eligible Director was determined.

(Tax effect accounting)

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

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Deferred tax assets		
Income taxes payable	25,369	38,744
Provision for bonuses	234,122	304,436
Statutory welfare expenses payable	26,928	33,406
Disallowance of cost of sales	2,595	—
Tax loss carried forward (Note 2)	50,636	159,276
Allowance for doubtful accounts	7,300	4,530
Operational investment securities	16,779	16,779
Investment securities	16,385	—
Asset retirement obligations	39,116	38,577
Restricted stock awards	18,251	—
Charges for stock compensation	10,618	11,371
Other	14,354	22,546
Deferred tax assets subtotal	462,460	629,669
Valuation reserve for tax loss carried forward (Note 2)	(50,636)	(159,276)
Valuation allowance for deductible temporary difference	(24,725)	(23,099)
Valuation reserve subtotal (Note 1)	(75,362)	(182,376)
Total deferred tax assets	387,097	447,293
Deferred tax liabilities		
Disallowance of net sales	(6,246)	—
Asset retirement expenses	(28,915)	(24,179)
Customer-related assets	(5,741)	(3,827)
Total deferred tax liabilities	(40,903)	(28,007)
Net deferred tax assets	346,194	419,285

(Notes) 1. Valuation reserve increased by ¥107,013 thousand. This rise was mainly attributable to the increase in tax loss carried forward at a consolidated subsidiary.

2. Amount of tax loss carried forward and its deferred tax assets by expiry date

Previous fiscal year (As of December 31, 2022)

With regard to the amount of tax loss carried forward and its deferred tax assets by expiry date, because the importance of tax loss carried forward is low, presentation is omitted.

Current fiscal year (As of December 31, 2023)

	(Thousands of yen)						
	Within one year	In excess of one year and within two years	In excess of two years and within three years	In excess of three years and within four years	In excess of four years and within five years	In excess of five years	Total
Tax loss carried forward (Note)	—	—	—	—	286	158,989	159,276
Valuation reserve	—	—	—	—	(286)	(158,989)	(159,276)
Deferred tax assets	—	—	—	—	—	—	—

(Note) Tax loss carried forward is the amount multiplied by the statutory effective tax rate.

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

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Statutory effective tax rate (Adjustment)	30.6%	30.6%
Items not expensed without limit in time such as entertainment expenses	2.7	3.6
Per-capita inhabitant tax	0.2	0.6
Equity in losses (earnings) of investments	(0.3)	(0.1)
Change in valuation reserve	8.6	8.6
Amortization of goodwill	1.0	0.7
Tax deduction related to tax incentives for securing human resources	(7.8)	(7.8)
Other	(0.3)	(0.1)
Income tax rate after application of tax effect accounting	34.7	36.1



(Asset retirement obligation)

Asset retirement obligation recorded on the consolidated balance sheet

1. Outline of the asset retirement obligation

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

2. Method for computing the asset retirement obligation

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

3. Change in the total asset retirement obligation

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Opening balance	82,262	134,750
Increase in amount due to acquisition of tangible fixed assets	52,827	—
Increase in amount due to changes to estimates	2,279	—
Amount adjusted due to the passage of time	61	82
Reduction due to performance of asset retirement obligations	(2,680)	(3,530)
Ending balance	134,750	131,303

(Revenue Recognition)

1. Disaggregated information on revenue from contracts with customers

Previous fiscal year (January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Consulting and Advisory Business					Investment Business	Total
	Management Consulting	M&A Advisory	Revitalization Support	Other	Consulting and Advisory Business Total	Investment	
Consulting and advisory fees, etc. (excluding success fees)	4,351,972	1,127,720	601,236	126,547	6,207,477	3,000	6,210,477
Success fees	—	1,665,744	—	39,433	1,705,177	—	1,705,177
Revenue from contracts with customers	4,351,972	2,793,464	601,236	165,981	7,912,655	3,000	7,915,655
Other revenue	—	—	—	—	—	—	—
Sales to external customers	4,351,972	2,793,464	601,236	165,981	7,912,655	3,000	7,915,655

Current fiscal year (January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Consulting and Advisory Business					Investment Business	Total
	Management Consulting	M&A Advisory	Revitalization Support	Other	Consulting and Advisory Business Total	Investment	
Consulting and advisory fees, etc. (excluding success fees)	5,084,124	974,595	1,648,476	190,683	7,897,880	21,400	7,919,280
Success fees	—	2,048,448	—	57,354	2,105,803	—	2,105,803
Revenue from contracts with customers	5,084,124	3,023,043	1,648,476	248,038	10,003,683	21,400	10,025,083
Other revenue	—	—	—	—	—	—	—
Sales to external customers	5,084,124	3,023,043	1,648,476	248,038	10,003,683	21,400	10,025,083

2. Base information in order to understand revenue from contracts with customers

The information that forms the base for understanding revenue arising from contracts with customers is presented in the “Notes (Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements), 4. Matters regarding accounting policies, (6) Standard for recording revenues and expenses of importance.”

3. Information related to the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the next fiscal year onward from contracts with customers existing at the end of the current fiscal year

(1) Balance of contract assets and contract liabilities, etc.

Previous fiscal year (January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Opening balance	Ending balance
Liabilities from contracts with customers		
Notes and accounts receivable	1,045,910	752,474
Contract assets	27,466	160,352
Contract liabilities	35,713	19,868

Contract assets primarily relate to the Group's rights to unclaimed consideration for revenue from satisfying performance obligations in the Consulting and Advisory Business. Contract assets are transferred to liabilities from contracts with customers when the Group's right to the consideration becomes unconditional.

Contract liabilities are mainly advances received from customers in the Consulting and Advisory Business. Contract liabilities are reversed upon recognition of the revenue.

Of the amount of revenue recognized during the current fiscal year, the amount included in the balance of contract liabilities as of the beginning of the fiscal year was ¥35,713 thousand.

Current fiscal year (January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Opening balance	Ending balance
Liabilities from contracts with customers		
Notes and accounts receivable	752,474	1,370,747
Contract assets	160,352	123,572
Contract liabilities	19,868	31,310

Contract assets primarily relate to the Group's rights to unclaimed consideration for revenue from satisfying performance obligations in the Consulting and Advisory Business. Contract assets are transferred to liabilities from contracts with customers when the Group's right to the consideration becomes unconditional.

Contract liabilities are mainly advances received from customers in the Consulting and Advisory Business. Contract liabilities are reversed upon recognition of the revenue.

Of the amount of revenue recognized during the current fiscal year, the amount included in the balance of contract liabilities as of the beginning of the fiscal year was ¥19,868 thousand.

(2) Transaction price allocated to outstanding performance obligations

As the Group does not have any significant transactions with an initial expected contract period of more than one year, their presentation is omitted through the application of practical expediency. In addition, there are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

(Segment Information)

Segment Information

1. Outline of reporting segments

The Group's reporting segments are those units among the constituent units of the Group for which separate financial information is available, and are subject to regular review by decision-making bodies such as the Board of Directors in order to determine the allocation of management resources and evaluate performance.

The Group's businesses consist of segments based on business type, and the two reporting segments are the "Consulting and Advisory Business" and the "Investment Business."

The "Consulting and Advisory Business" operates the Management Consulting Business, M&A Advisory Business and Revitalization Support Business. The "Investment Business" performs investment business involving the dispatch of management personnel with the purpose of improving the long-term, sustainable corporate value of the companies which receive investment.

2. Calculation method for net sales, profit and loss, assets, liabilities and other items for each reporting segment

Accounting methods for reporting business segments are generally the same as presented in "Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements."

The income of reporting segments are figures based on operating income.

Internal revenue between segments and transfer amounts are based on the prevailing market price.

3. Information regarding net sales, profit and loss, assets, liabilities and other items for each reporting segment

Previous fiscal year (January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Reporting Segment			Adjustment	Amount Recorded in the Consolidated Financial Statements
	Consulting and Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	7,912,655	3,000	7,915,655	—	7,915,655
Internal net sales and transfer amounts between segments	—	14,603	14,603	(14,603)	—
Total	7,912,655	17,603	7,930,258	(14,603)	7,915,655
Segment profit or loss (-:loss)	1,099,403	(191,272)	908,131	—	908,131
Segment assets	4,800,439	858,204	5,658,644	—	5,658,644
Other items					
Depreciation and amortization	47,495	—	47,495	—	47,495
Amortization of goodwill	29,458	—	29,458	—	29,458
Amortization of customer-related assets	6,250	—	6,250	—	6,250
Investment in equity method affiliates	54,193	—	54,193	—	54,193
Increase in tangible fixed assets and intangible fixed assets	473,430	—	473,430	—	473,430

(Note) "Segment profit or loss" matches the operating income in the consolidated statement of income.

Current fiscal year (January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Reporting Segment			Adjustment	Amount Recorded in the Consolidated Financial Statements
	Consulting and Advisory Business	Investment Business	Total		
Net sales					
Sales to external customers	10,003,683	21,400	10,025,083	—	10,025,083
Internal net sales and transfer amounts between segments	—	21,246	21,246	(21,246)	—
Total	10,003,683	42,646	10,046,330	(21,246)	10,025,083
Segment profit or loss (-:loss)	1,645,950	(394,320)	1,251,629	—	1,251,629
Segment assets	7,262,775	3,611,907	10,874,682	—	10,874,682
Other items					
Depreciation and amortization	67,460	106	67,567	—	67,567
Amortization of goodwill	29,458	—	29,458	—	29,458
Amortization of customer-related assets	6,250	—	6,250	—	6,250
Investment in equity method affiliates	1,245,516	58,247	1,303,764	—	1,303,764
Increase in tangible fixed assets and intangible fixed assets	35,777	1,425	37,202	—	37,202

(Note) “Segment profit or loss” matches the operating income in the consolidated statement of income.

#### Related Information

Previous fiscal year (January 1, 2022 to December 31, 2022)

#### 1. Information on individual products and services

(Thousands of yen)

	Consulting and Advisory Business				Investment Business	Total
	Management consulting service	M&A advisory service	Revitalization support service	Other	Investment	
Sales to external customers	4,351,972	2,793,464	601,236	165,981	30,000	7,915,655

(Note) From the current fiscal year, the name of the “Financial Advisory Business” has been changed to the “M&A Advisory Business.” There is no effect due to the change of name.

#### 2. Information on individual areas

##### (1) Net sales

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

##### (2) Tangible fixed assets

Presentation is omitted because the value of tangible fixed assets in Japan exceeded 90% of the value of tangible fixed assets on the consolidated balance sheet.

#### 3. Information on individual main customers

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

Current fiscal year (January 1, 2023 to December 31, 2023)

#### 1. Information on individual products and services

(Thousands of yen)

	Consulting and Advisory Business				Investment Business	Total
	Management consulting service	M&A advisory service	Revitalization support service	Other	Investment	
Sales to external customers	5,084,124	3,023,043	1,648,476	248,038	21,400	10,025,083

2. Information on individual areas

(1) Net sales

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

(2) Tangible fixed assets

Presentation is omitted because the value of tangible fixed assets in Japan exceeded 90% of the value of tangible fixed assets on the consolidated balance sheet.

3. Information on individual main customers

(Thousands of yen)

Customer name	Net sales	Related segment name
TATSUMI SHOKAI CO., LTD.	1,078,700	Consulting and Advisory Business

Information on impairment loss on fixed assets of individual reporting segments  
Not applicable.

Information on goodwill amortization and unamortized balance of individual reporting segments

Previous fiscal year (January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Consulting and Advisory Business	Investment Business	Company-wide / Removal	Total
Amount of depreciation and amortization for the current fiscal year	29,458	—	—	29,458
Ending balance for the current fiscal year	265,130	—	—	265,130

Current fiscal year (January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Consulting and Advisory Business	Investment Business	Company-wide / Removal	Total
Amount of depreciation and amortization for the current fiscal year	29,458	—	—	29,458
Ending balance for the current fiscal year	235,671	—	—	235,671

Information on gain on negative goodwill in individual reporting segments  
Not applicable.

#### Information on Related Parties

##### Information on transactions with related parties

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

##### (Per Share Information)

(Yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Net assets per share	255.37	315.81
Net income per share	48.67	67.51
Net income per share-diluted	47.93	66.47

(Note) Shown below is the basis for calculating net income per share and diluted net income per share:

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Net income per share		
Net income attributable to owners of parent (Thousands of yen)	556,722	780,683
Amount not attributable to common stock (Thousands of yen)	—	—
Net income attributable to owners of parent attributable to common stock (Thousands of yen)	556,722	780,683
Average number of shares of common stock outstanding during the period (Shares)	11,437,677	11,562,872
Net income per share-diluted		
Adjustment of net income attributable to owners of parent (Thousands of yen)	—	—
Increase in common stock (Shares)	176,925	180,779
(Of which, stock acquisition rights (Shares))	(176,925)	(180,779)
Explanation of residual stock not included in calculation of diluted net income per share due to lack of dilutive potential	—	—

##### (Significant Subsequent Events)

Not applicable.

(v) Consolidated Supplementary Schedule

Breakdown of corporate bonds

Not applicable.

Breakdown of borrowings

Category	Opening balance for the current fiscal year (Thousands of yen)	Ending balance for the current fiscal year (Thousands of yen)	Average interest rate (%)	Repayment due date
Current portion of long-term debt	138,388	237,313	0.85	—
Long-term debt (excluding the current portion)	639,313	1,352,000	0.85	2025 to 2033
Total	777,701	1,589,313	—	—

- (Notes) 1. The average interest rate is the weighted average interest rate for the balance of borrowings at the end of the fiscal year.  
2. Long-term debt (excluding the current portion) that are due to be repaid within five years after the consolidated balance sheet date are as follows.

	In excess of one year and within two years (Thousands of yen)	In excess of two years and within three years (Thousands of yen)	In excess of three years and within four years (Thousands of yen)	In excess of four years and within five years (Thousands of yen)
Long-term debt	236,000	236,000	186,000	136,000

Schedule of asset retirement obligations

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

(2) Other

Quarterly information for the current fiscal year

(Cumulative periods)	First quarter	Second quarter	Third quarter	Current fiscal year
Net sales (Thousands of yen)	2,653,539	4,991,187	7,267,676	10,025,083
Quarterly income before income taxes (Thousands of yen)	478,845	695,101	852,327	1,240,249
Quarterly net income attributable to owners of parent (Thousands of yen)	260,963	406,256	529,130	780,683
Quarterly net income per share (Yen)	22.75	35.38	45.96	67.51

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income per share (Yen)	22.75	12.64	10.62	21.46

## 2. Non-consolidated Financial Statements

### (1) Non-consolidated Financial Statements

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

(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	2,187,359	2,749,769
Notes and accounts receivable, and contract assets	Note) 857,016	Note) 1,431,469
Operational investment securities	23,833	23,713
Prepaid expenses	120,335	153,128
Advances paid	Note) 41,232	Note) 33,627
Other	Note) 8,423	Note) 18,218
Allowance for doubtful accounts	(23,839)	(14,793)
Total current assets	3,214,359	4,395,133
Fixed assets		
Tangible fixed assets		
Buildings, net	275,435	233,454
Tools, furniture and fixtures, net	31,057	25,804
Total tangible fixed assets	306,493	259,259
Intangible fixed assets		
Software	10,244	10,069
Other	102	102
Total intangible fixed assets	10,346	10,171
Investments and other assets		
Investment securities	3,294	—
Investments in affiliates	1,380,613	2,633,106
Investments in capital of subsidiaries and associates	2,500	2,500
Long-term loans receivable from subsidiaries and associates	30,000	15,000
Long-term accounts receivable - other	Note) 20,601	Note) 20,601
Lease deposits	333,584	330,744
Deferred tax assets	347,568	416,651
Other	—	87,842
Allowance for doubtful accounts	(2,747)	(4,055)
Total investments and other assets	2,115,415	3,502,391
Total fixed assets	2,432,254	3,771,822
Total assets	5,646,614	8,166,955



(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	Note) 71,215	Note) 95,347
Current portion of long-term debt	136,000	236,000
Accounts payable-other	Note) 115,650	Note) 141,139
Accrued expenses	139,316	170,204
Contract liabilities	14,220	27,648
Income taxes payable	274,196	389,650
Accrued consumption taxes	174,031	207,834
Deposits received	59,848	66,075
Provision for bonuses	745,174	943,550
Provision for directors' bonuses	—	38,000
Provision for shareholder benefit program	13,924	25,849
Other	1,934	970
Total current liabilities	1,745,513	2,342,271
Fixed liabilities		
Long-term debt	638,000	1,352,000
Asset retirement obligations	127,010	123,953
Total fixed liabilities	765,010	1,475,953
Total liabilities	2,510,524	3,818,224
<b>Net assets</b>		
Shareholders' equity		
Paid-in capital	210,062	374,743
Capital surplus		
Capital reserve	210,062	374,743
Other capital surplus	367,441	358,375
Total capital surplus	577,503	733,119
Retained earnings		
Other retained earnings		
Retained earnings carried forward	2,322,095	3,193,100
Total retained earnings	2,322,095	3,193,100
Treasury stock	(8,246)	(8,363)
Total shareholders' equity	3,101,416	4,292,599
Share award rights	—	19,000
Stock acquisition rights	34,673	37,130
Total net assets	3,136,089	4,348,730
<b>Total liabilities and net assets</b>	<b>5,646,614</b>	<b>8,166,955</b>

## (ii) Non-consolidated Statement of Income

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Net sales	Note) 7,546,117	Note) 9,557,654
Cost of sales	Note) 3,014,856	Note) 4,205,485
Gross income	4,531,261	5,352,168
Selling, general and administrative expenses		
Salaries and allowances	1,306,198	1,380,294
Provision for directors' bonuses	—	38,000
Provision for bonuses	347,589	397,238
Recruiting expenses	438,761	371,039
Retirement benefit expenses	23,259	23,462
Depreciation and amortization	22,305	28,137
Provision for shareholder benefit program	6,845	11,924
Provision recorded for allowance for doubtful accounts	6,903	—
Other	1,300,545	1,472,848
Total selling, general and administrative expenses	Note) 3,452,408	Note) 3,722,946
Operating income	1,078,852	1,629,221
Non-operating income		
Interest income	Note) 169	Note) 116
Insurance dividend income	1,802	2,130
Administrative fees received	Note) 3,115	Note) 5,747
Gain on forfeiture of unclaimed dividends	—	1,467
Foreign exchange gains	4,840	—
Other	182	529
Total non-operating income	10,110	9,991
Non-operating expenses		
Interest expense	7,353	11,358
Share issuance costs	—	1,406
Other	—	617
Total non-operating expenses	7,353	13,382
Ordinary income	1,081,609	1,625,830
Extraordinary income		
Gain on sale of investment securities	—	1,675
Reversal of allowance for doubtful accounts for subsidiaries and associates	12,438	—
Total extraordinary income	12,438	1,675
Extraordinary losses		
Loss on valuation of investment securities	53,505	—
Provision of allowance for doubtful accounts for subsidiaries and associates	—	1,307
Total extraordinary losses	53,505	1,307
Income before income taxes	1,040,542	1,626,198
Income taxes	356,257	503,322
Income taxes-deferred	(70,212)	(69,082)
Total income taxes	286,045	434,239
Net income	754,497	1,191,958

(iii) Non-consolidated Statement of Shareholders' Equity  
Previous fiscal year (January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Shareholders' equity					
	Paid-in capital	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
Opening balance	178,723	178,723	380,022	558,745	1,681,523	1,681,523
Change during the period						
Issuance of new shares (exercise of stock acquisition rights)	26,806	26,806		26,806		
Dividends of surplus					(113,925)	(113,925)
Net income					754,497	754,497
Restricted stock awards	4,532	4,532	(12,580)	(8,048)		
Net changes of items other than shareholders' equity (net)						
Total changes during the period	31,338	31,338	(12,580)	18,758	640,571	640,571
Ending balance	210,062	210,062	367,441	577,503	2,322,095	2,322,095

(Thousands of yen)

	Shareholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity		
Opening balance	(36,575)	2,382,418	46,969	2,429,387
Change during the period				
Issuance of new shares (exercise of stock acquisition rights)		53,613		53,613
Dividends of surplus		(113,925)		(113,925)
Net income		754,497		754,497
Restricted stock awards	28,329	24,812		24,812
Net changes of items other than shareholders' equity (net)			(12,295)	(12,295)
Total changes during the period	28,329	718,997	(12,295)	706,702
Ending balance	(8,246)	3,101,416	34,673	3,136,089

Current fiscal year (January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Shareholders' equity					
	Paid-in capital	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
Opening balance	210,062	210,062	367,441	577,503	2,322,095	2,322,095
Change during the period						
Issuance of new shares	153,819	153,819		153,819		
Issuance of new shares (exercise of stock acquisition rights)	5,518	5,518		5,518		
Dividends of surplus					(320,954)	(320,954)
Net income					1,191,958	1,191,958
Purchase of treasury stock						
Restricted stock awards	5,343	5,343	(9,065)	(3,722)		
Net changes of items other than shareholders' equity (net)						
Total changes during the period	164,680	164,680	(9,065)	155,615	871,004	871,004
Ending balance	374,743	374,743	358,375	733,119	3,193,100	3,193,100

	Shareholders' equity		Share award rights	Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity			
Opening balance	(8,246)	3,101,416	—	34,673	3,136,089
Change during the period					
Issuance of new shares		307,638			307,638
Issuance of new shares (exercise of stock acquisition rights)		11,036			11,036
Dividends of surplus		(320,954)			(320,954)
Net income		1,191,958			1,191,958
Purchase of treasury stock	(117)	(117)			(117)
Restricted stock awards		1,621			1,621
Net changes of items other than shareholders' equity (net)		—	19,000	2,457	21,457
Total changes during the period	(117)	1,191,183	19,000	2,457	1,212,640
Ending balance	(8,363)	4,292,599	19,000	37,130	4,348,730

## Notes to Non-consolidated Financial Statements

### (Significant Accounting Policies)

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

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

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

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

Securities without market value, etc.

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

#### 2. Depreciation method for fixed assets

##### (1) Tangible fixed assets

Tangible fixed assets are amortized using the declining-balance method.

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

Useful lives are mainly as follows:

Buildings (fixtures) 2 to 15 years

Tools, furniture and fixtures 2 to 20 years

##### (2) Intangible fixed assets

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

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

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

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

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

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

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

##### (2) Provision for bonuses

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

##### (3) Provision for directors' bonuses

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

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

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

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

Details of the main performance obligations and the usual timing of satisfying the performance obligations (ordinary timing of recognizing revenue) in the main businesses of the Company related to revenue from contracts with customers are as follows.

##### • Recognition of revenue related to the Consulting and Advisory Business (excluding success fees)

In the Consulting and Advisory Business, services such as management consulting, M&A advisory, and revitalization support are provided based on outsourcing contracts concluded with customers, and these services which are agreed to with customers are the performance obligations. Since these performance obligations are generally satisfied during the outsourcing period stipulated in the outsourcing contract, revenue is recognized over the outsourcing period.

##### • Success fees

Success fees, which are generated mainly in M&A advisory services, are recognized when the conditions for accruing success fees defined in an outsourcing contract are met, such as when a contract is concluded between the client company and its counterparty.

(Changes to accounting policies)

(Policy on application of accounting standard for fair value measurement, etc.)

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; “the Implementation Guidance on Accounting Standard for Fair Value Measurement”) has been applied from the beginning of the fiscal year under review, and in accordance with the transitional treatment in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, we have decided that the new accounting policies prescribed in the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied in the future. This will not have an effect on the financial statements.

(Non-consolidated Balance Sheet)

(Note) Monetary claims and monetary liabilities against affiliate companies (excluding those presented as categories)

(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Short-term monetary claims	37,069	32,921
Long-term monetary claims	20,601	20,601
Short-term monetary liabilities	29,599	10,088

(Non-consolidated Statement of Income)

(Note) (Balance of transactions with affiliate companies)

(Thousands of yen)

	Previous fiscal year (January 1, 2022 to December 31, 2022)	Current fiscal year (January 1, 2023 to December 31, 2023)
Balance of transactions due to sales transactions		
Net sales	33,490	60,728
Operating expenses	71,268	126,426
Balance of transactions due to non-sales transactions	3,265	5,840

(Securities)

Investments in shares and capital of subsidiaries and affiliates (¥2,630,106 thousand recorded as shares of subsidiaries, ¥3,000 thousand recorded as shares of affiliates, ¥0 thousand recorded as investments in the capital of subsidiaries and ¥2,500 thousand recorded as investments in the capital of affiliates on the non-consolidated balance sheet for the fiscal year under review and ¥1,377,613 thousand recorded as shares of subsidiaries, ¥3,000 thousand recorded as shares of affiliates, ¥0 thousand as investments in the capital of subsidiaries, and ¥2,500 thousand recorded as investments in the capital of affiliates on the non-consolidated balance sheet for the previous fiscal year) are not presented as they are shares without a market value.

(Tax effect accounting)

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

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Deferred tax assets		
Income taxes payable	24,163	31,832
Provision for bonuses	228,207	288,960
Statutory welfare expenses payable	24,470	30,380
Disallowance of cost of sales	2,595	—
Allowance for doubtful accounts	8,142	5,772
Operational investment securities	16,779	16,779
Investment securities	16,385	—
Asset retirement obligations	38,896	37,960
Restricted stock awards	18,251	—
Charges for stock compensation	10,618	11,371
Other	11,905	19,474
Deferred tax assets subtotal	400,417	442,532
Valuation reserve	(17,686)	(1,701)
Total deferred tax assets	382,730	440,831
Deferred tax liabilities		
Disallowance of net sales	(6,246)	—
Asset retirement expenses	(28,915)	(24,179)
Total deferred tax liabilities	(35,161)	(24,179)
Net deferred tax assets	347,568	416,651

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

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Items not expensed without limit in time such as entertainment expenses	2.1	2.6
Per-capita inhabitant tax	0.1	0.4
Change in valuation reserve	1.2	(1.0)
Tax deduction related to tax incentives for securing human resources	(6.5)	(5.8)
Other	0.0	(0.1)
Income tax rate after application of tax effect accounting	27.5	26.7

(Revenue Recognition)

Because the base information in order to understand revenue from contracts with customers are the same as the description presented in “Notes (Revenue Recognition)” of the consolidated financial statements, the notes have been omitted.

(Significant Subsequent Events)

Not applicable.

## (iv) Supplementary Schedule

## Schedule of tangible fixed assets

Category	Asset type	Opening balance for the current fiscal year (Thousands of yen)	Increase during the current fiscal year (Thousands of yen)	Decrease during the current fiscal year (Thousands of yen)	Depreciation for the current fiscal year (Thousands of yen)	Ending balance for the current fiscal year (Thousands of yen)	Cumulative depreciation and amortization (Thousands of yen)
Tangible fixed assets	Buildings	275,435	4,115	—	46,096	233,454	137,306
	Tools, furniture and fixtures	31,057	6,512	0	11,764	25,804	45,166
	Total	306,493	10,627	0	57,861	259,259	182,472
Intangible fixed assets	Software	10,244	5,084	0	5,258	10,069	27,827
	Other	102	—	—	—	102	—
	Total	10,346	5,084	0	5,258	10,171	27,827

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

Buildings	Equipment work at the head office	¥4,115 thousand
Tools, furniture and fixtures	Furniture and fixtures at the head office	¥6,512 thousand
Software	Establishing an Azure server environment, etc.	¥2,999 thousand

## Schedule of allowances and provisions

Account	Opening balance for the current fiscal year (Thousands of yen)	Amount of increase for the current fiscal year (Thousands of yen)	Amount of decrease for the current fiscal year (Thousands of yen)	Ending balance for the current fiscal year (Thousands of yen)
Provision for bonuses	745,174	943,550	745,174	943,550
Provision for directors' bonuses	—	38,000	—	38,000
Allowance for doubtful accounts	26,587	1,307	9,046	18,848
Provision for shareholder benefit program	13,924	31,043	19,118	25,849

## (2) Breakdown of Main Assets and Liabilities

Presentation is omitted as consolidated financial statements were prepared.

## (3) Other

Not applicable.



## VI. Outline of Stock Administration by Submitter Company

Fiscal year	From January 1 to December 31 of each year																																							
Annual general meeting of shareholders	Within three months from the last day of each fiscal year																																							
Record date	December 31 of each year																																							
Record date for dividends of surplus	December 31 of each year June 30 of each year																																							
Number of shares per unit	100																																							
Repurchase of shares less than one unit																																								
Service place	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation																																							
Shareholder register manager	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation																																							
Intermediary place	—																																							
Repurchase fee	An amount to be separately determined as a handling fee for agency service for stock trading																																							
Public notification method	To be done electronically. However, if this is not possible for an unavoidable reason, notification will be done by posting it in the <i>Nikkei</i> newspaper. Public notification posting on: URL <a href="https://www.frontier-mgmt.com/">https://www.frontier-mgmt.com/</a>																																							
Privileges for shareholders	<p>We grant shareholder benefit points to shareholders recorded on the shareholder register on June 30 and December 31, each year who hold at least one unit (100 shares) of Frontier Management Inc. shares, in accordance with the number of shares held. Shareholders are allowed to exchange their shareholder benefit points for a benefit product choice from among at least 2,000 items on shareholder-only website Frontier Management Premium Benefit Club.</p> <table> <tr> <th rowspan="2">Number of shares held</th><th colspan="2">Number of points granted at end of June/December (twice-yearly)</th></tr> <tr> <th>Held for less than 3 years</th><th>Held continuously for 3 years or more</th></tr> <tr> <td>100 to 199 shares</td><td>1,000 points</td><td>1,100 points</td></tr> <tr> <td>200 to 299 shares</td><td>2,500 points</td><td>3,000 points</td></tr> <tr> <td>300 to 399 shares</td><td>2,500 points</td><td>3,000 points</td></tr> <tr> <td>400 to 499 shares</td><td>2,500 points</td><td>3,000 points</td></tr> <tr> <td>500 to 599 shares</td><td>6,500 points</td><td>8,000 points</td></tr> <tr> <td>600 to 699 shares</td><td>6,500 points</td><td>8,000 points</td></tr> <tr> <td>700 to 799 shares</td><td>6,500 points</td><td>8,000 points</td></tr> <tr> <td>800 to 899 shares</td><td>6,500 points</td><td>8,000 points</td></tr> <tr> <td>900 to 999 shares</td><td>10,000 points</td><td>13,000 points</td></tr> <tr> <td>1,000 to 1,999 shares</td><td>14,000 points</td><td>18,000 points</td></tr> <tr> <td>At least 2,000 shares</td><td>40,000 points</td><td>50,000 points</td></tr> </table>		Number of shares held	Number of points granted at end of June/December (twice-yearly)		Held for less than 3 years	Held continuously for 3 years or more	100 to 199 shares	1,000 points	1,100 points	200 to 299 shares	2,500 points	3,000 points	300 to 399 shares	2,500 points	3,000 points	400 to 499 shares	2,500 points	3,000 points	500 to 599 shares	6,500 points	8,000 points	600 to 699 shares	6,500 points	8,000 points	700 to 799 shares	6,500 points	8,000 points	800 to 899 shares	6,500 points	8,000 points	900 to 999 shares	10,000 points	13,000 points	1,000 to 1,999 shares	14,000 points	18,000 points	At least 2,000 shares	40,000 points	50,000 points
Number of shares held	Number of points granted at end of June/December (twice-yearly)																																							
	Held for less than 3 years	Held continuously for 3 years or more																																						
100 to 199 shares	1,000 points	1,100 points																																						
200 to 299 shares	2,500 points	3,000 points																																						
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1,000 to 1,999 shares	14,000 points	18,000 points																																						
At least 2,000 shares	40,000 points	50,000 points																																						

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

## VII. Reference Information on Submitter Company

### 1. Information on Parent of Submitter Company

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

### 2. Other Reference Information

The Company has submitted the following documents during the period from the first day of the current fiscal year to the day of submitting this securities report.

- (1) Securities report, its attachment and a letter of confirmation  
The 16th fiscal year (from January 1, 2022 to December 31, 2022). Submitted to the Director-General of the Kanto Local Finance Bureau on March 24, 2023
- (2) Internal control report  
Submitted to the Director-General of the Kanto Local Finance Bureau on March 24, 2023
- (3) Quarterly report and a letter of confirmation  
(The first quarter of the 17th fiscal year) (from January 1, 2023 to March 31, 2023). Submitted to the Director-General of the Kanto Local Finance Bureau on May 12, 2023  
(The second quarter of the 17th fiscal year) (from April 1, 2023 to June 30, 2023). Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2023  
(The third quarter of the 17th fiscal year) (from July 1, 2023 to September 30, 2023). Submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2023
- (4) Ad hoc report  
An ad hoc report based on the provisions of Article 19, Paragraph (2), Item (ix)-2 “Result of voting rights exercise at general meeting of shareholders” of the Cabinet Office ordinance on disclosure of corporate information. Submitted to the Director-General of the Kanto Local Finance Bureau on March 27, 2023  
An ad hoc report based on the provisions of Article 19, Paragraph (2), Item (ii)-2 “Issuance of share acquisition rights as stock options” of the Cabinet Office ordinance on disclosure of corporate information. Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2024.  
An ad hoc report based on the provisions of Article 19, Paragraph (2), Item (ix) “Change to representative director” of the Cabinet Office ordinance on disclosure of corporate information. Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2024.
- (5) Securities registration statement and its attachment (incorporation method)  
Issuance of new shares as a result of third-party allocation. Submitted to the Director-General of the Kanto Local Finance Bureau on July 14, 2023.
- (6) Amendment of securities registration statement (incorporation method)  
The amendment of securities registration statement in (5) above was submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2023.

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

Not applicable.