

February 14, 2024

To All

Company Name Frontier Management Inc.
 Representative Shoichiro Onishi, Representative Director,
 President & Executive Officer
 (Stock code: 7038 The Prime Market of
 Tokyo Stock Exchange)
 Contact Hiroaki Hamada,
 Executive Officer, Head of Company
 Planning and Administration Department
 (TEL. +81-3-6862-8335)

Notice of Revision to the Remuneration System for Directors Following the Transition to a Company with Audit & Supervisory Committee

Frontier Management Inc. (the “Company”) hereby announces that at a meeting of the Board of Directors held today it resolved to submit a proposal to revise the remuneration system for directors to the 17th Annual General Meeting of Shareholders (the “Shareholders’ Meeting”) scheduled to be held on March 27, 2024. Details are as follows.

1. Outline of revisions to the remuneration system for directors

If the partial amendments to the Articles of Incorporation are approved at the Shareholders’ Meeting, the Company will transition to a company with an Audit & Supervisory Committee.

Accordingly, at its meeting today, the Board of Directors decided to submit to the Shareholders’ Meeting a proposal to set the amount of monetary remuneration for directors (excluding directors who are Audit & Supervisory Committee Members) and the amount of monetary remuneration for directors who are Audit & Supervisory Committee Members, and to revise the amount and details of restricted stock compensation in accordance with the transition to a company with an Audit & Supervisory Committee. The table below outlines the directors’ remuneration system to be revised.

The existing system		Recommended revision	
Monetary remuneration (Upper limit)		Monetary remuneration (Upper limit)	
Monetary remuneration for directors	400,000 thousand yen	Monetary remuneration for directors (excluding directors who are Audit & Supervisory Committee Members)	350,000 thousand yen
Monetary remuneration for Corporate Auditors	50,000 thousand yen	Monetary remuneration for directors who are Audit & Supervisory Committee Members	55,000 thousand yen
Restricted stock compensation (Upper limit)		Restricted stock compensation (Upper limit)	
Stock Compensation A	100,000 thousand yen	Stock Compensation A	130,000 thousand yen
Stock Compensation B	50,000 thousand yen	Stock Compensation B	65,000 thousand yen
Annual	600,000 thousand yen	Annual	600,000 thousand yen

2. Setting amounts of monetary remuneration to directors (excluding directors who are Audit & Supervisory Committee Members)

If the partial amendments to the Articles of Incorporation are approved at the Shareholders' Meeting, a proposal will be submitted to the Shareholders' Meeting to newly set the annual amount of monetary remuneration for directors (excluding directors who are Audit & Supervisory Committee Members) at 350 million yen or less, in order to transition to a company with an Audit & Supervisory Committee. The Company proposes that the amount of monetary remuneration for directors (excluding directors who are Audit & Supervisory Committee Members) do not include the employee salaries of directors who concurrently serve as employees as before.

The Company has established a policy for determining directors' remuneration by the resolution of the Board of Directors based on the deliberations and reports of the voluntary Nomination and Remuneration Advisory Committee chaired by an outside director. If the partial amendment to the Articles of Incorporation and the establishment of the above monetary remuneration amount are approved at the Shareholders' Meeting, the policy for determining directors' remuneration is scheduled to be changed as outlined in Attachment 1. The setting of the amount of such monetary remuneration is necessary and reasonable in order to determine the remuneration, etc. of directors (excluding directors who are Audit & Supervisory Committee Members) in accordance with the policy after such change.

3. Setting the amount of monetary remuneration for directors who are Audit & Supervisory Committee Members

If the partial amendments to the Articles of Incorporation are approved at the Shareholders' Meeting, the Company will transition to a company with an Audit & Supervisory Committee. Therefore, in order to ensure that the level of remuneration is appropriate to the responsibilities of directors who are Audit & Supervisory Committee Members, a proposal will be submitted to the Shareholders' Meeting to set the annual amount of monetary remuneration for directors who are Audit & Supervisory Committee Members at 55 million yen or less.

The amount of such monetary remuneration was determined by resolution of the Board of Directors, taking into consideration the recent economic situation, the size of the Company's business, the future composition of the Board of Directors, the responsibilities of the directors who are Audit & Supervisory Committee Members, and other various circumstances, and based on the deliberations and reports of the voluntary Nomination and Remuneration Advisory Committee, which is chaired by an outside director. The Company has determined that the amount is appropriate.

4. Partial revision of the amount and details of restricted stock compensation for directors (excluding directors who are Audit & Supervisory Committee Members and outside directors)

If the partial amendments to the Articles of Incorporation are approved at the Shareholders' Meeting, the Company will transition to a company with an Audit & Supervisory Committee. In accordance with this, a restricted stock compensation plan for directors of the Company (excluding directors who are Audit & Supervisory Committee Members and outside directors; hereinafter referred to as "Subject Directors") will be established. In addition, in order to further enhance the corporate value of the Company, the Company will partially revise the content of this plan.

Specifically, in addition to the amount of monetary remuneration for directors (excluding directors who are Audit & Supervisory Committee Members), the Company plans to propose to the Shareholders' Meeting: (i) the total amount of common stock of the Company to be issued or disposed of as Stock Compensation A, which is linked to the consolidated business results for a single fiscal year, shall not exceed 130 million yen per year and the total number of such shares shall not exceed 900,000 shares per year and (ii) the total amount of shares of the Company's common stock to be issued or disposed of as Stock Compensation B, which is linked to the degree of achievement of management targets and improvement in corporate value, shall be no more than 65 million yen per year and the total number of such shares shall be no more than 45,000 shares per year.

(1) Revision of single-year performance-linked remuneration

Before revision	After revision
-----------------	----------------

<p>The single-year performance-linked remuneration (cash bonus and Stock Compensation A) is linked to the Company’s consolidated performance for a single fiscal year, and the amount of remuneration is determined based on the Company’s performance for the single fiscal year and other factors, and is paid to the directors (excluding outside directors, hereinafter referred to as “Subject Directors”) in the form of cash bonuses and restricted stock (Stock Compensation A) after the performance for each fiscal year is determined.</p> <p>The composition of the performance-linked remuneration for each Subject Director for a single fiscal year shall be <u>2/3</u> cash bonus and <u>1/3</u> Stock Compensation A. <u>Consolidated operating profit, etc.</u> is used as basic indicators of consolidated performance. The amount of performance-linked remuneration to be paid to each Subject Director for a single fiscal year shall be determined based on his/her contribution to the Company’s performance and the maximum amount of remuneration for each Subject Director.</p>	<p>The performance-linked remuneration for a single fiscal year (cash bonus and stock-based compensation A) is linked to the Company’s consolidated performance for a single fiscal year, and the amount of remuneration is determined based on the Company’s performance for the single fiscal year and other factors and is paid to directors (excluding <u>directors who are Audit & Supervisory Committee Members</u> and outside directors; hereinafter referred to as “Subject Directors”) in the form of cash bonuses and restricted stock (Stock Compensation A) after the performance for each fiscal year is determined.</p> <p>The composition of the performance-linked remuneration for each Subject Director for a single fiscal year shall be <u>1/2</u> cash bonus and <u>1/2</u> Stock Compensation A.</p> <p>The amount of performance-linked remuneration to be paid to each Subject Director for a single fiscal year will be determined based on his or her contribution to the Company’s performance and the maximum amount of remuneration for each Subject Director, etc. The basic indicators of consolidated performance will be the <u>rate of increase in stock price and the amount of consolidated profit excluding Frontier Capital Inc.</u></p>
--	---

[Reason for the revision of this item] In accordance with the Company’s transition to a company with an Audit & Supervisory Committee, the Company has changed this system for directors (excluding outside directors) to a system for directors (excluding directors who are Audit & Supervisory Committee Members and outside directors) of the Company. In addition, the Company has made revisions such as further increasing the proportion of stock-based compensation as a single-year incentive (the maximum amount of compensation and the maximum number of shares of Stock Compensation A are as described in (3) below). In light of their supervisory functions, outside directors and directors who are Audit & Supervisory Committee Members are not subject to this system.

(2) Revision of mid- to long-term performance-linked remuneration

Before revision	After revision
<p>The medium- to long-term performance-linked remuneration (Stock Compensation B) is linked to the degree of achievement of the management targets of the medium-term management plan and the degree of improvement in corporate value, etc. Restricted stock (Stock Compensation B) is paid to the Subject Directors at the beginning of each fiscal year based on the remuneration standard amount according to his/her position. In principle, after the end of the period covered by the medium-term management plan, the number of shares for which the transfer restrictions will be lifted will be determined based on the degree of achievement of the management targets of the medium-term management plan and the degree of improvement in corporate value with respect to the relevant shares granted during the relevant period.</p> <p>The indicators of management targets for the medium-term</p>	<p>The medium- to long-term performance-linked remuneration (Stock Compensation B) is linked to the degree of achievement of the management targets of the medium-term management plan and the degree of improvement in corporate value, etc. Restricted stock (Stock Compensation B) is paid to the Subject Directors at the beginning of each fiscal year based on the remuneration standard amount according to his/her position. In principle, after the end of the period covered by the medium-term management plan, the number of shares for which the transfer restrictions will be lifted will be determined based on the degree of achievement of the management targets of the medium-term management plan and the degree of improvement in corporate value with respect to the relevant shares granted during the relevant period.</p> <p>The indicators of management targets for the medium-term</p>

management plan for the period from <u>2021</u> to <u>2023</u> include <u>consolidated sales growth rate, consolidated operating profit margin, and achievement of consolidated ROE, etc.</u> In the event that a new medium-term management plan is formulated in the future, such management target indicators may be changed by a resolution of the Board of Directors.	management plan for the period from <u>2024</u> to <u>2026</u> are the <u>stock price appreciation rate, the consolidated profit excluding Frontier Capital Inc. and the achievement of consolidated ROE excluding Frontier Capital Inc.</u> In the event that a new medium-term management plan is formulated in the future, such management target indicators may be changed by a resolution of the Board of Directors.
[Reason for the revision of this item] As an indicator of management targets for the Company's medium-term management plan for the period from 2024 to 2026, the contents, etc. of the performance achievement conditions, which are determined by resolution of the Board of Directors based on the deliberations and reports of the voluntary Nomination and Remuneration Advisory Committee chaired by an outside director, are to be revised (The maximum amount and number of shares of Stock Compensation B are as described in (4) below.) In light of their supervisory functions, outside directors and directors who are Audit & Supervisory Committee Members are not subject to this system.	

(3) Revision of the maximum amount of remuneration and number of shares of Stock Compensation A linked to the consolidated business results for a single fiscal year

Before revision	After revision
Maximum amount of stock-based remuneration: <u>Up to 100,000 thousand yen per year</u>	Maximum amount of stock-based remuneration: <u>Up to 130,000 thousand yen per year</u>
Maximum number of shares to be allocated: <u>Up to 40,000 shares per year</u>	Maximum number of shares to be allocated: <u>Up to 90,000 shares per year</u>
[Reason for the revision of this item] The Company is revising the maximum amount of money to be contributed by the Company under the Plan in order to ensure that the remuneration of Subject Directors is at a market-competitive level and to further increase the ratio of stock-based remuneration as a single-year incentive, thereby raising still further their awareness of their contribution to the degree of achievement of management targets and improvement in corporate value during a single fiscal year. The maximum number of shares to be granted to Subject Directors (the definition of "Allotted Shares" is as described in Attachment 2) will also be revised in consideration of the recent share price trend and other factors.	

(4) Revision of the maximum amount and number of shares of remuneration for medium- and long-term performance-linked remuneration (Stock Compensation B)

Before revision	After revision
Maximum amount of stock-based remuneration: <u>Up to 500,000 thousand yen per year</u>	Maximum amount of stock-based remuneration: <u>Up to 650,000 thousand yen per year</u>
Maximum number of shares to be allocated: <u>Up to 20,000 shares per year</u>	Maximum number of shares to be allocated: <u>Up to 45,000 shares per year</u>
[Reason for the revision of this item] To ensure that the remuneration of Subject Directors is at a market-competitive level and to further increase the ratio of stock-based remuneration as a medium- to long-term incentive, thereby raising still further their awareness of their contribution to the degree of achievement of the management targets of the medium-term management plan and the degree of improvement of corporate value, etc., the maximum amount of money to be contributed by the Company under the plan is to be revised. The maximum number of shares to be granted to Subject Directors (the definition of "Allotted Shares" is as described in Attachment 2) will also be revised in consideration of the recent share price trend and other factors.	

Attachment 1: Directors' Remuneration System

To improve the linkage between the remuneration of directors (excluding directors who are Audit & Supervisory Committee Members and outside directors; hereinafter referred to as "Subject Directors") and business performance, and to make the remuneration system more conducive to achieving its short-term performance targets, its medium- to long-term performance targets, and a sustained improvement in its corporate value, the Company has established two types of remuneration for directors: single-year performance-based remuneration (cash bonuses and Stock Compensation A) linked to the achievement of performance targets for the single fiscal year, and medium- to long-term performance-based remuneration (Stock Compensation B) linked to the achievement of management targets in the medium-term management plan, and to the extent to which corporate value is improved. Both Stock Compensation A and Stock Compensation B will be paid in the form of restricted stock to increase the sharing of value with shareholders and to strengthen incentives to achieve the management targets of the medium-term management plan and enhance corporate value.

The Company's policy for determining directors' remuneration after the revision of the Directors' remuneration system is summarized as follows.

[Summary of Policy for Determining Directors' Remuneration]

(1) Basic policy

Remuneration shall be designed to enable the appointment of outstanding individuals as directors who embody the corporate philosophy and who contribute to achieving short-term performance targets, medium- to long-term performance targets, and the sustainable enhancement of corporate value.

We will establish a highly transparent, fair, and reasonable remuneration system that is accountable to our stakeholders.

(2) Structure of remuneration

Remuneration for Directors (excluding directors who are Audit & Supervisory Committee Members and outside directors) shall consist of base remuneration, which is fixed remuneration, and performance-linked remuneration for single fiscal year and performance-linked remuneration for medium- to long-term, which fluctuate according to business performance, while maintaining a balance among the elements listed in the above basic policy.

Remuneration for directors who are Audit & Supervisory Committee Members and outside directors shall consist only of base remuneration, from the viewpoint of their roles and ensuring their independence.

The ratio of each performance-linked remuneration to base remuneration for directors (excluding directors who are Audit & Supervisory Committee Members and outside directors) is determined in accordance with the classification of directors.

(3) Basic remuneration

The basic remuneration, which is a fixed remuneration, is paid to directors on a monthly basis.

The amount of base remuneration for directors (excluding directors who are Audit & Supervisory Committee Members and outside directors) shall be determined by taking into consideration the nature of their duties, the scope of their responsibilities, their years of service, their contribution to the Company's short-term, medium- and long-term performance, and their contribution to the enhancement of corporate value and other factors, as well as by taking into account the standards of other companies in the industry.

The amount of base remuneration for directors who are Audit & Supervisory Committee Members and outside directors are determined in consideration of their responsibilities and the level of other companies.

(4) Single-year performance-linked remuneration

The single-year performance-linked remuneration (cash bonus and Stock Compensation A) is linked to the degree of achievement of management targets in a single fiscal year and improvement in corporate value. The amount of remuneration is determined based on the Company's performance in a single fiscal year, etc., and the Subject Directors is paid the determined amount of remuneration in the form of a cash bonus and restricted stock (Stock Compensation A) after the Company's performance for each fiscal year is determined.

The composition of the performance-linked remuneration for each Subject Director for a single fiscal year shall be 1/2 cash bonus and 1/2 Stock Compensation A.

The amount of performance-linked remuneration to be paid to each Subject Director for a single fiscal year will be determined based on his or her contribution to the Company's performance and the maximum amount of remuneration for each Subject Director, etc. The basic indicators of consolidated performance will be the rate of increase in stock price and the amount of consolidated profit excluding Frontier Capital Inc.

A summary of the details of the single-year performance-linked remuneration (Stock Compensation A) is provided in Attachment 2, "Details of Remuneration under the Restricted Stock Compensation Plan for Directors."

(5) Medium- to long-term performance-linked remuneration

The medium- to long-term performance-linked remuneration (Stock Compensation B) is linked to the degree of achievement of the management targets of the medium-term management plan and the degree of improvement in corporate value, etc. Restricted stock (Stock Compensation B) is paid to the Subject Directors at the beginning of each fiscal year based on the remuneration standard amount according to his/her position. In principle, after the end of the period covered by the medium-term management plan, the number of shares for which the transfer restrictions will be lifted will be determined based on the degree of achievement of the management targets of the medium-term management plan and the degree of improvement in corporate value with respect to the relevant shares granted during the relevant period.

The indicators of management targets for the medium-term management plan for the period from 2024 to 2026 are the stock price appreciation rate, the consolidated profit excluding Frontier Capital Inc. and the achievement of consolidated ROE excluding Frontier Capital Inc. In the event that a new medium-term management plan is formulated in the future, such management target indicators may be changed by a resolution of the Board of Directors.

An outline of the details of the medium- to long-term performance-linked remuneration (Stock Compensation B) is shown in Attachment 2, "Details of Remuneration under the Restricted Stock Compensation Plan for Directors."

(6) Compensation governance

Directors' remuneration (base remuneration, single-year performance-linked remuneration, and medium- to long-term performance-linked remuneration) is determined by resolution of the Board of Directors, based on the deliberations and reports of the voluntary Nomination and Remuneration Advisory Committee.

If certain events occur, such as serious accounting irregularities or large losses, clawback clauses will be established to the effect that all or part of the Stock Compensation A and B already paid will be returned without consideration in accordance with the responsibilities of each director and executive officer.

Attachment 2: Details of Remuneration under the Restricted Stock Compensation Plan for Directors

Under this plan, shares of the Company’s common stock are issued or disposed of to the Subject Directors in principle every fiscal year without requiring payment in cash or delivery of assets contributed in kind, and these shares are held by the Subject Directors.

The Company will enter into a restricted stock allotment agreement (the “Allotment Agreement”) with the Subject Directors. During a certain period set forth in the Allotment Agreement (the “Transfer Restriction Period”), the Subject Directors may not freely assign, grant a security interest in, or dispose (the “Transfer, etc.”) of the shares delivered under the Allotment Agreement (the “Allotted Shares”). (This restriction on transfer, etc. is hereinafter referred to as the “Restriction on Transfer, etc.”).

	Stock Compensation A	Stock Compensation B
(1) Payment period and calculation method of the number of shares to be paid	The amount of remuneration shall be determined based on the Company’s performance for a single fiscal year, etc., and a portion of the remuneration amount determined shall be paid to the Subject Directors in the form of restricted stock after the performance for each fiscal year is determined.	Restricted shares shall be allocated to the Subject Directors at the beginning of each fiscal year based on the base amount of remuneration according to their position.
(2) Maximum amount of remuneration and maximum number of shares	Maximum amount of stock-based remuneration: <u>Up to 130,000 thousand yen per year</u> Maximum number of shares to be allocated: <u>Up to 90,000 shares per year</u>	Maximum amount of stock-based remuneration: <u>Up to 65,000 thousand yen per year</u> Maximum number of shares to be allocated: <u>Up to 45,000 shares per year</u>
	However, in the event of a stock split or a consolidation of shares of the Company’s common stock, or any other similar event requiring adjustment to the total number of shares to be allotted, the total number of shares to be allotted may be reasonably adjusted.	
(3) Transfer restriction period	For a period of three (3) years from the date on which the Subject Director becomes eligible to receive the Allotted Shares there shall be a restriction on transfer of the shares, and during such period, the Subject Director shall not Transfer, etc. the shares.	
(4) Principle for cancellation of restrictions on transfer	In principle, the restriction on transfer shall be lifted upon expiration of the transfer restriction period.	In principle, after the end of the period covered by the medium-term management plan, the number of shares to be released from the restrictions on the transfer of such shares granted during that period shall be determined based on the degree of achievement of the management targets of the medium-term management plan and the degree of improvement of corporate value, and the restrictions on transfer shall be released at the expiration of the transfer restriction period.

(5) Exceptional treatment in the event of vacating office		
① Where a Subject Director vacates office for reasons including expiration of term of office, death or any other justifiable reasons	In the event that a Subject Director vacates office before the expiration of the transfer restriction period due to the expiration of term of office, death or any other justifiable reason, the transfer restriction shall be lifted with respect to all such shares granted to such Subject Director, after making reasonable adjustments as necessary to the timing of the cancellation of the transfer restriction.	In the event that a Subject Director retires before the expiration of the transfer restriction period due to the expiration of term of office, death or any other justifiable reason, the following matters should be reasonably adjusted as necessary: (i) if the retirement occurs between the time when the shares were granted and before the number of shares to be released from the restrictions on transfer of such shares is determined, the number of such shares to be released from the restrictions on transfer and the time when the restrictions on transfer will be released, depending on the degree of achievement of the management objectives of the medium-term management plan and the degree of improvement in corporate value as of that time, etc., and (ii) if the retirement occurs during the period from the time when the number of shares to be transferred out of such shares is determined to the time when the transfer restriction is to be lifted until the expiration of the transfer restriction period, the time when the transfer restriction is to be lifted.
(ii) When the office is vacated without a justifiable reason	If, prior to the expiration of the transfer restriction period, the Subject Director vacates the office of director of the Company without the expiration of term of office or any other reason deemed justifiable by the Board of Directors of the Company, the Company shall naturally acquire all such shares allotted to the Subject Director without consideration.	
(6) Exceptional treatment in the case of reorganization, etc.	If a joint venture agreement in which the Company is a dissolving company, a stock exchange agreement in which the Company is a wholly owned subsidiary, a share transfer plan, or other matters related to organizational restructuring (“Reorganization Agreement, etc.”) is approved at a general meeting of shareholders (or by the Board of Directors, if the approval	If the Reorganization Agreement, etc. is approved at a general meeting of shareholders (or by the Board of Directors, if the approval of the Company’s general meeting of shareholders is not required with respect to said Reorganization Agreement, etc.) during the transfer restriction period, the following matters should be reasonably adjusted

	<p>of the Company’s general meeting of shareholders is not required with respect to said Reorganization Agreement, etc.), the transfer restriction shall be lifted with respect to all such shares granted to the Subject Director, after making reasonable adjustments as necessary to the timing for the lifting of the restriction on transfers.</p>	<p>as necessary: (i) if approval is given between the time when the shares were granted and before the number of shares to be released from the restrictions on transfer of said shares is determined, the number of said shares to be released from the restrictions on transfer and the time when the restrictions on transfer will be released, depending on the degree of achievement of the management objectives of the medium-term management plan and the degree of improvement in corporate value as of that time, etc., and (ii) If such approval is given during the period from the time when the number of shares to be transferred out of such shares is determined to the time when the transfer restriction is to be lifted until the expiration of the transfer restriction period, the time when the transfer restriction is to be lifted.</p>
(7) Other reason for acquisition without consideration	The Company shall naturally acquire without consideration such shares for which the transfer restrictions are not cancelled at the time the Company determines the number of shares for which the transfer restrictions are cancelled.	
(8) Return of shares without consideration	The Allotment Agreement shall include a clawback clause that provides that if certain events occur, such as serious accounting irregularities or large losses, all or part of the stock-based remuneration already paid shall be returned without consideration in accordance with the responsibility of each director.	
(9) Other details to be determined by the Board of Directors	Other details and matters relevant to the operation of the Plan shall be determined by the Board of Directors based on the deliberations and reports of the voluntary Nominating and Compensation Advisory Committee.	