



February 14, 2024

To All

Company Name Frontier Management Inc.  
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President & Executive Officer  
(Stock code: 7038 The Prime Market of  
Tokyo Stock Exchange)  
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## Notice of the Formulation of a Medium-Term Management Plan

Frontier Management Inc. (the “Company”) hereby announces that at the Board of Directors meeting held on February 14, 2024, the Company resolved a Medium-Term Management Plan for the period from the fiscal year ending December 31, 2024 to the fiscal year ending December 31, 2026.

### 1. Our Vision

We aim to become a global independent professional firm that supports the realization of results that will enhance corporate value by providing optimal services tailored to the characteristics of our clients’ businesses.

### 2. Growth Strategies (Business Strategies and Organization Reinforcement)

We will work on the business strategies and organizational strengthening described below in order to enhance corporate value by realizing results that will strengthen and develop the value-creating capability of companies’ management resources and create new growth businesses.

#### (1) Consulting and M&A Advisory Business

We will focus on solutions that will strengthen and develop the value-creating capability of client companies’ management resources.

- (i) Providing one-stop support for strategy formulation, M&A execution, and PMI related to the business portfolio
- (ii) Improving customer productivity by providing hands-on support for digitalization
- (iii) Equipped with full-spec support functions such as planning, hands-on, investment, and CxO dispatch for revitalization projects
- (iv) Strengthening the global competitiveness of clients by providing one-stop support for mid-cap cross-border M&A and PMI
- (v) Supporting the formation of management teams and the development of management personnel responsible for future growth tailored to management strategies

#### (2) Investment Business

We will work on the full-scale investment of FCI and the formation of a new fund with diverse investment policies.

- (i) Strengthening the investment business that will increase our involvement in the realization of results
- (ii) FCI will achieve the dramatic growth of client companies by accelerating full-scale investment in regional core companies, and will also contribute to the expansion of the Group's scale through consolidated investments.

(iii) Launching new funds (Revital Funds, Venture Funds, etc.)

(3) Strengthening the Organization

We will aim for quantitative expansion and productivity improvement through active recruitment, as well as non-continuous growth through M&A.

- (i) Increasing personnel by 200 over three years (on a non-consolidated basis). Diversifying recruitment methods to achieve both a quantitative expansion and improved efficiency
- (ii) Significantly improving business productivity through knowledge DB advancement, generative AI and business BPO
- (iii) Actively implementing M&A and alliances with companies where synergies are expected

Based on the above, the numerical targets for the fiscal year ending December 31, 2026 (the 20th fiscal year of the Company), the final year of the Medium-term Management Plan, are consolidated net sales of 23 billion yen, consolidated ordinary income of 3.5 billion yen, and consolidated net income of 2.4 billion yen, and the major KPIs are (i) consolidated ordinary income of 3.5 billion yen or more, (ii) consolidated ordinary profit margin of 20% or more excluding FCI, (iii) ROE of at least 30%, (iv) a consolidated number of personnel (excluding FCI's consolidated portfolio companies) of at least 620, (v) 8 investment projects in the Investment Business (2 projects on a consolidated basis) and an investment amount of 15 billion yen, and (vi) the annual number of dispatched CxOs of at least 50.



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MANAGEMENT  
INC.**

**FY2024-2026**

**Medium-Term Management Plan**

February 14, 2024

Frontier Management Inc.

TSE Prime Market: 7038

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## Chapter 1 Frontier Management's Vision



## Corporate Mission

### Contributions to the benefit of clients

- We work for the benefit of our clients by enhancing corporate value

### Contributions to the benefit of stakeholders

- By offering well balanced solutions, we work for the benefit of business owners and managers, employees, business partners, customers, creditors, and other stakeholders.

### Contributions to society

- We contribute to society by raising the value (goods & services) provided by our client companies

## Vision and Values

### Frontier Management's Vision

- Global independent professional firm that provides optimal services according to the business characteristics of clients and supports the delivery of results that will enhance corporate value

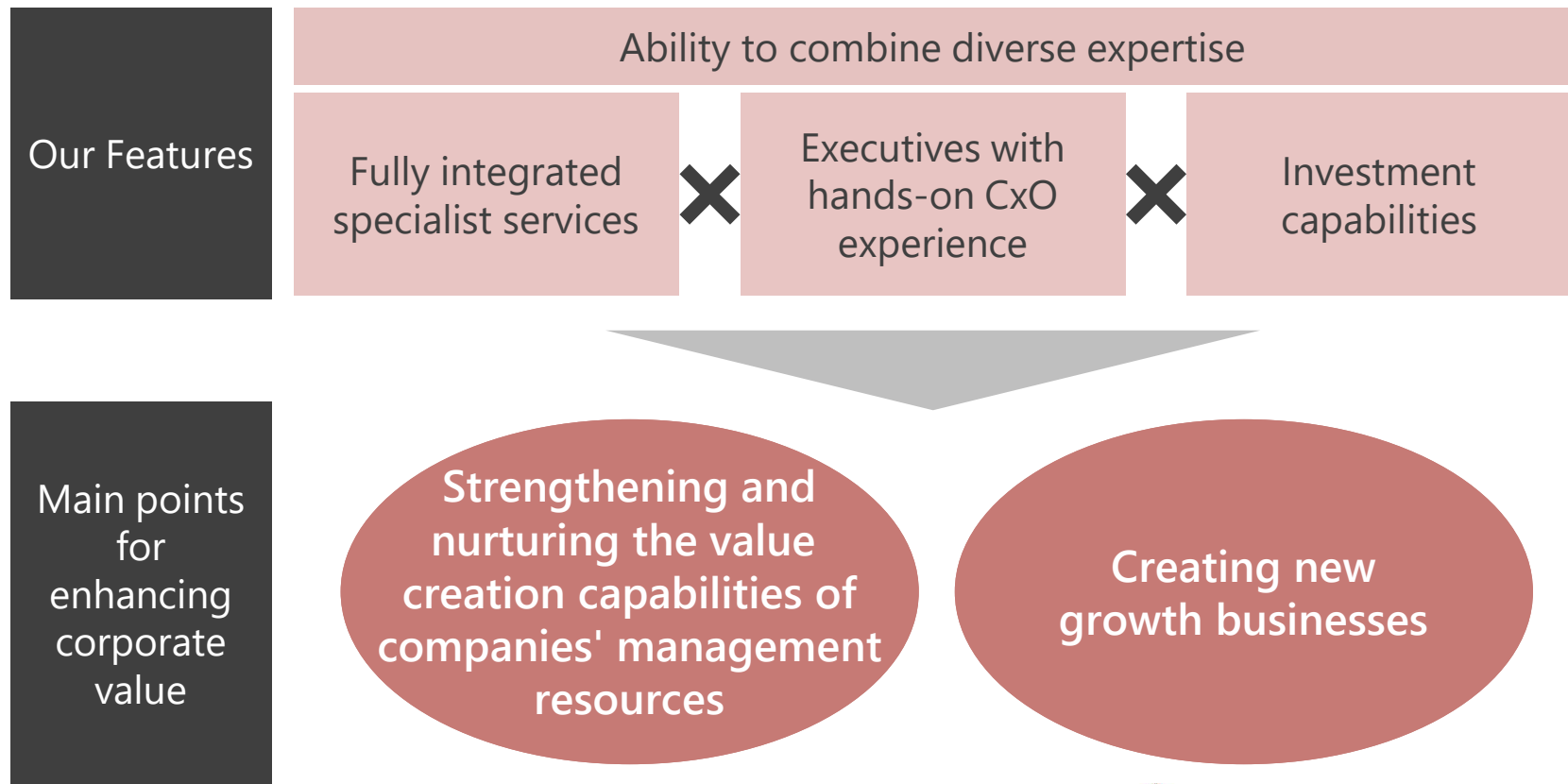
### Frontier Management's Values

- Pursuing the essence
- Committed to the delivery of results
- Leveraging diversity
- Seeing the broader picture

# Outline of Growth Strategy

## Outline of Growth Strategy

- Improve corporate value by strengthening and nurturing the value creation capabilities of our clients' management resources and delivering results in the form of the creation of new growth businesses





## Business strategies and strengthening of organization

- 1 Consulting and M&A advisory business: Focus on solutions for strengthening and nurturing the value creation capabilities of management resources**
  - Provide fully integrated support for the formulation of business portfolio strategies, M&A activities, and PMI
  - Improve productivity through hands-on support for digitalization
  - Develop full-spec support capabilities for revitalization projects spanning revitalization plan formulation, hands-on support , investment and dispatch of CxO
  - Strengthen the global competitiveness of clients through fully integrated support for mid-cap cross-border M&A deals and PMI
  - Support the formation of a leadership team and the development of executives to drive future growth in accordance with management strategies
- 2 Investment business (FCI): Step up investment and establish new fund**
  - Strengthen investment business that will increase involvement in the delivery of results
  - FCI: Step up investment in local core companies and realize dramatic growth of investees
  - Establish new fund for new business creation
- 3 Strengthening of organization: Achieve discontinuous growth through quantitative expansion, improvement of productivity and M&A**
  - Hire 200 additional employees over the 3-year period (non-consolidated basis). Diversify recruiting methods and achieve both quantitative expansion and greater efficiency
  - Significantly improve operational productivity through sophistication of knowledge DB, generative AI, and BPO
  - Actively undertake M&A/alliances with companies with potential synergies



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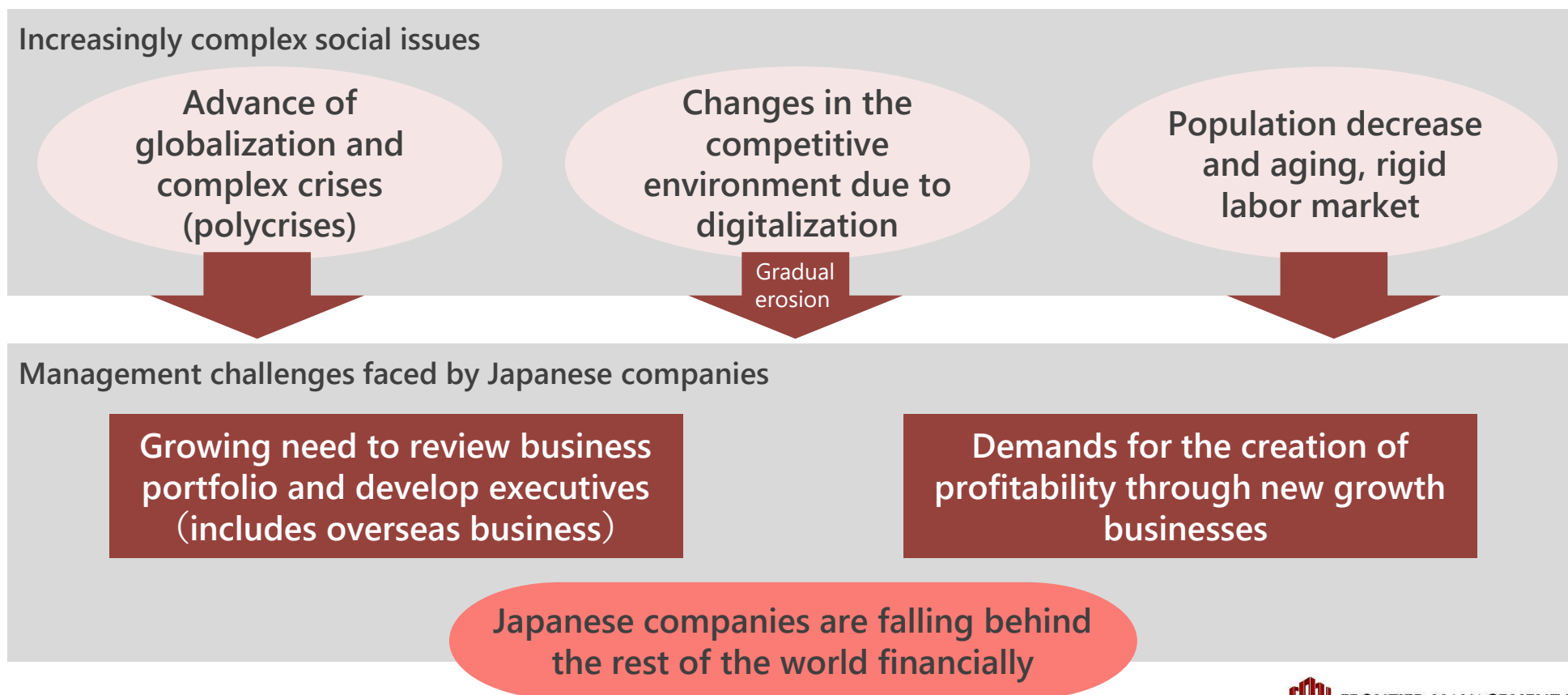
## Chapter 2 Market Opportunities and Growth Strategies



## Social Issues and Management Challenges Faced by Japanese Companies

Social issues are becoming even more complex. We will focus on the management challenge that Japanese companies are falling behind the rest of the world financially

Increasingly complex social issues and management challenges facing Japanese companies



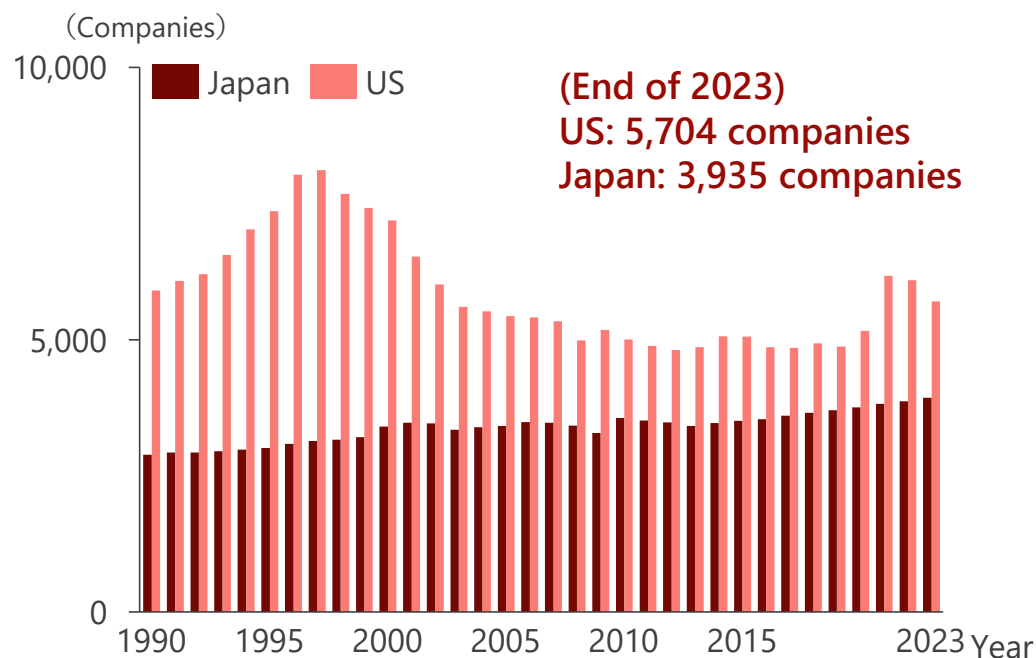
## Social Issues and Management Challenges Faced by Japanese Companies

### - Comparison of Listed Companies in Japan and US, Japanese companies are lagging behind

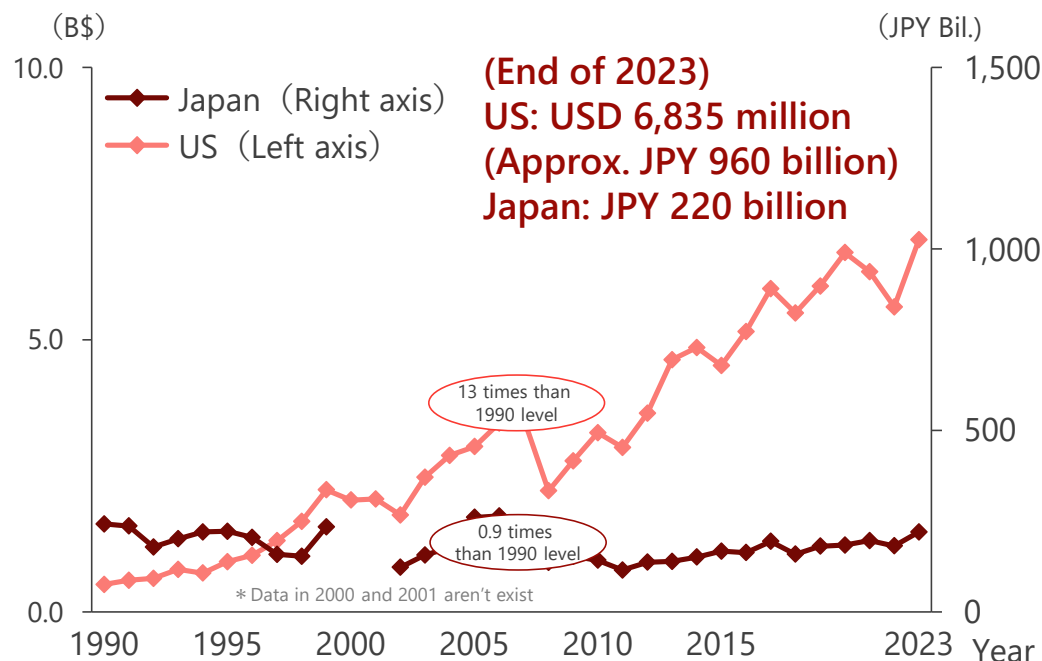
The market capitalization of Japanese companies is much smaller than the market capitalization of their US counterparts, Japanese companies also show no business expansion compared to the past

Changes on US and Japanese stock markets (market capitalization is market capitalization excluding GAFAM)

Number of listed companies



Market capitalization of listed companies (excluding GAFAM)



Source: Prepared by Frontier Management based on data from WEF and SPEEDA.

Note: Figure for Japan is the combined market capitalization of stocks listed on the Tokyo Stock Exchange and the Osaka Exchange (abolished), while the figure for the US is the combined market capitalization of stocks listed on the NYSE and Nasdaq.

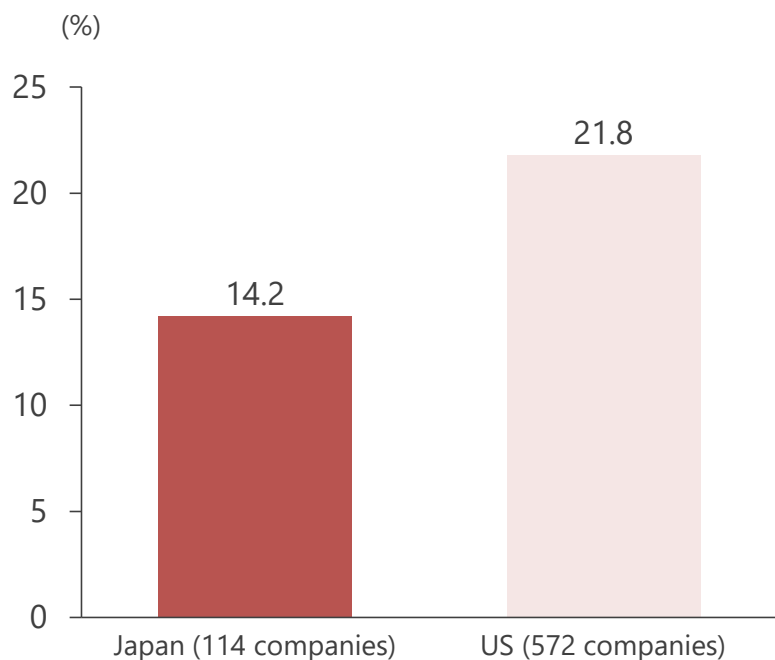
## Social Issues and Management Challenges Faced by Japanese Companies

### - Low Profitability and Business Portfolios of Japanese Companies

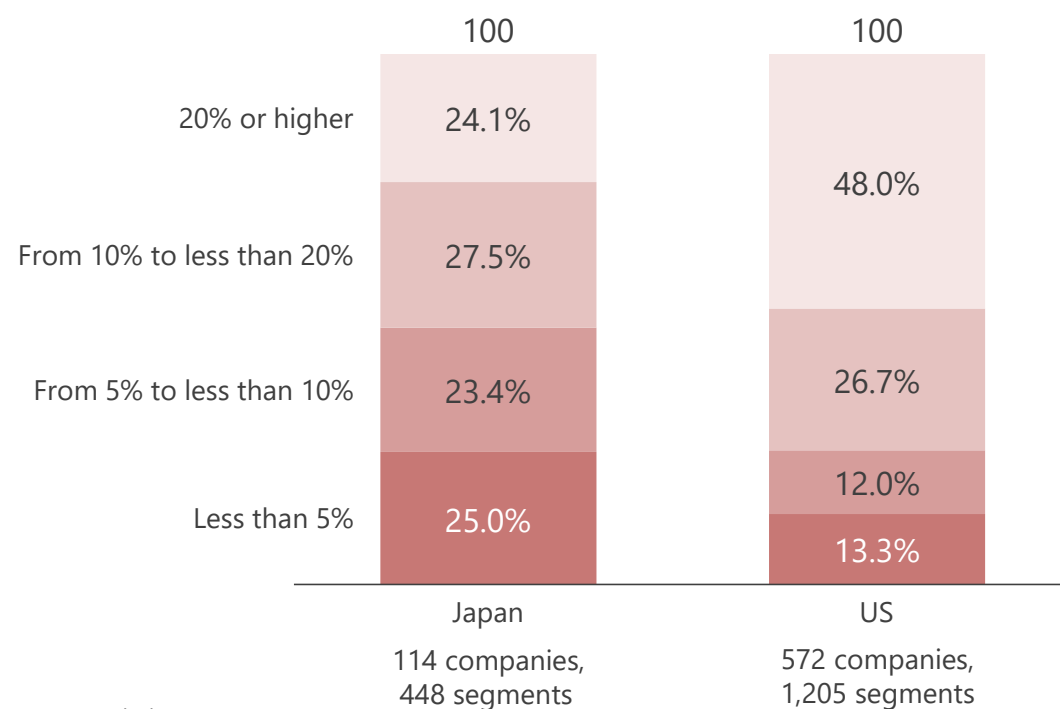
Japanese companies have lower profit margins than their US counterparts, and a breakdown shows that half have an operating margin of less than 10%

Some might say that low profit business portfolio diversification is a drag on the growth of listed companies

Average operating margin of Japanese companies  
(Listed companies with market capitalization of 10 billion US dollars or more)



Operating margin distribution in all business segments<sup>※</sup>  
(Listed companies with market capitalization of 10 billion US dollars or more)



Source: Prepared by Frontier Management based on data from FactSet

Note: Extracted business segments of companies whose most recent market capitalization is 10 billion US dollar or more and whose operating margin in the most recent fiscal year was between -100% and 100%.

## Social Issues and Management Challenges Faced by Japanese Companies

### - Need for Dispatch or Development of Executives

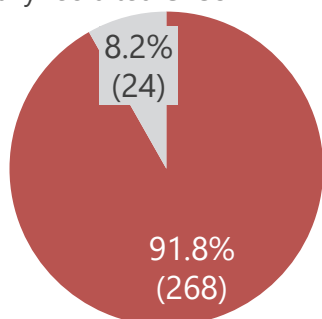
In Japan, most of CEOs have no experience at other companies. In addition, there are few people with “management” experience. These characteristics of Japan's labor market lead to demand for the dispatch and development of executives or demand for hands-on consulting

Attributes of CEOs newly appointed in 2022

Skills held by CEOs in 2019

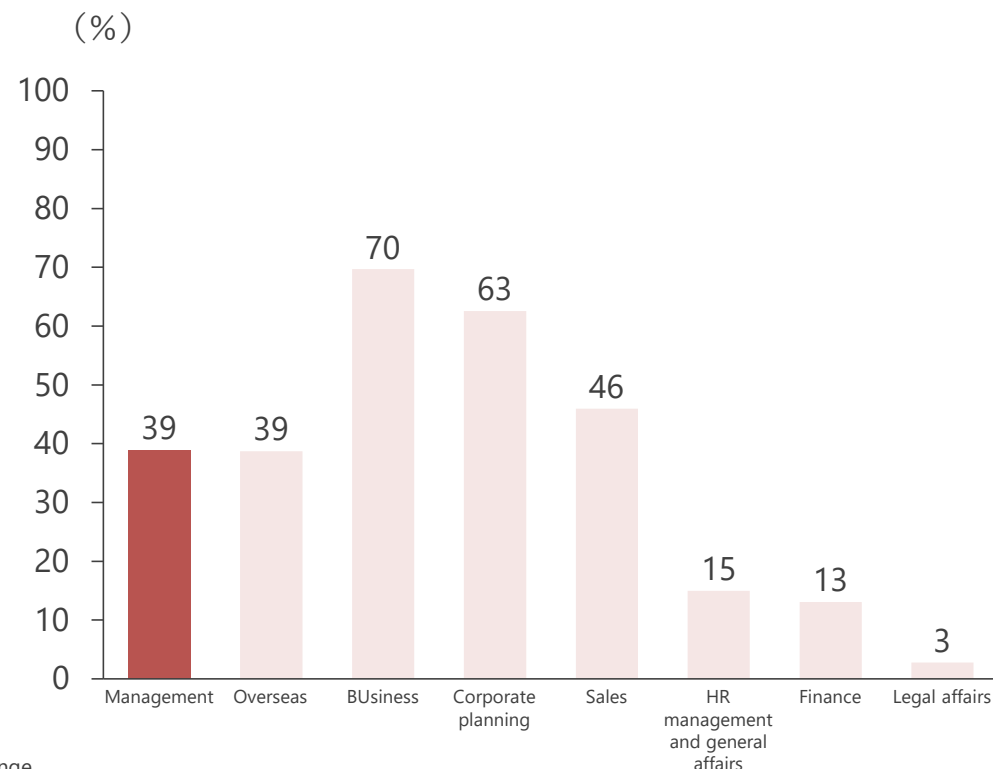
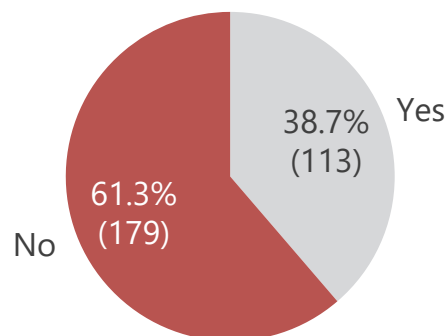
Ratio of internally promoted CEOs

Externally recruited CEOs



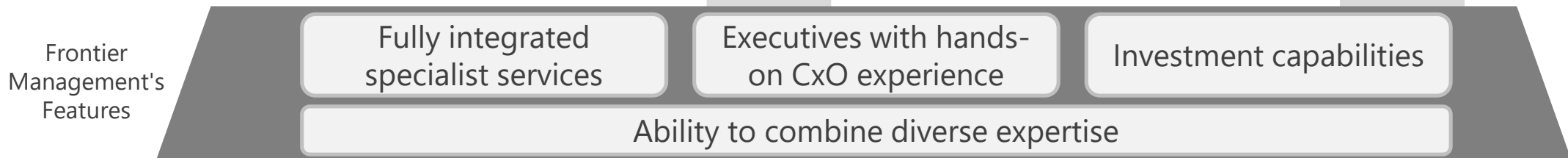
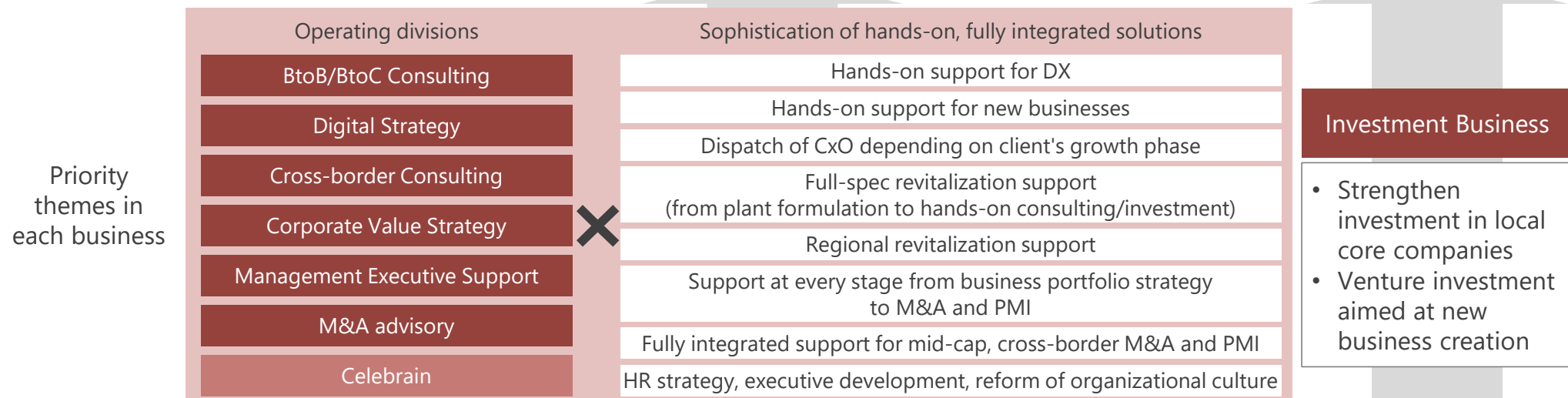
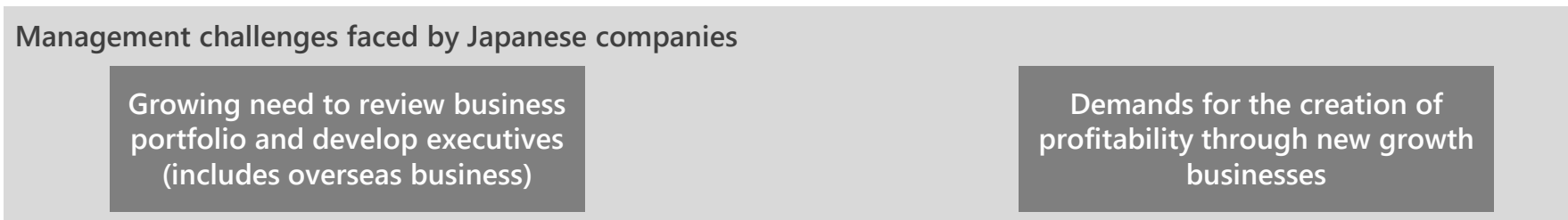
Internally promoted CEOs

Professional experience at other companies



Source: (Left) Independent survey conducted by Frontier Management of more than 290 companies that had a change of president in 2022 identified through Nikkei Value Research  
 (Right) Prepared by Frontier Management based on data provided by Commercial Law Review

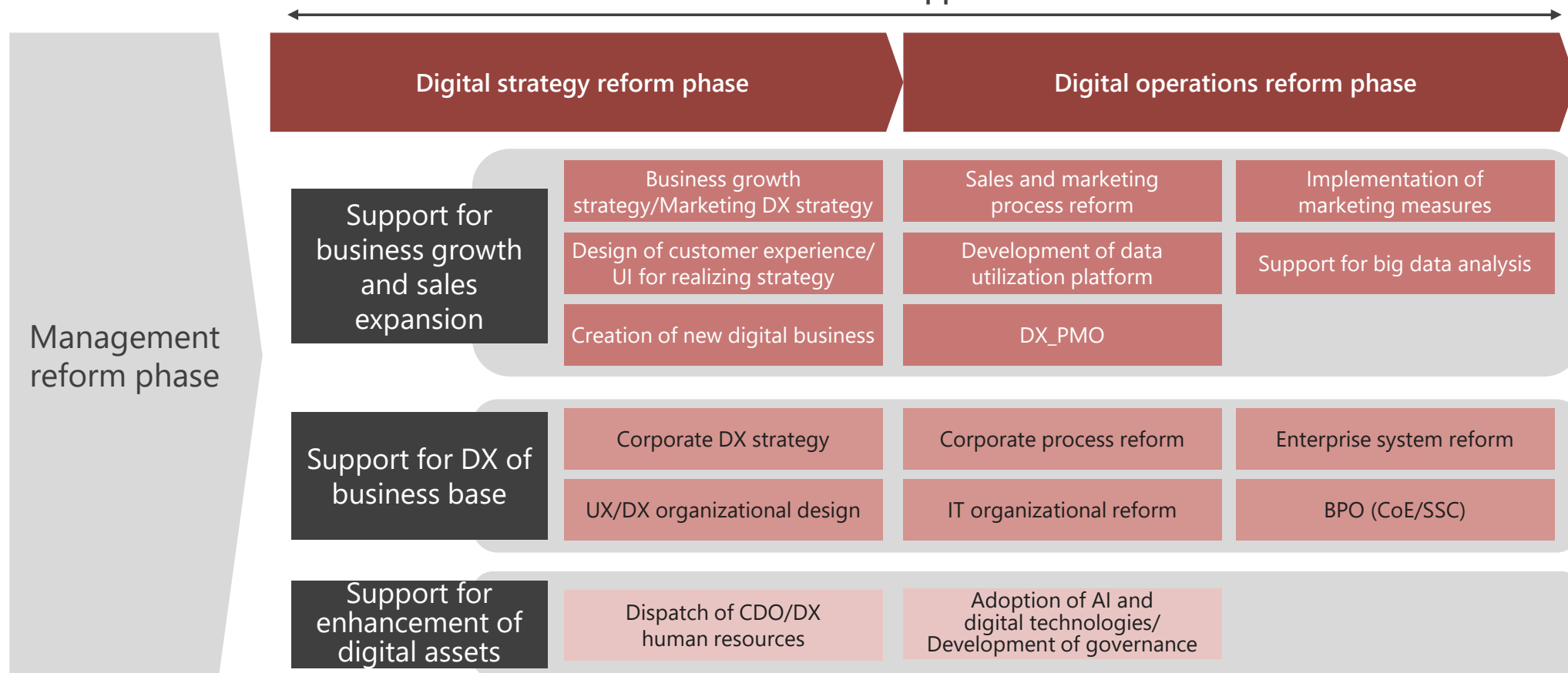
## Frontier Management' Growth Strategies



## Consulting and M&A Advisory Business - Strengthen Solutions: DX Hands-on Support

We will improve our clients' profitability and productivity through hands-on support from the management reform phase through to digital strategy and digital operations reform phases

### Hands-on support for DX

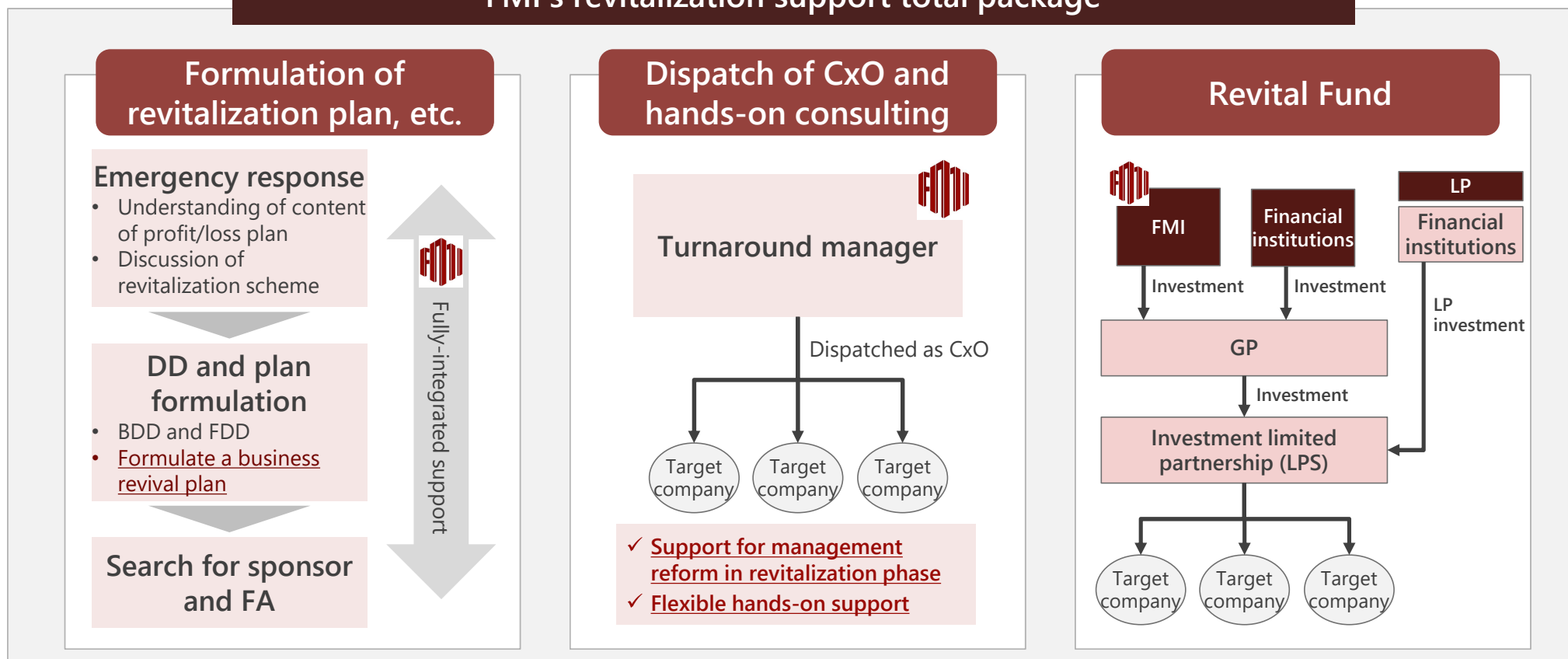




## Consulting and M&A Advisory Business - Strengthen Solutions: Full-spec Revitalization Support

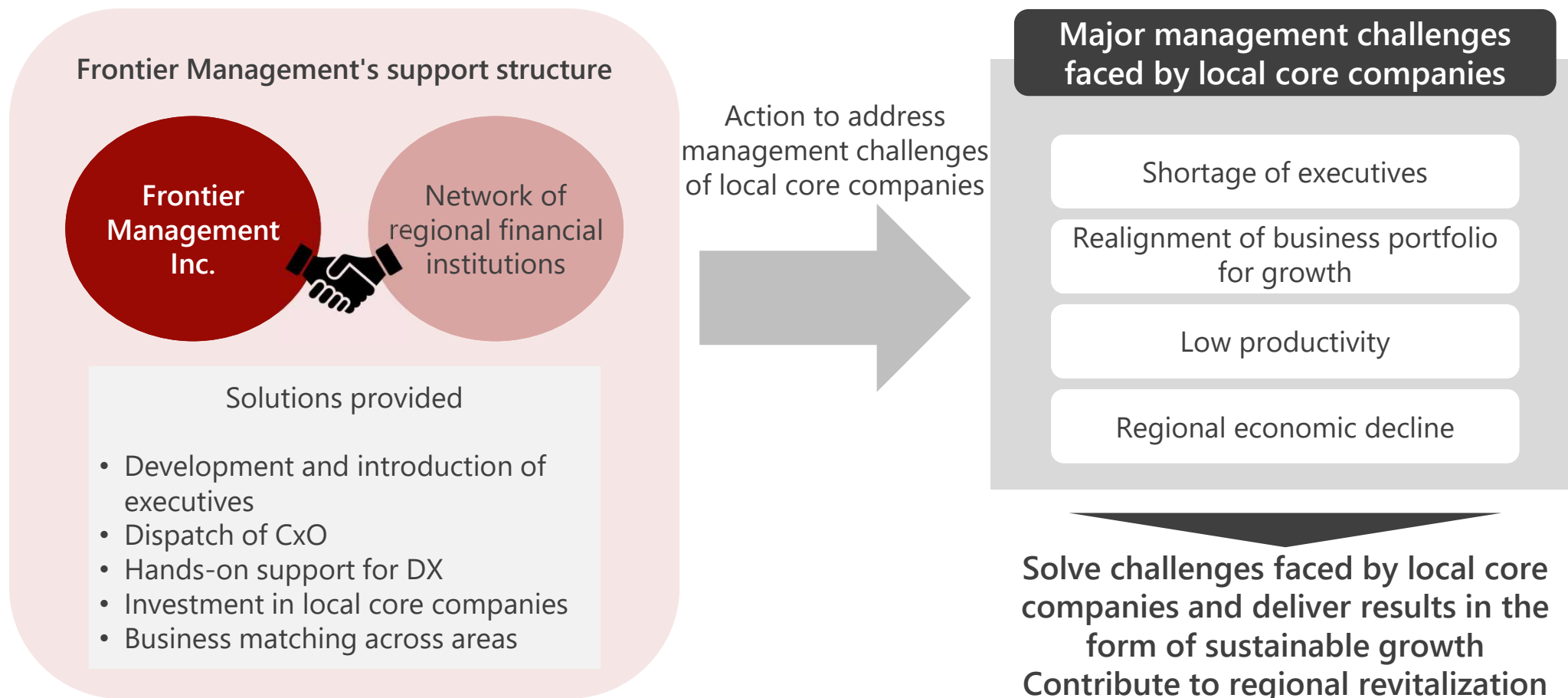
We will provide full-spec revitalization support including not only formulation of revitalization plan, dispatch of CxO and hands-on consulting but also investment

### FMI's revitalization support total package



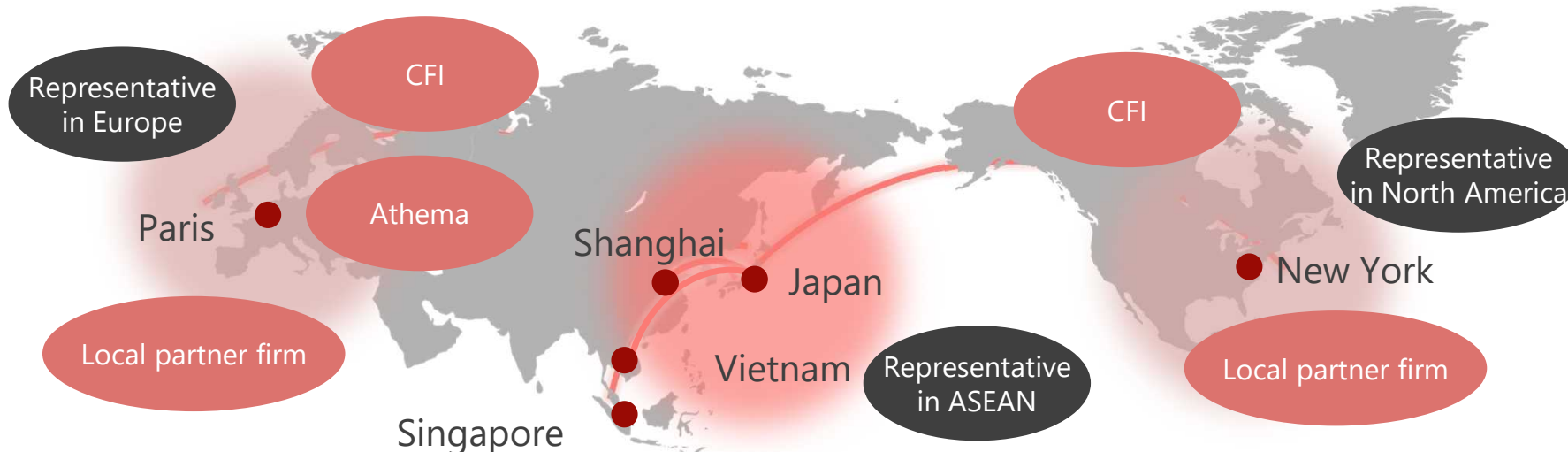
## Consulting and M&A Advisory Business - Strengthen Solutions: Support for Regional Revitalization

We will leverage our regional financial institution network to contribute to regional revitalization by realizing the sustainable growth of local core companies



## Consulting and M&A Advisory Business - Strengthen Solutions: Mid-cap, Cross-border M&A and PMI

We will gather information on attractive M&A deals around the world and support cross-border M&A and PMI, with emphasis on mid-cap targets



Development of structure enabling amassing of information from around the world in Japan and development PMI after acquisitions

Provision of attractive mid-cap, cross-border M&A opportunities to Japanese and overseas companies

■ Consulting team

■ M&A advisory team

Fully integrated support including PMI

Consideration of M&A strategy

Execution of M&A

Preparation for completion of acquisition

PMI and hands-on consulting



Representative

Partner firm



## Consulting and M&A Advisory Business

### - Strengthen Solutions: Executive Development and Organizational Culture Reform

We will also further strengthen solutions in terms of HR strategy, executive development and organizational culture reform, in collaboration with Celebrain

Fully integrated solutions for realization of management strategies  
-in collaboration with Celebrain

Changes in external environment



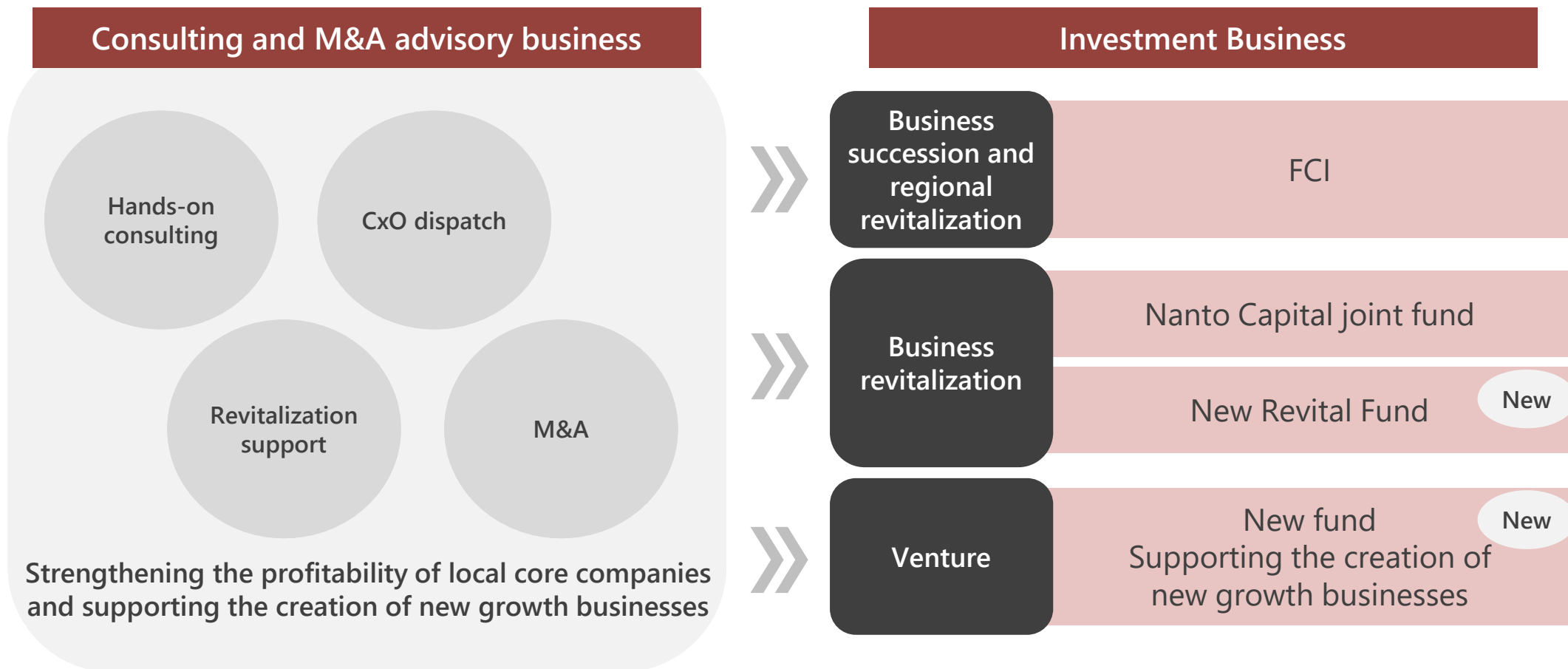
Growing interest in human capital due to disclosure requirements

Growing demand for new HR design in connection with M&A

Shortage of management human resources

## Investment Business - Strengthening Policy

- Whilst strengthening the Consulting and M&A advisory business, we plan to establish new funds with diverse investment policies

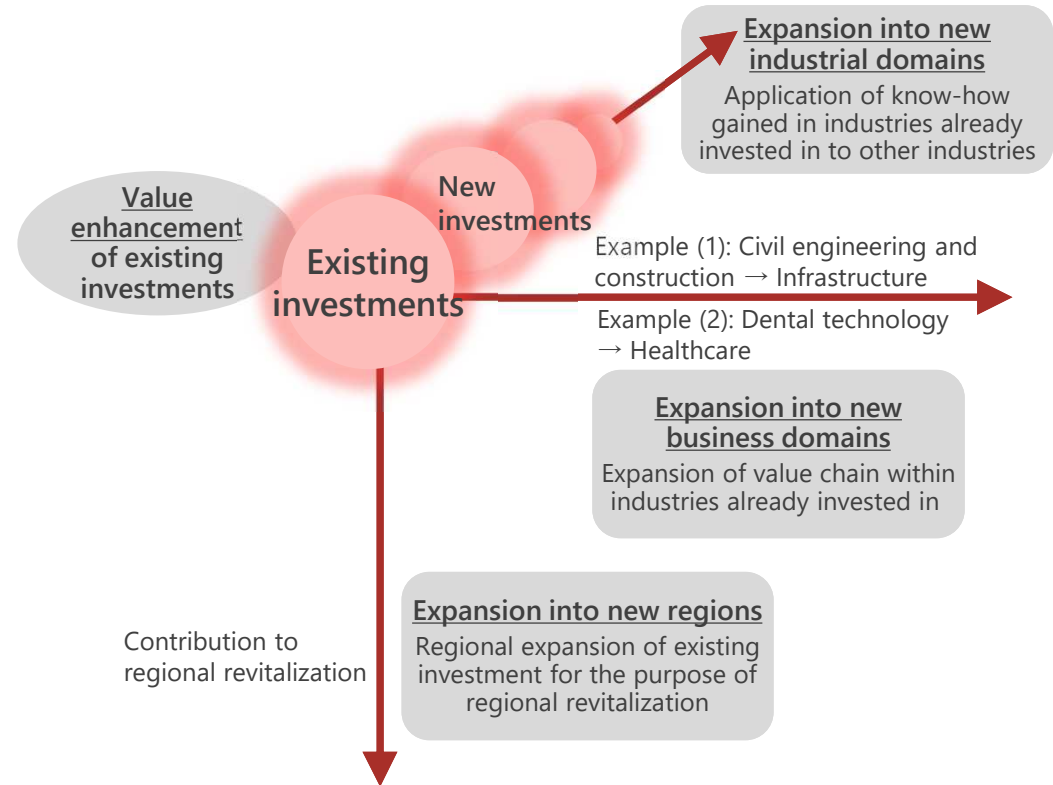


## Investment Business - FCI's Growth Strategy

- FCI will continue to identify and implement investment projects that will contribute to regional revitalization, etc

<p><b>Investment concept</b></p>	<p>To contribute to the revitalization of local economies by supporting the resolution of management issues from a long-term perspective through the investment of human resources, know-how and money in various companies facing management issues. This approach is not limited to specific industries, areas or industries.</p>
<p><b>Characteristics</b></p>	<ul style="list-style-type: none"> <li>• Supports sustainable improvement in corporate value through medium- and long-term investment</li> <li>• Provides hand-on support through resident consultants and provides management executives</li> <li>• Excels at developing and implementing business strategies</li> </ul>
<p><b>FY2024 targets</b></p>	<ul style="list-style-type: none"> <li>• Aiming for early implementation of one consolidated investment (majority investment)</li> <li>• Also actively considering non-consolidated investment projects (minority investments)</li> </ul>

### Portfolio strategy for medium- and long-term expansion





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## Chapter 3 Strengthening of Frontier Management's Organization

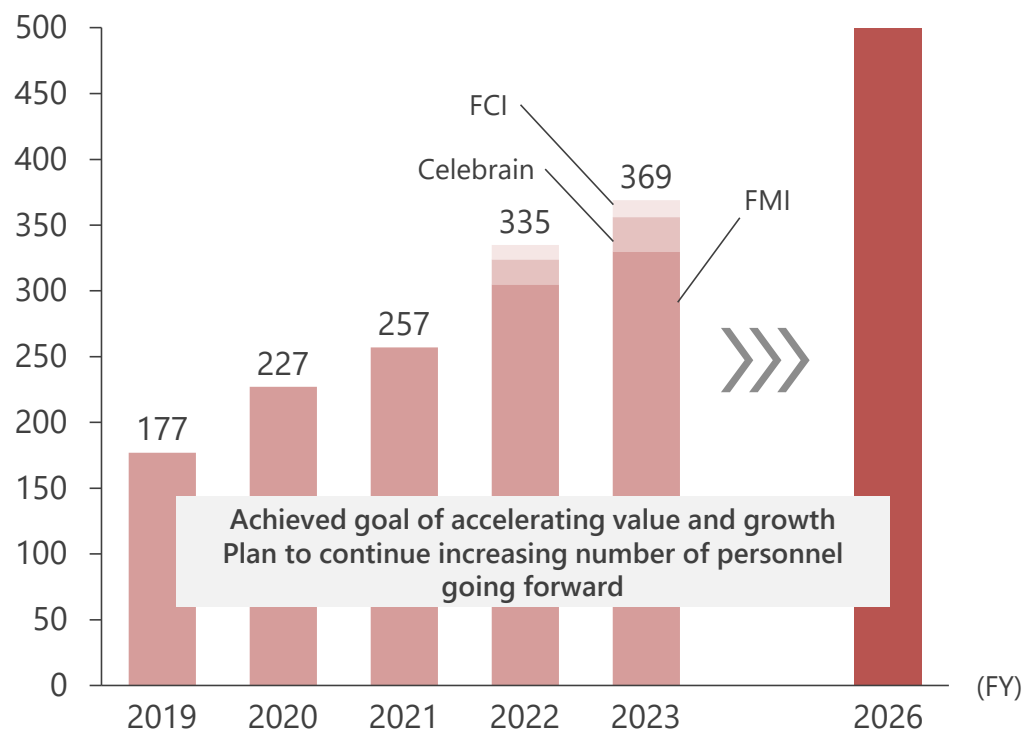


## Acceleration of Value and Growth and Improvement of Productivity

- We achieved our goal of accelerating value and growth through active recruitment. Going forward, our priorities are (1) diversification of recruitment methods and (2) creation of a comfortable workplace environment

### Number of Frontier Management group employees

(Persons)



### Future priorities

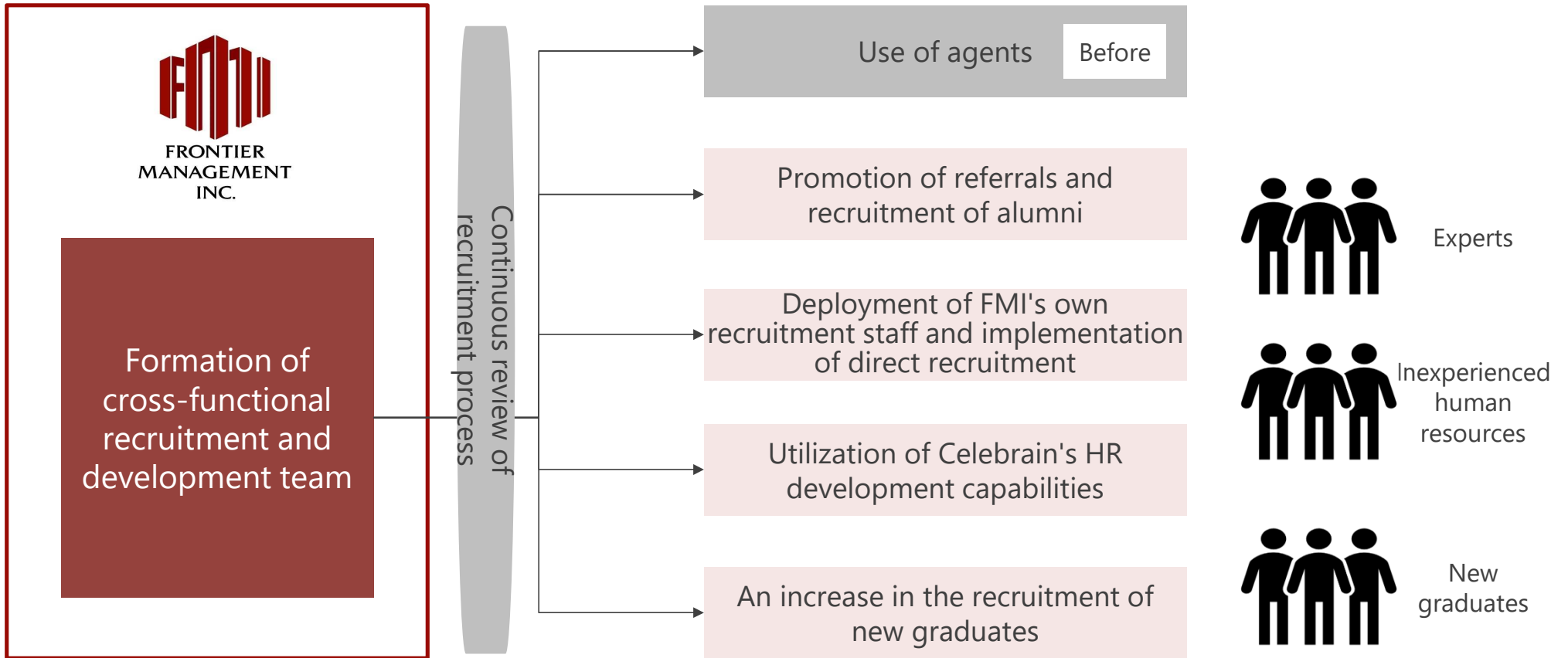
Diversification of recruitment methods

Creating a comfortable workplace environment



## Diversification of recruitment methods

- FMI formed a cross-functional recruitment and development team to deploy diverse recruitment methods and carry out a continual review of the recruitment process  
We will also seek to reduce recruitment costs by bringing recruitment in-house through direct recruitment and encouraging use of Celebrain



## Creating a Comfortable Work Environment

We will hold "DE&I Promotion Committee" meetings across the Group. With reference to the ideas raised here, we will create a work environment in which importance is attached to "growth opportunities for realizing career vision" and "diverse working styles according to lifestyle."

### Growth opportunities for realizing career vision

System of support for transfer between departments

Participation in cross-departmental practice teams

Work at various locations in Japan and overseas

Enhancement of HR training system

Establishment of Working Style Reform Promotion Section

Living support for non-Japanese employees

### Diverse working styles according to life style

Productivity improvement  
(enhancement of internal DX, consolidation of operations, external resource utilization)

Flextime system

Remote working system

Training related to DE&I

Babysitter subsidies and partner childcare centers

Medical checkups for all employees

## Strengthening of M&A and Alliances

We will actively undertake M&A/alliances with companies with potential synergies to strengthen our capabilities and accelerate the growth of the FMI Group

	Revitalization support	Hands-on consulting/ CxO dispatch	M&A advisory
Purpose	Expansion of structure for full-spec revitalization support	Expansion of DX hands-on support	Expansion of mid-cap, cross-border M&A
Reinforcement domains	Launch of Revital Fund in collaboration with financial institutions	Enhancement of DX consulting resources External collaboration in cutting edge technology domains	Strengthening of cross-border network through collaboration with overseas consulting and M&A firms (including CFI)



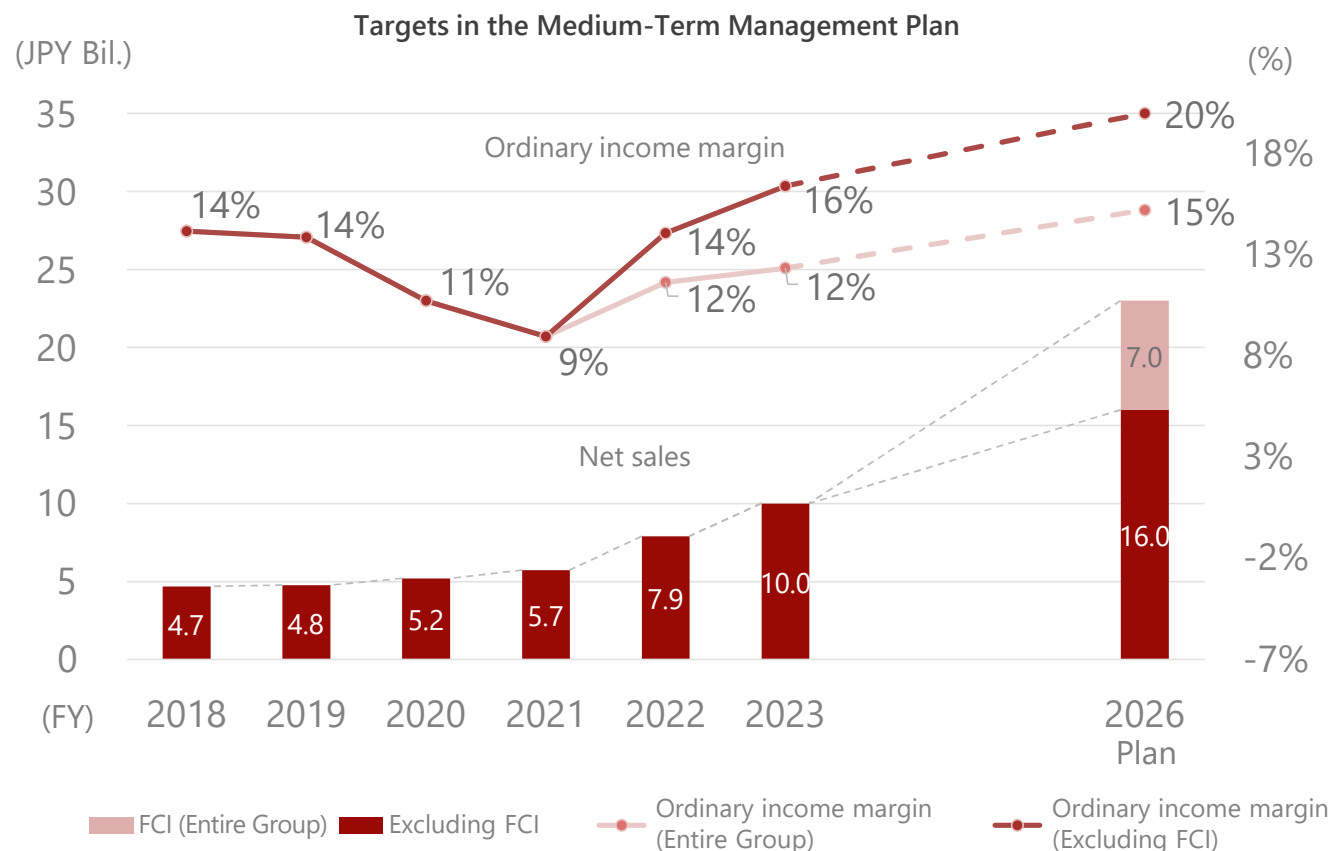
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## Chapter 4 Numerical Targets and Shareholder Return Policy



## Targets in the Medium-Term Management Plan

- We plan to achieve net sales of JPY 16 billion and ordinary income of JPY 3.2 billion, excluding FCI, by FY2026. FCI's consolidated investment projects will also contribute to profit, and the ordinary income of the entire group will expand to JPY 3.5 billion



	Entire Group (JPY Bil.)	
	FY2023	FY2026
Net sales	10.0	23.0
Ordinary income	1.2	3.5
Net income <sup>※</sup>	0.8	2.4

	Excluding FCI (JPY Bil.)	
	FY2023	FY2026
Net sales	10.0	16.0
Ordinary income	1.6	3.2
Net income <sup>※</sup>	1.2	2.3

※Net income above means net income attributable to owners of parent.

**[Conditions]**

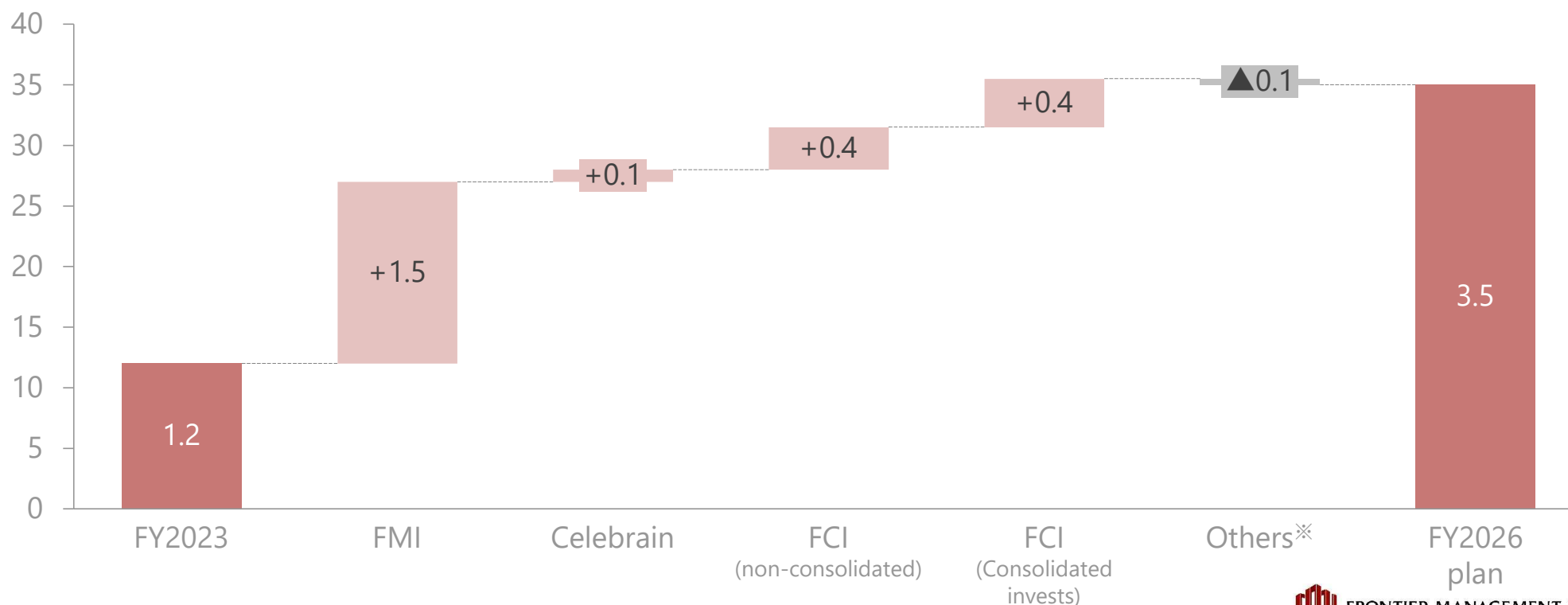
- Entire group means consolidated income or loss of all group companies including FCI and its consolidated investees. Excluding FCI means consolidated income or loss excluding FCI and its consolidated investees.
- FCI is expected to make one consolidated investment in FY2024. FCI will consider consolidated investments in FY2025 and FY2026 as well but these are not included in the plan.
- With respect to Athema in which we hold a 40% stake, we have the option to acquire an additional 20% stake but our income projections do not reflect exercise of this option.

## Medium-Term Management Plan: Ordinary Income Forecast (Entire Group)

- The FY2026 ordinary income forecast for the entire group is JPY 3.5 billion, based on projections that the ordinary profit of FMI and Celebrain will increase by JPY 1.5 billion and JPY 0.1 billion respectively from the FY2023 level, that FCI will also achieve profitability, with a profit contribution of JPY 0.4 billion and that FCI's consolidated investees will also make a profit contribution of JPY 0.4 billion
- As a result of the consolidated investments and non-consolidated investments that FCI will make between now and 2026, monetization of the investment business through the dispatch of management executives to investees is expected to be achieved to some extent at an FCI non-consolidated level

(JPY Bil.)

### Breakdown of Ordinary Income Growth from FY2023 to FY2026

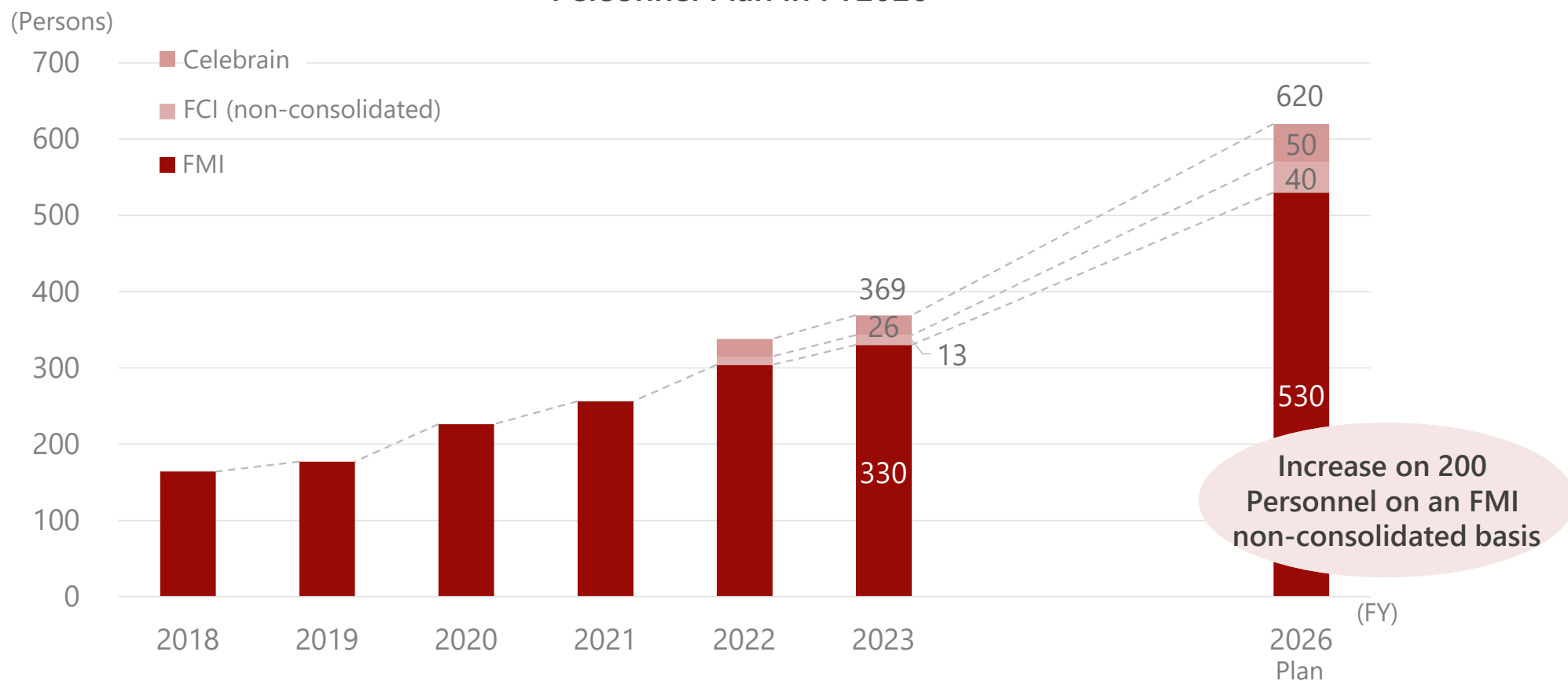


\*Other includes anticipated goodwill amortization in connection with FCI's investments

## Personnel Plan

- We will continue actively recruiting, with a planned increase of 200 personnel on an FMI non-consolidated basis

### Personnel Plan in FY2026



[Assumption]

FCI is expected to make one consolidated investment in FY2024 but the personnel plan reflects FCI personnel on a non-consolidated basis

































