Securities Report

18th Fiscal Year (FY2024)

From January 1, 2024
To December 31, 2024

Frontier Management Inc.

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

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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, 2025
Fiscal year	18th Fiscal Year (from January 1, 2024 to December 31, 2024)
Company name	Frontier Management Inc.
Name translated in English	Frontier Management Inc.
Job title/Name of representative	Shoichiro Onishi, Representative Director and Chairman of the Board (CEO)
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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		14th fiscal year (FY2020)	15th fiscal year (FY2021)	16th fiscal year (FY2022)	17th fiscal year (FY2023)	18th fiscal year (FY2024)
Fiscal year-end		Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024
Net sales	(Thousands of yen)	5,192,527	5,741,654	7,915,655	10,025,083	9,265,110
Ordinary income (loss)	(Thousands of yen)	575,633	514,576	921,511	1,238,574	(710,582)
Net income (loss) attributable to owners of parent	(Thousands of yen)	420,515	338,707	556,722	780,683	(694,858)
Comprehensive income	(Thousands of yen)	420,304	336,103	565,308	785,126	(614,622)
Net assets	(Thousands of yen)	2,448,598	2,454,066	3,015,956	6,822,364	10,749,422
Total assets	(Thousands of yen)	3,792,731	3,819,274	5,658,644	10,874,682	14,165,057
Net assets per share	(Yen)	213.05	215.40	255.37	315.81	225.09
Net income (loss) per share	(Yen)	36.89	29.70	48.67	67.51	(59.20)
Diluted net income per share	(Yen)	36.05	29.24	47.93	66.47	–
Equity ratio	(%)	64.6	63.0	51.7	34.0	18.6
Return on equity (ROE)	(%)	18.1	14.0	20.9	23.6	–
Price-earnings ratio (PER)	(Times)	64.59	25.28	25.91	22.38	–
Cash flows from operating activities	(Thousands of yen)	456,102	316,813	1,250,257	225,607	(2,518,714)
Cash flows from investing activities	(Thousands of yen)	(59,305)	(31,524)	(486,911)	(1,377,671)	(63,854)
Cash flows from financing activities	(Thousands of yen)	(230,684)	(404,765)	646,534	3,787,732	4,302,623
Cash and cash equivalents at end of period	(Thousands of yen)	1,899,100	1,784,218	3,199,089	5,838,745	7,561,180
Number of employees	(Persons)	227	257	335	369	433

(Notes)
1. The Company carried out 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 14th 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.
3. Diluted earnings per share for the 18th fiscal year (FY2024) have not been listed as there was a net loss per share, despite the presence of diluted shares.
4. Return on equity for the 18th fiscal year (FY2024) has not been listed as there was a loss attributable to owners of parent.
5. Price-earnings ratio (PER) for the 18th fiscal year (FY2024) has not been listed as there was a net loss per share.

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

Fiscal year		14th fiscal year (FY2020)	15th fiscal year (FY2021)	16th fiscal year (FY2022)	17th fiscal year (FY2023)	18th fiscal year (FY2024)
Fiscal year-end		Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024
Net sales	(Thousands of yen)	5,188,593	5,732,196	7,546,117	9,557,654	8,816,772
Ordinary income (loss)	(Thousands of yen)	556,817	513,057	1,081,609	1,625,830	(115,166)
Net income (loss)	(Thousands of yen)	413,157	345,454	754,497	1,191,958	(114,628)
Share capital	(Thousands of yen)	163,530	178,723	210,062	374,743	386,224
Total number of shares issued	(Shares)	5,777,900	11,418,398	11,468,478	11,726,457	11,757,603
Net assets	(Thousands of yen)	2,414,569	2,429,387	3,136,089	4,348,730	3,781,164
Total assets	(Thousands of yen)	3,759,798	3,800,171	5,646,614	8,166,955	6,876,108
Net assets per share	(Yen)	210.09	213.24	270.56	366.30	317.15
Dividend per share [Of which, interim dividend per share]	(Yen)	24 [–]	10 [–]	28 [–]	41 [–]	– [–]
Net income (loss) per share	(Yen)	36.24	30.29	65.96	103.08	(9.76)
Diluted net income per share	(Yen)	35.42	29.82	64.96	101.49	–
Equity ratio		64.2	62.7	54.9	52.6	54.1
Return on equity (ROE)		18.1	14.5	27.5	32.2	–
Price-earnings ratio (PER)	(Times)	65.75	24.79	19.12	14.66	–
Dividend payout ratio		33.1	33.0	42.4	39.8	–
Number of employees	(Persons)	226	256	304	328	388
Total shareholder return (TSR) [Comparative index: Dividend-included TOPIX]	(%) (%)	330.0 [107.4]	106.8 [121.1]	178.4 [118.1]	216.8 [151.5]	112.8 [182.5]
Highest stock price	(Yen)	2,453 [6,540]	2,635	1,570	1,714	1,985
Lowest stock price	(Yen)	2,283 [1,281]	681	608	904	712

(Notes) 1. The Company carried out 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 14th fiscal year.

2. 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.

3. The Company carried out 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 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.

4. 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.

5. Diluted earnings per share for the 18th fiscal year (FY2024) have not been listed as there was a net loss per share, despite the presence of diluted shares.
6. Return on equity (ROE) for the 18th fiscal year has not been listed as there was a loss.
7. Price-earnings ratio (PER) for the 18th fiscal year (FY2024) has not been listed as there was a net loss per share.

2. History

Many members of Frontier Management Inc. ("the Company") at the time of its foundation, including Shoichiro Onishi, who is the founders of the Company and current Representative Director and Chairman of the Board, were from Industrial Revitalization Corporation of Japan(Note) 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 for multiple experts belonging to different organizations to coordinate by maintaining close communication and to facilitate the execution of operations for management consulting, business revitalization and M&A in an integrated and smooth manner. Therefore, a special team of each company needs 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, the founders of the Company came up with the idea of collecting experts with diverse backgrounds, such as management consultants, industrial analysts, business experts including those from business corporations, M&A specialists from investment banks, and institutional experts, such as lawyers, certified public accountants and a certified tax accountants, in a single consulting firm. This initiative was based on their belief that there were strong needs as a business to provide a one-stop solution in order to offer optimal management support services in line with the customers' needs by a single team consisting of the appropriate experts.

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.
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.

Month & Year	History
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.
February 2024	Paris Branch was opened with the purpose of strengthening collaboration with our partner firms in Europe, the Middle East, and Africa and enhancing our cross-border business.

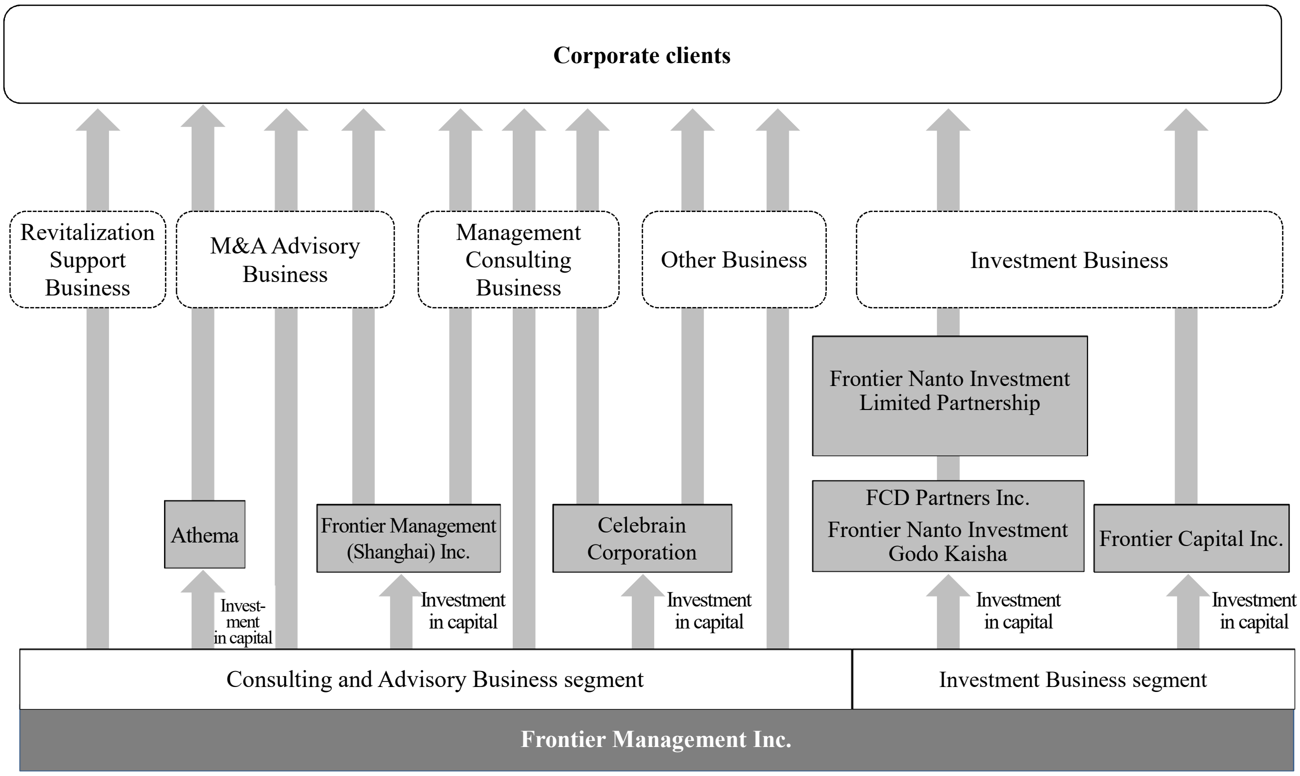
3. Description of Business

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), and FCD Partners Inc. was dissolved on February 21, 2025.

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, due diligence related to M&A (research and analysis of business activities, etc.), and PMI (post-merger integration).

One of the key features of the Group's consulting business is that we provide various solutions designed and developed by professionals with knowledge of diverse industries and abundant experience 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 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.).

The Group has members who have worked on various M&A projects at foreign investment banks, securities companies, auditing firms, consulting firms, etc. Our dedicated PMT team provides full-scope support covering everything including integrated support following M&A. 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 has overseas bases, including our Shanghai subsidiary, Singapore Branch, New York Branch, and Paris Branch, and has 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, and formed a capital and business alliance with French M&A advisory company Athema.

(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 not only make direct investment aimed at increasing corporate value over the medium to long term but also dispatch management personnel. The investment business conducted by the Group is not limited to specific industries, areas, or business types. Instead, the concept is to support the resolution of management issues from a long-term perspective and contribute to revitalizing regional economies by investing the necessary management resources with clients facing diverse management issues. In response to the management issues faced by our clients, the Group provides support long-term, sustained value improvement through Group-wide cooperation to provide management improvement knowhow, abundant personnel, and various networks.

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 lawyers, certified public accountants, and certified tax accountants, those from investment banks, business corporations, financial institutions, as well as management consultants and industry consultants. Through this type of human resources portfolio, we are able to realize the following diverse solutions.

(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

When the Group carries out projects, we approach our work with a strong sense of commitment to improving our clients' corporate value. This originates from the fact that in the Group's founding business of business revitalization operations, failure in those operations can lead directly to the bankruptcy of our clients companies, and that 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) Sales capabilities rooted in our 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. Going forward, in addition to this network of financial institutions, we will focus on sales to business corporations, further strengthening the Group's sales capabilities.

(5) 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 to improve our clients' corporate value as our primary goal.

(6) A consulting firm with investment capabilities

As one of our consolidated subsidiaries, the Group owns the investment company Frontier Capital Inc. In addition to providing personnel and knowhow to customers with diverse management issues, for customers requiring capital to resolves management issues or for corporate growth, through direct investment by Frontier Capital Inc., we provide support from a medium- to long-term perspective to resolve management issues and facilitate corporate growth, helping client companies to enhance their long-term, sustainable corporate value.

(7) Dispatch of managers (CxOs) from professionals with management experience

The Group has many professionals with management experience at business companies that span a wide range of industries. We dispatch these management personnel to client companies as Directors and CxOs, and through a direct commitment to results (financial performance) and hands-on management support, we contribute to enhancing the corporate value of many of our clients.

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 1)	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 1)	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 1)	Minato-ku, Tokyo	4,750	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. (Note 2)	Minato-ku, Tokyo	6	Investment Business	50.0	Concurrent post held by officer
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

(Notes) 1. It corresponds to a specified subsidiary.
2. FCD Partners Inc. was dissolved on February 21, 2025.

5. Status of Employees

(1) Status of consolidated subsidiaries

As of December 31, 2024

Segment name	Number of employees (Persons)
Consulting and Advisory Business	416
Investment Business	17
Total	433

(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 60-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 in accordance with the hiring plan.

(2) Status of submitter company

As of December 31, 2024

Number of employees (Persons)	Average age (Yeas old)	Average years of service (Years)	Average annual salary (Thousands of yen)
388	37.4	3.0	12,098

Segment name	Number of employees (Persons)
Consulting and Advisory Business	388
Total	388

(Notes) 1. Number of employees represents the number of the Company’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

Current fiscal year					Supplementary explanation
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	
8.8	36.4	58.7	61.4	28.2	(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, 2024.

(1) Management environment

(i) Consulting market

According to IDC Japan, in 2023, the business consulting market grew by ¥724 billion or 12.6% year-on-year, and is expected to achieve double-digit growth again in 2024, growing by 10.6% year-on-year. Average annual growth rate of 10.1% is expected to be maintained between 2023-2028, with the market expected to achieve a scale of ¥1,171.4 billion in 2028, meaning we believe that there is still room for ample growth.

(ii) M&A market

According to data from RECOF Corporation, the number of M&A deals in 2024 recorded an all-time high, and have risen continuously since 2011. A stronger focus on capital efficiency with the establishment of Japan's Corporate Governance Code and a stricter approach to the capital market with the emergence of activist investors, have led to an increase in business structure reform-type M&A led by reviews of business portfolios, cross-border M&A aimed at expanding operations in overseas markets, business continuity-type M&A driven by Japan's aging society, and M&A to restructure domestic midsized and small businesses driven by the contraction in the domestic market due to Japan's declining population and decreasing birthrate. As such, we expect M&A deals to continue to increase.

(iii) Business revitalization market

According to TEIKOKU DATABANK, LTD., 9,901 companies went bankrupt in 2024 (up 16.5% from a year earlier), an increase for three consecutive years. Our perception is that the increase in bankruptcies is centered on small and medium-sized enterprises and driven not only by the returns of "zero-zero" (COVID-19) loans and difficulty in appointing successors, 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 Company's 18th fiscal year (FY2024) resulted in a loss, and we recognize that a revision of the "Medium-term Management Plan for Fiscal Years 2024-2026" published in February 2024 is essential. However, as the first step, we have formulated a "Structural Reform Plan" as of February 13, 2025, with the objective of achieving profitability in the fiscal year ending December 2025.

We will regard this structural reform as the first year of our second founding, and will clarify the focus of the solutions we provide, and swiftly reorganize our management model and organization framework.

We are implementing a "ONE-FMI Platform Management" model to establish a unique ecosystem for the Company, fostering collaboration between our employees and affiliated companies to enhance mutual value in an organic state in which each can become independent and grow individually. To achieve the development of an ecosystem and renewed growth, two fundamental policies, "Enhancing Productivity" and "Future-oriented Thinking," have been established. Our objectives are to achieve a streamlined corporate structure and expand corporate value by capitalizing on business opportunities.

The Company will take the following key actions under the "Structural Reform Plan."

<Key actions in FY2025>

(i) Enhancement of competitiveness through reorganizing consulting divisions

The Company will reorganize its consulting divisions, integrating and managing human capital more efficiently. This will be achieved by merging the current five divisions into three, which will realize improved profitability.

(ii) The Company will also focus on regaining its roots in the domestic and medium-sized M&A market to achieve renewed growth

In FY2024, as a result of focusing on acquiring and executing high-volatility, cross-border deals, the domestic M&A business struggled, leading to a significant decline in earnings. Considering this fact, in addition to aiming to acquire stable deals centered on the domestic midscale M&A market, a strength of the Company, for cross-border deals, while considering profitability, we will aim for renewed growth centered on the three regions of Japan, Asia (including China), and Europe.

(iii) A shift to providing integrated solutions across the four front-office divisions

Through cross-selling integrated solutions across the four divisions (three consulting divisions and the M&A division) from the client's perspective and providing high added-value services that meet the clients' needs, we are working to increase our unit prices.

(iv) Implement sales reforms to expand the organizational account coverage network

We plan to accelerate the expansion of the individual corporate account coverage network for major and medium-sized companies and above, while systematically building on the robust relationships with financial institutions and PE funds.

(v) Enhance company-wide strategy and supervise capabilities through reorganizing the corporate division

To improve the capabilities of the corporate divisions to realize "ONE-FMI Platform Management," we are reorganizing the three divisions of the CSO sector (Group strategy and business development), the CFO sector (Group accounting and IR response), and the CAO sector (overall Group organizational operations) into organizations directly overseen by the President, while promoting streamlining and improved productivity.

(vi) Generate revenue through increased investment by Frontier Capital Inc.

By executing investment in the three deals for which contracts were concluded in FY2024 and expanding our deal pipeline, we are reaching our goal of profitability. Considering this, while further strengthening cooperation within the Group, we will use the Group's strengths of knowledge, knowhow, and network to invest in around four deals each fiscal year.

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, 2024.

(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 company listed on the Prime Market, 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 2024 results	Fiscal 2026 targets
Fostering ethics / human rights initiatives	Participation ratio for internal compliance training (With requirement for test on completion)	96.0%	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 2024 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)	(94.0)%	(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.	15	10

c) Contribute to regional revitalization

Description of implementation	Metrics	Fiscal 2024 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	157	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 2024 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?”	85.7%	80.0%
Support for the building of sound governance structures by client companies	Number of consulting projects involving governance improvements by client companies	30	15

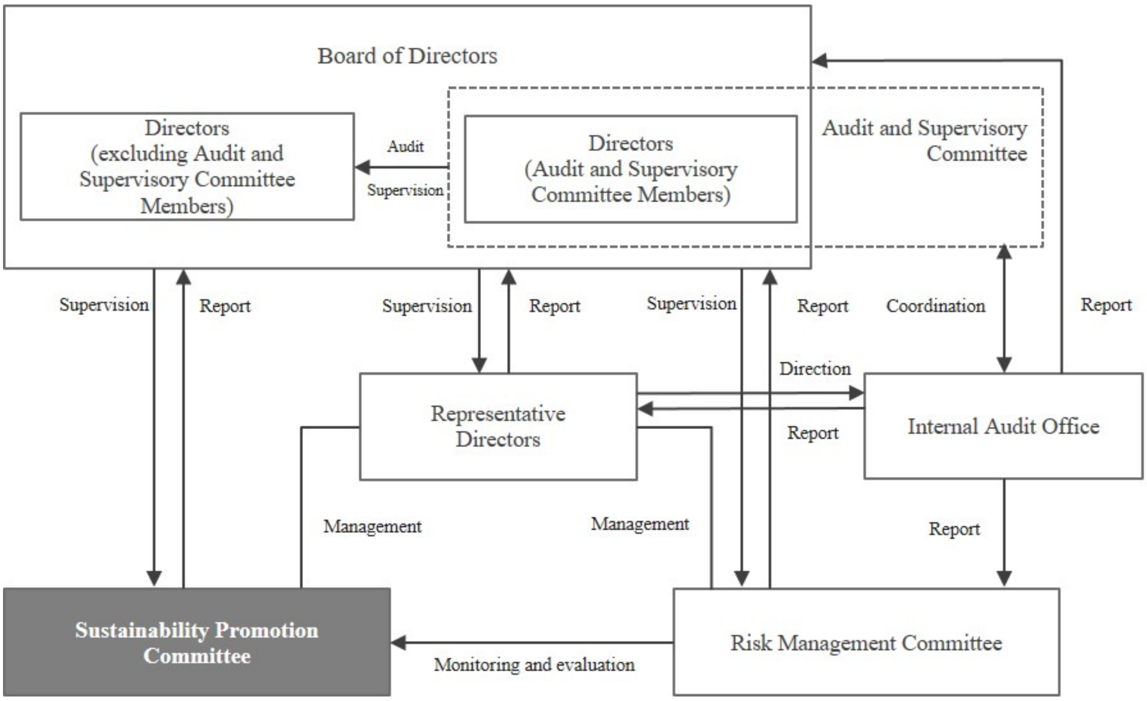
b) Pursue a sound governance system

Description of implementation	Metrics	Fiscal 2024 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 creates activities plans, sets targets, and manages progress for important issues related to sustainability, deliberates and provides operational instructions for items related to information disclosure on this process, and reports to the Board of Directors.
- 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.

(ii) Risk management

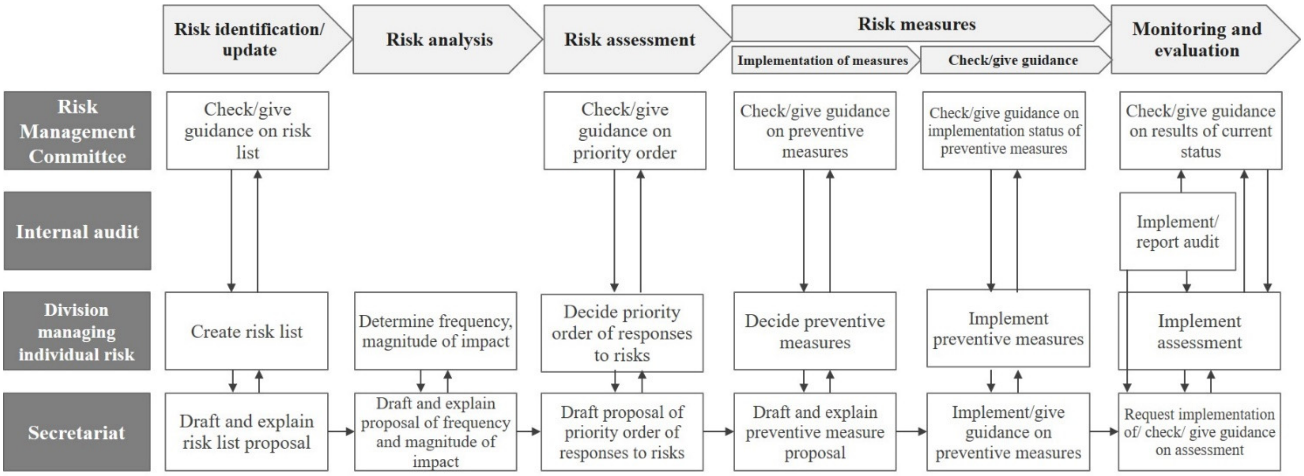
In addition to foreseeing business risks and assessing them appropriately, the Risk Management Committee establishes measures to avoid, mitigate, and transfer risks. It also provides regular reports on the status of such measures, etc. to the Board of Directors. The specifics of management by the Risk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

a) Identify and update risks.

b) 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).

c) Determine a policy for response and establish preventive measures according to the nature of each risk (risk measures).

d) 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°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°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.

a) To shift office electricity to renewable energy, we switched our head office in Roppongi, Tokyo, to green power in September 2022.
b) By the fiscal year ending December 2030, we will reduce greenhouse gas emissions by 50% as compared to the fiscal year ended December 2021.
c) By the fiscal year ending December 2050, we will reduce greenhouse gas emissions to net-zero.
d) We are working to reduce the amount of single-use plastics in our offices.
e) We encourage climate-friendly business travel by our employees.
f) 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.
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.

Category	Item	Impact on Business
	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 2024 results	Fiscal 2026 targets
Establishing a comfortable culture/working environment for diverse human resources	Ratio of men taking childcare leave (%)		36.4%	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		36.1%	70.0%
Facilitating recruitment/promotion of diverse human resources	Ratio of female employees		22.7%	30.0%
	Ratio of female employees in managerial positions		8.8%	15.0%
	Disparity in wages between male and female employees (Ratio of female employee wages to male employee wages)	All employees	58.7%	70.0%
		Full-time employees	61.4%	70.0%
		Part-time employees	28.2%	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

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 2024 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	90.2%	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 2024 results	Fiscal 2026 targets
Train management talent	Number of people seconded overseas/to alliance partners	10	10
	Number of people sent as directors/CxOs	48	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.

Although the below chart provides the number of projects on a stand-alone basis for the Company, Celebrain Corporation, the Company's consolidated subsidiary which provides human resources consulting at the Group, provides consulting on many human capital management projects.

Description of implementation	Metrics	Fiscal 2024 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	17	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, 2024.

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.

The below chart provides net sales along with the amount of M&A Advisory Business success fees included and the operating income/loss by quarter for the 18th fiscal year, in which as a result of focusing on acquiring and executing high-volatility, cross-border deals, the domestic M&A business struggled, leading to a significant decline in earnings. Considering this fact, in addition to aiming to acquire stable deals centered on the domestic midscale M&A market, a strength of the Company, for cross-border deals, which considering profitability, we will aim to acquire projects centered on the three regions of Japan, Asia (including China), and Europe.

(Thousands of yen)

	First quarter of 18th fiscal year (FY2024)	Second quarter of 18th fiscal year (FY2024)	Third quarter of 18th fiscal year (FY2024)	Fourth quarter of 18th fiscal year (FY2024)	18th fiscal year (FY2024)
Net sales	2,161,011	2,398,957	2,188,918	2,516,223	9,265,110
[success fees from the M&A Advisory Business]	[136,700]	[227,110]	[125,543]	[183,954]	[673,308]
Operating income (loss)	63,008	45,916	(16,870)	(724,190)	(632,136)

(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 a situation may affect the financial position and operating results of the Group.

(ii) Development of frameworks for internal control

As of December 31, 2024, the Group's organization has become two Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors), four Directors who are Audit and Supervisory Committee Members (including three Outside Directors) and 433 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. Furthermore, in July 2023, with the goal of expanding into European, Middle Eastern, and African markets, we made Athema, which is headquartered in Paris, France, an equity-method affiliate, and in February 2024, we opened the Paris Branch with the goal of strengthening collaboration with our partner firms to enhance our cross-border business. However, some of 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, raising ¥8,000 million of that total. The company executed investment in three deals as of the end of the current fiscal year and concluded transfer agreements for stocks related to consolidated investment. However, if investment activities do not progress smoothly in line with our business plan 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 loses 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 founder and business promoter holds 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 he 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, 2024, there are 233,760 diluted shares caused by exercise of stock options, accounting for 1.99% 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, 2024 is as follows.

(i) Operating results

During the fiscal year under review (from January 1, 2024 to December 31, 2024), the Japanese economy continued to recover gradually, bolstered by robust corporate performance and advancements in the employment and income environment. However, the future of the economy remains uncertain due to concerns about geopolitical risks, including the situation in Russia and Ukraine and the situation in the Middle East, the downside risks to overseas economies, and the impact of rising prices on consumer spending.

In this management environment, the Group focused on making and implementing proposals to solve corporate problems in a one-stop manner. This approach is outlined in the "Medium-Term Management Plan for Fiscal Years 2024-2026," which was announced on February 14, 2024. It will do this by offering comprehensive services that encompass management consulting, M&A consulting, revitalization support, and other functions. Additionally, Frontier Capital Inc. (hereinafter referred to as "FCI") made investments accompanied by the deployment of management personnel.

The Management Consulting Business, the Revitalization Support Business and Other Business (hereinafter referred to as the "Consulting-related Businesses") as a whole demonstrated an upward trend during the fiscal year under review, achieving record net sales of ¥7,714,452 thousand (up 10.5% from the previous fiscal year).

The M&A Advisory Business experienced a significant decrease in sales compared with the previous fiscal year mainly due to the sluggish domestic M&A business, as net sales totaled ¥1,459,980 thousand (down 51.7% from the previous fiscal year).

Regarding human resources, the Company's workforce at the end of the fiscal year under review totaled 433 employees, marking a net increase of 64 compared with the end of fiscal 2023. This growth rate fell slightly below the planned increase of 70 in fiscal 2024. We believe that strengthening our human resources system in this way will contribute to the Company's medium- to long-term growth. However, in the current fiscal year, net sales, which were low due to the downturn in the M&A Advisory Business, were unable to make up for the increase in personnel expenses caused by the increase in human resources, and the Consulting and Advisory Business segment recorded an operating loss of ¥199,411 thousand (operating income of ¥1,645,950 thousand in the previous fiscal year).

In July 2024, FCI raised ¥5 billion from external investors through a capital increase, and by the end of the fiscal year under review, FCI will have completed investments in three companies. The Company is vigorously promoting investment activities while expanding its pipeline, such as executing a share transfer agreement for consolidated investments in December 2024. However, due to delays in investment execution, fixed costs, such as personnel expenses, were recorded in advance, and the Investment Business segment posted an operating loss of ¥432,724 thousand (operating loss of ¥394,320 thousand in the previous fiscal year).

As a result of the above, the performance of our Group for the fiscal year under review was as follows: net sales of ¥9,265,110 thousand (a 7.6% decrease from the previous fiscal year), operating loss of ¥632,136 thousand (operating profit of ¥1,251,629 thousand in the previous fiscal year), ordinary loss of ¥710,582 thousand (ordinary profit of ¥1,238,574 thousand in the previous fiscal year), and net loss attributable to owners of parent of ¥694,858 thousand (net income attributable to owners of parent of ¥780,683 thousand in the previous fiscal year).

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

<<Consulting and Advisory Business Segment>>

In the Consulting and Advisory Business segment, the Consulting-related Businesses continued to perform well (net sales of ¥7,714,452 thousand, up 10.5% from the previous fiscal year). However, the M&A advisory business experienced a significant decrease in sales compared with the previous consolidated period due to factors such as the sluggish domestic M&A business. Consequently, net sales for this segment amounted to ¥9,174,433 thousand (representing an 8.3% decrease from the previous fiscal year), and the operating loss was ¥199,411 thousand (operating profit of ¥1,645,950 thousand in the previous fiscal year).

[Consulting-related Businesses]

The results of individual Consulting-related Businesses are as follows.

Management Consulting Business

The business results of the Management Consulting Business for the fiscal year under review were ¥6,344,585 thousand (up 24.8% from the previous fiscal year) in net sales. In the consolidated period under review, net sales rose compared with the previous consolidated period against the backdrop of the increase in personnel in accordance with the hiring plan, and through the contributions of significant growth in DX Consulting and higher unit prices due to increased orders for large-scale projects.

Revitalization Support Business

In the Revitalization Support Business, net sales for the fiscal year under review were ¥1,245,618 thousand (down 24.4% from the previous fiscal year). New business orders for revitalization projects were robust, but revenues decreased compared with the previous fiscal year. This was due to the completion of large-scale projects that had continued from the previous fiscal year.

Other Business

The business results of Other Business for the fiscal year under review were net sales of ¥124,249 thousand (down 49.9% from the previous fiscal year).

[M&A advisory business]

In the M&A Advisory Business, net sales for the fiscal year under review were ¥1,459,980 thousand (down 51.7% from the previous fiscal year). In the previous fiscal year, the Company successfully completed several major merger and acquisition (M&A) deals and achieved positive business outcomes. However, in the fiscal year under review, the number of cases that resulted in contingent remuneration decreased overall due to factors such as the slowdown in the domestic M&A market. Consequently, there was a substantial decline in revenues compared with the previous fiscal year.

<<Investment Business Segment>>

In the Investment Business segment, during the fiscal year under review, we executed investments in the second and third projects. In December 2024, a share transfer agreement was executed for a consolidated investment, etc. We diligently examined and executed investment businesses, and raised ¥5 billion through a capital increase to fund future investment activities. However, due to delays in investment execution, fixed costs, such as personnel expenses, were recorded in advance, and net sales reached ¥99,967 thousand (up 134.4% year-on-year), and the operating loss was ¥432,724 thousand (compared with an operating loss of ¥394,320 thousand in the previous fiscal year).

(ii) Financial condition

Total assets at the end of the fiscal year were ¥14,165,057 thousand (¥10,874,682 thousand at the end of the previous fiscal year), an increase of ¥3,290,374 thousand from the end of the previous fiscal year. Total liabilities were ¥3,415,634 thousand (¥4,052,318 thousand at the end of the previous fiscal year), down ¥636,684 thousand from the end of the previous fiscal year. Net assets were ¥10,749,422 thousand (¥6,822,364 thousand at the end of the previous fiscal year), an increase of ¥3,927,058 thousand from the end of the previous fiscal year.

(iii) Status of cash flows

Cash and cash equivalents (hereinafter, "funds") on December 31, 2024 increased ¥1,722,434 thousand from the end of the previous fiscal year to ¥7,561,180 thousand.

The status of cash flows and their factors for the fiscal year ended December 31, 2024 are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was ¥2,518,714 thousand (net cash provided of ¥225,607 thousand in the previous fiscal year). This was mainly attributable to loss before income taxes of ¥710,582 thousand, increase in operational investment securities of ¥1,672,952 thousand, and income taxes paid of ¥375,856 thousand, which were factors decreasing cash, and increase in accounts payable-other of ¥146,443 thousand, which was a factor increasing cash.

(Cash flows from investing activities)

Net cash used in investing activities was ¥63,854 thousand (net cash used of ¥1,377,671 thousand in the previous fiscal year). This was mainly attributable to purchase of investments and other assets of ¥33,023 thousand and purchase of intangible assets of ¥25,887 thousand.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥4,302,623 thousand (net cash provided of ¥3,787,732 thousand in the previous fiscal year). This was mainly attributable to proceeds from capital increase of consolidated subsidiaries of ¥4,980,750 thousand, which was a factor increasing cash, and dividends paid of ¥480,623 thousand and repayments of long-term borrowings of ¥242,518 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, 2024 were as follows.

Segment name	Name of sales category	Current fiscal year (From January 1, 2024 to December 31, 2024)	
		Sales (Thousands of yen)	YoY change (%)
Consulting and Advisory Business segment	Management Consulting Business	6,344,585	124.8
	Revitalization Support Business	1,245,618	75.6
	Other Business	124,249	50.1
	M&A advisory business	1,459,980	48.3
Investment Business segment	Investment Business	99,967	234.4
Removal of transactions between segments		(9,290)	–
Total		9,265,110	92.4

(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, 2023 to December 31, 2023)		Current fiscal year (January 1, 2024 to December 31, 2024)	
	Amount (Thousands of yen)	Ratio (%)	Amount (Thousands of yen)	Ratio (%)
TATSUMI SHOKAI CO., LTD.	1,078,700	10.8	1,372,400	14.8

(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, 2024.

(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, 2024

(A) Analysis of results of operations

a. Net sales

In the fiscal year ended December 31, 2024, net sales were ¥9,265,110 thousand (down 7.6% from the previous fiscal year). The breakdown by business segment is as follows: ¥9,174,433 thousand in the Consulting and Advisory Business (down 8.3% from the previous fiscal year, including ¥9,290 thousand for inter-segment sales), and ¥99,967 thousand in the Investment Business (up 134.4% from the previous fiscal year). Further, the breakdown by business segment within the Consulting and Advisory Business is as follows: ¥6,344,585 thousand (up 24.8% from the previous fiscal year) in the Management Consulting Business, ¥1,245,618 thousand (down 24.4% from the previous fiscal year) in the Revitalization Support Business, ¥124,249 thousand (down 49.9% from the previous fiscal year) in Other Business, and ¥1,459,980 thousand (down 51.7% from the previous fiscal year) in the M&A Advisory Business.

In the Consulting and Advisory Business segment, net sales rose in the Management Consulting Business against the backdrop of the increase in personnel in accordance with the hiring plan, and through the contributions of significant growth in DX Consulting and higher unit prices due to increased orders for large-scale projects. However, due to the impact of the end of large-scale projects that had continued through the previous fiscal year in the Revitalization Support Business and the overall decrease in projects that led to success fees due to the downturn in the domestic M&A business in the M&A Advisory Business, net sales decreased.

b. Operating income

Operating loss for the fiscal year ended December 31, 2024 came to ¥632,136 thousand (operating income of ¥1,251,629 thousand in the previous fiscal year) after recording cost of sales of ¥5,005,344 thousand (up 11.3% from the previous fiscal year) and selling, general and administrative expenses of ¥4,891,902 thousand (up 14.4% from the previous fiscal year). The main components of cost of sales are personnel expenses, such as salaries and allowances of ¥2,229,876 thousand and provision for bonuses of ¥537,918 thousand, and outsourcing expenses of ¥899,769 thousand, and the major factor that contributed to the rise was an increase in salaries and allowances of ¥342,736 thousand as a result of hiring personnel in accordance with the hiring plan. The main components of selling, general and administrative expenses are personnel expenses, such as salaries and allowances of ¥1,903,919 thousand and provision for bonuses of ¥409,507 thousand, and hiring expenses of ¥423,495 thousand, and the major factor that contributed to the rise was an increase in salaries and allowances of ¥309,422 thousand as a result of hiring personnel in accordance with the hiring plan.

c. Ordinary income

Ordinary loss for the fiscal year ended December 31, 2024 came to ¥710,582 thousand (operating income of ¥1,238,574 thousand in the previous fiscal year) after recording non-operating income of ¥8,692 thousand and non-operating expenses of ¥87,138 thousand. Main components of non-operating income are compensation income of ¥3,855 thousand and insurance dividend income of ¥2,366 thousand while the main components of non-operating expenses are share of loss of entities accounted for using equity method of ¥48,602 thousand, share issuance costs of ¥19,250 thousand, and interest expenses of ¥18,906 thousand.

d. Net income before income taxes

Net loss before income taxes for the fiscal year ended December 31, 2024 came to ¥710,582 thousand (net income before income taxes of ¥1,240,249 thousand in the previous fiscal year).

e. Net income attributable to owners of parent

Net loss attributable to owners of parent for the fiscal year ended December 31, 2024 came to ¥694,858 thousand (net income attributable to owners of parent of ¥780,683 thousand in the previous fiscal year) after recording income taxes of ¥4,034 thousand and net loss attributable to non-controlling interests of ¥11,689 thousand.

(B) Financial condition

a. Assets

Total assets at the end of the fiscal year were ¥14,165,057 thousand (¥10,874,682 thousand at the end of the previous fiscal year), an increase of ¥3,290,374 thousand from the end of the previous fiscal year. Current assets were ¥11,470,340 thousand (¥8,159,931 thousand at the end of the previous fiscal year), non-current assets were ¥ 2,690,809 thousand (¥2,709,108 thousand at the end of the previous fiscal year) and deferred assets were ¥3,906 thousand (¥5,642 thousand at the end of the previous fiscal year). Current assets increased ¥3,310,409 thousand, non-current assets decreased ¥18,298 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 ¥1,722,434 thousand in cash and deposits, an increase of ¥1,715,550 thousand in operational investment securities, and a decrease of ¥103,494 thousand in notes and accounts receivable-trade, and contract assets. The main changes in non-current assets were an increase of ¥33,023 thousand in investments and other assets and a decrease of ¥49,396 thousand in buildings, net. 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 ¥3,415,634 thousand (¥4,052,318 thousand at the end of the previous fiscal year), a decrease of ¥636,684 thousand from the end of the previous fiscal year. Current liabilities were ¥2,122,901 thousand (¥2,569,015 thousand at the end of the previous fiscal year) and fixed liabilities were ¥1,292,733 thousand (¥1,483,303 thousand at the end of the previous fiscal year). Current liabilities decreased ¥446,114 thousand and fixed liabilities decreased ¥190,570 thousand compared with the levels at the end of the previous fiscal year. The main changes in current liabilities were an increase of ¥148,288 thousand in accounts payable-other, a decrease of ¥345,261 thousand in income taxes payable, and a decrease of ¥216,336 thousand in other current liabilities. The main change in fixed liabilities was a decrease of ¥203,697 thousand in long-term borrowings.

c. Net assets

Total assets at the end of the fiscal year were ¥10,749,422 thousand (¥6,822,364 thousand at the end of the previous fiscal year), an increase of ¥3,927,058 thousand from the end of the previous fiscal year. This was mainly attributable to an increase of ¥4,982,929 thousand in non-controlling interests mainly due to capital increase of FCI, a consolidated subsidiary, against which the recording of ¥694,858 thousand in net loss attributable to owners of parent for the fiscal year under review and the payment of dividends of surplus resulted in a decrease of ¥480,460 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, February 28, 2023, and July 26, 2024, Frontier Capital Inc. raised a total of ¥8,000,600 thousand through a third-party allocation of shares to eight banks and one other financial institution, issuing 79,997 Class A shares and 9 Class B shares, for a total of 80,006 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	14,909	15,000
Held by non-controlling interests	79,997	9	–	80,006
Total	79,997	100	14,909	95,006

(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 15.7% of net sales in the fiscal year ended December 31, 2024. 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 a wide range of factors including the industry and results of the target company, any divergence in the view on price between the seller and the buyer, the presence of significant issues or risks at the target company, and the level of synergy between the seller and the buyer. As such, being able to collect success fees is not necessarily dependent on the Company's efforts alone, and the success or failure of M&A by our clients can have a significant impact on the Group's operating results.

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

In our medium-term management plan from 2024 to 2026, the Group established goals for the fiscal year ending December 2026 of net sales of ¥23,000,000 thousand, ordinary income of ¥3,500,000 thousand, and profit attributable to owners of parent of ¥2,400,000 thousand. We positioned the following items as focus indicators to achieve our medium-term management plan, but given the loss in the current fiscal year, we have formulated a "Structural Reform Plan" as of February 13, 2025, with the objective of achieving profitability in the fiscal year ending December 2025 and plan to review the medium-term management plan.

	Target	Actual amount
Ordinary income (loss)	¥3,500,000 thousand	¥(710,582) thousand
Ordinary income ratio (excluding FCI consolidation)	20%	(2.1)%
Consolidated ROE	30%	–
Number of consolidated personnel (excluding FCI investment)	620	433
Number of investment business investment projects (cumulative)	8 (including 2 FCI consolidated projects)	2
Number of investment business investment projects (cumulative)	¥15,000,000 thousand	¥1,737,936 thousand
Number of CxOs dispatched	50	48

(Note) The actual amount of consolidated ROE is not provided as there was a loss attributable to owners of parent.

5. Significant Contracts, ETC. in Business

At a Board of Directors meeting held on December 30, 2024, the Company's consolidated subsidiary, Frontier Capital Inc., adopted a resolution to make Eagle Invesco, which owns all shares in HobbyLink Japan Ltd., a subsidiary. On the same day, a transfer agreement was concluded for the related stocks and share acquisition rights, and on February 28, 2025, through the Eagle Invesco's consolidated subsidiary FCI1, the Company acquired the stocks and share acquisition rights in question. The details are as described in the "(Significant Subsequent Events) in "Notes to Consolidated Financial Statements" of "1. Consolidated Financial Statements" in "V. Accounting."

6. Research and Development Activities

Not applicable

III. Facilities

1. Outline of Capital Expenditure

Capital expenditure (property, plant and equipment and intangible assets, excluding goodwill and customer-related intangible assets) for the fiscal year under review totaled ¥26,603 thousand, of which major item was the Company's acquisition of software. 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, 2024

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	175,635	15,907	191,542	388

(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	264,849

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, 2024)	Number of shares issued as of the submission day (Shares) (March 27, 2025)	Name of financial instruments exchange listed on or registered authorized financial instruments firms association	Description
Common stock	11,757,603	11,767,803	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	11,757,603	11,767,803	–	–

(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, 2025 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(Note)	14,695
Class, description and number of shares underlying stock acquisition rights (Shares)(Note)	Common stock: 117,560 (Note 1)
Payment of money at the exercise of stock acquisition rights (Yen)(Note)	75 (Note 2)
Exercise period of stock acquisition rights(Note)	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)(Note)	Issue price: 75 Amount to be included in capital: 37.5 (Note 3)
Conditions for exercise of the stock acquisition rights(Note)	(Note 4)
Transfer of stock acquisition rights(Note)	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(Note)	(Note 5)

(Note) The description is as of the end of the fiscal year under review (December 31, 2024). 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

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

(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)

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

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(Note)	57 [50]
Class, description and number of shares underlying stock acquisition rights (Shares)(Note)	Common stock: 5,700 [5,000] (Note 1)
Payment of money at the exercise of stock acquisition rights (Yen)(Note)	1
Exercise period of stock acquisition rights(Note)	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)(Note)	Issue price: 1 Amount to be included in capital: 1 (Note 2)
Conditions for exercise of the stock acquisition rights(Note)	(Note 3)
Transfer of stock acquisition rights(Note)	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(Note)	(Note 4)

(Note) The description is as of the end of the fiscal year under review (December 31, 2024). For the items that had been changed from the end of the fiscal year under review to the end of the previous month (February 28, 2025), their description as of the end of the previous month to the submission day was included in brackets, while there was no change from the description for other items.

(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 share 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 divesture), 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 share 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 (Note)	631 [536]
Class, description and number of shares underlying stock acquisition rights (Shares) (Note)	Common stock: 63,100 [53,600] (Note 1)
Payment of money at the exercise of stock acquisition rights (Yen) (Note)	1
Exercise period of stock acquisition rights(Note)	(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) (Note)	Issue price: 1 Amount to be included in capital: 1 (Note 2)
Conditions for exercise of the stock acquisition rights (Note)	(Note 3)
Transfer of stock acquisition rights (Note)	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 (Note)	(Note 4)

(Note) The description is as of the end of the fiscal year under review (December 31, 2024). For the items that had been changed from the end of the fiscal year under review to the end of the previous month (February 28, 2025), their description as of the end of the previous month to the submission day was included in brackets, while there was no change from the description for other items.

(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 share 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 divesture), 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 share 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 14, 2024
Grantee categories and count (Persons)	Employee: 237
Number of stock acquisition rights (Note)	474
Class, description and number of shares underlying stock acquisition rights (Shares) (Note)	Common stock: 47,400 (Note 1)
Payment of money at the exercise of stock acquisition rights (Yen) (Note)	1
Exercise period of stock acquisition rights (Note)	(February 15, 2027 to February 14, 2030)
Issue price and the amount to be included in capital when issuing shares by the exercise of stock acquisition rights (Yen) (Note)	Issue price: 1 Amount to be included in capital: 1 (Note 2)
Conditions for exercise of the stock acquisition rights(Note)	(Note 3)
Transfer of stock acquisition rights (Note)	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 (Note)	(Note 4)

(Note) The description is as of the end of the fiscal year under review (December 31, 2024). 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 share 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 share 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 share 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 divesture), 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 share 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, share capital and others

Date	Changes in the total number of shares outstanding (Shares)	Total number of shares outstanding (Shares)	Changes in the amount of share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in the amount of capital reserve (Thousands of yen)	Balance of capital reserve (Thousands of yen)
January 1, 2020- December 31, 2020 (Note 1)	71,900	5,777,900	5,392	163,530	5,392	163,530
January 1, 2021 (Note 2)	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 1)	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 1)	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 1)	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
March 14, 2024 (Note 8)	11,930	11,738,387	9,502	384,245	9,502	384,245
April 18, 2024 (Note 9)	13,936	11,752,323	–	384,245	–	384,245
January 1, 2024- December 31, 2024 (Note 1)	5,280	11,757,603	198	384,443	198	384,443
December 31, 2024 (Note 5)	–	11,757,603	1,781	386,224	1,781	386,224

(Notes)
1. It is an increase due to the exercise of stock acquisition rights.
2. It is an increase due to a share split (1:2).
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 compensation 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 the equity-method affiliate Athema.

8. It is an increase due to the issuance of new shares as restricted stock awards.
   Issue price: ¥1,593 per share
   Persons to be allotted: Four Directors (excluding Outside Directors)
9. It is an increase due to the issuance of new shares as restricted stock awards.
   Issue price: ¥1,679 per share
   Persons to be allotted: Two Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)
10. During the period between January 1, 2025 and the submission date of this securities report, the exercise of share acquisition rights resulted in the total number of shares outstanding increasing by 10,200, and in share capital and capital reserve each increasing by ¥5,694 thousand.

(5) Status by owner

As of December 31, 2024

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)	–	7	27	43	23	13	5,500	5,613	–
Number of shares held (Unit)	–	8,338	3,816	23,489	5,391	38	76,410	117,482	9,403
Ratio of shares owned (%)	–	7.10	3.25	19.99	4.59	0.03	65.04	100.00	–

(Note) Among 26,839 shares of treasury stock, 268 units are included in “Individuals and others” and 39 shares in “Shares less than one unit.”

(6) Major shareholders

As of December 31, 2024

Name	Address	Number of shares held (Shares)	Ratio of shares owned to the total number of shares outstanding (excluding treasury stock) (%)
M&A Capital Partners Co., Ltd.	2-2-1 Yaesu, Chuo-ku, Tokyo	2,287,000	19.50
Shoichiro Onishi	Suginami-ku, Tokyo	2,182,691	18.61
Masaya Yajima	Minato-ku, Tokyo	614,880	5.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	536,400	4.57
Custody Bank of Japan, Ltd. (Trust Account)	1-8-1 Harumi, Chuo-ku, Tokyo	269,700	2.30
Masahiro Matsuoka	Minato-ku, Tokyo	247,691	2.11
Tomohiro Murata	Ota-ku, Tokyo	229,100	1.95
ANTEMA (Standing Representative: Mizuho Securities Co., Ltd.)	31, RUE DU COLISEE 75008 PARIS FRANCE Otemachi First Square, 1-5-1 Chiyoda-ku, Tokyo	223,900	1.91
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo	108,065	0.92
Satoshi Otani	Toshima-ku, Tokyo	108,000	0.92
Total	–	6,807,427	58.03

(Notes) 1. Among the above number of shares held, the number of shares for trust business is as follows.
The Master Trust Bank of Japan, Ltd. (Trust Account) 536,400
Custody Bank of Japan, Ltd. (Trust Account) 269,700
2. Changes to major shareholders in the current fiscal year are as follows. An ad hoc report based on Article 24-5, Paragraph (4) of the Financial Instruments and Exchange Act and Article 19, Paragraph (2), Item (ix) of the Cabinet Office ordinance on disclosure of corporate information regarding changes to major shareholders was submitted on August 15, 2024.

Names and titles of major shareholders that have changed	Date of change	Number of voting rights held		Ratio of voting rights of all shareholders (%)
M&A Capital Partners Co., Ltd.	August 15, 2024	Prior to change	0 units	–
		After change	19,350 units	16.49
Masahiro Matsuoka	August 15, 2024	Prior to change	21,826 units	18.60
		After change	2,476 units	2.11

(7) Voting rights

(i) Number of shares outstanding

As of December 31, 2024

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	26,800	–	–
Shares with full voting rights (others)	Common stock	11,721,400	117,214	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	9,403	–	–
Total number of shares outstanding		11,757,603	–	–
Voting rights of all shareholders		–	117,214	–

(Note) In the section of "Number of shares" for "Shares less than one unit" there are 39 shares of treasury stock.

(ii) Treasury stock

As of December 31, 2024

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	26,800	–	26,800	0.23
Total	–	26,800	–	26,800	0.23

2. Purchase of Treasury Stock

Class of stock, etc. Purchase of common stock falling under Article 155, Item (xiii) of the Companies 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	18,936	–
Treasury stock acquired during the current period	–	–

(Notes) 1. Acquisition of treasury stock during the current fiscal year was the gratis acquisition of 18,936 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, 2025 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	26,839	–	26,839	–

(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, 2025 to the submission date of the securities report.

3. Dividend Policy

The Company's dividend policy is to maintain a target dividend payout ratio of 40% of profit attributable to owners of parent, and we are considering the amount of dividend payments based on financially backed income that excludes both the profits and losses of our consolidated subsidiary Frontier Capital Inc. (hereinafter, "FCI") and profits and losses not accompanied by a transfer of cash, such as loss on valuation of investment securities.

Regarding results for the current fiscal year, the Consulting-related Businesses (Management Consulting Business, Revitalization Support Business, Other Business) maintained overall upward trend, achieving record net sales. However, while the M&A Advisory Business performed strongly in the previous fiscal year, concluding contracts for multiple large-scale M&A deals, the domestic M&A business struggled in the current fiscal year, leading to a reduction in the number of deals that led to success fees. As a result, sales declined significantly compared to the previous fiscal year, leading to a loss attributable to owners of parent of ¥694,858 thousand.

Given this, based on the above dividend policy, as even deducting FCI's profits and losses (no profits and losses not involved accompanied by a transfer of cash, such as a loss of valuation of investment securities) from our loss attributable to owners of parent results in a loss of ¥193,793 thousand, regrettably we will not be paying dividends of surplus.

In terms of dividends of surplus for the coming fiscal year, based on the above dividend policy, our goal is to pay dividends of 40% of profit attributable to owners of parent excluding FCI's profits and losses and income not accompanied by a transfer of cash, such as loss on valuation of investment securities, however we plan to consider the full-year consolidated business performance and financial position of the Group, economic conditions, and other factors in making our decision on dividends.

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.

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. As a result of the resolution at the Annual General Meeting of Shareholders held on March 27, 2024, the Company made the transition from a company with a Board of Auditors to a company with an Audit and Supervisory Committee. The Company monitors management risks through the Board of Directors and the Audit and Supervisory Committee Member audit, and thoroughly implements 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 is as follows.

The Company makes decisions on important business execution and conducts supervision and audits at Board of Directors and the Audit and Supervisory Committee. The Board of Directors consists of three Directors (excluding Directors who are Audit and Supervisory Committee Members) and four Directors who are Audit and Supervisory Committee Members (including three Outside Directors), with the authority to decide business execution of the Company and supervise the execution of duties by Directors. The Audit and Supervisory Committee consists of four Directors who are Audit and Supervisory Committee Members (including three Outside Directors) 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 and Supervisory Committee 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 three 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.

The Representative Directors direct Executive Officers to manage the business execution of the entire company. 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. Representative Director Akinori Nishida has led our hands-on business for many years and has a track record of driving business success as an officer at client companies. He will lead the Company's business as its corporate manager using that track record as well as his capabilities and abundant experience as a corporate manager.

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 (excluding Directors who are Audit and Supervisory Committee Members), the President and Executive Officer, the Deputy President and Executive Officer, the Senior Managing Executive Officer, Managing Executive Officers 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 (excluding Directors who are Audit and Supervisory Committee Members), the President and Executive Officer, the Deputy President and Executive Officer, the Senior Managing Executive Officer, Managing Executive Officers, and person(s) designated by the Chairperson.

The members of each meeting are as follows.

(Board of Directors)

Chairperson: Shoichiro Onishi, Representative Director

Member: Akinori Nishida, Representative Director; Masao Nishihara, Director; Takeshi Umemoto, Director (Audit and

Supervisory Committee Member); Kazuhito Osugi, Outside Director (Audit and Supervisory Committee Member); Keiko Unotoro, Outside Director (Audit and Supervisory Committee Member); Hikaru Minami, Outside Director (Audit and Supervisory Committee Member)

(Audit and Supervisory Committee)

Chairperson: Takeshi Umemoto, Director (Audit and Supervisory Committee Member)

Member: Kazuhito Osugi, Outside Director (Audit and Supervisory Committee Member); Keiko Unotoro, Outside Director (Audit and Supervisory Committee Member); Hikaru Minami, Outside Director (Audit and Supervisory Committee Member)

(Nomination and Compensation Advisory Committee)

Chairperson: Kazuhito Osugi, Outside Director (Audit and Supervisory Committee Member)

Member: Shoichiro Onishi, Representative Director; Akinori Nishida, Representative Director; Keiko Unotoro, Outside Director (Audit and Supervisory Committee Member); Hikaru Minami, Outside Director (Audit and Supervisory Committee Member)

(Management Committee)

Chairperson: Akinori Nishida, Representative Director

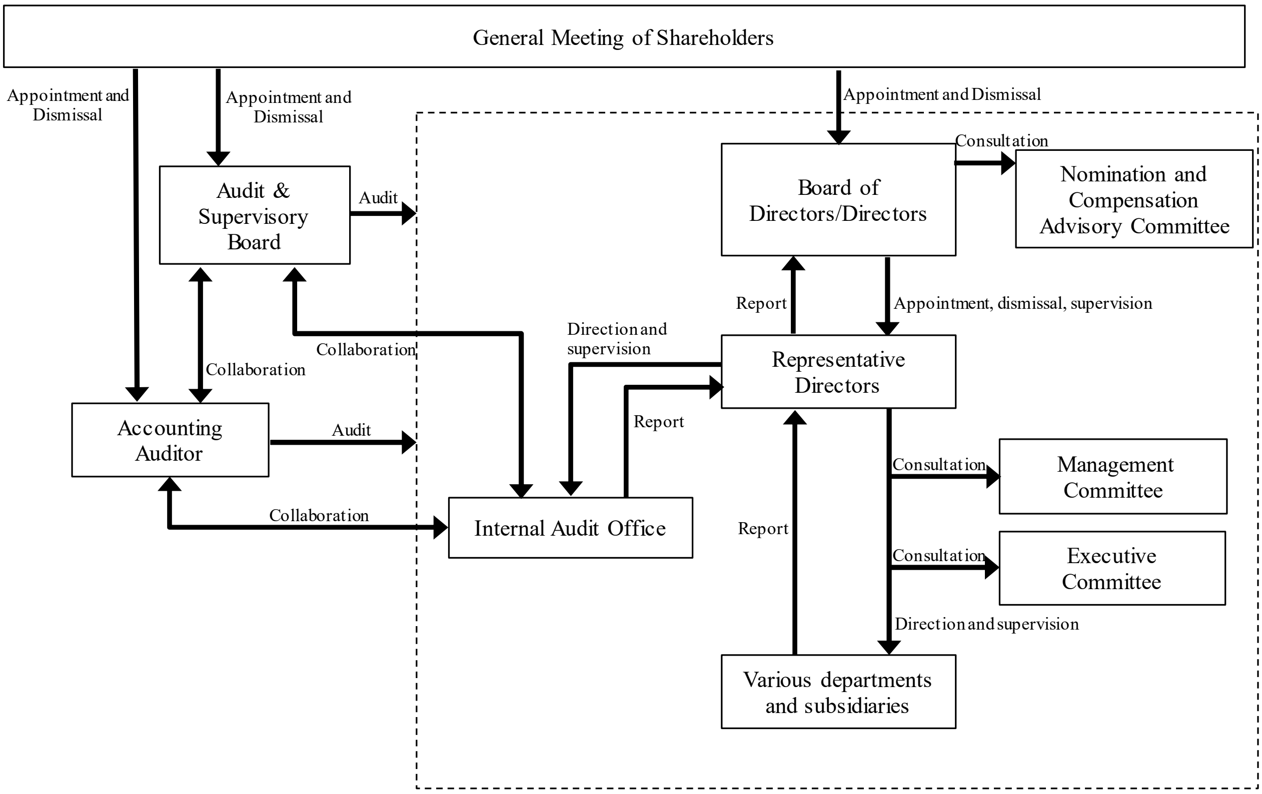
Member: Shoichiro Onishi, Representative Director; Masao Nishihara, Director; Sumio Nishizawa, Deputy President and Executive Officer

(Executive Committee)

Chairperson: Akinori Nishida, Representative Director

Member: Shoichiro Onishi, Representative Director; Masao Nishihara, Director; Sumio Nishizawa, Deputy President and Executive Officer; Yoshiki Nakamura, Executive Officer; Kyogo Murase, Executive Officer; Hiroaki Hamada, Executive Officer; Takayuki Toda, Executive Officer; Satoko Ueyama, Executive Officer

<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

(a) 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.

(b) The Audit and Supervisory Committee 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.

(c) 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

(a) 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.

(b) These documents (including electromagnetic documents) shall be available per request from Directors.

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

(a) 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.

(b) 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

(a) 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 subsidiary management rules.

F. Items related to Directors and employees supporting the duties of the Audit and Supervisory Committee

Establish the Audit and Supervisory Committee Secretariat and assign employees to support the duties of the Audit and Supervisory Committee. However, no Directors shall be assigned to support the duties of the Audit and Supervisory Committee.

G. Matters related to independence of employees in F. above from Directors who are not Audit and Supervisory Committee Members

When assigning employees to support the duties of the Audit and Supervisory Committee set forth in F. above, such employees shall not belong to the business operation and shall follow the instructions of the Audit and Supervisory Committee Members. The consent of the Audit and Supervisory Board shall be required 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 and Supervisory Committee Members

Audit and Supervisory Committee checks the status of duty execution by such employees by having a meeting with them periodically.

I. A system for Directors and employees who are not Audit and Supervisory Committee Members and employees as well as Directors, Corporate Auditors, and employees of subsidiaries to report to the Audit and Supervisory Committee

(a) Directors and employees who are not Audit and Supervisory Committee Members report on the status of duties and other matters in response to requests from the Audit and Supervisory Committee.

(b) Audit and Supervisory Committee Members attend the Management Committee meetings and other important meetings, and receive reports on important matters from Directors who are not Audit and Supervisory Committee Members and employees.

(c) Based on the subsidiary management rules and internal audit rules, either directly or through Audit and Supervisory Committee Members and internal auditors, the Audit and Supervisory Committee receives reports from the Directors, Corporate Auditors, and employees of the Company's subsidiaries.

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

The Company prohibits disadvantageous treatment based on submitting a re
port described in I. above, and the reporting system is operated following or in compliance with the internal reporting rules.

K. Items related to the policy on prepayment of expenses incurred by Audit and Supervisory Committee Members in the execution of their duties as well as redemption procedures and the processing of other expenses and other liabilities incurred in the execution of duties

(a) The Audit and Supervisory Committee secures a budget required for executing an audit plan it approves.

(b) If being requested by an Audit and Supervisory Committee 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 and Supervisory Committee Members are done by Audit and Supervisory Committee Members and employees who assist in their duties.

L. Other systems for ensuring effective auditing by the Audit and Supervisory Committee Members

(a) The Audit and Supervisory Committee shall establish the Audit and Supervisory Committee 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 and Supervisory Committee Members shall exchange opinions with Representative Directors through regular meetings.

(c) Audit and Supervisory Committee Members shall 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 Representative Director as the "Chief Risk Management Officer" and Chairperson, an Officer responsible for management as the "Risk Management Officer," the Head of Internal Audit Office, and other Risk Management Committee Members who are designated by the Chairperson, provides 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 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.) 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, Keiko Unotoro, and Hikaru Minami, 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, 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 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 ten 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.

Name	Attendance
Shoichiro Onishi	100% (18/18)
Masahiro Matsuoka	67% (4/6)
Tadaaki Komori	83% (5/6)
Masao Nishihara	100% (18/18)
Takeshi Umemoto	100% (18/18)
Kazuhito Osugi	100% (18/18)
Keiko Unotoro	100% (18/18)
Kazuhiko Shimokobe	100% (6/6)
Hiroko Noda	100% (6/6)
Hikaru Minami	100% (12/12)

(Notes)
1. Because Masahiro Matsuoka and Tadaaki Komori retired from their positions as Directors at the conclusion of the 17th Annual General Meeting of Shareholders on March 27, 2024, their attendance up until their retirement is listed.
2. Because Kazuhiko Shimokobe and Hiroko Noda retired from their positions as Corporate Auditors at the conclusion of the 17th Annual General Meeting of Shareholders on March 27, 2024, their attendance up until their retirement is listed.
3. Because Hikaru Minami was appointed Director by a resolution of the 17th Annual General Meeting of Shareholders held on March 27, 2024, the figures presented here reflect his attendance since assuming his position.
4. Excluding the number of Board of Directors meetings for written resolution.

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, 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 four times during the fiscal year under review.

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

	Name	Attendance
Chairperson	Kazuhito Osugi	100% (4/4)
Committee member	Shoichiro Onishi	100% (4/4)
Committee member	Masahiro Matsuoka	0% (0/1)
Committee member	Keiko Unotoro	100% (4/4)
Committee member	Kazuhiko Shimokobe	100% (1/1)
Committee member	Hikaru Minami	100% (3/3)

(Notes) 1. Because Masahiro Matsuoka retired from his position as Representative Director on February 14, 2024, and therefore also retired from his position as Member of the Nomination and Compensation Advisory Committee, his attendance up until his retirement is listed

2. Because Kazuhiko Shimokobe retired from his position as Corporate Auditor at the conclusion of the 17th Annual General Meeting of Shareholders on March 27, 2024, and therefore also retired from his position as Member of the Nomination and Compensation Advisory Committee, his attendance until his retirement is listed.

3. Because Hikaru Minami was appointed a Member of the Nomination and Compensation Advisory Committee on March 27, 2024, his attendance after his appointment is listed.

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

・Original proposals, etc. for policy on decisions related to the compensation of Directors

(2) Officers

(i) List of officers

Male: Six Female: One (Ratio of women among officers: 14.3%)

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
Representative Director and Chairman of the Board (CEO)	Shoichiro Onishi	September 25, 1963	Apr. 1992 Apr. 1997 June 2003 Nov. 2003 Jan. 2004 June 2004 Mar. 2005 Jan. 2007 Jan. 2007 Sept. 2012 July 2016 Nov. 2017 June 2020 Apr. 2022 Mar. 2024 Apr. 2024 Jan. 2025 Jan. 2025	Joined Okuno & Partners Law Office (currently OKUNO & PARTNERS) Partner Joined Industrial Revitalization Corporation of Japan Managing Director Outside Corporate Auditor of Mitsui Mining Co., Ltd. (currently NIPPON COKE & ENGINEERING. CO., LTD.) Outside Director of Kanebo, Ltd. Outside Director of The Daiei, Inc. Counsel of OKUNO & PARTNERS (current position) Founded the Company, Representative Director (current position) Representative Director and President of Frontier Turnaround Inc. Representative Director and Chairman Representative Director of FCD Partners Inc. Outside Director of Tokyo Electric Power Company Holdings, Incorporated (current position) President, CEO and COO of Frontier Capital Inc. (current position) Director of Celebrain Corporation Chairman of Frontier Management (Shanghai) Inc. (current position) Representative Director and Chairman of the Board (CEO) of the Company (current position) Director of Athema (registered trade name: AT Conseil) (current position)	(Note 2)	2,182,691
Representative Director, President and Executive Officer	Akinori Nishida	July 23, 1970	Apr. 1996 Apr. 1999 July 2003 Apr. 2004 Apr. 2006 July 2007 Mar. 2008 Mar. 2010 Mar. 2012 Sept. 2012 July 2016 Apr. 2017 Aug. 2017 Sept. 2022 Mar. 2024 Jan. 2025 Mar. 2025 Mar. 2025	Joined Hamada Accounting Office Joined Okano Office GK (currently Tax Accountant Corporation Nagomi) Joined Sweet Garden Co., Ltd. (currently Yamazaki Baking Co., Ltd.) General Manager of Corporate Planning Department Executive Officer and General Manager of Administration Division Joined the Company as Director Senior Director Managing Director Director of Shouei Co., Ltd. (currently Hulic Co., Ltd.) Representative Director and Senior Managing Director of Frontier Turnaround Inc. Representative Director and President Managing Executive Officer of the Company Outside Director of Willer, Inc. (current position) Outside Director of 77 Partners Co., Ltd. (current position) Senior Managing Executive Officer of the Company President and Executive Officer Director of Celebrain Corporation (current position) Representative Director, President and Executive Officer of the Company (current position)	(Note 2)	61,900
Director	Masao Nishihara	May 18, 1951	Apr. 1975 July 2004 July 2007 July 2008 Aug. 2009 June 2013 Aug. 2022 Mar. 2023 July 2024	Joined the Ministry of Finance Director-General of the Inspection Bureau of the Financial Services Agency Director-General of the Supervision Bureau Secretary-General of the Executive Bureau of Securities and Exchange Surveillance Commission Senior Managing Director of Organization for Promoting Urban Development Vice Chairman and Senior Managing Director of Regional Banks Association of Japan Advisor of the Company Director of the Company (current position) Special Officer for Finance, Sapporo City (current position)	(Note 2)	511

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
Director (Audit and Supervisory Committee Member)	Takeshi Umemoto	June 8, 1950	Mar. 1973 Joined Ito-Yokado Co., Ltd. Nov. 1992 Securities General Manager Jan. 1998 General Manager of Treasury and Securities Department Jan. 2004 General Manager of Business Development Department of IY Bank Co., Ltd. (currently Seven Bank, Ltd.) July 2005 General Manager of General Affairs Division May 2006 General Manager of Planning Division Oct. 2007 General Manager of Audit & Supervisory Board Members' Office June 2011 Counselor of Audit & Supervisory Board Members' Office Feb. 2012 Outside Audit & Supervisory Board Member of the Company Mar. 2024 Director (Audit and Supervisory Committee Member) (current position)	(Note 3)	40,000
Director (Audit and Supervisory Committee Member)	Kazuhito Osugi	July 31, 1953	Apr. 1977 Joined Bank of Japan Nov. 1986 Economist of Bank for International Settlements (BIS) June 1999 Branch Manager of Matsumoto Branch of Bank of Japan May 2001 Deputy Branch Manager of Osaka Branch May 2003 RM Manager and Senior Director of Industrial Revitalization Corporation of Japan July 2005 Deputy Director-General of Financial System and Bank Examination Department and Head of Center for Advanced Financial Technology of Bank of Japan May 2006 Internal Auditor and Director-General of Internal Auditors' Office Apr. 2007 Director-General of Secretariat of the Policy Board Apr. 2009 Visiting Professor of Ochanomizu University Sept. 2011 Auditor of Bank of Japan Oct. 2015 Advisor of Security Transport Business Division of Nippon Express Company, Limited Apr. 2016 Part-time Advisor of the Company June 2016 Independent Outside Director of the Board of Nissha Printing Co., Ltd. (currently Nissha Co., Ltd.) (current position) Aug. 2018 Outside Director of the Company June 2021 Outside Director of The Gunma Bank, Ltd. (current position) Mar. 2024 Outside Director of the Company (Audit and Supervisory Committee Member) (current position)	(Note 3)	–

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
Director (Audit and Supervisory Committee Member)	Keiko Unotoro	October 26, 1954	Apr. 1977 Joined Secretariat of Japan Fair Trade Commission Apr. 2000 Part-time Lecturer of Graduate School of Economics of Senshu University June 2004 Chief Hearing Examiner of General Secretariat of Japan Fair Trade Commission Jan. 2007 Director General of Trade Practices Department June 2008 Senior Deputy Secretary General of Secretariat Jan. 2011 Director General of Economic Affairs Bureau Nov. 2012 Advisor of OH-EBASHI LPC & PARTNERS (current position) Apr. 2013 Professor of Faculty of Business Administration of Toyo Gakuen University June 2013 Outside Director of Olympus Corporation Mar. 2015 Outside Director of Bridgestone Corporation June 2019 Outside Director of SAN-AI OIL CO., LTD. (currently SAN-AI OBBLI CO., LTD.) (current position) Dec. 2019 Member of Investment and Miscellaneous Issues Working Group of Council for Regulatory Reform Apr. 2020 Specially Appointed Professor of Faculty of Business Administration of Toyo Gakuen University Apr. 2020 Outside Director (Audit and Supervisory Committee Member) of OS Co., Ltd. Aug. 2020 Outside Director of OHBA CO., LTD. Jan. 2021 Commissioner of Public Security Examination Commission Mar. 2021 Outside Director of the Company Sept. 2022 Auditor of Tokyo Metropolitan Public University Corporation (current position) Jan. 2024 Advisor of T&K Partners (current position) Mar. 2024 Outside Director of the Company (Audit and Supervisory Committee Member) (current position)	(Note 3)	–
Director (Audit and Supervisory Committee Member)	Hikaru Minami	February 25, 1957	Apr. 1979 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 of the Company (Audit and Supervisory Committee Member) (current position) June 2024 Outside Auditor of YKK Corporation (current position)	(Note 3)	–
Total					2,285,102

(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, 2025 to the conclusion of the annual general meeting of shareholders for the fiscal year ending December 2025.
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) as of March 27, 2025 are as follows.

Deputy President and Executive Officer	Sumio Nishizawa	(Head of Marketing Department, General Manager of Business Development Department, Branch Manager of Osaka Branch, Branch Manager of Fukuoka Branch, and Advisor of Frontier Capital Inc.)
Executive Officer	Yoshiki Nakamura	(Head of Specialized Consulting and Transactions Department)
Executive Officer	Hiroaki Hamada	(Head of Corporate Promotion Division and Auditor of Frontier Management (Shanghai) Inc., and Audit & Supervisory Board Member of Frontier Capital Inc.)
Executive Officer	Kyogo Murase	(Head of Strategy & Operations Consulting Department)
Executive Officer	Masaya Yajima	(Seconded to Frontier Capital Inc., Co-CIO and General Manager of Investment Business Division)
Executive Officer	Takayuki Toda	(Head of Principal Management Department and Head of Corporate Planning Division)
Executive Officer	Satoko Ueyama	(Managing director, Principal Management Department)

(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 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 on a regular basis by the Internal Audit Office at the Board of Directors and Audit and Supervisory Committee.

(3) Status of audits

(i) Status of audits by Audit and Supervisory Committee

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. The attendance at Audit and Supervisory Committee meetings as of the end of the current fiscal year is listed below unless otherwise specially noted.

A. Organization, headcount, and procedures

The Audit and Supervisory Committee is composed of one (1) Full-time Audit and Supervisory Committee Member and three (3) Part-time Audit and Supervisory Committee Members.

Based on the audit plan decided by the Audit and Supervisory Committee, the Audit and Supervisory Committee Members provide reports to the Board of Directors on key audit items in response to changes in the business environment in the fiscal year and request cooperation in implementing efficient audits.

As for Audit and Supervisory Committee Members possessing considerable knowledge in finance and accounting, Takeshi Umemoto, full-time Audit and Supervisory Committee Member, has been in charge of audits for many years and possesses considerable knowledge in finance and accounting. Kazuhito Osugi, Audit and Supervisory Committee Member, has served as an Auditor at the Bank of Japan and held prominent positions at the Industrial Revitalization Corporation of Japan, and has significant expertise in finance and accounting. Hikaru Minami, Audit and Supervisory Committee Member, has worked in finance and accounting-related operations at Marubeni Corporation, has experience as a Representative Director and Corporate Auditor of the company, and has extensive knowledge in finance and accounting.

B. Status of activities of the Audit & Supervisory Board and the Audit and Supervisory Committee

In the current fiscal year, prior to the Company transitioning to a Company with an Audit and Supervisory Committee, the Audit and Supervisory Board met four (4) times, and after the transition to a Company with an Audit and Supervisory Committee, the Audit and Supervisory Committee met eleven (11) times. Attendance by individual Audit & Supervisory Board Members and Audit and Supervisory Committee Members is as follows.

Audit & Supervisory Board

Name	Number of meetings held	Number of times of attendance
Takeshi Umemoto	4	4
Kazuhiko Shimokobe	4	4
Hiroko Noda	4	4

Audit and Supervisory Committee

Name	Number of meetings held	Number of times of attendance
Takeshi Umemoto	11	11
Kazuhito Osugi	11	11
Keiko Unotoro	11	11
Hikaru Minami	11	11

In terms of specific activities, the Audit and Supervisory Committee audits the legality of operational management, the state of compliance with the Corporate Code of Conduct, the validity of management decision by the Board of Directors, Executive Committee, and Management Committee, the creation and management of internal control systems, the validity of accounting auditing by the Accounting Auditor, the fulfilment of social responsibilities by the Company, and the state of risk management.

In addition, 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., 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.

C. Specific matters considered at the Audit and Supervisory Committee

・Formulation of audit policy and audit plans, and allocation of duties to Audit and Supervisory Committee Members

・Agreement to the reappointment of the Accounting Auditor and auditing compensation
・Confirmation of the validity of reports on results of audits and reviews by the Accounting Auditor
・Reports, etc. on status and results of internal audits
・Preparation of audit reports

The Full-time Audit & Supervisory Committee Member attends important meetings such as meetings of the Executing Committee and Management Committee and shares information at the Audit and Supervisory Committee on whether appropriate operations are being undertaken. The Full-time Audit & Supervisory Committee Member also inspects important documents such as requests for managerial decisions and contracts and holds meetings with Directors (excluding Directors who are Audit and Supervisory Committee Members), and meets with the Accounting Auditor to collect information on the state of operations and finances at the Company and to audit the legality and validity of business execution. The Internal Audit Division coordinates closely with the Full-time Audit and Supervisory Committee Member and shares information as necessary on the state of internal auditing.

(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. The Internal Audit Office reports the results of audits on a monthly basis to the Representative Director and the Audit and Supervisory Board and also provides quarterly reports on the state of auditing to the Board of Directors.

The Internal Audit Office cooperates closely with the Audit and Supervisory Committee 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

Nine years

C. Certified public accountants who executed the operation

Yoshinori Saito, Designated Limited Liability Partner and Executive Member
Kazuaki Sasaki, Designated Limited Liability Partner and Executive Member

D. Composition of assistants for audit operations

Assistants for accounting audit of the Company consist of five certified public accountants and nine 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 the Audit and Supervisory Committee

The Audit and Supervisory Committee 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	36,990	–	39,996	–
Consolidated subsidiary	5,832	20,160	5,580	20,500
Total	42,822	20,160	45,576	20,500

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

2. During the fiscal year on the review, the Company paid additional fees of ¥7,900 thousand for the audit in the previous fiscal year to Accounting Auditor KPMG AZSA LLC, as well as additional fees of ¥2,700 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

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

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 and Supervisory Committee to fees for Accounting Auditor

Based on the actual audits in the past fiscal years, the Audit and Supervisory Committee 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 of Directors 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 of Directors; 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 Directors who are Audit and Supervisory Committee Members and 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 vary depending on performance, while balancing the elements listed in the above basic policy. Compensation for Directors who are Audit and Supervisory Committee Members and Outside Directors is comprised of only basic compensation, from the perspective of their role and independence.

The compensation composition ratio of each performance-based compensation to basic compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members and 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 Directors who are Audit and Supervisory Committee Members and 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 Directors who are Audit and Supervisory Committee Members and 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 the level of achievement of the management goals and enhancement of the corporate value for a single fiscal year and the amount of compensation is determined based on the Company's performance results, etc. for a single year, and the determined amount of compensation will be paid to Directors (excluding Directors who are Audit and Supervisory Committee Members and 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.

Single-fiscal-year performance-based compensation (the total amount for all Eligible Directors) is calculated by multiplying a certain ratio depending on the achievement of the stock price increase rate and the consolidated profit for the period under review (net income attributable to owners of parent, before deducting single-fiscal-year performance-based compensation and before deducting additional bonuses for employees) by the total amount of the basic compensation for 16 months for the Representative Director and the basic compensation for 9 months for each Eligible Director (excluding the Representative Director).

The reasons for selecting these indicators are that the stock price is an indicator that can be expected to share the interests of shareholders and act as an incentive to increase the stock price, and the amount of consolidated profit for the period under review is linked to the Company's medium-term management plan and is a financial figure that shows the Company's final profit.

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

The composition ratio of single-fiscal-year performance-based compensation for each Eligible Director is composed of a cash bonus, representing half of such compensation, and stock-based compensation A, representing half of such compensation.

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.

	Target	Actual amount
Stock price increase rate	30%	(36.4)%
Consolidated operating income, excluding Frontier Capital Inc.	¥1,340 million	¥(193) million

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 management target indicators for the medium-term management plan from 2024 to 2026 include the stock price, the consolidated net income excluding Frontier Capital Inc., and the consolidated ROE excluding Frontier Capital Inc.

We chose these management target 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 business targets specified in the medium-term management plan as it is linked to performance for the plan.

In addition, if a new medium-term management plan is formulated in the future, these management target indicators could potentially be changed by a resolution of the Board of Directors.

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

	Target	Evaluation ratio
Stock price	¥3,052	40%
Consolidated net income, excluding Frontier Capital Inc.	¥2,300 million	30%
Consolidated ROE excluding Frontier Capital Inc.	33.6%	30%

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 and reports by the Nomination and Compensation Advisory Committee.

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.

Furthermore, regarding the amount of monetary compensation made up of basic compensation and single-fiscal-year performance-based compensation paid as a cash bonus, at the Annual General Meeting of Shareholders held on March 27, 2024, a resolution was passed to limit the amount of monetary compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company. The resolution stipulates a limit of ¥350 million per year for the above Directors (excluding employee salaries for Directors who concurrently serve as employees), and a limit of ¥55 million per year for Directors who serve on the Audit and Supervisory Committee. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members at the conclusion of said General Meeting of Shareholders was two and four, respectively.

The Annual General Meeting of Shareholders held on March 27, 2024, passed a resolution for stock-based compensation for the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) separately from the aforementioned monetary compensation: (i) 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 linked to single-year consolidated business performance shall be ¥130,000 thousand or less per year and 90,000 shares or less per year, respectively; and (ii) 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 linked to an achievement rate against medium-term business plan targets and the extent of improvement of its corporate value shall be ¥65,000 thousand or less per year and 45,000 shares or less per year, respectively. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) at the conclusion of said General Meeting of Shareholders was two.

(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 Audit and Supervisory Committee Members and Outside Directors)	106,262	102,700	–	3,562	3,562	4 persons
Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)	11,250	11,250	–	–	–	1 person
Outside Officers	32,850	32,850	–	–	–	6 persons

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

It is not described, as there is no officer whose total amount of consolidated compensation, etc. is ¥100 million or more.

(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, 2024 (from January 1, 2024 to December 31, 2024) 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)

		As of December 31, 2023		As of December 31, 2024
Assets				
Current assets				
Cash and deposits		5,838,745		7,561,180
Notes and accounts receivable - trade, and contract assets	Note 1)	1,494,319	Note 1)	1,390,825
Operational investment securities		516,904		2,232,455
Other		325,208		300,543
Allowance for doubtful accounts		(15,247)		(14,663)
Total current assets		8,159,931		11,470,340
Non-current assets				
Property, plant and equipment				
Buildings, net		252,933		203,537
Tools, furniture and fixtures, net		29,353		19,899
Total property, plant and equipment	Note 2)	282,287	Note 2)	223,437
Intangible assets				
Software		10,222		30,314
Goodwill		235,671		206,212
Customer-related intangible assets		12,500		6,250
Other		1,420		1,277
Total intangible assets		259,814		244,054
Investments and other assets				
Investment securities		296		296
Shares of subsidiaries and associates		1,301,800		1,307,658
Investments in capital of subsidiaries and associates		1,963		2,648
Leasehold and guarantee deposits		355,817		360,147
Deferred tax assets		419,285		431,701
Other		87,842		120,865
Total investments and other assets		2,167,006		2,223,317
Total non-current assets		2,709,108		2,690,809
Deferred assets				
Organization expenses		5,642		3,906
Total deferred assets		5,642		3,906
Total assets		10,874,682		14,165,057

(Thousands of yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	111,549	127,016
Current portion of long-term borrowings	237,313	248,492
Accounts payable - other	183,039	331,328
Income taxes payable	421,277	76,015
Provision for bonuses	994,085	948,696
Provision for bonuses for directors (and other officers)	43,555	–
Provision for shareholder benefit program	25,849	55,343
Other	Note 3) 552,345	Note 3) 336,008
Total current liabilities	2,569,015	2,122,901
Non-current liabilities		
Long-term borrowings	1,352,000	1,148,303
Asset retirement obligations	131,303	131,386
Deferred tax liabilities	–	13,043
Total non-current liabilities	1,483,303	1,292,733
Total liabilities	4,052,318	3,415,634
Net assets		
Shareholders' equity		
Share capital	374,743	386,224
Capital surplus	734,019	745,500
Retained earnings	2,599,348	1,424,029
Treasury shares	(8,363)	(8,363)
Total shareholders' equity	3,699,747	2,547,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	29,554
Foreign currency translation adjustment	1,198	63,568
Total accumulated other comprehensive income	1,198	93,122
Share award rights	19,000	–
Share acquisition rights	37,130	60,691
Non-controlling interests	3,065,287	8,048,217
Total net assets	6,822,364	10,749,422
Total liabilities and net assets	10,874,682	14,165,057

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

Consolidated Statement of Income

(Thousands of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net sales	Note) 10,025,083	Note) 9,265,110
Cost of sales	4,497,697	5,005,344
Gross income	5,527,385	4,259,766
Selling, general and administrative expenses		
Salaries and allowances	1,594,497	1,903,919
Provision for bonuses	446,907	409,507
Provision for bonuses for directors (and other officers)	40,227	–
Hiring expenses	406,633	423,495
Retirement benefit expenses	24,892	31,123
Provision for shareholder benefit program	11,924	29,494
Other	1,750,672	2,094,361
Total selling, general and administrative expenses	4,275,756	4,891,902
Operating income (loss)	1,251,629	(632,136)
Non-operating income		
Interest income	135	510
Share of profit of entities accounted for using equity method	4,053	–
Insurance dividend income	2,130	2,366
Administrative service fee income	1,247	1,247
Reversal of allowance for doubtful accounts	520	519
Gain on forfeiture of unclaimed dividends	1,467	49
Compensation income	–	3,855
Foreign exchange gains	1,013	–
Other	17	143
Total non-operating income	10,586	8,692
Non-operating expenses		
Interest expenses	11,403	18,906
Share of loss of entities accounted for using equity method	–	48,602
Share issuance costs	11,908	19,250
Foreign exchange losses	–	158
Other	330	220
Total non-operating expenses	23,642	87,138
Ordinary income (loss)	1,238,574	(710,582)
Extraordinary income		
Gain on sale of investment securities	1,675	–
Total extraordinary income	1,675	–
Net income (loss) before income taxes	1,240,249	(710,582)
Income taxes - current	521,059	8,381
Income taxes - deferred	(73,091)	(12,415)
Total income taxes	447,968	(4,034)
Net income (loss)	792,280	(706,547)
Net income (loss) attributable to non-controlling interests	11,597	(11,689)
Net income (loss) attributable to owners of parent	780,683	(694,858)

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net income (loss)	792,280	(706,547)
Other comprehensive income		
Valuation difference on available-for-sale securities	–	29,554
Foreign currency translation adjustment	(178)	643
Share of other comprehensive income of entities accounted for using equity method	(6,975)	61,725
Total other comprehensive income	Note) (7,154)	Note) 91,924
Comprehensive income	785,126	(614,622)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	773,529	(602,933)
Comprehensive income attributable to non-controlling interests	11,597	(11,689)

(iii) Consolidated Statements of Changes in Shareholders' Equity
Previous fiscal year (January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	210,062	577,503	2,139,619	(8,246)	2,918,939
Changes during period					
Issuance of new shares	153,819	153,819			307,638
Issuance of new shares - exercise of share 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 shares				(117)	(117)
Restricted stock awards	5,343	(3,722)			1,621
Capital increase of consolidated subsidiaries		900			900
Net changes in items other than shareholders' equity					
Total changes during period	164,680	156,515	459,729	(117)	780,807
Balance at end of period	374,743	734,019	2,599,348	(8,363)	3,699,747

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

Current fiscal year (January 1, 2024 to December 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	374,743	734,019	2,599,348	(8,363)	3,699,747
Changes during period					
Issuance of new shares - exercise of share acquisition rights	198	198			396
Dividends of surplus			(480,460)		(480,460)
Loss attributable to owners of parent			(694,858)		(694,858)
Restricted stock awards	11,283	11,283			22,566
Net changes in items other than shareholders' equity					
Total changes during period	11,481	11,481	(1,175,319)	–	(1,152,356)
Balance at end of period	386,224	745,500	1,424,029	(8,363)	2,547,391

	Accumulated other comprehensive income			Share award rights	Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income				
Balance at beginning of period	–	1,198	1,198	19,000	37,130	3,065,287	6,822,364
Changes during period							
Issuance of new shares - exercise of share acquisition rights							396
Dividends of surplus							(480,460)
Loss attributable to owners of parent							(694,858)
Restricted stock awards							22,566
Net changes in items other than shareholders' equity	29,554	62,369	91,924	(19,000)	23,560	4,982,929	5,079,414
Total changes during period	29,554	62,369	91,924	(19,000)	23,560	4,982,929	3,927,058
Balance at end of period	29,554	63,568	93,122	–	60,691	8,048,217	10,749,422

(iv) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash flows from operating activities		
Net income (loss) before income taxes	1,240,249	(710,582)
Depreciation	67,567	65,512
Amortization of deferred assets	1,736	1,736
Amortization of goodwill	29,458	29,458
Amortization of customer-related assets	6,250	6,250
Share of loss (profit) of entities accounted for using equity method	(4,053)	48,602
Share-based payment expenses	45,322	27,127
Share issuance costs	11,908	19,250
Loss (gain) on sale of investment securities	(1,675)	–
Increase (decrease) in provision for bonuses	229,599	(45,389)
Increase (decrease) in provision for bonuses for directors (and other officers)	38,505	(43,555)
Increase (decrease) in provision for shareholder benefit program	11,924	29,494
Increase (decrease) in allowance for doubtful accounts	(8,967)	(583)
Interest income	(135)	(510)
Interest expenses	11,403	18,906
Decrease (increase) in trade receivables	(581,178)	104,362
Decrease (increase) in operational investment securities	(493,071)	(1,672,952)
Increase (decrease) in trade payables	40,356	14,816
Increase (decrease) in accounts payable - other	60,362	146,443
Other, net	(55,094)	(169,694)
Subtotal	650,469	(2,131,306)
Interest received	135	7,091
Interest paid	(12,665)	(19,253)
Income taxes paid	(412,331)	(375,856)
Income taxes refund	–	611
Net cash provided by (used in) operating activities	225,607	(2,518,714)
Cash flows from investing activities		
Purchase of property, plant and equipment	(37,192)	(716)
Purchase of intangible assets	(7,224)	(25,887)
Payments for asset retirement obligations	(3,530)	–
Purchase of shares of subsidiaries and associates	(1,252,492)	–
Proceeds from sale of investment securities	4,970	–
Payments of leasehold and guarantee deposits	(2,046)	(5,365)
Proceeds from refund of leasehold and guarantee deposits	7,685	1,137
Purchase of investments and other assets	(87,842)	(33,023)
Net cash provided by (used in) investing activities	(1,377,671)	(63,854)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,000,000	50,000
Repayments of long-term borrowings	(188,388)	(242,518)
Purchase of treasury shares	(117)	–
Dividends paid	(320,408)	(480,623)
Dividends paid to non-controlling interests	–	(5,381)
Proceeds from issuance of shares	306,231	–
Proceeds from capital increase of consolidated subsidiaries	2,990,098	4,980,750
Proceeds from exercise of employee share options	316	396
Net cash provided by (used in) financing activities	3,787,732	4,302,623
Effect of exchange rate change on cash and cash equivalents	3,988	2,379
Net increase (decrease) in cash and cash equivalents	2,639,656	1,722,434
Cash and cash equivalents at beginning of period	3,199,089	5,838,745
Cash and cash equivalents at end of period	Note 1) 5,838,745	Note 1) 7,561,180

Notes to Non-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
Furthermore, FCD Partners Inc. was dissolved on February 21, 2025

(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 other than securities without market value, etc.

Securities other than securities without market value, etc. are valued using the fair value method based on the market value on the balance sheet date and other factors.

Treatment method for the difference between the cost of acquisition and the market value: direct entry into net assets method

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. Property, plant and equipment

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

(Accounting standards not applied)

1. Application of the Accounting Standard for Current Income Taxes, Etc.

・ “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.

2. Accounting Standard for Leases, Etc.

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024, ASBJ)
- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024, ASBJ), Etc.

(1) Outline

As part of its efforts for ensuring that Japanese GAAP is consistent with international accounting standards, the ASBJ conducted a review, taking into consideration international accounting standards, toward the development of the Accounting Standard for Leases for recognizing assets and liabilities for all leases held by a lessee. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc., which were developed under a basic policy with the aim of being simple and highly convenient by incorporating only the key provisions of IFRS 16 instead of all the provisions, despite being based on the single accounting model of IFRS 16, while also making revisions basically unnecessary even when the provisions of IFRS 16 are applied for non-consolidated financial statements.

Regarding the method for allocating the lessee's lease expenses in the lessee's accounting treatment, a single accounting model is applied for recording the depreciation related to right-of-use assets and the amount equivalent to the interest on lease liabilities for all leases regardless of whether a lease is a finance lease or an operating lease. This is the same as under IFRS 16.

(2) Planned date of initial application

The accounting standard will begin to be applied from the start of the fiscal year ending December 31, 2028.

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

The impact from the application of the "Accounting Standard for Leases," etc. on the consolidated financial statements is currently under evaluation.

(Additional Information)

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

At the Board of Directors meeting held on June 27, 2024, the Company resolved that its consolidated subsidiary, Frontier Capital Inc., would raise funds through a third-party allocation of shares, and payment of ¥5,000,000 thousand was completed on July 26, 2024. As a result, non-controlling interests of the Group increased by the same amount.

The shares issued as a result of this increase in capital via third-party allocation were 50,000 shares, with the details of Class A 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.

(Consolidated Balance Sheet)

Note 1) Among notes and accounts receivable-trade, 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 property, plant and equipment

(Thousands of yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
	187,804	247,403

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, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Valuation difference on available-for-sale securities		
Amounts recorded for the current fiscal year	–	42,598
Before tax effect adjustments	–	42,598
Tax effects	–	(13,043)
Valuation difference on available-for-sale securities	–	29,554
Foreign currency translation adjustment:		
Amounts recorded for the current fiscal year	(178)	643
Share of other comprehensive income of entities accounted for using equity method:		
Amounts recorded for the current fiscal year	(6,975)	61,725
Total other comprehensive income	(7,154)	91,924

(Consolidated Statements of Changes in Shareholders' Equity)

Previous 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

Current fiscal year (January 1, 2024 to December 31, 2024)

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)	11,726,457	31,146	–	11,757,603
Total	11,726,457	31,146	–	11,757,603
Treasury stock				
Common stock (Note 2)	7,903	18,936	–	26,839
Total	7,903	18,936	–	26,839

(Notes) 1. An increase of 31,146 shares in the total number of common stock shares outstanding consisted of 25,866 shares by a new share issuance for restricted stock awards, and 5,280 shares by exercise of stock options.

2. The increase of 18,936 shares in the number of common stock treasury shares consisted of the gratis acquisition of shares subject to transfer restriction.

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	–	–	–	–	–	60,691
Total		–	–	–	–	–	60,691

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 27, 2024	Common stock	480,460	Retained earnings	41	December 31, 2023	March 28, 2024

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

Not applicable.

(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, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Cash and deposits	5,838,745	7,561,180
Cash and cash equivalents	5,838,745	7,561,180

2. Description of non-monetary transactions

Not applicable.

(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, 2023)	Current fiscal year (As of December 31, 2024)
Within one year	388,266	402,828
In excess of one year	869,973	496,970
Total	1,258,239	899,799

(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 capital increase or loans from banks.

(2) Descriptions of financial products and their risks

Notes and accounts receivable-trade, operating receivables, are exposed to customer credit risk.
Most of accounts payable-trade, accounts payable-other, operating payables, are due within one month.
Operational investment securities mainly include shares not listed and convertible-bond-type bonds with share acquisition rights, and are susceptible to the credit risk of the issuer (transaction partner company).
Leasehold and guarantee deposits, being associated mainly with the lease agreement for our head office space, are exposed to lessor credit risk.
Long-term borrowings 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 borrowings 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, 2023)

(Thousands of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
Leasehold and guarantee deposits	355,817	350,833	(4,984)
Total assets	355,817	350,833	(4,984)
Long-term borrowings (Note)	1,589,313	1,589,312	(0)
Total liabilities	1,589,313	1,589,312	(0)

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

Current fiscal year (As of December 31, 2024)

(Thousands of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
Operational investment securities	1,511,598	1,511,598	–
Leasehold and guarantee deposits	360,147	348,692	(11,455)
Total assets	1,871,745	1,860,290	(11,455)
Long-term borrowings (Note)	1,396,795	1,396,795	–
Total liabilities	1,396,795	1,396,795	–

(Note) The amount recorded on the consolidated balance sheet and fair value of long-term borrowings includes the current portion of long-term borrowings (amount recorded on the consolidated balance sheet: ¥248,492 thousand).

(Notes) 1. Cash is omitted from the notes, and regarding deposits, notes and accounts receivable-trade, 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, 2023)	Current fiscal year (As of December 31, 2024)
Operational investment securities	516,904	720,857
Investment securities	296	296
Shares of subsidiaries and associates	1,301,800	1,307,658
Investments in capital of subsidiaries and associates	1,963	2,648

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

Previous 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-trade, and contract assets	1,494,319	–	–	–
Leasehold and guarantee deposits	6,562	38,698	309,984	573
Total	7,339,627	38,698	309,984	573

Current fiscal year (As of December 31, 2024)

	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	7,561,180	–	–	–
Notes and accounts receivable-trade, and contract assets	1,390,825	–	–	–
Operational investment securities	–	–	1,469,000	–
Leasehold and guarantee deposits	7,969	351,605	–	573
Total	8,959,974	351,605	1,469,000	573

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

Previous 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 borrowings	237,313	794,000	558,000	–
Total	237,313	794,000	558,000	–

Current fiscal year (As of December 31, 2024)

	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 borrowings	248,492	726,303	422,000	–
Total	248,492	726,303	422,000	–

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

Previous fiscal year (As of December 31, 2023)

Not applicable.

Current fiscal year (As of December 31, 2024)

Category	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Operational investment securities	–	1,511,598	–	1,511,598
Total assets	–	1,511,598	–	1,511,598

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

Operational investment securities

The fair value of convertible-bond-type bonds with share acquisition rights is calculated using the discounted present value method for the bond portion and the Black-Scholes Model valuation method for the share acquisition rights portion, and convertible-bond-type bonds with share acquisition rights are classified as Level 2 market value.

(2) Financial products other than the financial products recorded at fair value in the consolidated balance sheet

Previous fiscal year (As of December 31, 2023)

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

Current fiscal year (As of December 31, 2024)

Category	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Leasehold and guarantee deposits	–	348,692	–	348,692
Total assets	–	348,692	–	348,692
Long-term borrowings	–	1,396,795	–	1,396,795
Total liabilities	–	1,396,795	–	1,396,795

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

Leasehold and guarantee deposits

The fair value of leasehold and guarantee 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 borrowings

For long-term borrowings 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 borrowings 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, 2023)

The fair values of operational investment securities (¥516,904 thousand recorded on the consolidated balance sheet), investment securities (¥296 thousand recorded likewise), shares of subsidiaries and associates (¥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.

Current fiscal year (As of December 31, 2024)

	Class	Amount recorded on the consolidated balance sheet (Thousands of yen)	Cost of acquisition (Thousands of yen)	Difference (Thousands of yen)
Securities for which the amount recorded on the consolidated balance sheet exceeds the cost of acquisition	(1) Stocks	–	–	–
	(2) Bonds			
	(i) Government and local government bonds, etc.	–	–	–
	(ii) Corporate bonds	1,511,598	1,469,000	42,598
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	1,511,598	1,469,000	42,598
Securities for which the amount recorded on the consolidated balance sheet does not exceed the cost of acquisition	(1) Stocks	–	–	–
	(2) Bonds			
	(i) Government and local government bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		1,511,598	1,469,000	42,598

(Note) The fair values of operational investment securities (¥720,857 thousand recorded on the consolidated balance sheet), investment securities (¥296 thousand recorded likewise), shares of subsidiaries and associates (¥1,307,658 thousand recorded likewise) and investments in capital of subsidiaries and associates (¥2,648 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, 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	–

Current fiscal year (January 1, 2024 to December 31, 2024)
Not applicable.

3. Securities subject to recording of impairment loss
Not applicable.

(Retirement benefits)

Previous 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.

Current fiscal year (January 1, 2024 to December 31, 2024)

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 ¥61,908 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, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Cost of sales	7,746	14,072
Selling, general and administrative expenses	13,177	23,560

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	15th Stock Acquisition Rights
Company name	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 14, 2024
Grantee categories and count	Director: 3 persons Employee: 140 persons	Executive Officer: 5 persons Employee: 10 persons	Employee: 182 persons	Employee: 237 persons
Number of stock options by stock class (Note)	Common stock 335,200	Common stock 34,900	Common stock 63,100	Common stock 47,400
Date of granting	June 15, 2018	April 13, 2021	March 31, 2022	April 1, 2024
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 15, 2024 to February 14, 2027
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 15, 2027 to February 14, 2030

(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	15th Stock Acquisition Rights
Company name	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 14, 2024
Before vesting (Shares)				
End of previous fiscal year	–	–	63,100	–
Granted	–	–	–	47,400
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	63,100	47,400
After vesting (Shares)				
End of previous fiscal year	122,840	5,700	–	–
Vested	–	–	–	–
Exercised	5,280	–	–	–
Lapsed	–	–	–	–
Unexercised balance	117,560	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	15th Stock Acquisition Rights
Company name	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 14, 2024
Rights exercise price (Yen)	75	1	1	1
Average stock price at rights exercise (Yen)	1,465	–	–	–
Fairly valued unit price on date of grant (Yen)	–	1,842	1,062	1,549

(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 a stock option unit price that is valued fairly

Shown below are estimation methods used for estimating a fairly valued unit price of the 15th Stock Acquisition Rights granted in the current fiscal year.

(1) Valuation method used Black-Scholes equation

(2) Main basic numbers and estimation methods

	15th Stock Acquisition Rights
Stock price variability (Note 1)	53.99%
Expected residual period (Note 2)	4.4 years
Expected dividend (Note 3)	¥41 per share
Risk-free interest rate (Note 4)	0.31%

(Notes) 1. Stock price variability was calculated based on the period corresponding to the expected remaining period.
2. As a rational estimate is difficult, the period from the calculation point to the midpoint of the exercise period is used as the period until maturity.
3. Expected dividend was in reference to the dividend for the fiscal year ended December 31, 2023.
4. The yield on Japanese government bonds for the expected residual period was used as risk-free interest rate.

4. 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.

5. 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 ¥75,355 thousand

(2) Total intrinsic value of options exercised during the current fiscal year ¥7,602 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 compensation

(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	Advance grant-based stock options for 2024
Grantee categories and count (Persons)	Directors (excluding Outside Directors), 3 persons	Directors (excluding Outside Directors), 3 persons	Directors (excluding Outside Directors), 4 persons	Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors), 2 persons
Number of granted shares by class of stock	Common stock, 19,998 shares	Common stock, 19,998 shares	Common stock, 19,999 shares	Common stock, 13,936 shares
Date of granting	April 15, 2021	April 15, 2022	April 14, 2023	April 18, 2024
Conditions for removing the restriction	(Note 1)	Same as on the left	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	From April 18, 2024 to April 17, 2027

(Notes) 1. 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.

2. Regarding the advance grant-based stock options for 2024, the agreement for the allocation of shares with restrictions on transfer was terminated on December 13, 2024.

(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, 2024).

(i) Amount of expense recognized and account

(Thousands of yen)

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Cost of sales	–	–
Selling, general and administrative expenses	1,621	3,562

(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	Advance grant-based stock options for 2024
Closing balance of restricted stock options for the previous fiscal year (Shares)	19,998	19,998	19,999	–
Granted (Shares)	–	–	–	13,936
Gratis acquisition (Shares)	5,000	–	–	13,936
Transfer restriction removed (Shares)	14,998	–	–	–
Closing balance of restricted stock options for the current fiscal year (Shares)	–	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	Advance grant-based stock options for 2024
Fairly valued unit price on date of grant (Yen)	1,813	1,050	950	1,679

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

(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, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
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, 2024) or for which unissued shares after vesting existed as of the end of the current fiscal year (the fiscal year ended December 31, 2024).

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

(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, 2023, and 2024 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, 2023)	Current fiscal year (As of December 31, 2024)
Deferred tax assets		
Income taxes payable	38,744	25,555
Provision for bonuses	304,436	291,173
Statutory welfare expenses payable	33,406	34,474
Tax loss carried forward (Note 2)	159,276	342,309
Allowance for doubtful accounts	4,530	4,371
Operational investment securities	16,779	–
Asset retirement obligations	38,577	40,454
Share-based payment expenses	11,371	18,586
Other	22,546	24,162
Deferred tax assets subtotal	629,669	781,087
Valuation reserve for tax loss carried forward (Note 2)	(159,276)	(293,186)
Valuation allowance for deductible temporary difference	(23,099)	(32,631)
Valuation reserve subtotal (Note 1)	(182,376)	(325,818)
Total deferred tax assets	447,293	455,269
Deferred tax liabilities		
Asset retirement expenses	(24,179)	(20,801)
Customer-related intangible assets	(3,827)	(1,913)
Valuation difference on available-for-sale securities	–	(13,043)
Other	–	(852)
Total deferred tax liabilities	(28,007)	(36,610)
Net deferred tax assets	419,285	418,658

(Note) 1. Valuation reserve increased by ¥143,442 thousand. This rise was mainly attributable to the increase in tax loss carried forward at a consolidated subsidiary.

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

Previous 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.

Current fiscal year (As of December 31, 2024)

(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 1)	–	–	–	–	–	342,309	342,309
Valuation reserve	–	–	–	–	–	(293,186)	(293,186)
Deferred tax assets	–	–	–	–	–	49,123	(Note 2) 49,123

(Note 1) Tax loss carried forward is the amount multiplied by the statutory effective tax rate.

(Note 2) The ¥342,309 thousand in tax loss carried forward (amount multiplied by the statutory effective tax rate) has been recorded as ¥49,123 thousand in deferred tax assets. This ¥49,123 thousand in deferred tax assets has been recognized as part of the balance of the ¥342,309 thousand in tax loss carried forward (amount multiplied by the statutory effective tax rate) at the Company and its consolidated subsidiaries. We believe that the deferred tax assets associated with the tax loss carried forward in question can be recovered based on projections of our future taxable income.

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, 2023)	Current fiscal year (As of December 31, 2024)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Items not expensed without limit in time such as entertainment expenses	3.6	(5.0)
Per-capita inhabitant tax	0.6	(1.0)
Share of loss (profit) of entities accounted for using equity method	(0.1)	(2.1)
Change in valuation reserve	8.6	(20.0)
Amortization of goodwill	0.7	(1.2)
Expenses associated with acquisitions of shares in subsidiaries	–	(1.8)
Tax deduction related to tax incentives for securing human resources	(7.8)	–
Other	(0.1)	1.1
Income tax rate after application of tax effect accounting	36.1	0.6

(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, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Opening balance	134,750	131,303
Amount adjusted due to the passage of time	82	83
Reduction due to performance of asset retirement obligations	(3,530)	–
Ending balance	131,303	131,386

(Revenue Recognition)

1. Disaggregated information on revenue from contracts with customers

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

(Thousands of yen)

	Consulting and Advisory Business					Investment Business	Total
	Management consulting service	M&A advisory service	Revitalization support service	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

Current fiscal year (January 1, 2024 to December 31, 2024)

(Thousands of yen)

	Consulting and Advisory Business					Investment Business	Total
	Management consulting service	M&A advisory service	Revitalization support service	Other	Consulting and Advisory Business Total	Investment	
Consulting and advisory fees, etc. (excluding success fees)	6,271,279	777,381	1,206,118	107,559	8,362,338	71,694	8,434,033
Success fees	73,306	673,308	39,500	16,689	802,804	–	802,804
Revenue from contracts with customers	6,344,585	1,450,690	1,245,618	124,249	9,165,143	71,694	9,236,837
Other revenue	–	–	–	–	–	28,273	28,273
Sales to external customers	6,344,585	1,450,690	1,245,618	124,249	9,165,143	99,967	9,265,110

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, 2023 to December 31, 2023)

(Thousands of yen)

	Opening balance	Ending balance
Liabilities from contracts with customers Notes and accounts receivable-trade	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.

Current fiscal year (January 1, 2024 to December 31, 2024)

(Thousands of yen)

	Opening balance	Ending balance
Liabilities from contracts with customers Notes and accounts receivable-trade	1,370,747	1,234,720
Contract assets	123,572	156,104
Contract liabilities	31,310	28,970

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 ¥31,310 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, 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	67,460	106	67,567	–	67,567
Amortization of goodwill	29,458	–	29,458	–	29,458
Amortization of customer-related intangible 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 property, plant and equipment and intangible assets	35,777	1,425	37,202	–	37,202

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

Current fiscal year (January 1, 2024 to December 31, 2024)

(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	9,165,143	99,967	9,265,110	–	9,265,110
Internal net sales and transfer amounts between segments	9,290	–	9,290	(9,290)	–
Total	9,174,433	99,967	9,274,401	(9,290)	9,265,110
Segment loss (-:loss)	(199,411)	(432,724)	(632,136)	–	(632,136)
Segment assets	5,443,217	8,721,839	14,165,057	–	14,165,057
Other items					
Depreciation	65,328	183	65,512	–	65,512
Amortization of goodwill	29,458	–	29,458	–	29,458
Amortization of customer-related intangible assets	6,250	–	6,250	–	6,250
Investment in equity method affiliates	1,294,352	15,954	1,310,306	–	1,310,306
Increase in property, plant and equipment and intangible assets	26,603	–	26,603	–	26,603

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

Related Information

Previous 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) Property, plant and equipment

Presentation is omitted because the value of property, plant and equipment in Japan exceeded 90% of the value of property, plant and equipment 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

Current fiscal year (January 1, 2024 to December 31, 2024)

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	6,344,585	1,450,690	1,245,618	124,249	99,967	9,265,110

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) Property, plant and equipment

Presentation is omitted because the value of property, plant and equipment in Japan exceeded 90% of the value of property, plant and equipment 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.	1,372,400	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, 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

Current fiscal year (January 1, 2024 to December 31, 2024)

(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	206,212	–	–	206,212

Information on gain on negative goodwill in individual reporting segments

Not applicable.

Information on Related Parties

1. 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.

2. Notes on the parent company and important associates

Important financial information for our important associate Athema in the current fiscal year is as follows.

(Thousands of yen)

	Current fiscal year
Total current assets	971,367
Total fixed assets	426,512
Total current liabilities	739,214
Total fixed liabilities	333,501
Total net assets	325,164
Net sales	1,355,258
Income before income taxes	215,333
Net income	161,152

(Note) As Athema increased in importance, it became recognized as an important associate from the current fiscal.

(Per Share Information)

(Yen)

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Net assets per share	315.81	225.09
Net income (loss) per share	67.51	(59.20)
Diluted net income per share	66.47	–

(Notes) 1. Diluted earnings per share for the current fiscal year have not been listed as there was a net loss per share, despite the presence of diluted shares.

2. Shown below is the basis for calculating net income per share or net loss per share and diluted net income per share:

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Net income (loss) per share		
Net income (loss) attributable to owners of parent (Thousands of yen)	780,683	(694,858)
Amount not attributable to common stock (Thousands of yen)	–	–
Net income (loss) attributable to owners of parent attributable to common stock (Thousands of yen)	780,683	(694,858)
Average number of shares of common stock outstanding during the period (Shares)	11,562,872	11,736,966
Net income per share-diluted		
Adjustment of net income attributable to owners of parent (Thousands of yen)	–	–
Increase in common stock (Shares)	180,779	–
(Of which, stock acquisition rights (Shares))	(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)

Business Combination through Acquisition

At a Board of Directors meeting held on December 30, 2024, the Company's consolidated subsidiary, Frontier Capital Inc., adopted a resolution to make Eagle Invesco, which owns all shares in HobbyLink Japan Ltd., a subsidiary. On the same day, a transfer agreement was concluded for the related stocks and share acquisition rights, and on February 28, 2025, through the Eagle Invesco's consolidated subsidiary FCI1, the Company completed the acquisition of the stocks and share acquisition rights in question.

(1) Outline of business combination

(i) Name of the company whose shares will be purchased and description of its business
Name of the first acquired company: Eagle Invesco
Description of business: owning the shares of HobbyLink Japan Ltd.
Name of the second acquired company: HobbyLink Japan Ltd.
Description of business: sales of models, plastic models, and toys, and owning the shares of Beaver Corporation, Inc.
Name of the third acquired company: Beaver Corporation, Inc.
Description of business: Sales and imports of foreign toys, etc.

(ii) Main reasons for the business combination
Based in Sano, Tochigi Prefecture, HobbyLink Japan Ltd. is a toy retailer that conducts online sales and mainly handles models, plastic models, and figures.
HobbyLink Japan Ltd. acquires mainly products from Japanese toys makers through wholesalers and sells them to clients overseas starting with North America. It has long provided this service to fans worldwide who love unique Japanese popular culture including anime, plastic models, and figures. Even in the niche market of the hobby product e-commerce business, HobbyLink Japan Ltd. was founded in 1997 and is one of the oldest industry players, with both a long history and a stable customer base.
By delivering content entertainment products such as models, plastic models, and figures to fans not only in Japan but worldwide, high-quality toys originating in Japan can be enjoyed throughout the world. In addition to supporting this devotion to the hobby world since its founding, Frontier Capital wishes to contribute to HobbyLink Japan Ltd.'s business

through investment as HobbyLink Japan Ltd., has the potential for continuous global growth in the e-commerce market for hobby products due to the popularization of Japanese anime in North America, Europe, and Asia.
Using the consulting capabilities possessed by the Frontier Management Group to provide hands-on support, we hope to accelerate the implementation of HobbyLink Japan Ltd.'s growth strategy so that as many people as possible can enjoy popular culture originating in Japan.

(iii) Business combination date
February 28, 2025

(iv) Legal form of business combination
Acquisition of shares

(v) Name following business combination
Eagle Invesco, HobbyLink Japan Ltd., Beaver Corporation, Inc.

(vi) Percentage of voting rights acquired
100%

(vii) Main grounds for deciding on the company whose shares will be purchased
This is due to our acquisition of shares in exchange for cash.

(2) Acquisition cost of the company whose shares will be purchased and breakdown by type of consideration

Price of acquisition	Cash	¥2,000,000 thousand
Cost of acquisition		¥2,000,000 thousand

(3) Details and amount of major acquisition-related expenses
Due diligence expenses, etc. ¥45,000 thousand

(4) Goodwill, reason for recognizing goodwill, amortization method and amortization term
Not confirmed at present.

(5) The amount of assets accepted and liabilities assumed on the date of the Business Combination, and major breakdown thereof
Not confirmed at present.

(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 borrowings	237,313	248,492	1.24	–
Long-term borrowings (excluding the current portion)	1,352,000	1,148,303	1.24	2026 to 2033
Total	1,589,313	1,396,795	–	–

(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 borrowings (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 borrowings	248,492	198,492	143,319	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

Semi-annual information for the current fiscal year

	Semi-annual consolidated accounting period	Current fiscal year
Net sales (Thousands of yen)	4,559,968	9,265,110
Semi-annual profit before income taxes or full-year profit before income taxes (thousand yen)	113,701	(710,582)
Semi-annual net income (loss) attributable to owners of parent or full-year net income (loss) attributable to owners of parent (Thousands of yen)	13,136	(694,858)
Semi-annual net income (loss) per share or full-year net income (loss) per share (yen)	1.11	(59.20)

2. Non-consolidated Financial Statements

(1) Non-consolidated Financial Statements

(i) Non-consolidated Balance Sheet

(Thousands of yen)

	As of December 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	2,749,769	1,144,036
Notes and accounts receivable - trade, and contract assets	1,431,469	1,323,884
Operational investment securities	23,713	1,043
Prepaid expenses	153,128	125,348
Advances paid	33,627	31,855
Other	18,218	24,082
Allowance for doubtful accounts	(14,793)	(14,273)
Total current assets	4,395,133	2,635,978
Non-current assets		
Property, plant and equipment		
Buildings, net	233,454	187,016
Tools, furniture and fixtures, net	25,804	16,646
Total property, plant and equipment	259,259	203,662
Intangible assets		
Software	10,069	29,135
Other	102	102
Total intangible assets	10,171	29,237
Investments and other assets		
Shares of subsidiaries and associates	2,633,106	3,133,106
Investments in capital of subsidiaries and associates	2,500	2,500
Long-term loans receivable from subsidiaries and associates	15,000	10,000
Long-term accounts receivable - other	20,601	20,601
Leasehold and guarantee deposits	330,744	334,837
Deferred tax assets	416,651	418,342
Other	87,842	87,842
Allowance for doubtful accounts	(4,055)	–
Total investments and other assets	3,502,391	4,007,229
Total non-current assets	3,771,822	4,240,130
Total assets	8,166,955	6,876,108

(Thousands of yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	95,347	129,758
Current portion of long-term borrowings	236,000	236,000
Accounts payable - other	141,139	228,884
Accrued expenses	170,204	191,092
Contract liabilities	27,648	23,819
Income taxes payable	389,650	34,448
Accrued consumption taxes	207,834	–
Deposits received	66,075	75,412
Provision for bonuses	943,550	879,389
Provision for bonuses for directors (and other officers)	38,000	–
Provision for shareholder benefit program	25,849	55,343
Other	970	758
Total current liabilities	2,342,271	1,854,908
Non-current liabilities		
Long-term borrowings	1,352,000	1,116,000
Asset retirement obligations	123,953	124,036
Total non-current liabilities	1,475,953	1,240,036
Total liabilities	3,818,224	3,094,944
Net assets		
Shareholders' equity		
Share capital	374,743	386,224
Capital surplus		
Legal capital surplus	374,743	386,224
Other capital surplus	358,375	358,375
Total capital surplus	733,119	744,600
Retained earnings		
Other retained earnings		
Retained earnings brought forward	3,193,100	2,598,010
Total retained earnings	3,193,100	2,598,010
Treasury shares	(8,363)	(8,363)
Total shareholders' equity	4,292,599	3,720,472
Share award rights	19,000	–
Share acquisition rights	37,130	60,691
Total net assets	4,348,730	3,781,164
Total liabilities and net assets	8,166,955	6,876,108

(ii) Non-consolidated Statement of Income

(Thousands of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net sales	9,557,654	8,816,772
Cost of sales	4,205,485	4,697,654
Gross income	5,352,168	4,119,117
Selling, general and administrative expenses		
Salaries and allowances	1,380,294	1,665,303
Provision for bonuses for directors (and other officers)	38,000	–
Provision for bonuses	397,238	365,938
Hiring expenses	371,039	408,013
Retirement benefit expenses	23,462	28,493
Depreciation	28,137	27,513
Provision for shareholder benefit program	11,924	29,494
Other	1,472,848	1,716,598
Total selling, general and administrative expenses	3,722,946	4,241,355
Operating income (loss)	1,629,221	(122,237)
Non-operating income		
Interest income	116	279
Dividend income	–	14,774
Insurance dividend income	2,130	2,366
Compensation income	–	3,855
Administrative service fee income	5,747	5,747
Gain on forfeiture of unclaimed dividends	1,467	49
Other	529	534
Total non-operating income	9,991	27,607
Non-operating expenses		
Interest expenses	11,358	18,522
Share issuance costs	1,406	–
Other	617	2,014
Total non-operating expenses	13,382	20,536
Ordinary income (loss)	1,625,830	(115,166)
Extraordinary income		
Gain on sale of investment securities	1,675	–
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	–	4,055
Total extraordinary income	1,675	4,055
Extraordinary losses		
Provision of allowance for doubtful accounts for subsidiaries and associates	1,307	–
Total extraordinary losses	1,307	–
Income (loss) before income taxes	1,626,198	(111,111)
Income taxes - current	503,322	5,208
Income taxes - deferred	(69,082)	(1,690)
Total income taxes	434,239	3,517
Net income (loss)	1,191,958	(114,628)

(iii) Non-consolidated Statement of Shareholders' Equity

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

(Thousands of yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
Balance at beginning of period	210,062	210,062	367,441	577,503	2,322,095	2,322,095
Changes during period						
Issuance of new shares	153,819	153,819		153,819		
Issuance of new shares - exercise of share 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 shares						
Restricted stock awards	5,343	5,343	(9,065)	(3,722)		
Net changes in items other than shareholders' equity						
Total changes during period	164,680	164,680	(9,065)	155,615	871,004	871,004
Balance at end of period	374,743	374,743	358,375	733,119	3,193,100	3,193,100

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

Current fiscal year (January 1, 2024 to December 31, 2024)

(Thousands of yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
Balance at beginning of period	374,743	374,743	358,375	733,119	3,193,100	3,193,100
Changes during period						
Issuance of new shares - exercise of share acquisition rights	198	198		198		
Dividends of surplus					(480,460)	(480,460)
Net income (loss)					(114,628)	(114,628)
Restricted stock awards	11,283	11,283		11,283		
Net changes in items other than shareholders' equity						
Total changes during period	11,481	11,481	–	11,481	(595,089)	(595,089)
Balance at end of period	386,224	386,224	358,375	744,600	2,598,010	2,598,010

	Shareholders' equity		Share award rights	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity			
Balance at beginning of period	(8,363)	4,292,599	19,000	37,130	4,348,730
Changes during period					
Issuance of new shares - exercise of share acquisition rights		396			396
Dividends of surplus		(480,460)			(480,460)
Net income (loss)		(114,628)			(114,628)
Restricted stock awards		22,566			22,566
Net changes in items other than shareholders' equity		–	(19,000)	23,560	4,560
Total changes during period	–	(572,126)	(19,000)	23,560	(567,566)
Balance at end of period	(8,363)	3,720,472	–	60,691	3,781,164

Notes to Non-consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and valuation methods for securities

(1) Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

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) Property, plant and equipment

Property, plant and equipment 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 assets

Intangible 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 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.

(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, 2023)	Current fiscal year (As of December 31, 2024)
Short-term monetary claims	32,921	22,555
Long-term monetary claims	20,601	20,601
Short-term monetary liabilities	10,088	50,785

(Non-consolidated Statement of Income)

(Note) (Balance of transactions with affiliate companies)

(Thousands of yen)

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Balance of transactions due to sales transactions		
Net sales	60,728	49,286
Operating expenses	126,426	192,288
Balance of transactions due to non-sales transactions	5,840	5,803

(Securities)

Shares of subsidiaries and associates and investments in capital of subsidiaries and associates (¥3,130,106 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 ¥2,630,106 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, 2023)	Current fiscal year (As of December 31, 2024)
Deferred tax assets		
Income taxes payable	31,832	13,496
Provision for bonuses	288,960	269,311
Statutory welfare expenses payable	30,380	31,394
Allowance for doubtful accounts	5,772	4,371
Operational investment securities	16,779	–
Asset retirement obligations	37,960	37,985
Share-based payment expenses	11,371	18,586
Loss carried forward	–	42,438
Other	19,474	20,661
Deferred tax assets subtotal	442,532	438,245
Valuation reserve	(1,701)	(459)
Total deferred tax assets	440,831	437,786
Deferred tax liabilities		
Asset retirement expenses	(24,179)	(19,444)
Total deferred tax liabilities	(24,179)	(19,444)
Net deferred tax assets	416,651	418,342

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, 2023)	Current fiscal year (As of December 31, 2024)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Items not expensed without limit in time such as entertainment expenses	2.6	(31.6)
Items not expensed without limit in time such as dividend income	–	2.2
Per-capita inhabitant tax	0.4	(5.2)
Change in valuation reserve	(1.0)	1.1
Tax deduction related to tax incentives for securing human resources	(5.8)	–
Other	(0.1)	(0.3)
Income tax rate after application of tax effect accounting	26.7	(3.2)

(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 property, plant and equipment

Category	Asset type	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)	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)
Property, plant and equipment	Buildings	233,454	–	–	46,437	187,016	183,744
	Tools, furniture and fixtures	25,804	–	–	9,158	16,646	54,324
	Total	259,259	–	–	55,596	203,662	238,069
Intangible assets	Software	10,069	24,697	–	5,631	29,135	32,818
	Other	102	–	–	–	102	–
	Total	10,171	24,697	–	5,631	29,237	32,818

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

Software ChatGPT automatic template creator tool ¥20,000 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	943,550	879,389	943,550	879,389
Provision for bonuses for directors (and other officers)	38,000	–	38,000	–
Allowance for doubtful accounts	18,848	–	4,575	14,273
Provision for shareholder benefit program	25,849	81,256	51,762	55,343

(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 Nikkei newspaper. Public notification posting on: URL https://www.frontier-mgmt.com/
Privileges for shareholders	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.

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	8,000 points	9,500 points
600 to 699 shares	8,000 points	9,500 points
700 to 799 shares	8,000 points	9,500 points
800 to 899 shares	8,000 points	9,500 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	43,000 points	53,000 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 17th fiscal year (from January 1, 2023 to December 31, 2023). Submitted to the Director-General of the Kanto Local Finance Bureau on March 27, 2024

(2) Amendment report and confirmation form for the Annual securities report
The amendment report and confirmation form for the Annual securities report for the 17th fiscal year (FY2023) were submitted to the Kanto Local Finance Bureau on May 13, 2024.

(3) Internal control report
Submitted to the Director-General of the Kanto Local Finance Bureau on March 27, 2024

(4) Quarterly report and a letter of confirmation
(The first quarter of the 18th fiscal year) (from January 1, 2024 to March 31, 2024). Submitted to the Director-General of the Kanto Local Finance Bureau on May 14, 2024

(5) Semi-annual securities report and a letter of confirmation
(The 18th fiscal year) (from January 1, 2024 to June 30, 2024). Submitted to the Director-General of the Kanto Local Finance Bureau on August 13, 2024

(6) 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 28, 2024
An ad hoc report based on the provisions of Article 19, Paragraph (2), Item (iv) “Change to major shareholders” of the Cabinet Office ordinance on disclosure of corporate information. Submitted to the Director-General of the Kanto Local Finance Bureau on August 15, 2024.
An ad hoc report based on the provisions of Article 19, Paragraph (2), Item (iii) “Decision about a change to a specified subsidiary company” and Item (xvi)-2 “Determination on acquisition of subsidiary by consolidated subsidiary” of the Cabinet Office ordinance on disclosure of corporate information. Submitted to the Director-General of the Kanto Local Finance Bureau on January 6, 2025

Section II. Information on Guarantor Company for Submitter Company

Not applicable.