



# JAFCO

2023 INTEGRATED  
REPORT

Issuance of  
JAFCO INTEGRATED REPORT 2023



Guided by its Purpose of "Fueling perpetual growth; investing in bold visions," JAFCO Group is committed to playing a role in realizing a sustainable society. *JAFCO INTEGRATED REPORT 2022* was the Company's inaugural integrated report, presenting a comprehensive overview of the Company that encompassed its overall operations, business model, and sustainability approach.

*JAFCO INTEGRATED REPORT 2023* offers detailed explanations of our medium- to long-term growth strategy based on the Basic Policy for Enhancing Corporate Value, which was released in November 2022. The report also provides expanded content about our human resources—a major source of our value—and features a discussion on our human resource strategy.

By receiving candid feedback from our stakeholders through dialogue based on this report, we will continue our pursuit of sustainable corporate value enhancement.

Corporate Officer  
In charge of Administration  
Hiroaki Matsuda

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**Editorial Policy**

We have published this report to help our shareholders and investors understand the social value that JAFCO Group has created to date, our business model that supports value creation, and our future growth direction. Seeking to further enhance our corporate value through dialogue, we have positioned this report as a means of communication with all of our stakeholders including shareholders and investors, our fund investors, portfolio companies, and employees. In editing this report, we referenced the International Integrated Reporting Framework of the IFRS Foundation and the Guidance for Collaborative Value Creation released by the Ministry of Economy, Trade and Industry, and other resources.

**Scope of Report**

**Scope:** JAFCO Group Co., Ltd. and its Group companies (consolidated subsidiaries)  
**Reporting period:** From April 1, 2022 to March 31, 2023  
Note: Some information is based on activities that took place before or after this reporting period.

**Note Concerning the Future Outlook**

Information in this report relating to current plans, the future outlook, and strategies, etc., has been determined based on the information available at the time the report was prepared. Please be aware that various factors may cause actual future results to differ significantly from the outlook. Risks and variables that may affect results include macroeconomic trends surrounding the Company's business environment, market competition, exchange rates, taxation and various other regulations and systems, and internal and external factors.

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Section- 01

# JAFCO Group's Values



PURPOSE

# Fueling perpetual growth; investing in bold visions

Since its founding, JAFco Group has consistently invested in bold visions. Supporting the creation of new business models, products, and services involves a high level of uncertainty and always carries the risk of failure. For that reason, we have sought to realize stable investment performance by raising investment capital through funds to diversify risk. Throughout our many years of experience in venture investment, which is our founding business, we have focused on enhancing our ability to repeat successes and steadily securing the funds necessary for investment activities, even during times of significant fluctuations in the market. In our buyout investment, which we began in 1998, we primarily target businesses that can generate a stable level of cash flows. By expanding the domains of our private equity investment activities, with a focus on business succession deals, we have fostered corporate rejuvenation. The achievements of our portfolio companies encourage the emergence of new entrepreneurs, and the returns generated through these investments raise expectations for private equity investment, leading to a wider investor base. By setting this virtuous cycle in motion, we facilitate the channeling of capital into the market, which helps spur innovation, stimulate economic growth, and enrich people's lives. This is precisely how we fuel perpetual growth.

To ensure our ability to fuel perpetual growth, we have focused our efforts on continuing to invest regardless of market conditions, ensuring that employees from different divisions and with diverse experience contribute to the growth of portfolio companies with a sense of ownership and enhancing our ability to achieve repeat successes by sharing individual expertise. The schemes and culture that we have cultivated in this manner to secure business continuity have become significant strengths and features of the Company.

The structures of industries and businesses have undergone a significant transformation due to advancements in technology and, as a result, issues involving the global environment and economy have become increasingly complex. Guided by our firm belief that continuous investment is a catalyst for building a sustainable society, we will continue to invest in bold visions that create unprecedented value and commit to the growth of our portfolio companies. To that end, we are constantly pursuing business growth and investment success with the aim of fueling perpetual growth.





**MISSION****Commit to new  
business creation  
and jointly shape  
the future**

Since its founding, JAFCO Group has created a wide range of innovative products and services in partnership with entrepreneurs. Our Mission is to usher in a new era through the creation of new businesses that cater to the needs of society. In addition to our venture investment, which focuses on startups, we engage in buyout investment to help companies realize a second start.

While social needs change with the times, our Mission remains the same. In our pursuit of realizing our Purpose, we will also strive to fulfill this unchanging Mission.

**IDENTITY****Co-Founder**

JAFCO Group has always worked side by side with cutting-edge entrepreneurs. To enhance corporate value going forward, it is essential that we go beyond simply being an investor and make a deep commitment to the management of our portfolio companies as a "Co-Founder."

Our mindset, insight, and experience as a Co-Founder are further refined by the self-directed thinking and self-determined actions of our employees. Guided by our Co-Founder identity, our investment professionals and all other employees pursue bold visions together with entrepreneurs and the management teams of portfolio companies. By doing so, we provide greater value to our portfolio companies and society as a whole.

**BRAND SLOGAN****Your closest  
partner**

Understanding and relating deeply to the visions of entrepreneurs enables us to share a common vision of actualizing their business goals and working collaboratively to confront and overcome challenges. This approach is integral not only to venture investment, our founding business, but also to our buyout investment, which has become our second cornerstone. The mindset of working closely with managers and employees of portfolio companies looking to achieve a second start is deeply embedded in our corporate culture.

Realizing the unprecedented visions of entrepreneurs as their closest partner is the challenge that we as a company must take on.



Applying Our Purpose: JAFCO Group's History

We have continued to pursue bold visions with entrepreneurs as their closest partner, thereby contributing to sustainable social development. »



**Years of investment:**  
50  
United States: 39  
Asia: 37

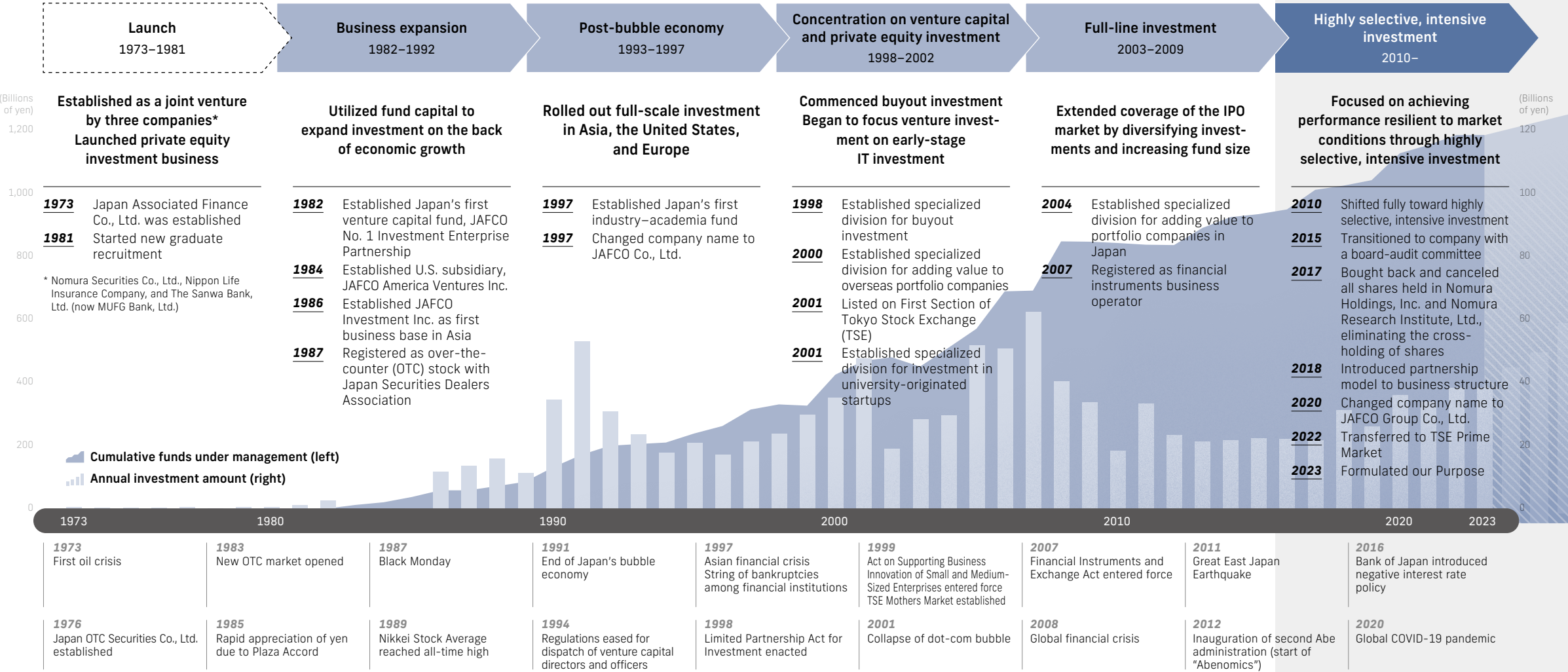


**Cumulative number of portfolio companies:**  
4,142  
3,240 in Japan and  
902 overseas



**Total funds under management:**  
¥1,227.8 billion

Note: All figures are as of March 31, 2023.





Applying Our Purpose: JAFCO Group's Strengths

We fuel perpetual growth by harnessing the value derived from our investment management capabilities, fundraising capabilities, and underlying organizational foundation.

Investment Management Capabilities

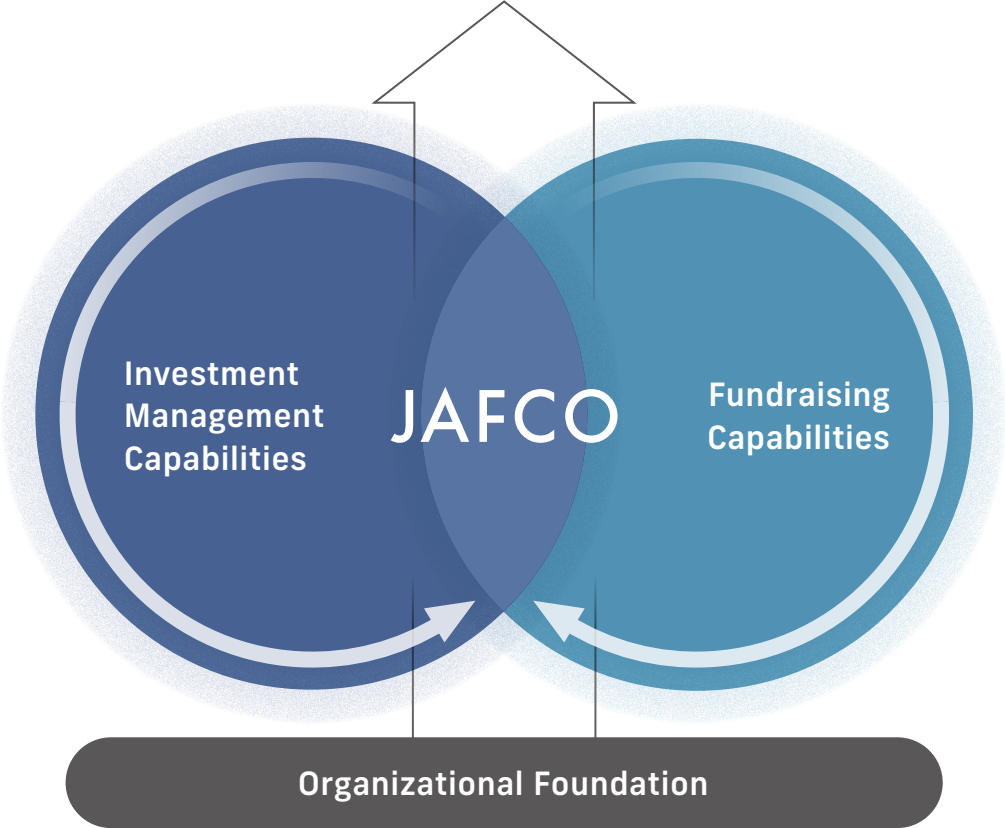
Our investment management capabilities stem from our strong deal-sourcing skills, the ability of our investment professionals to contribute to the growth of portfolio companies, and our organizational ability to share, gather, and complement the experience of individuals—all of which have been continually passed down as part of our corporate culture. Leveraging these strengths, we conduct investment activities based on our policy of highly selective, intensive investment. Having carefully selected investment targets from among many candidate companies, we acquire an influential stake in them and then intensively provide them with management resources to boost their corporate value. Amid significant changes in the business environment, we will further develop this policy to enhance our ability to reproduce successes.

Organizational Foundation

We have firmly established a unique model for recruiting and training new graduates to become investment professionals, as well as a culture in which experienced senior personnel pass on their knowledge and mind-set to younger team members. We are also bolstering mid-career recruitment of specialists, which has allowed us to expand our investment domain and the scope of our involvement in the management of portfolio companies. We differentiate ourselves from other general venture capital and private equity fund management companies in having not only a dedicated fundraising division but also a back-office team well versed in private equity investment and fund management, as well as sophisticated compliance and risk management systems. This organizational framework ensures that we continue to reproduce successful performance.

PURPOSE

Fueling perpetual growth; investing in bold visions



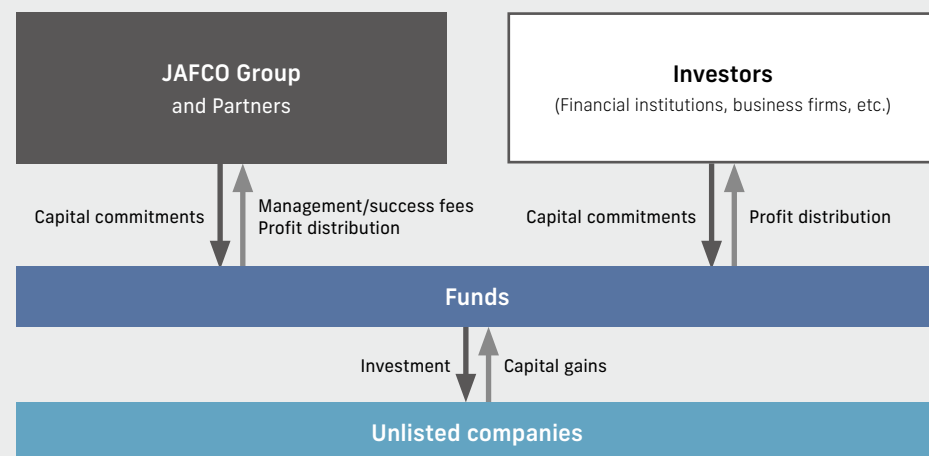
Fundraising Capabilities

While the success or failure of fundraising is significantly affected by the economic environment and performance, we have secured investment capital by conducting fundraising for flagship funds every three years. As the management of private equity investments requires a higher than usual level of discipline and transparency, we have enhanced our regular reporting and established a high level of trust with investors through support tailored to their individual needs. We will continue to hone our fundraising capabilities to increase our ability to provide risk capital. Moreover, while deepening relationships with existing investors, we will also expand the scope of our activities to attract new ones.

## JAFCO Group's Business Overview

## JAFCO Group's Profit Structure

The Company conducts venture and buyout investment through fund management. Our main income sources are management fees and success fees derived from fund operations and capital gains on direct investment in funds. The fund term is 10 years in principle, with a possible extension of two years. The portfolio of a newly established fund is built over a period of about three years following a fund launch. We believe that continually sourcing and investing in promising companies based on our policy of highly selective, intensive investment ensure stable investment performance, regardless of the timing of a company's establishment or business sentiment. After investment, we deepen management involvement and enhance corporate value with entrepreneurs to achieve exits (sales) through IPOs, M&As, and other means.



### Results for the Fiscal Year Ended March 31, 2023

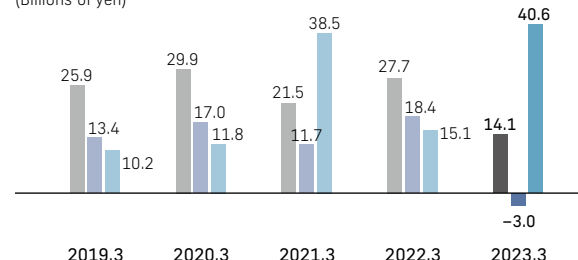
Net Sales **¥14.1** billion

Ordinary Loss                      ¥**3.0** billion

Profit Attributable to JAFCO  
Group Co., Ltd. Stockholders

¥40.6 billion

(Billions of yen)

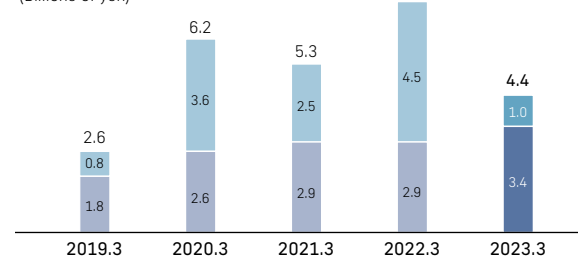


■ Net sales ■ Ordinary income  
■ Profit attributable to JAFCO Group Co., Ltd. stockholders

Fund Management Fees **¥3.4 billion**

Success Fees **¥1.0 billion**

(Billions of yen)



■ Fund management fees ■ Success fees

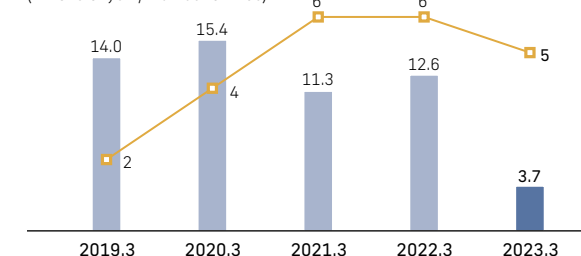
Notes:

1. JAFCO's interests in funds are excluded in calculation of fund management fees and success fees.
2. Figures reflect the exclusion of the U.S subsidiary (JAV) from the scope of consolidation.

Capital Gains **¥3.7 billion**

Number of IPOs  
(domestic and overseas) **5** companies

(Billions of yen / Number of IPOs)

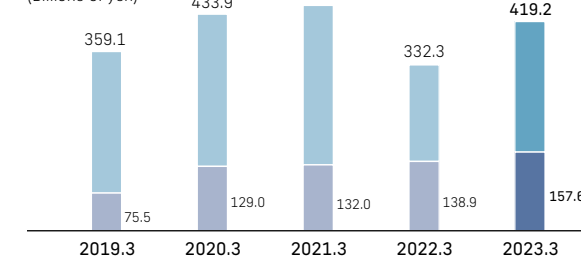


■ Capital gains   ■ Number of IPOs (domestic and overseas)

Capital Commitments  
to Funds

Amount Subject to Management Fees      ¥157.6 billion

(Billions of yen)



■ Capital commitments to funds ■ Amount subject to management fees

Notes:

1. Amounts subject to management fees exclude JAFCO Group's interest in funds, Icon funds, and funds under extension.
2. Foreign currency denominated funds are calculated based on the exchange rate at the end of each fiscal year. Exchange rate: US\$1=¥133.53 (as of March 31, 2023)



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Section- 02

# JAFCO Group’s Value Creation



# CEO MESSAGE



Keisuke Miyoshi  
President & CEO

## Create an Expansive Circle of Connections by Investing in Bold Visions to Enhance Our Corporate Value and Contribute to the Realization of a Sustainable Society

### Investing in Bold Visions without Fear of Failure

In February 2023, we established our Purpose, “Fueling perpetual growth; investing in bold visions,” to communicate JAFCO’s significance and values to our stakeholders and jointly forge the path forward for the next generation. In formulating our Purpose, we carefully crafted its wording through repeated discussions with employees of diverse backgrounds and varying years of service within the Company, ensuring that the statement properly conveyed our aspiration. In 2023, we celebrated our 50th anniversary, and I am confident that the words in our Purpose resonate with all those who have been involved with JAFCO to date, including those who were with us many decades ago.

I attach special significance to “bold visions” in our Purpose. Contributing to people pursuing bold visions is a bold vision in its own right. This perspective is shared by all JAFCO employees. It goes without saying that failure is a part of pursuing bold visions. Therefore, it is imperative to prepare for failure when taking on unprecedented challenges, including the creation of unprecedented business models or unique products and services. By sharing our Purpose, I expect that our deeply rooted culture of fearlessness will become even more entrenched in our DNA.

The role we play in the operating environment and society at large has been evolving alongside the rapid changes of the times. I intend to maintain our stance of taking on bold challenges without fear of failure by constantly reflecting on our Purpose.



CEO  
MESSAGE

Creating an Expansive Circle of Connections

In the same vein as taking on bold challenges, I place value on creating an expansive circle of connections. In my 30 years since joining the Company, I have spent time collaborating closely with entrepreneurs and portfolio companies. Throughout my involvement with them, there have been cases where we would invest in startups launched by managing members of past portfolio companies, where such members would move to different companies and then reach out to JAFCO for investment in their new ventures, and where such members would introduce us to people interested in venture capital investment who would then join the Company. These are just some examples of the many times I have experienced the connections that formed around JAFCO expand and lead to new value creation.

My belief in expanding this circle of connections has become even stronger since I became President & CEO. Over the past year in my new position, which differs greatly from my role as an investment professional, I have been fortunate to have had the opportunity to meet a wide range of new people. By forging links among this diverse array of individuals, an even greater network of connections can be created. Viewing this task not only as my new responsibility but also as a source of pleasure, I aim to create even greater value for JAFCO and its stakeholders.

Pursuing a New Management Direction for Enhancing Corporate Value

We continue to invest through good times and bad, and our strong dedication to this ideal is indispensable to fueling perpetual growth. To date, we have pursued efforts to build a robust financial base for making continuous investments even under adverse circumstances, such as the global financial crisis and dramatic changes in the economic environment. While this has been a necessary policy for continuous investment, it has also led to a decline in our capital efficiency.

To address this situation, we announced the Basic Policy for Enhancing Corporate Value in November 2022. This policy lays out our management approach over the medium to long term, which is to focus on further enhancing capital efficiency while explicitly stating and implementing our growth strategy. Under our medium- to long-term growth strategy, we have adopted an ROE of between 15% and 20% as a target

to be achieved over approximately the next 10 years. Since our business activities center on investment in unlisted securities, which have high volatility and low liquidity, we had not disclosed our medium- to long-term management plans. However, we have reaffirmed that, to continue to invest through good times and bad, it is imperative that the corporate value of JAFCO is consistently seen in a positive light.

Striving to Realize Our Medium- to Long-Term Targets

To attain our medium- to long-term targets, we need to promote our growth strategy by enhancing investment performance, increasing fund size in line with the expansion of target markets, and raising the external capital contribution ratio. Given our track record, we believe that we are sufficiently equipped to enhance our investment performance, even if our performance may fluctuate at times due to market volatility. As such, we aim to achieve even higher levels of performance excellence. Meanwhile, concerning funds, we seek to raise the amount of external capital commitments while reducing our own investment ratio in new funds from 40% to a target of 20% to enhance capital efficiency. Guided by our strong dedication to continued investment through good times and bad, and in light of the nature of fundraising, which is impacted by market fluctuations, we have thus far maintained a certain percentage of our own investment in funds to keep the fund size from contracting. Going forward, while continuing to maintain the level of our own investment amount in view of profitability, we will reduce the percentage of our own investment by raising more funds externally, and increase the fund size in line with market expansion.

The most important objective for achieving our medium- to long-term targets is increasing the size of our new fund series, which consists of multiple funds. This task requires us to establish a fund series that is greater in size than our most recent series, and the key to doing so is establishing a constituent fund that specializes in buyout investment. To that end, we established a constituent buyout fund in June



CEO  
MESSAGE

2022, separate from constituent venture investment funds, for the first time in 18 years. By promoting the appeal of the Company's buyout investment activities, we will acquire even greater investment opportunities and enhance investment performance. At the same time, we will increase the size of our fund series in line with the expansion of target markets.

Understanding the Tangible and Intangible Assets Underpinning Our Corporate Value

While promoting a growth strategy and boosting capital efficiency are important elements in realizing corporate value enhancement, it is also important to communicate the value of JAFCO's assets appropriately.

Corporate assets can be categorized into tangible and intangible assets. Our balance sheet, where tangible assets are listed, is extremely simple, consisting primarily of cash and the unlisted securities of portfolio companies (operational investment securities). By having our stakeholders learn more about our investment activities, including the way we invest in unlisted securities and the kinds of challenges taken on by entrepreneurs and portfolio companies, we seek to have them gain a better understanding of our asset value that does not appear on the balance sheet. In addition, we are working to establish rules for executing the fair value valuation of unlisted securities—in other words, rules for determining fair market value and recording such value in financial statements, since although international standards provide guidelines for the fair value valuation of unlisted securities owned by venture capital companies, such guidelines have yet to be established in Japan.

Meanwhile, our intangible assets comprise the intellectual capital, human capital, and social capital that provide the source of JAFCO's long-cultivated asset value. Investment in unlisted companies, which do not have strong business foundations, involves a high degree of uncertainty. As such, the performance of our investment hinges on how we leverage our intellectual capital, including our know-how and experience, to enhance our ability to reproduce success. Repeated successes, which are made possible by our employees, or human capital, who represent the wellspring of the Company's value creation, allow us to fuel perpetual growth. Furthermore, the partnerships we have with investors, who make our investment activities possible, and

the trust-based relationships we have with entrepreneurs serve as our social capital, which is essential for our business activities.

Now more than ever before, we are striving to provide our stakeholders with information on our tangible and intangible assets across various forums, starting with our integrated report. Through these efforts, we will not only communicate our corporate value to stakeholders but also strengthen and enhance these assets continuously.

Ensuring Our Resilience to Market Fluctuations

I firmly believe that the market environment will provide a positive boost for the Company over the medium to long term. For the Japanese economy to continue to grow, there is a need to transform business models through startups and business successions. Accordingly, the scale of the business model transition will likely expand in the future. However, in the near term, it is extremely difficult to forecast how the market will fluctuate. Looking back on the previous fiscal year, it was a period in which we were once again reminded of the difficulty of ascertaining the direction of the market.

Our success in ensuring our resilience to market fluctuations depends on how we invest, which company we invest in, how we provide management support, and how we enhance our investment performance. To that end, we need to consider and carefully prepare for various scenarios. I believe that my most important role in this regard is to maintain and enhance an organizational structure ensures that our solid business activities continue regardless of market fluctuations.

Promoting Diversity as the Key to a Steadfast Organization

Diversity is the most important element in establishing a solid organization, and I do not say that based on recent social trends or demands. I am not the type of person who excels in a single area, even though I have been able to attain a certain level of achievement. Recognizing this about myself at an early stage provided me with the value system I apply to my work and with my overall outlook on life. The power of each person is essential to an organization, but everyone has their strengths and weaknesses, and there is a limit to what any one person can do on their own. That is



CEO  
MESSAGE

precisely why I believe that what is most important for a team or organization is having employees augment each other's strengths to achieve a goal. Even if one employee were to have all the strengths you could imagine, the cooperation of a diverse group of employees who can complement each other's strengths and weaknesses would yield even greater improvements in both quality and speed, thereby enhancing overall organizational capabilities.

Recently, talented personnel of various backgrounds have been joining the Company as mid-career hires. In addition, our recruitment and development model for new graduates, which we have had in place for many years, is unique in the venture capital industry. As a venture capital company engaged with both new graduates and mid-career hires, as well as venture investment and buyout investment, we will establish a unique organizational foundation—one which cannot be easily imitated by our competitors—through an organic interaction of various personnel and business environments. Going forward, we will also pursue a framework in which a diverse pool of personnel aligns with shared values, and explore compensation systems and workstyles that enable them to play more active roles.

Contributing to Sustainability through Our Investment Activities



Supporting the ideals and ambitions of entrepreneurs and portfolio companies leads to the creation of new businesses that resolve social issues and contributes to the sustainability of society as a whole. I also believe that we will be able to enhance our investment performance as a result. When engaging in investment decision-making, we place our focus on whether or not we can relate to the kinds of issues an entrepreneur wishes to resolve, who they wish to help and for what reasons, and the kind of steps they are looking to take to resolve these issues. Our Investment Committee, which makes important investment decisions, examines the objectives and significance of an entrepreneur's business repeatedly with our investment professionals. If the objectives and significance of a business are not properly thought through, there is a heightened risk of the business losing its clear direction in such ways as prioritizing immediate short-term profits or withholding necessary investments and expenditures that contribute to resolving issues.

Furthermore, when working side-by-side with entrepreneurs, there are times when they require technologies and management resources to resolve issues. During such times, we make every effort to consider how best to provide them with the resources they lack and how to create new value with them as a trusted business partner. We will continue to pursue and invest in bold visions that create unprecedented value and commit to ensuring their development, thereby fueling perpetual growth and helping to realize a sustainable society.

Celebrating Our 50th Anniversary

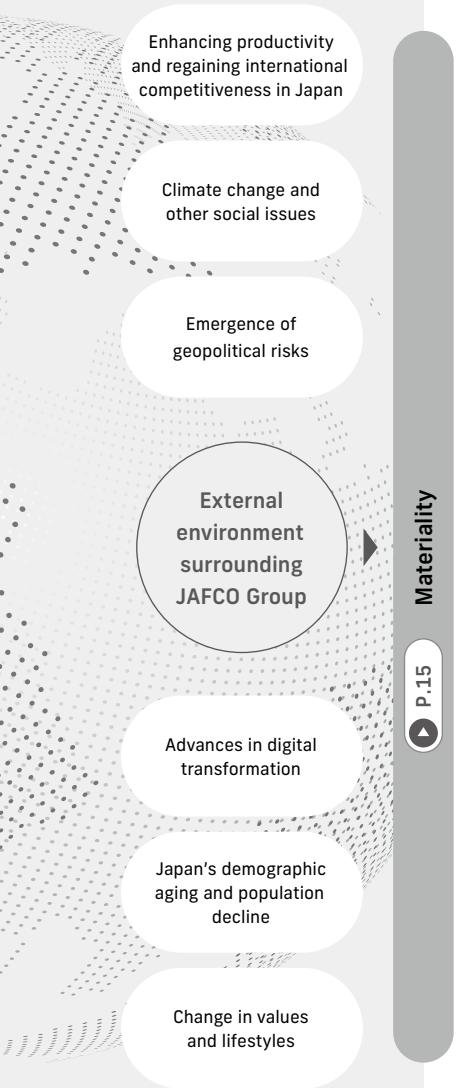
Thanks to the support of all of our stakeholders, we were fortunate enough to commemorate our 50th anniversary in 2023. Over these 50 years, we have experienced a vast range of hardships, including economic crises like the bursting of Japan's asset price bubble and the global financial crisis, as well as the venture capital winter when many of our peers were driven out of business. I believe the reason we have been able to overcome these various hardships and continue to prosper has been our approach of always pursuing new challenges and taking on calculated risks. The pursuit of challenge without fear of failure was embedded in the DNA of our organization well before we defined our Purpose, and this DNA has been steadily passed down throughout our history.

Moving forward, the issues facing society will become more complicated than ever before, and we will likely have to deal with even greater hardships. This is precisely the type of era in which there will be greater expectations for the creation of startups and the regrowth of small and medium-sized enterprises. Under these circumstances, we will continue to invest in bold visions, believing that creating an expansive circle of connections with various stakeholders will lead to the sustainability of society and our corporate value enhancement.

October 2023

Keisuke Miyoshi

Value Creation Process

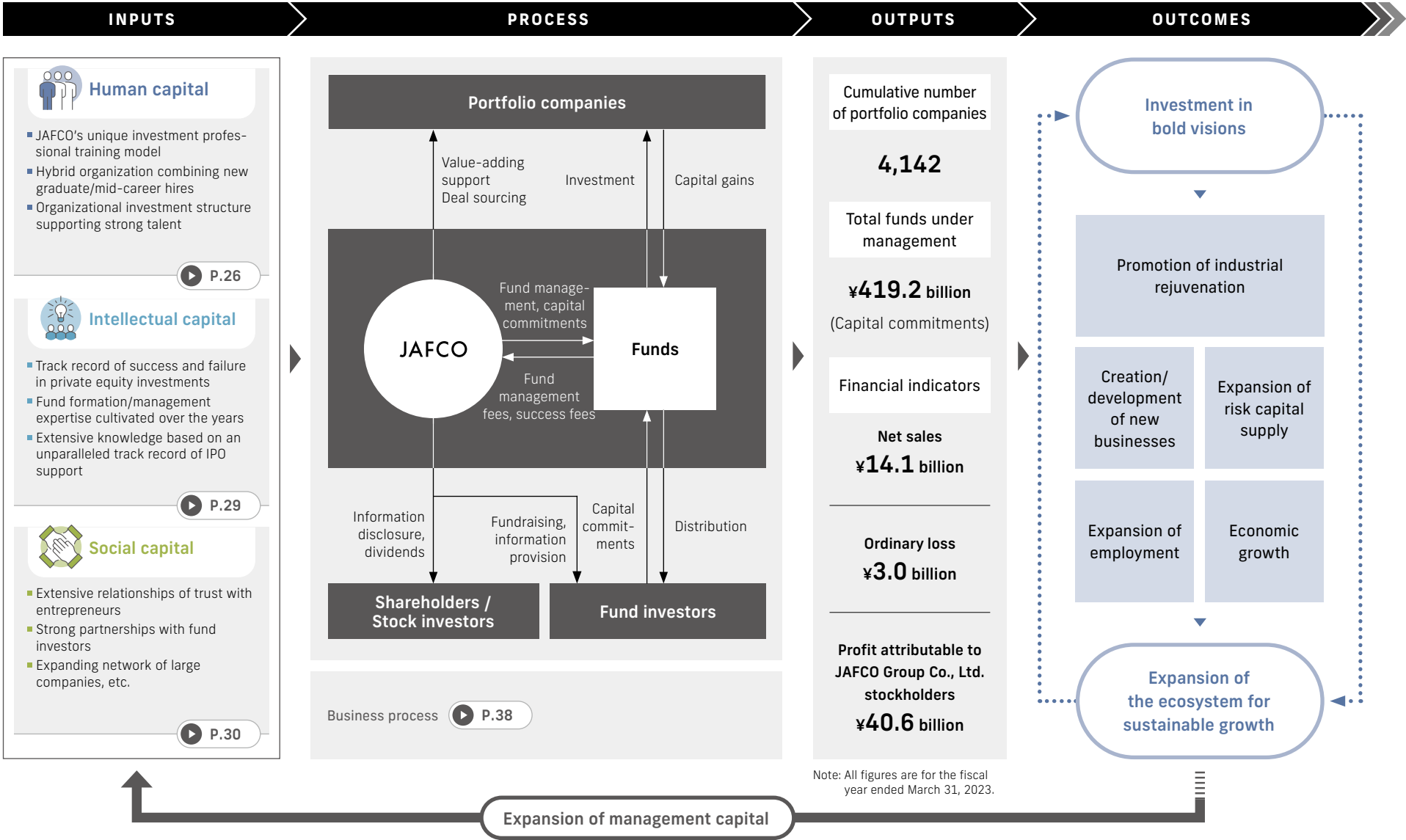


PURPOSE

Fueling perpetual growth; investing in bold visions

MISSION

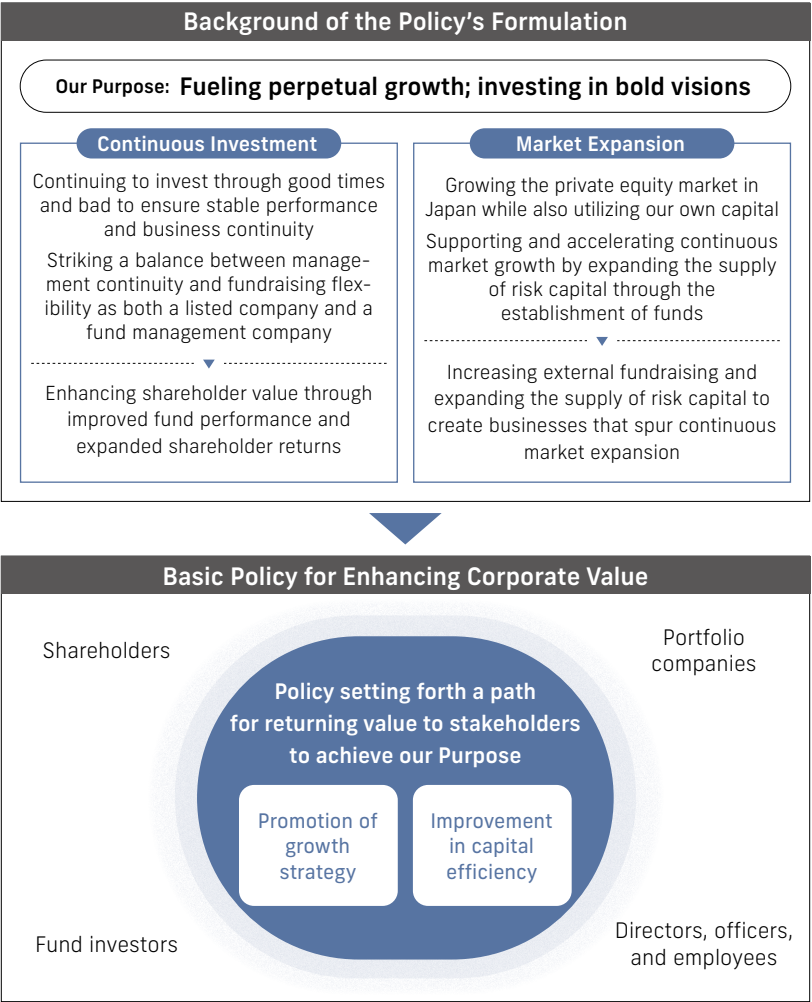
Commit to new business creation and jointly shape the future





## Formulation of the Basic Policy for Enhancing Corporate Value

The Company Group places importance on continuous investment and market expansion and utilizes its funds to execute venture and buyout investments. To better share the results of our investment activities with our stakeholders, we formulated the Basic Policy for Enhancing Corporate Value as a foundation for promoting our growth strategy and improving capital efficiency.



### JAFCO Group's Unchanging Stance—Our Purpose

By boldly investing in and committing to visions that create as-yet-unknown value, we fuel perpetual growth and contribute to the realization of a sustainable society. This is the unchanging stance of the Company Group, in line with which it has promoted its investment activities. In February 2023, we encapsulated this stance in our Purpose: “Fueling perpetual growth; investing in bold visions.” We believe that fueling the perpetual growth of the market and society at large while collaborating with stakeholders is the essence of the Company Group's existence.

### Initiatives for Realizing Our Purpose—Continuous Investment and Market Expansion

To realize our Purpose amid the significant changes occurring in the social, economic, and global environment, the Company Group has committed itself to continued investment through good times and bad, with the aim of creating new businesses and expanding markets, based on an understanding that market expansion is the foundation for new business creation.

Continuous investment is based on the premise that private equity investment is a long-term business characterized by a high degree of uncertainty and a time-intensive path to yield results. While startup investments, in particular, constitute a market with high long-term growth expectations, such investments are highly volatile because many startup companies do not have the necessary business foundations in place and their exits are easily impacted by stock market conditions. Taking these characteristics into consideration, we have emphasized business continuity based on our conviction to continue investment through good times and bad. The listing of JAFCO Group itself has supported the stability of its management, including in terms of the Company's organizational foundation comprising diverse talent and its ability to conduct flexible fundraising.

Market expansion is another initiative that the Company Group has emphasized. At the time of our founding, venture capital investment was practically unheard of in Japan, and fundraising methods were extremely limited. After our founding, we became aware of limited partnership schemes, which had been used as a means of fundraising by U.S venture capital companies, and established Japan's first venture capital partnership fund and began utilizing external capital. While maintaining a certain level of our own funds, we further accelerated market growth with an expanded supply of risk capital, which allowed us to obtain larger capital gains.

To create businesses that can achieve disruptive growth through innovation, which will be an important role of the Company Group moving forward, we will accelerate efforts to perpetually expand the market. One such effort will be to further expand the supply of risk capital on a global basis by strengthening our fundraising capabilities to secure the capital needed for continuous investment. Guided by the mindset of a Co-Founder, we will continue to invest our own capital to demonstrate our strong commitment while increasing external fundraising. This in turn will set in motion a cycle of risk capital within the private equity market, thereby contributing to its expansion.

### Position of the Basic Policy for Enhancing Corporate Value

The Basic Policy for Enhancing Corporate Value, announced in November 2022, explicitly states the initiatives we are pursuing to realize our Purpose and outlines a basis for returning value to our stakeholders, including shareholders and fund investors.

Improvement in fund performance and resultant high returns facilitate external fundraising and boost our profitability, through which we will strive to generate greater returns for our shareholders.

By assessing private equity investment as a long-term, collaborative business with our stakeholders, we seek to expand long-term profits by promoting our growth strategy and ongoing improvement of capital efficiency.

Materiality

JAFCO Group's Approach to Materiality

Materiality concerns important medium- to long-term issues that must be addressed to enhance corporate value and realize our Purpose of “Fueling perpetual growth; investing in bold visions.”

Private equity investment, and venture investment in particular, have a direct impact on the resolution of social issues. For this reason, since our founding 50 years ago, we have focused on private equity investment based on our investment philosophy of continuing to invest through good times and bad. Our belief that we can address social issues and enhance prosperity by maintaining investment activities, creating new businesses, and supporting the growth of companies, has remained unchanged since our founding.

It is also important that we grasp changes in the external environment and reflect them in management. We will do so by considering the perspectives of various stakeholders and continuing to engage them in dialogue to accurately ascertain social demand.

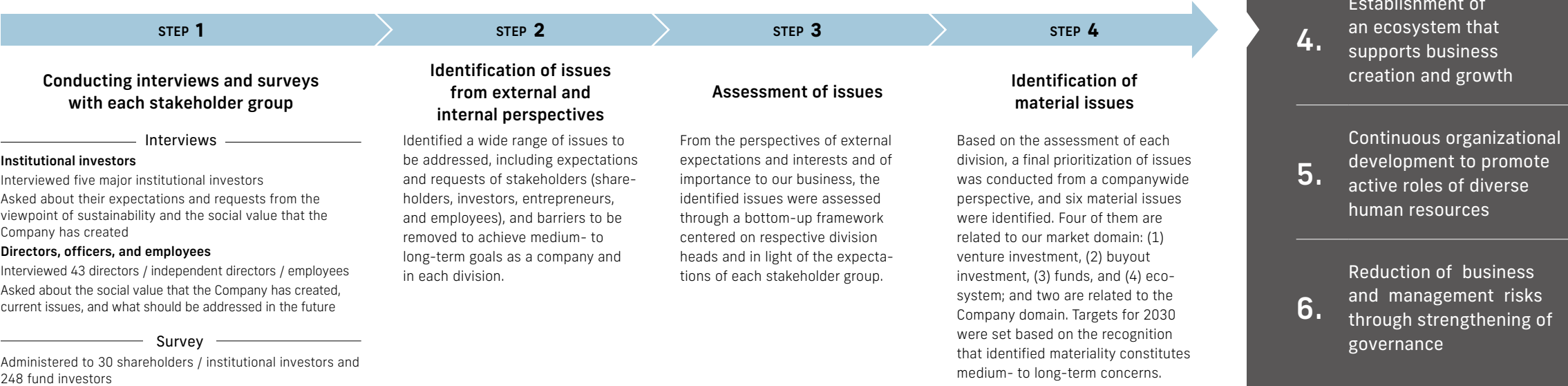
Based on this unwavering belief and our flexible management approach, we will maintain efforts to identify and resolve materiality in order to enhance corporate value and realize our Purpose.

Identifying Materiality Based on Stakeholder Feedback

In identifying materiality, we conducted surveys and interviews with stakeholders about the significance of our existence and their requests for JAFCO Group. Specifically, we conducted in-depth interviews with five major institutional investors about the materiality we identified in the fiscal year ended March 31, 2022, and our efforts and approach to materiality received solid approval.

Further, in the fiscal year ended March 31, 2023, we incorporated expert advice into our discussions of materiality from a medium- to long-term perspective with the aim of realizing our Purpose and examined issues from a broad viewpoint. We identified the same materiality as that in the fiscal year ended March 31, 2022, based on the axes of internal issues and external demands. We also set targets for 2030 to enhance the effectiveness of materiality efforts.

Going forward, we will conduct periodic reviews of materiality to refine the identification of important medium- to long-term issues facing JAFCO Group.



Materiality

Material Issues and Medium- to Long-Term Initiatives

Material Issues	Social Issues Surrounding the Company	Medium- to Long-Term Targets for 2030	Efforts Focused on Long-Term Targets (FY March 2023)	Short-Term Execution Indicators
1. Creation of new businesses that lead the way in fulfilling social needs	<p>Innovation is essential for the sustainable development of society and economic growth.</p> <p>We must accelerate the creation of new businesses by increasing the number of entrepreneurs while capturing actual and future social demand.</p> <p><b>Opportunities:</b> Political support for startups and expansion of the entrepreneurial class</p> <p><b>Risks:</b> Increased competition and higher investment valuations due to market formation</p>	<p>We will contribute to the creation of new businesses together with entrepreneurs through investments that capitalize on change.</p> <p>We will encourage a variety of entrepreneurs to take on new challenges and contribute to the expansion of the entrepreneurial class through ongoing investment activities.</p>	<ul style="list-style-type: none"><li>Invested in businesses contributing to the realization of sustainability</li><li>Invested in serial entrepreneurs</li><li>Created entrepreneurs through the EIR* program</li><li>Executed proactive deal sourcing to ensure contact with various entrepreneurs</li></ul> <p><small>* EIR: An initiative in which companies working to create innovation employ or outsource work to people who are preparing to start a business or are involved in new business development as Entrepreneurs-in-Residence (EIR)</small></p>	<ul style="list-style-type: none"><li>Number of investments</li><li>Number of investments in sustainability contributions</li><li>Number of initial contacts</li><li>Number of contacts with potential entrepreneurs through EIR</li></ul>
2. Growth of companies with social value and succession to the next generation	<p>Amid a lack of successors, ongoing technological innovations, diversifying competition, and a variety of other challenges, the environment surrounding companies is becoming increasingly complex.</p> <p>This requires enhancing companies' capacity for renewed growth and ongoing employment protection by passing high-potential technologies and assets to the next generation to maintain and increase their social value.</p> <p><b>Opportunities:</b> M&amp;A market expansion and growing interest in business succession</p> <p><b>Risks:</b> Inability to retain talented personnel in line with intensifying competition among private equity funds</p>	<p>In acquiring more than 50% of a company's shares and taking control of management, we are deeply committed to the growth of portfolio companies and provide them with opportunities to attract talented personnel, establish comfortable work environments, and develop skills.</p> <p>Through efforts to ensure compliance and raise awareness of the SDGs, we aim to enhance corporate value, facilitate succession to the next generation, and create social value.</p>	<ul style="list-style-type: none"><li>Conducted compliance training at portfolio companies after investment</li><li>Added ESG metrics to the due diligence process</li><li>Ascertained portfolio companies' awareness of the SDGs and set targets for them using the SDGs Compass after investment</li><li>Promoted projects to formulate or sometimes revise the Mission, Vision, and Values of portfolio companies after investment</li></ul>	<ul style="list-style-type: none"><li>Number of investments</li><li>Number of portfolio company employees</li><li>Portfolio company personnel expenses</li></ul>
3. Expansion of risk capital supply in Japan	<p>Creating new industries and enhancing companies' capacity for renewed growth are indispensable for Japan's medium- to long-term growth, and risk capital is essential for supporting these efforts.</p> <p>As Japan continues to lack a sufficient supply of risk capital, there is a need to expand the number of both domestic and foreign fund providers in Japan's private equity market.</p> <p><b>Opportunities:</b> Rising expectations for Japanese startups from foreign institutional investors</p> <p><b>Risks:</b> An increase in competing funds</p>	<p>We will approach new fund investors in Japan and overseas, and through mutual understanding, enhance the significance of fund investments and investment activities and increase the number of people who relate to it to cultivate a new fund investor base.</p> <p>By realizing expected returns and improving customer satisfaction, we will achieve a positive cycle of risk capital expansion and contribute to an increase in the supply of risk capital in Japan.</p>	<ul style="list-style-type: none"><li>Approached new fund investor base, built and strengthened relationships</li><li>Diversified fund investor base and examined fund schemes in light of environmental changes</li><li>Utilized investor network to achieve strong fund performance</li><li>Improved the accuracy of fair value valuation from a global perspective and in consideration of the unique characteristics of the Japanese market</li></ul>	<ul style="list-style-type: none"><li>External fundraising amount and fund size</li><li>Number and composition of investors and average investment amount</li><li>Number of participants in investor-related events</li></ul>



Materiality

Material Issues and Medium- to Long-Term Initiatives

Material Issues	Social Issues Surrounding the Company	Medium- to Long-Term Targets for 2030	Efforts Focused on Long-Term Targets (FY March 2023)	Short-Term Execution Indicators
4. Establishment of an ecosystem that supports business creation and growth	<p>The creation of new businesses and the reinvigoration of corporate growth require a structure supported not only by specific companies but also society as a whole.</p> <p>An ecosystem must thus be created in which professionals with expertise can work together to create a framework for supporting enterprising personnel and form networks for boosting corporate growth.</p> <p><b>Opportunities:</b> An increase in companies supporting unlisted companies, particularly startups</p> <p><b>Risks:</b> Loss of competitive edge of the Company</p>	<p>By systematizing past experiences, we will increase the probability and reproducibility of success to realize new business creation and corporate growth for our portfolio companies.</p> <p>In deepening alliances with large companies and external partner companies and promoting market expansion initiatives, we contribute to building an ecosystem for the creation of new businesses and renewed growth of companies.</p>	<ul style="list-style-type: none"><li>▪ Built an administrative system for portfolio company growth, and organized and consolidated relevant knowledge</li><li>▪ Strengthened recruitment focused on C-level executives to accelerate business growth</li><li>▪ Held new business conferences and other seminars to strengthen alliances between large companies and startups</li><li>▪ Conducted the Career Academy and Back Office Academy in response to the increasing number of startup personnel</li></ul>	<ul style="list-style-type: none"><li>▪ Number of business firm contacts</li><li>▪ Cumulative number of workshops and seminars for startup personnel</li><li>▪ Number of C-level executive (candidate) referrals</li><li>▪ Cumulative number of company consultations</li><li>▪ Number of startup support partners</li></ul>
5. Continuous organizational development to promote active roles of diverse human resources	<p>A combination of diverse perspectives and wide-ranging strengths is essential for the sustainable development of society.</p> <p>Companies are expected to establish an environment in which diverse personnel can work together and continue playing active roles regardless of age, gender, and nationality to boost the creativity of society as a whole.</p> <p><b>Opportunities:</b> Expanded investment opportunities in line with the retention of diverse personnel</p> <p><b>Risks:</b> Diluted corporate culture due to an increase in mid-career hires</p>	<p>We maintain and develop an organizational culture that enables diverse personnel to continue playing active roles regardless of gender, nationality, and workstyle.</p> <p>We will provide opportunities for diverse personnel to grow and get more actively involved and continue to evolve our management approach that encourages each individual to develop their skills, thereby fulfilling our Purpose and enhancing employee satisfaction.</p>	<ul style="list-style-type: none"><li>▪ Formulated our Purpose and promoted measures to instill our culture</li><li>▪ Promoted efforts to increase mid-career hires and onboarding efficiency</li><li>▪ Commenced examination of a new human resource system facilitating the long-term utilization of diverse personnel</li><li>▪ Encouraged use of paid leave and health checkups to promote health management</li></ul>	<ul style="list-style-type: none"><li>▪ Number of new graduate hires</li><li>▪ Number of mid-career hires</li><li>▪ Ratio of female employees</li><li>▪ Ratio of female managers</li><li>▪ Ratio of mid-career hire managers</li><li>▪ Frequency of implementation and rate of participation in programs aimed at instilling our Purpose</li></ul>
6. Reduction of business and management risks through strengthening of governance	<p>As social issues become more complex, corporate responsibility and stakeholder expectations will increase.</p> <p>In this environment, companies are expected to contribute to a sustainable society by strengthening governance and actively promoting sustainability initiatives.</p> <p><b>Opportunities:</b> Differentiation from other venture capital firms through stronger governance of portfolio companies</p> <p><b>Risks:</b> Increased administrative costs in line with growing governance requirements</p>	<p>In addition to enhancing corporate governance and achieving high capital efficiency, we will engage in ongoing dialogues with shareholders.</p> <p>We will continue to respond to social demand and reduce business and management risks by striving to strengthen the Company's ESG initiatives as well as those of our portfolio companies.</p>	<ul style="list-style-type: none"><li>▪ Formulated and disclosed the Basic Policy for Enhancing Corporate Value</li><li>▪ Promoted dialogues between independent directors and institutional investors</li><li>▪ Reviewed The Basic Policy on Sustainability</li><li>▪ Promoted sustainability checks and awareness activities at portfolio companies</li></ul>	<ul style="list-style-type: none"><li>▪ Ratio of independent directors</li><li>▪ Ratio of female managers</li><li>▪ GHG emissions</li><li>▪ Rate of participation in compliance-related training</li></ul>

Sustainability

Our Approach Towards Sustainability

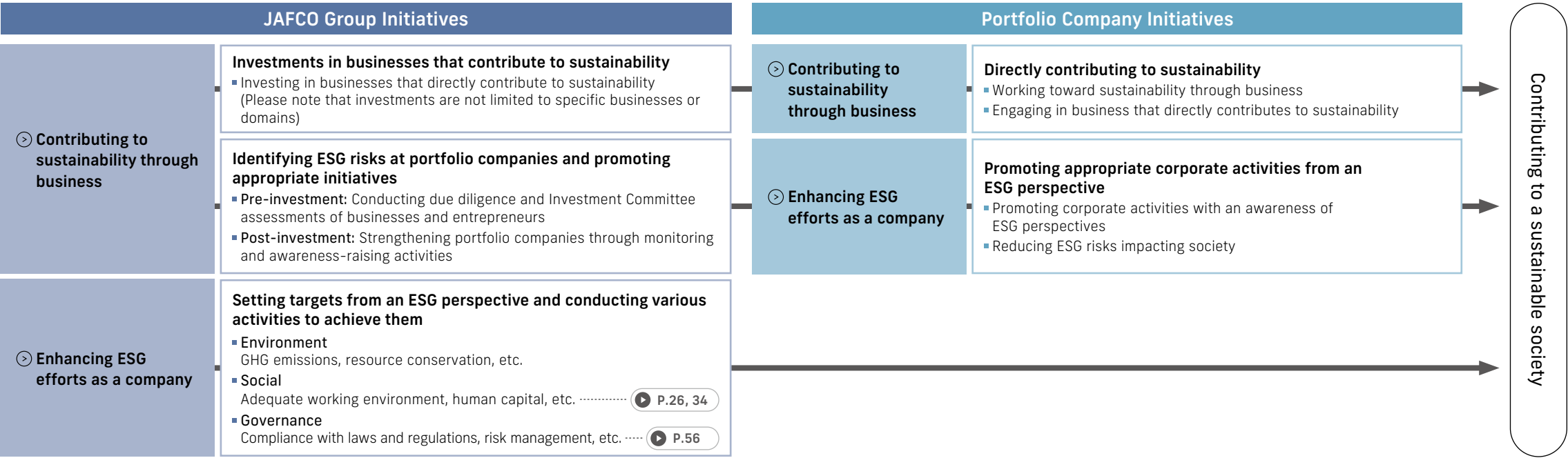
Amidst substantial shifts in the global environment and social systems, we remain steadfast in our investment activity and philosophy of continuing to invest through good times and bad, and we are dedicated to realizing our Purpose of “Fueling perpetual growth; investing in bold visions” and contributing to the realization of a sustainable society. In June 2023, we established a basic policy on sustainability to share our basic approach to sustainability as well as ESG-related issues and countermeasures with our stakeholders. Going forward, we will continue to promote dialogue and collaboration with our stakeholders on issues related to sustainability and ESG to create a better future together.

Our sustainability initiatives focus on the following two points: contributing to sustainability through our business activities and enhancing ESG as a company. Through our private equity investment business, we not only provide management support to enhance the sustainability of our portfolio companies but also actively participate to ensure that these businesses contribute to the sustainability of society at large.

Sustainability Promotion Structure

Addressing sustainability concerns, including ESG issues, is one of the Company’s highest management priorities. The Administration Division oversees the progress of companywide sustainability initiatives and reports the status of these efforts at least once a year at a meeting of the Board of Directors, which supervises the initiatives by checking progress and discussing specific activity policies and promotion measures.

The Investment Committee primarily assesses business contributions to sustainability and examines improvement measures. Established under the Board of Directors, the Committee deliberates on whether to invest in candidate companies based on their ESG risks and growth potential incorporating sustainability-related risks and opportunities. We have a system in which committee members are promptly notified in the event of an incident that may have a significant impact on the sustainability of a portfolio company. We also conduct regular sustainability checks on portfolio companies, and we examine and discuss risks affecting the entire portfolio once each quarter.





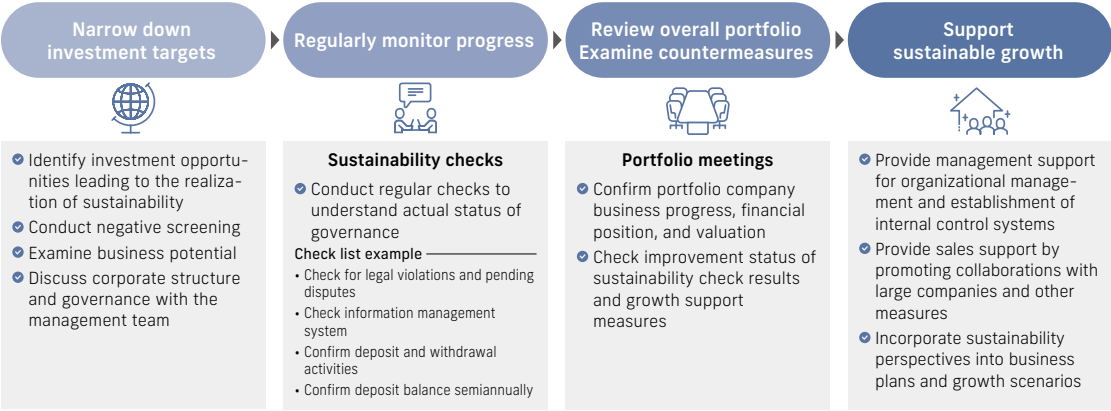
Sustainability

JAFCO Initiatives

➤ Contributing to Sustainability through Business

The essence of our business is strongly aligned with the concept of ESG investment. We incorporate ESG factors throughout the investment process, starting from the identification of promising companies that aim to resolve social issues, providing post-investment growth support, all the way to investment exit. We enhance our competitiveness and corporate value by contributing to sustainability through the business growth of our portfolio companies.

In assessing business potential, which is the first step in investment activities, risks and social needs from the perspectives of ESG and the SDGs are important factors to consider. Based on these assessments, we discuss issues that also include the achievement of sustainable growth with the management of investment candidates and make investment decisions. The next phase of our investment activities involves resolving issues through dialogue and supporting growth through management involvement. While placing the highest priority on the launch of a portfolio company's business, we also make sure to develop its administrative structure. Further, the Company supports the establishment of sales, development, and management structures, including the hiring of human resources appropriate for the portfolio company's growth stage. Through these efforts, we contribute to the realization of sustainability by cultivating companies that will have significant social impacts going forward.



Sustainability

Portfolio Company Initiatives

➤ Contributing to Sustainability through Business

Investing in businesses that will achieve social significance

The sustainability value that portfolio companies realize through their business activities can be divided into three categories based on the three tiers of the SDGs “wedding cake” model:\* biosphere (contributes to resolving environmental issues), society (contributes to resolving social issues), and economy (contributes to industrial innovation and development).  
\* The SDGs wedding cake is a conceptual model developed by Professor Johan Rockstrom, co-founder and former director of the Stockholm Resilience Center at Stockholm University, Sweden.

Biosphere:  
Contributing to Resolving Environmental Issues



**Zeroboard Inc.**  
Zeroboard develops and provides Zeroboard, a cloud service that calculates and visualizes GHG emissions from corporate activities and supply chains based on international standards. This service effectively facilitates the assessment and management of GHG emissions throughout the supply chain, which had been difficult up until now. It also provides consulting services to support the design of calculation processes and the disclosure of information requested by customers and investors. Through collaborations with over 100 companies, Zeroboard provides user companies with solutions tailored to the issues they face and assists them with reducing GHG emissions. Zeroboard supports decarbonization management and contributes to the realization of a low-carbon society.



**Astroscale Holdings Inc.**  
Astroscale is a private-sector company focusing on on-orbit services including the removal of space debris, which continues to accumulate in low-Earth orbit. The company currently develops and verifies technologies that enable on-orbit services such as the removal of dead satellites and existing debris, satellite life extension, satellite orbit transfer, and observation and inspection conducted in space. To date, the company has successfully launched ELSA-d, a satellite for demonstrating commercial debris removal technologies, and has verified the basic technologies required for commercial services. Astroscale will contribute to the realization of long-term and sustainable space utilization by solving the problem of space debris. Such a solution is indispensable for the development of the space business.



Society:  
Contributing to Resolving Social Issues



**Asoview Inc.**  
With the mission “Live life, play life,” Asoview aims to realize a society centered around well-being, where leisure is considered as vital to enriching one’s life as food, clothing, and shelter. The company provides asoview!, a convenient, economical leisure reservation service, as well as a digital transformation solution service for tourism, leisure, and cultural facilities. Asoview contributes to the revitalization of local industries by helping to improve the productivity and ability to attract customers of local tourism industries. It also develops hands-on tourism activities and sales channels, leading to an increase in tourism spending.



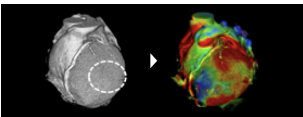
**TechMagic, Inc.**  
TechMagic develops and provides robotic solutions that fully automate and streamline food preparation in restaurants and food production facilities. The company promotes the creation of next-generation food infrastructure that utilizes cutting-edge technologies such as AI, machine learning, and robotics. Leveraging know-how acquired through multiple introductions within major restaurant chains and food companies as well as through repeated verification of automated cooking at company-operated stores, TechMagic is further accelerating the automation and efficiency of business operations. The company will contribute to improving low-margin cost structures and addressing the chronic labor shortages facing the food industry.



Economy:  
Contributing to Industrial Innovation and Development



**Cuorips Inc.**  
Cuorips promotes the development and commercialization of IPS cell-derived cardiomyocyte sheets. Its targets are patients who have severe heart failure but for whom there are no effective therapies other than heart transplants or artificial heart implants, and for whom therapeutic effects, including improving cardiac functions and helping the heart recover from heart failure, can be expected. As of June 2023, the company has completed planned clinical trials for implants on eight patients and it is now preparing to obtain approval for manufacturing and marketing. It is also developing a contract development and manufacturing organization (CDMO) service using a commercial facility with an integrated laboratory for cultivating cells, and is expected to contribute to both the development of regenerative medicine and the improvement of people’s health throughout the world.



**LayerX Inc.**  
LayerX develops SaaS, fintech, and privacy tech businesses with the mission of digitalizing all economic activities. The company develops and provides Bakuraku, a corporate expense management service that integrates invoice processing, expense reimbursement, and approval requests to improve operational efficiency and legal compliance, as well as Anonify, a privacy protection technology necessary for data utilization across companies and industries. By promoting optimal software implementation in all economic activities, LayerX contributes to improving productivity, a growing challenge in Japan.

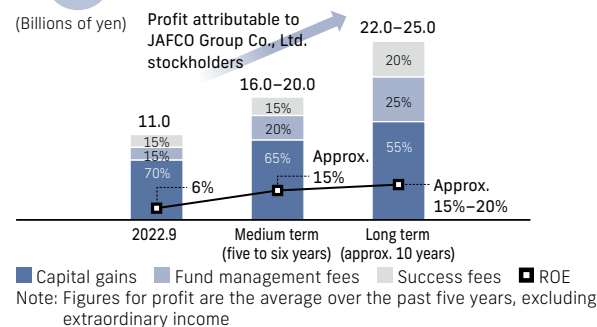


## Medium- to Long-Term Growth Strategy

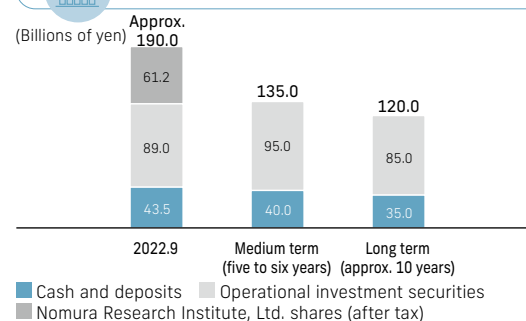
# Enhancing Corporate Value with Our Eye on the Next 10 Years

Our growth strategy centers on boosting investment performance with robust investment management and strengthening external fundraising capabilities. We aim to expand our fund size in line with the growth of target markets and achieve sustainable growth of our private equity investment business. We believe that enhancing corporate value requires the expansion of profits over the long term through the promotion of our growth strategy and the improvement of our capital efficiency.

### Increase of Profits



### Reduction of Net Assets



## Our Purpose

## Fueling perpetual growth; investing in bold visions

**Enhance corporate value in a bid to achieve ROE of 15%–20%**

## Promote growth strategy

Social need for venture investment and buyout investment is on the rise. It is essential that we fully capitalize on the market potential stemming from said need to grow our business. In light of the expansion of our target markets, we will continue to pursue growth by boosting our performance through stronger investment management capabilities and enhancing our fundraising capabilities.

## Improve capital efficiency

While gradually expanding the size of new funds in line with the target markets, we aim to gradually reduce our investment ratio in new funds to as low as 20% over the next 10 years. The funds necessary for continued investment activities will also be reduced accordingly, and share buy-backs using any excess funds will be considered.

ROI

Average of **2.5x** or more

### External fundraising ratio\*<sup>1</sup>

60% ➡ **80%**

### Size of new funds\*1,\*2

¥150 billion ➡ **¥250 billion**

### Total shareholder return ratio

**60%–100% or more**

## Organizational foundation

## External business environment

\*1 The figures on the left indicate actual results as of September 30, 2022, while the figures on the right indicate targets to be achieved in approximately 10 years.

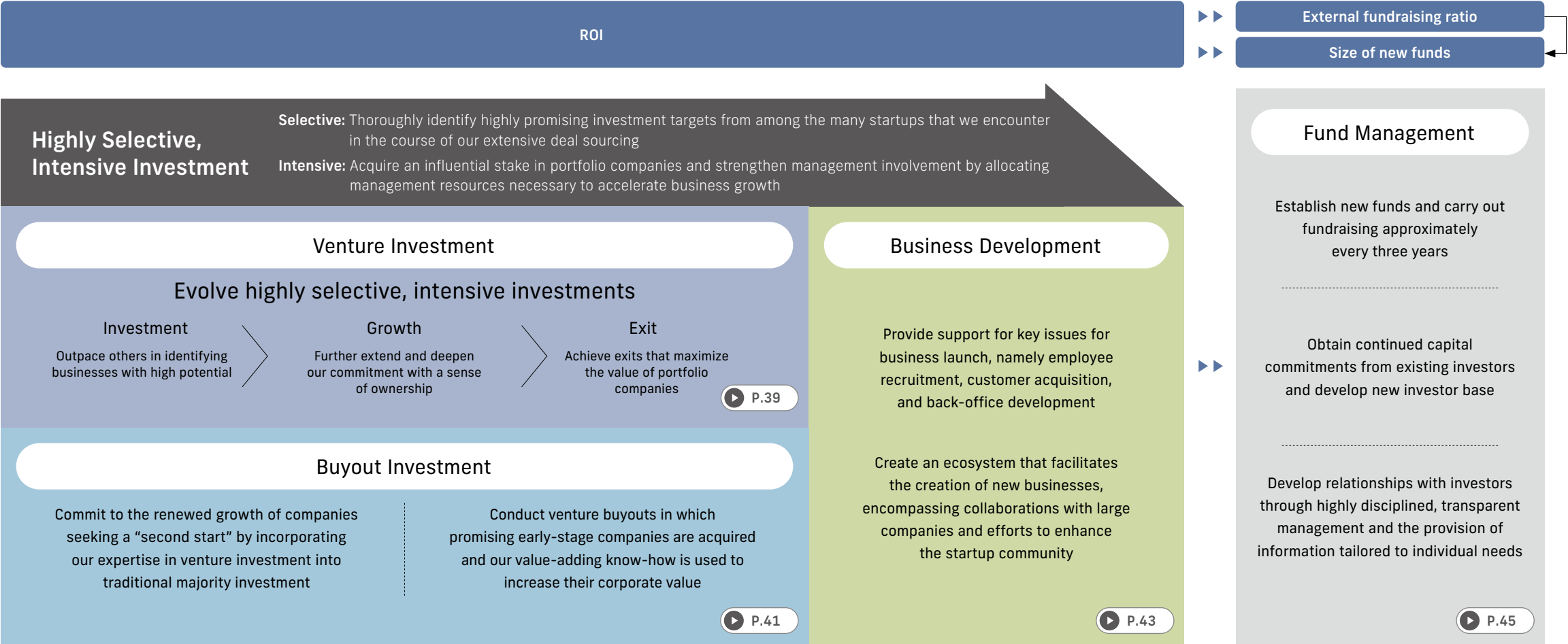
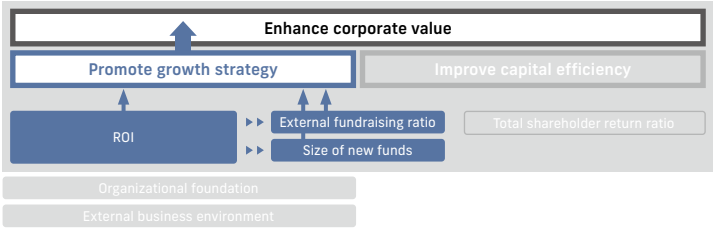
\*2 These figures are totals for Japan, Asia, and the United States.



Medium- to Long-Term Growth Strategy

Companywide Policies Focused on Promoting Growth Strategy

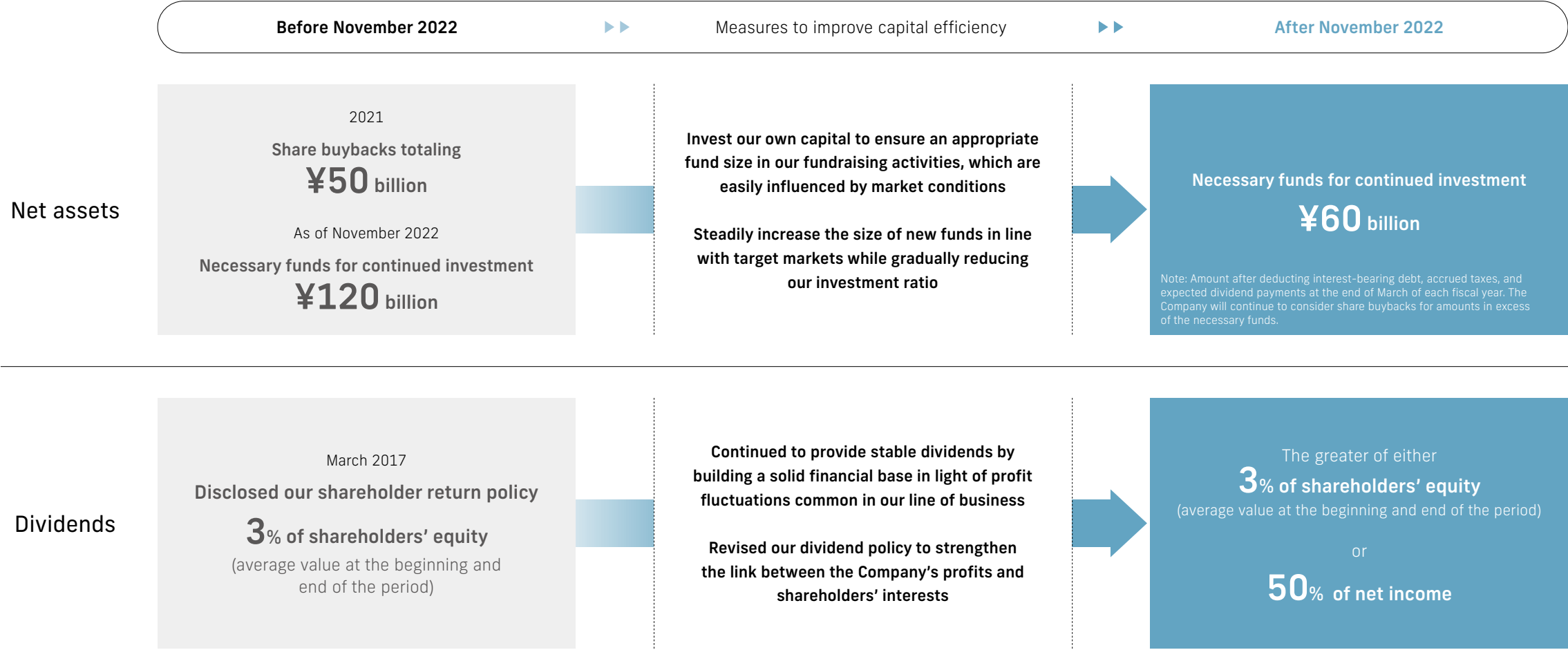
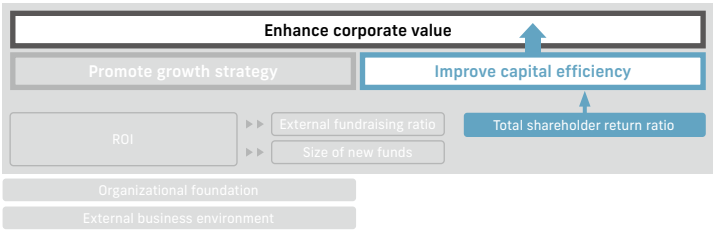
At JAFECO Group, our investment management capabilities and external fundraising capabilities form the two pillars of profit growth. In line with our investment policy of highly selective, intensive investment, we have identified promising companies at an early stage and proactively strengthened management involvement to accelerate post-investment growth. Going forward, we will continue to enhance our fund performance by further honing our investment management capabilities and advancing our efforts in highly selective, intensive investment in each investment process. We will also work to ensure continued capital commitments from existing investors and develop a new investor base.



Medium- to Long-Term Growth Strategy

# Improving Capital Efficiency for Realizing Medium- to Long-Term Targets

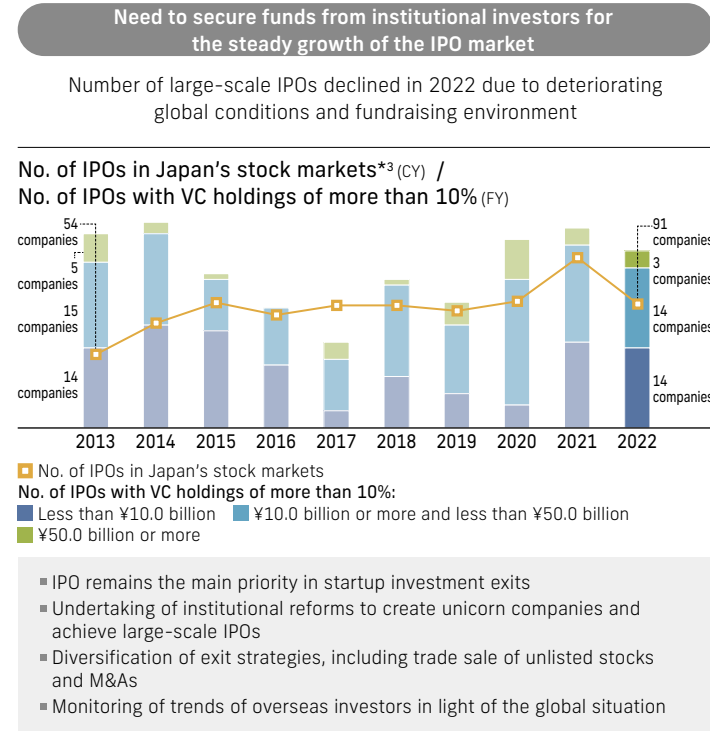
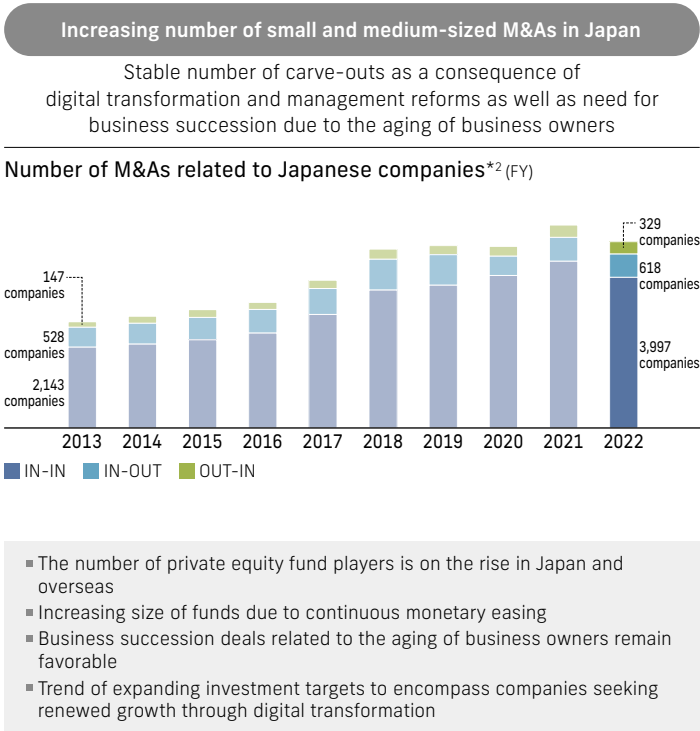
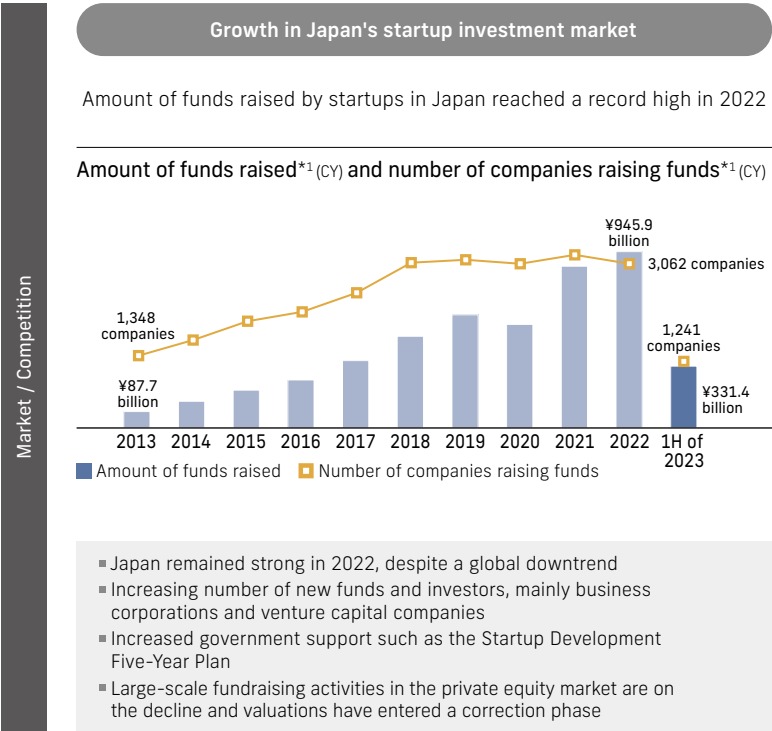
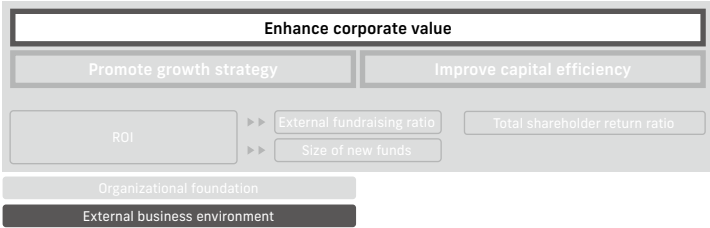
To improve capital efficiency, we will increase the size of new funds and external capital contribution in line with market trends while gradually reducing our investment ratio. We have clarified the criteria for dividends to enable returns from funds to be appropriately distributed to shareholders.



Medium- to Long-Term Growth Strategy

External Business Environment for Private Equity Investment

As social issues become increasingly complex and diverse, startups and small and medium-sized enterprises (SMEs), which have the ability to transform industry structures and give rise to innovation, are drawing greater interest as crucial drivers of Japan's economic growth. Given the rising potential for market growth, which has been demonstrated over the past 10 years, and the expanding ecosystem for accelerating said growth, companies are being required to raise the success rate of medium- to long-term investments by anticipating what lies ahead and identifying signs of further growth.



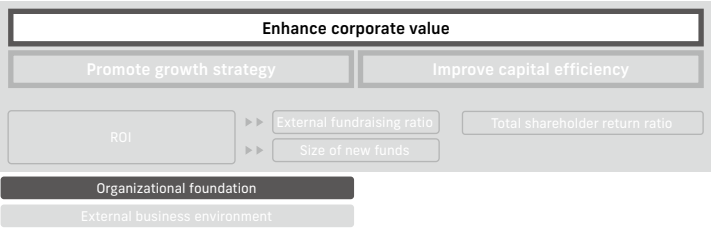
\*1 Prepared by JAFCO based on Uzabase, Inc.'s 2023 1st Half Japan Startup Finance and 2022 Japan Startup Finance. Figures are sourced from INITIAL Inc. (as of January 19, 2023 for 2013 only and as of July 14, 2023 for 2014 onward).  
\*2 Prepared by JAFCO based on RECOF M&A DATABASE. Includes the figures in "M&As" and "Intra-group M&As."  
\*3 Prepared by JAFCO based on publicly available information.



Medium- to Long-Term Growth Strategy

Organizational Foundation for Realizing Growth Strategy

To pave the way for private equity investment businesses in Japan, JAFCO has continued to nurture investment professionals through its unique recruitment and training model. Human capital, which includes our strong individual talent and the organizational structure underpinning our investment process; intellectual capital, which helps us enhance our ability to reproduce success; and social capital, which includes robust relationships with fund investors and business firms, serve as not only the organizational foundation that has supported our growth but also the source of value creation within our growth strategy.



Source of Our Value Creation



Human Capital

Our people, or human capital, are the greatest source of value creation at JAFCO Group. The underlying foundation of our human capital is our investment professional training model, which we have developed based on our long and consistent policy of recruiting new graduates. Looking five to 10 years into the future, we nurture the strong talent of investment professionals through this training model. Many of the investment professionals currently in the Investment Division joined JAFCO as new graduates and built their careers entirely in private equity investment.

In addition, many members of our middle-office and back-office divisions, which include the Business Development Division, Fund Management Division, and Administration Division, were hired as new graduates and have prior investment experience. Under our Co-Founder culture, we pass down the principles of thoroughly considering what is truly valuable to private equity investment and acting accordingly throughout our organization.

Recently, in addition to our new graduate recruitment and training model, we have been focusing on promoting mid-career hires. In this effort, we are committed to building a hybrid organization that embraces a diverse range of expert personnel, not limited to those with investment experience. We have hitherto hired seasoned professionals with strong backgrounds in human resources, sales and marketing, back-office establishment, and IPO preparation, who can contribute to our business development activities as work-ready personnel. Additionally, we are now adding members with corporate strategy, business planning, investor relations, and global experience, thereby further enhancing the diversity of our personnel.

All employees, leveraging their diverse experience and insight, put forth their best effort to realize growth for our portfolio companies, regardless of their division or age. This is a major feature and strength of the Company. By sharing the goal of enhancing fund performance across the Company, we are able to build strong organizational and human resource capabilities. Our unique investment professional training model, meanwhile, has contributed significantly to the development of the private equity investment market and industry, including fund establishment by our former employees. An organizational structure that not only emphasizes individual talent but also provides back-up support for such talent is another major strength of the Company.

CASE STUDY 1

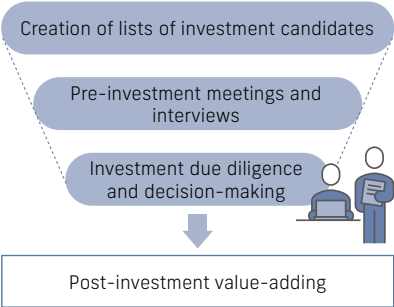
Instructor Program for New Graduates

The bedrock that enables investment professionals who join as new graduates to work on their own at a relatively early stage is our instructor program, in which senior investment professionals provide side-by-side support. There is no template for investment in unlisted companies, and the work itself is multifaceted. Accordingly, shortening the feedback cycle for new graduates in their daily work is a shortcut to growth. Recently, we have been enhancing the instructor program by increasing the number of instructors per new graduate to identify and nurture strong talent, as well as various training and other personnel development methods.

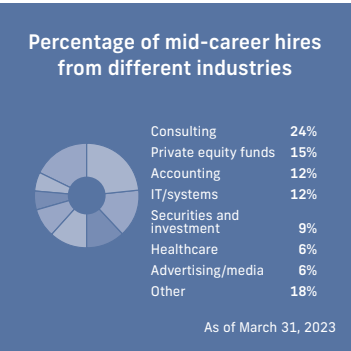
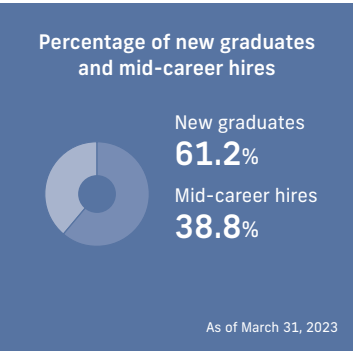
CASE STUDY 2

Recruitment of Diverse Talent and Promotion of Their Active Involvement

To further enhance our organizational capabilities, we are working on initiatives to recruit diverse talent and promote their active involvement. In addition to enhanced efforts of each division to step up the mid-career hiring of professionals with diverse expertise, we are establishing and enhancing programs that promote a more active role for female employees. We are also advancing efforts on health management, including acquiring the Excellent Health Company (Silver) certification from the Tokyo Federation of Health Insurance Societies.



Excellent Health Company (Silver)





# The Value We Demonstrate through Our Identity as a Co-Founder



In this section, three employees working in different divisions discuss their approach to their daily work, how they involve themselves in portfolio companies, and JAFCO's strengths, centered on the theme of JAFCO's deeply rooted identity as a Co-Founder.

## Path Leading to JAFCO and Reasons for Joining the Company

**Numata:** When I was job hunting, I was mainly looking at jobs in the financial and consulting industries. During my search, I was intent on finding a job where I could support the pursuits of people and corporations. With JAFCO's venture investment, the Company supports the business growth of portfolio companies and only realizes a profit once these companies become listed on the stock exchange. Although the business requires a long-term commitment, I decided to join the company because I was attracted by the fact that we work side-by-side with entrepreneurs, from the investment stage to IPO, and that this contribution translates directly into profits for the Company.

**Nakayama:** Through my previous jobs, I gained over 20 years of experience in buyout investment, including at a private equity fund. I began to search for an environment where I could be deeply involved in investment with a new perspective, and this search led me to JAFCO. I knew that JAFCO was involved in buyout investment, but the scale of investment at the time was still relatively small. I believed that I could draw on my experience to help the Company expand its buyout investment, and that's the reason why I joined the Company. Another major reason was that I was fascinated by the character and investment approach of JAFCO's Partners during my interviews with them.

**Setoyama:** I worked as a certified public accountant at an auditing firm, where I was involved in IPOs. With the onset of the COVID-19 pandemic, I saw how the world was undergoing dynamic change. This encouraged me to pursue a new challenge where I could leverage the experience I had gained up to that point, and it was at that time that I first came into contact with JAFCO. Being extremely impressed with JAFCO's history, track record, and organizational capabilities, which are leveraged to make new contributions to IPOs and the startup industry, I decided to join the Company.

**Tomoko Numata**  
Chief Capitalist  
Investment Division

Tomoko Numata joined the Company in 2005 as a new graduate. Since then, she has consistently been involved in domestic startup investment and growth support.

**Hirogi Nakayama**  
Managing Director  
Structured Investment Division

Hirogi Nakayama joined the Company in November 2020 after working for a foreign-owned financial institution and an investment fund. He has been involved in buyout fund management and buyout investment.

**Hiroki Setoyama**  
Principal  
Business Development Division

Hiroki Setoyama joined the Company in November 2020 after working at an auditing firm. He has been involved in providing portfolio companies with IPO support and back-office development assistance.



The Value We Demonstrate through Our Identity as a Co-Founder

—— The Appeal of JAFCO

**Numata:** While venture investment has a high rate of failure, I think JAFCO's corporate culture of accepting failure is attractive. No matter what the situation, I am able to engage thoroughly with portfolio companies. Also, it is often the case that employees who are not directly involved in a particular investment kindly offer their help. In these ways, I am reminded on a daily basis of the Company's deeply rooted awareness of putting its portfolio companies first.



**Setoyama:** I also have a strong sense of JAFCO's spirit of putting its portfolio companies first. JAFCO greatly values the time of entrepreneurs and management teams, and I believe this demonstrates the high level of respect the Company has for its portfolio companies. I think this is precisely why the Company has been able to achieve continued success over the past 50 years. In addition, JAFCO ranks among the top in the industry in terms of its organizational capabilities and level of trust, which it has cultivated throughout its history. When JAFCO takes a leading role in making new plans, various parties readily get involved, and there are many cases where I have witnessed the power of JAFCO's long-cultivated trust.

**Nakayama:** My feelings are very similar to those of Mr. Setoyama. JAFCO is highly regarded by its existing and potential portfolio companies. Our investments are geared toward growth, and we therefore place importance on facilitating the growth of portfolio companies. Also, for work that requires a high level of expertise, it is often the case that companies will outsource such work to an external specialist or consulting company. However, the Business Development Division, to which Mr. Setoyama belongs, has a team of more than 20 specialists who can handle such work. It is very rare to see a fund that can enhance corporate value through the capabilities of its internal talent, and this is a major part of JAFCO's appeal.

—— Identity as a Co-Founder

**Numata:** To me, Co-Founder means that we always approach things with a sense of ownership. To that end, it is extremely important that we feel

personally invested in the success of portfolio companies. Rather than blame the president or directors of a portfolio company when things do not go well, I always reflect on how I could have helped more or communicated better. When I have to deliver a tough message, I make sure to step in and engage in dialogue with the management of portfolio companies, and when things become challenging, I make sure to offer intensive support. This kind of approach is what fosters trust-based relationships in which they consult with me first when any difficulties arise.

**Nakayama:** My understanding of the Co-Founder identity is essentially the same. JAFCO has many investment professionals who work in concert with management teams of portfolio companies to resolve issues down to the very last detail. One way in which my interpretation differs slightly from that of Ms. Numata is that, in the case of buyout investments, we invest in companies that have already established themselves to a certain degree, so our investment is positioned as a "second start" for such companies. To ensure that companies and their businesses built by their founders can achieve perpetual growth, we establish various frameworks for recruitment and human resource development, as well as organizational foundations that allow us to manage these companies as a team. Accordingly, while we work side by side at the beginning, it is important that we encourage them to take full control over their operations somewhere along the way.



**Setoyama:** I do not have that many opportunities to work directly with management teams of portfolio companies, as I am not an investment professional like Ms. Numata and Mr. Nakayama. However, when a portfolio company is dealing with a concern, I provide advice from the perspective of what I would do if I was in the same situation, rather than viewing the matter as someone else's issue. The same thing can be said about my colleagues. To me, this shows how JAFCO has firmly established a corporate culture where employees think and act on their own initiative to cooperate when an issue arises with a portfolio company.

—— Handing Down and Entrenching the Co-Founder Identity

**Numata:** The Investment Division has a system where members who had joined the Company just a few years earlier would serve as instructors to new members, providing them with support over the course of their first two years. These senior members work very closely with new members, taking them along to visit investment candidates and also coming along when new members visit portfolio companies they were assigned to, in order to provide relevant feedback. Now I am in a position where I look after and support younger members, so I take great care in teaching them how to act as a Co-Founder, including how to conduct themselves when visiting a portfolio company and how to approach entrepreneurs.

**Setoyama:** There are many members of the Business Development Division who have an abundance of experience, and I feel that culture and identity as a Co-Founder are created through their daily work and involvement with investment professionals. As Ms. Numata said, it is very important to transmit a culture or identity through your own conduct. I believe it is ideal for the Co-Founder identity to be handed down to the next generation in this way.



**Nakayama:** The Structured Investment Division is currently focusing on mid-career hiring only, so we do not have an instructor system like that of the Investment Division. However, we hold a quarterly meeting for sharing case studies and what was accomplished through such deals and the processes. Since there are not many opportunities to communicate the Co-Founder identity in our division, I hope that we can increase company-wide initiatives aimed at doing so.

**Numata:** That is a good point. To date, we have primarily hired new graduates, so the Co-Founder identity was something that just naturally became entrenched through on-the-job training. With the increase in the number of mid-career hires over the past several years, the situation has started to change. We formulated our Purpose in 2022 and have been rolling out various initiatives geared toward fostering our corporate culture. I hope that we can draw on such efforts to further deepen understanding of JAFCO's identity.

Source of Our Value Creation



Intellectual Capital

Private equity investment is a highly uncertain business, meaning that we have seen both investment success and failure over the years. We have systematically accumulated and shared this wealth of experience, so that our investment professionals are able to leverage the insight from the past in addition to their own knowledge and experience to enhance the probability of success.

In terms of identifying investment targets, deal-sourcing know-how is shared among our investment professionals. In addition, past interactions with investment candidates are recorded in our proprietary database, which can be viewed by all employees. Due diligence materials and detailed records of discussion agenda items at the Investment Committee meetings are also shared with all employees. All information pertaining to investment deals, including the key points of focus and decision-making criteria of the Investment Committee, serves as important intellectual capital for the Company.

In our post-investment value-adding activities, which include business growth and exit support, we constantly pursue the most effective approach to management involvement, and the details are shared on a companywide basis. To date, we have invested in 4,142 companies and boast an overwhelming number of IPOs (1,024). The successes and failures we have experienced in this regard enable us to enhance the probability of success for current and future portfolio companies.

Outside of our investment activities, we have cultivated a wealth of insight into overall business processes. For example, the know-how on fund establishment and management that we have accumulated since 1982 is one of our unrivaled strengths. Our highly experienced members work to acquire fund investors, centered on business firms and financial institutions. We have put in place highly transparent reporting systems and have accumulated abundant expertise in information provision that caters to investor attributes and needs.

In these ways, the value of our intellectual capital is reflected in our ability to forecast issues related to investment activities and provide suggestions for their solution. Going forward, we will systematically and proactively utilize our intellectual capital to further enhance our ability to reproduce investment success.

CASE STUDY 1

Meeting Bodies for Transmitting Tacit Investment Knowledge

Investment decision-making and portfolio company support need to be determined on a case-by-case basis and are extremely difficult to categorize. It is therefore imperative that we leverage and flexibly incorporate the experience and knowledge of our investment professionals in decision-making settings. In each meeting body where discussions and decision-making are conducted pertaining to investment and management involvement at portfolio companies, we share tacit investment knowledge and update this knowledge based on changes in the operating environment.

CASE STUDY 2

Converting Independently Accumulated Knowledge and Insight into Explicit Knowledge

We hold numerous meetings with portfolio companies, investors, and investment candidates each year. The operating status and strategic policies of each company ascertained through these meetings, as well as the findings and suggestions of investment professionals, are recorded in our proprietary database. Referencing the latest information on each company and insight from past investments enables us to enhance our ability to reproduce success in investment decision-making and portfolio company support.

CASE STUDY 3

Know-How Accumulated through Investment and Exit Due Diligence

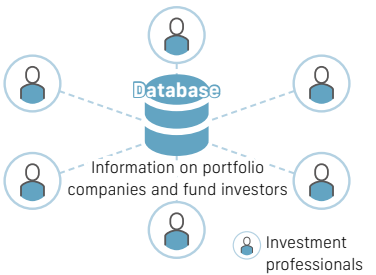
Our wide range of decision-making on investments and portfolio company support is backed by a vast amount of research, analysis, and insight. By making information on withdrawn deals and deals under due diligence available to all employees, we have established a framework for sharing various case studies and insights as well as for collecting feedback.

Investment Committee▶ See pages 56 and 57

Portfolio meetings▶ See page 62

VA/Exit meetings\*

\* These meetings are primarily held by the Structured Investment Division and expected returns, portfolio status, and knowledge are shared among members. VA stands for "Value Adding."



Materials for sharing case studies

Track record of success and failure in private equity investments

Cumulative number of portfolio companies

4,142

Fund establishment/management expertise cultivated over the years

Cumulative funds under management

¥1,227.8 billion

Extensive knowledge based on an unparalleled track record of IPO support

Total number of IPOs

1,024

Note: All figures are as of the end of March 2023.

Source of Our Value Creation



Social Capital

When pursuing private equity investment, it is important to collaborate closely with stakeholders, such as fund investors and portfolio companies. The success of portfolio companies leads to enhanced fund performance and enables us to return a significant amount of profit back to our fund investors and shareholders. This in turn boosts the appeal of both our funds as financial instruments and JAFCO as an investment firm, and leads to higher expectations from our investors and shareholders, allowing us to raise more risk capital that helps us contribute to the growth of new portfolio companies. We see it as essential to keep forging this cycle of growth with our stakeholders, viewing private equity investment as a long-term collaborative business supported by the deep relationships with them.

In addition to funding from fund investors, another significant source of value is the collaboration between our portfolio companies and other business firms, including large corporations. Our long-cultivated social capital provides value in the form of sales channels and business collaborations, which contribute directly to the growth of our portfolio companies. Our collaborations with business firms, financial institutions, and other large corporations other than fund investors form an indispensable network for increasing business and fundraising opportunities for portfolio companies. Furthermore, we view our interactions with external business partners that support startups and personnel who go on to pursue careers at startups as an important source of value that accelerates the growth of portfolio companies. Through our various networks, starting with our network of portfolio companies, we are introduced to promising investment candidates with high growth potential. In these ways, the networks formed around the startup and private equity investment industries are a vital part of our social capital.

To further reinforce such social capital, we regularly hold study sessions and seminars for business firms and other organizations interested in startups, covering topics such as collaboration with portfolio companies and new business development. While enhancing our extensive networks, which function as a well-spring of growth for portfolio companies, by establishing contacts and deepening our trust-based relationships with each stakeholder, we are expanding and strengthening ecosystems for the future of the private equity market.

CASE STUDY 1

Annual Meeting

We hold an annual meeting for investors in the funds we manage. In addition to reports on fund management, this meeting features presentations by presidents of promising portfolio companies accompanied by investment team members. Accordingly, the annual meeting serves as an excellent opportunity to deepen investors' understanding of our fund activities.



Annual meeting

CASE STUDY 2

New Business Conference

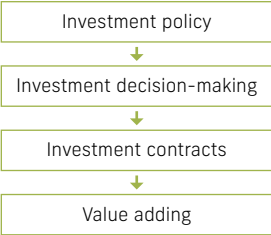
We planned and operated a new business conference in which over 1,000 people participated, primarily from the divisions responsible for new business development at major business firms. Through this conference, we shared examples of initiatives by large corporations to create new businesses. We also shared examples of our support for new business creation and facilitated collaborations between portfolio companies.



CASE STUDY 3

Corporate Venture Capital Seminar

We conduct a corporate venture capital seminar for business firms interested in collaborating with startups. At this seminar, we share the insight and know-how that we have cultivated over the years. Held once a month, this seminar contributes to the expansion of the startup ecosystem.



<div>Extensive trust-based relationships with entrepreneurs</div> <div>Number of contacts with investment targets (within the past three years)</div> <div>7,832</div>	<div>Robust partnerships with fund investors</div> <div>Number of investors to date</div> <div>1,300</div>	<div>Continuous expansion of network of business firms, etc.</div> <div>Number of contacts (fiscal year ended March 31, 2023)</div> <div>8,450</div>
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# CFO MESSAGE



Hiroaki Matsuda  
Chief Financial Officer  
In charge of Administration

## Improving Capital Efficiency and Strengthening Our Financial Foundation to Enhance Corporate Value and Fuel Perpetual Growth

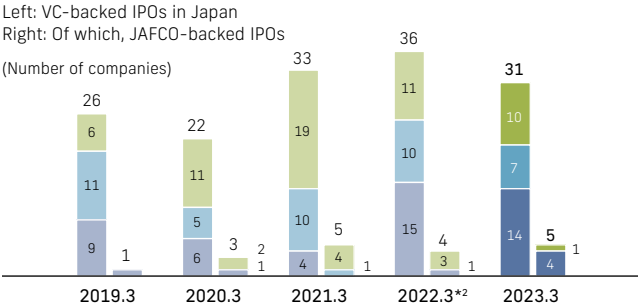
### A Difficult Year for Both the Market and Our Performance

In the fiscal year ended March 31, 2023, a sense of nervousness continued to prevail over the stock market due to tightening monetary policies across the globe and greater cautiousness regarding adjustments to monetary policy in Japan. As the outlook for the global economy remained unclear, we faced a difficult market environment as the number of large-scale IPOs continued to decline. As a result of the impact of this environment and a slowdown in exits from our portfolio, capital gains

plunged to ¥3.7 billion (¥12.6 billion in the previous fiscal year) and success fees decreased to ¥1.0 billion (¥4.5 billion in the previous fiscal year). In addition, we recorded significant investment loss reserves in the fourth quarter in anticipation of a worsening financial situation and a slumping exit market due to financial uncertainty in Europe and the United States, stemming from the collapse of several U.S. banks in March 2023. As a result, our business results were disappointing, with net sales of ¥14.1 billion (¥27.7 billion in the previous fiscal year) and an ordinary loss of ¥3.0 billion (ordinary income of ¥18.4 billion in the previous fiscal year).

Although the market environment was difficult during the fiscal year under review, there were still 10 IPOs in Japan with a market capitalization of more than ¥20.0 billion—a level we target. I believe that we must earnestly reflect on the fact that we were not able to get involved in the IPOs of these companies.

### VC-Backed IPOs and JAFCO-Backed IPOs\*1



First price-based market capitalization  
■ Less than ¥10 billion ■ ¥10 billion–¥20 billion ■ More than ¥20 billion  
\*1 VC-backed/JAFCO-backed IPOs: VCs (excluding direct investments by business firms) holding a 10% or more stake immediately prior to the IPO  
\*2 The number of newly listed companies includes the TSE listing of a portfolio company of JAFCO Asia.

### Maintaining and Strengthening Our Financial Foundation through Balance Sheet Management

My most important role as CFO is to build up and maintain a robust financial foundation. The Company conducts its investment activities guided by its determination to continue investing through good times and bad. However, to continue to invest in highly volatile unlisted securities even in a slumping exit market, the Company needs to be constantly supported by a robust financial foundation.

CFO MESSAGE

To that end, we emphasize balance sheet management. Due to the nature of our business, there will be a certain percentage of portfolio companies that we will have no choice but to sell at a loss. As such, we make concerted efforts to assess the business situation at portfolio companies as well as market trends and to reflect forecasts for future losses in the balance sheet in a timely and appropriate manner. At regular meetings held once every three months, we confirm the situation at all companies in our portfolio, and any significant changes concerning portfolio companies are reported in investment professionals' meeting records, which are updated daily, and at meetings of the Investment Committee and other bodies as necessary. In these ways, we constantly assess risks to make sure there is no situation in which the value of our investments is impaired.

The significant investment loss reserves of ¥5.5 billion recorded in the fourth quarter were in consideration of the negative impact on portfolio companies should the financial situation worsen due to the March 2023 collapse of U.S. banks. The appropriate recording of potential losses in the future encourages us to make bold, proactive investments without fear of failure and helps us maintain and enhance our investment performance.

Improving ROE to Enhance Corporate Value

Due to a gradual buildup of retained earnings since around 2014, reflecting the success of our highly selective, intensive investment policy since around 2010, and the increase in the share price of Nomura Research Institute, Ltd., in which we had a stake, we had been receiving suggestions from our shareholders regarding the Company's capital efficiency. To address these suggestions, the Board of Directors held repeated discussions on measures to improve capital efficiency, and in 2021, we decided on a policy to specify the amount of funds needed for continued investment activities (the "necessary funds") and to return

surpluses to our shareholders. Guided by this policy, we implemented two rounds of share buybacks totaling ¥50.0 billion and sold about 40% of our shares in Nomura Research Institute.

While this series of capital policies has garnered a degree of recognition from the stock market, we announced the Basic Policy for Enhancing Corporate Value in November 2022, in which we adopted an ROE of between 15% and 20% as a medium- to long-term target to further improve capital efficiency. As there are many uncertain factors involved in our business, our cost of shareholders' equity is generally expected to be higher than the average cost of equity. However, our capital efficiency and profits have not been keeping pace with this higher cost of shareholders' equity, and I believe this is a major reason why our price-to-book ratio (P/B ratio) has remained below 1.0x. By pursuing profitability and capital efficiency more than ever to achieve our targeted ROE, we will generate returns that consistently exceed the cost of shareholders' equity and enhance our corporate value over the medium- to long term.

Stabilizing and Expanding Profits

To improve profitability, which is the numerator of ROE, we aim to raise the ratio of external capital commitments from its current 60% to around 80% over the medium- to long term while systematically increasing new fund size in accordance with target markets. By doing so, we will be able to gradually increase the management fee component of our fund operation fees, which currently account for 30% of profits (capital gains account for the remaining 70%). At the moment, we continue to face a situation where we are unable to cover SG&A expenses with management fees, our core income source, and as a result, our profits depend greatly on capital gains. We will therefore seek to expand management fees to a level that exceeds SG&A expenses over the medium to long term, thereby stabilizing as well as expanding profits.



To accomplish that, we must boost the external capital contribution ratio and increase the amount of funds raised from external investors. This, of course, is no easy task. We conduct fundraising activities about once every three years, and these activities are greatly impacted by the conditions of the market at the time. The investment of our own capital in funds has made it possible to maintain funds of a certain size and continue investment regardless of market conditions. Going forward, we will further accelerate efforts to cultivate new investors in order to steadily expand the amount of external capital commitments.

Reducing Net Assets and Maintaining Financial Soundness

To further enhance capital efficiency, we have reduced the level of the necessary funds by half, to ¥60.0 billion, which is the equivalent of the amount we would invest in funds over three years. Over the medium to long term, we will gradually reduce this amount even further. As I mentioned, we will increase the

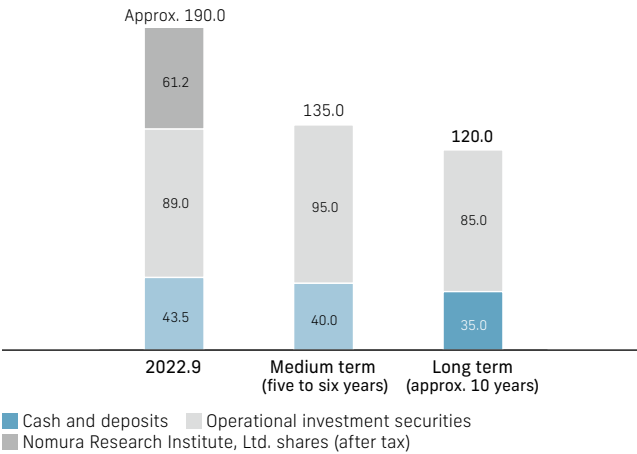
CFO MESSAGE

ratio of external capital contribution from 60% to around 80% over the medium to long term. While doing so, we will steadily reduce cash on hand and increase financial leverage by boosting the fund size in accordance with market expansion and raising the amount of external capital contribution. Of the cash we receive in the course of these activities over the medium to long term, any amount that exceeds the necessary funds will be pro-actively allocated to shareholder returns.

With regard to our net assets, which primarily comprise cash and deposits and operational investment securities, we aim to systematically reduce these assets to the ¥120.0 billion level over the medium to long term. As of March 31, 2023, we held unlisted operational investment securities of roughly ¥85.0 billion. With our intention to maintain the current level of our own investment in funds, we do not expect the amount of operational investment securities to fluctuate significantly from its current

Reduction of Net Assets

(Billions of yen)



level going forward. Regarding the targeted ¥120.0 billion in net assets, this is the lowest possible level required to maintain our financial soundness without becoming insolvent in the unlikely event that we are unable to realize returns on any of our investments. Meanwhile, our business involves investing in unlisted securities with low liquidity and high volatility, and as such we will continue to invest our own capital going forward. With that said, taking into account what we experienced after the global financial crisis when capital losses continued for roughly two years, we consider the utilization of debt to be an option to maintain our financial foundation.

Revision to Shareholder Return Policy in December 2022

- The Company will change its basic dividend policy from 3% of shareholders' equity (average of beginning and end of period) to the greater of 3% of shareholders' equity (average of beginning and end of period) or 50% of net income.
- The Company will gradually reduce the necessary funds for business continuity which is currently around ¥60.0 billion\* and consider the allocation of funds in excess of that amount to shareholder returns, including share buybacks.

\* Amount after deducting interest-bearing debts, accrued taxes, and expected divided payments at the end of March each fiscal year

Enhancing Corporate Value through Sustainability Initiatives

We will also focus on sustainability initiatives to reduce risk and realize medium- to long-term growth. JAFCO Group's sustainability initiatives fall into two categories: the contribution to sustainability through our business and enhancing ESG efforts as a company. In terms of our own ESG initiatives, we place the utmost priority on recruiting and developing our personnel, who serve as our greatest management resource. To date, we have

adhered consistently to the recruitment of new graduates to cultivate investment professionals with strong talent. Recently, however, we have also been recruiting mid-career professionals who have a wide range of experience, including mid-career hires for back-office roles that are not directly involved in investment activities. As our employee base becomes more diversified, we are working diligently to foster a unique corporate culture and instill our Purpose on a companywide basis. Continuous investment in human resources allows us to strengthen our organizational capabilities and boost motivation across the Company while reducing the cost of capital through lower personnel-related risks, thereby making significant contributions to corporate value enhancement.

Fulfilling My Mission as the CFO to Fuel Perpetual Growth

Since establishing "Fueling perpetual growth; investing in bold visions" as our Purpose in February 2023, I have been focusing heavily on the word "perpetual." By continuing to invest under all circumstances, we reinforce our ability to fuel perpetual growth. For that reason, we need to be supported by a robust financial foundation, and my mission as CFO is to maintain and strengthen this foundation. Going forward, I will continue to support the Company's ability to fuel perpetual growth by promoting efforts to continuously enhance our corporate value from a financial perspective.



# Human Resource Strategy

Aiming to Achieve a High Level of Performance with a Co-Founder’s Mindset by Developing Strong Individual Talent and Establishing an Organizational Foundation

## Basic Approach

At JAFCO Group, we consider human resources to be the most important management resource for realizing our Purpose and enhancing corporate value. In addition to recruiting and training investment professionals, it is essential that we hire other highly professional personnel and develop systems and schemes to support employees. While maintaining an unchanging companywide culture of respecting entrepreneurs and portfolio companies, we will continue to pursue challenges as a Co-Founder by keeping a firm grasp on changes in society.

## Human Resource Strategy for Enhancing Corporate Value

Strengthening our workforce is vital to realizing our goals for growth: achieving our target ROE and improving fund performance.

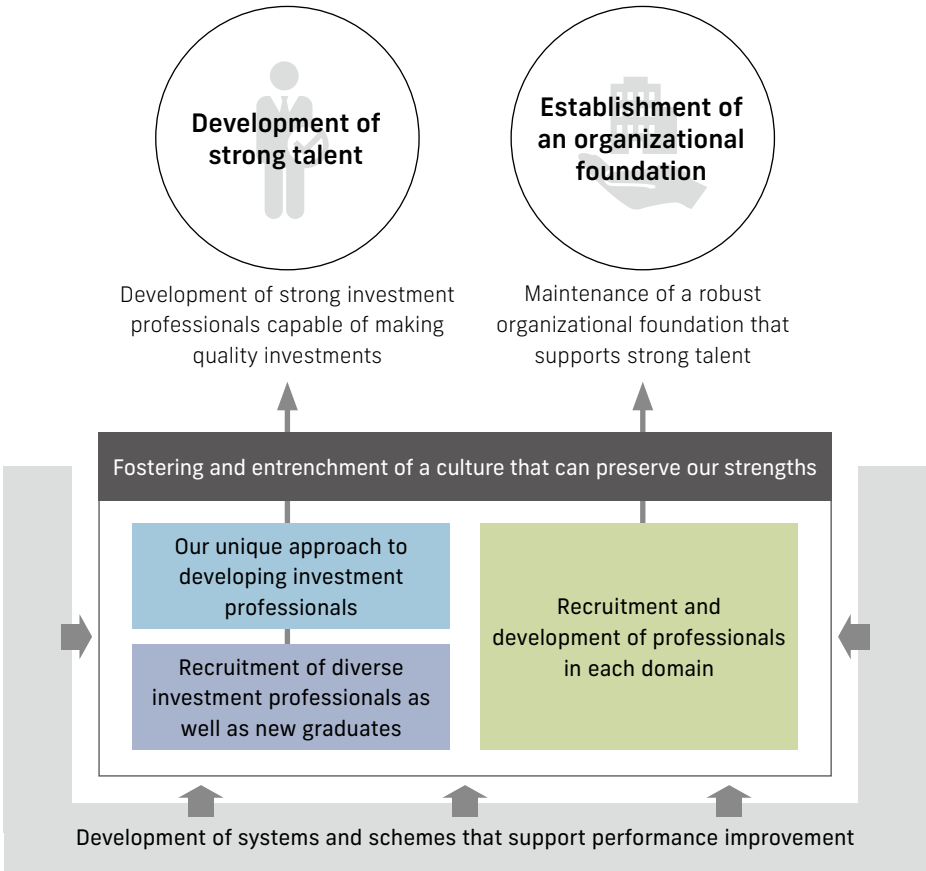
Due to the nature of its business, the Company's growth is heavily dependent on investment professionals and other such individual talent. For this reason, one of our major business challenges is how best to recruit and nurture talented individuals. In addition to the ongoing recruitment of new graduates, it is crucial that we continue to hire people with broad-ranging experience, skills, and potential in order to secure a diverse group of investment professionals. Furthermore, we will leverage our unique model for training investment professionals to nurture strong individual talent who can realize quality investments.

The business environment surrounding the Company and its portfolio companies is undergoing unprecedented change. As such, the development of professional human resources, systems, and schemes that can support individual talent is essential. Alongside our efforts to hire and train personnel with expertise in various fields, we are working to establish systems and schemes that allow our employees to continue to be highly motivated and perform well while maintaining physical and mental health.

An indispensable undertaking for realizing both strong individual talent and an organizational foundation that supports them is the fostering and permeation of a culture that preserves the Company Group’s strengths. Leveraging our identity as a Co-Founder, we must foster and promote our long-cultivated culture.

Through these efforts, we will cultivate strong talent and establish a robust organizational foundation to improve fund performance and enhance corporate value.

▶ See page 38 for details on each division's role, etc.



Human Resource Strategy

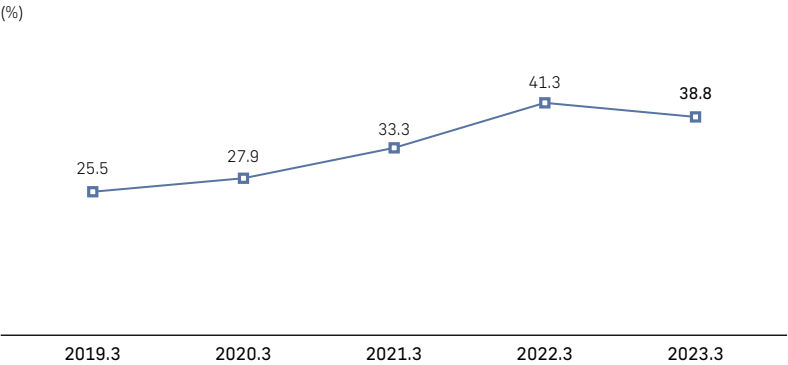
Recruiting Diverse Investment Professionals

The Investment Division continues to recruit new graduates with the objective of securing high-potential personnel. When hiring new employees, we focus on not only their understanding of our business but also their level of commitment and how strongly they relate to our Purpose and identity. For this reason, we employ a multilayered hiring process that involves orientation and internships with carefully designed programs as well as screening by the Partners themselves.

At the same time, we are emphasizing the mid-career recruitment of investment professionals. As the needs of society become increasingly diverse, having human resources with distinct backgrounds that can utilize their experience and skills to demonstrate their strong talent will enable our entire organization to more effectively respond to changes in the business environment and values, thereby leading to improved performance.

The Structured Investment Division, which has hitherto focused on hiring professional talent that can make an immediate contribution to the Company, will set forth a policy of hiring and training young talent. In such efforts, we will also capitalize on our strengths and experience as a venture capital firm with a unique track record of hiring new graduates.

Mid-career hires among our investment professionals  
(venture and buyout investments)



JAFCO Group's Unique Approach to Developing Investment Professionals

Through years of consistently hiring new graduates, we have accumulated a wealth of experience, which is the basis of our model for training junior employees. In this model, each junior employee in the Investment Division is placed under an instructor who supports and guides them until they become independent. For approximately one month after joining the Company, new graduates receive basic training combined with practical programs. Thereafter, new hires mainly undergo on-the-job training, but we also provide occasional off-the-job training to facilitate their early growth. In addition, experienced investment professionals provide mentoring support to mid-level employees to develop stronger talent and improve their performance. Moreover, beyond providing individual support in the form of instructors and mentors, we hold a quarterly meeting to discuss the development of investment professionals throughout the organization. While building on the experience and expertise gained through implementing our instructor-based program, we have made it a priority to evolve our investment professional training system by implementing new measures in response to issues that arise.

Recruiting and Developing Professional Human Resources in Each Area of Operation

We actively recruit and develop professional human resources, regardless of gender, age, or nationality, for the Business Development Division, Fund Management Division, and Administration Division. When providing support to our portfolio companies, the type of support required differs depending on the growth stage of the company in question. Furthermore, we possess specialists in various areas, such as customer acquisition, recruitment, and development of back-office functions, and have established a system to provide support tailored to each portfolio company.

The Fund Management Division is responsible for securing funds for our business activity by raising and managing risk capital on an ongoing basis while responding to changes in the business environment. The division recruits and trains professional personnel who inherit and develop wide-ranging know-how, including maintaining relationships with existing investors. The Administration Division also hires professionals with a wealth of knowledge and experience to ensure continued high performance while responding to changes in social needs.

Human Resource Strategy

Establishing Systems and Schemes to Support Performance

We are engaged in ongoing efforts to enable diverse human resources to work with vitality and enthusiasm, including a flextime system, a shared-desk system, the promotion of remote working, and encouragement of side jobs. Since prior to the COVID-19 pandemic, the Company has worked to develop and improve its IT infrastructure and go paperless. The system combining flextime and remote work allows us to maintain business continuity and support performance at all times.


Viewing good physical and mental health as essential for each employee to fulfill their potential, we are implementing various health-related measures. In cooperation with industrial physicians and public health nurses, we conduct individual interviews, share health-related information, and aim to maintain a 100% health checkup rate by proactively encouraging employees to undergo health checkups without delay as well as providing them with follow-up support. As of April 2023, the Company has received Silver certification from the National Federation of Health Insurance Societies in recognition of its excellent health promotion efforts and it is continuing to promote various health management initiatives.

In terms of personnel systems, we have established childcare and nursing care leave systems, and we encourage male employees to take childcare leave and paternity leave, which is a prominent issue in Japan. We are building a track record of employees taking long-term childcare leave.

Fostering and Instilling a Culture That Preserves Our Strengths

Since its founding in 1973, JAFCO Group has operated with the mindset of an industry leader. Since the formulation of our Purpose of “Fueling perpetual growth; investing in bold visions” in February 2023, we have engaged in ongoing efforts to foster a culture that instills the Company’s enduring strengths among employees. While the hiring of new graduates and the active recruitment of mid-career hires in recent years have brought together employees with diverse backgrounds who have demonstrated their individual abilities, the reaffirmation and sharing of our strengths and culture will give rise to even greater synergistic benefits. Through various workshops and activities with alumni, we are driving forward numerous initiatives to help all employees perform at a high level by exposing them to and reaffirming the values and strengths that we have cultivated over the past 50 years.

MESSAGE



Promoting Diversity to Build a Stronger Workforce and Organization

Yuichiro Araki  
Group Leader, HR Planning Group  
Administration Division

It goes without saying that people are a key management resource in our business, and we thus recognize that the HR Planning Group has an extremely important responsibility to implement an effective human resource strategy. Under the mission of developing the workforce and organization necessary to realize the Company’s management and business strategies (mainly investment strategies), the HR Planning Group is charged with overseeing recruitment, onboarding, growth support, organizational development, and all other aspects of this process.

Specifically, we devote much effort to recruiting human resources, as this is the starting point for building an organization. However, hiring investment professionals is exceptionally difficult. There are numerous indispensable skills and abilities required to become a venture capitalist. Intellectual capacity alone encompasses a wide range of skills, such as the ability to dig deeper into issues to gain insight, perceive matters from various perspectives, interpret data, and expand one’s imagination.

Known by some as the “mixed martial artists of the business world,” venture capitalists are required not only to have intellectual and other fundamental skills but also to be able to exercise leadership according to

the situation at hand, thereby strengthening the organization as well as the individual.

Against this backdrop, the HR Planning Group is required to design and elaborately implement an approach to hiring highly talented personnel and a screening process for ensuring quality selection, and to inspire suitable candidates to join the Company. However, the investment environment is constantly changing, and entrepreneurs are becoming increasingly diverse in nature. So, even if we implement a model for recruiting high performers, it is not always possible to reproduce the uniform levels of talent, which increases the difficulty of developing a hiring strategy.

In this message, I have touched on some of the difficulties we face in carrying out our human resource mission. It is self-evident that the task of developing our workforce and organization, which are the sources of our competitiveness, is not easy precisely because it is so important. We will continue to approach our mission with a broad perspective and strong will, and demonstrate our commitment to recruiting diverse human resources to promote organizational diversity, which is key not only to adjusting to the investment environment but also to staying ahead of the times.



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Section- 03

# Business Strategies

Business Process

Features of JAFCO's Business Structure

- The Fund Management Division plays the central role in fundraising for domestic flagship funds in collaboration with the Investment Division, the Structured Investment Division, and the Business Development Division.
- We form the optimal team for each investment and provide comprehensive growth support from the deal-sourcing stage to exit.
- For enhancing the corporate value of portfolio companies, a specialist team is formed for each company to provide systematic support according to the growth stage, ranging from recruitment and sales and marketing support to IPO preparation.

	Fund Establishment	Deal Sourcing	Investment	Value Adding	Exit
Main Activity	In order to secure stable investment funds on a continuous basis, it is essential not only to retain investments from existing investors, who are primarily financial institutions and business firms, but also to attract new investors. Private equity investment takes around five to 10 years to realize returns. Because of this, we believe that, in addition to prioritizing fund performance, it is important to build trust with fund investors through highly transparent fund management, information provision that caters to the needs of individual investors, and detailed communication regarding the social significance of private equity investment.	With private equity investments, high-quality deal sourcing creates reproducible success. The wellspring of our deal-sourcing capabilities is the experience of our investment professionals, who have cultivated the ability to ascertain future business potential through their interactions with numerous entrepreneurs. At JAFCO, every individual from Partners to new graduate hires meets with a broad range of candidate portfolio companies, gaining valuable experience and insight through the roughly 3,000 deals we source on an annual basis. Through these efforts by our employees, we have built up a proprietary database and network of entrepreneurs. We achieve repeated success by fully leveraging these strengths to carefully select companies to invest in.	Because many of the unlisted companies in which we invest do not have the necessary business foundations in place, the main focus of our corporate value assessments is on identifying business potential and measuring management quality. To determine business feasibility, we verify key factors such as market growth potential, competitiveness and uniqueness of products and services, and the innovativeness of technology. In recent years, we have also been conducting screening on growth potential and risks from an ESG standpoint. After our investment professionals have held repeated dialogue with the management of a candidate company, our team of specialists dedicated to investment evaluation conducts an assessment of the company's business potential and management quality. When this process is complete, we decide whether or not to invest based on approval at Investment Committee meeting.	In venture investments, our investment professionals who are in charge of portfolio companies pursue various initiatives with a sense of ownership, envisioning growth scenarios together with entrepreneurs. Furthermore, our team of business development specialists work together to provide support essential for the growth of portfolio companies, namely in the areas of recruitment, sales and marketing, back-office development, and IPO preparation. In buyout investment, we seek to accelerate business growth by promoting post-merger integration (PMI) from the standpoint of substantive management. Our network of fund investors, portfolio companies, and business firms helps underpin the corporate value enhancement of portfolio companies, and we work to strengthen this network on an ongoing basis.	At the exit stage, we examine approaches that realize both portfolio company growth and high returns for fund investors. In the case of venture investment, the majority of portfolio companies aim for an IPO. To that end, our team of specialists who provide support for IPO preparation assist portfolio companies while ascertaining various changes in the market environment. When selecting an exit strategy other than an IPO, because we hold a fairly large stake under our policy of highly selective, intensive investment, we are able to design an optimal exit, including an M&A, for a portfolio company, based on agreement with its management team.
JAFCO Strengths	<div>+ Attractiveness of funds as financial instruments that ensure high performance in tandem with the growth of portfolio companies</div> <div>+ Discipline and transparency of management</div> <div>+ Information provision and communication tailored to the individual needs of investors</div>	<div>+ Outstanding volume of interaction with entrepreneurs and companies</div> <div>+ Information on investment candidates accumulated through past deal-sourcing activities</div>	<div>+ Judgment and insight from Partners and experienced investment professionals</div> <div>+ Investment decisions based on the consensus of all Partners</div>	<div>+ Consistent management involvement, from investment and value adding to exit, by forming the optimal team for each deal</div> <div>+ Support by experts specializing in human resources, back-office functions, marketing, and more according to the growth stage of portfolio companies</div>	<div>+ Formulation of exit strategies that fully leverage potential of portfolio companies</div> <div>+ IPO preparation support leveraging experience from more than 1,000 IPOs</div>
Relevant Divisions	Investment Division (Venture Investment) ○	◎	◎	◎	◎ P39-40
	Structured Investment Division (Buyout Investment) ○	◎	◎	◎	◎ P41-42
	Business Development Division ○		○	◎	◎ P43-44
	Fund Management Division ◎			○	○ P45-46
Quantitative Information (FY March 2023)	Capital commitments to domestic funds <b>¥289.4 billion</b> Number of investors <b>269</b> <small>Note: Total of SV4 to SV7 (As of March 31, 2023)</small>	Number of first contacts with domestic companies <b>3,005</b>	Amount/number of new investments ▶ Venture investment <b>¥9.1 billion / 22 companies</b> ▶ Buyout investment <b>¥12.4 billion / 3 companies</b> Balance of domestic unlisted securities <b>¥129.9 billion / 167 companies</b>	Number of referrals to customers <b>5,119</b> Number of business meetings conducted <b>825</b>	Capital gains on and IPOs by domestic portfolio companies <b>Capital gains: ¥7.5 billion / IPOs: 4 companies</b>

# VENTURE INVESTMENT



Keisuke Miyoshi  
President & CEO  
Partner

- 1 Yutaro Saka  
Partner
- 2 Mizuki Takahara  
General Manager of the  
West Japan Branch, Partner
- 3 Keisuke Miyoshi  
President & CEO, Partner
- 4 Atsushi Fujii  
Partner
- 5 Tomotake Kitazawa  
Partner
- 6 Shozo Isaka  
Partner

## Mission and Social Role of the Investment Division

Venture investment has been the Company's core business since its establishment, and we have continued to pursue the creation of new industries in partnership with entrepreneurs. To date, JAFCO has invested in 4,142 companies on a companywide basis and has helped 1,024 companies to go public.

As we execute venture investment, we place the most value on continuing to invest at all times and ensuring the expansion of the private equity market. The continuation and expansion of venture investments lead to an increase in the number of entrepreneurs who take on the challenge of responding to social changes, thereby creating and developing industries that will forge a more prosperous society. We believe that consistent investment, under both favorable and challenging market conditions, will help bring about social changes and fuel perpetual growth that inspires bold visions.

Guided by our Mission to commit to new business creation and jointly shape the future, we will continue to pursue new challenges together with entrepreneurs as we strive to contribute to social progress.

## Awareness of the Market Environment Over the Medium to Long Term

Over the past ten years, the operating environment for startups has become more fertile, exemplified in particular by the growth and diversification of the startup community in Japan. A rising number of serial entrepreneurs and high-level professionals are launching their own companies, and it is no longer unusual for employees of large companies to switch over and join startups.

Fund providers who support entrepreneurs and startup companies are also increasing in number and becoming more diverse. It is therefore important that we promote the business creation and growth of our portfolio companies in collaboration with other fund providers. Another recent change in the operating environment has been the development of wider infrastructure for external support, including collaboration in business launches via investment by business firms as well as the expansion of government-backed support systems and budgets for startups. This kind of infrastructure is expected to continue to grow.

Various other changes have been taking place in recent times, such as the rise of geopolitical risks and rapidly progressing climate change and digitalization. These changes, however, present promising business opportunities for startups. While closely observing the current contraction in the IPO market, we will be even more selective in our screening process amid the ongoing increase in investment opportunities over the long term. At the same time, we will collaborate with each of our stakeholders in an effort to create new industries and expand existing ones.

## Strategies for Achieving Targets and Direction of Initiatives

In terms of our investment performance, we are working daily to achieve our target of an average ROI of 2.5x or more. Our investment performance is the result of the growth of our portfolio companies. It is also an important performance indicator for investors, as we strive to provide a strong fund performance and increase the supply of risk capital. To

### Market Environment

- » Increase in and diversification of entrepreneurs and fund providers in the Japanese startup ecosystem
- » Short-term contraction and fluctuation in the domestic IPO market
- » Enhancement of "people, money, and things" pertaining to startups

### Medium- to Long-Term Targets and KPIs

- » Average ROI of 2.5x or more

### Medium- to Long-Term Strategies and Direction of Initiatives

- » Identify potential seed investments involving entrepreneurs at the pre- and post-launch stages
- » Prepare an exit approach not limited to conventional IPOs
- » Promote human resource training directed toward the ongoing development of top investment professionals

### Internal Resources and Strengths

- » Know-how for ascertaining market and business potential backed by 50 years of investment experience
- » External network and human resources in the startup market
- » Unique investment professional development model cultivated through the ongoing recruitment of new graduates



VENTURE INVESTMENT

enhance our investment performance, we will further evolve our investment policy of “highly selective, intensive investment” and promote a wider exit approach that incorporates not only conventional IPOs but also trade sales.

“Highly selective, intensive investment” is the core policy for our investment activities, allowing us to continue to invest in and create new businesses even under poor market conditions. This policy emphasizes being highly selective, meaning that we thoroughly assess the numerous corporations we come in contact with through our extensive deal-sourcing activities. The policy also values intensiveness, meaning that we concentrate as many management resources as needed after acquiring an influential stake in a corporation.

Our highly selective investment focuses on ascertaining domains with a potential of drastic change from among the diverse business opportunities being created by social change. We have recently expanded our deal-sourcing targets to include not only companies and entrepreneurs in the seed and early stages but also those in the startup preparation phase. This allows us to become involved in companies with higher growth potential as the lead investor at an early stage.

With our intensive investment, we will continue to provide our carefully selected portfolio companies with all the resources they need to ensure the growth of their businesses. We work with the Business Development Division to provide the functions essential to all portfolio companies, including support for business development, customer acquisition, recruitment, and back-office structuring. We also make additional investments on an ongoing basis to accelerate business growth and reduce downside risks when necessary, thereby committing to thorough and deep involvement in our portfolio companies.

To respond flexibly to market fluctuations and other changes and to ensure a high investment performance, we are promoting exit approaches that are not limited to IPOs. Generally, when we aim for an IPO it tends to take a great deal of time before reaching an exit. While maintaining our respect for the ambitions of entrepreneurs and the growth potential of their businesses, we believe that examining M&As and capital alliances aimed at enhancing social impact will lead to a higher ROI. Accordingly, we are working with other divisions to set up schemes for a more diverse exit approach.

We must strengthen our personnel and organization, as they represent the foundation of our investment activities. Recently, in addition to Partners, we have established the new position of Chief Capitalist, thereby putting in place a structure for nurturing investment professionals who can lead investment projects on an ongoing basis. While also continuing to pursue new graduate hires, on whom we have focused our human resources development, we will increase the number of work-ready investment professionals with expertise through mid-career hires. Furthermore, we aim to swiftly develop investment professionals that can play an active role from an early stage by standardizing our human resource development models aimed at accelerating the growth of our diverse personnel and bolstering our organizational capabilities.

We have committed ourselves to identifying new business opportunities and becoming involved in the management of our portfolio companies up through exit by sharing an entrepreneurial perspective and vision. Maintaining our approach as a Co-Founder, we will seek to establish contacts with startups from an even earlier stage and firmly commit to achieving growth through deep management involvement after investment. While we move forward with efforts to enhance our investment performance, such as those mentioned above, the Investment Division will systematically expand the fund size and strengthen its external fundraising capabilities.

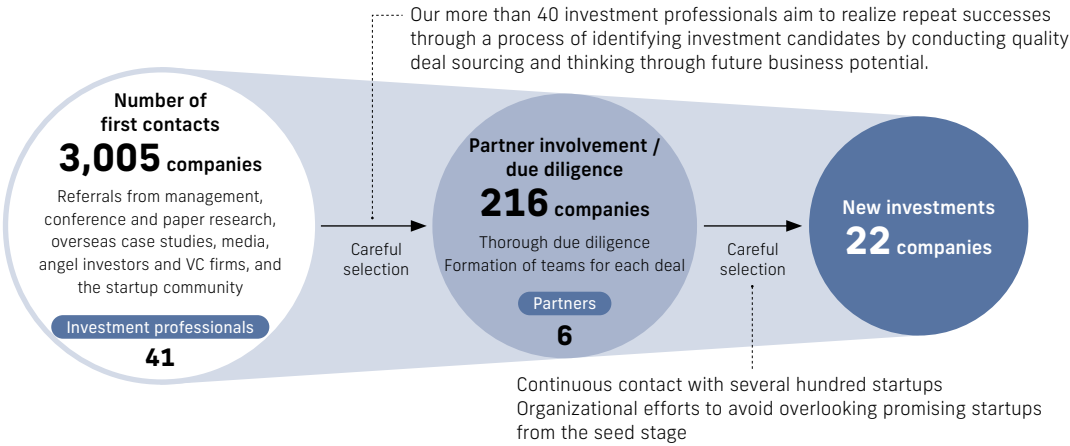
Internal Resources and Strengths Supporting Our Strategies

We have cultivated vast insight into ascertaining market and business growth potential, cultivated over our 50 years of investment experience, and this insight serves as the lynchpin for enhancing our investment performance. Starting in the era when venture capital companies did not exist in Japan, we have been building an investment model that caters to the needs of each generation. Throughout this process, we have cultivated our current “highly selective, intensive investment” policy, which focuses on being the lead investor and proactively responding to market ups and downs. This policy is the wellspring of our value, helping us refine the assessment capabilities of our investment professionals through direct involvement in numerous business opportunities as well as cultivate crucial insight through active involvement in the business growth of our portfolio companies.

Another major strength of the Company is its vast network and human resources built up over many years of activity in the startup market. In addition to expanding contacts with investment candidates from an early stage, we contribute to the resolution of post-investment business issues, including personnel recruitment and customer acquisition.

In addition, our investment professional development model based on many years of experience in hiring new graduates is the source of our strength. An environment in which talent with the necessary mindset and potential skills can achieve investment success by accumulating experience while gaining internal insights serves as the core that enables us to continue to perform at a high level.

Deal Sourcing for Achieving Highly Selective, Intensive Investment



Notes 1. Numbers of companies indicate the total number for the fiscal year ended March 31, 2023. Numbers of persons are as of April 1, 2023.  
2. The number of companies and the number of investment professionals are for venture investment only.



# BUYOUT INVESTMENT



Ko Minamikurosawa  
General Manager of  
Structured Investment Division  
Managing Director  
Partner

- 1 Keisuke Aoyama  
Managing Director
- 2 Ko Minamikurosawa  
General Manager of  
Structured Investment  
Division  
Managing Director  
Partner
- 3 Hirogi Nakayama  
Managing Director
- 4 Masataka Kobayashi  
Managing Director

## Mission and Social Role of the Structured Investment Division

Buyout investment refers to a type of investment in which we take control of management of a portfolio company by acquiring more than 50% of equity shares and seek to increase corporate value by reviewing management strategies and implementing various operational improvements.

Backed by its 50 years of experience and track record as a venture capital company, JAFCO's mission is to "commit to new business creation and jointly shape the future." Our Structured Investment Division, which was established in 1998 to conduct buyout investments, has been addressing business succession-related issues head-on. Our theme is a commitment to the regrowth of companies through second starts to jointly shape the future. As of the fiscal year ended March 31, 2023, we have invested in a total of 55 companies, of which 39 have made exits.

Our division seeks to create new growth for maturing companies beyond the corporate lifecycle of establishment, growth, maturation, and decline. We also help transform industrial structures by promoting corporate rejuvenation. By promoting these initiatives through our private equity investment function of channeling risk capital, we hope to help Japan break free from its economic stagnation that has persisted for nearly 30 years.

## Awareness of the Market Environment Over the Medium to Long Term

M&As have also continued on an upward trend. In addition to a steady flow of business succession deals against a backdrop of aging of upper management and business succession issues at SMEs, we have also seen steady carve-out deals involving large corporations in line with their digital transformation and management reform efforts. Although the number of M&As was adversely impacted by the COVID-19 pandemic in 2020, the number of domestic M&As continued to grow, leading to a recovery in the number of overall M&As in 2021 and a steady increase from then on. As the impacts of demographic change are likely to increase going forward, we believe that there will be an even greater need for business succession-related M&As. Accordingly, in 2023 we expect that the market for business succession-related M&As will continue to remain strong.

While the main buyers in M&As have conventionally been business firms, in recent years a growing number of investment companies and private equity funds that support SMEs through business succession-related M&As have been established. Over the 25 years since the beginning of the private equity market in Japan, the understanding and reception of private equity funds by business managers have increased greatly. As a result, the private equity market has remained on a long-term growth trend, alongside the steady expansion of the M&A market.

Meanwhile, if we look at the size of the private equity market as a percentage of GDP, Japan's private equity market is still relatively small compared with those of other advanced economies, and roughly only a quarter the size of the market in the United States. This is primarily because private equity funds only account for a small percentage of M&A investors in Japan and the overall number of M&As is lower than in many other countries. However, this also means that the private equity market has the potential for significant growth.

Based on these forecasts of the market environment, our division will continue to allocate management resources to further expanding buyout investment focused on corporate growth.

### Market Environment

- » Expansion in M&A market due to aging of business owners and business succession difficulties at small- and medium-sized enterprises (SMEs)
- » Increase in number of investment companies and private equity funds involved in business succession-related M&As

### Medium- to Long-Term Targets and KPIs

- » IRR of 20% or more
- » Average ROI of 2.5x or more

### Medium- to Long-Term Strategies and Direction of Initiatives

- » Invest in deals involving the succession of small- and medium-sized growth businesses and medium-sized companies generating sustainable cash flows
- » Invest in startups with positive cash flows (venture buyouts)
- » Enhance corporate value through post-merger integration (PMI) that leverages our venture capital insight and networks

### Internal Resources and Strengths

- » Personnel with diverse expertise and insight who can maximize the corporate value of portfolio companies
- » Optimized team structure that provides comprehensive support from deal-sourcing to exit
- » Personnel development cycle that generates a growth curve in line with PMI and exits of portfolio companies

BUYOUT INVESTMENT

Strategies for Achieving Targets and Direction of Initiatives

Our division strives to enhance the corporate value of portfolio companies to achieve IRR of 20% or more and an average ROI of 2.5x or more. Our most important task, in common with the Investment Division, is to maximize investment performance by rigorously screening candidates with significant growth potential and implementing a broad range of measures after investment. While steadily securing and examining roughly 200 potential deals each year, we aim to invest in three or four deals per year.

To enhance investment performance, we place importance on our ability to identify portfolio companies with high growth potential as well as our PMI initiatives that fully leverage solutions unique to a venture capital company. The primary targets of our investments are small- and medium-sized business succession deals with growth potential and an enterprise value ranging from several billion yen to 20 billion yen, and unlisted medium-sized companies where a certain level of sustainable cash flows can be expected. JAFCO is unique in that we also are involved in venture buyouts. By acquiring startup and early-stage companies with positive cash flows and promoting value-adding initiatives that we have cultivated through venture investment, we seek to enhance their corporate value. We sometimes use leverage through acquisition loans or make full equity investments without using acquisition loans.

Although we have not defined specific industries as the targets of our investments, we aim to invest in companies with the following features:

- 1. Companies that possess competitive brands, intellectual property, networks, and operational know-how
- 2. Companies that are starting to build a sizable position in growing markets
- 3. Companies that have already established a strong position in a niche market
- 4. Companies with the potential for dynamic growth through the promotion of digital transformation
- 5. Companies that can roll out products and services across the globe
- 6. Companies that have the potential to grow by leveraging JAFCO's resources

After investment, we promote corporate growth through initiatives that draw on our unique strengths as a venture capital company. These initiatives include expanding sales channels and boosting sales through the use of our networks, as well as utilizing the IT technologies and solutions of our Investment Division's portfolio companies in PMI. In addition to improving the profitability of portfolio companies by making full use of cutting-edge solutions for enhancing the efficiency of advertising, marketing, and operating activities, we also work to increase the business scale of certain portfolio companies through the acquisition of similar companies.

Internal Resources and Strengths Supporting Our Strategies

The Structured Investment Division is comprised of members who have gained experience at financial institutions, private equity funds, and consulting firms, among others, in addition to those who have built a proven

track record in the Investment Division. While other private equity funds operate on an individual task basis, we form a team of three or four people per investment, which carries out everything from sourcing, investment scheme planning, and negotiations with sellers to investment execution, value adding, and exit.

Additionally, our division members are stationed part-time at the offices of our portfolio companies for at least six months to two years after investment to maximize corporate value. As there is a major need for close communication with the management and employees of portfolio companies to make firm commitments to achieving business growth, we emphasize a comprehensive support style where members are stationed at portfolio companies part-time, rather than providing support on a specific work basis.

This comprehensive support style provides many benefits. For example, it fosters aspiration and a strong commitment to supporting the portfolio companies that stationed members have identified. It also allows the members to gain a deep understanding of the business and technology of the portfolio companies based on the "Three Realities Principle,"\* and it helps us provide portfolio companies with new perspectives and ideas consistently. We work alongside the management and employees of portfolio companies up to exit via an IPO or M&A based on deep trust-based relationships that are built by overcoming hardships and achieving the business plans formulated at the time of investment.

Through a series of close collaborations, we promote our members' accelerating growth, while at the same time leveraging the experience they gain through PMI and exit to improve the quality of their deal-sourcing and investment capabilities. We believe that replicating this cycle of growth for our members is the source of our value that leads to higher fund performance.

\* The Three Realities Principle refers to an approach to resolving issues by focusing on three realities: the actual place, the actual product, and the actual situation.

Promoting PMI for a Second Start by Leveraging JAFCO's Strengths



# BUSINESS DEVELOPMENT



Naoki Sato  
Corporate Officer  
In charge of Business Development  
Partner (SV6)

Market Environment

- » Intensifying competitive environment in line with the expansion of the domestic startup market
- » Growing need for increasing "people, money, and things" involved in startups and for sustainability

Medium- to Long-Term Targets and KPIs

- » Average ROI of 2.5x or more

Medium- to Long-Term Strategies and Direction of Initiatives

- » Enhance corporate value of portfolio companies by offering customer acquisition, human resource, and back-office support
- » Increase business success rate through support for strengthening governance and risk assessment
- » Promote conferences and community operations aimed at enhancing the ecosystems around portfolio companies
- » Strengthen our capabilities for responding to the needs for creating innovation at large companies and the entrepreneurial needs of individuals

Internal Resources and Strengths

- » Understanding of the key ingredients for startup success, focusing on a highly reproducible roadmap tailor-made with the entrepreneur in mind, and focused on boosting corporate value with extensive IPO experience and know-how to portfolio companies for boosting corporate value and achieving IPOs
- » Robust network of startup companies and large corporations built up through many years of investment experience

Mission and Social Role of the Business Development Division

The Business Development Division provides portfolio companies with the support they need to enhance their corporate value, in accordance with their growth stage. We assist startups whose businesses are at the conceptual stage with recruiting human resources to accompany management, developing products and services, increasing their brand recognition, and expanding their sales channels, thereby helping them accelerate the launch of actual businesses. After these companies have reached the commercialization stage, we help them identify business partners, establish administrative structures, and prepare for listing.

Customer acquisition (sales and marketing), human resources (recruitment, professional training, and organizational development), and back-office operations (administrative operations/systemization and IPO support) are all necessary for any portfolio company, no matter what growth stage they are at. To this end, the Business Development Division comprises a team of specialists in each area (a total of 14 as of April 1, 2023) who work side by side with portfolio companies to help them secure these resources.

We believe that our mission includes building ecosystems around startup companies and expanding the startup market. Guided by this mission, we promote collaboration with large corporations to create new businesses and communicate the appeal of investment in startups. We also work proactively to expand the overall startup community and draw management resources of "people, money, and things" into the startup market. We undertake such endeavors daily, with the firm belief that these resources will help facilitate the overall growth of startup companies, including those in our portfolio.

Awareness of the Market Environment Over the Medium to Long Term

The venture investment market in Japan is on an upward trend, and with this market expansion has come an increase in competitors, including government-backed venture capital firms (VCs) and VCs affiliated with financial institutions and universities, in addition to independent VCs similar to the Company Group. There are also situations where major companies, primarily, form corporate venture capital (CVC) funds, leveraging their capital to invest in and support startup companies.

In such a market environment, our unique efforts to provide portfolio companies with support catered to their growth stage are vital to differentiating the Company Group from other players in the market. Furthermore, with the rise in awareness of sustainability in recent years, the number of startup companies seeking to resolve social issues has increased. Given the context, we have been evaluating business potential based on risks and social needs from the perspective of ESG and the SDGs in our efforts to identify promising candidates for investment.

We believe that focusing on both bolstering governance within our investment activities and working to enhance the sustainability of our portfolio companies enables us to maximize the corporate value of our portfolio companies and outdo other companies in fund performance.

BUSINESS DEVELOPMENT

Strategies for Achieving Targets and Direction of Initiatives

To realize the Company Group's investment performance target of an ROI of 2.5x or more, our division will pursue initiatives that contribute directly to the enhancement of our portfolio companies' corporate value. We will also work to expand the ecosystems that underpin the growth of the startup market.

With regard to enhancing the corporate value of our portfolio companies, we will step up efforts to support them with customer acquisition (sales and marketing), human resources (recruitment, professional training, and organizational development), and back-office operations (administrative operations/systemization and support for listing), which are all necessary for any portfolio company.

For customer acquisition, we facilitate business matching between portfolio companies and primarily large corporations to increase the success rates of business negotiations and closings. Concerning human resources, we offer support focused on the recruitment of essential but hard-to-fill personnel for startup companies, such as C-level executives and engineers. At the same time, we work to resolve common organizational issues that arise in the course of implementing new initiatives, including organizational development and upper management coaching, by providing case studies and other support for business growth. In the establishment of back-office operations and IPO support, our staff of certified public accountants and tax accountants assist in setting up systems and various other operations.

We believe that strengthening the governance of portfolio companies in a way that relates directly to maximizing the corporate value and assessing the risks of investment candidates are just as important as expanding their businesses. To that end, we are striving to enhance the accuracy of our evaluation in collaboration with the Investment Division.

Additionally, we are reinforcing our network of large corporations, primarily business firms that could potentially become our fund investors as well as customers, business alliance partners, and exit routes (buyers) of our portfolio companies, as we work to build a mechanism that continuously enhances the corporate value of portfolio companies. In addition to conferences and community operations aimed at building ecosystems to resolve issues across the market, we are turning our attention toward innovation issues at large companies to contribute to the development of startups and the creation of new businesses in Japan. We will also expand the operation of our Career Academy, which targets individuals who are interested in startups, as part of our efforts to lay the foundation for increasing public awareness of startups.

The specialists that comprise our division and their high level of expertise are what underpin these kinds of initiatives. Consisting of members involved in the Company's investment activities since being hired as new graduates as well as expert mid-career hires, our specialist staff aim to maximize the value of our portfolio companies, with a focus on sales and marketing, human resources, and back-office functions. Guided by this aim, these specialists work together to build a structure for accelerating portfolio company support with the help of external organizations as needed.

In our efforts to enhance the corporate value of our portfolio companies, we do not solely rely on the Company Group's resources. While making concerted efforts to increase the probability of success for our portfolio companies, we will proactively expand the ecosystems around them by actively pursuing collaborations with external specialists in areas where we cannot fully capitalize on our strengths.

Internal Resources and Strengths Supporting Our Strategies

The foundation for enhancing our investment performance is our know-how in guiding startups to success. This know-how has been cultivated through our involvement with 4,142 portfolio companies and IPO support for 1,024 companies. We have developed various case studies and insights that can be utilized to ensure the success of startups, including conditions for hiring C-level executives, organization-building based on business lines and growth stages, and collaboration with business firms geared toward sales channel expansion and business growth.

The explicit and tacit knowledge built up through our over 20-year track record of providing support has enabled us to cultivate a highly effective frontline presence that many entrepreneurs can relate to, as well as the ability to reproduce success that provides hints to boost the probability of success for portfolio companies and investors, who are constantly exposed to the risk of failure. When working closely with portfolio companies, the Company's investment professionals and the members of our division place greatest emphasis on this frontline presence and replicability.

Another important source of our value is our network of startup companies, including former portfolio companies, and large corporations. In addition to the Company's ongoing solo involvement in the management of portfolio companies and other startups, we will continue to strengthen collaboration with the broad range of stakeholders involved in startups, as we believe that it is important to foster the overall growth of the startup market.

Track Record in Portfolio Company Support That Underpins the Enhancement of Corporate Value

We make a firm commitment to addressing the major issues of unlisted companies. We have been strengthening our recruitment, customer acquisition, and back-office support structure year after year to contribute to the accelerated growth of their businesses.

Most important issues for portfolio companies	Details of support	Results for FY March 2023
Recruitment	C-level and other executive referrals Organizational development consulting	Recruited <b>37</b> people
Customer acquisition (sales and marketing)	Support for lead generation Tie-up arrangements Proof of concept (PoC) deal referrals	Business matching <b>825</b> cases
Back-office development	IPO consulting Support for establishing administrative divisions Support for tool selection	IPO consulting <b>32</b> companies



# FUND MANAGEMENT



Sueko Matsumoto  
Corporate Officer  
In charge of Fund Management and Administration

**Market Environment**

- » Decline in growth investments by overseas investors due to tightening monetary policies, leading to the downsizing of IPOs in Japan
- » Advancement in collaboration between large corporations; expansion of government policies centered on the Startup Development Five-Year Plan

**Medium- to Long-Term Targets and KPIs**

- » Expand the size of newly established funds to around ¥250 billion on a global basis
- » Increase the ratio of external capital contribution to 80%

**Medium- to Long-Term Strategies and Direction of Initiatives**

- » Gain repeat investments from existing investors by generating their expected returns and strengthening relationships
- » Acquire new investment groups and enhance fund management structure with a view to increasing external capital contribution

**Internal Resources and Strengths**

- » Investor network cultivated through our more than 40-year track record in fund management
- » Fund management know-how acquired and refined through our experience as a pioneer venture capital company in Japan
- » Well-established, trust-based relationships with fund investors that put our fiduciary responsibility first through such means as ensuring transparent management

**Mission and Social Role of the Fund Management Division**

The Fund Management Division raises capital for investment and provides investor support, covering everything from the formation of and fundraising for JAFco-managed partnerships (funds) to fund management and reporting. While there are currently a large number of private equity investment funds in Japan, the origin of such funds in Japan dates back to 1982, when the Company established the first venture capital fund under Japanese law. Since then, there have been many changes in the investment environment and relevant laws and regulations. Amid these changes, we have sought to create a vision for the ideal form of private equity investment funds and have established a management structure in coordination with relevant ministries and agencies.

The performance of private equity investment funds hinges greatly on the management capabilities of fund managers. Furthermore, it takes several years before investment results can be confirmed. To secure stable fundraising, it is extremely important that investors have a thorough understanding of the nature and significance of investments in advance. For that reason, after a fund launch, we provide information regularly about such matters as overall fund performance and the status of portfolio companies. By consistently engaging in these activities both when funds are performing well and when they are not, we have helped to provide risk capital to startups and unlisted companies.

The social role of private equity investment funds is to raise risk capital extensively from investors in Japan and overseas, allocating this money to companies that require growth capital and becoming the driving force for delivering new businesses and value to society through management involvement, thereby helping to revitalize the economy and society as a whole. Increasing the amount of risk capital is essential for regrowing the Japanese economy and realizing a sustainable society, and we see it as our critical responsibility as a company that has been leading private equity investment in Japan.

**Awareness of the Market Environment Over the Medium to Long Term**

We conduct fundraising about once every three years, and whether or not we reach our fundraising target depends significantly on the stock market and economic environment at the time. Tightening of monetary policy since around the end of 2021 has largely put the brakes on heated startup investment in the United States, and this has had a negative impact on growth investment in Japan by overseas institutional investors. As a result, the number of domestic IPOs decreased throughout 2022, and the average market capitalization at IPO also declined.

Meanwhile, the Startup Development Five-Year Plan was announced in November 2022, and a series of measures of unprecedented scale to develop startups are now being launched by the Japanese government. As startups are expected to play an important role in revitalizing the Japanese economy, developing human resources for startups, providing risk capital, and building startup ecosystems are at the core of such measures. In addition, there are growing expectations for venture capital companies, and we believe this will have a positive impact on our operating environment over the medium to long term.

FUND MANAGEMENT

Strategies for Achieving Targets and Direction of Initiatives

In November 2022, we announced the Basic Policy for Enhancing Corporate Value. Under this policy, the Company is working to increase external fundraising and capital commitments gradually while continuing to provide fund investors with their expected returns, which will, in turn, lead to a stable increase in our profits. The Fund Management Division plays a crucial role in the realization of this policy. Over the medium to long term, we will work to increase the size of new funds from the current ¥150 billion to ¥250 billion (total for Japan, Asia, and the United States) in ten years’ time and raise the ratio of external capital contribution from the present 60% to 80% by the same time.

Fundraising activities for the new JAFCO SV7 Fund Series were delayed by roughly six months due to the impact of a shareholder-related issue that took place in August 2022, causing investors who wanted to monitor developments to postpone their decisions to invest. After we resolved this shareholder-related issue, the impact of the bankruptcy of Silicon Valley Bank in March 2023 was a cause for concern. However, as there remained a high level of interest in startups and private equity investment in Japan, we were able to continue steady fundraising activities, with the fund making its final closing at ¥97.8 billion on September 30, 2023.

Under an economic environment with an uncertain outlook, including the possibility of financial crises, investors tend to forgo investment in long-term investment products with low liquidity, such as private equity funds. In such a context, our division proactively provides support for collaboration between investors and portfolio companies to strengthen the relationship between them so that we can continue to steadily raise funds from external investors. Business firms in particular are very interested in new business development. We provide them with advice for successfully collaborating with startups, which have corporate cultures that differ from those of large corporations, as well as what to look for in investment targets and important points in making investment decisions. Working as an intermediary and solid advisor, our division seeks to resolve the issues facing investors while at the same time supporting the growth of portfolio companies. Such activities are predicated on the assumption that they bring benefits to both parties and contribute to the improvement of fund performance.

While our primary investors are currently domestic financial institutions and business firms, there is a risk that economic conditions and business regulations could significantly hamper our ability to raise funds from certain investor groups. For that reason, developing and diversifying our investor groups is a pressing issue. We are working with external institutions to examine ways to obtain contributions from institutional investors, including overseas investors and pension funds, as well as individual investors, among other groups. Although there are various hurdles, such as determining fair value and securing liquidity, by succeeding in our efforts to develop and diversify investor groups, we believe we can significantly expand sources for channeling risk capital in Japan.

Internal Resources and Strengths Supporting Our Strategies

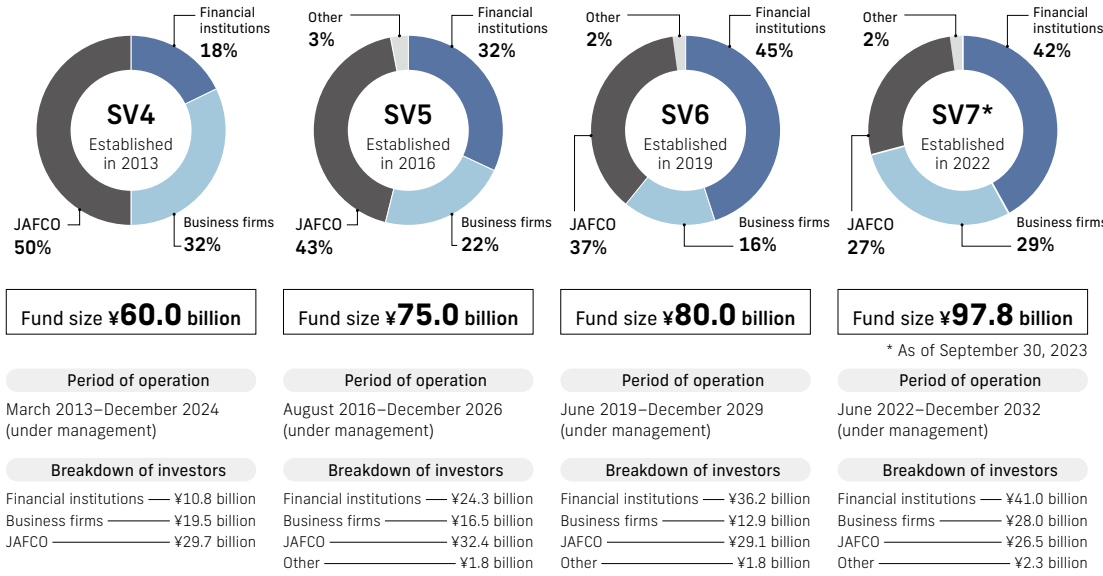
The value of our division lies in our fund management experience, which we have cultivated by overcoming major fluctuations in the economic environment time and time again, and our ability to customize our approach to meet

the specific circumstances and needs of fund investors. While overcoming numerous hardships, such as the bursting of the dot-com bubble and the global financial crisis, we have pursued efforts to control downside risks and enhance our ability to reproduce success. We have also continued to openly and honestly communicate our situation and initiatives to investors, even in difficult circumstances. It is our firm belief that the experience we have gained through these endeavors has provided us with strengths unrivaled by other venture capital companies.

Another strength of the Company Group is our fund management structure that makes use of the wealth of know-how we have accumulated as a venture capital pioneer in Japan. While securing to the greatest extent possible the level of operational freedom needed to maximize fund performance, we leverage our knowledge base from previous experiences in private equity fund operations including fund structures that align with investors’ needs, valuation methods for unlisted securities, and strategies for liquidating funds at maturity.

Our division places the utmost importance on engaging in organic communication with financial institutions, business firms, and other investors, to maintain and build on our connections with them. From our division, we designate a contact member for each fund investor. This member provides regular reports on fund operations and engages with investors in various settings to deepen their understanding of our investment activities and fund management. These routine activities build and strengthen robust trust-based relationships with investors, which in turn lead to their continued investments.

Breakdown of Fund Investors



Overseas Strategy

Tri-polar Structure of the Company Group and Future Overseas Strategy

At the Company Group, investment teams in Japan, Asia, and the United States operate their own funds based on their respective investment strategies. We diversify regional risks by pursuing investment opportunities in three regions: Japan, our home base of operations; fast-growing Asia; and the United States, a leader in cutting-edge technologies.

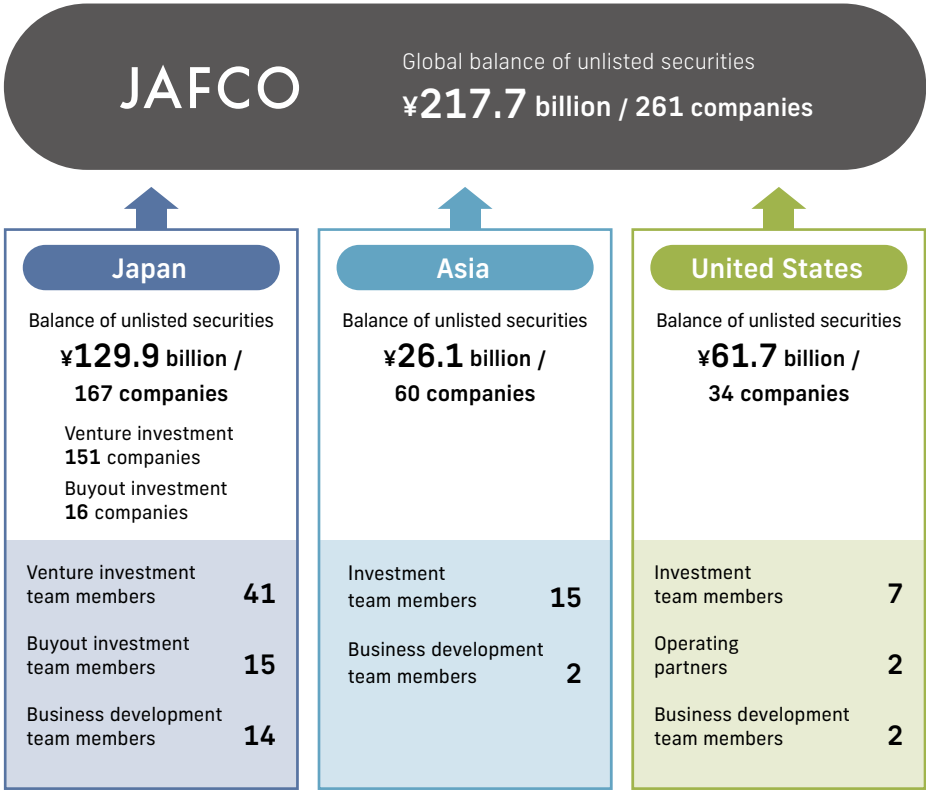
The beginning of our overseas investment can be traced back to 1984, when we established a local subsidiary in the United States for fundraising. We started by co-investing with local funds through overseas investors, and in 1986 we established a Japan-based unit specializing in overseas investments.

Initially, the U.S. subsidiary worked together with the Overseas Investment Division in Japan to make U.S. investments. After the historic success of our IT fund in the United States around 2000, we switched to managing funds in the same style as U.S. venture capital firms, with locally hired teams making investment decisions. This policy of entrusting fund management to local teams to make full use of the their capabilities in venture investments, which are highly local in nature, has been passed on to today's Silicon Valley-based Icon Ventures.

In Asia, our history of full-scale investment started back in the early 1990s. After the 1997 Asian financial crisis, we revamped our operating structure in the region in 2000, and in 2012, there was a change of CEO at JAFCO Investment (Asia Pacific) Ltd. ("JAFCO Asia") in Singapore. In addition to promoting the further localization of operations, the new CEO also strived to share the JAFCO Group's investment philosophy and its standards for investment quality across the organization. Currently, JAFCO Asia's investment activities focus primarily on China, Taiwan, India, Indonesia, Vietnam, and Singapore.

After 2000, we established dedicated teams within the Business Development Division in Japan that provide support to portfolio companies in Asia and the U.S. primarily for establishing Japanese subsidiaries, cultivating sales channels, and forming capital and business alliances. Our strength in supporting these portfolio companies for entering the Japanese market has led to the acquisition of promising investment opportunities in Asia and the U.S.

Results for FY March 2023



Business development teams collaborate with local investment teams to provide value-adding support and achieve portfolio exits.

• Balance of unlisted securities as of March 31, 2023 (acquisition cost basis)  
• Exchange rate: US\$1 = ¥133.53 (as of March 31, 2023)  
• Number of personnel is as of April 1, 2023  
• Overseas investments made by the Venture Investment Division in Japan are included in the category of Japan.

JAFCO Asia

▶ Accelerating investment in cutting-edge domains in emerging markets where rapid expansion is expected in the medium to long term

Advancing in Asia, Which Accounts for 40% of the Global PE Market Share

The Asian private equity market, which includes China, a country that we must naturally focus on in our operations in Asia, as well as Greater China including Taiwan, and India, which is showing promising signs of growth, has expanded in recent years to account for the majority of the global market. With this expansion, ASEAN countries, in particular Indonesia and Vietnam, have been growing as emerging markets. With an awareness that Japan is part of Asia and that Asia is a lifeline for Japan, JAFCO Asia has remained committed to the Asian market for over 30 years. As a local Asian venture capital firm with strong ties to Japan, JAFCO Asia has been operating with the following unique characteristics.

- Investment strategies and investment decision-making adapted to the local context
- Disciplined investment team comprising investment professionals of diverse nationalities
- Business development team (located in Tokyo) specializing in the Asian region

Market Environment

In China, where the market is expected to reach maturity, there has been a rapid industry shift involving the expansion of domestic-driven demand and the local production of various products and services. In Taiwan, the semiconductor, EV, and security software industries, among others, are becoming hot sectors. In India and Southeast Asia, countless startups are being established against a backdrop of a high percentage of young people, large absolute demand from middle-class consumers, and rapidly developing social infrastructure. Meanwhile, there are many factors in the Asian region to which JAFCO Asia needs to pay close attention, such as political frictions between the U.S. and China leading to possible difficulties for Chinese companies in achieving exits via listing on the U.S. stock market, intensifying market competition in India, and the importance of local context in making investment decisions in Southeast Asia, which comprises numerous countries.

Major portfolio companies (including EXITed)

JAFCO Asia's Strengths and Challenges

- **Stability as a venture capital fund:** In Asia, where venture capital companies themselves are undergoing significant rejuvenation, promising startups tend to seek stability from their investors. Under these circumstances, JAFCO Asia has established a total of nine funds on an ongoing basis since 2000.
- **High problem-solving capabilities as a venture capital firm:** Venture capital ecosystems in emerging countries are still relatively new, and there is only a small number of investment professionals who have experience in dealing with changes in the operating environment. JAFCO Asia draws on the wisdom and experience it has gained through its operational history to identify the best possible solutions for the business issues facing its portfolio companies.
- **Corporate value enhancement of portfolio companies leveraging operations spanning all of Asia:** JAFCO Asia helps its portfolio companies adopt the highly competitive technologies of Japanese companies and also make an entrance into the Japanese market, thereby enhancing their performance and creating a diverse array of exit scenarios.
- **Expansion of fund size and level of recognition:** In Asia, where the prospect of market growth is promising, there is a need to enhance the level of recognition of funds and double or triple their size. To that end, JAFCO Asia needs to assemble first-rate, stable investment teams, build an attractive portfolio, and demonstrate its ability to reproduce success through the numerical performance of its funds.

Policies Moving Forward

To establish our operations in Asia as a major pillar of the JAFCO Group, JAFCO Asia must expand its fund size based on solid results. The success that the company achieved with its leading home-run deal of SHEIN (China) (ROI of 56.5x) has bolstered its resolve to pursue the next game-changing opportunity. Additionally, in the recent cases of Appier (Taiwan) and AnyMind Group (Singapore), JAFCO Asia managed an exit approach involving the listing of these Asian companies on the Tokyo Stock Exchange. Through such success stories, the company hopes to deepen the understanding of its business activities among promising entrepreneurs, fund investors, and other business partners.

JAFCO Asia Management Structure



Yoshiyuki Shibusawa  
President & CEO



Swee Ting Pan  
Managing Director,  
Head of China (Shanghai, China)



John Lin  
Managing Director,  
Head of Taiwan



Supriya Singh  
Director,  
Head of South Asia Investments



Melvin Teo  
CFO





Overseas Strategy | United States

Icon Ventures
































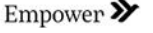











▶ Executing investments in the world’s largest and most advanced startup market and enhancing support for business development in Asia

Recognizing our growth potential in the United States—the largest private equity market in the world—at an early stage, the Company established JAFCO America Ventures Inc. in 1984. Joe Horowitz and other members joined JAFCO America Ventures in 2003, and since 2015, the U.S. subsidiary has operated under the name Icon Ventures. Currently, Icon Ventures is known as a local venture capital firm with strengths in Series B and C funding rounds based on its network of top-tier venture capital firms in the United States. Joe Horowitz and his team at Icon Ventures manage a cumulative total of US\$1.4 billion in funds, and have successfully completed 34 exits, including eight IPOs, for a total exit value of more than US\$93 billion. In addition to its support for the expansion of portfolio companies into Japan and Asia, Icon Ventures also assists with the recruitment of engineers in Canada. These efforts set Icon Ventures apart from its competitors and have helped it acquire promising portfolio companies.

Market Environment

Since 2022, there has been a challenging environment for startup fundraising in the United States. due to tightening of monetary policies. This environment is expected to cause difficulties for inexperienced venture capital companies and portfolio companies. Meanwhile, Icon Ventures has experienced the cycle of economic change time after time, and the current investment environment is thought to present an excellent opportunity to invest in companies at an adequate value. Furthermore, many attractive investment opportunities are emerging, centered on the domain of AI. Icon Ventures will leverage its many years of investment experience in the data and AI domain to capitalize on these opportunities going forward.

Major portfolio companies

	Security	Consumer / SaaS	Data and AI	Digital Health
Exits	<div></div>	<div></div>	<div></div>	<div></div>
Unicorns	<div></div>	<div></div>	<div></div>	<div></div>
Up & Comers	<div></div>	<div></div>	<div></div>	<div></div>

Icon Ventures’ Strengths and Challenges


The experience that Icon Ventures has gained navigating through various market environments over the past 20 years represents its greatest strength. This has enabled the company to consistently generate stable returns under both favorable and unfavorable market conditions. We believe that the strong personal connections and network the company has built up within the startup ecosystem in Silicon Valley will allow it to provide even greater value moving forward.

Responding to the changes in the environment around venture capital companies is an important issue for Icon Ventures as well. The investment landscape is undergoing significant change as the era of abundant funding in the startup community is coming to an end, and the company must therefore respond to these changes accordingly.


Policies Moving Forward

Icon Ventures remains committed to the direction in which it has been heading to date, and will continue to invest with perseverance and earnestness in sectors where it can draw on its strengths. Meanwhile, the AI domain is expected to drive market growth in the future, and the company will enhance its expertise and coverage in this domain by increasing its resources. Furthermore, the company will strengthen recruitment activities at portfolio companies to ensure they can secure personnel that will help them pursue engineering, market launches, and business expansion. Amid the dramatic changes in the market environment, entrepreneurs require not only funding from venture capital companies but also support for achieving corporate growth. In this environment, Icon Venture’s business model is becoming even more essential, and the company will therefore continue to push forward with its initiatives to date.


Icon Ventures Management Structure




Joe Horowitz  
Managing General Partner



Tom Mawhinney  
General Partner



Jeb Miller  
General Partner



Preeti Rath  
General Partner

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Section- 04

Business Foundation for Sustainable Growth



Interview with the Independent Directors



Views on the Ideal Form of JAFco’s Management and Governance for Realizing Medium- to Long-Term Growth

**Q. What are your impressions of the Company and its Board of Directors?**

**Koji Tanami:** JAFco Group is a small organization of highly qualified individuals, and accordingly, the Board of Directors is also small, so I think it operates in an extremely efficient way. The pre-briefing sessions for the Board of Directors, which include thorough explanations of the agenda and data, have contributed to highly engaging discussions between independent directors and the executive side.

After many years working in administrative organizations and government-affiliated financial institutions, I became an attorney-at-law and now also serve as an independent director of the Company. Throughout my career, my ambitions have been to contribute to Japan, as well as to the world and the people living in it. JAFco Group is an investment company, so its operations are completely different from the kind of work I have previously been involved in. However, I strongly believe that the Company is an organization that truly encapsulates the visions that I have been pursuing throughout my career.

**Yoshie Kajihara:** JAFco Group has a corporate culture that is flat and open, and many of the Company’s employees and managers are very outgoing but also humble.

When I was appointed as independent director, I was surprised that the majority of those on the executive side were men who had built their entire careers as investment professionals at the Company. The situation remains largely the same today, and I therefore believe that an important role I play as an independent director is in providing a woman’s perspective informed by my personal experience of working at numerous startup companies.

**Kenichi Akiba:** When I was appointed as independent director eight years ago, the Company was focusing on how to leverage the capabilities of its investment professionals. I therefore got the impression that the Company placed more emphasis on the individual rather than the organization itself. While the capabilities of individual employees are obviously still important, the Company has been steadily enhancing its organizational

Interview with the Independent Directors

capabilities in recent years, including by expanding the Business Development Division.

The Company's business activities entail close involvement with portfolio companies and fund investors, so I make concerted efforts to speak at the Board of Directors' meetings from the standpoint of capital markets and the shareholders. Over the past several years, the Company has been strengthening management geared toward capital markets, by clarifying its shareholder return policy and the amount of funds necessary for investment activities to enhance capital efficiency. I view this progress as one of my accomplishments as an independent director.



**Shigeru Tamura:** The Company is fully committed to fueling the perpetual growth of corporations and society at large by working side-by-side with entrepreneurs and supporting its portfolio companies. With that said, the Company has always regarded itself as a behind-the-scenes supporter of portfolio companies or, as a consequence, has been somewhat indifferent or unskilled in terms of communicating the appeal of its initiatives and the value it creates for its portfolio companies. In that sense, I believe the Company still needs to improve its external communication.

In terms of the Board of Directors' meetings, all independent directors have a strong commitment to understanding management issues in detail and are given preliminary explanations of important issues through monthly pre-briefing sessions. Because they take the time to explain mainly technical issues to us, we can focus on discussing strategically important matters and other significant issues at actual Board of Directors' meetings, in which the executive side also participates.

Q ■ How do you evaluate the effectiveness of the Company's governance?



**Tanami:** As a certified public accountant, Mr. Akiba excels in the analysis of detailed numerical figures and data. Ms. Kajihara has a wealth of work experience at startup companies and, as a woman, a perspective that differs from that of the other directors. Mr. Tamura is a full-time independent director and is included in

in-house meetings regularly. In these ways, the Company utilizes each independent director's unique expertise and role at the meetings of the Board of Directors and the Nomination and Remuneration Committee, as well as in its management.

It has been over a year since Keisuke Miyoshi was appointed as President & CEO. While I commend the Company for its current executive structure, I believe that the Nomination and Remuneration Committee needs to talk more about succession plans, including the cultivation of candidates to oversee the next generation of JAFCO's management.



**Kajihara:** Recently, I feel there has been a much greater awareness of the perspective of shareholders at the Board of Directors' meetings. At the same time, all of the Company's stakeholders, including fund investors, portfolio companies, and employees, remain equally important. Therefore, I pay particular attention to maintaining a balance to ensure that no conflicts of interest arise.

One issue that the Company needs to address going forward is the strengthening of the Board of Directors' evaluation process for the executive side. Evaluating the management team is an important role of the Nomination and Remuneration Committee, but there is still room to improve evaluation methods and schemes, including the evaluation of matters not reflected in business results and numerical figures. Accordingly, I believe that the Company needs to hold more relevant discussions to strengthen the evaluation process.



**Tamura:** Starting in the fiscal year ended March 31, 2023, I have been actively attending individual meetings with shareholders and institutional investors as an independent director. What I have noticed is that, while the Nomination and Remuneration Committee is a voluntary body, shareholder expectations and demands for this committee are extremely high. These meetings were held a total of three times during the fiscal year ended March 31, 2023, and I hope that we continue to meet shareholder expectations by increasing the frequency of these meetings going forward, so that we can engage in further discussion, particularly on the evaluation of the CEO's performance and the succession plans, among others important matters.



**Akiba:** We are working continuously to strengthen monitoring functions, including verifying management initiatives and performance, primarily through meetings of the Board of Directors and the Board-Audit Committee, which are held every month.

Regarding the Nomination and Remuneration Committee, we introduced the stock compensation plan in 2022 to establish a compensation system for management members that better reflects the trends in capital markets. In terms of nomination, while President Miyoshi was just appointed in 2022, we are working to enhance communication through interviews and discussions with corporate officers and Partners. Meanwhile, there remain issues related to the effectiveness of nomination functions, not only for JAFCO Group but also for Japanese companies in general. We therefore need to hold ongoing discussions about establishing more substantive nomination methods and schemes.

Q ■ Please tell us about your evaluation of the Company's medium- to long-term targets and your awareness of issues going forward.



**Kajihara:** The Board of Directors' discussions on capital efficiency are now far more lively. Following discussions with a large number of shareholders, the Board decided to sell its shares in Nomura Research Institute, Ltd., which accounted for a large percentage of the Company's assets, and implement large-scale shareholder returns after the sale. The Company used the Board's decision as an opportunity to formulate the Basic Policy for Enhancing Corporate Value and relevant medium- to long-term targets, and to announce its management direction and qualitative and quantitative goals. I commend the Company in this regard.

On the other hand, I believe that the Company needs to better clarify its plans for the future, including its efforts to increase the size of funds and enhance investment performance, and communicate these plans to its stakeholders.



Interview with the Independent Directors



**Akiba:** When surplus funds are abundant, the general practice is to allocate those funds to investments in new businesses and other areas. However, JAFCO needs to be mindful of such matters as preventing conflicts of interest, and as an independent director, I have recommended that the Company allocate any surpluses to shareholder returns, so long as it does not branch out into domains outside the fund business. When the Company reduced the amount of capital it requires for investment activities to ¥120.0 billion and carried out share buybacks in 2021, I continued to discuss this matter at Board of Directors' meetings. I believe this was an extremely significant decision for the Company to make, given its difficult experiences of fundraising during past financial crises.

Additionally, in November 2022 the Company formulated the medium- to long-term target of achieving ROE within the range of 15% to 20% as part of the Basic Policy for Enhancing Corporate Value. This target reflects the possibility that the Company's cost of shareholders' equity is considered higher than the overall market average, and our efforts to further enhance corporate value. It is essential to expand the amount of external capital contributions to reach this target, so the Company needs to further enhance its fundraising capabilities moving forward.

**Q ■ It is imperative that the Company recruit and cultivate outstanding personnel and strengthen its organizational capabilities to reach its medium- to long-term targets. How do you view the Company's approach to human resources?**



**Kajihara:** The composition of JAFCO's employees has been changing enormously since I became an independent director four years ago. The average age of in-house personnel is gradually increasing, so the Company has prioritized the recruitment and development of personnel for the next generation and has actively pursued mid-career hires. As a result, the Company has built up a diverse pool of personnel with a wealth of experience.



In the past, most employees were men who built their entire careers at JAFCO, creating a very homogenous atmosphere within the Company. Recently, however, a number of mid-career employees from different industries and professions have joined the Company, thanks to the promotion of mid-career hiring, and these employees have brought with them cultures and ways of thinking different from anything JAFCO has seen before. I hope that these mid-career hires can draw on JAFCO's organizational capabilities to actively pursue new challenges.

**Tamura:** The Company urgently needs to enhance the value of its human capital. Diversity is obviously an important aspect of securing outstanding personnel. In the past, instilling JAFCO's organizational culture in its employees has allowed it to grow through a sense of unity and cohesiveness. Now, however, JAFCO must respond to dramatic changes in the operating environment and therefore needs to generate new ideas and take on new challenges by interacting with personnel from different backgrounds. Additionally, I think it is even more important to widen its recruitment base as much as possible, to keep hiring highly capable personnel. The Company must avoid making its hiring practices unnecessarily restrictive, including in terms of gender, career stage, age, and nationality. Outstanding and diverse personnel will be more eager to join the Company if it communicates the appeal of this kind of open hiring policy. I see it as my responsibility to constantly demand that the executive side secure a working environment where people can make the most of their talents.

**Q ■ How do you evaluate the Company's efforts and contributions toward sustainability?**



**Tamura:** All of the companies in JAFCO's portfolio strive to create new value that contributes to sustainability and the resolution of social issues. So, in that somewhat narrow sense, I believe that the Company is contributing sufficiently to sustainability. On the other hand, passing on talent and skills to the next generation is essential for the sustainable development of the Company. Doing so is what has enabled the Company to



continue to grow over the past 50 years, and as such the most important task for JAFCO is to continue to recruit and develop outstanding talent so that they can play an active role. Also, while the Company's venture investment and buyout investment activities are currently very local, many of JAFCO's portfolio companies have strong global ambitions. In addition, the percentage of JAFCO shareholders and fund investors from overseas is likely to increase in the future. I would therefore like to see the Company's employees broaden their global perspectives. In general, I think that the younger employees already have such a perspective, so I would like to see managers step up their efforts in this regard.

**Kajihara:** JAFCO's investment activities are directly linked to sustainability. In addition, the Company advocates for the establishment of startup ecosystems. I feel that this stance is the reason for JAFCO's existence and the essence of the Company's approach to sustainability.

I think that the Company needs to organize the details and significance of its sustainability initiatives and communicate them to its stakeholders to improve corporate value moving forward. In addition, the Company's P/B ratio remains below 1x. From the perspective of addressing this major issue, as well as from a sustainability perspective, the Company should prioritize efforts to consistently generate stable profit from its investment activities.



**Tanami:** The Company's investment activities themselves constitute a contribution to sustainability. As a Co-Founder with capital and talent, the Company supports the creation of innovative technologies as well as products and services that help resolve social issues. This is an extremely meaningful activity. I believe that all JAFCO Group employees, from management to the front lines, share a strong awareness of contributing to sustainability. I hope that the Company will persist in its commitment not only to making investments but also to taking a leadership role and working closely with portfolio companies to resolve social issues and realize a sustainable society.

Board of Directors

Directors



Chairman  
Shinichi Fuki

Apr. 1985    Joined JAFCO  
Jun. 2003    Director in charge of Investment Group II, Kansai Branch and Planning & Administration, JAFCO  
Feb. 2005    Managing Director in charge of Finance, Investment Group II, Kansai Branch and VA Department III, JAFCO  
Mar. 2007    Executive Managing Director in charge of Finance, Structured Investment, Kansai Branch and VA Department III, JAFCO  
Jan. 2010    President & CEO (Representative Director)  
Apr. 2022    Chairman, JAFCO (present)



President & CEO  
(Representative Director)  
Keisuke Miyoshi

Apr. 1993    Joined JAFCO  
Aug. 2011    Group Officer of Investment Group II, JAFCO  
Apr. 2013    Corporate Officer in charge of Investment, JAFCO  
Jun. 2015    Director in charge of Investment, JAFCO  
Mar. 2018    Director in charge of Investment, Partner, JAFCO  
Apr. 2022    President & CEO, in charge of Investment, Partner, JAFCO (present)

Independent Directors



Director  
(Board-Audit Committee member, full-time)  
Shigeru Tamura

Apr. 1985    Joined The Bank of Yokohama, Ltd.  
Jun. 2000    General Manager of Business Administration and Head of Office of IPO, Members Co., Ltd.  
Aug. 2000    Director & CFO, Members Co., Ltd.  
Sep. 2002    General Manager of the Business Management Headquarters (CFO), Aplix Corporation  
Jun. 2003    Vice President of Principal Investments, Investment Banking Headquarters, ORIX Corporation  
Aug. 2005    Senior Corporate Officer, Medical Industries Corp. (currently MEDISCIENCE PLANNING INC.)  
Aug. 2006    Executive Vice President, MIC Medical Corporation (currently MEDISCIENCE PLANNING INC.)  
Jun. 2010    President & CEO, MIC Medical Corporation  
Oct. 2014    Chairman, MIC Medical Corporation (until May 2015)  
Jun. 2017    Director (Board-Audit Committee member), JAFCO  
Jun. 2019    Director (Board-Audit Committee member, full-time), JAFCO (present)



Director  
(Board-Audit Committee member)  
Koji Tanami

Apr. 1964    Joined the Ministry of Finance  
Jul. 1994    Director-General of the Financial Bureau, Ministry of Finance  
Jul. 1996    Chief Cabinet Councilor for Internal Affairs, Cabinet Secretariat  
Jan. 1998    Administrative Vice Minister, Ministry of Finance  
Sep. 1999    Special Advisor to the Minister of Finance  
Jun. 2001    Deputy Governor and Managing Director, Japan Bank for International Cooperation  
Oct. 2007    Governor, Japan Bank for International Cooperation  
Sep. 2008    Resigned from the position of Governor of Japan Bank for International Cooperation  
Dec. 2010    Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association) Attorney-at-Law, Hashidate Law Office (present)  
Jun. 2015    Director (Board-Audit Committee member), JAFCO (present)



Director  
(Board-Audit Committee member)  
Kenichi Akiba

Sep. 1986    Joined Eiwa Audit Corporation (currently KPMG AZSA LLC)  
Jul. 1989    Registered as a certified public accountant  
Sep. 2001    Accounting Standards Board of Japan, seconded as Technical Manager  
Apr. 2007    Accounting Standards Board of Japan, seconded as Technical Director (until Aug. 2009)  
Jul. 2007    Partner, KPMG AZSA Corporation (currently KPMG AZSA LLC)  
Sep. 2009    Professor, Waseda University Graduate School of Accountancy (present)  
Jun. 2015    Director (Board-Audit Committee member), JAFCO (present)  
Jun. 2018    Auditor of the Board (outside), Mitsui Sumitomo Insurance Co., Ltd. (present)



Director  
(Board-Audit Committee member)  
Yoshie Kajihara

Oct. 2001    General Manager of Accounting, Aplix Corporation  
Mar. 2005    Corporate Officer and Head of Corporate Planning Office, Aplix Corporation (until Mar. 2007)  
May 2007    Corporate Auditor (full-time), MIC Medical Corporation (currently MEDISCIENCE PLANNING INC.)  
Feb. 2008    Resigned from the position of Corporate Auditor (full-time) of MIC Medical Corporation  
Oct. 2009    Joined CCS Inc.  
Nov. 2013    Executive Officer in charge of Corporate Planning, CCS Inc.  
Oct. 2016    Resigned from the position of Executive Officer of CCS Inc.  
Jan. 2017    Joined Interactive Solutions Corporation  
Aug. 2017    Director and General Manager of Human Resources & Administration, Interactive Solutions Corporation  
Jul. 2018    Resigned from the position of Director of Interactive Solutions Corporation  
Jun. 2019    Director (Board-Audit Committee member), JAFCO (present)

Board of Directors

Experience and Expertise of Directors

The policy and procedure for selection of director candidates are stipulated in the Corporate Governance Policy of the Company as shown below.

- Directors and corporate officers are appointed by the Board of Directors based on deliberations by the Nomination and Remuneration Committee.
- All directors (excluding directors serving as Board-Audit Committee members) are subject to election/reelection every year at the General Meeting of Shareholders. The Board-Audit Committee expresses its opinion on directors' appointment/dismissal at the General Meeting of Shareholders when it deems it necessary.
- The Company shall select director candidates who have the business skills, insight, experience, and expertise to serve as directors to allow the Board of Directors to fully exercise its operational and supervisory functions. The Company proactively selects suitable candidates from diverse backgrounds regardless of gender and nationality.
- The Company shall select independent director candidates who have abundant experience and deep insight into corporate management or specialist fields, and who can be expected to fulfill the roles and responsibilities of an independent director. The selection is in accordance with the Company's Standards for Independence of Independent Directors.

Corporate Officers

- Hiroaki Matsuda

In charge of Administration
- Sueko Matsumoto

In charge of Fund Management and Administration
- Naoki Sato

In charge of Business Development

The experience and expertise required of directors comprising the Company's Board of Directors, and the experience and expertise of the directors appointed at the Annual General Meeting of Shareholders held on June 21, 2022, are outlined below.

Director	Experience/ Expertise	Expertise*								
		Corporate management	Investment	Fundraising/ Fund operation	Overseas operation	Personnel/ Labor affairs	Treasury/ Accounting	Legal affairs/ Compliance	Finance	Academic research/ Education
Shinichi Fuki		●	●	●	●	●	●	●	●	
Keisuke Miyoshi		●	●	●		●	●	●	●	
Shigeru Tamura Independent Director		●	●		●	●	●		●	
Koji Tanami Independent Director		●			●			●	●	
Kenichi Akiba Independent Director							●		●	●
Yoshie Kajihara Independent Director		●				●	●			

Notes: 1. Directors Shinichi Fuki and Keisuke Miyoshi have experience in management team member recruitment, management figure analysis, investment legal affairs, fundraising arrangement, etc. at unlisted companies through their venture investment operations. Therefore, even if they have not worked in the relevant divisions, they are deemed to have expertise in personnel/labor affairs, treasury/accounting, and legal affairs.  
2. The table above does not represent all the knowledge or experience of the directors.

Partners

- Atsushi Fujii

In charge of Venture Investment
- Shozo Isaka

In charge of Venture Investment
- Tomotake Kitazawa

In charge of Venture Investment
- Mizuki Takahara

General Manager of the West Japan Branch
- Yutaro Saka

In charge of Venture Investment

Corporate Governance

Basic Views on Corporate Governance

The Company's basic views on corporate governance are as outlined below. With an eye to increasing corporate value over the medium to long term, the Company makes continuous efforts to enhance corporate governance.

- Build respectful relationships with stakeholders
  - Maintain transparency and fairness in decision making
- Establish an appropriate supervising structure
  - Establish a corporate structure that ensures effective and swift business execution

Corporate Governance Policy

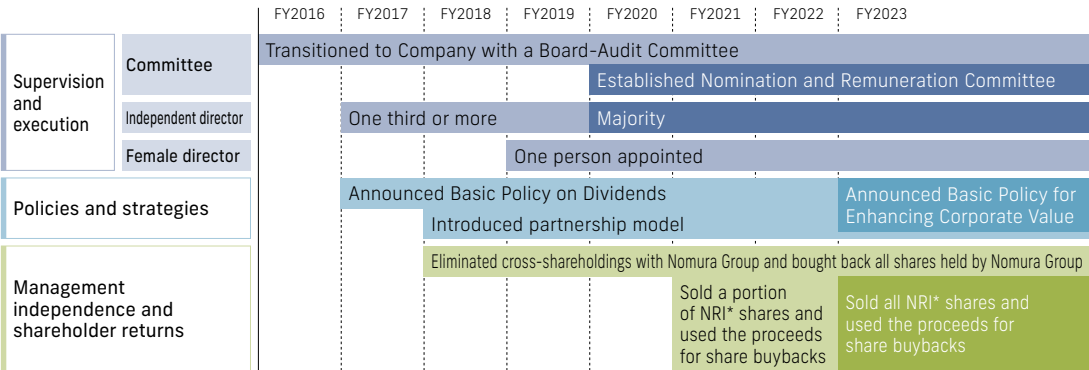
Based on the above basic views, the Company has established the Corporate Governance Policy, which outlines its concrete corporate governance measures.

Corporate Governance Report and Corporate Governance Policy

[More information](#)

Governance Initiatives

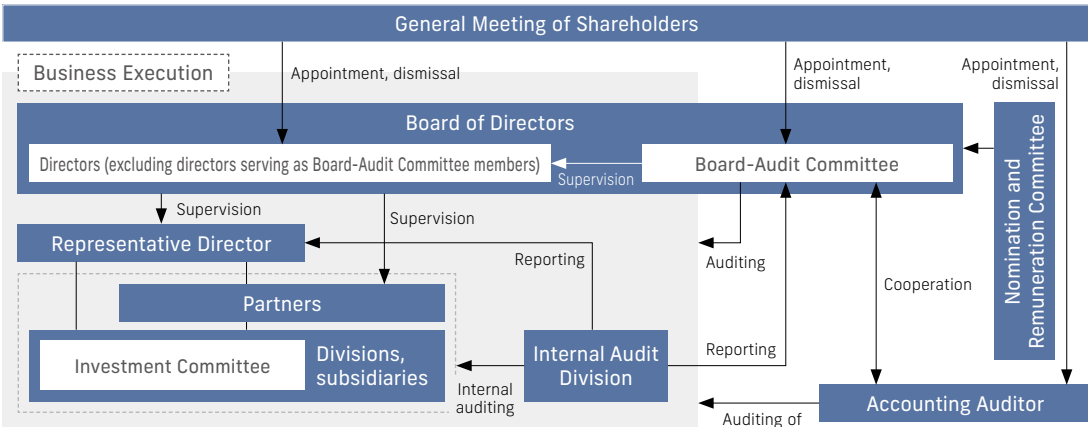
For the Company, which operates a high-risk business of venture and buyout investments, it is extremely important to enhance management governance and carry out fair and prompt decision-making. To date, we have made incremental improvements to governance each year in terms of increasing management independence, sharing value with shareholders, improving capital efficiency, and promoting growth strategy, among other things. Going forward, we will continue such efforts to improve governance.



\* Nomura Research Institute, Ltd.

Corporate Governance Structure

JAFCO Group is a company with a board-audit committee, whereby the Board of Directors and the Board-Audit Committee make important management decisions and audit and supervise business execution by directors.



Organization		Company with a board-audit committee
Directors	Number of directors [of which, Board-Audit Committee members]	6 [4]
	Ratio of female directors	16.7%
	Ratio of independent directors	66.7%
	Term	1 year*
Accounting auditor		Ernst & Young ShinNihon LLC

\* Excludes directors serving as Board-Audit Committee members

Reasons for Adoption of Corporate Governance System

The Company focuses on private equity investment, a highly specialized business aimed at providing risk capital. In light of the nature and scale of the Company's business and number of employees, the Board of Directors, whose members are few in number, endeavors to ensure swift and appropriate decision-making.

In consideration of the above, the Company has adopted its current framework as it believes that the most effective governance structure is one that leverages the advantages of independent directors and a Board-Audit Committee (a majority of whom are independent directors) to further strengthen business execution auditing and supervisory functions as well as the corporate governance system, with the aim of enhancing corporate value to an even greater degree.

In principle, the Board of Directors shall comprise a majority of independent directors to increase the effectiveness of corporate governance.



Corporate Governance


Status of Committee Activities


 Inside director

 Independent director

Board of Directors

Chairperson

  
Chairman    President & CEO



The Board of Directors consists of a total of six directors, including two inside directors and four independent directors. Independent directors constitute a majority of the Board. The Board of Directors, which is chaired by the President & CEO, is responsible for making important management decisions and supervising directors' execution of duties. Independent directors supervise management from an objective and neutral standpoint.

Board-Audit Committee

Chairperson




  
Chairperson





The Board-Audit Committee is composed of four independent directors and is currently chaired by the full-time Board-Audit Committee member. The Board-Audit Committee audits execution of duties by directors and prepares an audit report. To ensure the independence of independent directors, the Company has established its own Standards for Independence of Independent Directors, and appoints independent directors based on the Standards.

Nomination and Remuneration Committee

Chairperson

  
President & CEO



The Nomination and Remuneration Committee is composed of four independent directors and the President & CEO. The chair is elected from independent directors. To ensure the transparency and objectivity of nominations and remuneration, important decisions regarding the nomination and remuneration of directors, corporate officers, partners, and representatives of major subsidiaries are deliberated by the committee in advance. The Board of Directors discusses and makes decisions on nominations and remuneration based on deliberation by the committee. Investment decisions are made by the Investment Committee, comprising the President & CEO, partners, and other personnel, in order to expedite the decision-making process. Directors who are members of the Board-Audit Committee also participate in Investment Committee meetings as needed.

Activities in FY March 2023

Meetings held: 17 / Participation: 100%

Main resolutions

- Formulation of our Purpose and material issues
- Establishment of Basic Policy for Enhancing Corporate Value
- Response policies to large-scale purchases actions, etc. of the Company shares
- Appointment of directors, corporate officers, and partners
- Remuneration for directors, corporate officers, and partners (basic, extraordinary, and stock-related compensation)
- Directors and officers liability insurance
- Approval of potential conflict-of-interest transactions by directors
- Acquisition and cancellation of treasury shares
- Surplus dividends
- Convening of the General Meeting of Shareholders

- Organizational reform
- Important personnel changes, bonuses
- Establishment, revision, and abolition of regulations
- Approval of financial statements
- Annual securities report
- Expense budget, financial plan
- Fund strategy
- Portfolio status report
- Approval of JAFCO Group's investment in venture investment deals (from the perspective of prevention of conflicts of interest)
- Matters related to corporate governance
- Verification of cross-shareholdings
- Risk management

Activities in FY March 2023

Meetings held: 14 / Participation: 100%

Main resolutions and reports

Resolutions

- Board-Audit Committee audit plans and division of duties
- Accounting auditor appointment and consent to remuneration
- Audit reports
- Approval of potential conflict-of-interest transactions
- Formation of opinions on the appointment and remuneration of directors (excluding Board-Audit Committee members)

Reports

- Monthly audit reports (Administration Division and Internal Audit Division hearings, etc.)
- Exchange of opinions with the officer in charge of administration
- Reports on audit results related to the execution of duties by directors, etc.
- Reports related to the General Meeting of Shareholders, etc.

Activities in FY March 2023

Meetings held: 3 / Participation: 100%

Main resolutions

- Nomination of directors, corporate officers, partners, and representatives of major subsidiaries (basic, extraordinary and stock-related compensation)

- Revision of the policy for determination of remuneration of directors, etc., and granting of stock remuneration according to the introduction of a stock remuneration plan

Investment Committee

Investment decisions are made by the Investment Committee comprising the President & CEO, Partners, and others to allow quick decision-making. Directors who are Board-Audit Committee members also participate in the committee on an as-needed basis.

Corporate Governance

Reasons for Appointment of Independent Directors

Name	Reasons for Appointment	Attendance in FY March 2023	
		Board of Directors meetings	Board-Audit Committee meetings
Shigeru Tamura	Mr. Tamura has been involved in the management of listed and unlisted companies in positions including CEO and CFO, and has abundant experience and deep insight. He also has experience in financial and investment businesses as well as international operations. He has leveraged his achievements, insight, and knowledge to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent standpoint as the full-time Board-Audit Committee member. He also chairs the Nomination and Remuneration Committee and actively contributes opinions at the committee meetings. Based on the above, the Company believes that he is capable of appropriately performing his duties as an independent director serving as a Board-Audit Committee member.	17 out of 17 (100%)	14 out of 14 (100%)
Koji Tanami	Mr. Tanami has held various important positions at government agencies and international organizations, and has extensive experience and insight in monetary, financial, tax, and international matters, as well as expertise in legal affairs as an attorney-at-law. He has leveraged the above experience and insight to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent standpoint. He also serves as a member of the Nomination and Remuneration Committee and actively contributes opinions at the committee meetings. Based on the above, the Company believes that he is capable of appropriately performing his duties as an independent director serving as a Board-Audit Committee member.	17 out of 17 (100%)	14 out of 14 (100%)
Kenichi Akiba	Mr. Akiba is a certified public accountant with extensive knowledge of international accounting systems and has contributed to the development of accounting standards in Japan. He is also committed to research activities and human resources development as a graduate school professor. He has leveraged his high level of expertise in financial accounting and other fields to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent standpoint. He also serves as a member of the Nomination and Remuneration Committee and actively contributes opinions at the committee meetings. Based on the above, the Company believes that he is capable of appropriately performing his duties as an independent director serving as a Board-Audit Committee member.	17 out of 17 (100%)	14 out of 14 (100%)
Yoshie Kajihara	Ms. Kajihara has served as an executive, mainly in charge of accounting and management planning, at listed and unlisted companies and has abundant experience and deep insight in these fields. She has leveraged her achievements, insight, and knowledge to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent standpoint. She also serves as a member of the Nomination and Remuneration Committee and actively contributes opinions at the committee meetings. Based on the above, the Company believes that she is capable of appropriately performing her duties as an independent director serving as a Board-Audit Committee member.	17 out of 17 (100%)	14 out of 14 (100%)

Corporate Governance

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors evaluates its effectiveness every year. In the fiscal year ended March 31, 2023, surveys and interviews were conducted with all directors regarding the Board of Directors' composition, operation, roles, and responsibilities, which formed the basis for discussion by the Board of Directors.

The Company's Board of Directors comprises a majority of independent directors, who are deemed to possess the level of experience and expertise necessary for enhancing ongoing discussions.

In the fiscal year ended March 31, 2023, under President & CEO Keisuke Miyoshi's new administration, we furthered medium- to long-term discussions on the enhancement of corporate value. In addition to matters for which discussions had been ongoing since the previous fiscal year, the Board of Directors vigorously exchanged opinions and deliberated its response to the large-scale purchase of the Company shares from August 2022 onward, in particular, with appropriate timing and frequency at Board meetings.

Based on these discussions and dialogue with shareholders, investors, and other stakeholders, we formulated a new Basic Policy for Enhancing Corporate Value in the fiscal year ended March 31, 2023, which specifies our strategies for growth and capital efficiency improvements. Beyond setting

medium- to long-term targets for ROE and the total shareholder return ratio, as a short-term measure, we sold all shares held in Nomura Research Institute, Ltd., bought back and canceled our own shares, and revised our dividend policy.

Accordingly, the Board of Directors judges itself to be functioning effectively, having set a major course for discussions that have been ongoing since the fiscal year ended March 31, 2022, while approving several important resolutions and launching various measures.

In terms of actions going forward, the Board of Directors will confirm the progress of medium- to long-term targets and measures under the Basic Policy for Enhancing Corporate Value and conduct necessary discussions as appropriate. Based on these discussions, it was affirmed that the Board of Directors will continue to engage in the requisite deliberation of various matters from a medium- to long-term perspective.

We will continue to conduct periodic evaluations with the aim of further improving the effectiveness of the Board of Directors.

The monetary compensation of directors (excluding Board-Audit Committee members) shall consist of basic compensation and extraordinary compensation. Part of basic compensation is linked to the Company's ordinary income and other performance indicators, and extraordinary compensation additionally takes into account fund performance. In addition, from the perspective of improving the Company's corporate value in the medium to long term, stock-based remuneration shall be paid to directors (excluding directors serving as Board-Audit Committee members and independent directors).

As an investment company managing highly volatile venture and buyout investment funds, the level of compensation shall reflect the amount of assets under management, the Company's business performance as a result of asset management, and shareholder value, and be appropriate for securing highly capable human resources.

The maximum total amount of monetary compensation of directors (excluding directors serving as Board-Audit Committee members) shall be within ¥600 million per annum.\*1

As stock-based remuneration to be paid to directors (excluding Board-Audit Committee members and independent directors), the total amount of monetary claims for granting transfer-restricted shares shall be no more than ¥300 million per annum, and the total number of the Company's common shares to be issued or disposed of as transfer-restricted shares shall be within 300,000 shares per year.\*2

\*1 Based on a resolution of the 43rd Annual General Meeting of Shareholders held on June 16, 2015. The number of directors (excluding directors serving as Board-Audit Committee members) as of the end of the 43rd Annual General Meeting of Shareholders was six.  
\*2 Based on a resolution of the 50th Annual General Meeting of Shareholders held on June 21, 2022. The number of directors (excluding directors serving as Board-Audit Committee members and independent directors) as of the end of the 50th Annual General Meeting of Shareholders was two.

Remuneration of Directors and Officers

Basic Approach to the Remuneration of Directors

- The levels and structure of remuneration shall be sufficient to attract, retain, and motivate competent personnel for the realization of the Company's Purpose of "Fueling perpetual growth; investing in bold visions" and its Mission to "Commit to new business creation and jointly shape the future."
- Remuneration shall motivate our directors, etc., to commit to increasing corporate value and improving not only short-term financial results but also medium- to long-term results.
- Given the Company's business as an investment company managing private equity investment funds, the remuneration of directors, etc., executing Company business shall reflect fund management performance.
- With the aim of gaining stakeholders' trust, the remuneration plan shall be transparent, fair, and rationalized, determined through an appropriate and transparent process.
- There shall be a mechanism to prevent fraud and over-emphasis on short-term performance.

Remuneration of Directors (Excluding Board-Audit Committee Members)

The remuneration of directors (excluding Board-Audit Committee members) is determined by the Board of Directors based on deliberations by the Nomination and Remuneration Committee.

Outline of Directors' Monetary Compensation

Basic compensation (fixed)	Fixed monetary remuneration paid monthly, determined by importance of roles and responsible areas of each job position, years of service, etc.
Basic compensation (performance-linked)	Monetary remuneration paid monthly, determined once a year, in principle, by the Board of Directors on a scale of one to five by reflecting short-term results based on the comparison of the Company's profit levels (capital gains, net additions to investment loss reserves, ordinary income, etc.) and its details for the preceding fiscal year with the past results. A standard percentage of performance-linked basic compensation to total basic compensation is about 20%, and the relevant portion increases/decreases within a range of 30% based on the above five-point scale.
Extraordinary compensation (performance-linked)	The Board of Directors determines the year-on-year percentage change in the level of remuneration for each position based on the year-on-year comparison of ordinary income, core income (amount of management fees after subtracting SG&A expenses), unrealized gains, fund performance, which is a major management index over the medium to long term, and total funds under management. The amount is then determined by the Board of Directors by taking into account respective job responsibilities and the degree of contribution, and paid to each director once a year. Extraordinary compensation may not be paid when the Company's performance deteriorates sharply.

Stock-Based Compensation

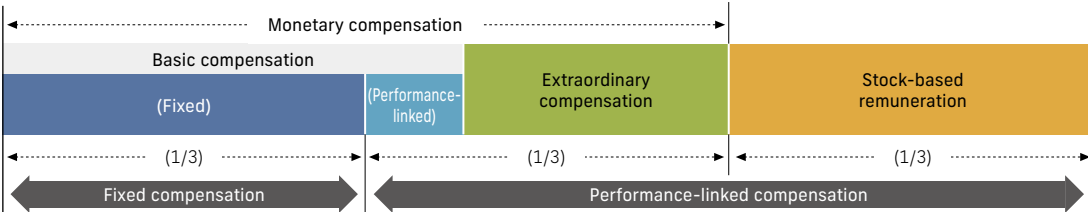
In order to provide incentives to continuously improve the corporate value of the Company and to further promote value sharing with shareholders, the Company shall pay remuneration in the form of transfer-restricted shares to directors excluding those directors serving as Board-Audit Committee members and independent directors (the "Eligible Directors"). The outline of the transfer-restricted share remuneration plan is as shown on page 60.

Corporate Governance

Stock-Based Compensation (continued)

Granting of transfer-restricted shares	<p>The Company shall grant transfer-restricted shares (the "Allotted Shares") in an amount determined by the Board of Directors of the Company based on a base amount corresponding to the positions of the Eligible Directors and a comparison between the Company's stock price growth rate and the Tokyo Stock Price Index (TOPIX) growth rate for a certain period of time prior to the grant.</p> <div><div>Payment ratio against base amount</div><div><div><div>Amount of stock-based remuneration = Base amount × Payment ratio = Base amount × Against TOPIX growth rate</div><div>Against TOPIX growth rate = <math>\frac{(A + B) \div C}{D \div E}</math></div><div><div>A Average closing price of the Company's common shares for the three months immediately preceding the month within which the allotment resolution date falls</div><div>B Dividend per share for the previous fiscal year</div><div>C Average closing price of the Company's common shares for the three months immediately preceding the month within which the date one year prior to the allotment resolution date falls</div><div>D Average closing price of TOPIX for the three months immediately preceding the month within which the allotment resolution date falls</div><div>E Average closing price of TOPIX for the three months immediately preceding the month within which the date one year prior to the allotment resolution date falls</div></div></div></div><p>The number of the Allotted Shares granted to the Eligible Directors shall be no more than the maximum of 300,000 shares per year as approved at the 50th Annual General Meeting of Shareholders held on June 21, 2022.</p></div>
Transfer restriction period	<p>From the allotment date to the time of retirement or resignation from director or other position of the Company or its subsidiary, as determined in advance by the Company's Board of Directors. Provided, however, if the time immediately after such retirement or resignation is prior to the date after a lapse of three months from the end of the fiscal year within which the date of the allotment of the Allotted Shares falls, the end of the Transfer Restriction Period may be adjusted to a reasonable extent.</p>
Removal of transfer restriction	<p>1. On the condition that the Eligible Directors continue to hold their position as director or other position of the Company or its subsidiary, as determined in advance by the Company's Board of Directors, during a period of time determined in advance by the Company's Board of Directors (the "Service Period"), the Company shall remove the Transfer Restriction as of the expiration of the Transfer Restriction Period. Provided, however, that: (a) if an Eligible Director retires or resigns from his or her position as director or other position of the Company or its subsidiary, as determined in advance by the Company's Board of Directors, before the expiration of the Service Period for justifiable reasons; or (b) if an Eligible Director resigns or retires from his or her position as director or other position of the Company or its subsidiary, as determined in advance by the Company's Board of Directors, for any reason other than justifiable reasons before the expiration of the Transfer Restriction Period, the number of the Allotted Shares to be removed from Transfer Restriction and the timing of the removal of Transfer Restriction shall be reasonably adjusted as necessary even after the expiration of the Service Period.</p> <p>2. If any matter relating to a merger agreement under which the Company becomes the disappearing company, or a contract of share exchange, a share transfer plan, or any other reorganization in which the Company becomes a wholly-owned subsidiary, is approved at a General Meeting of Shareholders of the Company (or by the Board of Directors of the Company if such approval is not required by the General Meeting of Shareholders of the Company) during the Transfer Restriction Period, the Company shall, by resolution of the Board of Directors of the Company, remove the Transfer Restriction with respect to the number of Allotted Shares reasonably determined based on the period between the commencement date of the Transfer Restriction Period and the approval date of such reorganization, etc., prior to the effective date of such reorganization, etc.</p>

Acquisition of the Allotted Shares without consideration	<p>1. The Company shall acquire, without consideration, any Allotted Shares, for which the Transfer Restriction has not been removed as of the time immediately after the removal of the Transfer Restriction pursuant to the "Removal of transfer restriction" on the left as a matter of course.</p> <p>2. If an Eligible Director resigns or retires from his or her position as director or other position of the Company or its subsidiary, as determined in advance by the Company's Board of Directors, before the expiration of the Service Period, the Company shall acquire the Allotted Shares without consideration as a matter of course, unless there are reasonable grounds for the retirement or resignation such as the expiration of the term of office or the death of the Eligible Director.</p> <p>3. If the Board of Directors of the Company recognizes that an Eligible Director has violated laws, regulations, internal rules, or the Allotment Agreement in any material respect during the Transfer Restriction Period, or in the case of certain grounds set forth in the Allotment Agreement, the Company shall acquire, without consideration, all of the Allotted Shares held by the Eligible Director at the relevant time as a matter of course.</p>
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Note: Fractions in parentheses are approximate.

Director and Independent Director Remuneration in the Fiscal Year Ended March 31, 2023

Director classification	Total remuneration (millions of yen)	Total remuneration by category (millions of yen)				Number of applicable officers (persons)
		Basic compensation (fixed)	Basic compensation (performance-linked)	Extraordinary compensation	Transfer-restricted share remuneration	
Directors (excluding Board-Audit Committee members and independent directors)	193	74	20	46	52	2
Directors (Board-Audit Committee members) (of whom, independent directors)	76 (76)	76 (76)	–	–	–	4 (4)
Total (of whom, independent directors)	269 (76)	151 (76)	20 (–)	46 (–)	52 (–)	6 (4)

Total Remuneration for Individuals with Remuneration Amounting to ¥100 million or More in the Fiscal Year Ended March 31, 2023

Name	Total remuneration (millions of yen)	Director classification	Company classification	Total remuneration by category (millions of yen)				
				Basic compensation (fixed)	Basic compensation (performance-linked)	Extraordinary compensation	Transfer-restricted share remuneration	Other
Keisuke Miyoshi	101	Director	Submitting company	37	10	25	26	2

Note: Non-monetary remuneration to Keisuke Miyoshi (President & CEO) amounted to ¥26.0 million in transfer-restricted shares.



# Compliance

## Compliance Promotion System

Information related to JAFCO Group's compliance is reported to the compliance officer, who supervises overall compliance initiatives. The heads of each division are responsible for compliance in their respective divisions and promote daily compliance, the Administration Division supports and manages compliance-related initiatives as the supervising division, and the Internal Audit Division audits these activities. In addition, the Administration Division disseminates information concerning the enactment, revision, and abolition of laws and regulations to directors, officers, and employees and holds compliance training and seminars. In case of violation of laws, regulations, internal rules, etc., or administrative incidents, information is reported to the compliance officer and the supervising division, and immediate remedial measures are then examined and implemented to take steps to thoroughly prevent recurrence. Furthermore, we have established the JAFCO Hotline as a whistleblowing system for reporting compliance-related matters. The hotline is connected to the compliance officer, the Administration Division, and an independent director.

▶ For details regarding the compliance management structure, please see page 62.

## Initiatives to Prevent Improper Use of Public Funds

### Clarification of the Responsibility System

We have established the necessary systems for the handling of public research funds, etc., in accordance with the Guidelines for Supervision and Auditing of Public Research Funds at Research Institutions (implementation standards) to ensure their proper management and promote appropriate and smooth operation. Under the President & CEO as the chief administrative officer, the director in charge has been appointed as the supervising officer and the manager of the department handling competitive funds, etc., as the officer responsible for compliance promotion.

### Consultation and Contact Desks

- We have established the following consultation and contact desks for appropriate use of public research funds, etc.
- Consultation desk regarding appropriate use and administrative processing of public research funds, etc.
  - Contact desk for reporting improper use, etc.

## Initiatives to Prevent Bribery

In response to global trends in establishing and strengthening bribery prevention systems, we have established the Basic Policy on Bribery Prevention to prevent improper transactions.

### Basic Policy on Bribery Prevention

- 1. Prohibition of bribery**

The directors, officers, and employees of JAFCO Group Co., Ltd. and its group companies (hereinafter “the Company Group”) shall not engage in any act of offering or accepting bribes prohibited by the laws and regulations of each country, either directly or indirectly, with public officials, their equivalents and persons of interest (hereinafter “public officials, etc.”) to acquire illicit gains in business or offer benefits to third parties.
- 2. Establishment and operation of a bribery prevention framework**

The Company Group shall establish internal rules related to bribery prevention in light of the laws and regulations of each country, while building a framework to prevent bribery through the establishment of a continuous monitoring system and an internal whistleblowing system.
- 3. Education and training**

The Company Group shall provide periodic training to prevent its directors, officers and employees from offering or accepting bribes and ensure the effectiveness of the bribery prevention system.
- 4. Retention of payment records**

The Company Group shall accurately record payments made to public officials, etc., and retain the records properly under the appropriate internal control systems.
- 5. Internal audit**

The Company Group shall conduct periodic internal audits on the operational status of the bribery prevention framework.
- 6. Disciplinary action**

The Company Group shall take strict disciplinary actions based on the Rules of Employment in the event that a director, officer, or employee violates this policy or internal rules related to bribery prevention.

Risk Management

Risk Management System

JAFCO Group considers risk management to be an important management issue and has established a system to ensure that operations are conducted appropriately.

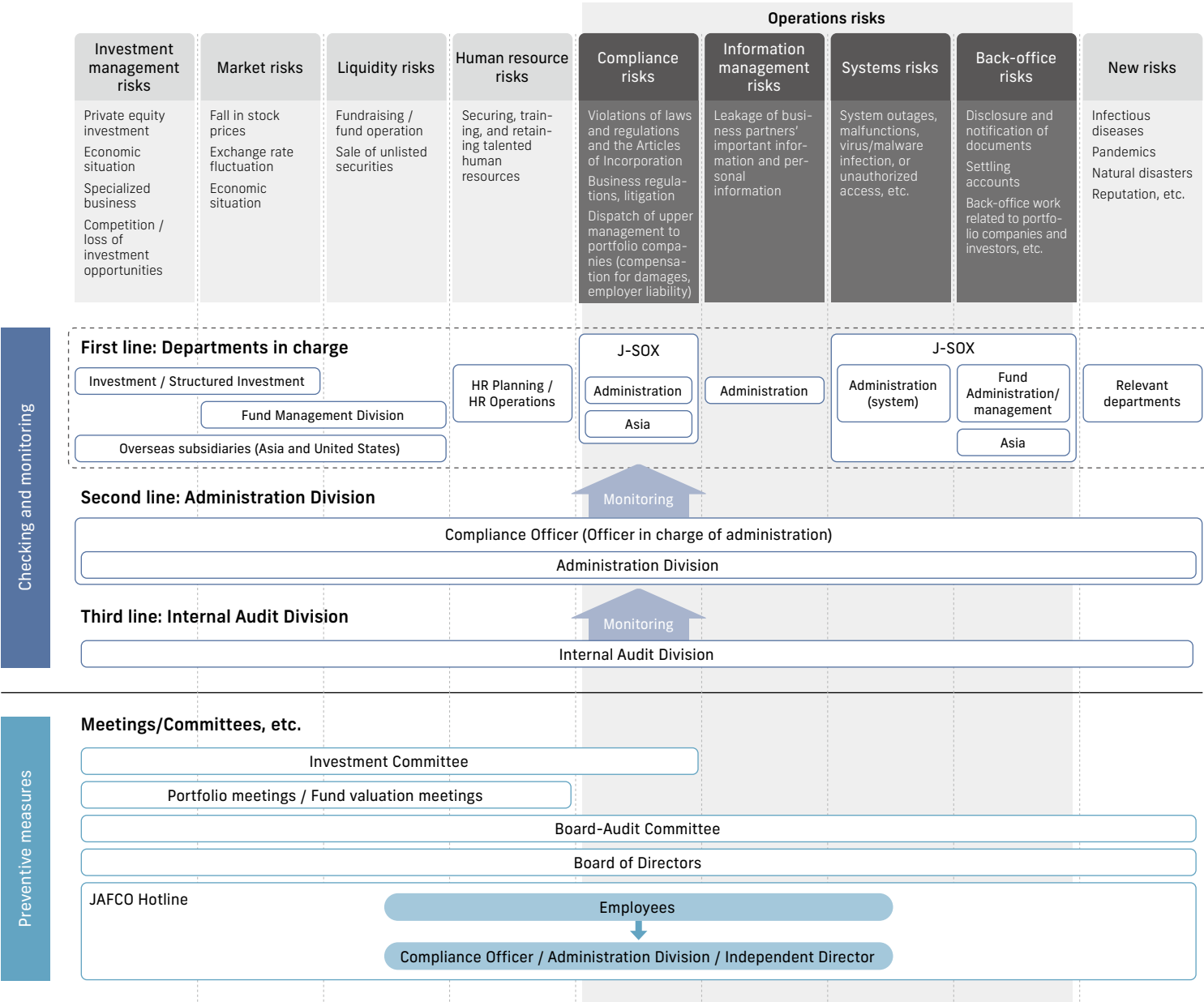
Our risk management rules define the management system in accordance with the characteristics and importance of each risk. The risks that we manage are classified into categories including investment management risks, market risks, liquidity risks, human resource risks, compliance risks, information management risks, systems risks, back-office risks, and new risks. After deciding the degree of impact of risk materialization, each risk is assigned to departments in charge and managed.

The risk management system adopts the Three Lines of Defense model: risk management by each department in charge (first line), monitoring by the compliance officer and Administration Division (second line), and monitoring by the Internal Audit Division (third line).

As a preventive measure, the Board of Directors and the Board-Audit Committee evaluate the effectiveness of risk management based on management status reports. Investment Committee meetings and portfolio meetings are also held regularly to appropriately manage investment management risks, market risks, liquidity risks, and human resource risks, ensuring the enhancement of the risk management system.

Investment decisions are made after deliberation by the Investment Committee, whose members include the President & CEO and Partners. When making decisions, the opinions of staff in charge of investment evaluation are sought separately from those of Investment Division. The status of unlisted portfolio companies is reported on a regular basis at Investment Committee meetings, portfolio meetings, and fund valuation meetings, for reflection in the valuation of portfolio companies and discussion of appropriate ways to address issues.

To create a culture that ensures proper recognition and management of risks as an organization, we have put in place a system for prompt reporting and consultation by the relevant divisions in case risk management concerns or issues arise. In addition, we have established the JAFCO Hotline to enable directors, officers, and employees to directly report information on actions that violate or may violate laws and regulations.



Risk Management

Responses to Business and Other Risks

	Business Characteristics and Risks	Countermeasures
<div><b>Economic conditions</b></div> <div>Investment management risk</div>	Fund performance is affected by political, economic, and social conditions as well as stock market trends in Japan, Asia, and the United States. In the event of an economic recession, portfolio company performance may decline, and a deterioration in the entrepreneurial environment may lead to a decrease in the number of startups that may be eligible for investment. If stock or IPO markets suffer a downturn, opportunities to liquidate fund holdings may be limited, with the potential for significant fluctuations in capital gains and success fees earned from funds.	JAFCO Group diversifies regional risks by making investments in Japan, Asia, and the United States. In addition, the private equity investment funds managed by JAFCO typically make new investments over a period of around three years to diversify risks over a certain period of time. We also constantly pursue exit opportunities not only through IPOs but also through M&As and other means to reduce the impact of stock and IPO market fluctuations on our earnings base.
<div><b>Investments in unlisted securities</b></div> <div>Investment management risk</div>	A growing percentage of our investments involve startups in the seed and early stages. As companies at these stages pose high risks stemming from business uncertainty and weak management and/or administrative systems, we may miss investment opportunities as well as opportunities to generate significant returns on investments. If a portfolio company's business does not progress as initially planned and its financial situation deteriorates, there is a risk that all invested capital will be lost. Further, there is no guarantee of exiting through an IPO or M&A, and it is not certain that a portfolio company can be sold for an amount greater than the investment cost.	Investment decisions are reached through multifaceted discussions held by the respective investment committees at our bases in Japan, Asia, and the United States. In addition, we strengthen management involvement in portfolio companies through highly selective, intensive investment. After investment, we utilize our abundant resources and accumulated network to provide support for recruiting human resources, acquiring customers, and creating back-office functions according to the specific needs of portfolio companies. In this way, we strive to grow the businesses of portfolio companies and enhance their corporate value, thereby increasing capital gains and investment multiples.
<div><b>Specialized business</b></div> <div>Investment management risk</div>	JAFCO Group conducts business activities by concentrating management resources on the management and operation of funds and investments in unlisted securities across Japan, Asia, and the United States. As our business is strongly affected by changes in global political, economic, and social conditions, as well as by stock and IPO markets in countries around the world, such changes may negatively impact the Company Group's performance and financial position.	While advancing the partnership model introduced in March 2018 and fostering collaboration within the organizational infrastructure we have accumulated, we strive to enhance our investment management capabilities to improve fund performance and strengthen our fundraising efforts.
<div><b>Competition</b></div> <div>Investment management risk</div>	Regarding private equity investments, competition for investment deals in promising unlisted companies is intensifying among competing companies, including specialist venture capital firms and corporate venture capital programs of business companies. For this reason, we may miss opportunities to invest in promising unlisted companies or fail to generate sufficient capital gains depending on the terms of the investment, which may have a negative impact on fund performance.	We will advance our partnership model and leverage our organizational infrastructure and network to support portfolio company growth with the aim of differentiating ourselves from competitors and improving fund performance.
<div><b>Fall in stock prices</b></div> <div>Market risk</div>	The decline in the prices of our listed shareholdings may negatively impact fund performance as well as the business performance and financial situation of the Company Group. In particular, the negative impact from a fall in stock prices may increase substantially if the shareholding ratios at IPO of the Company Group and its funds are comparatively high as a result of highly selective, intensive investment.	Following the IPO of a portfolio company, we sell our shareholdings after considering factors such as trends in the stock market, acquisition cost, shareholding balance, stock price, trading volume, the portfolio company's business conditions, and the agreement period of the fund holding the shares. Additionally, a certain number of shares may be sold in bulk to an institutional investor through bilateral trading, etc., in the event that various terms and conditions are agreed upon through a securities firm acting as a broker.
<div><b>Exchange rate fluctuations</b></div> <div>Market risk</div>	Beyond just investing in Japan, the Company Group diversifies its geographic coverage overseas, primarily in Asia and the United States. Since assets held through overseas investments are denominated in foreign currency (primarily U.S. dollars) exchange rate fluctuations affect fund performance. However, as it requires several years for an investment in an unlisted company to achieve an exit, it is difficult to completely eliminate the effects of exchange rate fluctuations.	Private equity investment funds managed by the Company Group usually require a period of around three years to incorporate new companies into the portfolio, including overseas investments. The sale of shares in overseas portfolio companies and the distribution of the proceeds of such sales are paid over the period up to the expiration of the fund term (usually 10 years). As a result, exchange rate risks as of the acquisition and liquidation of foreign currency-denominated assets acquired through overseas investments are diversified over a given period.
<div><b>Fundraising</b></div> <div>Liquidity risk</div>	The Company Group makes investments by primarily using capital from funds. The fund investors are mainly institutional investors, such as financial institutions, as well as business companies. In the event that we are unable to raise sufficient funds from investors due to deteriorating economic conditions, sluggish business performance, or other factors, our investment activities may be interrupted and our fund management fees may decrease. While we aim to steadily increase the size of new funds in line with their target markets, we also aim to gradually reduce our stake in such funds and improve capital efficiency, but failure in doing so may negatively affect the Company Group's business performance and financial situation.	We endeavor to build trust with our fund investors and ensure transparency in our fund management by issuing regular fund management reports, arranging meetings, and engaging in other types of communication as needed. Additionally, to cultivate a potential investor base, we are working to improve our fundraising capabilities by providing opportunities to deepen understanding of the social significance of funds, our investment activities, and fund management through various events and a variety of other contact points.

Risk Management

Responses to Business and Other Risks

	Business Characteristics and Risks	Countermeasures
<div>Management of information</div> <div>Information management risk</div>	In the event that important customer information or personal information held by the Company Group is leaked through unauthorized external access stemming from an increase in global cyberattacks, or through malicious intent or negligence on the part of executives, employees, or other related parties, there are risks of claims for damages, loss of social credibility, etc.	In terms of information management, we have established various in-house rules and regulations that are thoroughly disseminated to executives and employees through training, etc., and we have strengthened the security of information systems. Further, we are working to reduce the risk of important documents being taken outside the Company or lost by implementing and reinforcing cybersecurity measures and promoting paperless operations.
<div>Legal regulations</div> <div>Compliance risk</div>	The Company Group operates and manages funds and invests in unlisted stocks predominantly in Japan, Asia, and the United States. These activities are subject to the legal regulations of the respective countries where they take place, which may limit the Company Group's activities or increase costs in relation to these regulations.	At the Company Group, the relevant divisions, mainly the Administration Division, gather information and respond to the introduction, revision, and abolition of legal regulations related to our business.
<div>Legal violations</div> <div>Compliance risk</div>	In the event of violations of relevant laws and regulations or various contracts related to investment activities, breaches of duty of diligence as general partner of funds, or operational errors, misconduct, or other incidents which result in damage to portfolio companies, fund investors, or third parties, the Company Group may be held liable for compensating said damage. Further, there is a possibility that the Company may suffer a loss of social credibility and/or be subject to administrative sanctions by the supervising authorities in response to said legal or other violations.	The heads of each division serve as persons responsible for promoting daily compliance in their respective divisions. The Administration Division supports and manages compliance-related initiatives, and the Internal Audit Division audits these activities. In the event of non-compliance with laws, regulations, and internal rules, or if a clerical error has been made, information is collected and reported to the compliance officer and the Administration Division. Remedial measures are then examined and implemented, and steps to prevent recurrence are reinforced.
<div>Dispatching of executives</div> <div>Compliance risk</div>	The Company Group may dispatch its directors, officers, or employees to serve as executives at portfolio companies to improve the value of said companies. However, in the event that a claim for damages is filed against the dispatched individual, there is a risk of total or partial economic loss incurred by said individual, as well as the risk of the Company Group's employer's liability and loss of social credibility.	To the extent possible, the Company Group takes out directors' and officers' liability insurance (D&O insurance) and enters into liability limitation agreements with portfolio companies. The D&O insurance we purchase includes coverage for directors, officers and employees dispatched as executives.
<div>Securing and training of talented human resources</div> <div>Compliance risk</div> <div>P.26, 34</div>	Due to the nature of our business, our future growth and success are heavily dependent on talented investment professionals and other human resources. If we are unable to secure human resources with high potential, the Company Group's future growth, performance, and financial position could be adversely affected. In addition, in order to recruit, train, and retain talented personnel, personnel costs may increase, which may adversely affect the Company Group's performance and financial position.	We recruit new graduates on an ongoing basis and actively hire mid-career professionals while working to develop young personnel, mainly through on-the-job training. We have also introduced a partnership model in which individuals (Partners) with proven track records make key investment management decisions and commit to fund performance, enabling them to benefit from investment results. At the same time, we have established a system enabling employees to receive a share of investment results based on their direct and indirect contributions to said results in an effort to retain and develop a diverse and talented workforce.
<div>Infectious diseases and natural disasters</div> <div>New risk</div>	In the event of an increase in the number of portfolio companies affected by flagging sales or fundraising difficulties due to an epidemic or prolonged outbreak of infectious disease, there is a risk that the Company Group's provision for investment loss reserves will increase, or that portfolio company exits will slow down. Additionally, events such as natural disasters or terrorist activities may cause personal and property damage or system failures, potentially restricting the business activities of the Company, its portfolio companies, and others.	In response to the COVID-19 pandemic, the Company Group has endeavored to prevent its spread by prioritizing the health and safety of its employees and customers. At the same time, it has worked with portfolio company management teams to raise funds for their businesses, reduce costs, and overhaul their profit plans. We are also migrating information systems to the cloud and taking other measures to reduce the risk of personal/property damage and system failures.
<div>ESG</div> <div>New risk</div> <div>P.18</div>	In the event that the Company's sustainability efforts are not fully effective and its ESG investments, efforts to achieve sustainability, and response to ESG-related risks are considered insufficient, we may lose the support of our stakeholders, which could have a negative impact on our fundraising and investment activities as well as on our ability to secure talented human resources. As a result, the Company Group's performance and financial position may be adversely affected.	The Company's approach to sustainability can be divided into two types: the enhancement of ESG initiatives as a corporate entity and contributions to sustainability through business. The efforts we engage in are described in the described in JAFCO Group's Value Creation: Sustainability on pages 18–20.



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Section- 05

Corporate Data

Review and Analysis of the Fiscal Year Ended March 31, 2023

Business Progress and Results

Changes in the Business Environment and Impact on Portfolio Companies during the Fiscal Year Ended March 31, 2023

In the fiscal year ended March 31, 2023, the stock market continued on its correction phase, ongoing since the fall of 2021, with a sense of apprehension, against a backdrop of tightening monetary policy and an inflationary trend in the United States as well as a sense of caution about adjustments to the monetary policy in Japan. Furthermore, political, economic, and social conditions are increasingly uncertain with growing credit concerns of financial institutions in addition to surfacing geopolitical risks. Also, in the domestic IPO market, the number of new listings and the volume of fundraising have decreased, creating difficult conditions for large-scale IPOs, with some companies having rescheduled their listings. Under these circumstances, the impact on the performance and fundraising of our portfolio companies continued to be unpredictable.

Meanwhile, the Startup Development Five-Year Plan was announced in November 2022, under which a series of government support programs for startups are being formulated at a larger scale than ever before. In this environment, new technologies such as next-generation AI are garnering significant attention, boosting expectations of the contributions of startups to new industry creation.

Financial Highlights ▶ Please refer to Graph 1.

During the fiscal year under review, revenues declined from the previous fiscal year as a result of a decrease in capital gains due to the lack of large IPOs from our portfolio companies, partly affected by the severe market environment. Net sales were ¥14.1 billion (down 49.2% from ¥27.7 billion in the previous fiscal year) with an ordinary loss of ¥3.0 billion (ordinary income of ¥18.4 billion in the previous fiscal year).

Meanwhile, due to the sale of our holdings in Nomura Research Institute, Ltd. and a subsequent share buyback, profit rose from the previous fiscal year, with profit attributable to JAFCO Group Co., Ltd. stockholders of ¥40.6 billion (up 169.0% from ¥15.1 billion in the previous fiscal year) and return on equity (ROE) of 24.7% (7.3% in the previous fiscal year).

We recorded significant investment loss reserves in the fourth quarter, anticipating a worsening financial situation and a slumping exit market.

Although our performance changes significantly each fiscal year depending on the number of large exits, the continuous improvement in performance of each fund under management will lead to strong performance over the long term. We will continue to pursue IPOs, M&As, and other exits that would generate large capital gains.

Profits and Selling, General and Administrative (SG&A) Expenses

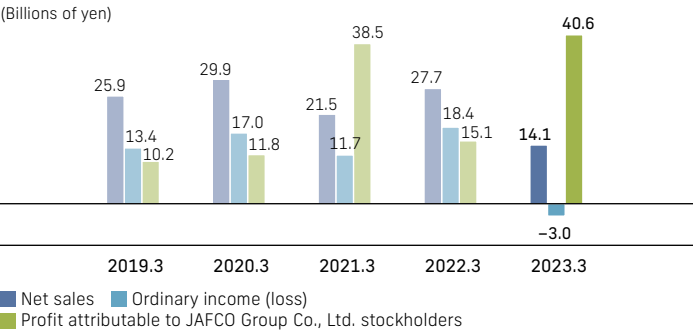
▶ Please refer to graphs 2, 3 and 4.

In the fiscal year under review, capital gains plunged to ¥3.7 billion (total for listed and unlisted companies; ¥12.6 billion in the previous fiscal year) and success fees also decreased to ¥1.0 billion yen (¥4.5 billion in the previous fiscal year). On the other hand, fund management fees increased to ¥3.4 billion (¥2.9 billion in the previous fiscal year) along with the launch of new funds, including the SV7 Fund Series ("SV7"). As for SG&A expenses, business taxes increased due to the sale of the shares of Nomura Research Institute, Ltd. Despite being a fund management company, we remain unable to cover SG&A expenses with our core income of management fees. We will expand the size of our future funds in line with the expansion of target markets, while being firmly committed to highly selective, intensive investment. Accordingly, we will promote the strengthening of our investment management and fundraising capabilities as our growth strategy to boost success fees and fund management fees.

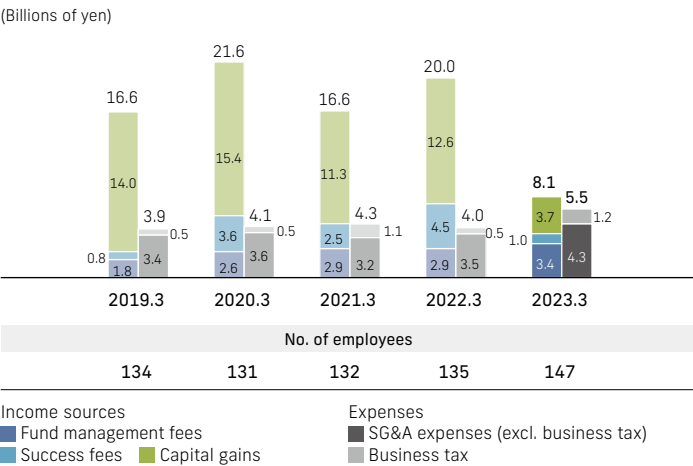
During the fiscal year under review, we had five IPOs in Japan. Capital gains were ¥3.7 billion and ROI (investment multiple) was held down at 1.6x affected by difficult market conditions.

Capital commitments to funds were ¥419.2 billion due to a launch of SV7 and the Taiwan II Fund and the amount subject to management fees increased to ¥157.6 billion (¥138.9 billion in the previous fiscal year). Fund management fees were ¥3.4 billion in the fiscal year under review.

Graph 1: Trend in Net Sales, Ordinary Income (loss), and Profit Attributable to JAFCO Group Co., Ltd. Stockholders



Graph 2: Profits and SG&A Expenses



Notes: 1. Success fees and fund management fees are based on total capital commitments excluding JAFCO's interests.  
2. These figures do not include those for the U.S. subsidiary (JAV) due to the change in the scope of consolidation.

Review and Analysis of the Fiscal Year Ended March 31, 2023

Balance of Unlisted Operational Investment Securities and Investment Loss Reserves ▶ Please refer to Graph 5.

In the fiscal year ended March 31, 2023, the balance of unlisted operational investment securities increased ¥11.4 billion (from ¥73.9 billion in the previous fiscal year) to ¥85.3 billion, due to progress of investment. The balance of investment loss reserves, the reserve ratio, and reserve additions had thus far remained at relatively low levels as we increased our involvement in management under our policy of highly selective, intensive investment, and continuing tailwinds for startups provided favorable circumstances for post-investment fundraising.

However, in the fiscal year under review, we recorded significant investment loss reserves in the fourth quarter in anticipation of a worsening financial situation and a slumping exit market based on changes in the business environment. Additions to investment loss reserves increased significantly to ¥7.9 billion (¥1.1 billion in the previous fiscal year). The balance of investment loss reserves was ¥14.5 billion (¥9.0 billion in the previous fiscal year) and the reserve ratio was 17.0% (12.1% in the previous fiscal year).

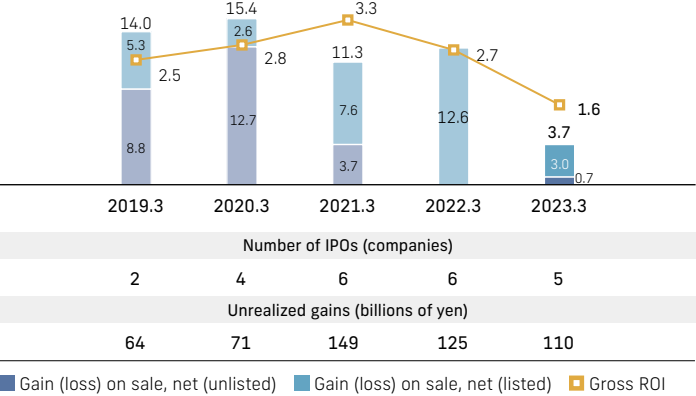
The situation remains unpredictable and we continue to monitor the impact of the changes in the business environment on the private equity market. The reserves may increase even further when the future performance and fundraising of our portfolio companies are affected.

Assets ▶ Please refer to Graph 6.

A majority of our portfolio consists of unlisted companies, and their shares are highly illiquid. For this reason, we need to maintain a solid financial base to allow us to continue investing, regardless of the circumstances.

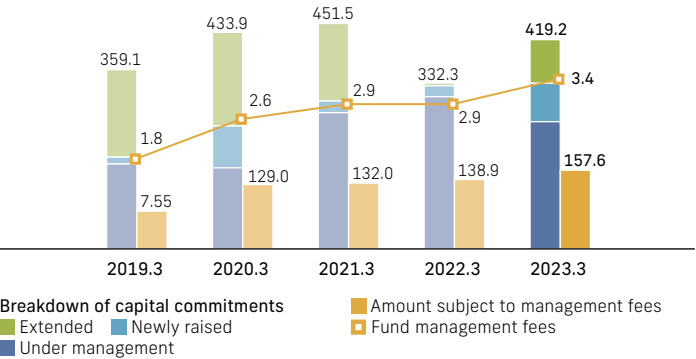
Net assets at the end of the fiscal year ended March 31, 2023 were ¥130.7 billion, a decrease of ¥66.6 billion from the end of the previous year, primarily due to a buyback and subsequent cancellation of treasury shares. The equity ratio came to 81.8%. Cash and deposit as of the end of the fiscal year under review stood at ¥69.5 billion, including uncalled commitments to funds, which will be used to invest in our funds over the next three years or so.

Graph 3: Capital Gains and ROI (investment multiple)  
(Multiple)



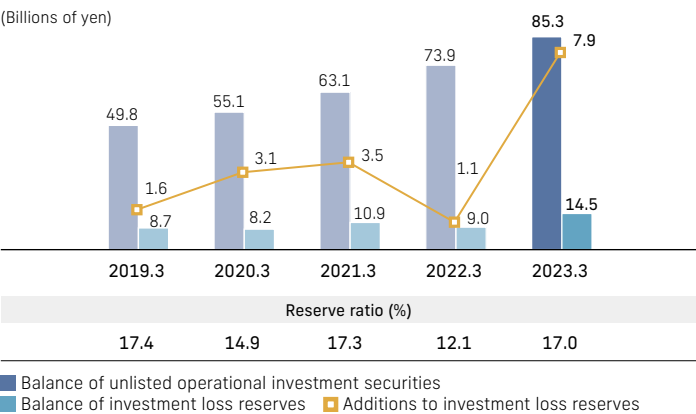
Notes: 1. "Gain (loss) on sale, net (unlisted)" include other portfolio-related revenues and impairment losses.  
2. Unrealized gains are valuation gains on listed operational investment securities.

Graph 4: Capital Commitments to Funds and Fund Management Fees  
(Billions of yen)



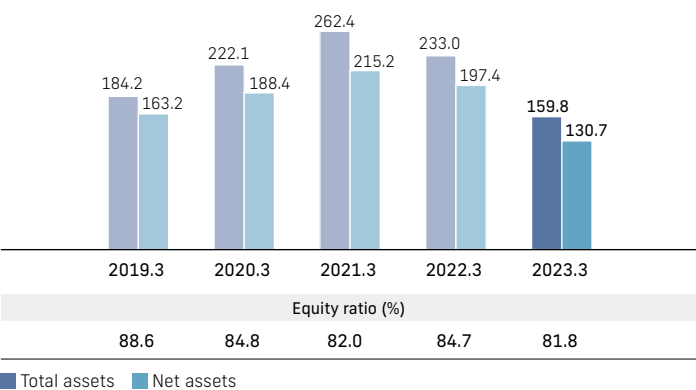
Notes: 1. The amount subject to management fees does not include JAFCO's interests in funds, funds under extension, and U.S. funds excluded from the scope of consolidation.  
2. Translated using the exchange rate as of each fiscal year end, which was ¥133.53 to the U.S. dollar as of the end of March 2023.

Graph 5: Balance of Unlisted Operational Investment Securities and Additions to Investment Loss Reserves  
(Billions of yen)



Note: Excluding investment in other funds

Graph 6: Total Assets and Net Assets  
(Billions of yen)



Review and Analysis of the Fiscal Year Ended March 31, 2023

Fund Management: Balance of Unlisted Securities

► Please refer to Graph 7.

In the fiscal year ended March 31, 2023, the balance of unlisted securities for all funds was ¥217.7 billion. The balance of unlisted securities under management has been increasing as investment progresses.

Fund Management: Investment Amount

► Please refer to Graph 8.

The amounts of investment in each region vary from one fiscal year to another. In the fiscal year ended March 31, 2023, investments focused on domestic buyout deals against a backdrop of growing needs for business succession. The amount of investment on a global basis amounted to ¥41.8 billion.

Fund Management: Breakdown of Portfolio

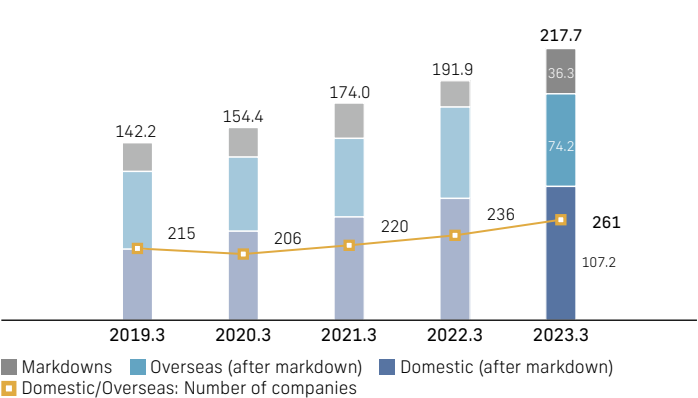
► Please refer to Graph 9 and 10.

We invest in three regions, namely Japan, Asia, and the United States, to disperse geographical risks.

Broken down by region, Japan accounted for 60%, the U.S. 28% and Asia 12% of the balance of unlisted securities of ¥217.7 billion.

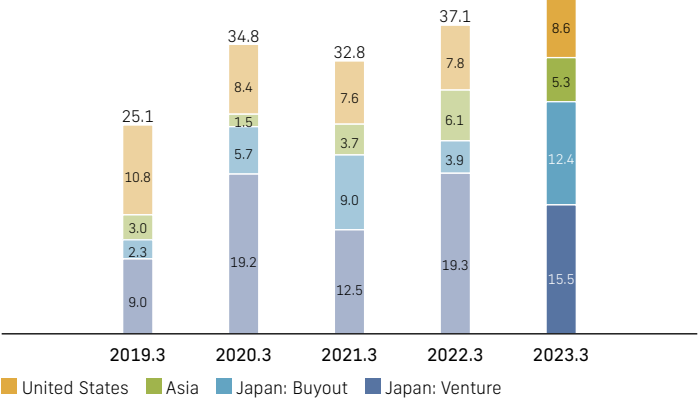
In terms of sector, IT services accounted for 65%. IT services include many startups which utilize cutting-edge technologies to change business models in existing industries. With the concepts of ESG and the SDGs rapidly gaining traction, many startups are emerging, including those that aim to solve social issues amid technological advances or provide new services catering to changing lifestyles.

Graph 7: Balance of Unlisted Securities  
(Billions of yen)



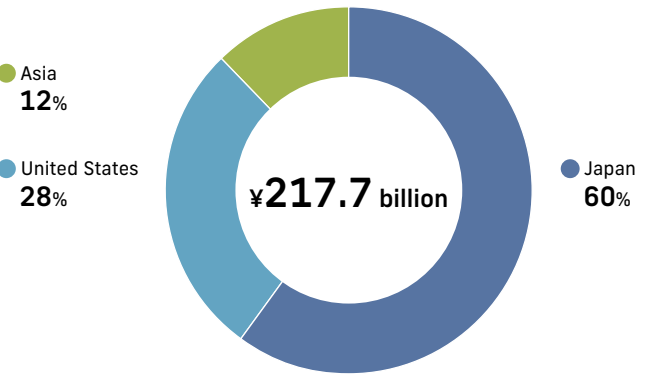
Notes: 1. An exchange rate of ¥133.53 to the U.S. dollar has been used for all periods.  
2. Overseas investments made by the Investment Division in Japan are included in "Domestic."

Graph 8: Investment Amount  
(Billions of yen)

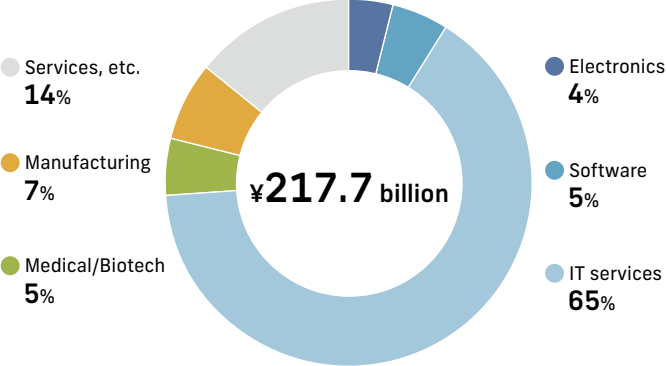


Note: Overseas investments made by the Investment Division in Japan are included in "Japan."

Graph 9: Portfolio by Region



Graph 10: Portfolio by Sector










Review and Analysis of the Fiscal Year Ended March 31, 2023


(Reference) JAFCO-backed IPOs and other exits during the fiscal year ended March 31, 2023

JAFCO backed five IPOs and an M&A exit during the fiscal year under review

JAFCO-Backed IPOs

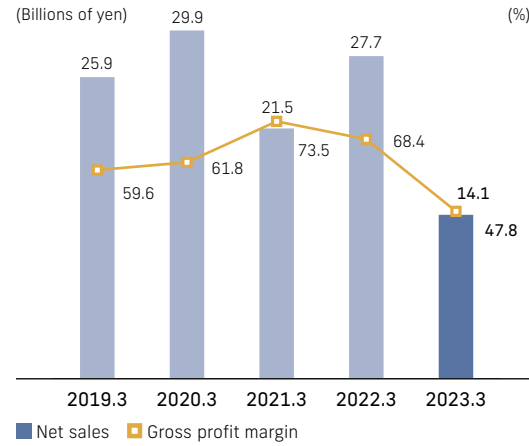
	<b>Microwave Chemical Co., Ltd.</b> Manufacturing, sales, and licensing based on microwave processing technologies	IPO Date: June 24, 2022 IPO Market: Growth Head Office: Osaka
	<b>airCloset, Inc.</b> Operation of airCloset, an online fashion styling and rental platform	IPO Date: July 29, 2022 IPO Market: Growth Head Office: Tokyo
	<b>Linkers Corporation</b> Operation of Linkers, a matchmaking service for business partners and suppliers	IPO Date: October 26, 2022 IPO Market: Growth Head Office: Tokyo
	<b>note inc.</b> Operation of a media platform to distribute works by individual and corporate creators	IPO Date: December 21, 2022 IPO Market: Growth Head Office: Tokyo
	<b>AnyMind Group Inc.</b> Development and operation of a next-generation, end-to-end commerce enablement platform	IPO Date: March 29, 2023 IPO Market: Growth Head Office: Tokyo

M&A Exits

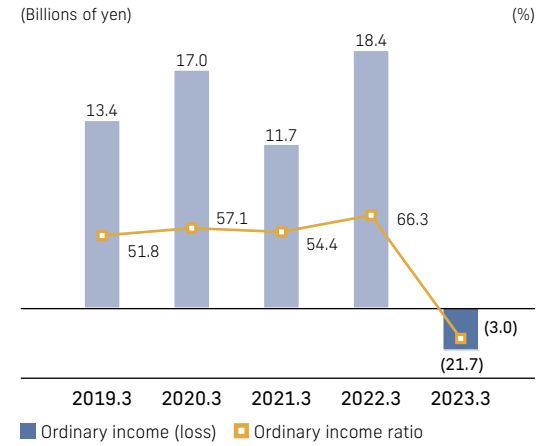
	<b>Medical Support Co., Ltd.</b> Consulting for dental clinics related to management, opening, and operation	Head Office: Tokyo
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## Financial Highlights

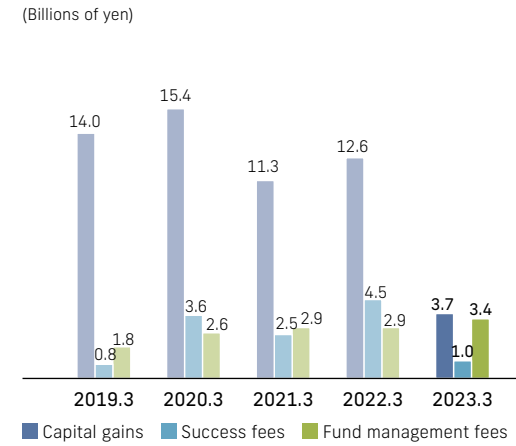
Net sales / Gross profit margin



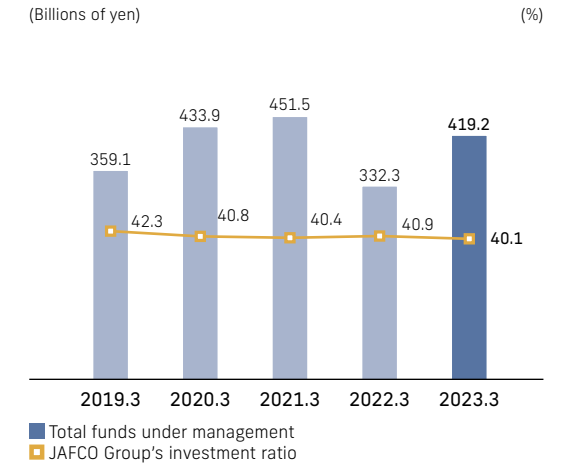
Ordinary income (loss) / Ordinary income ratio



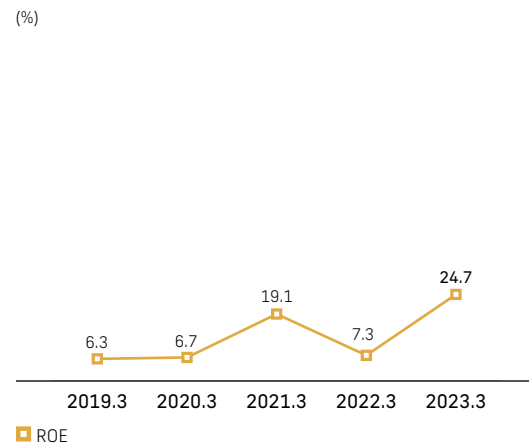
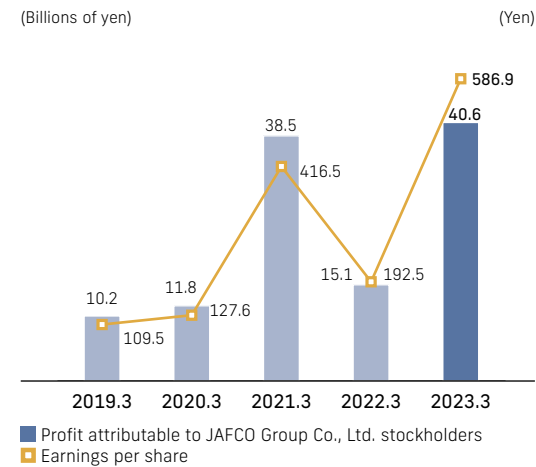
Capital gains / Success fees /  
Fund management fees



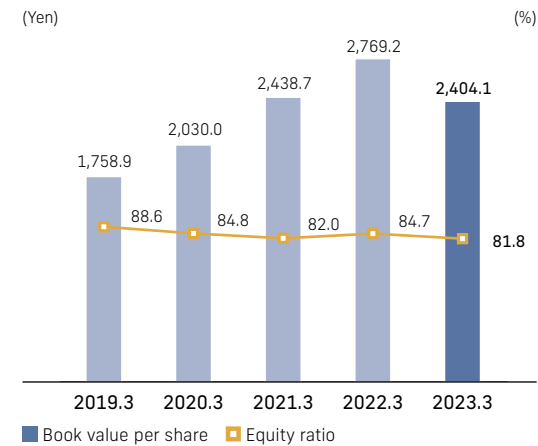
Total funds under management /  
JAFCO Group's investment ratio



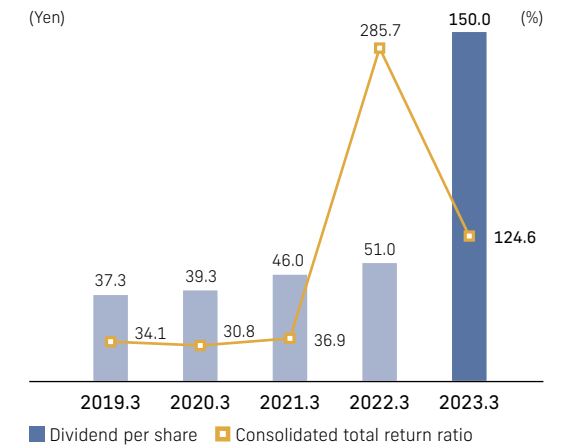
ROE

Profit attributable to JAFCO Group Co., Ltd.  
stockholders / Earnings per share

Book value per share / Equity ratio

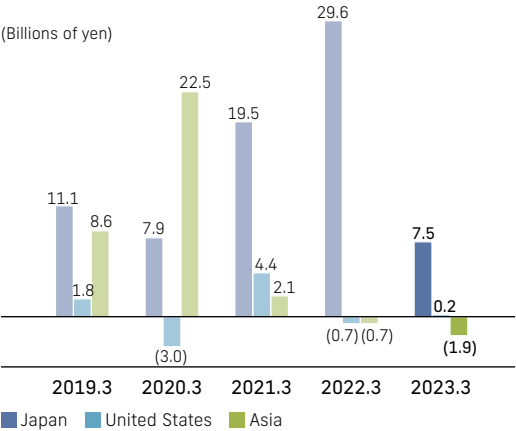


Dividend per share /  
Consolidated total return ratio



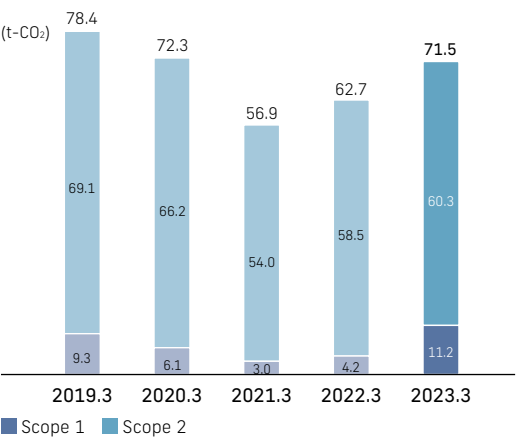
Non-Financial Highlights

Capital gain from overall funds by region



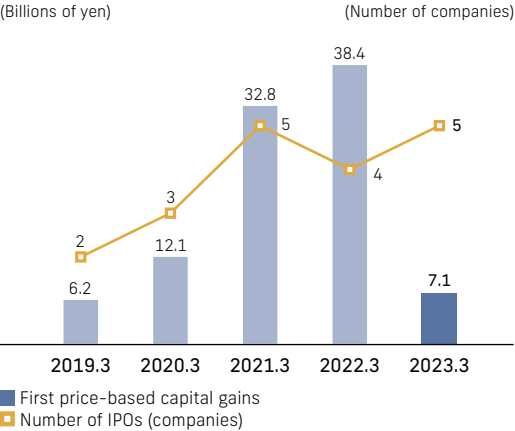
Note: Regional classification is based on the location of the fund that invested in the portfolio company making exit.

Greenhouse gas emissions\* (Scope 1 and 2)



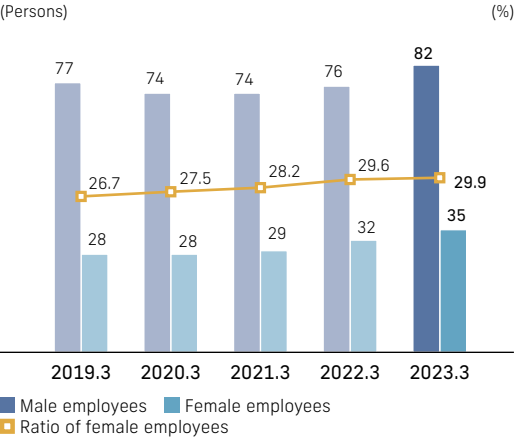
\* Figures are for the Tokyo Head Office and the West Japan Branch (formerly Kansai Branch until August 2021) only. The former Chubu and Kyushu branches are not included.

Domestic IPOs  
(Including fund investors' interests)

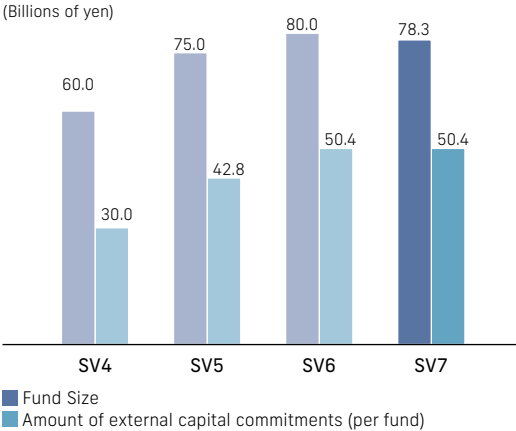


Notes: 1. One of the IPOs in the fiscal year ended March 31, 2021 was by a Taiwan-based portfolio company on the TSE Mothers Market.  
2. Market value at IPO is calculated by multiplying the first price with the number of shares held by JAFCO prior to the IPO.  
3. The number of newly listed companies includes the TSE listings of investees in JAFCO Asia.

Number of employees by gender / Ratio of female employees (non-consolidated basis)

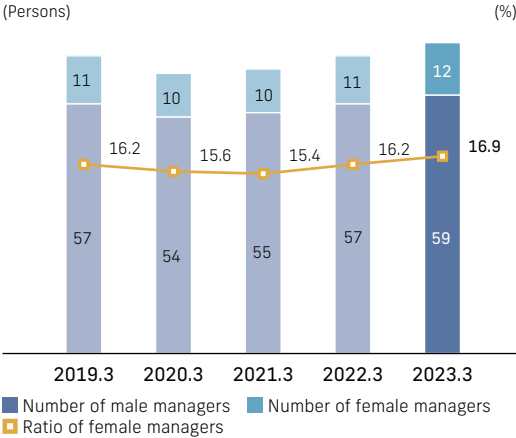


Fund size / Amount of external capital commitments (per funds)

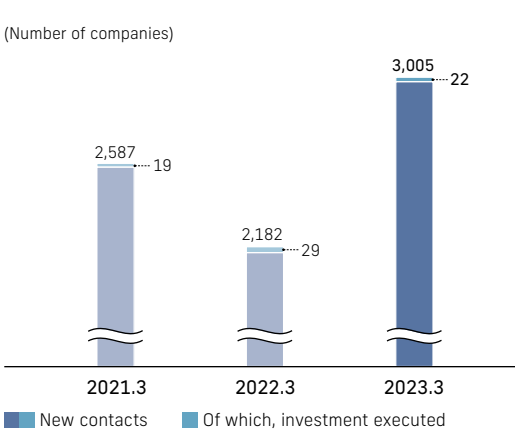


Note: Fundraising amounts for SV7 (fundraising ongoing) are as of April 2023.

Ratio of female managers (non-consolidated basis)

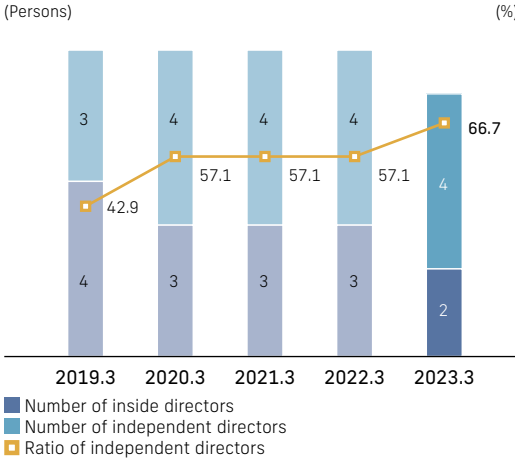


Deal sourcing and investment execution



Note: Number of new contacts includes both venture and buyout investments

Ratio of independent directors



11-Year Summary

	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	(Millions of yen) 2023.3
<b>Operating results</b>											
Net sales	22,072	44,890	61,945	41,155	27,857	29,470	25,878	29,855	21,512	27,677	14,073
Revenue from operational investment securities	17,744	38,498	56,471	32,376	20,774	23,470	23,291	23,697	16,164	20,257	9,665
Income from fund management	4,225	6,279	5,218	8,688	7,062	5,987	2,586	6,155	5,340	7,410	4,402
Other	102	112	256	90	20	12	0	1	6	9	4
Operating income	8,007	27,302	38,419	19,226	12,324	14,252	12,239	14,970	8,964	16,876	(4,414)
Operating margin (%)	36.3	60.8	62.0	46.7	44.2	48.4	47.3	50.1	41.7	61.0	(31.4)
Profit attributable to JAFCO Group Co., Ltd. stockholders	6,583	17,292	27,707	17,018	11,073	24,235	10,162	11,839	38,504	15,080	40,571
Net profit margin (%)	29.8	38.5	44.7	41.4	39.8	82.2	39.3	39.7	179.0	54.5	288.3
<b>Cash flows</b>											
Cash flows from operating activities	8,476	30,153	28,822	12,788	15,117	7,425	(1,350)	12,177	8	(12,958)	(7,245)
Cash flows from investing activities	(4,623)	2,550	(5,744)	11,768	(1,580)	24,732	213	(277)	49,154	748	69,640
Cash flows from financing activities	6,816	(18,442)	(3,970)	(14,092)	(5,817)	(69,046)	(3,923)	(3,581)	(13,944)	(43,474)	(46,225)
Cash and cash equivalents at end of period	53,063	68,290	89,895	99,302	107,179	70,086	63,878	72,040	107,517	52,603	69,481
<b>Financial position</b>											
Total assets	164,122	220,167	239,035	214,245	237,902	191,550	184,213	222,059	262,383	233,024	159,847
Net assets	112,535	159,347	188,125	189,501	207,855	160,299	163,215	188,366	215,237	197,390	130,745
Total capital commitments	463,864	494,899	420,641	432,912	434,772	348,506	359,103	433,939	451,475	332,251	419,237
Balance of investment loss reserves*1	18,843	18,788	15,757	15,176	12,332	10,351	9,501	8,229	10,917	8,969	14,490
<b>Major indicators</b>											
Return on equity (ROE) (%)	6.2	12.7	15.9	9.0	5.6	13.2	6.3	6.7	19.1	7.3	24.7
Return on assets (ROA) (%)	4.0	7.9	11.6	7.9	4.7	12.7	5.5	5.3	14.7	6.5	25.4
Equity ratio (%)	68.6	72.4	78.7	88.5	87.4	83.7	88.6	84.8	82.0	84.7	81.8
Dividend payout ratio (%)	16.8	6.4	16.0	26.1	40.1	15.6	34.1	30.8	11.0	26.5	25.6
Total investment balance	178,721	175,167	155,176	128,839	119,596	120,879	133,424	144,227	164,146	190,046	225,029
Number of existing portfolio companies	695	580	483	378	327	279	266	235	251	269	294
<b>Per share information</b>											
Earnings per share (EPS) (¥)	49.5	129.9	208.2	127.9	83.2	229.0	109.5	127.6	416.5	192.5	586.9
Book value per share (BPS) (¥)	845.4	1,197.2	1,413.4	1,423.7	1,561.6	1,727.5	1,758.9	2,030.0	2,438.7	2,769.2	2,404.1
Annual dividend per share (¥)	8.3	8.3	33.3	33.3	33.3	35.7	37.3	39.3	46.0	51.0	150.0
<b>Stock price indices</b>											
Closing stock price at fiscal year-end (¥)	1,090.0	1,543.3	1,490.0	1,153.3	1,246.7	1,680.0	1,321.7	938.7	2,193.3	1,875.0	1,893.0
Market capitalization*2 (¥ billion)	1,451	2,054	1,983	1,535	1,659	1,559	1,226	871	1,936	1,337	1,029
Price earnings ratio (PER)	22.0	11.9	7.2	9.0	15.0	7.3	12.1	7.4	5.3	9.7	3.2
Price-to-book ratio (P/B ratio)	1.3	1.3	1.1	0.8	0.8	1.0	0.8	0.5	0.9	0.7	0.8
<b>Investment amounts / Number of companies by region</b>											
Japan	11,280/24	10,806/30	7,691/31	12,195/36	15,180/33	18,057/37	11,379/26	24,883/35	21,491/35	23,216/56	27,873/47
United States	6,636/17	5,400/19	10,005/21	5,008/10	3,938/12	7,101/19	10,753/19	8,425/24	7,637/18	7,775/16	8,630/16
Asia	2,588/18	4,667/19	3,947/19	4,236/16	1,786/10	5,063/11	3,014/11	1,459/12	3,684/13	6,060/21	5,286/22

\*1. Balance of investment loss reserves: Other funds are excluded from the fiscal year ended March 31, 2020.  
\*2. Market capitalization excludes treasury shares.  
Notes: 1. The Company conducted a 3-for-1 stock split of common shares as of February 1, 2022. For the purposes of comparison, figures prior to the fiscal year ended March 31, 2022 have been retroactively adjusted.  
2. The U.S. subsidiary is excluded from the scope of consolidation from the fiscal year ended March 31, 2019.



Changes in Fund Performance

Performance of Main Funds in Operation

As of March 31, 2023 (Preliminary basis)  
(Billions of yen [Japan], Millions of U.S. dollars [United States / Asia])

Funds	Establishment	Capital commitments (total funds under management)	Paid-in capital (PI)	Total distribution (D)	Fair value valuation (Japan: Reference value)				Marked-down valuation			
					Remaining valuation (R)	Net IRR (%)	Multiple (D + R)/PI	Previous year multiple (2022/3)	Remaining valuation (R)	Net IRR (%)	Multiple (D + R)/PI	Previous year multiple (2022/3)
Japan												
JAFCO SV4	Mar. 2013	60.0	1.00	1.61	0.66	16.2	2.27	2.36	0.22	13.1	1.84	1.79
JAFCO SV5	Aug. 2016	75.0	0.95	0.12	1.01	3.6	1.18	1.21	0.69	—	0.85	0.92
JAFCO SV6	June 2019	80.0	0.93	0.00	1.03	4.9	1.11	1.01	0.80	—	0.86	0.91
Asia												
JATF VI	Mar. 2013	150	1.00	2.31	0.27	21.8	2.57	2.92				
JATF VII	Apr. 2017	140	0.98	0.00	0.86	—	0.88	0.96				
JAFCO Taiwan I	Sep. 2019	67	0.95	0.00	1.17	12.9	1.24	—				
JAS-8	Apr. 2021	130	0.45	0.00	0.40	—	0.90	—				
United States												
Icon II	Apr. 2006	108	0.96	1.37	0.01	6.4	1.34	1.34				
Icon IV	Feb. 2010	150	1.00	2.45	0.49	11.7	2.55	2.58				
Icon V	May 2012	260	0.99	0.53	0.80	4.6	1.28	1.34				
Icon VI	Dec. 2015	375	0.90	0.07	1.46	12.4	1.56	1.54				

Notes: 1. Figures for U.S. and Asian funds are after annual audit based on GAAP (U.S.) and International Accounting Standards, respectively.  
2. Marked-down valuation: Only markdowns are recorded, in principle. Markups are not recorded until the shares are sold or listed.  
3. Net IRR of domestic funds are those of capital call funds of each domestic fund series.  
4. Net IRR and multiples are calculated from the investors' point of view based on actual date and amount of distribution, and residual net assets as of the date of calculation.  
5. Total distribution of U.S. funds includes success fee equivalents, which are excluded when calculating net IRR and multiples.  
6. Figures for paid-in capital, total distribution and remaining valuation are the ratio to capital commitments.  
7. Figures are rounded to the nearest unit.

Fair Value Valuation

Fair value valuation is required under international standards such as IFRS and GAAP (U.S.) for investment securities held by venture capital and other investment firms, and the International Private Equity and Venture Capital Valuation (IPEV) Guidelines have been used as the basis for the fair value valuation of unlisted securities. For some time now, we have performed fair value valuation for our U.S. and Asian funds based on these standards.

For our domestic funds, in response to investors' requests, we also conduct a fair value valuation of unlisted securities based on the IPEV Guidelines. These figures are provided for reference purposes and are unaudited. This valuation differs significantly from the limited partnership accounting standards adopted by our funds as markups are also recorded for unlisted securities whose market valuation exceeds acquisition costs.

Valuations are conducted using key indicators—the terms of the latest round of financing, portfolio company performance, and the valuation multiple of similar listed companies (multiple method). Certain conditions are also applied in accordance with the situation of portfolio companies. Although valuations are calculated using a specialized platform (Qval\*) after a careful examination of the available information, either the most recent or as of the reference date, we cannot guarantee complete accuracy. While we emphasize consistency in the conditions applied, differences may arise due to changes in the situation of portfolio companies. This can have a substantial impact on the valuation of unlisted securities as a whole.

\* Qval is a fair value valuation system for unlisted securities provided by S&P Global Market Intelligence. It is used by many venture capital and private equity funds, mainly in the United States.

Fund Performance of Fully Liquidated Funds

(Billions of yen)

Domestic funds	Establishment	End of term	Capital commitments (total funds under management)	Against 1.0 in capital commitments		Multiple D/PI	Net IRR (%)
				Paid-in capital (PI)	Total distribution (D)		
JAFCO No.1	Apr. 1982	Dec. 1993	1.6	1.00	3.26	3.26	16.7
JAFCO No.2	July 1982	July 1994	2.8	1.00	3.07	3.07	14.9
JAFCO No.3	Mar. 1983	Mar. 1995	7.0	1.00	3.53	3.53	17.2
JAFCO No.4	June 1984	Dec. 1996	8.0	1.00	2.91	2.91	15.3
JAVP	Aug. 1985	Sept. 1998	U.S.\$37M	1.00	4.08	4.08	24.7
JAFCO No.5	Dec. 1985	Sept. 1998	5.3	1.00	2.23	2.23	10.1
JAFCO No.6	Feb. 1989	Feb. 2001	5.5	1.00	1.00	1.00	—
JAFCO G-3	Jan. 1990	Jan. 2002	14.0	1.00	0.97	0.97	—
JAFCO G-4	Feb. 1990	Feb. 2002	10.5	1.00	0.98	0.98	—
JAFCO R1	Apr. 1991	Nov. 2003	11.4	1.00	1.10	1.10	1.2
JAVP2	Mar. 1992	Dec. 2003	U.S.\$68M	1.00	1.17	1.17	3.2
JAFCO G-5	Jan. 1991	Mar. 2004	12.2	1.00	1.39	1.39	4.2
JAFCO R2	Apr. 1992	June 2004	5.2	1.00	1.46	1.46	4.4
JAFCO R3	Apr. 1995	June 2007	5.0	1.00	2.38	2.38	12.9
JAFCO G6	Apr. 1995	June 2007	9.0	1.00	2.13	2.13	10.9
JAFCO G7	Jan. 1997	Dec. 2008	12.2	1.00	1.55	1.55	6.2
JAFCO MBO1	Nov. 1999	Dec. 2009	28.0	1.00	1.17	1.17	4.0
JAFCO G8	Mar. 2000	Dec. 2011	34.4	1.00	0.92	0.92	—
JAFCO G-9	Sept. 2002	Dec. 2014	23.0	1.00	1.06	1.06	0.9
JAFCO MBO2	Feb. 2004	Dec. 2014	50.0	0.92	1.09	1.18	5.0
JAFCO V1	Mar. 2004	Dec. 2017	53.7	1.00	0.89	0.89	—
JAFCO V2	Sept. 2005	Dec. 2016	94.0	1.00	0.85	0.85	—
JAFCO SV3	July 2007	Dec. 2021	146.5	1.00	1.70	1.70	10.3

(Millions of U.S. dollars)

Overseas funds	Establishment	End of term	Capital commitments (total funds under management)	Against 1.0 in capital commitments		Multiple D/PI	Net IRR (%)
				Paid-in capital (PI)	Total distribution (D)		
USIT (US)	Nov. 1994	Dec. 2006	—			7.06	63.8
USIT (US)	June 1997	Dec. 2006	—			5.37	63.7
Icon (US)	July 2003	Aug. 2020	113	1.00	2.67	2.67	12.7
Icon III (US)	Aug. 2007	Dec. 2018	150	0.97	1.58	1.65	13.6
JATF I (Asia)	Nov. 2000	Mar. 2012	178	0.95	0.94	0.99	—
JATF II (Asia)	Feb. 2004	Dec. 2014	100	1.00	1.33	1.33	6.7
JATF III (Asia)	Dec. 2005	Dec. 2017	168	1.00	1.16	1.16	4.1
JATF IV (Asia)	Aug. 2007	Sept. 2019	200	1.00	1.10	1.10	1.8
JATF V (Asia)	Jan. 2010	Dec. 2021	130	0.95	0.70	0.74	—

Notes: 1. Net IRR is calculated after subtracting management fees and success fees.  
2. Figures are rounded to the nearest unit.  
3. Total distribution of U.S. funds includes success fee equivalents, which are excluded when calculating net IRR and multiples.

ESG Data

Environmental

		Unit	2019.3	2020.3	2021.3	2022.3	2023.3
Greenhouse gas emissions (Scope 1 and Scope 2)		t-CO <sub>2</sub>	78.4	72.3	56.9	62.7	71.5
Energy consumption	Electricity consumption	Thousand kWh	91.4	88.2	64.7	77.5	82.1

Social

		Unit	2019.3	2020.3	2021.3	2022.3	2023.3
Employees							
Number of employees (non-consolidated)		Headcount	105	102	103	108	117
	Male		77	74	74	76	82
	Female		28	28	29	32	35
Number of employees (consolidated)*1		Headcount	134	131	132	135	147
	Male		86	83	84	83	93
	Female		48	48	48	52	54
Average years of service		Years, months	17 y, 2 m	17 y, 4 m	17 y, 1 m	16 y, 3 m	14 y, 11 m
	Male		15 y, 11 m	16 y, 1 m	15 y, 11 m	15 y, 6 m	13 y, 11 m
	Female		20 y, 9 m	20 y, 9 m	20 y, 3 m	18 y, 1 m	17 y, 4 m
Average age		Age	43 y, 10 m	44 y, 3 m	44 y, 3 m	44 y, 0m	42 y, 11 m
	Male		42 y, 8 m	43 y, 1 m	43 y, 4 m	43 y, 5 m	42 y, 2 m
	Female		47 y, 3 m	47 y, 7 m	46 y, 6 m	45 y, 5 m	44 y, 9 m
Turnover rate*2		%	3.8	9.4	13.3	6.7	8.9
Average annual working hours		Hours	2,126	2,060	2,109	2,144	2,128
Annual paid leave utilization rate		%	40.0	43.6	35.1	40.9	47.3
Remote working implementation rate*3		%	—	—	99.4	98.2	96.3
Recruitment / Diversity							
Number of new hires (new graduates)		Headcount	0	2	4	1	4
	Male		0	2	2	1	3
	Female		0	0	2	0	1
Number of new hires (mid-career)		Headcount	6	2	13	11	16
	Male		4	1	11	6	12
	Female		2	1	2	5	4
Ratio of female employees among new hires		%	0.0	0.0	50.0	0.0	25.0
Ratio of female employees		%	26.7	27.5	28.2	29.6	29.9
Front office (investment, branches, structured investment)			6.4	9.3	11.9	10.9	10.2
		Middle/back office (other than the above)	43.1	40.7	39.3	43.5	44.1
Ratio of female managers		%	16.2	15.6	15.4	16.2	16.9
Front office (investment, branches, structured investment)			10.0	10.3	10.3	9.4	6.1
		Middle/back office (other than the above)	21.1	20.0	19.4	22.2	26.3
Childcare leave utilization rate*4	Men	%	0.0	0.0	0.0	25.0	25.0
	Women		—	—	—	—	100.0
Human resources development							
Average hours for training and human resources development		Hours per employee	5.1	10.1	10.1	13.8	17.6

Governance

		Unit	2019.3	2020.3	2021.3	2022.3	2023.3
Corporate governance							
Number of directors	Inside	Persons	4	3	3	3	2
		Male	4	3	3	3	2
		Female	0	0	0	0	0
	Independent	Persons	3	4	4	4	4
		Male	3	3	3	3	3
		Female	0	1	1	1	1
Average term of office for directors	Year		6 y, 4 m	6 y, 9 m	7 y, 9 m	8 y, 9 m	8 y, 9 m
Number of Board of Directors meetings held	Times		13	13	14	13	17
Average attendance rate for Board of Directors meetings	%		100	100	100	100	100
Ratio of independent directors	%		42.9	57.1	57.1	57.1	66.7
Ratio of female directors	%		0.0	14.3	14.3	14.3	16.7
Number of Board-Audit Committee members	Inside	Persons	1	0	0	0	0
		Independent	3	4	4	4	4
Number of Board-Audit Committee meetings held	Times		13	14	14	14	14
Average attendance rate for Board-Audit Committee meetings	%		100	100	100	100	100
Number of Nomination and Remuneration Committee members	Inside	Persons	5	5	5	5	5
			2	1	1	1	1
		Independent	3	4	4	4	4
Number of Nomination and Remuneration Committee meetings held	Times		1	3	3	5	3
Attendance rate for Nomination and Remuneration Committee meetings	%		100	100	100	100	100
Director remuneration (excludes directors serving as Board-Audit Committee members)	Millions of yen						
	Basic compensation		90	91	90	90	94
	Extraordinary compensation		89	89	84	92	46
	Transfer-restricted share remuneration		—	—	—	—	52
	Total		179	180	175	183	193
Remuneration of directors serving as Board-Audit Committee members	Millions of yen						
	Basic compensation		80	75	73	75	76
Remuneration of independent directors*5	Millions of yen						
	Basic compensation		51	68	73	75	76

Note: Figures are calculated on a non-consolidated basis unless marked with an asterisk.  
\*1 Figures exclude the U.S. subsidiary.  
\*2 Figures include employees who retired at mandatory retirement age.  
\*3 The percentage of employees who work from home at least once per month. Data collection began in October 2020. Prior data is not available.  
\*4 Instances where there are no eligible employees for childcare leave are indicated with “—”. Instances where there are eligible employees but none that have made use of childcare leave are indicated with “0.0”.  
\*5 The remuneration of independent directors is included in the remuneration of directors who are Board-Audit Committee members.

Company Information (As of March 31, 2023)

Company Profile	
Trade name	JAFCO Group Co., Ltd. (JAFCO)
President & CEO	Keisuke Miyoshi (from April 2022)
Address of head office	Toranomon Hills Mori Tower 24F, 1-23-1 Toranomon, Minato-ku, Tokyo 105-6324, Japan
Established	April 5, 1973
Capital	¥33,251 million
Number of employees	147 (consolidated), 117 (non-consolidated)
Financial instruments business operator	Director-General of Kanto Local Finance Bureau (Kinsho) No. 1693
Industry organization membership	Japan Investment Advisers Association Type II Financial Instruments Firms Association

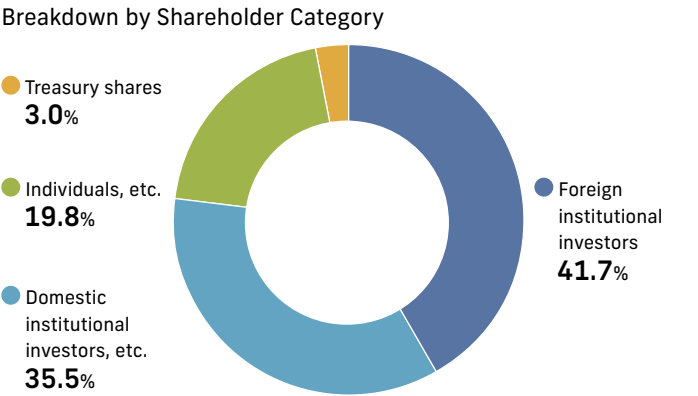
Information Disclosure System			
Information disclosure media		Type of information	
		Financial information	Non- financial information
Integrated Report	Discloses the overall picture of the Company's value creation for sustainable growth in an integrated manner, providing a systematic explanation of our strategies and measures from both financial and non-financial standpoints	●	●
Securities Report (in Japanese only)	Provides an overview of the Company, the status of its business, financial information such as financial statements, and non-financial information such as the corporate governance structure, based on the Financial Instruments and Exchange Act	●	●
Financial summaries and briefing materials	Provide quarterly financial information	●	●
Fact Book	Published once a year separately from the Integrated Report, providing a summary of the Company's disclosure data, including the results of previous fiscal years and management indicators	●	
Corporate Governance Report	Provides information on the Company's corporate governance based on stock exchange listing rules		●
JAFCO Group website	Provides more detailed information and data that are not included in the above media	●	●

Shareholder/Investor Information (As of March 31, 2023)

Stock Information

Authorized number of shares	240,000,000
Number of shares issued	56,060,000
Number of shareholders	12,385
Listed market	TSE Prime Market
Securities code	8595
Administrator of shareholders' register and banking corporation	Mitsubishi UFJ Trust
Fiscal year	April 1 to March 31 of the following year

Shareholder Composition



Total Shareholder Return

	March 2019	March 2020	March 2021	March 2022	March 2023
JAFCO Group	80.9%	60.4%	137.9%	121.9%	131.9%
Reference: TOPIX Net Total Return	95.0%	85.9%	122.1%	124.6%	131.8%

Major Shareholders

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,375	17.2
Custody Bank of Japan, Ltd. (Trust Account)	3,474	6.4
Nippon Life Insurance Company	1,158	2.1
STATE STREET BANK AND TRUST COMPANY 505103	1,083	2.0
STATE STREET BANK WEST CLIENT - TREATY 505234	894	1.6
GOVERNMENT OF NORWAY	818	1.5
STATE STREET BANK AND TRUST COMPANY 505019	808	1.5
JPMorgan Securities Japan Co., Ltd.	795	1.5
STATE STREET BANK AND TRUST COMPANY 505001	760	1.4
DFA INTL SMALL CAP VALUE PORTFOLIO	753	1.4

Notes: 1. The Company holds 1,675 thousand treasury shares, which are excluded from the above list of major shareholders.  
2. The shareholding ratio is calculated after deducting the number of treasury shares.

Share Price and Trading Volume

