

JAFCO

INTEGRATED
REPORT

2022

PURPOSE

Fueling perpetual growth; investing in bold visions

As a venture capital pioneer in Japan, JAFCO Group has led the way in opening up the market while overcoming many challenges. In our early years, we encountered difficulties establishing a consistent revenue base. However, the 1980s marked a turning point when we established Japan's first venture capital partnership fund and pursued continued expansion of our business as a venture capital firm. Having secured a stable source of capital for investment, we have been pursuing a uniquely Japanese approach as an investment firm specializing in private equity while working to recruit and train personnel with a long-term perspective.

Over the years, the Japanese economy has grown, developed, and matured, and during that time, JAFCO has consistently invested in bold visions. Our business has two main pillars. In venture investments, we pursue the creation of new businesses together with entrepreneurs. In buyout investments, we guide companies that seek renewed growth through a "second start," enabling them to achieve enduring growth and expansion. We have invested growth capital in unlisted companies through fundraising and equity financing to support growth and to provide returns to investors through IPOs. Moreover, a stable supply of risk money will be required to revive the now stagnating Japanese economy and put it back on track for growth. We are committed to maintaining and expanding the investment cycle, no matter how difficult the operating environment becomes, to fuel perpetual growth.

The problems facing the global environment and economy are more complex than ever before. Humanity must create a new form of prosperity in which everyone can coexist in harmony, regardless of race, gender, or culture. Since our founding, we have worked with various entrepreneurs to create and further develop innovative products and services that the world needs and ushered in a new era. By boldly investing in initiatives that create as-yet-unknown value and committing to growth, we will fuel perpetual new growth and contribute to the realization of a sustainable society.

IDENTITY

Co-Founder

JAFCO Group has always worked side by side with cutting-edge entrepreneurs. In addition to a large number of investment professionals with broad experience, we have accumulated the necessary resources and built extensive networks to foster the growth of portfolio companies.

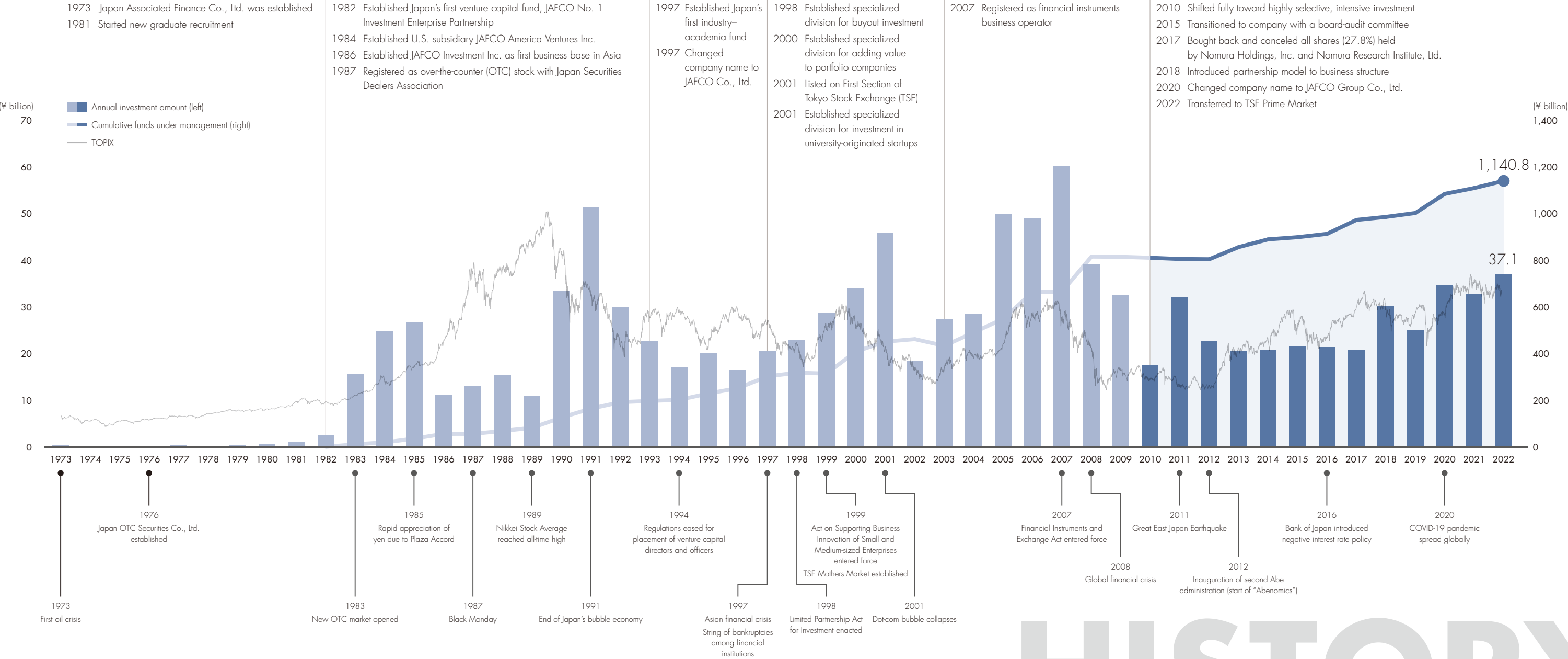
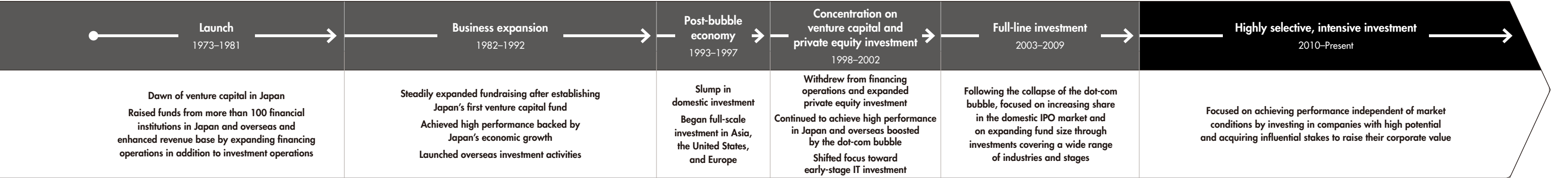
An essential part of going beyond simply being an investor—to truly commit to achieving business growth and increasing corporate value by working together with entrepreneurs and management teams—is for each of our investment professionals to make a deep commitment to management as a "Co-Founder" from the conceptual stage of businesses. In our venture investments, we work alongside entrepreneurs as a Co-Founder of nascent startups, and in our buyout investments, we vigorously promote business growth as a Co-Founder of companies embarking on a "second start."

Furthermore, the corporate culture we have created motivates not only our investment professionals but all of our employees to do their best to ensure the growth and development of portfolio companies. The mentality, knowledge, and experience passed down for decades have been developed based on the mindset of a Co-Founder, which creates a cycle of growth and provides the energy to achieve Our Purpose.

Simply maintaining the status quo is unacceptable in the mindset or behavior of a Co-Founder. The attributes needed of a Co-Founder develop as each individual gains experience in thinking autonomously and taking decisive action. In becoming an organization where each individual plays an active role as a Co-Founder, we will continue to take on challenges with entrepreneurs and provide higher value to portfolio companies and society.

By continually challenging ourselves as a pioneer in private equity investment in Japan, we have developed an investment style that delivers stable results and contributed to the growth of a sustainable society.

JAFECO Group's Initiatives



Purpose

Fueling perpetual growth; investing in bold visions

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 and then intensively provide management resources to boost corporate value. Amid significant changes in the business environment, we will further develop this policy and thereby enhance our ability to reproduce successes.

Fundraising Capabilities

While the success or failure of fundraising is significantly affected by the economic environment and performance, we raise capital for large flagship funds every three years to secure investment capital. As the management of private equity investment 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 money. Moreover, while deepening relationships with existing investors, we will also expand the scope of our activities to attract new ones.

JAFCO

Organizational Foundation

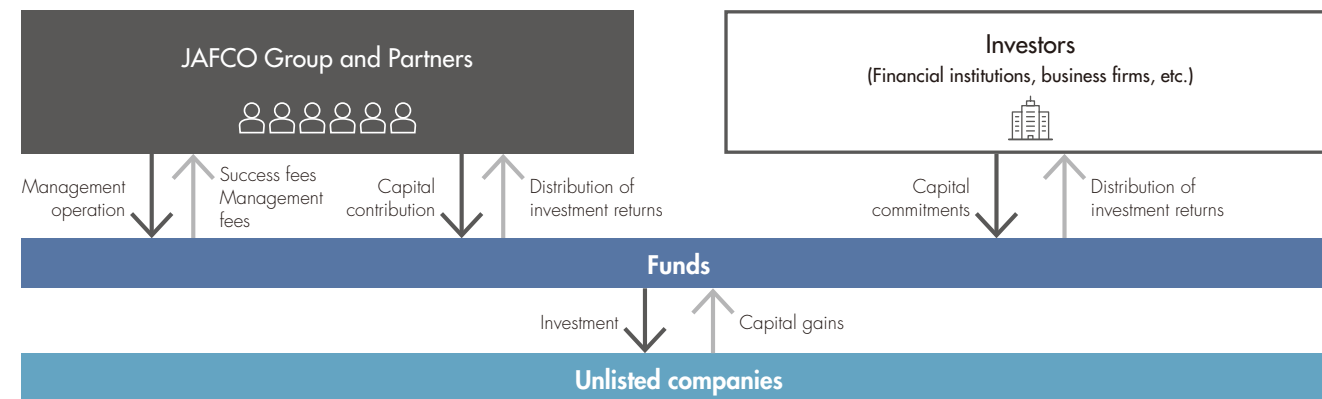
We have firmly established a unique model for recruiting and training new graduates to become investment professionals, as well as a culture in which experienced senior personnel pass on their knowledge and mindset to younger team members. We are also bolstering mid-career recruitment of specialists, 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 performance.

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

JAFCO Group's Business Overview

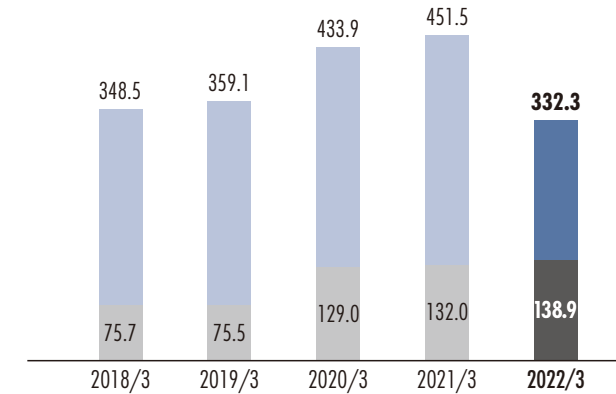
JAFCO Group's Profit Structure

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 the start of fund operation. We believe that continually sourcing and investing in promising companies based on our policy of highly selective, intensive investment ensures stable investment performance, regardless of the timing of a company's establishment or business sentiment. After investment, we deepen management involvement and raise corporate value with entrepreneurs to achieve exits (sales) through IPOs, M&A, and other means.



Total Funds under Management

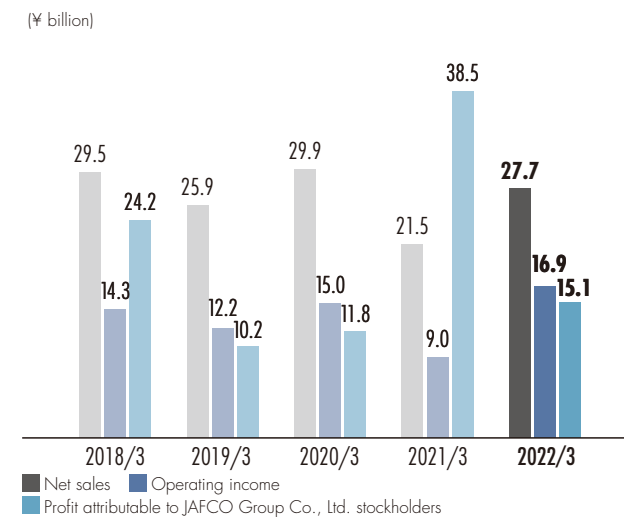
Total capital commitments **¥332.3 billion**
Amount subject to management fees **¥138.9 billion**
(¥ billion)



■ Total capital commitments ■ Amount subject to management fees
Notes: 1. Excluding JAFCO Group's interest in funds, Ico funds, and funds under extension.
2. Foreign-currency-denominated funds are calculated based on the exchange rate at the end of each fiscal year.

Net Sales / Operating Income / Profit Attributable to JAFCO Group Co., Ltd. Stockholders

Net sales **¥27.7 billion**
Operating income **¥16.9 billion**
Profit attributable to JAFCO Group Co., Ltd. stockholders **¥15.1 billion**

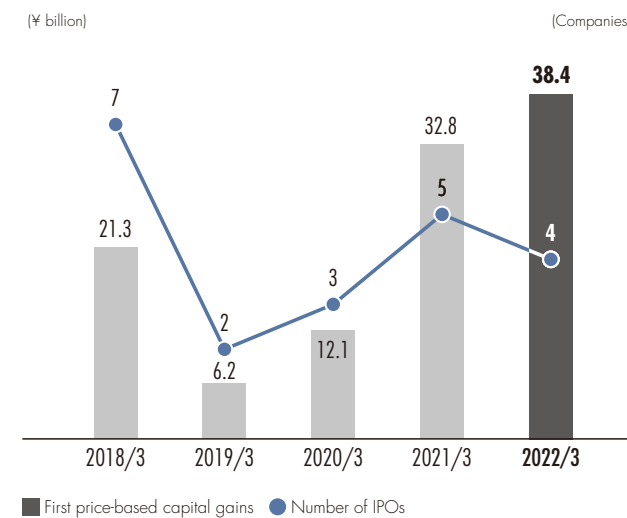


Note: A gain on sale of investment securities was recorded as an extraordinary gain in the fiscal year ended March 31, 2018, and the fiscal year ended March 31, 2021.

Notes to graphs on pages 7–8:
1. Figures are rounded to the nearest unit.
2. The U.S. subsidiary is excluded from the scope of consolidation from the fiscal year ended March 31, 2019.

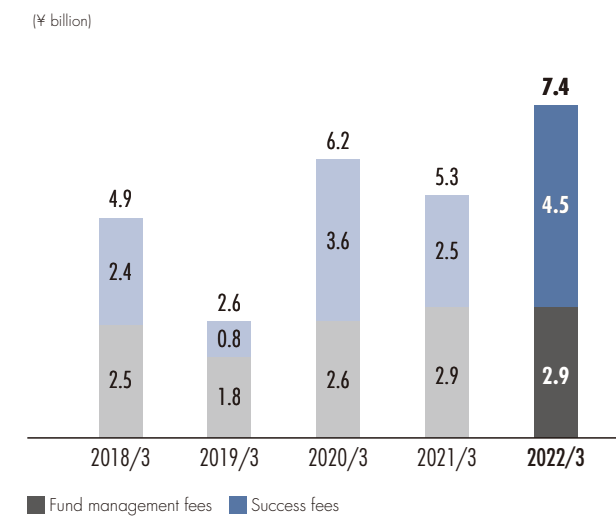
Domestic IPOs (including funds under management)

First price-based capital gains **¥38.4 billion**
Number of IPOs **4 companies**



Fund Management Fees / Success Fees

Fund management fees **¥2.9 billion**
Success fees **¥4.5 billion**



Note: Figures reflect the exclusion of the U.S. subsidiary (JAV) from the scope of consolidation.

Contents

JAFCO Group's Values

- 1 JAFCO Group's Purpose / Identity
- 3 Applying Our Purpose: JAFCO Group's History
- 5 Applying Our Purpose: JAFCO Group's Strengths
- 7 JAFCO Group's Business Overview

JAFCO Group's Value Creation

- 9 Message from the President
- 15 Value Creation Process
- 17 Sources of Value Creation
- 19 Materiality
- 21 Sustainability
- 23 Message from the CFO
- 27 Business Process

Sustainable Growth Strategy

- 29 Venture Investment
- 31 Buyout Investment
- 33 Portfolio Company Case Studies
- 35 Business Development
- 37 Fund Management
- 39 Global Investment
- 41 Human Resources Strategy

Business Foundation for Sustainable Growth

- 43 Message from an Independent Director
- 45 Board of Directors
- 47 Corporate Governance
- 52 Compliance
- 53 Risk Management
- 56 Environmental Initiatives

Corporate Data

- 57 Review and Analysis of the Fiscal Year Ended March 31, 2022
- 61 Financial and Non-Financial Highlights
- 63 11-Year Summary
- 65 Changes in Fund Performance
- 67 ESG Data
- 69 Company Information
- 70 Shareholder/Investor Information

Editorial Policy

JAFCO Group has supported the launch and rejuvenation of numerous companies and contributed to the revitalization of industries through venture and buyout investment. In December 2022, we took the first step toward even greater growth by establishing our new purpose statement and announcing our growth strategy and capital 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/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, 2021 to March 31, 2022
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 systems and other various regulations/systems, and internal and external factors.



Message from the President

Fueling Perpetual Growth by Continuing to Support People and Companies Pursuing Change

Keisuke Miyoshi
President & CEO

Growing Presence of Startups and Increasing Business Opportunities

Uncertainty about the future of society continues to grow.

The COVID-19 pandemic has brought significant changes to our lifestyles and behavior patterns, while the crisis in Ukraine has led to soaring prices and supply shortages worldwide. At the same time, environmental and social changes, including intensifying disasters arising from climate change and the emergence of human rights and other social issues, are heavily impacting people's ways of life, as well as corporate management and supply chains.

The COVID-19 pandemic has undeniably forced companies to change traditional ways of generating earnings and working, which has made it difficult to derive solutions from past success models. Amid the need to pursue the development of novel products, services, and technologies based on totally new approaches, startups are attracting more attention than ever before. The products and services created by startups are closely attuned to changes in the market, and so it has

become commonplace for major corporations and other established companies to find ways of effectively incorporating these products and services into their own businesses. While the majority of existing companies have started taking social responsibility seriously recognizing that resolving social issues is a fundamental theme, there has not necessarily been a seat at the table for startups to play their part. However, as social change accelerates, there are growing expectations for highly agile startups, and venture investments are now made across a broader range of themes and in greater amounts. At the same time, there is steadily increasing social demand with regard to the venture and buyout investments that we engage in. This includes the rise in the number of successful companies that have taken the current social changes as opportunities, and growing needs for support in establishing independence from the parent company and for business succession.

JAFCO Group's Ongoing Business and Social Value

The Company formed Japan's first venture capital fund (investment partnership) in 1982. Since then, we have worked closely with companies to achieve growth and revitalize their businesses through venture and buyout investments.

We place importance on continually investing in the bold visions of entrepreneurs and others. What we value most in investment activities is our approach of growing together with portfolio companies. For this reason, it is essential that we gain the understanding, trust, and cooperation of the four groups of stakeholders involved in our growth—namely, portfolio companies/entrepreneurs, fund investors, shareholders/investors, and our employees. By doing so, we are able to promote joint operations with portfolio companies over the medium to long term. Venture investments come with high risk and require a significant amount of time because they essentially involve the creation of completely new businesses from the ground up. To guide these investments to success, it is important to listen carefully to the opinions of not only portfolio companies/entrepreneurs, but also fund investors, shareholders/stock investors, and our investment professionals and other employees.

A key point for realizing the world envisioned by portfolio companies/entrepreneurs is to jointly think through what kind of business to create and how it will contribute to the transformation and restructuring of society. In buyout investments, our aim is to take over a business, further enhance its value, and then transfer the business to take it to the next stage. Our approach with buyout investments is the same as the one with venture investments in that we listen carefully to all stakeholders in the process of management reform and contribute to

the transformation and restructuring of society through their solid business development. It is essential that we believe in the new challenges undertaken by portfolio companies/entrepreneurs and think through how to achieve them together. Occasionally, there are cases where the interests of stakeholders may not coincide, but we believe that we always make fair decisions on such matters (an important value).

Our investments often involve pursuing pioneering goals such as the creation of novel business models, so naturally, we must be prepared for a certain degree of failure. However, we have learned from experience that big results only come from continuing to take on challenges without fear of failure. This is behind our firmly rooted culture of not fearing but permitting failure.

Our investments are not possible without portfolio companies/entrepreneurs that are serious about growing their businesses, our employees who promote the businesses with them, our fund investors who provide capital, and our own shareholders/stock investors. We work alongside portfolio companies/entrepreneurs to put their businesses on track for growth, and distribute the proceeds that we gain from our investments in the form of returns to fund investors, shareholders/investors, and the Company. By repeating this cycle of making an investment, achieving the portfolio company's growth, and recovering the investment, we have challenged ourselves to create new value, led many companies to success, and achieved our own growth. Our social value is in our ability to promote corporate rejuvenation and eventually change the industrial structure through our investments.

Increasing the Reproducibility in the Challenge to Succeed

Our journey to date has not always been smooth. Despite many difficulties, including the collapse of the dot-com bubble in 2001, the global financial crisis in 2008, and the Great East Japan Earthquake in 2011, we have steadily continued to invest in the bold visions of entrepreneurs and others. I consider our biggest turning point to be when we shifted our investment policy to highly selective, intensive investment in 2010. This approach focuses on high-potential targets and takes on the risk of making bold investments. The shift

was aimed at promoting the growth of portfolio companies by acquiring an influential stake that allows deep involvement in their management. At a time when it was widely taken for granted that investments in startups would usually fail and the standard practice was to diversify investments in many startups in a broad range of business categories, we resolved to focus instead on highly selective, intensive investment, concentrating our funds in companies that showed a particular promise.

When it comes to putting this into practice, investment professionals who are able to think through the creation of new businesses together with portfolio companies/entrepreneurs are indispensable. However, I believe that the very reason why our highly selective, intensive investment has been successful and produced steady results is that we have built a system where our highly ambitious investment professionals can support a portfolio company's growth and create/innovate businesses along with our Business Development Division, Fund Management Division, and Administration Division.

Meanwhile, in July 2017, we bought back and canceled all of our shares held by Nomura Holdings, Inc. and Nomura Research Institute,

Ltd. (NRI), which amounted to 27.8% of the total shares outstanding, and became totally independent. Up to that point, we had already been independent in terms of management and business operations, but we still had a capital relationship with them. By dissolving this relationship, we clarified our stance as an independent company. In conjunction with the major shift in the shareholder composition, we have been working to enhance governance to ensure that our management fully considers the interests of both our shareholders, mostly consisting of institutional investors, and our fund investors.

History of Strengthening Corporate Governance and Commencement of Full-Fledged Sustainability Management

Since becoming a company with a board-audit committee in June 2015, we have accelerated the strengthening of corporate governance by increasing the ratio of independent directors, appointing a female director, establishing the Nomination and

Remuneration Committee (in June 2019), and other measures.

Furthermore, in the fiscal year ended March 31, 2021, we decided, from the standpoint of capital efficiency, on a policy to clearly specify the amount of funds needed for continuing investment

Purpose

**Fueling perpetual growth;
investing in bold visions**

Mission

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



activities and to return the surplus to shareholders. We bought back shares totaling ¥35 billion that year and a further ¥15 billion the following year and we have sold about 40% of our NRI shareholdings according to our announced policy.

We have also worked on establishing a sustainability management structure. In the fiscal year ended March 31, 2022, we launched a sustainability project and began discussions on how to achieve continuous improvement of corporate value. Under this project, we are working on building corporate and governance structures that are resilient to global demands by highlighting any gaps between our management and external requirements. We also launched a cross-divisional project to discuss measures to enhance our corporate value, incorporating the details discussed in the sustainability project.

In addition, in order to communicate the significance of our existence as a company (i.e., the social value we create and the

values we embrace) to our employees, investors, and other stakeholders, we set out to introduce a purpose statement. After repeated discussions from various angles, we identified Our Purpose to be "Fueling perpetual growth; investing in bold visions." While upholding our Mission "Commit to new business creation and jointly shape the future," which defines the aspiration we have pursued since our foundation, we will decisively invest in bold visions that generate novel value, commit to ensuring their ability to fuel new perpetual growth, and contribute to the realization of a sustainable society. We also identified the material issues that we face in realizing Our Purpose and discussed measures to improve our corporate value. Regarding our human resource policies, we have launched a number of new initiatives, including more active mid-career recruitment, training of investment professionals, diversity initiatives, and the introduction of new workstyles amid the COVID-19 pandemic.

Results for the Fiscal Year Ended March 31, 2022

Our highly selective, intensive investment to date has borne fruit, and in the fiscal year ended March 31, 2022, our fund management achieved a significant result in the form of the IPO by Visional, Inc.,

a portfolio company of ours. I believe that this success was a result of the efforts of our team led by investment professionals in supporting the entrepreneur's desire to create a new mechanism to resolve social

issues using IT and solve challenges in the way people work in Japan by focusing on the area of workstyles, rather than simply leveraging outstanding technologies or services. One insight we gained through our investment in Visional is that if a company can create a new business model by successfully addressing changes in social values in Japan, it will be able to gain a large share of an existing massive market and win a high reputation on a global basis. We will try to firmly root knowledge for the next success in our teams and replicate

Our Determination to Make Further Progress

As the Board of Directors and other bodies were discussing initiatives to enhance corporate value, some shareholders proposed a measure to enhance shareholder value in August 2022. Given our prior recognition of and ongoing discussions on matters overlapping with much of the proposal content as issues to be addressed, we specified our future direction, taking into account the content of the proposal,

the case of Visional by accumulating our own know-how out of successes of this kind.

Moreover, in buyout investments, our ongoing efforts to provide attentive support from investment to exit have resulted in the launch of a buyout-dedicated fund. In addition, we completed investment activity for the SV6 venture capital fund, and now we have begun fundraising for the next SV7 fund.

and announced the Basic Policy for Enhancing Corporate Value in November 2022. The key points of the policy are to aim for greater capital efficiency than ever before, and to explicitly state and implement our growth strategies. In the short term, the amount of capital earmarked for the Company's investment business will be halved from ¥120 billion to ¥60 billion. At the same time, all

remaining shares of NRI held will be sold, and the proceeds from that sale will be used to buy back our shares, which will then be promptly canceled. In addition, we have changed the dividend policy from paying 3% of shareholders' equity to paying the greater of 3% of shareholders' equity or 50% of net income.

Our medium-to-long-term goals are to reduce our investment ratio in new funds from 40% to 20%, to increase total funds under management (AUM) from ¥380 billion (as of September 30, 2022) to ¥670 billion, and to boost ROE from 6% to the range of 15–20%.

As part of our growth strategies, we need to enhance our investment management and fundraising capabilities, and strengthen our organizational foundation which supports our investment activities. We will raise our investment management capabilities by improving our approach of highly selective, intensive investment, which we have been promoting since 2010, and deepening our involvement in the management of portfolio companies by quickly identifying business possibilities in each stage of investment, growth, and exit. Being committed to broader and deeper growth, we can eventually maximize the value of, and guide each portfolio company through to exit. To expand our fundraising capabilities, while increasing the percentage of repeated investments from existing fund investors, we will acquire new investors especially by targeting a new group of investors who put a particular premium on the social and economic value of funds. As a measure to strengthen the organizational foundation of employees, we will continually hire new graduates and

pass on knowledge and experience to them, and also recruit diverse human resources with the necessary backgrounds to help portfolio companies grow their business. We will also enhance our specialized functions aimed at providing cross-sectional support to portfolio companies such as hiring executives and employees and strengthening their relationships with established large corporations and financial institutions.

Furthermore, as a measure to actively contribute to the realization of a sustainable society through our investment activities, we will strengthen investment in businesses that contribute to sustainability, and help portfolio companies enhance their corporate governance. Many of our investment activities lead to the creation of new businesses that resolve social issues. To date, we have contributed to social sustainability through the expansion of portfolio company businesses. Against the backdrop of the growing awareness of social issues, we will further increase investment in businesses and companies pursuing solutions to social issues. For unlisted companies, implementing ESG-conscious management at an early stage will lead to stable and sustainable corporate/business growth. As lead investor, we regularly check the governance structure of portfolio companies and help them improve it by engaging in dialogue with their management team.

Through these activities, we will achieve Our Purpose of “Fueling perpetual growth; investing in bold visions” by maximizing the supply of risk money and circulating such money to guide portfolio companies to growth, thereby contributing to sustainable economic growth.

Becoming a Partner of People and Companies Pursuing Change and Innovation

Today, the world, in particular Japanese society, is undergoing a major paradigm shift, away from the traditional social structure, and this trend is expected to accelerate. We have invested, and will invest in people and companies taking on challenges to pursue change and innovation. Toward that end, we must become their partner of first choice. We, too, will constantly change. By steadily implementing the recently

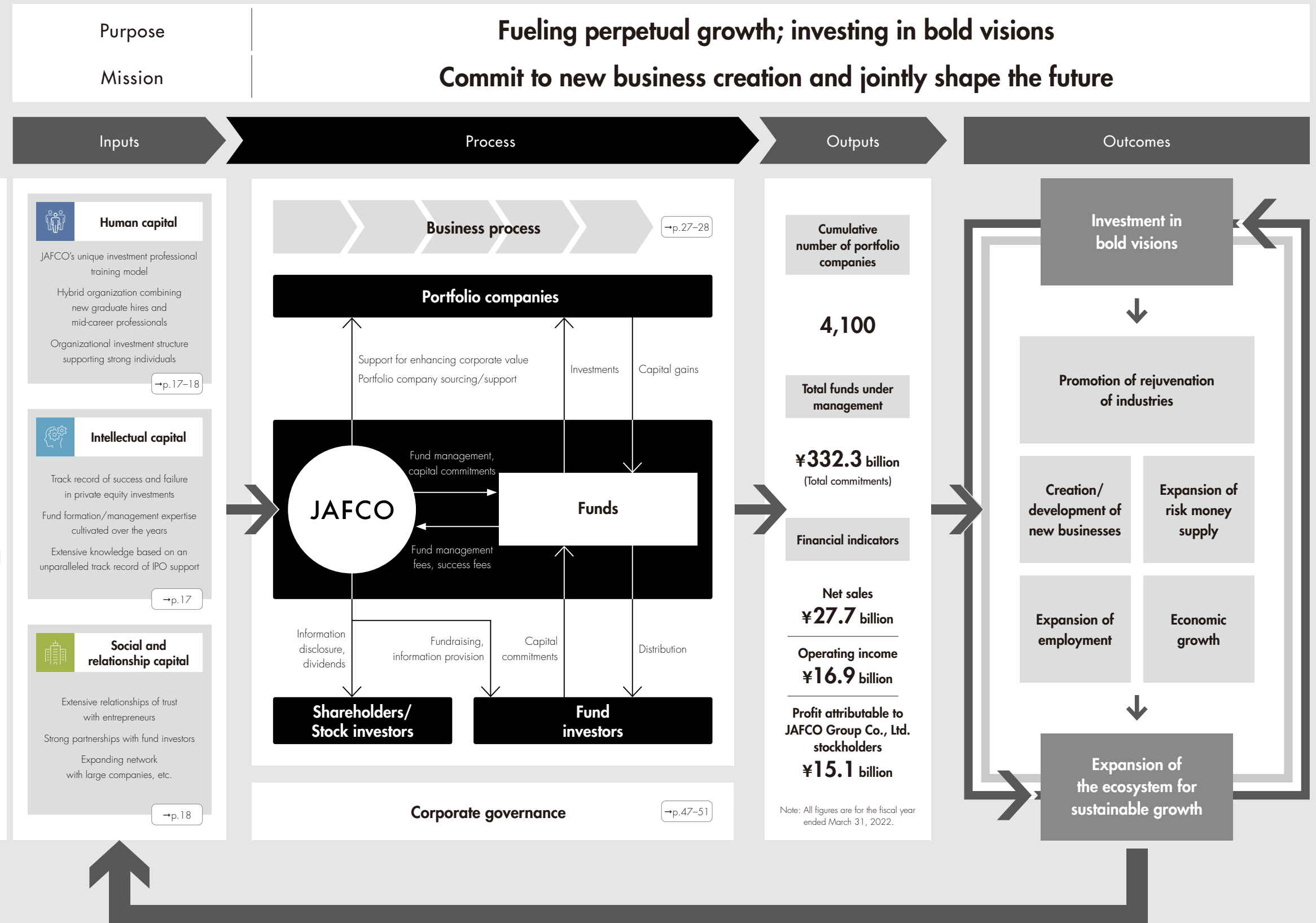
announced Basic Policy for Enhancing Corporate Value and making significant changes ourselves, we will together take up the challenge of building a sustainable society.

Stay tuned as we strive to become a partner of people and companies pursuing change and innovation.



Fueling perpetual growth; investing in bold visions

We will continue to invest in the bold visions of entrepreneurs and companies to drive the rejuvenation of industries and achieve the sustainable growth of society.



Sources of Value Creation

Integration of Management Capital based on Human Capital

JAFCO Group creates new value by integrating its unmatched intellectual capital and social and relationship capital based on the organizational and human resource capabilities that it has cultivated.



Intellectual capital

Because investment in unlisted companies that may not have a solid business foundation is highly uncertain, the key is how effectively past experience can be leveraged to reproduce success. Reproducing success fuels perpetual growth. We have established a mechanism for sharing and accumulating experience through meetings and information systems throughout all business processes, which range from forming funds, identifying investment targets, making investment decisions, executing plans, and enhancing corporate value to selecting an exit.* This mechanism is our intellectual capital.

To date, we have invested in 4,100 companies and supported more than 1,000 IPOs. One of our strengths is the ability to identify the potential issues that could be faced by portfolio companies and provide solutions based on our experiences of success and failure that have been accumulated in the process of supporting an overwhelming number of IPOs.

* Refers to recovery of invested funds or exit strategies in venture capital and other investment funds

Track record of success and failure
in private equity investment

Cumulative number
of portfolio companies
4,100

Fund formation and
fund management expertise
cultivated over the years

Cumulative funds
under management
¥1,140.8 billion

Extensive knowledge based on
an unparalleled track record
of IPO support

Cumulative number
of IPOs
1,019

The greatest source of value creation at JAFCO Group is our human capital. For many years, we have consistently hired new graduates and worked to train investment professionals. Our unique training model has contributed significantly to the development of the private equity investment market and industry, including fund establishment by our former employees. In recent years, in addition to our new graduate hiring/training model, we have been focusing on mid-career hiring in an effort to build a hybrid model for developing human resources.

Our culture of respecting portfolio companies (entrepreneurs) is continuously passed down not only to our professionals but throughout the entire organization. A culture in which all employees, regardless of their division or age, cooperate naturally with each other to support the growth of portfolio companies and improve our investment capabilities has allowed us to develop strong organizational and human resource capabilities. Our organizational structure that places emphasis on the unique talents of individual professionals while also backing up those individuals is a major feature of the Company.



Human capital

Our shareholders, fund investors, and portfolio companies are all important stakeholders. The success of portfolio companies improves fund performance, which translates into profits for fund investors and shareholders. The relationship between the Company, portfolio companies, and limited partners is that of a partnership for the growth of portfolio companies. Fund investors not only provide funds but also actively collaborate with portfolio companies. We, too, are sometimes introduced to promising companies and entrepreneurs by portfolio companies.

Our network with large companies and related institutions is also essential for expanding business and fundraising opportunities for the growth of portfolio companies. We continue to expand our network and deepen trust through various activities, including workshops and seminars.

Extensive relationships of trust
with entrepreneurs

Number of interactions with potential
targets (most recent three years)
6,603

Strong partnerships
with fund investors

Cumulative number
of fund investors
1,295

Expanding network
with large companies, etc.

Number of companies
with which we have contact
15,410

JAFCO Group's unique model
of training investment
professionals

Number of professionals with
10 or more years
of investment experience
20 out of 47

Hybrid organization combining
new graduate hires and
mid-career professionals

Percentage of
mid-career hires among
investment professionals
41.3%

Organizational investment
management structure
supporting strong individuals

Number of
support personnel
for portfolio companies
27

Note: As of March 31, 2022



Social and relationship capital

Materiality

Materiality Identification Process

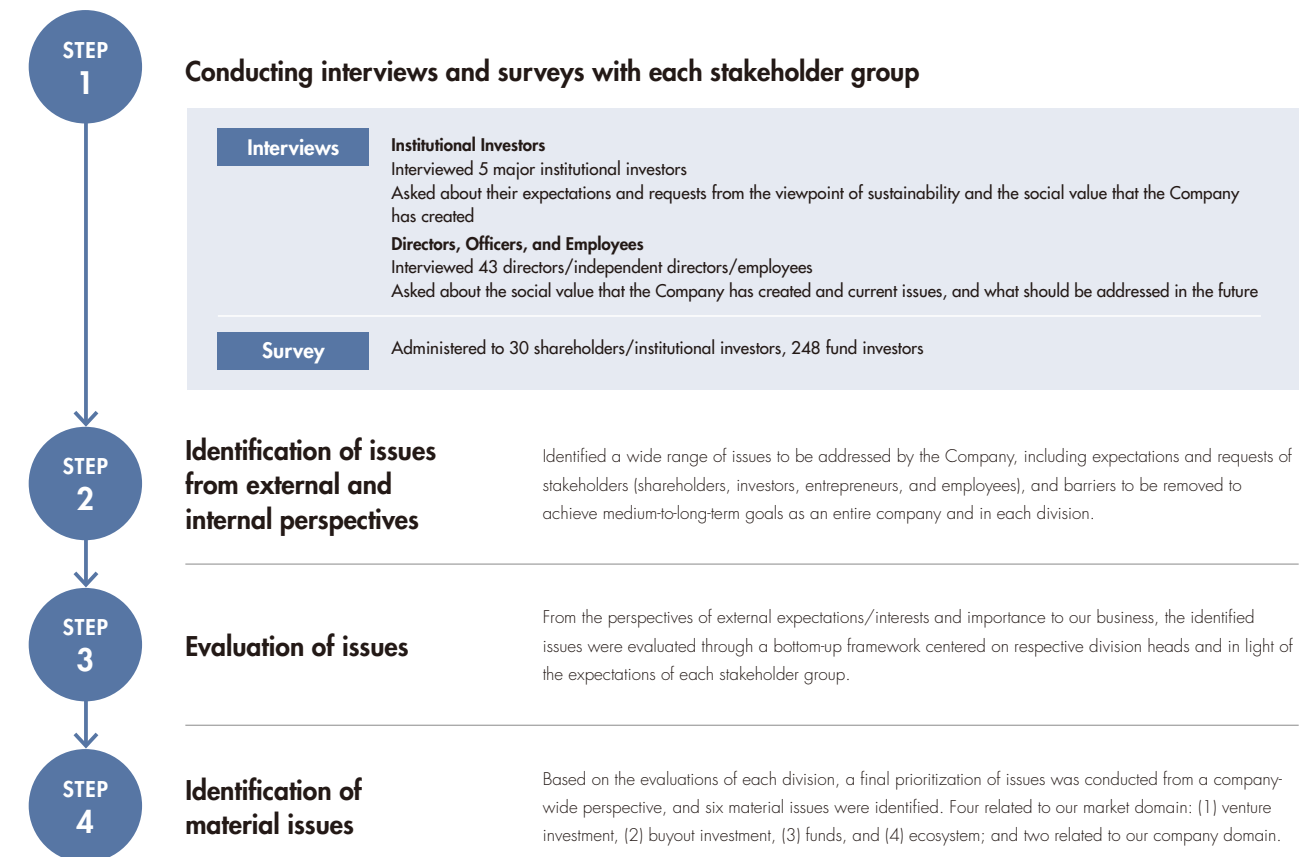
Our private equity investment, and particularly our venture investment, which is where our business originated, is strongly characterized by its contribution to solving social issues by its very nature. For this reason, we have focused on private equity investment since our founding based on our policy of continuing to invest through good times and bad. We believe that our continued investment enables us to achieve Our Purpose and contribute to the resolution of social issues.

In recent years, the social environment has become increasingly diverse, and issues have become more complex, making it vital to understand society from a wider perspective. With this in mind, we consider our course of action based on the opinions of our stakeholders. We will continue to determine our direction for growth while taking into account a wide range of opinions, and work to identify and resolve material issues and make improvements.

Identifying Material Issues based on Feedback from Stakeholders

Before identifying material issues, we conducted interviews with stakeholders such as institutional investors with a view to enhancing our corporate value. We received a number of comments that our business of private equity investment itself contributes to resolving social issues. Based on such feedback, we worked to identify material issues in

terms of medium-to-long-term issues related to the markets and stakeholders in which and with whom we are involved. After raising a wide range of issues, six material issues were identified based on the evaluation axes of internal issues and external demands, as well as expert advice.



Material issues	Social issues facing the Company	Policy	Examples of specific initiatives
1. Creation of new businesses that lead the way in fulfilling social needs	Innovation in various industries is essential for the sustainable development of society and economic growth. The creation of new businesses that address potential social demands, in addition to resolving social issues which have already emerged, is required.	Conduct highly selective, intensive investment and deepen management involvement to achieve high performance	- Expand the scope of deal sourcing to include companies at an earlier stage with high growth potential and become involved in their management as a lead investor - Ensure a high level of involvement in business development and deploy a full range of management resources, through a specialized team to support portfolio companies - Build a business foundation to realize continuous corporate growth in the future
2. Growth of companies with social value and passing on to the next generation	Issues faced by companies are becoming increasingly complex, such as the necessity of adapting to social and environmental changes, productivity improvement, and the shortage of business successors. The ability to revitalize corporate growth must be improved to pass on the technology and assets essential for society's future.	Realize a fresh start by committing to growth through an integrated approach	- Commitment by professionals through an integrated approach covering everything from sourcing to exit - Use of knowledge cultivated through venture investment to achieve corporate growth for the next generation - Establishment of a business foundation that allows continuous corporate growth in the future
3. Expansion of risk money supply in Japan	New industries that support the future must be created to ensure Japan's medium-to-long-term growth. Since Japan continues to lack a sufficient supply of risk money, it is vital that long-term capital from institutional investors in Japan and overseas is allocated to the private equity market, wherein it can gain value and circulate.	Improve attractiveness of funds as a financial instrument through high investment performance and management discipline/transparency of management	- Acquisition of new investors by providing a level of returns that sufficiently compensates for lower liquidity - Building trust with investors through highly disciplined and transparent management - Strengthening and expanding collaboration with financial institutions and business firms that support the growth of portfolio companies
4. Establishment of an ecosystem that supports business creation and growth	As there are many barriers that must be overcome to create new businesses and reinvigorate corporate growth, a structure that supports society as a whole is needed. Based on a high level of commitment of professionals in various specialized fields, there is a need to reproduce success through the circulation of diverse knowledge and experiences.	Form co-creation partnerships to create new businesses and realize a fresh start	- Acquisition of new investors by providing returns that compensate for low liquidity - Building frameworks to support entrepreneurs and companies through cooperation with universities, research institutions, and government - Awareness-raising/support for career development to expand the flow of human resources to growth industries
5. Continuous organizational development to promote active roles of diverse human resources	Combining diverse viewpoints and a wide range of individual strengths is indispensable for the sustainable development of society. To enable each individual to work with enthusiasm and fully demonstrate potential, companies are called upon to take the initiative to respect diverse values.	Promote recruitment of diverse human resources and strengthen frameworks that support their growth and success	- Expansion of internal functions, contacts with entrepreneurs/companies, and various networks by securing diverse human resources through a combination of new graduate and mid-career recruitment - Continuous promotion of on-boarding and internal support programs to support growth - Establishment of a personnel system and a working environment that ensure health and safety as a basis for success
6. Reduction of business and management risks by strengthening governance	Reflecting the diversification and rising complexity of social issues, corporate social responsibility and expectations from stakeholders are increasing. To meet the demands and expectations of society and realize sustainable corporate growth, companies are called upon to strengthen their governance.	Strengthen the organizational system and structure to lower business and management risks	- Strengthen the corporate governance system that supervises and supports management - Maintain compliance as a financial instruments business operator and accumulate private equity investment expertise - Enhance ESG monitoring and the support structure for portfolio companies

Sustainability

Realizing a Sustainable Society through Investment Activities

We will contribute to the realization of a sustainable society through the following two initiatives for portfolio companies.

1 Invest in businesses that have social significance

The first initiative is continued investment in businesses with social significance. The number of businesses that contribute directly to sustainability has increased in recent years. Leading examples are businesses working toward a decarbonized society, which is a global issue, and those that address new lifestyles following the impact of the COVID-19 pandemic. While our investment targets are not limited to specific industries or domains, we aim to realize a sustainable society by discovering hidden value with regard to social issues and continually investing in companies with social significance.

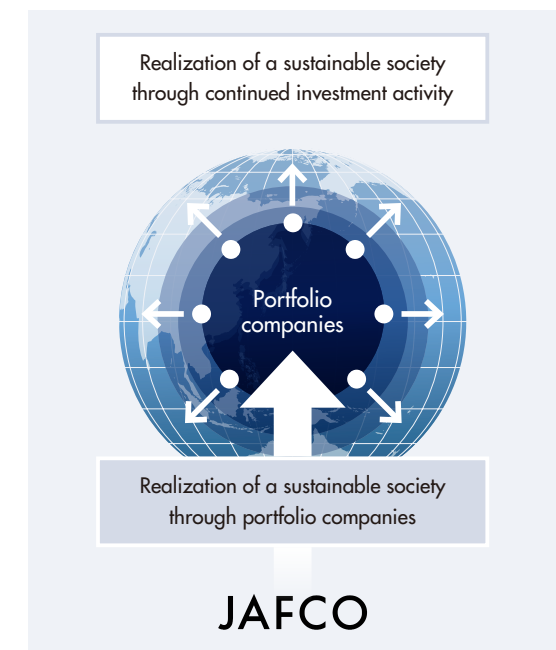
2 Enhance governance to increase portfolio companies' awareness of sustainability

The second initiative is enhancing governance to increase portfolio companies' awareness of sustainability. While the importance of corporate sustainability activities is increasing, there are cases where portfolio companies cannot satisfy ESG evaluation criteria on their own. Through active involvement in these portfolio companies, we will change their awareness of sustainability and link this to improvement activities, thereby enhancing sustainability in society as a whole.

As described above, we contribute to the realization of a sustainable society through involvement in portfolio companies. We therefore believe that the continuation of our investment activity itself leads to the achievement of a sustainable society. Our private equity investment encourages the flow of funds, drives the transformation of the industrial structure, and enriches society. From a global perspective, the private equity investment domain in Japan has high growth potential, and we believe that the expansion of the private equity market itself contributes to sustainability.

We regard continued investment as a highly important initiative, not only in terms of business and corporate growth, but also to boost sustainability in society as a whole. Even when many funds refrained from investment activities amid significant declines in business confidence, including the global financial crisis, we continued to carry out consistent investment.

While responding in a timely and appropriate manner to external demands as the global environment and social systems drastically change, our strong dedication to continuing investment through good times and bad will remain unchanged. We will continue to realize Our Purpose and strive to create a sustainable society through the means of investment, on which we have focused since our inception.



1 Invest in businesses that have social significance

Here we introduce sustainable value that portfolio companies realize through their businesses by dividing them into four categories, three of which are based on the three tiers of the “SDGs wedding cake” model* — biosphere (contributing to resolving environmental issues), society (contributing to resolving social issues), and economy (contributing to the innovation and development of industries)—and the other is enhancing governance and information disclosure.

* The SDGs wedding cake model 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



TeraWatt Technology Inc.

TeraWatt Technology conducts research and development of next-generation lithium-ion batteries with high energy and power density. It is contributing to the realization of a **decarbonized society** through the development of next-generation batteries that can extend the driving range of electric vehicles, which are in increasing demand, and increase the payload capacity and flight time for delivery drones.



Sharing Energy Co., Ltd.

Sharing Energy offers Share Denki, a third-party ownership service for solar power systems for detached houses. The company contributes to a **decarbonized society** by transforming the energy system through the creation of distributed power sources and the supply of innovative products.

Society: Contributing to
resolving social issues



Next Innovation Inc.

Next Innovation offers Smaluna, a one-stop medical consultation platform for contraceptive pills that allows consultation, examination, prescription, and delivery arrangement over smartphone. The company also provides a corporate welfare service and has developed a free sanitary product service, contributing to **empowerment and quality of life for women**.



Gojo & Company, Inc.

Gojo & Company operates microfinance services in India, Cambodia, Sri Lanka, Myanmar, and Tajikistan for low-income earners who cannot access financial services due to a lack of economic infrastructure. The company contributes to **providing equal opportunity and expanding freedom by ensuring financial access for all people**.

Economy: Contributing to the innovation
and development of industries



TIER IV, INC.

TIER IV has developed Autoware—an open-source software from Japan for autonomous driving systems. The company contributes to **the social implementation of autonomous driving systems** through its two platforms: Pilot.Auto and Web.Auto.



Synprogen Co., Ltd.

Synprogen utilizes its proprietary DNA synthesis technology (OGAB method) to provide ultra-long and complex DNA synthesis services and DNA library construction services for various combinations. It also applies its technology to the design and development of viral vectors for gene therapy and production process development, thereby contributing to **the development of gene therapy products and the establishment of manufacturing platforms**.

Enhancing governance and
information disclosure



LegalOn Technologies, Inc.

LegalOn Technologies offers LegalForce, an AI-based software that supports contract reviewing. It helps to prevent hidden risks from being overlooked or required clauses from being omitted in contracts and allows users to search for clauses used in the past, thereby contributing to **improving the efficiency of highly specialized legal practices and strengthening corporate governance**.



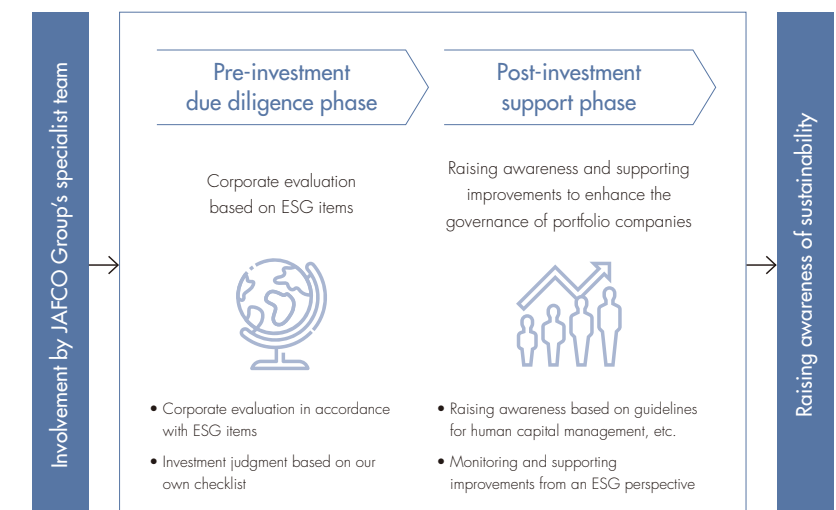
Sustainable Lab Inc.

Sustainable Lab offers TERRAST, a tool that enables companies to easily collect and analyze non-financial information. It contributes to **enhancing governance and non-financial information disclosure** by managing and analyzing non-financial data, including analysis of the current status of ESG/SDG management and industry/competitor/timeseries comparisons.

2 Enhance governance to increase portfolio companies' awareness of sustainability

As many portfolio companies are yet to establish the necessary organizational frameworks, we have been conducting compliance checks on a regular basis. In recent years, we have further strengthened our efforts in response to increasing social demands for sustainability. In the pre-investment due diligence phase, we evaluate candidate portfolio companies and entrepreneurs based on our own checklist, which includes ESG items. Then, in the post-investment support phase, we conduct awareness-raising activities and periodic surveys based on management guidelines and monitoring indicators with a focus on an ESG perspective, and our specialist team carries out improvement activities if necessary.

We will continue to contribute to the realization of a sustainable society by raising the awareness of portfolio companies.



Message from the CFO



We will improve our capital efficiency and build a solid financial foundation to promote growth strategies.

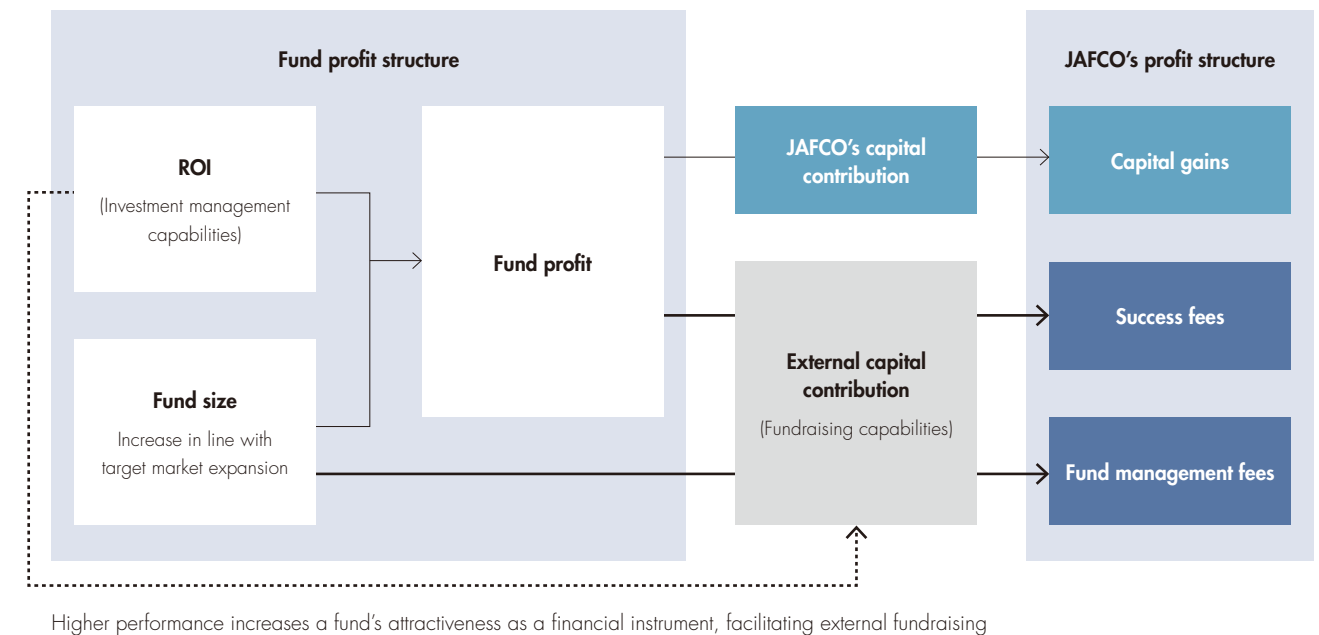
Hiroaki Matsuda
Chief Financial Officer

Since its founding in 1973, JAFCO has continued to invest in companies working to create new businesses or to revitalize their existing businesses. Looking back, despite adverse events such as the collapse of the dot-com bubble in 2001, the global financial crisis of 2008, and the Great East Japan Earthquake in 2011, we have continued to invest consistently regardless of the circumstances. When it comes to creating a cycle of economic revitalization and growth, it is very important to continue investing even amid difficult circumstances. As CFO, my most important mission is to ensure that we have the financial foundation and fundraising capabilities to make bold investments in businesses that can potentially change the future.

Our main income sources are capital gains on our interests in funds that we manage, and the success fees and fund management fees we receive for the management of external capital entrusted to us by fund investors. The most distinctive feature of our venture capital funds is that we ourselves also invest in the funds. In doing so, we, the fund manager, take on risk ourselves to show our investors that we are strongly committed to the fund performance, and also to align our returns with those of investors. Doing so has enabled us to raise funds on a steady basis and focus on improving the funds' return on investment (ROI).

The most important aspect of maintaining a solid financial position as a company making private equity investments is the ability to properly evaluate investment assets. As CFO, I must identify decreases in the value of our investment assets faster and more accurately than anyone else. If we can identify and solve problems early, our investment professionals can devote themselves to proactive investment activities. As we move forward with this business, I believe it is extremely important that we create such a frontline-oriented environment and disclose the fair valuation of our private equity holdings—a key category of our assets—with transparency to fund investors, as well as JAFCO's shareholders/stock investors. Our investment professionals maintain a close dialogue with the management teams of portfolio companies in a variety of ways to gain a thorough understanding of the status of their businesses. We have a culture in place in which these investment professionals and members of the Business Development Division and Administration Division discuss the potential downside risks openly and honestly. This information reaches me as well. It is one of our greatest strengths to be able to accurately evaluate assets based on such information.

Overview of profit structures



Building a Strong Financial Foundation and Improving Capital Efficiency

Put simply, our venture investment is a business in which we create novel businesses together with entrepreneurs. Being a business of great significance, it is also highly risky and heavily impacted by changing times. In 2010, amid the continued economic downturn caused by the 2008 global financial crisis, we adopted a policy of highly selective, intensive investment. Prior to that, we attempted to reduce risk and improve performance by diversifying investments among many companies, but due in part to the financial crisis, we could not achieve the expected results. As a result of shifting to highly selective, intensive investment, the number of portfolio companies decreased, but we could focus more on management involvement and gaining a deeper understanding of their business conditions, allowing us to generate more favorable results. Meanwhile, increasing the amount invested in each portfolio company meant that capital gains per company were higher and overall fund performance generally improved. Highly selective, intensive investment has also made it easier to grasp the downside risks of each portfolio company. Prior to the policy change, we were not always able to identify the downside risks in portfolio

companies, and had some sudden unpredicted bankruptcies. However, the policy has allowed us to be more closely involved with each portfolio company and to gather information through smooth communication. It has made it relatively easy for us to identify risks beforehand, detect signs of their manifestation, and take prompt preemptive action. The shift to highly selective, intensive investment stabilized our profitability, enabling us to achieve a strong financial foundation.

Much discussion has been made about our capital efficiency. We, basically, have been making an effort to build a solid financial structure that would allow us to stably finance our own investments in our funds. However, in 2021 we specified the amount of capital needed to continue our investment activities and decided to return any surplus to shareholders to improve capital efficiency. Then we sold off around 40% of the shares we held in Nomura Research Institute, Ltd. (NRI) and bought back our own shares totaling ¥50 billion. Going forward we will take further measures to improve our capital efficiency.

Reflection on the Fiscal Year Ended March 31, 2022

Looking back on the business environment in the fiscal year ended March 31, 2022, although the number of IPOs in Japan reached 120, the market underwent a significant correction in the second half against the backdrop of U.S. monetary policy and geopolitical risks. As a result, we could not predict how it would affect the performance of portfolio companies and the fundraising of our new fund. These circumstances led a number of planned domestic IPOs to be postponed or scaled down, but even in this business environment, the Company's performance remained relatively strong. Capital gains on listed and unlisted stocks combined, including those from six new IPOs (four domestic¹ and two overseas), amounted to ¥12.6 billion, exceeding the previous year. The amount of investments also exceeded that of the previous year, reaching ¥37.1 billion on a global basis. The IPO by Visional, Inc. made up a significant part of the year's total capital gains. I believe that this large-scale IPO with a market capitalization over ¥200 billion proves the potential of our highly selective, intensive investment policy, and that venture investment is and will continue to be a growing domain.

As for shareholder returns, we completed the aforementioned share buyback (totaling ¥35 billion; 14.3 million shares²) approved in February 2021, and canceled a total of 16.74 million treasury shares (17%³ of shares outstanding) by June 2021. In addition, we conducted a three-for-one stock split on February 1, 2022, to increase stock liquidity. Moreover, we completed a share buyback (totaling ¥15 billion; 7.41 million shares²) approved in October 2021 by



April 2022, and canceled 7.63 million shares (9.4%⁴ of the number of shares outstanding) in May 2022.

1. Excluding an IPO (Kibun Foods Inc.) from our investment securities portfolio.
2. Figures after the stock split in February 2022.
3. Number of shares outstanding (including treasury shares) as of the end of March 2021.
4. Number of shares outstanding (including treasury shares) as of the end of March 2022.

Next Challenge

In the midst of these efforts, in August 2022 a group of shareholders proposed to us a measure to increase shareholders' value including a takeover bid. Having already recognized much of the proposal content as issues to be addressed, we further looked into measures to improve our corporate value.

Up until now, we have been working to realize Our Purpose—Fueling perpetual growth; investing in bold visions—by making venture and buyout investments through our funds. With the aim of sharing the results of our efforts with shareholders and achieving further growth, we announced our Basic Policy for Enhancing Corporate Value in November 2022, which calls for the improvement of capital efficiency through the reduction of net assets and the promotion of growth strategies.

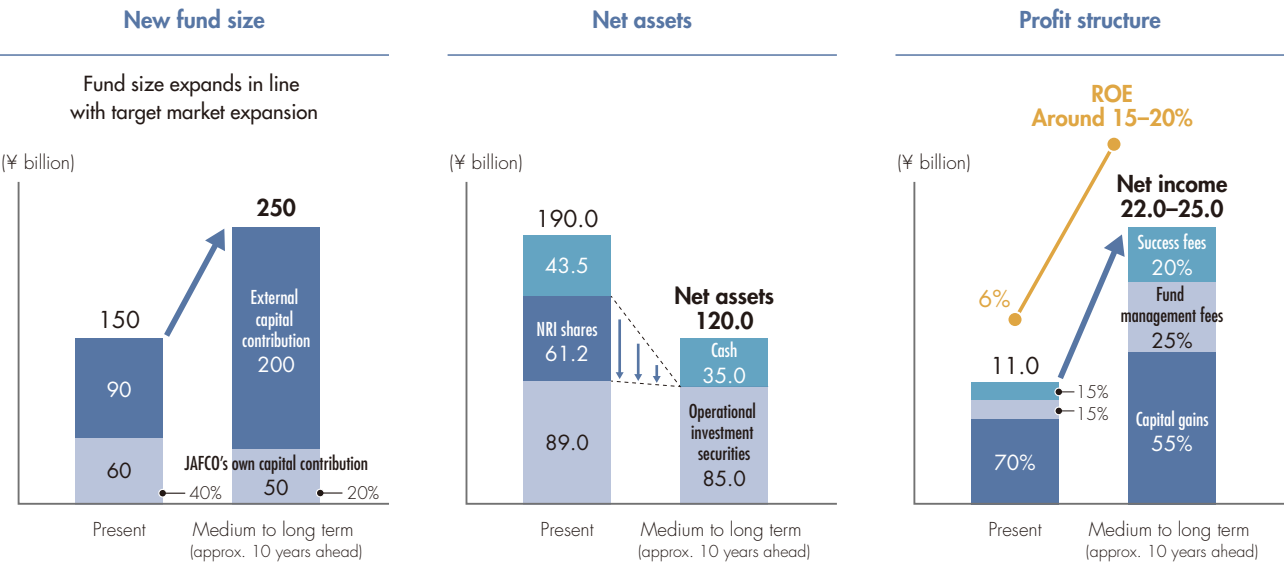
The goal is to increase the level of profit and significantly improve capital efficiency by reducing net assets based on growth strategies, and to expand the size of new funds while gradually reducing our

investment ratio to around 20%.

In addition, in order to maintain a financial position that enables us to continue investing in any business environment, we had previously defined ¥120 billion of cash level including NRI shares collectively as the necessary funds for future investment activities. However, we decided to halve it to ¥60 billion, as an amount expected to be invested over the following three years, and any cash in excess will now be used for share buybacks to improve capital efficiency. We sold our entire holdings in NRI and used ¥42 billion of the after-tax proceeds to buy back our shares. We will promptly cancel the acquired treasury shares to reduce treasury shares to 3% of the shares outstanding.

As for dividends, owing in part to the results of our highly selective, intensive investment, we have been building a financial structure that allows us to generate steady profits. Accordingly, while maintaining a solid financial foundation, we have adopted a dividend payout ratio

Illustration of our vision and quantitative targets



Note: Total amount of new domestic and overseas funds.

target and announced a policy of paying out 3% of shareholders' equity (average of the beginning and end of the period) or 50% of net income, whichever is greater. It is meant to both improve capital efficiency and align our interests with those of our shareholders. However, as an exception, for the fiscal year ending March 31, 2023, the dividend will be the greater of items a) or b) below.

- a) ¥150 per share
- b) Dividend per share calculated by deducting the amount of the share buyback to be implemented in the current fiscal year from net income, including the gain on sales of NRI shares

In addition, being focused on further improving ROE we have set a 10-year management goal of decreasing net assets from ¥188.8 billion as of September 30, 2022, to around ¥120 billion. Furthermore, our growth strategies are centered on further improving investment performance by enhancing our investment management capabilities and expanding fund size by enhancing our external fundraising capabilities in line with the expansion of target markets. Moreover, we are lowering our investment ratio in new funds from 40% to around 20% over the next 10 years. Therefore, we are gradually reducing the amount of our own investment in funds based on this target ratio, and returning the funds previously allocated to self-funded investments to shareholders. Through these measures to improve capital efficiency, we aim to increase the total shareholder return ratio, including through share buybacks, to between 60% and 100%+ and ROE to between 15% and 20%.

To Our Shareholders and Stock Investors

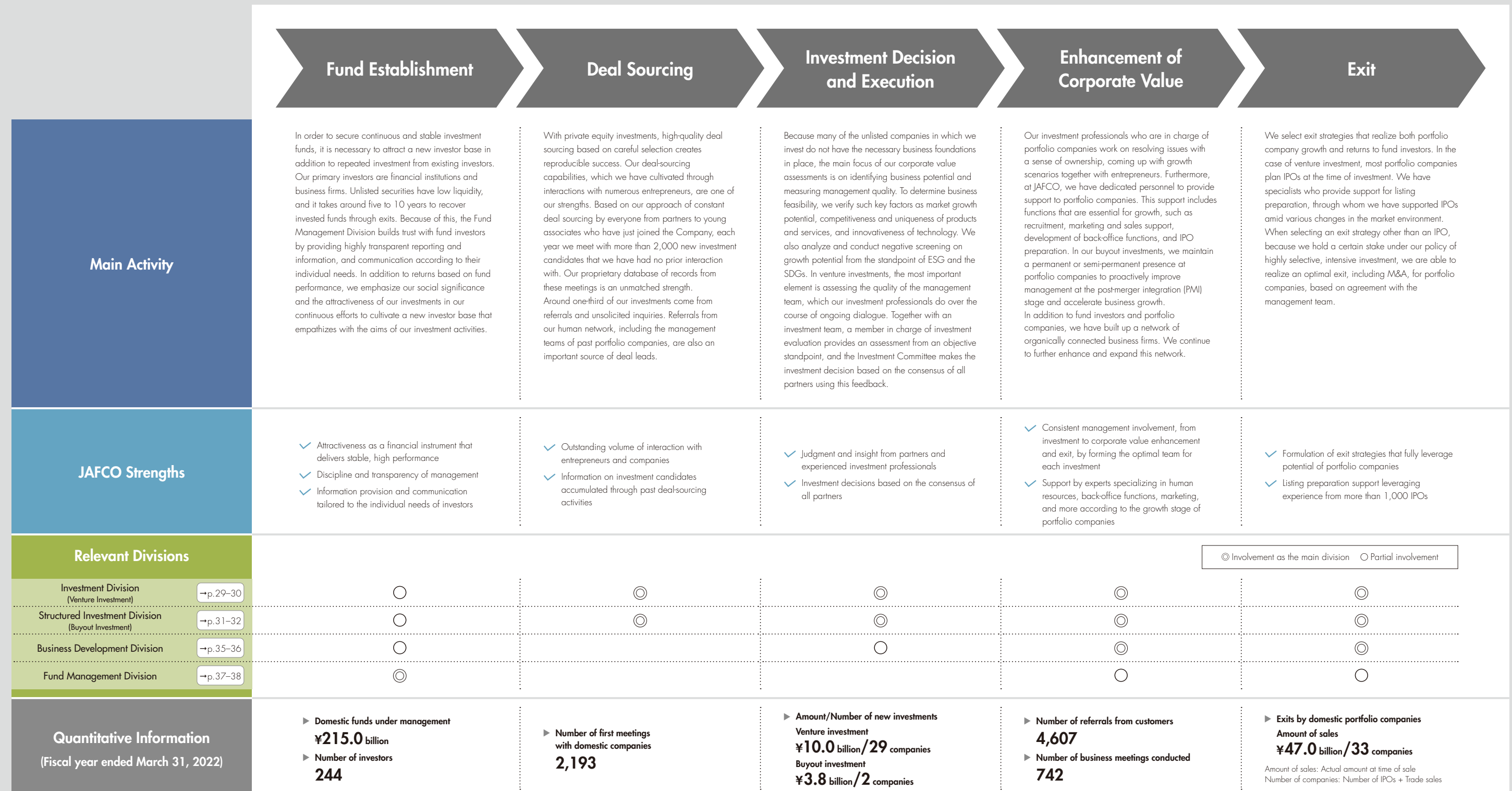
The recently disclosed Basic Policy for Enhancing Corporate Value is a transformative 10-year plan for improving our capital efficiency and promoting growth strategies. To implement the short-term measures and to achieve the medium-to-long-term targets it sets forth, our directors, officers, and employees will put every effort into further strengthening our investment management and fundraising capabilities, making

higher profits, and improving capital efficiency to boost our corporate value. By strengthening corporate governance as a public company, we will establish an organizational foundation in which management and human resources can be passed on in a stable manner, and contribute to the realization of a sustainable society through our investment activities.

Business Process

JAFCO Group has established a system for increasing the reproducibility of investment capabilities by sharing and maximizing investment professionals' individual competence and commitment across the organization

- About every three years, 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.
- For each investment, we form the optimal team 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.



VENTURE INVESTMENT

Keisuke Miyoshi
Partner
President & CEO

Message from the Division Head



- 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

Strengths and Strategies

Strengths

- Ability to identify new trends and engage with entrepreneurs who are tackling those trends at an early phase
- Experience in building businesses with entrepreneurs and the mindset of a Co-Founder
- Human resources development capabilities to systematically pass on these strengths

Strategies

- Further pursue highly selective, intensive investment
 - └ Expand the investment domain to earlier phases and provide resources necessary for launching businesses
 - └ Follow-on investment to maximize enterprise value and full involvement in exit
- Develop diverse human resources and frameworks for perceiving diverse changes

Social Role (Value Creation and Track Record)

Perceive changes in society and enhance social evolution

The Venture Investment Division has been the Company's core business since its establishment and has continued to pursue the creation of new industries together with entrepreneurs. Our division has been investing primarily in Japan, as well as in the United States since 1984 and in the rest of Asia since 1986.

Continuation and expansion of venture investment lead to an increase in the number of entrepreneurs who take on challenges in response to social changes and to the creation and development of industries that will develop a more prosperous society. The experience of that success leads us to take on the next new challenge.

We are a pioneer in venture capital in Japan and have continued to pursue the launch, continuity, and development of venture capital investment. To date, these efforts have resulted in more than 1,000 company listings. Another feature of our efforts is that we continue to invest at all times and take social responsibility in expanding the private equity market. We believe that continuing to invest in startups without interruption to the fund, regardless of whether the market is good or bad, is essential to finding new challenges to pursue. We will continue to take on such challenges together with entrepreneurs and thereby contribute to the enhancement of social evolution.

Emphases in Venture Investment

Our investment policy of “highly selective, intensive investment” and our identity as a Co-Founder

Highly selective investment requires pioneering abilities backed by the curiosity and inquisitiveness to continually pursue the social changes and investment opportunities that we target. Our emphasis has been on seizing business opportunities created by changes in society without limiting ourselves to a specific investment domain. Within that scope, we carefully select investment candidates, pursuing businesses with a high rate of change and a significant impact on society.

Being highly selective on investments enables more intensive

investment in terms of amount, and deeper involvement in our portfolio companies. We seek to maximize enterprise value by providing the necessary resources, including through follow-on investment, to accelerate business growth.

As an organization, we have also emphasized sharing and passing on our identity as a Co-Founder to maintain a sense of ownership—sharing the same perspective as the entrepreneur, from the phase of deal sourcing to involvement in the portfolio company.

JAFco Group's
Values

JAFco Group's
Value Creation

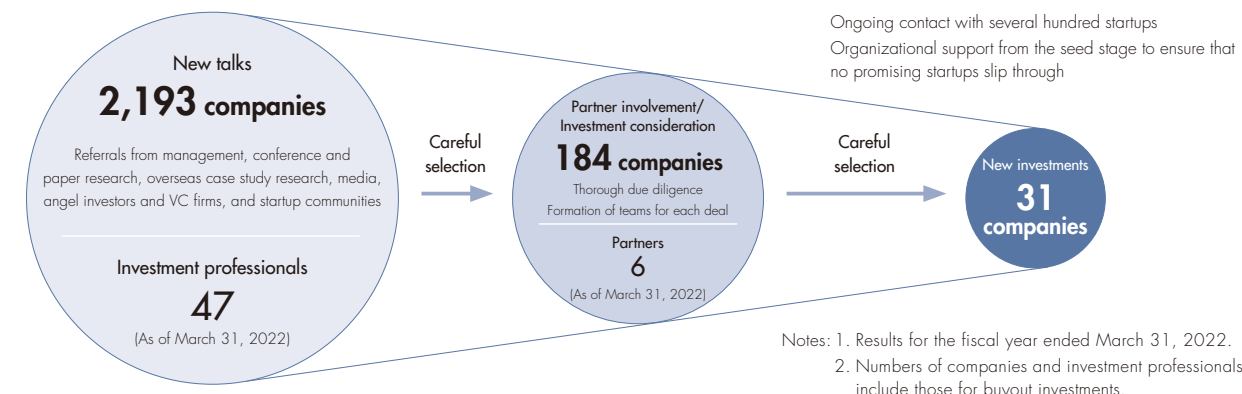
**Sustainable
Growth Strategy**

Business Foundation
for Sustainable Growth

Corporate
Data

Highly Selective Deal Sourcing

Quality deal sourcing and thorough selection by 47 investment professionals who think through future business opportunities to enable repeated success



Business Environment and Challenges

A startup ecosystem that is developing into a mature market

The most significant change in the business environment over the past 10 years has been the increase in and diversification of entrepreneurs in Japan. Startups have become established as a career choice for a wide range of people with the rise in the number of serial entrepreneurs, high-level workers who are starting up companies, and employees of large companies changing jobs to startups. In this age of VUCA, * changes that also present opportunities for

entrepreneurship are becoming faster and more significant. The providers of funds to support entrepreneurs and startups are also becoming increasingly diversified.

While the number of investment opportunities is increasing, we must be even more selective and create larger businesses and industries by collaborating with other fund providers.

* Volatility, uncertainty, complexity, and ambiguity.

Future Strategy

Further evolution of highly selective, intensive investment: Faster and with deeper involvement

To seize investment opportunities amid diverse changes, our investment professionals will need to diversify their respective areas of expertise and interests. Through greater diversity in the development and hiring of investment professionals, we aim to approach a broader range of investment opportunities more quickly. Moreover, in addition to our existing outbound approach to candidate companies, we will strengthen our inbound efforts to attract those that are in the early startup and preparation phases.

While a higher growth rate to exit (i.e., ROI) can be expected when investing at an earlier stage, this also carries the risk that the business will not take off. We will continue our long-standing efforts to become closely involved in portfolio companies in order to respond to such

risks. Leveraging our experience from past successes, we deepen our involvement in building the business, thereby accumulating even more experience. We believe that being deeply involved with the company from initial investment to exit, with the mindset of a Co-Founder, will boost the probability of success and help lower downside risks.

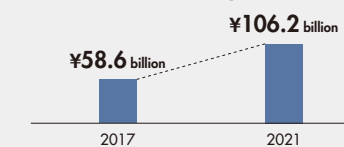
One of our strengths is our multi-layered structure of human resources consisting of those with more than 10 years of experience as investment professionals, young associates hired as new graduates, and mid-career professionals with specialized knowledge. We aim to achieve further expansion by sharing and passing on the knowledge and experience we continue to gain through the evolution of our highly selective, intensive investment activity.

HIGHLIGHT | Establishment of the West Japan Branch

In September 2021, the Chubu and Kyushu branches were integrated into the Kansai Branch to become the West Japan Branch. Both branches had been operated by a small number of personnel, but we decided to integrate them after determining that consolidating personnel with extensive investment experience outside the Tokyo metropolitan area at the West Japan Branch would lead to stronger support for local startups.

As communication with portfolio companies is increasingly conducted online due to COVID-19, we believe that building strong relationships of trust through in-person communication will help to set us apart from competing venture capital firms. Going forward, we will skillfully make use of both in-person and online communication with the aim of further enhancing communication with entrepreneurs and thereby acquiring unique investment opportunities.

Amount of funds raised by startups outside the Greater Tokyo area



Source: INITIAL Inc., (as of July 20, 2022)
Notes: 1. Figures for each year are based on data collected as of the reference date.
2. Regions excluding Tokyo, Kanagawa, Chiba, and Saitama.

BUYOUT INVESTMENT

Ko Minamikurosawa

Partner (SV6)
General Manager of Structured Investment
Managing Director (BO7)

Message from the Division Head



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

Strengths and Strategies

Strengths

- Corporate culture that boldly takes on unprecedented challenges
- Utilization of knowledge accumulated in venture investment
- Throughout each investment a dedicated team ensures consistent responsibility

Strategies

- Create a framework to enhance investment and value-creation activities for portfolio companies
- Establish a strong team that ensures stable performance

Social Role (Value Creation and Track Record)

Gain control, solve management issues and increase the value of portfolio companies

Buyout investment refers to a type of investment in which a company acquires more than 50% of the equity share capital of a portfolio company, takes control of management, and seeks to increase corporate value by reviewing management strategies and implementing various measures. Buyout investments executed by our division are very unique in that we are able to leverage our defining principles and knowledge as a venture capital firm in our collaboration with portfolio companies. By providing portfolio companies with the knowledge and value-adding measures we have accumulated through our extensive track record in venture investments, we are able to transform their

business models and help them chart a new growth curve.

In Japan, small- and medium-sized enterprises account for the majority of companies, with top management advancing in age and successors in short supply. As such, addressing the issue of business succession is an urgent matter. The aim of our buyout investments is to serve as a vehicle for the issue of business succession by acquiring management rights at small- and medium-sized enterprises with no successor and giving them a second start while enhancing their corporate value.

Emphases in Buyout Investment

Values cultivated as a venture capital firm guide us to success in buyout investments

Our track record in buyout investments goes back 24 years, and as of the fiscal year ended March 31, 2022, we have invested in a total of 52 companies, of which 38 have been successfully exited including six IPOs. Our strength lies in the knowledge we have acquired through our extensive track record in venture investments and our business development ability based on a strong presence in the industry and our social credibility.

The Venture Investment Division has accumulated a wealth of information on cutting-edge technologies and services of startups and other companies, as well as the management challenges they face. Moreover, it has built a vast corporate network cultivated over its 49 years in investment and fund management operations. These resources give us a major advantage in buyout investments.

We also believe that our approach of identifying the true nature of

risks and boldly pursuing business opportunities gives us the edge over other buyout investment funds, and the mindset that this approach embodies is part of the corporate culture that we have nurtured over many years as a venture capital firm. We see it as important to execute management and operations from the same perspective as the management and employees of the portfolio company. We will emphasize the Three Actuals Principle (the actual place, the actual goods, and the actual situation) as we move forward with change. This way of thinking is a distinctive characteristic of the Company, which has guided many startups to success. It is important to always approach things with a sense of ownership in order to successfully reform the management of portfolio companies. Division personnel are in charge of everything from sourcing (identifying investment opportunities) to investment scheme review, negotiations with sellers,

JAFECO Group's
Values

JAFECO Group's
Value Creation

**Sustainable
Growth Strategy**

Business Foundation
for Sustainable Growth

Corporate
Data

PMI Utilizing JAFECO's Strengths



investment execution, post-investment value enhancement, and the exit, and they maintain awareness and unwavering ambition as owners of portfolio companies. Another of our strengths comes from the fact that

we can collaborate with the Business Development Division and with personnel possessing many areas of expertise on challenges that cannot be solved by our division alone.

Business Environment and Challenges

Capturing growth markets with our buyout-dedicated fund

The M&A market for Japanese companies is growing in line with an increasing number of deals related to business succession of small- and medium-sized enterprises, coupled with a stable number of carve-outs of subsidiaries/affiliates from large corporations as a consequence of digital transformation (DX) and management reforms. In the fiscal year ended March 31, 2022, the number of M&As in Japan exceeded that of the previous year. The market for private equity funds in Japan also continues to expand. Based on the outlook of these market environments, our division will concentrate management resources on

further expansion of buyout investments.

One of the key challenges at present is management of the JAFECO BO7 Investment Limited Partnership (BO7), established in June 2022. Targeting securities issued by unlisted companies in Japan, the Fund leverages LBO* and other schemes to acquire majority shares with the aim of making buyout investments. Securing and training human resources is essential for the successful management of dedicated funds.

* Leveraged buyout: Corporate or business acquisition utilizing borrowed funds.

Future Strategy

Achieve stable performance and sustainable growth of buyout funds

Our efforts to achieve stable performance and sustainable growth of buyout funds consist of (1) creating a framework for the smooth investment and value-adding of portfolio companies and (2) training outstanding human resources and establishing a system that ensures their stable performance.

Our division's primary focus is on buyout investments in small- and

medium-sized business succession deals with growth potential, but we also make hybrid investments, combining elements of both venture and buyout investments, to acquire early-stage companies. Regardless of industries or sectors, we will develop companies falling under the following themes.

Investment Targets

- (1) Companies with competitive brands, intellectual assets, networks, and operational know-how
- (2) Companies that are starting to become competitive in a growing market
- (3) Companies that have already established a significant position in a niche market
- (4) Companies with products and services that have the potential for global expansion
- (5) Companies with growth potential utilizing JAFECO's resources

Portfolio Company Case Studies

Venture Investment (Exited)

Visional, Inc.



Soichiro Minami

Representative Director and CEO
Visional, Inc.

Based on its mission of "Persistent Creation of New Possibilities," Visional operates various businesses that promote industrial DX, including in the HR tech domain. It aims to build an ecosystem that supports corporate human capital management (HCM) strategies mainly through its high-level job site Bizreach and the HRMOS Series of human capital utilization platforms. It is also working to launch new businesses in the M&A, logistics tech, cybersecurity, and sales tech domains.

Newly listed (IPO) in April 2021

A "comrade-in-arms" who has helped us build a foundation ever since we were just a small unknown team

The ¥200 million investment from JAFCO in 2010 was Bizreach's first financing. At the time, the market was in a slump following the 2008 financial crisis, so it was very rare for a Japanese startup to raise funds in excess of ¥100 million. We were turned down by every venture capital firm except for JAFCO. JAFCO members visited our office, which was a converted studio apartment in a multitenant building, and I still vividly remember them saying, "We want to invest in your team."

Since then, we have maintained a relationship with JAFCO for more than a decade. In December 2010, JAFCO decided to invest ¥500 million in our newly established subsidiary Luxa, and we worked together until it was sold to a business firm in 2015 (during that time, it had grown into an organization of about 200 employees).

From a small unknown team, we have grown into a company with annual sales of ¥43.95 billion and operating income of ¥8.32 billion (in the fiscal year ended July 31, 2022). There are so many stories that cannot be told at once, but JAFCO has been like a "comrade-in-arms," helping us throughout the process of foundation building, from making the rounds to customers and investors through to business development and fundraising.

JAFCO has always respected and trusted the approach that our management team and I have taken, while providing logistical support for our growth. I hope that JAFCO will continue to commit to the creation of new businesses that have an impact on society and pave the way for the future of Japan and Asia by being an indispensable partner for many startups.

Buyout Investment (Exited)

Isuzu Glass Ltd.



Koichiro Ikeda

President
Isuzu Glass Ltd.

Isuzu Glass is a manufacturer of optical glass parts. Based on its technology in the glass melting, glass molding, and optical design fields, it operates the melting business which manufactures optical filters, the molding business which manufactures optical lenses, and the optical design business which offers a one-stop solution encompassing everything from optical design to manufacturing (including outsourcing) and assessment.

"In the end, nothing is more important than people" provided an impetus

In 2014, we had fallen into difficult circumstances and were looking for a new sponsor to revitalize our business. This was when JAFCO took an interest in our business. Business assessment is, of course, an important part of JAFCO's due diligence, but being presented with the policy of "In the end, nothing is more important than people" was a major impetus for us.

Immediately following the investment, numerous issues needed to be resolved to ensure business continuity, so the situation was unpredictable. JAFCO presented us with options and proposals for each of the issues and worked with us to implement reforms. In particular, they provided strong support for building a foundation for growth across a variety of aspects, including pricing, business restructuring, and promotion of in-house production.

They also accompanied us to exhibitions in Japan and overseas where we showcased our products and sometimes on visits to overseas customers. It was a huge encouragement to have a partner that believed in the distinctiveness and growth potential of our business working closely with us.

The results of the structural reforms have provided us with a solid foundation for growth. Since entering the growth phase, as we have worked to develop new businesses that leverage our strengths, JAFCO has provided us with wide-ranging support, including the use of its network. We have also realized a solid profit structure that differs completely from the one that existed before JAFCO's investment.

I believe that the growth of small- and medium-sized manufacturers is essential to boost the Japanese manufacturing industry. I hope JAFCO continues to support the creation of world-class manufacturing companies through its investments.

Venture Investment (Portfolio Company)

JEPLAN, INC.

JAFCO was the first to acknowledge our idea and make an investment decision

I founded JEPLAN in 2007 with the ideals of giving value to waste as a resource and recycling everything. At the time, the terms "sustainability," "circular economy," and "ESG" were still not commonly heard, so there were occasions when we received harsh feedback that it would be impossible to run a profitable environmental business. Nonetheless, we worked to develop a business and technology that would contribute to the formation of a recycling-oriented society and realize both profits and growth. Finally, in 2015, eight years after our foundation, we came up with the idea that would serve as a framework for our current business. The first company to acknowledge the value of our idea and make an investment decision was JAFCO.

Since then, we have overcome a number of challenges to realize that idea, and in the seven years since the investment from JAFCO, we have contributed to the formation of a recycling-oriented society and achieved profit growth. Over the next seven years, we hope to expand the scope of our contribution to the formation of a recycling-oriented society beyond Japan to the entire world, based on our track record and technology. It is still too soon to look back, but over the past seven years, JEPLAN has overcome many challenges that we might have otherwise given up on by ensuring that we adhered to the purpose of our agreement with JAFCO, our first investor. Demands for change tend to be loud, but of course, there are some things that should not change. I hope that JAFCO will continue to play its part in adhering to the purpose of the agreement, and I believe that this will serve as a compass to help many founders navigate the waves of challenges they are sure to face.



Masaki Takao

CEO
JEPLAN, INC.

In pursuit of its vision of "recycling everything," JEPLAN is working on horizontal bottle-to-bottle and clothing-to-clothing recycling, based on its strength in commercial production of recycled PET resins using the proprietary chemical recycling technology BRING Technology™, in addition to creating supply chain mechanisms.

Creating an environment where roles are clear and we can focus on business growth strategies and operations

The towel industry is still old-fashioned, and many companies focus on reproducing their past successes or creating hit products. In contrast, we felt that it was important to study the market as a whole and find out where the industry's problems were and where end users were not being served.

Fortunately for us, a mass market had not been established in the towel industry. As a result of our efforts to build it ourselves, we were able to reach a stage where an IPO was in sight. We received proposals and advice from many stock listing support companies, but JAFCO was the one that provided us with the clearest strategy for the IPO and beyond. They gave us the strongest sense of commitment to growth and depth of engagement. The capital alliance further clarified our roles. JAFCO led the way in establishing a roadmap and hiring human resources for the IPO, while we focused on business growth strategies and operations.

On a manufacturing cost basis, the size of the global towel market is around ¥1 trillion. If we can achieve sales of ¥200 billion, which represents 20% of this market, we will be able to claim the top market share. I hope to take advantage of JAFCO's knowledge and global network as we substantially accelerate the expansion of our market share after the IPO by implementing M&A and other activities.



Shoji Izawa

President
IZAWA TOWEL Co., Ltd.

Izawa Towel manufactures and sells towels. It provides OEM and ODM products primarily to major retailers. Based on its mission to create mass-market towels that will serve as the global standard, it is strongly committed to manufacturing towels that are both reasonably priced and comfortable to use.

BUSINESS DEVELOPMENT

Naoki Sato

Partner (SV6)
Corporate Officer
In charge of Business Development

Message from the Division Head



Strengths and Strategies

Strengths

- Overwhelming experience and extensive resources for supporting portfolio companies
 - More than 20 specialists in recruitment, marketing and sales support, back-office development, IPO preparation, and other fields
 - JAFECO's own unique network and know-how (past results and track record)
- Support for startup entrepreneurs that emphasizes frontline presence

Strategies

- Increase success probability of portfolio companies
- Expand the startup market and establish an ecosystem
 - Solving challenges in innovation at startups and large companies
 - Support for new business creation through conferences, community operations, and more

Social Role (Value Creation and Track Record)

Adding value to many portfolio companies

The support necessary to improve corporate value differs depending on the growth stage of portfolio companies. According to the growth stage, the Business Development Division provides the necessary resources to add value to portfolio companies. For startups whose businesses are at the conceptual stage, we serve as a reliable advisor when hiring human resources to support management, expanding sales channels, or establishing development and marketing strategies for their products and services. For those businesses that are at the commercialization stage, we provide support for cultivating business partnerships, establishing administrative structures, and preparing for listing.

Among activities through which we add value to portfolio

companies, those related to sales and marketing, hiring and other human resources tasks, and back-office functions are essential. We have 20 specialists (as of April 1, 2022) in our division dedicated to value-adding activities.

In addition, having assisted with more than 1,000 IPOs, we have cultivated unique know-how in guiding startups to success, support systems for hiring C-level executives and building an organization based on growth stages, and a network that includes more than 15,000 large corporations, all of which enable us to contribute significantly to the value of portfolio companies.

Emphases in Business Development

Tying knowledge cultivated in past venture investments to the success of portfolio companies

The Business Development Division has been accumulating tangible and intangible knowledge for more than 20 years through its support activities. One of the things we value is "frontline presence." In recent years, many entrepreneurs prioritize approaches and convictions they can relate to over existing values that have become obsolete. We take an approach of empathizing with such entrepreneurs, which we describe as "frontline presence."

Another value we embrace is reproducibility. Portfolio companies and investors are constantly exposed to the risk of failure. The tangible and intangible knowledge that the Group has accumulated is precious

information for startups as well. We believe it is important to leverage this knowledge to boost the reproducibility of success. To achieve this, we establish priority areas to address by having entrepreneurs and our investment professionals share knowledge in terms of business performance, human resources, and administration. Furthermore, we promote initiatives for portfolio company growth and the development of a startup ecosystem by actively creating community-like forums among portfolio companies where they can exchange information such as their successes and failures.

JAFECO Group's
Values

JAFECO Group's
Value Creation

Sustainable
Growth Strategy

Business Foundation
for Sustainable Growth

Corporate
Data

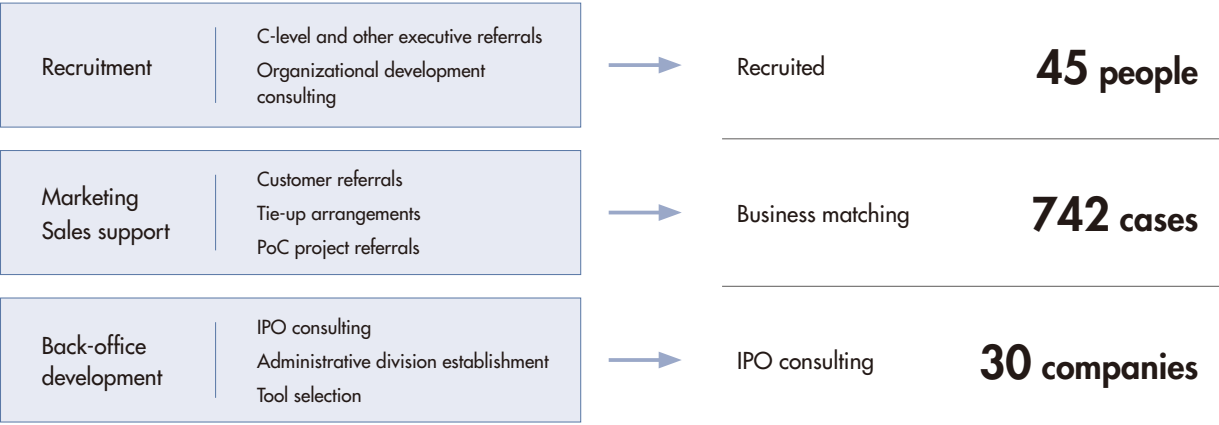
Bringing Portfolio Companies' Businesses to the Public Quickly and Widely

Support for business development and fundraising through proactive involvement in management decisions

20 business development professionals* support business launches together with investment professionals who create an environment in which entrepreneurs can focus on their core business

* As of April 1, 2022.

Results for the fiscal year ended March 31, 2022



Business Environment and Challenges

Differentiation from other investment companies is essential amid heated venture investments

In line with the growing venture capital market in Japan, market players are diversifying in type. Other than independent venture capital firms (VCs) similar to JAFECO Group, there are VCs affiliated with financial institutions, government agencies, and universities. In addition, we have seen the emergence of corporate venture capital (CVC), i.e., funds formed primarily by large corporations using their own capital for the purpose of investing in and providing other support to startups, and an increasing number of large-scale investment funds.

Under such circumstances, our division's efforts to provide timely advice and services according to the growth stage of portfolio

companies are vital to differentiating the Company from other sources of venture capital.

Furthermore, as sustainability has become the subject of greater attention in recent years, a growing number of portfolio and candidate companies are creating business models based on resolving social issues. Recently, the Group has also been assessing business potential in addition to risks and social needs in terms of ESG and the SDGs when identifying promising companies in the initial stage of investment activities.

Future Strategy

Building an ecosystem to solve the diverse challenges of portfolio companies

To continuously address the varying needs of portfolio companies, we will develop ideal forms of support for portfolio companies and help them evolve in response to the demands of the times. To do that, we need to respond quickly to the requests of portfolio companies and develop, propose, and help implement their growth scenarios.

In sales/marketing and capital/business alliance support, we will continue to provide support for business matching between portfolio companies and large companies to increase the number of business opportunities and closing rates.

In recruitment support, we will focus on C-level executives and engineers. In addition, we will provide support activities tailored to the organizational phase of rapidly growing startups and resolve challenges related to organization development, which are common among startups.

In IPO support, our staff of certified public accountants and tax

accountants offer support for establishing systems and preparing for an IPO to portfolio companies that are considering going public.

The challenges faced by portfolio companies are growing more and more diverse each year, and it may not be possible for JAFECO alone to help tackle them. For that reason, we must build an ecosystem to circulate diverse knowledge and rules of thumb and create reproducible success backed by the firm commitment of our team of professionals.

In addition to addressing the dilemmas and social issues faced by large companies that are looking to innovate, we support their endeavors in new business creation by organizing conferences and communities and matching them with startups. We also aim to expand the operation of our Career Academy targeting individuals who are interested in startups, as part of our efforts to lay the foundation for increasing public awareness of startups.

FUND MANAGEMENT

Message from the Division Head

Sueko Matsumoto

Corporate Officer
In charge of Fund Management
and Administration



- 1 Yoshinori Itah, General Manager of Fund Management
- 2 Sueko Matsumoto, Corporate Officer in charge of Fund Management and Administration
- 3 Hitoshi Sawamoto, Principal, Fund Management

Strengths and Strategies

Strengths

- Track record of high fund performance
- Extensive network of over 300 fund investors
- Thorough reporting and accountability to fund investors

Strategies

- Strengthen relationships of trust with existing fund investors
- Diversify the fund investor base

Social Role (Value Creation and Track Record)

Contribute to perpetual growth by raising risk money as a pioneer in investment limited partnerships in Japan

Today, the form of investment known as an investment limited partnership is utilized by many of Japan's private equity investment funds as an investment vehicle (linking assets and investors), but its origin dates back to 1982, when the Company established the first venture capital fund under Japanese law. As a pioneer in Japan's investment partnership business, we have led the establishment and expansion of the risk money market by increasing fund size, while coordinating with the relevant ministries and agencies to develop a system for ensuring the credibility of fund management on behalf of investors. Legislation on private equity investment management operations set forth the requirements to allow pension contributions to investment funds, and after obtaining registration as a financial instruments business operator in 2007 when the Financial Instruments and Exchange Act entered force, we quickly established an operating structure that allows us to better execute our fiduciary responsibility.

The social role of private equity investment funds is to raise risk

money from a wide range of investors and allocate such money to companies that require growth capital and management support to increase their corporate value, thereby revitalizing the economy and society. While the primary task of our division is to steadily raise risk money for new business creation as set forth in JAFCO's Mission, we can also deliver higher value by acting as an intermediary to organically link investors and unlisted companies, thereby generating business collaborations. Moreover, we can further increase the supply of risk money by reusing returns. In summary, our division serves as a hub for risk money, connecting dormant surplus capital held by companies and households with growing companies that serve society.

However, in part because risk money as a percentage of GDP is still small in Japan relative to Europe, the United States, and other countries in Asia, we believe that it is an important future responsibility of the Company to further expand the domestic risk money market.

Emphases in Fund Management

Deepen relationships of mutual trust as a partner supporting portfolio companies

Our responsibility is to do our best to maximize performance to meet the expectations of our fund investors, who are our customers. In the case of private equity investment funds, which have no portfolio at the time of fundraising, investors make investment decisions based on their assessment of the policy, strategy, and competence of the fund manager. Because it takes several years to generate investment results, fund investors are in the insecure position of having difficulty in

obtaining information on portfolio companies until specific results come out. For that reason, we emphasize transparency and timeliness in our management reporting and create opportunities for face-to-face reporting whenever possible. Since the dawn of private equity investment funds, we have worked to provide reporting to meet the needs of fund investors. This commitment is behind our extensive reporting that goes beyond the statutory financial statements and fund

JAFCO Group's
Values

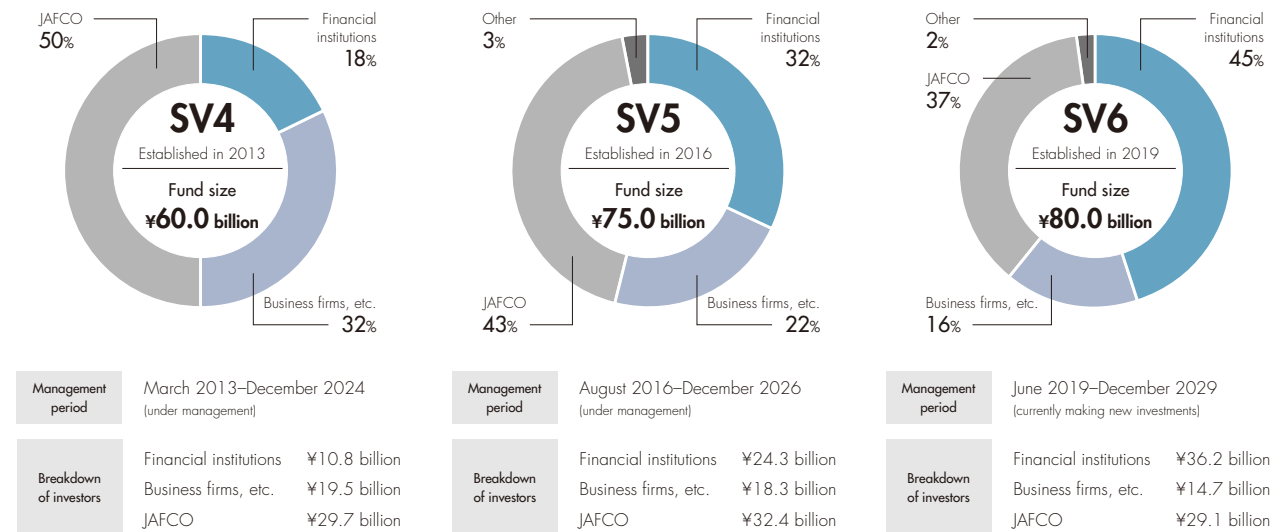
JAFCO Group's
Value Creation

**Sustainable
Growth Strategy**

Business Foundation
for Sustainable Growth

Corporate
Data

Breakdown of Fund Investors



management reports.

The primary investors in our funds are financial institutions and business firms. In addition to high expectations for management performance, fund investors often take an interest in the businesses of portfolio companies. As such, major functions of the Fund Management Division include holding post-investment briefings on the businesses of portfolio companies and matching investors with portfolio companies. By serving as a reliable advisor to our fund investors, we identify needs that even they are unaware of and match them with portfolio companies. These efforts, in return, sometimes lead to business deals.

Receiving investment from a fund with diverse investors is also a big plus for the businesses of portfolio companies. Having a point of contact with major corporations that have extensive business experience helps portfolio companies to gain insights for reflection in their business strategies and to expand their sales channels, thereby accelerating their growth.

The activities of our division serve as a bridge that brings fund investors, portfolio companies, and the Company together, which also helps to create a process for increasing investment value.

Business Environment and Challenges

Our challenge is to develop a new investor base amid the stagnant IPO market

Monetary tightening since around the end of 2021 has largely put the brakes on heated startup investment in the United States, and the trend in investment by overseas institutional investors, which had been flowing and expanding into the Japanese market, has changed. Currently, the number of IPOs in Japan is on the decline, and the average market capitalization at IPO is also shrinking.

We conduct fundraising about once every three years, and the scale is heavily influenced by the stock market and economic circumstances at the time. As it takes several years to see results from the investment, a downturn in the stock market will not have an immediate negative

impact on fund performance. However, fund investors' investment decisions are impacted by the stock market as the performance of existing funds may slacken and our funds are long-term investment products with low liquidity. The Fund Management Division closely monitors these changes in the environment and strengthens relationships with existing investors while continuing to approach new investors.

At present, about two-thirds of our fund investors are financial institutions and about one-third are business firms. One of our future challenges is to cultivate institutional and other new investors.

Future Strategy

Identify potential needs among financial institutions and business firms

To ensure a stable supply of risk money, we will work to maintain and improve the trust relationships we have built with our existing investors, including financial institutions and business firms, and further cultivate new investors to increase diversity among our fund investors.

While our funds are already well understood by major financial institutions, we will focus on enhancing relationships with small- and medium-sized financial institutions, among whom recognition of our funds is still low, by providing thorough explanations. To enhance our appeal to regional financial institutions, we will strengthen our

approach to startups with the potential to generate innovations that will help revitalize regional economies.

As for business firms, we will strengthen our approach to not only listed companies but also unlisted owner-operated companies with financial resources that are interested in investing in funds. Among unlisted companies, some are considering investing in funds simply as a means of capital management while others hope to find startups that can provide them with insights for launching new businesses. We intend to ensure that these needs are met.

Global Investment

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

At the Company Group, investment teams in Japan, Asia, and the U.S. 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 make full use of the U.S. team's capabilities in venture investments, which are highly local in nature, has been passed on to today's Silicon Valley-based Icon Ventures.

In Asia, after establishing a joint venture with Nomura Securities in 1990, we started full-scale investment and expanded our investment activities into Southeast Asia and East Asia. The joint venture was dissolved in 1999, after which we shifted our investment focus to technology startups in East Asia. As in the United States, our Asian funds are managed primarily by local teams.

After 2000, we also established a dedicated business development team in Japan to provide support to portfolio companies in Asia and the United States for establishing Japanese subsidiaries, cultivating sales channels, and forming capital and business alliances. Our strength in supporting these portfolio companies in entering the Japanese market has led to the acquisition of promising investment opportunities in Asia and the United States.

Fiscal Year Ended March 31, 2022

JAFCO

Global balance of unlisted securities
¥185.3 billion (236 cos.)

Japan	Asia	United States
¥110.2 billion (151 cos.) Venture: 137 cos. Buyout: 14 cos.	¥24.8 billion (54 cos.)	¥50.3 billion (31 cos.)
Venture: 35 members Buyout: 16 members BD team: 13 members	Inv. team: 10 members BD team: 2 members	Inv. team: 6 members Venture partners: 2 BD team: 2 members

BD: Business Development

Number of personnel is as of April 1, 2022.

(BD team excludes members in charge of investment research and consulting).

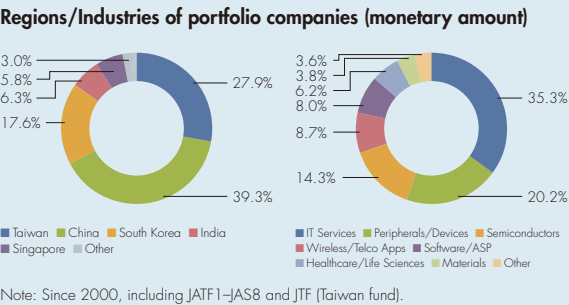
JAFCO ASIA

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

Private equity markets in Asia, including Greater China (China and Taiwan), which is the world's second-largest economy, and India, where both population and economic growth are accelerating, are large and attractive investment targets expected to continue expanding. Numerous startups responsible for transforming the social structure have emerged amid fierce competition, owing in part to the high proportion of young people in the population, absolute size of demand from the middle-income consumer segment, and the latecomer's advantage in technology, that have led to the rapid development of social infrastructure. In recent years, Southeast Asian countries such as Vietnam and Indonesia have also increased their presence as emerging markets with tremendous latent demand. JAFCO Asia has remained consistently committed to the Asian market for the past 30 years. As a local Asian venture capital firm with strong ties to Japan, we are boldly promoting business development with

expertise in entering both the Asian and Japanese markets based on independent investment decisions and a hands-on approach to founders by our local professionals.

Since 2000, we have invested a cumulative total of US\$1.3 billion in 300 companies through our Asian funds, of which more than 200 companies achieved exits, including around 50 IPOs, building a solid track record and investment management capabilities with high reproducibility. Major exits include Medical System's listing on China's onshore stock market (11.9x ROI) and SHEIN's home-run deal (56.5x ROI). Going forward, we will actively promote investments primarily in domains such as mobile Internet, healthcare, and deep tech. In addition to Greater China, where we have a proven track record with significant returns, we also proactively pursue investments in India and Southeast Asia.



Major portfolio companies



JAFCO Asia operating structure

Sweeting Pan
Managing Director,
Head of China
(Shanghai, China)

Yoshiyuki Shibusawa
President & CEO
JAFCO Investment
(Asia Pacific) Ltd.

John Lin
Managing Director,
Head of Taiwan

Melvin Teo
CFO

Supriya Singh
Director, Head of South Asia
Investments

Icon Ventures (United States)

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

Recognizing the 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. Since 2015, our U.S. subsidiary has operated under the name Icon Ventures, and it is now known as a local venture capital firm with strength in Series B and C funding rounds based on its network with top-tier venture capital firms in the United States. It is also promoting independent management through coordination with JAFCO Group in Japan, and now manages a cumulative total of US\$1.3 billion in funds. Since making the transition to its current operating structure, it has successfully completed 34 exits, including eight IPOs, for a total exit value of more than US\$93 billion. Major portfolio companies include Bill.com, Teledoc, Palo Alto Networks, FireEye, Proofpoint, and Infinera, which all made successful IPOs, as well as AsterData (acquired by Teradata), MoPub (acquired by Twitter), and ClairMail (acquired by Monitise). Icon Ventures also provides support to portfolio companies for their business

development in Asia in collaboration with Japan-based JAFCO Group and for recruitment of engineers in Canada. These efforts set Icon Ventures apart from its competitors and have helped it to acquire promising portfolio companies. Icon Ventures will continue to put together a solid track record of investment in the United States with cloud and data services, consumer IT services, fintech, and digital health as priority investment domains.

Icon Ventures operating structure

Joe Horowitz
Managing General Partner

Tom Mawhinney
General Partner

Jeb Miller
General Partner

Preeti Rathi
General Partner

Major portfolio companies

	Security	Consumer/SaaS	Data and AI	Digital health
Exits				
Unicorns				
Up-and-comers				

Human Resources Strategy

Basic Approach

At JAFCO Group, the most important management resource for realizing Our Purpose and achieving sustainable growth is our human resources. For 40 years, we have consistently hired new graduates and worked to train investment professionals. Another major distinguishing characteristic of our human resources strategy is the emphasis we place on the unique talents of individual professionals and the organizational structure we have built to support those individuals. A major challenge for the Company is to adapt flexibly to diverse

entrepreneurs/portfolio companies and markets while maintaining an unchanging culture of respecting entrepreneurs and portfolio companies throughout our organization. Toward that end, we support employees in maximizing their performance and pursuing challenges as a Co-Founder by respecting the diversity of our employees, providing them with opportunities for individual growth and achievement, and developing a work style that is conducive to productivity.

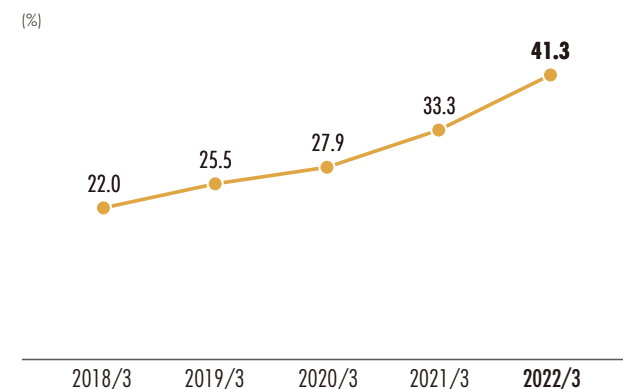
Diversity of Human Resources

The more diverse and complex social needs become, the greater the diversity required of investment professionals. Human resources with diverse values and experiences who understand the value of the investment business are essential to quickly identify the social values of the future and create investment opportunities.

In addition to continually hiring new graduates, we also focus on mid-career hiring to attract competent human resources regardless of industry experience. The percentage of mid-career hires among our investment professionals is increasing each year, and the combination of training new graduate hires and the expertise of mid-career hires leads to the creation of additional investment opportunities.

While at present most of our investment team are male, we will step up our efforts to hire female investment team members as we expand our workforce. Our company-wide policy is to hire and train diverse human resources regardless of gender, nationality, or age.

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



Human Resources Development

We have developed a unique training model for investment professionals based on our many years of experience. We hire high-potential new graduates and train them to become strong individuals capable of continuously producing strong results.

In recent years, in addition to on-the-job training, we have enhanced our instructor and mentor programs to promote faster growth, while also ensuring that their mental well-being is supported. Our young employees regularly meet one on one with instructors and mentors, as we work to create an environment that facilitates their growth

and pursuits. Coaching and feedback training is also provided to management-level employees to enhance their training ability.

We also encourage our employees to have second jobs. We believe that promoting opportunities for our employees to take on challenges and achieve personal growth, and sharing the experience they gain outside the Company, both internally and with portfolio companies, allows us to contribute to our own growth as well as that of portfolio companies.

Well-being Initiatives

We believe that preparing an environment in which employees can work comfortably and in good health leads to improvements in individual performance.

Our health management initiatives include regular health checkups and follow-ups, infection prevention measures, coordination with industrial physicians and public health nurses, and regular announcements designed to improve health literacy and awareness. The uptake rate for health checkups is high, and that of stress check tests has reached 100%.

Remote working is also spreading, and in addition to flexible working hours through a flextime program, a flexible location work style is possible depending on the situation, including hybrid home and office working. We also have support systems in place for the lifestyles and life stages of each employee, including for childcare and nursing care, and the number of employees who take childcare leave for an extended period is increasing, regardless of gender.

Messages from Human Resources Group Leaders

Carrying forward human resources that respect entrepreneurs and a corporate culture that develops people



Yuichiro Araki

Group Leader, HR Planning Group
Administration Division

In addition to all operations related to the hiring of human resources, the HR Planning Group supports on-boarding, training, and success of new recruits. We also promote strategies to maximize organizational performance.

In terms of hiring, we focus on high-potential new graduates and carry out a rigorous hiring process based on multiple rounds of screening, while ensuring that graduates have a deep understanding of venture investment and providing them with strong incentives.

We have a high retention rate of new graduates due to our unique tradition and culture of developing young talent into investment professionals. Leaders in the Venture Investment Division, including partners, are composed of those with extensive experience who started their career at JAFCO. This is a distinctive characteristic of our human resources, but we also actively carry out mid-career hiring to diversify our human resources. In times such as these, when there are significant changes in the social environment and values, diverse human resources with different values are essential. To ensure the sustainable growth of the Company, we aim to create a fully diverse, highly autonomous yet organically functioning organization through balanced hiring of carefully selected high-potential new graduates and mid-career professionals.

In terms of human resources development, in addition to our high level of compliance awareness and discipline as a professional firm, our major strengths are an organization-wide basic stance of respecting entrepreneurs/business leaders as well as a long-cultivated enthusiasm and a high sense of ownership for working closely with them and guiding their businesses to success. Furthermore, in the fund business domain, where individual strengths tend to be highlighted, we are committed to human resource and organizational development so that both individuals and the organization as a whole perform at their best.

Improving the health of employees and performance of the entire workplace

The HR Operations Group handles arrangements for each employee after they join the Company, including benefits, social insurance, remuneration, and evaluation. We ensure the peace of mind of every employee by supporting them through administrative procedures as necessary, ensuring a comfortable work environment, and implementing measures to help them achieve their best performance. JAFCO's business has high social value in that it contributes to a more prosperous future by directly supporting the growth and value creation of portfolio companies, which inspires our employees to work enthusiastically and earnestly. However, given our perpetual quest to identify portfolio companies and support their growth, it is vital to prevent employees from overexerting themselves. As self-discipline and self-management are strongly required, we believe it is important to emphasize the mental and physical health of our employees and promote flexible work styles, including remote working. Recently, awareness of health management has been rising among employees, and we see employees working according to their own preferences.

As entrepreneurs and portfolio companies continually change in response to the demands of the times, we must also constantly adapt. As such, while continuing to hire new graduates, we are hiring more mid-career professionals. On-boarding support, including training programs and communication measures, must also be devised to ensure that they quickly become accustomed to their new environment and become a part of our core competence. In terms of the organization, it is important that we combine new graduate hires with mid-career professionals to ensure a balanced personnel structure. The ideal organization is one in which both existing members and newcomers from diverse backgrounds can leverage their respective experiences to boost synergy.



Noriko Uchida

Group Leader, HR Operations Group
Administration Division

Message from an Independent Director

Supporting JAFCO's transformation with dedication and diverse skills

Shigeru Tamura
Independent Director



What has impressed you about JAFCO's management team?

When I was appointed as an independent director in 2017, JAFCO was already recognized for its role in building the venture capital industry in Japan, and as an established leader in the industry. After joining the Board, however, I learned for the first time that the Company had overcome numerous difficulties in the preceding years, such as the collapse of the dot-com bubble, the 2008 financial crisis, and its separation from the Nomura Group. JAFCO has since shifted toward a policy of "highly selective, intensive investment," and has reduced the number of companies in its portfolio so that it can work more closely with each one. In doing so, JAFCO has established a solid structure for more stable investment performance. The current management team, including partners, who are responsible for making fund investment decisions, are the very people who helped tide the Company over past adversities. Competent and sincere, its members are capable of leveraging their experience to achieve future growth.

I evaluate JAFCO's management team highly on the following two points. The first is that the Company is not haphazard in exploring new business opportunities; it is committed to and focused on the investment business where there is the potential to help create new industries through the provision of risk money and business expertise to entrepreneurs and challengers. The second is that the team maintains a high level of professionalism, ensuring that conflicts of interest among stakeholders, to which the investment sector can be prone, never arise. In addition, they trust the independent directors and do not hesitate to seek advice of any kind from us. Since we do not always know everything that occurs on the business front lines, there are occasions when we participate in discussions without being fully aware of the relevant details. Nevertheless, in such cases, the team is careful to explain the reasoning and background of matters to the point where we have gained a full understanding.

What are JAFCO's current issues, and what should be prioritized going forward?

In my opinion, JAFCO previously operated under the straightforward belief that the way to enhance corporate value was simply to improve fund performance. While this idea may be correct in theory, unfortunately, this did not lead to JAFCO receiving a necessarily fair evaluation in the stock market. Recognizing this as an issue to quickly address, we took part in intensive discussions of improvement measures at Board meetings. In February 2021, the Board established the new Policy on Shareholder Returns, initiated the sale

of around 40% of the Company's Nomura Research Institute, Ltd. (NRI) shareholdings, and decided to carry out share buybacks. JAFCO then launched internal projects to develop growth strategies and measures for enhancing corporate value. In August 2022, the management team received a number of proposals from shareholders regarding the enhancement of corporate value, the content of which substantially overlapped with the content covered in discussions at Board meetings.

Following this chain of events, in November 2022 the Company announced the Basic Policy for Enhancing Corporate Value, which outlines its capital efficiency improvement plan and growth strategy. In particular, the policy emphasizes the need for improving capital efficiency and ROE as well as for contributing to the sustainability-oriented corporate management of portfolio companies. Furthermore, I believe that it is critical that JAFCO strengthen its investment and fundraising capabilities. Currently most of the partners have been with the Company since they were hired straight out of college. However, JAFCO needs to recruit new talent from outside the Company. Such talent should include partner-level investment officers and fundraising professionals capable of attracting risk money from global investors. JAFCO must change its mindset so that such mid-career newcomers

can thrive, fully supported within the Company. Moreover, it is essential to introduce a framework for further developing expertise and for encouraging the growth of talented human resources with diverse potential and backgrounds.

Improving external-facing communication is also extremely important. Although JAFCO has in the past emphasized a corporate culture of discipline in which action is valued over words, I believe that it must now "say and act." By this, I mean that JAFCO must actively communicate what it has achieved and what it is going to do in the future. I myself and the other independent directors will also proactively seek opportunities for listening to shareholders and investors, and in our capacity as directors we hope to help the Company strengthen its communication.

What do you consider to be the skillset and strengths of JAFCO Group's Board of Directors?

One of the key roles of independent directors is to always maintain an outside perspective and to provide useful advice to the management team. While JAFCO's independent directors include an attorney-at-law, a certified public accountant, and experienced corporate executives, all of us possess a wide range of abilities beyond our own fields. Koji Tanami, who is an attorney-at-law, provides not only legal advice but also expresses opinions from a broader perspective based on his experience, including as a top government official. It seems to me that Kenichi Akiba, a full-time professor who teaches the latest developments in accounting at one of Japan's top professional accounting schools, will on occasion see how academic theories apply to JAFCO's actual business. Yoshie Kajihara offers specific and realistic advice based on her experience as an executive in charge of management planning and human resources at several startups and listed public companies. I myself make a point of actively participating

in Board discussions of matters that I am less familiar with. I also regularly attend important internal meetings as a full-time but independent member of the Board, and from time to time serve as a coordinator among the independent directors.

I would also like to mention that we independent directors are strongly committed to improving JAFCO's management. In comparison to other companies where I have served as an independent director, I feel that we have many more opportunities for sharing and discussing management matters together with and separate from full-time executives, beyond the scope of regular Board meetings, and discussions often go beyond our individual professional fields. Furthermore, the Basic Policy for Enhancing Corporate Value was formulated on the basis of comprehensive and timely discussions with the full cooperation of each independent director.

In April 2022, Keisuke Miyoshi was elected as the new President & CEO. Can you outline the discussion and decision process?

We had been requesting a concrete CEO succession plan for several years. While the previous president, Shinichi Fuki (currently the chairman), was only 60 years old in 2021 without any issues in terms of mental and physical strength, he had reached his 12th year as president. During his tenure he resolved many important issues such as shifting toward highly selective, intensive investment, separating from the Nomura Group, and introducing the quasi-partnership. As such, he probably felt that it was the right time to pass the baton to a successor. In autumn 2021, the Nomination and Remuneration Committee, which is comprised of the president and the independent directors, began to discuss the timing and candidates for a successor. There were three potential choices of candidate: a current Board member, someone from

outside, or a relatively young executive. It was definitely a top priority to choose someone who had a deep understanding of investment, especially in the venture field, and who could carry out ongoing reforms. Keisuke Miyoshi had consistently supported Shinichi Fuki in implementing reforms and had served for many years as the head of domestic venture investment. He is a seasoned investment professional who holds the deep trust of employees, and understands the Company's true value. We judged that he would lead the Company in enhancing its corporate value, and the Nomination and Remuneration Committee was unanimous in recommending him as the new President & CEO.

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, fulltime), 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 Counselor 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 & Administrations, Interactive
Solutions Corporation
Jul. 2018 Resigned from the position of Director of Interactive Solutions Corporation
Jun. 2019 Director (Board-Audit Committee member), JAFCO (present)

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/re-election 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 business skills, insight, experience, and expertise to serve as a director 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 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.

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. Expertise
Directors Shinichi Fuki and Keisuke Miyoshi have experience of 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.

Corporate Officers			
Hiroaki Matsuda	In charge of Administration	Sueko Matsumoto	In charge of Fund Management; Administration
Naoki Sato	In charge of Business Development		

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 and in charge of Venture Investment
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.

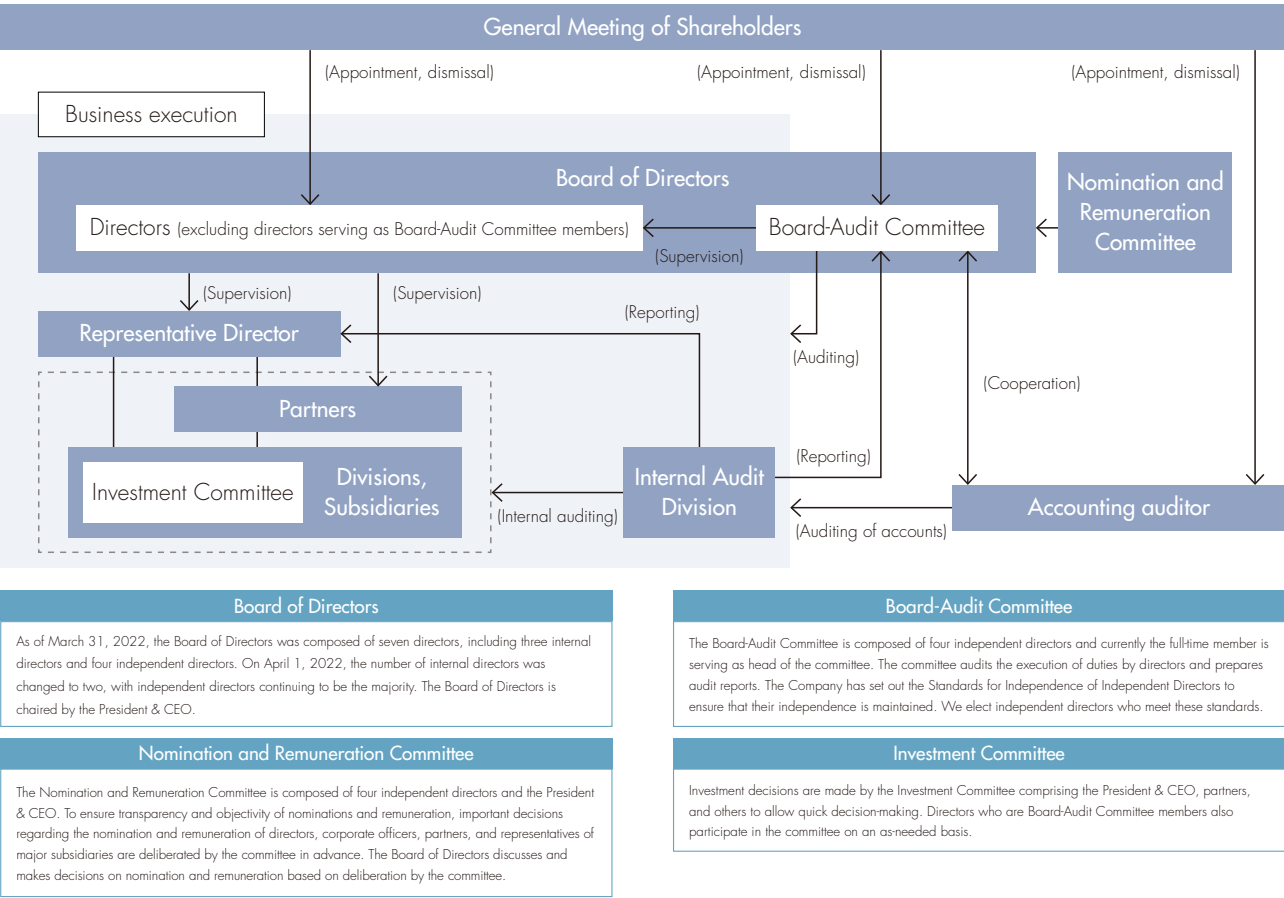
- Corporate Governance Policy

> More information
- Corporate Governance Report

> More information

Corporate Governance Structure

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



(Fiscal year ended March 31, 2022)		
Organization form		Company with a board-audit committee
Chairperson of the Board ¹		Keisuke Miyoshi, President & CEO
Directors ¹	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 ²
Board of Directors meetings	Number of meetings held	13
	Director attendance rate	100%
	Board-Audit Committee member attendance rate	100%
Board-Audit Committee meetings	Number of members	4
	Ratio of independent directors	100%
	Number of meetings held	14
	Attendance rate	100%
Nomination and Remuneration Committee	Number of members	5
	Ratio of independent directors	80%
	Number of meetings held	5
	Attendance rate	100%
Accounting auditor		Ernst & Young ShinNihon LLC

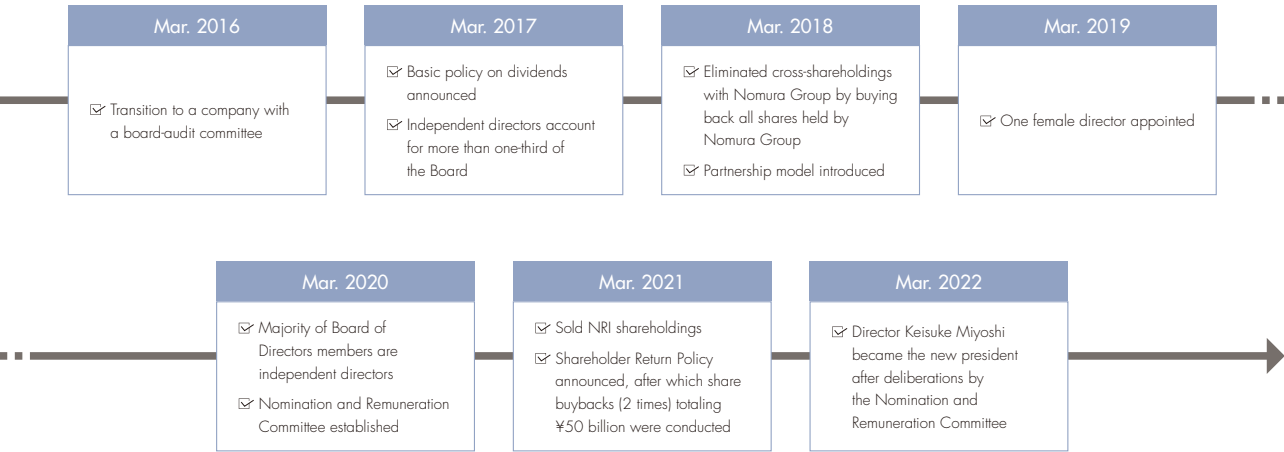
1. Since April 2022.
2. Excludes directors serving as Board-Audit Committee members.

Main deliberation items at meetings of the Board of Directors (fiscal year ended March 31, 2022)

- 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, indemnity agreements with directors
 - Approval of potential conflict-of-interest transactions by directors
 - Acquisition and cancellation of treasury shares, stock split
 - Surplus dividend
 - Convening of the General Meeting of Shareholders
 - Organizational reform
 - Important personnel changes, bonuses
 - Establishment and revision/abolition of rules
 - 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 (Corporate Governance Code compliance, Corporate Governance Report, evaluation of the effectiveness of the Board of Directors)
 - Verification of cross-shareholdings
 - Risk management

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. We have been upgrading governance in stages each year, focusing on "management independence," "ensuring good balance between shareholder returns and strong shareholders' equity," and "transition to a partnership model." Our efforts continue to enhance governance.



Appointment and Dismissal of Directors and Officers

- 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/re-election 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 business skills, insight, experience, and expertise to serve as a director 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 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.
- In the case where a director has caused the Company to incur a tremendous loss or operational problems by committing a wrongful act, or violating laws, regulations, the Articles of Incorporation or the Company's internal rules, or is no longer able to effectively execute duties due to other reasons, such director shall be subject to a dismissal proposal.
- A partner is nominated with consensus of all partners and appointed upon the approval of the Board of Directors after deliberations by the Nomination and Remuneration Committee.
- In principle, a majority of the Board of Directors are independent directors, and the Board size shall be determined to allow high effectiveness in terms of the Company's scale and business. The Company strives to ensure diversity in terms of gender, nationality, career history, and age.
- The Company discloses major concurrent positions of directors in the Notice of Convocation of the Annual General Meeting of Shareholders every year.

Reasons for Appointment of Independent Directors

Name	Reasons for Appointment	Attendance in the fiscal year ended March 31, 2022	
		Board of Directors' meetings	Board-Audit Committee meetings
Shigeru Tamura	Mr. Tamura had been involved in the management of listed and unlisted companies as CEO, CFO, etc., 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 perspective as the full-time Board-Audit Committee member. Also, he 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.	13 out of 13 (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 perspective. 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.	13 out of 13 (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, etc. to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent perspective. 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.	13 out of 13 (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 perspective. 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.	13 out of 13 (100%)	14 out of 14 (100%)

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors analyzes and evaluates its effectiveness every year and discloses a summary of the evaluation results.

The summary of the results of the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2022 is as follows:

The Board of Directors ("BOD") evaluates the effectiveness of the BOD on an annual basis. In the fiscal year ended March 31, 2022, BOD deliberations over items such as composition, operation, role, duties, etc. of the BOD were held as in previous years based on questionnaires and interviews administered to all directors.

As the majority of the BOD consisted of independent directors, it was confirmed that the BOD composition was appropriate in terms of internal-external balance and size to fulfill its function to supervise business executions.

In the fiscal year ended March 31, 2022, the BOD deepened mutual discussions further from a medium-to-long-term perspective, which was an issue raised in the evaluation results for the fiscal year

ended March 31, 2021. In addition to the BOD meetings, opportunities were provided for BOD members to allow active opinion exchange and mutual discussions in a timely and appropriate manner.

Through such discussions, the BOD decided to introduce the stock compensation plan, carried out share buybacks and cancellation of treasury shares continuing from the previous year, and decided to change the BOD structure from April 2022 onward (appointment of new CEO and change of BOD composition). The evaluation determined that further progress has been made in terms of the effectiveness of the BOD.

As upcoming issues to be addressed, the need was confirmed to further enhance the effectiveness of the BOD under the new structure after the aforementioned changes and continue to deepen discussions with a medium-to-long-term perspective.

Based on the above results, it is evaluated that the effectiveness of the BOD increased in general compared to the previous year.

We will continue to conduct effectiveness evaluations regularly and further increase the effectiveness of the BOD.

Remuneration of Directors and Officers

Basic approach to the remuneration of directors, etc.

- 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 an increase in corporate value and the improvement of not only short-term financial results, but also medium-to-long-term results.
- Given the Company's business nature of being an investment company managing funds investing in unlisted companies, 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.
- The plan shall also be designed 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.

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 business performance, 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 (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.

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 (hereinafter referred to as "Restricted Stocks") 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 (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.

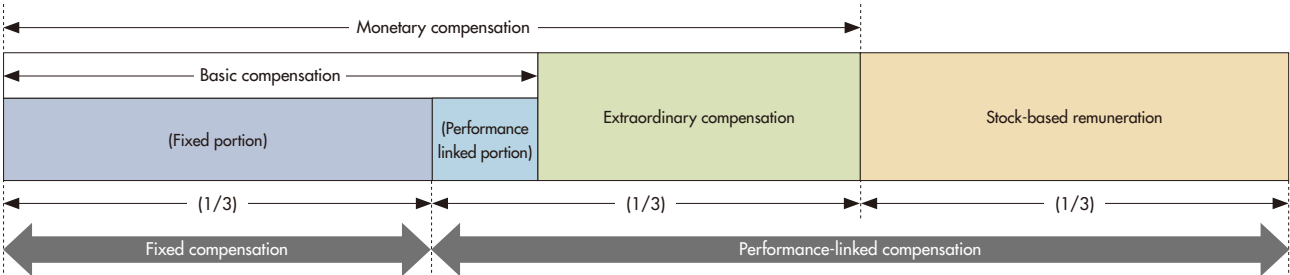
Outline of directors’ monetary compensation

Basic compensation (fixed)	Fixed monetary remuneration paid monthly, determined by importance of roles and responsible areas of each job position, years in 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 1 to 5 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 5-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 fund size. 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 remuneration

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 granting transfer-restricted shares to directors (excluding directors serving as Board-Audit Committee members and independent directors; hereinafter referred to as the “Eligible Directors”). The outline of the restricted-stock remuneration plan is as shown below.

Granting of transfer-restricted shares	The Company shall grant transfer-restricted shares (hereinafter 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 of the Company's stock price growth rate and the TOPIX (Tokyo Stock Price Index) growth rate for a certain period of time prior to the grant. Payment ratio against base amount Amount of stock-based remuneration = Base amount × Payment ratio = Base amount × Against TOPIX growth rate Against TOPIX growth rate = $\frac{(A + B) \div C}{D \div E}$ 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 B Dividend per share for the previous fiscal year 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 D Average closing price of TOPIX for the three months immediately preceding the month within which the allotment resolution date falls 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 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.
Transfer restriction period	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 (3) 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.
Removal of transfer restriction	(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. (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 (provided, however, that if the approval of such reorganization is not required by the General Meeting of Shareholders of the Company, the Board of Directors 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..
Acquisition of the Allotted Shares without consideration	(1) The Company shall acquire, without consideration, the 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” above, as a matter of course. (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. (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.



Note: Fractions in parentheses are approximate.

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, which is connected to the Compliance Officer, the Administration Division, and an independent director.

Initiatives to Prevent Improper Use of Public Funds

Clarification of the responsibility system

We have established the necessary matters with regard to 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 the global trend in the establishment and strengthening of bribery prevention systems, we have established the Basic Policy on Bribery Prevention to address prevention of 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 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 laws and regulations of each country, while building a framework to prevent bribery through 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, compliance risks, information management risks, systems risks, back-office risks, and other risks. After deciding the degree of impact of risk materialization, each risk is assigned to departments in charge and managed.

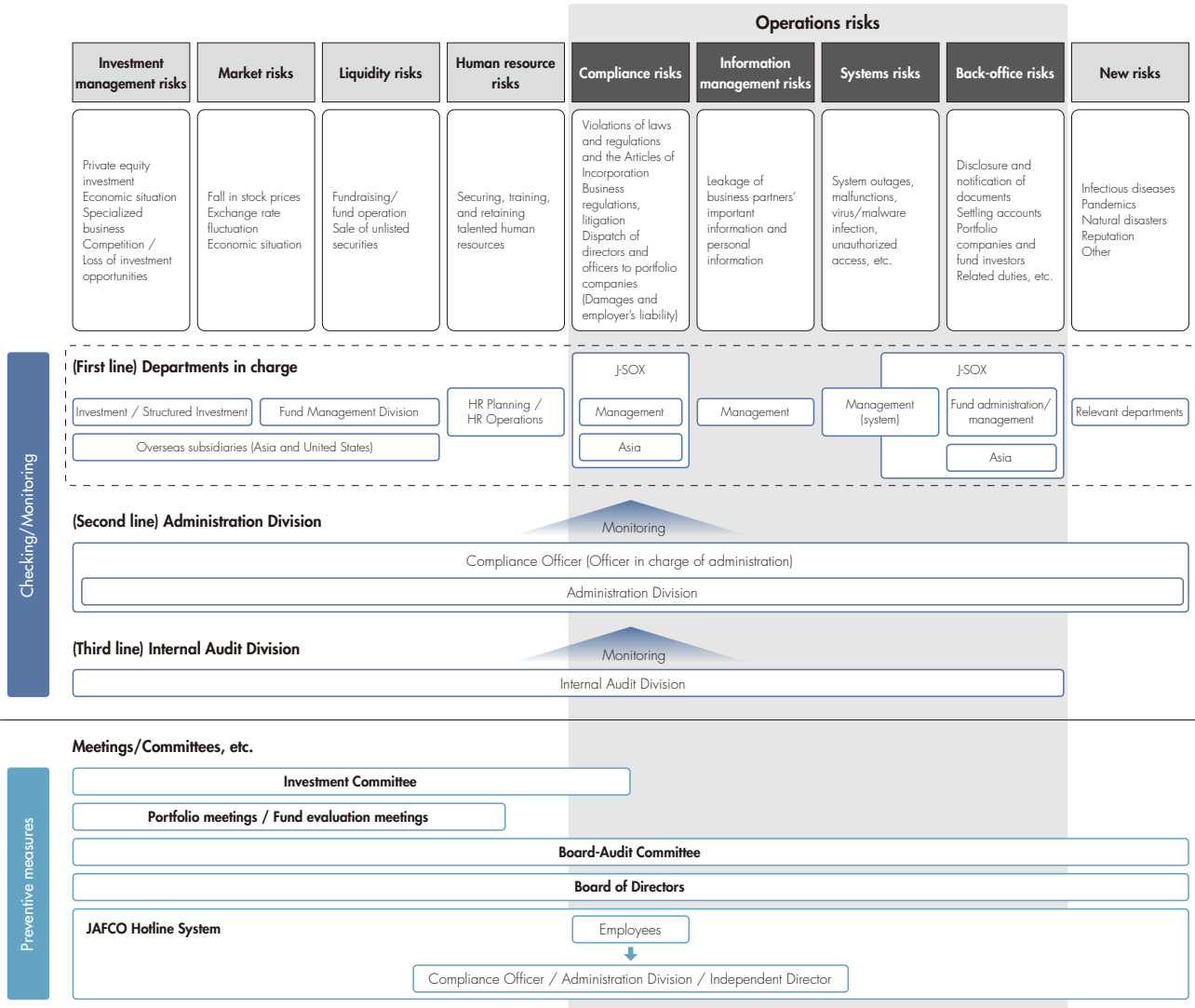
The risk management system adopts the Three Lines of Defense model: risk management by each department in charge (first line), monitoring by the compliance officer and Administration Division (second line), and monitoring by the Internal Audit Division (third line).

As a preventive measure, the Board of Directors and 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, which is comprised of members including the President & CEO and partners. For making decisions, opinions of staff in charge of investment evaluation are asked separately from the relevant investment division. The status of unlisted portfolio companies is reported on a regular basis at Investment Committee meetings, portfolio meetings, and fund evaluation meetings, which is then reflected in the evaluation of portfolio companies, while discussing appropriate responses 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 as a means to enable directors, officers, and employees to directly report information on actions that violate or may violate laws and regulations.

Risk management system



Business Risks, Etc.

Economic situation	The Company Group uses capital from the funds it manages and operates to invest in unlisted securities. In addition to receiving fund management fees and success fees, we invest our own capital in the funds to receive capital gains. The Company Group diversifies regional risks by making investments in Japan, Asia and the United States. In addition, a fund makes new investments over a period of around three years to diversify risk over a certain period of time. We also seek opportunities for exits (sale) through M&A and other means. However, there is a possibility that capital gains may fluctuate significantly if the economy or the stock market become sluggish, and regional risk diversification may not be so effective due to factors such as geopolitical risks or global pandemics.
Investment in unlisted securities	A growing percentage of investments by the Company Group and its funds are at the seed stage of business foundation and the early stage of business startup. The Company Group rigorously selects promising companies, boosts its shareholdings in each company by making large investments, and increases management involvement in portfolio companies. Because it is difficult to fully ascertain the potential of companies in the seed and early stages, it is possible that we miss investment opportunities in companies with high potential and cannot generate significant returns on investment. In the case that the business of a portfolio company does not progress as initially planned, or its financial situation deteriorates, there is the risk that all invested capital will be lost. Also, investment exits through IPO, trade sales to third parties, M&A, etc. are not guaranteed. Furthermore, as unlisted securities by nature have considerably poor liquidity, their value may be significantly lower than expected if sold at the unlisted stage.
Specialized business	The Company Group conducts its business operations by concentrating management resources on the operation and management of funds and investment in unlisted securities. Since investment in unlisted securities is significantly affected by changes in the economy and the stock and IPO markets, the business performance and financial situation of the Company Group may be negatively impacted should such changes arise.
Competition	In our main business of private equity investment, competition for investment deals in promising unlisted companies is intensifying among competing companies, including specialist venture capital and corporate venture capital programs of business firms. Due to this competitive environment, we may miss opportunities to invest in promising companies or fail to generate sufficient capital gains depending on the terms of investment. As a result, fund performance as well as the Company Group's business performance and financial situation may be negatively impacted.
Fall in stock prices	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, and the fund's term of contract. Decline in the prices of listed shareholdings may negatively impact fund performance and 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 ratio of the Company Group or its funds is high.
Exchange rate fluctuations	We invest in U.S. dollar-denominated investments in Asian and U.S. funds. Since there is a five- to 10-year time lag between making capital contributions to a fund and receiving distributions, exchange rate fluctuations affect our business performance. The funds managed by the Company Group make new investments over a period of around three years, and distributions from the sale of shares and sale proceeds are paid over the fund term (usually 10 years). As a result, the exchange rate risks for the acquisition and liquidation of foreign currency denominated assets are diversified over a given period. However, as it requires several years for an investment in an unlisted company to achieve an exit, it is difficult to completely eliminate the effect of exchange rate fluctuations.
Fundraising	The investors in our funds are mainly institutional investors, such as financial institutions, for fund management purposes or business firms that wish to approach startups. We work to build trust with our fund investors and ensure transparency in our fund management by issuing regular reports on the status of fund management and arranging meetings and other types of communication as needed. However, in the event that we are unable to raise sufficient funds from investors due to sluggish business performance or a deterioration in the fundraising environment resulting from the economic climate and other factors, our investment activity may be impeded and our fund management fees may decrease, thereby negatively impacting the Company Group's business performance and financial situation.
Management of information	In order to manage the important information of business partners and personal information held by the Company Group, we have improved our information management system by establishing various company rules, thoroughly disseminating information to directors, officers, and employees, and strengthening the security of information systems. However, in the event of an information leak due to unauthorized external access, or malicious actions or carelessness of directors, officers, employees, or other relevant persons, the Company Group's business performance and financial situation may be negatively impacted by claims for damages, a loss of social credibility, or other factors.

Legal regulations	The Company Group operates and manages funds and invests in unlisted stocks mainly in Japan, Asia, and the United States. These activities are subject to the legal regulations of the respective country where they take place. At the Company Group, the relevant divisions gather information and respond to legal regulations related to their operations. However, in some cases, the Company Group's activities may be restricted by legal regulations and costs may rise due to the need to address these regulations.
Legal and other violations	At the Company Group, the heads of each division serve as a person responsible to promote daily compliance at their respective divisions. The Administration Division, as the controlling division, supports and manages compliance-related initiatives. In the event of non-compliance with laws, regulations, internal rules, etc. or an administrative accident, information is collected and reported to the Compliance Officer and the controlling division. Immediate remedial measures are then examined and implemented, and steps are taken to ensure recurrence prevention. In the event that the Company Group or its directors, officers, or employees cause damage to portfolio companies, fund investors, or other third parties due to violations of related laws and regulations or various contracts, breach of its duty of care as a fund manager, or operational errors or misconduct, the Group may be held liable for compensating such damage. Furthermore, the loss of social credibility and administrative sanctions by the supervising authorities in response to such legal violations, etc. could adversely impact the Company Group's performance and financial position.
Executive dispatch	The Company Group may dispatch its directors, officers, or employees to serve as executives at a portfolio company to improve the value of the portfolio company. In the event that a claim for damages is filed against such individual director, officer, or employee, the resulting economic loss, employer's liability, or loss of social credibility could adversely impact the Company Group's performance and financial position. In addition, to the extent possible, the Group takes out directors' and officers' liability insurance and signs liability limitation agreements with portfolio companies, but it may not be able to completely avoid an adverse impact on the Company Group's performance and financial position.
Securing and training of talented human resources	Due to the nature of its business, the future growth and success of the Company Group is heavily dependent on talented investment professionals and other human resources. We have continued to recruit new graduates, while actively hiring mid-career professionals, in an effort to secure and develop diverse, high-potential human resources. However, if we are unable to secure high-potential human resources, the Company Group's future growth, performance, and financial position could be adversely affected.
Impact of the COVID-19 pandemic	The Company Group has worked to prevent the spread of COVID-19, prioritizing the health and safety of our directors, officers, employees, and customers. In anticipation of a prolonged pandemic, we worked with portfolio companies to raise funds for their businesses, reduce costs, and conduct fundamental reviews of their profit plans. In addition, we ourselves seek to maintain our net cash and deposits and equity capital at levels that do not particularly hinder our medium-to-long-term business operations or investment activities. However, in the event that the impact of COVID-19 lingers due to the emergence and spread of new variants, there are risks that investment loss reserves may increase and IPOs, M&As, and other exits of portfolio companies may slow down. Furthermore, it may also cause delays in future fundraising and other negative impacts.
ESG	The environmental, social, and governance (ESG) perspective has become increasingly important in corporate management and investment activities, and JAFCO Group is also required to continuously address these initiatives. Established in May 2022, the Project Promotion Division mainly promotes the Company's sustainability projects and works to specifically incorporate sustainability concepts into the Company's business strategy. However, if these efforts are not fully effective and the Company Group's ESG investments and efforts to achieve sustainability were considered to be weak, we could lose the support of our stakeholders, which could, in turn, have a negative impact on our fundraising and investment activities and our ability to secure human capital. We will also work to gather and analyze necessary data on the impact of risks and revenue opportunities related to climate change, one of the key global issues, on our own business activities and earnings, and strive to ensure appropriate information disclosure as a listed company. However, if such disclosures were deemed insufficient, it could damage the Company Group's corporate value and negatively impact the Company Group's performance and financial position.

Environmental Initiatives

Recognizing that environmental problems are major social issues, JAFCO Group works to reduce its own environmental impact and, through its main business of investment, contribute to reducing environmental impact by supporting the establishment and development of companies with technologies and business models that contribute to the environment.

Reducing our own environmental impact

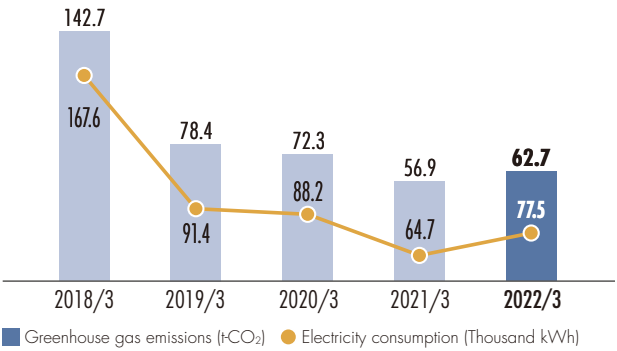
1. Initiatives to reduce energy consumption

JAFCO Group is working to reduce energy consumption through efficient office operations and active promotion of remote working. As a result, we reduced our overall electricity consumption by 53.8% and the greenhouse gas emissions associated with office electricity and air conditioning by 56.2%, compared to the fiscal year ended March 31, 2018.

2. Reduction of office paper

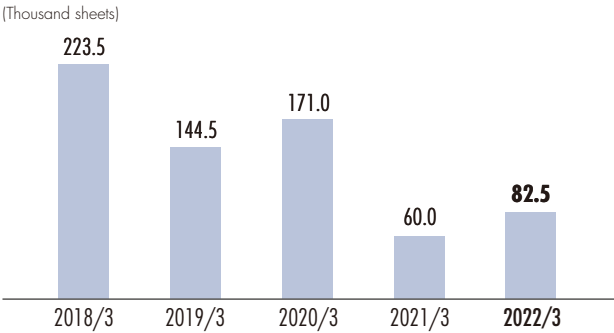
In February 2018, we moved our headquarters to Toranomon Hills (Minato Ward, Tokyo) and introduced a free address system. We have made thorough efforts to reduce paper usage by discontinuing the distribution of paper-based materials for internal meetings and the storage of paper documents, and other means. This has resulted in a 63.1% reduction in the number of sheets of copy paper ordered, compared to the fiscal year ended March 31, 2018.

Office electricity consumption / Greenhouse gas emissions associated with office electricity and air conditioning



Notes: 1. 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.
2. The Company will work to disclose the impact of risks and profit-earning opportunities stemming from climate change on its business activities and profits in accordance with the Task Force on Climate-related Financial Disclosure (TCFD) framework or similar.

Sheets of copy paper ordered



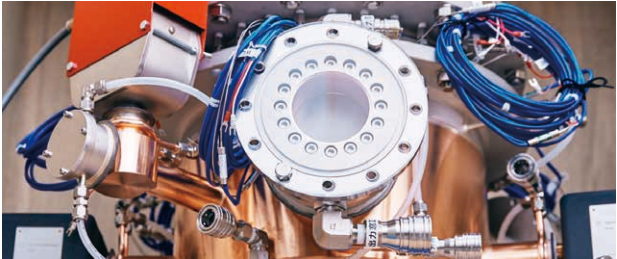
Reducing environmental impact through the businesses of portfolio companies

Our main business of investment creates new businesses, and our investment activities themselves contribute to sustainability. We are strengthening our investment in businesses and companies with the potential to contribute to the realization of a sustainable society through technologies and services that offer solutions to environmental problems, about which there is recent increasing concern.

Investment example 1 Kyoto Fusioneering Ltd.



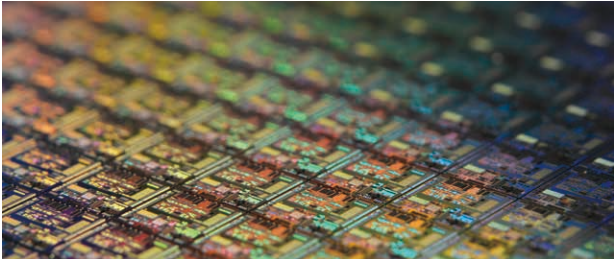
The company is a Kyoto University-originated startup focusing on the development of specialized plant equipment for nuclear fusion. Nuclear fusion, which is the source of the sun's energy, has the power to supply energy for human beings for millions of years into the future if it can be harnessed on earth. As nuclear fusion enables fuel to be created from seawater and does not emit greenhouse gases, it is expected to provide a fundamental solution for energy and environmental problems.



Investment example 2 Power Spin Inc.



Power Spin is a Tohoku University-originated venture focusing on circuit IP and design for IoT devices and AI systems using spintronics technology to increase the ratio of computing performance to energy consumption by a factor of 100 or more compared to conventional technologies. Because spintronics can achieve sufficient computing power with dramatically lower energy consumption, it solves the electricity consumption issues of semiconductors and contributes to the realization of both a carbon-neutral, energy-saving society and a livable society that harnesses AI, IoT, and DX (Society 5.0).



Review and Analysis of the Fiscal Year Ended March 31, 2022

Business Progress and Results

Changes in the business environment and impact on portfolio companies

Against the backdrop of changes in U.S. monetary policy, geopolitical risks, and rising crude oil prices, the stock market has entered a major correction phase with increasing uncertainty. The impact of these factors on the private equity market also needs to be closely monitored as there has been a series of IPO postponements and scaling down in the domestic IPO market. Under these circumstances, we acknowledge that the impact on the performance and fundraising of portfolio companies is unpredictable.

Financial highlights and capital gains for the fiscal year ended March 31, 2022

During the fiscal year ended March 31, 2022, both net sales and ordinary income increased from the previous year, while profit attributable to JAFCO Group Co., Ltd. stockholders fell as a result of a decrease in gains on the sale of investment securities from the previous year. Capital gains totaled ¥12.6 billion on listed and unlisted shares (¥11.3 billion in the previous year), exceeding the level of the previous year due mainly to the IPO by Visional, Inc. in April 2021.

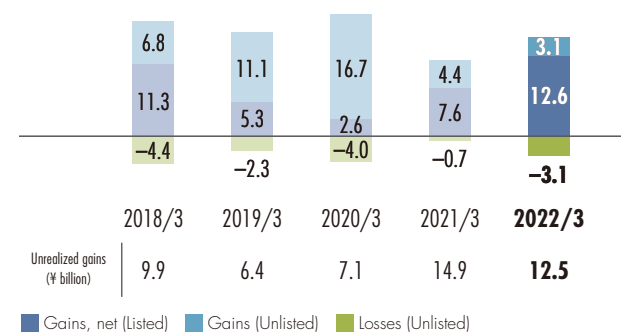
Our primary management focus is to sustain high fund performance over the long term. We will continue to pursue IPO, M&A and other exits from which large capital gains can be expected, regardless of the number of IPOs achieved each year. Although business results fluctuate significantly from year to year depending on the number of large exits, continuous improvement in performance of each operating fund allows us to maintain strong business results over the long term.

(¥ billion)

	2021/3	2022/3	Change
Net sales	21.5	27.7	+28.7%
Ordinary income	11.7	18.4	+56.8%
Profit attributable to JAFCO Group Co., Ltd. stockholders	38.5	15.1	-60.8%

Capital gains (JAFCO's interests)

(¥ billion)



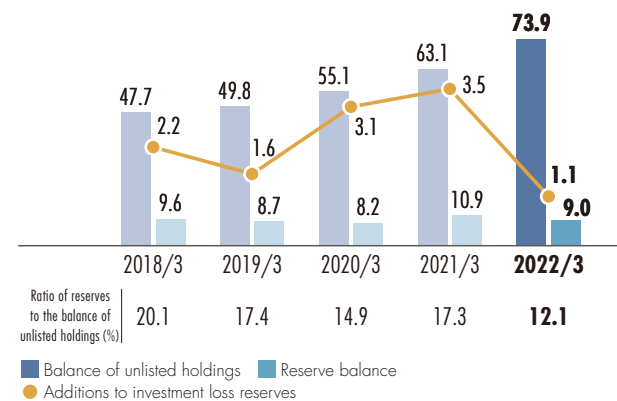
Note: Gains/losses include other portfolio-related revenues and impairment losses.

Investment loss reserves

In the fiscal year ended March 31, 2022, additions to investment loss reserves, which had risen in previous years due to such factors as the COVID-19 pandemic, fell sharply to ¥1.1 billion (from ¥3.5 billion in the previous year) as the COVID-19 impact was limited. The reserve balance also fell to ¥9.0 billion (previous year ¥10.9 billion) as a result of a decrease in reserve additions and the progress in the sale of marked-down shares, including the liquidation of the SV3 Fund Series. Also, the reserve ratio was extremely low at 12.1% (previous year 17.3%) due to steady investment and the decrease in reserve additions. Nevertheless, we continue to closely monitor the impact of the aforementioned changes on the private equity market as the situation remains unpredictable. If the performance and fundraising activity of portfolio companies are affected, investment loss reserves may increase again.

Additions to investment loss reserves and balance (JAFCO's interests)

(¥ billion)



Note: Excluding investment in other funds.

Fund commitments

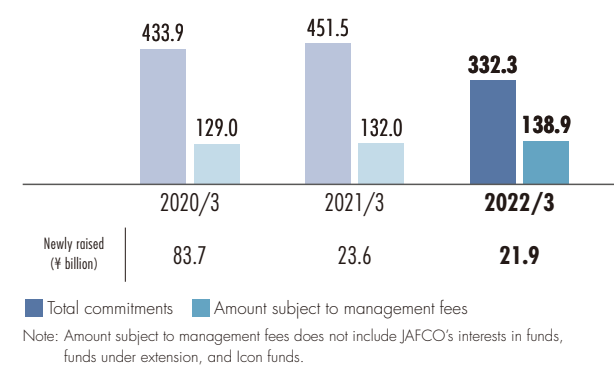
During the fiscal year ended March 31, 2022, a fund established in Asia made a final close. As the SV3 Fund Series (established in 2007; total commitments of ¥146.5 billion) was liquidated in December 2021 after a period of extension, total commitments decreased to ¥332.3 billion (from ¥451.5 billion in the previous year). The amount subject to management fees (excluding JAFCO's interests in funds, funds under extension, and Icon funds in the United States, which are excluded from the scope of consolidation) rose slightly to ¥138.9 billion due to the establishment of the new Asian fund (JAS-8).

As the SV6 Fund Series, which was established in 2019, is scheduled to complete new investment activity as initially planned by the end of the fiscal year ending March 31, 2023, due to steady progress in investment, the establishment of a new fund* is currently being planned.

* The JAFCO SV7 Fund Series was established in June 2022.

Fund commitments

(¥ billion)

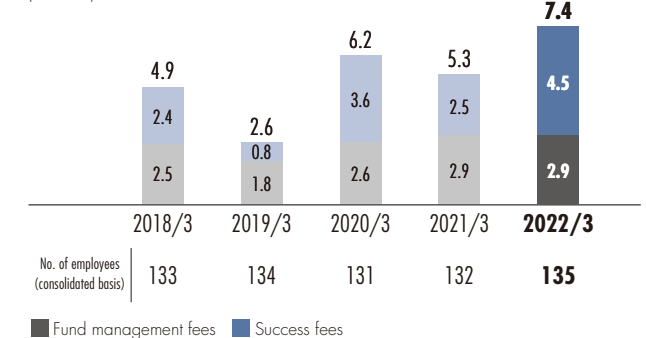


Income from fund management

Income from management fees, which is the core income of fund management companies, increased slightly from the previous year. A rapid increase in fund size may cause deterioration in fund performance. The size of our future funds will be set in line with the market growth of promising investment targets, while firmly maintaining our stance of highly selective, intensive investment. In addition to success fees from the SV3 Fund Series, success fees from the SV4 Fund Series and JATF VI, whose distributions to investors have exceeded respective total capital contributions, were steadily recorded.

Fund management fees / Success fees

(¥ billion)



Note: All figures reflect the exclusion of the U.S. subsidiary (JAV) from the scope of consolidation.

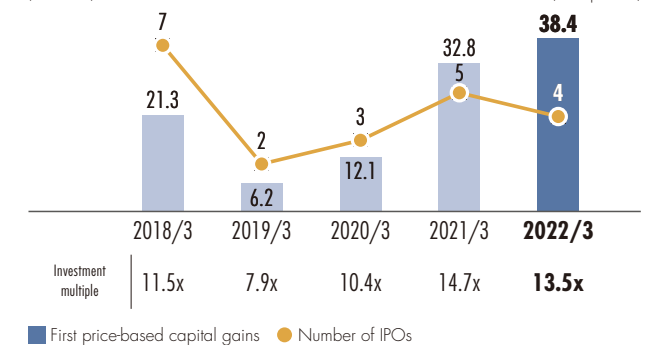
IPOs

During the fiscal year ended March 31, 2022, there were four domestic IPOs. First-price multiple at IPO was 13.5 times. We have reduced the number of new investments by continuing to pursue our highly selective, intensive investment strategy. We will remain committed to maximizing capital gains per deal, instead of increasing the number of IPOs. In addition, we will diversify exits through such means as M&A and trade sales by increasing our shareholdings in portfolio companies.

JAFCO-backed domestic IPOs (including fund investors' interests)

(¥ billion)

(Companies)



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 fiscal year ended March 31, 2022 excludes an IPO (Kibun Foods Inc.) from our investment securities portfolio.

(Reference) JAFCO-backed IPOs during the fiscal year ended March 31, 2022

VISIONAL	Visional, Inc. HR tech platform; HR SaaS; business succession-related M&A; SaaS marketing; cyber security; logistics DX platform	IPO date: Apr. 22, 2021 IPO market: Mothers (currently Growth) Head office: Tokyo, Japan
WonderPlanet	WonderPlanet Inc. Entertainment services	IPO date: June 10, 2021 IPO market: Mothers (currently Growth) Head office: Aichi Prefecture, Japan
Photosynth	Photosynth Inc. Development and supply of cloud-based IoT services including Akerun, an access control system	IPO date: Nov. 5, 2021 IPO market: Mothers (currently Growth) Head office: Tokyo, Japan
FINATEX	Finatext Holdings Ltd. Development and operation of tech-driven wealth management service	IPO date: Dec. 22, 2021 IPO market: Mothers (currently Growth) Head office: Tokyo, Japan
PLAYSTUDIOS	PLAYSTUDIOS, Inc. Development and operation of casual games for mobile and social platforms	IPO date: June 22, 2021 IPO market: Nasdaq Head office: U.S.
CONFLUENT	Confluent, Inc. Event streaming platform service	IPO date: June 24, 2021 IPO market: Nasdaq Head office: U.S.

Investment

Total investment amount in each region varies each fiscal year. During the fiscal year ended March 31, 2022, the global investment amount totaled ¥37.1 billion. In particular, domestic venture investment, including follow-on investment, progressed at a higher pace than the previous year, as portfolio companies' fundraising also increased.

In the fiscal year ended March 31, 2022, the ratio of IT-related companies in our domestic venture investment portfolio increased, including a number of startups with the potential to change business models of existing industries through the latest technologies. There was also a rise in portfolio companies with businesses based on cutting-edge technology for the next generation in fields such as electronics, medical care, and biotech.

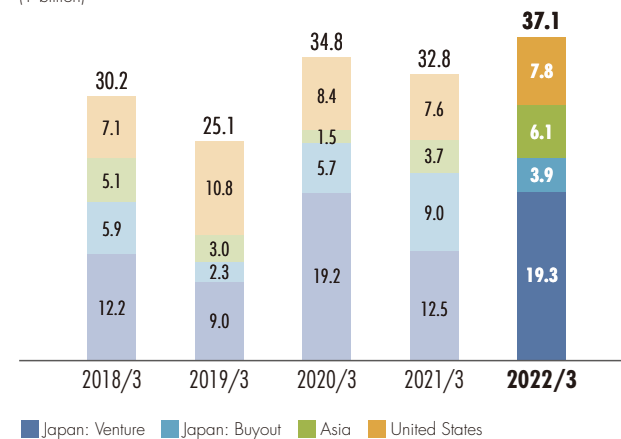
Broken down by growth stage at the time of new investment, companies at the seed stage, when the business is founded, and the early stage, when starting up the business, accounted for most of new investments, the majority of which are in the internet space. The speed of business launch greatly affects the change rate of startups, while a large number of competitors means a delay in the business launch may take a toll. As a Co-Founder, we will offer deep management involvement from the business conception stage and commit to business growth with entrepreneurs.

Total amount of private equity investments under management

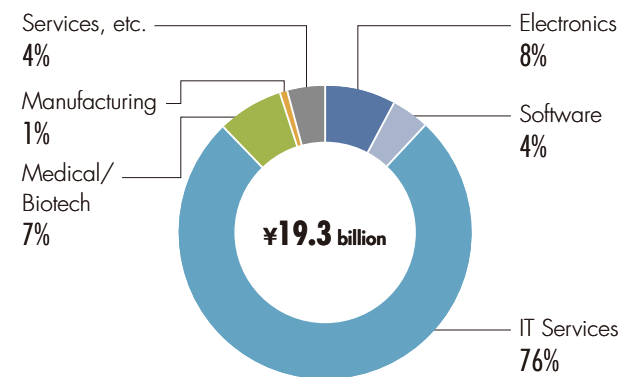
Since changing our investment strategy from diverse investment to highly selective, intensive investment, our portfolio has been reshuffled, as a result of which the amount invested per company increased. The total balance of investments in unlisted companies continues to trend upward in terms of both acquisition cost and fair value.

Investment activity (including fund investors' interests)

(¥ billion)

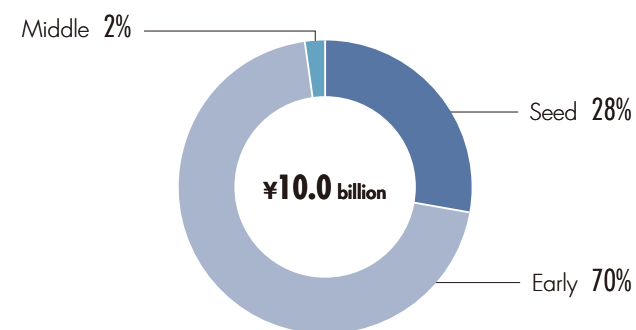


Breakdown of investments by sector (new and follow-on investment in Japan; including fund investors' interests)



Note: Overseas life science investments (carried out by the Venture Investment Division in Japan) and buyout investments are excluded.

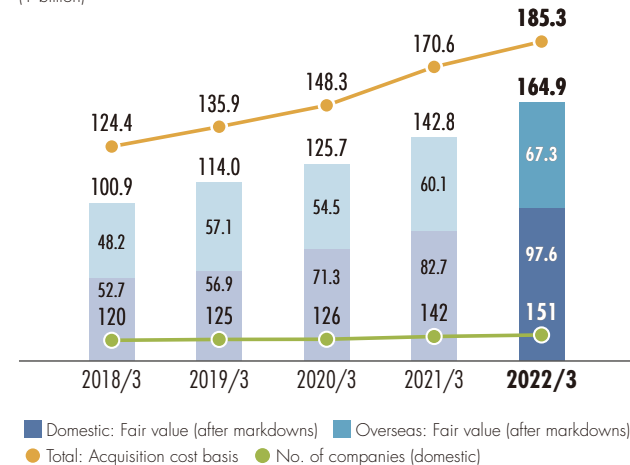
Breakdown of investments by stage (new investment in Japan; including fund investors' interests)



Note: Overseas life science investments (carried out by the Venture Investment Division in Japan) and buyout investments are excluded.

Operating assets of private equity investments (including fund investors' interests)

(¥ billion)



Note: Exchange rate: US\$1 = ¥122.39 for all periods.

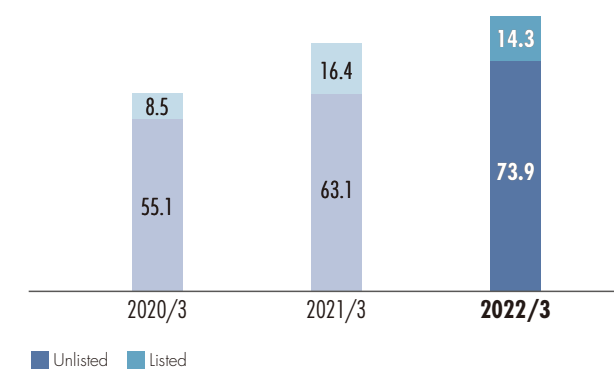
Investment balance and unrealized gains

As new and follow-on investments increased steadily, our share of the investment balance from fund investment activity rose. There were four domestic IPOs and two overseas IPOs in the fiscal year ended March 31, 2022, and the partial sale of our shareholdings is underway.

Unrealized capital gains on listed portfolio shares stood at ¥12.5 billion, down ¥2.3 billion from the previous year due to the sale of such shares and lower prices of some shares. Further sale of such shares will result in realized capital gains.

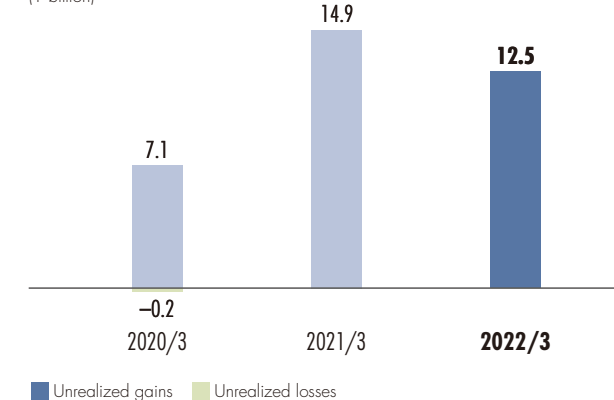
Balance of operational investment securities (JAFCO's interests)

(¥ billion)



Unrealized gains/losses on listed securities (JAFCO's interests)

(¥ billion)



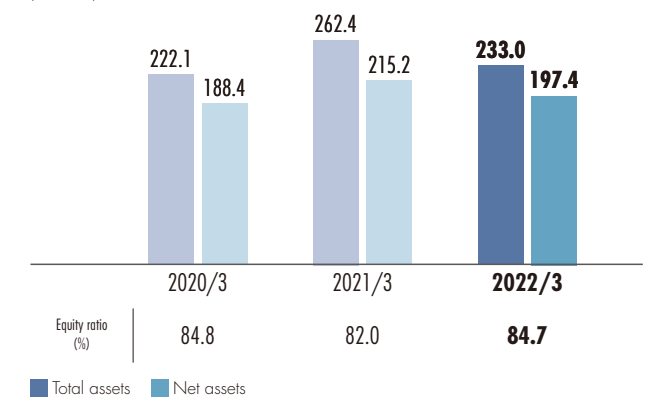
Status of assets

The majority of portfolio companies are unlisted, whose shares have no market value and liquidity is extremely limited. We need to maintain a solid financial base to allow us to continue investing in any operating environment. As of March 31, 2022, net assets stood at ¥197.4 billion and the equity ratio was 84.7%. Among balance sheet items, cash and deposits were ¥52.6 billion, including JAFCO's contributions to funds.

Based on the Policy on Shareholder Returns established in the previous fiscal year, we will secure the necessary funds to provide for uncalled commitments and planned commitments to future funds with the aim of continuing to invest under any circumstances, while also considering returning a certain portion in excess of the necessary funds to shareholders. We will continue to ensure a good balance between continuous shareholder returns and aggressive investment firmly in line with our investment policy.

Change in total assets and net assets (JAFCO's interests)

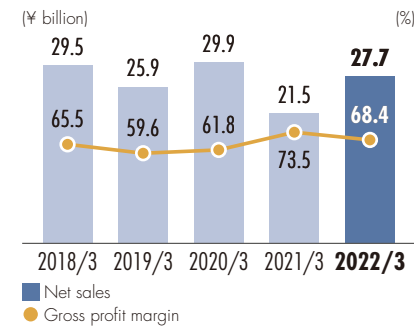
(¥ billion)



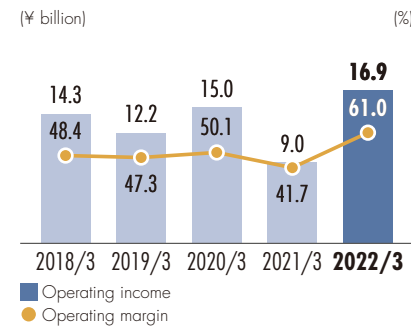
Financial and Non-Financial Highlights

Financial Highlights

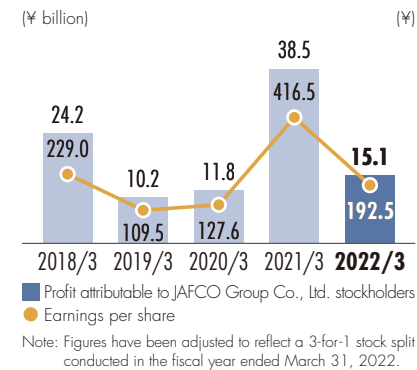
Net sales / Gross profit margin



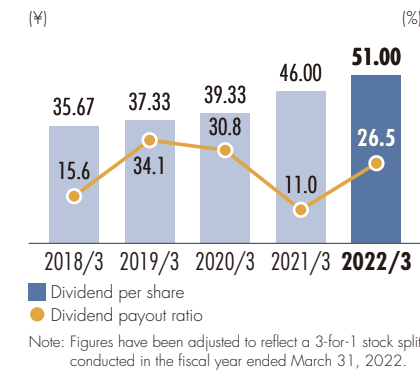
Operating income / Operating margin



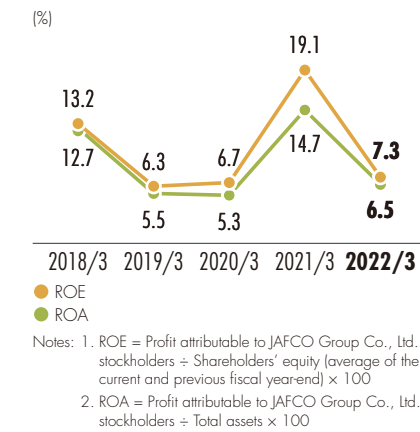
Profit attributable to JAFCO Group Co., Ltd. stockholders / Earnings per share



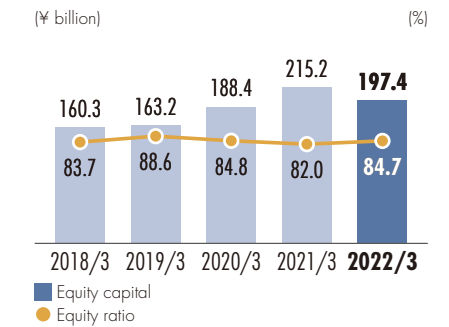
Dividend per share / Dividend payout ratio



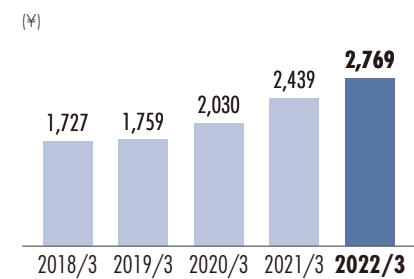
Return on equity (ROE) / Return on assets (ROA)



Equity capital / Equity ratio

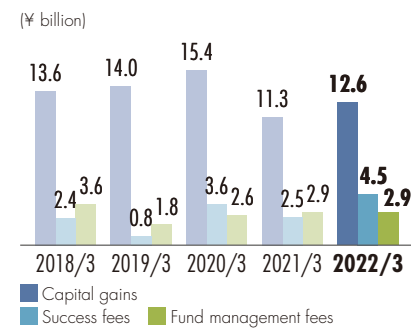


Book value per share

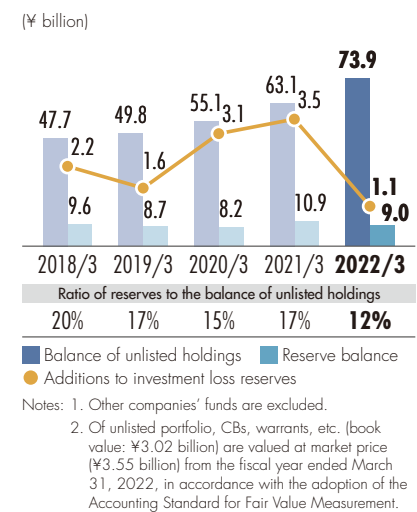


Note: Figures have been adjusted to reflect a 3-for-1 stock split conducted in the fiscal year ended March 31, 2022.

Capital gains / Success fees / Fund management fees

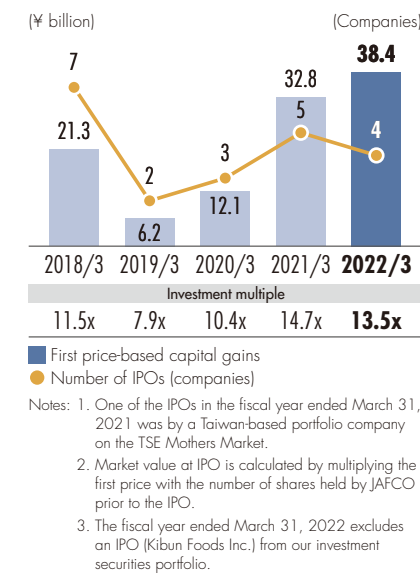


Additions to investment loss reserves and balance (JAFCO's interests)

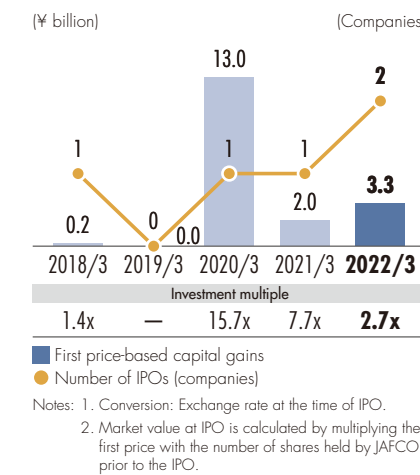


Notes: 1. Figures are rounded to the nearest unit.
2. The U.S. subsidiary is excluded from the scope of consolidation from the fiscal year ended March 31, 2019.

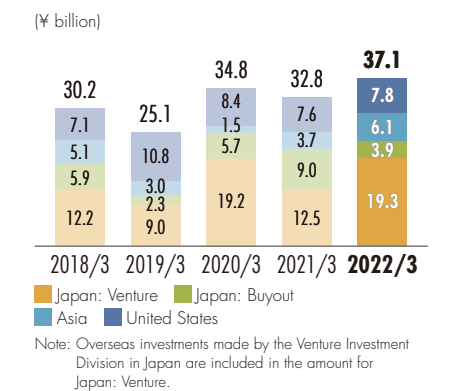
Domestic IPOs (Including fund investors' interests)



Overseas IPOs (Including fund investors' interests)



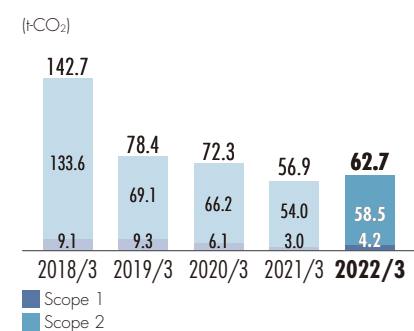
Investment amount by country/region (Including fund investors' interests)



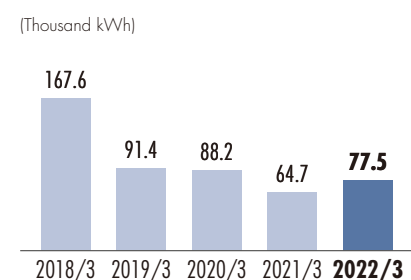
Non-Financial Highlights

Environment

Greenhouse gas emissions* (Scope 1 and 2)

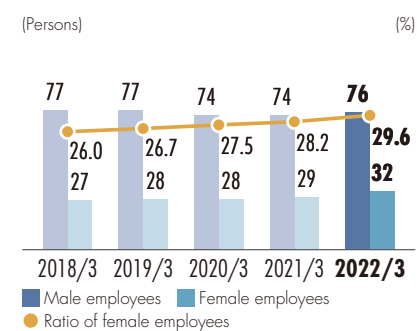


Electricity consumption*

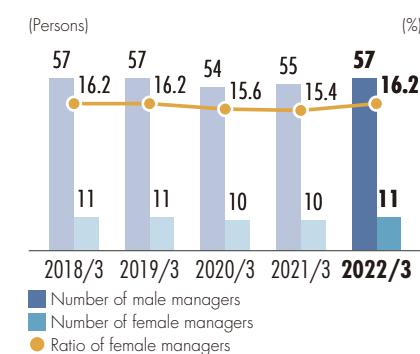


Social

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

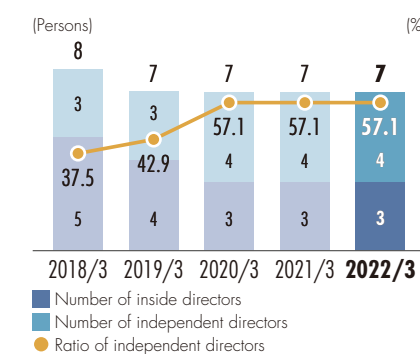


Ratio of female managers (Non-consolidated basis)

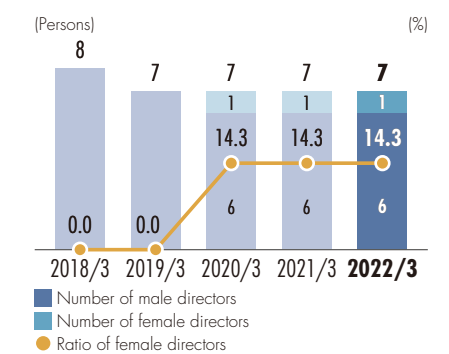


Governance

Ratio of independent directors



Ratio of female directors



11-Year Summary

(¥ million)

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
Operating results											
Net sales	19,804	22,072	44,890	61,945	41,155	27,857	29,470	25,878	29,855	21,512	27,677
Revenue from operational investment securities	15,187	17,744	38,498	56,471	32,376	20,774	23,470	23,291	23,697	16,164	20,257
Income from fund management	4,485	4,225	6,279	5,218	8,688	7,062	5,987	2,586	6,155	5,340	7,410
Other	131	102	112	256	90	20	12	0	1	6	9
Operating income	2,086	8,007	27,302	38,419	19,226	12,324	14,252	12,239	14,970	8,964	16,876
Operating margin (%)	10.5	36.3	60.8	62.0	46.7	44.2	48.4	47.3	50.1	41.7	61.0
Profit attributable to JAFCO Group Co., Ltd. stockholders	6,106	6,583	17,292	27,707	17,018	11,073	24,235	10,162	11,839	38,504	15,080
Net profit margin (%)	30.8	29.8	38.5	44.7	41.4	39.8	82.2	39.3	39.7	179.0	54.5
Cash flows											
Cash flows from operating activities	6,859	8,476	30,153	28,822	12,788	15,117	7,425	(1,350)	12,177	8	(12,958)
Cash flows from investing activities	15,971	(4,623)	2,550	(5,744)	11,768	(1,580)	24,732	213	(277)	49,154	748
Cash flows from financing activities	(10,119)	6,816	(18,442)	(3,970)	(14,092)	(5,817)	(69,046)	(3,923)	(3,581)	(13,944)	(43,474)
Cash and cash equivalents at end of period	41,028	53,063	68,290	89,895	99,302	107,179	70,086	63,878	72,040	107,517	52,603
Financial position											
Total assets	135,810	164,122	220,167	239,035	214,245	237,902	191,550	184,213	222,059	262,383	233,024
Net assets	98,303	112,535	159,347	188,125	189,501	207,855	160,299	163,215	188,366	215,237	197,390
Total commitments	433,803	463,864	494,899	420,641	432,912	434,772	348,506	359,103	433,939	451,475	332,251
Balance of investment loss reserves ¹	19,701	18,843	18,788	15,757	15,176	12,332	10,351	9,501	8,229	10,917	8,969
Major indicators											
Return on equity (ROE) (%)	6.5	6.2	12.7	15.9	9.0	5.6	13.2	6.3	6.7	19.1	7.3
Return on assets (ROA) (%)	4.5	4.0	7.9	11.6	7.9	4.7	12.7	5.5	5.3	14.7	6.5
Equity ratio (%)	72.3	68.6	72.4	78.7	88.5	87.4	83.7	88.6	84.8	82.0	84.7
Dividend payout ratio (%)	18.2	16.8	6.4	16.0	26.1	40.1	15.6	34.1	30.8	11.0	26.5
Total investment balance	179,156	178,721	175,167	155,176	128,839	119,596	120,879	133,424	144,227	164,146	190,046
Number of existing portfolio companies	809	695	580	483	378	327	279	266	235	251	269
Per share information											
Earnings per share (EPS) (¥)	45.9	49.5	129.9	208.2	127.9	83.2	229.0	109.5	127.6	416.5	192.5
Book value per share (BPS) (¥)	738.0	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
Annual dividend per share (¥)	8.3	8.3	8.3	33.3	33.3	33.3	35.7	37.3	39.3	46.0	51.0
Stock price indices											
Closing stock price at fiscal yearend (¥)	669.0	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
Market capitalization ² (¥ billion)	890	1,451	2,054	1,983	1,535	1,659	1,559	1,226	871	1,936	1,337
Price earnings ratio (PER)	14.6	22.0	11.9	7.2	9.0	15.0	7.3	12.1	7.4	5.3	9.7
Price book-value ratio (PBR)	0.9	1.3	1.3	1.1	0.8	0.8	1.0	0.8	0.5	0.9	0.7
Investment amounts / Number of companies by region											
Japan	13,714/48	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
United States	5,317/25	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
Asia	3,623/23	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

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, 2022 (Preliminary basis)
(¥ billion (Japan), US\$ million (U.S./Asia))

Funds	Establishment	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 (2021/3)	Remaining valuation (R)	Net IRR (%)	Multiple (D + R)/PI	Previous year multiple (2021/3)
Japan												
JAFCO SV4	Mar. 2013	60	1.00	1.46	0.91	17.6	2.36	—	0.34	13.0	1.79	1.80
JAFCO SV5	Aug. 2016	75	0.93	0.08	1.05	5.1	1.21	—	0.78	—	0.92	0.87
JAFCO SV6	June 2019	80	0.77	0.00	0.78	1.0	1.01	—	0.70	—	0.91	0.89
Asia												
JATF VI	Mar. 2013	150	1.00	2.27	0.65	24.1	2.92	2.96				
JATF VII	Apr. 2017	140	0.93	0.00	0.89	—	0.96	1.02				
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	0.53	12.0	2.58	2.67				
Icon V	May 2012	260	0.99	0.47	0.94	6.0	1.34	1.09				
Icon VI	Dec. 2015	375	0.85	0.07	1.35	15.4	1.54	1.15				

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 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 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

(¥ billion)

Domestic funds	Establishment	End of term	Commitments (total funds under management)	Against 1.0 in commitments		Multiple	Net IRR
				Paid-in capital (PI)	Total distribution (D)	D/PI	(%)
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	(US\$ million) 37	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	(US\$ million) 68	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 V-2	Sept. 2005	Dec. 2017	94.0	1.00	0.85	0.85	—
JAFCO V-1 (under liquidation)	Mar. 2004	Dec. 2016	53.7	1.00	0.89	0.89	—
JAFCO SV3	July 2007	Dec. 2021	146.5	1.00	1.70	1.70	10.3

(US\$ million)

Overseas funds	Establishment	End of term	Commitments (total funds under management)	Against 1.0 in commitments		Multiple	Net IRR
				Paid-in capital (PI)	Total distribution (D)	D/PI	(%)
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

Environment

	Unit	2018/3	2019/3	2020/3	2021/3	2022/3
Greenhouse gas emissions (Scope 1 and Scope 2)	tCO ₂	142.7	78.4	72.3	56.9	62.7
Energy consumption	Electricity consumption Thousand kWh	167.6	91.4	88.2	64.7	77.5

Social

	Unit	2018/3	2019/3	2020/3	2021/3	2022/3
► Employees						
Number of employees (non-consolidated)		104	105	102	103	108
Male	Headcount	77	77	74	74	76
Female		27	28	28	29	32
Number of employees (consolidated) ¹		133	134	131	132	135
Male	Headcount	86	86	83	84	83
Female		47	48	48	48	52
Average years of service		17 y, 3 m	17 y, 2 m	17 y, 4 m	17 y, 1 m	16 y, 3 m
Male	Years, months	15 y, 8 m	15 y, 11 m	16 y, 1 m	15 y, 11 m	15 y, 6 m
Female		21 y, 10 m	20 y, 9 m	20 y, 9 m	20 y, 3 m	18 y, 1 m
Average age		43 y, 4 m	43 y, 10 m	44 y, 3 m	44 y, 3 m	44 y, 0 m
Male	Age	42 y, 3 m	42 y, 8 m	43 y, 1 m	43 y, 4 m	43 y, 5 m
Female		46 y, 6 m	47 y, 3 m	47 y, 7 m	46 y, 6 m	45 y, 5 m
Turnover rate ²	%	6.5	3.8	9.4	13.3	6.7
Average annual working hours	Hours	—	2,126	2,060	2,109	2,144
Annual paid leave utilization rate	%	48.6	40.0	43.6	35.1	40.9
Remote working implementation rate ³	%	—	—	—	99.4	98.2
► Recruitment / Diversity						
Number of new hires (new graduates)		2	0	2	4	1
Male	Headcount	1	0	2	2	1
Female		1	0	0	2	0
Number of new hires (mid-career)		2	6	2	13	11
Male	Headcount	2	4	1	11	6
Female		0	2	1	2	5
Ratio of female employees among new hires (new graduates)	%	50.0	0.0	0.0	50.0	0.0
Ratio of female employees		26.0	26.7	27.5	28.2	29.6
Front office (investment, branches, structured investment)	%	8.0	6.4	9.3	11.9	10.9
Middle/back office (other than the above)		42.6	43.1	40.7	39.3	43.5
Ratio of female managers		16.2	16.2	15.6	15.4	16.2
Front office (investment, branches, structured investment)	%	9.7	10.0	10.3	10.3	9.4
Middle/back office (other than the above)		21.6	21.1	20.0	19.4	22.2
Childcare leave utilization rate		66.7	0.0	0.0	0.0	25.0
Men	%	0.0	0.0	0.0	0.0	25.0
Women		100.0	0.0	0.0	0.0	0.0
► Human resources development						
Average hours for training and human resources development	Hours/employee	7.4	5.1	10.1	10.1	13.8

Note: Figures are calculated on a non-consolidated basis unless marked with an asterisk.

1. Figures exclude the U.S. subsidiary.

2. Including 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.

Governance

	Unit	2018/3	2019/3	2020/3	2021/3	2022/3
► Corporate governance						
Number of directors	Inside	5	4	3	3	3
	Male	5	4	3	3	3
	Female	0	0	0	0	0
	Independent	3	3	4	4	4
	Male	3	3	3	3	3
	Female	0	0	1	1	1
Average term of office for directors	Year	6.8	6.4	6.8	7.8	8.8
Number of Board of Directors meetings held	Times	14	13	13	14	13
Average attendance rate for Board of Directors meetings	%	100%	100%	100%	100%	100%
Ratio of independent directors	%	37.5%	42.9%	57.1%	57.1%	57.1%
Ratio of female directors	%	0.0%	0.0%	14.3%	14.3%	14.3%
Number of Board-Audit Committee members						
	Inside	1	1	0	0	0
	Independent	3	3	4	4	4
Number of Board-Audit Committee meetings held	Times	13	13	14	14	14
Average attendance rate for Board-Audit Committee meetings	%	100%	100%	100%	100%	100%
Number of Nomination and Remuneration Committee members		—	5	5	5	5
	Inside	—	2	1	1	1
	Independent	—	3	4	4	4
Number of Nomination and Remuneration Committee meetings held	Times	—	1	3	3	5
Attendance rate for Nomination and Remuneration Committee meetings	%	—	100%	100%	100%	100%
Director remuneration (excludes directors serving as Board-Audit Committee members)						
Basic compensation	¥ million	130	90	91	90	90
Extraordinary compensation	¥ million	127	89	89	84	92
Total	¥ million	257	179	180	175	183
Remuneration of directors serving as Board-Audit Committee members						
Basic compensation	¥ million	79	80	75	73	75
Remuneration of independent directors ⁴						
Basic compensation	¥ million	51	51	68	73	75

4. The remuneration of independent directors is included in the remuneration of directors who are Board-Audit Committee members.

Company Information (As of March 31, 2022)

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	135 (consolidated), 108 (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

The Company publishes this Integrated Report with the aim of communicating its value creation story that covers financial and non-financial information. Moreover, to promote communication with our stakeholders, we not only share the information in this report but also use various tools to disseminate information in a diversified manner.

Fact Book

<https://www.jafco.co.jp/english/ir/library/factbook/>



ESG Activities

<https://www.jafco.co.jp/english/company/esg/>



Investor Relations

<https://www.jafco.co.jp/english/ir/>



Information disclosure media		Type of information	
		Financial information	Non-financial information
Integrated Report	Discloses the overall picture of our 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.	●	●
Fact Book	Published once a year independently of the Integrated Report and provides a summary of the Company's disclosure data, including the results of previous fiscal years and management indicators.	●	
Securities Report	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.	●	
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, 2022)

Stock Information

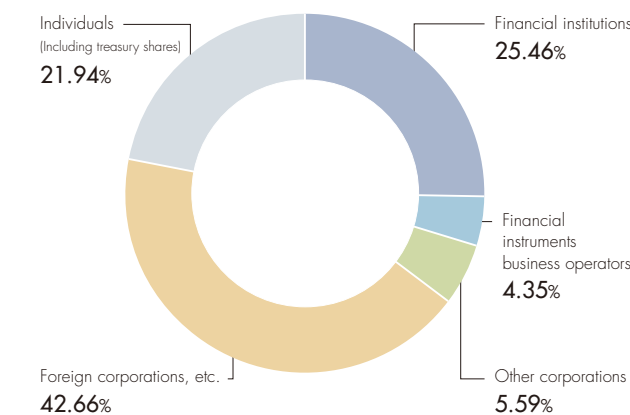
Authorized number of shares	240,000,000
Number of shares issued	80,910,000
Number of shareholders	5,493

Listed market	TSE Prime Market*
Securities code	8595
Administrator of shareholders' register	Mitsubishi UFJ Trust and Banking Corporation
Fiscal year	April 1 to March 31 of the following year

* We transitioned to the Prime Market in April 2022 in conjunction with the restructuring of market segments by the Tokyo Stock Exchange.

Shareholder Composition

Breakdown by shareholder category



Total shareholder return

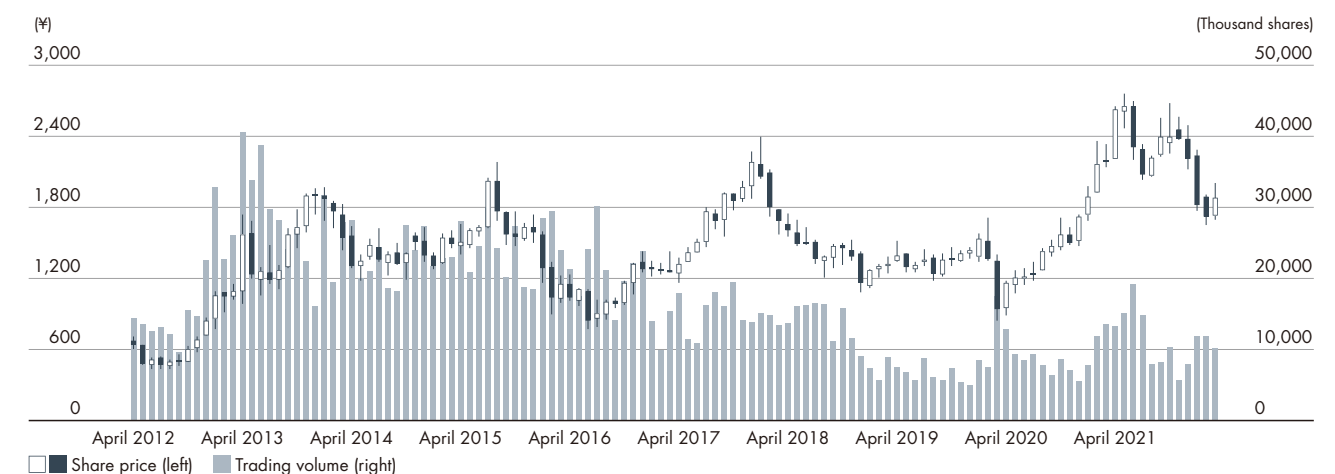
	March 2018	March 2019	March 2020	March 2021	March 2022
JAFCO Group	137.6%	111.9%	84.3%	188.6%	167.2%
Reference: TOPIX Net Total Return	115.9%	110.0%	99.6%	141.5%	144.3%

Major shareholders

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,834	18.01
Custody Bank of Japan, Ltd. (Trust Account)	4,344	6.09
Hikari Tsushin Kabushiki Kaisha	4,050	5.68
State Street Bank and Trust Company 505001	3,260	4.57
State Street Bank and Trust Company 505103	2,285	3.21
The Bank of New York Mellon 140044	1,249	1.75
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds	1,220	1.71
Nippon Life Insurance Company	1,158	1.63
State Street Bank West Client-Treaty 505234	1,089	1.53
State Street Bank and Trust Client Omnibus Account OM02 505002	995	1.40

Notes: 1. The Company holds 9,628 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



JAFCO

<https://www.jafco.co.jp/english/>