



# JAFCO

INTEGRATED REPORT 2024



FUELING PERPETUAL  
GROWTH;  
INVESTING IN  
BOLD VISIONS



Issuance of JAFCO  
INTEGRATED REPORT 2024



JAFCO has been issuing integrated reports annually since 2022 to provide a comprehensive overview of its initiatives. For our third report, *JAFCO INTEGRATED REPORT 2024*, we enhanced the content, making it easier to understand, and improved the layout for easier navigation.

In terms of content, we specify the concrete targets, the progress being made toward these targets, and the various initiatives being implemented as part of the Basic Policy for Enhancing Corporate Value, which we announced in December 2022. We also provide detailed descriptions of venture investment and buyout investment, which are the Company's two main business domains, and of the market environment, which is becoming more promising.

In terms of layout, we kept the report concise by linking it to our corporate website, ensuring that it is easy to understand and straightforward to navigate for our readers.

We hope that this report helps our stakeholders deepen their understanding of JAFCO. Through dialogue based on this report, we will continue our pursuit of sustainable corporate value enhancement.

Corporate Officer  
General Manager of Administration Division  
Hiroaki Matsuda

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Scope of Report

Scope: JAFCO Group Co., Ltd. and its Group companies (consolidated subsidiaries)  
Reporting period: From April 1, 2023 to March 31, 2024  
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 that the report was prepared. Various factors may cause actual future results to differ significantly from the outlook. Risks and variables that may affect results include macroeconomic trends surrounding the Company's business environment, market competition, exchange rates, taxation and various other regulations and systems, and internal and external factors.

Editorial Policy

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

JAFCO Group's Information Disclosure



Integrated Report

Discloses the overall picture of the Company's value creation for sustainable growth in an integrated manner, providing a systematic explanation of its strategies and measures from both financial and non-financial standpoints

For more detailed information, please refer to the relevant medium of disclosure.

|   |  | Relevant sections in the Integrated Report   | Classification of disclosed information   |                            |
|---|--|--|---|----------------------------|
| Securities Report (in Japanese only)                                |  | Provides an overview of the Company, the status of its business, financial information such as financial statements, and non-financial information such as the corporate governance structure, based on the Financial Instruments and Exchange Act | Whole report  | Financial    Non-financial |
| Financial summaries and briefing materials                          |  | Provides quarterly financial information   | Section 02: JAFCO Group's Value Creation<br>Section 03: Business Strategies<br>Section 05: Corporate Data | Financial    Non-financial |
| Notice of Convocation of the Annual General Meeting of Shareholders |  | Provides key information and agenda items in preparation for the Annual General Meeting of Shareholders  | Whole report  | Financial    Non-financial |
| Presentation for New Investors                                      |  | Contains an overview of JAFCO and its Basic Policy for Enhancing Corporate Value to help new investors gain a deeper understanding of the Company  | Section 02: JAFCO Group's Value Creation<br>Section 03: Business Strategies<br>Section 05: Corporate Data | Financial    Non-financial |
| Corporate Governance Report   |  | Provides information on the Company's corporate governance based on stock exchange listing rules   | Section 04: Business Foundation for Sustainable Growth  | Financial    Non-financial |
| FACT BOOK   |  | Published once a year separately from the Integrated Report, providing a summary of the Company's disclosure data, including the results of previous fiscal years and management indicators  | Section 05: Corporate Data  | Financial    Non-financial |
| & JAFCO POST  |  | JAFCO's owned media that leverages its achievements, best practices, network, and expertise amassed over years of providing support for startups to provide information to entrepreneurs and people who are looking to start their own businesses  | Section 02: JAFCO Group's Value Creation  | Financial    Non-financial |



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Section- 01

JAFCO Group’s Corporate Philosophy

As a social entity

Based on its many years of investment experience, JAFCO has held the conviction that continuing to invest through good times and bad will lead to the realization of a sustainable society. We aim to fuel perpetual growth in society and markets by continuing to invest in companies and entrepreneurs as they take on new challenges.

Purpose

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

PURPOSE

As a company

Since its establishment, JAFCO has created a variety of innovative products and services in collaboration with companies and entrepreneurs. We will work together with stakeholders to pave the way for a new era by committing to the creation of new businesses that are essential to society and by helping companies achieve renewed growth.

Mission

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

MISSION

As individuals

JAFCO believes that the ideal investor embodies the spirit of being a “Co-Founder.” Each of our employees will embrace self-improvement and exhibit their strengths while working with companies and entrepreneurs to create new value for society.

Identity

**Co-Founder**

Values

- Own it and see it through
  - Move faster, dive deeper, reach higher
- Draw on differences to ignite creativity
  - Be pioneers, stand for integrity

IDENTITY  
VALUES

JAFCO has been operating for around half a century, since a time when investing in unlisted companies was still a relatively unexplored practice in Japan. During this time, we have consistently maintained our stance of boldly investing in and committing to visions that create as-yet-unknown value to fuel perpetual growth and contribute to the realization of a sustainable society.

By investing in companies and entrepreneurs as they take on new challenges, we contribute to the creation of new businesses and help companies achieve renewed growth. Our employees will unite in working together with our stakeholders to advance the development of society and markets. We will continue to invest by creating and expanding the cycles that lead to perpetual growth, thereby contributing to a sustainable society and enhancing the Company's corporate value.



JAFCO Group’s Business Model

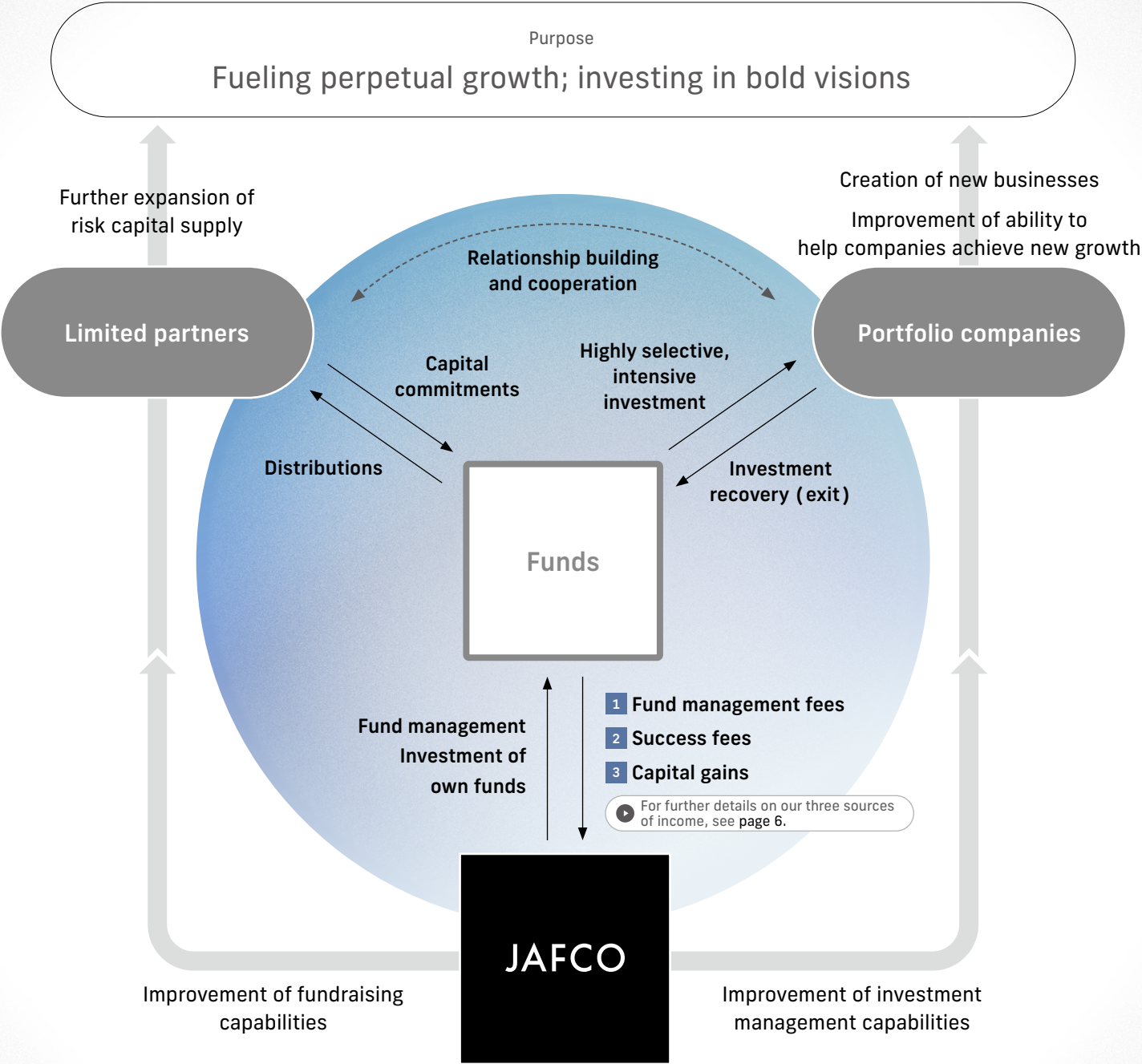
Investing in Unlisted Companies through Fund Management

JAFCO engages in venture investment and buyout investment through fund management. We invest in unlisted securities by channeling capital gathered from investors into funds. Based on our policy of highly selective, intensive investment, we aim to improve investment performance (ROI) by continuously seeking out and investing in promising companies. After investment, we enhance management involvement and increase the corporate value of our portfolio companies to achieve exits (sales) through IPOs or trade sales such as M&A.

Our three main sources of income are management fees and success fees derived from fund operations and capital gains on direct investment in funds. We aim to maximize profits by expanding our fund size in line with the market and achieving high ROI.

By improving our investment management and fundraising capabilities, we will achieve high profitability while realizing our Purpose: “Fueling perpetual growth; investing in bold visions.”

Note: ROI = Revenue from operational investment securities ÷ Cost of sales of operational investment securities



JAFCO Group's Business Model

Our Three Sources of Income

Our three sources of income are fund management fees earned as fees relative to the capital commitments made by our limited partners into our funds, success fees earned on the funds' returns, and capital gains derived as returns from our own investments in the funds.

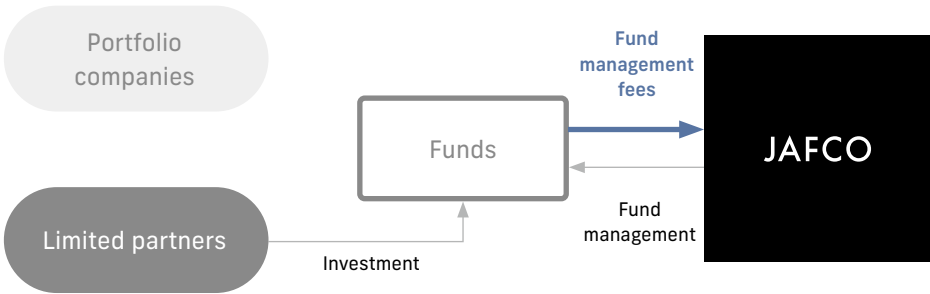
We will work to increase ROI (investment management capabilities) and funding from our limited partners (fundraising capabilities), which are the key drivers for sustainably increasing our income.

Results for the Fiscal Year Ended March 31, 2024

|   |                |
|---|----------------|
| Total capital commitments (AUM)                 | ¥465.6 billion |
| External capital commitments <sup>*1</sup>      | ¥194.9 billion |
| Fund management fees <sup>*2</sup>              | ¥4.8 billion   |
| Success fees <sup>*2</sup>                      | ¥0.6 billion   |
| Capital gains                                   | ¥7.9 billion   |
| Average investment multiple (ROI) <sup>*3</sup> | 2.3x           |

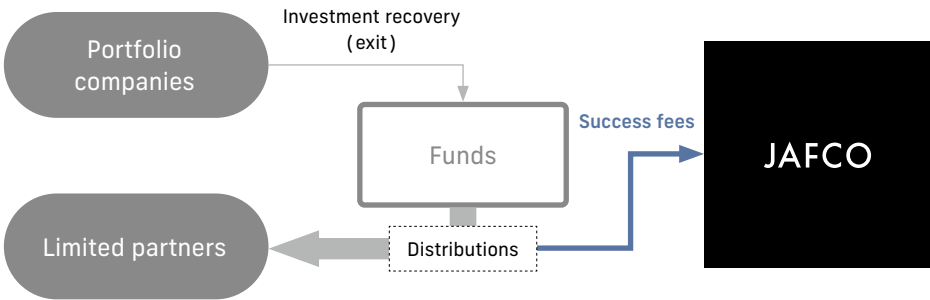
1 Fund management fees

- Fixed fees for the management of funds
- Capital commitments from limited partners × Approx. 2% per annum
- Key driver: External capital commitments



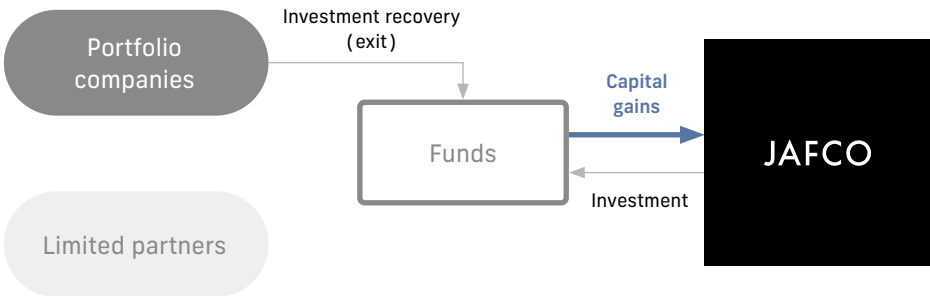
2 Success fees

- Performance-linked compensation for funds
- Profit from fund × Rate of limited partners' interests × 20%
- Key driver: ROI



3 Capital gains

- Investment returns obtained by investing our own capital into funds
- Gain/loss on sale of portfolio shares corresponding to JAFCO's interests in funds
- Key driver: ROI



<sup>\*1</sup> Funds entrusted for management by limited partners. The amount subject to fund management fees excluding investments in Icon Ventures.  
<sup>\*2</sup> Success fees and fund management fees are based on total capital commitments excluding JAFCO's interests.  
<sup>\*3</sup> Average over the past five years.

JAFCO Group's Business Model

Our Two Business Domains

Our two business domains are venture investment, which is our founding business, and buyout investment, our second pillar. While venture investment can offer high growth potential since it targets startups in their founding to growth stages, it also comes with long holding periods and high volatility. Buyout investment, on the other hand, mainly targets small- to medium-sized companies that have realized earnings, which means that stable returns of around three times the initial investment are regularly sought. By holding asset classes with such differing characteristics, we can mitigate the impact of market influences and promote operational stability.

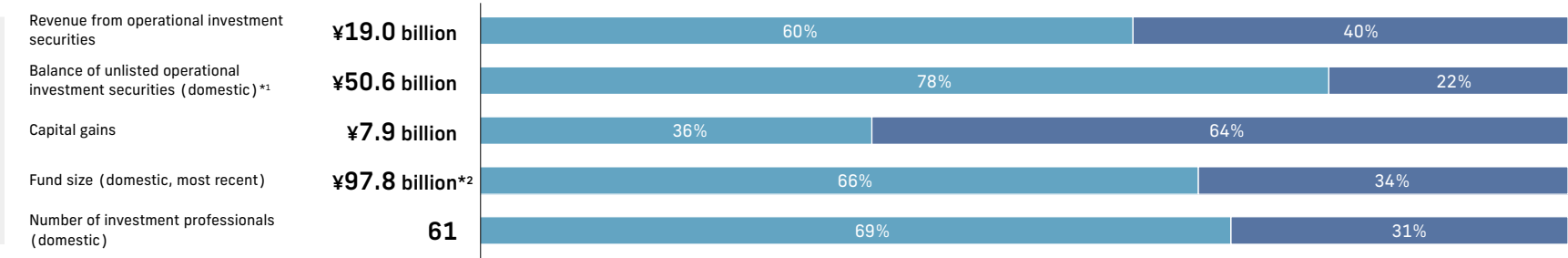
Going forward, we will focus on maximizing the potential of both venture investment and buyout investment and combining their respective strengths, while also establishing a unique organizational foundation with the aim of achieving an even greater level of performance.

Aiming to achieve an even greater level of performance by combining the strengths of venture investment and buyout investment

| Venture investment  |                    | Buyout investment   |
|---|--------------------|---|
| Startups in their seed to growth stages   | Investment targets | Small- to medium-sized enterprises and medium-sized companies in the early to mature stages that have realized earnings   |
| Make minority investment of a 10-20% stake<br>Lead large-scale financing in early-stage companies as the lead investor        | Investment policy  | Make majority investment of a stake of 50% or more<br>In addition to conventional buyouts, make growth-supportive investment focused on the growth of portfolio companies |
| 3 to 8 years  | Holding period     | 3 to 5 years  |
| Exit policy centered on IPOs  | Exit strategy      | Exit strategy considers M&A as well as IPOs   |
| Aim for returns of up to 10 times the initial investment<br>Significant volatility due to susceptibility to market influences | Expected returns   | Stably aim for returns of about three times the initial investment<br>Relatively less influenced by the market, low in volatility   |

Mitigate market influences and achieve stable operations through a portfolio of differing asset classes

Results for the Fiscal Year Ended  
March 31, 2024



\*1 Equity held by the Company only    \*2 SV7 Fund Series    Note: Number of investment professionals (in Japan) is as of April 1, 2024. All other indicators are as of March 31, 2024.



JAFCO Group’s Strengths

Three Sources of Value

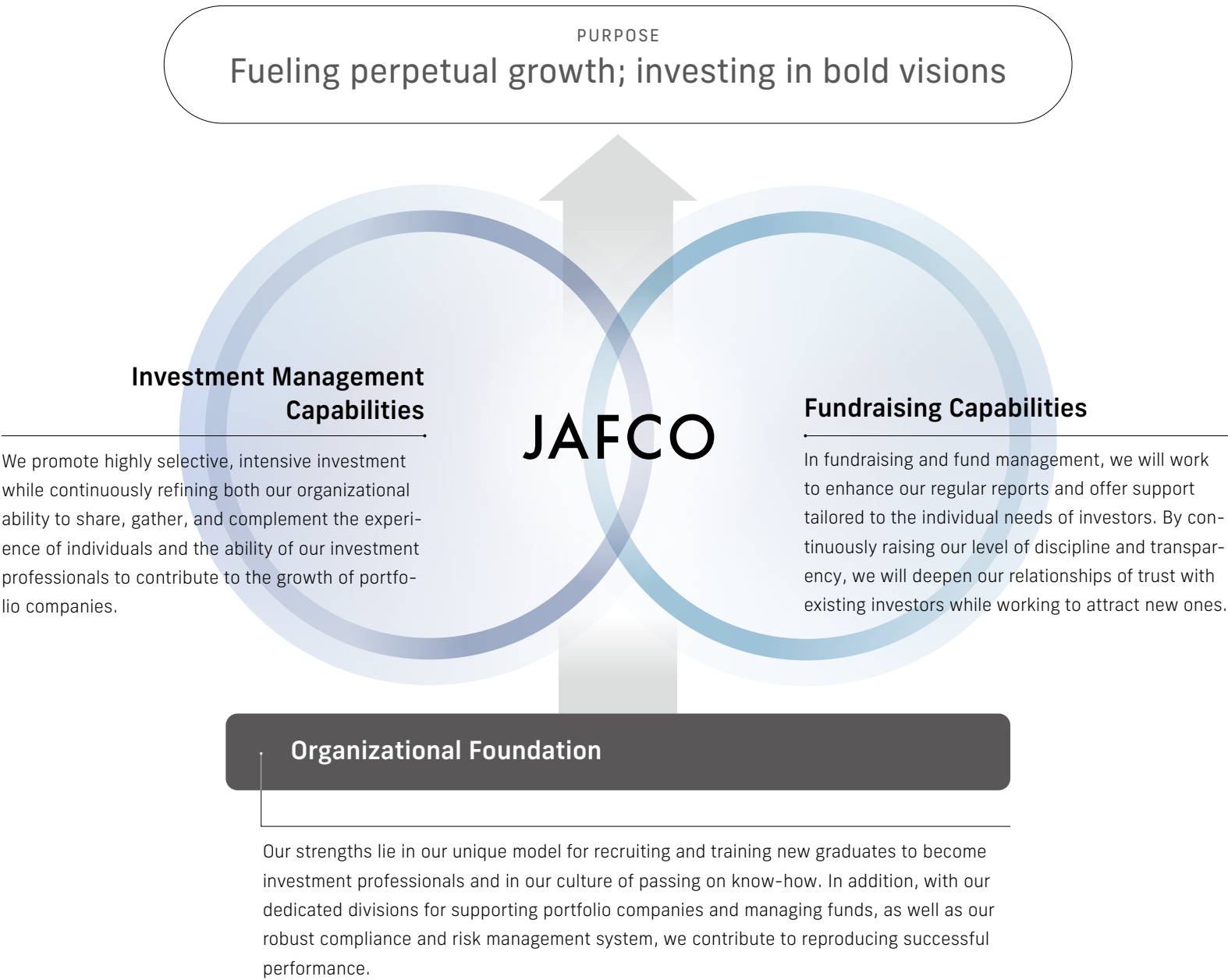
Investment Management Capabilities, Fundraising Capabilities, and Organizational Foundation

JAFCO’s strengths lie in its investment management and fundraising capabilities, as well as in the organizational foundation that supports these activities.

Our two key drivers of profit growth are our ability to achieve a high level of performance by identifying investment opportunities and contributing to corporate growth, and our ability to raise funds from external sources by building relationships of trust with our investors and attracting new ones. Investment management capabilities and fundraising capabilities mutually influence one another, so it is important to continuously improve both capabilities in line with market expansion.


Underpinning these two key drivers is our robust organizational foundation. Establishing and passing on systems and culture as an organization, rather than relying on specific individuals, makes it possible to improve our ability to reproduce successes.

By leveraging our strengths—investment management capabilities, fundraising capabilities, and organizational foundation—as sources of value, we are generating stable earnings and fueling perpetual growth.



JAFCO Group's History


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



Years of investment: 51

United States: 40


Asia: 38



Cumulative number of portfolio companies:

4,181

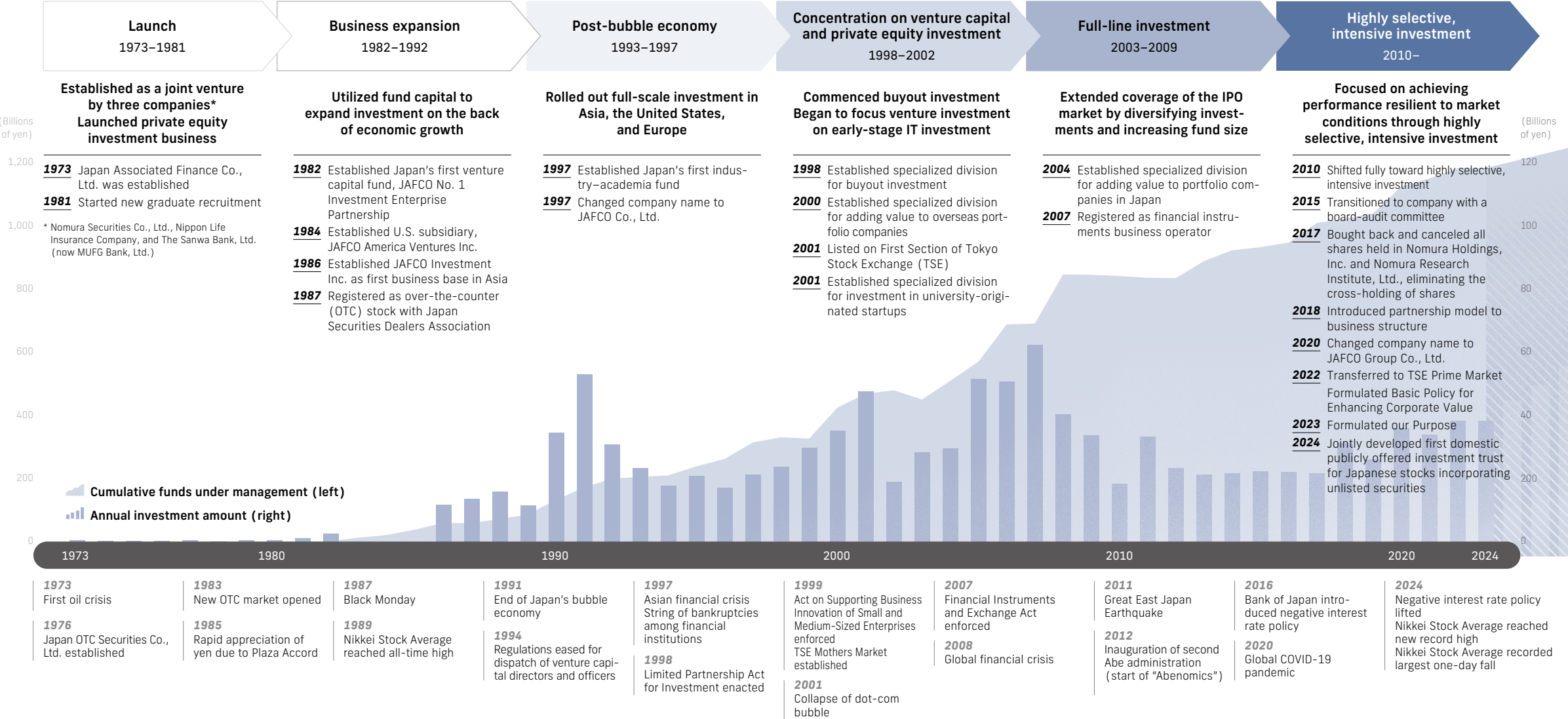
3,266 in Japan and 915 overseas



Total funds under management:

¥1.2 trillion

Note: All figures are as of March 31, 2024.



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Section- 02

# JAFCO Group’s Value Creation



# CEO's Message

**Fueling Perpetual Growth by  
Revitalizing Industries through  
Both Venture and Buyout  
Investments**

Keisuke Miyoshi  
President & CEO

## **Enhancing Management and Establishing Targets with a Focus on the Medium to Long Term**

The Basic Policy for Enhancing Corporate Value, formulated in the fiscal year ended March 31, 2023, has helped us promote management with a greater awareness of the medium to long term. Before introducing this policy, we did not disclose a long-term vision or targets given both the long-term nature of the business—it can take up to 10 years to realize profits—and the high level of volatility it involves. However, to create a sustainable society and enhance corporate value with our stakeholders, we believe that we should share our future direction and vision for the Company with our diverse shareholders and employees. This belief led to the formulation of the Basic Policy for Enhancing Corporate Value.

In April 2024, we disclosed a more concrete scenario for implementing the Basic Policy for Enhancing Corporate Value. Pursuing management and business operations based on clear medium- to long-term targets is a new challenge for JAFCO and will not be an easy endeavor. Nevertheless, we will strive to enhance our corporate value through this pursuit, while sharing our future vision and progress toward it with our stakeholders.

CEO's  
Message

Spurring Internal Change through Backcasting

The most important issue in the Basic Policy for Enhancing Corporate Value is increasing the size of our funds while reducing our ratio of investment in them. To date, we have sustained the size of our funds through our own investment, guided by our commitment to investing through good times and bad while also considering the fundraising environment, which is impacted by market conditions. However, under the Basic Policy for Enhancing Corporate Value, we aim to increase the size of funds while curtailing our own investment ratio to improve capital efficiency. Accordingly, the amount of risk capital we can bring into our funds will be a crucial factor in achieving our medium- to long-term targets.

Since setting these targets, in-house awareness has been changing steadily. For example, personnel in both the Venture Investment Division and the Buyout Investment Division have been taking a backcasting approach, working in reverse from their targets to determine which companies to invest in, how much money to invest, and the kind of investment personnel needed in order to achieve the targets. I have observed this change not only in our investment professionals but also companywide, including in personnel in the Business Development Division and Administration Division. Employees are now analyzing targets with a focus on fundraising for the next fund, actively working to address the issues and risks that could occur in that time frame. In addition, with a view to our long-term targets and vision, employees now share their experiences and thoughts on topics such as the purpose of the work they are doing and why certain issues need to be addressed. Employees are also having lively discussions about work processes. These changes demonstrate the significant impact of communicating our long-term vision.

Considering Scenarios for Enhancing Corporate Value

The Company aims to achieve ROE of 15% to 20% over the medium to long term. By the end of the previous fiscal year, we had made steady progress toward achieving our targets, including the final closing of the SV7 core domestic fund series, with both capital commitments and our own investment ratio exceeding our target figures. To improve ROE, however, it is crucial to enhance ROI, or in

other words, strengthen our investment management capabilities. We aim to increase ROI to over 2.5x in terms of investment performance and although our ROI has been at a low level for the past few years due to the impact of market conditions, our average over the past 10 years, since making our genuine transition to our highly selective, intensive investment policy, is 2.3x. Looking at our track record too, we believe that ROI of 2.5x, or even higher, is more than attainable.

When ROI increases, it helps us acquire investors for the next fund and increase fund sizes. Setting this chain reaction in motion will in turn bring us closer to our ROE target. Although market conditions obviously play a major role, we will aim to achieve our target by leveraging our investment management and fundraising capabilities as much as possible and enhancing these strengths continuously.

Assessing the Gradual Transition to a Risk-On Environment

The U.S. market and other markets have entered a corrective phase in recent years. As a result, the domestic IPO market, which had been performing well, is now also facing a market correction, so we have yet to see a real influx of funding. Nevertheless, I am optimistic about the future of the startup and IPO markets in Japan. The door to a substantial inflow of funds, or in other words, a risk-on environment, has remained closed for the time being due to this market correction. However, rather than investors withdrawing from the market, we are seeing an increase in investors actively working to facilitate a transition to a risk-on environment. The reason for this increase is the fact that Japanese companies are pursuing reforms, and that the overall market is growing. Although recently funds have been funneled primarily into large-cap stocks, reforms are taking place both within large companies and throughout the broader stock market. As this



CEO's  
Message

happens, it is becoming clear that venture companies have high potential for realizing more innovations and generating larger returns, so I believe we will see a substantial inflow of funds into the Growth Market in the near future.

In fact, I have recently had several opportunities to take part in discussions with overseas hedge funds and venture capital companies. Through such discussions, there has been an increase in the number of overseas investors engaging in dialogue with Japanese venture capital companies (including JAFCO), conducting surveys on the Japanese market, and researching individual companies to determine the optimal timing and methods for investment. I believe, therefore, that we are seeing a steady transition to a risk-on market environment with full-scale capital inflow, which will provide a tailwind for JAFCO over the medium to long term.

Increasing Growth Opportunities by Diversifying Our Investor Base

Due to the revision of the rules of the Investment Trusts Association, Japan in February 2024, unlisted securities can now be included in publicly offered investment trusts in Japan. With this revision, individuals can now invest indirectly in unlisted companies through investment trusts. This also means that JAFCO and other investment management companies involved in private equity investments can anticipate an inflow of new capital, which is expected to have a positive impact on the size of future funds. Furthermore, various measures are being taken to promote the widespread use of fair valuation for unlisted stocks with the aim of attracting more growth capital from domestic and overseas institutional investors to venture capital funds. Although there are only a limited number of venture capital firms in Japan that conduct fair value valuation based on global standards, it is hoped that the establishment of valuation methods in line with widespread adoption of the practice will lead to the expansion of the secondary market for unlisted shares in Japan.

More than anything else, this revision will spur greater social interest in and support for unlisted companies, and this will undoubtedly have a positive impact on the Company. We have already been developing a publicly offered investment trust incorporating unlisted stocks in partnership with Nomura Asset Management Co., Ltd. After thoroughly assessing its validity as a product and the suitability of its management method, we plan to launch this trust to expand the supply of risk capital and facilitate the growth of unlisted companies.

Combining the Strengths of Venture Investment and Buyout Investment

JAFCO's first line of business was venture investment, and we are widely recognized as a venture capital company. However, in addition to venture investments, we introduced buyout investments over 25 years ago and have been advancing this business steadily ever since. Although the overall scale of our buyout investments is not as large as that of our venture investments, in the fiscal year ended March 31, 2024, there was a major contribution to capital gains through the IPOs of two portfolio companies. We have also continued to strengthen the recruitment and development of talent for the Buyout Division, appointing two new managing directors in 2024. Through these efforts, we have been enhancing the division's operating structure steadily.

Our venture investments target startups shortly after their founding, while our buyout investments focus on medium-sized companies with forecasts for stable revenue. These two differ in various ways, including holding period, exit strategy, expected returns, and the way in which we engage with the companies.

In our pursuit of these two types of investment, we aim to become a unique investment management company that combines strengths in venture and buyout investment. Although there are investment management companies that operate these two types of companies under a holding company, we take pride in the fact that we are one of the few companies in the world that successfully balances venture and buyout investment at such a large scale.

Creating New Businesses and Passing On Existing Businesses to the Next Generation

By combining venture investment, which has the potential for high returns but is also highly variable, and buyout investment, which offers the potential for stable returns, we expect to achieve meaningful synergies in terms of investment performance while reducing the volatility of profits. In consideration of information security, we have put firewalls in place to protect the data in each division. However, representatives from both divisions attend Investment Committee meetings and collaborate in various ways. For instance, when the buyout investment team is working to enhance the corporate value of a portfolio company, the venture investment team provides advice on introducing new services and



CEO's  
Message

technologies. Additionally, when the venture investment team is examining M&A deals, the buyout investment team offers guidance on matters such as the acquisition process and terms. In these ways, these divisions help enhance our overall performance through dialogue and discussions informed by different perspectives and insights. Furthermore, the Business Development Division, which supports portfolio companies across both venture and buyout investments, is a major strength of the Company. By establishing and strengthening this unique organizational foundation, we will further enhance our performance.

Our vision for the future involves creating two types of value to support the transformation and growth of the Japanese economy. The first type of value is the creation of new businesses through venture companies. The second type is rebuilding existing businesses through buyout investment and passing them on to the next generation. The reason we are committed to both venture and buyout investments is so that we can revitalize industries through the process of creating new products, services, and value systems while preserving outstanding existing businesses. Our mission is to drive value creation moving forward.

Cultivating Diverse Talent with Shared Values

Our line of business depends heavily on the character and abilities of individuals. One of JAFCO's distinctive features is that it has continued to bolster its organizational foundation by recruiting inexperienced personnel and developing them into investment professionals. In recent years we have welcomed a diverse range of personnel with different backgrounds into the Company. As diverse talent and values come together at JAFCO, the training methods used in the past, when the majority of the employees had started their careers at the Company, are no longer effective. Accordingly, we are working on a trial-and-error basis to continuously refine our training programs. Meanwhile, one shared value that remains unchanged is the pursuit of bold visions, as this is the most important factor for achieving professional growth at JAFCO. If we no longer pursue bold visions, we lose our reason for existing as a company.



To reiterate the importance of this shared sense of value and further strengthen our organization, we updated our Values in October 2023, which serve as our code of conduct. Rather than being a top-down initiative, the update process involved extensive discussions with employees, and we set aside a significant amount of time to carefully craft each word. These four updated Values represent a code of conduct that truly expresses what we value as a company, and I am extremely pleased with the updated language we decided on.

Revitalizing Industries to Achieve Our Purpose

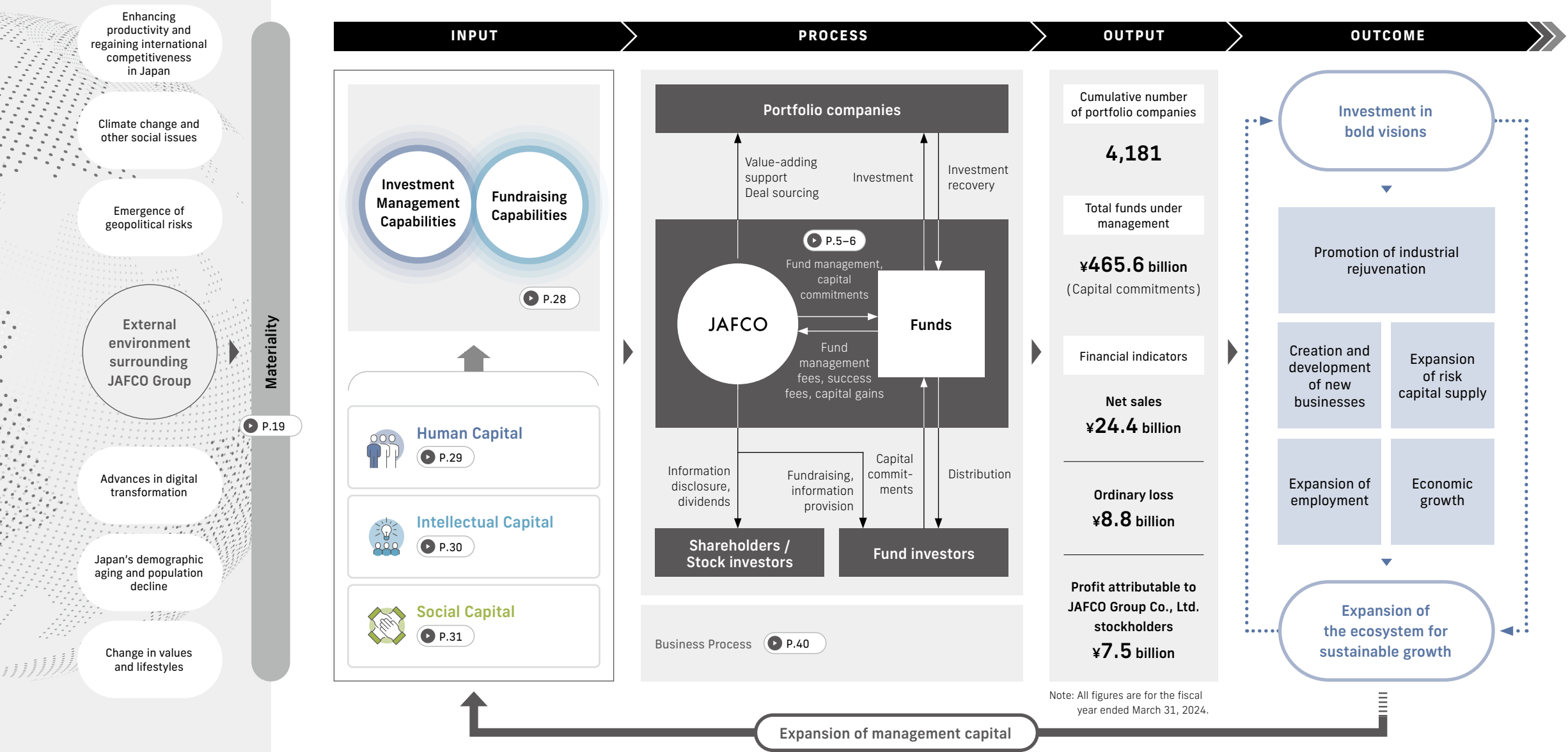
We aim to become a unique investment management company that combines strengths in venture investment and buyout investment. We believe that the value we will create by becoming such a company will benefit not only our portfolio companies but also a wide range of stakeholders. For our shareholders, combining the growth of buyout investments (which are comparatively less impacted by market conditions) with venture investments (which involve a high level of volatility) will help stabilize our performance, making it easier to forecast future results and growth. In addition, our fund investors will have the option to choose venture investment, buyout investment, or a combination of both, and can make their decisions after assessing our management policies carefully. For our employees, our combined investment approach will allow them to expand their responsibilities, increase their compensation, and work in an environment that better enhances their potential. In these ways, we will become a company that grows through stakeholder involvement, offering stakeholders greater value in brand-new ways.

JAFCO's Purpose is "Fueling perpetual growth; investing in bold visions." I believe that the pursuit of "bold visions" is truly the core of JAFCO as a company. Our bold vision is to combine our distinct strengths in venture investment and buyout investment to drive further value creation. Moreover, by investing in both transformation through the creation of new businesses and transformation through the reconstruction of existing ones, we will revitalize industries and fuel perpetual growth into the future.

September 2024

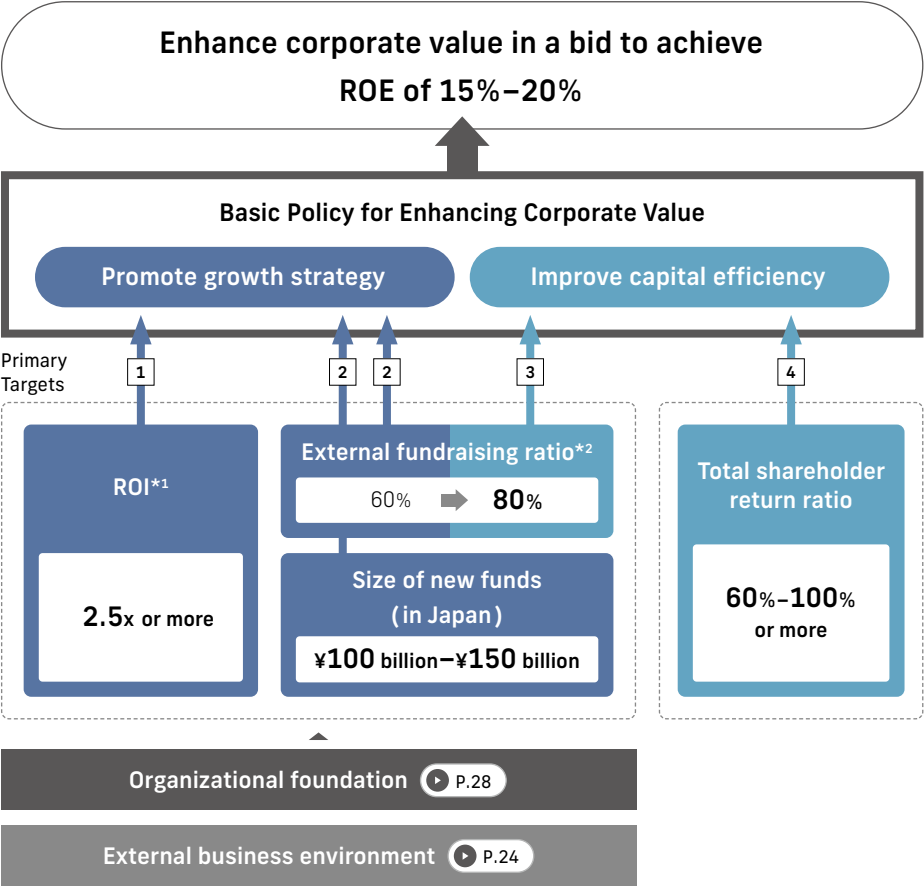
Kaishuke Miyoshi

Value Creation Process



Basic Policy for Enhancing Corporate Value

JAFCO believes that increasing profit in the long term through the promotion of the growth strategy and improving capital efficiency are essential to enhancing corporate value. Based on this belief, the Company announced the Basic Policy for Enhancing Corporate Value in December 2022. Under this policy, we have set ROE of 15% to 20% as a medium- to long-term goal and we will work to achieve this goal through a series of initiatives implemented in tandem with the formation of funds every three years. Our growth strategy involves enhancing business performance through the strengthening of our investment management capabilities and enhancing our fundraising capabilities. In addition, we will work to gradually increase the size of new funds in accordance with growth in the markets for venture and buyout investments. We will also reduce owned assets by steadily decreasing our investment ratio in newly established funds and distributing stable dividends in line with profit growth, and implementing flexible share buybacks, thereby improving capital efficiency.



\*1 ROI: Revenue from operational investment securities ÷ Cost of operational investment securities

\*2 External fundraising ratio: The ratio of limited partners' total amount of capital commitments in funds established about once every three years

\*3 Cumulative target period: Three years from the fiscal year ended March 31, 2025

Scenarios for Realizing the Basic Policy for Enhancing Corporate Value

- 1 Further improvement in venture and buyout investment performance as a result of enhanced investment management capabilities
- 2 Increase in fund size and external fundraising ratio backed by an expansion of the market for venture and buyout investments
- 3 Reduction of owned assets and enhancement of capital efficiency through steady decrease of JAFCO's investment ratio in funds
- 4 Distribution of stable dividends in line with profit growth and flexible share buybacks

Image of Financial Targets and Management Indicators

|  | Around fiscal year ending<br>March 31, 2027 | Around fiscal year ending<br>March 31, 2030 |
|--|---|---|
| ROE  | 11.3%                                       | 16.6%                                       |
| Net income                                     | ¥16 billion                                 | ¥22 billion                                 |
| Net assets                                     | ¥140 billion                                | ¥130 billion                                |
| Cumulative income                              | ¥42 billion*3                               | ¥100 billion*4                              |
| Cumulative total shareholder return ratio      | 79%*3                                       | 101%*4                                      |
| Capital commitments (AUM) *5                   | ¥500 billion                                | ¥570 billion                                |
| External capital commitments                   | ¥260 billion                                | ¥310 billion                                |
| External fundraising ratio*2                   | 75.0%                                       | 80.0%                                       |
| ROI*1  | 2.5x or more                                | 2.5x or more                                |
| Balance of operational investment securities*6 | ¥95 billion                                 | ¥90 billion                                 |

\*4 Cumulative target period: Six years from the fiscal year ended March 31, 2025

\*5 Total amount of capital commitments: Total amount of capital commitments in all funds managed by JAFCO in Japan, Asia, and the United States

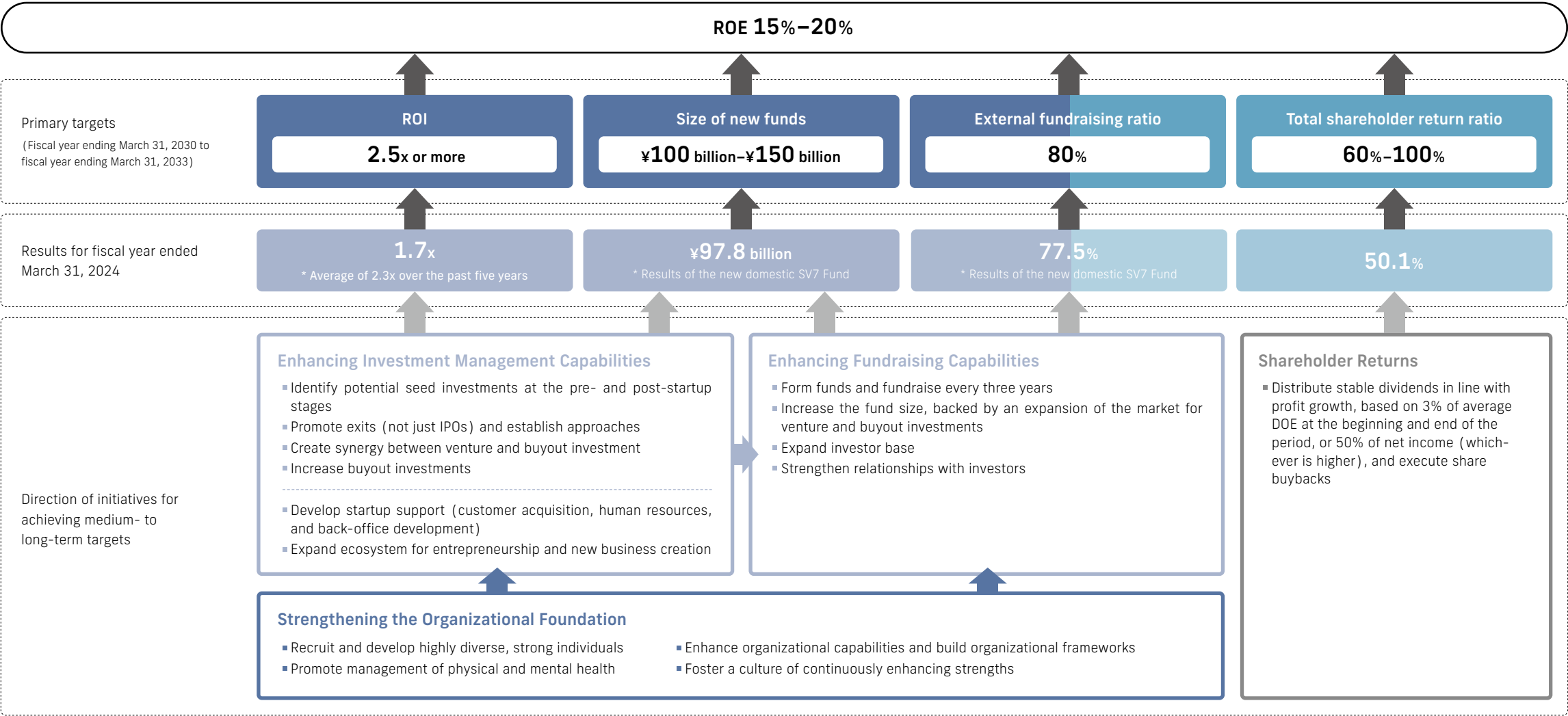
\*6 After markdown



Progress and Initiatives under the Basic Policy for Enhancing Corporate Value

To realize the primary targets under the Basic Policy for Enhancing Corporate Value, we have been pursuing efforts to enhance investment management and fundraising capabilities and to strengthen the organizational foundation that supports such efforts. In addition, we have been promoting steady shareholder returns.

It is crucial that we implement such initiatives consistently in our line of business, since it takes time to see tangible results. Meanwhile, we must also make timely and appropriate adjustments in response to the progress that we make each fiscal year. By finding a balance between continuity and flexibility, we will strive to achieve our medium- to long-term targets.



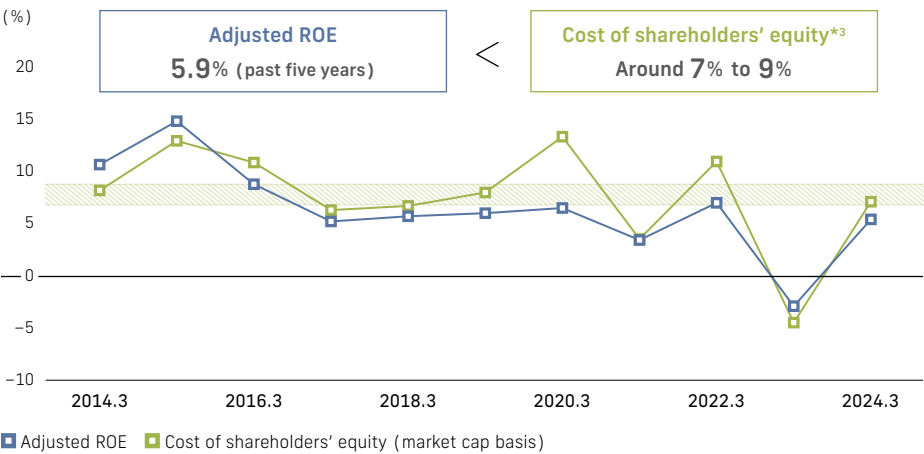
Promoting Management with an Awareness of Capital Costs and Share Price

To date, JAFCO has advanced efforts to improve growth potential and stability through its highly selective, intensive investment policy as well as efforts to improve capital efficiency through share buybacks and other measures for capital reduction. To achieve a level of ROE that consistently exceeds the cost of shareholders' equity and improve the P/B ratio, we will advance our growth strategy and efforts to enhance capital efficiency in line with the Basic Policy for Enhancing Corporate Value announced in December 2022. We will also implement a series of initiatives in tandem with the cycle of fund formation every three years.

Understanding of the Present Situation

- Average adjusted ROE\*<sup>1</sup> over the past five years of 5.9%, less than the level of cost of shareholders' equity (about 7% to 9%)
- Certain level of improvement in growth potential and stability through the transition to highly selective, intensive investment policy
- Certain level of improvement in capital efficiency through sale of NRI\*<sup>2</sup> shares, share buybacks, and other measures for capital reduction
- Need for measures to maintain positive equity spread and enhance corporate value

ROE Results and Cost of Shareholders' Equity

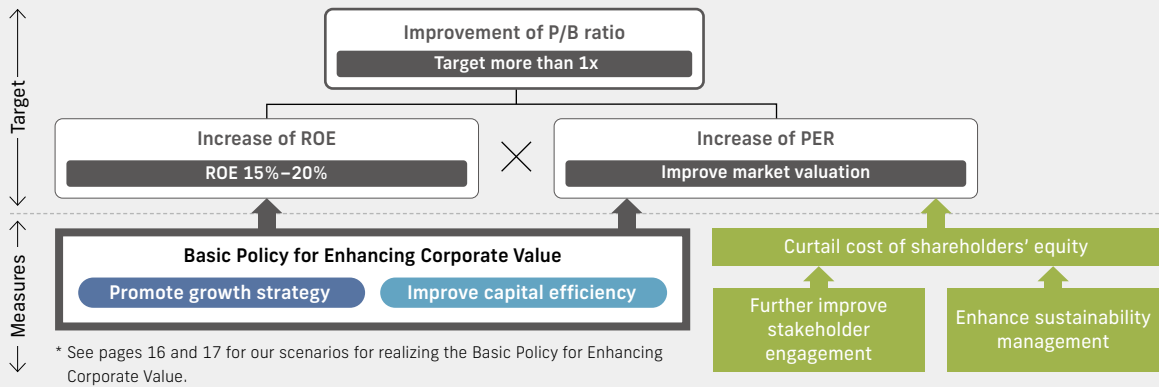


\*1 Adjusted ROE = (Net income – Extraordinary income or loss × 70%) ÷ Net assets  
\*2 NRI: Nomura Research Institute, Ltd.  
\*3 Estimated based on five-year average for cost of shareholders' equity (CAPM) and the five-year average for cost of shareholders' equity (market cap basis), excluding periods of deficit  
• Cost of shareholders' equity (CAPM) = Risk-free rate (set based on safe assets and risk-free interest rate\* and yield of 10-year government bonds) + Beta sensitivity (JAFCO-specific risks) × Risk premium (set based on expected excess return on equity investment and past market returns)  
• Cost of shareholders' equity (based on market cap) = (Net income – Extraordinary income or loss × 70%) ÷ Market cap

Policy for Improving P/B Ratio and Future Initiatives

Policy

- Advance efforts under the Basic Policy for Enhancing Corporate Value and aim for corporate value enhancement by raising the level of ROE and curtailing capital costs
- Set ROE of 15% to 20% as goal and aim to achieve a level of ROE that exceeds cost of shareholders' equity by advancing growth strategy and improving capital efficiency
- Implement series of initiatives aimed at achieving medium- to long-term targets carried out in tandem with the formation of funds every three years



Response

- Scenario for Implementing the Basic Policy for Enhancing Corporate Value [▶ P.16–17](#)
- Further improve stakeholder engagement  
–Further enhance disclosure of financial and non-financial information with awareness of capital markets [▶ P.2](#), implement measures to raise awareness and increase understanding among new investors, actively create opportunities for ongoing dialogue with shareholders, etc.
- Enhance sustainability management [▶ P.21–23](#)  
–Implement measures in line with the Basic Policy on Sustainability, enhance response to sustainability-related issues in the investment process, etc.

Material Issues

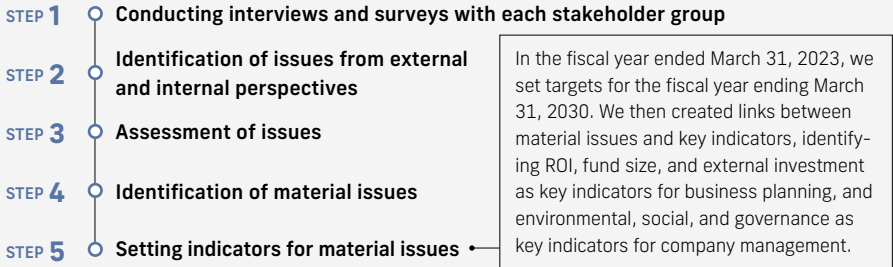
| Material Issues   | Vision   | Purpose   |
|---|--|---|
| 1. Creation of new businesses that lead the way in fulfilling social needs                  | Innovation is essential for the sustainable development of society and economic growth.<br>We will accelerate the creation of new businesses by increasing the number of entrepreneurs while capturing actual and future social demand.  | Fueling perpetual growth; investing in bold visions |
| 2. Growth of companies with social value and succession to the next generation              | Amid a lack of successors, ongoing technological innovation and diversifying competition, the environment around companies is becoming increasingly complex.<br>We will enhance companies' capacity for renewed growth and continue to protect employment by passing on high-potential technologies and assets to the next generation to maintain and increase their social value.   |   |
| 3. Expansion of risk capital supply in Japan  | Creating new industries and enhancing companies' capacity for renewed growth are vital to Japan's medium- to long-term growth, and risk capital is essential for supporting these efforts.<br>As Japan continues to lack a sufficient supply of risk capital, we are committed to expanding the number of both domestic and foreign fund providers in Japan's private equity market. |   |
| 4. Establishment of an ecosystem that supports business creation and growth                 | Creating new businesses and reinvigorating corporate growth require a structure supported not only by specific companies but also wider society.<br>We will establish an ecosystem in which professionals with expertise can work together to create a framework for supporting enterprising personnel and form networks for boosting corporate growth.                              |   |
| 5. Continuous organizational development to promote active roles of diverse human resources | A combination of diverse perspectives and wide-ranging strengths is essential for the sustainable development of society.<br>We will create an environment in which diverse personnel can work together and continue to play active roles, regardless of their age, gender, or nationality, to boost the creativity of society as a whole.   |   |
| 6. Reduction of business and management risks through strengthening of governance           | As social issues become more complex, stakeholder expectations and the need for corporate responsibility will increase.<br>In this environment, we will contribute to a sustainable society by strengthening governance and actively promoting sustainability initiatives.   |   |

Process for Identifying Material Issues

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

Then, in the fiscal year ended March 31, 2023, based on the advice of experts, we examined our materiality from a medium- to long-term perspective with the aim of realizing our Purpose, and once again identified issues from a broad viewpoint. We identified the same material issues as those in the fiscal year ended March 31, 2022, based on the axes of internal issues and external demands. We also set targets for 2030, which we disclosed in the integrated report for the same year. [INTEGRATED REPORT 2023](#)

In the fiscal year ended March 31, 2024, we established a linkage between business planning / company management key indicators and material issues to enhance the effectiveness of our efforts to manage materiality.





Material Issues and Medium- to Long-Term Initiatives

|   |  |  | Important Indicators Related to Business Plans |           |                                     | Important Indicators Related to Management Plans |        |            |
|---|--|--|--|-----------|-------------------------------------|--|--------|------------|
| Social Issues That Must Be Addressed by the Company |  |  | ROI  | Fund size | External capital contribution ratio | Environmental                                    | Social | Governance |
| 1.  | Creation of new businesses that lead the way in fulfilling social needs                  | ■ Securing contacts with new entrepreneurs and investing to create new businesses that lead the way in fulfilling social needs   | ●  | ○         | ○                                   |  | ○      |            |
|   |  | ▶ Producing entrepreneurs through engagement with potential business founders  |  |           |                                     |  |        |            |
|   |  |  |  |           |                                     |  |        |            |
| 2.  | Growth of companies with social value and succession to the next generation              | ■ Investing in maturing companies and those with growth potential to enhance companies' capacity for renewed growth  | ●  | ○         | ○                                   |  | ○      |            |
|   |  | ▶ Enhancing portfolio companies' capacity for renewed growth and maintaining/increasing employment   |  |           |                                     |  |        |            |
|   |  |  |  |           |                                     |  |        |            |
| 3.  | Expansion of risk capital supply in Japan  | ■ Strengthening outreach to new fund investor base to expand supply of risk capital  |  | ●         | ●                                   |  | ○      | ○          |
|   |  | ▶ Deepen relationships of trust with existing investors by continuing to provide and expand supply of risk capital   |  |           |                                     |  |        |            |
|   |  |  |  |           |                                     |  |        |            |
| 4.  | Establishment of an ecosystem that supports business creation and growth                 | ■ Creation of new businesses and strengthening of schemes and recruitment to enhance the capacity of companies for renewed growth  | ○  | ○         | ○                                   |  | ○      |            |
|   |  | ▶ Creation of an ecosystem centered on business firms to promote startup growth  |  |           |                                     |  |        |            |
|   |  |  |  |           |                                     |  |        |            |
| 5.  | Continuous organizational development to promote active roles of diverse human resources | ■ Strengthening recruitment to ensure a diverse and successful workforce, and forming the foundation for such success by building a human resources system and promoting health management | ○  | ○         | ○                                   |  | ○      |            |
|   |  | ▶ Value formulation and culture-building initiatives to combine a wide range of strengths  |  |           |                                     |  |        |            |
|   |  |  |  |           |                                     |  |        |            |
| 6.  | Reduction of business and management risks through strengthening of governance           | ■ Measures to improve disclosures to stakeholders and raise awareness of governance among employees  |  |           | ○                                   | ○  |        | ○          |
|   |  | ▶ Calculation and enhanced disclosure of greenhouse gas (GHG) emissions in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations                        |  |           |                                     |  |        |            |
|   |  |  |  |           |                                     |  |        |            |

\* EIR: An initiative in which companies working to create innovation employ or outsource work to people who are preparing to start a business or are involved in new business development as entrepreneurs in residence

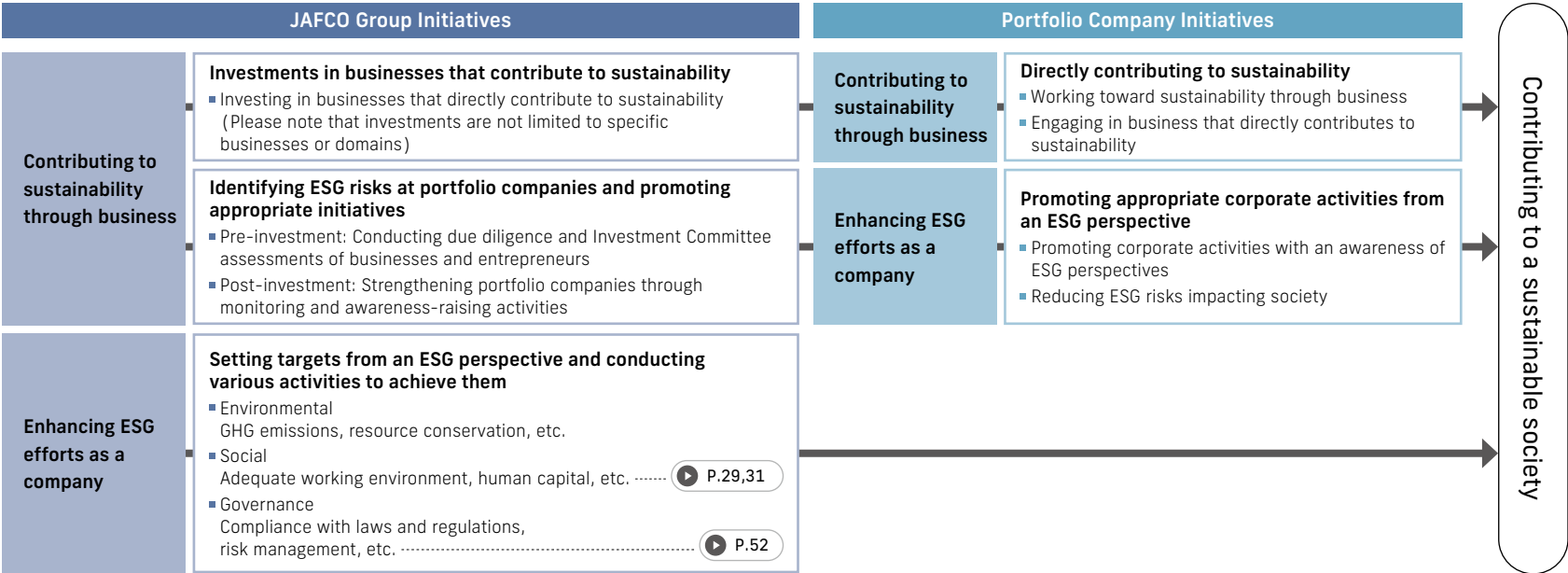
● Strongly related    ○ Related

Sustainability

Even amid substantial shifts in the global environment and social systems, we remain steadfast in our investment activity under our approach of continuing to invest through good times and bad, and we are dedicated to realizing our Purpose—“Fueling perpetual growth; investing in bold visions”—and contributing to the realization of a sustainable society. Guided by the Basic Policy on Sustainability, formulated in June 2023, we will advance sustainability activities through our own initiatives and through those of our portfolio companies.

Approach to Sustainability

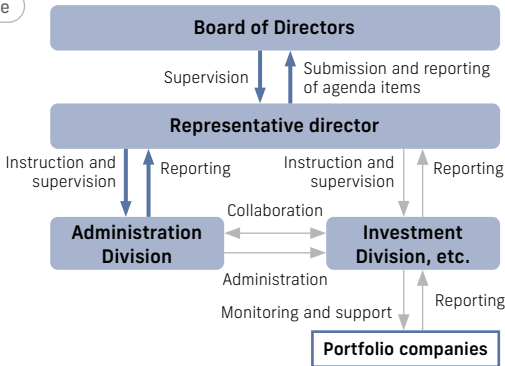
JAFCO’s approach to sustainability is divided into two main categories: (1) enhancing ESG efforts as a company, and (2) contributing to sustainability through business. Through our private equity investment business, we not only provide management support to enhance the sustainability of our portfolio companies but also actively participate to ensure that these businesses contribute to the sustainability of society at large.



Governance

▶ See page 52: Corporate Governance Structure

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



Sustainable Investment Activities

Sustainable Investment Activities [▶](#)

JAFCO’s Investment Committee deliberates on whether to invest in candidate companies based on their ESG risks and growth potential incorporating sustainability-related risks and opportunities. The committee comprises the President & CEO and partners and meets once a week, in principle. Additionally, should an issue arise that has a significant impact on the sustainability of a portfolio company, we have a mechanism in place for promptly reporting the issue to the members of the Investment Committee. We also implement regular sustainability audits of portfolio companies and conduct risk assessments for our entire portfolio once every quarter to investigate any potential issues.



Sustainability

JAFCO Group Initiatives

Enhancing ESG Efforts as a Company

Environmental Initiatives (Endorsement of TCFD Recommendations)

Endorsed TCFD recommendations in  
May 2023

TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

Strategy

Following the Taskforce for Climate-related Financial Disclosures (TCFD) framework for information disclosure, we identified climate-related risks and opportunities using two scenarios in which the global average temperature increases by 4°C and by 1.5°C compared to pre-industrial levels. The most significant impacts on our business are summarized below. Moving forward, we will continue to explore measures to achieve a decarbonized society.

| Risks           |                       |  |                      |          |
|-----------------|-----------------------|--|----------------------|----------|
| Classification  | Type                  | Anticipated risk   | Time frame*1         | Impact*2 |
| Transition risk | Policy/<br>regulation | Increase in costs due to introduction of carbon pricing (incl. carbon taxes) and strengthening of energy-saving and GHG emission regulations   | Medium to long term  | Small    |
|                 |                       | Increase in operational costs due to increased regulations and expanded disclosure requirements, and burden of penalties for non-compliance  | Short term           | Large    |
|                 | Market                | Intensifying competition in ESG investments and environment-related business markets leading to increased competition in fundraising and investment operations, increased costs, and decreased investment multiple*1 | Short to long term   | Large    |
|                 | Reputation            | Risk of reputational damage from stakeholders due to insufficient climate change response by JAFCO and its portfolio companies   | Short to medium term | Large    |
| Physical risk   | Technology            | Potential decrease in the value of portfolio companies due to obsolescence of possessed technology, failure in technology development, and increased costs due to intensified competition                            | Medium to long term  | Small    |
|                 | Acute                 | Financial market collapse and market crashes or major bankruptcies triggered by the intensification of natural disasters such as storms and floods   | Medium term          | Large    |
|                 | Chronic               | Increase in operating costs for offices and data centers due to rising temperatures  | Medium term          | Small    |

| Opportunities  |          |   |                      |          |
|----------------|----------|---|----------------------|----------|
| Classification | Type     | Anticipated risk  | Time frame*1         | Impact*2 |
| Opportunity    | Market   | Increased investment and exit opportunities in companies that develop businesses contributing to decarbonization, and expansion of profit opportunities due to increased valuations*4 | Short to medium term | Large    |
|                | Services | Reputation enhancement due to proactive climate change measures, and increased opportunities for investment and fund procurement as a result  | Short to medium term | Large    |

\*1 The time frames (impact periods) of the risks and opportunities are based on the following:  
Long term: Impact to occur within 10 to 30 years from now  
Medium term: Impact to occur within four to nine years from now  
Short term: Impact to occur within zero to three years from now

\*2 The impact of the risks and opportunities on our business are based on the following:  
Large: The impact of the risk/opportunity is significant  
Small: The impact of the risk/opportunity is minor

\*3 The following specific risks are currently anticipated:  
• Increase of investigation costs during the phase from identifying investment candidates to making investment decisions and execution

• Intensification of investment competition due to the entry of ESG-specialized funds  
• Increase of acquisition costs due to the rising valuation of companies providing ESG-related services  
• Increased ESG support costs during the phase of enhancing corporate value of portfolio companies  
• Risks such as prolonged periods to exit due to stricter ESG check standards

\*4 The following specific opportunities are currently anticipated:  
• Increased investment opportunities in companies engaged in environment-related businesses such as the renewable energy sector  
• Increased exit opportunities and valuation growth due to increased M&A demand for companies providing environment-related businesses such as decarbonization

Governance

Please see the "Governance" section on page 21 for information on our governance structure pertaining to environmental initiatives.

Risk Management

▶ See page 21: Sustainable Investment Activities    ▶ See page 54: Risk Management

To realize our Purpose, we strive to appropriately assess and manage sustainability-related risks and opportunities in our business.

Looking ahead, we will assess and manage risks and opportunities related to climate change, a critical global issue, and actively collect and analyze the necessary data to evaluate and manage these risks in alignment with TCFD recommendations while also ensuring appropriate information disclosure. We recognize that risks may materialize and will continue to promote mechanisms for preventing risks and for responding appropriately if they do materialize.

Indicators and Targets

Since the fiscal year ended March 2018, we have been calculating Scope 1 and Scope 2 GHG emissions.

We are currently deliberating the setting of GHG emission reduction targets (Scope 1, 2) and the calculation of GHG emissions of our supply chains (Scope 3).

| Change in GHG Emissions (Unit: t-CO <sub>2</sub> ) |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|
|  | 2018.3 | 2019.3 | 2020.3 | 2021.3 | 2022.3 | 2023.3 | 2024.3 |
| Scope 1  | 9.1    | 9.3    | 6.1    | 3.0    | 4.2    | 11.2   | 12.2   |
| Scope 2  | 140.7  | 88.6   | 85.4   | 72.7   | 77.3   | 79.3   | 26.0   |
| Total  | 149.8  | 97.9   | 91.5   | 75.6   | 81.5   | 90.5   | 38.2   |

Note:  
Scope of calculation: Scope 1 emissions (direct emissions from the use of fossil fuels, etc.) and Scope 2 emissions (indirect emissions from purchased electricity and heat), which are defined by the Greenhouse Gas Protocol, of our domestic offices (excluding the former Chubu and Kyushu branches which merged with the West Japan Branch in September 2021) are indicated. The emission factors by electricity and gas providers used for the calculation of Scope 2 for the fiscal year ended March 31, 2024 are based on the most recent data available as of the end of June 2024.



Sustainability

JAFCO Group Initiatives

Contributing to Sustainability through Business

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


JAFCO is working to realize a sustainable society not only by assessing its own impact but also by actively participating in the management of portfolio companies through investment, ensuring that they contribute positively to sustainability.


Portfolio Company Initiatives

Contributing to Sustainability through Business

We believe that all JAFCO portfolio companies contribute to sustainability through their businesses. In identifying promising candidates, we consider whether their businesses have social significance and whether they can contribute to resolving social issues, as we believe achieving such social significance contributes to a sustainable society.

Biosphere:  
Contributing to Resolving  
Environmental Issues





Corporate website 

AGRI SMILE, Inc.

Adopting “Shaping the future of agriculture with science technology” as its purpose, AGRI SMILE engages in business to resolve any issue the agricultural industry faces. The company's technology pertaining to biostimulants that can help combat global warming has been featured in an article published by the multidisciplinary science journal, Nature. AGRI SMILE is pursuing a broad range of initiatives to boost the agricultural industry. These include offering support for cultivation management using agricultural big data, providing e-commerce sites that directly connect agricultural producers with consumers, offering research assistance through a platform for industry–government–academia collaboration, and launching a council for the development of carbon-neutral communities. Through such efforts, AGRI SMILE will help resolve environmental issues, using science and technology to make agriculture more sustainable.

Society:  
Contributing to Resolving  
Social Issues





Corporate website 

newmo, Inc.

Guided by its mission to “invigorate local communities through mobility,” newmo aims to unlock the latent potential of regional communities by creating a new kind of local transportation through the diversification of mobility. In addition to operating a taxi service, newmo has launched a Japanese-style rideshare service that connects passengers with drivers via a smartphone app, enabling ordinary drivers to use their private vehicles to provide paid transportation services. Through this app, the company offers flexible transportation services in regions and at times with high demand for transportation that cannot be fully met by traditional transportation systems. It also provides transportation methods in areas with limited access to transportation. By doing so, newmo helps make transportation more convenient and helps realize sustainable local transportation focused on the user.

Economy:  
Contributing to Industrial  
Innovation and Development





Corporate website 

Blue Laser Fusion Inc.

Founded in 2022, Blue Laser Fusion is a startup with a vision to help the world by commercializing power generation systems that harness new laser fusion technology. Blue Laser Fusion is led by CEO Shuji Nakamura, who received the Nobel Prize in Physics for developing blue LEDs. The company's vision is to develop and commercialize new laser fusion reactors by combining new proprietary laser fusion technologies, which continuously irradiate powerful lasers, with clean fuel that does not produce harmful radioactive by-products. Through these reactors, Blue Laser Fusion aims to provide clean renewable energy and resolve issues around decarbonization and energy resource depletion.

Governance:  
Contributing to Enhancement of  
Information Disclosure



Corporate website 

aiESG, Inc.

aiESG develops proprietary AI technology that enables comprehensive sustainability analysis of the life cycles of products and services. This technology uses reliable ESG databases developed in collaboration with academic institutions such as Harvard University to perform ESG analysis of global supply chains. aiESG's ESG analysis enables, for the first time in the world, a comprehensive environmental, social, and economic assessment of any product or service, tracing back through the entire supply chain, from precise and diverse perspectives. The company is helping to bring about a sustainable society by analyzing ESG and supporting corporate activities, which require commitment to ESG from all stakeholders, from a governance perspective.

External Environment

External Environment: Startup Market

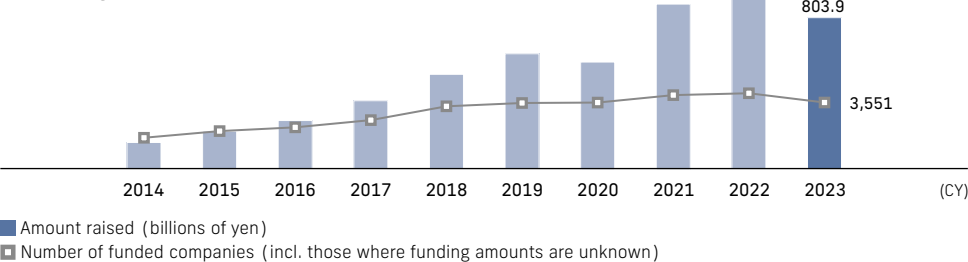
Venture Investment

The external environment of domestic startup investment remains stable even amid stagnation in fundraising activities overseas, primarily in the United States. Performance in the IPO market also continues to be solid, and this market has significant growth potential moving forward. As the number of startups continues to rise, assets targeting Japan, managed by both domestic and overseas venture capital firms, are also on an uptrend. With the steady entrance of venture capital firms from diverse backgrounds, we believe that fundraising for startups will accelerate further.

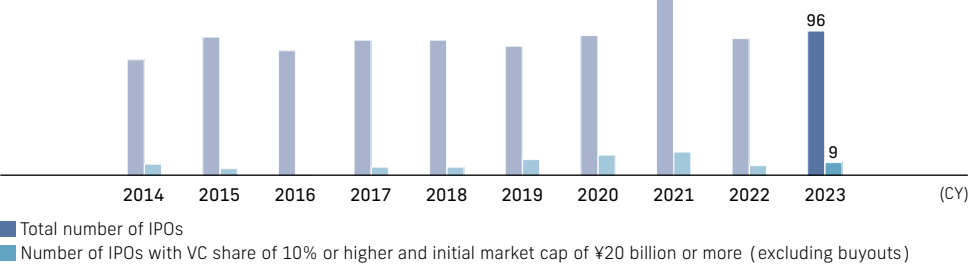
Situation of Startups in Japan

- Despite year-on-year decreases, the amount of funding and number of startups continue to be strong.
- The number of domestic IPOs has remained at a high level over the past 10 years.

Fundraising Trend for Startups in Japan\*1, 2



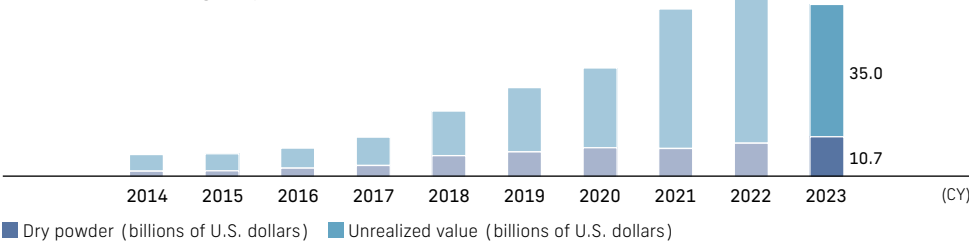
Number of IPOs in the Japanese Market\*3



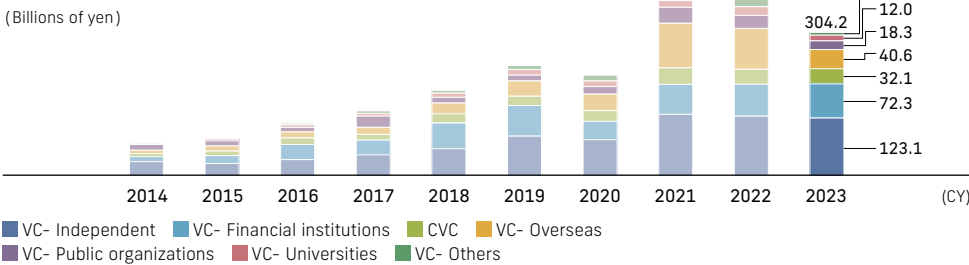
Trend in Risk Capital Supply

- The amount of funds targeting Japan managed by both domestic and overseas venture capital companies is on an upward trend.
- While investments by overseas VCs are shrinking and there is a slight overall decrease, investment enthusiasm of domestic VCs (especially independent, financial, and CVCs) continues to be strong.

Trend in Assets Managed by Venture Capital Firms\*4



Investment Amount by VC Type\*2, 5



\*1. Source: "Startup Financing Trends in Japan" on p. 14 of Japan Startup Finance in the First Half of 2024 (issued July 30, 2024), Speeda Startup Insights, 2024.  
\*2. Figures for each year are those identified up to the time of aggregate calculation. Figures, including those in the past, may fluctuate with the progress of future surveys, and the smaller a deal, the more likely it is to be affected by projects with smaller amounts, especially in the most recent years.  
\*3. Created by JAFCO based on publicly available information.  
\*4. Source: Data provided by Preqin; Japan Focused Venture Capital AUM, 2014–2023.  
\*5. Source: "Investment Amount by VC Type" on p. 53 of Japan Startup Finance in the First Half of 2024 (issued July 30, 2024), Speeda Startup Insights, 2024.

External Environment

# External Environment of Private Equity Investment: Expansion of the Ecosystems Supporting the Startup Industry

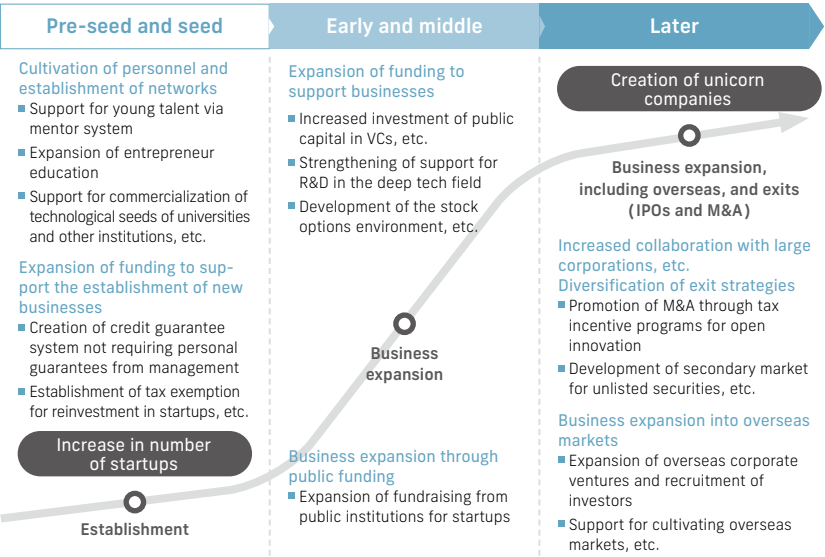
Venture Investment

In November 2022, the Japanese government announced the Startup Development Five-Year Plan, which has adopted targets of investing up to ¥10 trillion in startups by fiscal 2024 and creating over 100,000 unicorn companies in the future. Under this plan, support for startups has commenced in each investment phase. Keidanren (Japan Business Federation) has been urging large corporations to actively support the startup ecosystem. This, along with other trends, has led to increased expectations of efforts from both the public and private sectors to boost the startup industry.

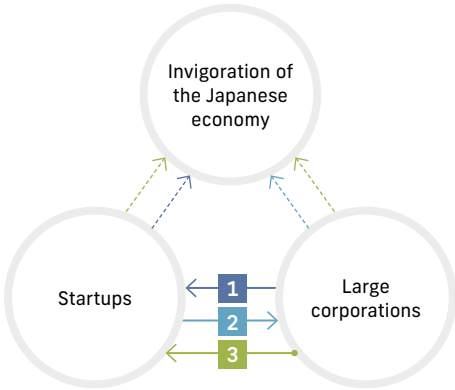
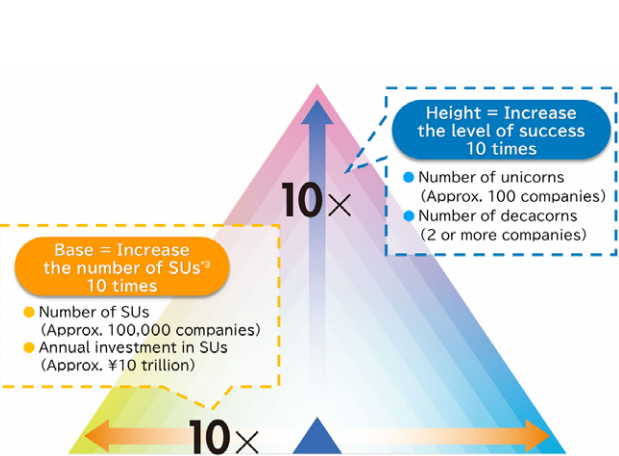
## Invigoration of the Startup Ecosystem by Government Policies and Large Corporations

- The Japanese government has advanced various support measures for startups in terms of human resources, funding, the business environment, etc.
- Backed by Keidanren, trends to encourage collaborative efforts by large corporations to expand the startup ecosystem are accelerating.

Startup Development Five-Year Plan of the Japanese Government\*1



Keidanren's Vision for Startup Breakthrough\*2



- 1 Provision of talent and funds to startups and promotion of business collaboration
- 2 Incorporation of startup businesses and personnel (M&A/acqui-hiring)
- 3 Generation of businesses and talent for the startup ecosystem (promotion of mobility at large corporations)

\*1. Text and illustration originally taken from Government Efforts for Startup Development: Accelerating Social Issue Resolution and Economic Growth with the Power of Startups, Ministry of Economy, Trade and Industry, July 2024 (Japanese only).  
\*2. Text and illustration originally cited from Vision for Startup Breakthrough: Review Book 2024, Keidanren, 2024 (Japanese Only).  
\*3. SU: Startup

External Environment

External Environment of Investment in Unlisted Securities: The Private Equity Market

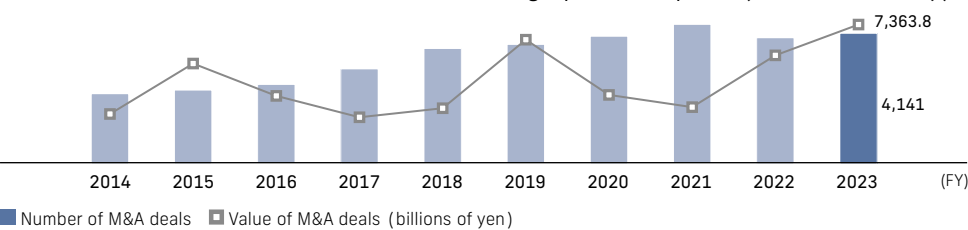
Buyout Investment

Against the backdrop of economic activity resuming following the COVID-19 pandemic, alongside economic stagnation and business succession challenges, the number and value of M&A transactions are on the rise. In Japan there are many small and medium-sized enterprises (SMEs), and many of their owners are aging. In fact, over half of SMEs do not have a successor. As business successions are set to accelerate, there are expectations for further growth in the private equity market moving forward. Amid a rise in M&A activity in Japan, assets managed in Japan by domestic and overseas private equity funds have been performing well, and as market expectations of investors shift from the United States and Europe to Asia and Japan, we believe we can expect further growth moving forward.

Buyout Market Trends in Japan

- In Japan, the number and value of M&A transactions have been increasing recently, with levels reaching a 10-year high in 2023.
- There are many SMEs in Japan, so resolving business succession issues has become an important initiative and this has driven an increase in the number of M&A transactions.

Trend in the Number and Value of M&A Transactions among Japanese Companies (Domestic Deals Only) \*1



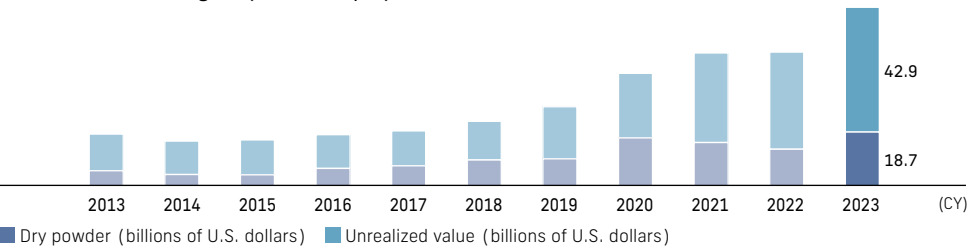
Potential of Japan's Buyout Market



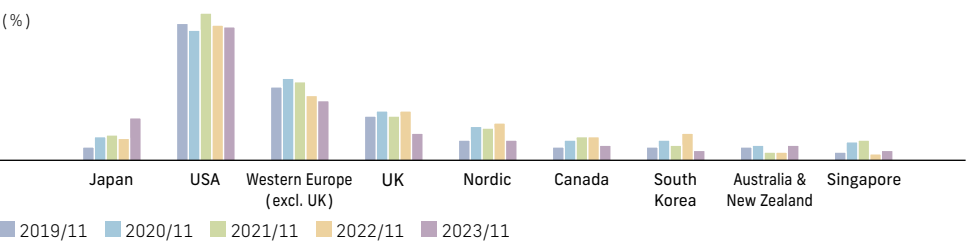
Trend in Risk Capital Supply

- Assets targeting Japan managed by domestic and overseas private equity funds have been performing well.
- Market expectations for Japan are on an upward trend, as expectations for Europe, the United States, and major Asian countries decline.

Trend in Assets Managed by Private Equity Funds\*6



Investor Market Expectations by Region\*7



\*1. Created by JAFCO based on RECOF M&A Database (as of August 15, 2024). Number of M&A deals includes deals classified as "M&A" and "In-group M&A" in the database.  
\*2. Values sought by dividing "Private Equity (non-VC) AUM (3Q 2023)" (provided by Preqin) by "World Economic Outlook (October 2023) - GDP, Current Price" (IMF). The figure for Japan comes out to 1.16% and USA to 13.02% or 11.3x of Japan.  
\*3. Source: OECD SDBS ISIC Rev.4, Number of Enterprises, SMEs (2017).  
\*4. Number of companies in 2021 Economic Census for Business Activity excluding large companies and small businesses (Ministry of Internal Affairs and Communications & Ministry of Economy, Trade, and Industry).  
\*5. Nationwide Survey on Rate of Lack of Successors, Teikoku Databank, 2023. Based on the 270,000 SMEs across all regions and industries available in Teikoku Databank's CCR credit investigation reports, etc.  
\*6. Source: Data provided by Preqin; Japan Focused Private Equity (excluding Venture Capital) AUM, 2014-2023.  
\*7. Source: Preqin 2024 Global Report: Private Equity, Preqin, 2024, p.68.



External Environment

External Environment of Private Equity Investment:  
Establishment of Environments to Accelerate Buyout Investment in Japan

Buyout Investment

In Japan, where the population is aging faster than any other country, business succession at SMEs has become a unique social issue due to aging business owners. The Japanese government understands the importance of handing down the management resources cultivated by SMEs to the next generation for realizing sustainable economic growth. As such, the government has been promoting continuous initiatives to address this issue. Recently, there has also been greater private sector activity to address this issue, including a steady increase in the number of M&A intermediaries. This has helped put in place an environment for accelerating buyout investment.

Support for Business Succession and Restructuring by the Japanese Government

- The Japanese government is moving forward with budget formulation and policy planning to support the business succession and restructuring of SMEs.
- The expansion of institutional support for M&A by the Small and Medium Enterprise Agency, which introduced the SME M&A Promotion Plan, is driving further growth in M&A transactions.

Support and Budget Formation by the Ministry of Economy, Trade and Industry for SMEs, Small Business Owners, and Local Economies

Cost of Measures to Support SMEs\*1

**¥650.2 billion**  
(FY2024 budget + FY2023 supplementary budget)

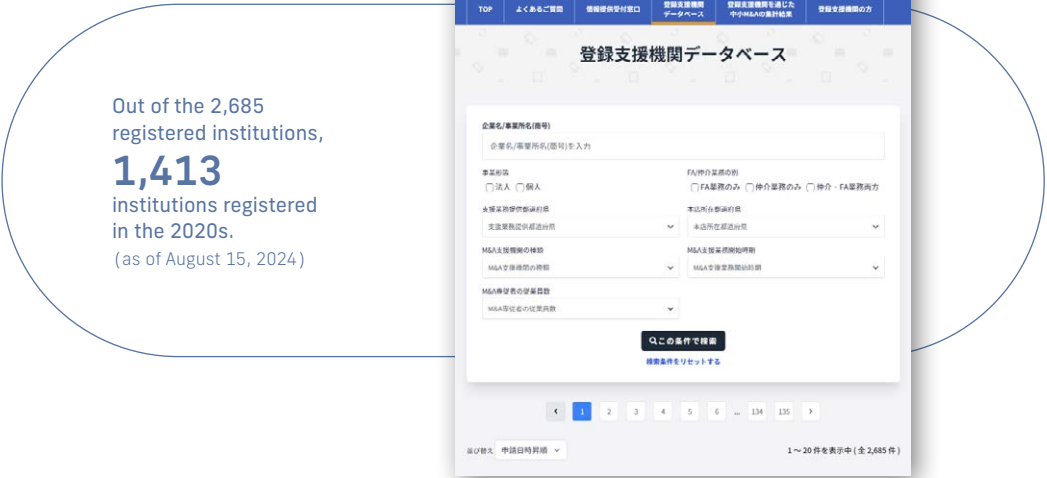
Support for Development of SMEs and Small Businesses and Development of an Investment Environment\*2

- Support for business restructuring, productivity improvement, and financial management in line with changes in the operating environment
- Advancing change through the promotion of succession by family members and third-party succession, including M&A
- Creation of growth-oriented SMEs through support for innovation, etc.
- Strengthening of management support structure, etc.

Main Budget for Promoting Change through Business Succession and Restructuring\*1

|  |                      |
|--|----------------------|
| Subsidies for business succession and transfer (SME productivity revolution promotion project):        | <b>¥200 billion</b>  |
| Comprehensive support project for SME invigoration and business succession:                            | <b>¥19.8 billion</b> |
| Fund investment project to support SME transition to group structure and other business restructuring: | <b>¥12.0 billion</b> |
| Project to build support network for successors:   | <b>¥440 million</b>  |

Trend in Institutional Support for M&A\*3



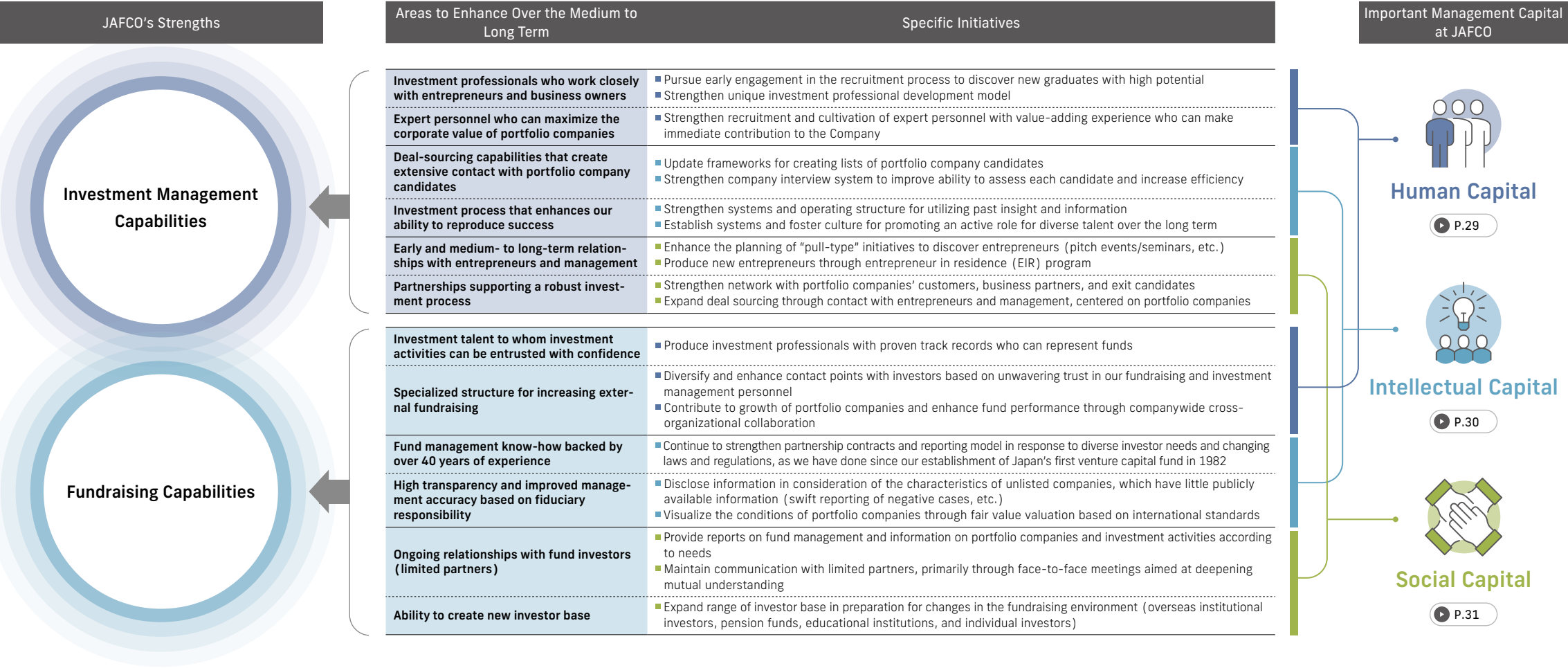
\*1. Originally cited from Points on SMEs, Small Business Owners and Regional Economy Budgets (revised budget for fiscal 2023 and initial budget for fiscal 2024) (amended April 2, 2024) (Japanese only).  
\*2. Originally cited from the summary of the supplementary budget for fiscal 2023 and the initial budget for fiscal 2024, Ministry of Land, Infrastructure, Transport and Tourism (budget enacted March 28, 2024) (Japanese only).  
\*3. Originally cited from the Small and Medium Enterprise Agency's Database of Registered Support Organizations website (Japanese only).

Organizational Foundation

JAFCO's Organizational Foundations for Realizing Growth Strategies

To pave the way for private equity investment businesses in Japan, JAFCO has continued to nurture investment professionals through its unique recruitment and training model.

JAFCO's human capital includes not only strong talent—its investment professionals and the expert staff in each division—but also the organizational structure that underpins its unique investment professional recruitment and development model and the investment process. Its intellectual capital includes the accumulated experience of and insight into investment and fund management that helps enhance its ability to reproduce success. Its social capital includes robust relationships with its various stakeholders that help accelerate the growth of its portfolio companies and the startup ecosystem. These three provide the organizational foundation that supports JAFCO's growth, and they are the source of its value creation.



Organizational Foundation



Human Capital

For an overview of JAFCO's policies and initiatives related to human resources and human capital, please also refer to the "Human Resource Strategy" section. P.36

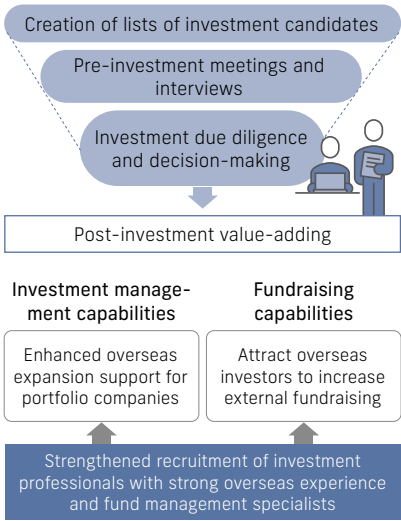
Our employees, or human capital, are the greatest source of value creation at JAFCO. The underlying foundation of our human capital is our investment professional recruitment and development model, which nurtures new graduates and young talent with high potential into full-fledged investment professionals. Through this model of cultivating strong talent, many of the new graduates in the Investment Division go on to build robust careers as investment professionals over the course of five to 10 years. Also, a large number of employees in the Business Development Division, Fund Management Division, and Administration Division have prior investment experience, and these employees help us pass down the principles of thoroughly considering what is truly valuable to private equity investment and acting accordingly throughout our organization.

Recently, we have also been focusing on the recruitment of mid-career professionals, bringing in experienced personnel that can make an immediate contribution to our organization. We are taking on seasoned professionals with strong backgrounds in human resources, sales, marketing, back-office establishment, and IPO preparation, which are important areas for our portfolio companies. Furthermore, we are welcoming talent who have experience in management, strategy formulation, investor relations, overseas business, and technology. In these ways, we are working to build a hybrid organization that comprises new graduates and mid-career hires with diverse expertise.

CASE 1

Model for Developing Investment Professionals

The bedrock that enables our investment professionals to be successful from an early stage is our investment professional development model, under which senior employees serve as mentors to new employees. Private equity investment work does not have a set formula and it covers a wide scope of activities. As such, the quickest path to growth for new employees is to receive rapid feedback on their day-to-day work. Recently, we have been focusing on producing full-fledged investment professionals on a continuous basis by systematically strengthening our development initiatives, including training sessions and knowledge visualization.



CASE 3

Recruiting Diverse Talent and Promoting Their Active Involvement

To further enhance our organizational capabilities, we are working on initiatives to recruit diverse talent and encourage their active involvement in the business. Recently, we have been stepping up the hiring of mid-career professionals with diverse expertise in each division. We have also been establishing and enhancing programs that promote a more active role for female employees and employees raising children. Moreover, given the medium- to long-term nature of our business, we are focusing on promoting health management so that our employees can continue to work in good mental and physical health.



CASE 2

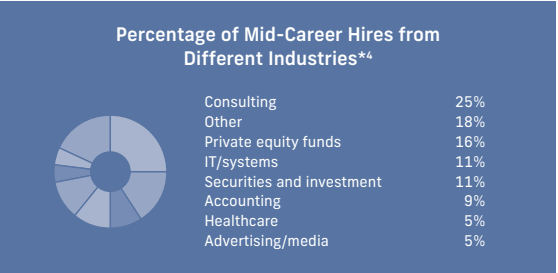
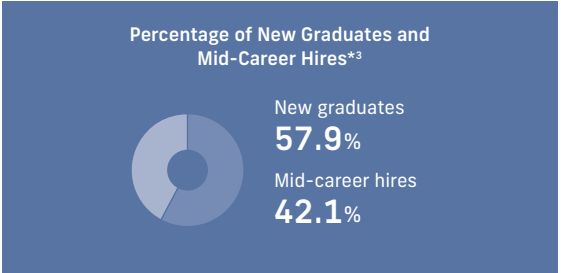
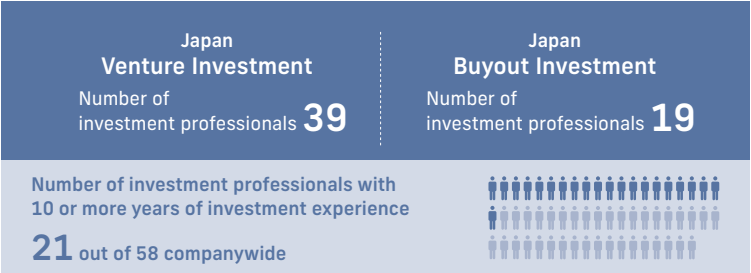
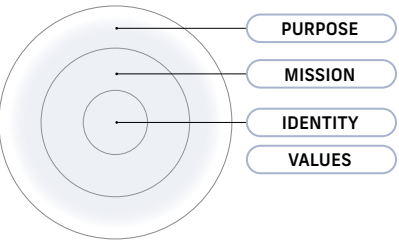
Recruiting Overseas Talent

In light of growing overseas interest in the Japanese private equity market, we have been strengthening our organizational capabilities by recruiting new graduates and mid-career professionals with overseas experience to help support the overseas expansion of our portfolio companies. We have also been recruiting fund management specialists, with the aim of attracting overseas investors in our investor relations and fundraising activities for the next fund.

CASE 4

Fostering and Passing On Our Corporate Culture

Many members of our middle- and back-office divisions were hired as new graduates and have prior investment experience. For this reason, they are strongly committed to the growth of portfolio companies and the performance of funds. To embed this strong commitment into our organizational foundation and maintain it amid the increase in mid-career hires, we are working to foster and pass on our corporate culture by codifying our Purpose, Mission, Identity, and Values.



Note: All figures are as of March 31, 2024.

<sup>\*1</sup> Figures are calculated using the following calculation method and rounded off to the nearest whole number. Average number of days of childcare leave taken = Total number of days taken by employees who returned to work in the fiscal year ended March 31, 2024 ÷ Number of employees who took childcare leave

<sup>\*2</sup> Employees eligible for childcare leave. No female employees returned to work after taking childcare leave this fiscal year.

<sup>\*3</sup> Percentage of employees hired for front-office positions

<sup>\*4</sup> Percentage of employees hired for all of the Company's divisions

Organizational Foundation



Intellectual Capital

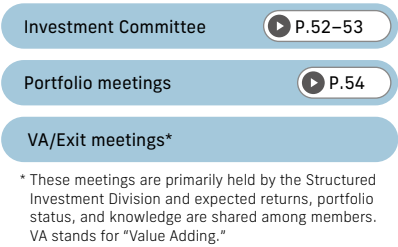
The private equity investment industry is expected to see significant growth in the future. However, it is also an industry with a high level of uncertainty. We believe we can boost our rate of success in the industry by amassing knowledge from the many investment successes and failures we experience and sharing this knowledge across the organization. In terms of discovering potential portfolio companies, we pass on the know-how gained from deal-sourcing activities from one investment professional to the next. We also record information from past contacts in our own proprietary database, making tacit knowledge accessible to the organization. In addition, documents and minutes from meetings of the Investment Committee, which makes decisions on investments, are used as important references for what to focus on and which key issues to consider when investing.

Regarding our efforts to enhance corporate value and our exit approach, there are many successes and failures behind our robust track record of investing in a total of 4,181 companies and realizing IPOs for 1,031 of them. Through these experiences, we have accumulated a wealth of insight on how to participate effectively in the management of portfolio companies and how to pursue IPOs and M&A. In addition to investment activities, we are working to turn our know-how on fund formation and management, an area we have pioneered since 1982, into explicit knowledge, and are accumulating insights on providing information in accordance with needs. Looking ahead, we will strive to compile and proactively apply the insights we gain through our various business processes, and thereby enhance our ability to repeat successes.

CASE 1

Meeting Bodies for Transmitting Tacit Investment Knowledge

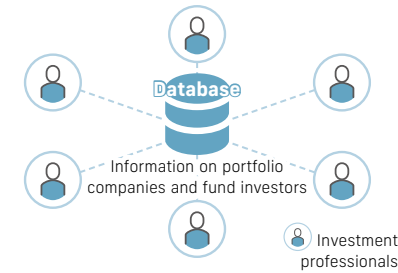
Investment decision-making and portfolio company support need to be determined on a case-by-case basis and are extremely difficult to categorize. It is therefore imperative that we leverage and flexibly incorporate the experience and knowledge of our investment professionals in decision-making settings.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



CASE 2

Converting Independently Accumulated Knowledge and Insight into Explicit Knowledge

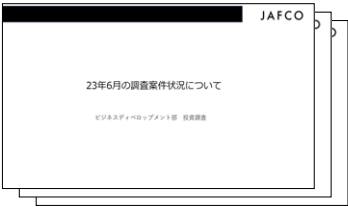
We hold numerous meetings with portfolio companies, investors, and investment candidates each year. The operating status and strategic policies of each company ascertained through these meetings, as well as the findings and suggestions of investment professionals, are recorded in our proprietary database.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



CASE 3

Know-How Accumulated through Investment and Exit Due Diligence

Our wide range of decision-making on investments and portfolio company support is backed by a vast amount of research, analysis, and insight. By sharing key points of investment deals and decisions within the Company, we have established a framework for sharing various case studies and insights as well as for collecting feedback.

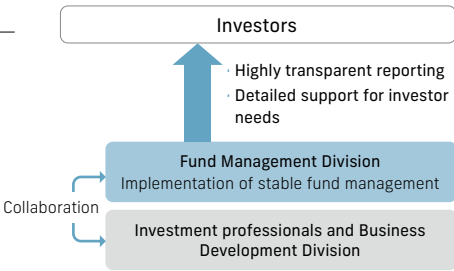


Materials for sharing case studies

CASE 4

Structure for Organizational Fund Management

In addition to the Fund Management Division itself, JAFCO's fund management is backed by our partners and investment professionals as well as by the insights, experience, and networks of our Business Development Division. Our long-cultivated companywide expertise in supporting investor needs and engaging in reporting and fundraising activities serves as the foundation for stable fund management.



Track record of success and failure in private equity investments

Cumulative number of portfolio companies  
**4,181**

Solid fundraising practices cultivated over our long history

Cumulative funds under management  
**¥1.2 trillion**

Extensive knowledge based on an unparalleled track record of IPO support

Total number of IPOs  
**1,031**

Robust fund management framework backed by our proven track record of success

Formation of first Japanese venture capital fund  
**1982**

Note: All figures are for the fiscal year ended March 31, 2024.



Organizational Foundation



Social Capital

When pursuing private equity investments, it is important to collaborate closely with a range of stakeholders. The success of portfolio companies leads to enhanced fund performance, which enables us to return a significant amount of profit back to our fund investors and shareholders. This in turn boosts the appeal of our funds as financial instruments and leads to higher expectations from our investors and shareholders, allowing us to raise more risk capital and helping us contribute to the growth of new portfolio companies.

The relationships we have with business firms, including large corporations, are also important in opening up sales channels for portfolio companies and offering them greater opportunities for business collaboration and fundraising. Furthermore, we view our interactions with external business partners that support startups and personnel who go on to pursue careers at startups as an important source of value that accelerates the growth of portfolio companies.

By assessing private equity investment as a long-term, collaborative business based on close relationships with our stakeholders, we will work to strengthen relationships with all stakeholders in the startup and private equity investment industry and to expand the startup ecosystem.

CASE 1

Annual Meeting

We hold an annual meeting for our fund investors. In addition to reports on our investment portfolio and fund management, this meeting also allows for dialogue between investment team members and presidents of promising portfolio companies. The annual meeting serves as an excellent opportunity to deepen investors’ understanding of our fund activities.

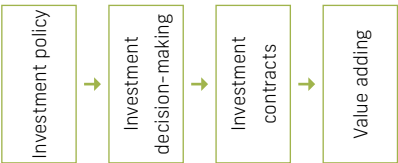


Annual meeting

CASE 2

Corporate Venture Capital Seminar

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



CASE 3

New Business Conference

We plan and host a conference for new businesses with over 1,000 participants, primarily from the divisions responsible for new business development at major business firms. Through this conference, we showcase initiatives by large corporations to create new businesses. We also share examples of our support for new business creation and facilitate collaborations between portfolio companies.



CASE 4

Supporting Entrepreneurs through the EIR Program

JAFco’s “FirstLeap” is an entrepreneur in residence (EIR) program for entrepreneurs looking to start a business or those who have just launched a new business. Through this program, our investment professionals work closely with the management of portfolio companies and provide them with customer acquisition opportunities. Through this, we aim to expand support for the startup market by increasing the number of entrepreneurs.



& JAFco POST

Extensive trust-based relationships with entrepreneurs

Number of contacts with investment targets  
(within the past three years)

8,807

Robust partnerships with fund investors

Number of investors to date

1,300

Continuous expansion of network of business firms, etc.

Number of contacts with companies

4,926

Note: All figures are for the fiscal year ended March 31, 2024.



JAFCO's Recent Pursuits

# JAFCO's Role as a Company Supporting the Startup Ecosystem in Japan and the Future Vision of JAFCO's Partners

JAFCO was established 50 years ago, in 1973, in the very early days of venture capital in Japan. Over the past half-century since its establishment, JAFCO has invested in over 4,100 companies. By consistently working with ambitious entrepreneurs and business operators, we have created new businesses and helped shape the future with them.

Reflecting on our 50-year history, we asked two JAFCO partners how they view the changes taking place in Japan's startup ecosystem and what role they think JAFCO should play as a venture capital firm. We also asked them their thoughts on the future of JAFCO.

Cultivating a Mindset Beyond Entrepreneurship

# Ritsumeikan and JAFCO's Entrepreneurial Education Partnership

RIMIX, Ritsumeikan's social entrepreneurship support platform, was established in 2019 with the aim of seamlessly fostering students' entrepreneurial spirit rooted in their awareness of societal issues and nurturing individuals who actively work towards solving social challenges. RIMIX was established to unearth, nurture, and support the unique ideas of the next generation of students and young learners. By doing so, it aims to create new value for society. JAFCO has been a collaborative partner in this initiative from the start. In order to shed some light on the background of the RIMIX project and the future envisioned through this collaboration, we spoke with Mr. Sakai from Ritsumeikan University and Mr. Sato from JAFCO.



# CFO's MESSAGE

## Combining Our Strengths in Venture and Buyout Investment to Boost Our Earnings Base

### Achieving Consistent Results in an Unstable Market Environment

The fiscal year ended March 31, 2024 began with a sense of unease and nervousness due to concerns of a financial crisis. As the outlook for the global economy remained unclear following a series of bankruptcies by U.S. financial institutions in the fiscal year ended March 31, 2023, there was no significant inflow of funds from overseas institutional investors into Japanese

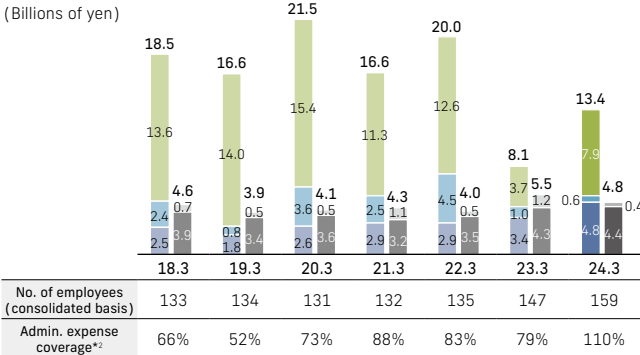
small- and mid-cap stocks. As a result, we did not see a marked recovery in the number of IPOs involving large-scale fundraising.

Nevertheless, during the fiscal year ended March 31, 2024 we achieved seven IPOs (including two by the Buyout Investment Division) and two M&A sales (including one by the Venture Investment Division), resulting in capital gains of ¥7.9 billion (compared with ¥3.7 billion in the previous fiscal year) and ROI of 1.7x. While we were unable to reach our target for ROI of 2.5x, we were able to record a year-on-year increase in capital gains and gross profit of ¥12.2 billion (compared with ¥6.7 billion in the previous fiscal year). I consider this a major accomplishment in a challenging environment for exits. In terms of exit results, we sold SODA inc., one of our venture investments, to an overseas company via an M&A deal. At the same time, we also achieved the IPO exit of a portfolio company in the Buyout Investment Division that included a pre-IPO placement. These are both significant accomplishments in our continuing efforts to strengthen our exit strategy.

Another important achievement is that our fund management fees grew to a level that covers SG&A expenses. The domestic flagship SV7 Fund Series closed with total commitments of ¥97.8 billion and an external capital contribution ratio of 78%, exceeding their respective initial targets of ¥95.0 billion and 65%. As a result, management fees increased to ¥4.8 billion, up from ¥3.4 billion the previous fiscal year, marking the first time in about a decade that our earnings base has improved to a level where management fees alone largely cover SG&A expenses, excluding business taxes. In this way, we have made progress in stabilizing our core income and shored up our foundation for further improving profitability by steadily accumulating capital gains and success fees.

### Profit and SG&A Expenses

(Billions of yen)



Income sources (left bar) Capital gains Success fees Management fees  
Expenses (right bar) SG&A expenses (excl. business tax)\*1 Business tax

- Notes: 1. Business tax is classified separately from SG&A expenses due to large fluctuation in the amount resulting from gains on sales of shareholdings.  
2. Admin. expense coverage = Management fees + SG&A expenses excl. business tax  
• Figures are rounded to the nearest decimal place.  
• Income from fund management excludes management of JAFco's interests in funds.  
• Accounting Standard for Revenue Recognition is applied to all periods. The U.S. subsidiary is not consolidated.

Hiroaki Matsuda  
Chief Financial Officer  
General Manager of  
Administration Division

CFO’s MESSAGE

Communicating Our Growth Story Clearly to Improve P/B Ratio

Our price-to-book ratio (P/B ratio) has remained around 0.8x, meaning that we are not yet sufficiently appreciated by the market. While our cost of shareholders’ equity is around 7% to 9%, our average adjusted ROE\*<sup>1</sup> over the past five years, excluding extraordinary income,\*<sup>2</sup> has been 5.9%, remaining at a level below the cost of shareholders’ equity. At the same time, management fees, an ongoing source of income, remained at a level below that of SG&A expenses for an extended period, making for a profit structure that is dependent on highly volatile capital gains. This is one of the reasons for our P/B ratio being below 1x.

To improve our P/B ratio, we must enhance our ROE and price earnings ratio (PER). As indicated by the Basic Policy for Enhancing Corporate Value, we aim to achieve ROE of 15% to 20% over the medium to long term by reducing net assets, improving ROI, and increasing the size of funds in line with market expansion. Additionally, for PER, I believe we need to clearly communicate a growth story from a medium- to long-term perspective, focusing on how we will improve ROE and expand profits, in line with our Basic Policy for Enhancing Corporate Value, which covers a long-term time frame. During the investor relations activities we carried out abroad in May 2024, we observed a heightened interest from overseas investors in JAFCO and its external operating environment, including Japanese startups, the buyout market in Japan, and JAFCO’s position within the market. To respond to this interest and encourage investment in JAFCO, we must communicate a specific story about the growth of our business and our earnings model and explain how we will improve ROE over the medium to long term.

\*1. Adjusted ROE = (Net income – Extraordinary income or loss × 70%) ÷ Net assets  
\*2. Extraordinary income from the sale of shares in Nomura Research Institute, Ltd., etc.

Combining Our Strengths in Venture and Buyout Investment to Improve ROE

Enhancing our investment management capabilities (ROI) is a prerequisite for improving ROE. Guided by our policy of highly selective, intensive investment, we aim to become a unique investment management company that combines strengths in venture investment and buyout investment. Specifically, we will establish management fees by increasing fund sizes as a base for stable earnings, which we will use to bolster our top line for venture and buyout investment and improve ROI. Although our first line of business was venture investment, we started our buyout investment business over 25 years ago and have been steadily accumulating know-how in this domain ever since. Going forward, we will facilitate the exchange of networks and insights built up in both domains of investment as part of our efforts to scale our buyout investments.

Expanding buyout investment will serve as an important benchmark for improving ROE. Unlike venture investment, buyout investment involves acquiring a majority stake in companies that have already secured a certain level of earnings. For this reason, there are many aspects of buyout investment that we have better control over, from efforts to improve the corporate value of portfolio companies to the timing and valuation of exits. Such control greatly increases the possibility of stable exits and investment performance. As a result, buyout investments help improve capital efficiency by generating stable profits and reducing the capital turnover period.

We are also working to achieve more diverse exit strategies in our venture investments. We will continue to aim for IPOs for these investments but will also consider other exit options such as share purchases and M&A if there is demand, even if the company remains unlisted. We will consider these alternatives based on the expected timeline leading up to the IPO and any relevant risks.

Aiming to Stabilize Our Earnings Base with Management Fees

While growing our top line, we are advancing efforts to expand our earnings base centered on fund management fees. We generate these fees every year by managing funds, and they serve as a stable earnings base that allows us to cover ordinary expenses. Looking ahead, we will increase the size of our funds on the back of growth in the market for venture and buyout investments. We expect to increase management fees in a stable manner by formulating flagship funds around once every three years going back to the SV7 Fund Series and working to increase the size of funds and the external capital contribution ratio. Specifically, we plan to grow management fees from ¥4.8 billion in the fiscal year ended March 31, 2024 to ¥5.2 billion by the fiscal year ending March 31, 2027, and eventually to ¥6.2 billion by the fiscal year ending March 31, 2030. Expanding external capital commitments is crucial to increasing management fees, and we are working to approach a broader range of investors than ever before. For example, we participate in conferences where overseas institutional investors gather and approach corporate and public pension funds. The return of investments from corporate pension funds in the SV7



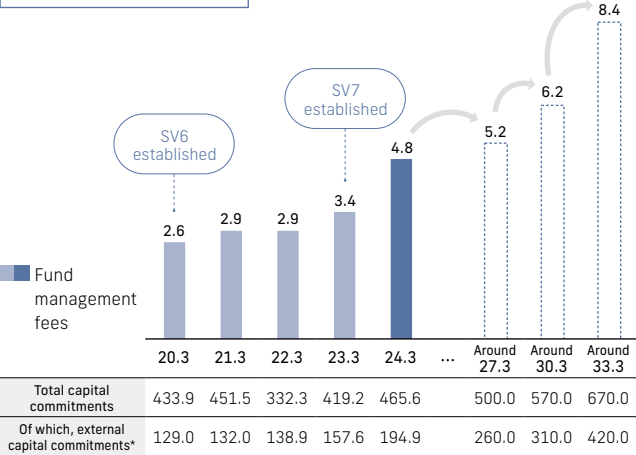


CFO’s MESSAGE

Expansion of Fund Management Fees

**Fund management fees**  
Capital commitments from external investors × Approx. 2% per annum

- The key driver is capital commitments from external investors.
- Fund management fees stack up with fundraising for new funds.



\* Funds entrusted for management by external investors; the amount subject to fund management fees excluding investments in ICON.

Fund Series was a significant step forward in our efforts to diversify investors. Moreover, the door is now open to individual investors through the publicly offered investment trust that incorporates unlisted securities, co-developed with Nomura Asset Management Co., Ltd., which began its offering in August this year.

Capturing New Opportunities from the Private Equity Market

Joint Development of the First Domestic Publicly Offered Investment Trust for Japanese Stocks Incorporating Unlisted Securities

A fund which JAFCO and Nomura Asset Management jointly developed for conducting crossover investment (investing across both listed and unlisted companies) has been launched. This is the first domestic publicly offered investment trust for Japanese stocks

that will include unlisted securities, ranging from startup to pre-listing stages in its investments. The fund is able to incorporate unlisted securities as assets with an upper limit of 15%. We believe that this initiative, which provides individual investors with a new opportunity to invest in unlisted securities, is vital for increasing the size of our funds and strengthening our base for stable earnings. Also, if fair value valuation, which currently differs by company, becomes more widespread and a standard valuation method is established, we are likely to see a broader range of players start to participate in private equity investment. Broadening the range of exit strategies other than IPOs, such as M&A and trade sales, is crucial to expanding the private equity market. We will actively continue our efforts to seize new possibilities in the private equity market.

Maintaining Consistency for Shareholders with Our Capital Policies

We expect to see a prolonged impact from the bankruptcies of overseas financial institutions in the fourth quarter of the fiscal year ended March 31, 2023. To continue to invest through good times and bad and secure the funds needed to commit to the SV7 Fund Series, we issued ¥15.0 billion in zero coupon convertible bonds due 2028 during the fiscal year ended March 31, 2024. While there is a risk that converting these bonds to stocks in the future may dilute shares, we have set restrictions on convertibility and conditions for cash acquisitions to mitigate this risk. In this way, we have issued the bonds under a framework that restrains their convertibility to ordinary shares.

We will distribute future shareholder returns as stipulated by the Review of the Shareholder Return Policy and Measures to Improve Capital Efficiency, which we announced in November 2022. Specifically, we will distribute as dividends 3% of shareholders' equity (initial and term-end average value) or 50% of net income, whichever is higher. In addition, we will consider returning profits to shareholders, including through share buy-backs, using any excess funds over the amount required to continue investment activities. Looking ahead, as we increase profit

levels through a strong earnings structure, we will reach a stage where we can offer returns to shareholders. While the timing and methods for reaching that stage are yet to be determined, we will proactively work to distribute shareholder returns while considering factors such as investment opportunities, exit strategies, and the fundraising environment.

Ensuring Appropriate Financial Management and Capital Allocation as CFO

One of my responsibilities as CFO is to reduce the cost of capital. The foundation for doing so is maintaining both appropriate balance sheet management and a robust financial foundation for promoting continuous investment. Although we avoided a situation of financial instability in the market, which had given us cause for concern at the end of the previous fiscal year, we will continue to closely monitor risks and implement appropriate response measures.

While maintaining our financial foundation, another key role I play is in investing in talent to continuously enhance our operational and investment management capabilities. Our business model relies heavily on the capabilities of individuals, so it is essential that we improve our organizational capabilities, including developing human resources and acquiring and sharing knowledge. In the fiscal year ended March 31, 2024, we revised our employee compensation system, raising the upper limits for bonuses, regardless of whether employees are new graduates or mid-career hires, and standardizing the compensation structure. By hiring and developing talented employees and ensuring their continued employment, we aim to reduce personnel-related risks and improve our investment performance through enhanced competitiveness.

During the fiscal year ended March 31, 2024, we worked to bolster our financial and earnings base, including through fundraising and capital procurement, with an emphasis on strengthening our ability to fuel perpetual growth. In doing so, I believe we laid the foundation for becoming a company that combines strengths in venture and buyout investment. By carrying out the initiatives cited in this message, I will strive as CFO to enhance JAFCO's corporate value moving forward.

Human Resource Strategy



Yuichiro Araki  
Group Leader, HR Planning Group  
Administration Division

Cultivating Strong Talent and Establishing a Robust Organizational Foundation: Building an Organization That Can Realize Sustainable Corporate Value Enhancement

Cultivating Strong Talent

Due to the nature of its business, the Company's growth is heavily dependent on investment professionals and other individual talent. For this reason, one of our major business challenges is how best to recruit and nurture talented individuals. Our personnel recruitment and development initiatives are implemented in line with personnel plans that are linked to management and business strategies aimed at sustainable corporate value enhancement. For the Investment Division, in addition to the ongoing recruitment of new graduates, we continue to hire investment professionals with wide-ranging experience, skills, and potential. Moreover, through our well-established, proprietary development model for investment professionals, we will continue to develop strong individual talent that can execute excellent investment deals.

Furthermore, the operating environment of JAFco and its portfolio companies is undergoing massive change. Therefore, in addition to investment professionals, we must recruit, develop, and retain professionals in areas such as portfolio company support, fund management, and corporate affairs, and we will make concerted efforts therein. To recruit, develop, and retain strong talent with diverse backgrounds, it is imperative that we set up frameworks for employee evaluation and treatment as part of our personnel systems.

Establishing a Robust Organizational Foundation

While we work to cultivate strong talent, we must also refine our organizational capabilities and build frameworks for enhancing fund performance. Creating frameworks for accumulating and sharing knowledge as an organization and enhancing

management efficiency not only facilitates individual growth but also enhances our sustainability as an organization. In addition, enhancing our response capabilities as an organization helps us create added value in our investment activities.

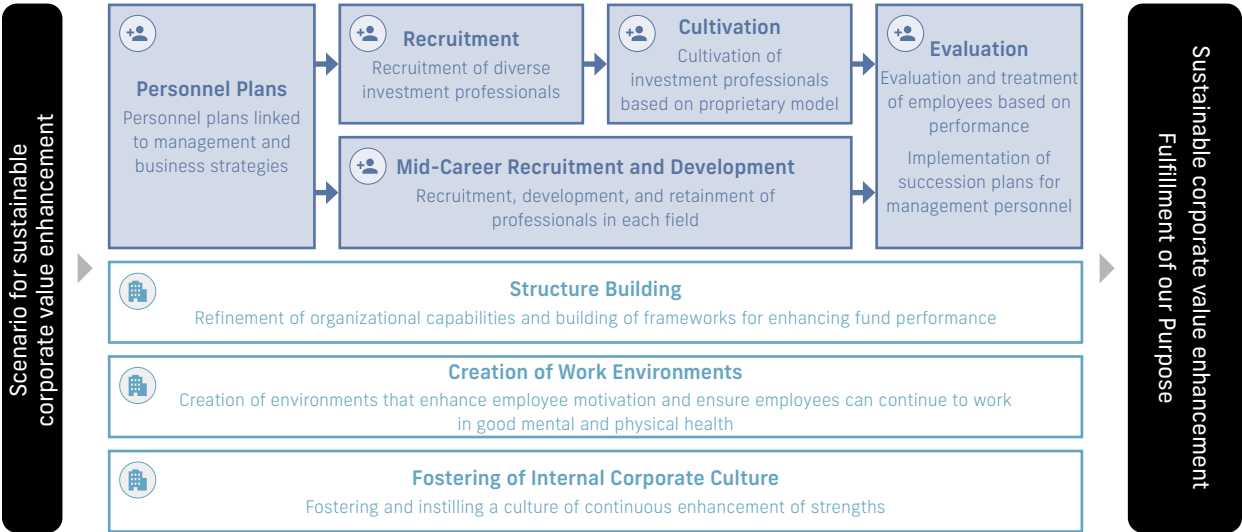
It is also important to build work environments that maximize the individual capabilities of our diverse talent and ensure that they can continue to draw on these capabilities to the greatest extent possible. Thus, our key priorities are to establish structures and frameworks that enhance employee motivation and ensure that employees can continue to work in good mental and physical health, while also accommodating employees at

each life stage.

Fostering a corporate culture that embodies our Purpose, Mission, Values, and Identity is also essential to cultivating strong talent and establishing a robust organizational foundation. To ensure our diverse pool of talent from various backgrounds can work together to demonstrate a strong performance, we must foster and embed this shared internal culture.

By cultivating strong individual talent and establishing a robust organizational foundation through these efforts, we will realize sustainable corporate value enhancement and fulfill our Purpose.

Scenario for Sustainable Corporate Value Enhancement



Human Resource Strategy

JAFCO's Unique Approach to Recruiting and Developing Investment Professionals

Through years of consistently hiring new graduates, we have accumulated a wealth of experience, which is the basis of our model for training junior employees. In this model, each junior employee in the Investment Division is placed under an instructor who supports and guides them until they become independent. Experienced investment professionals provide mentoring support to mid-level employees to develop stronger talent and improve their performance.

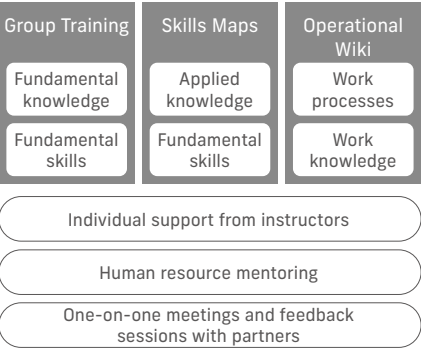
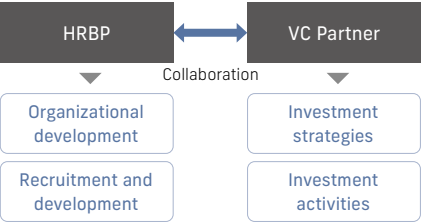
Establishing a Human Resource Business Partner Function

In the fiscal year ended March 31, 2024, we established a human resources business partner (HRBP) function in the Investment Division to further enhance our competitiveness. The HRBP formulates personnel strategies based on business strategies in close collaboration with partners. Through the HRBP function, we have started various initiatives to advance our organization, such as building frameworks for recruiting, onboarding, training, and evaluating employees. In addition to conventional new graduate recruitment, we are strengthening the recruitment of mid-career hires. We are also putting in place personnel requirements, bolstering activities to attract outstanding talent, and managing relevant KPIs. In these ways, we are actively carrying out initiatives through the HRBP function.

Implementing Instructor System and Professional Training

For new employees, we conduct basic group training that includes practical programs covering everything from deal sourcing to investment execution. In this training, instructors work one-on-one with employees, offering them assistance with executing investments and providing follow-up support to portfolio companies once an investment has been made. Additionally, we support the swift growth of new employees by providing off-the-job training on various topics, creating skills maps that encourage proactive self-improvement, and providing access to a range of insights and information. They hold regular one-on-one meetings with HR and partners to receive organizational support, which helps to improve the quality of their work.

\* Source: OpenWork, as of April 15, 2024



Recruiting Diverse Investment Professionals / Recruiting and Developing Professional Human Resources in Each Area of Operation

The Investment Division continues to recruit new graduates with the aim of securing high-potential personnel. When hiring new employees, we focus on not only their suitability for our business but also their level of commitment and how strongly they relate to our Identity and Purpose.

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

Enhancement of Personnel Systems

|                  | Male | Female | Total |
|------------------|------|--------|-------|
| New graduates    | 3    | 3      | +6    |
| Mid-career hires | 14   | 3      | +17   |

In addition to experienced talent, we will also focus on recruitment of semi-recent graduates.

Ratio of Female Employees

27.8%

(Target: One third or higher)

Ratio of Mid-Career Management Hires

50%

(Target: One third or higher)

For details, see Human Capital on page 29.

MESSAGE



Yukari Miyagawa

Industry/Academia/Life Sciences Investment Group Investment Division

Further Advancing Our Organization by Turning Our Diversity into Our Strength

Tackling Challenges as an Investment Professional while Balancing Work with Raising Children

In April of my fourth year of working as an investment professional at JAFCO, I took maternity and childcare leave. I returned to work a year later in April 2024.

Balancing my work with raising children is difficult, but thanks to the flextime work system and the support of my peers, I can work with enthusiasm. Many employees in my department also have children, so they are very considerate and supportive of my situation. When I was having trouble finding day-care facilities, I was able to consult with partners, my seniors, and HR on a regular basis and receive an extension of my childcare leave period, which gave me great peace of mind. Looking around JAFCO, a growing number of employees, regardless of gender, commit themselves to their jobs while skillfully balancing work with their personal lives. In this way, I feel that JAFCO is becoming more diverse.

I am very passionate about my work as an investment professional in the industrial, academic, and life sciences domain. To ensure that I can continue to take on the challenge of investment and contribute to the future of the venture capital industry, where women are still underrepresented, I will continue to tackle my day-to-day work with a commitment to exploring career plans for women in collaboration with the Company.

Human Resource Strategy

Fostering and Embedding a Culture of Continuous Enhancement of Strengths



We set up an in-house project under which we reviewed and revised our Values and sought to enhance awareness and understanding of them among both executives and employees.



Four New Values

- **Own it and see it through**  
We will be proactive in all we do, driven by our personal resolve, taking responsibility in every challenge and difficulty, and persevering until the end without giving up.
- **Move faster, dive deeper, reach higher**  
By maintaining a forward-thinking mindset, discerning the essence of situations, and carefully evaluating all available options, we will strive to reach new heights and improve our capabilities.
- **Draw on differences to ignite creativity**  
By valuing the unique experiences, perspectives, and wisdom of our members and leveraging these differences to their fullest extent, we will build a robust organization ready to achieve the next success together.
- **Be pioneers, stand for integrity**  
We will uphold our frontier drive, fearlessly and with unwavering integrity continuing to embrace new challenges in developing new markets.

PURPOSE

MISSION

IDENTITY  
VALUES

Refining Organizational Capabilities and Building Frameworks for Enhancing Fund Performance



To generate maximum profit through our small organization of highly qualified individuals, it is imperative that we establish a robust organizational foundation. To that end, we are working to codify the tacit knowledge of each highly specialized business division, bolster our efficiency, pass on know-how, and create systems for facilitating appropriate collaboration between business divisions. We are also taking steps to organize the business process-related issues in each division and have commenced efforts to enhance productivity using IT and to facilitate the accumulation and utilization of intellectual capital.

Systems for Evaluation, Treatment, and Succession



In January 2024, we revised our personnel systems to secure and retain diverse talent and ensure their appropriate treatment. Through this revision, we clarified what is expected of employees at each evaluation grade and designed systems to reward performance through efforts such as raising the limit of performance-based compensation. In addition, to maintain and enhance our organizational capabilities and culture, we have added new performance-based evaluation criteria into our evaluation systems based on our Values. As part of our medium- to long-term initiatives, we are creating succession plans on an ongoing basis to develop a pool of managerial talent for the next generation.

Creating Environments That Enhance Employee Motivation and Ensure That Employees Can Work in Good Mental and Physical Health



In March 2024, JAFco was recognized in the 2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Small and Medium-Sized Enterprise Category) hosted by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.\*

Physical and mental well-being are the foundation for each of our employees to harness their full potential and fulfill the Company's Purpose and Mission. Moving forward, we remain committed to ongoing health management that maintains and improves the physical and mental well-being of our employees.

\* Nippon Kenko Kaigi is a Japanese health promotion forum.





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Section- 03

# Business Strategies

Business Process

Features of JAFCO's Business Structure

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

|                    | Main Activity   | JAFCO Strengths  | Relevant Divisions                                    |   |  |                                       | Quantitative Information (FY March 2024)   |
|--------------------|---|--|---|---|--|---------------------------------------|--|
| Fund Establishment | In securing stable funds to continue investing through good times and bad, it will be necessary to define financial instruments and fund sizes based on the market environment, and to secure continued investment from the main existing investor base of financial institutions and business firms, as well as attracting new investors. Private equity investment takes around five to 10 years to realize returns. Because of this, we believe that, in addition to prioritizing fund performance, it is important to build trust with fund investors through highly transparent fund management, information provision that caters to the needs of individual investors, and detailed communication regarding the social significance of private equity investment.  | <ul style="list-style-type: none"><li>➤ Attractiveness of funds as financial instruments that ensure high performance in tandem with the growth of portfolio companies</li><li>➤ Discipline and transparency of management</li><li>➤ Information provision and communication tailored to the individual needs of investors</li></ul>     | Investment Division (Venture Investment)<br>P.41<br>○ | Structured Investment Division (Buyout Investment)<br>P.42<br>○ | Business Development Division<br>P.44<br>○ | Fund Management Division<br>P.45<br>◎ | Capital commitments to domestic funds: <b>¥312.8 billion</b><br>Note: Total of SV4 to SV7 (as of March 31, 2024)   |
| Deal Sourcing      | With private equity investments, high-quality deal sourcing creates reproducible success. The wellspring of our deal-sourcing capabilities is the experience of our investment professionals, who have cultivated the ability to ascertain future business potential through their interactions with numerous entrepreneurs. At JAFCO, every individual from partners to new graduate hires meets with a broad range of candidate portfolio companies, gaining valuable experience and insight through the roughly 3,000 deals we source on an annual basis. Through these efforts by our employees, we have built up a proprietary database and network of entrepreneurs. We achieve repeated success by fully leveraging these strengths to carefully select companies to invest in.  | <ul style="list-style-type: none"><li>➤ Outstanding volume of interaction with entrepreneurs and companies</li><li>➤ Information on investment candidates accumulated through past deal-sourcing activities</li></ul>  | ◎   | ◎   |  |                                       | Number of new domestic companies sourced (venture investment only): <b>3,714</b>   |
| Investment         | Because many of the unlisted companies in which we invest do not have the necessary business foundations in place, the main focus of our corporate value assessments is on identifying business potential and measuring management quality. To determine business feasibility, we verify key factors such as market growth potential, competitiveness and uniqueness of products and services, and the innovativeness of technologies. In recent years, we have also been conducting screening on growth potential and risks from an ESG standpoint. After our investment professionals have held repeated dialogue with the management of a candidate company, our team of specialists dedicated to investment evaluation conducts an assessment of the company's business potential and management quality. When this process is complete, we decide whether or not to invest based on approval at Investment Committee meetings. | <ul style="list-style-type: none"><li>➤ Judgment and insight from partners and experienced investment professionals</li><li>➤ Investment decisions based on the consensus of all partners</li></ul>  | ◎   | ◎   | ○  |                                       | Amount/number of new investments:<br>▶ Venture investment: <b>¥12.2 billion / 25 companies</b><br>▶ Buyout investment: <b>¥5.8 billion / 3 companies</b><br>Balance of domestic unlisted securities: <b>¥133.8 billion*1 / 176 companies</b> |
| Value Adding       | In venture investments, our investment professionals who are in charge of portfolio companies pursue various initiatives with a sense of ownership, envisioning growth scenarios together with entrepreneurs. Furthermore, our team of business development specialists work together to provide support essential for the growth of portfolio companies, namely in the areas of recruitment, sales and marketing, back-office development, and IPO preparation. In buyout investment, we seek to accelerate business growth by promoting post-merger integration (PMI) from the standpoint of substantive management. Our network of fund investors, portfolio companies, and business firms helps underpin the corporate value enhancement of portfolio companies, and we work to strengthen this network on an ongoing basis.  | <ul style="list-style-type: none"><li>➤ Consistent management involvement, from investment and value adding to exit, by forming the optimal team for each deal</li><li>➤ Support by experts specializing in human resources, back-office functions, marketing, and more according to the growth stage of the portfolio company</li></ul> | ◎   | ◎   | ◎  | ○                                     | Recruited: <b>43</b> people<br>Number of business meetings conducted: <b>538</b><br>IPO consulting: <b>37</b> companies  |
| Exit               | At the exit stage, we examine approaches that realize both portfolio company growth and high returns for fund investors. In the case of venture investment, the majority of portfolio companies aim for an IPO. To that end, our team of specialists who provide support for IPO preparation assist portfolio companies while ascertaining various changes in the market environment. When selecting an exit strategy other than an IPO, because we hold a fairly large stake under our policy of highly selective, intensive investment, we are able to design an optimal exit, including an M&A, for a portfolio company, based on agreement with its management team.  | <ul style="list-style-type: none"><li>➤ Formulation of exit strategies that fully leverage potential of portfolio companies</li><li>➤ IPO preparation support leveraging experience from more than 1,000 IPOs</li></ul>  | ◎   | ◎   | ◎  | ○                                     | Capital gains on and IPOs by domestic portfolio companies:<br>Capital gains: <b>¥23.2 billion / IPOs: 6 companies</b><br>Note: Calculated on a fund basis  |

\*1 Balance of domestic unlisted securities includes funds    ◎ Involvement as the main division    ○ Partial involvement

# Venture Investment



Keisuke Miyoshi  
President & CEO  
Partner

### Medium- to Long-Term Strategies of the Division

|                                       |  |
|---------------------------------------|--|
| Mission                               | » To help cultivate the next generation of entrepreneurs and expand the private equity market by consistently investing in startups that underpin Japan's economic development, as the division responsible for JAFCO's core business  |
| Business Direction                    | » Identify potential seed investments involving entrepreneurs at the pre- and post-startup stages<br>» Create mega ventures through highly selective, intensive investment and proactive involvement in management of portfolio companies<br>» Prepare and promote an exit approach not limited to IPOs<br>» Swiftly hone the skills of young investment professionals and consistently cultivate investment professionals with proven track records |
| JAFCO's Strengths                     | » Know-how for ascertaining market and business potential backed by over 50 years of investment experience<br>» External network and human resources in the startup market<br>» Unique investment professional development model cultivated through the ongoing recruitment of new graduates   |
| Medium- to Long-Term Targets and KPIs | » Average ROI of 2.5x or more  |

### > New Portfolio Companies and Exited Companies in Fiscal Year Ended March 31, 2024

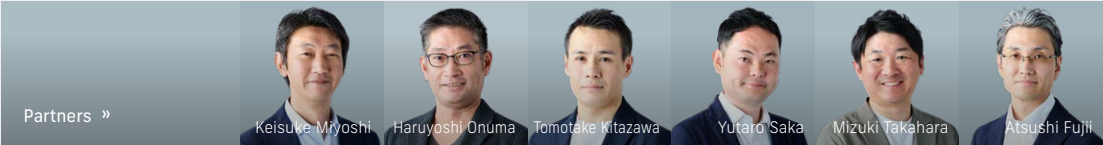
Please see the "Portfolio" page of our corporate website for more information. [↗](#)

#### New Portfolio Companies

|   |  |  |
|---|--|--|
| Preemptive investments in cutting-edge research domains | Investments in the bold visions of serial entrepreneurs and domestic entrepreneurs | Investments to promote reforms in existing industries to respond to the changing values and needs of society |
|   |  |  |

#### Exits

|      |     |
|------|-----|
| IPOs | M&A |
|      |     |



Partners »

Keisuke Miyoshi    Haruyoshi Onuma    Tomotake Kitazawa    Yutaro Saka    Mizuki Takahara    Atsushi Fujii

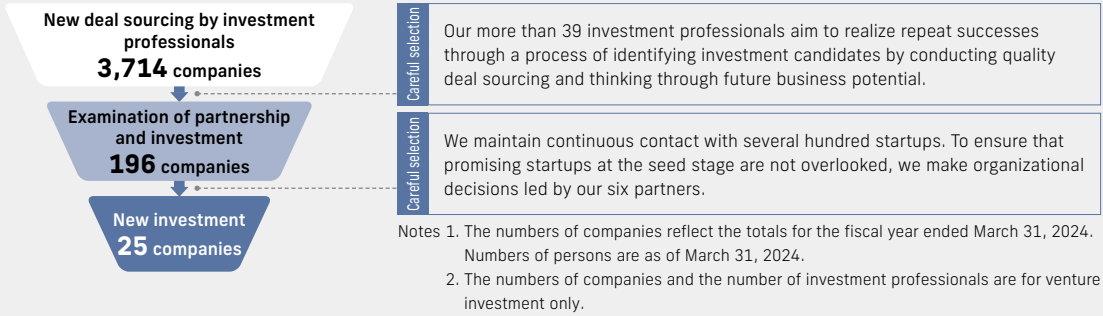
### > Initiatives to Realize Medium- to Long-Term Strategies

#### Executing Our Investment Policy: Highly Selective, Intensive Investment

Our policy of "highly selective, intensive investments" enables us to conduct ongoing investment management in the private equity market, which has low liquidity, regardless of market conditions. To create new businesses, this policy focuses on being "selective," which involves thoroughly identifying highly promising investment targets from among the many startups we encounter during our extensive deal sourcing, and "intensive," which involves allocating the management resources needed to maintain an influential stake in portfolio companies.

Using the extensive contact we have with startup companies as our foundation, we will carefully select investment candidates so that we can strengthen our ability to replicate the success of investments in earlier-stage companies with high growth potential.

#### Process from Deal Sourcing to Investment



#### Discovering Potential Entrepreneurs through the EIR Program New in fiscal year ended March 31, 2024

& JAFCO POST [↗](#)

In addition to sourcing a large range of projects through our investment professionals, we launched an entrepreneur-in-residence (EIR) program, "First Leap," to identify potential entrepreneurs. Through First Leap, we offer business startup programs aimed at further market expansion. Looking ahead, we will continue to proactively host various programs and events that create opportunities for us to connect with existing and potential entrepreneurs.

#### Structural Improvements for Enhancing Our Exit Approach New in fiscal year ended March 31, 2024

We are promoting internal and external collaborations to build a framework for trade sales such as M&A in addition to IPOs.

##### Internal: Business Development Division

Introduce business firms that participated in our seminars and events and are considering startup collaboration or establishing CVCs to our portfolio companies

##### External: Outside Partner Companies

Expand contact points with a broad range of potential exit routes (buyers) through collaboration with M&A brokers, financial institutions, and securities companies



# Buyout Investment



Ko Minamikurosawa  
Senior Corporate Officer  
General Manager of Structured  
Investment Division  
Managing Director

### Medium- to Long-Term Strategies of the Division

|                                       |   |
|---------------------------------------|---|
| Mission                               | » To contribute to resolving business succession issues, renewing the growth of mature companies, and transforming industrial structures in Japan through buyout investment focused on corporate growth, guided by our commitment to helping companies realize a second start and shaping the future with them  |
| Business Direction                    | » Invest in deals involving the succession of small- and medium-sized growth businesses and medium-sized companies generating sustainable cash flows<br>» Majority investment in startups with positive cash flows (venture buyouts)<br>» Enhance corporate value through post-merger integration (PMI) that leverages our venture capital insight and networks |
| JAFCO's Strengths                     | » Personnel with diverse expertise and insight who can maximize the corporate value of portfolio companies<br>» Optimized team structure that provides comprehensive support from deal-sourcing to exit<br>» Personnel development cycle that generates a growth curve in line with PMI and exits of portfolio companies  |
| Medium- to Long-Term Targets and KPIs | » IRR of 20% or more*<br>» Average ROI of 2.5x or more  |

\* Calculated from the fund investors' point of view after subtracting management fees and success fees

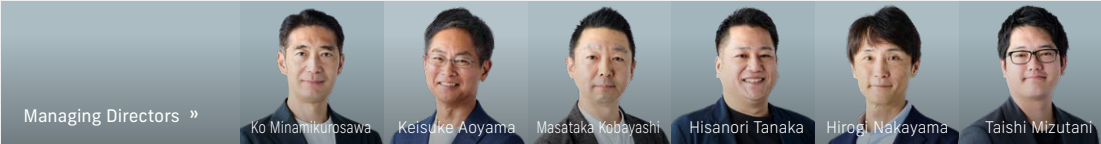
### ➤ New Portfolio Companies and Exited Companies in Fiscal Year Ended March 31, 2024

Please see the "Portfolio" page of our corporate website for more information. ➤

#### New Portfolio Companies



#### Exits

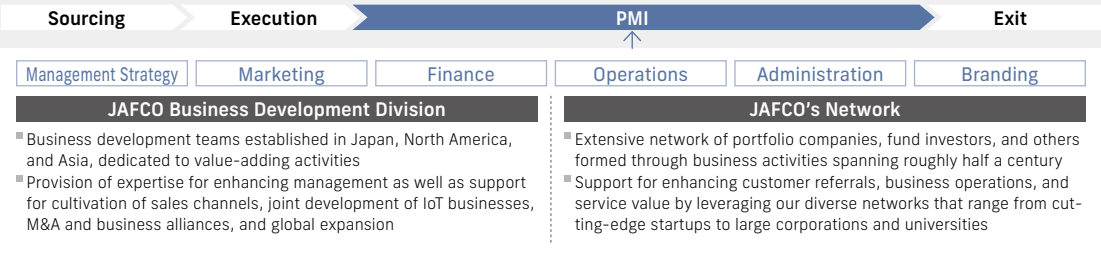


Managing Directors » Ko Minamikurosawa    Keisuke Aoyama    Masataka Kobayashi    Hisanori Tanaka    Hiroki Nakayama    Taishi Mizutani

### ➤ Initiatives to Realize Medium- to Long-Term Strategies

#### Promoting a PMI Approach in Partnership with the Business Development Division

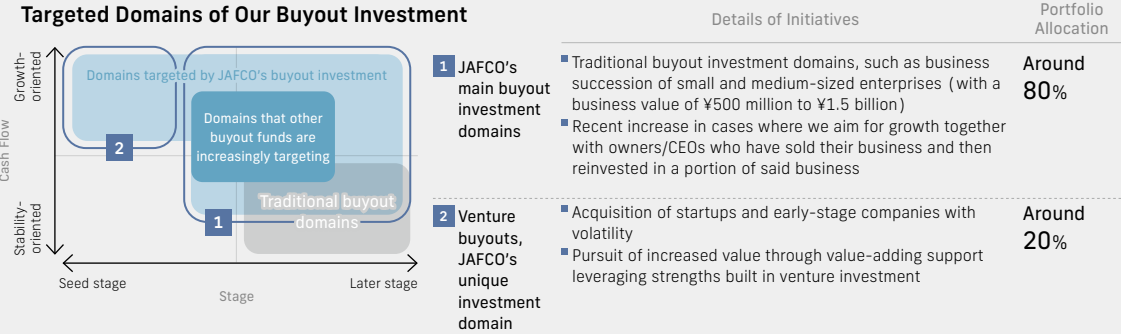
We gain a deep understanding of our portfolio companies' businesses through our firm commitment to stationing members part-time at these companies for about six months to two years after investment. In addition, drawing on the insight and networks we have cultivated through venture investment and on the IT solutions of the startups we have invested in, we constantly offer new perspectives and ideas in our unique efforts to support corporate growth.



#### Venture Buyouts—A Unique Investment Domain of JAFCO

In addition to traditional buyout investment such as corporate group restructuring and business succession, we have recently been concentrating on venture buyouts focused on corporate growth. With venture buyouts, we acquire startups and early-stage companies with positive cash flows and then provide value-adding support leveraging strengths built in venture investment. Venture buyouts are thus a type of investment where we can fully leverage JAFCO's know-how and network.

#### Targeted Domains of Our Buyout Investment



#### Enhancing the Buyout Organization New in fiscal year ended March 31, 2024

In February 2024, two new managing directors joined JAFCO B07 Investment Limited Partnership, a fund specializing in buyout investment, bringing the total number of managing directors to six. We will continue to build a robust organizational foundation and advance medium- to long-term buyout investments with a view to expanding the private equity market and the supply of risk capital.



Blue Laser Fusion, Inc.

Tackling Humanity’s Problems  
through Laser Fusion Technologies:  
Undertaking a Life-Defining Project  
under the Mentorship of a Nobel  
Prize Laureate

Venture investment New portfolio companies



MRSO Inc.

Going Public after Overcoming  
Fund Shortages and the Pandemic:  
Establishing a Preventative  
Medicine Ecosystem

Venture investment Exit completed



AVILEN, Inc.

Providing New Options for  
Accelerating Business Growth:  
AI Startup AVILEN, Inc. Achieves  
Tangible Results with JAFECO’s  
Buyout Investment

Buyout investment Exit completed



# Business Development



Naoki Sato  
Corporate Officer  
General Manager of Business Development Division  
Partner (SV6)

## Medium- to Long-Term Strategies of the Division

|                                       |   |
|---------------------------------------|---|
| Mission                               | » To support the corporate value enhancement of our portfolio companies according to their growth stage and help build ecosystems and expand markets for startups as part of our commitment to new business creation and jointly shaping the future with these companies  |
| Business Direction                    | » Enhance corporate value of portfolio companies by offering customer acquisition, human resource, and back-office support<br>» Increase business success rate through support for strengthening governance and risk assessment<br>» Promote conferences and community operations to enhance the ecosystems around portfolio companies<br>» Strengthen our capabilities for responding to needs for innovation creation at large companies and the entrepreneurial needs of individuals |
| JAFCO's Strengths                     | » Understanding of the key ingredients for startup success, focusing on a highly reproducible roadmap tailor-made for entrepreneurs, and focused on boosting corporate value with extensive IPO experience and know-how to portfolio companies for boosting corporate value and achieving IPOs<br>» Robust network of startup companies and large corporations built up through many years of investment experience   |
| Medium- to Long-Term Targets and KPIs | » Average ROI of 2.5x or more   |

## Results of Portfolio Company Support in Fiscal Year Ended March 31, 2024

| Most important issues for portfolio companies | Details of support  | Results for the fiscal year ended March 31, 2024 |
|---|---|--|
| Recruitment                                   | ■ C-level and other executive referrals<br>■ Organizational development consulting                      | Recruited <b>43</b> people                       |
| Customer acquisition (sales and marketing)    | ■ Support for lead generation<br>■ Tie-up arrangements<br>■ Proof of concept deal referrals             | Business meetings conducted <b>538</b> cases     |
| Back-office development                       | ■ IPO consulting<br>■ Support for establishing administrative divisions<br>■ Support for tool selection | IPO consulting <b>37</b> companies               |

## Initiatives to Realize Medium- to Long-Term Strategies

### Consistently Strengthening Portfolio Company Support

We believe that making a deep commitment to resolving the most important issues facing unlisted companies helps accelerate the growth of our portfolio companies. Therefore, we have continued to strengthen our support structure for employee recruitment, organization building, customer acquisition, and back-office development.

For human resources, we offer support focused on the recruitment of C-level executives, where recruitment needs are high but finding the right personnel can be difficult. With regard to organizational development, we work to resolve common organizational issues that arise in the course of implementing new initiatives by providing coaching for management and offering case studies and other support for business growth. For customer acquisition, we facilitate business matching between portfolio companies and primarily large corporations to increase the success rates of business negotiations and closings. In establishing back-office operations and providing IPO support, our team of certified public accountants and tax accountants is intensifying efforts to set up systems and various other operations geared toward IPOs.

### Portfolio Company Support Structure

Please see the "Our Support" page of our corporate website for more information. ➡



Through JAFCO's owned media, & JAFCO POST, we introduce examples of the Business Development Division's support for portfolio companies and offer overviews of the roles played by the organizational recruitment support team, the sales and marketing support team, and the back-office support team.



& JAFCO POST ➡

### Expanding the Startup Ecosystem

We plan and operate events on a regular basis to not only enhance the corporate value of our portfolio companies but also help expand the startup ecosystem. At such events, we share examples of initiatives by large corporations to create new businesses as well as our support for new business creation. We also facilitate collaborations between portfolio companies. Moving forward, we will continue to pursue these kinds of initiatives.



OFFROAD ➡



JAFCO CVC Summit 2023 ➡



# Fund Management

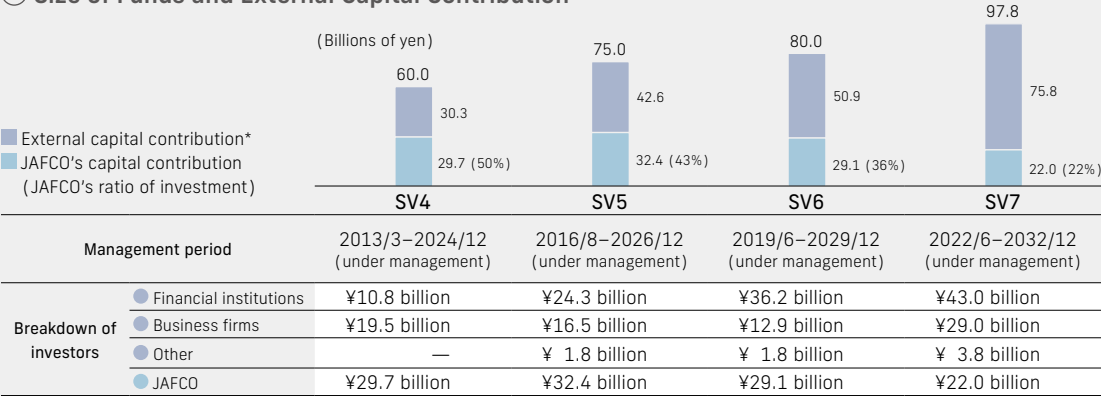


Sueko Matsumoto  
Corporate Officer  
In charge of Fund Management

## Medium- to Long-Term Strategies of the Division

|                                       |   |
|---------------------------------------|---|
| Mission                               | » To realize a virtuous cycle for growth capital by maintaining and expanding risk capital supply regardless of market conditions   |
| Business Direction                    | » Manage funds based on fiduciary responsibility and strengthen relationships with limited partners (external investors)<br>» Expand and diversify the investor base in view of market growth and changes in the market environment                           |
| JAFCO's Strengths                     | » Accumulated experience from managing private equity funds since 1982, overcoming various changes in the market environment<br>» Organizational response capabilities centered on our division, whose mission is to support limited partners and raise funds |
| Medium- to Long-Term Targets and KPIs | » Expand size of new funds and external capital contribution ratio in tandem with market growth and improvement in investment management capabilities<br>» Target external capital contribution ratio of 80% in fundraising activities for the next fund      |

## Size of Funds and External Capital Contribution



Note: Based on recent capital commitment amounts. Figures in parentheses are the amounts of domestic investment.

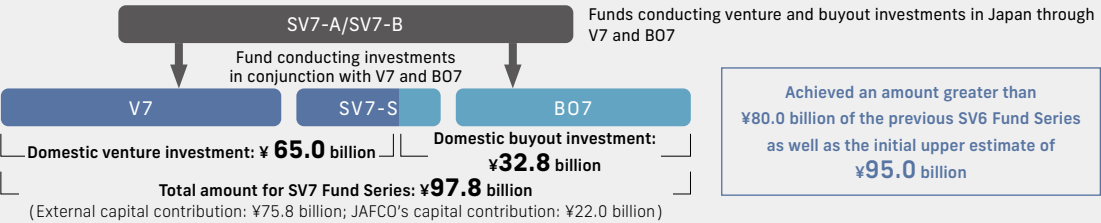
\* External capital contribution includes investment by JAFCO's partners and managing directors.

## Initiatives to Realize Medium- to Long-Term Strategies

### The Latest JAFCO SV7 Series New in fiscal year ended March 31, 2024

In September 2023, the flagship SV7 Fund Series reached its final closing, with total commitments exceeding initial plans at ¥97.8 billion. External capital contribution came to ¥75.8 billion, increasing significantly from ¥50.9 billion in the JAFCO SV6 Series. As a result, the ratio of JAFCO investment came to 22.4%, edging closer to our goal of 20% adopted under the Basic Policy for Enhancing Corporate Value.

One factor that led to this increase in external capital commitments was the establishment of funds V7, which conducts venture investment, B07, which conducts buyout investment, and SV7-A/SV7-B, which invest in both V7 and B07, which expanded the range of options available to investors. Creating dedicated funds for venture and buyout investment, which had previously been managed under the same funds, helped us acquire new institutional investors. Moreover, understanding the need of large corporations to explore collaboration with startups, we developed contact points with the divisions responsible for new business creation at business firms to help expand the startup ecosystem. This has not only helped us deepen our relationship with business firms but also increased their interest in JAFCO's portfolio companies and investment activities. In many instances, this led such business firms to invest in the SV7 Series.



## Enhancing Limited Partner Satisfaction

We hold small study sessions with our limited partners as many of them are interested in gaining more insight into private equity investment. We also facilitate business matching with our portfolio companies and create opportunities for interaction with the Investment Division. In these ways, we work to build deeper relationships with our limited partners.

## Improving Accuracy of Fair Value Valuation

In 2018, we commenced the fair value valuation of unlisted securities based on estimates and started disclosing them in our financial results. Through valuation methods based on international standards, we have continued to conduct fair value valuation and verify its accuracy every quarter. In the SV7 Series, we adopted fair value valuation as the official valuation for auditing purposes. Although the unique characteristics of the Japanese private equity market can sometimes cause difficulties in the valuation process, increasing transparency in the fair value valuation of unlisted securities helps expand investment by institutional investors in Japan and overseas, which in turn leads to the further development of Japan's private equity market.

## New Initiatives Driving the Expansion of the Private Equity Market

Amid changes in the global economy, the Japanese government has enacted the Policy Plan for Promoting Japan as a Leading Asset Management Center and the Startup Development Five-Year Plan. Various measures have been rolled out under these plans, and this has increased the level of interest in Japan's private equity market. With this trend in mind, we have been engaging with overseas investors, pension funds, education institutions, and other organizations with a focus on our next fund. As of 2024, unlisted securities can now be included in publicly offered investment trusts. For individual investors, a publicly offered investment trust jointly developed with Nomura Asset Management Co., Ltd. which incorporates our funds was released in August.

Overseas Strategy

Global Investment Framework and Overseas Strategy

The Company Group has investment teams for Japan, Asia, and the United States, which manage funds independently based on their respective investment strategies. Each investment team is deeply rooted in its local community and works comprehensively to identify promising investment candidates, conduct investment decision-making and execution, and provide support following investment.

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 the year 2000, we switched to managing funds in the same style as U.S. venture capital firms, with locally hired teams making investment decisions. This policy of entrusting fund management to local teams to make full use of their capabilities in venture investments, which are highly local in nature, has been passed on to today's Silicon Valley-based Icon Ventures.

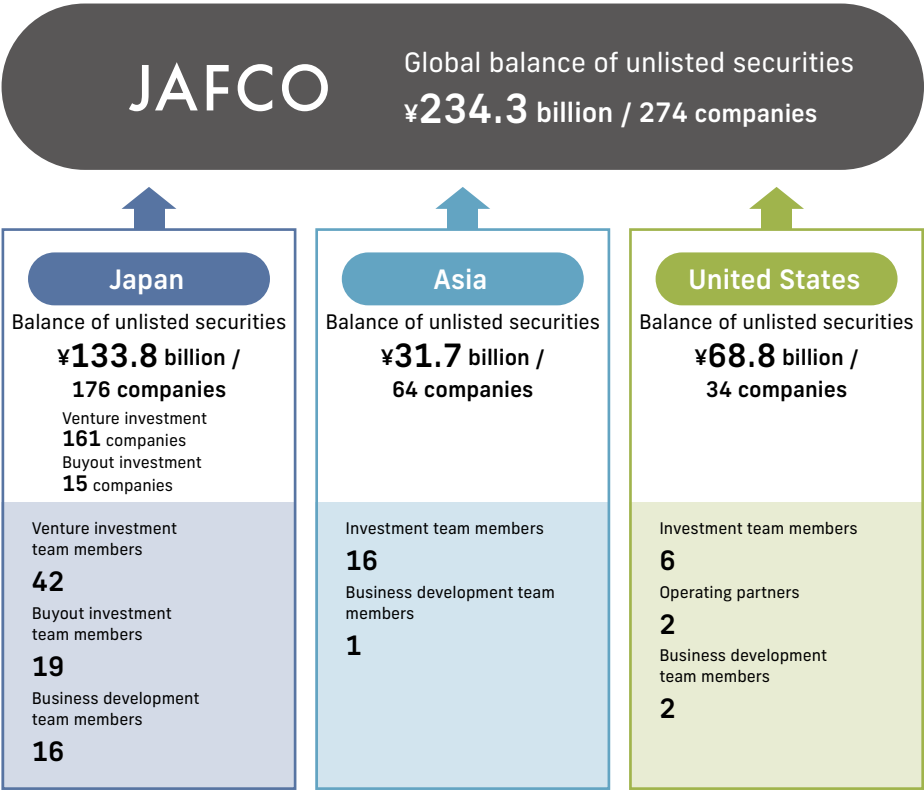
In Asia, our history of full-scale investment started back in the early 1990s. After the 1997 Asian financial crisis, we revamped our operating structure in the region in 2000, and in 2012, there was a change of

CEO at JAFCO Investment (Asia Pacific) Ltd. ("JAFCO Asia") in Singapore. In addition to promoting the further localization of operations, the new CEO also strived to share the JAFCO Group's investment philosophy and its standards for investment quality across the organization. Currently, JAFCO Asia's investment activities focus primarily on China, Taiwan, India, Indonesia, Vietnam, and Singapore.

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



Results for FY March 2024



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

Notes:  
• Balance of unlisted securities as of March 31, 2024 (acquisition cost basis)  
• Exchange rate: US\$1 = ¥151.41 (as of March 31, 2024)  
• Number of personnel is as of April 1, 2024  
• Overseas investments made by the Investment Division in Japan are included in the category of Japan.



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Section- 04

Business Foundation for Sustainable Growth

# DIALOGUE

## Dialogue between Independent Directors

Shigeru Tamura

Independent director  
serving as full-time  
Board-Audit Committee  
member



Kanako Muraoka

Independent director  
serving as Board-Audit  
Committee member  
(Appointed in June 2024)

— **Qualities Required for Being an Independent Director at JAFCO**

**Shigeru Tamura:** Ms. Muraoka, you were appointed as a new independent director of JAFCO at the General Meeting of Shareholders held in June 2024. Both you and I have experience serving as independent directors at several listed companies. The role of an independent director can vary significantly depending on the company, so I hope we can have an open discussion about what the ideal role of an independent director should be and how corporate governance should be structured. To start with, I would like to ask why you decided to join JAFCO.

**Kanako Muraoka:** I have been involved in many buyout investments and exits during my time as an attorney-at-law responsible for M&A projects. I have also been involved with investment and M&A projects in medical startups at a company where I previously served as independent director. Throughout these activities, I have noticed that even though many venture companies possess innovative technologies, they often have insufficient internal infrastructure and governance structures, including in terms of managing and protecting intellectual property rights. This led me to believe that it's important for venture capital companies to provide strong management support right from the initial stage. These experiences have made me highly interested in JAFCO, as it handles both venture and buyout investment.



## Ideal State of Governance and Role of Independent Directors in Realizing Corporate Value Enhancement over the Medium to Long Term



DIALOGUE Dialogue between Independent Directors



**Tamura:** I think the most important quality for an independent director is having a genuine interest in the company and its business, as you have just expressed. When selecting candidates, we prioritized those with expertise in legal affairs and compliance, like Mr. Tanami who recently stepped down, based on the Board of Directors’ skills matrix. In addition to being a regular attorney-at-law, you have a wealth of experience in legal matters related to private equity investment. Above all, you showed a genuine interest in JAFCO itself during our interviews, which prompted us to bring you on board.

For example, JAFCO has several portfolio companies in the entertainment sector involved in novel domains, such as “oshi culture” (a trend where fans enthusiastically support and celebrate their favorite people or things) and Vtuber entertainment—neither of which existed when we were young. While the traditional role of independent directors is to supervise management, at JAFCO, it is essential to have a strong interest in the business of our portfolio companies. Otherwise, we would not be able to make appropriate judgments or provide valuable opinions.

**Muraoka:** I’m actually quite curious by nature. At the same time, as a lawyer, I intend to fulfill the governance side of my role, starting with legal affairs and compliance. The governance and internal controls of portfolio companies have a direct impact on their valuation and corporate value. A company cannot go public in the first place if its governance is problematic, and even if such a company did achieve a listing, it would not be able to continue to grow afterward. If JAFCO is to help its portfolio companies build governance structures and promote compliance awareness, it must have in place its own stable governance and compliance structure.

Investing in Human Capital: An Essential Element for Enhancing Corporate Value

**Tamura:** JAFCO takes a strict approach to its portfolio companies, but there are areas where the Company may not be applying the same standards to itself. This isn’t just in terms of governance. For example, in recent years, JAFCO has focused exclusively on its fund business and hasn’t grown through new ventures or M&A initiatives. However, JAFCO urges its portfolio companies to pursue new challenges and changes. There have been cases where JAFCO itself should have tackled issues that were either not discussed or deemed too difficult to take on.

Most JAFCO employees, including the two inside directors, started their careers here. When someone has been at the same company since finishing university, there are things that can be difficult to change. They might not even recognize the need for change. For this reason, I believe JAFCO is on the right path by bringing in diverse talent from external organizations through mid-career hires. Continued investment in human capital will be essential moving forward.

**Muraoka:** I also think it’s important to invest in human capital. Looking at things from a slightly different perspective, I believe that JAFCO’s corporate value is essentially the sum total of its portfolio companies’ corporate values. To enhance JAFCO’s corporate value, the most important thing to do is improve the quality of each investment while at the same time strengthening support for management following the investment. This corresponds to an improvement of the Company’s investment management capabilities, which is reflected in stronger fundraising capabilities. Improving the probability of investment success and strengthening management support requires a well-developed human capital foundation within JAFCO. To ensure that talented individuals can demonstrate their abilities and find their work both enjoyable and fulfilling, it is essential to determine what to invest in and what to improve. As an independent director, I am deeply aware that these are key considerations I must address.

Aims and Impacts of the CEO Evaluation

**Muraoka:** Based on my experience as an independent director, I feel that shareholders and investors have a high level of expectations for and interest in the activities of nomination and remuneration committees comprised of a majority of independent directors. I have heard that JAFCO stepped up the activities of its Nomination and Remuneration Committee during the fiscal year ended March 31, 2024. Which areas did the Committee strengthen?

**Tamura:** Yes, the expectations of shareholders and other investors regarding our Nomination and Remuneration Committee are increasing substantially, even though it is voluntary. The Committee has made several noteworthy accomplishments in terms of remuneration, including the introduction of a transfer-restricted share remuneration plan in the fiscal year ended March 31, 2023. However, its role in nomination and remuneration had been limited to supervision of the process. In 2023, the Committee began to revise its CEO evaluation, which I believe is the most critical aspect of its responsibilities, and increased the frequency of meetings. Furthermore, it discussed succession planning more deeply, anticipating the possibility that the current CEO would not be reappointed.

While we have had basic evaluation criteria in place for some time, last year the Committee started defining them annually based on the goals provided by the CEO, such as what they aimed to achieve during the relevant period. In the fiscal year ended March 31, 2024, we determined these criteria in the second half, but for the current fiscal year, we must fine-tune our criteria at an earlier stage and consider reviews and adjustments by the end of the first half.

**Muraoka:** I think it’s important to compare and share the CEO’s self-assessment of the evaluation criteria and goals with the evaluation of the Nomination and Remuneration Committee at the start and end of each fiscal year. This process will allow the members of the Board of Directors to share the same goals throughout the fiscal year. At the

DIALOGUE Dialogue between Independent Directors

same time, the Nomination and Remuneration Committee can clarify what it expects of the CEO, which will lead to stronger succession plans.

**Tamura:** I agree. Although there needs to be ongoing discussion on succession plans, I have already seen some new internal developments in this matter. I won't go into the details, but I believe this is because the CEO has become keenly aware of being strictly evaluated through the process of formulating new evaluation criteria and conducting the actual evaluation.

**Muraoka:** Through its evaluation activities, the Nomination and Remuneration Committee has helped visualize short-, medium-, and long-term targets for the CEO. This allows the Committee to add additional details to these targets, provide objective evaluations of the CEO's self-assessment at the end of each fiscal year, and ultimately to deliberate on CEO compensation. In these ways, the committee plays an extremely important role. I have served on the nomination and remuneration committees of other companies and there are sometimes issues related to nomination and remuneration that are hard for inside directors to speak about. As such, shareholders and fund investors expect independent directors to take responsibility and actively engage in discussions on these matters.

— Pursuit of the Ideal Remuneration Structure

**Tamura:** Regarding the executive remuneration system, as I mentioned before, we have introduced a transfer-restricted share remuneration plan. It is meant to encourage executive officers to share the perspective of shareholders and to focus on the stock price more than ever. At the same time, it increases the ratio of performance-linked compensation. In other words, the structure that used to be split fifty-fifty between fixed compensation and bonuses now comprises one-third fixed compensation, one-third bonuses, and one-third share-based compensation. As a result, performance-linked compensation now accounts for two-thirds of total compensation. Nevertheless, I still have

concerns that the ratio of performance-linked compensation in the bonus is low, effectively making compensation less connected to performance. I do, however, believe that these developments are a step in the right direction.

**Muraoka:** Have there been any discussions about reestablishing KPIs for the bonus portion of compensation or revisions to the bonus structure?

**Tamura:** No, not yet. One approach to this issue could be to further expand the total amount of compensation while incorporating a design with a large range of fluctuation, such as providing no bonuses at all if a profit is not recorded. However, since JAFCO's business is not a flow-based business model, it's not appropriate to simply link compensation to the amount of profit over a particular period. While this is an extremely difficult issue, I believe that the Company needs to establish greater fluctuation ranges for bonuses.

**Muraoka:** For performance-linked share compensation, I think that overseas institutional investors often suggest incorporating total shareholder return (TSR) as a KPI with a fluctuation range from 0% to 300%. However, it is possible that this approach could cause issues such as a director pursuing near-term profits to temporarily boost the stock price during their tenure and then quickly resigning. For this reason, I have seen cases where the maximum evaluation coefficient is set at 200% or 150% and clawback provisions are included that require share-based compensation to be returned in the rare event that misconduct is discovered after a director steps down. The selection of evaluation criteria, the weight attached to multiple evaluation indicators, and the evaluation coefficients differ from company to company, so there is certainly room for consideration of what kind of system best fits JAFCO.

— Role Awareness and Ambitions as an Independent Director

**Muraoka:** In assuming the position of independent director, I feel a strong connection to JAFCO's Purpose of "Fueling perpetual growth; investing in bold visions" and its Mission of "Committing to new business creation and jointly shaping the future," and I'm proud to have become a member of the Company. As an independent director, I aim to help JAFCO contribute to creating a better society and further enhance its corporate value through its investment activities.

Governance and internal controls are routine areas but, based on my experience at another company where I led crisis management, I know that they have an extremely large impact on shareholders and other stakeholders. Frameworks are needed to prevent misconduct, and should such acts come to light, it is crucial for a company to take appropriate action from the start. As a Board-Audit Committee member, I will not forget to focus on risks.

**Tamura:** During in-house discussions, I think JAFCO sometimes relies too heavily on its own logic and customs, with participants saying things like "JAFCO's business is unique" and "this is common in the venture capital industry." One of my major roles is to actively state opinions from outside perspectives, without being deferential to the inside directors, to help maintain and enhance the effectiveness of JAFCO's governance.

With you on the board, Ms. Muraoka, I am very confident in our ability to further improve the effectiveness of governance. Under this new structure, I will make every effort possible to help JAFCO enhance its corporate value.





Board of Directors

|                              |                               | Directors   |   | Independent Directors  |   |   |   |
|------------------------------|-------------------------------|---|---|--|---|---|---|
|                              |                               |  |  |  |  |  |  |
| Experience / Expertise       |                               | Shinichi Fuki<br>Chairman   | Keisuke Miyoshi<br>President & CEO<br>(Representative Director)                   | Shigeru Tamura<br>Director (Board-Audit<br>Committee member, full-time)            | Kenichi Akiba<br>Director (Board-Audit<br>Committee member)                         | Yoshie Kajihara<br>Director (Board-Audit<br>Committee member)                       | Kanako Muraoka<br>Director (Board-Audit<br>Committee member)                        |
| Corporate Management         |                               | ●   | ●   | ●  |   | ●   |   |
| Investment                   |                               | ●   | ●   | ●  |   |   |   |
| Fundraising / Fund Operation |                               | ●   | ●   |  |   |   |   |
| Overseas Operation           |                               | ●   |   | ●  |   |   | ●   |
| Expertise*                   | Personnel / Labor Affairs     | ●   | ●   | ●  |   | ●   |   |
|                              | Treasury / Accounting         | ●   | ●   | ●  | ●   | ●   |   |
|                              | Legal Affairs / Compliance    | ●   | ●   |  |   |   | ●   |
|                              | Finance                       | ●   | ●   | ●  | ●   |   | ●   |
|                              | Academic Research / Education |   |   |  | ●   |   |   |

\* Directors Shinichi Fuki and Keisuke Miyoshi have experience in management team member recruitment, management figure analysis, investment legal affairs, fundraising arrangements, 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.  
Note: The table above does not represent all the knowledge or experience of the directors.

Senior Corporate Officer

Ko Minamikurosawa  
General Manager of Structured  
Investment Division

Corporate Officers

Hiroaki Matsuda  
General Manager of Administration Division

Sueko Matsumoto  
In charge of Fund Management

Naoki Sato  
General Manager of Business  
Development Division

Partners

Atsushi Fujii  
In charge of Venture Investment

Tomotake Kitazawa  
In charge of Venture Investment

Mizuki Takahara  
General Manager of the West Japan  
Branch

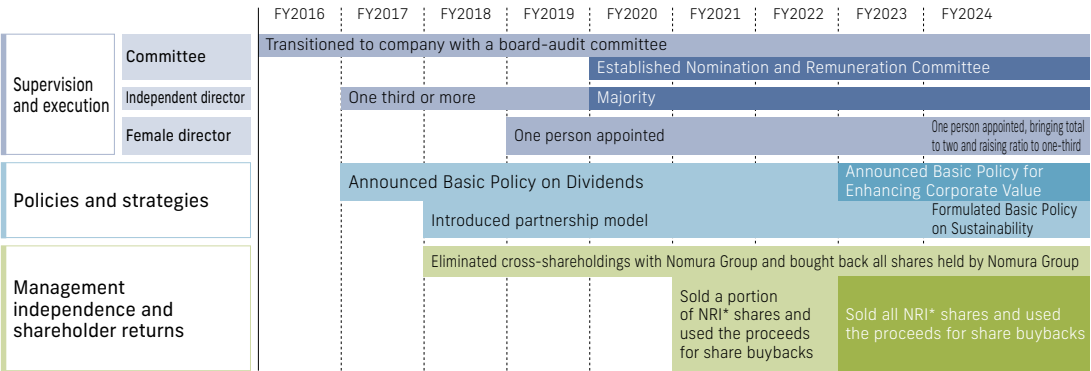
Yutaro Saka  
In charge of Venture Investment

Haruyoshi Konuma  
In charge of Venture Investment

Corporate Governance

Governance Initiatives

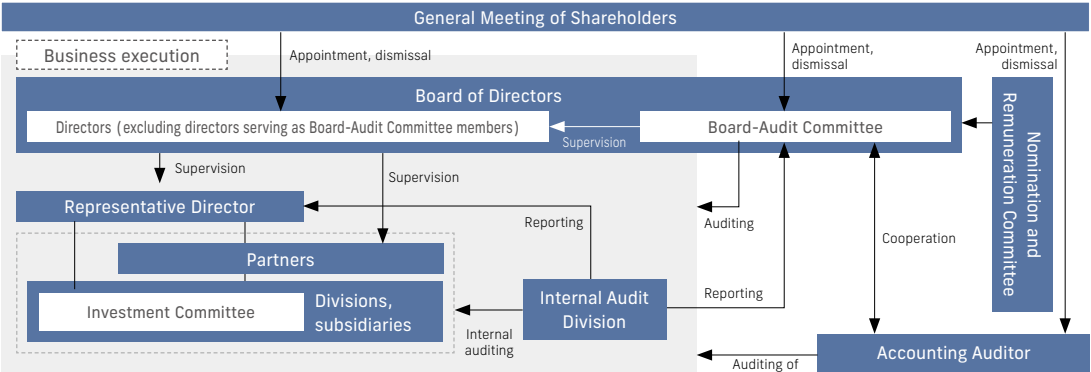
For the Company, which operates a high-risk business of venture and buyout investments, it is extremely important to enhance management governance and carry out fair and prompt decision-making. To date, we have made incremental improvements to governance each year in terms of increasing management independence,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



\* Nomura Research Institute, Ltd.

Corporate Governance Structure

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



Evaluation of the Effectiveness of the Board of Directors in the Fiscal Year Ended March 31, 2024

**Composition of the Board of Directors**  
In view of the supervisory functions of the Board of Directors, it is deemed appropriate that the majority of the Board consists of independent directors. Furthermore, the number of directors aligns well with JAFCO's scale and allows for substantive discussions. Also, the experience and expertise required for enriching discussions are deemed to have been sufficient for the fiscal year ended March 31, 2024.

**Operation of the Board of Directors**  
While there is high praise for the efficiency of time utilization, agenda explanations, and report presentations, there were also opinions suggesting room for further optimization. The evaluations of information provision to independent directors and support systems were positive, particularly due to pre-meeting agenda explanations.

**Roles and Responsibilities of the Board of Directors**  
Under the Basic Policy for Enhancing Corporate Value (the "Policy") formulated in the previous fiscal year, the Board of Directors has been supervising efforts to organize structures toward medium- to long-term goals and advancing operations through discussions on challenges and issues revealed during the deliberation of proposals and reports on business execution.

Under the Board's supervisory activities, JAFCO's ratio of investment in the SV7 Fund Series, which closed during the fiscal year ending March 31, 2024, concluded at 22%, nearing the medium- to long-term target of 20% set by the Policy.

Also, as part of its response to medium- to long-term challenges, the Board of Directors discussed sustainability-related initiatives and systems during the fiscal year ending March 31, 2024, resulting in the establishment of the Basic Policy on Sustainability.

Taking these factors into account, a comparison with the previous fiscal year indicates that the composition, operation, and roles and responsibilities of the Board of Directors have generally remained the same or improved, demonstrating the overall effectiveness of the Board.

**Future Challenges**  
It was confirmed that continuous monitoring of the progress of the medium- to long-term goals outlined in the Policy, conducted at appropriate intervals during Board of Directors' meetings, is essential, coupled with constructive discussions, and that ongoing dialogue is needed to delve into matters that require deliberation from a medium to long-term perspective.

We will continue to conduct regular evaluations to further increase the effectiveness of the Board of Directors.

Outline of Directors' Monetary Compensation

Director and Independent Director Remuneration in the Fiscal Year Ended March 31, 2024

| Director classification   | Total remuneration (millions of yen) | Total remuneration by category (millions of yen) |   |   |  | Number of applicable officers (persons) |
|---|--------------------------------------|--|---|---|--|---|
|   |                                      | Basic compensation (fixed)                       | Basic compensation (performance-linked) | Extraordinary compensation (performance-linked) | Transfer-restricted share remuneration |   |
| Directors (excluding Board-Audit Committee members and independent directors) | 211                                  | 69   | 14                                      | 55  | 72                                     | 2                                       |
| Directors (Board-Audit Committee members) (of whom, independent directors)    | 78 (78)                              | 78 (78)  | –                                       | –   | –                                      | 4 (4)                                   |
| Total (of whom, independent directors)  | 290 (78)                             | 148 (78)   | 14 (–)                                  | 55 (–)  | 72 (–)                                 | 6 (4)                                   |

Total Remuneration for Individuals with Remuneration Amounting to ¥100 Million or More in the Fiscal Year Ended March 31, 2024

| Name            | Total remuneration<br>(millions of yen) | Director<br>classification | Company<br>classification | Total remuneration by category (millions of yen) |   |   |  |       |
|-----------------|---|----------------------------|---------------------------|--|---|---|--|-------|
|                 |   |                            |                           | Basic<br>compensation<br>(fixed)                 | Basic<br>compensation<br>(performance-<br>linked) | Extraordinary<br>compensation<br>(performance-<br>linked) | Transfer-restricted<br>share<br>remuneration | Other |
| Shinichi Fuki   | 103                                     | Director                   | Submitting<br>company     | 35   | 7   | 24  | 36   | –     |
| Keisuke Miyoshi | 110                                     | Director                   | Submitting<br>company     | 34   | 7   | 30  | 36   | 1     |

Notes: 1. Non-monetary remuneration to Shinichi Fuki (director/submitting company) amounted to ¥36.0 million in transfer-restricted shares.  
2. Non-monetary remuneration to Keisuke Miyoshi (director/submitting company) amounted to ¥36.0 million in transfer-restricted shares.



Corporate Governance



Status of Committee Activities



Board of Directors

Chairperson

  
Chairman President & CEO



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

Board-Audit Committee

Chairperson




  
Chairperson





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

Nomination and Remuneration Committee

Chairperson

  
President & CEO



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

Activities in FY March 2024

Meetings held: 14 / Participation: 100%

Main resolutions

- Realization of management mindful of capital costs and the stock price
- Issued zero coupon convertible bonds due 2028
- Formulation of Basic Policy on Sustainability; endorsement of TCFD recommendations
- Matters related to new personnel system
- Appointment of directors, executive officers, partners, and managing directors
- Remuneration for directors, corporate officers, partners and managing directors (basic, extraordinary, and stock-related compensation)
- Directors and officers liability insurance
- Approval of potential conflict-of-interest transactions by directors
- Acquisition and cancellation of treasury shares
- Surplus dividends

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

Activities in FY March 2024

Meetings held: 13 / Participation: 100%

Main resolutions and reports

Resolutions

- Board-Audit Committee audit plans and division of duties
- Agreed on remuneration for accounting auditors
- Audit reports
- Approval of potential conflict-of-interest transactions
- Formation of opinions on the appointment and remuneration of directors (excluding Board-Audit Committee members)
- Agreed on the proposal for nomination of directors who are Board-Audit Committee members, etc.

Reports

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

Activities in FY March 2024

Meetings held: 5 / Participation: 100%

Main resolutions

- Evaluated CEO (established evaluation criteria and implemented evaluation based on said criteria)
- Matters related to composition and compensation (including basic compensation, extraordinary compensation, and stock-based compensation) of directors, executive officers, partners, and representatives of key subsidiaries

Investment Committee

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

Risk Management

Risk Management System

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

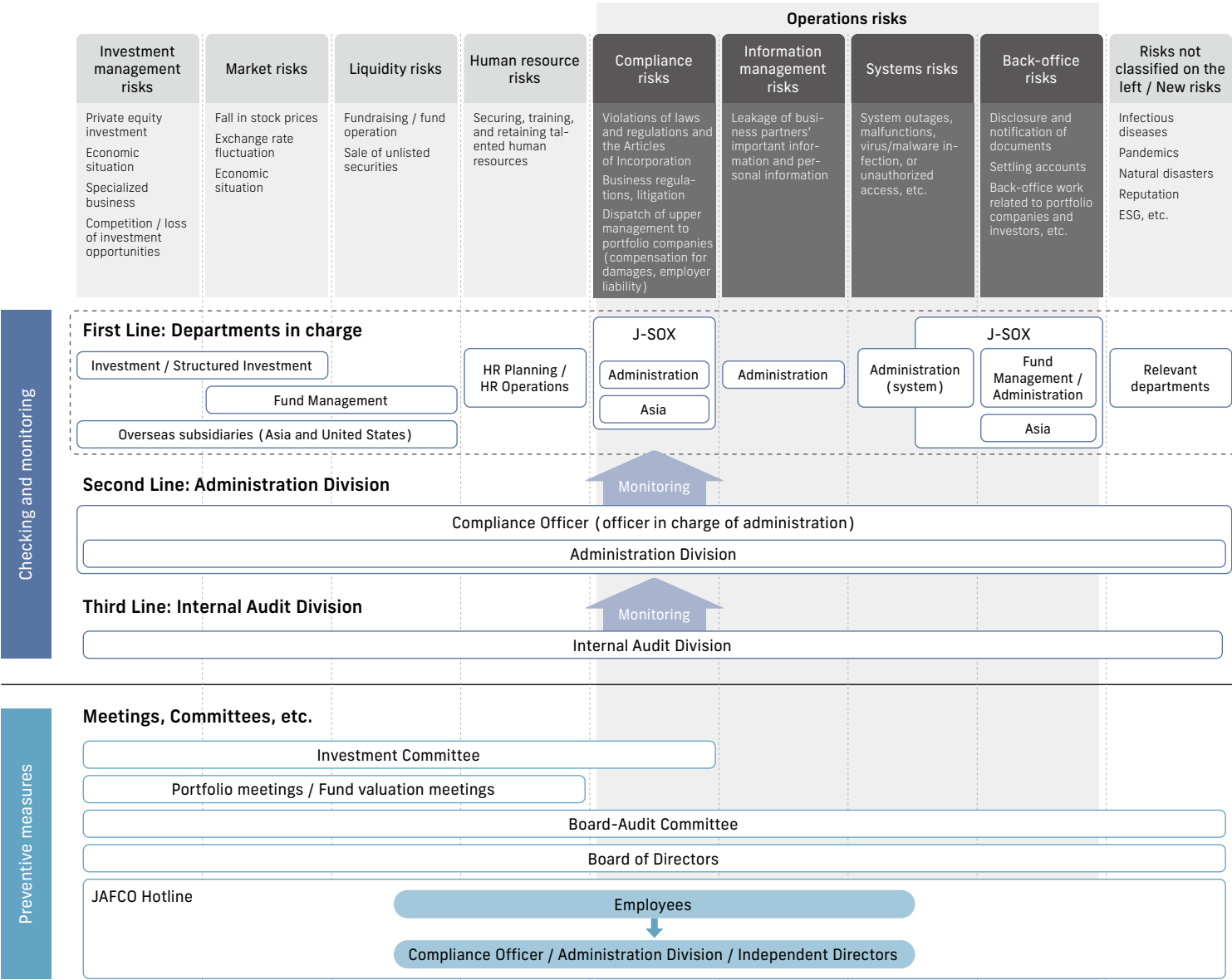
Our risk management rules define the management system in accordance with the characteristics and importance of each risk. The risks that we manage are classified into categories including investment management risks, market risks, liquidity risks, human resource risks, compliance risks, information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

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

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

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

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





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Section- 05

# Corporate Data

11-Year Summary

|   | 2014.3    | 2015.3    | 2016.3    | 2017.3    | 2018.3    | 2019.3    | 2020.3    | 2021.3    | 2022.3    | 2023.3    | (Millions of yen)<br>2024.3 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------------------|
| <b>Operating results</b>                                    |           |           |           |           |           |           |           |           |           |           |                             |
| Net sales   | 44,890    | 61,945    | 41,155    | 27,857    | 29,470    | 25,878    | 29,855    | 21,512    | 27,677    | 14,073    | 24,443                      |
| Revenue from operational investment securities              | 38,498    | 56,471    | 32,376    | 20,774    | 23,470    | 23,291    | 23,697    | 16,164    | 20,257    | 9,665     | 19,013                      |
| Income from fund management                                 | 6,279     | 5,218     | 8,688     | 7,062     | 5,987     | 2,586     | 6,155     | 5,340     | 7,410     | 4,402     | 5,425                       |
| Other   | 112       | 256       | 90        | 20        | 12        | 0         | 1         | 6         | 9         | 4         | 4                           |
| Operating income  | 27,302    | 38,419    | 19,226    | 12,324    | 14,252    | 12,239    | 14,970    | 8,964     | 16,876    | (4,414)   | 8,175                       |
| Operating margin (%)  | 60.8      | 62.0      | 46.7      | 44.2      | 48.4      | 47.3      | 50.1      | 41.7      | 61.0      | (31.4)    | 33.4                        |
| Profit attributable to JAFCO Group Co., Ltd. stockholders   | 17,292    | 27,707    | 17,018    | 11,073    | 24,235    | 10,162    | 11,839    | 38,504    | 15,080    | 40,571    | 7,494                       |
| Net profit margin (%)                                       | 38.5      | 44.7      | 41.4      | 39.8      | 82.2      | 39.3      | 39.7      | 179.0     | 54.5      | 288.3     | 30.7                        |
| <b>Cash flows</b>   |           |           |           |           |           |           |           |           |           |           |                             |
| Cash flows from operating activities                        | 30,153    | 28,822    | 12,788    | 15,117    | 7,425     | (1,350)   | 12,177    | 8         | (12,958)  | (7,245)   | (9,570)                     |
| Cash flows from investing activities                        | 2,550     | (5,744)   | 11,768    | (1,580)   | 24,732    | 213       | (277)     | 49,154    | 748       | 69,640    | (100)                       |
| Cash flows from financing activities                        | (18,442)  | (3,970)   | (14,092)  | (5,817)   | (69,046)  | (3,923)   | (3,581)   | (13,944)  | (43,474)  | (46,225)  | 6,836                       |
| Cash and cash equivalents at end of period                  | 68,290    | 89,895    | 99,302    | 107,179   | 70,086    | 63,878    | 72,040    | 107,517   | 52,603    | 69,481    | 67,606                      |
| <b>Financial position</b>                                   |           |           |           |           |           |           |           |           |           |           |                             |
| Total assets  | 220,167   | 239,035   | 214,245   | 237,902   | 191,550   | 184,213   | 222,059   | 262,383   | 233,024   | 159,847   | 165,540                     |
| Net assets  | 159,347   | 188,125   | 189,501   | 207,855   | 160,299   | 163,215   | 188,366   | 215,237   | 197,390   | 130,745   | 137,639                     |
| Total capital commitments                                   | 494,899   | 420,641   | 432,912   | 434,772   | 348,506   | 359,103   | 433,939   | 451,475   | 332,251   | 419,237   | 465,648                     |
| Balance of investment loss reserves*1                       | 18,788    | 15,757    | 15,176    | 12,332    | 10,351    | 9,501     | 8,229     | 10,917    | 8,969     | 14,490    | 13,754                      |
| <b>Major indicators</b>                                     |           |           |           |           |           |           |           |           |           |           |                             |
| Return on equity (ROE) (%)                                  | 12.7      | 15.9      | 9.0       | 5.6       | 13.2      | 6.3       | 6.7       | 19.1      | 7.3       | 24.7      | 5.6                         |
| Return on assets (ROA) (%)                                  | 7.9       | 11.6      | 7.9       | 4.7       | 12.7      | 5.5       | 5.3       | 14.7      | 6.5       | 20.7      | 4.6                         |
| Equity ratio (%)  | 72.4      | 78.7      | 88.5      | 87.4      | 83.7      | 88.6      | 84.8      | 82.0      | 84.7      | 81.8      | 83.1                        |
| Dividend payout ratio (%)                                   | 6.4       | 16.0      | 26.1      | 40.1      | 15.6      | 34.1      | 30.8      | 11.0      | 26.5      | 25.6      | 50.1                        |
| Total investment balance*2                                  | 175,167   | 155,176   | 128,839   | 119,596   | 120,879   | 133,424   | 144,227   | 164,146   | 190,046   | 225,029   | 241,867                     |
| Number of existing portfolio companies*2                    | 580       | 483       | 378       | 327       | 279       | 266       | 235       | 251       | 269       | 294       | 307                         |
| <b>Per share information</b>                                |           |           |           |           |           |           |           |           |           |           |                             |
| Earnings per share (EPS) (¥)                                | 129.9     | 208.2     | 127.9     | 83.2      | 229.0     | 109.5     | 127.6     | 416.5     | 192.5     | 586.9     | 137.6                       |
| Book value per share (BPS) (¥)                              | 1,197.2   | 1,413.4   | 1,423.7   | 1,561.6   | 1,727.5   | 1,758.9   | 2,030.0   | 2,438.7   | 2,769.2   | 2,404.1   | 2,526.3                     |
| Annual dividend per share (¥)                               | 8.3       | 33.3      | 33.3      | 33.3      | 35.7      | 37.3      | 39.3      | 46.0      | 51.0      | 150.0     | 69.0                        |
| <b>Stock price indices</b>                                  |           |           |           |           |           |           |           |           |           |           |                             |
| Closing stock price at fiscal year-end (¥)                  | 1,543.3   | 1,490.0   | 1,153.3   | 1,246.7   | 1,680.0   | 1,321.7   | 938.7     | 2,193.3   | 1,875.0   | 1,893.0   | 1,880.0                     |
| Market capitalization*3 (¥ billion)                         | 205.4     | 198.3     | 153.5     | 165.9     | 155.9     | 122.6     | 87.1      | 193.6     | 133.7     | 102.9     | 102.4                       |
| Price earnings ratio (PER)                                  | 11.9      | 7.2       | 9.0       | 15.0      | 7.3       | 12.1      | 7.4       | 5.3       | 9.7       | 3.2       | 13.7                        |
| Price-to-book ratio (P/B ratio)                             | 1.3       | 1.1       | 0.8       | 0.8       | 1.0       | 0.8       | 0.5       | 0.9       | 0.7       | 0.8       | 0.7                         |
| <b>Investment amounts / Number of companies by region*4</b> |           |           |           |           |           |           |           |           |           |           |                             |
| Japan   | 10,806/30 | 7,691/31  | 12,195/36 | 15,180/33 | 18,057/37 | 11,379/26 | 24,883/35 | 21,491/35 | 23,216/56 | 27,873/47 | 22,573/45                   |
| United States   | 5,400/19  | 10,005/21 | 5,008/10  | 3,938/12  | 7,101/19  | 10,753/19 | 8,425/24  | 7,637/18  | 7,775/16  | 8,630/16  | 4,046/14                    |
| Asia  | 4,667/19  | 3,947/19  | 4,236/16  | 1,786/10  | 5,063/11  | 3,014/11  | 1,459/12  | 3,684/13  | 6,060/21  | 5,286/22  | 4,070/10                    |

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.

\*1 Balance of investment loss reserves: Other funds are excluded from the fiscal year ended March 31, 2020.  
\*2 Figures for total investment balance and number of existing portfolio companies are for overall funds, including listed portfolio companies.  
\*3 Market capitalization excludes treasury shares.  
\*4 Figures for investment amounts and number of companies are for overall funds.

Changes in Fund Performance

Performance of Main Funds in Operation

As of March 31, 2024 (Preliminary basis)

(Billions of yen [Japan], Millions of U.S. dollars [United States / Asia])

| Funds           | Establishment | Capital commitments (total funds under management) | Paid-in capital (PI) | Total distribution (D) | Fair value valuation (Japan: Reference value) |             |                     |                                 | Marked-down valuation   |             |                     |                                 |
|-----------------|---------------|--|----------------------|------------------------|---|-------------|---------------------|---------------------------------|-------------------------|-------------|---------------------|---------------------------------|
|                 |               |  |                      |                        | Remaining valuation (R)                       | Net IRR (%) | Multiple (D + R)/PI | Previous year multiple (2022/3) | Remaining valuation (R) | Net IRR (%) | Multiple (D + R)/PI | Previous year multiple (2022/3) |
| Japan           |               |  |                      |                        |   |             |                     |                                 |                         |             |                     |                                 |
| JAFCO SV4       | Mar. 2013     | 60.0   | 1.00                 | 1.66                   | 0.55  | 15.4        | 2.22                | 2.27                            | 0.21                    | 13.2        | 1.87                | 1.84                            |
| JAFCO SV5       | Aug. 2016     | 75.0   | 0.95                 | 0.18                   | 1.15  | 6.2         | 1.40                | 1.18                            | 0.71                    | —           | 0.93                | 0.85                            |
| JAFCO SV6       | June 2019     | 80.0   | 0.93                 | 0.27                   | 1.07  | 12.5        | 1.45                | 1.11                            | 0.78                    | 4.4         | 1.14                | 0.86                            |
| JAFCO V7        | June 2022     | 65.0   | 0.34                 | 0.00                   | 0.32  | —           | 0.94                | —                               | 0.30                    | —           | 0.90                | —                               |
| JAFCO BO7       | June 2022     | 32.8   | 0.40                 | 0.00                   | 0.46  | 17.2        | 1.15                | —                               | 0.36                    | —           | 0.92                | —                               |
| [JAFCO SV7]     | June 2022     | [97.8]   | 0.41                 | 0.00                   | 0.41  | —           | 1.00                | —                               | 0.38                    | —           | 0.92                | —                               |
| Asia            |               |  |                      |                        |   |             |                     |                                 |                         |             |                     |                                 |
| JATF VI         | Mar. 2013     | 150  | 1.00                 | 2.37                   | 0.17  | 21.5        | 2.54                | 2.57                            |                         |             |                     |                                 |
| JATF VII        | Apr. 2017     | 140  | 0.98                 | 0.06                   | 0.88  | —           | 0.96                | 0.88                            |                         |             |                     |                                 |
| JAFCO Taiwan I  | Sep. 2019     | 67   | 0.99                 | 0.00                   | 1.24  | 8.5         | 1.26                | 1.24                            |                         |             |                     |                                 |
| JAFCO Taiwan II | Dec. 2022     | 95   | 0.21                 | 0.00                   | 0.17  | —           | 0.83                | —                               |                         |             |                     |                                 |
| JAS-8           | Apr. 2021     | 130  | 0.55                 | 0.00                   | 0.50  | —           | 0.90                | 0.90                            |                         |             |                     |                                 |
| United States   |               |  |                      |                        |   |             |                     |                                 |                         |             |                     |                                 |
| Icon II         | Apr. 2006     | 108  | 0.96                 | 1.37                   | 0.01  | 6.4         | 1.34                | 1.34                            |                         |             |                     |                                 |
| Icon IV         | Feb. 2010     | 150  | 1.00                 | 2.45                   | 0.46  | 11.4        | 2.52                | 2.55                            |                         |             |                     |                                 |
| Icon V          | May 2012      | 260  | 0.99                 | 0.53                   | 0.40  | —           | 0.95                | 1.28                            |                         |             |                     |                                 |
| Icon VI         | Dec. 2015     | 375  | 0.93                 | 0.07                   | 1.34  | 7.9         | 1.51                | 1.56                            |                         |             |                     |                                 |
| Icon VII        | Jan. 2021     | 235  | 0.51                 | 0.00                   | 0.40  | —           | 0.79                | —                               |                         |             |                     |                                 |

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

Fair Value Valuation

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

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

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

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

Fund Performance of Fully Liquidated Funds

(Billions of yen)

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

(Millions of U.S. dollars)

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

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

ESG Data

Environmental

|  | Unit                                    | 2020.3 | 2021.3 | 2022.3 | 2023.3 | 2024.3 |
|--|---|--------|--------|--------|--------|--------|
| Greenhouse gas emissions (Scope 1 and Scope 2) | t-CO <sub>2</sub>                       | 91.5   | 75.6   | 81.5   | 90.5   | 38.2   |
| Energy consumption                             | Electricity consumption<br>Thousand kWh | 88.2   | 64.7   | 77.5   | 82.1   | 80.4   |

Social

|  | Unit                                      | 2020.3    | 2021.3     | 2022.3    | 2023.3     | 2024.3     |
|--|---|-----------|------------|-----------|------------|------------|
| Employees  |   |           |            |           |            |            |
| Number of employees (non-consolidated)                     | Headcount                                 | 102       | 103        | 108       | 117        | 126        |
|  | Male                                      | 74        | 74         | 76        | 82         | 91         |
|  | Female                                    | 28        | 29         | 32        | 35         | 35         |
| Number of employees (consolidated) *1                      | Headcount                                 | 131       | 132        | 135       | 147        | 159        |
|  | Male                                      | 83        | 84         | 83        | 93         | 104        |
|  | Female                                    | 48        | 48         | 52        | 54         | 55         |
| Average years of service                                   | Years, months                             | 17 y, 4 m | 17 y, 1 m  | 16 y, 3 m | 14 y, 11 m | 14 y, 0 m  |
|  | Male                                      | 16 y, 1 m | 15 y, 11 m | 15 y, 6 m | 13 y, 11 m | 12 y, 10 m |
|  | Female                                    | 20 y, 9 m | 20 y, 3 m  | 18 y, 1 m | 17 y, 4 m  | 17 y, 2 m  |
| Average age  | Age                                       | 44 y, 3 m | 44 y, 3 m  | 44 y, 0m  | 42 y, 11 m | 42 y, 6 m  |
|  | Male                                      | 43 y, 1 m | 43 y, 4 m  | 43 y, 5 m | 42 y, 2 m  | 42 y, 1 m  |
|  | Female                                    | 47 y, 7 m | 46 y, 6 m  | 45 y, 5 m | 44 y, 9 m  | 43 y, 7 m  |
| Turnover rate*2  | %   | 9.4       | 13.3       | 6.7       | 8.9        | 13.6       |
| Average annual working hours                               | Hours                                     | 2,060     | 2,109      | 2,144     | 2,128      | 2,142      |
| Annual paid leave utilization rate                         | %   | 43.6      | 35.1       | 40.9      | 47.3       | 50.8       |
| Remote working implementation rate*3                       | %   | —         | 99.4       | 98.2      | 96.3       | 95.1       |
| Recruitment and diversity                                  |   |           |            |           |            |            |
| Number of new hires (new graduates)                        | Headcount                                 | 2         | 4          | 1         | 4          | 6          |
|  | Male                                      | 2         | 2          | 1         | 3          | 3          |
|  | Female                                    | 0         | 2          | 0         | 1          | 3          |
| Number of new hires (mid-career)                           | Headcount                                 | 2         | 13         | 11        | 16         | 17         |
|  | Male                                      | 1         | 11         | 6         | 12         | 14         |
|  | Female                                    | 1         | 2          | 5         | 4          | 3          |
| Ratio of female employees among new hires                  | %   | 0.0       | 50.0       | 0.0       | 25.0       | 50.0       |
| Ratio of female employees                                  | %   | 27.5      | 28.2       | 29.6      | 29.9       | 27.8       |
| Front office (Investment, branches, Structured Investment) |   | 9.3       | 11.9       | 10.9      | 10.2       | 14.0       |
|  | Middle/back office (other than the above) | 40.7      | 39.3       | 43.5      | 44.1       | 39.1       |
| Ratio of female managers                                   | %   | 15.6      | 15.4       | 16.2      | 16.9       | 15.4       |
| Front office (Investment, branches, Structured Investment) |   | 10.3      | 10.3       | 9.4       | 6.1        | 7.7        |
|  | Middle/back office (other than the above) | 20.0      | 19.4       | 22.2      | 26.3       | 23.1       |
| Childcare leave utilization rate*4                         | Men                                       | 0.0       | 0.0        | 25.0      | 25.0       | 40.0       |
|  | Women                                     | —         | —          | —         | 100.0      | 100.0      |
| Human resources development                                |   |           |            |           |            |            |
| Average hours for training and human resources development | Hours per employee                        | 10.1      | 10.1       | 13.8      | 17.6       | 20.3       |

Governance

|   | Unit        | 2020.3   | 2021.3   | 2022.3   | 2023.3   | 2024.3   |
|---|-------------|----------|----------|----------|----------|----------|
| Corporate governance  |             |          |          |          |          |          |
| Number of directors   | Inside      | Persons  | 3        | 3        | 3        | 2        |
|   | Male        |          | 3        | 3        | 3        | 2        |
|   | Female      |          | 0        | 0        | 0        | 0        |
|   | Independent | Persons  | 4        | 4        | 4        | 4        |
|   | Male        |          | 3        | 3        | 3        | 3        |
|   | Female      |          | 1        | 1        | 1        | 1        |
| Average term of office for directors  | Year        | 6 y, 9 m | 7 y, 9 m | 8 y, 9 m | 8 y, 9 m | 9 y, 9 m |
| Number of Board of Directors meetings held  | Times       | 13       | 14       | 13       | 17       | 14       |
| Average attendance rate for Board of Directors meetings                             | %           | 100      | 100      | 100      | 100      | 100      |
| Ratio of independent directors  | %           | 57.1     | 57.1     | 57.1     | 66.7     | 66.7     |
| Ratio of female directors   | %           | 14.3     | 14.3     | 14.3     | 16.7     | 16.7     |
| Number of Board-Audit Committee members   | Inside      | Persons  | 0        | 0        | 0        | 0        |
|   | Independent |          | 4        | 4        | 4        | 4        |
| Number of Board-Audit Committee meetings held                                       | Times       | 14       | 14       | 14       | 14       | 13       |
| Average attendance rate for Board-Audit Committee meetings                          | %           | 100      | 100      | 100      | 100      | 100      |
| Number of Nomination and Remuneration Committee members                             | Persons     | 5        | 5        | 5        | 5        | 5        |
|   | Inside      | 1        | 1        | 1        | 1        | 1        |
|   | Independent | 4        | 4        | 4        | 4        | 4        |
| Number of Nomination and Remuneration Committee meetings held                       | Times       | 3        | 3        | 5        | 3        | 5        |
| Attendance rate for Nomination and Remuneration Committee meetings                  | %           | 100      | 100      | 100      | 100      | 100      |
| Director remuneration (excludes directors serving as Board-Audit Committee members) |             |          |          |          |          |          |
| Basic compensation  |             | 91       | 90       | 90       | 94       | 83       |
| Extraordinary compensation  |             | 89       | 84       | 92       | 46       | 55       |
| Transfer-restricted share remuneration  |             | —        | —        | —        | 52       | 72       |
| Total   |             | 180      | 175      | 183      | 193      | 211      |
| Remuneration of directors serving as Board-Audit Committee members                  |             |          |          |          |          |          |
| Basic compensation  |             | 75       | 73       | 75       | 76       | 78       |
| Remuneration of independent directors*5   |             |          |          |          |          |          |
| Basic compensation  |             | 68       | 73       | 75       | 76       | 78       |

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



Company Profile and Shareholder/Investor Information (As of March 31, 2024)

Company Profile

Trade name ..... JAFCO Group Co., Ltd. (JAFCO)

President & CEO ..... Keisuke Miyoshi

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 ..... 159 (consolidated), 126 (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

Stock Information

Authorized number of shares ..... 240,000,000

Number of shares issued ..... 56,060,000

Number of shareholders ..... 17,781

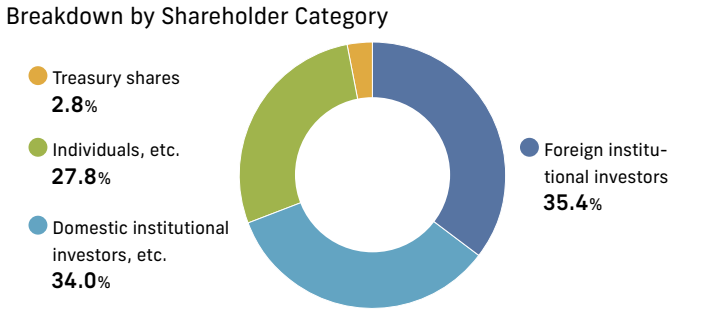
Listed market ..... TSE Prime Market

Securities code ..... 8595

Administrator of shareholders' register and banking corporation .... Mitsubishi UFJ Trust

Fiscal year ..... April 1 to March 31 of the following year

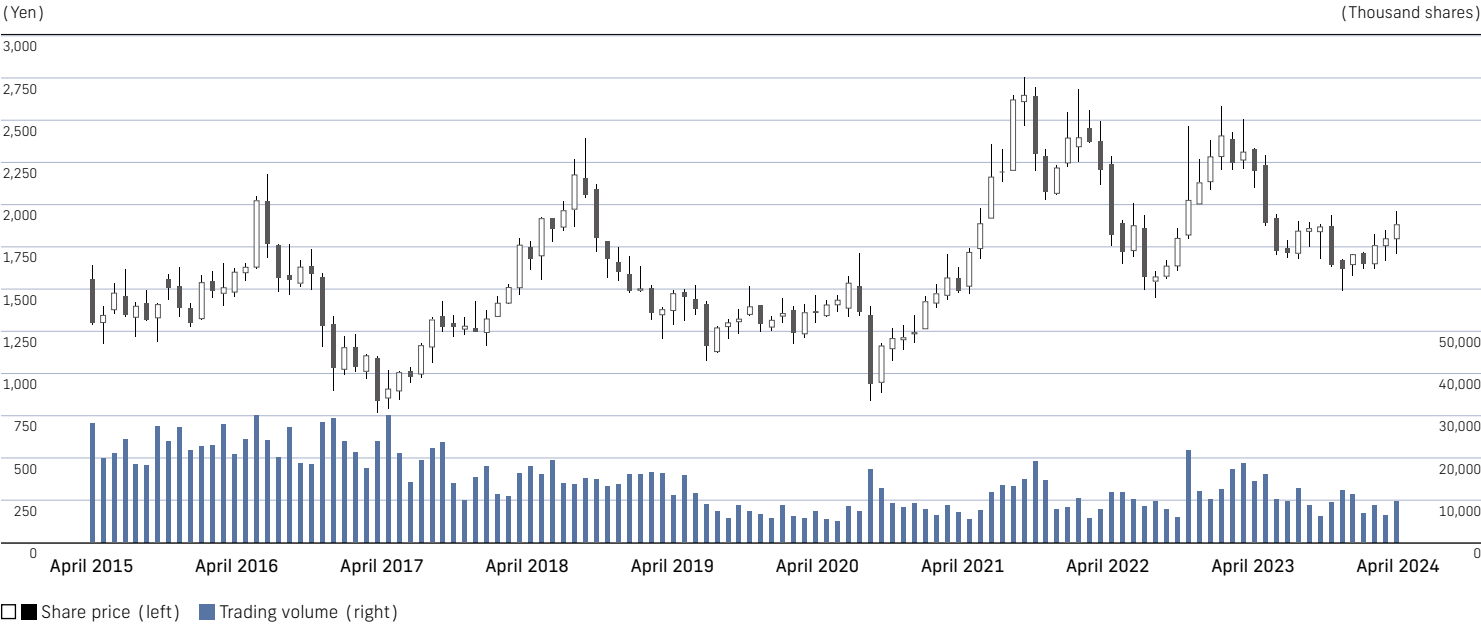
Shareholder Composition



Total Shareholder Return

|                                   | March 2020 | March 2021 | March 2022 | March 2023 | March 2024 |
|-----------------------------------|------------|------------|------------|------------|------------|
| JAFCO Group                       | 74.0%      | 172.4%     | 152.2%     | 164.9%     | 169.2%     |
| Reference: TOPIX Net Total Return | 90.5%      | 128.6%     | 131.2%     | 138.8%     | 196.2%     |

Share Price and Trading Volume



Major Shareholders

| Name   | Number of shares held (thousand shares) | Shareholding ratio (%) |
|--|---|------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)   | 8,200                                   | 15.1                   |
| Custody Bank of Japan, Ltd. (Trust Account)  | 3,521                                   | 6.5                    |
| Yoshiteru Akita  | 2,002                                   | 3.7                    |
| Nippon Life Insurance Company  | 1,158                                   | 2.1                    |
| NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG<br>RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT | 1,006                                   | 1.8                    |
| J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF<br>ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT          | 903                                     | 1.7                    |
| STATE STREET BANK AND TRUST COMPANY 505103   | 856                                     | 1.6                    |
| Goldman Sachs Securities Co., Ltd. BNYM  | 835                                     | 1.5                    |
| Hikari Tsushin, Inc.   | 749                                     | 1.4                    |
| CLEARSTREAM BANKING S.A.   | 741                                     | 1.4                    |

Notes: 1. The Company holds 1,576 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.