

## ■ To our shareholders:

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The amount of capital raised by start-up companies has been increasing dramatically worldwide. In the US and China, a single financing round of over several hundreds of millions of US dollars is not uncommon. In Japan, the number of rounds raising more than ¥1 billion nearly reached 100 in 2018. Some companies raised more than ¥10 billion.

A massive wave of fundraising for start-up companies seems to reflect a mixture of big anxiety and expectations for the near future. Global excessive liquidity has caused incommensurable capital inflows to the illiquid private equity market. This provokes anxiety about a large adjustment phase.

Yet, even if there was a large adjustment phase, the size of financing rounds will not return to the previous level. This is because there are expectations for the rapid advance of digitization.

The speed of communications networks and information processing has increased with the widespread of the internet, and will continue to increase dramatically. This leads to AI, IoT and other advances in software engineering. The second stage of digital revolution is about to start. In the first stage, GAFA and other tech giants emerged by changing existing business models. In the second stage, existing sectors, such as IT and biotechnology, blend to create totally new industries.

For start-up companies to succeed amid earth-moving changes in the business environment, they must launch a business in an incomparably short period of time and carry out large financing rounds. These are the fundamental factors accelerating the increase in fundraising size.

JAFECO proactively provides risk money to start-ups and entrepreneurs from the business conception stage, and will further concentrate our efforts on building new businesses with a mindset of “Co-Founder.”

I’m convinced that this strategy will lead to investment successes and generate large returns for our shareholders and fund investors who enable us to provide risk money.



Shinichi Fuki  
President & CEO  
JAFECO Co., Ltd.

## ■ Our Mission / Identity / Value

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- Mission -

### **“Commit to new business creation and jointly shape the future”**

Since establishment, JAFECO has created various innovative products and services jointly with entrepreneurs. Our mission is to open up new frontiers with our stakeholders by committing to creating new businesses that are in demand.

- Identity -

### **Co-Founder**

At the startup stage, JAFECO is expected to play the same role as “Co-Founder.” We will pass on and develop JAFECO spirit, expertise and experiences built up since inception to allow each member to be a resourceful “Co-Founder.”

- Value -

Value Creation

Challenge and  
Quest

Trust and  
Contribution

*This is an excerpt translation of the Japanese original for convenience only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.*

(Securities Code: 8595)

May 28, 2019

To Shareholders:

Shinichi Fuki  
President & CEO  
**JAFCO Co., Ltd.**  
1-23-1 Toranomom, Minato-ku, Tokyo

## **NOTICE OF CONVOCAATION OF THE 47TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 47th Annual General Meeting of Shareholders (the "Meeting") of JAFCO Co., Ltd. (the "Company"). The meeting will be held as described below.

If you are unable to attend the Meeting in person, you may exercise your voting rights either by postal mail or electronic means as shown on the next page. You are requested to exercise your voting rights by 5:00 p.m. on Monday, June 17, 2019 (Japan Time).

- |                                  |  |
|----------------------------------|--|
| <b>1. Date and Time</b>          | Tuesday, June 18, 2019, at 10:00 a.m. (Japan Time)   |
| <b>2. Place</b>                  | Grand Hall on the 5th floor, Nomura Conference Plaza Nihonbashi<br>Nihonbashi Muromachi Nomura Bldg. (YUITO)<br>2-4-3 Nihonbashi-Muromachi, Chuo-ku, Tokyo   |
| <b>3. Purpose of the Meeting</b> |  |
| <b>Matters to be reported:</b>   | Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements, and Results of Audit by the Financial Auditor and the Board-Audit Committee of the Consolidated Financial Statements, for the 47th Fiscal Year (from April 1, 2018 to March 31, 2019) |
| <b>Matters to be resolved:</b>   |  |
| <b>Proposal 1:</b>               | Election of Three (3) Directors (Excluding Directors Serving as Board-Audit Committee Members)   |
| <b>Proposal 2:</b>               | Election of Four (4) Directors Serving as Board-Audit Committee Members  |

#### **4. Voting When You Are Unable to Attend the Meeting**

Please examine the attached Reference Documents for the General Meeting of Shareholders and vote by either of the following methods by 5:00 p.m. on Monday, June 17, 2019 (Japan Time).

##### **[Voting by postal mail]**

Please indicate on the enclosed voting form whether you are for or against each proposal and return it by postal mail to us by the voting deadline indicated above.

##### **[Voting by electronic means (via Internet)]**

Please review “How to exercise your voting rights via Internet” on page 56, and access the website for voting designated by the Company (<https://evote.tr.mufg.jp/>). Follow the instructions on the screen and enter for or against each proposal by the voting deadline indicated above.

#### **5. Notice Regarding Exercise of Voting Rights**

If you vote twice by postal mail and via Internet, the vote via Internet shall be deemed valid. If you vote via Internet more than once, only the last vote shall be deemed valid.

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- For those attending the Meeting, please present the enclosed voting form at the reception desk on arrival at the meeting.
  - Pursuant to the provisions of applicable laws and regulations and Article 15 of the Articles of Incorporation of the Company, the following materials are not provided in this document but they have been posted on the Company’s website. Note that the following materials are part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Board-Audit Committee and the financial auditor in the course of the preparation of their respective audit reports.
    - Notes to Consolidated Financial Statements
    - Notes to Non-Consolidated Financial Statements
  - Please be advised that in the event of any revisions to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-Consolidated Financial Statements, the Company will post the contents of modification on its website below.
  - The Company will inform you of the results of resolutions of the Meeting by posting the matter on its website below.

JAFco website: <http://www.jafco.co.jp/english/ir/shareholder/meeting/>

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Election of Three (3) Directors (Excluding Directors Serving as Board-Audit Committee Members)

The terms of office of all three (3) directors (excluding directors serving as Board-Audit Committee members; the same applies hereafter in this Proposal 1) will expire at the conclusion of the Meeting. Accordingly, the Company proposes to elect three (3) directors. This Proposal has been deliberated by the Nomination and Remuneration Committee.

With regard to the election of directors, the summary of opinions of the Board-Audit Committee is as follows.


The Board-Audit Committee discussed the election of directors based on the deliberations by the Nomination and Remuneration Committee composed of all four (4) directors serving as Board-Audit Committee members and the President. As a result, the Committee reached a conclusion that it has no objection to the nomination of director candidates in this Proposal with regard to oversight, execution and future focus of Board of Directors, the composition of the Board of Directors, the business execution structure, and expertise, experience and track record of each candidate.


The Board-Audit Committee has also expressed an opinion regarding the remuneration of directors as follows.


The Board-Audit Committee discussed the remuneration of directors based on the deliberation by the Nomination and Remuneration Committee. As a result, the Committee has judged the remuneration is appropriate after taking into account fairness in remuneration, balance between remuneration levels and duties/ responsibilities of directors, and its links to the Company's business performance.

The candidates for director are as follows. There is no special interest between any of the candidates and the Company.

No.	Name	Current position and responsibilities at the Company, and significant concurrent positions outside the Company	Attribute	Number of attendance at the BOD meetings
1	Shinichi Fuki	<b>President &amp; CEO</b> [Representative Director]	<b>Re-election</b>	13 out of 13
2	Yoshiyuki Shibusawa	<b>Managing Director</b> President & CEO, JAFECO America Ventures Inc. President & CEO, JAFECO Investment (Asia Pacific) Ltd In charge of Business Development	<b>Re-election</b>	13 out of 13
3	Keisuke Miyoshi	<b>Director</b> In charge of Investment Partner	<b>Re-election</b>	13 out of 13

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	 <p><b>Shinichi Fuki</b> (November 1, 1961) &lt;Re-election&gt;</p>	<p>April 1985      Joined JAFCO</p> <p>June 2003      Director in charge of Investment Group II, Kansai Branch and Planning &amp; Administration, JAFCO</p> <p>February 2005    Managing Director in charge of Finance, Investment Group II, Kansai Branch and VA Department III, JAFCO</p> <p>March 2007      Executive Managing Director in charge of Finance, Structured Investment, Kansai Branch and VA Department III, JAFCO</p> <p>January 2010    President &amp; CEO (Representative Director), JAFCO (Present)</p>	14,336 shares
<p><i>Number of attendance at the Board of Directors meetings:</i> 13 out of 13 meetings (100%)</p> <p><i>Reason for nomination as candidate for director</i></p> <p>Since joining JAFCO, Shinichi Fuki has constantly been involved in private equity investment, and has taken charge of the Company's overall operations, including investment and fund management. Since assuming the office as President &amp; CEO in January 2010, he has enhanced the Board of Directors' effective decision-making and supervisory function by capitalizing on his extensive experience and deep insight. Based on his track record, the Board of Directors deemed it appropriate that he continues to execute and supervise business activities as a director of the Company.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
2	 <p><b>Yoshiyuki Shibusawa</b> (October 5, 1969) &lt;Re-election&gt;</p>	<p>April 1992      Joined JAFCO</p> <p>March 2007      Corporate Officer in charge of Investment Group II, JAFCO</p> <p>June 2007      Director in charge of Investment Group II, JAFCO</p> <p>October 2012      President &amp; CEO, JAFCO America Ventures Inc. (Present) President &amp; CEO, JAFCO Investment (Asia Pacific) Ltd (Present) In charge of Business Development (Present)</p> <p>April 2014      Managing Director, JAFCO (Present)</p>	8,561 shares
<p><i>Number of attendance at the Board of Directors meetings: 13 out of 13 meetings (100%)</i></p> <p><i>Reason for nomination as candidate for director</i></p> <p>Yoshiyuki Shibusawa has constantly been involved in private equity investment since joining JAFCO and gained experience taking charge of the domestic venture investment division. Since October 2012, he has been stationed in Singapore and has been responsible for the Company's overseas operations as President of the Company's Asian and US subsidiaries. Based on his experience, expertise and track record of domestic/overseas investment activity, the Board of Directors deemed it appropriate that he continues to execute and supervise business activities as a director of the Company.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
3	 <p><b>Keisuke Miyoshi</b> (September 18, 1969)</p> <p>&lt;Re-election&gt;</p>	<p>April 1993      Joined JAFCO</p> <p>August 2011    Group Officer of Investment Group II, JAFCO</p> <p>April 2013      Corporate Officer in charge of Investment, JAFCO</p> <p>June 2015      Director in charge of Investment, JAFCO (Present)</p> <p>March 2018     Director in charge of Investment, Partner, JAFCO (Present)</p>	4,221 shares
<p><i>Number of attendance at the Board of Directors meetings: 13 out of 13 meetings (100%)</i></p> <p><i>Reason for nomination as candidate for director</i></p> <p>Since joining JAFCO, Keisuke Miyoshi has been involved in private equity investment operations, and currently, he is one of the Partners who make major decisions on domestic venture investment. Based on his broad experience, expertise and track record of domestic investment, the Board of Directors deemed it appropriate that he continues to execute and supervise business activities as a director of the Company.</p>			



## Proposal 2: Election of Four (4) Directors Serving as Board-Audit Committee Members

The terms of office of all four (4) directors serving as Board-Audit Committee members will expire at the conclusion of the Meeting. Accordingly, the Company proposes to elect four (4) directors serving as Board-Audit Committee members. Prior consent to this Proposal has been obtained from the Board-Audit Committee after the deliberations by the Nomination and Remuneration Committee.

The candidates for director are as follows. There is no special interest between any of the candidates and the Company.

No.	Name	Current position and responsibilities at the Company, and significant concurrent positions outside the Company	Attribute	Number of attendance at the Board of Directors meetings	Number of attendance at the Board-Audit Committee meetings
1	Shigeru Tamura	<b>Director (Board-Audit Committee member)</b> Outside Corporate Auditor, SAN HOLDINGS, INC.	<b>Re-election Independent</b>	13 out of 13	13 out of 13
2	Koji Tanami	<b>Director (Board-Audit Committee member)</b> Attorney-at-Law, Hashidate Law Office	<b>Re-election Independent</b>	13 out of 13	13 out of 13
3	Kenichi Akiba	<b>Director (Board-Audit Committee member)</b> Professor, Graduate School of Accountancy, Waseda University Auditor of the Board (Outside), Mitsui Sumitomo Insurance Co., Ltd.	<b>Re-election Independent</b>	13 out of 13	13 out of 13
4	Yoshie Kajihara		<b>New Election Independent</b>	-	-

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	 <p><b>Shigeru Tamura</b> (October 8, 1961)</p> <p>&lt;Re-election&gt; &lt;Independent&gt;</p>	<p>April 1985      Joined the Bank of Yokohama, Ltd.</p> <p>June 2000      General Manager of Business Administration and Head of Office of IPO, Members Co., Ltd.</p> <p>August 2000    Director &amp; CFO, Members Co., Ltd.</p> <p>September 2002   Officer of Business Administration, Aplix Corporation</p> <p>June 2003      Vice President of Principal Investments, Investment Banking Headquarters, ORIX Corporation</p> <p>August 2005    Senior Corporate Officer, Medical Industries Corp. (currently MIC Medical Corporation)</p> <p>August 2006    Executive Vice President, MIC Medical Corporation</p> <p>June 2010      President &amp; CEO, MIC Medical Corporation</p> <p>October 2014   Chairman, MIC Medical Corporation</p> <p>June 2015      Outside Corporate Auditor, SAN HOLDINGS, INC. (Present) (to resign in June 2019)</p> <p>June 2017      Director (Board-Audit Committee member), JAFCO (Present)</p>	1,711 shares
<p><i>Number of attendance at the Board of Directors meetings:</i> 13 out of 13 meetings (100%)</p> <p><i>Number of attendance at the Board-Audit Committee meetings:</i> 13 out of 13 meetings (100%)</p> <p><i>Significant concurrent positions outside the Company</i></p> <p>Outside Corporate Auditor, SAN HOLDINGS, INC.</p> <p><i>Reason for nomination as candidate for director</i></p> <p>Mr. Shigeru Tamura is a candidate for independent director. He has been involved in the management of listed and unlisted companies as CEO, CFO, etc., and has abundant experience and deep insight. He also has experience in financial and investment businesses as well as international operations. He has leveraged his achievements, insight and knowledge to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent perspective. Based on the above, the Company believes that he will appropriately perform his duties as an independent director serving as Board-Audit Committee member.</p> <p>He will have served as Director serving as Board-Audit Committee member for two (2) years at the conclusion of this General Meeting of Shareholders.</p> <p><i>Matters regarding independence</i></p> <p>MIC Medical Corporation ("MIC"), at which Mr. Tamura had been President and Chairman until May 2015, is one of the Company's former portfolio companies that have made IPO.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
		The Company invested in MIC in September 2006 through a JAFECO-operated fund, which had a mere 1.2% stake at the time of MIC's IPO in November 2007. All the shares were sold by July 2012. There has been no business relationship between him and the Company, and the Company believes that he maintains sufficient independence.	

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
2	 <p><b>Koji Tanami</b> (September 10, 1939)</p> <p>&lt;Re-election&gt; &lt;Independent&gt;</p>	<p>April 1964      Joined Ministry of Finance</p> <p>July 1994      Director-General of the Financial Bureau, Ministry of Finance</p> <p>July 1996      Chief Cabinet Councillor for Internal Affairs, Cabinet Secretariat</p> <p>January 1998    Administrative Vice Minister, Ministry of Finance</p> <p>September 1999    Special Advisor to the Minister of Finance</p> <p>June 2001      Deputy Governor and Managing Director, Japan Bank for International Cooperation</p> <p>October 2007    Governor, Japan Bank for International Cooperation</p> <p>September 2008    Resigned from Governor of Japan Bank for International Cooperation</p> <p>December 2010    Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association) Attorney-at-Law, Hashidate Law Office (Present)</p> <p>June 2015      Director (Board-Audit Committee member), JAFCO (Present)</p>	2,197 shares
<p><i>Number of attendance at the Board of Directors meetings:</i> 13 out of 13 meetings (100%)  <i>Number of attendance at the Board-Audit Committee meetings:</i> 13 out of 13 meetings (100%)</p> <p><i>Significant concurrent positions outside the Company</i>            Attorney-at-Law, Hashidate Law Office</p> <p><i>Reason for nomination as candidate for director</i>            Mr. Koji Tanami is a candidate for independent director. He has held various important positions at government agencies and international organizations. Currently, he works as an attorney-at-law with a high level of expertise, and his track record and insight are highly regarded. He has leveraged his deep insight in fiscal administration, finance, tax and international fields and law-related expertise to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent perspective. Based on the above, the Company believes that he will continue to appropriately perform his duties as an independent director serving as Board-Audit Committee member. He will have served as Director serving as Board-Audit Committee member for four (4) years at the conclusion of this General Meeting of Shareholders.</p> <p><i>Matters regarding independence</i>            There has been no transaction between Mr. Tanami or law office that he has joined and the Company. The Company believes that he maintains sufficient independence.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
	 <p><b>Kenichi Akiba</b> (October 30, 1963)</p> <p>&lt;Re-election&gt; &lt;Independent&gt;</p>	<p>September 1986      Joined Eiwa Audit Corporation (currently KPMG AZSA LLC)</p> <p>July 1989          Registered as Certified Public Accountant</p> <p>September 2001      Temporarily transferred to The Accounting Standards Board of Japan as Technical Manager</p> <p>April 2007          Technical Director, The Accounting Standards Board of Japan (until August 2009)</p> <p>July 2007          Partner, KPMG AZSA &amp; Co. (currently KPMG AZSA LLC)</p> <p>September 2009      Professor, Graduate School of Accountancy, Waseda University (Present)</p> <p>June 2015          Director (Board-Audit Committee member), JAFCO (Present)</p> <p>June 2018          Auditor of the Board (Outside), Mitsui Sumitomo Insurance Co., Ltd. (present)</p>	2,614 shares
3	<p><i>Number of attendance at the Board of Directors meetings:</i> 13 out of 13 meetings (100%)</p> <p><i>Number of attendance at the Board-Audit Committee meetings:</i> 13 out of 13 meetings (100%)</p> <p><i>Significant concurrent positions outside the Company</i></p> <p>Professor, Graduate School of Accountancy, Waseda University Auditor of the Board (Outside), Mitsui Sumitomo Insurance Co., Ltd.</p> <p><i>Reason for nomination as candidate for director</i></p> <p>Mr. Kenichi Akiba is a candidate for independent director. He is a certified public accountant with extensive knowledge in international accounting systems and has contributed to the development of accounting standards in Japan. He is now committed to research activities and human resources development as a graduate school professor, and his achievements and insight are highly appreciated. He has leveraged his abundant experience and high level of expertise to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent perspective. Based on the above, the Company believes that he will continue to appropriately perform his duties as an independent director serving as Board-Audit Committee member.</p> <p>He will have served as Director serving as Board-Audit Committee member for four (4) years at the conclusion of this General Meeting of Shareholders.</p> <p><i>Matters regarding independence</i></p> <p>The audit corporation for which Mr. Akiba has worked has never audited the Company's financial statements. In the fiscal year ended March 31, 2013, the Company paid ¥1.35 million to him in remuneration for advice regarding consolidated accounting and the preparation of written opinions. In addition, the Company signed an advisory contract</p>		

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
		with him effective from April 2013 to February 2015 and received guidance on the background and opinions of accounting systems and accounting standards, for which the Company paid an annual fee of ¥1.5 million. Currently, there is no business relationship between him and the Company. Therefore, the Company believes he maintains sufficient independence to serve as an independent director of the Company.	

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
4	 <p><b>Yoshie Kajihara</b> (June 16, 1961)</p> <p>&lt;New Election&gt; &lt;Independent&gt;</p>	<p>October 2001 General Manager of Accounting, Aplix Corporation</p> <p>March 2005 Corporate Officer and Head of Corporate Planning Office, Aplix Corporation (until March 2007)</p> <p>May 2007 Corporate Auditor (full-time), MIC Medical Corporation</p> <p>February 2008 Resigned from Corporate Auditor (full-time) of MIC Medical Corporation</p> <p>October 2009 Joined CCS Inc.</p> <p>November 2013 Executive Officer in charge of Corporate Planning, CCS Inc.</p> <p>October 2016 Resigned from Executive Officer of CCS Inc.</p> <p>January 2017 Joined Interactive Solutions Corporation</p> <p>August 2017 Director and General Manager of Human Resources &amp; Administrations, Interactive Solutions Corporation</p> <p>July 2018 Resigned from Director of Interactive Solutions Corporation</p>	0 shares
<p><i>Significant concurrent positions outside the Company</i></p> <p>None</p> <p><i>Reason for nomination as candidate for director</i></p> <p>Ms. Yoshie Kajihara is a candidate for independent director. She has served as an executive, mainly in charge of accounting and management planning, at listed and unlisted companies and has abundant experience and deep insight in these fields. The Company expects her to leverage her achievements, insight and knowledge to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent perspective. Based on the above, the Company believes that she will appropriately perform her duties as an independent director serving as Board-Audit Committee member.</p> <p><i>Matters regarding independence</i></p> <p>CCS Inc. ("CCS"), at which Ms. Kajihara had been an Executive Officer until October 2016, is one of the Company's former portfolio companies that have made IPO (initial investment in September 1998; IPO in June 2004). The Company and its funds invested in CCS; all shares had been sold by November 2013 when Ms. Kajihara became an Executive Officer.</p> <p>Interactive Solutions Corporation ("Interactive Solutions"), at which Ms. Kajihara had been a director until July 2018, is one of the Company's portfolio companies. The Company invested in Interactive Solutions through a JAFCO-operated fund in October</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
		2014 and May 2016, but the percentage of the amount invested in Interactive Solutions to the balance of unlisted investments (acquisition cost basis) by the Company (including funds) is less than 0.5% as of the end of March 2019. One of the Company's employees is appointed as an independent director of Interactive Solutions, but this is only for business development support purposes. Ms. Kajihara's tenure as director at Interactive Solutions was less than one year. There has been no business relationship between her and the Company. Therefore, the Company believes that she maintains sufficient independence to serve as an independent director of the Company.	

- Notes: 1. Messrs. Shigeru Tamura, Koji Tanami and Kenichi Akiba and Ms. Yoshie Kajihara meet the "Standards for Independence of Independent Directors" established by the Company, shown below.
2. The Company has designated Messrs. Shigeru Tamura, Koji Tanami and Kenichi Akiba as independent officers as provided for in the regulations of the Tokyo Stock Exchange. Ms. Yoshie Kajihara also meets the criteria for independent officer, and if she is elected and assume office as Director serving as Board-Audit Committee member, the Company will designate her as an independent officer.
3. The Company has entered into agreements with Messrs. Shigeru Tamura, Koji Tanami and Kenichi Akiba to limit the liability for damages set forth in Article 423, paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, paragraph 1 of the same Act. The maximum amount of liability under these agreements shall be the amount prescribed by laws and regulations. If they are re-elected at this General Meeting of Shareholders, the Company plans to continue such agreements. Also, if Ms. Yoshie Kajihara is elected and assumes office as Director serving as Board-Audit Committee member, the Company plans to enter into such agreement with her.

(Reference)

### **Standards for Independence of Independent Directors**

In order to ensure the independence from JAFCO Co., Ltd. (the "Company"), independent directors of the Company shall satisfy the following criteria:

- (1) An independent director is not, and has not been in the past ten (10) years, an officer (limited to persons executing business) or employee of the Company or any of its subsidiaries (collectively referred to as "JAFCO").
- (2) An independent director is not, and has not been in the past three (3) years, any of the following:
  - 1) A person executing business (\*1) of another company at which a person executing business of the Company serves, or has served in the past three (3) years, as a director or officer.
  - 2) A major shareholder (a shareholder holding 10% or more of the voting rights directly or indirectly) of the Company or a person executing business of that shareholder.
  - 3) A partner at the financial auditor of the Company or an employee engaged in auditing of the Company at the same.
  - 4) A person executing business of a major lender of the Company (\*2).



- 5) A person executing business of a major business partner of JAFCO (\*3).
  - 6) An expert in a field such as legal matters, accounting or taxation, a consultant or other such person receiving remuneration from JAFCO in excess of ¥10 million per year outside of remuneration for officers.
  - 7) A partner or a person executing business of an organization such as a corporation or an association that provides services for legal matters, accounting, taxation or consulting, or other specialist services, where the organization is deemed as a major business partner.
  - 8) A person executing business of an organization that receives a donation exceeding a certain amount (\*4) from JAFCO.
- (3) A person who is a spouse or a relative within the second degree of kinship of, or who shares living expenses with, an independent director is none of the following (excluding persons without importance):
- 1) A person who executes business of JAFCO or has done so in the past three (3) years.
  - 2) A person to whom any of the above (2) 1) to 8) applies.

(Notes)

- \*1 A person executing business is an executive director, an executive (*shikkoyaku*), an administrative officer (*riji*), or other such equivalent manager (limited to persons executing business) or an important employee such as an executive officer.
- \*2 A major lender of the Company is a lender of an amount equivalent to at least 2% of consolidated total assets.
- \*3 A major business partner of JAFCO is a business partner whose transactions with the Group were equivalent to more than 2% of that business partner's annual consolidated net sales in its last fiscal year.
- \*4 A donation exceeding a certain amount is a donation to an organization exceeding an amount in a year of ¥10 million or 2% of the relevant organization's total revenue or ordinary income, whichever is the larger.

(Document to be provided)

## **Business Report**

(From April 1, 2018 to March 31, 2019)

### **I Current Status of JAFCO Group (hereinafter “JAFCO” or “we”)**

#### **1. About JAFCO**

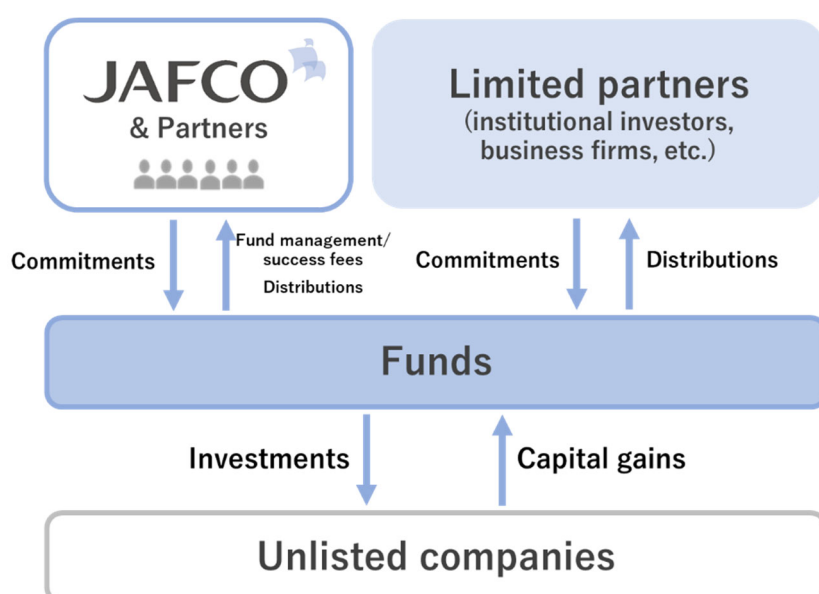
##### **1) “Co-Founder”**

Digital revolution, which causes drastic changes in the global industrial structure, is changing the fundamental mechanism of existing industries and creating new industries. In Japan, high-potential startups are emerging in numbers and young entrepreneurs who lead the next generation are increasing rapidly. Investment targets of venture capital (VC) firms are significantly shifting to startup companies. A sharp increase in venture investment by business firms, institutional investors, etc. has intensified competition.

Since establishment, JAFCO has moved forward with cutting-edge entrepreneurs. In addition to a number of venture capitalists with broad experience, we have accumulated abundant resources and built extensive networks to foster growth of portfolio companies. Not only as an investor but also as “Co-Founder,” we commit to expanding business and adding corporate value with entrepreneurs through deep involvement in management from the business conception stage.

Since adopting the partnership model in 2018, we have been focusing on building a flat organization centered around high-potential individuals (Partners) and a merit-based evaluation system. Partners will invest alongside JAFCO in the new fund planned for launch in 2019, and receive carried interest while bearing the risk of fund performance. We will also enhance long-accumulated organizational strength to further improve corporate value of portfolio companies and fund performance.

##### **2) JAFCO’s business line and business model**



JAFCO’s business is venture and buyout investment through fund management. We raise capital for our funds from institutional investors and business firms about once

in every three years. We also invest our own capital in funds, normally about 30-40% of fund size. The fund term is 10 years with a possible extension of two years.

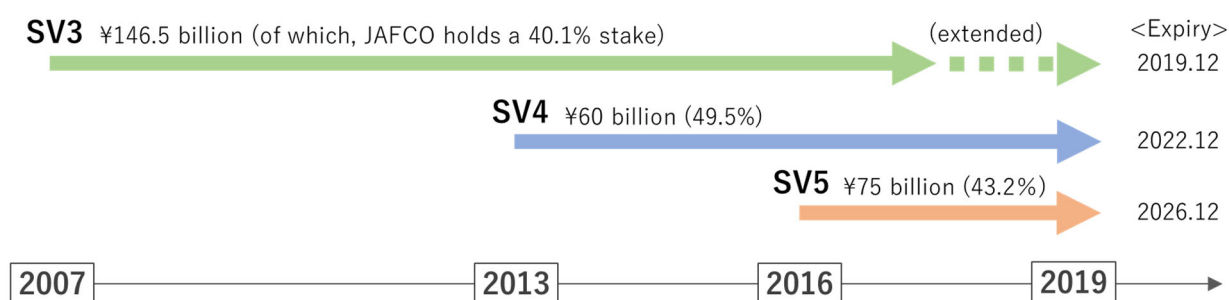
An investment portfolio of a newly established fund is built over a period of about three years since the start of fund operation. Regardless of the timing of establishment or business sentiment, JAFCO continually identifies and invests in high-potential companies and build a high-quality portfolio for each fund. After investment, we offer deep management support to raise corporate value with entrepreneurs and achieve exits (sales) through IPO, M&A, etc.

Our main income sources are fund management fees and success fees that we receive from fund operations, and capital gains from direct investment in funds.

### 3) Funds under management

Total commitments of funds under management stand at ¥359.1 billion, raised from more than 100 investors for each fund, including business firms. To increase the fund size and ensure continuous commitments, we plan to reduce the number of investors by mainly targeting institutional investors for future fundraising. Our flagship funds under management are as shown in the chart below. As new investment activity for flagship fund SV5 is steadily underway, the establishment of a new fund is currently being planned.

#### Flagship funds under management



As Japan's pioneer in venture capital fund management, JAFCO will preserve discipline and transparency under the following three management policies. We believe that genuine pursuit of portfolio companies' growth and fund performance is in the best interest of fund investors and JAFCO.

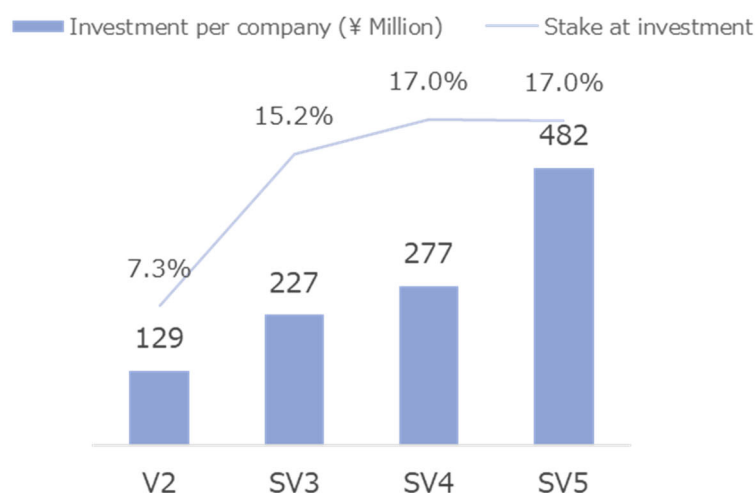
- We will not establish industry-specific funds.
- We will not establish investor-specific funds.
- We will not engage in any business other than PE investment and fund management.

### 4) Investment structure and strategy

JAFCO carries out tri-polar investment activity in Japan, Asia and the US to diversify regional risk. In Japan, we specialize in venture investment, mainly in start-ups, and buyout investment involving business succession, spin-outs, etc. In Asia, our investment targets are Chinese companies and high-potential regions in Asia. In the US, investment activity is based in Silicon Valley.

For our domestic investment, we rigorously select promising companies to boost investment amount and stake in each company, thereby increasing management involvement in portfolio companies. We invest in around 20 new companies annually, and the average shareholding at initial investment and the average amount invested per company have risen to just under 20% and just under ¥500 million respectively. With regard to promising start-ups (so-called mega ventures and game changers), we have seen cases where several billions of yen are raised in a single financing round. At JAFCO, investments of over ¥1 billion in a company are also increasing.

### Initial investment amount and stake at investment (as of March 31, 2019)



The most important aspect of investment in start-up companies is the speed with which to launch business and gain competitive edge over rival companies. Following investment, JAFCO's venture capitalists cooperate with members specializing in the following fields to raise corporate value of portfolio companies.

Mentoring	Marketing	Staffing support	IPO support
Business/capital alliance	IT efficiency	Overseas development	Internal control structure

Through large shareholdings and management involvement, JAFCO works to maximize capital gains and ROI at exits. We will continue to promote highly selective, intensive investment and pursue large capital gains.

## 2. Business Summary and Results

### 1) Financial highlights and capital gains

During the current fiscal year, net sales, ordinary income, and net income all declined from the previous year. Capital gains remained mostly unchanged. Despite slow IPOs, M&A of buyout investees in Japan and M&A and partial sale of overseas unlisted portfolio companies allowed us to secure sizable capital gains. Exits other than IPOs have diversified as a result of an increase in shareholdings in portfolio companies.

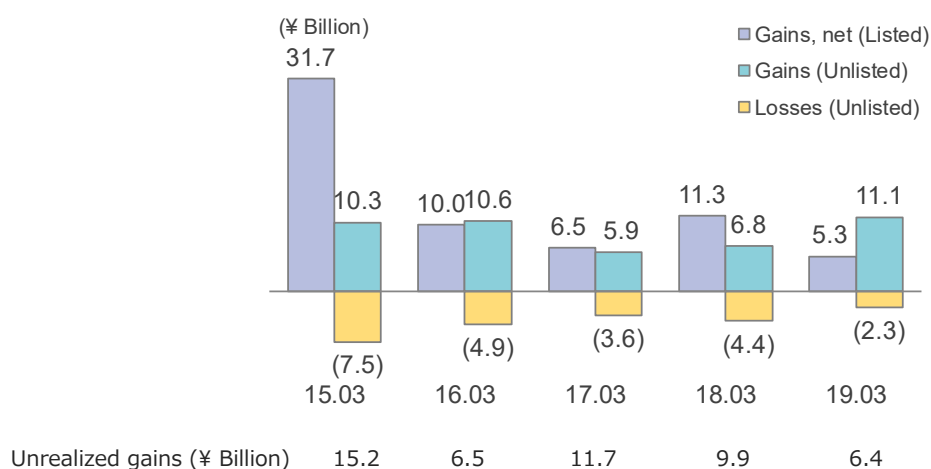
JAFCO's biggest management focus is to maintain high fund performance over the long term to sustain strong results. To this end, we focus on IPO, M&A and other exits from which large capital gains can be expected, regardless of the number of IPOs achieved each year. In this regard, however, the JAFCO's business results may fluctuate year-by-year depending on the number of such exits.

From the current fiscal year, JAFCO excluded its US subsidiary, JAFCO America Ventures Inc. ("JAV"), from the scope of consolidation. This is because JAV's materiality in JAFCO's consolidated financial statements decreased following the adoption of a new accounting standard for revenue recognition, which called for the net amount presentation of JAV's revenue instead of gross amount. This, however, does not effectively change our income structure because capital gains from our investments in US funds will be directly reflected on our performance as before. Therefore, we will continue to commit to US investment.

(Billions of yen)

	FY18.3	FY19.3	Change
Net sales	29.5	25.9	(12.2%)
Ordinary income	15.6	13.4	(13.8%)
Net income	24.2	10.2	(58.1%)

### Capital gains (JAFCO's interests)

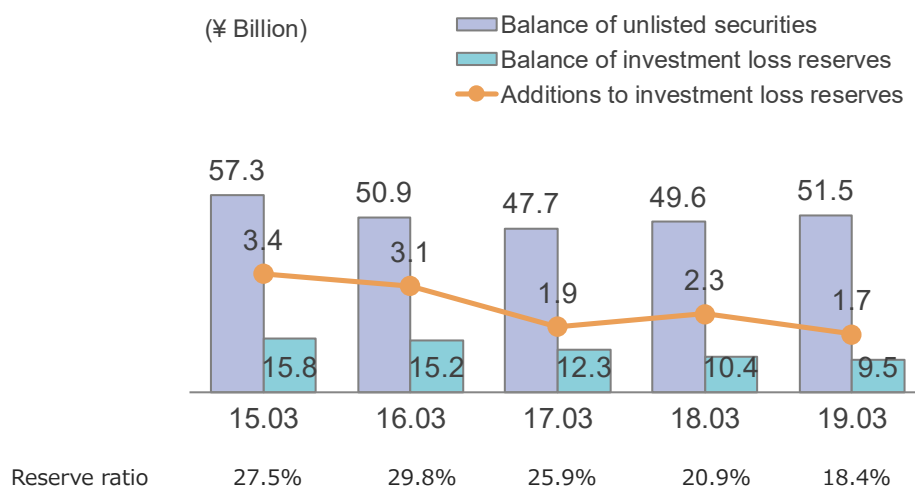


Note: Gains/losses include other portfolio-related revenues and impairment losses.

## 2) Investment loss reserves

Investment loss reserves fell sharply as we built up high-quality portfolios through highly selective, intensive investment and deepened management involvement. In the current fiscal year, the reserve ratio to unlisted operational investment securities was less than 20%.

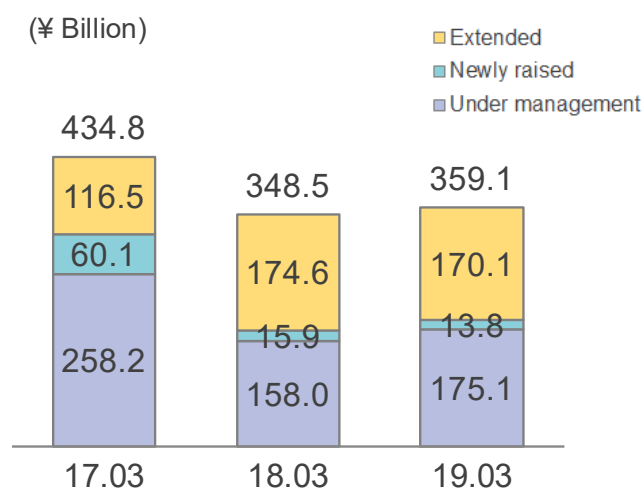
### Additions to and balance of investment loss reserves (JAFCO's interests)



## 3) Total fund commitments

During the current fiscal year, JAFCO did not establish new funds. Icon VI, a US fund, closed at US\$375 million after increasing the fund size from US\$262.5 million. JATF7, a new Asian fund, closed in April 2018 at US\$140 million in total.

### Fund commitments

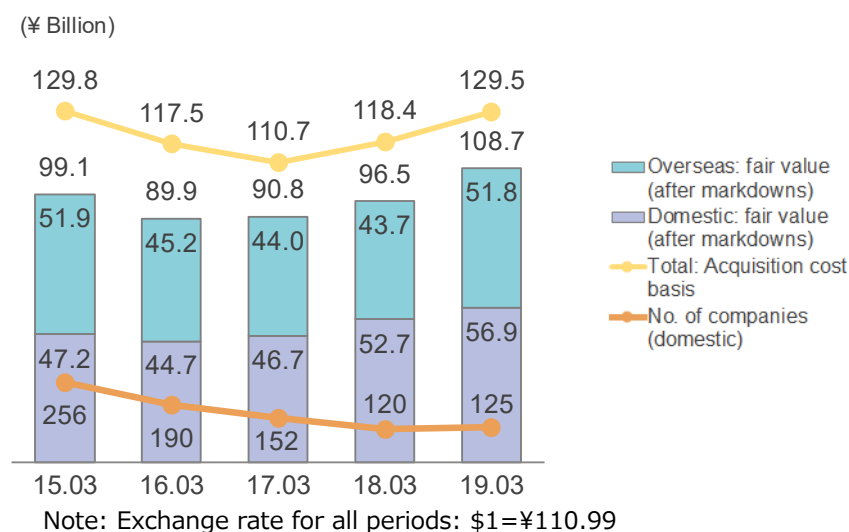


## 4) Total unlisted portfolio under management

Following the fundamental change in our investment strategy from diverse investment to highly selective, intensive investment, the size of our flagship funds decreased significantly, causing a downward trend in the number and total investment balance of unlisted portfolio companies. Due to the progress in portfolio reshuffle, the amount

invested per company turned upward, causing the total balance of unlisted portfolio to continue rising over the previous year.

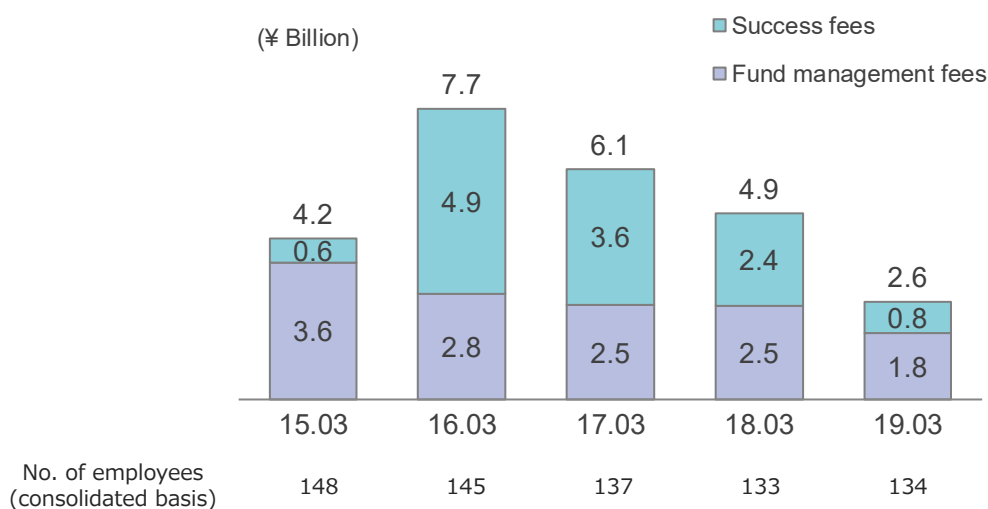
### Balance of unlisted investments (including fund investors' interests)



## 5) Income from fund management

In the current fiscal year, fund management fees fell due to the aging of funds in operation. Success fees also dropped compared to the previous year due to fewer exits from SV3, the largest flagship fund under the extension period. JAFCO, as a fund management company, has been unable to cover SG&A expenses with its core income from fund management. For future funds, we plan to increase the fund size gradually based on the market growth of promising investment targets, while firmly maintaining our stance of highly selective, intensive investment.

### Fund management fees & success fees (JAFCO's interests)

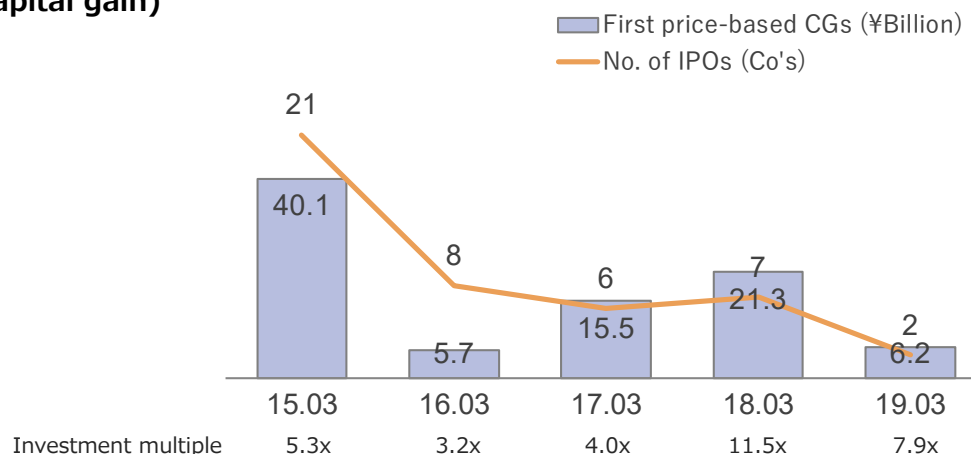


Note: All figures reflect the exclusion of US subsidiary (JAV) from the scope of consolidation.

## 6) IPOs

Due to a switch from diverse investment to highly selective, intensive investment, the number of IPOs among our portfolio has dropped to less than 10 per year. During the current fiscal year, there were only two domestic IPOs. First-price multiple at IPO was 7.9 times.

### JAFECO-backed domestic IPOs (including fund investors' interests; CG standing for capital gain)



Increased shareholdings in portfolio companies have allowed us to diversify exits through M&A and trade sales. We will remain committed to maximizing capital gains per deal, instead of increasing the number of IPOs.

### (Reference) JAFECO-backed IPOs during the current fiscal year

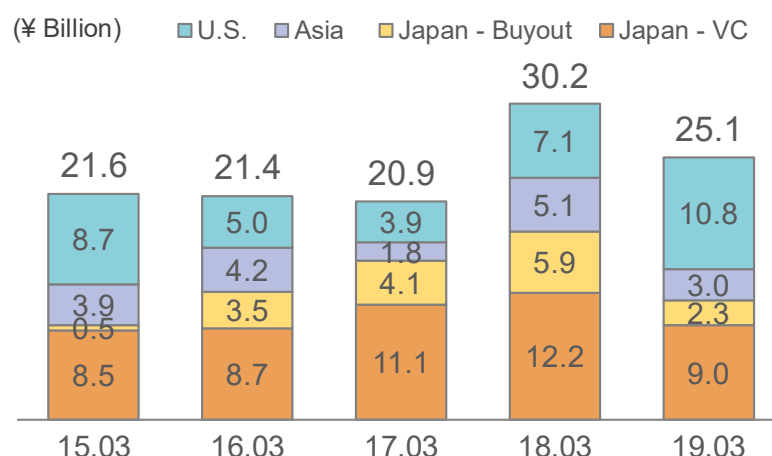
	<b>MTG</b> Planning, development, manufacturing and selling of beauty devices (ReFa, etc.), fitness equipment and cosmetics and quasi-drug products.	IPO Date: July 10, 2018 IPO Market: Mothers Location: Aichi
	<b>teno.Holdings</b> Management of directly operated nurseries and outsourced nurseries, temporary staffing for kindergartens and nurseries, babysitter service, housekeeping service, operation of schools for nursery teachers (tenoSCHOOL)	IPO Date: Dec. 21, 2018 IPO Market: Mothers/FUKQ Location: Fukuoka

## 7) Investment activity

During the current fiscal year, the global investment amount stood at ¥25.1 billion, compared to ¥30.2 billion in the previous year, when the amount slightly exceeded the level adequate for the current fund size. Looking at the combined average of the current and previous fiscal year, overall investment activity is at cruising speed. Total investment amount in each region varies each fiscal year. By closely watching the business trends, market competition, and valuations of investment targets, we will continue to keep the 3-year new investment period in mind when building a portfolio.

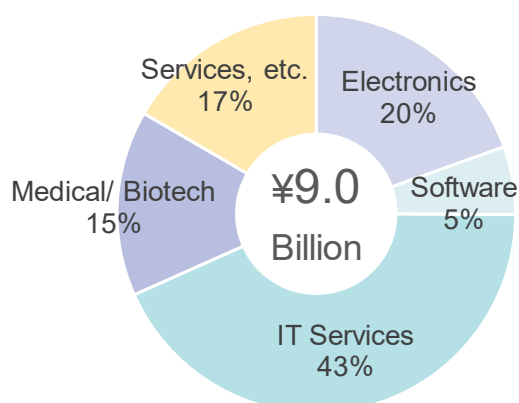


## Investment amount (including fund investors' interests)



Broken down by sector, companies in the internet space continued to account for the majority of domestic venture investments made during the current fiscal year, but medical and biotech investments are also increasing. Although IT-related investment is rising, there are a number of start-ups among IT service providers that have the potential to change business models of various existing industries through cutting-edge technologies.

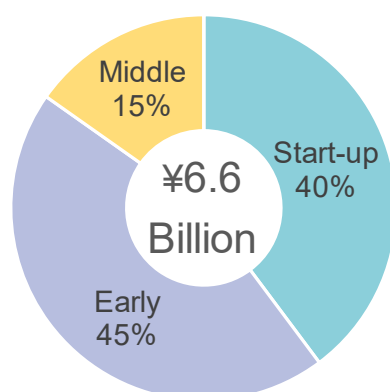
## Investment by sector (new and follow-on investment in Japan; including fund investors' interest)



Note: Overseas life science investments (carried out by the venture investment division in Japan) and buyout investments are excluded.

Broken down by growth stage at the time of new investment, start-ups and early-stage companies accounted for about 80% of new investments, the majority of which are in the internet space. The speed of business launch greatly impacts the change rate of startups, while a large number of competitors means a delay in the business launch may take a toll. As "Co-Founder," JAFECO will offer deep management involvement from the business conception stage and commit to business growth with entrepreneurs.

## Investment by stage (new investment in Japan; including fund investors' interest)

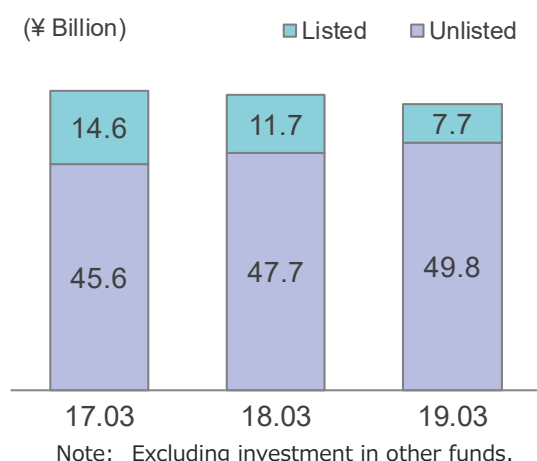


Note: Overseas life science investments (carried out by the venture investment division in Japan) and buyout investments are excluded.

## 8) Investment balance and unrealized gains

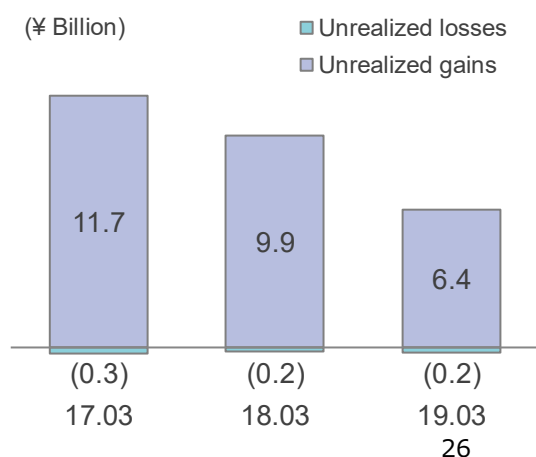
With regard to JAFCO's interests in the investment balance from fund investment activity, the balance of unlisted portfolio continued to rise as in the previous year due to the promotion of highly selective, intensive investment and portfolio reshuffle. The balance of listed portfolio fell, however, due to sluggish IPOs in the current fiscal year.

### Balance of operational investment securities (JAFCO's interests)



Unrealized capital gains on listed portfolio decreased to ¥6.4 billion. These will become realized capital gains through future sales.

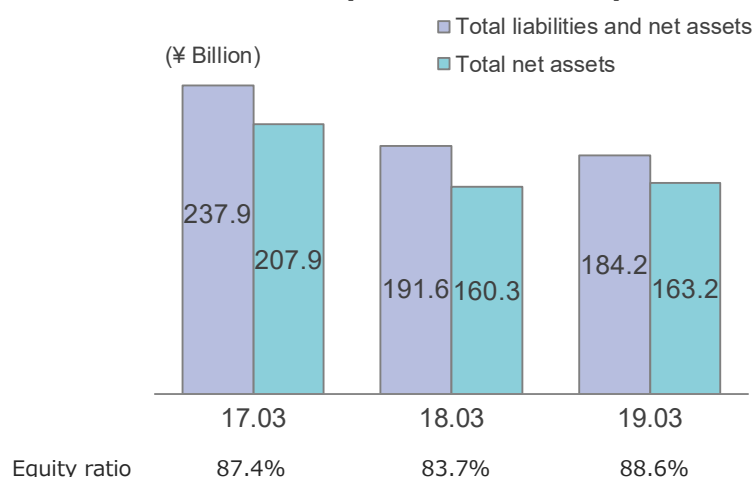
### Unrealized gains/losses of listed securities (JAFCO's interests)



## 9) Status of assets

The majority of portfolio companies are unlisted, whose shares have no market value and liquidity is extremely limited. We need to maintain strong shareholders' equity and a solid financial base to allow us to continue investing under any operating environment. During the current fiscal year, net assets increased to ¥163.2 billion and the equity ratio to 88.6%. JAFCO's paid-in capital to each fund is included in cash and deposits of ¥61.4 billion recorded on the balance sheet. Our policy is to constantly maintain abundant cash balance to provide for uncalled commitments and planned commitments to future funds and continue to invest under any circumstances. Following this policy, we work to balance continuous shareholder returns with aggressive investment firmly in line with our investment policy.

### Total assets and net assets (JAFCO's interests)



## 3. Issues to be addressed

As noted above, JAFCO's management priorities are as follows:

- 1) Create new businesses through highly selective, intensive investment and management involvement**
- 2) Sustain improvement in fund performance**
- 3) Build up stronger, high-quality portfolios**
- 4) Develop personnel who can be "Co-Founder" of portfolio companies**
- 5) Ensure a good balance between shareholders' equity and return to shareholders**

We will firmly maintain the following five principles to establish our corporate identity as "Co-Founder" and achieve our mission of "Commit to new business creation and jointly shape the future."

Reproduce success by passing on our expertise

Create next-generation businesses

Develop globally, focus locally

Work earnestly with entrepreneurs to raise corporate value

Preserve discipline and transparency as a VC pioneer

#### 4. Policy on determination of dividends from surplus, etc.

In order for JAFCO to demonstrate its positive approach to its policy of ensuring a good balance between continuous shareholder returns and strong shareholders' equity, which allows a long-lasting investment business, JAFCO has set an indicator to pay dividends of approximately 3% of shareholders' equity (initial and term-end average value). Dividend per share and shareholders' equity per share (initial and term-end average value) are used for calculation.

For the current fiscal year, we have decided to pay the dividend of ¥112 per share (previous fiscal year: ¥107 per share) based on this indicator.

#### Dividends History

FY ended	13.3	14.3	15.3	16.3	17.3	18.3	19.3
Dividends per share (Yen)	25	25	100	100	100	107	112
Dividend payout ratio	16.8%	6.4%	16.0%	26.1%	40.1%	15.6%	34.1%

#### 5. Assets and profit (loss)

	44th Fiscal Year (From April 1, 2015 to March 31, 2016)	45th Fiscal Year (From April 1, 2016 to March 31, 2017)	46th Fiscal Year (From April 1, 2017 to March 31, 2018)	47th Fiscal Year (From April 1, 2018 to March 31, 2019)
Net sales (Millions of yen)	41,155	27,857	29,470	25,878
Ordinary income (Millions of yen)	19,808	13,666	15,554	13,410
Profit attributable to JAFCO Co., Ltd. stockholders (Millions of yen)	17,018	11,073	24,235	10,162
Profit per share (Yen)	383.57	249.59	687.04	328.55
Total assets (Millions of yen)	214,245	237,902	191,550	184,213
Net assets (Millions of yen)	189,501	207,855	160,299	163,215
Net assets per share (Yen)	4,271.15	4,684.87	5,182.49	5,276.80

Note: 1. Regarding funds operated by JAFCO, assets, liabilities, income and expenses are recorded pro rata to JAFCO's interest in each fund.

2. Figures for the 47th Fiscal Year (from April 1, 2018 to March 31, 2019) reflect the exclusion of JAFCO America Ventures Inc. from the scope of consolidation.

## 6. Significant subsidiaries

Name	Capital	Voting rights ratio [%]	Main business
JAFCO Investment (Asia Pacific) Ltd	15 million Singapore dollars	100.0	Fund management
JAFCO Investment (Hong Kong) Ltd	6.5 million US dollars	100.0 [100.0]	Fund management
JAFCO Investment (Korea) Co., Ltd.	1,800 million South Korean won	100.0 [100.0]	Fund management
JAFCO Asia (Shanghai) Equity Investment Management Co., Ltd	1 million US dollars	100.0 [100.0]	Fund management

Notes: 1. Figures in [ ] under the "Voting rights ratio" indicate the ratio of voting rights indirectly held by JAFCO.

2. JAFCO America Ventures Inc. has been excluded from significant subsidiaries as it was excluded from the scope of consolidation from the current fiscal year.

## 7. Principal offices (as of March 31, 2019)

### 1) JAFCO Co., Ltd.

Name	Location
Head Office	Minato-ku, Tokyo
Chubu Branch	Naka-ku, Nagoya
Kansai Branch	Chuo-ku, Osaka
Kyushu Branch	Chuo-ku, Fukuoka

Note: Chubu Branch relocated on May 1, 2018.

### 2) Subsidiaries (principal offices)

Name	Location
JAFCO Investment (Asia Pacific) Ltd (including its subsidiaries)	Singapore, Taipei, Beijing, Shanghai, Seoul
JAFCO America Ventures Inc.	California

## 8. Employees (as of March 31, 2019)

### 1) JAFCO Group employees

Number of employees	Increase (decrease) from previous fiscal year
134	(14)

Note: 1. Seconded staff and temporary staff are excluded from the number of employees.

2. The reason for the decrease of 14 employees from the previous fiscal year is a result of the exclusion of JAFCO America Ventures Inc. from the scope of consolidation.

**2) Employees of JAFCO Co., Ltd.**

Number of employees	Increase (decrease) from previous fiscal year	Average age	Average years of service
105	1	43 years and 10 months old	17 years and 2 months

Note: Seconded staff and temporary staff are excluded from the number of employees.

**9. Outline of financing**

JAFCO newly borrowed ¥200 million in long-term loans and repaid loans which became due. As a result, the balance of long-term loans payable including the current portion stood at ¥365 million (previous fiscal year-end: ¥977 million).

**10. Principal creditors** (as of March 31, 2019)

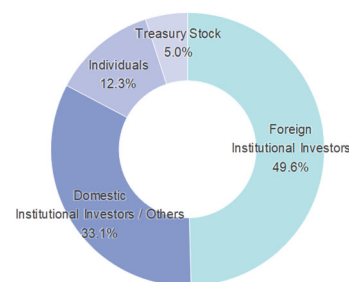
(Millions of yen)

Creditor	Balance of borrowings
Nippon Life Insurance Company	115
The Nanto Bank, Ltd.	100
Resona Bank, Limited	83
The Oita Bank, Ltd.	20
The San-in Godo Bank, Ltd.	20

## II Current Status of JAFCO Co., Ltd. (the “Company”)

### 1. Shares (as of March 31, 2019)

- 1) Authorized number of shares 80,000,000 shares
- 2) Number of shares issued 32,550,000 shares
- 3) Number of shareholders 6,418
- 4) Major shareholders



Shareholder	Number of shares held (Thousand shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	3,748	12.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,090	6.8
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENT- UNITED KINGDOM (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	742	2.4
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	665	2.2
Japan Trustee Services Bank, Ltd. (Trust Account 5)	633	2.0
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	614	2.0
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	560	1.8
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	537	1.7
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	510	1.6
JP MORGAN CHASE BANK 385151 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	492	1.6

Notes: 1. The Company holds 1,619 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.

## 2. Directors

### 1) Directors (as of March 31, 2019)

Position	Name	Responsibilities at the Company and significant concurrent positions
President & CEO [Representative Director]	Shinichi Fuki	
Managing Director	Yoshiyuki Shibusawa	President & CEO, JAFECO America Ventures Inc. President & CEO, JAFECO Investment (Asia Pacific) Ltd In charge of Business Development
Director	Keisuke Miyoshi	In charge of Investment Partner
Director (Board-Audit Committee member, full-time)	Sadahiko Yoshimura	
Director (Board-Audit Committee member)	Koji Tanami	Attorney-at-Law, Hashidate Law Office
Director (Board-Audit Committee member)	Kenichi Akiba	Professor, Graduate School of Accountancy, Waseda University Auditor of the Board (Outside), Mitsui Sumitomo Insurance Co., Ltd.
Director (Board-Audit Committee member)	Shigeru Tamura	Outside Corporate Auditor, SAN HOLDINGS, INC.

- Notes: 1. Directors Koji Tanami, Kenichi Akiba and Shigeru Tamura are independent directors.
2. The Company has designated Directors Koji Tanami, Kenichi Akiba and Shigeru Tamura as Independent Officers based on the regulations of the Tokyo Stock Exchange, and their names are registered with the exchange.
3. Directors Sadahiko Yoshimura and Kenichi Akiba are certified public accountants and have adequate knowledge in finance and accounting.
4. Sadahiko Yoshimura was appointed a full-time member of the Board-Audit Committee so as to allow him to gather timely information related to execution of duties from directors/employees, attend important meetings, and ensure close cooperation between the Board-Audit Committee and the Internal Audit Division.

(Reference)

As of April 1, 2019, the Company has appointed corporate officers as follows:

Position	Name	Responsibilities at the Company
Corporate Officer	Hiroaki Matsuda	In charge of Administration
Corporate Officer	Sueko Matsumoto	In charge of Fund Management; Administration



The Company has appointed Partners who execute investment opportunities and management of JAFCO-operated funds. As of April 1, 2019, Partners who do not concurrently serve as director are as follows:

Position	Name	Responsibilities at the Company
Partner	Naoki Sato	In charge of Branch offices; Business Development
Partner	Ko Minamikurosawa	In charge of Structured Investment
Partner	Atsushi Fujii	
Partner	Shozo Isaka	
Partner	Tomotake Kitazawa	

## 2) Outline of liability limitation agreements

In accordance with the provisions of Article 28 of the Articles of Incorporation and Article 427, paragraph 1 of the Companies Act, the Company and each director serving as Board-Audit Committee member signed an agreement that limits the liability for damages as stipulated in Article 423, paragraph 1 of the Act. The maximum amount of liability under this agreement is the amount prescribed by laws and regulations for each director serving as Board-Audit Committee member.

## 3) Total remunerations, etc. for directors

Classification	Number of persons paid	Amount paid (Millions of yen)
Directors (excluding Board-Audit Committee members)	3	179
Directors serving as Board-Audit Committee members [of which, Independent Directors]	4 [3]	80 [51]
Total	7	259

- Notes: 1. The maximum total amount of remuneration of directors (excluding Board-Audit Committee members) was set at ¥600 million per annum by a resolution of the 43rd Annual General Meeting of Shareholders held on June 16, 2015.
2. The maximum amount of remunerations for directors serving as Board-Audit Committee members was set at ¥300 million per annum by a resolution of the 43rd Annual General Meeting of Shareholders held on June 16, 2015.

## 4) Independent directors

- Attendance at the Board of Directors meeting and the Board-Audit Committee meeting

	Number of attendances at the Board of Directors meetings	Number of attendances at the Board-Audit Committee meetings
Koji Tanami Director (Board-Audit Committee member)	13 out of 13 meetings	13 out of 13 meetings

Kenichi Akiba Director (Board-Audit Committee member)	13 out of 13 meetings	13 out of 13 meetings
Shigeru Tamura Director (Board-Audit Committee member)	13 out of 13 meetings	13 out of 13 meetings

- Opinions expressed at the Board of Directors meetings and the Board-Audit Committee meetings
  - Director serving as Board-Audit Committee member Koji Tanami expressed opinions from an independent perspective by leveraging his deep insight and expertise in fiscal administration, finance, tax and legal affairs.
  - Director serving as Board-Audit Committee member Kenichi Akiba expressed opinions from an independent perspective as an expert in accounting.
  - Director serving as Board-Audit Committee member Shigeru Tamura expressed opinions from an independent perspective based on his broad experience and expertise gained while serving in executive positions at other companies.
- Significant concurrent positions held at other organizations and the relationships between these organizations and the Company
  - Director serving as Board-Audit Committee member Kenichi Akiba is Auditor of the Board (Outside) of Mitsui Sumitomo Insurance Co., Ltd. ("MSI"). The Company has insurance transaction with MSI, but the transaction amount is insignificant and there is no importance affecting on his independence.
  - Other than the above, the Company has no special relationships with organizations where independent directors hold a significant concurrent position.

### 3. Financial Auditor

#### 1) Name

Ernst & Young ShinNihon LLC

#### 2) Amount of remuneration, etc.

	Amount paid (Millions of yen)
Amount of remuneration, etc. to be paid to the financial auditor for the fiscal year	36
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the financial auditor	36

- Notes: 1. In the audit agreement between the Company and the financial auditor, the amount of remuneration, etc. for audit under the Companies Act and audit under the Financial Instruments and Exchange Act are not clearly distinguished. As it is not possible to effectively distinguish the two, the total amount of both remunerations is described as the amount of remuneration, etc. to be paid to the financial auditor for the fiscal year.
2. Reasons for the approval of remuneration, etc. for the financial auditor by the Board-Audit Committee  
The Board-Audit Committee received the necessary materials and reports from directors, relevant departments and the financial auditor to confirm and examine the

details of the audit plan of the financial auditor, results of audit for the previous year, the status of execution of duties and the reasonableness of the basis for the estimate of remuneration, etc. As a result, the Board-Audit Committee determined and approved that the remuneration, etc. regarding the financial auditor are appropriate.

### **3) Status of audit on the financial statements of the Company's subsidiaries by audit corporations other than the financial auditor of the Company**

Among the Company's principal subsidiaries, JAFCO Investment (Asia Pacific) Ltd is audited by an audit corporation other than the financial auditor of the Company.

### **4) Policy on how to determine dismissal or non-reappointment of the financial auditor**

In the event that the execution of duties by the financial auditor is disrupted or in any other case deemed necessary, the Board-Audit Committee shall determine the contents of proposals regarding the dismissal and non-reappointment of the financial auditor, and the Board of Directors shall submit such proposals to a general meeting of shareholders.

In the case that the financial auditor is deemed to fall under any of the items set forth in Article 340, paragraph 1 of the Companies Act, and that dismissal is deemed appropriate, the Board-Audit Committee shall, upon consent of all members of the Committee, dismiss the financial auditor.

In addition to the above, the Company shall periodically review the appointment in order to maintain a healthy and appropriate relationship with the financial auditor.

## **4. Structure for corporate governance**

### **1) Basic views on corporate governance**

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

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

### **2) Corporate governance policy**

The Company has established the "Corporate Governance Policy" that outlines its concrete corporate governance measures. The policy is available on its website below.

<http://www.jafco.co.jp/english/corporate/governance/>

### **3) Outline of structure**

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

(Board of Directors)

The Board of Directors is composed of seven (7) directors, including three (3) independent directors. The President chairs the Board of Directors.

The Board of Directors supervises importance management decision-making and the

execution of duties by directors. Independent directors supervise management from a neutral and objective standpoint.

(Board-Audit Committee)

The Board-Audit Committee is composed of three (3) independent directors and one (1) corporate director. Currently the full-time director serving as Board-Audit Committee member heads the Committee. The Board-Audit Committee audits the execution of duties by directors and prepares audit reports.

The Company has set out the Standards for Independence of Independent Directors to ensure the independence of independent directors. We elect independent auditors who meet these standards.

(Nomination and Remuneration Committee)

The Nomination and Remuneration Committee is composed of four (4) Board-Audit Committee members, including independent directors, and the President. To ensure transparency and objectivity of nomination and remuneration of directors, important decisions regarding the nomination and remuneration of directors, corporate officers, and partners are deliberated by the Nomination and Remuneration Committee in advance. The Board of Directors discusses and makes decisions on the nomination and remuneration based on the deliberations by the Committee.

(Investment Committee)

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

#### **4) Evaluation of the effectiveness of the Board of Directors**

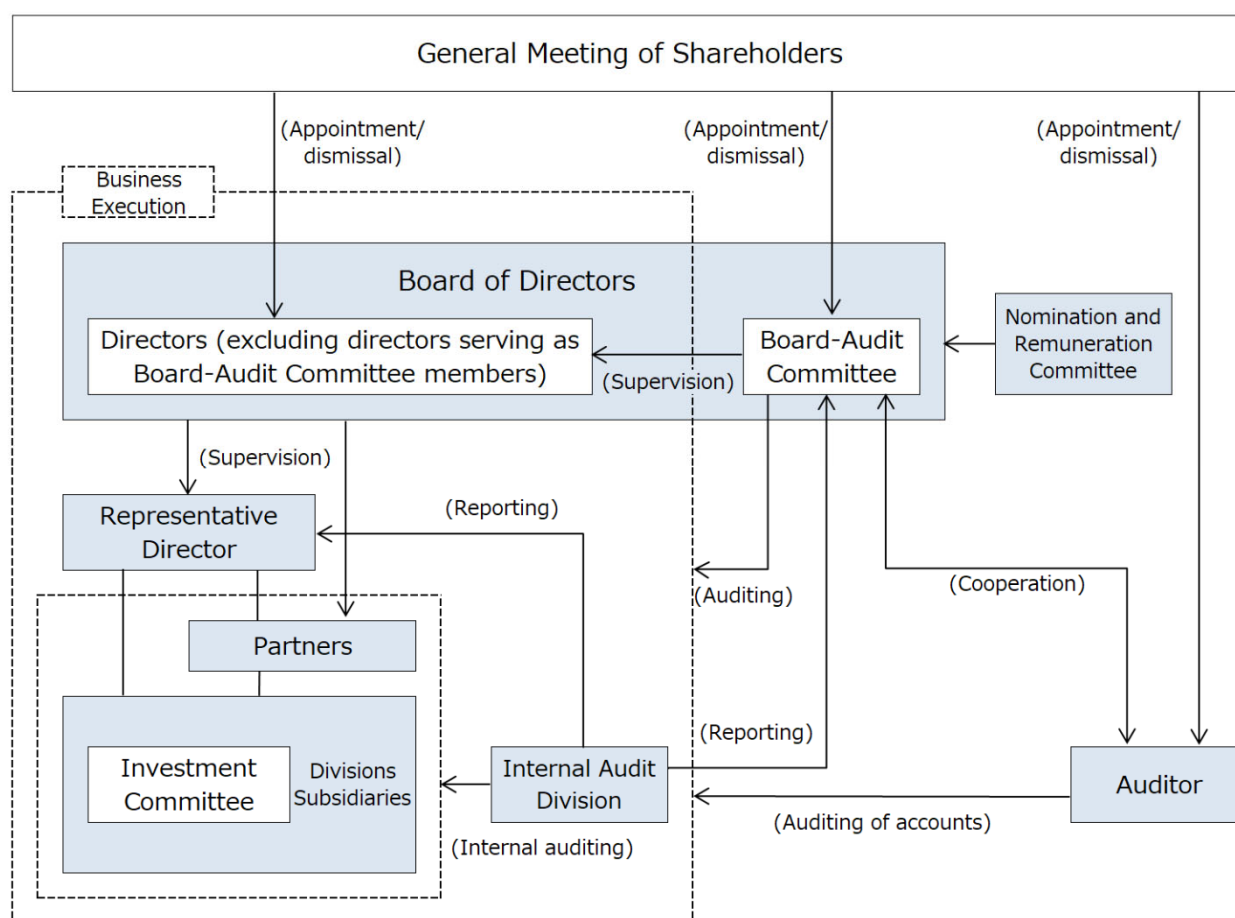
The summary of the results of the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2019 is as follows:

The Board of Directors ("BOD") has been evaluating the effectiveness of the BOD on an annual basis since the fiscal year ended March 31, 2016. In the fiscal year ended March 31, 2019, deliberations over items such as composition, operation, role, duties, etc. of the BOD were held as in previous years based on questionnaires administered to all directors and preliminary interviews with each director by the full-time Director serving as Board-Audit Committee member.

During the fiscal year ended March 31, 2019, the BOD held active discussions regarding issues on the Company's future business operation structure and strategic direction. Independent directors evaluated that sufficient information had been provided for the discussions in advance and the level of support in obtaining such information continued to be adequate in the fiscal year. While evaluating that deepened and invigorated deliberations were ensured through these discussions, it was also confirmed that continued efforts were necessary to improve the contents and efficiency of presentations and reports, with the aim of increasing the effectiveness of the BOD's monitoring function and ensuring fruitful and effective discussions.

We will regularly conduct effectiveness evaluations and further strengthen the BOD's supervisory function to increase the effectiveness of the BOD.

## Corporate governance structure



### 5. Structure for ensuring appropriate operations

The outline of a resolution by the Company's Board of Directors with regard to the structure to ensure that directors' execution of their duties is in compliance with laws and regulations and the Articles of Incorporation, and other structures to ensure appropriate operations of the Company and the corporate group comprising the Company and its subsidiaries, is as follows.

The Company shall implement and operate the following structures to ensure appropriate operations of the Company and its subsidiaries (collectively referred to as the "JAFECO") and the structure necessary for operations of the Board-Audit Committee:

- (1) Structure to ensure that execution of duties by JAFECO's directors, etc. and employees is in compliance with laws and regulations and the Articles of Incorporation
  - Based on the recognition that compliance with laws and regulations and the like is the precondition of all of corporate activities, directors, corporate officers and partners of JAFECO (including persons with duties equivalent to these; referred as the "Directors" hereinafter) shall lead efforts to ensure thorough compliance with laws and regulations by JAFECO from the group-wide perspective, and a compliance officer designated by the President of the Company shall supervise overall initiatives for JAFECO's compliance with laws and regulations.

- The Company shall create a global compliance policy that is common to all group companies, and all group companies shall thoroughly implement structures for compliance with laws and regulations and the like based on the policy in consideration of legal systems in the countries where they are located, their business scales, their organizational structures and other characteristics.
  - The Company shall sever any relationships with antisocial forces and stand firmly against them. The Company shall take an organization-wide initiative, and establish a dedicated department that works closely with external professional institutions, including police and attorneys-at-law.
  - The Internal Audit Division audits and reports the status of JAFCO's compliance with laws and regulations and the like to the President and the Board-Audit Committee, and, as necessary, to the Board of Directors. The audited departments and subsidiaries shall promptly address any issues if necessary to correct or improve as indicated.
  - The JAFCO hotline shall be established and operated as means for officers, employees and others at JAFCO to directly provide information to the Company regarding conduct that is in violation of, or risks violating, laws and regulations.
- (2) Structure for retention and management of information pertaining to execution of duties by the Directors
- In accordance with laws and regulations and internal rules, the Company shall appropriately retain and manage records concerning decision-making at the Board of Directors and other important meetings, and other important documents and information pertaining to execution of duties by the Directors.
- (3) Regulations and other systems concerning management of risk of loss at JAFCO
- The Directors shall retain authority and responsibility to implement systems and measures for risk management. In addition, director in charge of administration shall push forward the cross-company initiatives for JAFCO's risk management.
  - At the Company, in order to manage risks associated with private equity investment, which is the Company's main business, a designated committee composed of the President and partners shall make decisions on investment in accordance with internal rules. For making investment decisions, opinions of staff in charge of evaluation shall be asked separately from the investment division. In addition, the investment division shall update the status of business operations of unlisted portfolio companies on an as-needed and regular basis and take necessary actions.
  - At overseas subsidiaries, appropriate systems shall be established in consideration of the countries where they are located, their business scales, their organizational structures and other characteristics, with the aim of making investment decisions, assessing business operations of portfolio companies, and managing risks associated with private equity investment.
  - If a risk with a significant impact on the management of JAFCO becomes apparent, the Directors shall promptly report this to the Company's officer in charge of administration and the Company shall take appropriate actions in accordance with the risk.
- (4) Structure to ensure effective execution of duties by the Directors
- The Company clarifies the duties of its Directors, establish internal rules regarding

the division of duties and official authority to achieve efficient operations through role sharing and a chain of command.

- The Company holds monthly meetings of the Board of Directors and extraordinary meetings as necessary to determine important issues in business execution and supervise the status of business execution by directors.
- Thoroughly manage investment performance by enhancing portfolio management by JAFCO and its funds and regularly reporting the status at meetings of the Board of Directors.
- In light of the characteristics of private equity investment, which differ by country and region, committees for investment and fund management and other necessary meeting bodies shall be established at each of JAFCO's tri-polar bases in Japan, Asia and the US, and efforts shall be made to enhance efficiency in decision-making regarding private equity investment.

(5) Structure for reporting to the Company on matters relating to execution of duties by directors of subsidiaries and systems to ensure properness of operations at JAFCO

- Directors, corporate officers or employees of the Company shall be assigned as officers at subsidiaries, and presidents of subsidiaries shall periodically report to the Board of Directors of the Company on important execution of operations at respective subsidiaries.
- Subsidiaries shall periodically report to the Company on their financial information and the performance of the funds they manage. Furthermore, the Company and subsidiaries shall collaborate to ensure proper operations through information exchange, etc. between departments that are relevant in the course of business.
- The presidents of subsidiaries shall have the authority and the responsibility to implement systems and measures, etc. to ensure proper operations of respective subsidiaries.
- Subsidiaries are also subject to internal audits by the Company and audits by the Board-Audit Committee of the Company.

(6) Matters regarding directors/employees who shall assist the Board-Audit Committee with their duties, independence of such directors/employees from other directors (excluding Directors serving as Board-Audit Committee Members) and assurance of effectiveness of instructions to such directors/employees

- Directors or employees who shall assist the duties of the Board-Audit Committee shall be assigned as necessary, and personnel affairs of such employees shall be discussed between directors and the Board-Audit Committee.
- The Board-Audit Committee shall have the authority to give instructions and orders to such employees in executing their assistant duties.
- The Internal Audit Division's audit results shall be used for audits by the Board-Audit Committee. Based on discussions with the Board-Audit Committee, the Internal Audit Division shall conduct internal audits on matters requested by the Committee as needed and report the result to the Committee.

(7) Structure for reporting to the Company's Board-Audit Committee by JAFCO's Directors and employees and structure to ensure that reporting persons do not receive unfair treatment because of such reporting

- JAFCO's Directors and employees shall report the status of their execution of duties

and operations upon request from the Board-Audit Committee.

- JAFCO's Directors and employees shall promptly report matters that may cause a serious impact on the Company and its subsidiaries, violations of laws and regulations and the Articles of Incorporation, improper conduct by directors; and serious matters reported to the JAFCO hotline, to the Board-Audit Committee.
- The JAFCO hotline contacts shall include a member of the Board-Audit Committee of the Company.
- Persons reporting matters to the JAFCO hotline or to the Board-Audit Committee of the Company shall not receive unfair treatment because of such reporting.

(8) Matters regarding the policy for handling the expenses, etc. arising from the execution of duties by members of the Board-Audit Committee

- For various expenses associated with audits by members of the Board-Audit Committee, a budget necessary to ensure the effectiveness of the audits shall be established, and when the Board-Audit Committee requests payment of expenses, the accounting department shall handle the request after confirmation.

(9) Other systems to ensure effective audits by the Board-Audit Committee

- Representative directors shall provide opportunities for members of the Board-Audit Committee to regularly exchange opinions.
- The Directors shall secure opportunities for members of the Board-Audit Committee to attend important internal meetings or committees.
- The Board-Audit Committee, the Internal Audit Division and the financial auditor shall have opportunities for regular consultations and reinforce their relationships through information and opinion exchanges.

## **6. Overview of the operation status of the structure for ensuring proper operations**

An overview of the operation status of the structure for ensuring proper operations in the current fiscal year was as follows.

(1) Compliance management

- The Company took necessary measures to address revisions to laws and regulations related to corporate governance and timely disclosure of the Company's corporate information as a listed company, after discussing their impact on internal rules and work flow at relevant divisions.
- Once a year, all of the Company's officers and employees are asked to submit a pledge of compliance with laws and regulations and internal rules related to data management, restriction of insider trading and personal stock trading, etc., with the aim of raising compliance awareness.
- As for measures to sever any relationships with antisocial forces, a dedicated department works closely with external professional institutions, including the police and attorneys-at-law, to gather relevant information.
- The Company has established the Rules on Internal Control over Financial Reporting. Implementation, operation and evaluation of internal control over financial reporting are carried out in cooperation with the financial auditor.
- The Company has established the JAFCO hotline, which provides direct contacts with the Compliance Officer, the administration department and an independent director



of the Company, to prevent and improper conduct and detect violations of laws and regulations, etc. at an early stage. The hotline is made known companywide via the intranet and through other means.

## (2) Risk management

- The Internal Audit Division conducts internal audits of each division and overseas subsidiaries of the Company based on the internal audit plans, and reports the results to the President, the Board-Audit Committee and the Board of Directors.
- The director in charge of overseas operations regularly reports important matters related to investment and fund management at overseas bases and other overseas operations at the Board of Directors meetings.
- The status of compliance management and risk management is reported regularly to the Board of Directors.
- The investment division takes the initiative in addressing issues related to compliance and risk management at portfolio companies, and share the information in-house to the extent possible for future reference purposes.

## (3) Efficiency of execution of duties

- The regular meeting of the Board of Directors is held once a month, in principle, to make decisions on important management matters and oversee the status of business execution.
- Decision-making on investment in unlisted companies is conducted by the investment committee locally set up at each operating base in Japan, Asia and the US. This allows proper risk management and efficient execution of duties in line with the business environment in each region.
- Partners, investment staff in charge, and other members involved discuss and take concrete actions to realize the assumed growth scenario of portfolio companies on an as-needed and regular basis.
- Reports on portfolio status are made every month at meetings of the Board of Directors to ensure strict portfolio management by each division/ subsidiary/ fund, and to improve fund performance.
- The Company works to improve operating efficiency and productivity by continuously reviewing internal work process, while introducing and renewing IT and other operational infrastructures, promoting remote work, and reviewing remuneration/ evaluation systems and workstyles, etc.

## (4) Audit and supervision by the Board-Audit Committee

- The Board-Audit Committee members, led by a full-time member, supervise the business execution by attending the investment committee and other important internal meetings and expressing opinions as necessary, while also cooperating with the Internal Audit Division.
- Members of the Board-Audit Committee conduct interviews with directors, corporate officers, partners and investment and other division heads, and receive explanations about important decision-makings and the status of execution of duties.
- Written approvals from representative directors or the director/ corporate officer in charge are circulated to a full-time member of the Board-Audit Committee. The Board-Audit Committee regularly receives reports separately on the status of such approvals from the division in charge.

- Employees at the internal audit and administration divisions assist in operation of the Board-Audit Committee as necessary.
- Members of the Board-Audit Committee shall exchange opinions with representative directors. The Board-Audit Committee shall have discussions with the Internal Audit Division and the financial auditor on a regular basis.
- It has been informed via the intranet and by other means that anyone who conducts internal reporting through the JAFCO hotline or to the Board-Audit Committee will not receive unfair treatment because of such reporting.

## Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

Item	As of Mar. 31, 2019	(Reference) As of Mar. 31, 2018	Item	As of Mar. 31, 2019	(Reference) As of Mar. 31, 2018
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>115,636</b>	<b>121,839</b>	<b>Current liabilities</b>	<b>2,475</b>	<b>11,625</b>
Cash and deposits	61,378	67,586	Current portion of long-term loans payable	116	795
Operational investment securities	59,267	61,287	Income taxes payable	1,193	9,350
Investment loss reserves	(9,501)	(10,351)	Provision for bonuses	194	309
Securities	2,500	2,500	Allowance for extraordinary compensation for directors	89	127
Other	1,991	816	Other	881	1,044
<b>Non-current assets</b>	<b>68,577</b>	<b>69,710</b>	<b>Non-current liabilities</b>	<b>18,523</b>	<b>19,625</b>
<b>Property, plant and equipment</b>	<b>312</b>	<b>296</b>	Long-term loans payable	249	182
Buildings	190	180	Net defined benefit liability	453	616
Furniture and fixture	122	116	Deferred tax liabilities	17,779	18,809
<b>Intangible assets</b>	<b>188</b>	<b>74</b>	Other	42	17
Software	188	74			
<b>Investments and other assets</b>	<b>68,076</b>	<b>69,339</b>	<b>Total liabilities</b>	<b>20,998</b>	<b>31,251</b>
Investment securities	67,646	68,281	<b>Net assets</b>		
Investments in capital	17	32	<b>Shareholders' equity</b>	<b>117,739</b>	<b>112,477</b>
Long-term loans receivable	7	139	<b>Capital stock</b>	<b>33,251</b>	<b>33,251</b>
Deferred tax assets	7	245	<b>Capital surplus</b>	<b>32,806</b>	<b>32,806</b>
Other	397	640	<b>Retained earnings</b>	<b>59,268</b>	<b>54,005</b>
			<b>Treasury shares</b>	<b>(7,586)</b>	<b>(7,585)</b>
			<b>Accumulated other comprehensive income</b>	<b>45,475</b>	<b>47,821</b>
			<b>Valuation difference on available-for-sale securities</b>	<b>44,719</b>	<b>47,961</b>
			<b>Foreign currency translation adjustment</b>	<b>755</b>	<b>(132)</b>
			<b>Remeasurements of defined benefit plans</b>	<b>-</b>	<b>(6)</b>
			<b>Total net assets</b>	<b>163,215</b>	<b>160,299</b>
<b>Total assets</b>	<b>184,213</b>	<b>191,550</b>	<b>Total liabilities and net assets</b>	<b>184,213</b>	<b>191,550</b>

Notes: 1. All amounts have been rounded down to nearest million yen.

2. From the current fiscal year, JAFco America Ventures Inc was excluded from the scope of consolidation.

## **Consolidated Statement of Income**

(from April 1, 2018 to March 31, 2019)

(Millions of yen)

Item	For the year ended March 31, 2019	(Reference) For the year ended March 31, 2018
<b>Net sales</b>	<b>25,878</b>	<b>29,470</b>
Revenue from operational investment securities	23,291	23,470
Income from partnership management	2,586	5,987
Other sales	0	12
<b>Cost of sales</b>	<b>10,444</b>	<b>10,176</b>
Cost of operational investment securities	9,274	9,848
Other cost	1,169	328
<b>Gross profit</b>	<b>15,433</b>	<b>19,293</b>
(Reversal of) Additions to investment loss reserves	(712)	(865)
(Reversal of) Unrealized losses on operational investment securities	24	(105)
(Reversal of) Additions to reserve for success fee refunds	-	(6)
<b>Gross profit - net</b>	<b>16,121</b>	<b>20,269</b>
<b>Selling, general and administrative expenses</b>	<b>3,882</b>	<b>6,017</b>
<b>Operating income</b>	<b>12,239</b>	<b>14,252</b>
<b>Non-operating income</b>	<b>1,426</b>	<b>1,482</b>
Interest income	152	76
Dividend income	1,258	1,383
Miscellaneous income	16	22
<b>Non-operating expenses</b>	<b>255</b>	<b>180</b>
Interest expenses	3	23
Foreign exchange losses	229	146
Miscellaneous loss	22	10
<b>Ordinary income</b>	<b>13,410</b>	<b>15,554</b>
<b>Extraordinary income</b>	<b>190</b>	<b>19,718</b>
Gain on sales of investment securities	190	19,718
<b>Extraordinary losses</b>	<b>-</b>	<b>506</b>
Loss on valuation of investment securities	-	403
Moving expenses	-	103
<b>Profit before income taxes</b>	<b>13,600</b>	<b>34,766</b>
<b>Income taxes - current</b>	<b>3,105</b>	<b>10,500</b>
<b>Income taxes - deferred</b>	<b>332</b>	<b>30</b>
<b>Profit</b>	<b>10,162</b>	<b>24,235</b>
<b>Profit attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>
<b>Profit attributable to JAFCO Co., Ltd. shareholders</b>	<b>10,162</b>	<b>24,235</b>

Notes: 1. All amounts have been rounded down to nearest million yen.

2. From the current fiscal year, JAFCO America Ventures Inc was excluded from the scope of consolidation.

## **Consolidated Statement of Changes in Net Assets**

(from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2018	33,251	32,806	54,005	(7,585)	112,477
Cumulative effect of changes in accounting policies			87		87
Restated balance at beginning of period	33,251	32,806	54,093	(7,585)	112,565
Changes of items during period					
Dividends of surplus			(3,309)		(3,309)
Profit attributable to JAFco Co., Ltd. stockholders			10,162		10,162
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation			(1,678)		(1,678)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	5,174	(0)	5,174
Balance as of March 31, 2019	33,251	32,806	59,268	(7,586)	117,739

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of April 1, 2018	47,961	(132)	(6)	47,821	160,299
Cumulative effect of changes in accounting policies					87
Restated balance at beginning of period	47,961	(132)	(6)	47,821	160,387
Changes of items during period					
Dividends of surplus					(3,309)
Profit attributable to JAFco Co., Ltd. stockholders					10,162
Purchase of treasury shares					(0)
Change in scope of consolidation					(1,678)
Net changes of items other than shareholders' equity	(3,241)	888	6	(2,345)	(2,345)
Total changes of items during period	(3,241)	888	6	(2,345)	2,828
Balance as of March 31, 2019	44,719	755	-	45,475	163,215

Note: All amounts have been rounded down to nearest million yen.

**Balance Sheet**  
(As of March 31, 2019)

(Millions of yen)

Item	As of Mar. 31, 2019	(Reference) As of Mar. 31, 2018	Item	As of Mar. 31, 2019	(Reference) As of Mar. 31, 2018
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>110,576</b>	<b>116,388</b>	<b>Current liabilities</b>	<b>3,197</b>	<b>11,200</b>
Cash and deposits	57,783	63,505	Current portion of long-term loans payable	116	795
Operational investment securities	57,405	59,439	Accounts payable	308	377
Investment loss reserves	(9,145)	(9,831)	Income taxes payable	1,137	9,205
Securities	2,500	2,500	Deposits received	282	34
Accrued income	223	20	Provision for bonuses	149	261
Accounts receivable	1,197	475	Allowance for extraordinary compensation for directors	89	127
Other	611	278	Other	1,114	399
<b>Non-current assets</b>	<b>71,049</b>	<b>71,873</b>	<b>Non-current liabilities</b>	<b>18,241</b>	<b>19,388</b>
<b>Property, plant and equipment</b>	<b>268</b>	<b>231</b>	Long-term loans payable	249	182
Buildings	165	140	Deferred tax liabilities	17,497	18,581
Furniture and fixture	103	90	Provision for retirement benefits	453	607
<b>Intangible assets</b>	<b>188</b>	<b>60</b>	Other	42	17
Software	188	60	<b>Total liabilities</b>	<b>21,439</b>	<b>30,589</b>
<b>Investments and other assets</b>	<b>70,592</b>	<b>71,581</b>	<b>Net assets</b>		
Investment securities	67,452	68,267	<b>Shareholders' equity</b>	<b>115,502</b>	<b>109,664</b>
Shares of subsidiaries and associates	2,731	2,731	<b>Capital stock</b>	<b>33,251</b>	<b>33,251</b>
Investments in capital	16	15	<b>Capital surplus</b>	<b>32,806</b>	<b>32,806</b>
Other	392	566	Legal capital surplus	32,806	32,806
			<b>Retained earnings</b>	<b>57,031</b>	<b>51,192</b>
			Legal retained earnings	1,435	1,435
			Other retained earnings	55,595	49,756
			Retained earnings brought forward	55,595	49,756
			<b>Treasury shares</b>	<b>(7,586)</b>	<b>(7,585)</b>
			<b>Valuation and translation adjustments</b>	<b>44,684</b>	<b>48,008</b>
			<b>Valuation difference on available-for-sale securities</b>	<b>44,684</b>	<b>48,008</b>
			<b>Total net assets</b>	<b>160,186</b>	<b>157,672</b>
<b>Total assets</b>	<b>181,626</b>	<b>188,261</b>	<b>Total liabilities and net assets</b>	<b>181,626</b>	<b>188,261</b>

Note: All amounts have been rounded down to nearest million yen.

**Statement of Income**  
(from April 1, 2018 to March 31, 2019)

(Millions of yen)

Item	For the year ended March 31, 2019	(Reference) For the year ended March 31, 2018
<b>Net sales</b>	<b>24,648</b>	<b>27,063</b>
Revenue from operational investment securities	22,483	22,869
Income from partnership management	2,144	4,160
Other sales	20	32
<b>Cost of sales</b>	<b>10,937</b>	<b>11,162</b>
Cost of operational investment securities	9,453	9,862
Other cost	1,484	1,299
<b>Gross profit</b>	<b>13,710</b>	<b>15,900</b>
(Reversal of) Additions to investment loss reserves	(686)	(1,018)
(Reversal of) unrealized losses on operational investment securities	15	(105)
(Reversal of) Additions to reserve for success fee refunds	-	(6)
<b>Gross profit - net</b>	<b>14,381</b>	<b>17,030</b>
<b>Selling, general and administrative expenses</b>	<b>3,177</b>	<b>3,838</b>
<b>Operating income</b>	<b>11,203</b>	<b>13,191</b>
<b>Non-operating income</b>	<b>1,377</b>	<b>4,372</b>
Interest on deposits	102	37
Interest and dividends on securities	1,259	4,313
Miscellaneous income	14	22
<b>Non-operating expenses</b>	<b>258</b>	<b>181</b>
Interest expenses	3	10
Interest on bonds	-	14
Foreign exchange losses	233	145
Miscellaneous loss	22	10
<b>Ordinary income</b>	<b>12,322</b>	<b>17,383</b>
<b>Extraordinary income</b>	<b>190</b>	<b>19,718</b>
Gain on sales of investment securities	190	19,718
<b>Extraordinary losses</b>	<b>-</b>	<b>506</b>
Loss on valuation of investment securities	-	403
Moving expenses	-	103
<b>Income before income taxes</b>	<b>12,512</b>	<b>36,595</b>
<b>Income taxes - current</b>	<b>3,074</b>	<b>10,059</b>
<b>Income taxes - deferred</b>	<b>376</b>	<b>37</b>
<b>Net income</b>	<b>9,060</b>	<b>26,498</b>

Note: All amounts have been rounded down to nearest million yen.

## Statement of Changes in Net Assets

(from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings brought forward	Total retained earnings		
Balance as of April 1, 2018	33,251	32,806	32,806	1,435	49,756	51,192	(7,585)	109,664
Cumulative effect of changes in accounting policies					87	87		87
Restated balance at beginning of period	33,251	32,806	32,806	1,435	49,844	51,280	(7,585)	109,752
Changes of items during the period								
Dividends of surplus					(3,309)	(3,309)		(3,309)
Net income					9,060	9,060		9,060
Purchase of treasury shares							(0)	(0)
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	-	-	5,751	5,751	(0)	5,750
Balance as of March 31, 2019	33,251	32,806	32,806	1,435	55,595	57,031	(7,586)	115,502

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2018	48,008	48,008	157,672
Cumulative effect of changes in accounting policies			87
Restated balance at beginning of period	48,008	48,008	157,760
Changes of items during the period			
Dividends of surplus			(3,309)
Net income			9,060
Purchase of treasury shares			(0)
Net changes of items other than shareholders' equity	(3,324)	(3,324)	(3,324)
Total changes of items during the period	(3,324)	(3,324)	2,426
Balance as of March 31, 2019	44,684	44,684	160,186

Note: All amounts have been rounded down to nearest million yen.



## Independent Auditor's Report

May 15, 2019

To the Board of Directors of JAFCO Co., Ltd.

**Ernst & Young ShinNihon LLC**

Designated and Engagement Partner  
Certified Public Accountant

Toshihiro Morishige [Seal]

Designated and Engagement Partner  
Certified Public Accountant

Kenjiro Tsumura [Seal]

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of JAFCO Co., Ltd. (the "Company") applicable to the fiscal year from April 1, 2018 through March 31, 2019.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial

statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the JAFECO Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## Independent Auditor's Report

May 15, 2019

To the Board of Directors of JAFCO Co., Ltd.

**Ernst & Young ShinNihon LLC**

Designated and Engagement Partner  
Certified Public Accountant

Toshihiro Morishige [Seal]

Designated and Engagement Partner  
Certified Public Accountant

Kenjiro Tsumura [Seal]

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of JAFCO Co., Ltd. (the "Company") applicable to the 47th Fiscal Year from April 1, 2018 through March 31, 2019.

*Management's Responsibility for the Financial Statements and the Related Supplementary Schedules*

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of JAFCO Co., Ltd. applicable to the fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## Audit Report

The Board-Audit Committee has audited the Directors' performance of their duties during the 47th Fiscal Year (from April 1, 2018 to March 31, 2019), and hereby reports on the method and results as follows:

### **1. Method and Contents of Audit**

The Board-Audit Committee has received reports on a regular basis from the Directors and employees, etc. with respect to the details of the Board of Directors' resolutions regarding matters set forth in Article 399-13, paragraph 1, item 1 (b) and (c) of the Companies Act of Japan, and the construction and operation of the structures based on such resolutions (internal control systems), requested explanations as necessary, and expressed opinions. The Board-Audit Committee has also conducted audits in the following manners:

- 1) In accordance with the audit policies and assignment of duties, etc. set up by the Board-Audit Committee, members of the Committee, in cooperation with the internal audit and other divisions, attended important meetings, received reports on the status of execution of duties from the Directors and employees, etc., requested explanations as necessary, inspected important decision approval documents, and investigated the status of business operations and assets at the head office and other major offices. With respect to the subsidiaries, the members of the Committee worked to promote communication and information exchange with the Directors, etc. of each subsidiary and received business performance reports from subsidiaries as necessary.
- 2) Members of the Board-Audit Committee monitored and verified whether the financial auditor maintained its independence and properly conducted its audit, received reports from the financial auditor on the status of its performance of duties, and requested explanations as necessary. The members of the Committee were notified by the financial auditor that it had established a "system to ensure that the performance of the duties of the financial auditor was properly conducted" (the matters set forth in the items of Article 131 of the Ordinance on Accounting of Companies) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, the Board-Audit Committee examined the Business Report and the annexed detailed statements thereto, the financial statements (balance sheet, statement of income, statement of changes in net assets, and notes to financial statements) and the annexed detailed statements thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements), for the fiscal year.

## 2. Results of Audit

### (1) Results of Audit of Business Report, etc.

- 1) We acknowledge that the Business Report and the annexed detailed statements thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- 2) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company was found with respect to the Directors' performance of their duties.
- 3) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the Directors' performance of their duties concerning the internal control systems.

### (2) Results of Audit of Financial Statements and Their Annexed Detailed Statements

We acknowledge that the methods and results of audit performed by the financial auditor Ernst & Young ShinNihon LLC, are appropriate.

### (3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the financial auditor Ernst & Young ShinNihon LLC, are appropriate.

May 15, 2019

Board-Audit Committee of JAFECO Co., Ltd.

Full-Time Member

Sadahiko Yoshimura [Seal]

Member

(Independent Director)

Koji Tanami [Seal]

Member

(Independent Director)

Kenichi Akiba [Seal]

Member

(Independent Director)

Shigeru Tamura [Seal]

## Guidance for Exercising Voting Rights

Please exercise your voting rights after examining the Reference Documents for the General Meeting of Shareholders (pages 5–17).

You may exercise your voting rights using one of the following three methods.

### 1. Attendance

Please present the enclosed voting form at the reception desk on arrival at the meeting.

If you choose to attend the Meeting, you are not required to vote by postal mail (using the voting form) or via Internet.

### 2. Postal mail

Please indicate on the voting form whether you are for or against each proposal and mail it by post.

The voting forms that are returned and received by 5:00 p.m. on Monday, June 17, 2019 (Japan Time) will be valid.

### 3. Internet, etc.

Please access the voting website designated by the Company shown below, and follow the instructions on the screen to enter for or against each proposal.

**<https://evote.tr.mufig.jp/>**

The voting rights shall be exercised by 5:00 p.m. on Monday, June 17, 2019 (Japan Time). Please refer to the following page for details.

- Please note that your online vote will prevail should you exercise your voting rights both by postal mail and via Internet.
- If you exercise your voting rights more than once via Internet, only the last vote shall be deemed valid. In addition, if you exercise your voting rights more than once using a PC, a smartphone and a cellular phone, only the last vote shall be deemed valid.

## How to exercise your voting rights via Internet

- At the voting website (<https://evote.tr.mufg.jp/>), use the login ID and provisional password provided on the voting form, and follow the instructions on the screen to enter for or against each proposal.
- Please note that shareholders who use the voting website will be asked to change the provisional password in order to prevent illegal access or alteration of votes by third-parties other than shareholders.
- A new login ID and provisional password will be provided to a shareholder for each General Meeting of Shareholders.
- By scanning the QR code printed on the voting form, you can login the voting website without entering the login ID and password. However, please note that you can login the site only once by scanning the QR code. If you re-exercise your voting rights, please follow the instructions above to login using the login ID and password.

For inquiries about the system for exercising voting rights via Internet, please contact:

Corporate Agency Business Division (Help Desk) Mitsubishi UFJ Trust and Banking Corporation Phone: 0120-173-027 (toll free (Japan only)) / 9:00 to 21:00 (Japan Time)
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## Information for institutional investors

The electronic voting platform for institutional investors, which is operated by ICJ, Inc., is available for institutional investors.