To our shareholders:

Since the financial crisis, JAFCO has dramatically shifted its investment strategy from diverse investment, through which we aimed to gain a large share of the IPO market, to “highly selective, intensive investment” and “commitment investment.” Our portfolio of unlisted domestic companies has been reduced to around 150 companies from its peak of over 1,000 companies, and the number of new investments down to around 20 from the previous 100 plus per year. Also, the size of our flagship fund has been scaled down to ¥60 billion from just under ¥150 billion previously.

We have continued to drive the new investment strategy based on strict selection of high-potential companies, a decent shareholding, and deep management involvement, while also rebuilding our fund management structure. Thanks also to an upturn and increase in IPO activity, profits hit record highs in the fiscal year ended March 2015 and fund performance also improved significantly.

Despite the rapid progress of digital revolution worldwide, the start-up ratio in Japan has slumped for a long term and industrial restructuring has become a major issue. However, the environment surrounding entrepreneurs has clearly changed over the past few years. The launch of budding startups, including so called “mega ventures” and “game changers” led by young and competent entrepreneurs, is increasing mainly in the internet sector.

A number of start-ups raising billions of yen is a phenomena that has never been seen before. Capital flow to high-potential ventures, including that from business firms, is getting increasingly overheated. While gauging this change in the market, we carefully select high-potential startups and make intensive investment. As a result, the average investment amount per company has risen rapidly. Assets under management appear to have bottomed out as we focused on building high-quality portfolios, paving the way for the establishment of a new growth model.

JAFCO has launched a new corporate identity ”Co-Founder”. We closely cooperate with entrepreneurs from the business conception stage and commit ourselves to portfolio companies’ growth and value adding. As a venture capital firm based in Japan, the US and Asia, we have also set a new mission “Commit to new business creation and jointly shape the future” based on our vision of a “Team of Entrepreneurs.”

The venture capital business is characterized by large fluctuations in profits. We have announced a specific dividend policy based on shareholders’ equity with the aim of maintaining stable shareholder returns under any business environment.

We will continue with our efforts to sustain high-level performance over the long term. I believe this will directly lead to the growth in our profits.

Shinichi Fuki
President & CEO
JAFCO Co., Ltd.

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 23, 2017

To Shareholders:

Shinichi Fuki
President & CEO
JAFCO Co., Ltd.
1-5-1 Otemachi, Chiyoda-ku, Tokyo

NOTICE OF CONVOCATION OF THE 45TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 45th 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 19, 2017 (Japan Time).

1. Date and Time	Tuesday, June 20, 2017, at 10:00 a.m. (Japan Time)
2. Place	Grand Hall on the 5th floor, Nomura Conference Plaza Nihonbashi Nihonbashi Muromachi Nomura Bldg. (YUITO) 2-4-3 Nihonbashi-Muromachi, Chuo-ku, Tokyo
3. Purpose of the Meeting	
Matters to be reported:	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 45th Fiscal Year (from April 1, 2016 to March 31, 2017)
Matters to be resolved:	
Proposal 1:	Election of Four (4) Directors (Excluding Directors Serving as Board-Audit Committee Members)
Proposal 2:	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 19, 2017 (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 the Key Points When Exercising Voting Rights by Electronic Means (via Internet) on page 46, and access the website for voting designated by the Company (http://www.evote.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.

- 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 the Company's website below.
- The Company will inform you of the results of resolutions of the Meeting by posting the matter on the Company's website below.

The Company's website: http://www.jafco.co.jp/english/ir/shareholder/meeting/

Reference Documents for the General Meeting of Shareholders

Proposal 1: Election of Four (4) Directors (Excluding Directors Serving as Board-Audit Committee Members)

The terms of office of all four (4) 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 four (4) directors.

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 following the exchange of opinions with the Representative Director with regard to oversight, execution and future focus of Board of Directors, the status of performance of duties by director candidates, etc. As a result, the Committee reached a conclusion that it has no objection to the nomination of director candidates in this proposal after taking into account the composition of the Board of Directors 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 who execute business of the Company following the exchange of opinions with the representative director. 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.

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company</th><th>Number of the Company's shares owned</th></tr>
<tr><td rowspan="2">1</td><td>
Shinichi Fuki
(November 1, 1961)

<Re-election></td><td>April 1985
June 2003

February 2005

March 2007

January 2010</td><td>Joined JAFCO
Director in charge of Investment Group II, Kansai Branch and Planning & Administration, JAFCO
Managing Director in charge of Finance, Investment Group II, Kansai Branch and VA Department III, JAFCO
Executive Managing Director in charge of Finance, Structured Investment, Kansai Branch and VA Department III, JAFCO
President & CEO (Representative Director), JAFCO (Present)</td><td>12,772 shares</td></tr>
<tr><td colspan="4">Number of attendance at the Board of Directors meetings: 14 out of 14 meetings (100%)

Reason for nomination as candidate for director

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 and 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.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company</th><th>Number of the Company's shares owned</th></tr>
<tr><td rowspan="2">2</td><td>
Hiroshi Yamada
(February 25, 1956)

<Re-election></td><td>April 1978
June 2000

June 2001

February 2005
January 2011
April 2011

October 2012

April 2013

June 2013

November 2015</td><td>Joined Nomura Securities Co., Ltd.
President, Nomura International (Hong Kong) Limited
Director, JAFCO
President & CEO, JAFCO Investment (Asia Pacific) Ltd
Managing Director, JAFCO
Executive Managing Director, JAFCO
Concurrently President & CEO, JAFCO America Ventures Inc.
In charge of Investment and Branches, JAFCO
Executive Managing Director (Representative Director), JAFCO (Present)
In charge of Investment and Administration (until February 2015)
In charge of Fund Management, JAFCO (Present)</td><td>7,820 shares</td></tr>
<tr><td colspan="4">Number of attendance at the Board of Directors meetings: 14 out of 14 meetings (100%)

Reason for nomination as candidate for director

Hiroshi Yamada was appointed Director of the Company in June 2001 following his career at Nomura Securities. He has gained extensive experience and knowledge as the director in charge of overseas operations, concurrently acting as President of the Company's Asian and US subsidiaries, and by taking charge of investment and fund management after coming back to Japan. Since assuming the position of Representative Director in April 2013, he has enhanced the Board of Directors' effective decision making and supervisory functions by utilizing his business experience and achievements. Taking the above into account, the Board of Directors deemed it appropriate that he continues to execute and supervise business activities as a director of the Company.</td></tr>
<tr><td rowspan="2">3</td><td>
Yoshiyuki Shibusawa
(October 5, 1969)

<Re-election></td><td>April 1992
March 2007

June 2007

October 2012

April 2014</td><td>Joined JAFCO
Corporate Officer in charge of Investment Group II, JAFCO
Director in charge of Investment Group II, JAFCO
President & CEO, JAFCO America Ventures Inc. (Present)
President & CEO, JAFCO Investment (Asia Pacific) Ltd (Present)
In charge of Business Development (Present)
Managing Director, JAFCO (Present)</td><td>7,322 shares</td></tr>
<tr><td colspan="4">Number of attendance at the Board of Directors meetings: 14 out of 14 meetings (100%)

Reason for nomination as candidate for director

Yoshiyuki Shibusawa has constantly been involved in private equity investment since his joining JAFCO and gained experience taking charge of the domestic venture investment division. Since October 2012, he has been responsible for the Company's overseas operations as President of the Company's Asian and US subsidiaries. He assumed the office of Management Director in April 2014. Based on his experience and track record of domestic/ overseas investment operations, the Board of Directors deemed it appropriate that he continues to execute and supervise business activities as a director of the Company.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company</th><th>Number of the Company's shares owned</th></tr>
<tr><td rowspan="2">4</td><td>

Keisuke Miyoshi
(September 18, 1969)

<Re-election></td><td>April 1993
August 2011

April 2013

June 2015</td><td>Joined JAFCO
Group Officer of Investment Group II, JAFCO
Corporate Officer in charge of Investment, JAFCO
Director in charge of Investment, JAFCO (Present)</td><td>3,012 shares</td></tr>
<tr><td colspan="4">Number of attendance at the Board of Directors meetings: 14 out of 14 meetings (100%)

Reason for nomination as candidate for director
Since joining JAFCO, Keisuke Miyoshi has been involved in private equity investment operations, and he currently heads the domestic venture investment division. Based on his broad investment experience and expertise, the Board of Directors deemed it appropriate that he continues to execute and supervise business activities as a director of the Company.</td></tr>
</table>

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.

The candidates for directors serving as Board-Audit Committee members are as follows. There is no special interest between any of the candidates and the Company.

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company</th><th>Number of the Company's shares owned</th></tr>
<tr><td rowspan="2">1</td><td>
Sadahiko Yoshimura
(October 18, 1947)

<Re-election></td><td>October 1973
August 1978
May 1996
May 2002
May 2004
August 2008
March 2009
April 2010
June 2010
June 2012
April 2015
June 2015</td><td>Joined Tetsuzo Ota & Co. (currently Ernst & Young ShinNihon LLC)
Registered as Certified Public Accountant
Board Member, Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
Executive Board Member, ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)
Vice Chairman, ShinNihon & Co.
Senior Advisor, Ernst & Young ShinNihon LLC
Resigned from Ernst & Young ShinNihon LLC
Special University Professor, Aoyama Gakuin University Graduate School of Professional Accountancy
Corporate Auditor, JAFCO
Corporate Auditor (full-time), JAFCO
Visiting Professor, Aoyama Gakuin University Graduate School of Professional Accountancy (Present)
Director (Board-Audit Committee member, full-time), JAFCO (Present)</td><td>5,219 shares</td></tr>
<tr><td colspan="4">Number of attendance at the Board of Directors meetings: 14 out of 14 meetings (100%)

Reason for nomination as candidate for Director
Mr. Sadahiko Yoshimura has been involved in finance and accounting of many companies as a certified public accountant while being committed to supporting entrepreneurs and unlisted companies. The Company expects him to leverage the experience, insight and expertise in accounting in supervising the Company's execution of operations and contributing to important management decision-making. As a corporate auditor or Board-Audit Committee member of the Company, he has participated in important meetings and acquired deep understanding of the Company's operations. Furthermore, through his audits and supervision of the execution of operations, he has provided valuable opinions and proposals. Taking the above into consideration, the Company believes that he remains most capable in his duties as a director serving as Board-Audit Committee member.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company</th><th>Number of the Company's shares owned</th></tr>
<tr><td rowspan="2">2</td><td>

Koji Tanami
(September 10, 1939)

<Re-election>
<Independent></td><td>April 1964
July 1994

July 1996

January 1998

September 1999
June 2001

October 2007

September 2008

December 2010

June 2015</td><td>Joined Ministry of Finance
Director-General of the Financial Bureau, Ministry of Finance
Chief Cabinet Councillor for Internal Affairs, Cabinet Secretariat
Administrative Vice Minister, Ministry of Finance
Special Advisor to the Minister of Finance
Deputy Governor and Managing Director, Japan Bank for International Cooperation
Governor, Japan Bank for International Cooperation
Resigned from Governor of Japan Bank for International Cooperation
Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association)
Attorney-at-Law, Hashidate Law Office (Present)
Director (Board-Audit Committee member), JAFCO (Present)</td><td>1,107 shares</td></tr>
<tr><td colspan="4">Number of attendance at the Board of Directors meetings: 14 out of 14 meetings (100%)

Significant concurrent positions outside the Company
Attorney-at-Law, Hashidate Law Office

Reason for nomination as candidate for director
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. The Company expects him to leverage 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 two (2) years at the conclusion of this General Meeting of Shareholders.

Matters regarding independence
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.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, position and responsibilities at the Company, and significant concurrent positions outside the Company</th><th>Number of the Company’s shares owned</th></tr>
<tr><td rowspan="2">3</td><td>

Kenichi Akiba
(October 30, 1963)

<Re-election>
<Independent></td><td>September 1986
July 1989
September 2001

April 2007

July 2007

September 2009

June 2015</td><td>Joined Eiwa Audit Corporation (currently KPMG AZSA LLC)
Registered as Certified Public Accountant
Temporarily transferred to The Accounting Standards Board of Japan as Technical Manager
Technical Director, The Accounting Standards Board of Japan (until August 2009)
Partner, KPMG AZSA & Co. (currently KPMG AZSA LLC)
Professor, Graduate School of Accountancy, Waseda University (Present)
Director (Board-Audit Committee member), JAFCO (Present)</td><td>1,003 shares</td></tr>
<tr><td colspan="3">Number of attendance at the Board of Directors meetings: 14 out of 14 meetings (100%)

Significant concurrent positions outside the Company
Professor, Graduate School of Accountancy, Waseda University

Reason for nomination as candidate for director
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. The Company expects him to leverage 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.
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.

Matters regarding independence
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 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.</td></tr>
</table>

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	 **Shigeru Tamura** (October 8, 1961) <New Election> <Independent>	April 1985 June 2000 August 2000 September 2002 June 2003 August 2005 August 2006 June 2010 October 2014 May 2015 June 2015	Joined the Bank of Yokohama, Ltd. General Manager of Business Administration and Head of Office of IPO, Members Co., Ltd. Director & CFO, Members Co., Ltd. Officer of Business Administration, Aplix Corporation Vice President of Principal Investments, Investment Banking Headquarters, ORIX Corporation Senior Corporate Officer, Medical Industries Corp. (currently MIC Medical Corporation) Executive Vice President, MIC Medical Corporation President & CEO, MIC Medical Corporation Chairman, MIC Medical Corporation Outside Corporate Auditor, MEDIA DO Co., Ltd. (until May 2017) Outside Corporate Auditor, SAN HOLDINGS, INC. (Present)	0 share

Significant concurrent positions outside the Company

Outside Corporate Auditor, SAN HOLDINGS, INC.

Reason for nomination as candidate for director

Mr. Shigeru Tamura is a candidate for independent director.
He has 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. The Company expects him to leverage 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.

Matters regarding independence

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. The Company invested in MIC in September 2006 through a JAFCO-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.

Notes: 1. Messrs. Koji Tanami, Kenichi Akiba and Shigeru Tamura meet the "Standards for Independence of Independent Directors" established by the Company, shown on the next page.

2. The Company has designated Messrs. Koji Tanami and Kenichi Akiba as independent officers as provided for in the regulations of the Tokyo Stock Exchange. Mr. Shigeru Tamura also meets the criteria for independent officer, and if he is elected and assume office as Director serving as Board-Audit Committee Member, the Company will designate him an independent officer.

3. The Company has entered into agreements with Messrs. Sadahiko Yoshimura, 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 Mr. Shigeru Tamura is elected and assumes office as Director serving as Board-Audit Committee Member, the Company plans to enter into such agreement with him.

(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 (hereinafter collectively the "JAFCO Group").

(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 the JAFCO Group (*3).
6) An expert in a field such as legal matters, accounting or taxation, a consultant or other such person receiving remuneration from the JAFCO Group 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 the JAFCO Group.

(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 the JAFCO Group 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 the JAFCO Group 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, 2016 to March 31, 2017)

I Current Status of JAFCO Group (hereinafter "JAFCO" or the "Company")

1. About the JAFCO Group

1) JAFCO as "Co-Founder"

Radical shifts in industrial structures triggered by digital revolution are taking place worldwide. The internet is widely used in various sectors, changing fundamental mechanisms of existing industries. At the same time, new industries are emerging. In Japan, a number of high-potential startups have been officially launched not only in the Internet space but also in highly competitive engineering and manufacturing sectors and at universities. The number of young and promising entrepreneurs is clearly rising, and for them, launching your own business is an intriguing, or "cool" experience.

Amid such environment, the target of venture investment has widely shifted to startup companies. In addition, corporate venture capital has also soared, intensifying competition for startup investment.

Since establishment, JAFCO has grown with leading-edge entrepreneurs. In addition to a large number of experienced venture capitalists, we have accumulated rich resources and networks to promote growth of portfolio companies. We raise their corporate value through deep involvement in management from the business conception stage and commit ourselves to business development with entrepreneurs.

JAFCO will play an active role not only as an investor but also as a "Co-Founder" based on our vision of "Team of Entrepreneurs." Pursuing our mission of "commit ourselves to new business creation and jointly shape the future," we will continue to open up new frontiers with challenging and pioneering spirit with entrepreneurs.

2) JAFCO's business line/ business model

JAFCO specializes in venture investment and buyout investment through fund management. We carry out fundraising for a new fund once in every three or four years targeting institutional investors, business firms, etc. We also invest our own capital in all funds (usually 30-40% of total commitments) to commit ourselves to improving fund performance.

Our fund term is 10 years with possible extension of two years. Regardless of the timing of fundraising, we identify high-potential companies on a continuous basis, accumulate new investments within a period of three or four years, and complete a high-quality portfolio for each fund.

JAFCO works with entrepreneurs to expand business and raise corporate value through deep involvement in management after investment, and aims to achieve exits through IPOs and M&As. Our main profit sources are capital gains on invested funds, fund management fees and success fees.

3) Fund management

Total capital commitments of funds under management are ¥434.8 billion. The number of investors is approximately 500. In Japan, fundraising for venture capital funds is not easy. Other than our funds, there are only a few funds with a size of several tens of billions of yen.

Our primary funds before extension are as follows:

Fund series	Established	Fund size	JAFCO's stake
SV3	2007	¥146.5 billion	40.1%
SV4	2013	¥60.0 billion	49.5%
SV5	2016	¥65.0 billion	34.5%

As a pioneer in venture capital fund management, we will maintain discipline and transparency based on the following fund management policies. We believe that the pure pursuit of higher fund

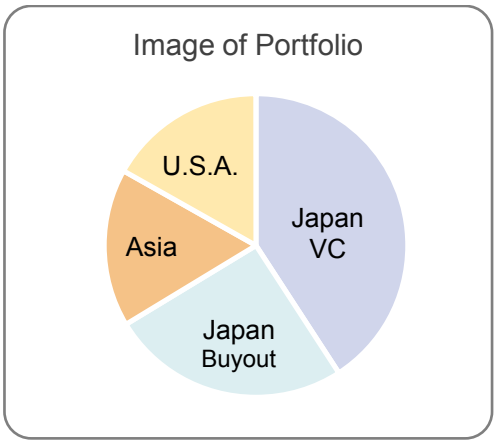
performance and business growth of portfolio companies serves in the best interests of both investors and JAFCO.

- We will not establish industry-specific funds.
- We will not establish investor-specific funds.
- We will only focus on fund management.

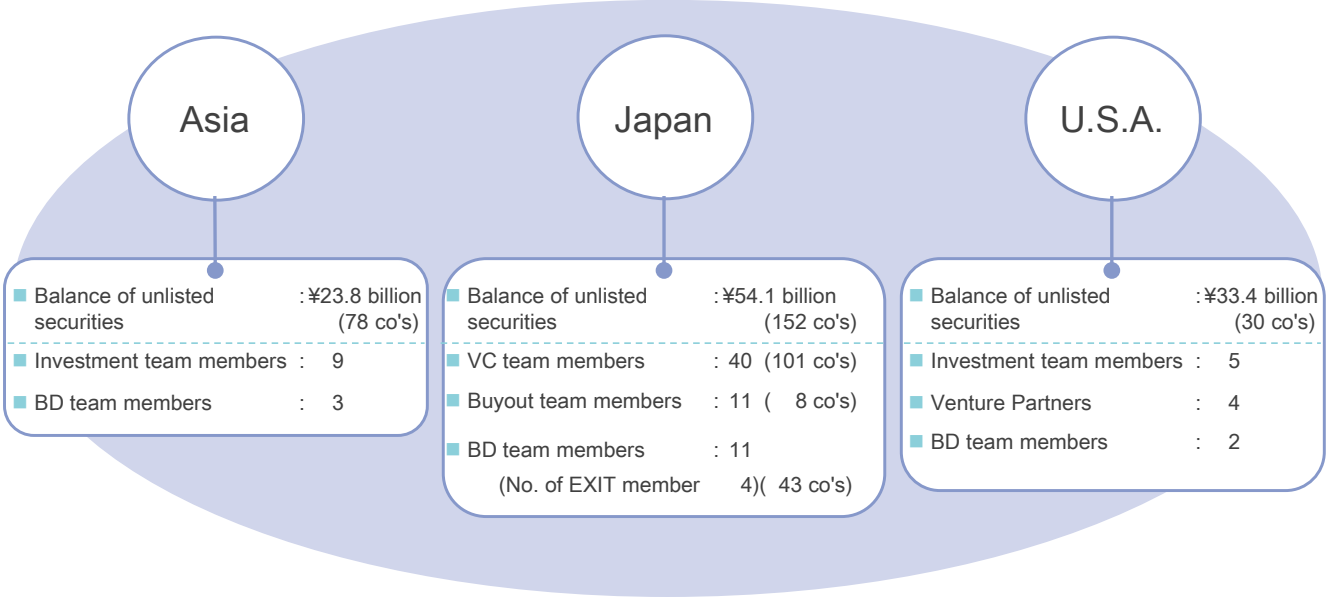
4) Investment target and global investment structure

In Japan, JAFCO carries out venture investment primarily in startup companies and buyout investment related to business succession, spinout, etc. Overseas, we carry out investment in Asia, mainly China, and in US promising ventures based in Silicon Valley to diversify regional risks.

Venture capital investment is a highly regional business and required to be deeply rooted in local communities. Highly experienced venture capitalists identify promising companies and make their own decisions to achieve higher fund performance. We invest part of our primary funds and our own capital in funds operated in Asia and the US to add overseas promising ventures to our portfolio.



Overall balance of unlisted securities: ¥ 111.3 billion (260 co's)



*Balance of unlisted securities: as of March 31, 2017 (acquisition cost basis); No. of staff: as of April 1, 2017
*BD stands for Business Development

5) "Highly selective, intensive investment" & "Commitment investment"

Since the financial crisis, JAFCO has dramatically shifted its investment strategy from diverse investment, through which we aimed to gain a large share of the IPO market, to "highly selective, intensive investment" and "commitment investment." We have continued to drive the new investment strategy as we strictly select high-potential companies, raise investment amount/ shareholding per company, and deepen management involvement.

Since the shift in investment strategy, we have made new investments in about 20 companies per year, whereas previously, we invested in about 100 plus companies a year. Accordingly, the average investment per company has risen from just over ¥100 million to around ¥500 million. In an environment where a number of high-potential startups called "mega ventures" and "game changers" raise over several billions of yen in a single round of financing, deals in which we invest over ¥1 billion in a company are increasing. Average shareholding at the time of investment has also risen from several percent to about 20%.

Capitalizing on a high shareholding and deep management involvement, we accelerate growth and value-adding of portfolio companies to maximize capital gains and ROI at exit. We will continue to pursue large capital gains through "highly selective, intensive investment" and "commitment investment," rather than raising the number of portfolio IPOs.

6) Business development

JAFCO's investment teams consist of 65 members on a global basis. We also have business development (BD) teams made up of 16 members that are in charge of portfolios in each region.

For startup companies, JAFCO's main target, the speed of business launch and expansion is the most important factor. BD teams utilize our network of over 1,000 companies, mainly consisting of major business firms, and work closely with investment teams to commit to growth of portfolio companies. BD teams in charge of different regions also work together to achieve exits through cross-border business alliances and M&As.

2. Business progress and results

1) Financial highlights and capital gains

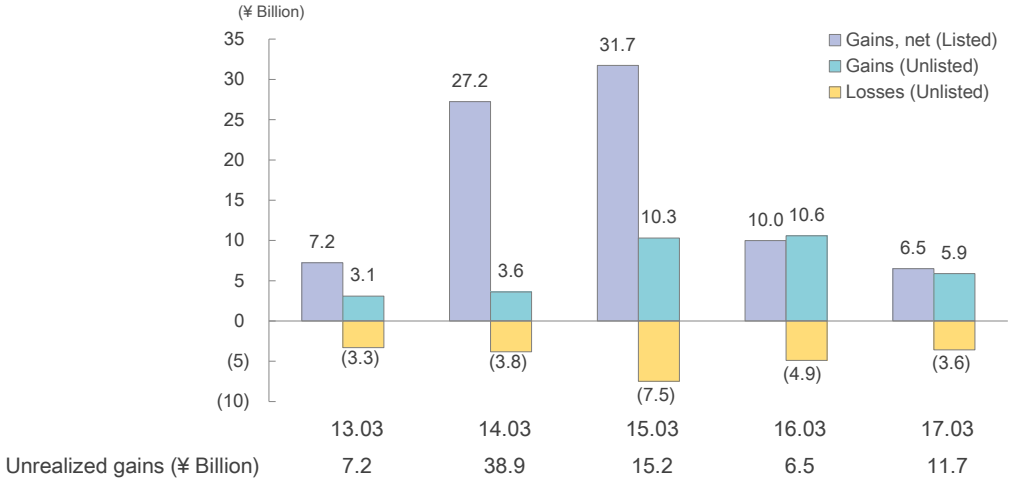
For the fiscal year ended March 31, 2017, revenues and profits continued to fall from the previous fiscal year due to a limited number of exits generating large capital gains.

JAFCO's biggest management concern is to maintain high-level fund performance over the long term. Under our "highly selective, intensive investment" strategy, we make new investments in about 20 domestic companies, including buyouts, and about 15 overseas companies each year. The number of IPOs per year inevitably falls to less than 10 both in Japan and overseas. Our performance changes sharply year to year in line with the number of IPOs/ M&As generating large capital gains.

(Billions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017	Year-on-year change
Net sales	41.2	27.9	(32%)
Ordinary income	19.8	13.7	(31%)
Net income	17.0	11.1	(35%)

Capital gains (JAFCO's interests)



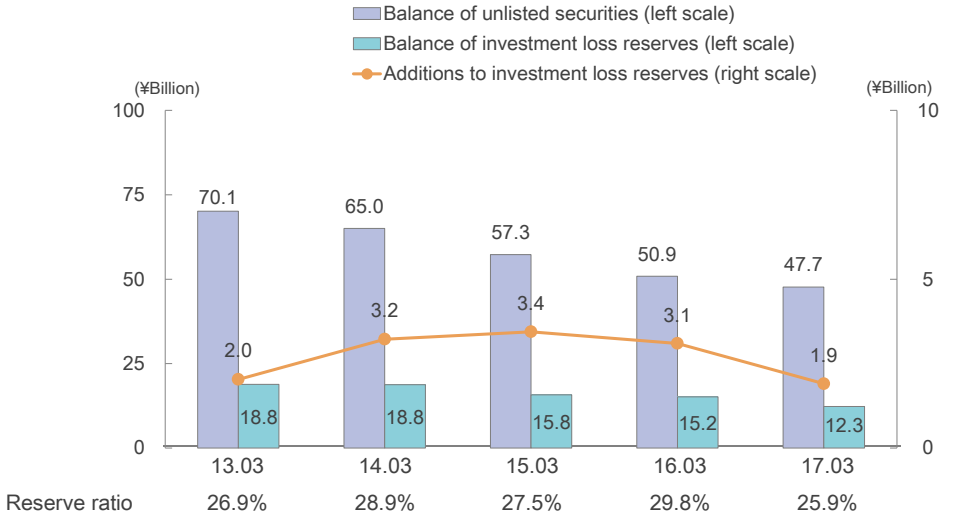
Note: Gains/losses include other portfolio-related revenues and impairment losses.

2) Investment loss reserves

Since the change in our investment policy, our portfolio of unlisted domestic companies has been reduced to around 150 companies from its peak of over 1,000 companies. As we have focused on building a high-quality portfolio through "highly selective, intensive investment" and "commitment investment," the balance of investment loss reserves, which stood at over 40% soon after the financial crisis, has fallen significantly to 25.9% as of March 31, 2017.

Investments made in and after January 2017 are no longer subject to general reserves (which had been made against companies that are exempt from company-to-company reserves). With a smaller number of portfolio companies and a high degree of management involvement, our ability to address declining performance at portfolio companies has improved considerably. Also, investment loss reserves had been sufficiently covered by company-by-company reserves.

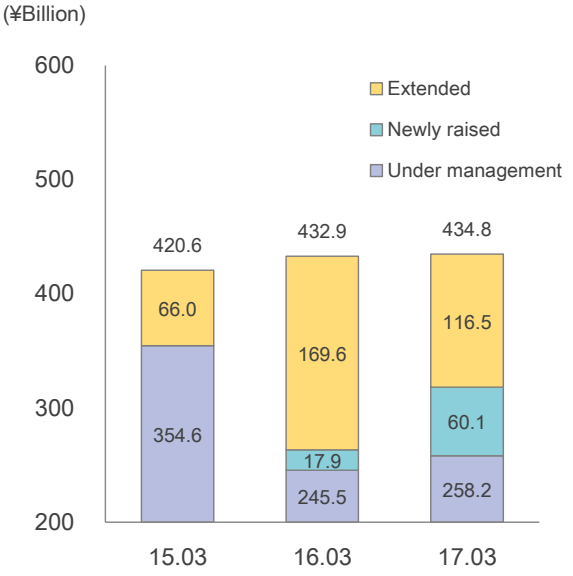
Additions to and balance of investment loss reserves (JAFCO's interests)



3) Total fund commitments

In the fiscal year ended March 31, 2017, new flagship fund SV5 was established with total commitments of ¥65 billion. With regard to Icon VI, the latest US fund, additional commitments of US$66 million brought the fund total to US$225 million. Fundraising for Icon VI is still underway. The overseas life science fund with total commitments of ¥4.5 billion was fully liquidated, while the V1 Fund Series (¥53.7 billion in total

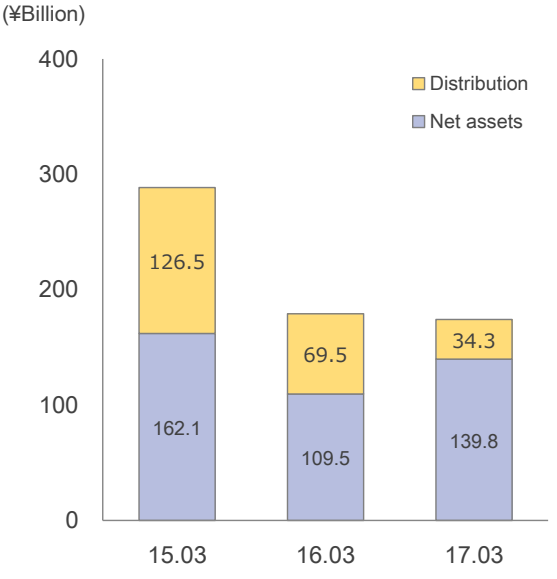
fund size) entered the liquidation period following the end of the fund's term at the end of December 2016. As a result of the above fund activities, total fund commitments rose slightly.



4) Assets of funds under management (net assets, distributions)

In the fiscal year ended March 31, 2017, a total of ¥34.3 billion was distributed to partners from our domestic and overseas funds. Net assets of funds after distributions were ¥139.8 billion, up ¥30.3 billion on the previous year, due to fundraising for SV5 and unrealized gains on a major IPO of a China-based portfolio company.

Amid the fundamental change in the investment strategy, the size of our flagship fund was slashed from ¥146.5 billion for SV3 to ¥60 billion for SV4. The reshuffle of our portfolio in line with the shift from diverse investment to "highly selective, intensive investment" and "commitment investment" is at the final stage. With a rise in the size of domestic venture investments, total funds under management after markdowns have finally bottomed out.

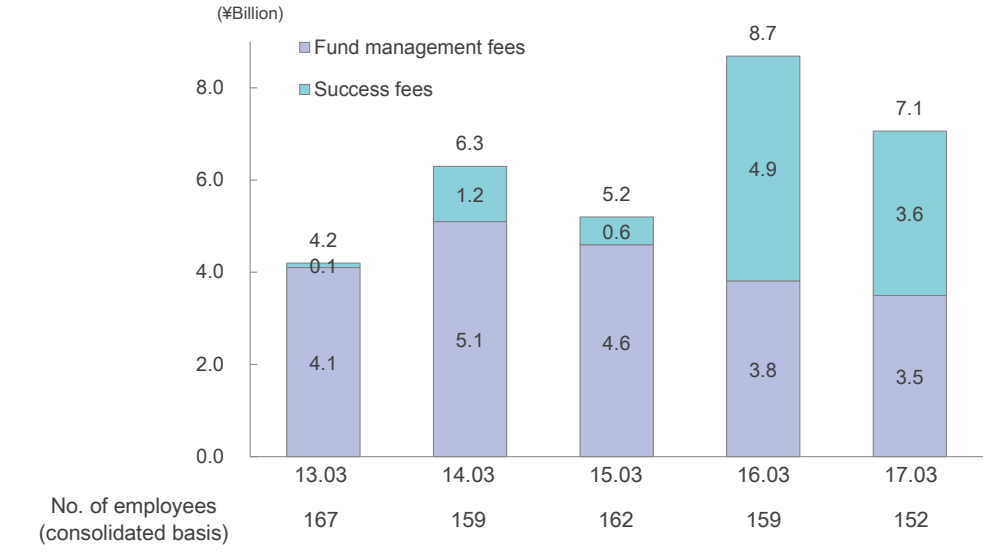


5) Income from fund management

In the fiscal year ended March 31, 2017, success fees of ¥3.6 billion were recorded in line with distributions from the SV3 Series (our largest fund) and other funds. Despite fundraising for the new flagship fund, income from fund management fell due to the liquidation of a large fund and other funds nearing maturity. As a fund management company, we have not been able to cover SG&A expenses with management fees (core income) for several years.

While gauging the market expansion of high-potential investment targets, we will focus further on "highly selective, intensive investment" and "commitment investment" with an eye on a gradual increase in the size of our future funds.

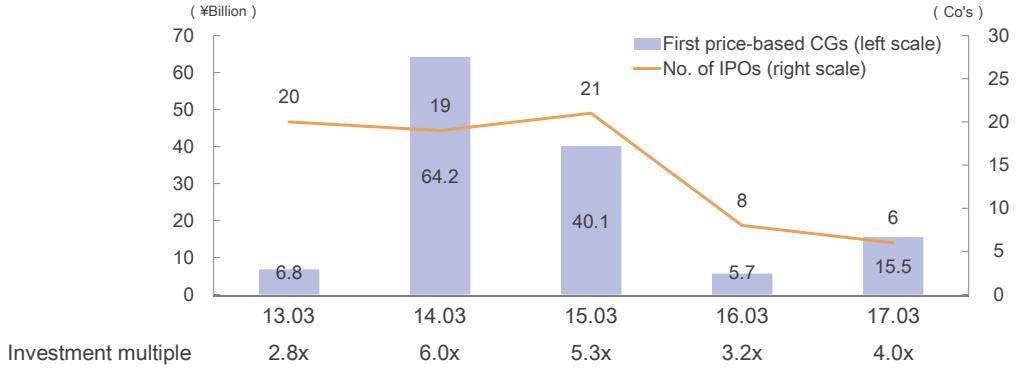
Fund management fees & success fees (JAFCO's interests)



6) IPOs

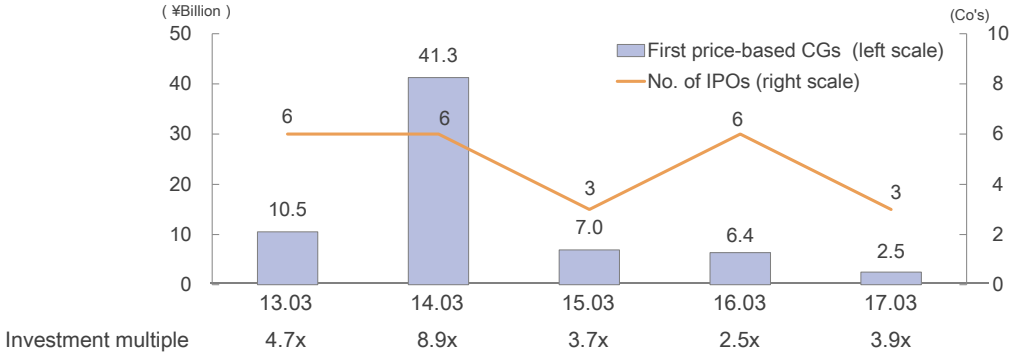
Since the shift from diverse investment to "highly selective, intensive investment," the number of our portfolio IPOs has fallen to less than 10 per year. There were six domestic IPOs in the fiscal year ended March 31, 2017, including a major IPO of a buyout portfolio company (over ¥10 billion capital gains including fund investors' interests).

JAFCO-backed Domestic IPOs (including fund investors' interests; CG standing for capital gain)



Overseas, there were three IPOs of portfolio companies in Asia, one of which was the first onshore IPO by a Chinese company on the Shanghai Stock Exchange and continues to maintain a high market valuation. Investment multiple on IPOs was relatively high at 4x in Japan and 3.9x overseas.

JAFCO-backed Overseas IPOs (including fund investors' interests; CG standing for capital gain)



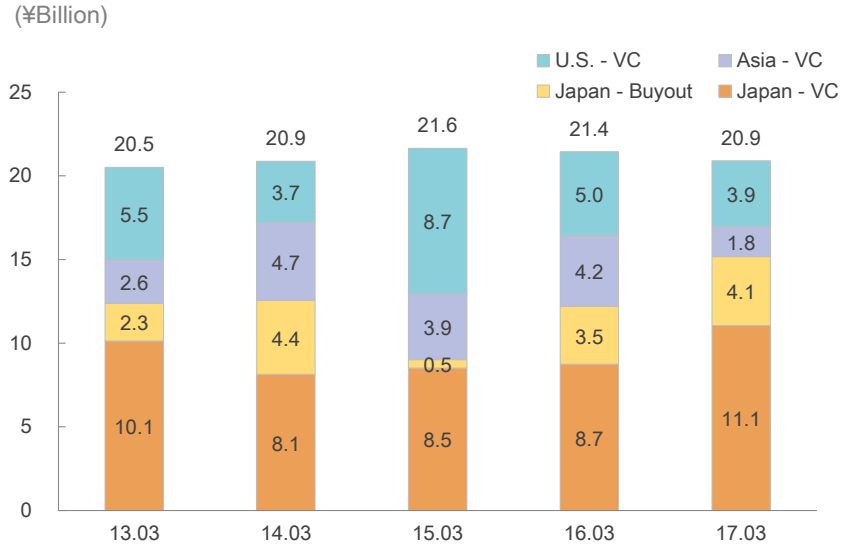
As we have increased our shareholdings in portfolio companies, exit options have diversified, leading to increases in trade sales and M&As by big businesses. Most of portfolio IPOs and M&As that have generated large capital gains in recent years are of companies in which we invested under the "highly selective, intensive investment" strategy. We will continue with our efforts to maximize capital gains on each deal, instead of chasing a higher number of IPOs.

7) Investment activity

In the fiscal year ended March 31, 2017, JAFCO invested ¥20.9 billion on a global basis. Based on the total capital commitments of funds operating in each region, we have constantly invested around ¥20 billion every year since the change in the investment policy.

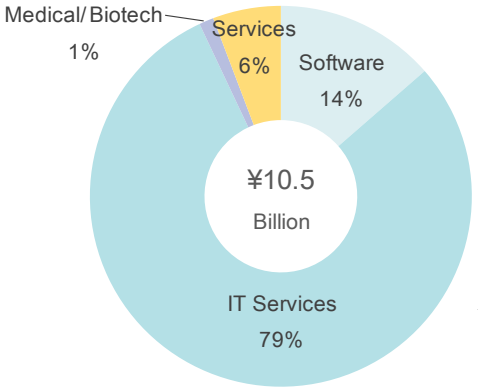
Total investment amount in each region fluctuates every year. Taking into account industrial trends related to target companies, market competition and valuation standards, our policy is to build portfolios with the vision of about three years from vintage.

Investment amount (including fund investors' interests)



Portfolio companies in the Internet space account for over 90% of domestic venture investments made in the fiscal year ended March 31, 2017. This may look biased, but sectors vary, including finance (fintech), healthcare (meditech) and real estate (real estate tech).

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

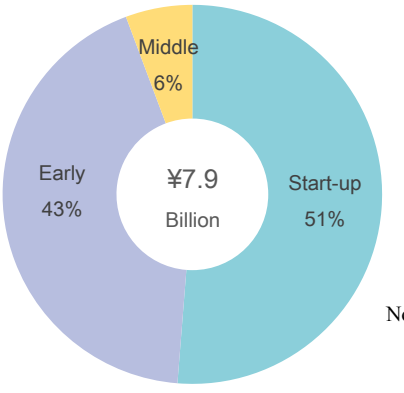


Note: Life science investments in the US (carried out by the venture investment division in Japan) are excluded.

Looking at growth stages of new investments, startup and early stage companies account for over 90% , the majority of which are in the Internet space.

The pace of change of startup companies may increase rapidly depending on the success of business launch. On the other hand, competition is very intense, and a delay in business launch can be fatal. As a "Co-Founder" of portfolio companies, JAFCO will be involved from the business conception stage and cooperate closely with entrepreneurs to promote business growth.

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

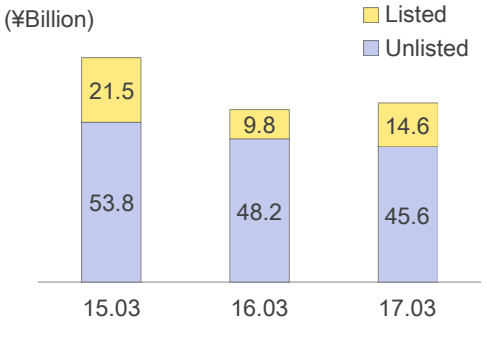


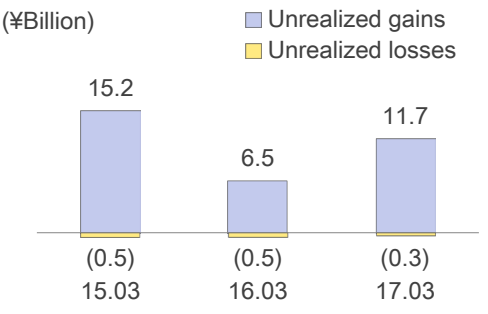
Note: Life science investments in the US (carried out by the venture investment division in Japan) are excluded.

8) Investment balance and unrealized gains

Reshuffling of operating assets to improve portfolio quality is underway through further reduction in the size of portfolios and investment balance. As a result, investment balance of unlisted holdings has fallen. Unrealized gains of listed operational investment securities have risen on contributions from a major IPO of a Chinese portfolio company, etc. Assets under management appear to have bottomed out as portfolio reshuffling over the past several years under the selective, intensive investment policy has progressed steadily.

Balance of investments and unrealized gains/losses of listed securities (JAFCO's interests)

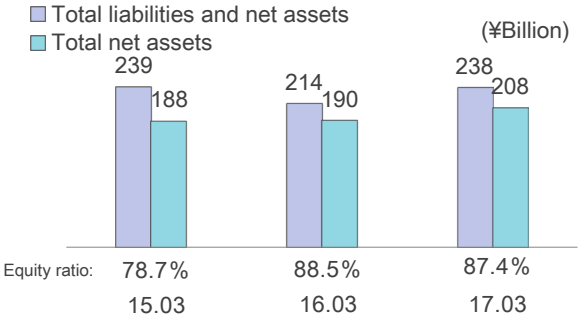




9) Status of assets

The majority of JAFCO's investments are in unlisted companies, which have no market value and liquidity of which is extremely limited. In order to continue investment under any operating environment, we need to enhance shareholders' equity and maintain a solid financial base. Net assets for the fiscal year ended March 31, 2017 hit a record high at ¥207.9 billion. We will continue to make aggressive investment based on our investment policy while making continuous shareholder returns.

Total assets and net assets (JAFCO's interests)



3. Issues to be addressed

The JAFCO's management priorities are as follows:

1) Create new businesses through selective investment and management involvement

JAFCO's mission is to keep creating new value, i.e. new businesses that are in demand. To this end, we need to narrow down high-potential investment targets and make bold investment. We will promote corporate growth of our portfolio companies by acquiring influential stakes and provide hands-on management support.

2) Sustain improvement in fund performance

To secure sufficient investment capital, stable fundraising from outside investors is vital. We invest our own capital in funds and receive gains from the funds along with other investors. Our most important responsibility is to sustain improvement in fund performance over the long term.

3) Build up stronger, high-quality portfolios

Building a high-quality portfolio through "highly selective, intensive investment" and "commitment investment" leads to improvement in fund performance. We will focus further on this investment policy, while eyeing the possibility of increasing operating assets by matching our investment management capability with the expansion of the investment target market.

4) Develop personnel who can play an active role as "Co-Founder" of portfolio companies

Since establishment, we have placed importance on training young employees with challenging / pioneering spirit to allow them to play an active role in the business startup with entrepreneurs. We are convinced that passing on our success-failure experiences and building up our organizational expertise will allow us to achieve continuous improvement in fund performance.

5) Ensure a good balance between shareholders' equity and return to shareholders

The process from building a high quality portfolio mainly comprising startups, raising its value, to achieving optimum exits requires a long period of time. The values of IPO/ M&A exits vary widely depending on the market environment. We will enhance shareholders' equity and maintain a strong financial footing with the aim of providing continuous shareholder returns while investing in low-liquid, unlisted companies and achieving high performance.

JAFCO will fully commit ourselves to establishing "Co-Founder" as our new corporate identity and pursuing the following five approaches.

Reproduce success by passing on our expertise

Create next-generation businesses

Develop globally, focus locally

Work diligently with entrepreneurs to raise corporate value

Maintain discipline and transparency as a VC pioneer

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

JAFCO will strive to ensure a good balance between continuous shareholder returns and enhancing shareholders' equity, which is necessary for a long lasting investment business. As an indicator to demonstrate our positive approach, we have set a policy to pay dividends of approximately 3% of shareholders' equity (initial and term-end average value). Based on this indicator, we will pay dividends of ¥100 per share for the fiscal year ended March 31, 2017 (previous year: ¥100 per share).

5. Assets and profit and loss

	42nd Fiscal Year (From April 1, 2013 to March 31, 2014)	43rd Fiscal Year (From April 1, 2014 to March 31, 2015)	44th Fiscal Year (From April 1, 2015 to March 31, 2016)	45th Fiscal Year (From April 1, 2016 to March 31, 2017)
Net sales (Millions of yen)	44,890	61,945	41,155	27,857
Ordinary income (Millions of yen)	28,404	40,132	19,808	13,666
Profit attributable to JAFCO Co., Ltd. stockholders (Millions of yen)	17,292	27,707	17,018	11,073
Profit per share (Yen)	389.74	624.50	383.57	249.59
Total assets (Millions of yen)	220,167	239,035	214,245	237,902
Net assets (Millions of yen)	159,347	188,125	189,501	207,855
Net assets per share (Yen)	3,591.47	4,240.11	4,271.15	4,684.87

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

6. Significant subsidiaries

Name	Capital	Voting rights ratio [%]	Major business
JAFCO America Ventures Inc.	1 million US dollars	100.0	Investment
JAFCO Investment (Asia Pacific) Ltd	15 million Singapore dollars	100.0	Investment
JAFCO Investment (Hong Kong) Ltd	6.5 million US dollars	100.0 [100.0]	Investment
JAFCO Investment (Korea) Co., Ltd.	1,800 million South Korean won	100.0 [100.0]	Investment

Notes: 1. Figures in [ ] under the "Voting rights ratio" indicate the ratio of voting rights indirectly held by the Company.
2. US operations have been implemented under the brand name of "Icon Ventures."

7. Principal offices (as of March 31, 2017)

1) The Company

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

Note: Kansai Branch relocated on March 27, 2017.

2) Subsidiaries (principal offices)

Name	Location
JAFCO America Ventures Inc.	California, U.S.A.
JAFCO Investment (Asia Pacific) Ltd	Singapore
JAFCO Investment (Hong Kong) Ltd	Hong Kong
JAFCO Investment (Korea) Co., Ltd.	Seoul, Korea

8. Employees (as of March 31, 2017)

1) Employees of the corporate group

Number of employees	Increase (decrease) from previous fiscal year
152	(7)

Note: The number of employees excludes seconded staff or temporary staff.

2) Employees of the Company

Number of employees	Increase (decrease) from previous fiscal year	Average age	Average years of service
107	(4)	42 years and 7 month old	16 years and 7 months

Note: The number of employees excludes seconded staff or temporary staff.

9. Outline of financing

The Company newly borrowed ¥400 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 ¥2,320 million (at the end of the previous fiscal year: ¥3,702 million).

10. Principal creditors (as of March 31, 2017)

(Millions of yen)

Creditor	Balance of borrowings
Mizuho Bank, Ltd.	700
Resona Bank, Limited	501
The Nomura Trust and Banking Co., Ltd.	300
Mitsubishi UFJ Trust and Banking Corporation	100
The Nanto Bank, Ltd.	100
The Joyo Bank, Ltd.	100

II Current Status of the Company

1. Shares (as of March 31, 2017)

1) Authorized number of shares 80,000,000 shares
2) Number of shares issued 48,294,336 shares
3) Number of shareholders 8,280
4) Major shareholders

Shareholder	Number of shares held (Thousand shares)	Shareholding ratio (%)
Nomura Holdings, Inc.	8,488	19.1
Nomura Research Institute, Ltd.	4,948	11.2
Japan Trustee Services Bank, Ltd.	4,629	10.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,461	3.3
Trust & Custody Services Bank, Ltd.	1,057	2.4
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)	818	1.8
JP MORGAN CHASE BANK 385094 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	683	1.5
J.P. MORGAN BANK LUXEMBOURG S.A. 380578 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	630	1.4
NORTHERN TRUST GLOBAL SERVICES LIMITED RE DUTCH PENSION FUNDS EXEMPT ACCOUNT-LENDING (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	611	1.4
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	596	1.3

Notes: 1. Although the Company holds 3,926 thousand treasury shares, it is excluded from the list of major shareholders presented above.
2. The shareholding ratio is calculated after deducting the number of treasury shares.
3. All shares held by Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. are related to trust services.
4. The number of shares held by Nomura Research Institute, Ltd. (NRI) includes 750 thousand shares of the Company that NRI contributes as trust assets of its employee retirement benefit trust (the name of the holder on the shareholder registry is “The Master Trust Bank of Japan, Ltd. (Employee Retirement Benefit Trust Account of Nomura Research Institute)”).

2. Directors

1) Directors (as of March 31, 2017)

Position	Name	Responsibilities at the Company and significant concurrent positions
President & CEO	Shinichi Fuki	[Representative Director]
Executive Managing Director	Hiroshi Yamada	In charge of Fund Management [Representative Director]
Managing Director	Yoshiyuki Shibusawa	President & CEO, JAFCO America Ventures Inc. President & CEO, JAFCO Investment (Asia Pacific) Ltd In charge of Business Development
Director	Keisuke Miyoshi	In charge of Investment
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)	Nobuyuki Hata	Professor, Faculty of Economics, Kokugakuin University Director, Venture Enterprise Center Independent Corporate Auditor, OKWave
Director (Board-Audit Committee member)	Kenichi Akiba	Professor, Graduate School of Accountancy, Waseda University

Notes: 1. Directors Koji Tanami, Nobuyuki Hata and Kenichi Akiba are independent directors.
2. The Company has no special relationships with organizations where each independent director holds a significant concurrent position.
3. The Company has designated Directors Koji Tanami, Nobuyuki Hata and Kenichi Akiba as Independent Officers stipulated by the regulations of the Tokyo Stock Exchange, and their names are registered with the exchange.
4. Directors Sadahiko Yoshimura and Kenichi Akiba are certified public accountants and have adequate knowledge in finance and accounting.
5. 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.
6. Tsunenori Kano resigned as Director in charge of Structured Investment as of March 1, 2017.

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)	5	304
Directors serving as Board-Audit Committee members [of which, Independent Directors]	4 [3]	77 [48]
Total	9	382

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

4) Primary activities by 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)	14 out of 14 meetings	14 out of 14 meetings
Nobuyuki Hata Director (Board-Audit Committee Member)	14 out of 14 meetings	13 out of 14 meetings
Kenichi Akiba Director (Board-Audit Committee Member)	14 out of 14 meetings	14 out of 14 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 by leveraging his deep insight and expertise in fiscal administration, finance, tax and legal affairs, and from an independent perspective.
  - Director serving as Board-Audit Committee Member Nobuyuki Hata expressed opinions based on his expertise as a researcher in venture businesses and from an independent perspective.
  - Director serving as Board-Audit Committee Member Kenichi Akiba expressed opinions from an independent perspective as an expert in accounting.

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	28
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the financial auditor	28

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) Matters related to an order for business suspension issued to the financial auditor in the past two years

The outline of the disciplinary action issued by the Financial Services Agency on December 22, 2015 was as follows:

A. Subject of disciplinary action: Ernst & Young ShinNihon LLC

B. Details of disciplinary action: An administrative order for suspension of taking on new business contracts (for three months from January 1, 2016 to March 31, 2016) and a business improvement order (improvement of the business administration system)

C. Reasons for the action

Certified public accounts who are the partners of the accounting firm, in negligence of due care, attested that the financial statements of TOSHIBA CORPORATION, which contained material misstatements, were statements that contained no material misstatements.

The operations of the accounting firm were deemed to be significantly inappropriate.

5) 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 tense relationship with the financial auditor.

In the meantime, the Company has received reports from the financial auditor that the operational improvement plan of the financial auditor to address the reasons for the action described above in 4) is making steady progress, and the Company believes that reasonable improvements have been made.

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

Based on the above basic views, the Company has established the "Corporate Governance Policy" that outlines our concrete corporate governance measures. The policy is available on our Website below.

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

3) Outline of structure

The Company made a transition to a company with board-audit committee in June 2015. The Company has established the Board of Directors and the Board-Audit Committee, through which it makes important

management decisions and audits/ supervises business execution by directors.

Independent directors comprise the majority of the Board-Audit Committee. The Company has set out the standards for independence of independent directors.

The Investment Committee chaired by the President has an authority to make investment decisions to allow quick decision-making. Directors serving as Board-Audit Committee members also participate in the Investment Committee.

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, 2017 is as follows:

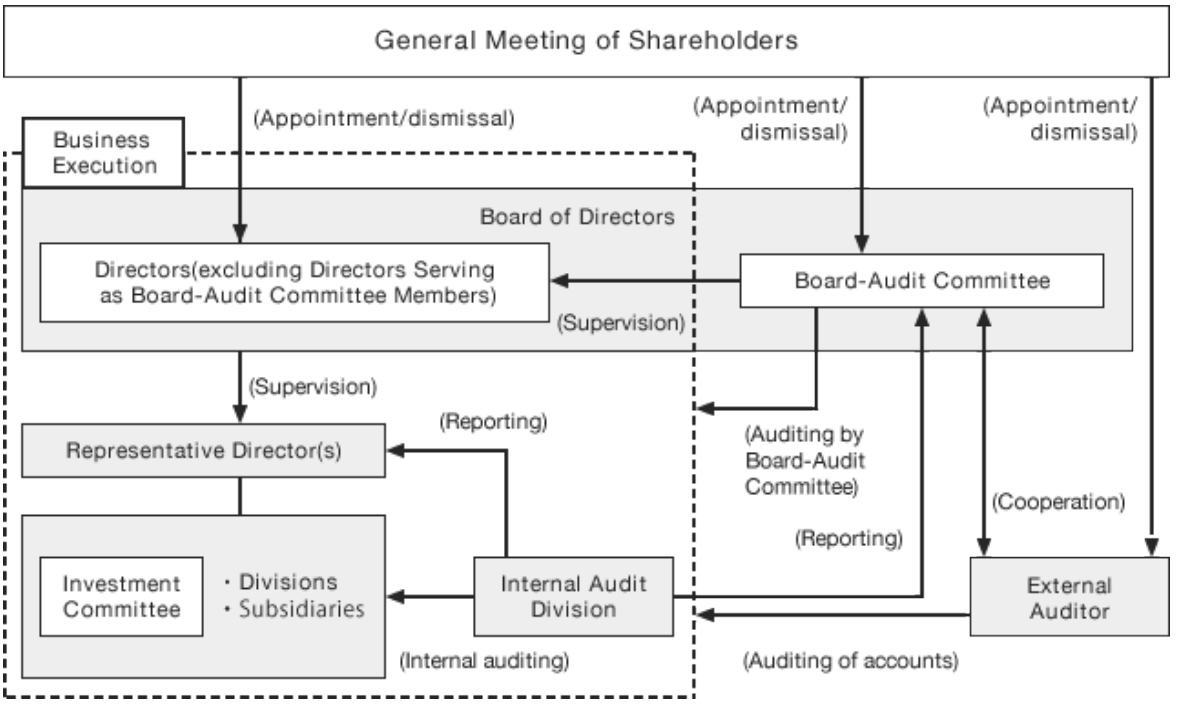
For the evaluation of the effectiveness of the Board of Directors, questionnaires about the composition, operation, role and responsibilities of the Board of Directors were administered to all directors, and the full-time director serving as Board-Audit Committee member conducted interviews with each director. Based on the results thereof, discussions were held at meetings of the Board of Directors.

During this fiscal year, the Company reviewed and improved the reporting efficiency and matters for discussion and deliberations, which were issues highlighted in the previous year. Based on such results, the Board of Directors has determined that the effectiveness of the Board of Directors is largely secured in this fiscal year.

On the other hand, the Company has recognized that there is still room for improvement in reporting efficiency and that it needs to secure sufficient time to discuss about medium- and long-term issues based on the role and responsibilities of directors.

By regularly conducting the evaluation, we will continue our efforts to improve efficiency and swiftness of business execution, and further enhance supervision, etc. to increase the effectiveness of the Board of Directors.

Corporate governance structure



5. Structure for ensuring appropriate operations

The outline of a resolution by the Company's Board of Directors (adopted on April 21, 2017) 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 (hereinafter the "JAFCO Group") and the structure necessary for operations of the Board-Audit Committee:

(1) Structure to ensure that execution of duties by the JAFCO Group'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 our corporate activities, directors and corporate officers of the JAFCO Group (including persons with duties equivalent to these; the same shall apply hereinafter) shall lead efforts to ensure thorough compliance with laws and regulations by the JAFCO Group from the Group-wide perspective, and a compliance officer designated by the President & CEO of the Company shall supervise overall initiatives for the JAFCO Group's compliance with laws and regulations.
- The Company shall create a global compliance policy that is common to all JAFCO Group companies, and all JAFCO Group companies shall 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 work to exclude antisocial forces as the organization-wide initiatives by establishing a dedicated department that will work closely with external professional institutions including police and attorneys-at-law.
- The Internal Audit Division audits and reports status of compliance with laws and regulations and the like by the JAFCO Group to the President & CEO and the Board-Audit Committee, and, as necessary, to the Board of Directors. The audited departments and subsidiaries shall promptly address any issues if necessity to correct or improve is indicated.
- The JAFCO hotline shall be established and operated as means for officers, employees and others at the JAFCO Group 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 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 on management of risks of loss of the JAFCO Group

- Directors and corporate officers of the JAFCO Group shall retain authority and responsibility to implement systems and measures for risk management. In addition, the director in charge of administration shall push forward the cross-functional initiatives for risk management of the JAFCO Group.
- At the Company, in order to manage risks associated with private equity investment, which is the Company's main business, a designated committee chaired by a representative director shall make decisions on investment in accordance with internal rules. For making investment decisions, opinions of the evaluation department shall be asked for separately from the investment division. In addition, the investment division shall update the status of business operations of unlisted investees as needed as well as on a 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 investees, and

managing risks associated with private equity investment.

- If a risk with a significant impact on the management of the JAFCO Group becomes apparent, directors and corporate officers of the JAFCO Group shall promptly report this to the officer in charge of administration at the Company and the Company shall take appropriate actions in accordance with the risk.

(4) Structure to ensure that execution of duties by the JAFCO Group's directors and the like is carried out efficiently

- Clarify the duties of directors and corporate officers, establish internal rules concerning the division of duties and official authority to achieve efficient operations through role sharing and a chain of command.
- Hold 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 the directors.
- Thoroughly manage investment performance by enhancing the portfolio management systems of the Company and funds and regularly reporting the status at meetings of the Board of Directors.
- In light of the characteristics of private equity investment, which differs in characteristics according to country and region, committees for investment and fund management and necessary meeting bodies shall be established for each of the JAFCO Group's tri-polar bases in Japan, the US and Asia, 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 and the like of subsidiaries and systems to ensure properness of operations at the JAFCO Group companies

- 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 work to collaborate to ensure properness of operations through other means including information exchange 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 properness of operations of respective subsidiaries.
- Internal audits by the Company and audits by the Board-Audit Committee of the Company shall also be implemented at subsidiaries.

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

- Directors or employees to assist the duties of the Board-Audit Committee will be assigned as necessary, and personnel affairs of assistant employees will be discussed between directors and the Board-Audit Committee.
- The Board-Audit Committee shall have the authority to give directions and orders to its employee assistants in executing their assistant duties.
- The Board-Audit Committee conducts audits based on internal audit results when available. Based on discussions with the Board-Audit Committee, the internal audit division conducts internal audits at the request of the committee and reports the result to the committee.

(7) Structure for reporting to the Board-Audit Committee of the Company by directors and the like and employees of JAFCO Group companies and structure to ensure that reporting persons are not treated disadvantageously because of the relevant reporting

- Directors, corporate officers and employees of the JAFCO Group shall, in accordance with requests from the Board-Audit Committee, make reports regarding their execution of duties and the status of

operations.

- Directors, corporate officers and employees of the JAFCO Group shall promptly report matters with the potential to 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 whistleblowing matters that are reported to the JAFCO hotline, to the Board-Audit Committee.
- The JAFCO hotline whistleblowing contacts shall include a member of the Board-Audit Committee of the Company.
- Persons notifying matters to the JAFCO hotline or to the Board-Audit Committee of the Company shall not be treated disadvantageously because of the relevant notification or reporting.

(8) Matters regarding policy for treatment of expenses and the like occurring in the execution of duties by members of the Board-Audit Committee

- For the various expenses associated with audits by members of the Board-Audit Committee, a budget necessary to secure the effectiveness of the audits shall be established, and in cases of budget requests from members of the Board-Audit Committee, the relevant expenses shall be paid following confirmation by the accounting department.

(9) Other systems to ensure that audits by the Board-Audit Committee are made effectively

- Representative directors shall provide opportunities for the Board-Audit Committee to regularly exchange opinions.
- Directors and corporate officers shall ensure opportunities for members of the Board-Audit Committee to attend important internal meetings or committees.
- The Board-Audit Committee, 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 appropriate operations

An overview of the operation status of the structure for ensuring appropriate operations in the fiscal year ended March 31, 2017 was as follows.

(1) Compliance management

- The Company revised internal rules and reviewed work flow in accordance with revisions to laws and regulations, such as the Financial Instruments and Exchange Act, and conducted trainings and briefings for officers and employees as necessary.
- The Company has all of its officers and employees submit once a year a pledge of compliance with laws and regulations and internal rules related to data management and restriction of insider trading, etc. to raise compliance awareness.
- As for measures to sever any relationships with antisocial forces, a dedicated department is working 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. It is carrying out the enhancement, operation and evaluation of internal control over financial reporting in cooperation with the financial auditor.
- The Company has established the JAFCO hotline which provides direct contacts with the Compliance Officer, the legal division and independent directors of the Company. The purpose is to prevent and promptly detect violations of laws and regulations, etc. and improper conduct. We have also made the system known across the Company 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 directors in charge of overseas operations regularly report important matters concerning

investment and fund management at overseas bases and other overseas operations as part of business report to the Board of Directors.

- The status of compliance management and risk management is reported regularly to the Board of Directors.

(3) Efficiency of execution of duties

- During the fiscal year, the Board of Directors held 14 meetings 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, the U.S. and Asia. This allows proper risk management and efficient execution of duties in accordance with the business environment in each region.
- 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.
- In-house work flow is continuously reviewed, while IT and other operational infrastructures are implemented/ renewed to improve operating efficiency and boost productivity.

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

- The Board-Audit Committee members, led by a full-time member, attend the investment committee and other important internal meetings, and express opinions as necessary, to supervise the business execution.
- Members of the Board-Audit Committee conducted interviews with directors and managers responsible for investment and other divisions, and received explanations about important decision-makings and the status of execution of duties.
- Written approvals from a representative director and the director in charge of each division are circulated to a full-time member of the Board-Audit Committee. In addition, the Board-Audit Committee regularly receives reports separately on the status of said approvals from the division in charge.
- Employees at the internal audit and administration divisions assist in operations of the Board-Audit Committee as necessary.
- The Board-Audit Committee exchanges opinions with representative directors. In addition, the Board-Audit Committee shall have discussions with the internal audit division and the financial auditor on a regular basis.
- The Company has made it known via the Intranet and in other ways that employees who have reported to the JAFCO hotline or the Board-Audit Committee of the Company will not be treated disadvantageously because of the reports.

Consolidated Balance Sheet

(As of March 31, 2017)

(Millions of yen)

Item	As of Mar. 31, 2017	(Reference) As of Mar. 31, 2016	Item	As of Mar. 31, 2017	(Reference) As of Mar. 31, 2016
Assets			**Liabilities**		
Current assets	**158,549**	**148,370**	**Current liabilities**	**9,371**	**4,850**
Cash and deposits	88,179	18,431	Current portion of bonds payable	2,000	-
Operational investment securities	62,274	60,644	Current portion of long-term loans payable	1,343	1,724
Investment loss reserves	(12,332)	(15,176)	Income taxes payable	1,860	200
Securities	19,000	80,870	Deferred tax liabilities	2,143	564
Deferred tax assets	50	42	Provision for bonuses	324	346
Other	1,376	3,556	Allowance for extraordinary compensation for directors	156	165
Non-current assets	**79,352**	**65,875**			
Property, plant and equipment	**268**	**342**	Reserve for success fee refunds	6	146
Buildings	97	122	Other	1,537	1,703
Furniture and fixture	170	219	**Non-current liabilities**	**20,675**	**19,893**
Intangible assets	**78**	**103**	Bonds payable	-	2,000
Software	74	99	Long-term loans payable	977	1,978
Telephone subscription right	3	4	Net defined benefit liability	580	582
Investments and other assets	**79,006**	**65,430**	Deferred tax liabilities	19,074	15,290
Investment securities	78,140	64,536	Other	42	42
Investments in capital	32	34	**Total liabilities**	**30,046**	**24,744**
Long-term loans receivable	143	166	**Net assets**		
Deferred tax assets	146	133	**Shareholders' equity**	**153,949**	**147,313**
Other	543	559	**Capital stock**	**33,251**	**33,251**
			Capital surplus	**32,806**	**32,806**
			Retained earnings	**107,973**	**101,336**
			Treasury shares	**(20,081)**	**(20,080)**
			Accumulated other comprehensive income	**53,905**	**42,187**
			Valuation difference on available-for-sale securities	**53,771**	**41,989**
			Foreign currency translation adjustment	**136**	**193**
			Remeasurements of defined benefit plans	**(1)**	**4**
			Total net assets	**207,855**	**189,501**
Total assets	**237,902**	**214,245**	**Total liabilities and net assets**	**237,902**	**214,245**

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

Consolidated Statement of Income

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	For the year ended March 31, 2017	(Reference) For the year ended March 31, 2016
Net sales	**27,857**	**41,155**
Revenue from operational investment securities	20,774	32,376
Income from partnership management	7,062	8,688
Other sales	20	90
Cost of sales	**13,188**	**16,839**
Cost of operational investment securities	11,973	16,687
Other cost	1,215	151
Gross profit	**14,668**	**24,316**
(Reversal of) Additions to investment loss reserves	(2,835)	(574)
(Reversal of) Unrealized losses on operational investment securities	(157)	(15)
(Reversal of) Additions to reserve for success fee refunds	(140)	(10)
Gross profit - net	**17,801**	**24,916**
Selling, general and administrative expenses	**5,476**	**5,689**
Operating income	**12,324**	**19,226**
Non-operating income	**1,520**	**1,382**
Interest income	34	75
Dividend income	1,373	1,285
Foreign exchange gains	59	-
Miscellaneous income	53	21
Non-operating expenses	**178**	**800**
Interest expenses	48	114
Loss on valuation of investment securities	58	5
Foreign exchange losses	-	659
Office transfer expenses	35	5
Miscellaneous loss	36	15
Ordinary income	**13,666**	**19,808**
Extraordinary income	**513**	**-**
Gain on bad debts recovered	513	-
Extraordinary losses	**-**	**-**
Profit before income taxes	**14,180**	**19,808**
Income taxes - current	**2,865**	**3,539**
Income taxes - deferred	**240**	**(748)**
Profit	**11,073**	**17,018**
Profit attributable to non-controlling interests	**-**	**-**
Profit attributable to JAFCO Co., Ltd. shareholders	**11,073**	**17,018**

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

Consolidated Statement of Changes in Net Assets

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2016	33,251	32,806	101,336	(20,080)	147,313
Changes of items during period					
Dividends of surplus			(4,436)		(4,436)
Profit attributable to JAFCO Co., Ltd. stockholders			11,073		11,073
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	6,636	(0)	6,635
Balance as of March 31, 2017	33,251	32,806	107,973	(20,081)	153,949

	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, 2016	41,989	193	4	42,187	189,501
Changes of items during period					
Dividends of surplus					(4,436)
Profit attributable to JAFCO Co., Ltd. stockholders					11,073
Purchase of treasury shares					(0)
Disposal of treasury shares					
Net changes of items other than shareholders' equity	11,781	(57)	(6)	11,718	11,718
Total changes of items during period	11,781	(57)	(6)	11,718	18,354
Balance as of March 31, 2017	53,771	136	(1)	53,905	207,855

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

Balance Sheet

(As of March 31, 2017)

(Millions of yen)

Item	As of Mar. 31, 2017	(Reference) As of Mar. 31, 2016	Item	As of Mar. 31, 2017	(Reference) As of Mar. 31, 2016
Assets			**Liabilities**		
Current assets	**149,846**	**140,288**	**Current liabilities**	**8,604**	**4,198**
Cash and deposits	81,717	12,374	Current portion of bonds payable	2,000	-
Operational investment securities	60,001	58,613	Current portion of long-term loans payable	1,343	1,724
Investment loss reserves	(11,948)	(14,855)	Accounts payable	166	108
Securities	19,000	80,835	Income taxes payable	1,727	-
Prepaid expenses	22	23	Accrued expenses	86	84
Accrued income	149	78	Deferred tax liabilities	1,941	342
Accounts receivable	767	2,162	Deposits received	26	58
Other	136	1,056	Provision for bonuses	278	300
			Allowance for extraordinary compensation for directors	156	165
			Reserve for success fee refunds	6	146
			Other	871	1,267
Non-current assets	**81,645**	**68,202**	**Non-current liabilities**	**20,624**	**19,856**
Property, plant and equipment	**220**	**290**	Bonds payable	-	2,000
Buildings	91	106	Long-term loans payable	977	1,978
Furniture and fixture	128	183	Deferred tax liabilities	19,026	15,246
Intangible assets	**52**	**90**	Provision for retirement benefits	577	588
Software	49	87	Other	42	42
Telephone subscription right	3	3	**Total liabilities**	**29,228**	**24,054**
Investments and other assets	**81,372**	**67,821**	**Net assets**		
Investment securities	76,708	63,482	**Shareholders' equity**	**148,873**	**142,615**
Shares of subsidiaries and associates	4,153	3,775	**Capital stock**	**33,251**	**33,251**
Investments in capital	15	16	**Capital surplus**	**32,806**	**32,806**
Long-term loans receivable	31	68	Legal capital surplus	32,806	32,806
Long-term prepaid expenses	37	37	Other capital surplus	-	-
Long-term guarantee deposits	209	210	**Retained earnings**	**102,896**	**96,638**
Other	217	230	Legal retained earnings	1,435	1,435
			Other retained earnings	101,460	95,202
			Retained earnings brought forward	101,460	95,202
			Treasury shares	**(20,081)**	**(20,080)**
			Valuation and translation adjustments	**53,390**	**41,820**
			Valuation difference on available-for-sale securities	**53,390**	**41,820**
			Total net assets	**202,264**	**184,436**
Total assets	**231,492**	**208,490**	**Total liabilities and net assets**	**231,492**	**208,490**

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

Statement of Income

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	For the year ended March 31, 2017	(Reference) For the year ended March 31, 2016
Net sales	**25,858**	**37,971**
Revenue from operational investment securities	20,415	31,303
Income from partnership management	5,402	6,557
Other sales	40	110
Cost of sales	**13,687**	**17,711**
Cost of operational investment securities	11,587	16,379
Other cost	2,100	1,331
Gross profit	**12,171**	**20,259**
(Reversal of) Additions to investment loss reserves	(2,907)	(464)
(Reversal of) unrealized losses on operational investment securities	(157)	(15)
(Reversal of) Additions to reserve for success fee refunds	(140)	(10)
Gross profit - net	**15,375**	**20,749**
Selling, general and administrative expenses	**3,491**	**3,490**
Operating income	**11,884**	**17,258**
Non-operating income	**1,493**	**1,362**
Interest on deposits	6	11
Interest and dividends on securities	1,374	1,329
Interest on loans	0	0
Foreign exchange gains	72	-
Miscellaneous income	39	20
Non-operating expenses	**174**	**814**
Interest expenses	22	43
Interest on bonds	26	70
Loss on valuation of investment securities	58	5
Foreign exchange losses	-	676
Office transfer expenses	35	5
Miscellaneous loss	32	13
Ordinary income	**13,202**	**17,806**
Extraordinary income	**513**	**-**
Gain on bad debts recovered	513	-
Extraordinary losses	**-**	**-**
Income before income taxes	**13,716**	**17,806**
Income taxes - current	**2,764**	**3,301**
Income taxes - deferred	**257**	**(1,140)**
Net income	**10,694**	**15,645**

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

Statement of Changes in Net Assets

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance as of April 1, 2016	33,251	32,806	–	32,806	1,435	95,202	96,638	(20,080)	142,615
Changes of items during the period									
Dividends of surplus						(4,436)	(4,436)		(4,436)
Net income						10,694	10,694		10,694
Purchase of treasury shares								(0)	(0)
Disposition of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during the period	–	–	–	–	–	6,258	6,258	(0)	6,257
Balance as of March 31, 2017	33,251	32,806	–	32,806	1,435	101,460	102,896	(20,081)	148,873

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2016	41,820	41,820	184,436
Changes of items during the period			
Dividends of surplus			(4,436)
Net income			10,694
Purchase of treasury shares			(0)
Disposition of treasury shares			
Net changes of items other than shareholders' equity	11,570	11,570	11,570
Total changes of items during the period	11,570	11,570	17,827
Balance as of March 31, 2017	53,390	53,390	202,264

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

English translation of financial audit report on consolidated financial statements originally issued in Japanese

Independent Auditor's Report

May 10, 2017

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

Ernst & Young ShinNihon LLC
Designated and Engagement Partner
Certified Public Accountant
Toshio Iwabu [Seal]

Designated and Engagement Partner
Certified Public Accountant
Toshihiro Morishige [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, 2016 through March 31, 2017.

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 JAFCO Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2017 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.

English translation of financial audit report on financial statements originally issued in Japanese

Independent Auditor's Report

May 10, 2017

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

Ernst & Young ShinNihon LLC
Designated and Engagement Partner
Certified Public Accountant
Toshio Iwabu [Seal]

Designated and Engagement Partner
Certified Public Accountant
Toshihiro Morishige [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 45th fiscal year from April 1, 2016 through March 31, 2017.

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, 2017 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.

English translation of audit report of the Board-Audit Committee originally issued in Japanese

Audit Report

The Board-Audit Committee has audited the Directors' performance of their duties during the 45th fiscal year (from April 1, 2016 to March 31, 2017), 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 10, 2017

Board-Audit Committee of JAFCO Co., Ltd.

Full-Time Member
Sadahiko Yoshimura [Seal]

Member
(Independent Director)
Koji Tanami [Seal]

Member
(Independent Director)
Nobuyuki Hata [Seal]

Member
(Independent Director)
Kenichi Akiba [Seal]

Guidance for Exercising Voting Rights

Please exercise your voting rights after examining the Reference Documents for the General Meeting of Shareholders (pages 4-11).

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.

Please also bring with you the Notice of Convocation of the 45th Annual General Meeting of Shareholders (this document).

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 19, 2017 (Japan Time) will be valid.

3. Internet, etc.

Please access the voting website designated by the Company shown below, using a personal computer (PC), a smartphone or a cellular phone, and follow the instructions on the screen to enter for or against each proposal.

http://www.evote.jp/

The voting rights shall be exercised by 5:00 p.m. on Monday, June 19, 2017 (Japan Time).

Please refer to the following page for details.

Key Points When Exercising Voting Rights by Electronic Means (via Internet)

Website for voting

- You may exercise your voting rights via Internet only by visiting the voting website designated by the Company (http://www.evote.jp/), using a personal computer (PC), a smartphone or a cellular phone (i-mode, EZweb, Yahoo! Keitai)*.
  (The website will be closed from 2:00 a.m. to 5:00 a.m. every day.)
- When exercising your voting rights using a PC, a smartphone or a cellular phone, please note that you may have difficulties accessing the website depending on the Internet environment, the device, the model, etc. For details, please direct your inquiries to the Help Desk shown below.

* i-mode, EZweb, and Yahoo! are the trademarks or the registered trademarks of NTT DOCOMO, INC., KDDI Corporation and Yahoo! Inc. of the U.S., respectively.

How to exercise your voting rights via Internet

- At the voting website (http://www.evote.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.

Handling duplicate voting

- 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.

Expenses necessary to access the voting website

- Expenses necessary to access the voting website (including those for Internet connection, etc.) shall be borne by shareholders. When you use a cellular phone, etc., expenses necessary for packet communication or other cellular-phone usage shall also be borne by shareholders.

For inquiries about the system for exercising voting rights, 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)

Information for institutional investors

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