Matters available on the website in relation to the Notice of Convocation of the 45th Annual General Meeting of Shareholders

(1) Notes to Consolidated Financial Statements …… 1
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The above information is made available on the website of JAFCO Co., Ltd. (the "Company") at
http://www.jafco.co.jp/english/ir/shareholder/meeting/
pursuant to relevant laws and Article 15 of the Company's Articles of Incorporation.

JAFCO Co., Ltd.

This is a 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.

Notes to Consolidated Financial Statements

1. Significant matters for the preparation of consolidated financial statements

(1) Scope of consolidation

1) Consolidated subsidiaries

・Number of consolidated subsidiaries: 9

・Names of major consolidated subsidiaries: Names of 4 major consolidated subsidiaries are as described in "6. Significant subsidiaries" of "I Current Status of JAFCO Group" of Business Report.
(Note) The other 5 subsidiaries are the entities held for the purpose of establishing funds that the JAFCO Group manages.

2) Non-consolidated subsidiaries

・Names of unconsolidated subsidiaries: JAFCO Super V-3(J) Investment Limited Partnership
JAFCO SV4-J Investment Enterprise Partnership

・Rationale for exclusion from the scope of consolidation:
These two non-consolidated subsidiaries (funds) are small in size, and their total assets, net sales, net income or losses, retained earnings, etc. do not have a significant impact on the consolidated financial statements.

(2) Application of the equity method

1) Associates accounted for by the equity method
There is no associate accounted for by the equity method.

2) Unconsolidated subsidiaries and associates not accounted for by the equity method
The above two non-consolidated funds are excluded from the application of the equity method since their total amounts of assets, liabilities, income and expenses are stated in proportion to the JAFCO Group's interests and their impact on net income and retained earnings is therefore immaterial. The Daishi Management Consulting Co., Ltd. and the other three associates are also excluded from the application of the equity method as their impact on net income and retained earnings is immaterial.

3) Entities not treated as associates regardless of the Company's ownership of between 20% and 50% of the voting rights

・Names of the said companies Pacific Rundum Co., Ltd. and others

・Rationale for not being treated as an associate
Stocks of these entities were acquired with the Company's main business objective of investment, not with the objective of control over such investees' operations, personnel, funds and other transactions.

(3) Fiscal year of consolidated subsidiaries
For the consolidated subsidiaries with a fiscal-year end different from that of the Company, the tentative financial statements of the respective consolidated subsidiaries as of the consolidated balance sheet date are used for preparation of the consolidated financial statements.

(4) Accounting policies

1) Basis and method of valuation for securities

A. Held-to-maturity bond Stated at amortized cost (straight-line method).

B. Available-for-sale securities (including operational investment securities)

・Available-for-sale securities with fair market value
Stated at fair market value based on the market price as of the consolidated balance sheet date. Unrealized gains are recorded directly in net assets, and unrealized losses are recorded in the statements of income. The cost of securities sold is determined by the moving-average method.

・Available-for-sale securities without fair market value
Stated at cost determined by the moving-average method.

2) Depreciation and amortization methods for depreciable and amortizable non-current assets

A. Property, plant and equipment

The declining-balance depreciation method is used at the Company and its domestic subsidiaries, and the straight-line method is used at its overseas subsidiaries in accordance with accounting principles generally accepted in their respective countries of domicile.
However, facilities attached to buildings and structures obtained on or after April 1, 2016 are depreciated by the straight-line method.
Useful lives of principal property, plant and equipment are as follows:

Buildings	3 to 18 years
Furniture and fixture	3 to 20 years

B. Intangible assets

Software for internal use is amortized by the straight-line method over the expected useful life (5 years).

3) Basis of significant reserves, allowances and provisions

A. Investment loss reserves

Investment loss reserves are provided for based on estimated losses on operational investment securities held as of the consolidated balance sheet date, assessing business performance of investee companies. The difference between the balances of investment loss reserves as of the end of the fiscal year under review and that of previous fiscal year is presented as “(Reversal of) Additions to investment loss reserves” in the consolidated statements of income.

B. Allowance for doubtful accounts

To prepare for losses from bad debts as of the consolidated balance sheet date, allowance for doubtful accounts is provided for in the estimated uncollectable amount based on individually assessed amounts for loans, and based on the historical default rate for other monetary receivables.

C. Provision for bonuses

For payment of employees’ bonuses, the provision for employees’ bonuses is provided for in the amount that is expected to be paid for the fiscal year under review.

D. Allowance for extraordinary compensation for directors

For payment of extraordinary compensation for directors, allowance is provided for in the amount that is expected to be paid for the fiscal year under review.

E. Reserve for success fee refunds

To prepare for losses from success fee refunds based on the partnership agreements, reserve is provided for in the amount of the estimated refund for success fees received by the Company from funds.

4) Accounting for retirement benefits

A. Attribution method for estimated retirement benefits

In the calculation of retirement benefit obligations, the expected retirement benefits are attributed to the period up to the fiscal year-end under review based on the straight-line method.

B. Accounting method for actuarial gains or losses and past service costs

Actuarial gains and losses are collectively recognized in the fiscal year following the fiscal year in which they occur.
Past service costs are amortized within one year of their occurrence.

5) Other significant matters for the preparation of consolidated financial statements

A. Accounting treatment for investments in funds

With regard to the accounting treatment for investments in funds managed by the JAFCO Group, total amounts of assets, liabilities, income and expenses of the funds are stated in proportion to the JAFCO Group's interests based on the financial statements as of the consolidated balance sheet date for the funds with the same balance sheet date, and based on the tentative financial statements as of the consolidated balance sheet date for the funds with a balance sheet date other than the consolidated balance sheet date.

B. Policy for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

Foreign-currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rates prevailing at the consolidated balance sheet date, and the differences arising from the translation are recognized in profit or loss. The assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the spot exchange rates prevailing at the consolidated balance sheet date. The income and expenses of foreign consolidated subsidiaries are translated into Japanese yen at the average exchange rates for the period. The translation differences are recorded in foreign currency translation adjustment and profit attributable to non-controlling interests under net assets.

C. Gross profit presentation

In the presentation of gross profit, realized gains and losses from the operational investment securities and unrealized gains and losses are distinctively recorded. Consequently, "Gross profit" in the consolidated statement of income is presented excluding the unrealized losses on the operational investment securities to show the investment performance more clearly. Unrealized losses on the operating investment securities are included in "Gross profit - net" to show the changes of estimated losses of holding securities. Unrealized losses are classified into "(Reversal of) Additions to investment loss reserves", which shows the difference in investment loss reserves between the current and previous fiscal year-ends; "(Reversal of) Unrealized losses on operational investment securities", which is the difference in unrealized losses on operating investment securities with fair market value between the current and previous fiscal year-ends; and "(Reversal of) Additions to reserve for success fee refunds", which is the difference in reserve for success fee refunds between the current and previous fiscal year-ends.

D. Accounting treatment of consumption taxes

Consumption taxes are excluded from transaction amounts. Non-deductible consumption taxes are expensed as selling, general and administrative expenses. However, non-deductible consumption taxes related to the acquisition of noncurrent assets are included in "Other" under "Investments and other assets" and amortized equally in accordance with the Corporation Tax Act.

2. Changes in accounting policies

(Adoption of the "Practical Solution on a change in depreciation method due to Tax Reform 2016")

Following the revision of the Corporation Tax Act, JAFCO adopted the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issue Task Force (PITF) No. 32, issued on June 17, 2016) in the year ended March 31, 2017, and changed the method for the depreciation of facilities attached buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The effect of this change on the consolidated financial statements for the year ended March 31, 2017 is minimal.

3. Notes to Changes in the presentation

"Loss on valuation of investment securities" and "Office transfer expenses," which were included in "Miscellaneous loss" under "Non-operating expenses" in the previous consolidated fiscal year, are separately stated due to their increased materiality. In the previous fiscal year, loss on valuation of investment securities was ¥5 million and office transfer expenses were ¥5 million.

4. Notes to Consolidated Balance Sheet

(1) Assets pledged as collateral

No assets were pledged as collateral and secured debts as of the fiscal year-end under review.
However, the following assets were pledged as collateral for the debts of investees of the Company:

Operational investment securities	¥2,511 million

(2) Accumulated depreciation of property, plant and equipment ¥822 million

5. Notes to Consolidated Statement of Changes in Net Assets

(1) Class and total number of shares issued

Class	Number of shares as of April 1, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Common stock	48,294 thousand shares	–	–	48,294 thousand shares

(2) Class and total number of treasury shares

Class	Number of shares as of April 1, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Common stock	3,926 thousand shares	0 thousand shares	–	3,926 thousand shares

Note: The increase of 0 thousand treasury shares is due to the purchase of shares less than standard unit.

(3) Dividends

1) Dividends paid

Dividends resolved by the Board of Directors on May 11, 2016

- Total amount of dividends ¥4,436 million
- Dividends per share ¥100
- Record date March 31, 2016
- Effective date May 25, 2016

2) Dividend payments for which the record date is in the fiscal year under review and the effective date is in the following fiscal year

Dividends resolved by the Board of Directors on May 10, 2017

- Total amount of dividends ¥4,436 million
- Source of dividends Retained earnings
- Dividends per share ¥100
- Record date March 31, 2017
- Effective date May 24, 2017

6. Notes to tax effect accounting

(1) Significant components of deferred tax assets and deferred tax liabilities

(Deferred tax assets)	(Millions of yen)
Unrealized losses on operational investment securities	98
Investment loss reserves	3,734
Accumulated foreign exchange adjustment expenses	463
Reserve for success fee refunds	1
Accrued enterprise tax	41
Loss on valuation of investment securities	1,033
Loss on valuation of membership	20
Net defined benefit liability	181
Loss carried forward	112
Others	1,328
Subtotal deferred tax assets	7,016
Valuation allowance	(4,126)
Total deferred tax assets	2,889
(Deferred tax liabilities)	(Millions of yen)
Valuation difference on available-for-sale securities	23,711
Others	197
Total deferred tax liabilities	23,909
Net deferred tax liabilities	21,020

Net deferred tax liabilities are included in the following items in the consolidated balance sheet.

	(Millions of yen)
Current assets – Deferred tax assets	50
Non-current assets – Deferred tax assets	146
Current liabilities – Deferred tax liabilities	2,143
Non-current liabilities – Deferred tax liabilities	19,074

(2) Breakdown of major items that cause differences between effective statutory tax rates and income tax burden after tax effect accounting is applied

	(%)
Effective statutory tax rates	30.86
(Reconciliation)	
Permanently non-deductible expenses such as entertainment expenses	0.43
Income permanently excluded from taxable income such as dividend income	(1.57)
Difference of tax rate between Japan and the foreign subsidiaries	(0.46)
Increase (decrease) in valuation allowance	(7.23)
Others	(0.12)
Income tax burden after tax effect accounting is applied	21.91

(3) Correction of the amount of deferred tax assets and deferred tax liabilities due to the change in the corporate tax rate

On November 18, 2016, the “Act for Partial Revision to the Partial Revision, etc. of Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No.85 of 2016) and the “Act to partially amend the Act for partial amendment of the Local Tax Act and Local Allocation Tax Act and for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security” (Act No.86 of 2016) were enacted. Under these acts, the rise of the consumption tax rate to 10% was rescheduled to October 1, 2019 from April 1, 2017, and the timing of implementation for the tax reform which had been scheduled for the fiscal year beginning on or after April 1, 2017, was also postponed to the fiscal year beginning on or after October 1, 2019. As a result, the domestic statutory tax rate to calculate deferred tax assets and liabilities has not changed, but the allocation breakdown of the tax rate between national and local taxes has been changed. The effect of this change on the consolidated financial statements for the year ended March 31, 2017 is minimal.

7. Notes to financial instruments

(1) Status of financial instruments

1) Policy for financial instruments

The JAFCO Group operates investment management business targeting unlisted stocks mainly in Japan, the United States of America and Asia through funds managed by the JAFCO Group. While limiting investment activities within the scope of its shareholders' equity in principle, the JAFCO Group raises funds for investment through bank loans and issuance of corporate bonds, as necessary. The JAFCO Group invests its temporary surplus fund in safe and highly liquid financial assets and does not enter into speculative transactions or derivative transactions.

2) Nature and risks of financial instruments

As to the operational investment securities and investment securities held by the JAFCO Group mainly with the objective of business development, listed stocks are exposed to fluctuation risk of market prices. Operational investment securities denominated in foreign currencies are exposed to fluctuation risk of exchange rates in addition to the above-mentioned risk.

Unlisted companies, which are main investees of the JAFCO Group, are easily affected by the economic environment due to their unstable profit and financial bases and limited management resources compared with listed companies. Therefore, the following risks are involved with investments in unlisted companies:

A. There is no guarantee of capital gains from investments
B. There is risk of capital losses for investments
C. Although we invest in companies for which an IPO or trade sale can be expected by the end of the fund term, the actual IPO timing or trade sales of invested stocks may differ from those previously expected
D. Liquidity of unlisted stocks is significantly lower than the stocks of listed companies

Securities are mainly safe and highly liquid financial assets such as beneficiary certificates and negotiable certificates of deposit.

Bonds and loans payable are mainly used for investment activities and exposed to liquidity risk.

3) Risk management system relating to financial instruments

A. Management of risk of investments in unlisted stocks

The objective of investment management business of the JAFCO Group is to increase invested funds. The JAFCO Group mainly invests in unlisted companies which are expected to generate capital gains on IPO, M&A and trade sale, etc. in the future. As to investments in unlisted companies, investee candidates are assessed by the Investment Division from the view point of business feasibility, technological capabilities, financial condition, management evaluation, etc., and by the Investment Evaluation Group, which is independent from the Investment Division. After both assessments, the Investment Committee chaired by President & CEO of the Company makes investment decisions.

After making investment, the Investment Division regularly monitors business status of investees to identify financial difficulties, delay of business plans, etc. If losses are expected to exceed a certain level, investment loss reserves are provided to prepare for future possible losses.

In case an investee's IPO is uncertain due to its poor business performance or other reasons, or in case corporate value of an investee is deemed unlikely to increase, the JAFCO Group liquidates such stocks by selling them to third parties, etc. at the unlisted stage.

B. Management of market risk (fluctuation risk of market price, foreign currency exchange rates, etc.)

The JAFCO Group liquidates listed operational investment securities at an appropriate price and timing by assessing the market prices and the business condition of issuers on an ongoing basis instead of by a quantitative analysis of market risk. As to the operational investment securities denominated in foreign currencies, foreign exchange fluctuation is monitored on a continuous basis.

Moreover, as to the investment securities, which mainly consist of the stocks of companies with which the Company has a business relationship, the JAFCO Group performs risk management by assessing the market prices and the business condition on a regular basis and by reviewing the investment securities on an ongoing basis by taking into account the relationships with the JAFCO Group, instead of by a quantitative analysis.

Disclosure of information regarding reasonable assumptions of fluctuation in the risk variables

・Stock price risk

(Domestic listed operational investment securities and investment securities)

The main financial instruments held by the JAFCO Group that are affected by stock price risk of domestic stock markets are operational investment securities and investment securities listed on the domestic stock markets. The balance of these positions amounts to ¥81,634 million in total in the consolidated balance sheet.

If all other risk variables were assumed to be fixed, a 10% decrease of stock prices as of March 31, 2017 would decrease the fair values of net amount of the respective financial assets and liabilities by ¥8,163 million. Conversely, a 10% increase of stock prices would increase the said fair values by ¥8,163million.

(Overseas listed operational investment securities)

The main financial instruments held by the JAFCO Group that are affected by stock price risk of overseas stock markets are operational investment securities listed on the foreign stock markets. The balance of the position amounts to ¥10,148 million in the consolidated balance sheet.

If all other risk variables were assumed to be fixed, a 10% decrease of stock prices as of March 31, 2017 would decrease the fair values of net amount of the respective financial assets and liabilities by ¥1,014 million. Conversely, a 10% increase of stock prices would increase the said fair values by ¥1,014 million.

・Foreign exchange risk

The main financial instruments held by the JAFCO Group that are affected by foreign exchange risk (mainly yen-U. S. dollar exchange rate) are listed operational investment securities denominated in foreign currencies. The balance of the position amounts to ¥10,148 million in the consolidated balance sheet.

If all other risk variables were assumed to be fixed, a 10% depreciation of Japanese yen against U.S. dollar as of March 31, 2017 would increase the fair values of net amount of the respective financial assets and liabilities by ¥1,014 million. Conversely, a 10% appreciation of Japanese yen would decrease the said fair values by ¥1,014 million.

C. Management of liquidity risk associated with fundraising (risk of default on payment date)

Bonds and loans payable are exposed to liquidity risk. The JAFCO Group manages liquidity risk by preparing and updating cash flow plans in a timely manner at each group company.

4) Supplemental remarks on fair value of financial instruments

Fair values of financial instruments include values based on market prices or reasonably calculated values if there are no market prices available. As variable factors are incorporated in calculating such values, the values may vary if different assumptions are used.

(2) Fair values of financial instruments

Figures on the consolidated balance sheet, fair values, and the differences between these values as of March 31, 2017(the balance sheet date of the fiscal year under review) are as follows. Financial instruments whose fair values are deemed extremely difficult to determine are not included in the following table. (Please refer to Note 2.)

(Millions of yen)

	Figures on the consolidated B/S as of March 31, 2017	Fair value	Difference
(1) Cash and deposits	88,179	88,179	–
(2) Operational investment securities	14,601	14,601	–
(3) Securities			
Held-to-maturity bond	–	–	–
Available-for-sale securities	19,000	19,000	–
(4) Investment securities	77,181	77,181	–
Total assets	198,963	198,963	–
(1) Bonds payable	2,000	2,007	7
(2) Long-term loans payable	2,320	2,327	7
Total liabilities	4,320	4,334	14

Notes: 1. Method of fair value measurement of financial instruments and matters regarding securities

Assets

(1) Cash and deposits

Since these items are settled in a short period of time, the fair values approximate their book values. Accordingly, the book values are presented as their fair values.

(2) Operational investment securities

The fair values of stocks under operational investment securities are based on the market prices at the stock exchange. Regarding the investments in funds, the fair values of the partnership assets, for which fair market valuation can be used, are recorded in proportion to the JAFCO Group's interests.

(3) Securities

The fair values of securities are based on the prices obtained from financial institutions.

(4) Investment securities

The fair values of shares are based on the prices traded at the stock exchanges.

Liabilities

(1) Bonds payable

The fair values of bonds payable are based on the market prices.

(2) Long-term loans payable

Since long-term loans payable carrying floating interest rates are reviewed on a short-term interval to reflect market interest rates, and the Company's credit standing has not changed significantly after the execution of loans, their fair values are considered approximate to carrying amounts. Therefore, the fair values of these long-term loans payable are based on the carrying amounts. The fair values of long-term loans payable carrying fixed interest rates are the present value calculated by discounting the sum of principal and interest at a reasonable rate estimated for a similar new loan that is made corresponding to the remaining period.

2. Financial instruments whose fair values are deemed extremely difficult to determine

(Millions of yen)

	Figures on the consolidated B/S as of March 31, 2017
Operational investment securities	
Unlisted stocks (*1)	44,882
Unlisted domestic and foreign bonds (*2)	694
Others (*3)	2,096
Investment securities	
Unlisted stocks (*1)	958

(*1) Unlisted stocks are excluded from "(2) Operational investment securities" and "(4) Investment securities" described above because they do not have market prices and their fair values are deemed extremely difficult to determine.

(*2) Unlisted domestic and foreign bonds are excluded from "(2) Operational investment securities" because it is extremely difficult to determine the fair values as they do not have market prices and their future cash flows cannot be estimated.

(*3) "Others" under operational investment securities are funds whose assets consist of instruments such as unlisted stocks for which fair values are deemed extremely difficult to determine, and is therefore not included in "(2) Operational investment securities."

3. Redemption schedule of monetary receivables and securities with maturity after the consolidated balance sheet date

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	88,179	–	–	–
Securities				
Held-to-maturity bond	–	–	–	–
Available-for-sale securities	19,000	–	–	–
Total	107,179	–	–	–

4. Repayment schedule of bonds and long-term loans payable after the consolidated balance sheet date

(Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds payable	2,000	–	–	–	–	–
Long-term loans payable	1,343	795	82	100	–	–
Total	3,343	795	82	100	–	–

8. Notes to per-share information

(1) Net assets per share ¥4,684.87

(2) Net income per share ¥249.59

9. Notes to retirement benefits

(1) Outline of retirement benefit plans

The JAFCO Group has adopted lump-sum payment of retirement benefits as a defined benefit plan and a defined contribution pension plan as a defined contribution plan.

(2) Defined benefit plan

1) Changes in defined benefit obligations for the fiscal year ended March 31, 2017

	(Millions of yen)
Defined benefit obligation at beginning of the fiscal year	582
Current service costs	35
Interest costs	3
Actuarial gains or losses arising during period	2
Retirement benefits paid	(43)
Defined benefit obligations at end of the fiscal year	580

2) Reconciliation between the balance of defined benefit obligation and plan assets at end of the fiscal year and defined benefit liability and defined benefit asset recognized on the consolidated balance sheet

	(Millions of yen)
Defined benefit obligation of unfunded plans	580
Net balance of liability and asset recognized on the consolidated balance sheet	580
Net defined benefit liability	580
Net balance of liability and asset recognized on the consolidated balance sheet	580

3) Components of defined benefit expenses

	(Millions of yen)
Current service costs	35
Interest costs	3
Recognized actuarial gains and losses	(6)
Defined benefit expenses under defined benefit plans	32

4) Remeasurements of defined benefit plans

The following table provides a breakdown of the components recognized in remeasurements of defined benefit plans (pre-tax).

	(Millions of yen)
actuarial gains and losses	(9)
Total	(9)

5) Accumulated remeasurements of defined benefit plans

The following table provides a breakdown of the components recognized in accumulated remeasurements of defined benefit plans (pre-tax).

	(Millions of yen)
Unrecognized actuarial gains and losses	(2)
Total	(2)

6) Matters concerning actuarial assumptions

Major actuarial assumptions at the end of the fiscal year under review

Discount rate 0.6%

(3) Defined contribution plan

Required contributions to the defined contribution plan for the Company and its consolidated subsidiaries amount to ¥41 million.

Notes to Non-Consolidated Financial Statements

1. Significant accounting policies

(1) Basis and method of valuation for securities

1) Held-to-maturity bond — Stated at amortized cost (straight-line method).

2) Investments in subsidiaries and associates — Stated at cost determined by the moving-average method.

3) Available-for-sale securities (including operational investment securities)

- Available-for-sale securities with fair market value — Stated at fair market value based on the market price as of the balance sheet date. Unrealized gains are recorded directly in net assets, and unrealized losses are recorded in the statements of income. The cost of securities sold is determined by the moving-average method.
- Available-for-sale securities without fair market value — Stated at cost determined by the moving-average method.

(2) Depreciation and amortization methods for depreciable and amortizable non-current assets

1) Property, plant and equipment — Declining-balance method.
However, facilities attached to buildings and structures obtained on or after April 1, 2016 are depreciated by the straight-line method.
Useful lives of principal property, plant and equipment are as follows:

Buildings	3 to 18 years
Furniture and fixture	3 to 20 years

2) Intangible assets — Software for internal use is amortized by the straight-line method over the expected useful life (5 years).

(3) Basis of significant allowances and provisions

1) Investment loss reserves — Investment loss reserves are provided for based on estimated losses on operational investment securities held as of the balance sheet date, assessing business performance of investee companies. The difference between the balances of investment loss reserves as of the end of the fiscal year under review and that of previous fiscal year is presented as ”(Reversal of) Additions to investment loss reserves” in the non-consolidated statements of income.

2) Allowance for doubtful accounts — To prepare for losses from bad debts as of the balance sheet date, allowance for doubtful accounts is provided for in the estimated uncollectable amount based on individually assessed amounts for loans, and based on the historical default rate for other monetary receivables.

3) Provision for bonuses — For payment of employees’ bonuses, the provision for employees’ bonuses is provided for in the amount that is expected to be paid for the fiscal year under review.

4) Allowance for extraordinary compensation for directors — For payment of extraordinary compensation for directors, allowance is provided for in the amount that is expected to be paid for the fiscal year under review.

5) Reserve for success fee refunds — To prepare for losses from success fee refunds based on the agreements, reserve is provided for in the amount of the estimated refund for success fees received by the Company from funds.

6) Provision for retirement benefits — To cover projected employees' retirement benefits, the deemed obligations at the end of fiscal year are recognized based on the estimated amount of retirement benefit liabilities. Actuarial gains and losses are collectively recognized in the fiscal year following the fiscal year in which they occur. Past service costs are amortized within one year of their occurrence.

(4) Recognition of revenue and expenses

1) Revenue from and cost of operational investment securities

Proceeds from the sale of operational investment securities with the objective of investment, dividend income and interest income are recognized under revenue from operational investment securities. The carrying amounts of operational investment securities sold, commission fees and impairment losses are recognized under cost of operational investment securities.

2) Income from partnership management — Under income from partnership management, fund management fees and success fees are included. Fund management fees are recognized based on the amount of consideration of services and period defined in the respective agreement. Success fees are recognized as income when the income amount is determined.

(5) Other basis for the preparation of financial statements

1) Policy for translation of foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rates prevailing at the balance sheet date, and the differences arising from the translation are recognized in profit or loss.

2) Accounting treatment for investments in funds

With regard to the accounting treatment for investments in funds managed by the Company and its subsidiaries, total amounts of assets, liabilities, revenue and expenses of the funds are stated in proportion to the Company's interest based on the financial statements as of the balance sheet date of the Company for the funds with the same balance sheet date, and based on the tentative financial statements as of the balance sheet date for the funds with a balance sheet date other than the balance sheet date of the Company.

3) Gross profit presentation — In the presentation of gross profit, realized gains and losses from the operational investment securities and unrealized gains and losses are distinctively recorded. Consequently, "Gross profit" in the non-consolidated statement of income is presented excluding the unrealized losses on the operational investment securities to show the investment performance more clearly. Unrealized losses on the operating investment securities are included in "Gross profit - net" to show the changes of estimated losses of holding securities. Unrealized losses are classified into "(Reversal of) Additions to investment loss reserves", which shows the difference in investment loss reserves between the current and previous fiscal year-ends; "(Reversal of) Unrealized losses on operational investment securities", which is difference in unrealized losses on operating investment securities with fair market value between the current and previous fiscal year-ends; and "(Reversal of) Additions to reserve for success fee refunds", which is the difference in reserve for

success fee refunds between the current and previous fiscal year-ends.

4) Accounting treatment of consumption taxes

Consumption taxes are excluded from transaction amounts. Non-deductible consumption taxes are expensed as selling, general and administrative expenses. However, non-deductible consumption taxes related to the acquisition of noncurrent assets are included in "Other" under "Investments and other assets" and amortized equally in accordance with the Corporation Tax Act.

2. Changes in accounting policies

(Adoption of the "Practical Solution on a change in depreciation method due to Tax Reform 2016")

Following the revision of the Corporation Tax Act, JAFCO adopted the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issue Task Force (PITF) No. 32, issued on June 17, 2016) in the year ended March 31, 2017, and changed the method for the depreciation of facilities attached buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The effect of this change on the non-consolidated financial statements for the year ended March 31, 2017 is minimal.

3. Changes in the presentation methods

"Loss on valuation of investment securities" and "Office transfer expenses," which were included in "Miscellaneous loss" under "Non-operating expenses" in the previous fiscal year, are separately stated due to their increased materiality. In the previous fiscal year, loss on valuation of investment securities was ¥5 million and office transfer expenses were ¥5 million.

4. Notes to Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

No assets were pledged as collateral and secured debts as of the fiscal year-end under review. However, the following assets were pledged as collateral for the debts of investees of the Company:

Operational investment securities ¥2,503 million

(2) Accumulated depreciation of property, plant and equipment ¥469 million

(3) Monetary receivables from and payables to subsidiaries and associates

1) Short-term monetary receivables ¥1 million
2) Short-term monetary payables ¥0 million

5. Notes to Non-Consolidated Statement of Income

(1) Amount of business with subsidiaries and associates

1) Operational income ¥26 million
2) Operational expenses ¥35 million
3) Amount of non-operational transactions ¥24 million

(2) Impairment losses included in cost of operational investment securities none

6. Notes to Non-Consolidated Statement of Changes in Net Assets

Class and total number of treasury shares

Class	Number of shares as of April 1, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Common stock	3,926 thousand shares	0 thousand shares	–	3,926 thousand shares

Notes: The increase of 0 thousand treasury shares is due to the purchase of shares less than standard unit.

7. Notes to tax effect accounting

(1) Significant components of deferred tax assets and deferred tax liabilities

(Deferred tax assets)	(Millions of yen)
Unrealized losses on operational investment securities	98
Investment loss reserves	3,667
Accumulated foreign exchange adjustment expenses	463
Reserve for success fee refunds	1
Accrued enterprise tax	41
Loss on valuation of investment securities	938
Loss on valuation of membership	20
Provision for retirement benefits	177
Others	1,241
Subtotal deferred tax assets	6,650
Valuation allowance	(4,006)
Total deferred tax assets	2,643
(Deferred tax liabilities)	(Millions of yen)
Valuation difference on available-for-sale securities	23,612
Total deferred tax liabilities	23,612
Net deferred tax liabilities	20,968

Net deferred tax liabilities are included in the following items in the non-consolidated balance sheet.

	(Millions of yen)
Current liabilities – Deferred tax liabilities	1,941
Non-current liabilities – Deferred tax liabilities	19,026

(2) Breakdown of major items that cause differences between effective statutory tax rates and income tax burden after tax effect accounting is applied

	(%)
Effective statutory tax rates	30.86
(Reconciliation)	
Permanently non-deductible expenses such as entertainment expenses	0.44
Income permanently excluded from taxable income such as dividend income	(1.62)
Per capita levy of corporate inhabitant tax	0.06
Increase (decrease) in valuation allowance	(7.49)
Others	(0.22)
Income tax burden after tax effect accounting is applied	22.03

(3) Correction of the amount of deferred tax assets and deferred tax liabilities due to the change in the corporate tax rate

On November 18, 2016, the “Act for Partial Revision to the Partial Revision, etc. of Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No.85 of 2016) and the “Act to partially amend the Act for partial amendment of the Local Tax Act and Local Allocation Tax Act and for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security” (Act No.86 of 2016) were enacted. Under these acts, the rise of the consumption tax rate to 10% was rescheduled to October 1, 2019 from April 1, 2017, and the timing of implementation for the tax reform which had been scheduled for the fiscal year beginning on or after April 1, 2017, was also postponed to the fiscal year beginning on or after October 1, 2019. As a result, the domestic statutory tax rate to calculate deferred tax assets and liabilities has not changed, but the allocation breakdown of the tax rate between national and local taxes has been changed. The effect of this change on the non-consolidated financial statements for the year ended March 31, 2017 is minimal.

8. Notes to related party transactions

Not applicable.

9. Notes to per share information

(1)	Net assets per share	¥4,558.84
(2)	Net income per share	¥241.05