Matters available on the website in relation to the Notice of Convocation of the 47th Annual General Meeting of Shareholders

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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: 12

・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 8 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 America Ventures Inc.
JAFCO Super V-3(J) Investment Limited Partnership
JAFCO SV4-J Investment Enterprise Partnership

・Rationale for exclusion from the scope of consolidation:

The rationale for excluding JAFCO America Ventures Inc. from the scope of consolidation from the current fiscal year is stated in "2. Note to change in accounting principles." With regard to JAFCO Super V-3(J) Investment Limited Partnership and JAFCO SV4-J Investment Enterprise Partnership, their sizes are small, 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
JAFCO Super V-3(J) Investment Limited Partnership and JAFCO SV4-J Investment Enterprise Partnership 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. Non-consolidated subsidiary JAFCO America Ventures Inc., Chushin Venture Capital Co., Ltd. and one other associate 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.

・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
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	8 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 current fiscal year and that of previous fiscal year is presented as “(Reversal of) Additions to investment loss reserves” in the consolidated statements of income.

B. 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 current fiscal year.

C. 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 current fiscal year.

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

A. Accounting for retirement benefits

For the calculation of projected benefit obligation and benefit expenses, the simplified method, which assumes the Company's benefit obligation to be equal to the benefits payable due to the voluntary retirement at the fiscal year-end, is applied.

B. 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.

C. 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.
D. 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.
E. 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. Notes to change in accounting principles

From the current fiscal year, the Company changed the method for recording revenue from fund management fees that JAFCO America Ventures Inc. (a wholly owned subsidiary; “JAV”) receives, and excluded JAV from the scope of consolidation accordingly.

As the fund management style whereby a parent company controls overseas investment activity does not fit with the highly localized nature of the venture capital (“VC”) business, our investment activity in the US has been conducted by a team of local venture capitalists, which operates its own funds and makes its own investment decisions.

Previously, fundraising for these funds was entirely dependent on capital contributions from the Company and its domestic funds, but in 2013, the US team started raising funds by themselves in response to a trend in larger fund sizes in the US VC industry. As a result, the ratio of funds raised from external investors is increasing. Also, to strengthen its brand presence in the US, the team changed its name to Icon Ventures.

Under such circumstances, the Company adopted the new Corporate Accounting Standard No. 29 Accounting Standard for Revenue Recognition and decided to offset JAV's expenses with JAV's revenues. Due to the resultant decrease in JAV's materiality in consolidated financial statements, the Company decided to exclude JAV from the scope of consolidation.

(Adoption of accounting standard for revenue recognition)
As the "Accounting Standard for Revenue Recognition" (Corporate Accounting Standard No. 29 issued on March 30, 2018; "Revenue Recognition Standard") and the "Application Guidance for Accounting Standard for Revenue Recognition" (Corporate Accounting Standard Application Guideline No. 30 issued on March 30, 2018) became applicable from the beginning of the consolidated fiscal year starting on or after April 1, 2018, the Company adopted the Revenue Recognition Standard at the beginning of the first quarter of the current fiscal year and made the following changes:

1) Change in the method for recording fund management fees received by JAV
The Company changed the method for recording fund management fees received by JAV, and now records fund management fees, net of JAV's selling, general and administrative expenses. As a result, net sales decreased by ¥1,351 million, cost of sales increased by ¥512 million, and selling, general and administrative expenses decreased by ¥1,863 million for the current fiscal year.
2) Change in the method for recognizing revenue from success fees
With regard to success fees that the Company receives from its funds, the Company now records the amount that is deemed unlikely to drop significantly as of the fiscal year end as accrued income. As a result, net sales, operating income, ordinary income and profit before income taxes for the current fiscal year each increased by ¥124 million, and the opening balance of retained earnings increased by ¥87 million.
The adoption of the Accounting Standard for Revenue Recognition is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The aggregate amount of the impact on retroactive application of the new accounting standard prior to the beginning of the current fiscal year is added to/subtracted from retained earnings at the beginning of the current fiscal year and the new accounting standard is applied to the balance at the beginning of the current fiscal year.
Provided, however, based on Paragraph 86 of the Accounting Standard for Revenue Recognition, retroactive application of the new accounting standard was not made to contracts whose revenue had mostly been recognized based on the previous treatment prior to the beginning of the current fiscal year. Also, based on the method specified in Paragraph 86 subparagraph (1) of the Accounting Standard for Revenue Recognition, for contract changes made prior to the beginning of the current fiscal year, the following processes from 1) to 3) are performed based on the contract terms reflecting all such changes, and the cumulative impact is added or subcontracted to retained earnings at the beginning of the current fiscal year.
1) Classification of filled and unfilled portion of performance obligations
2) Calculation of transaction price
3) Allocation of transaction price to filled and unfilled portion of performance obligations

(Change in the method of calculating projected benefit obligation)
At the JAFCO Group, the number of employees eligible for defined benefit plans decreased due to changes in the employment system, and it became clear that items in the financial statements associated with defined benefit plans lacked materiality as of the end of the current fiscal year. As a result, the method of calculating projected benefit obligation was changed from the principle method to the simplified method from the current fiscal year-end.

As the above change in the accounting method does not cause material impact on overall financial statements, comparative information for prior periods will not be restated, but the effect of the change will be accounted for in profit or loss for the current fiscal year.

The effect of this change on consolidated financial statements is minimal.

3. Notes to changes in methods of presentation

(Changes caused by the adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")
The Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Corporate Accounting Standard No. 28, February 16, 2018), from the beginning of the current fiscal

year. Accordingly, deferred tax assets are now shown under investments and other assets, and deferred tax liabilities are shown under non-current liabilities.

As a result, deferred tax assets of ¥144 million shown under current assets in the previous full year's financial statements have been included in deferred tax assets of ¥245 million shown under investment and other assets, and deferred tax liabilities of ¥1,576 million shown under current liabilities in the previous full year's financial statements have been included in deferred tax liabilities of ¥18,809 million shown under non-current liabilities.

4. Notes to Consolidated Balance Sheet

(1) Assets pledged as collateral

No assets were pledged as collateral and secured debts as of the current fiscal year-end.
However, the following assets were pledged as collateral for the debts of investees of the Company:
Operational investment securities ¥3,051 million

(2) Accumulated depreciation of property, plant and equipment ¥130 million

5. Notes to Consolidated Statement of Changes in Net Assets

(1) Class and total number of shares issued

Class	No. of shares as of April 1, 2018	Increase	Decrease	No. of shares as of March 31, 2019
Common stock	32,550 thousand shares	–	–	32,550 thousand shares

(2) Class and total number of treasury shares

Class	No. of shares as of April 1, 2018	Increase	Decrease	No. of shares as of March 31, 2019
Common stock	1,619 thousand shares	0 thousand shares	–	1,619 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 9, 2018

- Total amount of dividends ¥3,309 million
- Dividends per share ¥107
- Record date March 31, 2018
- Effective date May 23, 2018

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

Dividends resolved by the Board of Directors on May 15, 2019

- Total amount of dividends ¥3,464 million
- Source of dividends Retained earnings
- Dividends per share ¥112
- Record date March 31, 2019
- Effective date May 29, 2019

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	70
Investment loss reserves	2,915
Accumulated foreign exchange adjustment expenses	197
Accrued enterprise tax	1
Loss on valuation of investment securities	1,338
Loss on valuation of membership	20
Net defined benefit liability	156
Loss carried forward	108
Others	1,370
Subtotal deferred tax assets	6,179
Valuation allowance	(3,872)
Total deferred tax assets	2,307
(Deferred tax liabilities)	(Millions of yen)
Valuation difference on available-for-sale securities	20,003
Others	75
Total deferred tax liabilities	20,079
Net deferred tax liabilities	17,771

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

	(Millions of yen)
Non-current assets – Deferred tax assets	7
Non-current liabilities – Deferred tax liabilities	17,779

(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	30.62
(Reconciliation)	
Permanently non-deductible expenses such as entertainment expenses	0.26
Income permanently excluded from taxable income such as dividend income	(1.41)
Difference of tax rate between Japan and the foreign subsidiaries	(1.26)
Increase (decrease) in valuation allowance	(2.39)
Others	(0.54)
Income tax burden after tax effect accounting is applied	25.28

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, Asia and the United States of America 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, etc., 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. 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 staff in charge of investment evaluation, which is independent from the Investment Division. After both assessments, the Investment Committee 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 ¥71,927 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, 2019 would decrease the fair values of net amount of the respective financial assets and liabilities by ¥7,192 million. Conversely, a 10% increase of stock prices would increase the said fair values by ¥7,192 million.

(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 ¥2,467 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, 2019 would decrease the fair values of net amount of the respective financial assets and liabilities by ¥246 million. Conversely, a 10% increase of stock prices would increase the said fair values by ¥246 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 ¥2,467 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, 2019 would increase the fair values of net amount of the respective financial assets and liabilities by ¥246 million. Conversely, a 10% appreciation of Japanese yen would decrease the said fair values by ¥246 million.

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

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, 2019 (the balance sheet date of the current fiscal year) 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, 2019	Fair value	Difference
(1) Cash and deposits	61,378	61,378	–
(2) Operational investment securities	7,744	7,744	–
(3) Securities			
Available-for-sale securities	2,500	2,500	–
(4) Investment securities	66,650	66,650	–
Total assets	138,272	138,272	–
(1) Long-term loans payable	365	365	0
Total liabilities	365	365	0

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) 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, 2019
Operational investment securities	
Unlisted stocks (*1)	49,137
Unlisted domestic and foreign bonds (*2)	660
Others (*3)	1,724
Investment securities	
Unlisted stocks (*1)	995

(*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	61,378	–	–	–
Securities				
Available-for-sale securities	2,500	–	–	–
Total	63,878	–	–	–

4. Repayment schedule of 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
Long-term loans payable	116	234	15	–	–	–
Total	116	234	15	–	–	–

8. Notes to per-share information

(1) Net assets per share ¥5,276.80

(2) Net income per share ¥328.55

9. Notes to revenue recognition

(1) Main obligations based on the contract with customers for the mainstay business

The Company has obligations to manage and operate its funds based on relative partnership

agreement.

(2) Point in time when revenue associated with obligations in (1) above is recognized

(Fund management fees)

The Company recognizes fund management fees when the Company fulfills such obligations over a certain period.

(Success fees)

The Company recognizes revenue from success fees when it deems that the revenue amount is unlikely to drop significantly as of the fiscal year end.

Notes to Non-Consolidated Financial Statements

1. Significant accounting policies

(1) Basis and method of valuation for securities

1) Investments in subsidiaries and associates

Stated at cost determined by the moving-average method.

2) 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	8 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 current fiscal year and that of previous fiscal year is presented as ”(Reversal of) Additions to investment loss reserves” in the non-consolidated statements of income.

2) 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 current fiscal year.

3) 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 current fiscal year.

4) Provision for retirement benefits

For the calculation of projected benefit obligation and benefit expenses, the simplified method, which assumes the Company's benefit obligation to be equal to the benefits payable due to the voluntary retirement at the fiscal year-end, is applied.

(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 when the amount is deemed unlikely to drop significantly.

(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. Notes to change in accounting principles

(Adoption of accounting standard for revenue recognition)
As the “Accounting Standard for Revenue Recognition” (Corporate Accounting Standard No. 29 issued on March 30, 2018; “Revenue Recognition Standard”) and the “Application Guidance for Accounting Standard for Revenue Recognition” (Corporate Accounting Standard Application Guideline No. 30 issued on March 30, 2018) became applicable from the beginning of the fiscal year starting on or after April 1, 2018, the Company adopted the Revenue Recognition Standard at the beginning of the first quarter of the current fiscal year and made the following changes:
・Change in the method for recognizing revenue from success fees
With regard to success fees that the Company receives from its funds, the Company now records the amount that is deemed unlikely to drop significantly as of the fiscal year end as accrued income. As a result, net sales, operating income, ordinary income and profit before income taxes for the current fiscal year each increased by ¥124 million, and the opening balance of retained earnings increased by ¥87 million.
The adoption of the Accounting Standard for Revenue Recognition is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The aggregate amount of the impact on retroactive application of the new accounting policy prior to the beginning of the current fiscal year is added to/subtracted from retained earnings at the beginning of the current fiscal year and the new accounting policy is applied to the balance at the beginning of the current fiscal year.
Provided, however, based on Paragraph 86 of the Accounting Standard for Revenue Recognition, retroactive application of the new accounting standard was not made to contracts whose revenue had mostly been recognized based on the previous treatment prior to the beginning of the current fiscal year. Also, based on the method specified in Paragraph 86 subparagraph (1) of the Accounting Standard for Revenue Recognition, for contract changes made prior to the beginning of the current fiscal year, the following processes from 1) to 3) are performed based on the contract terms reflecting all such changes, and the cumulative impact is added or subcontracted to retained earnings at the beginning of the current fiscal year.
1) Classification of filled and unfilled portion of performance obligations
2) Calculation of transaction price
3) Allocation of transaction price to filled and unfilled portion of performance obligations

(Change in the method of calculating projected benefit obligation)
At the Company, the number of employees eligible for defined benefit plans decreased due to changes in the employment system, and it became clear that items in the financial statements associated with defined benefit plans lacked materiality as of the end of the current fiscal year. As a result, the method of calculating projected benefit obligation was changed from the principle method to the simplified method from the current fiscal year-end.

As the above change in the accounting method does not cause material impact on overall financial statements, comparative information for prior periods will not be restated, but the effect of the change will be accounted for in profit or loss for the current fiscal year.

The effect of this change on financial statements is minimal.

3. Notes to changes in methods of presentation

(Changes caused by the adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)
The Company adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Corporate Accounting Standard No. 28, February 16, 2018), from the beginning of the current fiscal year. Accordingly, “deferred tax liabilities” are shown under “non-current liabilities.” To reflect this change, the items in the financial statements for the previous fiscal year have been reclassified.

As a result, "deferred tax liabilities” of ¥1,370 million shown under “current liabilities” in the previous fiscal year’s balance sheet has been included in “deferred tax liabilities” of ¥18,581 million shown under “non-current liabilities.”

(Non-Consolidated Balance Sheet)
1) “Prepaid expenses,” which was separately shown under “current assets” until the previous fiscal

year, has been included in "other " shown under "current assets" in the current fiscal year because its monetary significance decreased. To reflect this change, the items in the financial statements for the previous fiscal year have been reclassified.

As a result, "prepaid expenses" of ¥35 million shown under "current assets" in the previous year's balance sheet has been included in "other" shown under "current assets" of ¥278 million.

2) "Long-term loans receivable," "long-term prepaid expenses," and "long-term guarantee deposits," which were separately shown under "investments and other assets" until the previous fiscal year, have been included in "other " shown under "investments and other assets" in the current fiscal year because their monetary significance decreased. To reflect this change, the items in the financial statements for the previous fiscal year have been reclassified

As a result, "long-term loans receivable" of ¥8 million, "long-term prepaid expenses" of ¥35 million, and "long-term guarantee deposits" of ¥306 million shown under "investments and other assets" in the previous year's balance sheet have been included in "other" shown under "investments and other assets" of ¥566 million.

3) "Accrued expenses," which was separately shown under "current liabilities" until the previous fiscal year, has been included in "other " shown under "current liabilities" in the current fiscal year because its monetary significance decreased. To reflect this change, the items in the financial statements for the previous fiscal year have been reclassified

As a result, "accrued expenses" of ¥83 million shown under "current liabilities" in the previous year's balance sheet has been included in "other" shown under "current liabilities" of ¥399 million.

(Non-Consolidated Statement of Income)
"Interest on loans," which was separately shown under "non-operating income" until the previous fiscal year, has been included in "miscellaneous income " shown under "non-operating income" in the current fiscal year because its monetary significance decreased. To reflect this change, the items in the financial statements for the previous fiscal year have been reclassified

As a result, "interest on loans" of ¥0 million shown under "non-operating income" in the previous year's statement of income has been included in "miscellaneous income" shown under "non-operating income" of ¥22 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 current fiscal year-end.
However, the following assets were pledged as collateral for the debts of investees of the Company:
Operational investment securities ¥3,048 million

(2) Accumulated depreciation of property, plant and equipment ¥34 million

(3) Monetary receivables from and payables to subsidiaries and associates
1) Short-term monetary receivables ¥3 million
2) Short-term monetary payables None

5. Notes to Non-Consolidated Statement of Income

(1) Amount of business with subsidiaries and associates
1) Operational income ¥22 million
2) Operational expenses ¥12 million
3) Amount of non-operational transactions None

(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	No. of shares as of April 1, 2018	Increase	Decrease	No. of shares as of March 31, 2019
Common stock	1,619 thousand shares	0 thousand shares	–	1,619 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	70
Investment loss reserves	2,914
Accumulated foreign exchange adjustment expenses	197
Accrued enterprise tax	1
Loss on valuation of investment securities	1,338
Loss on valuation of membership	20
Provision for retirement benefits	156
Others	1,361
Subtotal deferred tax assets	6,060
Valuation allowance	(3,761)
Total deferred tax assets	2,298
(Deferred tax liabilities)	(Millions of yen)
Valuation difference on available-for-sale securities	19,720
Others	75
Total deferred tax liabilities	19,796
Net deferred tax liabilities	17,497

(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	30.62
(Reconciliation)	
Permanently non-deductible expenses such as entertainment expenses	0.29
Income permanently excluded from taxable income such as dividend income	(1.53)
Per capita levy of corporate inhabitant tax	0.07
Increase (decrease) in valuation allowance	(2.23)
Others	0.41
Income tax burden after tax effect accounting is applied	27.62

8. Notes to related party transactions

No transaction applicable.

9. Notes to per share information

(1) Net assets per share ¥5,178.88

(2)Net income per share ¥292.93

10. Notes to revenue recognition

Same as “9. Notes to revenue recognition” in the “Notes to Consolidated Financial Statements” section.