■ To our shareholders:

The global new coronavirus pandemic and plunge in crude oil prices have directly hit our daily lives and economic activities, forcing significant market adjustments. It is said to be the end of the record-long bull market which was based on excess liquidity.

VC and PE markets have also been affected significantly. Uncertain factors, such as restrictions on day-to-day investment activities, revenue decline at portfolio companies, increasing difficulty in fundraising, significant IPO price adjustments, a number of IPO approval cancellations, etc., are increasing. The recent trends driven by rapid digitalization, including a surge in start-up companies, large financing rounds, and soaring valuations, will also be changed dramatically. Some companies have announced withdrawal from direct investment and CVC activities, which have played a major role in increasing the size of fundraising of start-up companies.

Under such circumstances, we successfully closed JAFCO SV6 Fund Series at ¥80 billion at the end of February 2020. In addition, high cash balance and a strong balance sheet ensure our investment activity regardless of any economic situation.

Based on our policies of “Intensive, Selective Investment” and “Investment to Commit to New Business Creation,” our portfolio has been streamlined to 200 companies, including overseas companies, from the peak of over 1,000 companies. We have built a structure that allows future growth of each portfolio company by deepening management involvement and avoiding corporate value deterioration under severe environment to the extent possible. Now is the time when the true value of this structure is being tested.

No matter what changes may occur, the wave of digital transformation will continue to gain momentum. To attract this gigantic wave more assuredly, we will strengthen our branding policy toward startup companies led by young entrepreneurs, which are the main target of domestic VC investment. Moreover, with the aim of demonstrating our investment diversity, spanning from investment in buyout deals and Asian/ US venture companies in addition to domestic ventures, and strengthening our global presence, we will change our company name from JAFCO to JAFCO Group.



Shinichi Fuki
President & CEO
JAFCO Co., Ltd.

■ Our Mission / Identity / Value

- Mission -

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

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

- Identity -

Co-Founder

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

- Value -

Value Creation	Challenge and Quest	Trust and Contribution

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

(Securities Code: 8595)

May 26, 2020

To Shareholders:

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

NOTICE OF CONVOCATION OF THE 48TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are hereby informed that the 48th Annual General Meeting of Shareholders (the "Meeting") of JAFCO Co., Ltd. (the "Company") will be held as described below.

For the purpose of preventing the spread of the new coronavirus infection, shareholders are kindly advised to refrain from attending the Meeting in person to the extent possible and exercise their voting rights either by postal mail or electronic means in advance. Please see page 5 for the request for shareholders and infection prevention measures at 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 15, 2020 (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, etc.)]

Please review "How to exercise your voting rights via Internet, etc." on page 55, and access the website for voting designated by the Company (https://evote.tr.mufg.jp/). Follow the instructions on the screen and enter for or against each proposal by the voting deadline indicated above.

1. Date and Time Tuesday, June 16, 2020, 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 48th Fiscal Year (from April 1, 2019 to March 31, 2020)
Matters to be resolved:	
Proposal 1:	Partial change in the Articles of Incorporation
Proposal 2:	Election of Three (3) Directors (Excluding Directors Serving as Board-Audit Committee Members)

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

JAFCO website: http://www.jafco.co.jp/english/ir/shareholder/meeting/

In light of the spread of the new coronavirus, we would like to inform the guidelines for attending the 48th Annual General Meeting of Shareholders. We would kindly ask shareholders planning to attend the Meeting in person for their understanding and cooperation.

Request for shareholders

- For the perspective of preventing the spread of the new coronavirus, **we once again ask shareholders to refrain from attending the Meeting in person to the extent possible and exercise their voting rights either by postal mail or electronic means in advance**.
- Shareholders attending the Meeting are requested to wear face masks.
- All attendees will have their temperature taken at the entrance of the meeting room. Those who have fever or are not feeling well, or been overseas within 14 days of the Meeting, may be asked to refrain from entering the meeting room and leave the venue. Those who have been overseas within 14 days of the Meeting are requested to provide this information at the reception.
- Fewer seats will be available at this year's Meeting to ensure sufficient spacing between attendees with the aim of preventing the spread of the coronavirus. Therefore, we may restrict admission to the Meeting.
- Depending on the situation of the coronavirus infection, the venue and the time of the Meeting are subject to change. Major changes in the operation of the Meeting due to future situation will be informed on the JAFCO website. Please check the website in advance if you plan to attend the Meeting in person.

JAFCO website : http://www.jafco.co.jp/english/ir/shareholder/meeting/

Infection prevention measures at the Meeting

- A bottle of alcohol disinfectant will be provided near the reception desk.
- Directors and operation staff will check their temperature and health status before the Meeting and wear face masks during the Meeting.
- In the case of director stationed overseas and having difficulty coming back to Japan, or from the perspective of reducing the risk of spreading the infection, it is possible that some directors will not attend the Meeting or will attend remotely (online), regardless of their health status on the day of the Meeting.
- The time required for holding the Meeting will be shortened compared to previous years. Detailed explanations of matters to be reported at the Meeting (including Audit Report) and the proposals will be omitted.
- No drink will be served at the Meeting this year.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Partial change in the Articles of Incorporation

The Company proposes to change part of the Articles of Incorporation as shown below.

1. Reason for the Change

The Company name will be changed to JAFCO Group Co., Ltd. to demonstrate its investment diversity, spanning from VC investment in Japan, Asia and the US to buyout investment, and global presence.

2. Details of the Change

Details of the change are as shown below.

(Changes are underlined.)

Current Articles of Incorporation	Change Proposal
CHAPTER 1 GENERAL PROVISIONS	CHAPTER 1 GENERAL PROVISIONS
Article 1. (Trade Name) The name of the Company shall be Kabushiki Kaisha JAFCO and shall be written in English as JAFCO Co., Ltd. (hereinafter referred to as the "Company").	Article 1. (Trade Name) The name of the Company shall be JAFCO Group Kabushiki Kaisha and shall be written in English as JAFCO Group Co., Ltd. (hereinafter referred to as the "Company").
Article 2.- Article 35 (Omitted)	Article 2.- Article 35 (No change)
(Newly established)	SUPPLEMENTARY PROVISION The change in Article 1. takes effect on October 1, 2020. This Supplementary Provision will be deleted as of the effective date of Article 1.

Proposal 2: Election of Three (3) Directors (Excluding Directors Serving as Board-Audit Committee Members)

The terms of office of all three (3) directors (excluding directors serving as Board-Audit Committee members; the same applies hereafter in this Proposal 2) will expire at the conclusion of the Meeting. Accordingly, the Company proposes to elect three (3) directors. This Proposal has been deliberated by the Nomination and Remuneration Committee.

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

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

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

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

The candidates for director are as follows.

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

<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>15,218 shares</td></tr>
<tr><td colspan="4">Number of attendance at the Board of Directors meetings: 13 out of 13 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 & 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>

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>9,542 shares</td></tr>
<tr><td colspan="4">Number of attendance at the Board of Directors meetings: 13 out of 13 meetings (100%)

Reason for nomination as candidate for director

Yoshiyuki Shibusawa has constantly been involved in private equity investment since joining JAFCO and gained experience taking charge of the domestic venture investment division. Since October 2012, he has been stationed in Singapore and has been responsible for the Company’s overseas operations as President of the Company’s Asian and US subsidiaries. Based on his experience, expertise and track record of domestic/ overseas investment activity, the Board of Directors deemed it appropriate that he continues to execute and supervise business activities as a director of the Company.</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>

Keisuke Miyoshi
(September 18, 1969)

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

April 2013

June 2015

March 2018</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)
Director in charge of Investment, Partner, JAFCO (Present)</td><td>4,956 shares</td></tr>
<tr><td colspan="4">Number of attendance at the Board of Directors meetings: 13 out of 13 meetings (100%)

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

Note: Candidate for director Keisuke Miyoshi participates in SV6 Partners Limited Liability Partnership (Partners LLP), which is the joint general partner of JAFCO SV6 Fund Series ("SV6"), with other Partners and JAFCO, and has made partner commitment in SV6 through Partners LLP. The Company has provided a loan for Mr. Miyoshi for his partner commitment. The financing details are as shown in 7. Notes to related party transactions in the Notes to Non-Consolidated Financial Statements of the Matters available on the website in relation to the Notice of Convocation of the 48th Annual General Meeting of Shareholders. There are no special interests between the Company and other director candidates.

(Reference)

Experience and specialty of the Company's directors

The selection of director candidates is stipulated in the Corporate Governance Policy of the Company as shown below.

- The Company shall select director candidates who have business skills, insight, experience, and expertise to serve as a director to allow the Board of Directors to fully exercise its operational and supervisory functions. The Company proactively selects suitable candidates from diverse background regardless of gender and nationality.
- The Company shall select independent director candidates who have abundant experience and deep insight into corporate management or specialist fields and can be expected to fulfill the roles and responsibilities of an independent director. The selection is in accordance with the Company's "Standards for Independence of Independent Directors."

After the election at the Annual General Meeting of Shareholders, experience and expertise held by directors will be as shown below.

Experience: 1. Corporate management
2. Investment
3. Fundraising/ fund operation
4. Overseas operation

Expertise*: (a) Personnel/ labor affairs
(b) Treasury accounting
(c) Legal affairs/ compliance
(d) Finance
(e) Academic research/ education

Directors \ Experience/expertise		1	2	3	4	Expertise*				
						(a)	(b)	(c)	(d)	(e)
Shinichi Fuki		●	●	●	●	●	●	●	●	
Yoshiyuki Shibusawa		●	●	●	●	●	●	●	●	
Keisuke Miyoshi			●	●		●	●	●	●	
Shigeru Tamura	(Independent Director)	●	●		●	●	●		●	
Koji Tanami	(Independent Director)	●			●			●	●	
Kenichi Akiba	(Independent Director)						●		●	●
Yoshie Kajihara	(Independent Director)	●				●	●			

* Note: Expertise
Directors Shinichi Fuki, Yoshiyuki Shibusawa, and Keisuke Miyoshi have experienced management team member recruitment, management figure analysis, investment legal affairs, fundraising arrangement, etc. at unlisted companies through their venture investment operations. Therefore, even if they have not worked in the relevant divisions, they are judged to have expertise in personnel/ labor affairs, treasury/ accounting, and legal affairs.

Standards for Independence of Independent Directors

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

(1) An independent director is not, and has not been in the past ten (10) years, an officer (limited to persons executing business) or employee of the Company or any of its subsidiaries (collectively referred to as "JAFCO").

(2) An independent director is not, and has not been in the past three (3) years, any of the following:

1) A person executing business (*1) of another company at which a person executing business of the Company serves, or has served in the past three (3) years, as a director or officer.
2) A major shareholder (a shareholder holding 10% or more of the voting rights directly or indirectly) of the Company or a person executing business of that shareholder.
3) A partner at the financial auditor of the Company or an employee engaged in auditing of the Company at the same.
4) A person executing business of a major lender of the Company (*2).
5) A person executing business of a major business partner of JAFCO (*3).
6) An expert in a field such as legal matters, accounting or taxation, a consultant or other such person receiving remuneration from JAFCO in excess of ¥10 million per year outside of remuneration for officers.
7) A partner or a person executing business of an organization such as a corporation or an association that provides services for legal matters, accounting, taxation or consulting, or other specialist services, where the organization is deemed as a major business partner.
8) A person executing business of an organization that receives a donation exceeding a certain amount (*4) from JAFCO.

(3) A person who is a spouse or a relative within the second degree of kinship of, or who shares living expenses with, an independent director is none of the following (excluding persons without importance):

1) A person who executes business of JAFCO or has done so in the past three (3) years.
2) A person to whom any of the above (2) 1) to 8) applies.

(Notes)

*1 A person executing business is an executive director, an executive (*shikkoyaku*), an administrative officer (*riji*), or other such equivalent manager (limited to persons executing business) or an important employee such as an executive officer.

*2 A major lender of the Company is a lender of an amount equivalent to at least 2% of consolidated total assets.

*3 A major business partner of JAFCO is a business partner whose transactions with the Group were equivalent to more than 2% of that business partner's annual consolidated net sales in its last fiscal year.

*4 A donation exceeding a certain amount is a donation to an organization exceeding an amount in a year of ¥10 million or 2% of the relevant organization's total revenue or ordinary income, whichever is the larger.

(Document to be provided)

Business Report

(From April 1, 2019 to March 31, 2020)

I Current Status of JAFCO Group (hereinafter "JAFCO" or "we")

1. About JAFCO

1) "Co-Founder"

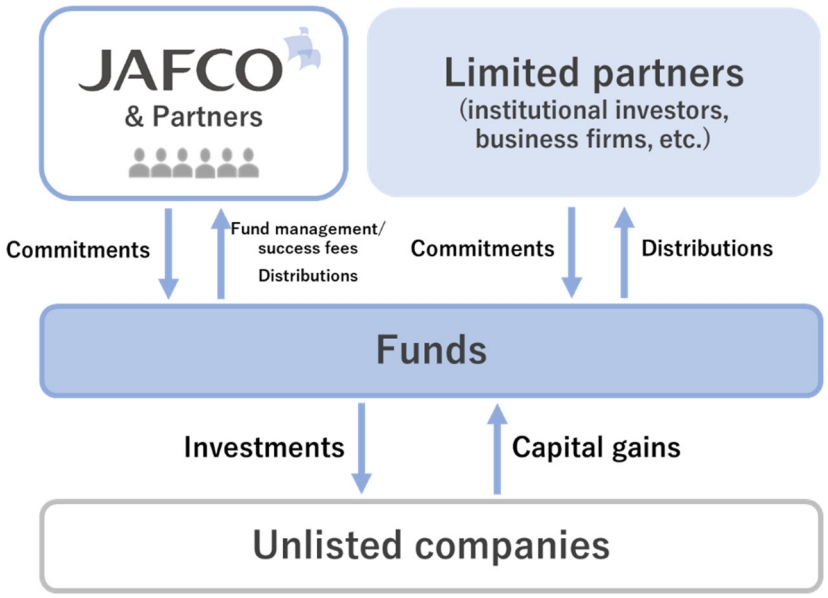
Digital revolution, which causes drastic changes in the global industrial structure, is changing the fundamental mechanism of existing industries and creating new industries. In Japan, high-potential startups are emerging in numbers and young entrepreneurs who lead the next generation are increasing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

In the present circumstances, the impact of the new coronavirus pandemic on startup companies is beginning to show its colors. Large funding rounds and high pre-money valuations will likely trend down. However, the wave of digital revolution will not slow down but rather gain momentum by the corona crisis.

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

Since adopting the partnership model in 2018, we have been focusing on building a flat organization centered around high-potential individuals (Partners) and a merit-based evaluation system. Partners and employees have invested alongside JAFCO in the new SV6 Fund Series ("SV6") and receive carried interest while bearing the risk of fund performance. We will also enhance long-accumulated organizational strength to further improve corporate value of portfolio companies and fund performance.

2) JAFCO's business line and business model



JAFCO's business is venture and buyout investment through fund management. We raise capital for our funds from institutional investors and business firms about once in every three years. We also invest our own capital in funds, normally about 40% of fund size. The fund term is 10 years with a possible extension of two years in general.

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

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

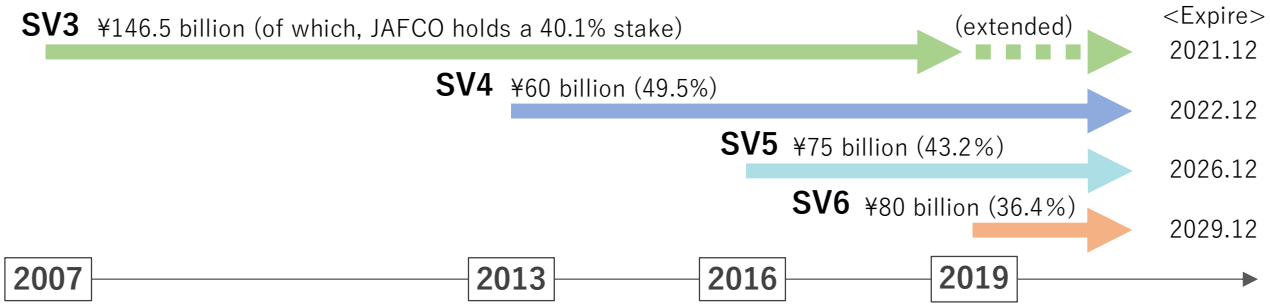
3) Funds under management

Total commitments of funds under management stand at ¥433.9 billion. We decide fund size in line with the trends in investment target markets. To allow an increase in the fund size and ensure continuous commitments, we are aiming to increase the average commitment amount, mainly from institutional investors. In the case of SV6 established in June 2019, funds raised from external investors increased compared to our previous funds, but the number of investors halved. The fund operation structure has also changed since introducing the partnership model, whereby individual partners also commit to fund operations and be jointly liable with JAFCO.

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

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

Flagship funds under management

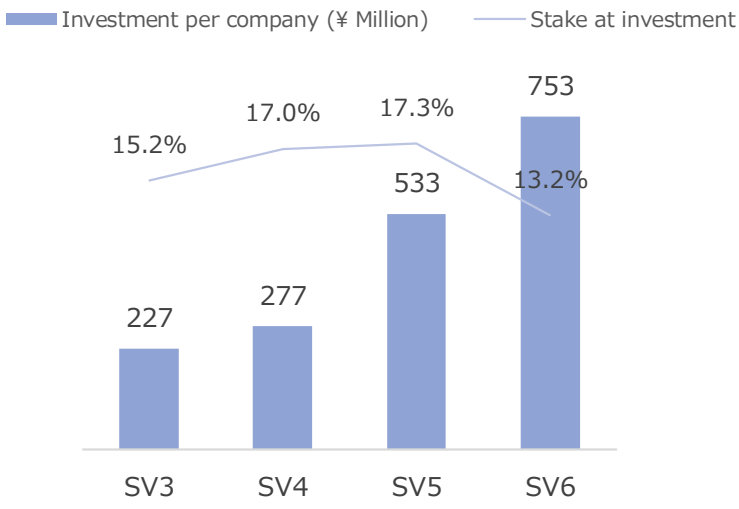


4) Investment structure and strategy

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

For our domestic investment, we rigorously select promising companies to boost investment amount and stake in each company, thereby increasing management involvement in portfolio companies. We invest in around 20 new companies annually, and the average shareholding at initial investment and the average amount invested per company have risen to around 15% and about ¥750 million respectively. With regard to promising start-ups (so-called mega ventures and game changers), we have seen cases where several billions of yen are raised in a single financing round. At JAFCO, per-company investments of over ¥1 billion are also increasing.

Initial investment amount and stake at investment (as of March 31, 2020)



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

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

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

2. Business Summary and Results

1) Financial highlights and capital gains

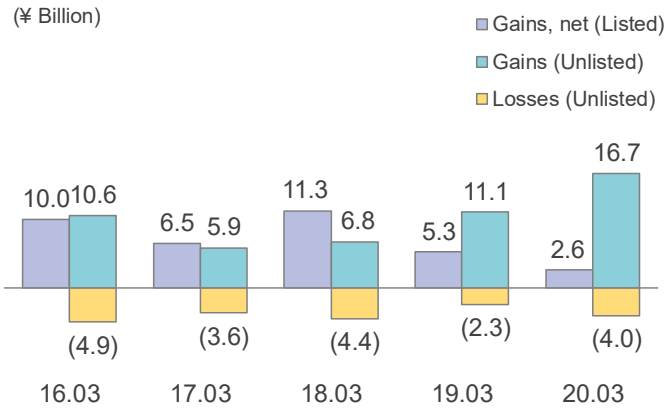
During the current fiscal year, net sales, ordinary income, and net income all rose from the previous year. Despite slow IPOs, M&A exit of a domestic buyout investment and a large trade sale of a Chinese portfolio company made major contributions to capital gains. Capital gains on the sale of unlisted shares hit a new high since JAFCO's listing. Exits other than IPOs have diversified.

JAFCO's biggest management focus is to maintain high fund performance over the long term. We will continue to focus on IPO, M&A and other exits from which large capital gains can be expected, regardless of the number of IPOs achieved each year. Business results fluctuate significantly from year to year depending on the number of large exits. Improving performance of each operating fund allows us to maintain strong business results over the long term.

(Billions of yen)

	FY19.3	FY20.3	Change
Net sales	25.9	29.9	15.4%
Ordinary income	13.4	17.0	27.1%
Net income	10.2	11.8	16.5%

Capital gains (JAFCO's interests)



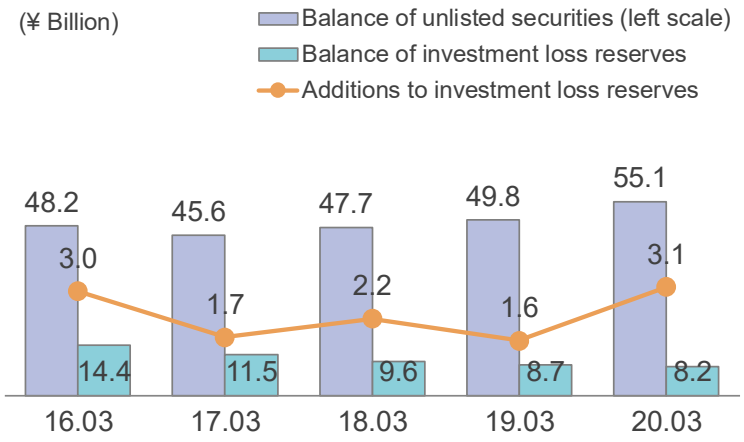
	16.03	17.03	18.03	19.03	20.03
Unrealized gains (¥ Billion)	6.5	11.7	9.9	6.4	7.1

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

2) Investment loss reserves

The balance of investment loss reserves and reserve ratio have been falling as we reshuffled our portfolio through highly selective, intensive investment and deepened management involvement. In the current fiscal year, additions to investment loss reserves soared to ¥3.1 billion (of which ¥1.3 billion was related to the new coronavirus) from ¥1.6 billion in the previous year due to the impact of the new coronavirus on portfolio companies in the fourth quarter. If the coronavirus infection expands further over the long term, we will likely make further additions to the reserves. We will strengthen management involvement on a full remote basis to prevent deterioration in financial condition of portfolio companies stemming from sharp revenue decline and fundraising difficulties.

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



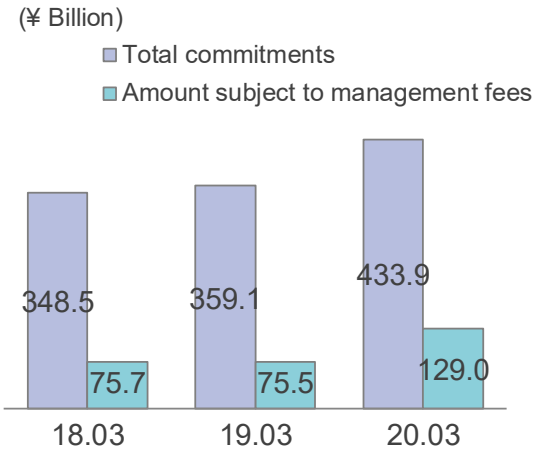
	16.03	17.03	18.03	19.03	20.03
Reserve ratio	29.8%	25.3%	20.1%	17.4%	14.9%

Note: Excluding investment in other funds.

3) Total fund commitments

During the current fiscal year, we established new flagship fund SV6 in Japan and a Taiwanese fund in Asia. As a result, total fund commitments rose to ¥433.9 billion. Excluding JAFCO's interests in funds, funds under extension, and US funds, which have been excluded from the scope of consolidation, from the total fund commitments, the amount subject to management fees surged to ¥129 billion.

Fund commitments



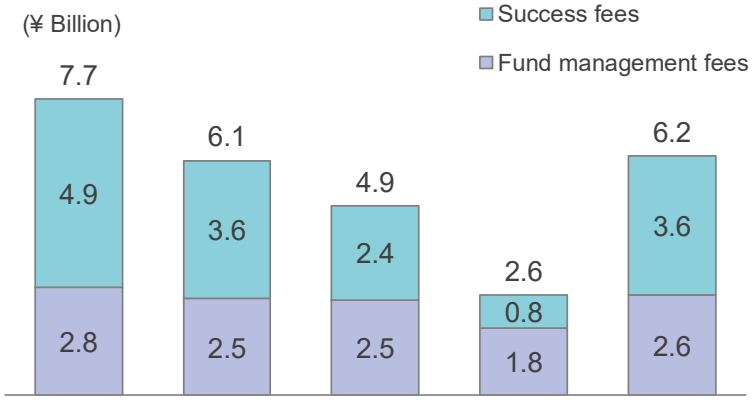
	18.03	19.03	20.03
Newly raised	15.9	13.8	83.7

Note: Amount subject to management fees does not include JAFCO's interests in funds, funds under extension, and US funds.

4) Income from fund management

Although income from fund management fees rose due to new fund establishment, we, as a fund management company, remain unable to cover SG&A expenses with our core income from fund management. As a rapid increase in fund size may cause deterioration in fund performance, the size of our future funds will be set in line with the market growth of promising investment targets, while firmly maintaining our stance of highly selective, intensive investment. Success fees rose sharply because SV4 Fund Series and JATF VI distributions to investors exceeded their respective total commitments due to large exits.

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



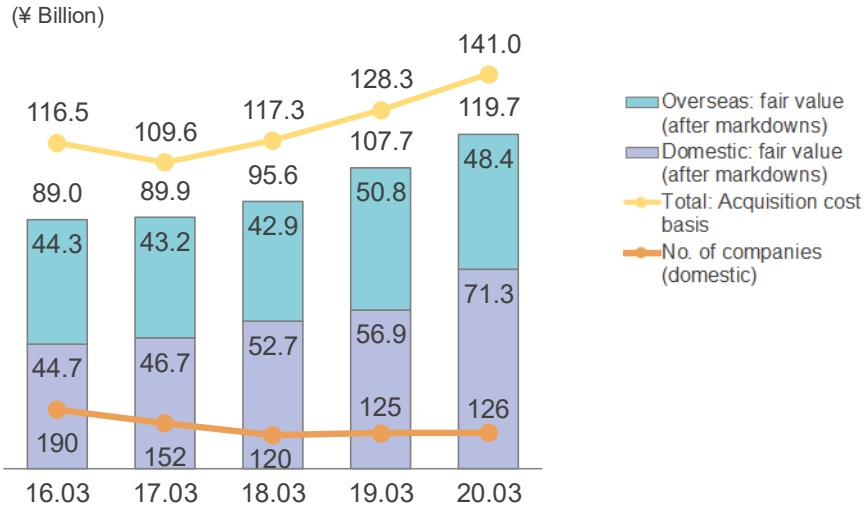
	16.03	17.03	18.03	19.03	20.03
No. of employees (consolidated basis)	145	137	133	134	131

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

5) Total unlisted portfolio under management

Following the fundamental change in our investment strategy from diverse investment to highly selective, intensive investment, the total investment balance of unlisted portfolio companies trended down over the long term. Due to the progress in portfolio reshuffle, the amount invested per company turned upward, turning the total balance of unlisted portfolio upward for four consecutive years on an acquisition cost basis and for five consecutive years on a fair-value (after markdown) basis.

Balance of unlisted investments (including fund investors' interests)



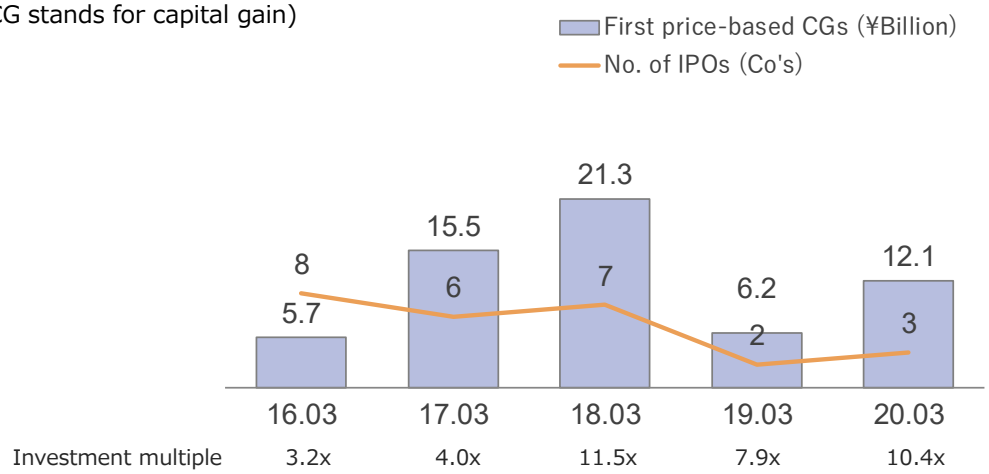
Note: Exchange rate for all periods: $1=¥108.83

6) IPOs

Due to a reduction in the number of new investments based on our highly selective, intensive investment strategy, the number of IPOs among our portfolio has dropped to less than 10 per year. During the current fiscal year, there were three domestic IPOs. First-price multiple at IPO was 10.4 times.

JAFCO-backed domestic IPOs (including fund investors' interests)

(CG stands for capital gain)



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

(Reference) JAFCO-backed IPOs during the current fiscal year

Branding Technology
Various information services utilizing the Internet; advertising business and advertising agency business; website planning/ development/ management

IPO Date: June 21, 2019
IPO Market: Mothers
Head Office: Tokyo

giftee
Planning/ development/ operation of eGift services for individuals, corporations and local governments

IPO Date: Sept. 20, 2019
IPO Market: Mothers
Head Office: Tokyo

Chatwork
Development/ supply of business chat tool Chatwork; agent sales of security software "ESET"

IPO Date: Sept. 24, 2019
IPO Market: Mothers
Head Office: Osaka

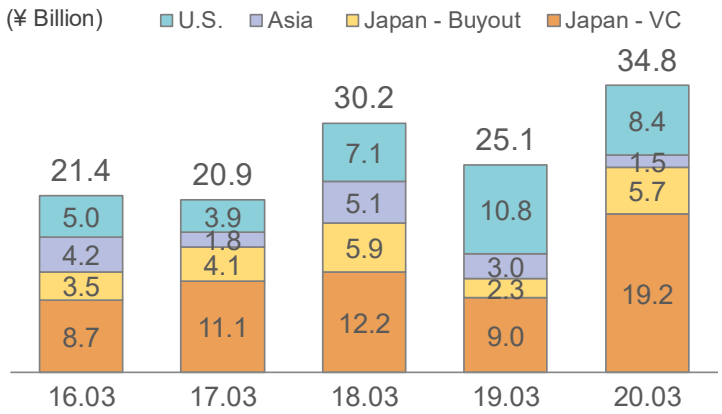
Bill.com Holdings
Accounting support services for small and midsize companies

IPO Date: Dec. 12, 2019
IPO Market: NYSE
Head Office: USA

7) Investment activity

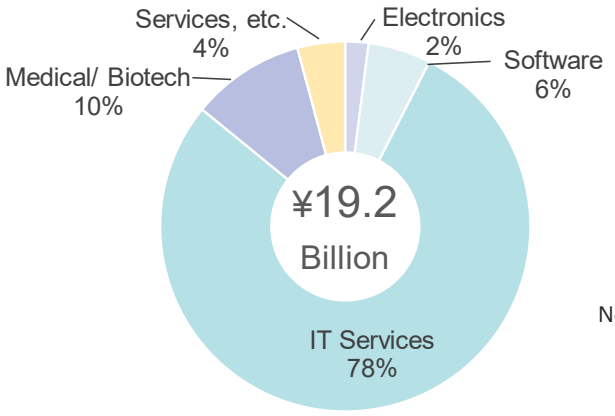
Total investment amount in each region varies each fiscal year. During the current fiscal year, the total global investment amount increased to ¥34.8 billion due to the establishment of a new domestic fund. A three year period is generally assumed for a new fund to finish new investment activity. This period may be extended if the coronavirus pandemic prolongs and increases difficulty in new investment activities based on online interviews.

Investment amount (including fund investors' interests)



Broken down by sector, companies in the internet space continued to account for the majority of domestic venture investments made during the current fiscal year, but medical and biotech investments are also increasing. The growing portfolio of IT services includes a number of start-ups with the potential to change business models of various existing industries through cutting-edge technologies.

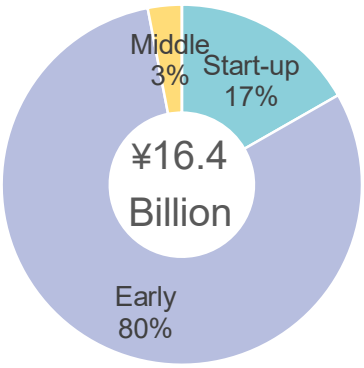
Investment by sector (new and follow-on investment in Japan; including fund investors' interest)



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

Broken down by growth stage at the time of new investment, start-ups and early-stage companies accounted for over 90% of new investments, the majority of which are in the internet space. The speed of business launch greatly impacts the change rate of startups, while a large number of competitors means a delay in the business launch may take a toll. As "Co-Founder," JAFCO will offer deep management involvement from the business conception stage and commit to business growth with entrepreneurs.

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

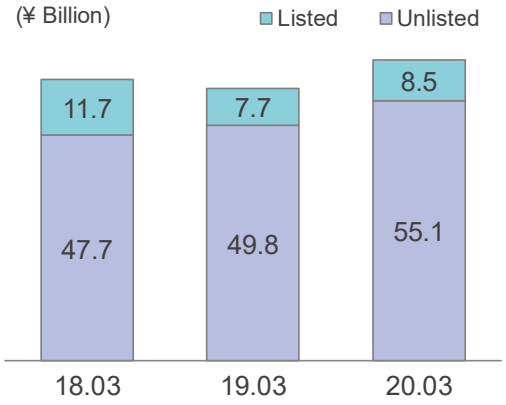


Note: Overseas life science investments (carried out by the venture investment division in Japan) and buyout investments are excluded.

8) Investment balance and unrealized gains

With regard to JAFCO's interests in the investment balance from fund investment activity, the balance of unlisted portfolio soared due to large-scale investments in domestic ventures and an increase in buyout investments. The balance of listed portfolio also rose, due to three domestic IPOs in the current fiscal year, despite post-IPO sales and a fall in stock prices.

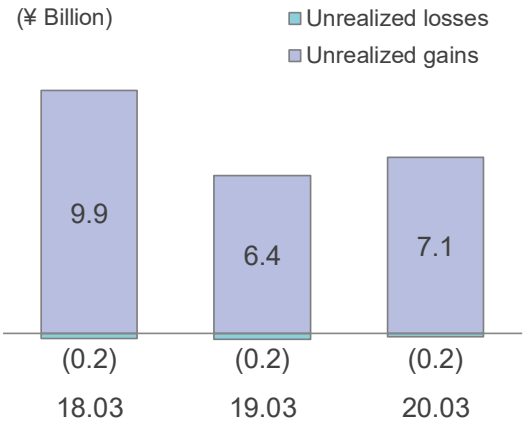
Balance of operational investment securities (JAFCO's interests)



Note: Excluding investment in other funds.

Unrealized capital gains on listed portfolio increased to ¥7.1 billion. These will become realized capital gains through future sales.

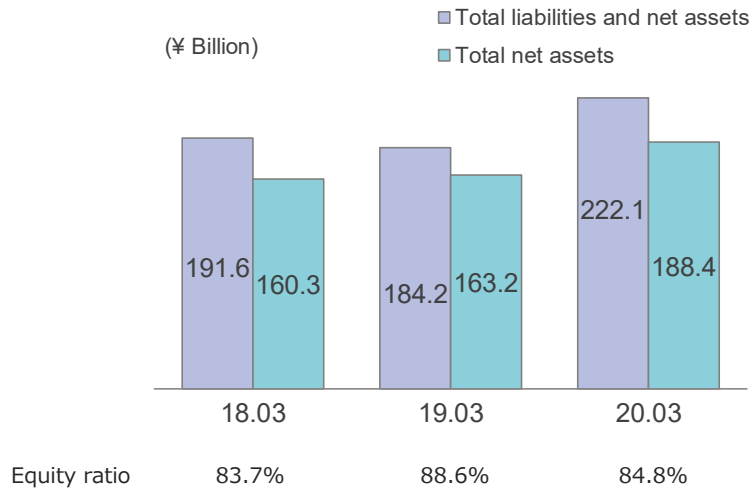
Unrealized gains/losses of listed securities (JAFCO's interests)



9) Status of assets

The majority of portfolio companies are unlisted, whose shares have no market value and liquidity is extremely limited. We need to maintain strong shareholders' equity and a solid financial base to allow us to continue investing under any operating environment. At the end of the current fiscal year, net assets increased to ¥188.4 billion and the equity ratio was 84.8%. Cash and deposits of ¥72 billion, including JAFCO's paid-in capital to each fund, are recorded on the balance sheet. Our policy is to constantly maintain abundant cash balance to provide for uncalled commitments and planned commitments to future funds and continue to invest under any circumstances. Our efforts to maintain high liquidity on hand and enhance shareholders' equity to prepare for the recession are paying dividends under the present situation. Our efforts continue to balance consistent shareholder returns with aggressive investment firmly in line with our investment policy.

Total assets and net assets (JAFCO's interests)



3. Issues to be addressed

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

1) Create new businesses through highly selective, intensive investment and management involvement

2) Sustain improvement in fund performance

3) Build up stronger, high-quality portfolios

4) Develop personnel who can be "Co-Founder" of portfolio companies

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

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

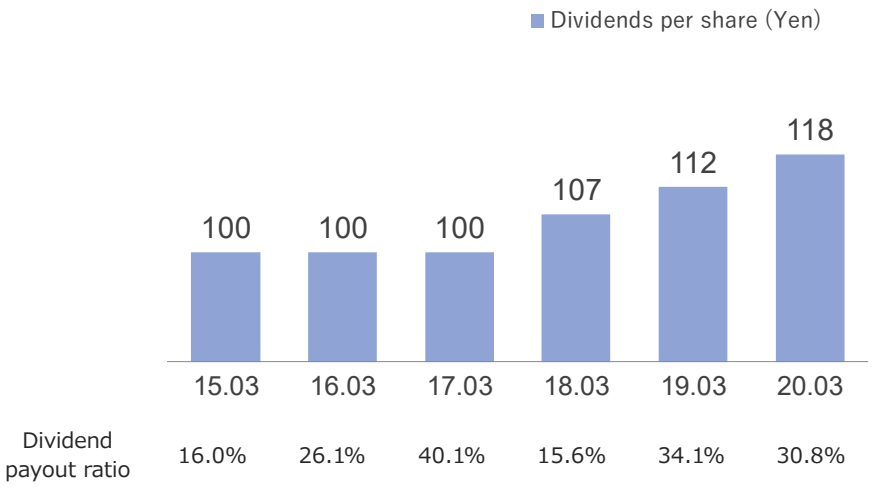
- Reproduce success by passing on our expertise
- Create next-generation businesses
- Develop globally, focus locally
- Work earnestly with entrepreneurs to raise corporate value
- Preserve discipline and transparency as a VC pioneer

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

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

For the current fiscal year, we have decided to pay the dividend of ¥118 per share (previous fiscal year: ¥112 per share) based on this indicator.

Dividends History



5. Assets and profit (loss)

	45th Fiscal Year (From April 1, 2016 to March 31, 2017)	46th Fiscal Year (From April 1, 2017 to March 31, 2018)	47th Fiscal Year (From April 1, 2018 to March 31, 2019)	48th Fiscal Year (From April 1, 2019 to March 31, 2020)
Net sales (Millions of yen)	27,857	29,470	25,878	29,855
Ordinary income (Millions of yen)	13,666	15,554	13,410	17,045
Profit attributable to JAFCO Co., Ltd. stockholders (Millions of yen)	11,073	24,235	10,162	11,839
Profit per share (Yen)	249.59	687.04	328.55	382.76
Total assets (Millions of yen)	237,902	191,550	184,213	222,059
Net assets (Millions of yen)	207,855	160,299	163,215	188,366
Net assets per share (Yen)	4,684.87	5,182.49	5,276.80	6,089.99

Note: 1. Regarding funds operated by JAFCO, assets, liabilities, income and expenses are recorded pro rata to JAFCO's interest in each fund.
2. Figures for the 47th Fiscal Year (from April 1, 2018 to March 31, 2019) onward reflect the exclusion of JAFCO America Ventures Inc. from the scope of consolidation.

6. Significant subsidiaries

Name	Capital	Voting rights ratio [%]	Main business
JAFCO Investment (Asia Pacific) Ltd	15 million Singapore dollars	100.0	Fund management
JAFCO Investment (Hong Kong) Ltd	6.5 million US dollars	100.0 [100.0]	Fund management
JAFCO Asia (Shanghai) Equity Investment Management Co., Ltd	1.5 million US dollars	100.0 [100.0]	Fund management
JAFCO Taiwan Capital Management Consulting Corp.	15 million Taiwan dollars	100.0 [100.0]	Fund management

Notes: 1. Figures in [ ] under the "Voting rights ratio" indicate the ratio of voting rights indirectly held by JAFCO.
2. JAFCO Taiwan Capital Management Consulting Corp. (established on March 13, 2019) has been included in significant subsidiaries from the current fiscal year.
3. JAFCO Investment (Korea) Co., Ltd. has been excluded from significant subsidiaries as all shares were sold as of July 15, 2019.

7. Principal offices (as of March 31, 2020)

1) JAFCO Co., Ltd.

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

2) Subsidiaries (principal offices)

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

8. Employees (as of March 31, 2020)

1) JAFCO Group employees

Number of employees	Increase (decrease) from previous fiscal year
131	(3)

Note: The number of employees is the number of personnel at work.

2) Employees of JAFCO Co., Ltd.

Number of employees	Increase (decrease) from previous fiscal year	Average age	Average years of service
102	(3)	44 years and 3 months old	17 years and 4 months

Note: The number of employees is the number of personnel at work.

9. Outline of financing

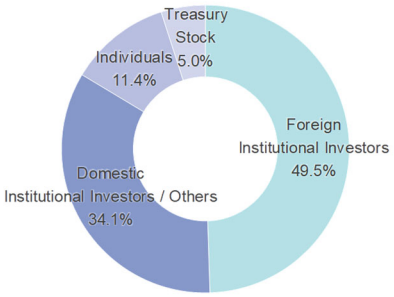
In the current fiscal year, JAFCO did not make any long-term loans, while repaying loans which became due. As a result, the balance of long-term loans payable including the current portion fell to ¥249 million (previous fiscal year-end: ¥365 million).

10. Principal creditors (as of March 31, 2020)

(Millions of yen)

Creditor	Balance of borrowings
Nippon Life Insurance Company	100
The Nanto Bank, Ltd.	100
Resona Bank, Limited	49

II Current Status of JAFCO Co., Ltd. (the "Company")



1. Shares (as of March 31, 2020)

1) Authorized number of shares 80,000,000 shares
2) Number of shares issued 32,550,000 shares
3) Number of shareholders 5,898
4) Major shareholders

Shareholder	Number of shares held (Thousand shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	3,777	12.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,278	7.4
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1,409	4.6
Hikari Tsushin Kabushiki Kaisha	672	2.2
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	653	2.1
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	646	2.1
Japan Trustee Services Bank, Ltd. (Trust Account 5)	619	2.0
JP MORGAN CHASE BANK 385151 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	561	1.8
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	515	1.7
Japan Trustee Services Bank, Ltd. (Trust Account 9)	489	1.6

Notes: 1. The Company holds 1,619 thousand treasury shares, which are excluded from the above list of major shareholders.
2. The shareholding ratio is calculated after deducting the number of treasury shares.

2. Directors

1) Directors (as of March 31, 2020)

Position	Name	Responsibilities at the Company and significant concurrent positions
President & CEO [Representative Director]	Shinichi Fuki	
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 Partner
Director (Board-Audit Committee member, full-time)	Shigeru Tamura	
Director (Board-Audit Committee member)	Koji Tanami	Attorney-at-Law, Hashidate Law Office
Director (Board-Audit Committee member)	Kenichi Akiba	Professor, Graduate School of Accountancy, Waseda University Auditor of the Board (Outside), Mitsui Sumitomo Insurance Co., Ltd.
Director (Board-Audit Committee member)	Yoshie Kajihara	

Notes: 1. Directors Shigeru Tamura, Koji Tanami, Kenichi Akiba and Yoshie Kajihara are independent directors.

2. The Company has designated Directors Shigeru Tamura, Koji Tanami, Kenichi Akiba and Yoshie Kajihara as Independent Officers based on the regulations of the Tokyo Stock Exchange, and their names are registered with the exchange.

3. Director Kenichi Akiba is a certified public accountant and has adequate knowledge in finance and accounting through his research and being a professor in the field of accounting at a university. Director Yoshie Kajihara has adequate knowledge in finance and accounting through her long years of work experience in accounting and finance divisions of listed/ unlisted companies.

4. Director Yoshie Kajihara was newly appointed and assumed the position at the 47th Annual General Meeting of Shareholders held on June 18, 2019.

5. Shigeru Tamura was appointed a full-time member of the Board-Audit Committee 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. Director (full-time Board-Audit Committee member) Sadahiko Yoshimura resigned due to the expiration of his term in office at the close of the 47th Annual General Meeting of Shareholders.

7. Director Shigeru Tamura resigned from his significant concurrent position as Outside Corporate Auditor of SAN HOLDINGS, INC. as of June 25, 2019.

(Reference)

The Company has established a corporate officer system. Corporate officers as of March 31, 2020 are as follows:

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

The Company has appointed Partners who execute investment opportunities and management of JAFCO-operated funds. As of March 31, 2020, Partners who do not concurrently serve as director are as follows:

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

2) Outline of liability limitation agreements

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

3) Total remunerations, etc. for directors

- **Total remunerations for the fiscal year ended March 31, 2020**

Classification	Number of persons paid	Amount paid (Millions of yen)
Directors (excluding Board-Audit Committee members)	3	180
Directors serving as Board-Audit Committee members [of which, Independent Directors]	5 [4]	75 [68]
Total	8	255

Note: A director (Board-Audit Committee member) who resigned as of the close of the 47th Annual General Meeting of Shareholders held on June 18, 2019 is included in the above table.

- **Policy for Determination of Directors Remuneration**

The Company has established the Nomination and Remuneration Committee composed of Board-Audit Committee members and the president to strengthen corporate governance and enhance fairness, transparency and objectivity in procedures related to nomination and remuneration of directors. Based on the results of deliberations by the Committee, the Company determines the policy for deciding directors remuneration at the Board of Directors meeting.

Remuneration of Directors (excluding Board-Audit Committee members)

The maximum total amount of remuneration of directors (excluding Board-Audit Committee members) shall be within ¥600 million per annum (based on a resolution of the 43rd Annual General Meeting of Shareholders held on June 16, 2015). The remuneration of directors (excluding Board-Audit Committee members) is determined at the Board of Directors meeting based on deliberations by the Nomination and Remuneration Committee.

The remuneration of directors (excluding Board-Audit Committee members) shall consists of basic compensation and extraordinary compensation. Part of basic compensation is linked to the Company's ordinary income and other business performance, and extraordinary compensation additionally takes into account fund performance. As an investment company managing highly volatile venture and buyout investment funds, the level of compensation shall reflect the amount of assets under management and the Company's business performance resulting from asset management, and be appropriate for securing capable human resources.

(Basic compensation)

Basic compensation is partially determined by job positions and years in service, and partially linked to the Company's business performance. The level of performance-linked basic compensation is determined on a scale of 1 to 5 by reflecting short-term results based on the comparison of the Company's profit levels and its details for the preceding fiscal year with the past results. A standard percentage of performance-linked basic compensation is about 20%, and the relevant amount increases/ decreases within a range of 30% based on the above 5-point scale.

(Extraordinary compensation)

The year-on-year increase/ decrease in percentage terms of extraordinary compensation level is determined based on year-on-year comparison of profit levels, unrealized gains and fund performance, which is a major management index over the medium- to long-term. Based on this percentage, the amount paid to each director is determined by taking into account their job responsibilities and the degree of contribution. Extraordinary compensation may not be paid when the Company' performance deteriorates sharply.

Remuneration of Directors serving as Board-Audit Committee members

The remuneration of Directors serving as Board-Audit Committee members shall be within ¥300 million per annum (based on a resolution of the 43rd Annual General Meeting of Shareholders held on June 16, 2015). The remuneration of directors serving as Board-Audit Committee members is determined through discussions between the Board-Audit Committee members.

The remuneration of directors serving as Board-Audit Committee members consists only of basic compensation excluding performance-linked portion, and there is no extraordinary compensation. The compensation system, which is not easily affected by the Company's performance, ensures their independence to the Company's management.

The Articles of Incorporation of the Company do not stipulate that decisions on the execution of important business can be delegated to Directors. Such decisions are made based on thorough discussions by the Board of Directors, including independent directors serving as Board-Audit Committee members. The level of compensation for Directors serving as Board-Audit Committee members is set by taking into account their involvement in important management decision-making and their duties of supervising business execution.

4) Independent directors

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

	Number of attendances at the Board of Directors meetings	Number of attendances at the Board-Audit Committee meetings
Koji Tanami Director (Board-Audit Committee member)	13 out of 13 meetings	14 out of 14 meetings
Kenichi Akiba Director (Board-Audit Committee member)	13 out of 13 meetings	14 out of 14 meetings
Shigeru Tamura Director (Board-Audit Committee member)	13 out of 13 meetings	14 out of 14 meetings
Yoshie Kajihara Director (Board-Audit Committee member)	10 out of 10 meetings *	10 out of 10 meetings *

Note*: The number of attendances of Director (Board-Audit Committee member) Yoshie Kajihara is the number following her election/appointment at the 47th Annual General Meeting of Shareholders held on June 18, 2019.

- Opinions expressed at the Board of Directors meetings and the Board-Audit Committee meetings

  - Director serving as Board-Audit Committee member Shigeru Tamura expressed opinions from an independent perspective based on his broad experience and expertise gained while serving in executive positions at other companies.
  - Director serving as Board-Audit Committee member Koji Tanami expressed opinions from an independent perspective by leveraging his deep insight and expertise in fiscal administration, finance, tax and legal affairs.
  - Director serving as Board-Audit Committee member Kenichi Akiba expressed opinions from an independent perspective as an expert in accounting.
  - Director serving as Board-Audit Committee member Yoshie Kajihara expressed opinions from an independent perspective based on her long years of experience in accounting and management planning operations and her broad experience and expertise gained while serving in executive positions at other companies.

- Significant concurrent positions held at other organizations and the relationships between these organizations and the Company

  - Director serving as Board-Audit Committee member Kenichi Akiba is Auditor of the Board (Outside) of Mitsui Sumitomo Insurance Co., Ltd. (“MSI”). The Company has insurance

transaction with MSI, but the transaction amount is insignificant and there is no importance affecting on his independence.
- Other than the above, the Company has no special relationships with organizations where independent directors hold a significant concurrent position.

3. Financial Auditor

1) Name

Ernst & Young ShinNihon LLC

2) Amount of remuneration, etc.

	Amount paid (Millions of yen)
Amount of remuneration, etc. to be paid to the financial auditor for the fiscal year	41
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the financial auditor	41

Notes: 1. In the audit agreement between the Company and the financial auditor, the amount of remuneration, etc. for audit under the Companies Act and audit under the Financial Instruments and Exchange Act are not clearly distinguished. As it is not possible to effectively distinguish the two, the total amount of both remunerations is described as the amount of remuneration, etc. to be paid to the financial auditor for the fiscal year.

2. Reasons for the approval of remuneration, etc. for the financial auditor by the Board-Audit Committee
The Board-Audit Committee received the necessary materials and reports from directors, relevant departments and the financial auditor to confirm and examine the details of the audit plan of the financial auditor, results of audit for the previous year, the status of execution of duties and the reasonableness of the basis for the estimate of remuneration, etc. As a result, the Board-Audit Committee determined and approved that the remuneration, etc. regarding the financial auditor are appropriate.

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

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

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

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

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

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

4. Structure for corporate governance

1) Basic views on corporate governance

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

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

2) Corporate governance policy

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

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

3) Outline of structure

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

(Board of Directors)

The Board of Directors is composed of seven (7) directors, including four (4) independent directors. The President chairs the Board of Directors.

The Board of Directors supervises important management decision-making and the execution of duties by directors. Independent directors supervise management from a neutral and objective standpoint.

(Board-Audit Committee)

The Board-Audit Committee is composed of four (4) independent directors. Currently the full-time director serving as Board-Audit Committee member heads the Committee. The Board-Audit Committee audits the execution of duties by directors and prepares audit reports.

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

(Nomination and Remuneration Committee)

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

(Investment Committee)

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

4) Evaluation of the effectiveness of the Board of Directors

The summary of the results of the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2020 is as follows:

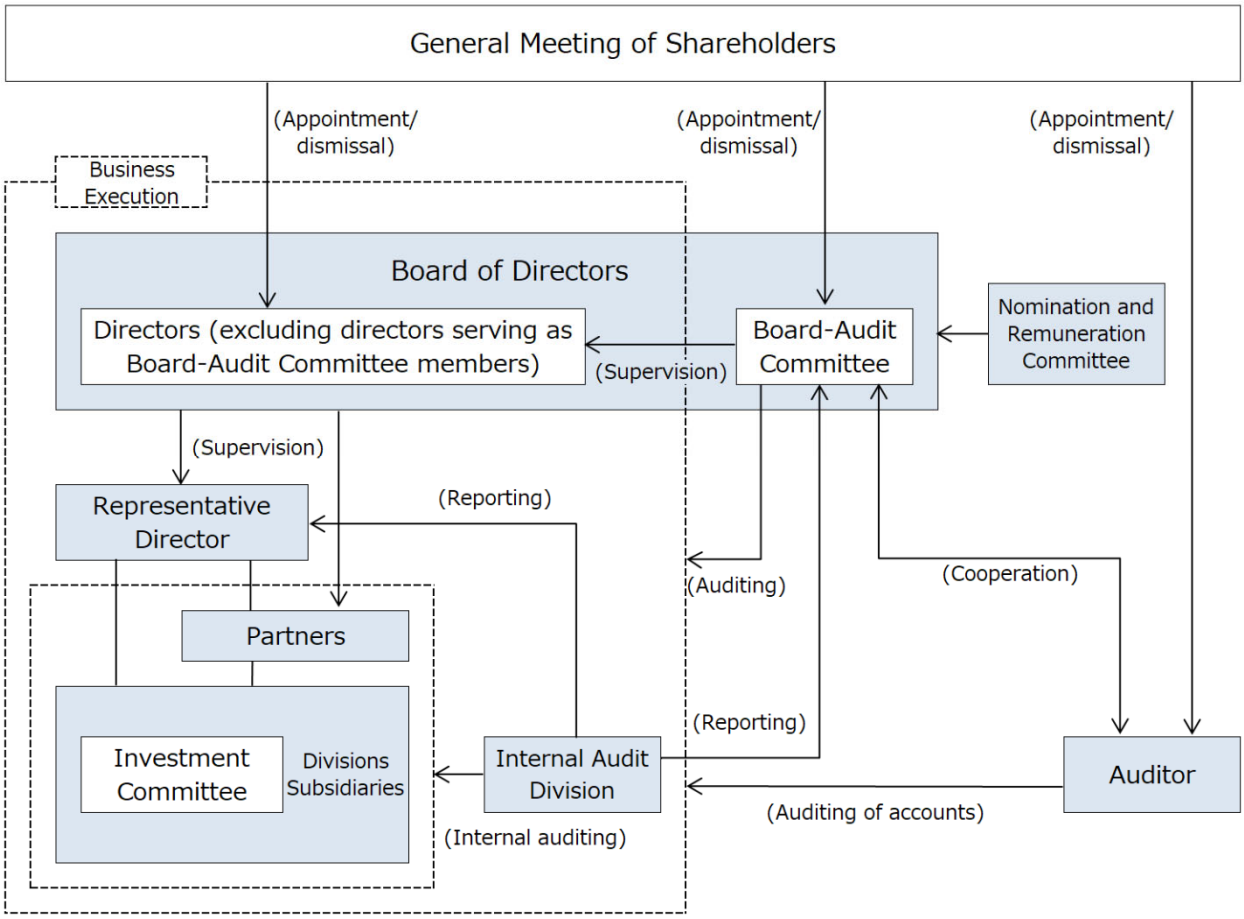
The Board of Directors (“BOD”) has been evaluating the effectiveness of the BOD on an annual basis since the fiscal year ended March 31, 2016. In the fiscal year ended March 31, 2020, deliberations over items such as composition, operation, role, duties, etc. of the BOD were held as in previous years based on questionnaires administered to all directors and preliminary interviews with each director by the full-time Director serving as Board-Audit Committee member.

As the majority of the BOD consisted of independent directors in the fiscal year ended March 31, 2020, it was confirmed that the BOD composition was appropriate in terms of internal-external balance and size to fulfill its function to supervise business executions. Also, given that the majority consisted of independent directors, efforts were made to enhance advance briefings of the agenda items of Board meetings for independent directors. This allowed independent directors to reorganize and clarify main issues, share mutual recognition, and conduct substantial and efficient deliberations. As a result, it was confirmed that the BOD needs to further enhance discussions on the Company's business direction.

With regard to the issues identified in the previous year’s evaluation (improve reporting/ presentation efficiency and information provided at Board meetings) it was confirmed that efficient reporting was achieved within a limited timeframe in the year under review.

Based on the above results, it was confirmed that the effectiveness of the BOD increased in general. We will continue to address issues that have been identified, while regularly conducting effectiveness evaluations to further increase the effectiveness of the BOD.

Corporate governance structure



5. Systems for ensuring appropriate operations

The outline of a resolution by the Company's Board of Directors with regard to the systems to ensure that directors' execution of their duties is in compliance with laws and regulations and the Articles of Incorporation, and other systems 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 systems to ensure appropriate operations of the Company and its subsidiaries (collectively referred to as the "JAFCO") and the systems necessary for operations of the Board-Audit Committee:

(1) Systems to ensure that execution of duties by JAFCO's directors, etc. and employees is in compliance with laws and regulations and the Articles of Incorporation

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

- The Company shall create a global compliance policy that is common to all group companies, and all group companies shall thoroughly implement systems for complying with laws and regulations and the like based on the policy in consideration of legal systems in the countries where they are located, their business scales, their organizational structures and other characteristics.
- The Company shall sever any relationships with antisocial forces and stand firmly against them. The Company shall take an organization-wide initiative and establish a dedicated department that works closely with external professional institutions, including police and attorneys-at-law.
- The Internal Audit Division audits and reports the status of JAFCO's compliance with laws and regulations and the like to the President and the Board-Audit Committee, and, as necessary, to the Board of Directors. The audited departments and subsidiaries shall promptly address any issues that need to be corrected or improved.
- The JAFCO hotline shall be established and operated as means for officers, employees and others at JAFCO to directly provide information to the Company regarding conduct that is in violation of, or risks violating, laws and regulations.

(2) Systems for retention and management of information pertaining to execution of duties by the Directors

- In accordance with laws and regulations and internal rules, the Company shall appropriately retain and manage records concerning decision-making at the Board of Directors and other important meetings, and other important documents and information pertaining to execution of duties by the Directors.

(3) Regulations and other systems concerning management of risk of loss at JAFCO

- The Directors shall retain authority and responsibility to implement systems and measures for risk management. In addition, director in charge of administration shall push forward the cross-company initiatives for JAFCO's risk management.
- At the Company, in order to manage risks associated with private equity investment, which is the Company's main business, investment decisions are made based on deliberations by the investment committee composed of the President and partners in accordance with internal rules. For making decisions, opinions of staff in charge of evaluation shall be asked separately from the investment division. In addition, the investment division shall update the status of business operations of unlisted portfolio companies on an as-needed and regular basis and take necessary actions.
- At overseas subsidiaries, appropriate systems shall be established in consideration of the countries where they are located, their business scales, their organizational structures and other characteristics, with the aim of making investment decisions, assessing business operations of portfolio companies, and managing risks associated with private equity investment.
- If a risk with a significant impact on the management of JAFCO becomes apparent, the Directors shall promptly report this to the Company's officer in charge of administration and the Company shall take appropriate actions in accordance with the risk.

(4) Systems to ensure effective execution of duties by the Directors

- The Company clarifies the duties of its Directors, establish internal rules regarding the division of duties and official authority to achieve efficient operations through role

sharing and a chain of command.

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

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

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

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

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

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

- JAFCO's Directors and employees shall report the status of their execution of duties and operations upon request from the Board-Audit Committee.

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

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

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

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

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

6. Overview of the operation status of the systems for ensuring proper operations

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

(1) Compliance management

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

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

(2) Risk management

- The Internal Audit Division conducts internal audits of each division and overseas subsidiaries of the Company based on the internal audit plans, and reports the results to the President, the Board-Audit Committee and the Board of Directors.
- The director in charge of overseas operations regularly reports important matters related to investment and fund management at overseas bases and other overseas operations at the Board of Directors meetings.
- The status of compliance management and risk management is reported regularly to the Board of Directors.
- The Company works to grasp issues related to portfolio companies' businesses, corporate governance, compliance and risk management, and the investment division takes the initiative in addressing the issues with portfolio companies. Also, such information will be shared in-house to the extent possible for future reference purposes.
- SV6, a new flagship fund for domestic venture investment and buyout investment, completed fundraising. For operation of SV6, the Company will strengthen measures to prevent conflicts of interest, etc. in advance by asking the Advisory Board, composed of representatives of limited partners, for advice concerning potential conflicts of interest, etc. between the fund and the Company, etc.

(3) Efficiency of execution of duties

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

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

- The Board-Audit Committee members, led by a full-time member, cooperate with the Internal Audit Division and supervise the business execution by attending the investment committee and other important internal meetings and expressing opinions as necessary.

- Members of the Board-Audit Committee conduct interviews with directors, corporate officers, partners, and investment and other division heads and their members in charge, to receive explanations about important decision-makings and the status of execution of duties.
- Written approvals from representative directors or the director/ corporate officer in charge are circulated to a full-time member of the Board-Audit Committee. The Board-Audit Committee regularly receives reports separately on the status of such approvals from the division in charge.
- Employees at the internal audit and administration divisions assist in operation of the Board-Audit Committee as necessary.
- Members of the Board-Audit Committee exchange opinions with representative directors at the Nomination and Remuneration Committee, etc. The Board-Audit Committee also holds discussions with the Internal Audit Division and the financial auditor on a regular basis.
- It has been informed via the intranet and by other means that anyone who conducts internal reporting through the JAFCO hotline or to the Board-Audit Committee will not receive unfair treatment because of such reporting.

Consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Item	As of Mar. 31, 2020	(Reference) As of Mar. 31, 2019	Item	As of Mar. 31, 2020	(Reference) As of Mar. 31, 2019
Assets			**Liabilities**		
Current assets	**128,421**	**115,636**	**Current liabilities**	**7,582**	**2,475**
Cash and deposits	69,540	61,378	Current portion of long-term loans payable	234	116
Operational investment securities	63,532	59,267	Income taxes payable	4,344	1,193
Investment loss reserves	(8,229)	(9,501)	Provision for bonuses	226	194
Securities	2,500	2,500	Allowance for extraordinary compensation for directors	89	89
Other	1,078	1,991	Other	2,688	881
Non-current assets	**93,637**	**68,577**	**Non-current liabilities**	**26,110**	**18,523**
Property, plant and equipment	**435**	**312**	Long-term loans payable	15	249
Buildings	332	190	Net defined benefit liability	434	453
Furniture and fixture	102	122	Deferred tax liabilities	25,528	17,779
Intangible assets	**222**	**188**	Other	132	42
Software	222	188			
Investments and other assets	**92,980**	**68,076**			
Investment securities	92,131	67,646	**Total liabilities**	**33,693**	**20,998**
Investments in capital	0	17	**Net assets**		
Long-term loans receivable	117	7	**Shareholders' equity**	**126,113**	**117,739**
Deferred tax assets	334	7	**Capital stock**	**33,251**	**33,251**
Other	396	397	**Capital surplus**	**32,806**	**32,806**
			Retained earnings	**67,643**	**59,268**
			Treasury shares	**(7,587)**	**(7,586)**
			Accumulated other comprehensive income	**62,252**	**45,475**
			Valuation difference on available-for-sale securities	**61,529**	**44,719**
			Foreign currency translation adjustment	**723**	**755**
			Total net assets	**188,366**	**163,215**
Total assets	**222,059**	**184,213**	**Total liabilities and net assets**	**222,059**	**184,213**

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

Consolidated Statement of Income

(from April 1, 2019 to March 31, 2020)

(Millions of yen)

Item	For the year ended March 31, 2020	(Reference) For the year ended March 31, 2019
Net sales	**29,855**	**25,878**
Revenue from operational investment securities	23,697	23,291
Income from partnership management	6,155	2,586
Other sales	1	0
Cost of sales	**11,399**	**10,444**
Cost of operational investment securities	8,337	9,274
Other cost	3,061	1,169
Gross profit	**18,455**	**15,433**
(Reversal of) Additions to investment loss reserves	(514)	(712)
(Reversal of) Unrealized losses on operational investment securities	(88)	24
Gross profit - net	**19,059**	**16,121**
Selling, general and administrative expenses	**4,088**	**3,882**
Operating income	**14,970**	**12,239**
Non-operating income	**2,169**	**1,426**
Interest income	109	152
Dividend income	2,040	1,258
Miscellaneous income	19	16
Non-operating expenses	**94**	**255**
Interest expenses	1	3
Foreign exchange losses	76	229
Contribution to an investee	11	18
Miscellaneous loss	5	3
Ordinary income	**17,045**	**13,410**
Extraordinary income	**-**	**190**
Gain on sales of investment securities	-	190
Extraordinary losses	**-**	**-**
Profit before income taxes	**17,045**	**13,600**
Income taxes - current	**5,214**	**3,105**
Income taxes - deferred	**(7)**	**332**
Profit	**11,839**	**10,162**
Profit attributable to non-controlling interests	**–**	**–**
Profit attributable to JAFCO Co., Ltd. shareholders	**11,839**	**10,162**

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

Consolidated Statement of Changes in Net Assets

(from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	33,251	32,806	59,268	(7,586)	117,739
Changes of items during period					
Dividends of surplus			(3,464)		(3,464)
Profit attributable to JAFCO Co., Ltd. stockholders			11,839		11,839
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	8,374	(1)	8,373
Balance as of March 31, 2020	33,251	32,806	67,643	(7,587)	126,113

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance as of April 1, 2019	44,719	755	45,475	163,215
Changes of items during period				
Dividends of surplus				(3,464)
Profit attributable to JAFCO Co., Ltd. stockholders				11,839
Change in scope of consolidation				(1)
Net changes of items other than shareholders' equity	16,809	(31)	16,777	16,777
Total changes of items during period	16,809	(31)	16,777	25,151
Balance as of March 31, 2020	61,529	723	62,252	188,366

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

Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Item	As of Mar. 31, 2020	(Reference) As of Mar. 31, 2019	Item	As of Mar. 31, 2020	(Reference) As of Mar. 31, 2019
Assets			**Liabilities**		
Current assets	**120,681**	**110,576**	**Current liabilities**	**5,363**	**3,197**
Cash and deposits	63,250	57,783	Current portion of long-term loans payable	234	116
Operational investment securities	61,766	57,405	Accounts payable	642	308
Investment loss reserves	(7,878)	(9,145)	Income taxes payable	3,518	1,137
Securities	2,500	2,500	Deposits received	24	282
Accrued income	178	223	Provision for bonuses	181	149
Accounts receivable	749	1,197	Allowance for extraordinary compensation for directors	89	89
Other	114	611	Other	674	1,114
Non-current assets	**95,623**	**71,049**	**Non-current liabilities**	**25,725**	**18,241**
Property, plant and equipment	**229**	**268**	Long-term loans payable	15	249
Buildings	151	165	Deferred tax liabilities	25,233	17,497
Furniture and fixture	77	103	Provision for retirement benefits	434	453
Intangible assets	**222**	**188**	Other	42	42
Software	222	188	**Total liabilities**	**31,088**	**21,439**
Investments and other assets	**95,172**	**70,592**	**Net assets**		
Investment securities	91,938	67,452	**Shareholders' equity**	**123,700**	**115,502**
Shares of subsidiaries and associates	2,731	2,731	**Capital stock**	**33,251**	**33,251**
Investments in capital	0	16	**Capital surplus**	**32,806**	**32,806**
Other	502	392	Legal capital surplus	32,806	32,806
			Retained earnings	**65,230**	**57,031**
			Legal retained earnings	1,435	1,435
			Other retained earnings	63,794	55,595
			Retained earnings brought forward	63,794	55,595
			Treasury shares	**(7,587)**	**(7,586)**
			Valuation and translation adjustments	**61,516**	**44,684**
			Valuation difference on available-for-sale securities	**61,516**	**44,684**
			Total net assets	**185,216**	**160,186**
Total assets	**216,305**	**181,626**	**Total liabilities and net assets**	**216,305**	**181,626**

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

Statement of Income

(from April 1, 2019 to March 31, 2020)

(Millions of yen)

Item	For the year ended March 31, 2020	(Reference) For the year ended March 31, 2019
Net sales	**24,534**	**24,648**
Revenue from operational investment securities	21,120	22,483
Income from partnership management	3,404	2,144
Other sales	9	20
Cost of sales	**11,369**	**10,937**
Cost of operational investment securities	9,939	9,453
Other cost	1,430	1,484
Gross profit	**13,164**	**13,710**
(Reversal of) Additions to investment loss reserves	(516)	(686)
(Reversal of) unrealized losses on operational investment securities	(95)	15
Gross profit - net	**13,777**	**14,381**
Selling, general and administrative expenses	**3,306**	**3,177**
Operating income	**10,470**	**11,203**
Non-operating income	**5,968**	**1,377**
Interest on deposits	21	102
Interest and dividends on securities	5,930	1,259
Miscellaneous income	16	14
Non-operating expenses	**61**	**258**
Interest expenses	1	3
Foreign exchange losses	45	233
Contribution to an investee	11	18
Miscellaneous loss	2	3
Ordinary income	**16,377**	**12,322**
Extraordinary income	**-**	**190**
Gain on sales of investment securities	-	190
Extraordinary losses	**-**	**-**
Income before income taxes	**16,377**	**12,512**
Income taxes - current	**4,407**	**3,074**
Income taxes - deferred	**307**	**376**
Net income	**11,663**	**9,060**

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

Statement of Changes in Net Assets

(from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance as of April 1, 2019	33,251	32,806	32,806	1,435	55,595	57,031	(7,586)	115,502
Changes of items during the period								
Dividends of surplus					(3,464)	(3,464)		(3,464)
Net income					11,663	11,663		11,663
Purchase of treasury shares							(1)	(1)
Net changes of items other than shareholders' equity								
Total changes of items during the period	–	–	–	–	8,199	8,199	(1)	8,197
Balance as of March 31, 2020	33,251	32,806	32,806	1,435	63,794	65,230	(7,587)	123,700

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2019	44,684	44,684	160,186
Changes of items during the period			
Dividends of surplus			(3,464)
Net income			11,663
Purchase of treasury shares			(1)
Net changes of items other than shareholders' equity	16,832	16,832	16,832
Total changes of items during the period	16,832	16,832	25,030
Balance as of March 31, 2020	61,516	61,516	185,216

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 14, 2020

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

Ernst & Young ShinNihon LLC
Designated and Engagement Partner
Certified Public Accountant
Toshihiro Morishige [Seal]

Designated and Engagement Partner
Certified Public Accountant
Kenjiro Tsumura [Seal]

Opinion

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, 2019 through March 31, 2020.

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, 2020 in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section below. In accordance with requirements on professional ethics in Japan, we are independent of the Company and its consolidated subsidiaries and meet our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Board-Audit Committee 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 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.

In preparing the financial statements, management is required to evalute whether it is appropriate to prepare consoliated financial statements based on the premise of a going concern, and if it is necessary to disclose matters regarding going concern based on

accounting standards generally accepted in Japan, management is required to disclose the relevant matters.

The Board-Audit Committee is responsible for supervising business execution by directors in designing and operating the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, based on audit that we conducted, and to express our opinion on the financial statements as an independent auditor in the auditor's report. Misstatements, whether due to fraud or error, are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users made on the basis of these financial statements.

In accordance with accounting standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit and perform the following:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsibe to those risks. Selection and application of audit procedures shall be based on our judgement. Obtain sufficient and appropriate audit evidence that provides a basis for our audit opinion.
- Examine internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates and adequacy of related disclosures made by management.
- Conclude whether it is appropriate for management to prepare consolidated financial statements based on the premise of a going concern, and whether a material uncertainty exists related to events or conditions that raise substantial doubt on the Company's ability to continue as a going concern based on audit evidence that has been obtained. If a material uncertainty related to going concern exists, we are required to draw attention to the relevant note disclosures in the financial statements; if such disclosures are inadequate, we are required to express qualified opinion on consolidated financial statements. Our conclusions are based on audit evidence obtained by the date of the Auditor's Report, but future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of consolidated financial statements, including disclosures, comply with accounting standards generally accepted in Japan, and whether presentation, structure and content of consolidated financial statements, including related disclosures, and the presentation of the underlying transactions and accounting events are appropriate.
- Obtain sufficient and appropriate audit evidence related to financial information of the Company and its consolidated subsidiaries to express our opinion on consolidated financial statements. We are required to instruct, supervise and implement matters related to the audit of financial statements, and is independently responsible for the audit opinion.

We communicate with the Board-Audit Committee regarding, among other matters

required by the audit standards, the planned scope and timing of the audit, sigfiicant audit findings, including material weakness in internal controls identified during the audit.

We also provide the Board-Audit Committee with a statement that we have complied with requirements on professional ethics regarding independence, and communicate with the Committee regarding matters that may reasonabily be thought to bear on our independence and where applicable, safeguards that have been applied to eliminate or reduce identified threats to our independence.

Conflicts of Interest

Our corporation or engagement partners have no interest in the Company or its subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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

Independent Auditor's Report

May 14, 2020

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

Ernst & Young ShinNihon LLC
Designated and Engagement Partner
Certified Public Accountant
Toshihiro Morishige [Seal]

Designated and Engagement Partner
Certified Public Accountant
Kenjiro Tsumura [Seal]

Opinion

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 48th Fiscal Year from April 1, 2019 through March 31, 2020.

In our opinion, the above financial statements are in conformity with accounting principles generally accepted in Japan, and the related supplementary schedules referred to above present fairly, in all material respects.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section below. In accordance with requirements on professional ethics in Japan, we are independent of the Company and meet our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Board-Audit Committee for the Financial Statements

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

In preparing the financial statements, management is required to evalute whether it is appropriate to prepare financial statements based on the premise of a going concern, and if it is necessary to disclose matters regarding going concern based on accounting standards generally accepted in Japan, management is required to disclose the relevant matters.

The Board-Audit Committee is responsible for supervising business execution by directors in designing and operating the financial reportiang process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, based on audit that we conducted, and express our opinion on the financial statements as an independent auditor in the auditor's report. Misstatements, whether due to fraud or error, are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users made on the basis of these financial statements.

In accordance with accounting standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit and perform the following:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsibe to those risks. Selection and application of audit procedures shall be based on our judgement. Obtain sufficient and appropriate audit evidence that provides a basis for our audit opinion.
- Examine internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates and adequacy of related disclosures made by management.
- Conclude whether it is appropriate for management to prepare financial statements based on the premise of a going concern, and whether a material uncertainty exists related to events or conditions that raise substantial doubt on the Company's ability to continue as a going concern based on audit evidence that has been obtained. If a material uncertainty related to going concern exists, we are required to draw attention to the relevant note disclosures in the financial statements; if such disclosures are inadequate, we are required to express qualified opinion on consolidated financial statements. Our conclusions are based on audit evidence obtained by the date of the Auditor's Report, but future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of financial statements, including disclosures, comply with accounting standards generally accepted in Japan, and whether presentation, structure and content of financial statements, including related disclosures, and the presentation of the underlying transactions and accounting events are appropriate.
- Obtain sufficient and appropriate audit evidence related to financial information of the Company to express our opinion on financial statements. We are required to instruct, supervise and implement matters related to financial information on a section basis, and is independently responsible for the audit opinion.

We communicate with the Board-Audit Committee regarding, among other matters required by the audit standards, the planned scope and timing of the audit, sigfiicant audit findings, including material weakness in internal controls identified during the audit.

We also provide the Board-Audit Committee with a statement that we have complied with requirements on professional ethics regarding independence, and communicate with the Committee regarding matters that may reasonably be thought to bear on our independence and where applicable, safeguards that have been applied to eliminate or reduce identified threats to our independence.

Conflicts of Interest

Our corporation or engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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 48th Fiscal Year (from April 1, 2019 to March 31, 2020), 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 14, 2020

Board-Audit Committee of JAFCO Co., Ltd.

Full-Time Member
(Independent Director)
Shigeru Tamura [Seal]

Member
(Independent Director)
Koji Tanami [Seal]

Member
(Independent Director)
Kenichi Akiba [Seal]

Member
(Independent Director)
Yoshie Kajihara [Seal]

Guidance for Exercising Voting Rights

Please exercise your voting rights after examining the Reference Documents for the General Meeting of Shareholders (pages 6–12).

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

1. Attendance

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

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

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 15, 2020 (Japan Time) will be valid.

3. Internet, etc.

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

https://evote.tr.mufg.jp/

The voting rights shall be exercised by 5:00 p.m. on Monday, June 15, 2020 (Japan Time). Please refer to the following page for details.

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

How to exercise your voting rights via Internet, etc.

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

For inquiries about the system for exercising voting rights via Internet, etc., 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.

■ JAFCO and SDGs

JAFCO invests in and provide diverse growth support for startups that help enrich the society by developing cutting-edge technologies in the fields of AI, robotics, biotech, etc. and using such technologies to revolutionize various industries and create new industries.

We also contribute to the expansion and dissemination of innovations by backing up their overseas development and partnerships with major companies. By promoting venture and buyout investment, we aim to contribute to the attainment of SDGs and fulfill our social responsibility.

Unlisted portfolio companies related to each SDG (example)

