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Corporate Governance Report

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JAFCO Group Co., Ltd.
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https://www.jafco.co.jp/english/

The corporate governance of JAFCO Group Co., Ltd. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

With an eye to increasing corporate value over the medium to long term, the Company has established the following basic policies on corporate governance and will make continuous efforts for its enhancement:
- Build respectful relationships with stakeholders;
- Maintain transparency and fairness in decision making;
- Establish an appropriate supervising structure;
- Establish a corporate structure that ensures effective and swift business execution.

[Reasons for Not Implementing Each Principle of the Corporate Governance Code]

The Company implements each principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] *Updated*

Based on the above basic views, the Company has established the Corporate Governance Policy (the "Policy") which outlines the Company's concrete corporate governance measures. The Policy is posted on the Company's website:
https://www.jafco.co.jp/company/governance/ (Japanese)
https://www.jafco.co.jp/english/company/governance/ (English)

Descriptions of the items disclosed based on the principles of the Corporate Governance Code are as follows:

Principle 1.4 Cross-Shareholdings Chapter II 1(4) of the Policy
- The Company will not acquire additional cross-holding shares in other listed companies, except in the following cases:
  (i) When it determines that the holding would be beneficial in maintaining and strengthening a cooperative business relationship with the counterparty;
  (ii) When it determines that the value of the shares would be financially beneficial for the Company.
- The Board of Directors regularly examines the appropriateness of existing cross-shareholdings. When it determines that the continuous shareholding lacks rationale after reviewing the risks and returns from a medium- to long-term perspective as well as the objectives given above, the Company will make efforts to sell such stock to the extent possible. In the fiscal year ended March 31, 2020, the Company sold its entire holdings in three listed companies that had been held as investment securities.
- With regard to cross-shareholdings as of the end of March 2020, the Board of Directors examined the appropriateness of cross-shareholdings from the following perspectives at the meeting of the Board of

Directors held in June 2020 after monitoring business transactions with the counterparties and the counterparties' financial status and business performance.

(i) Compliance with the Company' policy on holding of the relative shares;

(ii) Possibility of contributing to the Company's business promotion and higher corporate value over the medium to long term, such as through commitments to JAFCO-operated funds, etc.

- When executing voting rights regarding cross-shareholdings, the Company decides whether to vote for or against the proposal by taking into account the counterparty's situation and after discussing whether or not the proposal would contribute to its higher corporate value over the medium to long term.

Principle 1.7 Related Party Transactions Chapter II 1(6) of the Policy

- The Company shall engage in transactions with its officers only with the prior approval of the Board of Directors (and the Board-Audit Committee if applicable) and in accordance with laws and regulations.
- The Company shall engage in transactions with affiliated firms or major shareholders (including their subsidiaries) on fair terms and conditions with due consideration to market quotations, etc. The Board of Directors, representative directors or other applicable corporate bodies will evaluate and approve such transactions based on the detail and amount.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

The Company has adopted a defined contribution scheme for its pension system. While explaining the intent and outline of the system to its employees on an as-needed basis, it provides information on the asset management status, alternative financial instruments, and potential changes of allocation on a regular basis.

Principle 3.1(i) Company objectives (e.g., business principles), business strategies and business plans
Chapter I 1 of the Policy

(1) JAFCO's Mission

"Commit to new business creation and jointly shape the future"

Since the establishment, the Company has created various innovative products/ services with entrepreneurs. The Company's mission is to open a new era with its stakeholders by committing to creating new businesses needed in the society.

(2) Policy and Strategy for Achieving JAFCO's Mission

The Company aims to achieve its mission by making venture/ buyout investment through funds. To better clarify its commitment to entrepreneurs embarking on new businesses and fund investors mainly consisting of institutional investors, the Company has introduced the individual-oriented partnership model to add to its competitiveness underpinned by its organizational strength accumulated since inception.

In realizing its mission, the following strategies will also be implemented.

i. Highly selective, intensive investment and management involvement

To create new businesses, the Company will narrow down investment targets and make bold investments in companies with high growth potential. It acquires influential stakes in its portfolio companies and accelerate their growth through deep management involvement.

ii. Sustain improvement in fund performance

To secure sufficient investment capital, it is vital to achieve sustainable improvement in fund performance and raise funds from outside investors. The Company also invests its own capital in funds and shares gains with fund investors. It will build high-quality portfolios through highly selective, intensive investment and management involvement to achieve sustainable improvement in fund performance.

iii. JAFCO as "Co-Founder"

During the startup phase of a portfolio company, the Company is required to be a "Co-Founder" rather than an investor. It aims to become an organization where each employee and the Company as a whole can play an active role as a "Co-Founder" by passing on and developing its spirit, expertise and experience that it has built up since establishment.

* About business plans

Due to the nature of the venture/ buyout investment business, the Company is greatly impacted by volatility in stock markets and the IPO environment in Japan and overseas. Moreover, as the Company

invests its own capital alongside its partners in funds, its earnings may fluctuate sharply over the short term. With the aim of enhancing its corporate value over the medium to long term, the Company strives to achieve long-term targets set for its fund performance.

*To realize the Company's mission

In March 2018, the Company introduced the partnership model business structure and appointed six (6) partners with solid track record, regardless of age and background. It has since focused on building a flat organizational structure under the partners and a more performance-based assessment system. The partners make critical decisions on investment management, and for SV6, the new fund closed in February 2020, they have invested their own funds along with the Company and receive carried interest distributions, while taking management risk as an individual. The Company will strive to further improve fund performance and corporate value of portfolio companies by enhancing the organization strength that it has built up over the years.

Principle 3.1(ii) Basic views and guidelines on corporate governance Chapter I 2 of the Policy

The Company's basic views on corporate governance are as shown in the section "1. Basic Views". The Company has established the Corporate Governance Policy, which is posted on the Company's website:
https://www.jafco.co.jp/english/company/governance/

Principle 3.1(iii) Board policies and procedures in determining the remuneration of the executive members and directors Chapter IV 2(3) of the Policy

- The Board of Directors decides the remuneration of directors (excluding directors serving as Board-Audit Committee members), corporate officers and partners based on the "Policy for Determination of Remuneration of Directors, etc." (*) and after deliberations by the Nomination and Remuneration Committee composed of all Board-Audit Committee members and the President. The decision on remuneration adequately reflects evaluation of the Company's business results, fund performance, and the degree of individual contribution.

(*) Please see "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" under the "Director Remuneration" below for reference.

- The Board-Audit Committee expresses its opinion on directors' remuneration at the General Meeting of Shareholders when it deems it necessary.

Principle 3.1(iv) Board policies and procedures in the appointment/ dismissal of the executive members and the nomination of director candidates Chapter IV 2(4) of the Policy

Principle 4.11.1 Views on Board Composition Chapter IV 2(4) of the Policy

- Directors, including CEO, and corporate officers are appointed by the Board of Directors after deliberations by the Nomination and Remuneration Committee.
- All directors (excluding directors serving as Board-Audit Committee members) are subject to election/re-election every year at the General Meeting of Shareholders. The Board-Audit Committee expresses its opinion on directors' election/ dismissal at the General Meeting of Shareholders when it deems it necessary.
- 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."
- In a case where a director has caused the Company to incur a tremendous loss or operational problems by committing a wrongful act, or violating laws, regulations, the Articles of Incorporation or the Company's internal rules, or has become difficult to execute duties by other reasons, such director shall be subject to dismissal proposal.
- A Partner is nominated with consensus of all partners and appointed upon the approval of the Board of Directors after deliberations by the Nomination and Remuneration Committee.
- The composition and size of the Board of Directors ensure a high level of effectiveness in light of the Company's scale and business.

Principle 3.1(v) Explanations with respect to the individual appointments/ dismissals and nominations of executive members based on (iv) above

Reasons for the appointment of three (3) directors (excluding directors serving as Board-Audit Committee members) elected at the 48th Annual General Meeting of Shareholders on June 16, 2020 and those of four (4) directors serving as Board-Audit Committee members elected at the 47th Annual General Meeting of Shareholders on June 18, 2019 are explained in the Notice of Convocation of the respective Annual General Meeting of Shareholders.

The above convocation notices are posted on the Company's website:

https://www.jafco.co.jp/english/ir/shareholder/meeting/

Principle 4.1.1 Matters Delegated to the Management Chapter IV 2(1) of the Policy

- With due attention to its responsibilities to shareholders, the Board of Directors makes important management decisions and supervises the execution of business with the aim of achieving sustainable growth and enhancing corporate value.
- The Board of Directors holds a regular monthly meeting, in principle, and an extraordinary meeting as necessary.
- Matters to be discussed at the Board of Directors meetings are set out in the Regulations on the Board of Directors. The Company's basic policy is that the Board of Directors, including independent directors, makes decisions on important operational issues based on thorough discussions. Therefore, the Company has no provision in the Articles of Incorporation that delegates decisions on important operational matters to directors.
- The Investment Committee composed of the President and partners has an authority to make investment decisions to allow quick decision-making. In the situation where a conflict of interest between the Company and JAFCO-managed funds may arise, such as in the case of investing its own capital, not only the Investment Committee but also the Board of Directors examine the case and make decisions.
- The decision-making authority on certain matters is delegated to representative director or executive member/ partner in charge, depending on the content and degree of importance, based on the Rules on Document Approval.

Principle 4.9 Independence Standards and Qualification for Independent Directors Chapter IV 5(3) of the Policy

The Board of Directors has established the "Standards for Independence of Independent Directors" in reference to the independence criteria set out by the Tokyo Stock Exchange. The Standards has been disclosed in the section "Matters relating to Independent Directors" below, the notice of convocation of the Annual General Meeting of Shareholders, and Independent Directors/Auditors Notification.

Principle 4.11.2 Concurrent Positions of Directors Chapter IV 2(4) of the Policy

The Company discloses major concurrent positions of directors in the notice of convocation of Annual General Meeting of Shareholders every year.

Principle 4.11.3 Analysis, Evaluation and Disclosure of Board Effectiveness Chapter IV 8 of the Policy

The Board of Directors analyzes and evaluates its effectiveness every year and discloses the summary of the result on the Company's website:

https://www.jafco.co.jp/english/company/governance/

Principle 4.14.2 Training Policy for Directors Chapter IV 11 of the Policy

- The Company provides and arranges training for directors necessary to fulfill their responsibilities.
- A newly appointed director will be given training on director responsibilities and corporate governance requirements, and will be provided continuous training on legal revisions, etc.
- An independent director will receive an explanation about the Company's business when assuming office, and will be provided information on management issues etc., as necessary.

Principle 5.1 Policy for Constructive Dialogue with Shareholders Chapter II 1(7) of the Policy

The Company has set the policy for constructive dialogue with shareholders as shown below:

<Policy regarding a structure/ measures to promote constructive dialogue with shareholders>

- The Company holds constructive dialogue with shareholders and other investors through investor relations to enhance its corporate value over the medium to long term.

- The executive member in charge of administration manages investor relations, and the IR team of the administration division carries out investor relation activities based on close cooperation with relevant internal departments.
- The Company holds an information meeting for institutional investors every six months, in which the President gives an explanation of the financial results. The summary and presentation materials of the meeting are disclosed on the Company's website.
- In principle, the director/ executive member in charge of administration shall, to the extent reasonable, attend individual meetings with institutional investors.
- The Company arranges opportunities for the President, etc. to have dialogue with foreign investors during their regular overseas visits for IR purposes.
- The Company will hold meetings with its domestic and foreign institutional shareholders on an ongoing basis to help them deepen their understanding of its management policy and business strategy, and also to better grasp their views on exercising voting rights.
- The Company makes efforts to enhance information disclosure about the Company's management policy, investment activity and financial conditions, as well as investor relations materials, through its website. The Company will work to enhance the content of the convocation notice of the General Meeting of Shareholders to provide accurate information to shareholders. Such information will also be provided in English to the extent possible depending on importance.
- The opinions or suggestions obtained through dialogue with investors will be given as feedback to executive members as necessary, and be reported at the Board of Directors meeting to be utilized for the Company's future management.
- The Company appropriately controls the insider information in accordance with the internal rules to prevent external leaks.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	3,777,200	12.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,278,100	7.37
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1,409,688	4.56
Hikari Tsushin Kabushiki Kaisha	672,600	2.17
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	653,055	2.11
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	646,400	2.09
Japan Trustee Services Bank, Ltd. (Trust Account 5)	619,800	2.00
JP MORGAN CHASE BANK 385151 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	561,938	1.82
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	515,850	1.67
Japan Trustee Services Bank, Ltd. (Trust Account 9)	489,600	1.58

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

Although the following Large Shareholding Reports (or Revised Reports) were submitted before the end of March 2020, the changes are not reflected in the "Status of Major Shareholders" above because the Company is unable to confirm the actual number of shares owned as of the end of March 2020. Please note that the holding percentage enclosed in parentheses is the percentage of the total number of outstanding shares, including treasury stock.
1) Two joint holders, including Lazard Asset Management LLC, held 2,372 thousand shares (7.29%) as of March 13, 2020 (Revised Report dated March 18, 2020)
2) Marathon Asset Management LLP held 2,757 thousand shares (8.47%) as of November 29, 2019 (Revised Report dated December 4, 2019)

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Securities & Commodity Futures
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with board-audit committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	16
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	7
Election of Outside Directors	Elected
Number of Outside Directors	4
Of which, number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*

		a	b	c	d	e	f	g	h	i	j	k
Shigeru Tamura	From another company											
Koji Tanami	Attorney-at-law											
Kenichi Akiba	Certified public accountant								△			
Yoshie Kajihara	From another company									△		

* Categories for "Relationship with the Company"
* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past
* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company's outside directors are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Board-Audit Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Shigeru Tamura	○	○	Mr. Tamura doesn't fall under any category of "Relationship with the Company" in the section of "Outside Directors' Relationship with the Company (1)" above. MIC Medical Corporation ("MIC"), at which Mr. Tamura had been President and Chairman until May 2015, is one of the Company's former portfolio companies that have made IPO (investment: September 2006; IPO: November 2007). The Company invested in MIC through a JAFCO-operated fund, which had a mere 1.2% stake at the time of IPO, and	Mr. Tamura has involved in the management of listed and unlisted companies as CEO, CFO, etc., and has abundant experience and deep insight. He also has experience in financial and investment businesses as well as international operations. The Company expects him to leverage his achievements, insight and knowledge to continue to appropriately perform his duties as an independent director serving as Board-Audit Committee member from an independent perspective. In addition, he satisfies the criteria of the "Standards for Independence of Independent Directors" established by the Company, which is described in the section "Matters relating to Independent Directors" below. Based on the above, the Company concluded that he would not have a conflict of interest with other shareholders and designated him as an independent director.

			all the shares were sold by July 2012.	
Koji Tanami	○	○	-	Mr. Tanami has held various important positions at government agencies and international organizations. Currently, he works as an attorney-at-law with a high level of expertise. The Company expects him to leverage his deep insight in fiscal administration, finance, tax and international fields and law-related expertise to continue to appropriately perform his duties as an independent director serving as Board-Audit Committee member from an independent perspective. There has been no transaction between him or the law office that he has joined and the Company. In addition, he satisfies the criteria of the "Standards for Independence of Independent Directors" established by the Company, which is described in the section "Matters relating to Independent Directors" below. Based on the above, the Company concluded that he would not have a conflict of interest with other shareholders and designated him as an independent director.
Kenichi Akiba	○	○	In the fiscal year ended March 31, 2013, the Company paid ¥1.35 million to Mr. Akiba in remuneration for advice regarding consolidated accounting and the preparation of written opinions. In addition, the Company signed an advisory contract with him effective from April 2013 to February 2015 and received guidance on the background and opinions of accounting systems and accounting standards, for which the Company paid an annual fee of ¥1.5 million. Currently, there is no business relationship between him and the Company.	Mr. Akiba is a certified public accountant with extensive knowledge in international accounting systems and has contributed to the development of accounting standards in Japan. He is now committed to research activities and human resources development as a graduate school professor. The Company expects him to leverage his abundant experience and high level of expertise to continue to appropriately perform his duties as an independent director serving as Board-Audit Committee member from an independent perspective. In addition, he satisfies the criteria of the "Standards for Independence of Independent Directors" established by the Company, which is described in the section "Matters relating to Independent Directors" below. Based on the above, the Company concluded that he would not have a conflict of interest with other shareholders and designated him as an independent director.
Yoshie Kajihara	○	○	The Company invested in Interactive Solutions Corporation ("Interactive Solutions"), at which Ms. Kajihara had been a director until July 2018, through a JAFCO-operated fund in October 2014 and May 2016. One of the Company's employees is appointed as an	Ms. Kajihara has served as an executive, mainly in charge of accounting and management planning, at listed and unlisted companies and has abundant experience and deep insight in these fields. The Company expects her to leverage her achievements, insight and knowledge to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent perspective.

			independent director, but this is only for business development support purposes. The percentage of the amount invested in Interactive Solutions to the balance of unlisted investments (acquisition cost basis) by the Company (including funds) is less than 0.5% as of the end of March 2020. CCS Inc. ("CCS"), at which Ms. Kajihara had been an Executive Officer until October 2016, is one of the Company's former portfolio companies that have made IPO (initial investment in September 1998; IPO in June 2004). The Company and its funds invested in CCS; all shares had been sold by November 2013 when Ms. Kajihara became an Executive Officer.	Based on the above, the Company believes that she will appropriately perform her duties as an independent director serving as Board-Audit Committee member. In addition, she satisfies the criteria of the "Standards for Independence of Independent Directors" established by the Company, which is described in the section "Matters relating to Independent Directors" below. Based on the above, the Company concluded that she would not have a conflict of interest with other shareholders and designated her as an independent director.

[Board-Audit Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Board-Audit Committee	4	1	0	4	Outside Director

Appointment of Directors and/or Employees to Assist the Board-Audit Committee	Not Appointed

Reason for Adopting Current Structure

The Board-Audit Committee currently has no director or employee assisting its duties full time, but the Internal Audit Division and the Administrative Division assist the Committee at the Committee's direction and as necessary.
Directors or employees to assist the duties of the Board-Audit Committee will be assigned as necessary, and personnel affairs of assistant employees will be discussed between directors and the Board-Audit Committee. The Board-Audit Committee shall have the authority to give directions and orders to its assistant employees in executing their assistant duties.

Cooperation among Board-Audit Committee, Accounting Auditors and Internal Audit Division

The Board-Audit Committee shall have opportunities to exchange information with the Internal Audit Division every month and share the issues based on the division's audit reports. In addition, the Board-Audit Committee shall have opportunities to discuss and exchange information and opinions with the external auditor with the aim of reviewing its audit reports and audit plans and updating itself with outstanding audit issues related to legal amendments, etc.

The Board-Audit Committee conducts audits based on the internal audit results when available. Based on discussions with the Committee, the Internal Audit Division conducts internal audits at the request of the Committee and reports the result to the Committee.

[Voluntary Establishment of Nomination/Remuneration Committee]

Establishment of Voluntary Committee(s) Equivalent to Nomination Committee or Remuneration Committee	Established

Establishment of Voluntary Committee(s), Committee's Composition, and Attributes of Chairperson

	Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other Members	Chairperson
Voluntary committee equivalent to nomination committee	Nomination and Remuneration Committee	5	0	1	4	0	0	Outside Director
Voluntary committee equivalent to remuneration committee	Nomination and Remuneration Committee	5	0	1	4	0	0	Outside Director

Supplementary Explanation

The Nomination and Remuneration Committee has been established as a voluntary committee to perform functions of both of a nomination committee and a renumeration committee. The Nomination and Remuneration Committee is composed of five (5) members, including four (4) independent directors serving as Board-Audit Committee members and the President, and the independent director who heads the Board-Audit Committee concurrently serves as Chairperson of the Nomination and Remuneration Committee.
Directors, including CEO, and corporate officers are appointed by the Board of Directors after deliberations by the Nomination and Remuneration Committee. A Partner is nominated with consensus of all partners and appointed upon the approval of the Board of Directors after deliberations by the Nomination and Remuneration Committee.
The Board of Directors decides the remuneration of directors (excluding directors serving as Board-Audit Committee members), corporate officers and partners after deliberations by the Nomination and Remuneration Committee.

[Independent Directors]

Number of Independent Directors	4

Matters relating to Independent Directors

The Company believes that the independence of each independent directors is secured as they meet the criteria of the "Standards for Independence of Independent Directors" established by the Company (described below), and the requirement for independent directors defined by the Tokyo Stock Exchange. Outside directors meeting qualifications of an independent director are all designated as independent directors.

＜Standards for Independence of Independent Directors＞

In order to ensure the independence from 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 the Company Group").
(2) An independent director is not, and has not been in the past three (3) years, any of the following:
1) A person executing business (*1) of another company at which a person executing business of the Company serves, or has served in the past three (3) years, as a director or officer.
2) A major shareholder (a shareholder holding 10% or more of the voting rights directly or indirectly) of the Company or a person executing business of that shareholder.
3) A partner at the financial auditor of the Company or an employee engaged in auditing of the Company at the same.
4) A person executing business of a major lender of the Company (*2).
5) A person executing business of a major business partner of the Company Group (*3).
6) An expert in a field such as legal matters, accounting or taxation, a consultant or other such person receiving remuneration from the Company Group in excess of ¥10 million per year outside of remuneration for officers.
7) A partner or a person executing business of an organization such as a corporation or an association that provides services for legal matters, accounting, taxation or consulting, or other specialist services, where the organization is deemed as a major business partner.
8) A person executing business of an organization that receives a donation exceeding a certain amount (*4) from the Company Group.
(3) A person who is a spouse or a relative within the second degree of kinship of, or who shares living expenses with, an independent director is none of the following (excluding persons without importance):
1) A person who executes business of the Company Group or has done so in the past three (3) years.
2) A person to whom any of the above(2) 1) to 8) applies.

(Notes)
*1 A person executing business is an executive director, an executive (shikkoyaku), an administrative officer (riji), or other such equivalent manager (limited to persons executing business) or an important employee such as an executive officer.
*2 A major lender of the Company is a lender of an amount equivalent to at least 2% of consolidated total assets.
*3 A major business partner of the Company Group is a business partner whose transactions with the Company 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.

[Incentives]

Incentive Policies for Directors	Other

Supplementary Explanation	*Updated*

The remuneration of directors (excluding directors serving as Board-Audit Committee members) shall be decided by the Board of Directors within the amount as decided by resolution at general shareholder's meeting based on the "Policy for Determination of Remuneration of Directors, etc.", after deliberations by the Nomination and Remuneration Committee that take into account the responsibility of each director and the degree of individual contribution to the Company's business results and fund performance.
As for determining remuneration amounts, please see "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" under the "Director Remuneration" below for reference.

Recipients of Stock Options	-

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

From April 1, 2019 to March 31, 2020:
Directors (excluding directors serving as Board-Audit Committee members and independent directors) 180 million yen
Directors serving as Board-Audit Committee members (excluding independent directors) 7 million yen
Independent directors 68 million yen

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 explanation.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods *Updated*

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, corporate officers and partners (hereinafter "Directors, etc."). Based on the results of deliberations by the Committee, the Company determines the policy for deciding remuneration of Directors, etc. at the Board of Directors meeting.

<Basic Policy on Remuneration of Directors, etc.>
- The levels and structure of remuneration shall be sufficient to attract, retain, and motivate competent personnel for the realization of the Company's mission of "Commit to new business creation and jointly shape the future."
- Remuneration shall motivate our directors, etc. to commit to an increase in corporate value and the improvement of not only short-term financial results, but also medium- to long-term results.
- Given the Company's business nature of being an investment company managing funds investing in unlisted companies, the remuneration of Directors, etc. executing company business shall reflect fund management performance.
- With the aim of gaining stakeholders' trust, the remuneration plan shall be transparent, fair and rationalized, determined through an appropriate and transparent process.
- The plan shall also be designed to prevent fraud and over-emphasis on short-term performance.

<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 by the Board of Directors 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 a fixed-amount compensation paid monthly, partially determined by importance of roles and responsibilities of each position and years in service, and partially linked to the Company's business performance. The level of performance-linked basic compensation is determined once a year by the Board of Directors, in principle, on a scale of 1 to 5 by reflecting short-term results based on the comparison of the Company's profit levels (capital gains, net additions to investment loss reserves, ordinary income, etc.) and their 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 for each position is determined by the Board of Directors based on year-on-year comparison of ordinary income and core income (income from fund management fees after deducting SG&A expenses), unrealized gains, fund performance, which is a major management index over the medium- to long-term, and total fund commitments. Based on this percentage, the amount determined by the Board of Directors reflecting job responsibilities and the degree of contribution is paid to each director once a year. Extraordinary compensation may not be paid when the Company' performance deteriorates sharply.

Of the amount of directors' remuneration, the portion which is linked to the Company's business performance (part of basic compensation linked to business performance plus extraordinary compensation) typically accounts for about half of the total directors' remuneration.
Although directors' remuneration is currently based on a monetary basis, the Company plans to look into the stock-based remuneration plan, which is linked to medium- to long-term performance.

<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.

<Remuneration of Corporate Officers and Partners>
Remuneration of corporate officers and partners is determined by the Board of Directors based on deliberations by the Nomination and Remuneration Committee, as in the case of remuneration of directors (excluding Board-Audit Committee members).
Remuneration of corporate officers and partners consists of basic compensation and extraordinary compensation. The amount of extraordinary compensation shall be determined by taking into account the Company's business results and fund performance and reflecting their respective degree of contribution.

[Supporting System for Outside Directors]

Independent directors currently have no director or employee assisting its duties full time, but the Internal Audit Division and the Administrative Division assists the Committee at the direction of the independent directors and as necessary. The full-time member of the Board-Audit Committee shares information with independent directors serving as members of the Board-Audit Committee.
Materials for meetings of the Board of Directors and the Board-Audit Committee will be distributed in advance, and independent directors will receive an advance briefing on the agenda of the board meeting in principle.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

Structure for Business Execution and Supervision

[Organization]

The Company formed the Board of Directors and the Board-Audit Committee stipulated in the Companies Act as company organizations for important management decision-making and audit and supervision of business execution by directors.

[Board of Directors]

The Board of Directors is composed of seven (7) directors, including four (4) independent directors, and the President serves as the chairman of the Board. The Board of Directors supervises importance management decision-making and the execution of duties by directors. Independent directors supervise management from a neutral and objective standpoint.

In the fiscal year ended March 31, 2020, the Board of Directors met thirteen (13) times with full attendance of all directors.

[Board-Audit Committee]

The Board-Audit Committee is composed of four (4) independent directors, and the full-time independent director chairs the committee. The Board-Audit Committee audits the execution of duties by directors and prepares audit reports. Independent directors who satisfy the criteria of the "Standards for Independence of Independent Directors" established by the Company are selected to ensure their independence.

In the fiscal year ended March 31, 2020, the Board-Audit Committee met fourteen (14) times with full attendance of all Committee members.

[Swift and Effective Business Execution]

The Investment Committee composed of the President and six (6) partners has an authority to make investment decisions to allow quick decision-making. Directors serving as Board-Audit Committee members also participate in the Investment Committee on an as-needed basis.

[Auditing]

The internal audit shall be conducted based on the Rules on Internal Audit. The Internal Audit Division, an independent section, conducts an audit on entire operations by one (1) full-time staff. The Internal Audit Division reports internal audit results to the President and the Board-Audit Committee, and to the Board of Directors when necessary. The Internal Audit Division receives reports on remediation measures taken based on the internal audit findings from auditee sections.

The Board-Audit Committee shall conduct audits based on the Regulations on Audits of the Board-Audit Committee. Members of the Board-Audit Committee attend the Board of Directors meeting and other important internal meetings. The Committee shall assign a member responsible for obtaining reports and explanations on business executions from directors and employees, inspecting important documents for managerial decision-making and examining the state of operations and assets at the head office and branch offices. The Board-Audit Committee exchanges opinions with the representative directors and has discussions with the Internal Audit Division and the external auditor on a regular basis. The Board-Audit Committee shall audit and supervise the business execution of directors based on information gathered and opinions exchanged through the above measures.

The Board-Audit Committee holds monthly meetings with the Internal Audit Division to share issues arising from internal audit reports. The Committee also reviews audit reports and audit plans of the external auditor and updates itself with outstanding audit issues related to legal amendments, etc.

Current external auditor of the Company is Ernst & Young ShinNihon LLC. Toshihiro Morishige and Kenjiro Tsumura, both certified public accountants, were external audit engagement partners for the fiscal year ended March 31, 2020. They have been engaged in the Company's audit for less than seven (7) years. Six (6) other CPAs and nineteen (19) staff assisted in audit preparation for the fiscal year.

[Appointment and Remuneration of Directors and Corporate Officers]

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 in advance by the Nomination and Remuneration Committee composed of four (4) independent directors serving as the Board-Audit Committee members and the President. The Board of Directors discusses and makes decisions on the nomination and remuneration after deliberations by the Nomination and Remuneration Committee.

Please see the chart "Structure for Business Execution and Supervision" for reference.

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 a Board-Audit Committee member signed an agreement that limits liability for damages as stipulated in Article 423, paragraph 1 of the Companies Act. The maximum amount of liability of each director under such agreement is the amount prescribed by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with Board-Audit Committee.
The Company focuses on private equity investment, a highly-professional business aimed at providing risk money. In light of nature and scale of the Company's business and the number of employees, the Board of Directors of the Company, consisting of a small group of members, makes an effort to ensure swift and appropriate decision making.
Under the above circumstances, the Company has adopted the current framework because it believes that the most effective governance structure is one that utilizes the roles of independent directors and the Board-Audit Committee (at least a majority of which are independent directors) to strengthen business execution auditing/ supervising functions and the corporate governance system, and further enhance corporate value.
In principle, a majority of the Board of Directors consist of independent directors to enhance the effectiveness of corporate governance.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The notice of convocation for the Annual General Meeting of Shareholders on June 16, 2020 was dispatched on May 26, 2020.
Scheduling AGMs Avoiding the Peak Day	The Annual General Meeting of Shareholders was held on June 16, 2020.
Allowing Electronic Exercise of Voting Rights	The Company allows electronic exercise of voting rights. The Company informs shareholders of the exercise of voting rights by electronic means and the website for exercising voting rights in the notice of convocation of the Annual General Meeting of Shareholders.
Participation in Electronic Voting Platform and other efforts to facilitate the exercise of voting rights for institutional investors	The Company participates in the Electronic Voting Platform.
Providing Convocation Notice in English	The Company prepares English translation of the notice of convocation of the General Meeting of Shareholders and provides it on its website.
Other	The Company provided the notice of convocation of the Annual General Meeting of Shareholders (in Japanese and English) on its website on May 15, 2020 prior to the dispatch.

	(Japanese original) https://www.jafco.co.jp/ir/shareholder/meeting/ (English translation) https://www.jafco.co.jp/english/ir/shareholder/meeting/

2. IR Activities

	Supplementary Explanations	Presentation by CEO
Regular Investor Briefings for Analysts and Institutional Investors	Twice a year (after the end of 2nd quarter and fiscal year)	Yes
Regular Investor Briefings for Overseas Investors	Once a year (visiting investors in Europe and U.S. after the end of each fiscal year) Visits to overseas investors scheduled for May 2020 were cancelled due to the new coronavirus pandemic. Briefings through video conferences, etc. were held for some investors with whom meetings were scheduled.	Yes
Posting of IR Materials on Website	Financial results, presentation materials, disclosure materials, annual/quarterly securities reports, notices of convocation of the annual general meetings of shareholders, corporate governance reports, online IR information, etc.	
Establishment of Department and/or Manager in Charge of IR	IR team of the Administrative Division	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company presents its views on the relationship with its stakeholders, including shareholders, employees, fund investors, investee companies and society, in the "Corporate Governance Policy".
Development of Policies on Information Provision to Stakeholders	The Company shall make timely and appropriate disclosures of necessary information in compliance with laws and regulations. In addition, the Company shall actively provide information that is deemed essential or useful to understand the Company, except for personal information, customer information and information that may violate the rights of others. The Company shall also ensure fair disclosure of information. The above policies are set out in the "Corporate Governance Policy" of the Company.
Other	The Company's mission is "Commit to new business creation and jointly shape the future." Many start-up companies start their own business with the aim of providing a solution for a social issue. The Company identifies new technologies and services that are in high demand and capable of contributing to the society, and commercializes them into new businesses with entrepreneurs with the aim of realizing a better society. The Company believes that achieving this mission through its daily investment activities allows it to contribute to sustainable growth of the society. As "Co-Founder" of cutting-edge startups, the Company also aims to be an advanced role model in terms of organization and workstyle. It provides an office space designed to inspire broad-minded collaboration and creation of new values, a remote work environment that allows employees to work from anywhere in an office-like environment through cloud/ mobile IT systems, a full flex time system, etc., and has introduced a new

	personnel system to ensure fair assessment and distribution based on merit. The Company will continue with its reform efforts to help each member feel their own growth and a sense of satisfaction and fulfillment working at the Company.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control Systems and the Progress of System Development

The Company shall implement and operate the following internal control systems to ensure appropriate operations of the Company and its subsidiaries (collectively referred to as the "Company Group") and the systems necessary for operations of the Board-Audit Committee.

[Basic Views on the Internal Control Systems]

(1) Systems to ensure that execution of duties by directors of the Company Group, 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 the Company Group (including personnel with equivalent duties; referred as "the Directors" hereinafter) shall lead efforts to ensure thorough compliance with laws and regulations by the Company Group from the group-wide perspective, and a compliance officer designated by the President of the Company shall supervise overall initiatives for the Company Group's compliance with laws and regulations.
- The Company shall create a global compliance policy that is common to the Company Group, 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 the Company Group'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 the Company Group 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 the Company Group
- The Directors shall retain authority and responsibility to implement systems and measures for risk management. In addition, the officer in charge of administration shall push forward the cross-company initiatives for the risk management of the Company Group.
- 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 the Company Group 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 the 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 the Company Group 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 for each of tri-polar bases of the Company Group 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 the Company Group
- 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 the Directors and employees and systems to ensure that reporting persons do not receive unfair treatment because of such reporting
- The Directors and employees shall report the status of their execution of duties and operations upon request from the Board-Audit Committee.
- The 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.

[Overview of the Operation Status of the Systems for Ensuring Properness of Operations]

An overview of the operation status of the systems for ensuring proper operations in the fiscal year ended March 31, 2020 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 the meeting 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.

Please see the chart "Structure for Business Execution and Supervision" for reference.

2. Basic Views on Eliminating Anti-Social Forces

The Company rejects any relationship with anti-social forces which threaten the order and safety of our community. The Company declares the above intention in the Basic Views on Internal Control System and other internal rules, and has worked to eliminate anti-social forces on a company-wide basis by increasing awareness of management and employees through daily operations and compliance training.
With regard to the elimination of anti-social forces, the Company has designated a department to work closely with police, attorneys, and other professional bodies to prevent anti-social forces' involvement in investment and other business activities of the Company and any damage by the forces. As a member of an association to prevent organized crime affiliated with the Metropolitan Police Department, the Company keeps itself updated with the latest information about anti-social forces through regular meetings and publications of the association, and deepens alliances with other member companies.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

Internal structure for timely and fair disclosure is as follows.

1) Internal structure for timely and fair disclosure

To protect information assets necessary for business operations, the Company has set out basic policy and responsibilities regarding information management in the Rules on Information Management. The Company has also set out how to control insider/ material information in the Rules on Controlling Insider Trading.

The Company's structure for timely and fair disclosure is outlined below:

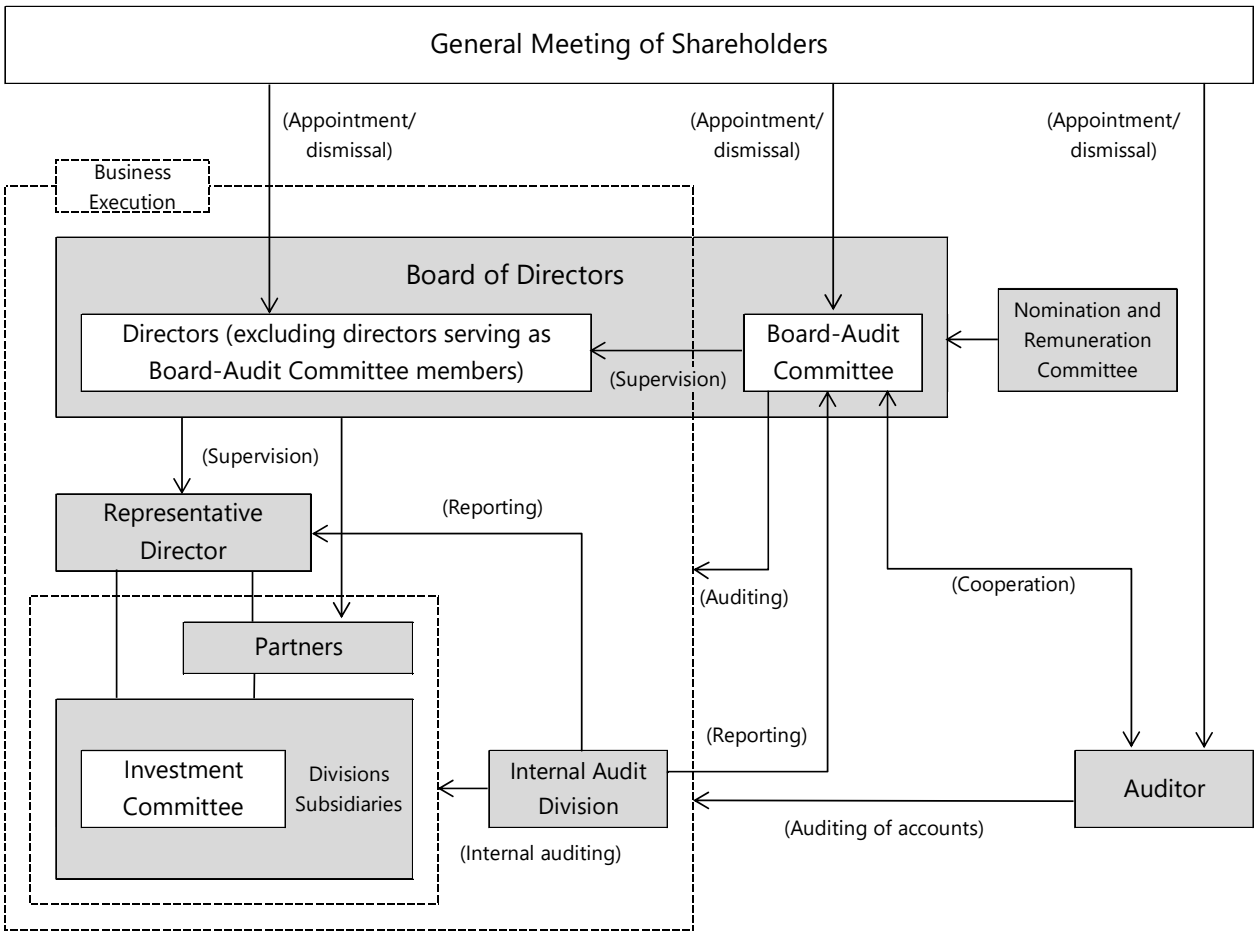
- The officer in charge of administration has responsibility for company-wide information control.
- The officer in charge of administration attends the Company's decision-making meetings held on a regular or temporary basis to familiarize with important decisions made in the meetings. Important occurrences shall be reviewed by the manager of the relevant division and promptly reported through the officer of the same division to the officer in charge of administration (compliance officer) and other relevant officers. Furthermore, if officers or employees of the Company provide material information in the course of their business to recipients defined by law, this shall also be reported to the compliance officer. Based on this structure, facts related to material decision-making/ occurrences and transfer of material information are centralized in the hands of the officer in charge of administration.
- In principle, the Company discloses material information to the public as soon as possible. Also, when the Company provides material information to a recipient defined by law, it shall, in principle, disclose the information simultaneously to the public pursuant to laws and regulations. The information shall be released to the public by the administration division after consultation with the manager in charge of the information, the compliance officer and the officer/ manager in charge of administration based on the approval of the representative directors or the Board of Directors.

2) Function to check the structure for timely disclosure

The Internal Audit Division conducts an audit of the information disclosure structure and supervises proper and timely disclosure of corporate information.

Please see the chart "Structure for Timely Disclosure" for reference.

【Reference： Structure for Business Execution and Supervision】



【Reference： Structure for Reporting and Timely, Fair Disclosure】

