Matters available on the website in relation to the Notice of Convocation of the 49th Annual General Meeting of Shareholders

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The above information is made available on the website of JAFCO Group Co., Ltd. (the "Company") at:

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

pursuant to relevant laws and Article 15 of the Company's Articles of Incorporation.

JAFCO Group Co., Ltd.

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

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 "Company Group") and the systems necessary for operations of the Board-Audit Committee:

1. **Systems to ensure that execution of duties by directors, etc. and employees of the Company Group 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 persons with duties equivalent to these; 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, director 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 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 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 at 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 Directors and employees of the Company Group 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 Appropriate Operations

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

1. **Compliance management**
   - The Company took necessary measures to address revisions to the Companies Act and other laws and regulations related to the Company's business and corporate governance, etc., 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.
   - When it is judged highly likely at Company's valuation meetings that the estimated recovery amount of capital invested in an unlisted portfolio company falls below 70% of the acquisition cost, we record the estimated amount of loss based on the estimated recovery amount as an investment loss reserve in accordance with the "Valuation Markdown Standard for Unlisted Operational Investment Securities" set by the Company.
   - The Company has worked 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.
   - For operation of SV6, established in 2019, the Company has strengthened 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 conduct smooth operations, 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.

Notes to Consolidated Financial Statements

1. Significant matters for the preparation of consolidated financial statements

(1) Scope of consolidation

1) Consolidated subsidiaries

・Number of consolidated subsidiaries: 12

・Names of major consolidated subsidiaries:

Names of 4 major consolidated subsidiaries are as described in "6. Significant subsidiaries" of "I. Current Status of JAFCO Group Co., Ltd. and its Subsidiaries" of Business Report.

(Note) The other 8 subsidiaries are the entities held for the purpose of establishing funds that the Company Group manages.

2) Non-consolidated subsidiaries

・Names of unconsolidated subsidiaries: JAFCO America Ventures Inc.
JAFCO Super V-3(J) Investment Limited Partnership
JAFCO SV4-J Investment Limited Partnership
SV6 Partners Limited Liability Partnership
and 2 other companies

・Rationale for exclusion from the scope of consolidation:

With regard to JAFCO America Ventures Inc., JAFCO Super V-3(J) Investment Limited Partnership, JAFCO SV4-J Investment Limited Partnership, SV6 Partners Limited Liability Partnership and 2 other companies, their sizes are small, and their total assets, net sales, net income or losses, retained earnings, etc. do not have a significant impact on the consolidated financial statements.

(2) Application of the equity method

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

2) Unconsolidated subsidiaries and associates not accounted for by the equity method
JAFCO Super V-3(J) Investment Limited Partnership, JAFCO SV4-J Investment Limited Partnership and SV6 Partners Limited Liability Partnership are excluded from the application of the equity method since their total amounts of assets, liabilities, income and expenses are stated in proportion to the JAFCO Group's interests and their impact on net income and retained earnings is therefore immaterial. Non-consolidated subsidiary JAFCO America Ventures Inc. and 2 other companies, Chushin Venture Capital Co., Ltd. and one other associate are also excluded from the application of the equity method as their impact on net income and retained earnings is immaterial.

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

・Names of the companies Pacific Rundum Co., Ltd.

・Rationale for not being treated as an associate

Stocks of the such entities were acquired with the Company's main business objective of investment, not with the objective of having a significant impact on such portfolio companies' operations, personnel, funds and other transactions.

(3) Fiscal year of consolidated subsidiaries

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

(4) Accounting policies

1) Basis and method of valuation for securities

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

・Available-for-sale securities with fair market value

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

・Available-for-sale securities without fair market value

Stated at cost determined by the moving-average method.

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

A. Property, plant and equipment

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

Useful lives of principal property, plant and equipment are as follows:

Buildings	8 to 18 years
Furniture and fixture	3 to 15 years

B. Intangible assets

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

3) Basis of reserves, allowances and provisions

A. Investment loss reserves

Investment loss reserves are provided for based on estimated losses on unlisted operational investment securities held as of the consolidated balance sheet date, assessing business performance of portfolio companies. The difference between the balances of investment loss reserves as of the end of the current fiscal year and that of previous fiscal year is presented as "(Reversal of) Additions to investment loss reserves" in the consolidated statements of income. For unlisted operational investment securities that have been written down, the amount equivalent to the write-down has been included in additions to investment loss reserves, and has not been directly deducted from acquisition cost.

B. Provision for bonuses

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

C. Allowance for extraordinary compensation for directors

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

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

A. Accounting for retirement benefits

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

B. Accounting treatment for investments in funds

With regard to the accounting treatment for investments in funds managed by the Company Group, total amounts

of assets, liabilities, income and expenses of the funds are stated in proportion to the Company Group's interests based on the financial statements as of the consolidated balance sheet date for the funds with the same balance sheet date, and based on the tentative financial statements as of the consolidated balance sheet date for the funds with a balance sheet date other than the consolidated balance sheet date.

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

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

D. Gross profit presentation

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

E. Accounting treatment of consumption taxes

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

5) Additional information

Due to the adoption of "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (Corporate Accounting Standards No. 24) revised as of March 31, 2020, the Company has added a note regarding the handling of investment loss reserves related to written-down unlisted operational investment securities in "(4) Accounting policies, 3) Basis of reserves, allowances and provisions, A. Investment loss reserves" in "1. Significant matters for the preparation of consolidated financial statements."

2. Notes to changes in methods of presentation

(Adoption of Accounting Standard for Disclosure of Accounting Estimates)
The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (Corporate Accounting Standard No. 31 issued on March 31, 2020) in the consolidated financial statements as of the end of the current fiscal year, and we added notes regarding accounting estimates in the consolidated financial statements.

3. Notes to accounting estimates

(1) Investment loss reserves

1) Amount recorded in consolidated financial statements for the current fiscal year

Investment loss reserves ¥10,917 million

2) Information that facilitates the understanding of accounting estimates

A. Calculation method
Investment loss reserves are made to provide for losses from unlisted operational investment securities held as of the consolidated fiscal year-end, and the estimated amounts of such losses, taking into account the actual situation of portfolio companies, are recorded, as described in "(4) Accounting policies, 3) Basis of reserves, allowances and provisions, A. Investment loss reserves" in "1. Significant matters for the preparation of consolidated financial statements." In light of deteriorating performance and financing situations reflecting the most recent available data collected from each portfolio company, and based on portfolio company's financial strength (including performance recovery) judged by the ability to continue operations over the next year or so, the estimated recovery amount of operational investment securities is calculated to be used for the calculation of the estimated amount of loss. As a result, if it is judged highly likely that the estimated recovery amount of capital invested in such operational investment securities falls below 70% of the acquisition cost at Company's valuation meetings, we record the estimated amount of loss based on the estimated recovery amount in accordance with the "Valuation Markdown Standard for Unlisted Operational Investment Securities" set by the Company.

B. Key assumptions
The estimated amount of losses is calculated by taking into account portfolio companies' actual situations (most recent financing, revenue, profit and other KPI achievement against business plans and estimates, viability of IPO, trade sale, etc., expected sales proceeds, cash flows, condition of the management team and customers, etc.).
We assume that the COVID-19 pandemic and the resultant slowdown in economic activities will continue over the next year or so and be contained after that.

C. Impact on consolidated financial statements for the following consolidated fiscal year
Key assumptions used for estimates are highly uncertain and may affect investment loss reserves recorded in the consolidated financial statements for the following consolidated fiscal year, because when a portfolio company's business results differ substantially from expected targets in business plans, or when the situation of the COVID-19 pandemic and its impact on the economic environment change, portfolio companies' business and fundraising activities as well as exits of their shares may be significantly affected.

(2) Recoverability of deferred tax assets

1) Amount recorded in consolidated financial statements for the current fiscal year

Deferred tax assets: ¥193 million

(The amount before offsetting deferred tax liabilities is ¥2,152 million.)

2) Information that facilitates the understanding of accounting estimates

A. Calculation method
Against deductible temporary difference, recoverability of deferred tax assets is judged based on taxable income stemming from future earning capacity and tax planning. As it is difficult to make accurate forecasts in further earnings when estimating future taxable income due to the Company's business characteristics, we calculate deferred tax assets based on the forecasts using past busines results, etc. incorporating market fluctuations over a certain period of time. However, as the Company's business is significantly affected by domestic and overseas stock markets and the IPO market due to its characteristics, when there are actual changes in the

market environment, etc., we judge recoverability of deferred tax assets by taking into account the possibility of a long-term slowdown in performance.

B. Key assumptions
Based on the assumption that the ROI over a certain period of time in the past is the expected ROI over the period when estimate is possible, we predict future earnings by putting a certain stress of future uncertainty.
We assume that the COVID-19 pandemic and the resultant slowdown in economic activities will continue over the next year or so and be contained after that.

C. Impact on consolidated financial statements for the following consolidated fiscal year
As stated above, there is a risk that the judgement of recoverability of deferred tax assets may be significantly affected by changes in taxable income estimates in line with big changes in earnings levels due to the impact of market environment, etc. As a result, the amount of deferred fix assets on the consolidated financial statements for the following consolidated fiscal year may be greatly affected.

4. Notes to Consolidated Balance Sheet

(1) Assets pledged as collateral

No assets were pledged as collateral and secured debts as of the current fiscal year-end.
However, the following assets were pledged as collateral for the debts of portfolio companies of the Company:

Operational investment securities	¥7,890 million

(2) Accumulated depreciation of property, plant and equipment ¥328 million

5. Notes to Consolidated Statement of Changes in Net Assets

(1) Class and total number of shares issued

Class	No. of shares as of April 1, 2020	Increase	Decrease	No. of shares as of March 31, 2021
Common stock	32,550 thousand shares	–	–	32,550 thousand shares

(2) Class and total number of treasury shares

Class	No. of shares as of April 1, 2020	Increase	Decrease	No. of shares as of March 31, 2021
Common stock	1,619 thousand shares	1,511 thousand shares	0 thousand shares	3,130 thousand shares

Notes: 1. The increase of 1,510 thousand treasury shares is due to the share buyback based on the resolution of the Board of Directors, and the increase of 0 thousand treasury shares due to the purchase of shares less than standard unit.
2. The decrease of 0 thousand treasury shares is due to the sale of less than standard unit.

(3) Dividends

1) Dividends paid
Dividends resolved by the Board of Directors on May 15, 2020
- Total amount of dividends ¥3,649 million
- Source of dividends Retained earnings
- Dividends per share ¥118
- Record date March 31, 2020
- Effective date May 27, 2020

2) Dividend payments for which the record date is in the current fiscal year and the effective date is in the following fiscal year
Dividends resolved by the Board of Directors on May 12, 2021
- Total amount of dividends ¥4,059 million
- Source of dividends Retained earnings
- Dividends per share ¥138
- Record date March 31, 2021
- Effective date May 26, 2021

6. Notes to tax effect accounting

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

(Deferred tax assets)	(Millions of yen)
Investment loss reserves	3,208
Accumulated foreign exchange adjustment expenses	58
Accrued enterprise tax	835
Loss on valuation of investment securities	1,502
Loss on valuation of membership	20
Net defined benefit liability	130
Loss carried forward	107
Others	1,721
Subtotal deferred tax assets	7,584
Valuation allowance	(5,432)
Total deferred tax assets	2,152
(Deferred tax liabilities)	(Millions of yen)
Valuation difference on available-for-sale securities	28,026
Others	80
Total deferred tax liabilities	28,107
Net deferred tax liabilities	25,955

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

	(Millions of yen)
Non-current assets – Deferred tax assets	193
Non-current liabilities – Deferred tax liabilities	26,148

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

The note is omitted because the difference between effective statutory tax rates and income tax burden after tax effect accounting is applied is less than 5% of effective statutory tax rates.

7. Notes to financial instruments

(1) Status of financial instruments

1) Policy for financial instruments

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

2) Nature and risks of financial instruments

As to the operational investment securities and investment securities held by the Company Group mainly with the objective of business development, listed stocks are exposed to fluctuation risk of market prices. Operational investment securities denominated in foreign currencies are exposed to fluctuation risk of exchange rates in addition to the above-mentioned risk.
Unlisted companies, which are main portfolio companies of the Company Group, are easily affected by the economic environment due to their unstable profit and financial bases and limited management resources compared with listed companies. Therefore, the following risks are involved with investments in unlisted companies:

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

Securities are mainly safe and highly liquid financial assets such as beneficiary certificates and negotiable certificates of deposit. Loans payable are mainly used for investment activities and

exposed to liquidity risk.

3) Risk management system relating to financial instruments

A. Management of risk of investments in unlisted stocks

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

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

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

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

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

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

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

・ Stock price risk

(Domestic listed operational investment securities and investment securities)

The main financial instruments held by the Company Group that are affected by stock price risk of domestic stock markets are operational investment securities and investment securities listed on the domestic stock markets. The balance of these positions amounts to ¥94,314 million in total in the consolidated balance sheet.

If all other risk variables were assumed to be fixed, a 10% decrease of stock prices as of March 31, 2021 would decrease the fair values of net amount of the respective financial assets and liabilities by ¥9,431 million. Conversely, a 10% increase of stock prices would increase the said fair values by ¥9,431 million.

(Overseas listed operational investment securities)

The main financial instruments held by the Company Group that are affected by stock price risk of overseas stock markets are operational investment securities listed on the foreign stock markets. The balance of the position amounts to ¥4,307 million in the consolidated balance sheet.

If all other risk variables were assumed to be fixed, a 10% decrease of stock prices as of March 31, 2021 would decrease the fair values of net amount of the respective financial assets and liabilities by ¥430 million. Conversely, a 10% increase of stock prices would increase the said fair values by ¥430 million.

・ Foreign exchange risk

The main financial instruments held by the Company Group that are affected by foreign exchange risk (mainly yen-U. S. dollar exchange rate) are listed operational investment securities denominated in foreign currencies. The balance of the position amounts to ¥5,321 million in the consolidated balance sheet.

If all other risk variables were assumed to be fixed, a 10% depreciation of Japanese yen against U.S. dollar as of March 31, 2021 would increase the fair values of net amount of the

respective financial assets and liabilities by ¥532 million. Conversely, a 10% appreciation of Japanese yen would decrease the said fair values by ¥532 million.

C. Management of liquidity risk associated with fundraising (risk of default on payment date)
Loans payable are exposed to liquidity risk. The Company Group manages liquidity risk by preparing and updating cash flow plans in a timely manner at each group company.

4) Supplemental remarks on fair value of financial instruments

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

(2) Fair values of financial instruments

Figures on the consolidated balance sheet, fair values, and the differences between these values as of March 31, 2021 (the balance sheet date of the current fiscal year) are as follows. Financial instruments whose fair values are deemed extremely difficult to determine are not included in the following table. (Please refer to Note 2.)

(Millions of yen)

	Figures on the consolidated B/S as of March 31, 2021	Fair value	Difference
(1) Cash and deposits	107,517	107,517	–
(2) Operational investment securities	16,444	16,444	–
(3) Investment securities	82,178	82,178	–
Total assets	206,140	206,140	–
(1) Long-term loans payable	115	115	0
Total liabilities	115	115	0

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

Assets

(1) Cash and deposits
Since these items are settled in a short period of time, the fair values approximate their book values. Accordingly, the book values are presented as their fair values.

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

(3) Investment securities
The fair values of shares are based on the prices traded at the stock exchanges.

Liabilities

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

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

(Millions of yen)

	Figures on the consolidated B/S as of March 31, 2021
Operational investment securities	
Unlisted stocks (*1)	61,060
Unlisted domestic and foreign bonds (*2)	1,271
Others (*3)	770
Investment securities	
Unlisted stocks (*1)	988
Others (*4)	412

(*1) Unlisted stocks are excluded from "(2) Operational investment securities" and "(3) Investment securities" described above because they do not have market prices and their fair values are deemed extremely difficult to determine.

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

(*3) "Others" under operational investment securities are mainly warrants and they are not included in "(2) Operational investment securities" because their fair values are deemed extremely difficult to determine as they do not have market prices and their future cash flows cannot be estimated.

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

3. Redemption schedule of monetary receivables after the consolidated balance sheet date

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	107,517	–	–	–
Total	107,517	–	–	–

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

(Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term loans payable	15	100	–	–	–	–
Total	15	100	–	–	–	–

8. Notes to per-share information

(1) Net assets per share ¥7,316.12

(2) Net income per share ¥1,249.43

9. Notes to significant subsequent events

(Share buyback)

The Company has passed the resolution regarding the following items relate to the share buyback based on the Articles of Incorporation complying with Article 459, Paragraph 1 of the Companies Act, at the meeting of the Board of Directors held on February 10, 2021, and implemented a share buyback as shown below.

(1) Reason for the share buyback

After giving careful consideration by taking into account the amount of funds necessary for future investment, cash and equivalents on hand, and mark-to-market valuation (after tax) of shareholdings of Nomura Research Institute, Inc. ("NRI"), etc., the Company determined to buy back shares for the purpose of shareholder returns by setting the amount of after-tax proceeds from the sale of NRI shares on January 28, 2021 as the maximum acquisition cost.

(2) Items related to the share buyback

1)	Type of stock:	JAFCO Group Co., Ltd. common stock
2)	No. of shares:	7 million shares (upper limit)
3)	Total amount:	¥35 billion yen (upper limit)
4)	Period:	From February 12, 2021 to February 11, 2022 (excluding the last five business days of each quarter and the five business days from the first day of the month following the month of quarterly financial result announcement)
5)	Buyback method:	Open market purchase through a trust bank

(3) Status of share buyback

1) Number of treasury shares acquired between February 12, 2021 and March 31, 2021 based on the above BOD resolution:
   No. of shares acquired: 1,510,700 shares
   Total acquisition cost: ¥10,153 million
2) Number of treasury shares acquired between April 1, 2021 and April 30, 2021 based on the above BOD resolution:
   No. of shares acquired: 957,000 shares
   Total acquisition amount: ¥6,968 million
3) The amount of treasury shares planned for acquisition on and after May 1, 2021 (upper limit): ¥17,878 million

(Cancellation of treasury shares)

The Company passed a resolution at the meeting of the Board of Directors held on April 21, 2021 to cancel the treasury shares in accordance with the provisions of Article 178 of the Companies Act, and cancelled the treasury shares as shown below:

(1) Type of shares to be cancelled: JAFCO Group Co., Ltd. common stock

(2) Number of shares to be cancelled: 2,250,000 shares
(6.9% of the total outstanding shares before cancellation)

(3) Date of cancellation: May 7, 2021

(4) Total number of outstanding shares after cancellation: 30,300,000 shares

10. Notes to revenue recognition

(1) Main obligations based on the contract with customers for the mainstay business
The Company and its consolidated subsidiaries have obligations to manage and operate their funds based on relative partnership agreement.

(2) Point in time when revenue associated with obligations in (1) above is recognized
(Fund management fees)
The Company recognizes fund management fees when the Company fulfills such obligations over a certain period.
(Success fees)
The Company recognizes revenue from success fees when it deems that the revenue amount is unlikely to drop significantly in the future as of the fiscal year end.

Notes to Non-Consolidated Financial Statements

1. Note to significant accounting policies

(1) Basis and method of valuation for securities

1) Investments in subsidiaries and associates

Stated at cost determined by the moving-average method.

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

・Available-for-sale securities with fair market value

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

・Available-for-sale securities without fair market value

Stated at cost determined by the moving-average method.

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

1) Property, plant and equipment

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

Buildings	8 to 18 years
Furniture and fixture	3 to 15 years

2) Intangible assets

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

(3) Basis of significant allowances and provisions

1) Investment loss reserves

Investment loss reserves are provided for based on estimated losses on unlisted operational investment securities held as of the balance sheet date, assessing business performance of portfolio companies. The difference between the balances of investment loss reserves as of the end of the current fiscal year and that of previous fiscal year is presented as "(Reversal of) Additions to investment loss reserves" in the non-consolidated statements of income. For unlisted operational investment securities that have been written down, the amount equivalent to the write-down has been included in additions to investment loss reserves, and has not been directly deducted from acquisition cost.

2) Provision for bonuses

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

3) Allowance for extraordinary compensation for directors

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

4) Provision for retirement benefits

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

(4) Recognition of revenue and expenses

1) Revenue from and cost of operational investment securities

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

2) Income from partnership management

Under income from partnership management, fund management fees and success fees are included. Fund management fees are recognized based on the amount of consideration of services and period defined in the respective agreement. Success fees are recognized when the amount is deemed unlikely to drop significantly.

(5) Other basis for the preparation of financial statements

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

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

2) Accounting treatment for investments in funds

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

3) Gross profit presentation

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

4) Accounting treatment of consumption taxes

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

amortized equally in accordance with the Corporation Tax Act.

(6) Additional information

Due to the adoption of "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (Corporate Accounting Standards No. 24) revised as of March 31, 2020, the Company has added a note regarding the handling of investment loss reserves related to written-down unlisted operational investment securities in "(3) Basis of significant allowances and provisions, 1) Investment loss reserves" in "1. Note to significant accounting policies."

2. Notes to changes in methods of presentation

(Adoption of Accounting Standard for Disclosure of Accounting Estimates)
The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (Corporate Accounting Standard No. 31 issued on March 31, 2020) in the financial statements as of the end of the current fiscal year, and we added notes regarding accounting estimates in the financial statements.

3. Notes to accounting estimates

(1) Investment loss reserves

1) Amount recorded in the financial statements for the current fiscal year

Investment loss reserves: ¥10,477 million

2) Information that facilitates the understanding of accounting estimates

The calculation method of 1) above is omitted because it is same as "3. Notes to accounting estimates (1) Investment loss reserves" in the "Notes to Consolidated Financial Statements" section.

(2) Recoverability of deferred tax assets

1) Amount recorded in the financial statements for the current fiscal year

Deferred tax assets: ¥- million
(The amount before offsetting deferred tax liabilities is ¥1,952 million.)

2) Information that facilitates the understanding of accounting estimates

The calculation method of 1) above is omitted because it is same as " 3. Notes to accounting estimates (2) Recoverability of deferred tax assets" in the "Notes to Consolidated Financial Statements" section.

4. Notes to Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

No assets were pledged as collateral and secured debts as of the current fiscal year-end.
However, the following assets were pledged as collateral for the debts of portfolio companies of the Company.

Operational investment securities: ¥7,887 million

(2) Accumulated depreciation of property, plant and equipment: ¥103 million

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

1) Short-term monetary receivables: ¥0 million
2) Short-term monetary payables: None

(4) Monetary receivables from and payables to directors

1) Monetary receivables: ¥45 million
2) Monetary payables: None

5. Notes to Non-Consolidated Statement of Income

(1) Amount of business with subsidiaries and associates

1) Operational income: ¥14 million
2) Operational expenses: ¥12 million
3) Amount of non-operational transactions: None

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

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

Class and total number of treasury shares

Class	No. of shares as of April 1, 2020	Increase	Decrease	No. of shares as of March 31, 2021
Common stock	1,619 thousand shares	1,511 thousand shares	0 thousand shares	3,130 thousand shares

Notes: 1. The increase of 1,510 thousand treasury shares is due to the share buyback based on the resolution of the Board of Directors, and the increase of 0 thousand treasury shares due to the purchase of shares less than standard unit.
2. The decrease of 0 thousand treasury shares is due to the sale of less than standard unit.

7. Notes to tax effect accounting

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

(Deferred tax assets)	(Millions of yen)
Investment loss reserves	3,208
Accumulated foreign exchange adjustment expenses	58
Accrued enterprise tax	835
Loss on valuation of investment securities	1,502
Loss on valuation of membership	20
Provision for retirement benefits	130
Others	1,519
Subtotal deferred tax assets	7,275
Valuation allowance	(5,322)
Total deferred tax assets	1,952
(Deferred tax liabilities)	(Millions of yen)
Valuation difference on available-for-sale securities	28,020
Total deferred tax liabilities	28,020
Net deferred tax liabilities	26,067

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

	(%)
Effective statutory tax rates	30.62
(Reconciliation)	
Permanently non-deductible expenses such as entertainment expenses	0.06
Income permanently excluded from taxable income such as dividend income	(0.39)
Per capita levy of corporate inhabitant tax	0.02
Anti-tax haven taxation	0.02
Increase (decrease) in valuation allowance	1.88
Others	(0.04)
Income tax burden after tax effect accounting is applied	32.16

8. Notes to related party transactions

Directors and major individual shareholders

Affiliation	Name	Location	Capitals	Major business	Voting rights ratio	Relationship with related party	Transaction details	Transaction amounts	Items	Balance as of March 31, 2021
Director	Keisuke Miyoshi	-	-	Director	Directly held 0%	Director of the Company	Loans	¥18 million	Long-term loans	¥45 million
							Interest income	¥0 million	Accrued income	¥0 million

Notes: 1. Consumption tax is not included in the transaction amounts and balance as of March 31, 2021 in above.
2. Terms of transactions, policies determining terms of transactions, etc.
Interest on loans is determined based on market interest rate.

9. Notes to per share information

(1) Net assets per share	¥7,176.97
(2) Net income per share	¥1,225.20

10. Notes to significant subsequent events

(Share buyback)
Same as "9. Notes to significant subsequent events (Share buyback)" in the "Notes to Consolidated Financial Statements" section.

(Cancellation of treasury shares)
Same as "9. Notes to significant subsequent events (Cancellation of treasury shares)" in the "Notes to Consolidated Financial Statements" section.

11. Notes to revenue recognition

Same as "10. Notes to revenue recognition" in the "Notes to Consolidated Financial Statements" section.