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Corporate Governance Report

Last Update: December 26, 2024
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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 revised as of June 11, 2021.

[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.
- With regard to cross-shareholdings as of the end of March 2024, 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 2024 after monitoring business transactions with the counterparties and the counterparties' financial status and business performance.
  (i) Compliance with the Company's policy on holding of the relative shares;

(ii) Possibility of contributing to the Company' 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.

Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources Chapter II 2(2) and (3) of the Policy

<Approach to and goals for ensuring diversity and current status>

- As the business environment surrounding the Company dramatically changes, it requires increasingly diverse perspective to invest in start-ups that are working to address diverse social needs and issues. To this end, the Company accepts and respects diverse perspectives and values of employees, irrespective of gender, nationality, age, etc.
- For each division, the Company will promote diversity-focused recruitment and appointment to management positions. In particular, we recognize that a small number of female investment staff in the Investment Division, which primarily consists of investment specialists, is an issue, and we will address this issue even more actively.

1. Appointment of women to managerial positions

(1) Approach to ensuring diversity

We have been actively recruiting women to general positions and appointing them to managerial positions. This policy will remain unchanged. We have been making appointment to managerial positions regardless of gender, etc. and recruited a number of manager-level female employees.

However, in the investment divisions, the majority of investment staff have been male employees over the years, and as a result, the appointment of female managers has been limited. Therefore, whether in the case of new graduate or mid-career recruitment, the Company will aggressively recruit women and promote them to managerial positions.

(2) Voluntary and measurable goals for ensuring diversity

- In order to increase the appointment of women to managerial positions, the Company plans to increase the ratio of female employees (number of female employees divided by total number of employees).

[Goal] The ratio of female employees: over one-third of the total workforce by the end of March 2025

- The Company aims to increase the ratio of female managers (number of female managers divided by total number of managers) through managerial personnel development and mid-career hires.

[Goal] The ratio of female managers: over 20% on a company-wide basis by the end of March 2025

(3) Current status of diversity

Fiscal year ended March 31, 2024 (as of March 31, 2024)

- Female employee ratio: 27.8%
- Ratio of female managers: 15.4%

2. Appointment of mid-career hires to managerial positions

(1) Approach to ensuring diversity

We have been actively promoting mid-career recruitment of those with advanced specialized skills and those who have built extensive careers and experiences at other companies. For the appointment to managerial positions after employment, opportunities are provided equally, regardless of mid-career or new graduate hires. In recent years, there have been a number of cases where the Company has hired mid-career manager-level candidates with diverse career history. With the aim of securing diverse human resources, the Company will continue with aggressive mid-career recruitment and appointment of mid-career hires to managerial positions.

(2) Voluntary and measurable goals for ensuring diversity

We aim to maintain the ratio of mid-career hires in managerial positions to the total number of managers (mid-career managers divided by total managers) to meet the goal below. Mid-career hires in managerial positions include employees who were recruited in mid-career and appointed as manager later on and those who were hired as manager.
[Goal] The ratio of mid-career hires in managerial positions to the total number of managers: one-third or more on a company-wide basis

(3) Current status of diversity
Fiscal year ended March 31, 2024 (as of March 31, 2024)
- Ratio of mid-career hires in managerial positions to the total number of managers: 50.0%

3. Appointment of foreign employees to managerial positions
(1) Approach to ensuring diversity
- With a focus on individual abilities, we have intermittently been hiring foreign employees. In line with the rapid change in the business environment and globalization, it has also become necessary for the Company to secure diverse human resources, including foreign employees. The Company will continue to promote recruitment of foreign workers and work on the appointment of foreign workers to managerial positions.
- At the Asian and U.S. subsidiaries, employees are recruited locally. Foreign employees are also appointed to management-level or higher positions and implement investment activities rooted in each region.

(2) Voluntary and measurable goals for ensuring diversity and the current status of diversity
[Goal] The Company aims to hire one or more foreign employees by the end of March 2024.
- With the exception of subsidiaries in Asia and the U.S., the Company currently has no foreign employees.
- At the Asian and U.S. subsidiaries, all staff are hired locally, and with the exception of one Japanese manager at the U.S. subsidiary, all managers are appointed from locally-hired foreign staff, in principle. The Company will continue to maintain this situation.

(3) Current status of diversity
Fiscal year ended March 31, 2024 (as of March 31, 2024)
- The Company hired one foreign employee for a managerial position, thereby achieving its goal.

<Human resource development policy including securing diversity and internal environment improvement policy>
Based on its Basic Policy for Enhancing Corporate Value announced in December 2022, the Company aims to enhance corporate value in a way that enhances stockholder benefits, promote its growth strategy, and improve capital efficiency through a reduction of net assets. In order to sustainably enhance corporate value, strengthening human resources is essential. Specifically, we need to "develop strong individuals" and "build an organizational foundation."
Due to the nature of its business, the growth of the Company is heavily dependent on investment professionals and other individuals. Therefore, how best to hire and develop talented individuals is a major business challenge. The Company hires and nurtures personnel in accordance with a staffing plan that is linked to its management and business strategies aimed at sustainably enhancing corporate value. In particular, in the Investment Division, in addition to new graduate recruitment that we have continued to date, securing investment professionals with diverse background through continuous hiring of talents with various experiences, skills and potential is a starting point for our human resources strategy. The Company will also capitalize on its unique model for training investment professionals to foster strong individuals who are capable of making quality investments.

The environment surrounding the Company and its portfolio companies is changing dramatically. Therefore, it is important to focus not only on investment professionals but also on the recruitment, retention, and development of professional talent in each area such as investment support, fund management, and corporate sectors. Recruiting, retaining, and developing such diverse and talented individuals with strong individuality requires effective systems for evaluation and treatment, including personnel systems. Moreover, building organizational strength and systems to support improved fund performance is essential. Creating systems for knowledge accumulation and sharing, as well as management efficiency within the organization, promotes individual growth and enhances organizational sustainability. Strengthening the organization's ability to respond is also believed to lead to the creation of high added value in the investment business. Furthermore, to maximize the power of diverse

individuals and ensure they can fully utilize their abilities continuously, creating a conducive working environment is important. Enhancing employees' motivation to achieve high performance and building systems and structures that accommodate changes in life stages and provide a healthy working environment, both in physical and mental aspects, are also priorities of the Company.
In order to nurture strong individuals and establish a robust organizational foundation, it is essential to cultivate and instill a culture expressed by the Company's Purpose, Mission, Values, and Identity. In order for a diverse group of people with different backgrounds to come together to demonstrate a high level of performance, it is essential to foster and instill a culture common to all employees.
Through these efforts, we will strive to continually enhance corporate value enhancement and realize our Purpose by building strong individuals and a solid organizational foundation.

(1) Staffing plan linked to management and business strategies
Based on the Basic Policy for Enhancing Corporate Value announced in December 2022, we are undertaking the necessary recruitment and development efforts under the plans of each division to realize our business strategy aimed at future growth.

(2) Recruitment of diverse investment professionals
In the Investment Division, we have continued to recruit new graduates to secure high-potential human resources. In addition to their aptitude for our business, whether they sympathize with our Identity and Purpose and have a strong commitment to them is important for recruiting. For this reason, we have taken a more careful approach to the hiring process, including multiple internships with a well-crafted program. At the same time, we are proactively hiring mid-career investment professionals. We believe that by having people with diverse backgrounds who can utilize their experience and skills to demonstrate their strong individual abilities, the entire organization will be able to adapt to changes in the environment and values and further improve its performance.
In addition, the Structured Investment Division (in charge of buyout investment), which has focused on hiring mid-career professionals who are capable of working full-speed from day one, has also adopted a policy of hiring and training young workers. It will promote recruitment of young people by capitalizing on the strengths and experience of the Company, which has a history as an organized venture capital firm that has focused on new graduate recruitment.
As indicators of our efforts to ensure such diversity, we aim to increase the ratio of female employees to more than one-third of the total workforce, to increase the ratio of female managers to the total number of managers (ratio of female managers) to more than 20% (both by the end of March 2025), and to increase the ratio of mid-career hires in management positions to more than one-third of all managerial positions.

(3) JAFCO's unique training of investment professionals
JAFCO has accumulated a wide range of experience over the years through its continuous hiring of new graduates, including its model for developing young workers into investment professionals as an example. Each young employee is assigned an instructor to support him or her until he or she becomes a full-fledged investment professional. After joining the Company as a new graduate, the employee undergoes basic training that combines practical programs. Thereafter, training is focused on on-the-job training, but off-the-job training on various topics is also provided at key points to increase proficiency. Instructors share the status of instructees in weekly meetings, and work to evolve the training system by identifying and resolving issues as needed and sharing training know-how. In addition, experienced investment professionals provide mentoring support to mid-career employees to promote their growth into stronger individuals and improve their performance. Furthermore, during the fiscal year ended March 2024, the Investment Division was given HRBP (human resource business partner) functions and has begun hirings based on the business strategy as well as efforts to enhance the system of training and evaluation.

(4) Recruitment, retention, and development of professional human resources in various fields
We hire and train professionals regardless of gender, age, or nationality in the Business Development Division, Fund Management Division, and Administration Division. In the area of portfolio company support, the support required differs depending on the growth stage of each portfolio company, and we have established a system in which specialists in each area, such as sales and marketing, human resource recruitment, and back-office development, provide support suited to the situation of each portfolio company.
The Fund Management Division is responsible for continuously raising and managing risk money while responding to changes in the business environment, and since it is the division that supports the

foundation of our Group's business, we hire and develop professional personnel who take over the relationships with stakeholders and inherit various other experiences that have been accumulated by existing members. In Administration Division as well, we are hiring highly specialized and experienced professionals to support constant evolution and high performance of the entire company.

(5) Evaluation, treatment, and succession
In January 2024, we revised our personnel system with the aim of securing and retaining personnel with diverse backgrounds and optimizing treatment for employees. We clarified the expected roles for each evaluation grade and designed the system to reward performance through measures such as increasing the upper limit of performance-based compensation. Also, to maintain and develop our organizational strength and culture, which is one of our strengths, we introduced new behavioral evaluation indicators aligned with the Company's Values.
We will also continue to focus on succession planning aimed at developing the next generation of management-level personnel.

(6) Establishment of organizational capabilities and structures to support improvement of fund performance
In order to maximize profits in an organization with a small number of elite members, it is essential to establish a robust organizational foundation. This includes formalizing and streamlining operational processes in each division that possess high specialization, promoting efficiency, and instituting mechanisms for knowledge transfer. Building effective coordination among divisions is also crucial. We are addressing operational process challenges within each division, initiating efforts to enhance productivity using IT, and promoting the accumulation and utilization of intellectual capital.

(7) Creating an environment where employees can be highly motivated and physically and mentally healthy
We are continuously implementing initiatives, including a complete flextime system, a free address system in an open office environment, promotion of remote work, and encouragement of side jobs, to enable diverse human resources to play an active role. The system environment has been improved and the paperless system has been in place preceding the Covid-19 pandemic, and by combining flextime and remote work, we are able to maintain business continuity and performance. We believe that creating a more comfortable work environment will enhance employee engagement and at the same time directly connect to the acquisition and development of excellent human resources and the formation of a group of strong individuals, which in turn will result in improved overall performance.
As it is important for each employee to be healthy both mentally and physically in order to demonstrate their abilities, we are also working on various healthcare measures. In cooperation with industrial physicians and public health nurses, we conduct individual interviews, disseminate healthcare-related information, and actively promote early health checkups and follow-up after the checkups with the goal of maintaining a 100% health checkup rate. In April 2023, we received the Silver Certificate of Excellent Health Company, and in March 2024, we were recognized in the 2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Small and Medium-Sized Enterprise Category). We are continue to promote various initiatives that contribute to health management.
In terms of human resource management, we have established the childcare and nursing care leave systems, among others, and to address the issue of male employees' participation in childcare, we encourage male employees to take childcare and paternity leaves, and some have taken a long-term leave for childcare as a result.

(8) Fostering and instilling a culture that sustains our strengths
Since its establishment in 1973, the Company has continued its business with a pioneering spirit, and based on our Purpose of "Fueling perpetual growth; investing in bold visions" announced in February 2023 and our Values which were updated in the fiscal year ended March 2024, we are continuing our efforts to foster a culture that will instill our enduring strengths. In addition to hiring new graduates, we have been actively recruiting mid-career professionals in recent years, and employees from diverse backgrounds have been harmonized, while demonstrating their individual strengths. By recognizing and sharing the strengths and culture of the Company again, we are working to create further synergy. Through various workshops and activities utilizing the Company's alumni network, we promote various initiatives so that each and every employee can achieve high performance by being exposed to and reaffirming the values and strengths that have been cultivated over our 50 years of history.

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

<Purpose/Mission and Strategy>

(1) JAFCO's Purpose

"Fueling perpetual growth; investing in bold visions"

Throughout its extensive history, the Company has consistently invested in new challenges of companies and entrepreneurs, based on its conviction that continued investment helps create a sustainable society. As issues surrounding the global environment and the global economy become increasingly complex, the Company will create a cycle of new growth and contribute to the realization of a sustainable society by making bold investments in challenges that create new value and committing ourselves to their growth.

(2) JAFCO's Mission

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

Since its establishment, the Company has supported entrepreneurs in creating various innovative products and services. The Company's mission is to usher in a new era with its stakeholders by committing to creating new businesses needed in society. As it aims to realize its Purpose, the Company remains dedicated to its longstanding Mission that has remained the same since its founding.

(3) Policy and Strategy for Achieving JAFCO's Purpose and Mission

The Company aims to achieve its Purpose and Mission by making venture and buyout investment through its funds.

To better clarify its commitment to entrepreneurs embarking on new businesses and fund investors, the Company will further increase competitiveness by enhancing its organizational strength accumulated since inception and introducing the partnership model whereby individuals also take management responsibility.

The essence of the Company's business strongly matches with the concept of ESG investment. The Company will incorporate ESG factors into the entire investment process from identifying high-potential companies aiming to solve social issues to investment exit, including supporting their growth through post-investment engagement. The company will boost competitiveness and corporate value by contributing to sustainability through business growth of its portfolio companies.

In realizing its Purpose and 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 and increase supply of risk money

To stably secure sufficient investment capital, it is vital to achieve sustainable improvement in fund performance and steadily raise funds from outside investors. The Company will promote the circulation and expansion of risk money by distributing returns gained through the growth of its portfolio companies to fund investors/shareholders and promoting fundraising for a new fund.

iii. JAFCO as "Co-Founder"

During the startup phase of a portfolio company, the Company is required to be a "Co-Founder" rather than a fund provider. 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.

*To realize the Company's purpose and mission

Since adopting the partnership model in 2018, the Company has been focusing on building a flat organization centered around Partners who are responsible for fund management as leading

investment professionals. Partners and employees have invested in funds alongside the Company since the SV6 Fund Series established in 2019, bearing the risk of fund performance while receiving carried interest based on fund performance and degree of individual contribution. The Company is also enhancing its long-accumulated organizational strength to further improve fund performance through deep involvement in the management of portfolio companies.

* About the Company's business portfolio
- The Company specializes in venture/ buyout investment through fund management. The main income sources are management fees and success fees derived from fund operations and capital gains on direct investment in funds.
- Investment teams in Japan, Asia, and the U.S. manage their own funds based on their respective investment strategies. Investment teams that are deeply rooted in each region carry out everything from identifying investment candidates, making and executing investment decisions, to providing post-investment support. The Company diversifies regional risks through tri-polar investment activity based in Japan, Asia and the U.S.
- While promoting global solidarity as a group, the Company will pursue uniqueness in each region in accordance with their respective investment styles.

Action to implement management mindful of capital costs and the stock price (updated September 30, 2024)

The Company specializes in venture and buyout investments through fund management. Due to the nature of its 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. With the aim of enhancing corporate value that leads to higher shareholder returns, the Company has established its Basic Policy for Enhancing Corporate Value, which calls for an increase of profits through the promotion of growth strategies and the improvement of capital efficiency through the reduction of net assets. By realizing the medium- and long-term goals set forth in the policy, the Company aims to achieve a ROE of 15-20%.

Please see "Section 2 Management Mindful of Capital Costs and the Stock Price" of the earnings presentation for the fiscal year ended March 2024 for a detailed explanation of actions to implement management mindful of capital costs and the stock price.
https://ssl4.eir-parts.net/doc/8595/ir_material_for_fiscal_ym5/154273/00.pdf
Please see the Company's website for its Basic Strategy for Enhancing Corporate Value.
Corporate Value Enhancement/Shareholder Returns and Dividends:
https://www.jafco.co.jp/english/ir/shareholder/dividend/
For the medium- to long-term growth strategy in line with the above basic strategy and the status of its implementation, please see the Integrated Report.
Integrated Report:
https://www.jafco.co.jp/english/ir/library/integrated-report/

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, partners, and presidents of major subsidiaries based on the "Policy for Determination of Remuneration of Directors, etc." (*) and after deliberations by the Nomination and Remuneration Committee composed of all independent directors 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, corporate officers, and presidents of major subsidiaries 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.
- In principle, a majority of the Board of Directors are independent directors, and the Board size shall be determined to allow high effectiveness in term of the Company's scale and business. The Company strives to ensure diversity in terms of gender, nationality, career history, and age.
- The skill matrix of the Board of Directors listing experience and specialty required for directors serving the Company's Board of Directors and each director's expertise, experience and specialty is provided in the notice of convocation of the annual general meeting of shareholders.

Notice of convocation of the annual general meeting of shareholders:
https://www.jafco.co.jp/english/ir/shareholder/meeting/

Please see "Experience and Specialty of the Company's Directors" for reference.

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 two (2) directors (excluding directors serving as Board-Audit Committee members) and four (4) directors serving as Board-Audit Committee members as of June 19, 2024 are explained in the respective Notice of Convocation of the Annual General Meeting of Shareholders at which each was elected (either the 51st Annual General Meeting of Shareholders held on June 20, 2023 or the 52nd Annual General Meeting of Shareholders held on June 18, 2024).
The above convocation notice is posted on the Company's website:
https://www.jafco.co.jp/english/ir/shareholder/meeting/

Supplementary Principle 3.1.3 Initiatives on Sustainability, Investment in Human Capital and Intellectual Property, etc. Chapter II 2 (2) to (3), Chapter IV 4 of the Policy
(1) Sustainability approach and initiatives
i. Approach to sustainability
The Company has a investment philosophy of continuing to invest at all times in spite of drastic changes in the global environment and social systems. Through the means of investment which has remained unchanged since our founding, we aim to realize our Purpose of "Fueling perpetual growth; investing in bold visions" as well as a sustainable society. In June 2023, we established our basic policy on sustainability in order to share our approach to sustainability and the issues and policies related to the ESG elements of environment, society and governance with our stakeholders, and to achieve a sustainable environment and society.

The Company's sustainability initiatives are divided into two main areas: a) enhancement of ESG initiatives as a corporate entity, and b) contributing to sustainability through our business. Through our business of investing in unlisted companies, we actively engage in enhancing the sustainability of our portfolio companies and ensuring that their operations contribute to the sustainability of society.

ii. Governance

The Company recognizes addressing sustainability issues, including ESG challenges, as one of the most critical management issues. We tackle sustainability on a company-wide basis, with the Administration Division overseeing the progress and reporting to the Board of Directors at least once a year. The Board of Directors supervises the initiatives by reviewing and discussing the progress of specific action policies, promotion measures, etc.

Regarding contribution to sustainability through business activities, the Investment Committee and other relevant bodies review the status and consider improvement measures. The Investment Committee, established by delegation from the Board of Directors, evaluates the ESG risks of potential portfolio companies and the growth prospects of their businesses, including sustainability-related risks and opportunities, to decide on investments. The Company has established a system to promptly report to the Investment Committee members if issues significantly impacting the sustainability of portfolio companies arise. Additionally, the Company regularly conducts activities to identify ESG risks in portfolio companies and promotes appropriate initiatives (sustainability checks). It also assesses the risks across its portfolio and examines issues on a quarterly basis.

iii. Strategy

The Company's initiatives on sustainability can be divided into two main areas, as described in "i. Approach to sustainability." We will strive to contribute to a sustainable society by proactively addressing the impacts caused not only by the Company but also by our portfolio companies through our investment business.

a. Enhancement of ESG initiatives as a corporate entity

The Company has recognized and will address the following issues regarding environment, social, and governance, in particular, among various sustainability issues.

- E (Environment):

  The Company recognizes environment as an important social issue and promotes the reduction of its own environmental impact. We are working to reduce energy consumption and greenhouse gas emissions through efficient office operations, active use of remote work and so on. We have eliminated the distribution and storage of paper materials for internal meetings to thoroughly implement a paperless work environment, while introducing a cloud platform, and adopted a free-address system at the time of relocation of our head office in February 2018. Furthermore, in May 2023, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (the "TCFD Recommendations"). Please see "v. Response to climate change (information disclosure based on TCFD Recommendations)."

  We will collect and analyze necessary data to assess and manage risks and enhance information disclosure in line with the TCFD Recommendations.

- S (Social):

  The fundamentals of our business are to identify and invest in promising companies capable of solving social issues, and to support their growth and exit through post-investment communication. In addition, by utilizing our abundant resources and extensive network with many companies cultivated over many years, we implement various initiatives, including matching entrepreneurs with large companies, holding study sessions with companies on new business development, and providing management personnel support services for startups. We aim to contribute to the development of the startup ecosystem through our investment business and realize a sustainable society through social and economic circulation. To this end, we are pursuing a human resource strategy that emphasizes human resource development and organizational foundation to support our investment business. For example, to develop strong individuals, we utilize our proprietary expertise in training investment professionals to build a recruiting and training system centered on partners and enhance our instructor and mentor systems. In addition, for the development of our organizational foundation, we are strengthening mid-career recruitment, continually reviewing our personnel system, strengthening management development, and implementing a project to penetrate our corporate culture centered on our Purpose, Mission, and Values. Also, we have prepared a comfortable environment for keeping a work and life balance by promoting flexible

workstyles through a flextime system and remote work as well as childcare and nursing care support systems. In addition, with consideration for the mental and physical health of our employees, we are striving to create a further rewarding workplace by implementing various measures and encouraging communication among employees.

- G (Governance):

As a company operating a high-risk business of venture and buyout investment, it is extremely important for us to enhance management governance and ensure fair and prompt decision making. To date, we have strengthened governance in stages each year on themes such as management independence, sharing value with shareholders, improving capital efficiency, and promoting growth strategies. Specifically, since June 2015 when we became a company with board-audit committee, we have promoted initiatives such as increasing the ratio of independent directors on the Board of Directors, appointing female directors, and establishing a Nomination and Remuneration Committee. In the fiscal year ended March 31, 2021, from the perspective of capital efficiency, the Company decided on a policy to clearly specify funds needed to continue investment activities and consider shareholder returns for any portion exceeding such amount, and implemented a share buyback. Furthermore, since announcing the Basic Policy for Enhancing Corporate Value in December 2022, we have been strengthening our organizational foundation to realize this policy, while implementing measures to contribute to sustainability through our business.

b. Contributing to sustainability through our business

Our contributions to sustainability through our business encompass two types: investing in businesses that contribute to sustainability and identifying and addressing ESG risks in our portfolio companies. The essence of our business aligns closely with the principles of ESG investment. By discovering promising companies that solve social issues, supporting their growth through post-investment engagement, and incorporating ESG perspectives throughout the investment process up to exit, we aim to contribute to sustainability through the growth of our portfolio companies and thereby enhance our competitiveness and corporate value.

In evaluating business potential, which is the first step of investment activities, risks and social needs from the perspective of ESG and SDGs are important factors. Based on the evaluation of these factors, we discuss the challenges to achieving sustainable growth with the management of potential portfolio companies prior to deciding on executing investments. After investment, we monitor each company's initiatives through sustainability checks every six months, while in portfolio meetings we consider responses to companies that exhibit sustainability challenges.

By gaining understanding on sustainability issues through these efforts, we support the growth of our portfolio companies. Prioritizing the establishment of the portfolio companies' business, it's important that we simultaneously advance the development of their management systems. Additionally, we support the establishment of sales, development, and management structures, including the acquisition of personnel, in line with the company's growth stage. Through these initiatives, we aim to foster companies that will create significant social impact in the future, contributing to realizing sustainability.

- Investment in businesses that contribute to sustainability

We believe that all of our portfolio companies contribute to sustainability through their businesses. In identifying promising companies to invest in, we consider whether these companies' businesses have social significance or whether their businesses can contribute to solving social issues, and we believe that realizing such social significance contributes to a sustainable society.

We aim to realize a sustainable society through our portfolio companies through continuous investment in businesses that discover unseen value in society and achieve social significance. While we have maintained a policy of not limiting our investments to specific industries or sectors, we view companies that directly contribute to a decarbonized society and the solving of social issues as comprising an important investment area from an ESG perspective.

- Activities to identify ESG risks and promote appropriate measures

The companies which we target for investment inherently face various risks related to environmental, social, and governance (ESG) issues. This is especially true for seed and early-stage startups, which often have limited management resources, making it difficult for them to address ESG risks on their own. Therefore, we undertake activities to identify ESG risks and strengthen ESG initiatives both before and after investing in these companies.

Before investing, we focus on due diligence to determine whether the ESG risks associated with the entrepreneurs, companies, and business elements are manageable. We form specialized teams for

investment research and ensure thorough discussions within the Investment Committee to avoid investing in companies with high ESG risks.
After investing, we monitor the activities of the companies and support them in addressing ESG risks. We conduct sustainability checks on all portfolio companies every six months to proactively identify any ESG-related risks. For companies where potential risks are identified, we provide individual guidance and various forms of support to minimize ESG risks.

iv. Risk management
We work to appropriately identify and manage sustainability-related risks and opportunities in our business in order to realize our Purpose. Specifically, the Investment Committee, which has been established under the Board of Directors, deliberates on whether or not to invest in candidate companies based on their ESG risks and their growth potential, including sustainability risks and opportunities. The Investment Committee which is primarily composed of partners, including the President, meets weekly in principle. We also have a system in place to promptly report to the members of the Investment Committee any matters that may have a significant impact on the sustainability of our portfolio companies. In addition, we conduct a regular sustainability check on the portfolio companies, and we also examine and discuss the risk issues of the entire portfolio once in every quarter.

v. Response to climate change (information disclosure based on TCFD Recommendations)
(i) Governance
Please see "ii. Governance."
(ii) Strategy
Following the TCFD framework for information disclosure, we identified climate-related risks and opportunities using two scenarios in which the global average temperature increases by 4°C and by 1.5°C compared to pre-industrial levels. The most significant impacts on our business have been summarized. Please follow our website link below for details.
https://www.jafco.co.jp/english/company/esg/
Moving forward, we will continue to explore measures to achieve a decarbonized society.
(iii) Risk management
Please see "iv. Risk management."
(iv) Indicators and targets
Since the fiscal year ended March 2018, we have been calculating Scope 1 and Scope 2 greenhouse gas emissions. Please follow our website link below for details.
https://www.jafco.co.jp/english/company/esg/
Also, we are currently deliberating the setting of greenhouse gas emission reduction targets (Scope 1, 2) and the calculation of greenhouse gas emissions of our supply chains (Scope 3).

We will continue to consider and discuss indicators and targets of our sustainability initiatives, including the importance of disclosure and their impact on our business.

(2) Investment in Human Capital and Intellectual Property, etc.
- The Company has introduced the partnership model with the aim of becoming a professional group where each employee thinks and acts proactively in an open and flat organization, consisting of investment divisions centered around Partners and other divisions. Prioritizing the recruitment and development of next-generation human resources who will succeed its mission as the most important theme, the Company will further promote investment in human capital.
- The Company had consistently placed importance on new graduate hiring and developing personnel through on-the-job training. In line with changes in the business environment and values in recent years, there is an increasing need to recruit personnel with diverse career backgrounds widely from external sources. Therefore, in addition to the annual recruitment of new graduates, the Company will actively implement mid-career recruitment to diversify human resources.
-The Company provides employees with opportunities and support to broaden experience and acquire expertise to allow them to enhance their professional skills. Employees are also encouraged to have side businesses.
- The Company will continue to take initiatives to increase individual employee engagement. As part of such efforts, it has introduced a scheme to allow employees to invest in JAFCO-operated funds.

- The Company has introduced a complete flextime system, allowing each employee to choose working hours and locations in accordance with their respective lifestyles. Flexible work styles create an environment that facilitates balance between work and childcare/ elderly care, carve out time for self-improvement and refreshment, and eventually allow the Company to leverage the diversity of employees. It will continue to invest in IT infrastructure to improve remote working environment.
- In addition to extensive experience and expertise built up through investment activity and fund operation since inception, the Company has accumulated abundant resources related to investment activity and post-investment support, and built a network of business firms including fund investors. It has compiled a proprietary portfolio-related database based on accumulated investment information and know-how to support investment activity, while also utilizing it to raise corporate value of portfolio companies. The current system was introduced after a major renewal in 2017. The Company will continue to invest in system development in a continuous and planned manner.
- Since October 2020, the Company's brand slogan has been "Your closest partner" and "& JAFCO" as the concept word. Amid big changes in the environment surrounding the start-up industry, the Company will further strengthen branding that appeals to entrepreneurs.
- While fair value valuation of unlisted securities has been implemented for the accounting of Asian and U.S. funds, it had not been reflected in the account settlement of the Company and its domestic funds. As a result, the disclosure of unrealized gains on unlisted domestic securities had been an issue, but in the second quarter of the fiscal year ending March 2022, the Company started disclosing reference figures based on international valuation standards. Additionally, financial statements reflecting fair value valuation of unlisted securities on limited liability accounting standards have been prepared for the SV7 Fund Series established in 2022 starting with the year ended December 2023. Using a globally used, dedicated platform which the Company uses in Japan, the U.S. and Asia, fair value valuation will be implemented based on an international guideline for fair market valuation.

Supplementary 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, partners, etc. 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 (including any equivalent person), 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.

Supplementary Principle 4.10.1 Independent Nomination and Compensation Committee Chapter IV 7 of the Policy
The mandates and roles, as well as the policy regarding the independence of the composition of the Company's Nomination and Compensation Committee are stated in "II. Status of management organizations and other corporate governance systems related to management decision-making, execution and supervision 1. Matters related to organization composition, organizational management, etc."

Supplementary 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.

Supplementary 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/

Supplementary 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 also makes efforts to provide opportunities for dialogue between independent directors and 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.

<Status of dialogue with shareholders>
In the fiscal year ended March 31, 2024, to further strengthen our dialogue with shareholders and investors, we enhanced our end-of-term financial results presentation for the fiscal year ending March 2024. In the financial results presentation materials, regarding management mindful of capital costs and the stock price, we included an overview of our current understanding and policies on figures for shareholder capital costs. We provided specific initiatives, financial goals, various indicators, and progress status to clearly outline the path towards achieving our objectives. Additionally, we newly created presentation materials for new investors and disclosed them during the same period. We are continuing

to issue annual integrated reports, and we actively engage in dialogue with shareholders and investors using these various communication tools.

- In response to requests from securities analysts and investors, we held a total of 71 individual meetings during the fiscal year.
- Of the above, the president and independent directors of the Company held eight (8) meetings.
- In October 2023, we published the Integrated Report 2023.
- We had seven (7) meetings with institutional investors for getting the feedback on the Integrated Report.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,200,300	15.05
Custody Bank of Japan, Ltd. (Trust Account)	3,521,300	6.46
Yoshiteru Akita	2,002,600	3.68
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1,158,600	2.13
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1,006,000	1.85
J.P.MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT (Standing proxy: Citibank, N.A., Tokyo Branch)	903,864	1.66
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	856,509	1.57
Goldman Sachs Japan Co., Ltd. BNYM (Standing proxy: MUFG Bank, Ltd.)	835,900	1.53
Hikari Tsushin Kabushiki Kaisha	749,000	1.37
CLEARSTREAM BANKING S.A. (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	741,699	1.36

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

Supplementary Explanation

The information in the "Status of Major Shareholders" above is as of March 31, 2024.
Although the following Large Shareholding Reports (or Revised Reports) have been submitted, 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 2024. Please note that the holding percentage enclosed in parentheses is the percentage of the total number of outstanding shares, including treasury shares.

1) Mizuho Securities Co., Ltd. and Asset Management One Co., Ltd., as joint holders, held 2,985 thousand shares (5.33%) as of September 15, 2023 (Large Shareholding Report dated September 25, 2023)

2) Mitsui Sumitomo Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., as joint holders, held 2,838 thousand shares (5.06%) as of January 15, 2024 (Revised Report dated January 19, 2024)
3) Five joint holders, including BlackRock Japan Co., Ltd., held 2,488 thousand shares (4.44%) as of March 15, 2024 (Revised Report dated March 22, 2024)

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
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

-

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

-

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	6
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	a	b	c	d	e	f	g	h	i	j	k
Shigeru Tamura	From another company											
Kenichi Akiba	Certified public accountant								△			

Yoshie Kajihara	From another company									△		
Kanako Muraoka	Attorney-at-law											

* 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 "Outside Directors' Relationship with the Company (1)" above. MIC Medical Corporation ("MIC", currently Mediscience Planning Inc.), 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 all the shares were sold by July 2012.	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. He has leveraged his 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 as the full-time Board-Audit Committee member. Also, he chairs the Nomination and Remuneration Committee and actively contributes opinions at the committee meetings. Based on the above, the Company believes that he will appropriately perform his duties as an independent director serving as Board-Audit Committee member. Once reelected, the Company expects him to continue to perform the above role. Furthermore, 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. Due to the

				above, the Company has 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. There has been no business relationship between him and the Company since March 2015.	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 also committed to research activities and human resources development as a graduate school professor. He has leveraged high level of expertise in financial accounting, etc. to contribute to the Company's important management decision-making while supervising the execution of its operations from an independent perspective. He also serves as a member of the Nomination and Remuneration Committee and actively contributes opinions at the committee meetings. Based on the above, the Company believes that he will continue to appropriately perform his duties as an independent director serving as Board-Audit Committee member. Once reelected, the Company expects him to continue to perform the above role. Furthermore, 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. Due to the above, the Company has 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, but it subsequently sold all shares of Interactive Solutions by March 2024. One of the Company's employees was appointed as an independent director of Interactive Solutions for the purpose of increasing its value as a portfolio company, but as of March 31, 2024, he has resigned from his position as an outside director. CCS Inc. ("CCS"), at which Ms. Kajihara had been an Executive	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. She has leveraged 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. She also serves as a member of the Nomination and Remuneration Committee and actively contributes opinions at the committee meetings. Based on the above, the Company believes that she will appropriately perform her duties as an independent director serving as Board-Audit Committee member. Once reelected, the Company expects her to continue to perform the above role. Furthermore, she satisfies the criteria of the "Standards for Independence of Independent

			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.	Directors" established by the Company, which is described in the section "Matters relating to Independent Directors" below. Due to the above, the Company has concluded that she would not have a conflict of interest with other shareholders and designated her as an independent director.
Kanako Muraoka	○	○	Ms. Muraoka doesn't fall under any category of "Relationship with the Company" in the section "Outside Directors' Relationship with the Company (1)" above. While the Company had a consultancy agreement until March 2023 with Mori Hamada & Matsumoto, with which Ms. Muraoka was associated from October 1999 to June 2019, she was never the designated lawyer for this consultancy agreement, nor did she directly provide legal services, including individual cases, to the Company. Also, the amount that the Company (including funds it operates) paid to Mari Hamada & Matsumoto averaged approx. ¥4.9 million annually over the past three fiscal years, starting with the fiscal year ended March 2022, indicating a minimal financial engagement.	As a lawyer, Ms. Muraoka possesses specialized knowledge and experience in the fields of M&A, acquisition finance, and corporate legal affairs. The Company expects that she will utilize her wealth of experience and deep insights to contribute to discussions at the Board of Directors, participate in significant decision-making processes regarding the management of the Company, and fulfill the role of overseeing our business operations from an independent standpoint. The Company also expects that she will serve as a member of the Nomination and Remuneration Committee and be involved in the decision-making process regarding the nomination and remuneration of executives. As such, the Company believes that she will appropriately perform her duties as an independent director serving as Board-Audit Committee member. Furthermore, 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. Due to the above, the Company has 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 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 remuneration committee.
The Nomination and Remuneration Committee is composed of all independent directors and the President, with a majority consisting of independent directors. The chairperson is selected from the committee members who are independent directors to ensure independence, objectivity and fairness. Currently, the Nomination and Remuneration Committee consists of four independent directors and the President.
The Nomination and Remuneration Committee carries out deliberations of important items related to the nomination (including succession planning) and remuneration of directors, corporate officers, partners, and presidents of major subsidiaries prior to its presentation to the Board of Directors, based on the nomination policy in the Policy and the policy on remuneration of directors, etc. The Board of Directors discusses and decides the relevant nomination and remuneration based on the deliberation at the Nomination and Remuneration Committee.

In the fiscal year ended March 31, 2024, the Nomination and Remuneration Committee met five (5) times with full attendance of all Committee members. The main deliberations items were CEO evaluation (deliberation of evaluation criteria and implementation of evaluation based on such criteria) and the nomination of directors, corporate officers, partners and representative of major subsidiaries and basic and extraordinary compensation and stock compensation for them.

[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]

Implementation Status of Measures related to Incentives for Directors	Introduction of performance-linked remuneration plan, Other

Supplementary Explanation

- The remuneration of directors (excluding directors serving as Board-Audit Committee members) shall be decided by the Board of Directors after deliberations by the Nomination and Remuneration Committee based on the "Policy for Determination of Remuneration of Directors, etc." The decision takes into account the Company's business results, fund performance and the degree of individual contribution.
- Monetary compensation for directors (excluding directors serving as Board-Audit Committee members) shall consist 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.
- In addition, from the perspective of improving the Company's corporate value in the medium to long term, stock-based remuneration shall be paid to directors (excluding Board-Audit Committee members and independent directors).
- 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 nor stock-based remuneration. The remuneration system, which is not easily affected by the Company's performance, ensures their independence to the Company's management.

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

-

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Individual disclosure for certain directors

Supplementary Explanation

From April 1, 2023 to March 31, 2024:
Directors (excluding directors serving as Board-Audit Committee members and independent directors) 211 million yen
Breakdown by compensation type:

Basic compensation (fixed)	69 million yen
Basic compensation (performance-linked)	14 million yen
Extraordinary compensation (performance-linked)	55 million yen
Restricted stock compensation	72 million yen

Independent directors 78 million yen
Breakdown by compensation type:

Basic compensation (fixed)	78 million yen

Notes: 1. Part of basic compensation is paid to directors (excluding directors serving as Board-Audit Committee members and independent directors) as performance-linked remuneration. The details of the performance indices selected as a basis for calculating the said amount and the method of calculating the amount are as given in "Disclosure of Policy on Determining

Remuneration Amounts and Calculation Methods" below. The reason for selecting the said performance indices is to reflect the Company's short-term performance.
Of the above performance-linked basic compensation, ¥4 million paid between April and June 2023 was determined based on the performance indicators for the fiscal year ended March 31, 2022, and ¥9 million paid in and after July 2023 was determined based on the performance indicators for the fiscal year ended March 31, 2023 at the Board of Directors meetings after the deliberations by the Nomination and Remuneration Committee. Actual results of key performance indicators for the year ended March 31, 2022 were capital gains of ¥12,638 million, reversal of investment loss reserves of ¥1,985 million, and ordinary income of ¥18,360 million, and those for the year ended March 31, 2023 were capital gains of ¥3,684 million, additions to investment loss reserves of ¥5,484 million, and ordinary loss of ¥3,048 million. Evaluation based on the above was at the 2 (15% increase of base amount) of the 5-point rating scale for the year ended March 31, 2022 and at the 5 (30% decrease of base amount) for the year ended March 31, 2023.

2. Extraordinary compensation is paid to directors (excluding directors serving as Board-Audit Committee members) as performance-linked remuneration. The details of the performance indices selected as a basis for calculating the said amount and the method of calculating the amount are as given in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" below. The reason for selecting the said performance indices is to reflect not only the Company's short-term performance, but also fund performance, which is linked to the Company's medium- to long-term performance.
   The amount of the above extraordinary compensation was determined at the meeting of the Board of Directors after the deliberations by the Nomination and Remuneration Committee based on the performance indicators for the current fiscal year. Year-over-year actual results of the performance indicators were a 4.8% increase in ROI on funds, which is used as the indicator for fund performance, an increase of ¥23,400 million in total fund commitments from the end of the previous year, an increase of ¥11,870 million in ordinary income, an increase of ¥2,108 million in core income, and an increase of ¥4,889 million in unrealized gains. Based on the above, the said compensation level for each position increased by 20% from the previous year.
3. Part of basic compensation (fixed) includes director stock ownership association enrollment promotion charge, for which ¥0 million is paid to directors (excluding directors serving as Board-Audit Committee members and independent directors) and ¥2 million to independent directors, totaling ¥3 million.
4. Restricted stock compensation is paid to directors (excluding directors serving as Board-Audit Committee members) as performance-linked and non-monetary remuneration. The details of the performance indicators selected as a basis for calculating the said amount and the method of calculating the amount are as given in the "Outline of policy for determination of remuneration of directors, etc." below. The reason for selecting the said performance indicators is to provide incentives to continuously improve the corporate value of the Company and to further share the value with shareholders.
   The amount of the above stock-based compensation was determined at the meeting of the Board of Directors after deliberations by the Nomination and Remuneration Committee based on the Company's stock price growth rate and TOPIX (Tokyo Stock Price Index) growth rate, which are performance indicators. The actual results of these performance indicators were 118.6% for the Company's stock price growth rate, reflecting a dividend payment of ¥150 per share for the previous fiscal year, and 112.9% for TOPIX growth rate. Based on these indicators, the payment ratio relative to the base amount was calculated as 105.1%.
   The status of delivery of restricted stock as stock-based compensation is as stated in "II (1) 5) Shares granted to Company officers during the current fiscal year as consideration for performance of duties" in the Business Report.
5. The above remunerations do not include ¥1 million in fund performance-linked distributions to persons involved paid to a director (excluding directors serving as Board-Audit Committee members).

Compensations for individual directors:

- Shinich Fuki, Chairman 103 million yen

(Breakdown)

Basic compensation (fixed)	35 million yen
Basic compensation (performance-linked)	7 million yen
Extraordinary compensation (performance-linked)	24 million yen
Restricted stock compensation	36 million yen

- Keisuke Miyoshii, Prsident & CEO 110 million yen

(Breakdown)

Basic compensation (fixed)	34 million yen
Basic compensation (performance-linked)	7 million yen
Extraordinary compensation (performance-linked)	30 million yen
Restricted stock compensation	36 million yen
Others	1 million yen

Note: Individual disclosure is limited to those whose compensation is 100 million yen or more.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company has established the Nomination and Remuneration Committee composed of all independent directors 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 Determination of Remuneration of Directors, etc." at the Board of Directors meeting.

The "Policy for Determination of Remuneration of Directors, etc." is posted on the Company's website:
https://www.jafco.co.jp/english/company/governance

[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.

[Status of Retired Representative Directors and Presidents, etc.]

Names of Advisors, etc. who Retired Representative Directors and President, etc.

Name	Title	Activities	Employment conditions (Full/part time, with/without compensation, etc.)	Date of retirement from President, etc.	Term
-	-	-	-	-	-

Total Number of Advisors who Have Retired from Representative Directors and President, etc.	0

Other Information

Currently there are no advisors.

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 six (6) 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, 2024, the Board of Directors met fourteen (14) 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, 2024, the Board-Audit Committee met thirteen (13) times with full attendance of all Committee members.

[Swift and Effective Business Execution]
The Investment Committee composed of the President, partners, etc. 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. Ryuji Takagi and Takashi Hasegawa, both certified public accountants, were external audit engagement partners for the fiscal year ended March 31, 2024. They have been engaged in the Company's audit for less than seven (7) years. Eight (8) other CPAs and nine (9) 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 remuneration of directors, important decisions regarding the nomination and remuneration of directors, corporate officers, partners and presidents of major subsidiaries are deliberated in advance by the Nomination and Remuneration Committee composed of all four (4) independent directors 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 directors (excluding executive directors, etc.) 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 (excluding executive directors, etc.) under such agreement is the amount prescribed by laws and regulations.

Outline of Indemnification Agreement
The Company has entered into an indemnification agreement with all directors as stipulated in Article 430-2, Paragraph 1 of the Companies Act, under which the Company shall indemnify them for the expenses provided for in item (i) and the loss provided for in item (ii) of the said paragraph to the extent provided for in laws and regulations. In order to ensure that the appropriateness of the execution of duties by the Company's directors is not impaired by said indemnification agreement, the Board of Directors' resolution approving the execution of an indemnification agreement shall be subject to the approval of all the independent directors (excluding the director to be covered by the said agreement).

Outline of Directors and Officers Liability Insurance Contract
The Company has entered into a directors and officers liability insurance contract, which covers directors, corporate officers, employees (who are managers and supervisors), etc. of the Company and its subsidiaries (excluding the U.S. subsidiary), and officers and employees of the Company who are appointed as directors of unlisted portfolio companies in Japan and overseas, with an insurance company as provided for in Article 430-3, Paragraph 1 of the Companies Act. The contract covers the liability of the insured for compensation for damages, legal dispute fees, etc. arising from claims for damages from third-parties, shareholders, etc. However, there are certain exemptions such as in cases where violation of laws and regulations were knowingly committed. The premium, including the portion for riders, will be borne by the Company and its subsidiaries and there are no premiums to be borne by the insured individuals.

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 18, 2024 was dispatched on May 23, 2024.
Scheduling AGMs Avoiding the Peak Day	The Annual General Meeting of Shareholders was held on June 18, 2024.
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 10, 2024 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) Due to the COVID-19 pandemic, we have not held overseas presentations since 2020, but have instead provided briefings to investors who requested them via video conferences, etc. In May 2024, we made individual visits to several institutional investors in Europe.	Yes
Posting of IR Materials on Website	Financial results, presentation materials, disclosure materials, annual/quarterly securities reports, presentation for new investors, notices of convocation of the annual general meetings of shareholders, integrated report, 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" and "The Basic Policy on Sustainability".
Development of Policies on Information Provision to Stakeholders	The Company shall make timely and appropriate disclosures in accordance with laws, regulations, and rules related information disclosure to ensure that the information will be beneficial to users. In addition, the Company shall actively provide information that is deemed essential or useful in understanding the Company (except for personal information, customer information and information that may violate the rights of others). The disclosure takes into account fairness of the information provided. The above policies are set out in the "Corporate Governance Policy" of the Company.
Other	The Company's purpose is "Fueling perpetual growth; investing in bold visions" and its mission is "Commit to new business creation and jointly shape the future." The nature of our investment activity matches strongly with the concept of ESG investment. Many startup companies are established with a motive to solve social issues and contribute to the society. By providing hands-on support and working together with management teams of startup companies, the Company contributes to the emergence of companies that will generate large social impacts in the future. The Company has invested in over 4,000 unlisted companies, provided IPO support to over 1,000 companies, and produced many companies representing Japan and various overseas countries. Among these include many companies whose business activities align with SDGs, or which have become big companies in Japan following an IPO and are proactively addressing SDGs to fulfill their social responsibilities. The Company will continue with its contribution to the achievement of SDGs through its investment activities. Utilizing the abundant resources we have developed over the years and our extensive network with many companies, we offer various services and events, including matching entrepreneurs with big businesses, study sessions with large companies promoting new business development, and a managerial human resource support service (Career Academy) for startups. We also take part in the Demonstration Project for the Use of Entrepreneurs in Residence (EIR) conducted by the Ministry of Economy, Trade and Industry as an initiative to broaden the base of entrepreneurship by providing a place to prepare for business startups, thereby creating many new businesses. We will nurture new businesses by connecting entrepreneurs with big businesses and leveraging the strengths of both parties, while contributing to the expansion of the startup ecosystem through these actions aimed at realizing our Purpose. 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 *Updated*

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, officers and employees of the Company Group complies 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 (incident reporting system) shall be established and operated as a means for executives, employees and others at the Company Group, as well as members of portfolio companies, potential portfolio companies, clients, business partners, and other parties involved with the Company, to directly provide information to the Company regarding conduct that is in violation of, or risks violating, laws and regulations, or which constitute workplace harassment.

(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 consisting of the President, partners, etc. 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 regularly and as needed 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 it to the Company's officer in charge of administration and the Company shall take appropriate measures accordingly.

(4) Systems to ensure effective execution of duties by the Directors
- The Company clarifies the duties of its Directors, establishes internal rules regarding the division of duties and official authority to achieve efficient operations through sharing roles and facilitating reporting line.
- 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.
- Investment performance shall be thoroughly managed by enhancing portfolio management by the Company Group and its funds and regularly reporting their 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 the tri-polar bases of the Company Group in Japan, Asia and the US, and make efforts 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 proper operations at the Company Group
- Directors, corporate officers or employees of the Company shall be assigned as officers at subsidiaries, and officers and other eligible members of subsidiaries shall periodically report to the Board of Directors of the Company on important execution of operations at the 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 smooth communication including information exchange among departments involved.
- Presidents of subsidiaries shall have the authority and the responsibility to implement systems and measures, etc. to ensure proper operations of the subsidiaries.
- The 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 with their duties the Board-Audit Committee, 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 with the duties of the Board-Audit Committee shall be assigned as necessary, and appointment of such employees shall be discussed by the 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 of the Company Group and systems to ensure that reporting persons do not receive any 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 to the Board-Audit Committee matters that may cause a serious impact on the Company and its subsidiaries, as well as any violations of laws and regulations or the Articles of Incorporation, improper conduct by directors, and serious matters reported to the JAFCO hotline, such as those involving the Directors.
- The JAFCO hotline shall consist of internal and external contact points, and the internal contact point 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 any unfair treatment because of such reporting.

(8) Matters regarding the policy for handling expenses and other costs 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 sufficient budget 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 checking validity.

(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 collaboration 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 fiscal year ended March 31, 2024 was as follows.

1. Compliance management
   - The Company took necessary measures to address revisions to the Financial Instruments and Exchange Law and related laws, Cabinet Office Ordinance on Disclosure of Corporate Information and other laws and regulations primarily related to the Company's business, corporate governance, and personnel and labor affairs, after discussing their impact on internal rules and workflow among 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 as well as internal rules largely related to data management, restriction of insider trading and personal stock trading, 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, collects related information, and cooperates 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 accordingly.
   - 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 detect and prevent improper conducts such as violations of laws and regulations 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 of business divisions 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 directors in charge of overseas operations regularly report 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.
   - As for investment in unlisted portfolio companies, we record an 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 in case that the estimated recovery amount of capital invested shall likely fall below 70% of the acquisition cost.
   - The Company has worked to grasp issues related to businesses, corporate governance, as well as compliance and risk management of its portfolio company, and the investment division takes the initiative in addressing the issues with the portfolio company. Also, such information is shared in-house as much as possible for future reference to support other portfolio companies.
   - For operation of domestic flagship funds established since 2019, the Company has strengthened measures to prevent risks including conflicts of interest in advance by asking the Advisory Board consisting of representatives of limited partners for advice concerning potential risks including conflicts of interest among the funds, the Company, etc.
3. Efficiency of execution of duties
   - A 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 an 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 involved members discuss and take concrete actions regularly or as needed to realize an expected growth scenario of portfolio companies.

- Portfolio status is reported monthly at a meeting of the Board of Directors to ensure strict portfolio management by each division, subsidiary and fund, and to improve fund performance.
- The Company works to conduct smooth operations and improve operating efficiency and productivity by continuously reviewing internal work process, while introducing and renewing IT and other operational infrastructures, flexible workstyle through the implementation of flextime system and promoting remote work, and reviewing remuneration and evaluation systems, 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 business execution by attending the investment committee and other important internal meetings and expressing their professional 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 to deepen understanding of their duties.
   - Written approvals of important issues by representative directors or the director or corporate officer in charge are reported 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 and other occasions. 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 shall not receive any 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 Reporting and Timely and Fair Disclosure" for reference.

Also, please refer to the chart "Governance Initiatives" for the Company's major initiatives in corporate governance.

【Reference： Experience and Specialty of the Company's Directors】

Experience and expertise required for directors serving the Company's Board of Directors and after the election at the 52nd Annual General Meeting of Shareholder held on June 18, 2024 are as shown below.

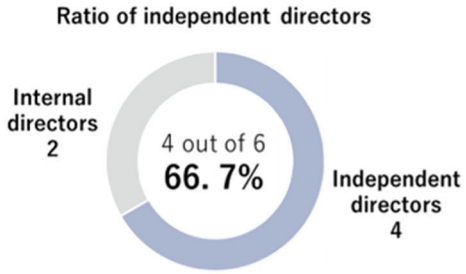
Experience: 1. Corporate management
2. Investment
3. Fundraising/ fund operation
4. Overseas operation

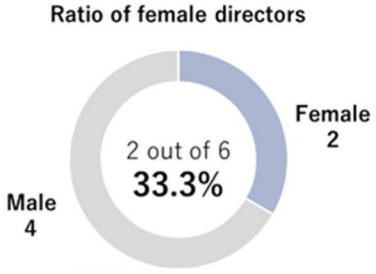
Expertise*: (a) Personnel/ labor affairs
(b) Treasury accounting
(c) Legal affairs/ compliance
(d) Finance
(e) Academic research/ education

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

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

The composition of the Board of Directors following the election at the Annual General Meeting of Shareholders is as follows.



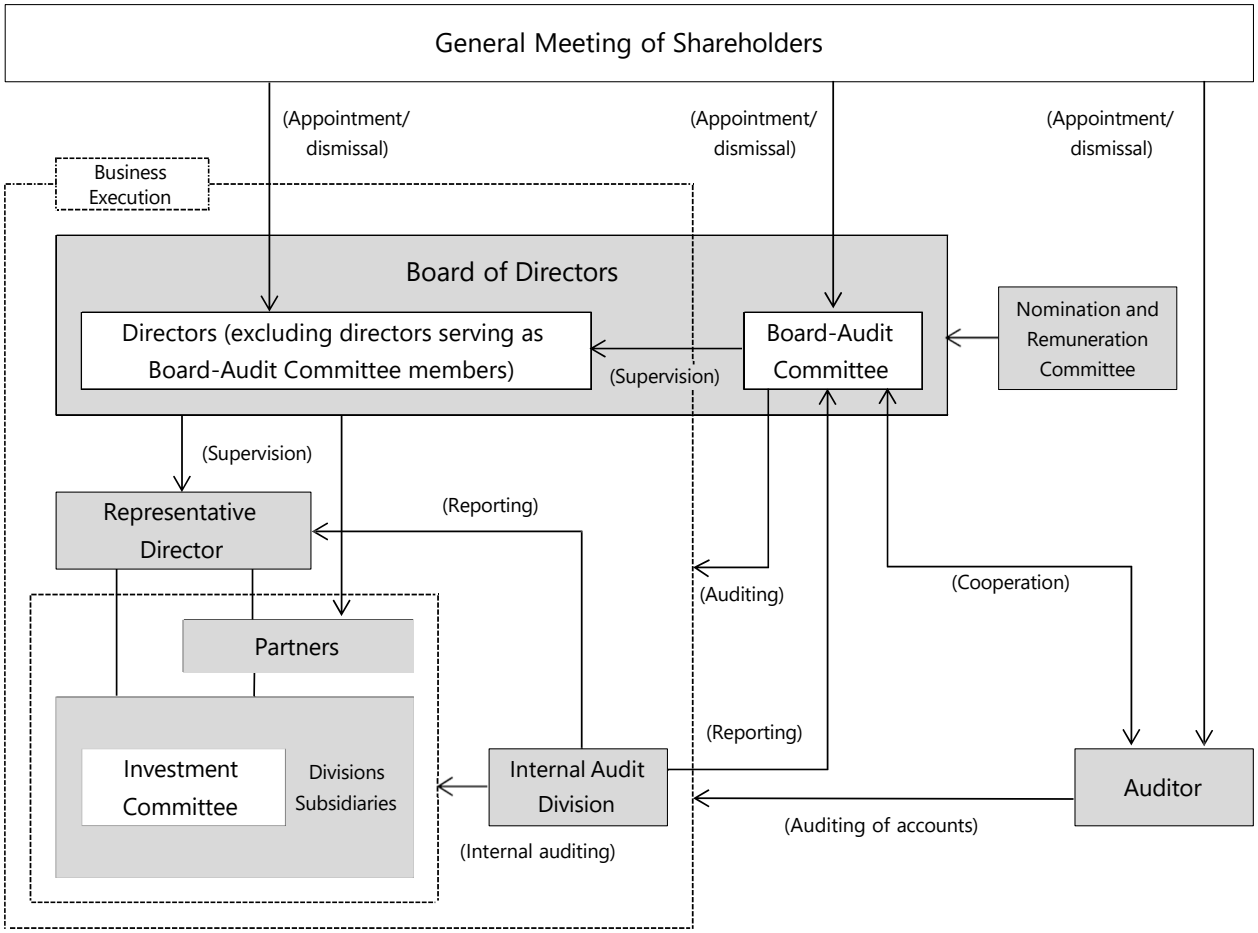


The policy and procedure for selection of director candidates are stipulated in the Corporate Governance Policy of the Company as shown below.

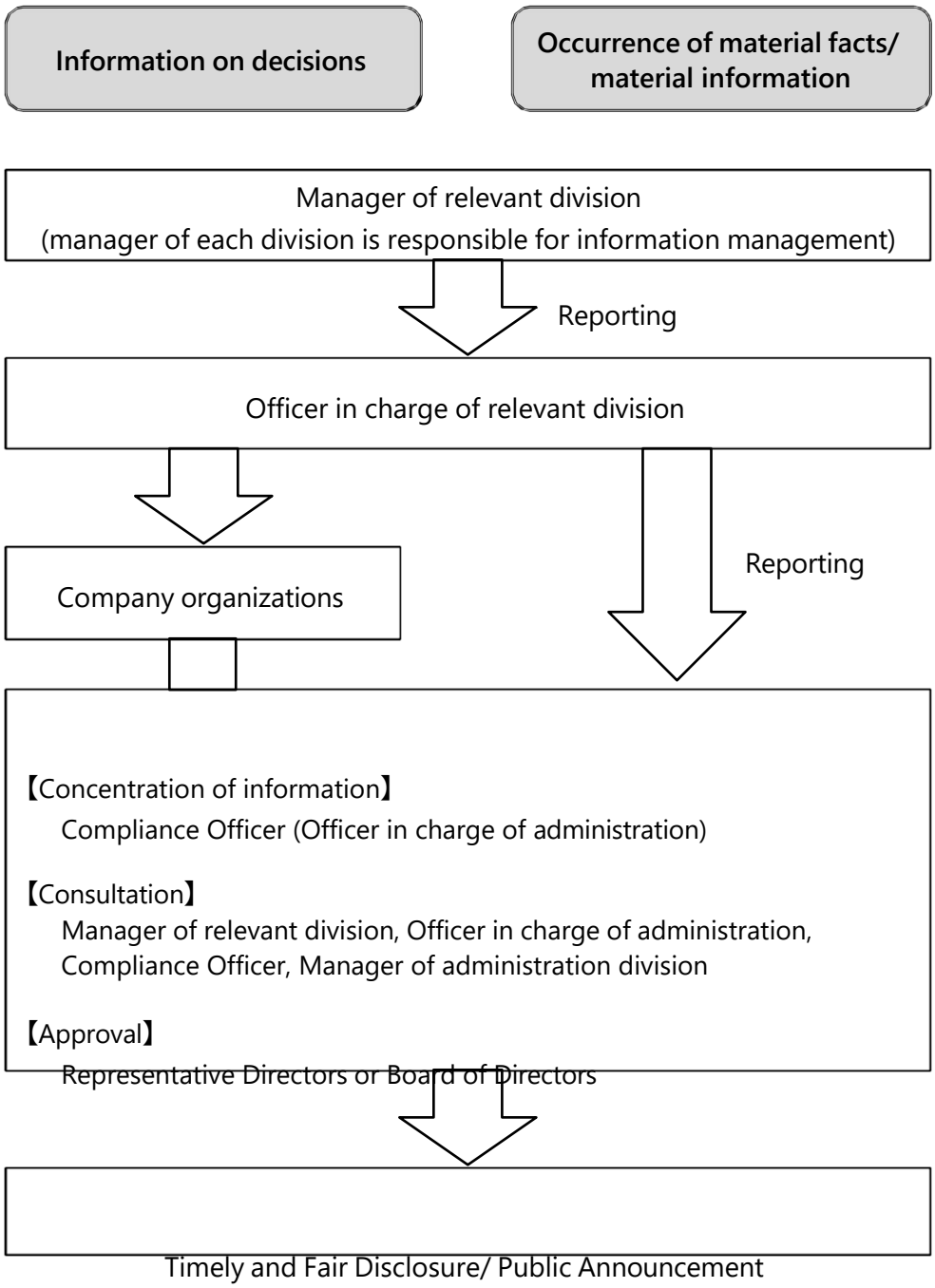
- Directors and corporate officers are appointed by the Board of Directors based on deliberations by the Nomination and Remuneration Committee.
- All directors (excluding directors serving as Board-Audit Committee members) are subject to election/re-election every year at the General Meeting of Shareholders. 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.

【Reference： Structure for Business Execution and Supervision】



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



【Reference： Governance Initiatives】

For the Company, which operates in a risky business of venture and buyout investments, it is extremely important to enhance management governance and carry out fair and prompt decision-making. We have been upgrading governance in stages each year, focusing on themes such as management independence, sharing value with shareholders, improving capital efficiency and promoting growth strategies. We will continue to make efforts to further enhance our governance.

