Translation of the Japanese press release

JAFCO

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Notice Regarding Shifting Focus to Domestic Investment and Strengthening Shareholder Returns for Enhancing Corporate Value

JAFCO Group Co., Ltd. (the "Company") has resolved at the meeting of its Board of Directors held on April 23, 2025 the following matters concerning shifting focus to domestic investment and strengthening shareholder returns for the purpose of further deepening its efforts for enhancing corporate value. With this, the Company has also reassessed the image of its target financial structure, capital efficiency, and shareholder returns.

1. Executive Summary

- The Company has decided to focus on domestic investment in Japan where it maintains an advantage in investment performance and where the market is expected to continue to grow.
- With the above, the Company has decided to cease investment in funds managed by the Company Group in the US and in Asia going forward, and to transfer its overseas subsidiaries. The Company will maintain investment in existing funds managed by the overseas subsidiaries and continue involvement as a major investor.
- The Company will revise its dividend policy, expanding the dividend amount to the greater of either 6% DOE (the ratio of annual dividends to shareholders' equity at the end of the previous fiscal year) or a 50% payout ratio.
- Going forward, DOE will be calculated using shareholders' equity at the end of the previous fiscal year, and the projected dividend amount (minimum amount) will be announced at the beginning of the fiscal year.
- The Company has decided to implement a maximum of five billion yen of share buybacks in consideration of net available cash as of the end of March 2025.
- The Company has reassessed the image of its mid- to long-term target financial structure, capital efficiency, and shareholder returns. The quantitative targets will by an average ROE of 10–15% for the three years starting from the fiscal year ending March 2028 and 15–20% for the three years starting from the fiscal year ending March 2031.

2. Focusing on Domestic Investment

On December 21, 2022, the Company announced its Basic Policy for Enhancing Corporate Value based on the improvement of capital efficiency and promotion of the growth strategy. With the promotion of the growth strategy, the size of new funds is increased while promoting the further improvement of investment performance. With the improvement of capital efficiency, the ratio of the Company's investment in funds is reduced in stages down to about 20%, while also decreasing necessary funds in stages, with excess amounts allocated to shareholder returns. The goal was to increase the ROE, which was 6% at the time the policy was formulated, to a target range of 15–20% in the medium to long term.

Later, the flagship fund SV7 Series, which held its final closing in September 2023 in Japan, reached a total of 97.8 billion yen (compared to 80.0 billion yen for the SV6 Series) with a 20% ratio of investment from the Company (compared to 34% for the SV6 Series), reflecting steady progress in increasing the size of funds and reducing our investment ratio in funds (as of April 2025). Also, the Company's cumulative investment multiple (ROI) in Japan is 2.7x (Note 1) for the 10 years from the fiscal year ending March 2016 to the fiscal year ending March 2025, and 2.6x (Note 1) for the five years from the fiscal year

ending March 2021 to the fiscal year ending March 2025, exceeding our targets set in the Basic Policy for Enhancing Corporate Value of 2.5x.

In terms of the Company's investment ratios in recent funds managed in the US and in Asia, the ratio for the US fund Icon Venture VII, L.P. is 43% and the ratio for the Asian fund JAFCO ASIA S-8 Fund L.P. is 62%. The Company has needed to invest to a certain degree in order to secure fund size.

The result is that core income (the amount remaining after deducting SG&A expenses from management fees obtained from LP investment in our funds) is approaching break-even in Japan but remains negative in the US and Asia.

Also, the Company Group's funds operated in the US and Asia, compared to Japan, have a relatively lower cumulative ROI, averaging 1.6x (Note 2) in the 10 years from the fiscal year ending March 2016 to the fiscal year ending March 2025 and 1.3x (Note 2) for the five years from the fiscal year ending March 2021 to the fiscal year ending March 2025. Moreover, capital gains have been concentrated in just a few portfolio companies. Furthermore, fund performance compared to competitors (funds in the same region and established in the same year) cannot be said to be superior.

Given this situation and in order to further actively promote the improvement of capital efficiency and advancing the growth strategy, the Company has decided to cease investments in funds managed by the Company Group in the US and in Asia going forward. With this, we will shift our focus to domestic investments where we maintain competitive advantage and expect continued market growth going forward.

In Japan, government policies such as the Startup Development Five-Year Plan (announced in November 2022) and the Policy Plan for Promoting Japan as a Leading Asset Management Center (formulated in December 2023) have been introduced. Based on these policies, measures to promote funding towards startups and reform tax systems are being implemented to help expand the startup ecosystem. As such, the Japanese venture investment market is expected to remain a promising area of growth. Furthermore, business successions and M&A are expected to increase, and the outlook for the market for buyout investments, which forms the second pillar of our business, is indicating growth. Additionally, with the talent market becoming more diversified and sophisticated, a strong foundation for supporting such growth is being established.

Following this decision to focus on domestic investment, we have sought a best-fit owner for the overseas subsidiaries to maximize their fund performance and business value. As a result, we have selected Bee Alternatives Management Ltd. ("BAM") as the best-fit owner for the growth of JAFCO Investment (Asia Pacific) Ltd ("JAFCO Asia"), the consolidated subsidiary which manages venture capital funds in Asia, and have thus decided to transfer all of our shares in JAFCO Asia to BAM (see also the press release disclosed today titled "Notice Regarding Transfer of Consolidated Subsidiary"). BAM's affiliated company (Note 3), Bee Alternatives Limited ("BAL"), is an independent manager dedicated to secondary private equity investments, headquartered in Malaysia. It manages the largest secondary fund in the Japanese market. With this transfer, BAM aims to expand alternative investment in the Asian market centering on JAFCO Asia. The current local team is scheduled to continue handling management at JAFCO Asia after the transfer. It is expected to strengthen its role as a bridge between promising Asian startups and the Japanese market, leveraging network of BAM and BAL.

Also, we plan to transfer the non-consolidated subsidiary JAFCO America Ventures Inc. (ICON Ventures) to the local management team, aiming to complete the transfer by the end of the fiscal year ending March 2026. The Company will continue to hold its interests in funds currently under management of JAFCO Asia and ICON Ventures, continuing involvement as a major investor going forward.

(Notes)

1. Figures are investment multiples for only the portion of funds operated in Japan in which the Company has invested, and do not reflect the overall performance of funds in Japan.
2. Figures are investment multiples for only the portion of funds operated in the US and Asia in which the Company has invested, and do not reflect the overall performance of funds in the US and Asia.

3. BAL is said to become a subsidiary of BAM as a result of a business restructuring.

3. Strengthening Shareholder Returns: Decision to Revise Dividend Policy and Implement Share Buybacks

The Company clarified its basic policy for dividends and approach to necessary funds in the Basic Policy for Enhancing Corporate Value announced on December 21, 2022.

In order to realize dividends that are of a higher standard and more stable, the Company will revise its dividend policy, which previously was to pay dividends amounting to the greater of either 3% DOE (the ratio of annual dividends to the initial and term-end average value of shareholders' equity) or a 50% payout ratio, to paying out the greater of either 6% DOE (the ratio of annual dividends to shareholders' equity at the end of the previous fiscal year) or a 50% payout ratio, starting from the fiscal year ending March 2026. Since the Company does not disclose earnings forecasts, projected dividend amounts were previously undetermined. However, by using shareholders' equity at the end of the previous fiscal year as the basis for calculating DOE, we can now determine the minimum dividend amount regardless of whether earnings forecasts are disclosed. As such, the Company will announce the projected dividend amount (minimum amount) at the beginning of each fiscal year, starting with the fiscal year ending March 2026.

While there will be no change to the policy of reducing necessary funds in stages and allotting amounts in excess to shareholder returns, as necessary funds will decrease due to the Company's shift of focus to domestic investment, it is believed that more active shareholder returns will become possible.

Also, in line with our approach to necessary funds, we have decided to implement a maximum of five billion yen or 3.5 million shares (6.41% of total outstanding shares excluding treasury shares) of share buybacks in consideration of net available cash at the end of the fiscal year ended March 2025 which stood at 15.8 billion yen (see also the press release disclosed today titled "Notice Regarding Decision on Matters Concerning Share Buybacks"). Adding the amount of scheduled share buybacks to the amount of dividends for the fiscal year ended March 2025 (scheduled), the effective total return ratio for the fiscal year ended March 2025 is 102%.

4. Reassessment of Image of Target Financial Structure, Capital Efficiency, and Shareholder Returns

While there is no change to the Company's goal of increasing capital efficiency and aiming for a total shareholder return ratio of 60–100% or more and ROE of 15–20%, the Company has reassessed its image of its target financial structure, capital efficiency, and shareholder returns in conjunction with its shift of focus to domestic investments.

Image of target financial structure, capital efficiency, and shareholder returns

		Results				Medium-term targets	Long-term targets
	[¥ billion]	2023.03	2024.03	2025.03	2025.03 (Domestic)	2028.03-2030.03	2031.03-2033.03
Funds	Total capital commitments[*1] (AUM)	419.2	465.6	458.4	312.8	320.0	370.0
	External capital commitments[*2]	157.6	194.9	198.5	173.8	250.0	290.0
	Annual management fees[*3]	3.4	4.8	4.3	3.5	3.9	4.2
	JAFCO's investment ratio in new domestic funds[*4]	31%	32%	31%	20%	20%	20%
	Annual SG&A expenses (excl. business tax)	4.3	4.4	4.6	3.6	35.0-40.0	35.0-40.0
ROI	Investment multiple (ROI)	1.6x	1.7x	2.1x	2.1x	Domestic: 3x (Overseas: 1.6x[*5])	Domestic: 3x (Overseas: 1.6x[*5])
			5-year average: 2.2x		2.6x		
Financial structure	Available cash and deposits[*6]	28.2	50.6	52.0	–	25.0	30.0
	Operating investment securities (incl. listed cos. / after markdown)	84.0	90.1	91.4	–	80.0	65.0
	Net assets	130.7	137.6	141.1	–	130.0	115.0
Profit level / capital efficiency	Ordinary income level	(3.0)	8.8	13.2	–	20.0	26.0
	Net income level	40.6[*7]	7.5	9.6	–	14.0	18.0
	ROE level	24.7%[*7]	5.6%	6.9%	–	10-15%	15-20%
Shareholder returns	Effective total payout ratio[*8]	125%	50%	102%(E)	–	60-100% or more	60-100% or more

Note: 1. Total capital commitments: The total amount of capital commitments of all JAFCO-managed funds in Japan, Asia, and the US. Due to focusing on domestic investment, figures for medium- and long-term targets only apply to domestic funds.

2. External capital commitments: Of total capital commitments, JAFCO's interest, funds managed by US subsidiary which is unconsolidated, and funds under extension are excluded. It is the amount subject to fund management fees. Due to focusing on domestic investment, figures for medium- and long-term targets only apply to domestic funds.

3. Annual management fees: Amount subject to management fees × approximately 2%

4. JAFCO's investment ratio in new domestic funds: Ratio of JAFCO's investment in capital commitments to funds in Japan established around once every 3.5 years.

5. Future ROI for Asian and US funds are calculated as 1.6x, the average over the past five years.

6. Available cash and deposits is calculated by deducting fixed-purpose cash and deposits such as cash in funds (JAFCO's interests), expected dividend payments, accrued income taxes, and accrued expenses from cash and deposits. Figures for medium- and long-term targets are necessary funds.

7. Includes ¥63.8 billion of gain on sale of shares of Nomura Research Institute, Ltd.

8. Effective total payout ratio: Ratio of total amount of dividends paid and share buybacks (buybacks resolved at the earning announcement in the next fiscal year are treated as buybacks for the current fiscal year) against net income.