

June 10, 2020
JAFCO Co.,Ltd.

Former director of portfolio company of JAFCO-managed fund arrested over alleged misconduct

On June 9, 2020, a former director of LPixel Inc. (hereinafter “the Company”), a portfolio company of a fund managed by JAFCO (“JAFCO-managed fund”), was arrested over alleged embezzlement (“the misconduct”).

Suspicion of the misconduct occurred based on information provided by the former director himself (dismissed as of December 27, 2019), and the fact was revealed by the subsequent investigation. The Company had raised funds from multiple investors, including the JAFCO-managed fund, by the end of 2019. The former director made remittances totaling approximately ¥3.35 billion (of which approximately ¥590 million had been returned to the Company’s bank account before the discovery of the misconduct) to his personal bank account between April 2017 and January 2019 and used the money for personal purposes.

After the misconduct was discovered, the Company promptly filed criminal charges, following which the police investigation started. Also, an action for damages has been brought against the former director. To investigate the facts and causes and prevent recurrence, the Company established a special investigation committee on January 17, 2020. The Company is reviewing its internal control system and strengthening the audit system and the management control system by reflecting the findings in the investigation report.

(Company press release : <https://lpxel.net/news/press-release/2020/10039/> Japanese only)

As General Partner of the JAFCO-managed fund, we have an independent director seat on the Company’s board. We are very regretful that the Company failed to prevent such large-scale embezzlement for a long period of time, no matter how cleverly concealed. Since the discovery of the misconduct, we have held discussions with the Company’s stakeholders to examine the appropriateness of the Company’s business continuity under the current management team and also from the point of view of interests of the fund. As the Company’s business has grown to a certain extent, we have judged that it is best to provide additional investments and continue to support the Company in order to maximize the return on invested capital. We will continue to hold an independent director seat on the Company’s board, and work to rebuild the Company’s

internal control system and raise corporate value.

Meanwhile, we are examining and strengthening the internal control system of all other portfolio companies to prevent occurrence of similar events, and will implement stricter checking of portfolio companies' fund management and enhance guidance provided.

We apologize for worrying you and kindly ask for your understanding and cooperation.

Please note that the impact of this incident on our business performance is immaterial.

For more information, please contact the IR Department at ir@jafco.co.jp.