

VENTURE INVESTMENT

Message from the Division Head

Keisuke Miyoshi
Partner
President & CEO



- 1 Yutaro Saka, Partner
- 2 Mizuki Takahara, General Manager of the West Japan Branch, Partner
- 3 Keisuke Miyoshi, President & CEO, Partner
- 4 Atsushi Fujii, Partner
- 5 Tomotake Kitazawa, Partner
- 6 Shozo Isaka, Partner

Strengths and Strategies

Strengths

- Ability to identify new trends and engage with entrepreneurs who are tackling those trends at an early phase
- Experience in building businesses with entrepreneurs and the mindset of a Co-Founder
- Human resources development capabilities to systematically pass on these strengths

Strategies

- Further pursue highly selective, intensive investment
 - Expand the investment domain to earlier phases and provide resources necessary for launching businesses
 - Follow-on investment to maximize enterprise value and full involvement in exit
- Develop diverse human resources and frameworks for perceiving diverse changes

Social Role (Value Creation and Track Record)

Perceive changes in society and enhance social evolution

The Venture Investment Division has been the Company's core business since its establishment and has continued to pursue the creation of new industries together with entrepreneurs. Our division has been investing primarily in Japan, as well as in the United States since 1984 and in the rest of Asia since 1986.

Continuation and expansion of venture investment lead to an increase in the number of entrepreneurs who take on challenges in response to social changes and to the creation and development of industries that will develop a more prosperous society. The experience of that success leads us to take on the next new challenge.

We are a pioneer in venture capital in Japan and have continued to pursue the launch, continuity, and development of venture capital investment. To date, these efforts have resulted in more than 1,000 company listings. Another feature of our efforts is that we continue to invest at all times and take social responsibility in expanding the private equity market. We believe that continuing to invest in startups without interruption to the fund, regardless of whether the market is good or bad, is essential to finding new challenges to pursue. We will continue to take on such challenges together with entrepreneurs and thereby contribute to the enhancement of social evolution.

Emphases in Venture Investment

Our investment policy of “highly selective, intensive investment” and our identity as a Co-Founder

Highly selective investment requires pioneering abilities backed by the curiosity and inquisitiveness to continually pursue the social changes and investment opportunities that we target. Our emphasis has been on seizing business opportunities created by changes in society without limiting ourselves to a specific investment domain. Within that scope, we carefully select investment candidates, pursuing businesses with a high rate of change and a significant impact on society.

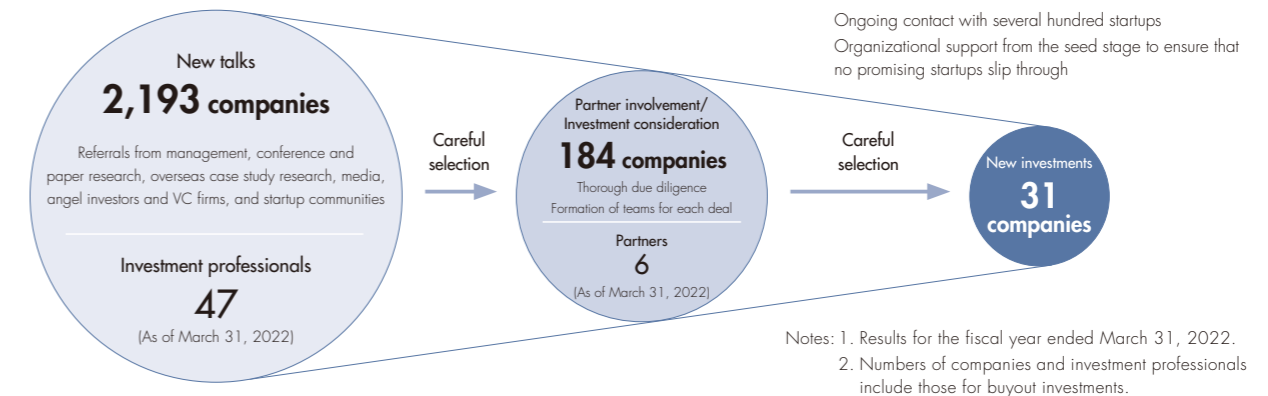
Being highly selective on investments enables more intensive

investment in terms of amount, and deeper involvement in our portfolio companies. We seek to maximize enterprise value by providing the necessary resources, including through follow-on investment, to accelerate business growth.

As an organization, we have also emphasized sharing and passing on our identity as a Co-Founder to maintain a sense of ownership—sharing the same perspective as the entrepreneur, from the phase of deal sourcing to involvement in the portfolio company.

Highly Selective Deal Sourcing

Quality deal sourcing and thorough selection by 47 investment professionals who think through future business opportunities to enable repeated success



Business Environment and Challenges

A startup ecosystem that is developing into a mature market

The most significant change in the business environment over the past 10 years has been the increase in and diversification of entrepreneurs in Japan. Startups have become established as a career choice for a wide range of people with the rise in the number of serial entrepreneurs, high-level workers who are starting up companies, and employees of large companies changing jobs to startups. In this age of VUCA, * changes that also present opportunities for

entrepreneurship are becoming faster and more significant. The providers of funds to support entrepreneurs and startups are also becoming increasingly diversified.

While the number of investment opportunities is increasing, we must be even more selective and create larger businesses and industries by collaborating with other fund providers.

* Volatility, uncertainty, complexity, and ambiguity.

Future Strategy

Further evolution of highly selective, intensive investment: Faster and with deeper involvement

To seize investment opportunities amid diverse changes, our investment professionals will need to diversify their respective areas of expertise and interests. Through greater diversity in the development and hiring of investment professionals, we aim to approach a broader range of investment opportunities more quickly. Moreover, in addition to our existing outbound approach to candidate companies, we will strengthen our inbound efforts to attract those that are in the early startup and preparation phases.

While a higher growth rate to exit (i.e., ROI) can be expected when investing at an earlier stage, this also carries the risk that the business will not take off. We will continue our long-standing efforts to become closely involved in portfolio companies in order to respond to such

risks. Leveraging our experience from past successes, we deepen our involvement in building the business, thereby accumulating even more experience. We believe that being deeply involved with the company from initial investment to exit, with the mindset of a Co-Founder, will boost the probability of success and help lower downside risks.

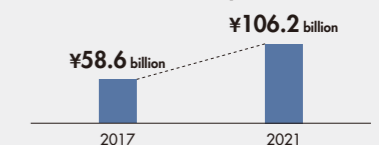
One of our strengths is our multi-layered structure of human resources consisting of those with more than 10 years of experience as investment professionals, young associates hired as new graduates, and mid-career professionals with specialized knowledge. We aim to achieve further expansion by sharing and passing on the knowledge and experience we continue to gain through the evolution of our highly selective, intensive investment activity.

HIGHLIGHT | Establishment of the West Japan Branch

In September 2021, the Chubu and Kyushu branches were integrated into the Kansai Branch to become the West Japan Branch. Both branches had been operated by a small number of personnel, but we decided to integrate them after determining that consolidating personnel with extensive investment experience outside the Tokyo metropolitan area at the West Japan Branch would lead to stronger support for local startups.

As communication with portfolio companies is increasingly conducted online due to COVID-19, we believe that building strong relationships of trust through in-person communication will help to set us apart from competing venture capital firms. Going forward, we will skillfully make use of both in-person and online communication with the aim of further enhancing communication with entrepreneurs and thereby acquiring unique investment opportunities.

Amount of funds raised by startups outside the Greater Tokyo area



Source: INITIAL Inc. (as of July 20, 2022)
Notes: 1. Figures for each year are based on data collected as of the reference date. 2. Regions excluding Tokyo, Kanagawa, Chiba, and Saitama.

BUYOUT INVESTMENT

Message from the Division Head

Ko Minamikurosawa
Partner (SV6)
General Manager of Structured Investment
Managing Director (BO7)



- ① Keisuke Aoyama, Managing Director
- ② Ko Minamikurosawa, Partner, General Manager of Structured Investment, Managing Director
- ③ Hirogi Nakayama, Managing Director
- ④ Masataka Kobayashi, Managing Director

Strengths and Strategies

Strengths

- Corporate culture that boldly takes on unprecedented challenges
- Utilization of knowledge accumulated in venture investment
- Throughout each investment a dedicated team ensures consistent responsibility

Strategies

- Create a framework to enhance investment and value-creation activities for portfolio companies
- Establish a strong team that ensures stable performance

Social Role (Value Creation and Track Record)

Gain control, solve management issues and increase the value of portfolio companies

Buyout investment refers to a type of investment in which a company acquires more than 50% of the equity share capital of a portfolio company, takes control of management, and seeks to increase corporate value by reviewing management strategies and implementing various measures. Buyout investments executed by our division are very unique in that we are able to leverage our defining principles and knowledge as a venture capital firm in our collaboration with portfolio companies. By providing portfolio companies with the knowledge and value-adding measures we have accumulated through our extensive track record in venture investments, we are able to transform their

business models and help them chart a new growth curve.

In Japan, small- and medium-sized enterprises account for the majority of companies, with top management advancing in age and successors in short supply. As such, addressing the issue of business succession is an urgent matter. The aim of our buyout investments is to serve as a vehicle for the issue of business succession by acquiring management rights at small- and medium-sized enterprises with no successor and giving them a second start while enhancing their corporate value.

Emphases in Buyout Investment

Values cultivated as a venture capital firm guide us to success in buyout investments

Our track record in buyout investments goes back 24 years, and as of the fiscal year ended March 31, 2022, we have invested in a total of 52 companies, of which 38 have been successfully exited including six IPOs. Our strength lies in the knowledge we have acquired through our extensive track record in venture investments and our business development ability based on a strong presence in the industry and our social credibility.

The Venture Investment Division has accumulated a wealth of information on cutting-edge technologies and services of startups and other companies, as well as the management challenges they face. Moreover, it has built a vast corporate network cultivated over its 49 years in investment and fund management operations. These resources give us a major advantage in buyout investments.

We also believe that our approach of identifying the true nature of

risks and boldly pursuing business opportunities gives us the edge over other buyout investment funds, and the mindset that this approach embodies is part of the corporate culture that we have nurtured over many years as a venture capital firm. We see it as important to execute management and operations from the same perspective as the management and employees of the portfolio company. We will emphasize the Three Actuals Principle (the actual place, the actual goods, and the actual situation) as we move forward with change. This way of thinking is a distinctive characteristic of the Company, which has guided many startups to success. It is important to always approach things with a sense of ownership in order to successfully reform the management of portfolio companies. Division personnel are in charge of everything from sourcing (identifying investment opportunities) to investment scheme review, negotiations with sellers,

PMI Utilizing JAFCO's Strengths



investment execution, post-investment value enhancement, and the exit, and they maintain awareness and unwavering ambition as owners of portfolio companies. Another of our strengths comes from the fact that

we can collaborate with the Business Development Division and with personnel possessing many areas of expertise on challenges that cannot be solved by our division alone.

Business Environment and Challenges

Capturing growth markets with our buyout-dedicated fund

The M&A market for Japanese companies is growing in line with an increasing number of deals related to business succession of small- and medium-sized enterprises, coupled with a stable number of carve-outs of subsidiaries/affiliates from large corporations as a consequence of digital transformation (DX) and management reforms. In the fiscal year ended March 31, 2022, the number of M&As in Japan exceeded that of the previous year. The market for private equity funds in Japan also continues to expand. Based on the outlook of these market environments, our division will concentrate management resources on

further expansion of buyout investments.

One of the key challenges at present is management of the JAFCO BO7 Investment Limited Partnership (BO7), established in June 2022. Targeting securities issued by unlisted companies in Japan, the Fund leverages LBO* and other schemes to acquire majority shares with the aim of making buyout investments. Securing and training human resources is essential for the successful management of dedicated funds.

* Leveraged buyout: Corporate or business acquisition utilizing borrowed funds.

Future Strategy

Achieve stable performance and sustainable growth of buyout funds

Our efforts to achieve stable performance and sustainable growth of buyout funds consist of (1) creating a framework for the smooth investment and value-adding of portfolio companies and (2) training outstanding human resources and establishing a system that ensures their stable performance.

Our division's primary focus is on buyout investments in small- and

medium-sized business succession deals with growth potential, but we also make hybrid investments, combining elements of both venture and buyout investments, to acquire early-stage companies. Regardless of industries or sectors, we will develop companies falling under the following themes.

Investment Targets

- (1) Companies with competitive brands, intellectual assets, networks, and operational know-how
- (2) Companies that are starting to become competitive in a growing market
- (3) Companies that have already established a significant position in a niche market
- (4) Companies with products and services that have the potential for global expansion
- (5) Companies with growth potential utilizing JAFCO's resources

Portfolio Company Case Studies

Venture Investment (Exited)

Visional, Inc.



Soichiro Minami

Representative Director and CEO
Visional, Inc.

Based on its mission of "Persistent Creation of New Possibilities," Visional operates various businesses that promote industrial DX, including in the HR tech domain. It aims to build an ecosystem that supports corporate human capital management (HCM) strategies mainly through its high-level job site Bizreach and the HRMOS Series of human capital utilization platforms. It is also working to launch new businesses in the M&A, logistics tech, cybersecurity, and sales tech domains.

Newly listed (IPO) in April 2021

A "comrade-in-arms" who has helped us build a foundation ever since we were just a small unknown team

The ¥200 million investment from JAFCO in 2010 was Bizreach's first financing. At the time, the market was in a slump following the 2008 financial crisis, so it was very rare for a Japanese startup to raise funds in excess of ¥100 million. We were turned down by every venture capital firm except for JAFCO. JAFCO members visited our office, which was a converted studio apartment in a multitenant building, and I still vividly remember them saying, "We want to invest in your team."

Since then, we have maintained a relationship with JAFCO for more than a decade. In December 2010, JAFCO decided to invest ¥500 million in our newly established subsidiary Luxa, and we worked together until it was sold to a business firm in 2015 (during that time, it had grown into an organization of about 200 employees).

From a small unknown team, we have grown into a company with annual sales of ¥43.95 billion and operating income of ¥8.32 billion (in the fiscal year ended July 31, 2022). There are so many stories that cannot be told at once, but JAFCO has been like a "comrade-in-arms," helping us throughout the process of foundation building, from making the rounds to customers and investors through to business development and fundraising.

JAFCO has always respected and trusted the approach that our management team and I have taken, while providing logistical support for our growth. I hope that JAFCO will continue to commit to the creation of new businesses that have an impact on society and pave the way for the future of Japan and Asia by being an indispensable partner for many startups.

Buyout Investment (Exited)

Isuzu Glass Ltd.



Koichiro Ikeda

President
Isuzu Glass Ltd.

Isuzu Glass is a manufacturer of optical glass parts. Based on its technology in the glass melting, glass molding, and optical design fields, it operates the melting business which manufactures optical filters, the molding business which manufactures optical lenses, and the optical design business which offers a one-stop solution encompassing everything from optical design to manufacturing (including outsourcing) and assessment.

"In the end, nothing is more important than people" provided an impetus

In 2014, we had fallen into difficult circumstances and were looking for a new sponsor to revitalize our business. This was when JAFCO took an interest in our business. Business assessment is, of course, an important part of JAFCO's due diligence, but being presented with the policy of "In the end, nothing is more important than people" was a major impetus for us.

Immediately following the investment, numerous issues needed to be resolved to ensure business continuity, so the situation was unpredictable. JAFCO presented us with options and proposals for each of the issues and worked with us to implement reforms. In particular, they provided strong support for building a foundation for growth across a variety of aspects, including pricing, business restructuring, and promotion of in-house production.

They also accompanied us to exhibitions in Japan and overseas where we showcased our products and sometimes on visits to overseas customers. It was a huge encouragement to have a partner that believed in the distinctiveness and growth potential of our business working closely with us.

The results of the structural reforms have provided us with a solid foundation for growth. Since entering the growth phase, as we have worked to develop new businesses that leverage our strengths, JAFCO has provided us with wide-ranging support, including the use of its network. We have also realized a solid profit structure that differs completely from the one that existed before JAFCO's investment.

I believe that the growth of small- and medium-sized manufacturers is essential to boost the Japanese manufacturing industry. I hope JAFCO continues to support the creation of world-class manufacturing companies through its investments.

Venture Investment (Portfolio Company)

JEPLAN, INC.

JAFCO was the first to acknowledge our idea and make an investment decision

I founded JEPLAN in 2007 with the ideals of giving value to waste as a resource and recycling everything. At the time, the terms "sustainability," "circular economy," and "ESG" were still not commonly heard, so there were occasions when we received harsh feedback that it would be impossible to run a profitable environmental business. Nonetheless, we worked to develop a business and technology that would contribute to the formation of a recycling-oriented society and realize both profits and growth. Finally, in 2015, eight years after our foundation, we came up with the idea that would serve as a framework for our current business. The first company to acknowledge the value of our idea and make an investment decision was JAFCO.

Since then, we have overcome a number of challenges to realize that idea, and in the seven years since the investment from JAFCO, we have contributed to the formation of a recycling-oriented society and achieved profit growth. Over the next seven years, we hope to expand the scope of our contribution to the formation of a recycling-oriented society beyond Japan to the entire world, based on our track record and technology. It is still too soon to look back, but over the past seven years, JEPLAN has overcome many challenges that we might have otherwise given up on by ensuring that we adhered to the purpose of our agreement with JAFCO, our first investor. Demands for change tend to be loud, but of course, there are some things that should not change. I hope that JAFCO will continue to play its part in adhering to the purpose of the agreement, and I believe that this will serve as a compass to help many founders navigate the waves of challenges they are sure to face.



Masaki Takao

CEO
JEPLAN, INC.

In pursuit of its vision of "recycling everything," JEPLAN is working on horizontal bottle-to-bottle and clothing-to-clothing recycling, based on its strength in commercial production of recycled PET resins using the proprietary chemical recycling technology BRING Technology™, in addition to creating supply chain mechanisms.

Buyout Investment (Portfolio Company)

IZAWA TOWEL Co., Ltd.

Creating an environment where roles are clear and we can focus on business growth strategies and operations

The towel industry is still old-fashioned, and many companies focus on reproducing their past successes or creating hit products. In contrast, we felt that it was important to study the market as a whole and find out where the industry's problems were and where end users were not being served.

Fortunately for us, a mass market had not been established in the towel industry. As a result of our efforts to build it ourselves, we were able to reach a stage where an IPO was in sight. We received proposals and advice from many stock listing support companies, but JAFCO was the one that provided us with the clearest strategy for the IPO and beyond. They gave us the strongest sense of commitment to growth and depth of engagement. The capital alliance further clarified our roles. JAFCO led the way in establishing a roadmap and hiring human resources for the IPO, while we focused on business growth strategies and operations.

On a manufacturing cost basis, the size of the global towel market is around ¥1 trillion. If we can achieve sales of ¥200 billion, which represents 20% of this market, we will be able to claim the top market share. I hope to take advantage of JAFCO's knowledge and global network as we substantially accelerate the expansion of our market share after the IPO by implementing M&A and other activities.



Shoji Izawa

President
IZAWA TOWEL Co., Ltd.

Izawa Towel manufactures and sells towels. It provides OEM and ODM products primarily to major retailers. Based on its mission to create mass-market towels that will serve as the global standard, it is strongly committed to manufacturing towels that are both reasonably priced and comfortable to use.

BUSINESS DEVELOPMENT

Message from the Division Head

Naoki Sato
Partner (SV6)
Corporate Officer
In charge of Business Development



Strengths and Strategies

Strengths

- Overwhelming experience and extensive resources for supporting portfolio companies
 - More than 20 specialists in recruitment, marketing and sales support, back-office development, IPO preparation, and other fields
 - JAFCO's own unique network and know-how (past results and track record)
- Support for startup entrepreneurs that emphasizes frontline presence

Strategies

- Increase success probability of portfolio companies
- Expand the startup market and establish an ecosystem
 - Solving challenges in innovation at startups and large companies
 - Support for new business creation through conferences, community operations, and more

Social Role (Value Creation and Track Record)

Adding value to many portfolio companies

The support necessary to improve corporate value differs depending on the growth stage of portfolio companies. According to the growth stage, the Business Development Division provides the necessary resources to add value to portfolio companies. For startups whose businesses are at the conceptual stage, we serve as a reliable advisor when hiring human resources to support management, expanding sales channels, or establishing development and marketing strategies for their products and services. For those businesses that are at the commercialization stage, we provide support for cultivating business partnerships, establishing administrative structures, and preparing for listing.

Among activities through which we add value to portfolio

companies, those related to sales and marketing, hiring and other human resources tasks, and back-office functions are essential. We have 20 specialists (as of April 1, 2022) in our division dedicated to value-adding activities.

In addition, having assisted with more than 1,000 IPOs, we have cultivated unique know-how in guiding startups to success, support systems for hiring C-level executives and building an organization based on growth stages, and a network that includes more than 15,000 large corporations, all of which enable us to contribute significantly to the value of portfolio companies.

Emphases in Business Development

Tying knowledge cultivated in past venture investments to the success of portfolio companies

The Business Development Division has been accumulating tangible and intangible knowledge for more than 20 years through its support activities. One of the things we value is "frontline presence." In recent years, many entrepreneurs prioritize approaches and convictions they can relate to over existing values that have become obsolete. We take an approach of empathizing with such entrepreneurs, which we describe as "frontline presence."

Another value we embrace is reproducibility. Portfolio companies and investors are constantly exposed to the risk of failure. The tangible and intangible knowledge that the Group has accumulated is precious

information for startups as well. We believe it is important to leverage this knowledge to boost the reproducibility of success. To achieve this, we establish priority areas to address by having entrepreneurs and our investment professionals share knowledge in terms of business performance, human resources, and administration. Furthermore, we promote initiatives for portfolio company growth and the development of a startup ecosystem by actively creating community-like forums among portfolio companies where they can exchange information such as their successes and failures.

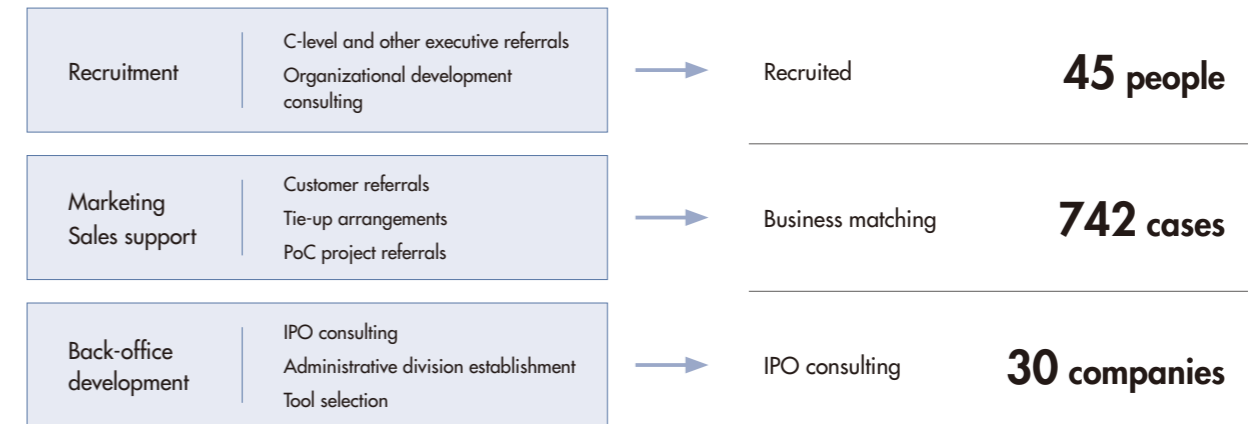
Bringing Portfolio Companies' Businesses to the Public Quickly and Widely

Support for business development and fundraising through proactive involvement in management decisions

20 business development professionals* support business launches together with investment professionals who create an environment in which entrepreneurs can focus on their core business

* As of April 1, 2022.

Results for the fiscal year ended March 31, 2022



Business Environment and Challenges

Differentiation from other investment companies is essential amid heated venture investments

In line with the growing venture capital market in Japan, market players are diversifying in type. Other than independent venture capital firms (VCs) similar to JAFCO Group, there are VCs affiliated with financial institutions, government agencies, and universities. In addition, we have seen the emergence of corporate venture capital (CVC), i.e., funds formed primarily by large corporations using their own capital for the purpose of investing in and providing other support to startups, and an increasing number of large-scale investment funds.

Under such circumstances, our division's efforts to provide timely advice and services according to the growth stage of portfolio

companies are vital to differentiating the Company from other sources of venture capital.

Furthermore, as sustainability has become the subject of greater attention in recent years, a growing number of portfolio and candidate companies are creating business models based on resolving social issues. Recently, the Group has also been assessing business potential in addition to risks and social needs in terms of ESG and the SDGs when identifying promising companies in the initial stage of investment activities.

Future Strategy

Building an ecosystem to solve the diverse challenges of portfolio companies

To continuously address the varying needs of portfolio companies, we will develop ideal forms of support for portfolio companies and help them evolve in response to the demands of the times. To do that, we need to respond quickly to the requests of portfolio companies and develop, propose, and help implement their growth scenarios.

In sales/marketing and capital/business alliance support, we will continue to provide support for business matching between portfolio companies and large companies to increase the number of business opportunities and closing rates.

In recruitment support, we will focus on C-level executives and engineers. In addition, we will provide support activities tailored to the organizational phase of rapidly growing startups and resolve challenges related to organization development, which are common among startups.

In IPO support, our staff of certified public accountants and tax

accountants offer support for establishing systems and preparing for an IPO to portfolio companies that are considering going public.

The challenges faced by portfolio companies are growing more and more diverse each year, and it may not be possible for JAFCO alone to help tackle them. For that reason, we must build an ecosystem to circulate diverse knowledge and rules of thumb and create reproducible success backed by the firm commitment of our team of professionals.

In addition to addressing the dilemmas and social issues faced by large companies that are looking to innovate, we support their endeavors in new business creation by organizing conferences and communities and matching them with startups. We also aim to expand the operation of our Career Academy targeting individuals who are interested in startups, as part of our efforts to lay the foundation for increasing public awareness of startups.

FUND MANAGEMENT

Message from the Division Head

Sueko Matsumoto
Corporate Officer
In charge of Fund Management
and Administration



- 1 Yoshinori Itah, General Manager of Fund Management
- 2 Sueko Matsumoto, Corporate Officer in charge of Fund Management and Administration
- 3 Hitoshi Sawamoto, Principal, Fund Management

Strengths and Strategies

Strengths

- Track record of high fund performance
- Extensive network of over 300 fund investors
- Thorough reporting and accountability to fund investors

Strategies

- Strengthen relationships of trust with existing fund investors
- Diversify the fund investor base

Social Role (Value Creation and Track Record)

Contribute to perpetual growth by raising risk money as a pioneer in investment limited partnerships in Japan

Today, the form of investment known as an investment limited partnership is utilized by many of Japan's private equity investment funds as an investment vehicle (linking assets and investors), but its origin dates back to 1982, when the Company established the first venture capital fund under Japanese law. As a pioneer in Japan's investment partnership business, we have led the establishment and expansion of the risk money market by increasing fund size, while coordinating with the relevant ministries and agencies to develop a system for ensuring the credibility of fund management on behalf of investors. Legislation on private equity investment management operations set forth the requirements to allow pension contributions to investment funds, and after obtaining registration as a financial instruments business operator in 2007 when the Financial Instruments and Exchange Act entered force, we quickly established an operating structure that allows us to better execute our fiduciary responsibility.

The social role of private equity investment funds is to raise risk

money from a wide range of investors and allocate such money to companies that require growth capital and management support to increase their corporate value, thereby revitalizing the economy and society. While the primary task of our division is to steadily raise risk money for new business creation as set forth in JAFCO's Mission, we can also deliver higher value by acting as an intermediary to organically link investors and unlisted companies, thereby generating business collaborations. Moreover, we can further increase the supply of risk money by reusing returns. In summary, our division serves as a hub for risk money, connecting dormant surplus capital held by companies and households with growing companies that serve society.

However, in part because risk money as a percentage of GDP is still small in Japan relative to Europe, the United States, and other countries in Asia, we believe that it is an important future responsibility of the Company to further expand the domestic risk money market.

Emphases in Fund Management

Deepen relationships of mutual trust as a partner supporting portfolio companies

Our responsibility is to do our best to maximize performance to meet the expectations of our fund investors, who are our customers. In the case of private equity investment funds, which have no portfolio at the time of fundraising, investors make investment decisions based on their assessment of the policy, strategy, and competence of the fund manager. Because it takes several years to generate investment results, fund investors are in the insecure position of having difficulty in

obtaining information on portfolio companies until specific results come out. For that reason, we emphasize transparency and timeliness in our management reporting and create opportunities for face-to-face reporting whenever possible. Since the dawn of private equity investment funds, we have worked to provide reporting to meet the needs of fund investors. This commitment is behind our extensive reporting that goes beyond the statutory financial statements and fund

JAFCO Group's
Values

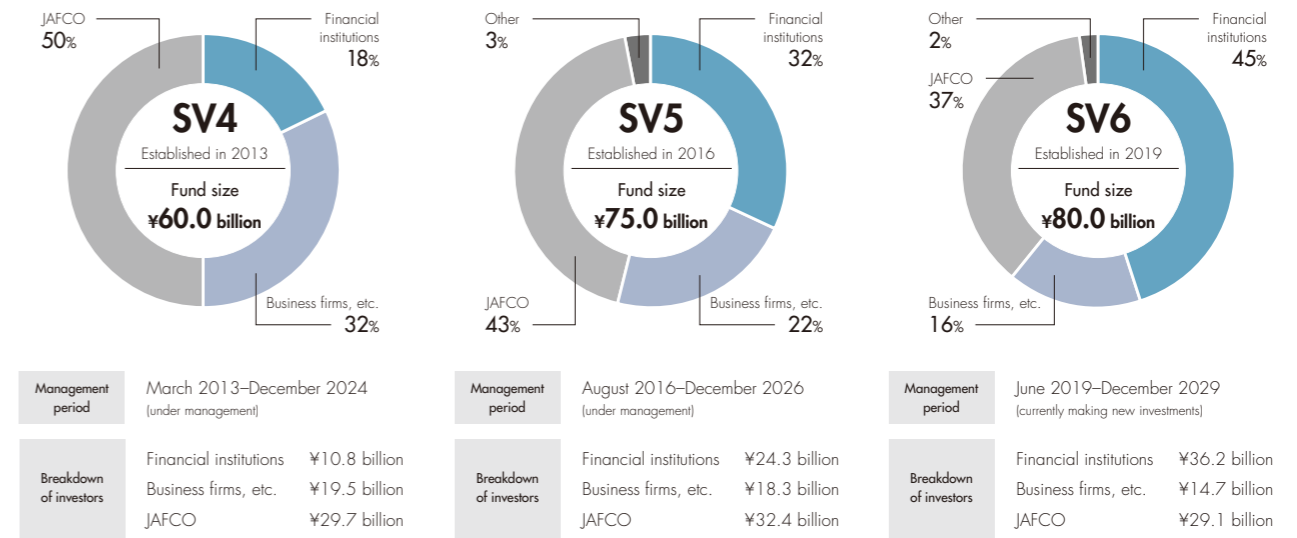
JAFCO Group's
Value Creation

**Sustainable
Growth Strategy**

Business Foundation
for Sustainable Growth

Corporate
Data

Breakdown of Fund Investors



management reports.

The primary investors in our funds are financial institutions and business firms. In addition to high expectations for management performance, fund investors often take an interest in the businesses of portfolio companies. As such, major functions of the Fund Management Division include holding post-investment briefings on the businesses of portfolio companies and matching investors with portfolio companies. By serving as a reliable advisor to our fund investors, we identify needs that even they are unaware of and match them with portfolio companies. These efforts, in return, sometimes lead to business deals.

Receiving investment from a fund with diverse investors is also a big plus for the businesses of portfolio companies. Having a point of contact with major corporations that have extensive business experience helps portfolio companies to gain insights for reflection in their business strategies and to expand their sales channels, thereby accelerating their growth.

The activities of our division serve as a bridge that brings fund investors, portfolio companies, and the Company together, which also helps to create a process for increasing investment value.

Business Environment and Challenges

Our challenge is to develop a new investor base amid the stagnant IPO market

Monetary tightening since around the end of 2021 has largely put the brakes on heated startup investment in the United States, and the trend in investment by overseas institutional investors, which had been flowing and expanding into the Japanese market, has changed. Currently, the number of IPOs in Japan is on the decline, and the average market capitalization at IPO is also shrinking.

We conduct fundraising about once every three years, and the scale is heavily influenced by the stock market and economic circumstances at the time. As it takes several years to see results from the investment, a downturn in the stock market will not have an immediate negative

impact on fund performance. However, fund investors' investment decisions are impacted by the stock market as the performance of existing funds may slacken and our funds are long-term investment products with low liquidity. The Fund Management Division closely monitors these changes in the environment and strengthens relationships with existing investors while continuing to approach new investors.

At present, about two-thirds of our fund investors are financial institutions and about one-third are business firms. One of our future challenges is to cultivate institutional and other new investors.

Future Strategy

Identify potential needs among financial institutions and business firms

To ensure a stable supply of risk money, we will work to maintain and improve the trust relationships we have built with our existing investors, including financial institutions and business firms, and further cultivate new investors to increase diversity among our fund investors.

While our funds are already well understood by major financial institutions, we will focus on enhancing relationships with small- and medium-sized financial institutions, among whom recognition of our funds is still low, by providing thorough explanations. To enhance our appeal to regional financial institutions, we will strengthen our

approach to startups with the potential to generate innovations that will help revitalize regional economies.

As for business firms, we will strengthen our approach to not only listed companies but also unlisted owner-operated companies with financial resources that are interested in investing in funds. Among unlisted companies, some are considering investing in funds simply as a means of capital management while others hope to find startups that can provide them with insights for launching new businesses. We intend to ensure that these needs are met.

Global Investment

Tri-polar Structure of the Company Group and Future Overseas Strategy

At the Company Group, investment teams in Japan, Asia, and the U.S. operate their own funds based on their respective investment strategies. We diversify regional risks by pursuing investment opportunities in three regions: Japan, our home base of operations; fast-growing Asia; and the United States, a leader in cutting-edge technologies.

The beginning of our overseas investment can be traced back to 1984, when we established a local subsidiary in the United States for fundraising. We started by co-investing with local funds through overseas investors, and in 1986 we established a Japan-based unit specializing in overseas investments.

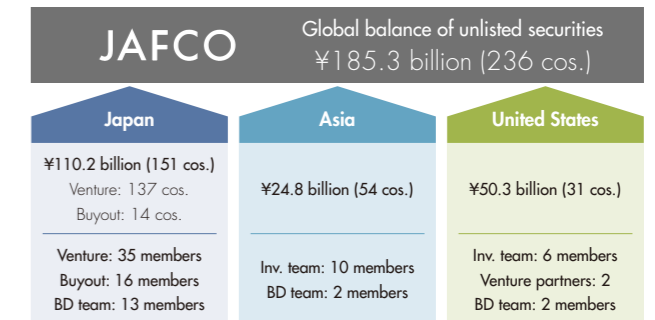
Initially, the U.S. subsidiary worked together with the Overseas Investment Division in Japan to make U.S. investments. After the historic

success of our IT fund in the United States around 2000, we switched to managing funds in the same style as U.S. venture capital firms, with locally hired teams making investment decisions. This policy of entrusting fund management to make full use of the U.S. team's capabilities in venture investments, which are highly local in nature, has been passed on to today's Silicon Valley-based Icon Ventures.

In Asia, after establishing a joint venture with Nomura Securities in 1990, we started full-scale investment and expanded our investment activities into Southeast Asia and East Asia. The joint venture was dissolved in 1999, after which we shifted our investment focus to technology startups in East Asia. As in the United States, our Asian funds are managed primarily by local teams.

After 2000, we also established a dedicated business development team in Japan to provide support to portfolio companies in Asia and the United States for establishing Japanese subsidiaries, cultivating sales channels, and forming capital and business alliances. Our strength in supporting these portfolio companies in entering the Japanese market has led to the acquisition of promising investment opportunities in Asia and the United States.

Fiscal Year Ended March 31, 2022



BD: Business Development
 Number of personnel is as of April 1, 2022.
 (BD team excludes members in charge of investment research and consulting).

JAFCO ASIA

Accelerating investment in cutting-edge domains within emerging markets in multiple regions where rapid expansion is expected in the medium to long term

Private equity markets in Asia, including Greater China (China and Taiwan), which is the world's second-largest economy, and India, where both population and economic growth are accelerating, are large and attractive investment targets expected to continue expanding. Numerous startups responsible for transforming the social structure have emerged amid fierce competition, owing in part to the high proportion of young people in the population, absolute size of demand from the middle-income consumer segment, and the latecomer's advantage in technology, that have led to the rapid development of social infrastructure. In recent years, Southeast Asian countries such as Vietnam and Indonesia have also increased their presence as emerging markets with tremendous latent demand. JAFCO Asia has remained consistently committed to the Asian market for the past 30 years. As a local Asian venture capital firm with strong ties to Japan, we are boldly promoting business development with

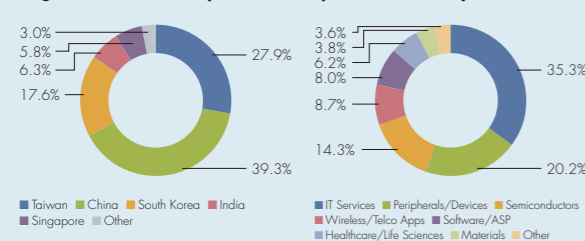
expertise in entering both the Asian and Japanese markets based on independent investment decisions and a hands-on approach to founders by our local professionals.

Since 2000, we have invested a cumulative total of US\$1.3 billion in 300 companies through our Asian funds, of which more than 200 companies achieved exits, including around 50 IPOs, building a solid track record and investment management capabilities with high reproducibility. Major exits include Medical System's listing on China's onshore stock market (11.9x ROI) and SHEIN's home-run deal (56.5x ROI). Going forward, we will actively promote investments primarily in domains such as mobile Internet, healthcare, and deep tech. In addition to Greater China, where we have a proven track record with significant returns, we also proactively pursue investments in India and Southeast Asia.

JAFCO Asia operating structure

 Sweeting Pan Managing Director, Head of China (Shanghai, China)	 Yoshiyuki Shibusawa President & CEO JAFCO Investment (Asia Pacific) Ltd
 John Lin Managing Director, Head of Taiwan	 Melvin Teo CFO
 Supriya Singh Director, Head of South Asia Investments	

Regions/Industries of portfolio companies (monetary amount)



Note: Since 2000, including JATF1-JAS8 and JTF (Taiwan fund).

Major portfolio companies



Icon Ventures (United States)

Executing investments in the world's largest and most advanced startup market and enhancing support for business development in Asia

Recognizing the growth potential in the United States—the largest private equity market in the world—at an early stage, the Company established JAFCO America Ventures Inc. in 1984. Since 2015, our U.S. subsidiary has operated under the name Icon Ventures, and it is now known as a local venture capital firm with strength in Series B and C funding rounds based on its network with top-tier venture capital firms in the United States. It is also promoting independent management through coordination with JAFCO Group in Japan, and now manages a cumulative total of US\$1.3 billion in funds. Since making the transition to its current operating structure, it has successfully completed 34 exits, including eight IPOs, for a total exit value of more than US\$93 billion. Major portfolio companies include Bill.com, Teledoc, Palo Alto Networks, FireEye, Proofpoint, and Infinera, which all made successful IPOs, as well as AsterData (acquired by Teradata), MoPub (acquired by Twitter), and ClairMail (acquired by Monitise). Icon Ventures also provides support to portfolio companies for their business

development in Asia in collaboration with Japan-based JAFCO Group and for recruitment of engineers in Canada. These efforts set Icon Ventures apart from its competitors and have helped it to acquire promising portfolio companies. Icon Ventures will continue to put together a solid track record of investment in the United States with cloud and data services, consumer IT services, fintech, and digital health as priority investment domains.

Icon Ventures operating structure

 Joe Horowitz Managing General Partner	 Tom Mawhinney General Partner
 Jeb Miller General Partner	 Preeti Rathi General Partner

Major portfolio companies

	Security	Consumer/SaaS	Data and AI	Digital health
Exits	paloalto, fireeye, proofpoint, voltage, 451PARAMETER, solidcore	bill.com, clip, clairmail, trueX, opcity, meebo	aster data, DATAlegro, mopub, Datrium, HIRSH, ocarina	TELADOC
Unicorns	exabeam, atbay	Quizlet	Alation, CONFLUENT, Timescale	MAVEN
Up-and-comers	Synack, CEQUENCE SECURITY	Empower, Reputation, GLOBAL WORLDWIDE, VSCO	RIPCORD, Delphix, AISERA, asserts, switchboard, TrustArc	Nomad, fuzzy, PATH, MIDI

Human Resources Strategy

Basic Approach

At JAFCO Group, the most important management resource for realizing Our Purpose and achieving sustainable growth is our human resources. For 40 years, we have consistently hired new graduates and worked to train investment professionals. Another major distinguishing characteristic of our human resources strategy is the emphasis we place on the unique talents of individual professionals and the organizational structure we have built to support those individuals. A major challenge for the Company is to adapt flexibly to diverse

entrepreneurs/portfolio companies and markets while maintaining an unchanging culture of respecting entrepreneurs and portfolio companies throughout our organization. Toward that end, we support employees in maximizing their performance and pursuing challenges as a Co-Founder by respecting the diversity of our employees, providing them with opportunities for individual growth and achievement, and developing a work style that is conducive to productivity.

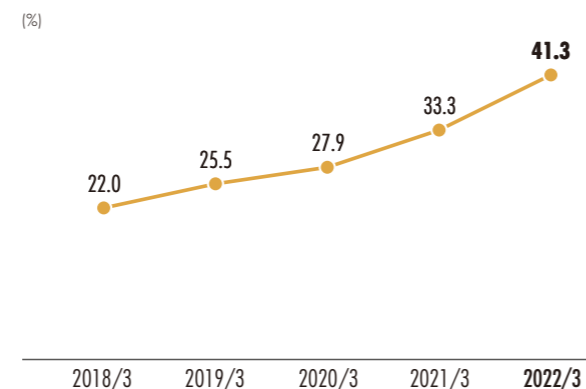
Diversity of Human Resources

The more diverse and complex social needs become, the greater the diversity required of investment professionals. Human resources with diverse values and experiences who understand the value of the investment business are essential to quickly identify the social values of the future and create investment opportunities.

In addition to continually hiring new graduates, we also focus on mid-career hiring to attract competent human resources regardless of industry experience. The percentage of mid-career hires among our investment professionals is increasing each year, and the combination of training new graduate hires and the expertise of mid-career hires leads to the creation of additional investment opportunities.

While at present most of our investment team are male, we will step up our efforts to hire female investment team members as we expand our workforce. Our company-wide policy is to hire and train diverse human resources regardless of gender, nationality, or age.

Mid-career hires among our investment professionals (venture and buyout investments)



Human Resources Development

We have developed a unique training model for investment professionals based on our many years of experience. We hire high-potential new graduates and train them to become strong individuals capable of continuously producing strong results.

In recent years, in addition to on-the-job training, we have enhanced our instructor and mentor programs to promote faster growth, while also ensuring that their mental well-being is supported. Our young employees regularly meet one on one with instructors and mentors, as we work to create an environment that facilitates their growth

and pursuits. Coaching and feedback training is also provided to management-level employees to enhance their training ability.

We also encourage our employees to have second jobs. We believe that promoting opportunities for our employees to take on challenges and achieve personal growth, and sharing the experience they gain outside the Company, both internally and with portfolio companies, allows us to contribute to our own growth as well as that of portfolio companies.

Well-being Initiatives

We believe that preparing an environment in which employees can work comfortably and in good health leads to improvements in individual performance.

Our health management initiatives include regular health checkups and follow-ups, infection prevention measures, coordination with industrial physicians and public health nurses, and regular announcements designed to improve health literacy and awareness. The uptake rate for health checkups is high, and that of stress check tests has reached 100%.

Remote working is also spreading, and in addition to flexible working hours through a flextime program, a flexible location work style is possible depending on the situation, including hybrid home and office working. We also have support systems in place for the lifestyles and life stages of each employee, including for childcare and nursing care, and the number of employees who take childcare leave for an extended period is increasing, regardless of gender.

Messages from Human Resources Group Leaders

Carrying forward human resources that respect entrepreneurs and a corporate culture that develops people



Yuichiro Araki
Group Leader, HR Planning Group Administration Division

In addition to all operations related to the hiring of human resources, the HR Planning Group supports on-boarding, training, and success of new recruits. We also promote strategies to maximize organizational performance.

In terms of hiring, we focus on high-potential new graduates and carry out a rigorous hiring process based on multiple rounds of screening, while ensuring that graduates have a deep understanding of venture investment and providing them with strong incentives.

We have a high retention rate of new graduates due to our unique tradition and culture of developing young talent into investment professionals. Leaders in the Venture Investment Division, including partners, are composed of those with extensive experience who started their career at JAFCO. This is a distinctive characteristic of our human resources, but we also actively carry out mid-career hiring to diversify our human resources. In times such as these, when there are significant changes in the social environment and values, diverse human resources with different values are essential. To ensure the sustainable growth of the Company, we aim to create a fully diverse, highly autonomous yet organically functioning organization through balanced hiring of carefully selected high-potential new graduates and mid-career professionals.

In terms of human resources development, in addition to our high level of compliance awareness and discipline as a professional firm, our major strengths are an organization-wide basic stance of respecting entrepreneurs/business leaders as well as a long-cultivated enthusiasm and a high sense of ownership for working closely with them and guiding their businesses to success. Furthermore, in the fund business domain, where individual strengths tend to be highlighted, we are committed to human resource and organizational development so that both individuals and the organization as a whole perform at their best.

Improving the health of employees and performance of the entire workplace

The HR Operations Group handles arrangements for each employee after they join the Company, including benefits, social insurance, remuneration, and evaluation. We ensure the peace of mind of every employee by supporting them through administrative procedures as necessary, ensuring a comfortable work environment, and implementing measures to help them achieve their best performance. JAFCO's business has high social value in that it contributes to a more prosperous future by directly supporting the growth and value creation of portfolio companies, which inspires our employees to work enthusiastically and earnestly. However, given our perpetual quest to identify portfolio companies and support their growth, it is vital to prevent employees from overexerting themselves. As self-discipline and self-management are strongly required, we believe it is important to emphasize the mental and physical health of our employees and promote flexible work styles, including remote working. Recently, awareness of health management has been rising among employees, and we see employees working according to their own preferences.

As entrepreneurs and portfolio companies continually change in response to the demands of the times, we must also constantly adapt. As such, while continuing to hire new graduates, we are hiring more mid-career professionals. On-boarding support, including training programs and communication measures, must also be devised to ensure that they quickly become accustomed to their new environment and become a part of our core competence. In terms of the organization, it is important that we combine new graduate hires with mid-career professionals to ensure a balanced personnel structure. The ideal organization is one in which both existing members and newcomers from diverse backgrounds can leverage their respective experiences to boost synergy.



Noriko Uchida
Group Leader, HR Operations Group Administration Division