

JAFCO

Presentation for New Investors

JAFCO Group Co., Ltd.

April 24, 2024

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Our Goal and Its Feasibility

Through our basic policy for enhancing corporate value, we designate medium- to long-term goals.

We aim to realize our purpose as a unique investment management company that combines strengths in venture and buyout investment.

Backed by our more than 50 years of experience, our continually evolving and robust management resources, and the market's growth potential, we believe that this is an attainable goal.

Purpose

Fueling perpetual growth; investing in bold visions

Our goal

Basic policy for enhancing corporate value

Promote growth strategy × Improve capital efficiency

Goal: ROE of 15%-20%

See P15

Target ROE of 15% in the medium term (around 2027) and 20% in the long term (around 2032)

An investment management company that combines strengths in venture and buyout investment

In venture investment we aim to foster prime Japanese startups; In buyout investment we support regrowth of companies for succession to next generations. By combining strengths in both areas and enhancing expertise, we will aim to realize an even higher level of performance.

See P6

Market environment

Venture

Growth of the startup market

- Startup funding increased tenfold in 10 years
- Backed by Startup Development Five-Year Plan, etc.

See P17

See P20

Buyout

Potential of the business succession and M&A market

- M&A deals involving Japanese companies are increasing and there is high potential
- The government has been continually involved in business succession of SMEs

See P18

See P21

Achievements and management resources

Track record in private equity

- Established first Japanese venture fund (1982)
- Pioneered Japanese buyout funds (1998)
- Invested in 4,181 companies and managed a cumulative total of ¥1.2 trillion of funds

See P5

Strong management resources based on human, intellectual, and social capital

See P25

Section 1: Company Overview

JAFCO

Business Endeavors for Realizing Our Purpose

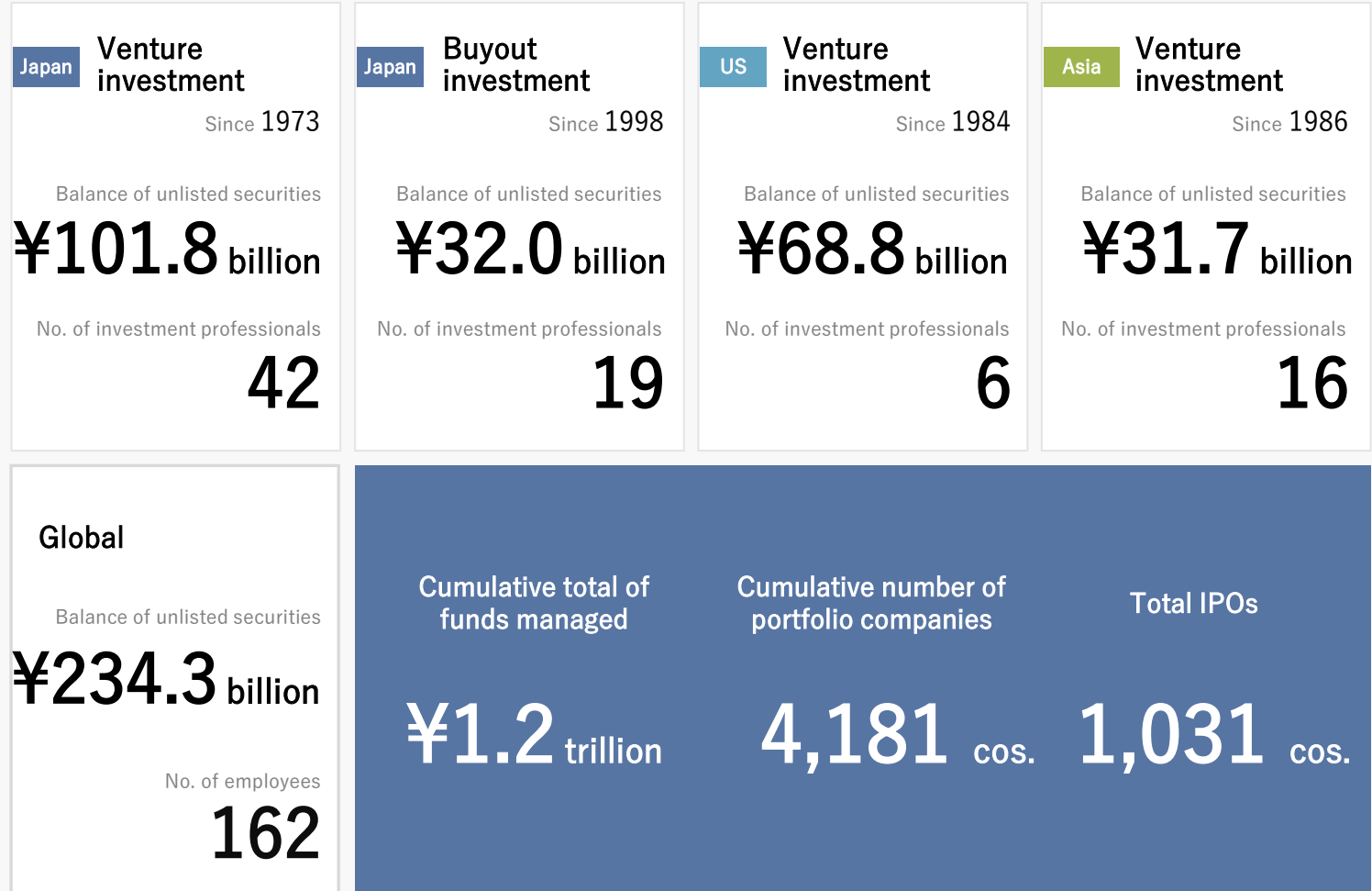
We began as a pioneer in Japanese venture capital, consistently investing in bold visions since our inception.

Since our founding 50 years ago, we have been consistent in making investments in all circumstances, fueling perpetual growth.

Currently, we conduct both venture and buyout investment, boasting an outstanding track record and a fundraising capability that rank at the highest level domestically.

Purpose

Fueling perpetual growth; investing in bold visions



*Balances of unlisted securities are as of the end of March 2024. Personnel numbers are as of April 1, 2024.

Our Two Business Domains

Our business comprises of **venture investment**, which is our founding business, and **buyout investment**, which has become our second pillar.

Venture investment can offer high growth potential, it also comes with high volatility. By combining it with the stable revenue of buyout investment, we are stabilizing our operations.

By **combining the strengths of venture and buyout investment going forward**, we will establish a unique organizational foundation in an aim to achieve an even greater level of performance.

Combining the strengths of venture and buyout investment to achieve greater performance

Venture investment		Buyout investment
<ul style="list-style-type: none"> Startups in their founding to growth stages 	Target of investment	<ul style="list-style-type: none"> Companies in their early to mature stages that have realized earnings
<ul style="list-style-type: none"> Make minority investment of a 10-20% stake Lead large-scale financing in early-stage companies as the lead investor 	Investment policy	<ul style="list-style-type: none"> Make majority investment of a stake of 50% or more In addition to conventional buyout, we make growth-supportive investment focused on the growth of portfolio companies
<ul style="list-style-type: none"> 3 to 8 years 	Holding period	<ul style="list-style-type: none"> 3 to 5 years
<ul style="list-style-type: none"> Primarily aim for exit through IPOs, while also considering M&A deals 	Exit strategy	<ul style="list-style-type: none"> Exit strategy considers M&A as well as IPOs
<ul style="list-style-type: none"> Aim for returns up to tens of times in size Significant volatility due to susceptibility to market influences 	Expected returns	<ul style="list-style-type: none"> Stably aim for returns of about 3 times in size Relatively less influenced by the market and volatility is low

Mitigate market influences and achieve stable operations through a portfolio of differing asset classes

Investment Track Record

Commit to new business creation and jointly shape the future

Based on this Mission, we have helped entrepreneurs create various innovative products and services.

We will continue to capture the changing times and take on the challenge with entrepreneurs to realize a sustainable future.

Exits					
Venture					
					
Buyout					
					
Overseas					
					
Investments					
Venture					
					
					
Buyout					
					
Overseas					
					

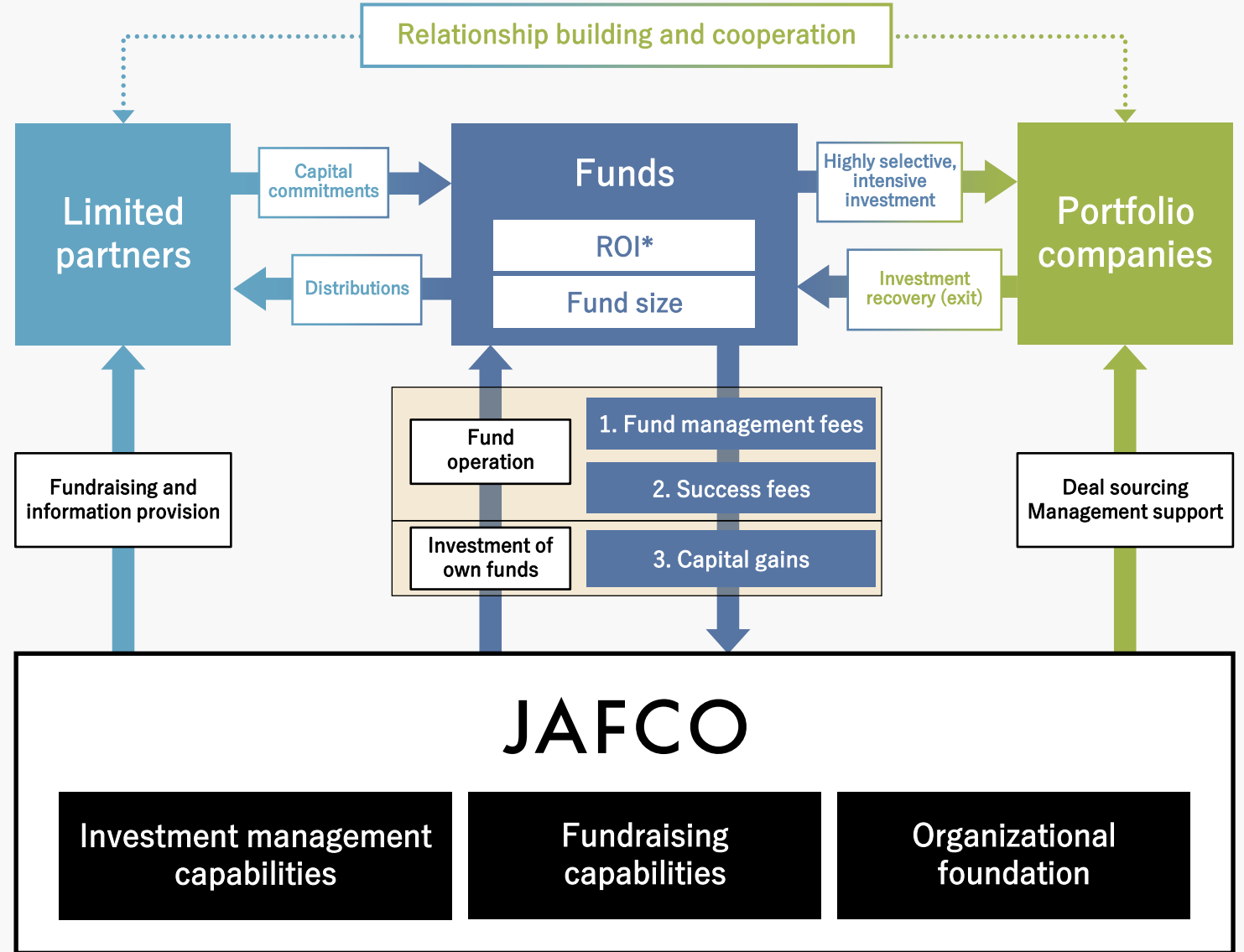
*Some company logos are as of the time of their sale.

Business Model

JAFCO invests in unlisted securities by channeling capital gathered from investors into funds.

Our revenue streams include fund management fees and success fees from fund operations, and we also realize capital gains by investing our own capital into the funds.

We aim to maximize profits by improving our investment management, fundraising, and organizational capabilities as well as expanding our fund size and achieving high returns on investment (ROI*).



*ROI: Revenue from operational investment securities ÷ Cost of operational investment securities

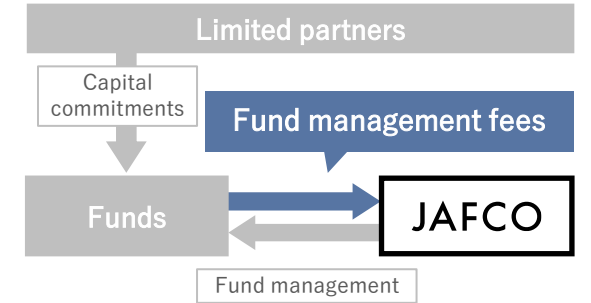
Three Sources of Income

Our income sources are **fund management fees** earned as fees relative to the capital commitments made by our limited partners into our funds, **success fees***, and **capital gains** derived as returns from our own investments in the funds.

The key drivers of our growth are the increase of ROI** (investment management capabilities) and funding from our limited partners (fundraising capabilities).

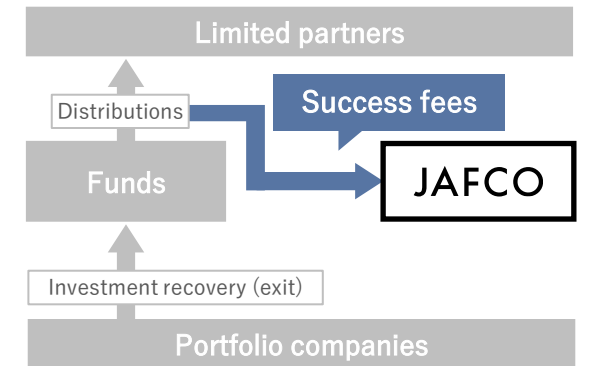
1. Fund management fees

- Fixed fees for the management of funds
- Capital commitments from limited partners*** (AUM) × Approx. 2% per annum
- Key driver: External capital commitments (AUM)



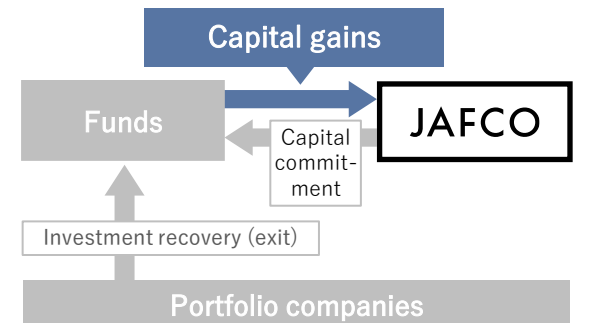
2. Success fees

- Performance-based compensation for funds
- Fund management income × Rate of limited partners' interests × 20%
- Key driver: ROI



3. Capital gains

- Investment returns obtained by investing our own capital into funds
- Gain/loss on sale of portfolio shares corresponding to JAFCO's interests in funds
- Key driver: ROI**



* Success fees are recorded once cumulative distributions exceed capital commitments.

** ROI: Revenue from operational investment securities ÷ Cost of operational investment securities

*** Funds entrusted for management by limited partners; The amount subject to fund management fees excluding investments in ICON.

Sustainable Competitive Advantages

Our strengths are our investment management and fundraising capabilities, supported by our organizational foundation.

By continuously strengthening these elements, we fuel perpetual growth while generating profits based on a stable business foundation and increasing funds under management.



2024 Financial Highlights

Net sales amounted to ¥24.4 billion (yoy increase of 74%), ordinary income to ¥8.8 billion, and net income to ¥7.5 billion (yoy decrease of 82%).

Due to new fundraising, fund management fees increased to ¥4.8 billion from the previous period's ¥3.4 billion, a level that can cover SG&A expenses (excl. business tax).

<p>Total net sales</p> <p>24.4 billion</p>	<p>Net income</p> <p>7.5 billion</p>	<p>Fund management fees</p> <p>4.8 billion</p>	<p>Capital commitments (AUM) / External capital commitments*</p> <p>465.6 billion 194.9 billion</p>
<p>Ordinary income</p> <p>8.8 billion</p>	<p>ROE</p> <p>5.6%</p>	<p>Admin. expense coverage</p> <p>110%</p>	<p>Average exit multiple (5 yrs average)</p> <p>2.3x</p>

* Funds entrusted for management by limited partners; The amount subject to fund management fees excluding investments in ICON.

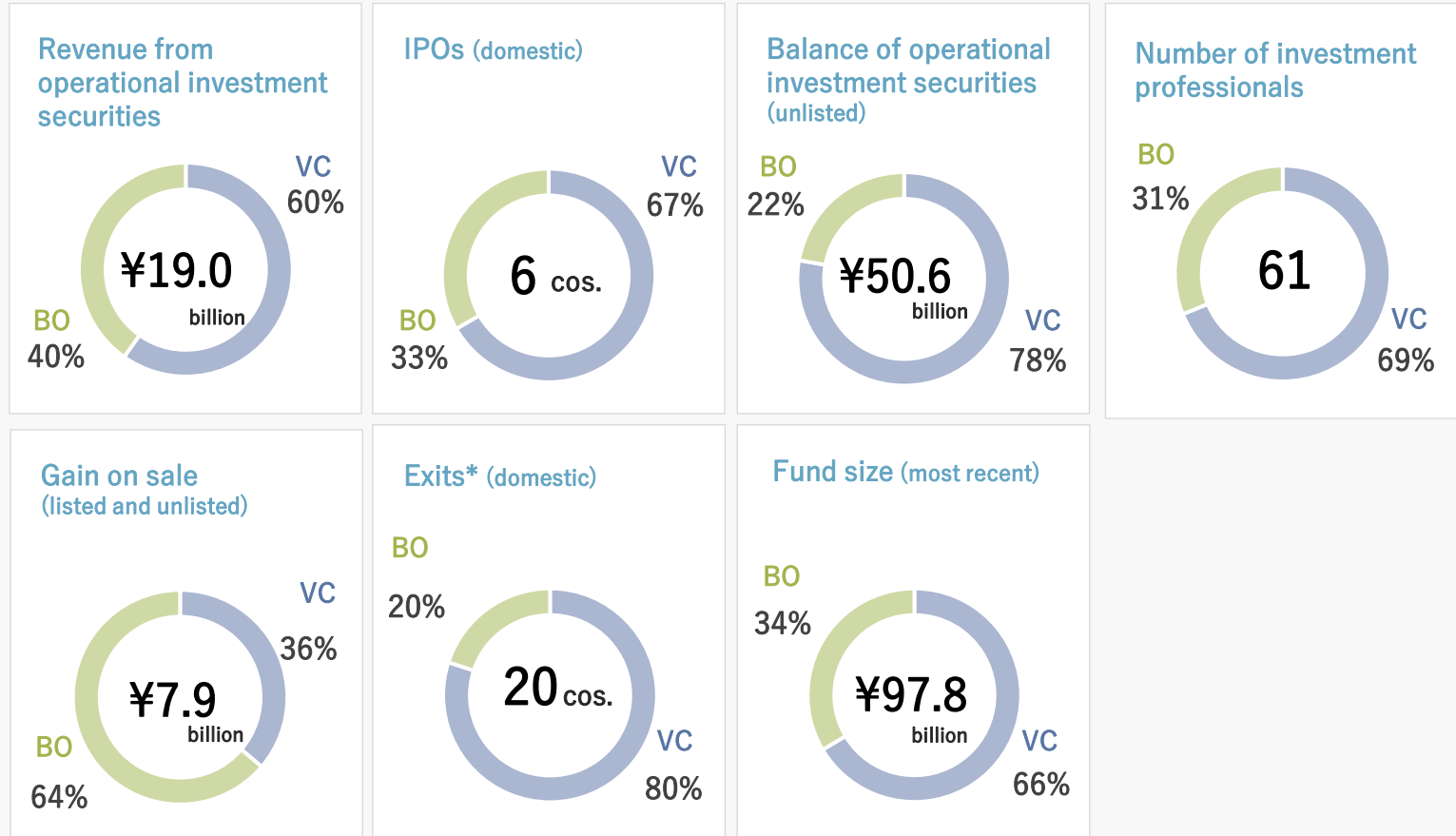
** Admin. expense coverage = Management fees / SG&A expenses excl. business tax

2024 Numerical Highlights for Venture and Buyout Investment

Capital gains (listed and unlisted) amounted to ¥7.9 billion compared to ¥3.7 billion in the preceding fiscal year.

There were 6 domestic IPOs (2 for buyout).

In this period, exits from buyout investment contributed significantly to capital gains.



*The number of exits by sale of all owned shares or by IPO.

Section 2: Basic Plan for Enhancing Corporate Value and Its Feasibility

JAFCO

Repeat

Our Goal and Its Feasibility

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We aim to realize our purpose as a unique investment management company that combines strengths in venture and buyout investment.

Backed by our more than 50 years of experience, our continually evolving and robust management resources, and the market's growth potential, we strongly believe in the attainability of our goal.

Purpose

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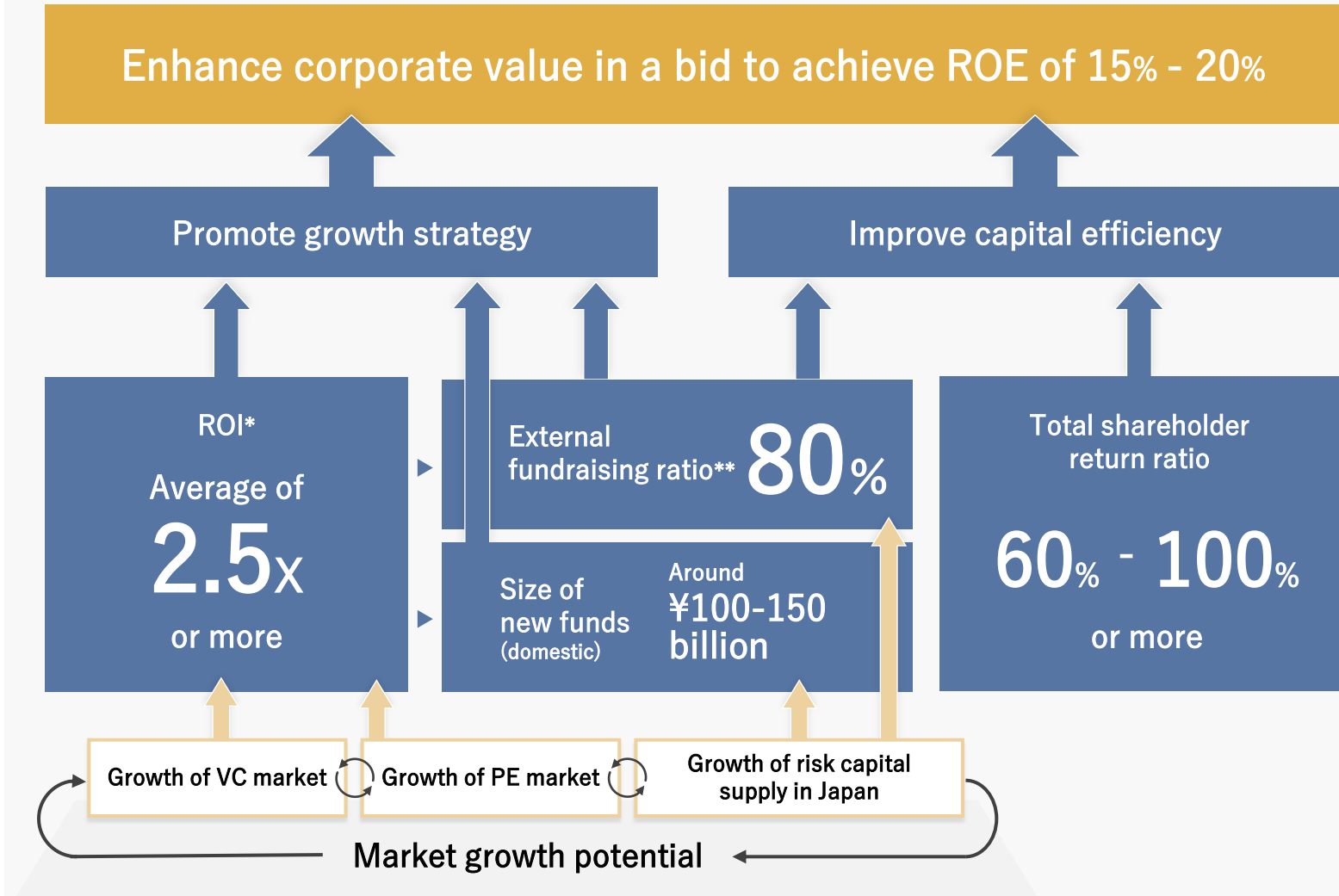
Our goal

Enhancing Corporate Value by Promoting Our Growth Strategy and Improving Capital Efficiency

We advance our growth strategy by enhancing our investment performance through the strengthening of our investment management capabilities as well as by enhancing our fundraising capabilities.

Also, we will gradually increase the size of new funds to match the target market size while reducing our investment ratio in stages, thereby improving capital efficiency.

With the VC/PE markets growing and the supply of risk capital increasing, we believe that our target ROE of 15%-20% is attainable.



* ROI: Revenue from operational investment securities ÷ Cost of operational investment securities

** External fundraising ratio: The ratio of limited partners' capital commitments in funds established about once every three years.

Our goal

Aiming For an ROE of 15%-20%

We have been improving growth and stability through highly selective, intensive investment as well as improving capital efficiency through share buybacks and other measures for capital reduction.

To achieve an **ROE of 15% to 20%**, we will gradually expand AUM with a 3-year funding cycle by enhancing our fundraising capabilities in addition to further strengthening our investment performance.

Also, **we target a total shareholder return ratio of 60%-100%** by implementing flexible share buybacks and distributions that are stable and in line with profit growth.

Past initiatives and results

	Results for FY ended Mar. '22	Results for FY ended Mar. '23	Results for FY ended Mar. '24
Ordinary income (loss)	¥18.4 billion	(¥3.0 billion)	¥8.8 billion
Net income	¥15.1 billion	¥40.6 billion	¥7.5 billion
Net assets	¥197.4 billion	¥130.7 billion	¥137.6 billion
-	-	-	-
Total shareholder return ratio	285.7%	124.6%	50.0%
ROE	7.3%	24.7%	5.6%
Capital commitments (AUM)	¥332.3 billion	¥419.2 billion	¥465.6 billion
ROI*3	2.7x	1.6x	1.7x
Balance of operational investment securities*4	¥79.2 billion	¥84.0 billion	¥90.2 billion

Image of financial target and medium-to long-term plan indices within the framework of the basic policy for improving corporate value

Financial target : ROE of 15% to 20%

	Around FY ending Mar. '27	Around FY ending Mar. '30
Ordinary income	¥22.5 billion	¥31.0 billion
Net income	¥16.0 billion	¥22.0 billion
Net assets	¥140.0 billion	¥130.0 billion
Cumulative income	¥42.0 billion*	¥100.0 billion*2
Cumulative total shareholder return ratio	79%	101%
ROE	11.3%	16.6%
Capital commitments (AUM)	¥500.0 billion	¥570.0 billion
ROI*3	2.5x or more	2.5x or more
Balance of operational investment securities*4	¥95.0 billion	¥90.0 billion

* Cumulative target period: 3 years from FY March 2025

*2 Cumulative target period: 6 years from FY March 2025

*3 ROI: Revenue from operational investment securities ÷ Cost of operational investment securities

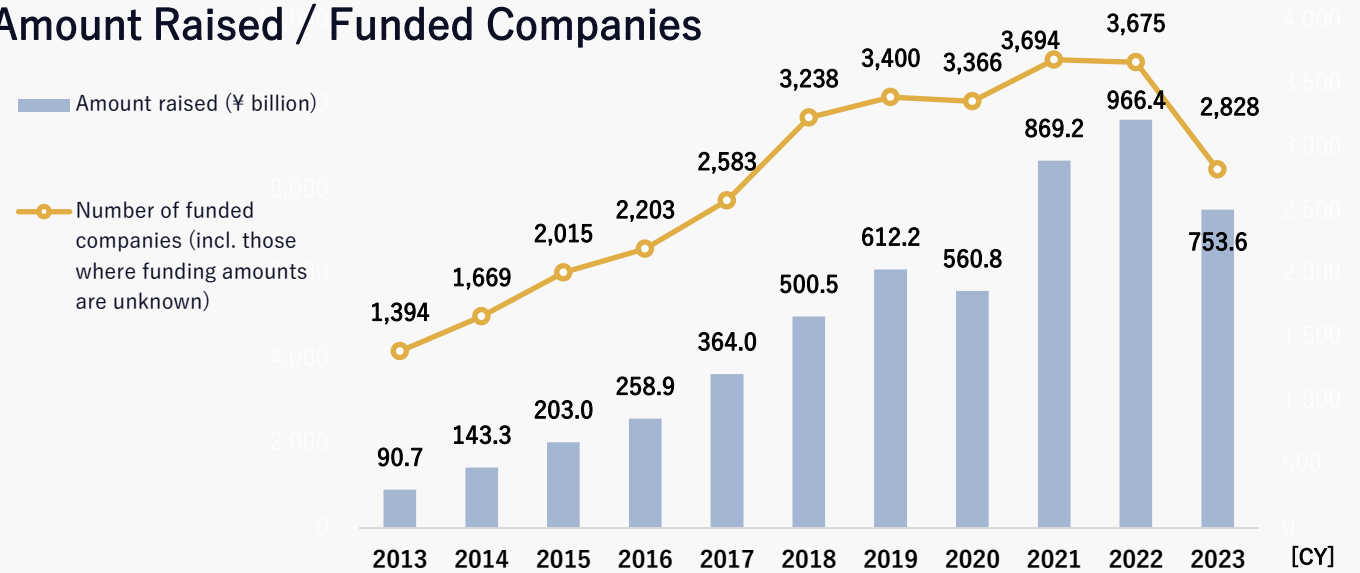
*4 After mark-down

Situation of Startups in Japan

Both the amount of funds raised for domestic startups as well as the number of funded companies remained resilient despite a decrease from the previous year due to a global decrease in capital inflow into growth markets in 2023.

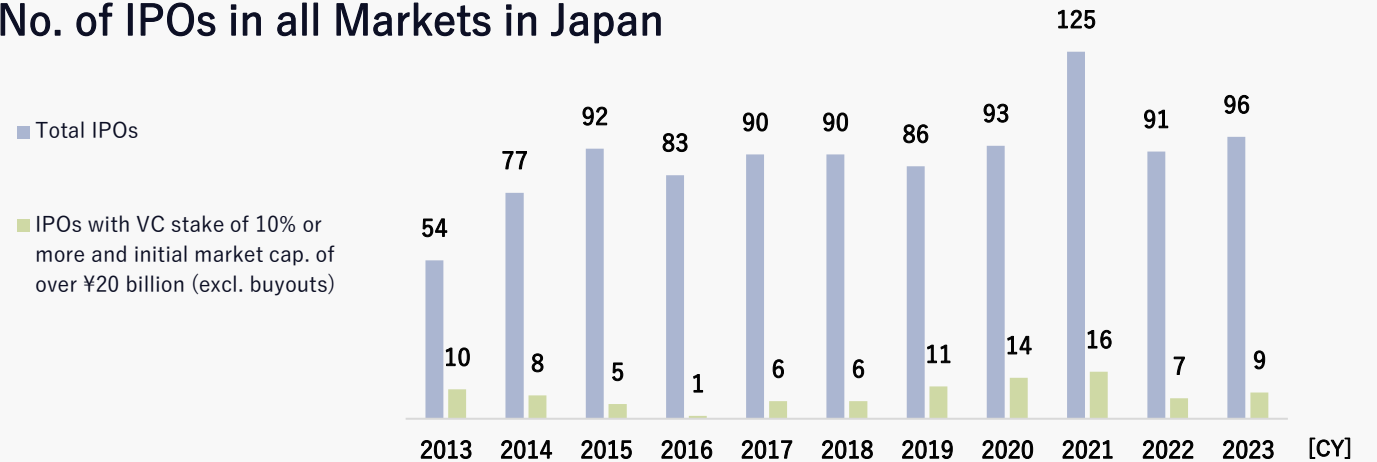
The number of domestic IPOs was at a level similar to the previous year and is expected to continue at a high level.

Amount Raised / Funded Companies



Note: 1. Created by JAFCO based on "Japan Startup Finance 2023" (First edition issued on Jan. 31, 2024) by Uzabase, Inc. Figures are from INITIAL (as of Jan. 23, 2024).
 2. Figures for each year are those identified up to the time of aggregate calculation.
 3. Due to the nature of the data, the figures, including those in the past, fluctuate with the progress of the survey. The smaller the value of a deal, the more likely it is to be affected by the progress of the survey, especially the number of funded companies.
 4. The amount of funds raised for 2023 "is estimated to land at around 850 billion yen, similar to 2021 and a year-on-year decrease of 12%, when considering the amount of funds raised that will become apparent later on" while the number of funded companies "is likely to surpass the previous year considering the numbers that will become apparent later on as this figure is more impacted by delay" according to comments from INITIAL.

No. of IPOs in all Markets in Japan



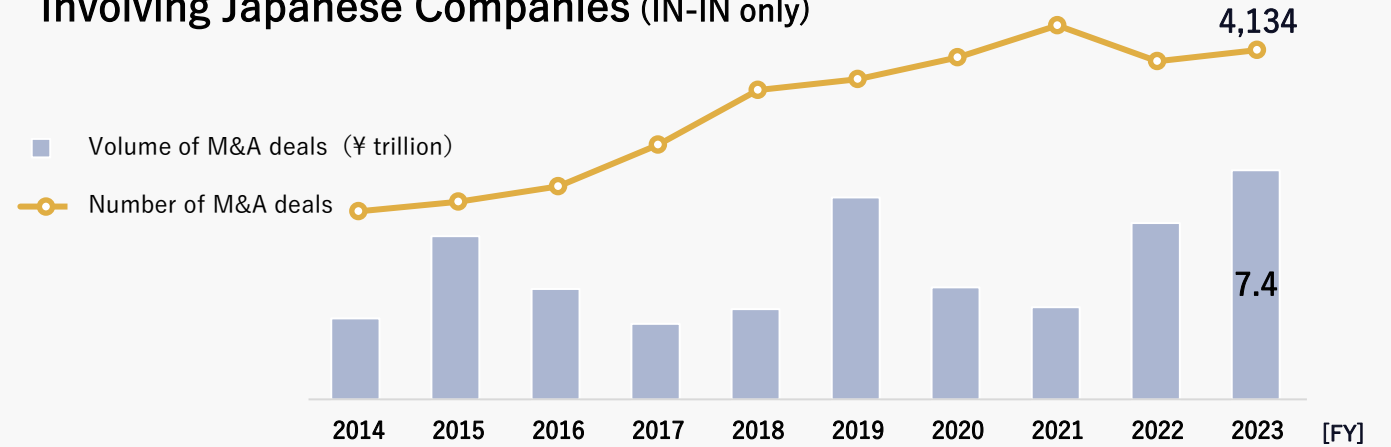
Market environment Buyout investment

Trends in the Buyout Market in Japan

The number and volume of M&A deals has been growing recently with the backdrop of the post-pandemic recovery of economic activity in addition to economic slowdown and business succession-related issues.

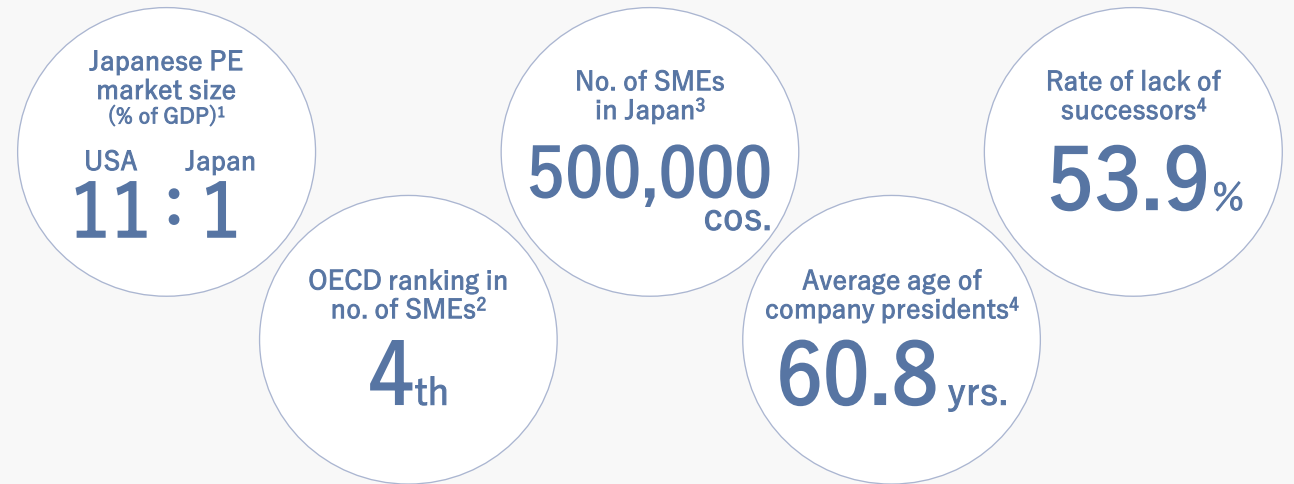
With the aging of owners of small and medium-sized enterprises (SMEs) and the fact that more than half of such owners still lack successors, business succession is expected to accelerate further.

Number and Volume of M&A Deals Involving Japanese Companies (IN-IN only)



*Created by JAFCO based on RECOF M&A DATABASE. No. of deals includes deals classified as "M&A" and "In-group M&A" in the database.

Potential of the Buyout Market in Japan



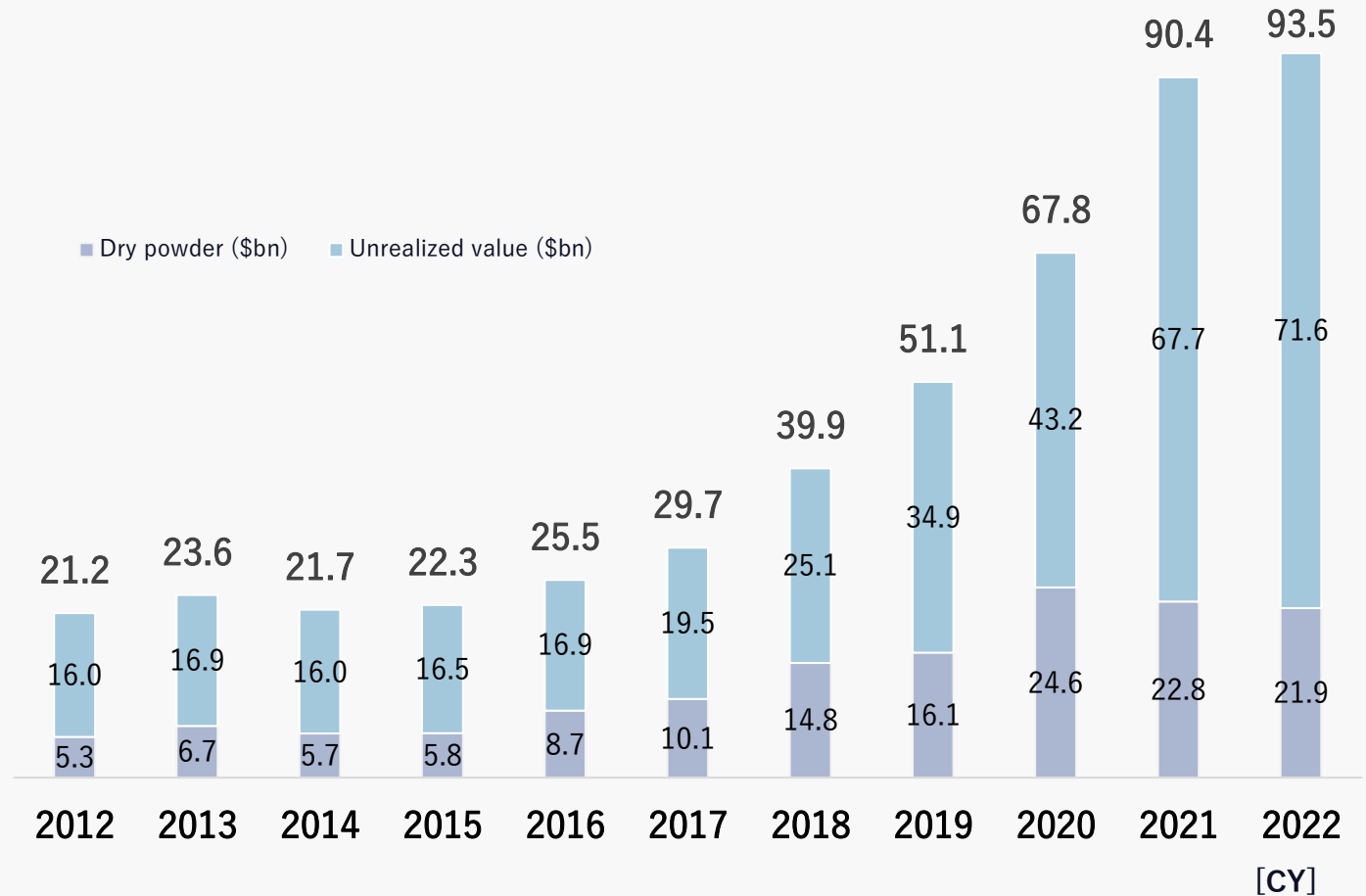
1. Values sought by dividing "Private Equity (non-VC) AUM (3Q 2023)" (provided by Preqin) by "World Economic Outlook (October 2023) -GDP, current Price" (IMF); Japan comes out to 1.16% and the US to 13.02% or 11.2x of Japan.2. OECD SDBS ISIC Rev.4 Number of enterprises, SMEs (2017)3. Number of companies in 2021 Economic Census for Business Activity excluding large companies and small businesses (Ministry of Internal Affairs and Communications & Ministry of Economy, Trade, and Industry)4. Teikoku Databank's Nationwide Survey on Rate of Lack of Successors (2023)
Based on the 270,000 SMEs across all regions and industries available in Teikoku Databank's CCR credit investigation reports, etc.

Market environment

Venture investment
Buyout investment

Increase of Risk Capital Supply in Japan

The amount of assets under management of domestic private equity funds has been **increasing in the past 10 years** backed by low interest rates and policy expectations, reaching \$93.5 billion at the end of 2022.



Source: Data provided by Preqin; "Japan Focused Private Equity (including Venture Capital) AUM, 2012 –2022"

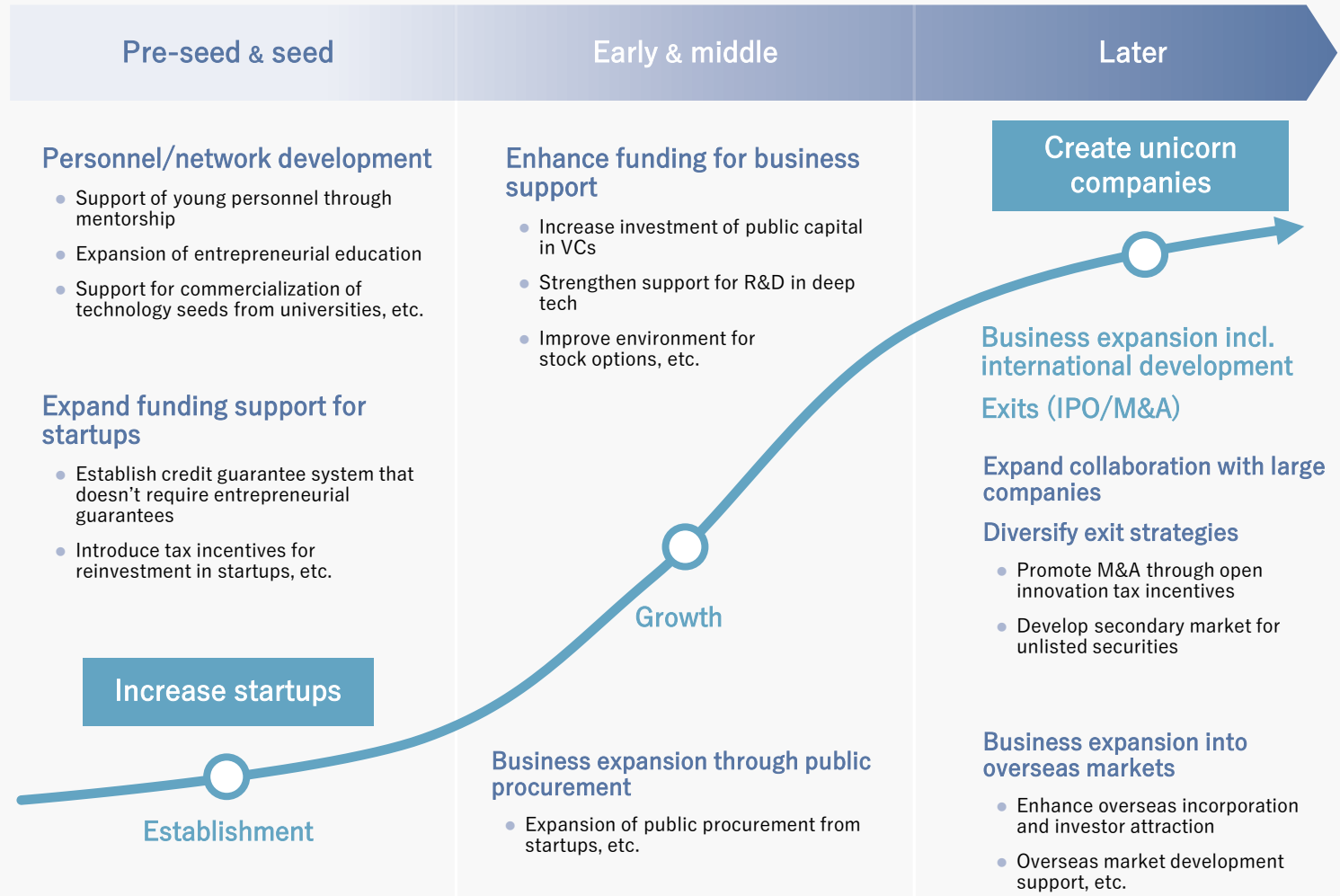
Market environment

Venture investment

The Japanese Government's Startup Development Five-Year Plan

The Japanese government announced the Startup Development Five-Year Plan in November 2022 with **various support measures** aimed at bolstering personnel, funding, business environments, and other facets of startup growth.

The government aims to scale up investment in startups to 10 trillion yen by fiscal 2027, with a goal of creating 100 unicorn companies and 100,000 startups, and it is providing support in each stage of the investment process.



*Text and illustration from the Ministry of Economy, Trade and Industry's "Government Efforts for Startup Development: Accelerating Social Issue Resolution and Economic Growth with the Power of Startups," July 2023.

Market environment

Buyout investment

Government Support for Business Succession and Reorganization

With the aging population in Japan, coupled with the aging of business owners, **succession in small SMEs is recognized as a social challenge***.

The passing on of valuable management resources to the next generation by SMEs is thought to be crucial for the economy to grow sustainably*1. As such, **the government has been making ongoing efforts** for business succession and reorganization of SMEs.

*Source: 2023 White Paper on Small and Medium Enterprises in Japan

The Ministry of Economy, Trade and Industry's response and budget allocation for SMEs, small businesses, and regional economies

<p>Budget of measures for SMEs***</p>	<p>¥650.2 billion (Budget for fiscal 2024 + Supplementary budget for fiscal 2023)</p>								
<p>Measures for the development of SMEs and small businesses and improvement of the investment environment**</p>	<ul style="list-style-type: none"> • Financial support for business reorganization, improvement of productivity, and adaptation • Promotion of transformation through family succession and third-party succession incl. M&A • Creation of growth-oriented SMEs through innovation support • Strengthening of management support systems, etc. 								
<p>Budgets for the promotion of transformation through business succession and reorganization***</p>	<table border="0"> <tr> <td>• Subsidies for business succession (SME productivity promotion project)</td> <td style="text-align: right;">¥200.0 billion</td> </tr> <tr> <td>• SME revitalization and business succession comprehensive support project</td> <td style="text-align: right;">¥19.8 billion</td> </tr> <tr> <td>• SME grouping/reorganization support fund project</td> <td style="text-align: right;">¥12.0 billion</td> </tr> <tr> <td>• Successor support network project</td> <td style="text-align: right;">¥0.44 billion</td> </tr> </table>	• Subsidies for business succession (SME productivity promotion project)	¥200.0 billion	• SME revitalization and business succession comprehensive support project	¥19.8 billion	• SME grouping/reorganization support fund project	¥12.0 billion	• Successor support network project	¥0.44 billion
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** Cited from Summary of the Supplementary Budget for Fiscal 2023 and the Initial Budget for Fiscal 2024, MLIT (budget enacted March 28, 2024).

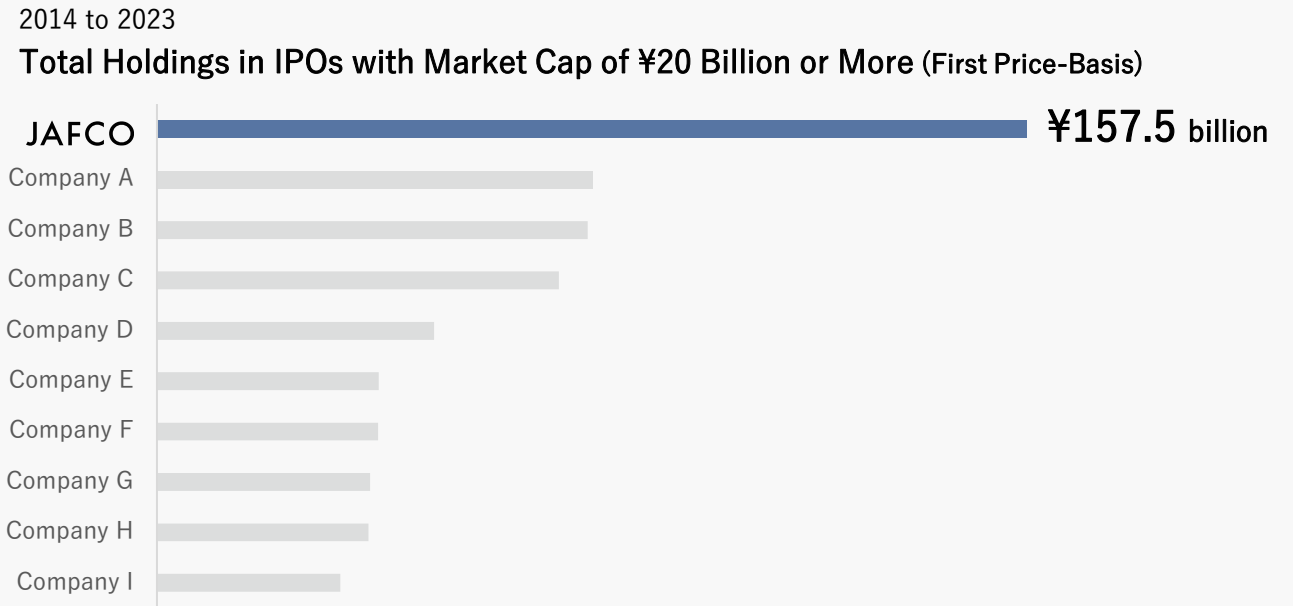
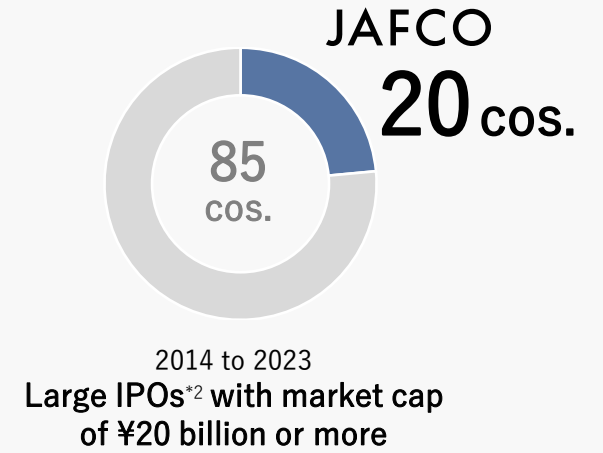
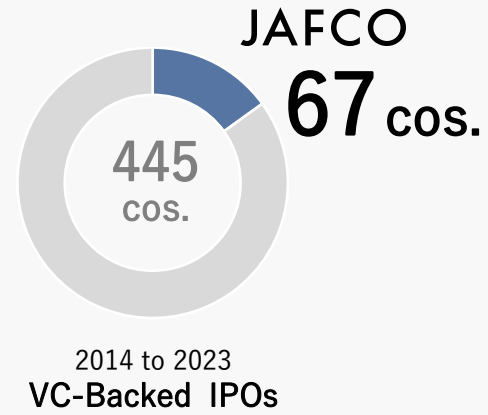
*** Cited from Points on SMEs, Small Business Owners and Regional Economy Budgets (revised budget for fiscal 2023 and initial budget for fiscal 2024) (amended April 2, 2024)

Achievements and management resources Venture investment

JAFCO's Presence With Large IPOs

We have a track record of creating mega ventures with our policy of selective, intensive investment and bold business development.

We rank first in cumulative market capitalization of holdings in large IPOs*² in Japan over the past decade.



Note: 1. Prepared by JAFCO based on IPO prospectuses.
 2. Large IPOs: IPOs with a market capitalization of ¥200 billion or more and a VC share of 10% or more.
 3. Investments by buyout funds and IPOs of VC group companies are excluded.
 4. Market capitalization holdings are calculated by JAFCO based on IPO prospectuses. The number of shares held by VCs are the number of shares held at the time application.

Achievements and management resources

Buyout investment

Buyout Investment Utilizing Our VC Know-How and Network

We station our members part-time on sight at portfolio companies for a time after investment to support their growth through PMI that utilizes our knowledge and network in venture investment.

We leverage insights from venture investments in business succession cases to provide growth support and achieve IPO success through majority investments in early-stage companies.

Growth support leveraging knowhow from business succession investments

M&A EXIT

We utilized our knowhow as a VC on cutting-edge services to help significant increase sales through e-commerce establishment, overseas expansion and entry into new business, contributing to expanding and strengthening the platform.

Significant value appreciation was realized 3 years after investment, culminating in an M&A sale



Planning, manufacture, and sale of motorcycle goods and apparel under the KOMINE brand

Supported growth of a recently established company through majority investment

IPO EXIT

We acquired 85% of outstanding shares of an early-stage company just two and a half years after its establishment.

We helped them increase their corporate value through hands-on management support, capital/business alliances, etc.

The company was listed on the TSE Growth Market five years after its establishment.



AI solutions business including the provision of AI software and build-up packages

Achievements and management resources Venture investment Buyout investment

Continual Fund Formation and JAFCO's Fund Size

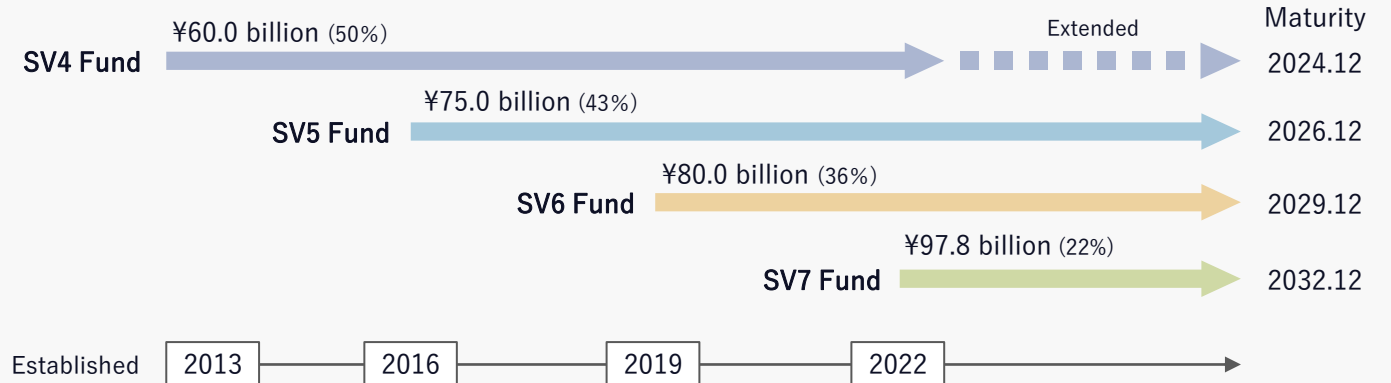
We believe that continuing to invest through good times and bad is important for stabilizing our performance and ensuring business continuity.

As the number of funds and overall market fund size is growing, we are continuing to establish funds of considerable size.

By further increasing the size of our funds with the backdrop of a growing market, we will aim to maintain our competitive advantage.

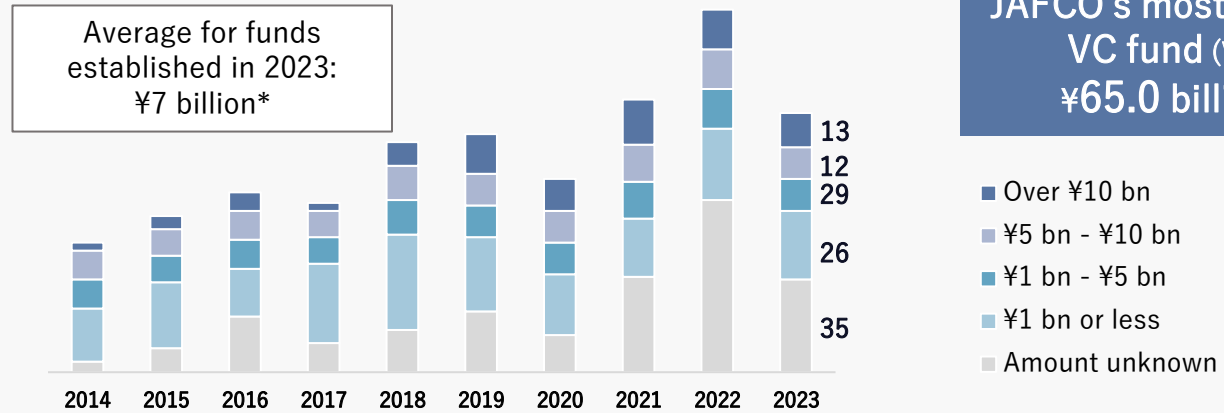
Our Flagship Funds in Operation

We form a new fund about once every three years. The maturity period of funds is 10 years*.



* A two-year extension is possible by JAFCO's decision And additional two-year extension is possible with the consent of investors.
** Numbers in parentheses indicate JAFCO's investment ratio.

No. of Funds Established by Scale (Entire Market)



Source: "Japan Startup Finance 2023" (P. 92: Trends in fund establishment by size; as of Jan. 23, 2024) by INITIAL (First edition issued on Jan. 31, 2024).

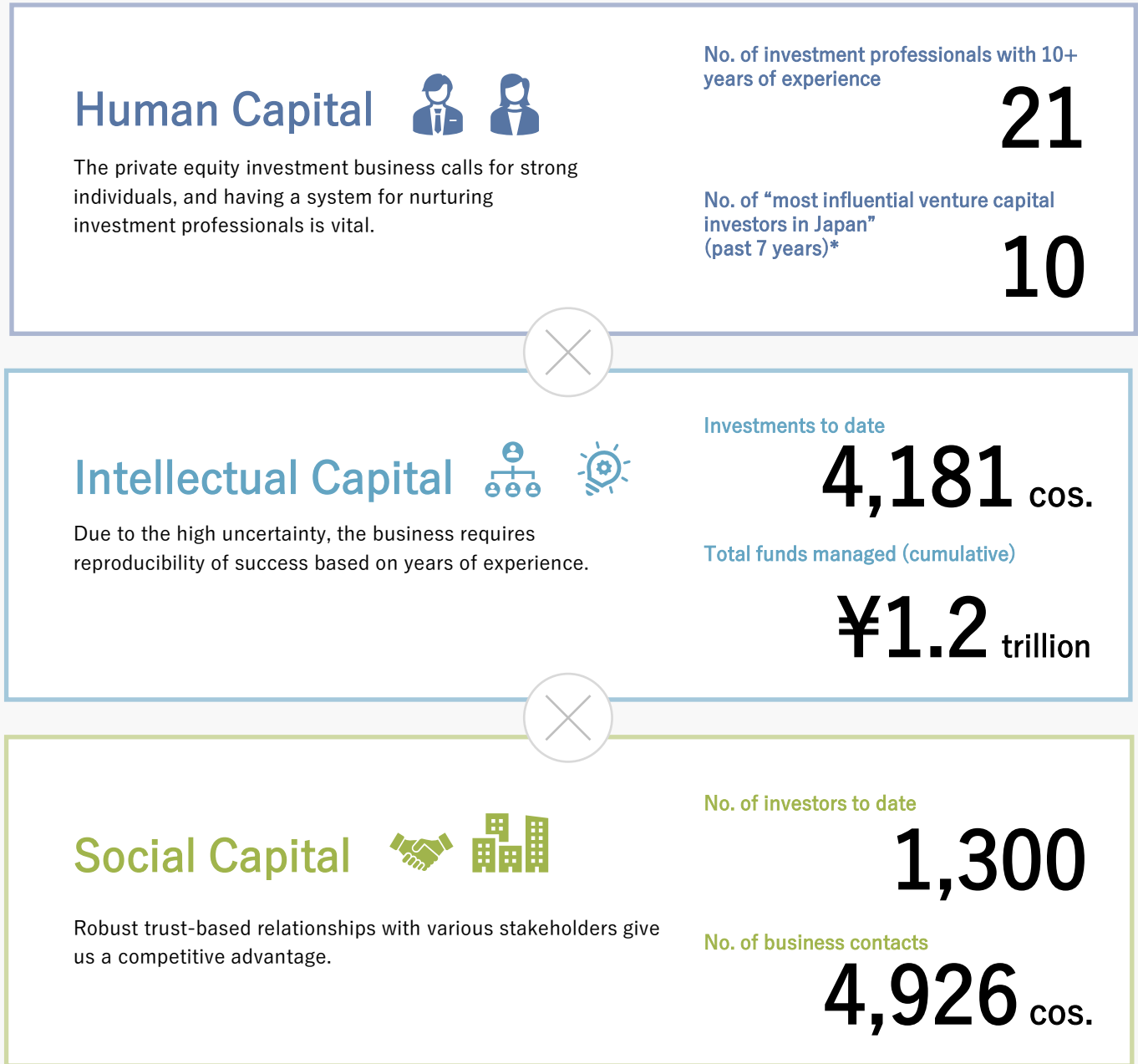
* Average for funds established in 2023: Sought by dividing the fund size (amount) of the funds listed in the "list of funds established in 2023" in P94-97 of Japan Startup Finance 2023 by the number of funds (excluding those with undisclosed amounts)

** Figures for each year are those identified up to the time of aggregate calculation. Due to the nature of the data, the figures, including those in the past, will fluctuate with the progress of the investigation.

Achievements and management resources

The 3 Management Resources That Are Key to Growth

Three management resources are key to the success and growth of our business: human capital, in which we cultivate competent investment professionals; intellectual capital, which enhances the reproducibility of success in the highly uncertain investment business; and social capital, in which we foster our relationships with various stakeholders.



*Based on Forbes Japan's Midas List of most influential venture capital investors in Japan (top 10), 2018 to 2024.

Section 3: Initiatives for Enhancing Corporate Value

JAFCO

Our Primary Targets and Four Initiatives for Achieving Our Goal

We are promoting various initiatives to achieve our targets in line with the Basic Policy for Enhancing Corporate Value.

Primary targets	Initiatives	
<p>Return on investments (ROI*)</p> <p>2.5x or more</p> <p>(Average of 2.3x over the past 10 yrs)</p> <hr/> <p>Increase external fundraising ratio in line with increase of new fund size</p> <p>80%</p>	<p>① Enhancing investment management capabilities</p>	<p>Further evolution of highly selective, intensive investment</p> <ul style="list-style-type: none"> • Develop seed projects in view of pre- and post-startup stages • Promote exits (not just IPOs) and establish approaches • Create synergy between venture and buyout investment • Increase ratio of buyout investments <p>Strengthening of corporate value enhancement efforts for portfolio companies</p> <ul style="list-style-type: none"> • Develop startup support (customer acquisition, human resources, and back-office development) • Expand ecosystem for entrepreneurship and new business creation
<p>Total shareholder return ratio</p> <p>60% - 100% or more</p>	<p>② Enhancing fundraising capabilities</p>	<ul style="list-style-type: none"> • Form funds and fundraise every three years • Increase the fund size, backed by an expansion of the market for venture and buyout investments • Expand investor base • Strengthen relationships with investors
	<p>③ Strengthening the organizational foundation</p>	<ul style="list-style-type: none"> • Expand systems for recruiting and developing diverse personnel
	<p>④ Shareholder returns</p>	<ul style="list-style-type: none"> • Distribution of 3% DOE or 50% of net income as dividends • Consider share buybacks for amounts in excess of necessary funds

ROI: Revenue from operational investment securities ÷ Cost of operational investment securities

①

Enhancing Our Investment Management Capabilities

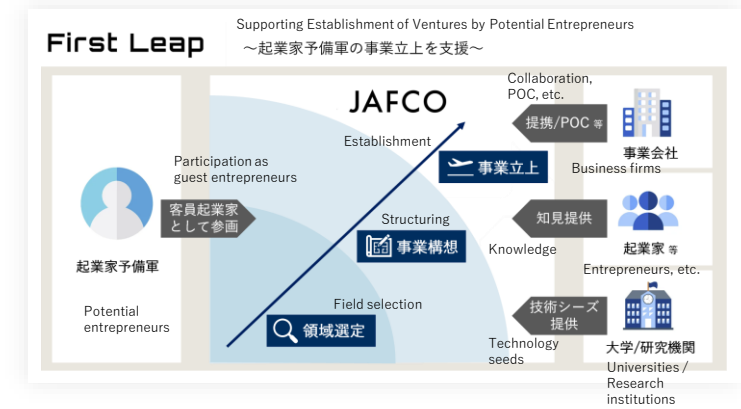
In order to increase our investment management capabilities, we are actively engaging in initiatives for potential entrepreneurs for the further evolution of our highly selective, intensive investment as well as in broadening the ecosystem for new business creation for enhancing the corporate value of portfolio companies.

Further evolution of highly selective, intensive investment

Business startup program for potential entrepreneurs and seeds

We implemented a business startup program for potential entrepreneurs to expand the market, selecting 15 cases for the first period (fiscal 2023).

We plan to continue our activities vigorously in fiscal 2024 and beyond.



Strengthening of corporate value enhancement efforts for portfolio companies

Contribution to the startup ecosystem

In enhancing the corporate value of portfolio companies, industry-wide involvement is crucial.

Therefore, we will continue activities for the expansion of new businesses by large corporations and CVC growth.

We will continue our efforts to enhance the startup ecosystem.

Fundraising capabilities

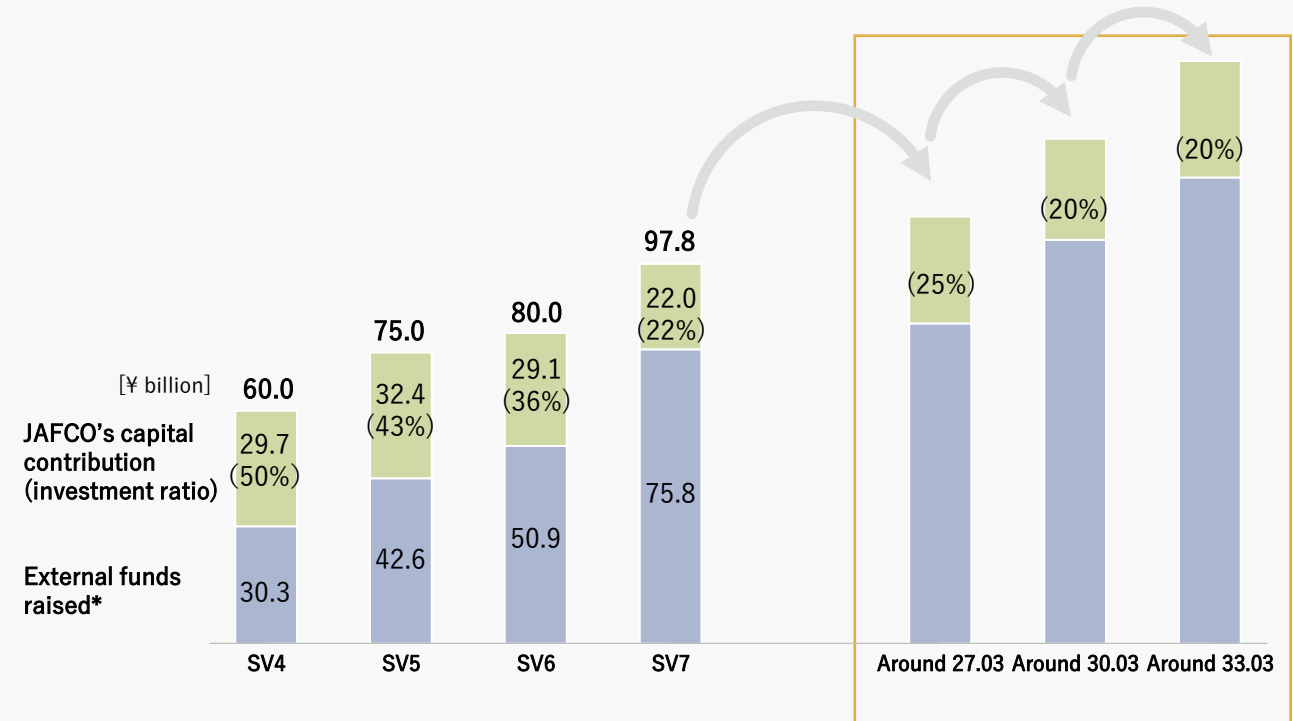
②

Enhancing Our Fundraising Capabilities

With the SV7 Fund, we set a target of ¥95.0 billion but procured ¥97.8 billion, steadily increasing the fund size.

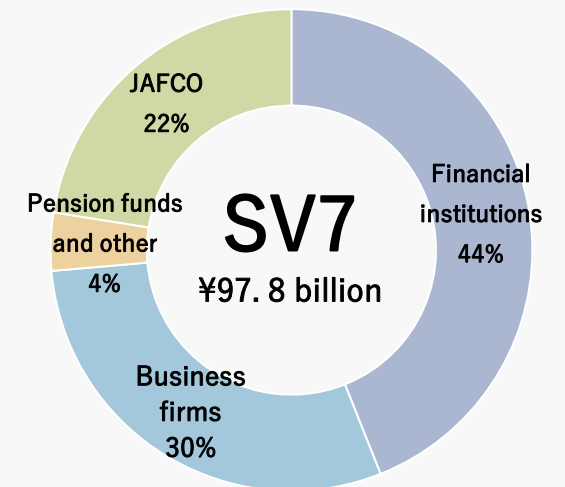
In order to further enhance our fundraising capabilities, we are working to increase external capital commitments and develop new investor segments.

We are working on initiatives to secure funding from pension funds and overseas investors, aiming to further strengthen our fundraising capabilities.



We are expanding the fund size by exploring new investor segments.

Efforts for attracting investments from institutional investors (overseas, pension funds, etc.) and individual high-net-worth investors are currently underway.



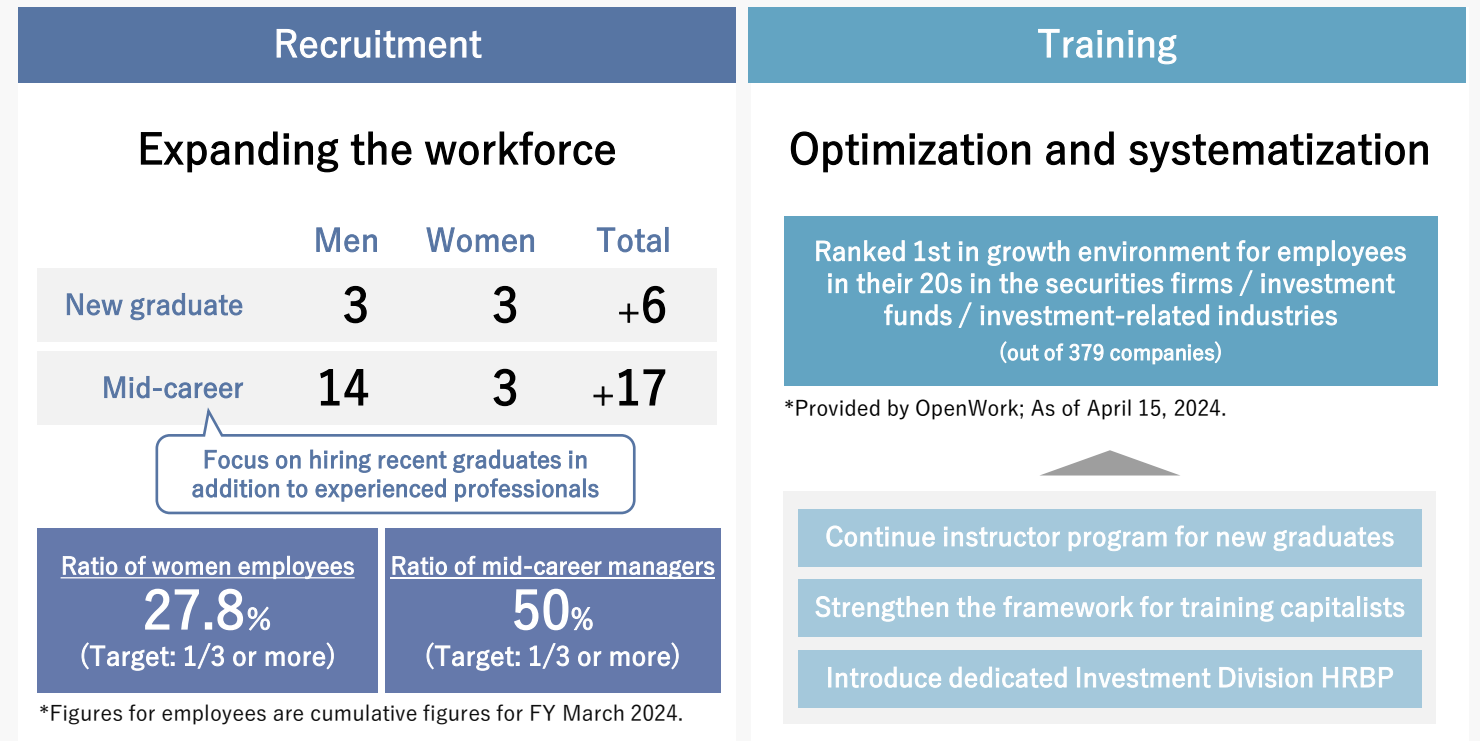
Established June 2022

③ Strengthening the Organizational Foundation

In strengthening our organizational foundation, we have been focusing not only on new graduate hires but also on mid-career hires.

In the buyout sector, mid-career hires have comprised the core team. With the appointment of two new managing directors, we are actively continuing recruitment to expand our organization

We also established a fund specializing in buyout investment, developing our organizational framework to elevate buyout investment as our second pillar.



Organization

Expanding the organization for buyout investment

Two new managing directors were appointed in February 2024, establishing a structure with six managing directors (BO7).

We are advancing the establishment of a robust organizational foundation to further develop buyout investment in line with the growth of the private equity market and increase of risk capital supply.



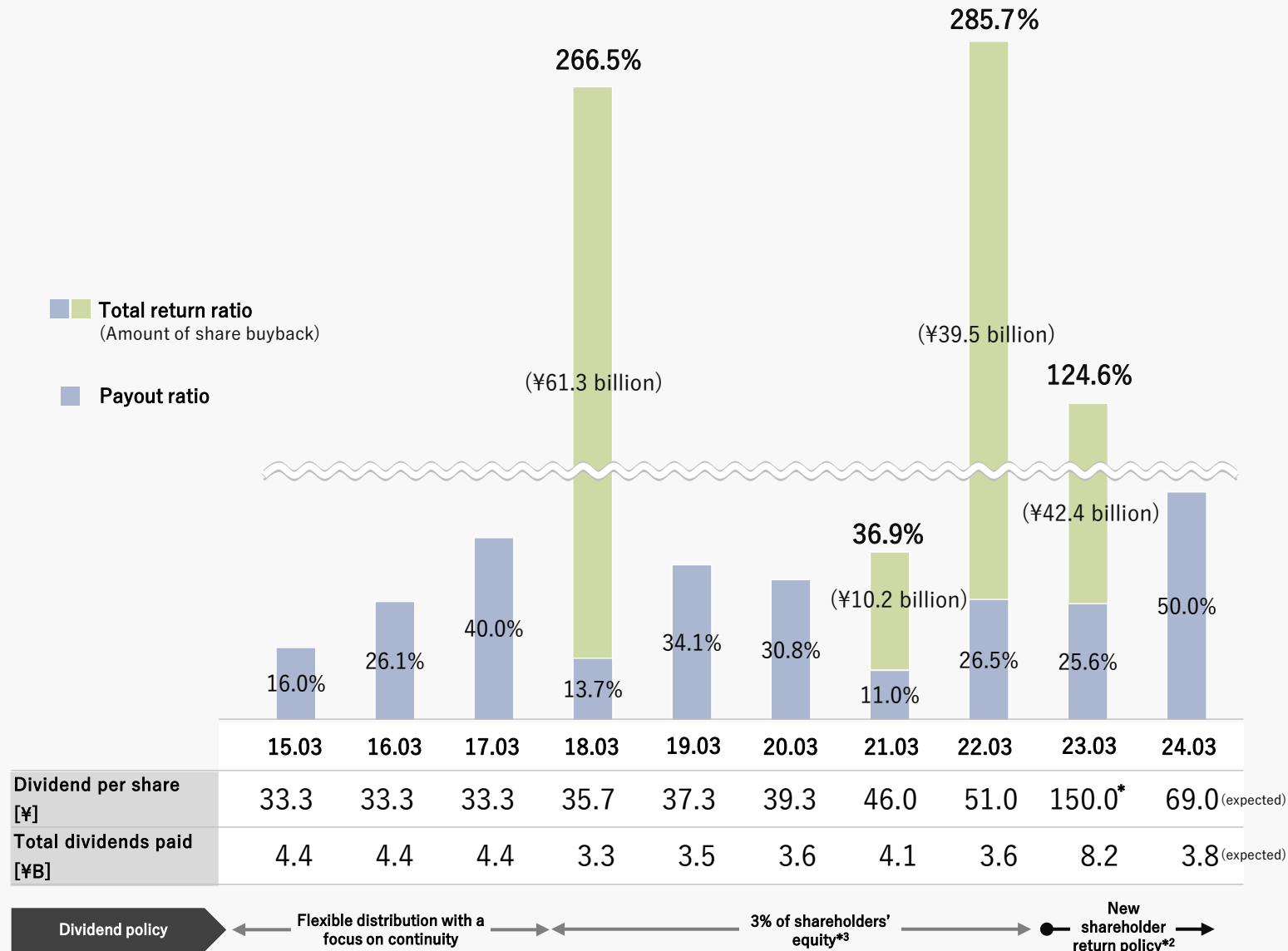
④

Shareholder Returns

The greater of either 3% of shareholders' equity (average for beginning and end of period) or 50% of net income will be paid out as dividends.

In FY March 2024, 50% of net income (¥69) was greater than 3% of shareholders' equity (¥64), so we plan to pay out dividends of ¥69 per share.

If profits accumulate going forward, we will consider additional returns depending on the size of the next fund and the status of fundraising.



Dividend per share [¥]	33.3	33.3	33.3	35.7	37.3	39.3	46.0	51.0	150.0*	69.0 (expected)
Total dividends paid [¥B]	4.4	4.4	4.4	3.3	3.5	3.6	4.1	3.6	8.2	3.8 (expected)



Note: 1. For FY March 2023, the greater of a or b.
 a. ¥150
 b. Amount calculated by dividing FY March 2023 net income including the gain on the sale of shares in Nomura Research Institute, Ltd., and after deducting the amount of the share buyback through TOB, by the number of the Company's shares outstanding on the record date of the dividend (excluding treasury shares then held by the Company)
 2. The Company's basic dividend policy from FY March 2024 onwards is to pay the greater of 3% of shareholders' equity (average of beginning and end of period) or 50% of net income.
 3. Average of the beginning and end of the period. Shareholders' equity does not include unrealized gain (loss).