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August 9, 2022

Hironao Fukushima
Representative Director
City Index 11 Co., Ltd.

To the Board of Directors of JAFCO Group Co., Ltd.

We thank you for the opportunity for the meeting on August 5 with Chairman Fuki and President Miyoshi. In this Meeting, we had a frank exchange of opinions on measures to improve shareholder value at your Company, and we believe that your Company is making an honest effort to achieve improvements in shareholder value. Also at this meeting, regarding your ownership shares in Nomura Research institute, we explained that it would be easy to monetize this ownership while simultaneously keeping risk under control, through the use of options. Regarding this, we would like to explain further to Mr. Matsuda on a separate occasion using supporting material.

On the other hand, through this Meeting, we received the impression that your Company is facing various issues as a publicly traded company. JAFCO operates under zero debt, and despite the fact that your assets consist almost entirely of easily liquidatable assets such Nomura Research Institute shares, equity investments into JAFCO funds, and cash/cash equivalents, your shares trade at price levels that are significantly lower than book value per share. Under such circumstances, we find it odd that you maintain your commitment to owning almost half of the funds you invest in. Given that your share prices trade at under 1x PBR, if you conduct a share buyback, it means that you will essentially be purchasing ownership interest in the JAFCO funds that you have previously invested in at a price that is far cheaper than when said investments were initially made. Despite this, your Company insists on maintaining cashflow-at-hand of approximately 120 billion for committing to future investments in funds, letting shareholder value deteriorate and leaving this issue untouched. Even if you commit to LP investments as a GP, we believe that the ratio should be 10% at most. Also, at current share price levels, we do not realistically believe that there is a potential investment candidate that is more undervalued and attractive as your own shares. Fundamentally, investments by corporates should be about “investing in what generates the best returns whenever cash that be invested becomes available,” and by repeating this cycle, ROE steadily improves and enterprise value increases. If your Company does not take action to improve the undervalued shareholder value and continues to make investments that are less favorable than share buybacks from the negligence of making the aforementioned analytical comparisons, that will lead to the deterioration, not the improvement, of shareholder value.

Additionally, when conducting a share buyback, we implore that they are conducted flexibly and expeditiously while share prices are below 1x PBR. As you are well aware, when PBR is low and share prices are suffering, share buybacks have a significant effect in contributing to increasing earnings per share (EPS) and book value per share (BPS). If PBR is under 1x, it is possible to buy back many shares with little cash, resulting in fewer shares outstanding (net of treasury

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stock), which in turn leads to improved EPS and BPS. As total market capitalization consists of EPS x PER and BPS x PBR, this leads to significant increases in share prices. Furthermore, if share prices are below 1x PBR, that signifies that the company is valued below liquidation value, which is an issue that top management needs to resolve with high priority.

Given the aforementioned status of your Company, we have these two proposals to make:

1. If your Company would like to execute thorough share buybacks in order to straighten out the distorted situation in which your share prices remain significantly undervalued relative to the funds you intend to invest in going forward, we are ready to prepare capital for your Company for that purpose. Specifically, we believe that there are schemes to own options to issue bonds to shareholders, which allows your company to access capital constantly in a way that is similar to a commitment loan by shareholders. Care must be taken so that this scheme is not deemed to be an advantageous placement to specific shareholders, so we would like to conduct discussions on the structure of this scheme.

2. In the situation that your Company explores various measures to increase shareholder value and yet still find yourself in a situation where your share price does not increase above 1x PBR, we believe that there is room for considering a management buyout (MBO) by the top management of your Company. Again, in this situation too, we are ready to provide capital. Specifically, we believe that a scheme could work where we provide 100% of the capital necessary for an MBO, and after taking the Company private and taking a few years to generate cashflow, your management team purchases the Company shares that we own. Alternatively, we also believe that a scheme could work where, after taking the Company private, your management team buys out (free of charge) the fund management company of JAFCO funds which shall be spun out through a company split, etc., while we retain ownership of the remaining portion of the Company that consists solely of assets in the form of publicly traded securities (Nomura Research Institute shares, etc.) and securities in private companies (JAFCO investments). We believe that both schemes are executable in situations where the share price of your Company trades at below 1x PBR.

When responding to this memo (including the status of your consideration), we ask that you refrain from communicating to us directly but rather that you make a public statement in the form of a timely disclosure, unless you prefer to engage in discussions on proposals 1. and 2. by first entering into a confidentiality agreement that is effective for a defined term. If we enter into said confidentiality agreement and insider information is revealed during said discussions, the condition that we ask for is that your Company nullify the confidential information or make said confidential information public before the end of the term of the confidentiality agreement, in order to relieve us of limitations set by insider trading regulations.