This English translation is for reference purposes only.
In the event of any discrepancy between this English version and the Japanese version, the Japanese original shall prevail.

August 16, 2022

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

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

We have taken a look at your Company's press release dated August 15, "Notice Concerning the Introduction of the Company's Basic Policies for the Control of the Company Based on Specific Concerns that City Index Eleventh Co., Ltd. and Other Parties will Carry Out Large-scale Purchase Actions, etc. of the Company Shares and Response Policies to Large-scale Purchase Actions, etc. of the Company Shares." ("the Press Release").

We may issue a press release shortly regarding our thoughts on the Press Release, so we ask that you respond to us in writing or by email regarding whether we are in agreement about our understandings (1) through (3) below concerning our meeting with your Company on August 5 ("the Meeting").

As this Meeting was our first meeting with Chairman Fuki, it was a forum for a frank exchange of opinions with the nature of a brainstorming session, and not a place where concrete proposals were being made. It is regretful, despite this, that your Company picked out specific portions of the conversation, intentionally highlighted them, and made a significant decision like the one you announced this time.

We believe that your management team is responsible for your Company shares trading at below 1x PBR, and we wish that you engage seriously in improving shareholder value rather than spend time thinking about takeover defense mechanisms for the purpose of self-preservation. To begin with, your Company operates under zero debt, and your assets consist almost entirely of easily liquidatable assets such Nomura Research Institute shares, equity investments into JAFCO funds, and cash/cash equivalents. Therefore, with share prices being below 1x PBR, if you conduct a share buyback, it means that you will essentially be purchasing ownership interest the JAFCO funds that you have previously invested in at a price that is far cheaper than when said investments were initially made. We believe that conducting a share buyback, even if accompanied by a sale of Nomura Research Institute shares, will contribute significantly to the improvement of shareholder value at your Company. The members of your management team operate investment funds, and we believe that they possess excellent financial literacy; we hope that your Company take a serious look at what the best capital policy is for the improvement of shareholder value is for the Company, as a publicly traded entity.

This English translation is for reference purposes only.
In the event of any discrepancy between this English version and the Japanese version, the Japanese original shall prevail.

Note

(1) In the Press Release, there is a statement "they indicated the possibility to continue to purchase more Company Shares (the "Additional Share Purchases") and acquire 51% of the Company Shares". However, as mentioned earlier, the interaction had a nature of a brainstorming session, and we only mentioned the current objective situation that we have the capacity to acquire 51% of the shares, if your Company accepts this given the current shareholder structure (we specifically mentioned that we would hold the necessary discussions). We believe that your expression of "indicating the possibility of acquiring 51% of the Company Shares", without the necessary context and premises, is inaccurate and inappropriate. As we stated in the email we sent you yesterday, as of right now, we do not have the intention of acquiring over 20% of the voting rights of your Company's shares.

(2) In the Meeting, Chairman Fuki mentioned that he is "really frustrated about the fact that PBR has been remaining under 1x". Additionally, when we mentioned that it is the mission of publicly traded companies to maximize share prices, Chairman Fuki immediately responded "I agree with what you are saying." Can you confirm this?

(3) At the end of the Meeting, we confirmed with your Company, regarding us purchasing shares in your Company, whether "the understanding is correct that we are free to do so". Chairman Fuki responded "of course." Can you confirm this?