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September 29, 2022

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

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

We received a response from CFO Matsuda on September 28, indicating that it would be difficult to sell your Company's ownership in investment funds to us. In relation to this, we believe that the root cause to the current issue is that your management team is unable to seriously consider shareholder value improvement as a publicly traded company because of the excessive persistence on the commitment to investing in funds as a GP at ownerships of approximately 40%, despite being a publicly traded company.

As we have mentioned in the past, in common investment fund schemes, a GP normally invests only a few percentage points into a given fund. Because you commit to investing at levels of approximately 40% despite being a publicly traded company, a large portion of your profits are generated from such investments into funds as GP, and those profits generated from investments in funds are subject to double taxation, in the form of corporate taxation to your Company and taxation on dividends that you receive as shareholders. In contrast, LP investors that invest in your Company's funds can avoid double taxation due to pass-through taxation, creating a large discrepancy. This distortion is a large reason behind the lagging share prices of your Company.

In order to remedy this distortion, we believe that there are two potential solutions, (1) your Company going private through a management buyout, and (2) your management team takes a serious attempt at improving shareholder value as a publicly traded company, but it seems that your Company is not considering either approach seriously.

Regarding the first approach (MBO), we believe that going private through a MBO would contribute to improving shareholder value at your company, and have sent a memorandum dated September 12 about this, but we have not been approached by your Company about said MBO since this date. Even if it might be difficult for your Company to sell us your ownership in funds, we are ready to provide capital for conducting a standard MBO in which we jointly, with your management team, acquire 100% of the shares in your Company at a price near 1x PBR. We hope that you will consider this idea.

As for the second approach (increasing shareholder value as a publicly traded company), we brough this up in our last 3 meetings (August 4, August, 5, September 8), and we also mentioned this in our memorandum dated September 22, but in your "Policy on Future Shareholder Returns", your Company has publicly stated that "If the sum of cash and equivalents and mark-to-market valuation (after tax) of NRI shares exceeds the above estimate (around 120 billion

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yen) by a certain amount, we will consider buying back our shares," and we believe that there is no logic behind this threshold. The average amount of investments that your Company makes into funds is approximately 15 billion yen/year, and the aforementioned 120 billion yen is 8 years' worth this amount. As there will be additional cash generated through exits from previous investments, it is clear that 120 billion yen is excessive. Even if we set aside the investments that were already made in the past, we question the commitment to make GP investments at around 40% ownership for investment funds that will be newly created going forward. In the first place, the intention of constantly maintaining a cash balance that is large enough to enable the Company to invest in approximately 40% stakes of funds (and 120 billion yen is excessive even based on this premise) shows that the company is taking shareholder value lightly despite being a publicly traded company. 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, 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. Given this distorted situation, we believe the sale of Nomura Research Institute shares and a share buyback will contribute significantly to the improvement of shareholder value at your Company.

We have obtained your List of Shareholders, and saw that more than 80% of your shareholders are institutional shareholders like ourselves, foreign institutional shareholders, or pension funds. What these institutional holders want are not for your Company to consistently maintain 120 billion in available funds, but the improvement of shareholder value. In particular, regarding your ownership of NRI shares which amount to approximately 86.4 billion yen, most of your shareholders believe that this is an excessive, unnecessary asset, and we believe that most shareholders wish for your Company to improve shareholder value by disposing of these shares and using the proceeds to conduct a share buyback. If it is not your intention to consider a MBO, we believe that you make expedited decisions and make a public statement regarding the aforementioned share buyback for the sake of all of your shareholders.

Regarding your release dated August 15, "Notice Concerning the Introduction of the Basic Policies for the Control of the Company and Response Policies to Large-scale Purchase Actions, etc." ("the Introduction of Takeover Defense Mechanisms), we find it regretful that your Company took parts of our first discussion on August 15 and intentionally highlighted them, and went on to make a significant decision like this Introduction of Takeover Defense Mechanisms without prior confirmation of our policies regarding the further purchase of your Company shares. Additionally, on August 15, we informed you via email that we currently do not have plans to obtain shares in your Company above and beyond 20% in voting rights (we also sent your Board of Directors a memorandum informing you of such on August 16). Despite this, why have you not made a public announcement regarding the cancellation of the Introduction of Takeover Defense Mechanisms? If you consider the benefits of all of your shareholders, we believe that you should make a public announcement on said cancellation.

We genuinely hope for improvements in shareholder value at your Company, so we wish for constructive dialogue

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with the management team of your Company to realize this. On the other hand, we wish to remain free of insider information, so please refrain from communicating to us directly regarding updates or conclusions on your response to our proposals. Instead, we ask that you make a public statement in the form of a timely disclosure on TDnet. However, if you prefer to engage in deeper discussions on our proposals which may involve the exchange of insider information, we are open to holding such discussions for a set period of time (1 to 2 weeks) by first entering into a confidentiality agreement. If we enter into said discussions and insider information is revealed, 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 said period, in order to relieve us of limitations set by insider trading regulations.