

# Japan Catalyst, Inc.

## Disclosure of Policy on Future Shareholder Returns and Share Buyback by Investee, JAFCO Group Co., Ltd.

TOKYO, February 22, 2021 – Japan Catalyst, Inc. (hereinafter referred to as "JCI") carries out an engagement investment strategy towards Japanese companies through the Monex Activist Mother Fund (hereinafter referred to as "MAMF"), for which JCI provides investment advice.

We would like to report on a recent announcement by JAFCO Group Co., Ltd. (hereinafter referred to as "JAFCO"), one of MAMF's most significant investments, regarding the sale of approximately 40% of its holdings in Nomura Research Institute, Ltd. (hereinafter referred to as "NRI" -Tokyo Stock Exchange listing code 4307).

MAMF has held shares in JAFCO since last year. Through several lengthy one-on-one discussions with the top management, as well as through written correspondence with the Board of Directors, JCI has actively engaged in a series of dialogues on measures to enhance shareholder value from a long-term perspective with an aim of supporting JAFCO's transformation.

The decision by JAFCO's management is a breakthrough in clarifying its latest thinking on the policy of holding NRI shares and the policy of future shareholder returns, which had been regarded as an issue by the capital market.

We would like to express our utmost admiration to the current management team for taking the first step in seeking a better way for all stakeholders, rather than simply maintaining the status quo.

In addition, the fact that the dialogue with JCI has encouraged the management team to pursue a change from the current situation is truly a realization of our ideal engagement style, namely "Sottaku-Doji\*," which has deepened our confidence in our engagement style and is very meaningful to us.

On the other hand, although this transaction has improved JAFCO's market valuation, we continue to believe that there is a significant gap between JAFCO 's current valuation and its intrinsic value. JCI will continue to engage in a constructive dialogue with JAFCO and its management, who has the courage to transform itself, and will encourage the management team to make changes that are desirable for all stakeholders of the company.

Please visit Japan Catalyst, Inc. official website ( <https://www.japancatalyst.com/index-en.html> ) for more information.

**Message from Mr. Shinichi Fuki**  
**President & CEO - JAFCO Group Co., Ltd.**



Our business model is to make long-term investments into private equity funds that holds illiquid unlisted stocks, and by co-investing approximately 40% of our own capital in these funds, we aim to pursue capital gains and maximize investment income. This requires us to have a strong financial base and equity capital. At the same time, we are always looking for an appropriate balance sheet from the perspective of capital efficiency and enhancement of shareholder value. The series of discussions with Chairman Matsumoto and the proposal from Japan Catalyst, Inc. became a major catalyst for our decision to implement a series of shareholder return measures. I look forward to continuing our constructive dialogue with JCI.

**Message from Mr. Oki Matsumoto**  
**Chairman / Member of the Investment Advisory Committee - Japan Catalyst, Inc.**



This engagement reminded me again that it is extremely important to have a direct and constructive dialogue with the top management in order to encourage the investee company to take an action. It is also important that the top management has the courage to make changes, and this is where the "Sottaku-Doji" style of engagement becomes possible. There are many companies that are facing various historical entrenched issues. I would like to continue to meet and discuss with top managements like CEO Fuki to promote positive changes in those companies. By doing so, we can fulfill our mission of contributing to the "Japan's Future", which is a nickname of the Monex Activist Fund.

\* Sottaku-Doji “啐啄同時” : 啐(Sotsu) is a sound made by the chick trying to break the eggshell from the inside to hatch. 啄(Taku) is a sound made by the mother bird trying to break the eggshell from the outside. 同時(Douji) means simultaneously. Hence, the Zen saying “Sottaku-Doji” implies that the chick can hatch if pecking from both sides works simultaneously.

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