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July 22, 2020

Financial Results for the Three Months Ended June 30, 2020

[Japanese GAAP]

(Summary of Japanese announcement)

(Japanese yen figures less than one million yen are rounded down)

1. Consolidated Performance for the Three Months Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(1) Consolidated Operating Results

(figures with % indicate the rate of change from the same period of the previous fiscal year)

	Net sales [¥ million] [%]	Operating income [¥ million] [%]	Ordinary income [¥ million] [%]	Profit attributable to JAFCO Co., Ltd. stockholders [¥ million] [%]
For the three months ended June 30, 2020	4,431 97.0	658 131.4	1,557 (8.2)	613 (59.2)
For the three months ended June 30, 2019	2,249 (52.2)	284 (86.8)	1,696 (44.6)	1,502 (49.7)

Note: Comprehensive income Three months ended June 30, 2020: ¥17,671 million [907.2%]
Three months ended June 30, 2019: ¥1,754 million [(71.4%)]

	Profit per share [¥]	Fully diluted net income per share [¥]
For the three months ended June 30, 2020	19.83	-
For the three months ended June 30, 2019	48.59	-

(2) Consolidated Financial Position

	Total assets [¥ million]	Net assets [¥ million]	Equity ratio [%]	Net assets per share [¥]
As of June 30, 2020	240,441	202,388	84.2	6,543.34
As of March 31, 2020	222,059	188,366	84.8	6,089.99

(Reference) Shareholders' equity As of June 30, 2020: ¥202,388 million
As of March 31, 2020: ¥188,366 million

2. Dividends

(Record date)	Dividend per share [¥]				
	End of 1Q	End of 2Q	End of 3Q	End of the year	Total
For the year ended March 31, 2020	-	-	-	118.00	118.00
For the year ending March 31, 2021	-				
For the year ending March 31, 2021 (Forecast)		-	-	-	-

Notes: The forecast of dividend amount is unfixed.

3. Business Forecasts for the Year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

Volatility in stock markets and the IPO environment in Japan and overseas causes performance to fluctuate, as a result of which it is difficult to make meaningful forecasts in earnings. Therefore, instead of announcing projections, JAFCO makes timely disclosure of quarterly financial results.

***Other Information**

- (1) Changes in significant subsidiaries during this period: None
- (2) Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, accounting estimates and correction of prior period errors
 - ① Changes in accounting principles due to revisions to accounting standards: None
 - ② Changes in accounting principles other than ①: None
 - ③ Changes in accounting estimates: None
 - ④ Correction of prior period errors: None
- (4) Number of issued shares (common stock)
 - ① Number of issued shares (including treasury stock)

As of June 30, 2020: 32,550,000	As of March 31, 2020: 32,550,000
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 - ② Number of treasury stock

As of June 30, 2020: 1,619,578	As of March 31, 2020: 1,619,534
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 - ③ Average number of shares

Three months ended June 30, 2020:	30,930,432
Three months ended June 30, 2019:	30,930,726

***Quarterly financial results are not subject to audit procedures.**

***Cautionary statements with respect to forward-looking statements and other notes**

(Access to the financial supplement materials)

The presentation material for the three months ended June 30, 2020 will be released on JAFCO's website on July 22, 2020.

***Note to XBRL**

Please note that the names of the English accounts contained in XBRL data, which are available through EDINET and TDNet, may be different from those of the English accounts in our financial statements.

1. Outline of Operating Results

(1) Outline of Operating Results

In the consolidated fiscal three months ended June 30, 2020, the JAFSCO Group posted net sales of ¥4,431 million, (up 97.0% year-on-year from ¥2,249 million), operating income of ¥658 million (up 131.4% year-on-year from ¥284 million), ordinary income of ¥1,557 million (down 8.2% year-on-year from ¥1,696 million), and profit attributable to JAFSCO Co., Ltd. stockholders of ¥613 million (down 59.2% year-on-year from ¥1,502 million).

Although there was no IPO activity by portfolio companies during the consolidated fiscal three months ended June 30, 2020, capital gains increased year-on-year as a result of the sale of shares in listed portfolio companies. Meanwhile, additions to investment loss reserves rose due to the impact of the new coronavirus pandemic.

With regard to the impact of the new coronavirus infection and JAFSCO's response, please refer to the presentation material for the period under review which will be released on JAFSCO's website.

Because JAFSCO's earnings may fluctuate sharply for each three-month period due to the nature of its business, we provide annualized comparison as well as year-on-year comparison for the period under review.

(Outline of Capital Gains)

Although there was no IPO of portfolio companies during the period under review, capital gains increased year-on-year as a result of the sale of shares in listed portfolio companies.

(Millions of Yen)

	For the year ended March 31, 2020 (A)	For the three months ended June 30, 2019	For the three months ended June 30, 2020 (B)	Annualized comparison [(B)×4]/(A) (%)
Revenues from operational investment securities (1)	23,697	1,658	3,176	53.6
Proceeds from sale of securities	23,540	1,597	3,140	53.4
Dividend and interest income	156	61	35	92.0
Cost of operational investment securities (2)	8,337	1,021	791	38.0
Cost of securities sold	8,116	1,021	791	39.0
Impairment	221	-	-	-
Capital gains (1) – (2)	15,359	637	2,385	62.1
Multiple (1) / (2)	2.84	1.62	4.01	-
Capital gains on listed shares	2,627	488	2,443	372.0
Capital gains on unlisted shares	12,732	149	(58)	-
Gains on sale	16,726	923	217	5.2
Losses on sale	3,994	774	276	27.7

(Outline of Investment Loss Reserves)

In the consolidated fiscal three months ended June 30, 2020, additions to investment loss reserves rose due to the impact of the new coronavirus pandemic. The ratio of reserves to the balance of unlisted operational investment securities also increased.

(Millions of Yen)

	For the year ended March 31, 2020 (A)	For the three months ended June 30, 2019	For the three months ended June 30, 2020 (B)	Annualized comparison [(B)×4]/(A) (%)
Additions to investment loss reserves (1)	3,084	518	2,213	287.1
Company-by-company reserves	3,731	573	2,247	240.9
(Reversal of general reserves)	(647)	(55)	(34)	-
Reversal of investment loss reserves (2)	3,599	712	157	17.5
Net additions = (1)-(2) (minus figures are reversals)	(514)	(194)	2,056	-

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Balance of investment loss reserves	8,229	10,282
Company-by-company reserves	8,026	10,113
General reserves	203	169
Ratio to all unlisted operational investment securities	14.9%	18.3%

(Outline of Balance of Operational Investment Securities)

While investment activity, mainly in startup companies, is slowing down, the balance of operational investment securities rose because of sluggish exit activity of the JAFECO Group's portfolio companies.

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Difference between acquisition cost and market value of listed operational investment securities	6,975	6,884
Securities whose market value exceeds acquisition cost	7,126	6,951
Securities whose market value falls below acquisition cost	(151)	(66)

(Millions of Yen)

	For the year ended March 31, 2020	For the three months ended June 30, 2019	For the three months ended June 30, 2020
(Reversal of) Unrealized losses on operational investment securities	(88)	5	(83)

Balance of Operational Investment Securities

(Millions of Yen)

	As of March 31, 2020		As of June 30, 2020	
	Acquisition cost	Figures on the consolidated B/S	Acquisition cost	Figures on the quarterly consolidated B/S
Listed	1,494	8,470	1,297	8,182
Unlisted	54,696	55,061	56,111	56,271
Total	56,191	63,532	57,409	64,453

- Note: 1. Investments in other funds (investment in funds managed by third parties) have been included in investment securities since the end of the previous fiscal year.
2. The differences in "Acquisition cost" and "Figures on the consolidated balance sheets" for "Unlisted" securities and "Investments in other funds" only reflect foreign exchange translation difference.

(Outline of Fund Operations)

Management fees from JAFCO SV6 Fund Series (SV6) and JAFCO Taiwan I Venture Capital Limited Partnership, both established in the previous fiscal year, increased. Success fees from JAFCO SV4 Fund Series (SV4), which became subject to success fees in the previous fiscal year, also rose.

(Millions of Yen)

	For the year ended March 31, 2020 (A)	For the three months ended June 30, 2019	For the three months ended June 30, 2020 (B)	Annualized comparison [(B)×4]/(A) (%)
Income from partnership management	6,155	590	1,254	81.5
Fund management fees	2,586	419	726	112.3
Success fees	3,569	171	528	59.2

Note: Fund management fees and success fees are based on commitment amount excluding the JAFCO Group's interests.

(2) Outline of Financial Condition**(Outline of Assets, Liabilities, and Net Assets)**

Total assets, total liabilities and net assets increased mainly due to the market price fluctuation of investment securities holdings.

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Total assets	222,059	240,441
Current assets	128,421	121,996
Non-current assets	93,637	118,444
Total liabilities	33,693	38,053
Current liabilities	7,582	4,598
Non-current liabilities	26,110	33,454
Net assets	188,366	202,388

(3) Qualitative Analysis of Consolidated Business Forecasts

Volatility in stock markets and the IPO environment in Japan and overseas causes performance to fluctuate, as a result of which it is difficult to make meaningful forecasts in earnings. Therefore, instead of announcing projections, JAFCO makes timely disclosure of quarterly financial results.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	See (i) on p.11 69,540	See (i) on p.11 65,492
Operational investment securities	63,532	64,453
Investment loss reserves	(8,229)	(10,282)
Securities	2,500	500
Other	1,078	1,832
Total current assets	128,421	121,996
Non-current assets		
Property, plant and equipment		
Buildings, net	332	308
Furniture and fixture	102	95
Total property, plant and equipment	435	404
Intangible assets		
Software	222	207
Total intangible assets	222	207
Investments and other assets		
Investment securities	92,131	117,176
Investments in capital	0	0
Long-term loans receivable	117	109
Deferred tax assets	334	150
Other	396	395
Total investments and other assets	92,980	117,833
Total non-current assets	93,637	118,444
Total assets	222,059	240,441

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Current portion of long-term borrowings	234	234
Income taxes payable	4,344	2,111
Provision for bonuses	226	258
Allowance for extraordinary compensation for directors	89	—
Other	2,688	1,994
Total current liabilities	7,582	4,598
Non-current liabilities		
Long-term borrowings	15	15
Retirement benefit liability	434	430
Deferred tax liabilities	25,528	32,892
Other	132	117
Total non-current liabilities	26,110	33,454
Total liabilities	33,693	38,053
Net assets		
Shareholders' equity		
Share capital	33,251	33,251
Capital surplus	32,806	32,806
Retained earnings	67,643	64,607
Treasury shares	(7,587)	(7,587)
Total shareholders' equity	126,113	123,076
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,529	78,640
Foreign currency translation adjustment	723	670
Total accumulated other comprehensive income	62,252	79,311
Total net assets	188,366	202,388
Total liabilities and net assets	222,059	240,441

(2) Consolidated Statements of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statements of Income)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales		
Revenue from operational investment securities	1,658	3,176
Income from investment partnership management	590	1,254
Total net sales	2,249	4,431
Cost of sales		
Cost of operational investment securities	1,021	791
Other costs	153	145
Total cost of sales	1,175	936
Gross profit	1,074	3,494
(Reversal of) Additions to investment loss reserves	(194)	2,056
(Reversal of) unrealized losses on operational investment securities	5	(83)
Gross profit - net	1,262	1,522
Selling, general and administrative expenses	978	864
Operating profit	284	658
Non-operating income		
Interest income	174	15
Dividend income	1,258	696
Foreign exchange gains	—	180
Miscellaneous income	7	8
Total non-operating income	1,439	900
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	20	—
Loss on valuation of investment securities	6	—
Miscellaneous loss	0	0
Total non-operating expenses	27	0
Ordinary profit	1,696	1,557
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Total extraordinary losses	—	—
Profit before income taxes	1,696	1,557
Income taxes - current	220	949
Income taxes - deferred	(26)	(4)
Total income taxes	193	944
Profit	1,502	613
Profit attributable to non-controlling interests	—	—
Profit attributable to JAFECO Co., Ltd. stockholders	1,502	613

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	1,502	613
Other comprehensive income		
Valuation difference on available-for-sale securities	406	17,111
Foreign currency translation adjustment	(155)	(53)
Total other comprehensive income	251	17,058
Comprehensive income	1,754	17,671
Comprehensive income attributable to		
Comprehensive income attributable to JAFCO Co., Ltd. stockholders	1,754	17,671
Comprehensive income attributable to non- controlling interests	—	—

(3) Notes for Consolidated Financial Statements

(Notes on premise of going concern)

None

(Related to quarterly consolidated balance sheet)

(i) Breakdown of JAFECO's interest of cash and deposits in funds

	(Millions of yen)	
	As of March 31, 2020	As of June 30, 2020
Cash and deposits	5,776	8,041

(ii) JAFECO's uncalled commitment to JAFECO-managed funds as of June 30, 2020 was ¥29,711 million, compared with ¥31,939 million as of the end of previous full year and ¥29,363 million as of June 30, 2019.

(Notes on significant changes in the shareholder's equity)

None

(Notes on marketable securities)

(i) Held-to-maturity bonds

None

(ii) Available-for-sale securities

(Millions of Yen)

	Type	As of March 31, 2020			As of June 30, 2020		
		Figures on the consolidated B/S	Acquisition cost	Difference	Figures on the quarterly consolidated B/S	Acquisition cost	Difference
Securities whose B/S amount exceeds acquisition cost	Operational investment securities						
	(1) Stock	7,983	856	7,126	7,640	688	6,951
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	7,983	856	7,126	7,640	688	6,951
	Investment securities						
	(1) Stock	90,480	9,319	81,160	115,508	9,319	106,189
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	90,480	9,319	81,160	115,508	9,319	106,189
	Marketable securities						
	(1) Stock	-	-	-	-	-	-
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-
	Total	98,463	10,175	88,287	123,149	10,008	113,140
Securities whose B/S amount falls below acquisition cost	Operational investment securities						
	(1) Stock	487	638	(151)	541	608	(66)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	487	638	(151)	541	608	(66)
	Investment securities						
	(1) Stock	34	51	(17)	36	51	(15)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	34	51	(17)	36	51	(15)
	Marketable securities						
	(1) Stock	-	-	-	-	-	-
	(2) Bond	-	-	-	-	-	-
	(3) Others	2,500	2,500	-	500	500	-
	Subtotal	2,500	2,500	-	500	500	-
	Total	3,021	3,190	(168)	1,078	1,160	(82)
Grand total		101,485	13,366	88,118	124,227	11,168	113,058

Note: 1. The following items are not included in the above table because they have no market value, making it difficult to determine fair value.

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
	Figures on the consolidated B/S	Figures on quarterly consolidated B/S
Available-for-sale securities		
Operational investment securities		
Unlisted stock	53,352	54,521
Unlisted domestic and foreign bonds	938	979
Others	770	770
Investment securities		
Unlisted stock	776	794
Other	647	643

Note: 2. No impairment was recorded (write down) on available-for-sale securities (including items that are extremely difficult to determine fair value) in the three months ended June 30, 2020 (previous consolidated fiscal year: ¥221 million; all fall under operational investment securities).

3. Other Information

(1) Investments and IPOs

(i) Investments

(Millions of Yen)

	For the year ended March 31, 2020 (A)		For the three months ended June 30, 2019		For the three months ended June 30, 2020 (B)		Annualized comparison [(B)×4]/(A) (%)
	Amount (A)	No. of co's.	Amount	No. of co's.	Amount (B)	No. of co's.	
Equity							
(Japan)	24,883	35	12,012	12	3,936	7	63.3
(USA)	8,425	24	2,770	11	838	8	39.8
(Asia)	1,459	12	161	1	491	3	134.6
Total	34,769	71	14,944	24	5,265	18	60.0

Notes: 1. Investment amount is a total of investments by the JAFECO Group and funds.
2. Investments denominated in foreign currencies are translated into yen on a quarterly basis using the exchange rate at the end of each quarter.
3. Overseas investments made in the venture investment division in Japan are included in Japan.

(ii) IPOs

(Japan)

(Millions of Yen)

	For the year ended March 31, 2020	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Number of IPOs	3	1	-
Investment cost (1)	1,293	130	-
Market value at IPOs (2)	13,396	1,209	-
Multiple (2)/(1)	10.4	9.3	-

Notes: 1. "Investment cost" and "Market value at IPO" are total amounts by the JAFECO Group and funds.
2. "Market value at IPO" is calculated by multiplying the number of shares held prior to the IPO by first price.

(Overseas)

(Millions of Yen)

	For the year ended March 31, 2020	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Number of IPOs	1	-	-
Investment cost (1)	886	-	-
Market value at IPOs (2)	13,881	-	-
Multiple (2)/(1)	15.7	-	-

Notes: 1. "Investment cost" and "Market value at IPO" are total amounts by the JAFECO Group and funds.

Exchange rate at the time of IPO is used for conversion.

2. "Market value at IPO" is calculated by multiplying the number of shares held prior to the IPO by first price.

(2) Establishment of Funds

Three months ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(i) Newly established funds:

None

(ii) Funds established in previous years whose total commitments increased in this period

(Millions of TWD)

Fund name	Total commitments as of June 30, 2020	Total commitments as of March 31, 2020	Increase amount
JAFECO Taiwan I Venture Capital Limited Partnership	2,006*	1,037	969

*Yen equivalent based on the exchange rate as of June 30, 2020: ¥7,362 million

Previous full year (April 1, 2019 - March 31, 2020)

(i) Newly established funds:

(Millions of yen)

Fund name	Total commitments as of March 31, 2020
JAFECO SV6 Fund Series	80,000

(Millions of TWD)

Fund name	Total commitments as of March 31, 2020
JAFECO Taiwan I Venture Capital Limited Partnership	1,037 *

*Yen equivalent based on the exchange rate as of Mar. 31, 2020: ¥3,681 million

(ii) Funds established in previous years whose total commitments increased

None