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October 21, 2020

Financial Results for the Six Months Ended September 30, 2020

[Japanese GAAP]

(Summary of Japanese announcement)

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

1. Consolidated Performance for the Six Months Ended September 30, 2020 (April 1, 2020 – September 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 Group Co., Ltd. stockholders [¥ million] [%]
For the six months ended September 30, 2020	9,546 59.5	2,990 43.7	4,730 38.6	2,659 (12.7)
For the six months ended September 30, 2019	5,984 (62.0)	2,081 (69.4)	3,412 (53.8)	3,046 (48.0)

Note: Comprehensive income Six months ended September 30, 2020: ¥25,806 million [48.0%]
Six months ended September 30, 2019: ¥17,434 million [29.2%]

	Profit per share [¥]	Fully diluted net income per share [¥]
For the six months ended September 30, 2020	85.98	-
For the six months ended September 30, 2019	98.49	-

(2) Consolidated Financial Position

	Total assets [¥ million]	Net assets [¥ million]	Equity ratio [%]	Net assets per share [¥]
As of September 30, 2020	252,779	210,522	83.3	6,806.33
As of March 31, 2020	222,059	188,366	84.8	6,089.99

(Reference) Shareholders' equity As of September 30, 2020: ¥210,522 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, the Company 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 September 30, 2020:	32,550,000	As of March 31, 2020:	32,550,000
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 - ② Number of treasury stock

As of September 30, 2020:	1,619,558	As of March 31, 2020:	1,619,534
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 - ③ Average number of shares

Six months ended September 30, 2020:	30,930,419
Six months ended September 30, 2019:	30,930,697

***These 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 six months ended September 30, 2020 will be released on the Company's website on October 21, 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 six months ended September 30, 2020, the Company and its consolidated subsidiaries (collectively the “Company Group”) posted net sales of ¥9,546 million, (up 59.5% year-on-year from ¥5,984 million), operating income of ¥2,990 million (up 43.7% year-on-year from ¥2,081 million), ordinary income of ¥4,730 million (up 38.6% year-on-year from ¥3,412 million), and profit attributable to JAFSCO Group Co., Ltd. stockholders was ¥2,659 million (down 12.7% year-on-year from ¥3,046 million).

During the six months under review, there were two portfolio IPOs (one in Japan and one overseas), and capital gains increased year-on-year as a result of the sale of IPO shares and shares in other 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 and the Company’s response, please refer to the presentation material which will be released on the Company’s website.

Because the Company’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)

Capital gains increased year-on-year in the consolidated fiscal six months ended September 30, 2020, as a result of the sale of shares in two newly-listed companies (one in Japan and one overseas) and other listed portfolio companies.

(Millions of Yen)

	Year ended March 31, 2020 (A)	Six months ended September 30, 2019	Six months ended September 30, 2020 (B)	Annualized comparison [(B)×2]/(A) (%)
Revenues from operational investment securities (1)	23,697	4,665	7,018	59.2
Proceeds from sale of securities	23,540	4,580	6,968	59.2
Dividend and interest income	156	85	50	64.1
Cost of operational investment securities (2)	8,337	2,473	2,155	51.7
Cost of securities sold	8,116	2,473	2,155	53.1
Impairment	221	-	-	-
Capital gains (1) – (2)	15,359	2,192	4,863	63.3
Multiple (1) / (2)	2.84	1.89	3.26	-
Capital gains on listed shares	2,627	2,248	4,597	349.9
Capital gains on unlisted shares	12,732	(55)	266	4.2
Gain on sale	16,726	1,635	540	6.5
Loss on sale	3,994	1,691	273	13.7

(Outline of Investment Loss Reserves)

In the consolidated fiscal six months ended September 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)

	Year ended March 31, 2020 (A)	Six months ended September 30, 2019	Six months ended September 30, 2020 (B)	Annualized comparison [(B)×2]/(A) (%)
Additions to investment loss reserves (1)	3,084	656	2,557	165.8
Company-by-company reserves	3,731	772	2,598	139.3
(Reversal of) General reserves	(647)	(116)	(41)	-
Reversal of investment loss reserves (2)	3,599	1,580	164	9.1
Net additions = (1)-(2) (minus figures are reversals)	(514)	(923)	2,392	-

(Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
Balance of investment loss reserves	8,229	10,612
Company-by-company reserves	8,026	10,450
General reserves	203	162
Ratio to all unlisted operational investment securities	14.9%	18.2%

(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 IPOs of portfolio companies, etc., in the consolidated six months ended September 30, 2020.

(Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
Difference between acquisition cost and market value of listed operational investment securities	6,975	9,630
Securities whose market value exceeds acquisition cost	7,126	9,691
Securities whose market value falls below acquisition cost	(151)	(61)

(Millions of Yen)

	Year ended March 31, 2020	Six months ended September 30, 2019	Six months ended September 30, 2020
(Reversal of) Unrealized losses on operational investment securities	(88)	(7)	(89)

Balance of Operational Investment Securities

(Millions of Yen)

	As of March 31, 2020		As of September 30, 2020	
	Acquisition cost	Figures on the consolidated B/S	Acquisition cost	Figures on the quarterly consolidated B/S
Listed	1,494	8,470	1,348	10,979
Unlisted	54,696	55,061	58,396	58,179
Total	56,191	63,532	59,745	69,158

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

	Year ended March 31, 2020 (A)	Six months ended September 30, 2019	Six months ended September 30, 2020 (B)	Annualized comparison [(B)×2]/(A) (%)
Income from partnership management	6,155	1,318	2,526	82.1
Fund management fees	2,586	837	1,442	111.6
Success fees	3,569	480	1,083	60.7

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

(2) Outline of Financial Condition

(Outline of Assets, Liabilities, and Net Assets)

Total assets, total liabilities and net assets increased mainly due to changes in the market value of investment securities holdings.

(Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
Total assets	222,059	252,779
Current assets	128,421	127,813
Non-current assets	93,637	124,965
Total liabilities	33,693	42,256
Current liabilities	7,582	6,098
Non-current liabilities	26,110	36,158
Net assets	188,366	210,522

(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, the Company 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 September 30, 2020
Assets		
Current assets		
Cash and deposits	69,540	67,388
Operational investment securities	63,532	69,158
Investment loss reserves	(8,229)	(10,612)
Securities	2,500	—
Other	1,078	1,877
Total current assets	128,421	127,813
Non-current assets		
Property, plant and equipment		
Buildings, net	332	291
Furniture and fixture	102	89
Total property, plant and equipment	435	380
Intangible assets		
Software	222	215
Total intangible assets	222	215
Investments and other assets		
Investment securities	92,131	123,729
Investments in capital	0	0
Long-term loans receivable	117	106
Deferred tax assets	334	141
Other	396	392
Total investments and other assets	92,980	124,369
Total non-current assets	93,637	124,965
Total assets	222,059	252,779

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Current portion of long-term borrowings	234	232
Income taxes payable	4,344	3,048
Provision for bonuses	226	329
Allowance for extraordinary compensation for directors	89	—
Other	2,688	2,488
Total current liabilities	7,582	6,098
Non-current liabilities		
Long-term borrowings	15	—
Retirement benefit liability	434	428
Deferred tax liabilities	25,528	35,617
Other	132	111
Total non-current liabilities	26,110	36,158
Total liabilities	33,693	42,256
Net assets		
Shareholders' equity		
Share capital	33,251	33,251
Capital surplus	32,806	32,806
Retained earnings	67,643	66,653
Treasury shares	(7,587)	(7,587)
Total shareholders' equity	126,113	125,123
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,529	84,825
Foreign currency translation adjustment	723	574
Total accumulated other comprehensive income	62,252	85,399
Total net assets	188,366	210,522
Total liabilities and net assets	222,059	252,779

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales		
Revenue from operational investment securities	4,665	7,018
Income from investment partnership management	1,318	2,526
Other sales	0	1
Total net sales	5,984	9,546
Cost of sales		
Cost of operational investment securities	2,473	2,155
Other costs	430	292
Total cost of sales	2,904	2,447
Gross profit	3,080	7,099
(Reversal of) Additions to investment loss reserves	(923)	2,392
(Reversal of) Unrealized losses on operational investment securities	(7)	(89)
Gross profit - net	4,011	4,795
Selling, general and administrative expenses	1,930	1,805
Operating profit	2,081	2,990
Non-operating income		
Interest income	31	42
Dividend income	1,414	696
Gain on investment in other funds	—	844
Miscellaneous income	16	164
Total non-operating income	1,462	1,748
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	113	—
Loss on valuation of investment securities	4	—
Contribution to an investee	6	7
Miscellaneous loss	5	0
Total non-operating expenses	131	7
Ordinary profit	3,412	4,730
Extraordinary income		
Gain on sales of investment securities	3	—
Total extraordinary income	3	—
Extraordinary losses		
Total extraordinary losses	—	—
Profit before income taxes	3,416	4,730
Income taxes - current	477	2,074
Income taxes - deferred	(107)	(2)
Total income taxes	370	2,071
Profit	3,046	2,659
Profit attributable to non-controlling interests	—	—
Profit attributable to JAFco Group Co., Ltd. stockholders	3,046	2,659

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	3,046	2,659
Other comprehensive income		
Valuation difference on available-for-sale securities	14,555	23,295
Foreign currency translation adjustment	(167)	(149)
Total other comprehensive income	14,388	23,146
Comprehensive income	17,434	25,806
[Breakdown]		
Comprehensive income attributable to JAFCO Group Co., Ltd. stockholders	17,434	25,806
Comprehensive income attributable to non- controlling interests	—	—

(3) Consolidated Statements of Cash Flow

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	3,416	4,730
Depreciation	93	95
Increase (decrease) in allowance for investment loss	(923)	2,392
Increase (decrease) in provision for bonuses	113	102
Increase (decrease) in allowance for extraordinary compensation for directors	(89)	(89)
Increase (decrease) in retirement benefit liability	(12)	(5)
(Reversal of) unrealized losses on operational investment securities	(7)	(89)
Loss (gain) on valuation of investment securities	4	—
Interest and dividend income	(1,446)	(739)
Interest expenses	0	0
Foreign exchange losses (gains)	232	(275)
Loss (gain) on sales of investment securities	(3)	—
Gain on investments in other funds	—	(844)
Decrease (increase) in investment securities for sale	(9,865)	(4,157)
Other, net	(693)	784
Subtotal	(9,178)	1,906
Interest and dividends received	1,446	738
Interest paid	(0)	(0)
Income taxes paid	(1,079)	(3,897)
Income taxes refund	793	—
Net cash provided by (used in) operating activities	(8,019)	(1,252)
Cash flows from investing activities		
Purchase of property, plant and equipment	(70)	(14)
Purchase of intangible assets	(44)	(23)
Proceeds from sale of investment securities	6	1
Long-term loan advances	(127)	—
Collection of long-term loans receivable	12	11
Payment for investments in other funds	—	(40)
Income made on investments in other funds	—	844
Increase in other investments and assets	(17)	(4)
Decrease in other investments and assets	1	3
Net cash provided by (used in) investing activities	(240)	778
Cash flows from financing activities		
Repayments of long-term borrowings	(79)	(17)
Dividends paid	(3,464)	(3,649)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	—	0
Net cash provided by (used in) financing activities	(3,543)	(3,666)
Effect of exchange rate change on cash and cash equivalents	(380)	(510)
Net increase (decrease) in cash and cash equivalents	(12,184)	(4,651)
Cash and cash equivalents at beginning of period	63,878	72,040
Cash and cash equivalents at end of period	* (i) (ii) 51,694	* (i) (ii) 67,388

*see notes (i) (ii) on P12

(4) Notes for Consolidated Financial Statements

(Notes on premise of going concern)

None

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

None

(Related to Consolidated Statements of Cash Flow)

(i) Relationship between "Cash and cash equivalents at end of period" and accounts in the consolidated balance sheet

	(Millions of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash and deposits	49,194	67,388
Securities	2,500	-
Cash and cash equivalents	51,694	67,388

(ii) Breakdown of the Company's interests in funds out of cash and cash equivalents

	(Millions of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash and deposits	11,647	5,626
Securities	-	-
Cash and cash equivalents	11,647	5,626

(iii) The Company's uncalled commitments to JAFECO-managed funds as of September 30, 2020 were ¥28,551 million, compared with ¥19,216 million as of September 30, 2019 and ¥31,939 million as of the end of previous full year.

(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 September 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	10,804	1,112	9,691
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	7,983	856	7,126	10,804	1,112	9,691
	Investment securities						
	(1) Stock	90,480	9,319	81,160	122,072	9,319	112,752
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	90,480	9,319	81,160	122,072	9,319	112,752
	Marketable securities						
	(1) Stock	-	-	-	-	-	-
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-
	Total	98,463	10,175	88,287	132,876	10,432	122,444
Securities whose B/S amount falls below acquisition cost	Operational investment securities						
	(1) Stock	487	638	(151)	174	236	(61)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	487	638	(151)	174	236	(61)
	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	-	-	-	-
	Subtotal	2,500	2,500	-	-	-	-
	Total	3,021	3,190	(168)	210	288	(77)
Grand total		101,485	13,366	88,118	133,087	10,720	122,367

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 September 30, 2020
	Figures on the consolidated B/S	Figures on the quarterly consolidated B/S
Available-for-sale securities		
Operational investment securities		
Unlisted stock	53,352	56,530
Unlisted domestic and foreign bonds	938	878
Others	770	770
Investment securities		
Unlisted stock	776	785
Others	647	642

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 six months ended September 30, 2020 (previous fiscal year: ¥221 million, all operational investment securities)

3. Other Information

(1) Investments and IPOs

(i) Investments

(Millions of Yen)

	Year ended March 31, 2020 (A)		Six months ended September 30, 2019		Six months ended September 30, 2020 (B)		Annualized comparison [(B)×2]/(A) (%)
	Amount (A)	No. of co's.	Amount	No. of co's.	Amount (B)	No. of co's.	
Equity							
(Japan)	24,883	35	16,800	20	10,019	14	80.5
(USA)	8,425	24	3,193	14	2,980	10	70.8
(Asia)	1,459	12	784	6	1,598	6	219.0
Total	34,769	71	20,777	40	14,598	30	84.0

- Notes: 1. Investment amount is a total of investments by the Company 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)

	Year ended March 31, 2020	Six months ended September 30, 2019	Six months ended September 30, 2020
Number of IPOs	3	3	1
Investment cost (1)	1,293	1,293	500
Market value at IPOs (2)	13,396	13,396	8,801
Multiple (2)/(1)	10.4	10.4	17.6

- Notes: 1. "Investment cost" and "Market value at IPO" are total amounts by the Company 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)

	Year ended March 31, 2020	Six months ended September 30, 2019	Six months ended September 30, 2020
Number of IPOs	1	-	1
Investment cost (1)	886	-	302
Market value at IPOs (2)	13,881	-	2,315
Multiple (2)/(1)	15.7	-	7.7

- Notes: 1. "Investment cost" and "Market value at IPO" are total amounts by the Company 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

Six months ended September 30, 2020 (April 1, 2020 – September 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 September 30, 2020	Total commitments as of March 31, 2020	Increase in commitments
JAFco Taiwan I Venture Capital Limited Partnership	2,006*	1,037	969

*Yen equivalent using the exchange rate as of September 30, 2020: ¥7,301 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
JAFco SV6 Fund Series	80,000

(Millions of TWD)

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

*Yen equivalent using the exchange rate as of March 31, 2020: ¥3,681 million

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

None