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October 23, 2019

Financial Results for the Six Months Ended September 30, 2019

[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, 2019 (April 1, 2019 – September 30, 2019)

(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 six months ended September 30, 2019	5,984 (62.0)	2,081 (69.4)	3,412 (53.8)	3,046 (48.0)
For the six months ended September 30, 2018	15,755 (11.3)	6,799 (25.7)	7,388 (26.3)	5,861 (70.3)

Note: Comprehensive income Six months ended September 30, 2019: ¥17,434 million [29.2%]
Six months ended September 30, 2018: ¥13,490 million [5.0%]

	Profit per share [¥]	Fully diluted net income per share [¥]
For the six months ended September 30, 2019	98.49	-
For the six months ended September 30, 2018	189.51	-

(2) Consolidated Financial Position

	Total assets [¥ million]	Net assets [¥ million]	Equity ratio [%]	Net assets per share [¥]
As of September 30, 2019	203,801	177,184	86.9	5,728.47
As of March 31, 2019	184,213	163,215	88.6	5,276.80

(Reference) Shareholders' equity As of September 30, 2019: ¥177,184 million
As of March 31, 2019: ¥163,215 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, 2019	-	-	-	112.00	112.00
For the year ending March 31, 2020	-	-			
For the year ending March 31, 2020 (Forecast)			-	-	-

Notes: The forecast of dividend amount is unfixed.

3. Business Forecasts for the Year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

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 September 30, 2019:	32,550,000	As of March 31, 2019:	32,550,000
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 - ② Number of treasury stock

As of September 30, 2019:	1,619,412	As of March 31, 2019:	1,619,264
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 - ③ Average number of shares

Six months ended September 30, 2019:	30,930,697
Six months ended September 30, 2018:	30,930,892

***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, 2019 will be released on JAFCO's website on October 23, 2019.

***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, 2019, the JAFECO Group posted net sales of ¥5,984 million, down 62.0% from ¥15,755 million recorded in the same period a year ago, due to slow exits of the JAFECO Group's portfolio companies. Operating income for the consolidated six months was ¥2,081 million, down 69.4% from ¥6,799 million recorded in the same period a year ago, as fixed costs account for a large portion of SG&A expenses due to the nature of the business and it is difficult to cut expenses over the short term.

Profit attributable to JAFECO Co., Ltd. stockholders was ¥3,046 million, down 48.0% from ¥5,861 million recorded in the same period a year ago. This percentage decline was smaller than that of operating income because of dividend payments from the securities held by the JAFECO Group.

Because JAFECO'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)

Exit activity of the JAFECO Group's portfolio companies was slow.

(Millions of Yen)

	For the year ended March 31, 2019 (A)	For the six months ended September 30, 2018	For the six months ended September 30, 2019 (B)	Annualized comparison [(B)×2]/(A) (%)
Revenues from operational investment securities (1)	23,291	14,383	4,665	40.1
Proceeds from sale of securities	23,177	14,331	4,580	39.5
Dividend and interest income	113	51	85	150.6
Cost of operational investment securities (2)	9,274	6,626	2,473	53.3
Cost of securities sold	9,274	6,626	2,473	53.3
Impairment	-	-	-	-

Capital gains (1) – (2)	14,016	7,756	2,192	31.3
Multiple (1) / (2)	2.51	2.17	1.89	-

Capital gains on listed shares	5,264	3,860	2,248	85.4
Capital gains on unlisted shares	8,751	3,896	(55)	-
Gains on sale	11,069	5,456	1,635	29.6
Losses on sale	2,317	1,559	1,691	145.9

(Outline of Investment Loss Reserves)

The reserve ratio to unlisted operational investment securities declined in the consolidated six months ended September 30, 2019 due mainly to the progress in new investment and the sale of portfolio holdings which had been marked down substantially.

Additions to general reserves have not been made since January 2017 because more accurate valuation of individual companies became possible as a result of the highly selective, intensive investment strategy and deeper involvement in the management of portfolio companies.

(Millions of Yen)

	For the year ended March 31, 2019 (A)	For the six months ended September 30, 2018	For the six months ended September 30, 2019 (B)	Annualized comparison [(B)×2]/(A) (%)
Additions to investment loss reserves (1)	1,687	1,316	656	77.8
Company-by-company reserves	2,541	1,605	772	60.8
(Reversal of) General reserves	(854)	(289)	(116)	-
Reversal of investment loss reserves (2)	2,399	1,461	1,580	131.7
Net additions = (1)-(2) (minus figures are reversals)	(712)	(144)	(923)	-

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
Balance of investment loss reserves	9,501	8,568
Company-by-company reserves	8,651	7,834
General reserves	850	734
Ratio to all unlisted operational investment securities	18.4%	14.1%

(Outline of Balance of Operational Investment Securities)

While exit activity of the JAFco Group's portfolio companies was slow, the balance of operational investment securities rose because of ongoing investment activity focusing on start-up companies.

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
Difference between acquisition cost and market value of listed operational investment securities	6,153	8,921
Securities whose market value exceeds acquisition cost	6,394	9,154
Securities whose market value falls below acquisition cost	(240)	(233)

(Millions of Yen)

	For the year ended March 31, 2019	For the six months ended September 30, 2018	For the six months ended September 30, 2019
(Reversal of) Unrealized losses on operational investment securities	24	(43)	(7)

Balance of Operational Investment Securities

(Millions of Yen)

	As of March 31, 2019		As of September 30, 2019	
	Acquisition cost	Figures on the consolidated B/S	Acquisition cost	Figures on the quarterly consolidated B/S
Listed	1,590	7,744	1,856	10,777
Unlisted	49,067	49,803	59,063	59,363
Subtotal	50,657	57,547	60,920	70,141
Investments in other funds	1,632	1,719	1,185	1,310
Total	52,289	59,267	62,105	71,452

Note: 1. "Investments in other funds" is investment in funds managed by third parties.

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)

Fund management fees declined due to the aging of existing funds.

(Millions of Yen)				
	For the year ended March 31, 2019 (A)	For the six months ended September 30, 2018	For the six months ended September 30, 2019 (B)	Annualized comparison [(B)×2]/(A) (%)
Income from partnership management	2,586	1,371	1,318	101.9
Fund management fees	1,750	899	837	95.7
Success fees	836	472	480	114.9

Note: Fund management fees and success fees are based on commitment amount excluding the JAFECO 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 a rise in the market value of investment securities.

(Millions of Yen)		
	As of March 31, 2019	As of September 30, 2019
Total assets	184,213	203,801
Current assets	115,636	116,292
Non-current assets	68,577	87,509
Total liabilities	20,998	26,616
Current liabilities	2,475	1,682
Non-current liabilities	18,523	24,934
Net assets	163,215	177,184

(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, JAFECO makes timely disclosure of quarterly financial results.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	61,378	49,194
Operational investment securities	59,267	71,452
Investment loss reserves	(9,501)	(8,568)
Securities	2,500	2,500
Other	1,991	1,714
Total current assets	115,636	116,292
Non-current assets		
Property, plant and equipment		
Buildings, net	190	369
Furniture and fixture	122	120
Total property, plant and equipment	312	489
Intangible assets		
Software	188	209
Total intangible assets	188	209
Investments and other assets		
Investment securities	67,646	86,258
Investments in capital	17	22
Long-term loans receivable	7	123
Deferred tax assets	7	10
Other	397	395
Total investments and other assets	68,076	86,810
Total non-current assets	68,577	87,509
Total assets	184,213	203,801

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Current portion of long-term borrowings	116	54
Income taxes payable	1,193	930
Provision for bonuses	194	308
Allowance for extraordinary compensation for directors	89	—
Other	881	390
Total current liabilities	2,475	1,682
Non-current liabilities		
Long-term borrowings	249	232
Retirement benefit liability	453	441
Deferred tax liabilities	17,779	24,104
Other	42	156
Total non-current liabilities	18,523	24,934
Total liabilities	20,998	26,616
Net assets		
Shareholders equity		
Share capital	33,251	33,251
Capital surplus	32,806	32,806
Retained earnings	59,268	58,850
Treasury shares	(7,586)	(7,587)
Total shareholders equity	117,739	117,321
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,719	59,275
Foreign currency translation adjustment	755	588
Total accumulated other comprehensive income	45,475	59,863
Total net assets	163,215	177,184
Total liabilities and net assets	184,213	203,801

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales		
Revenue from operational investment securities	14,383	4,665
Income from investment partnership management	1,371	1,318
Other sales	—	0
Total net sales	15,755	5,984
Cost of sales		
Cost of operational investment securities	6,626	2,473
Other cost	443	430
Total cost of sales	7,069	2,904
Gross profit	8,685	3,080
(Reversal of) Additions to investment loss reserves	(144)	(923)
(Reversal of) Unrealized losses on operational investment securities	(43)	(7)
Gross profit - net	8,873	4,011
Selling, general and administrative expenses	2,073	1,930
Operating profit	6,799	2,081
Non-operating income		
Interest income	36	31
Dividend income	659	1,414
Miscellaneous income	12	16
Total non-operating income	709	1,462
Non-operating expenses		
Interest expenses	2	0
Foreign exchange losses	102	113
Miscellaneous loss	14	12
Loss on valuation of investment securities	1	4
Total non-operating expenses	120	131
Ordinary profit	7,388	3,412
Extraordinary income		
Gain on sales of investment securities	57	3
Total extraordinary income	57	3
Extraordinary losses		
Total extraordinary losses	—	—
Profit before income taxes	7,445	3,416
Income taxes - current	1,604	477
Income taxes - deferred	(19)	(107)
Total income taxes	1,584	370
Profit	5,861	3,046
Profit attributable to non-controlling interests	—	—
Profit attributable to JAFECO Co., Ltd. stockholders	5,861	3,046

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	5,861	3,046
Other comprehensive income		
Valuation difference on available-for-sale securities	6,506	14,555
Foreign currency translation adjustment	1,119	(167)
Remeasurements of defined benefit plans, net of tax	3	—
Total other comprehensive income	7,629	14,388
Comprehensive income	13,490	17,434
[Breakdown]		
Comprehensive income attributable to JAFCO Co., Ltd. stockholders	13,490	17,434
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flow

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	7,445	3,416
Depreciation	76	93
Increase (decrease) in allowance for investment loss	(144)	(923)
Increase (decrease) in provision for bonuses	(64)	113
Increase (decrease) in allowance for extraordinary compensation for directors	(127)	(89)
Increase (decrease) in retirement benefit liability	6	(12)
(Reversal of) unrealized losses on operational investment securities	(43)	(7)
Loss (gain) on valuation of investment securities	1	4
Interest and dividend income	(696)	(1,446)
Interest expenses	2	0
Foreign exchange losses (gains)	222	232
Loss (gain) on sales of investment securities	(57)	(3)
Decrease (increase) in investment securities for sale	(694)	(9,865)
Other, net	(433)	(693)
Subtotal	5,494	(9,178)
Interest and dividends received	696	1,446
Interest paid	(2)	(0)
Income taxes paid	(9,096)	(286)
Net cash provided by (used in) operating activities	(2,907)	(8,019)
Cash flows from investing activities		
Purchase of property, plant and equipment	(96)	(70)
Purchase of intangible assets	(149)	(44)
Proceeds from sale of investment securities	78	6
Long-term loan advances	—	(127)
Collection of long-term loans receivable	1	12
Increase in other investments and assets	(10)	(17)
Decrease in other investments and assets	169	1
Net cash provided by (used in) investing activities	(6)	(240)
Cash flows from financing activities		
Proceeds from long-term borrowings	100	—
Repayments of long-term borrowings	(700)	(79)
Dividends paid	(3,306)	(3,464)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(3,907)	(3,543)
Effect of exchange rate change on cash and cash equivalents	25	(380)
Net increase (decrease) in cash and cash equivalents	(6,796)	(12,184)
Cash and cash equivalents at beginning of period	70,086	63,878
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(930)	—
Cash and cash equivalents at end of period	*(i) (ii) 62,359	*(i) (ii) 51,694

*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, 2018	Six months ended September 30, 2019
Cash and deposits	59,859	49,194
Securities	2,500	2,500
Cash and cash equivalents	62,359	51,694

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

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash and deposits	7,080	11,647
Securities	-	-
Cash and cash equivalents	7,080	11,647

(iii) JAFECO's uncalled commitments to JAFECO-managed funds as of September 30, 2019 were ¥19,216 million, compared with ¥21,667 million as of September 30, 2018 and ¥14,601 million as of the end of previous full year.

If including the increased amount of uncalled capital commitments since October 1 through October 18, 2019 to JAFECO SV6 Series, fundraising of which is underway, JAFECO's total uncalled commitments would be ¥29,424 million.

(Notes on marketable securities)

(i) Held-to-maturity bonds

None

(ii) Available-for-sale securities

(Millions of Yen)

	Type	As of March 31, 2019			As of September 30, 2019		
		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	7,526	1,131	6,394	10,553	1,398	9,154
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	7,526	1,131	6,394	10,553	1,398	9,154
	Investment securities						
	(1) Stock	66,606	9,348	57,258	85,226	9,342	75,883
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	66,606	9,348	57,258	85,226	9,342	75,883
	Marketable securities						
	(1) Stock	-	-	-	-	-	-
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-
	Total	74,132	10,479	63,652	95,779	10,741	85,037
Securities whose B/S amount falls below acquisition cost	Operational investment securities						
	(1) Stock	218	458	(240)	224	457	(233)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	218	458	(240)	224	457	(233)
	Investment securities						
	(1) Stock	44	61	(17)	44	67	(22)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	44	61	(17)	44	67	(22)
	Marketable securities						
	(1) Stock	-	-	-	-	-	-
	(2) Bond	-	-	-	-	-	-
	(3) Others	2,500	2,500	-	2,500	2,500	-
	Subtotal	2,500	2,500	-	2,500	2,500	-
	Total	2,762	3,020	(258)	2,768	3,024	(255)

(Millions of Yen)

	Type	As of March 31, 2019			As of September 30, 2019		
		Figures on the consolidated B/S	Acquisition cost	Difference	Figures on the quarterly consolidated B/S	Acquisition cost	Difference
Total	Operational investment securities						
	(1) Stock	7,744	1,590	6,153	10,777	1,856	8,921
	(2) Bond	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Subtotal	7,744	1,590	6,153	10,777	1,856	8,921
	Investment securities						
	(1) Stock	66,650	9,409	57,240	85,270	9,409	75,860
	(2) Bond	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Subtotal	66,650	9,409	57,240	85,270	9,409	75,860
	Marketable securities						
	(1) Stock	—	—	—	—	—	—
	(2) Bond	—	—	—	—	—	—
	(3) Others	2,500	2,500	—	2,500	2,500	—
	Subtotal	2,500	2,500	—	2,500	2,500	—
	Total	76,894	13,500	63,394	98,548	13,766	84,782

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, 2019	As of September 30, 2019
	Figures on the consolidated B/S	Figures on the quarterly consolidated B/S
Available-for-sale securities		
Operational investment securities		
Unlisted stock	49,137	56,704
Unlisted domestic and foreign bonds	660	689
Others	1,724	3,279
Investment securities		
Unlisted stock	802	794

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 previous full year or in the six months ended September 30, 2019.

3. Other Information

(1) Investments and IPOs

(i) Investments

(Millions of Yen)

	For the year ended March 31, 2019 (A)		For the six months ended September 30, 2018		For the six months ended September 30, 2019 (B)		Annualized comparison [(B)×2]/(A) (%)
	Amount (A)	No. of cos.	Amount	No. of cos.	Amount (B)	No. of cos.	
Equity							
(Japan)	11,379	26	5,482	10	16,800	20	295.3
(USA)	10,753	19	7,107	12	3,193	14	59.4
(Asia)	3,014	11	2,028	7	784	6	52.0
Total	25,147	56	14,618	29	20,777	40	165.2

- Notes: 1. Investment amount is a total of investments by the JAFCO 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, 2019	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Number of IPOs	2	1	3
Investment cost (1)	900	750	1,293
Market value at IPOs (2)	7,128	6,768	13,396
Multiple (2)/(1)	7.9	9.0	10.4

- Notes: 1. "Investment cost" and "Market value at IPO" are total amounts by the JAFCO 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, 2019	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Number of IPOs	-	-	-
Investment cost (1)	-	-	-
Market value at IPOs (2)	-	-	-
Multiple (2)/(1)	-	-	-

- Notes: 1. "Investment cost" and "Market value at IPO" are total amounts by the JAFCO 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, 2019 (April 1, 2019 – September 30, 2019)

(i) Newly established funds:

JAFCO SV6 Series was established in the first quarter of the current fiscal year with commitments fully provided by the JAFCO Group. Fundraising activity continues and the most recent total commitments are as shown below.

The total commitments of JAFCO SV6 are assumed to be a maximum of ¥80,000 million at the final closing.

(Millions of yen)

Fund name	Total commitments as of September 30, 2019	Total commitments as of October 18, 2019
JAFCO SV6 Series	20,000	61,400

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

None

Previous full year (April 1, 2018 - March 31, 2019)

(i) Newly established funds:

None

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

(Millions of US\$)

Fund name	Total commitments as of March 31, 2019	Total commitments as of March 31, 2018	Increase in commitments
JAFCO Asia Technology Fund VII L.P.	140	128	12

(Millions of US\$)

Fund name	Total commitments as of March 31, 2019	Total commitments as of March 31, 2018	Increase in commitments
Icon Ventures VI, L.P.	375	262	112