JAFCO Co., Ltd.

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This is a summary translation of a press release made in Japanese for convenience only.

JAFCO Co., Ltd. (Ticker: 8595)
1-23-1 Toranomon, Minato-ku,
Tokyo 105-6324 Japan
http://www.jafco.co.jp/english/

Contact: Investor Relations
Tel: +81-50-3734-2025
ir@jafco.co.jp

July 24, 2019

Financial Results for the Three Months Ended June 30, 2019

[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, 2019 (April 1, 2019 – June 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 three months ended June 30, 2019	2,249	(52.2)	284	(86.8)	1,696	(44.6)	1,502	(49.7)
For the three months ended June 30, 2018	4,705	(55.3)	2,149	(65.8)	3,059	(56.7)	2,985	(43.0)

Note: Comprehensive income Three months ended June 30, 2019: ¥1,754 million [(71.4%)]
Three months ended June 30, 2018: ¥6,142 million [(34.5%)]

	Profit per share [¥]	Fully diluted net income per share [¥]
For the three months ended June 30, 2019	48.59	-
For the three months ended June 30, 2018	96.53	-

(2) Consolidated Financial Position

	Total assets [¥ million]	Net assets [¥ million]	Equity ratio [%]	Net assets per share [¥]
As of June 30, 2019	181,460	161,505	89.0	5,221.52
As of March 31, 2019	184,213	163,215	88.6	5,276.80

(Reference) Shareholders' equity As of June 30, 2019: ¥161,505 million
As of March 31, 2019: ¥163,215 million

2. Dividends

	Dividend per share [¥]				
(Record date)	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: 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 June 30, 2019: 32,550,000 As of March 31, 2019: 32,550,000

② Number of treasury stock
As of June 30, 2019: 1,619,284 As of March 31, 2019: 1,619,264

③ Average number of shares
Three months ended June 30, 2019: 30,930,726
Three months ended June 30, 2018: 30,930,918

***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 three months ended June 30, 2019 will be released on JAFCO's website on July 24, 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 three months ended June 30, 2019, slow exits of the JAFCO Group's portfolio companies led to a decline in success fees, as a result of which the JAFCO Group posted net sales of ¥2,249 million, down 52.2% from ¥4,705 million recorded in the same period a year ago. Operating income for the consolidated three months was ¥284 million, down 86.8% from ¥2,149 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 its business and it is difficult of cut expenses over the short term.

Profit attributable to JAFCO Co., Ltd. stockholders was ¥1,502 million, down 49.7% from ¥2,985 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 Group.

Because JAFCO'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 JAFCO Group's portfolio companies was slow.

(Millions of Yen)

	For the year ended March 31, 2019 (A)	For the three months ended June 30, 2018	For the three months ended June 30, 2019 (B)	Annualized comparison [(B)×4]/(A) (%)
Revenues from operational investment securities (1)	23,291	3,967	1,658	28.5
Proceeds from sale of securities	23,177	3,930	1,597	27.6
Dividend and interest income	113	36	61	217.7
Cost of operational investment securities (2)	9,274	1,652	1,021	44.1
Cost of securities sold	9,274	1,652	1,021	44.1
Impairment	-	-	-	-
Capital gains (1) – (2)	14,016	2,314	637	18.2
Multiple (1) / (2)	2.51	2.40	1.62	-
Capital gains on listed shares	5,264	1,672	488	37.1
Capital gains on unlisted shares	8,751	641	149	6.8
Gains on sale	11,069	1,356	923	33.4
Losses on sale	2,317	714	774	133.7

(Outline of Investment Loss Reserves)

The reserve ratio to unlisted operational investment securities decreased in the consolidated three months ended June 30, 2019 due mainly to the progress in new investment and the sale of US funds' portfolio companies 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 three months ended June 30, 2018	For the three months ended June 30, 2019 (B)	Annualized comparison [(B)×4]/(A) (%)
Additions to investment loss reserves (1)	1,687	428	518	122.9
Company-by-company reserves	2,541	442	573	90.3
(Reversal of) General reserves	(854)	(14)	(55)	-
Reversal of investment loss reserves (2)	2,399	653	712	118.8
Net additions = (1)-(2) (minus figures are reversals)	(712)	(224)	(194)	-

(Millions of Yen)

	As of March 31, 2019	As of June 30, 2019
Balance of investment loss reserves	9,501	9,297
Company-by-company reserves	8,651	8,502
General reserves	850	795
Ratio to all unlisted operational investment securities	18.4%	16.1%

(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 continuous investment activity focusing on start-up companies.

(Millions of Yen)

		As of March 31, 2019	As of June 30, 2019
Difference between acquisition cost and market value of listed operational investment securities		6,153	5,300
	Securities whose market value exceeds acquisition cost	6,394	5,546
	Securities whose market value falls below acquisition cost	(240)	(245)

(Millions of Yen)

	For the year ended March 31, 2019	For the three months ended June 30, 2018	For the three months ended June 30, 2019
(Reversal of) Unrealized losses on operational investment securities	24	(69)	5

Balance of Operational Investment Securities

(Millions of Yen)

	As of March 31, 2019		As of June 30, 2019	
	Acquisition cost	Figures on the consolidated B/S	Acquisition cost	Figures on the quarterly consolidated B/S
Listed	1,590	7,744	1,562	6,863
Unlisted	49,067	49,803	55,892	56,166
Subtotal	50,657	57,547	57,454	63,029
Investments in other funds	1,632	1,719	1,491	1,569
Total	52,289	59,267	58,946	64,599

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)

Success fees declined because of a decrease in distributions subject to success fees.

(Millions of Yen)

	For the year ended March 31, 2019 (A)	For the three months ended June 30, 2018	For the three months ended June 30, 2019 (B)	Annualized comparison [(B)×4]/(A) (%)
Income from partnership management	2,586	738	590	91.3
Fund management fees	1,750	436	419	95.8
Success fees	836	302	171	82.0

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

(2) Outline of Financial Condition

(Outline of Assets, Liabilities, and Net Assets)

Total assets, total liabilities and net assets decreased mainly due to payment of income tax payable and dividends of retained earnings.

(Millions of Yen)

	As of March 31, 2019	As of June 30, 2019
Total assets	184,213	181,460
Current assets	115,636	110,894
Non-current assets	68,577	70,566
Total liabilities	20,998	19,955
Current liabilities	2,475	1,279
Non-current liabilities	18,523	18,675
Net assets	163,215	161,505

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(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, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	※1 61,378	※1 51,085
Operational investment securities	59,267	64,599
Investment loss reserves	(9,501)	(9,297)
Securities	2,500	2,500
Other	1,991	2,006
Total current assets	115,636	110,894
Non-current assets		
Property, plant and equipment		
Buildings, net	190	185
Furniture and fixture, net	122	127
Total property, plant and equipment	312	313
Intangible assets		
Software	188	217
Total intangible assets	188	217
Investments and other assets		
Investment securities	67,646	69,546
Investments in capital	17	16
Long-term loans receivable	7	63
Deferred tax assets	7	11
Other	397	397
Total investments and other assets	68,076	70,034
Total non-current assets	68,577	70,566
Total assets	184,213	181,460

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Current portion of long-term borrowings	116	69
Income taxes payable	1,193	187
Provision for bonuses	194	249
Allowance for extraordinary compensation for directors	89	—
Other	881	773
Total current liabilities	2,475	1,279
Non-current liabilities		
Long-term borrowings	249	249
Retirement benefit liability	453	448
Deferred tax liabilities	17,779	17,936
Other	42	42
Total non-current liabilities	18,523	18,675
Total liabilities	20,998	19,955
Net assets		
Shareholders' equity		
Share capital	33,251	33,251
Capital surplus	32,806	32,806
Retained earnings	59,268	57,307
Treasury shares	(7,586)	(7,586)
Total shareholders' equity	117,739	115,778
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,719	45,126
Foreign currency translation adjustment	755	600
Total accumulated other comprehensive income	45,475	45,727
Total net assets	163,215	161,505
Total liabilities and net assets	184,213	181,460

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

(Consolidated Statements of Income)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales		
Revenue from operational investment securities	3,967	1,658
Income from investment partnership management	738	590
Total net sales	4,705	2,249
Cost of sales		
Cost of operational investment securities	1,652	1,021
Other cost	142	153
Total cost of sales	1,794	1,175
Gross profit	2,911	1,074
(Reversal of) Additions to investment loss reserves	(224)	(194)
(Reversal of) unrealized losses on operational investment securities	(69)	5
Gross profit - net	3,204	1,262
Selling, general and administrative expenses	1,055	978
Operating profit	2,149	284
Non-operating income		
Interest income	21	174
Dividend income	659	1,258
Foreign exchange gains	217	—
Miscellaneous income	13	7
Total non-operating income	912	1,439
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	—	20
Loss on valuation of investment securities	—	6
Miscellaneous loss	0	0
Total non-operating expenses	1	27
Ordinary profit	3,059	1,696
Extraordinary income		
Gain on sales of investment securities	5	—
Total extraordinary income	5	—
Extraordinary losses		
Total extraordinary losses	—	—
Profit before income taxes	3,065	1,696
Income taxes - current	200	220
Income taxes - deferred	(121)	(26)
Total income taxes	79	193
Profit	2,985	1,502
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of JAFCO Co., Ltd. stockholders	2,985	1,502

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	2,985	1,502
Other comprehensive income		
Valuation difference on available-for-sale securities	2,350	406
Foreign currency translation adjustment	809	(155)
Remeasurements of defined benefit plans, net of tax	(3)	—
Total other comprehensive income	3,157	251
Comprehensive income	6,142	1,754
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,142	1,754
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 JAFCO's interest of cash and deposits in funds

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Cash and deposits	7,484	8,476

(ii) JAFCO's uncalled commitment to JAFCO-managed funds as of June 30, 2019 was ¥29,363 million, compared with ¥14,601 million as of the end of previous full year and ¥20,027 million as of June 30, 2018.

(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, 2019			As of June 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	6,651	1,104	5,546
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	7,526	1,131	6,394	6,651	1,104	5,546
	Investment securities						
	(1) Stock	66,606	9,348	57,258	68,509	9,342	59,166
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	66,606	9,348	57,258	68,509	9,342	59,166
	Marketable securities						
	(1) Stock	-	-	-	-	-	-
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-
	Total	74,132	10,479	63,652	75,160	10,447	64,713
Securities whose B/S amount falls below acquisition cost	Operational investment securities						
	(1) Stock	218	458	(240)	212	457	(245)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	218	458	(240)	212	457	(245)
	Investment securities						
	(1) Stock	44	61	(17)	43	67	(24)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	44	61	(17)	43	67	(24)
	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)	2,755	3,024	(269)
Grand total		76,894	13,500	63,394	77,915	13,472	64,443

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 June 30, 2019
	Figures on the consolidated B/S	Figures on quarterly consolidated B/S
Available-for-sale securities		
Operational investment securities		
Unlisted stock	46,137	53,479
Unlisted domestic and foreign bonds	660	681
Others	1,724	3,574
Investment securities		
Unlisted stock	802	800

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 and the three months ended June 30, 2019.

3. Other Information

(1) Investments and IPOs

(i) Investments

(Millions of Yen)

	For the year ended March 31, 2019 (A)		For the three months ended June 30, 2018		For the three months ended June 30, 2019 (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)	11,379	26	2,658	6	12,012	12	422.2
(USA)	10,753	19	2,810	6	2,770	11	103.0
(Asia)	3,014	11	835	3	161	1	21.5
Total	25,147	56	6,305	15	14,944	24	237.7

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 three months ended June 30, 2018	For the three months ended June 30, 2019
Number of IPOs	2	-	1
Investment cost (1)	900	-	130
Market value at IPOs (2)	7,128	-	1,209
Multiple (2)/(1)	7.9	-	9.3

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 three months ended June 30, 2018	For the three months ended June 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

Three months ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(i) Newly established funds:

JAFCO SV6 Series was established with commitments fully provided by the JAFCO Group.

Fundraising activity is underway for the first closing scheduled for the end of September 2019, with plans to raise a maximum of ¥80,000 million in total commitments by the final closing.

(Millions of yen)

Fund name	Total commitments as of June 30, 2019
JAFCO SV6 Series	20,000

(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