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

January 24, 2020

Financial Results for the Nine Months Ended December 31, 2019

[Japanese GAAP]

(Summary of Japanese announcement)

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

1. Consolidated Performance for the Nine Months Ended December 31, 2019 (April 1, 2019 – December 31, 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 nine months ended December 31, 2019	27,937	27.1	16,369	62.5	18,385	64.0	13,453	54.0
For the nine months ended December 31, 2018	21,987	(5.7)	10,073	(9.2)	11,208	(10.3)	8,737	(59.8)

Note: Comprehensive income Nine months ended December 31, 2019: ¥33,089 million [-%]
Nine months ended December 31, 2018: (¥1,733 million) [-%]

	Profit per share [¥]	Fully diluted net income per share [¥]
For the nine months ended December 31, 2019	434.97	-
For the nine months ended December 31, 2018	282.49	-

(2) Consolidated Financial Position

	Total assets [¥ million]	Net assets [¥ million]	Equity ratio [%]	Net assets per share [¥]
As of December 31, 2019	227,803	192,839	84.7	6,234.60
As of March 31, 2019	184,213	163,215	88.6	5,276.80

(Reference) Shareholders' equity As of December 31, 2019: ¥192,839 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: 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 December 31, 2019: 32,550,000 As of March 31, 2019: 32,550,000
② Number of treasury stock
As of December 31, 2019: 1,619,494 As of March 31, 2019: 1,619,264
③ Average number of shares
Nine months ended December 31, 2019: 30,930,637
Nine months ended December 31, 2018: 30,930,876

***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 nine months ended December 31, 2019 will be released on JAFCO's website on January 24, 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 nine months ended December 31, 2019, the JAFCO Group posted net sales of ¥27,937 million (up 27.1% from ¥21,987 million recorded in the same period a year ago), operating income of ¥16,369 million (up 62.5% from ¥10,073 million recorded in the same period a year ago), ordinary income of ¥18,385 million (up 64.0% from ¥11,208 million a year ago), and profit attributable to JAFCO Co., Ltd. stockholders of ¥13,453 million (up 54.0% from ¥8,737 million recorded in the same period a year ago).

During the three-month period ended December 31, 2019, capital gains and success fees increased due to large exits by Asian and domestic unlisted portfolio companies. Fund management fees also rose in line with an increase in capital commitments from external investors to JAFCO SV6 Fund Series established in June 2019.

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)
During the three-month period ended December 31, 2019, capital gains and success fees increased due to large exits by Asian and domestic unlisted portfolio companies.

(Millions of Yen)

	For the year ended March 31, 2019 (A)	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019 (B)	Annualized comparison [(B)/3×4]/(A) (%)
Revenues from operational investment securities (1)	23,291	20,033	22,680	129.8
Proceeds from sale of securities	23,177	19,957	22,567	129.8
Dividend and interest income	113	75	112	132.5
Cost of operational investment securities (2)	9,274	8,600	7,166	103.0
Cost of securities sold	9,274	8,600	7,166	103.0
Impairment	-	-	-	-
Capital gains (1) – (2)	14,016	11,432	15,513	147.6
Multiple (1) / (2)	2.51	2.33	3.16	―
Capital gains on listed shares	5,264	5,209	2,334	59.1
Capital gains on unlisted shares	8,751	6,223	13,179	200.8
Gains on sale	11,069	8,478	16,643	200.5
Losses on sale	2,317	2,255	3,463	199.2

(Outline of Investment Loss Reserves)

The reserve ratio to unlisted operational investment securities declined in the consolidated nine months ended December 31, 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 nine months ended December 31, 2018	For the nine months ended December 31, 2019 (B)	Annualized comparison [(B)/3×4]/(A) (%)
Additions to investment loss reserves (1)	1,687	1,766	1,816	143.6
Company-by-company reserves	2,541	2,103	2,114	111.0
(Reversal of) General reserves	(854)	(337)	(298)	-
Reversal of investment loss reserves (2)	2,399	2,201	3,421	190.1
Net additions = (1)-(2) (minus figures are reversals)	(712)	(435)	(1,604)	-

(Millions of Yen)

	As of March 31, 2019	As of December 31, 2019
Balance of investment loss reserves	9,501	7,892
Company-by-company reserves	8,651	7,340
General reserves	850	552
Ratio to all unlisted operational investment securities	18.4%	14.3%

(Outline of Balance of Operational Investment Securities)

The balance of operational investment securities rose because of portfolio IPOs and steady investment focusing on start-up companies.

(Millions of Yen)

		As of March 31, 2019	As of December 31, 2019
Difference between acquisition cost and market value of listed operational investment securities		6,153	9,047
	Securities whose market value exceeds acquisition cost	6,394	9,261
	Securities whose market value falls below acquisition cost	(240)	(214)

(Millions of Yen)

	For the year ended March 31, 2019	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
(Reversal of) Unrealized losses on operational investment securities	24	14	(26)

Balance of Operational Investment Securities

(Millions of Yen)

	As of March 31, 2019		As of December 31, 2019	
	Acquisition cost	Figures on the consolidated B/S	Acquisition cost	Figures on the quarterly consolidated B/S
Listed	1,590	7,744	1,826	10,874
Unlisted	49,067	49,803	53,110	53,654
Subtotal	50,657	57,547	54,936	64,529
Investments in other funds	1,632	1,719	1,334	1,391
Total	52,289	59,267	56,271	65,920

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 increased due to an increase in capital commitments from external investors to JAFCO SV6 Fund Series established in June 2019. Higher success fees were attributed to the realization of success fees form JAFCO SV4 Fund Series and JAFCO Asia Technology Fund VI L.P.

(Millions of Yen)

		For the year ended March 31, 2019 (A)	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019 (B)	Annualized comparison [(B)/3×4]/(A) (%)
Income from partnership management		2,586	1,954	5,255	271.0
	Fund management fees	1,750	1,311	1,817	138.4
	Success fees	836	643	3,438	548.4

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 increased mainly due to an increase in operational investment securities and a rise in the market value of investment securities.

(Millions of Yen)

		As of March 31, 2019	As of December 31, 2019
Total assets		184,213	227,803
	Current assets	115,636	132,508
	Non-current assets	68,577	95,295
Total liabilities		20,998	34,964
	Current liabilities	2,475	7,687
	Non-current liabilities	18,523	27,277
Net assets		163,215	192,839

(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 December 31, 2019
Assets		
Current assets		
Cash and deposits	*(i) 61,378	*(i) 69,271
Operational investment securities	59,267	65,920
Investment loss reserves	(9,501)	(7,892)
Securities	2,500	2,500
Other	1,991	2,708
Total current assets	115,636	132,508
Non-current assets		
Property, plant and equipment	312	469
Intangible assets	188	197
Investments and other assets		
Investment securities	67,646	93,749
Investments in capital	17	0
Long-term loans receivable	7	121
Deferred tax assets	7	362
Other	397	395
Total investments and other assets	68,076	94,628
Total non-current assets	68,577	95,295
Total assets	184,213	227,803

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Current portion of long-term borrowings	116	149
Income taxes payable	1,193	4,368
Provision for bonuses	194	415
Allowance for extraordinary compensation for directors	89	—
Other	881	2,754
Total current liabilities	2,475	7,687
Non-current liabilities		
Long-term borrowings	249	132
Retirement benefit liability	453	435
Deferred tax liabilities	17,779	26,562
Other	42	147
Total non-current liabilities	18,523	27,277
Total liabilities	20,998	34,964
Net assets		
Shareholders equity		
Share capital	33,251	33,251
Capital surplus	32,806	32,806
Retained earnings	59,268	69,258
Treasury shares	(7,586)	(7,587)
Total shareholders equity	117,739	127,728
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,719	64,682
Foreign currency translation adjustment	755	428
Total accumulated other comprehensive income	45,475	65,110
Total net assets	163,215	192,839
Total liabilities and net assets	184,213	227,803

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

(Consolidated Statements of Income)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales		
Revenue from operational investment securities	20,033	22,680
Income from investment partnership management	1,954	5,255
Other sales	0	1
Total net sales	21,987	27,937
Cost of sales		
Cost of operational investment securities	8,600	7,166
Other cost	637	3,035
Total cost of sales	9,237	10,201
Gross profit	12,749	17,735
(Reversal of) Additions to investment loss reserves	(435)	(1,604)
(Reversal of) unrealized losses on operational investment securities	14	(26)
Gross profit - net	13,170	19,366
Selling, general and administrative expenses	3,097	2,996
Operating profit	10,073	16,369
Non-operating income		
Interest income	126	72
Dividend income	1,258	2,036
Miscellaneous income	14	28
Total non-operating income	1,399	2,137
Non-operating expenses		
Interest expenses	2	1
Foreign exchange losses	231	87
Miscellaneous loss	29	33
Total non-operating expenses	263	122
Ordinary profit	11,208	18,385
Extraordinary income		
Gain on sales of investment securities	57	—
Total extraordinary income	57	—
Extraordinary losses		
Total extraordinary losses	—	—
Profit before income taxes	11,266	18,385
Income taxes - current	2,570	5,319
Income taxes - deferred	(41)	(387)
Total income taxes	2,528	4,931
Profit	8,737	13,453
Profit attributable to non-controlling interests	—	—
Profit attributable to JAFCO Co., Ltd. stockholders	8,737	13,453

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	8,737	13,453
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,292)	19,962
Foreign currency translation adjustment	816	(327)
Remeasurements of defined benefit plans, net of tax	4	—
Total other comprehensive income	(10,471)	19,635
Comprehensive income	(1,733)	33,089
Comprehensive income attributable to		
Comprehensive income attributable to JAFCO Co., Ltd. stockholders	(1,733)	33,089
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes for Consolidated Financial Statements

(Notes on premise of going concern)

None

(Related to Consolidated Quarterly Balance Sheets)

*(i) Breakdown of JAFCO's interests in funds out of cash and cash equivalents

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Cash and deposits	7,484	13,898

(ii) JAFCO's uncalled commitments to JAFCO-managed funds as of December 31, 2019 were ¥37,310 million, compared with ¥18,515 million as of December 31, 2018 and ¥14,601 million as of the end of previous full year.

As for JAFCO SV6 Series, JAFCO's uncalled commitments is ¥34,910 million, reflecting the transfer of existing interests which JAFCO held to external investors by January 20, 2020

(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 December 31, 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	10,629	1,368	9,261
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	7,526	1,131	6,394	10,629	1,368	9,261
	Investment securities						
	(1) Stock	66,606	9,348	57,258	92,729	9,339	83,390
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	66,606	9,348	57,258	92,729	9,339	83,390
	Marketable securities						
	(1) Stock	-	-	-	-	-	-
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-
	Total	74,132	10,479	63,652	103,359	10,707	92,652
Securities whose B/S amount falls below acquisition cost	Operational investment securities						
	(1) Stock	218	458	(240)	244	458	(214)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	218	458	(240)	244	458	(214)
	Investment securities						
	(1) Stock	44	61	(17)	24	32	(7)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	44	61	(17)	24	32	(7)
	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)	2,769	2,990	(221)
Grand total		76,894	13,500	63,394	106,129	13,698	92,430

(Millions of Yen)

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 December 31, 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	51,835
Unlisted domestic and foreign bonds	660	946
Others	1,724	2,263
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 or in the nine months ended December 31, 2019.

3. Other Information

(1) Investments and IPOs

(i) Investments

(Millions of Yen)

	For the year ended March 31, 2019 (A)		For the nine months ended December 31, 2018		For the nine months ended December 31, 2019 (B)		Annualized comparison [(B)/3×4]/(A) (%)
	Amount (A)	No. of cos.	Amount	No. of cos.	Amount (B)	No. of cos .	
Equity							
(Japan)	11,379	26	8,922	19	21,172	28	248.1
(USA)	10,753	19	8,883	14	4,506	18	55.9
(Asia)	3,014	11	2,894	10	893	8	39.5
Total	25,147	56	20,700	43	26,572	54	140.9

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 by 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 nine months ended December 31, 2018	For the nine months ended December 31, 2019
Number of IPOs	2	2	3
Investment cost (1)	900	900	1,293
Market value at IPOs (2)	7,128	7,128	13,396
Multiple (2)/(1)	7.9	7.9	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 nine months ended December 31, 2018	For the nine months ended December 31, 2019
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 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.
3. As JAFCO had transferred its interest in Icon Ventures IV, L.P., which held shares in the above IPO company, the impact of the above IPO on JAFCO’s performance is minimal.

(2) Establishment of Funds

Nine months ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(i) Newly established funds:

(Millions of yen)

Fund name	Total commitments as of December 31, 2019
JAFCO SV6 Series	80,000

(Millions of TWD)

Fund name	Total commitments as of December 31, 2019
JAFCO Taiwan I Venture Capital Limited Partnership	1,037 *

*Yen equivalent based on the exchange rate as of Dec. 31, 2019: ¥3,753 million

(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