JAFCO Group Co., Ltd.

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

JAFCO

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January 28, 2021

Financial Results for the Nine Months Ended December 31, 2020

[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, 2020 (April 1, 2020 – December 31, 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 nine months ended December 31, 2020	11,668	(58.2)	3,400	(79.2)	5,990	(67.4)	3,829	(71.5)
For the nine months ended December 31, 2019	27,937	27.1	16,369	62.5	18,385	64.0	13,453	54.0

Note: Comprehensive income Nine months ended December 31, 2020: ¥43,330 million [31.0%]
Nine months ended December 31, 2019: ¥33,089 million [- %]

	Profit per share [¥]	Fully diluted net income per share [¥]
For the nine months ended December 31, 2020	123.80	-
For the nine months ended December 31, 2019	434.97	-

(2) Consolidated Financial Position

	Total assets [¥ million]	Net assets [¥ million]	Equity ratio [%]	Net assets per share [¥]
As of December 31, 2020	275,163	228,046	82.9	7,372.90
As of March 31, 2020	222,059	188,366	84.8	6,089.99

(Reference) Shareholders' equity As of December 31, 2020: ¥228,046 million
As of March 31, 2020: ¥188,366 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, 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 December 31, 2020: 32,550,000 As of March 31, 2020: 32,550,000
② Number of treasury stock
As of December 31, 2020: 1,619,577 As of March 31, 2020: 1,619,534
③ Average number of shares
Nine months ended December 31, 2020: 30,930,444
Nine months ended December 31, 2019: 30,930,637

***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, 2020 will be released on the Company's website on January 28, 2021.

***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, 2020, the Company and its consolidated subsidiaries (collectively the "Company Group") posted net sales of ¥11,668 million, (down 58.2% year-on-year from ¥27,937 million), operating income of ¥3,400 million (down 79.2% year-on-year from ¥16,369 million), ordinary income of ¥5,990 million (down 67.4% year-on-year from ¥18,385 million), and profit attributable to JAFCO Group Co., Ltd. stockholders was ¥3,829 million (down 71.5% year-on-year from ¥13,453 million).

During the nine months under review, there were three portfolio IPOs (two in Japan and one overseas), and capital gains decreased year-on-year as a result. Meanwhile, additions to investment loss reserves rose due mainly 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)
Although capital gains on the sale of listed shares increased year-on-year due to three portfolio IPOs (two in Japan and one overseas), overall capital gains including those on the sale of other shares decreased year-on-year in the consolidated fiscal nine months ended December 31, 2020.

(Millions of Yen)

	Year ended March 31, 2020 (A)	Nine months ended December 31, 2019	Nine months ended December 31, 2020 (B)	Annualized comparison (%) [(B)/3x4]/(A)
Revenues from operational investment securities (1)	23,697	22,680	8,285	46.6
Proceeds from sale of securities	23,540	22,567	8,208	46.5
Dividend and interest income	156	112	77	66.1
Cost of operational investment securities (2)	8,337	7,166	2,614	41.8
Cost of securities sold	8,116	7,166	2,614	43.0
Impairment	221	-	-	-
Capital gains (1) – (2)	15,359	15,513	5,670	49.2
Multiple (1) / (2)	2.84	3.16	3.17	-
Capital gains on listed shares	2,627	2,334	5,128	260.2
Capital gains on unlisted shares	12,732	13,179	542	5.7
Gain on sale	16,726	16,643	1,023	8.2
Loss on sale	3,994	3,463	481	16.1

(Outline of Investment Loss Reserves)

In the consolidated fiscal nine months ended December 31, 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)	Nine months ended December 31, 2019	Nine months ended December 31, 2020 (B)	Annualized comparison (%) [(B)/3x4]/(A)
Additions to investment loss reserves (1)		3,084	1,816	3,083	133.3
	Company-by-company reserves	3,731	2,114	3,128	111.8
	(Reversal of) General reserves	(647)	(298)	(45)	-
Reversal of investment loss reserves (2)		3,599	3,421	384	14.2
Net additions = (1)-(2) (minus figures are reversals)		(514)	(1,604)	2,698	-

(Millions of Yen)

		As of March 31, 2020	As of December 31, 2020
Balance of investment loss reserves		8,229	10,910
	Company-by-company reserves	8,026	10,752
	General reserves	203	158
Ratio to all unlisted operational investment securities		14.9%	18.0%

(Outline of Balance of Operational Investment Securities)

The balance of operational investment securities rose in the consolidated nine months ended December 31, 2020 because of IPOs of portfolio companies, etc.

(Millions of Yen)

		As of March 31, 2020	As of December 31, 2020
Difference between acquisition cost and market value of listed operational investment securities		6,975	10,194
	Securities whose market value exceeds acquisition cost	7,126	10,196
	Securities whose market value falls below acquisition cost	(151)	(1)

(Millions of Yen)

	Year ended March 31, 2020	Nine months ended December 31, 2019	Nine months ended December 31, 2020
(Reversal of) Unrealized losses on operational investment securities	(88)	(26)	(148)

Balance of Operational Investment Securities

(Millions of Yen)

	As of March 31, 2020		As of December 31, 2020	
	Acquisition cost	Figures on the consolidated B/S	Acquisition cost	Figures on the quarterly consolidated B/S
Listed	1,494	8,470	1,382	11,577
Unlisted	54,696	55,061	61,092	60,579
Total	56,191	63,532	62,475	72,156

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.

(Millions of Yen)

		Year ended March 31, 2020 (A)	Nine months ended December 31, 2019	Nine months ended December 31, 2020 (B)	Annualized comparison (%) [(B)/3x4]/(A)
Income from partnership management		6,155	5,255	3,379	73.2
	Fund management fees	2,586	1,817	2,146	110.7
	Success fees	3,569	3,438	1,232	46.1

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 December 31, 2020
Total assets	222,059	275,163
Current assets	128,421	126,775
Non-current assets	93,637	148,387
Total liabilities	33,693	47,116
Current liabilities	7,582	3,692
Non-current liabilities	26,110	43,424
Net assets	188,366	228,046

(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 December 31, 2020
Assets		
Current assets		
Cash and deposits	*(i) 69,540	*(i) 64,148
Operational investment securities	63,532	72,156
Investment loss reserves	(8,229)	(10,910)
Securities	2,500	—
Other	1,078	1,379
Total current assets	128,421	126,775
Non-current assets		
Property, plant and equipment	435	348
Intangible assets	222	231
Investments and other assets		
Investment securities	92,131	147,110
Investments in capital	0	0
Long-term loans receivable	117	166
Deferred tax assets	334	137
Other	396	392
Total investments and other assets	92,980	147,807
Total non-current assets	93,637	148,387
Total assets	222,059	275,163

*see note (i) on P11

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Current portion of long-term borrowings	234	132
Income taxes payable	4,344	777
Provision for bonuses	226	445
Allowance for extraordinary compensation for directors	89	—
Other	2,688	2,337
Total current liabilities	7,582	3,692
Non-current liabilities		
Long-term borrowings	15	—
Retirement benefit liability	434	438
Deferred tax liabilities	25,528	42,884
Other	132	101
Total non-current liabilities	26,110	43,424
Total liabilities	33,693	47,116
Net assets		
Shareholders' equity		
Share capital	33,251	33,251
Capital surplus	32,806	32,806
Retained earnings	67,643	67,822
Treasury shares	(7,587)	(7,587)
Total shareholders' equity	126,113	126,292
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,529	101,291
Foreign currency translation adjustment	723	463
Total accumulated other comprehensive income	62,252	101,754
Total net assets	188,366	228,046
Total liabilities and net assets	222,059	275,163

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

(Consolidated Statements of Income)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales		
Revenue from operational investment securities	22,680	8,285
Income from investment partnership management	5,255	3,379
Other sales	1	3
Total net sales	27,937	11,668
Cost of sales		
Cost of operational investment securities	7,166	2,614
Other costs	3,035	430
Total cost of sales	10,201	3,044
Gross profit	17,735	8,623
(Reversal of) Additions to investment loss reserves	(1,604)	2,698
(Reversal of) unrealized losses on operational investment securities	(26)	(148)
Gross profit - net	19,366	6,073
Selling, general and administrative expenses	2,996	2,672
Operating profit	16,369	3,400
Non-operating income		
Interest income	72	69
Dividend income	2,036	1,406
Gain on investment in other funds	—	974
Miscellaneous income	28	147
Total non-operating income	2,137	2,597
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	87	—
Contribution to an investee	6	7
Miscellaneous loss	26	0
Total non-operating expenses	122	8
Ordinary profit	18,385	5,990
Extraordinary income		
Total extraordinary income	—	—
Extraordinary losses		
Total extraordinary losses	—	—
Profit before income taxes	18,385	5,990
Income taxes - current	5,319	2,165
Income taxes - deferred	(387)	(4)
Total income taxes	4,931	2,161
Profit	13,453	3,829
Profit attributable to non-controlling interests	—	—
Profit attributable to JAFCO Group Co., Ltd. stockholders	13,453	3,829

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	13,453	3,829
Other comprehensive income		
Valuation difference on available-for-sale securities	19,962	39,761
Foreign currency translation adjustment	(327)	(260)
Total other comprehensive income	19,635	39,501
Comprehensive income	33,089	43,330
[Breakdown]		
Comprehensive income attributable to JAFCO Group Co., Ltd. stockholders	33,089	43,330
Comprehensive income attributable to non-controlling interests	—	—

(4) Notes for Consolidated Financial Statements

(Notes on premise of going concern)

None

(Related to consolidated balance sheet)

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

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Cash and cash equivalents	5,776	6,368

(ii) The Company Group's uncalled commitments to funds managed by the Company Group as of December 31, 2020 were ¥23,367 million, compared with ¥37,310 million as of December 31, 2019 and ¥31,939 million as of the end of previous full year.

(Notes on substantial changes in the amount of shareholders' 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 December 31, 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	11,521	1,325	10,196
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	7,983	856	7,126	11,521	1,325	10,196
	Investment securities						
	(1) Stock	90,480	9,319	81,160	145,656	9,319	136,337
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	90,480	9,319	81,160	145,656	9,319	136,337
	Marketable securities						
	(1) Stock	-	-	-	-	-	-
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-
	Total	98,463	10,175	88,287	157,178	10,645	146,533
Securities whose B/S amount falls below acquisition cost	Operational investment securities						
	(1) Stock	487	638	(151)	55	57	(1)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	487	638	(151)	55	57	(1)
	Investment securities						
	(1) Stock	34	51	(17)	35	51	(16)
	(2) Bond	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	34	51	(17)	35	51	(16)
	Marketable securities						
	(1) Stock	-	-	-	-	-	-
	(2) Bond	-	-	-	-	-	-
	(3) Others	2,500	2,500	-	-	-	-
	Subtotal	2,500	2,500	-	-	-	-
	Total	3,021	3,190	(168)	90	108	(17)
Grand total		101,485	13,366	88,118	157,269	10,754	146,515

(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, 2020	As of December 31, 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	58,662
Unlisted domestic and foreign bonds	938	1,146
Others	770	770
Investment securities		
Unlisted stock	776	789
Others	647	436

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 nine months ended December 31, 2020 (previous fiscal year: ¥221 million, all operational investment securities)

(Significant subsequent events)

(Sale of investment securities)

The Company decided at the meeting of Board of Directors held on January 28, 2021 to sell part of its shareholdings in Nomura Research Institute, Ltd. (hereinafter “NRI”) held for the purpose of pure investment. As a result, the gain on sales of investment securities is expected to be recorded as an extraordinary income in the fiscal year ending March 31, 2021.

3. Other Information

(1) Investments and IPOs

(i) Investments

(Millions of Yen)

	Year ended March 31, 2020 (A)		Nine months ended December 31, 2019		Nine months ended December 31, 2020 (B)		Annualized comparison (%) [(B)/3x4]/(A)
	Amount (A)	No. of co's.	Amount	No. of co's.	Amount (B)	No. of co's.	
Equity							
(Japan)	24,883	35	21,172	28	14,345	22	76.9
(USA)	8,425	24	4,506	18	6,148	13	97.3
(Asia)	1,459	12	893	8	2,779	9	253.9
Total	34,769	71	26,572	54	23,273	44	89.3

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	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Number of IPOs	3	3	2
Investment cost (1)	1,293	1,293	740
Market value at IPOs (2)	13,396	13,396	11,262
Multiple (2)/(1)	10.4	10.4	15.2

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	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Number of IPOs	1	1	1
Investment cost (1)	886	886	302
Market value at IPOs (2)	13,881	13,881	2,315
Multiple (2)/(1)	15.7	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

Nine months ended December 31, 2020 (April 1, 2020 – December 31, 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 December 31, 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 December 31, 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
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