

Financial Results Overview for 2nd Quarter Ended September 30, 2011

Japan Asia Investment Co., Ltd.
(TSE 8518)

Announcement: November 4th, 2011

- 1. Management Environment**
- 2. Financial Review**

1. Management Environment

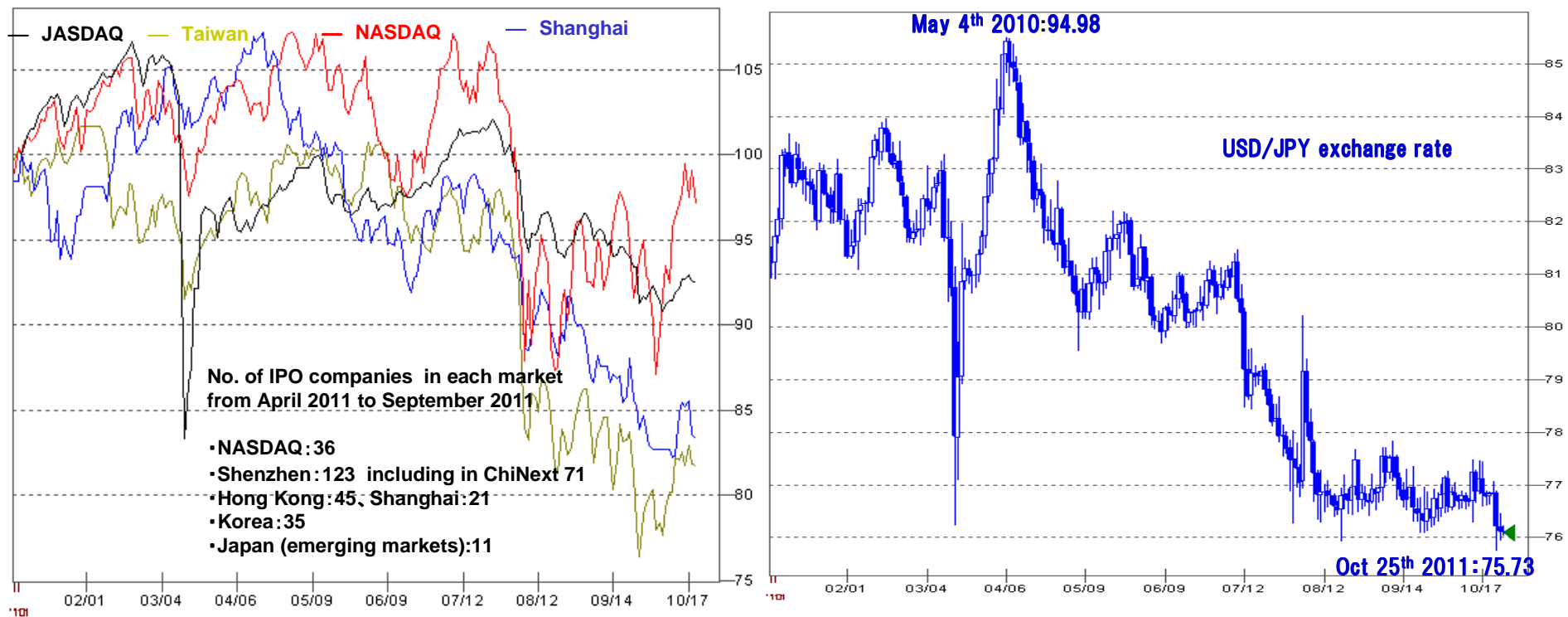
● Stock Market

After April 2011 main stock markets in Asia and U.S. faced downswing phase due to escalated financial crisis in Europe, economic uncertainty in U.S., inflation worries and currency appreciation of each country in Asia. The indices fell down again in August and found their bottom in September with signs of slow recovery.

IPO market remained stagnant due to bear markets. Especially Japanese IPO market has been miserable for these years.

● Foreign Currency Trend

Stronger Japanese Yen caused foreign exchange losses on sales of investment assets overseas.



*Baseline 100: Jan 1st, 2011

2. Financial Review

Outline of Results for the 2nd Quarter Ended September 30, 2011



	Amount (¥ Million)
Business Results (Previous Accounting Standards)	
Operating Revenue	2,325
Ordinary Income	(1,099)
Net Income	(1,117)
Net Assets	2,841
Total Assets	33,065
Investment Activities & AUM of Funds	
New Investments	1,362
Balance of Investment	39,289
New Funds	5,013
AUM of Funds	84,874
Financial Position (Previous Accounting Standards)	
Balance of Loans Payable	29,042

● Business Results

- Abrupt appreciation of the yen and sluggish stock prices effected on revenue, income and net assets.
- Determining the best timing for exits of investment assets

● Investment Activities

- New investments increased by 28% year-to-year basis.
- Concentrating on investments into growing companies aiming to enter into global market, mainly Asia.

● AUM of Funds

- 3 funds of ¥5.0 billion was newly established and increased the assets.
- With Development Bank of Japan, Inc. established a joint venture company as foundation for further business development in China.

● Financial Position

- ¥1.8 billion was repaid in this period and ¥0.7 billion was repaid at the end of Oct. The balance of loans payable was decreased around ¥28 billion.
- Redeemed ¥1.4 billion of bonds with subscription rights to shares at the maturity.

Financial Review

Consolidated Business Results for the 2nd Quarters Ended September 30, 2011



(JPY million)	11/3 PAS	11/3(2Q) PAS	12/3(2Q) PAS	Change	11/3(2Q) FCAS	12/3(2Q) FCAS	Change
Operating Revenues	10,979	5,376	2,325	(57%)	5,659	2,645	(53%)
Operating Cost	7,286	3,299	2,031	(38%)	3,671	3,095	(16%)
Operating Gross Profit	3,692	2,076	293	(86%)	1,987	(450)	-
SG&A Expenses	2,399	1,275	1,107	(13%)	1,174	1,032	(12%)
Operating Income	1,293	800	(813)	-	813	(1,482)	-
Ordinary Income	175	411	(1,099)	-	416	(1,777)	-
Net Income	(2,044)	(258)	(1,117)	-	(252)	(1,313)	-

Note: "PAS" Previous Accounting Standards, "FCAS" Fund Consolidation Accounting Standards

- Due to determining the best timing for exits, sluggish stock prices and appreciation of the yen, proceeds of sales of operational investment securities, realized capital gain and contingency fee from investment funds are decreased year-to-year basis.
- Even though increase of JAIC-backed IPO companies, sluggish stock prices led to valuation loss of marketable securities of ¥298 million (PAS).
- Continued cost saving measures led to SG&A Expenses reduced by 13% (PAS).

Consolidated Cash Flows

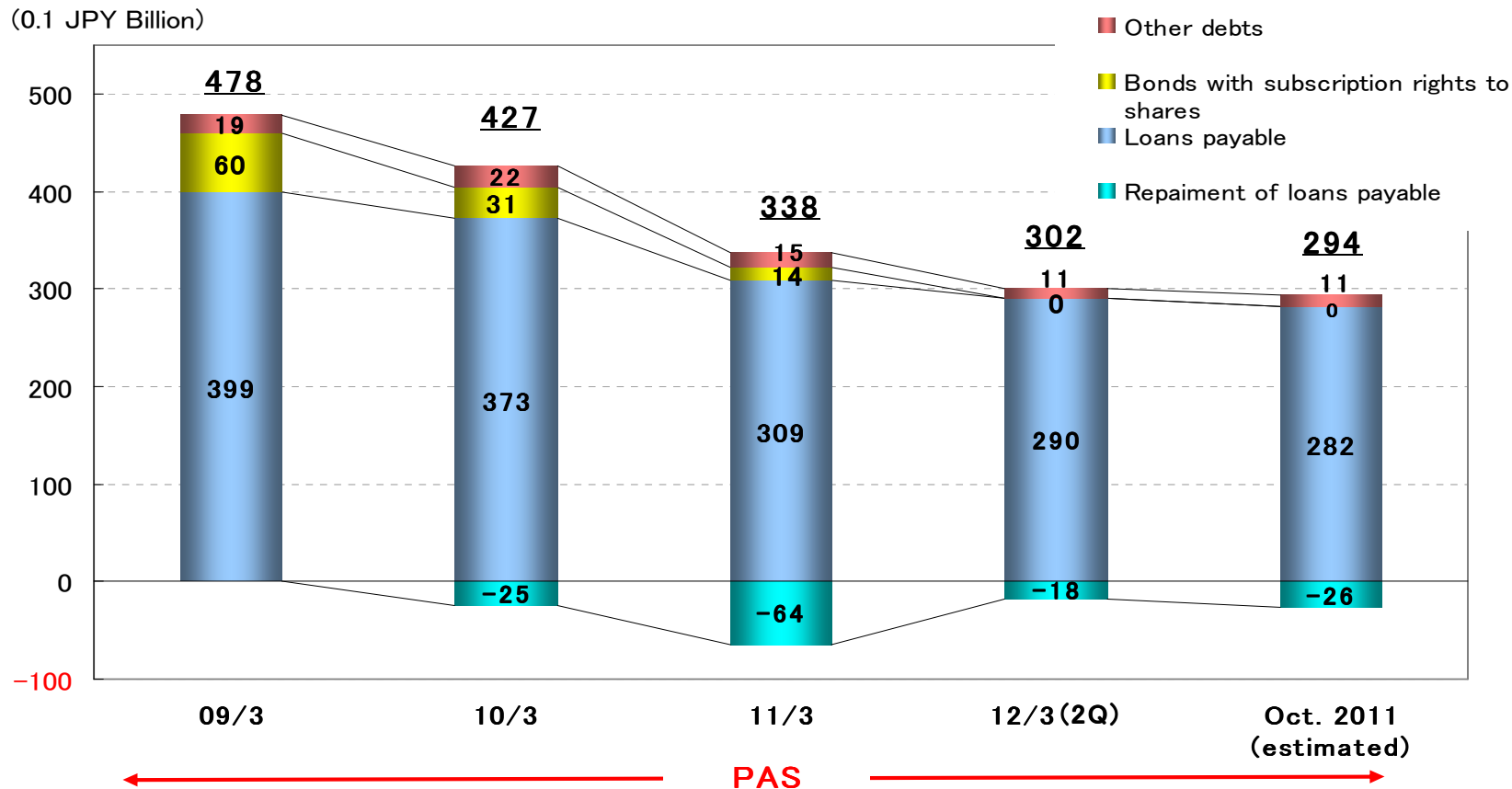


(FCAS)

(JPY million)	11/3	11/3 (2Q)	12/3 (2Q)	Change
Operating CF	7,137	4,172	(398)	-
Investing CF	2,215	1,641	125	(92%)
Financing CF	(7,886)	(2,941)	(3,289)	-
Change in CF	1,431	2,842	(3,570)	-
Cash & Cash Equivalents at End of Period	9,762	11,172	6,191	(45%)

- Enhancing investment activity to acquire future return and decrease of investment exits resulted in ¥398 million of net cash flows used in operating activities.
- ¥125 million of net cash flows was provided by investing activities due to redemption of non-operational investment securities.
- ¥3,289 million was used in financing activities mainly for repayments of loans payable and redemption of bonds with subscription rights to shares.
- Cash and cash equivalents decreased ¥3,570 million during this period.

Debt Outstanding



- **Loans payable** :Steadily repayment goes according to the plan and decreased the outstanding balance. ¥1.8billion was repaid during 2012/3(2Q) and ¥0.7 billion was repaid at the end of Oct 2011. Outstanding balance decreased from around ¥40 billion in Mar 2009 to around ¥28 billion in Oct 2011.
- **Bonds with subscription rights to shares** : Redeemed outstanding balance of ¥1.4 billion at the maturity in Sep 2011.

Highlight-Fund Management



● Management fees

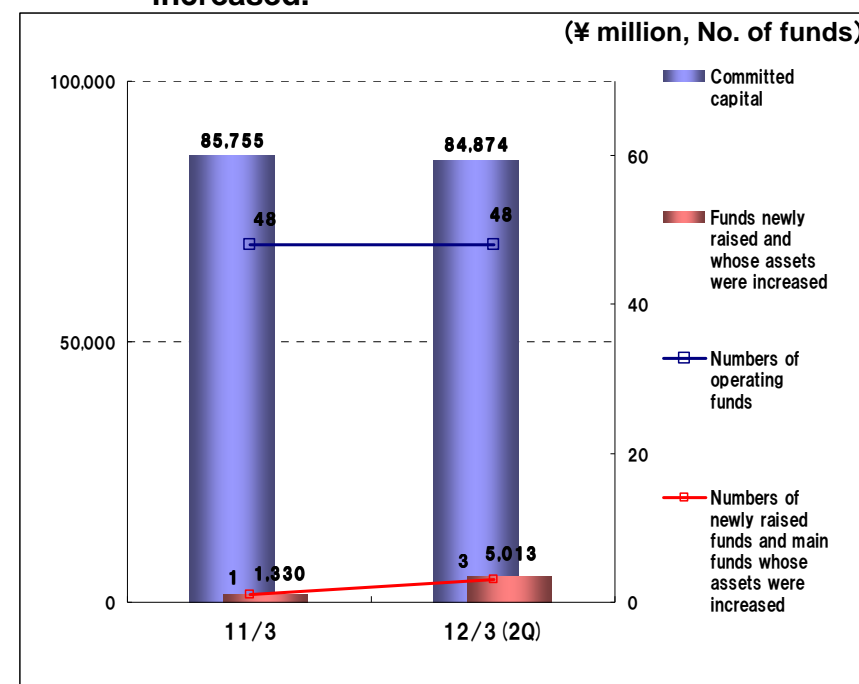
- Management fees decreased compared to 11/3(2Q) as NAV of funds decreased because of steady investment exits.

(PAS)

(¥ million)	11/3	11/3 (2Q)	12/3 (2Q)
Total investment funds' management fees (A+B)	1,383	754	476
Management fees (A)	1,088	597	475
Contingency fees (B)	295	157	0

● Balance of AUM and funds newly raised and increased the assets

- Balance of AUM was decreased from 11/3 due to wound up funds at their maturity and appreciation of the yen, while 3 funds were newly established and whose assets were increased.



Note:

1. Japanese yen equivalent of committed capital is calculated by the exchange rate at the end of each fiscal period.
2. The funds changed the classification under process of business restructuring are excluded from 11/3. The effect is ¥11,562 million of 9 funds as of March 31, 2011.
3. The funds with provision of the essential information for the management by the JAIC Group amount to ¥1,134 million of 1 fund as of March 31, 2011 and as of September 30, 2011.
4. Funds being wound up after their maturity are not included in the data above.

Highlight- Capital Gain



- Determining the best timing for each exit of portfolio company.
- Sluggish stock prices resulted in decrease of capital gains from marketable securities.
- Historic appreciation of the yen effected on proceeds of sales and realized capital gains from investment assets overseas.
- Share prices of several listed companies fell down and caused valuation loss of ¥298 million (PAS).

(PAS)

(¥ million)	11/3
Proceeds of sales of securities (A)	8,584
Cost of sales of securities	7,308
Cost of securities sold (B)	6,680
Investment write-offs (C)	627
Provision for allowance for possible investment losses (D)	(296)

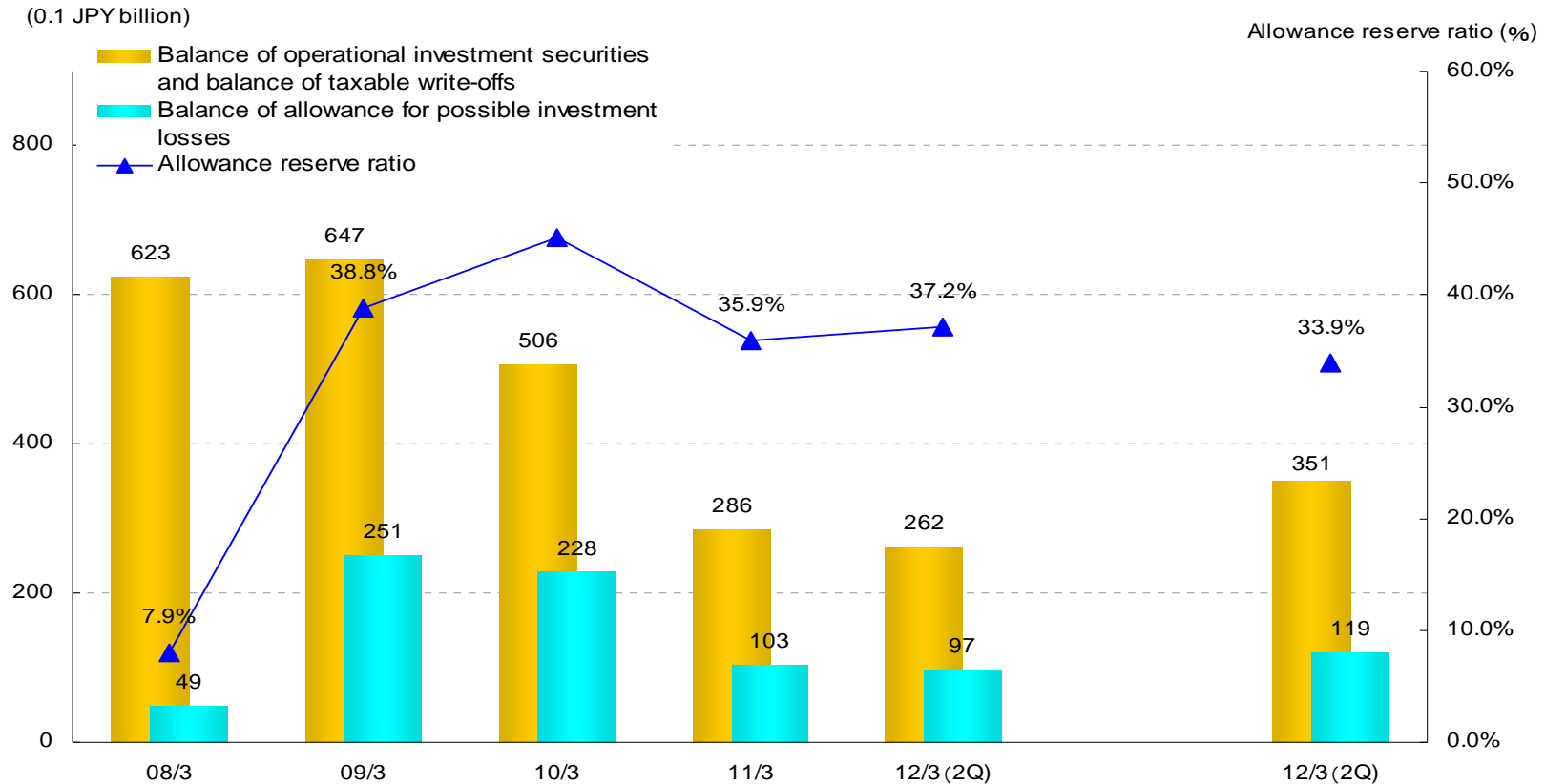
11/3(2Q)	12/3(2Q)
4,163	1,659
3,078	1,855
2,544	1,514
534	341
121	116

Realized capital gains (A)-(B)	1,904
Investment income (A)-(B)-(C)-(D)	1,573

1,619	144
963	(312)

Investment Operation

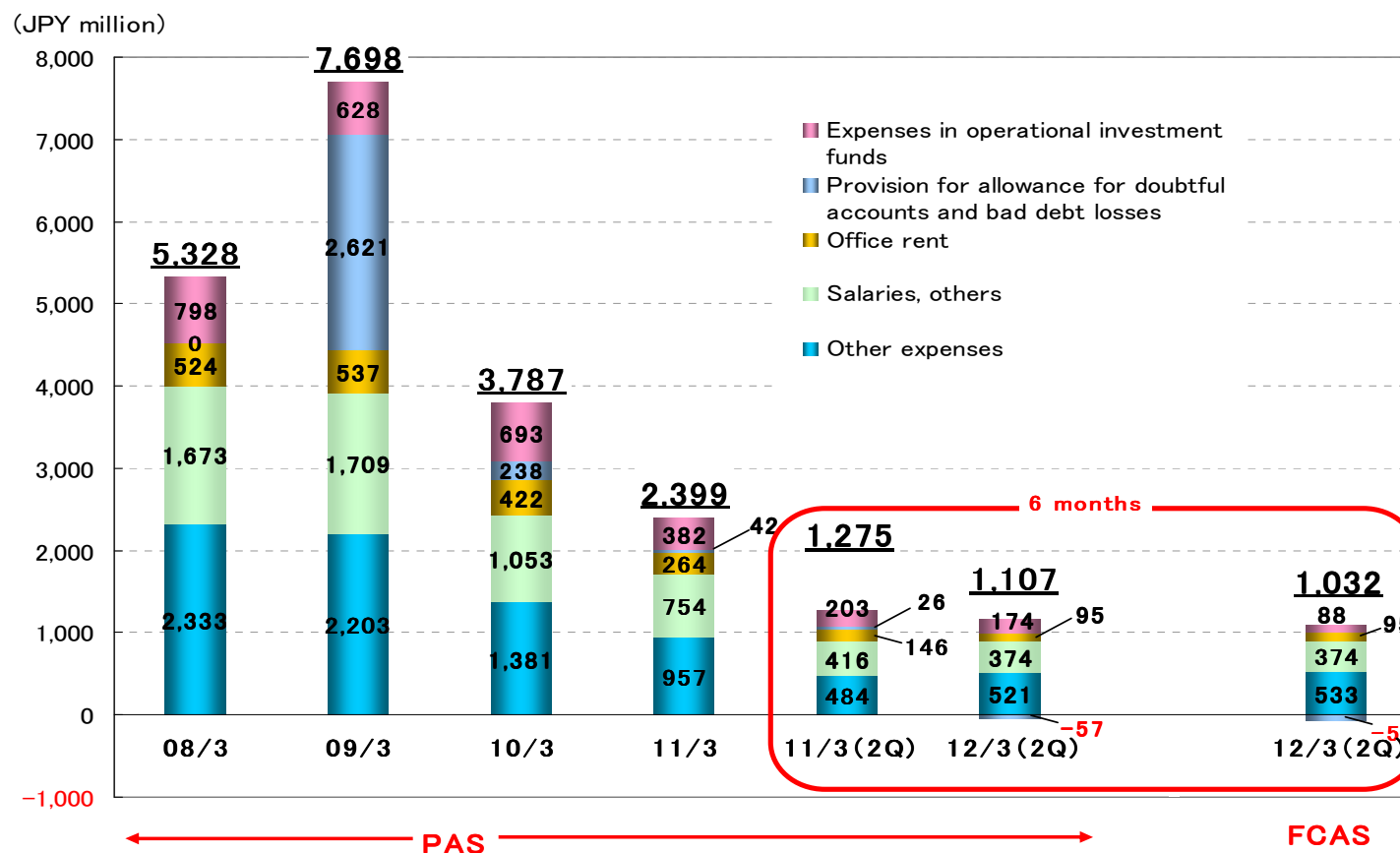
– Allowance For Possible Investment Losses



FCAS

- From the financial year 08/3, the part of operational investment securities with allowance for possible investment losses was considered difficult to be collected and was written off .
 - From the financial year 08/3, the allowance ratios are calculated including the taxable write-offs.
 - From the financial year 05/3, balance of operating investment securities are calculated including balance of operating investment funds.
- The effects are ¥4.3billion 08/3, ¥3.6billion 09/3, ¥2.7billion 10/3, ¥1.6 billion 11/3 , ¥1.1billion 12/3(2Q) of PAS and ¥1.2billion 12/3(2Q) of FCAS.

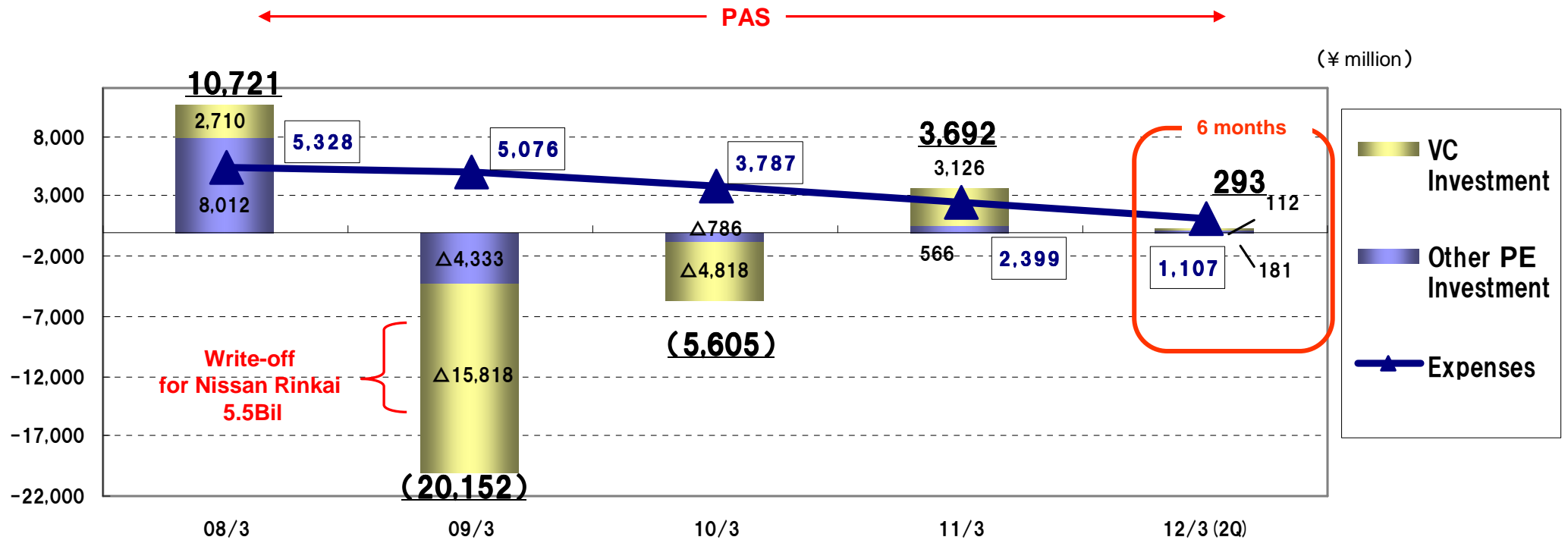
Selling, General and Administrative Expenses



		08/3	09/3	10/3	11/3	12/3(2Q)
SG&A expenses ratio to Gross profit		49%	-	-	65%	377%
NO.of employee	Consol	265	236	153	133	122
	Non-consol	159	135	95	80	73

■ Expenses in operational investment funds include the expenses of corporate type funds in FCAS.

Breakdown of Operating Gross Profit By Investment Program



- Expenses of 09/3 exclude provision for allowance for doubtful accounts and bad debt losses.
- Other PE investment : Buyout investments, Turnaround investments, PE Secondary investments etc. other than VC investments
- In case one fund records gross profit belongs to both investment programs, the gross profit is categorized into main investment program of the fund.

(Reference) Operational Condition

Funds newly established and increased the assets



➤2012/3(2Q):¥5,013 million of 3 funds

Japan-Asia(Tianjin) Venture Capital Investment Enterprise

- Establishment in August 2011
- Total fund size of 120 million RMB(as of September 30, 2011)
- Establishment in Binhai New Area, Tianjin, experiencing rapid economic growth following Shanghai and Shenzhen
- Co-management with government-funded FoFs and government-company engaged in urban development projects participated in as LP(＊)
- Investment target for companies at growth stage related environmental technology in Binhai

＊JAIC's partners: China Binhai New Area Venture Capital Guiding Fund Co., Ltd. and Tianjin Eco-City Investment and Development Co., Ltd.

Beijing ZhongDian New Energy Investment Fund ("CITIC Guodian Fund")

- Co-management with CITIC Group, one of China's largest financial group and Guodian Group, China's leading electric power company
- Total fund size of 132 million RMB and investment targets for environment & energy related companies in China

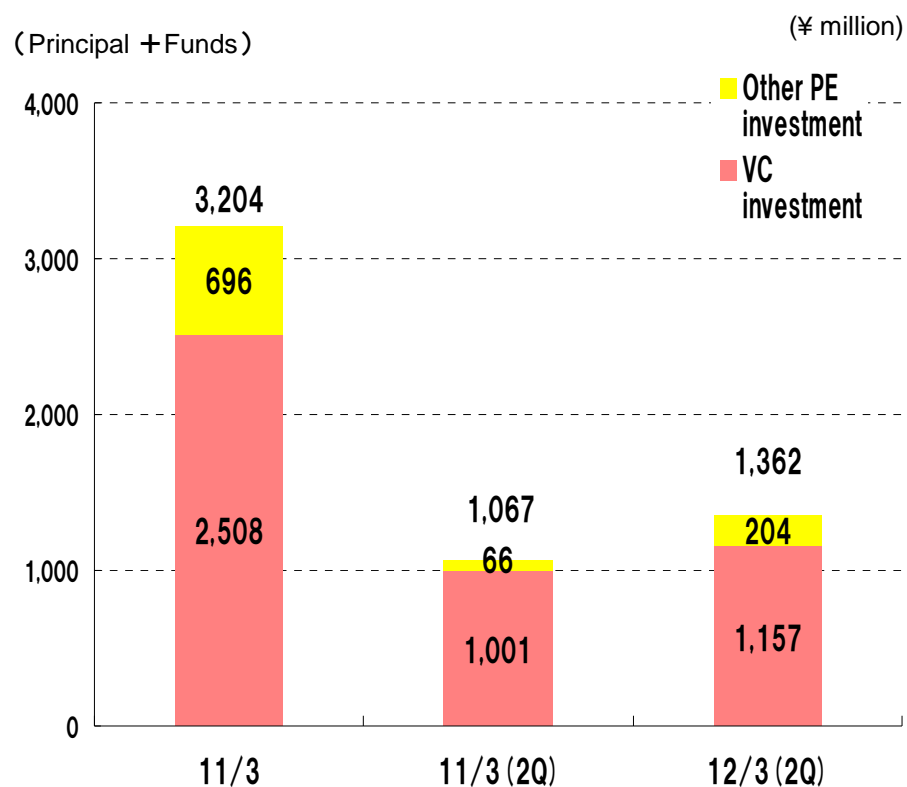
DFJ-JAIC Technology Partners, LP

- Co-management with Silicon Valley major venture capital DFJ(Draper Fisher Jurvetson)
- Total fund size of 29.9 million USD, and investment targets for IT & clean tech in U.S.A and Japan

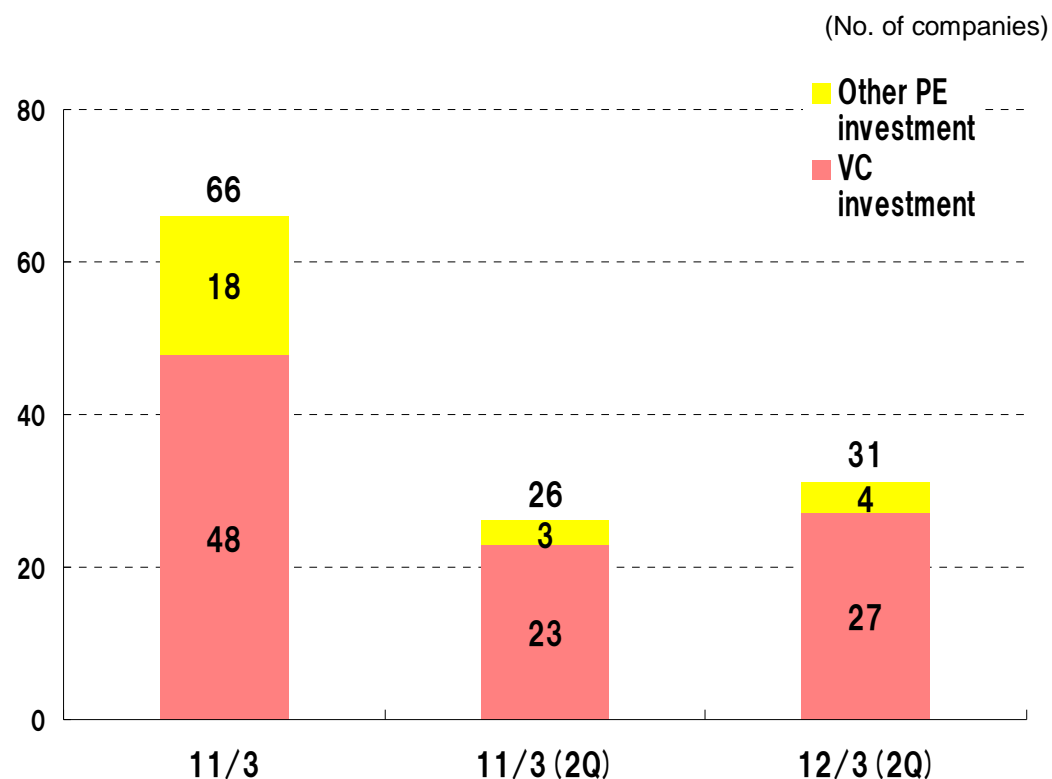
New Investments



◆ Investment Amount



◆ No. of Companies



Note

1 : Investments in funds managed by third parties other than the Company in which the JAIC Group is not involved in the management, are not included.

2 : Other PE investment: Buyout investments, Turnaround investments, PE Secondary investments etc. other than VC investments

- New investments 2012/3(2Q): ¥1,362 million of 31 companies (increasing 28% compared to the same period of the previous year)
- Invested in growing companies aiming to enter into global market, mainly Asia.

Case:A company

- Business: Development mobile application for smartphones
- Investment date: July 2011
- iPhone application developer. The company has developed some game applications and most of them are highly popular in U.S.A and other countries.
- JAIC evaluated competitiveness of development capability and high growth potential of smartphone market.

Case:B company

- Business: Design, development and sales of women's fashion products
- Investment date: September 2011
- The Taiwanese company has stable business bases by providing OEM products for leading players in U.S. & Europe and aim to progress to a next stage by sales of original brand products and products made in Japan.
- JAIC evaluated growth potential in China's fashion market and business expansion to Japan linkage.

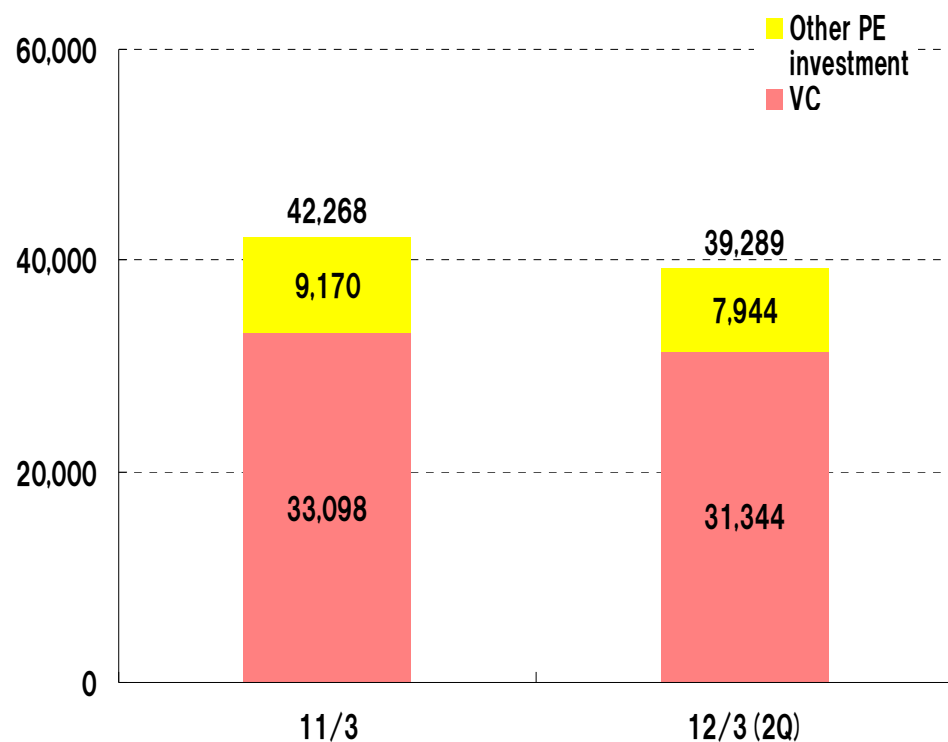
Investment Portfolio (Breakdown by investment type)



◆ Investment Amount

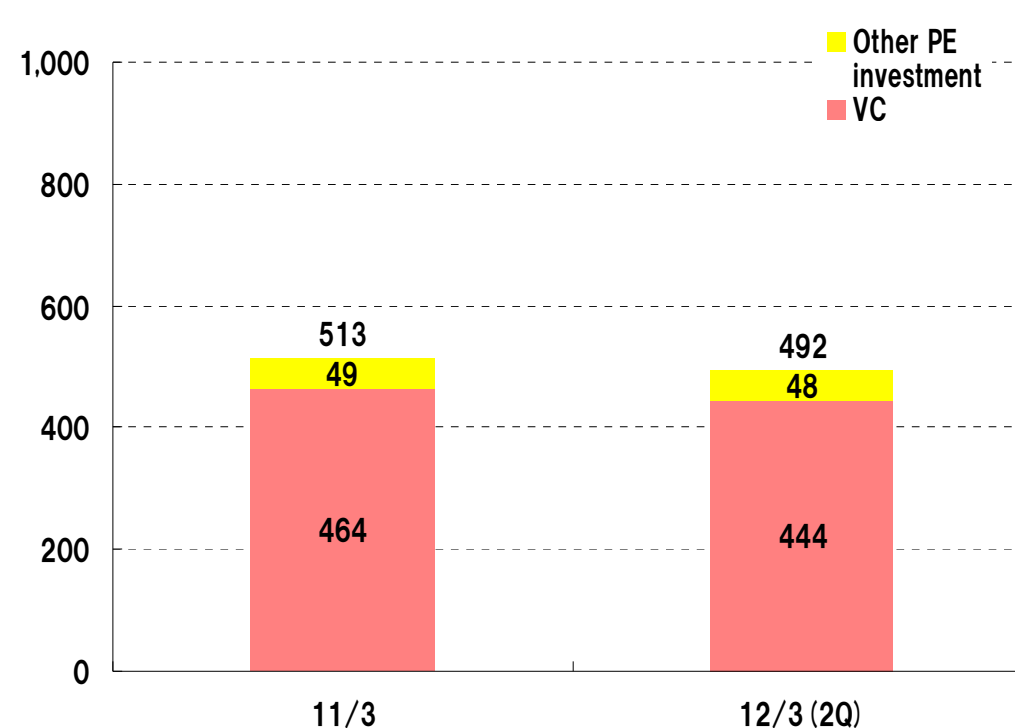
(Principal + Funds)

(¥ million)



◆ No. of Companies

(No. of Companies)



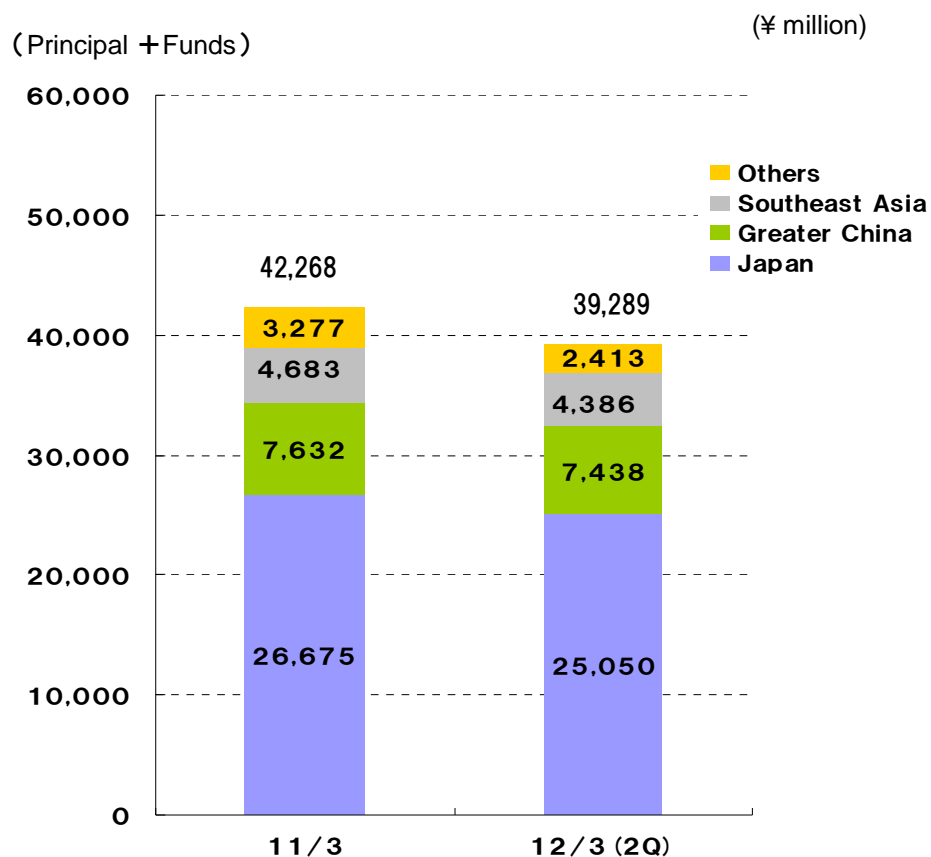
Note

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- 2 : Other PE Investment : Buyout investments, Turnaround investments, PE Secondary investments etc. other than VC investments
- 3 : The funds changed the classification under process of business restructuring are excluded from 11/3. The effect is ¥3,457 million of 44 companies as of March 31, 2011.

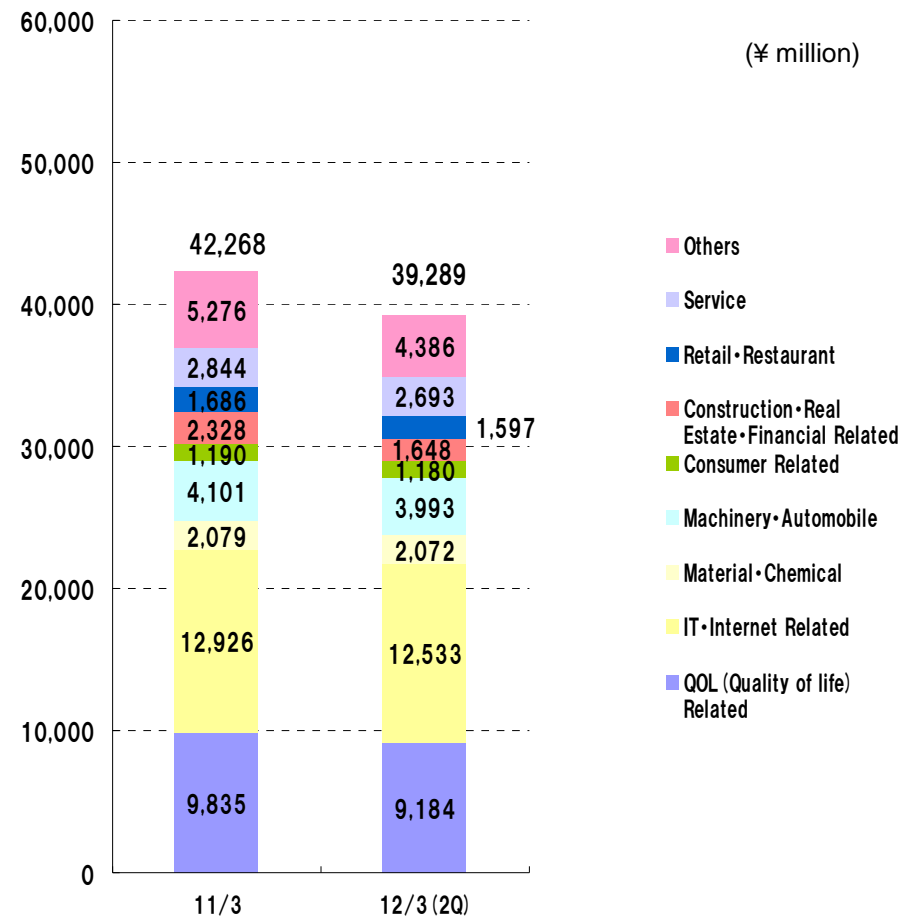
Investment Portfolio-Breakdown①



◆By Area



◆By Industry



Note

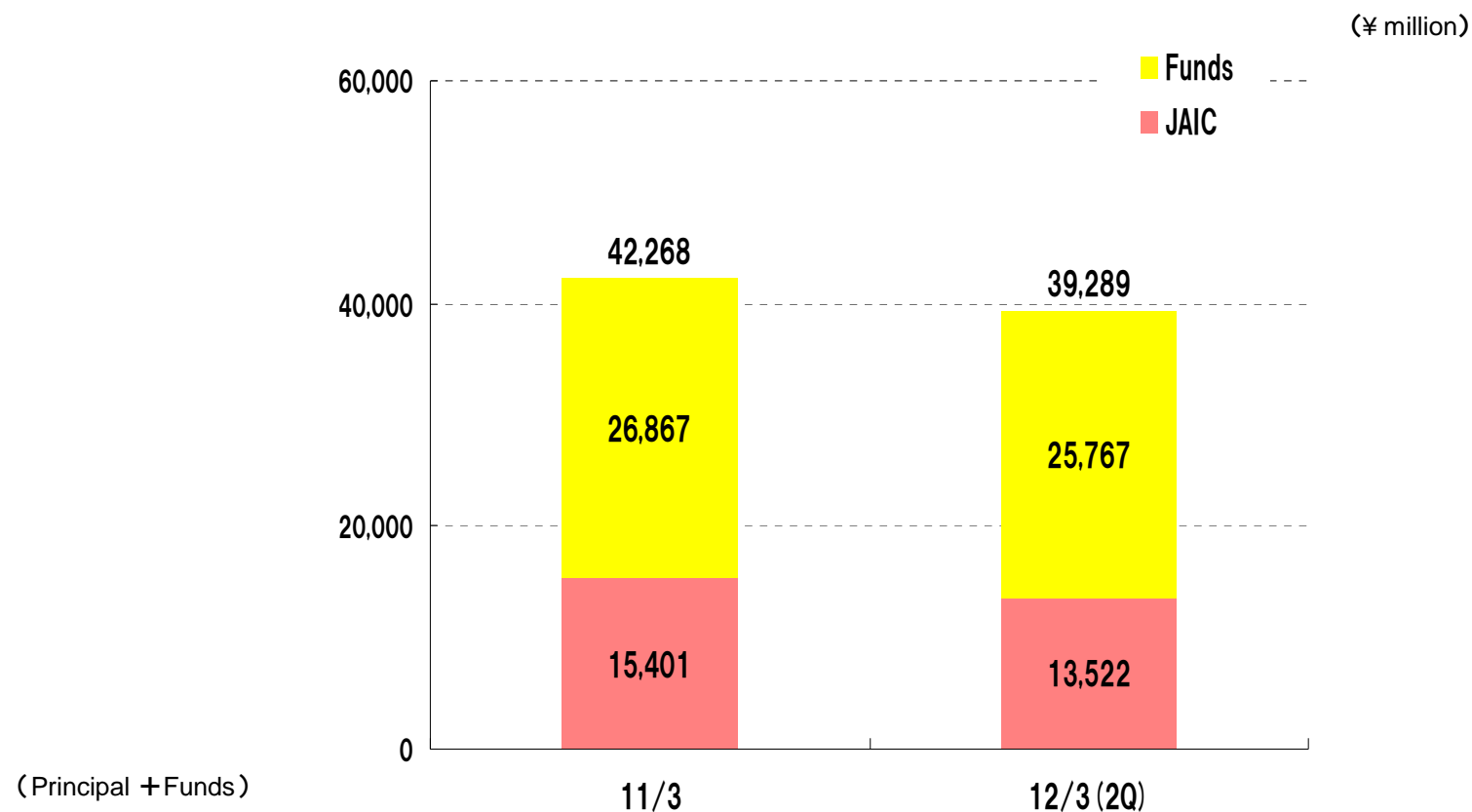
1 :Others include PE Secondary Investments.

2 :The funds changed the classification under process of business restructuring are excluded from 11/3. The effect is ¥3,457million of 44 companies.

Investment Portfolio-Breakdown②



◆ By capital resource (JAIC principal or Funds)



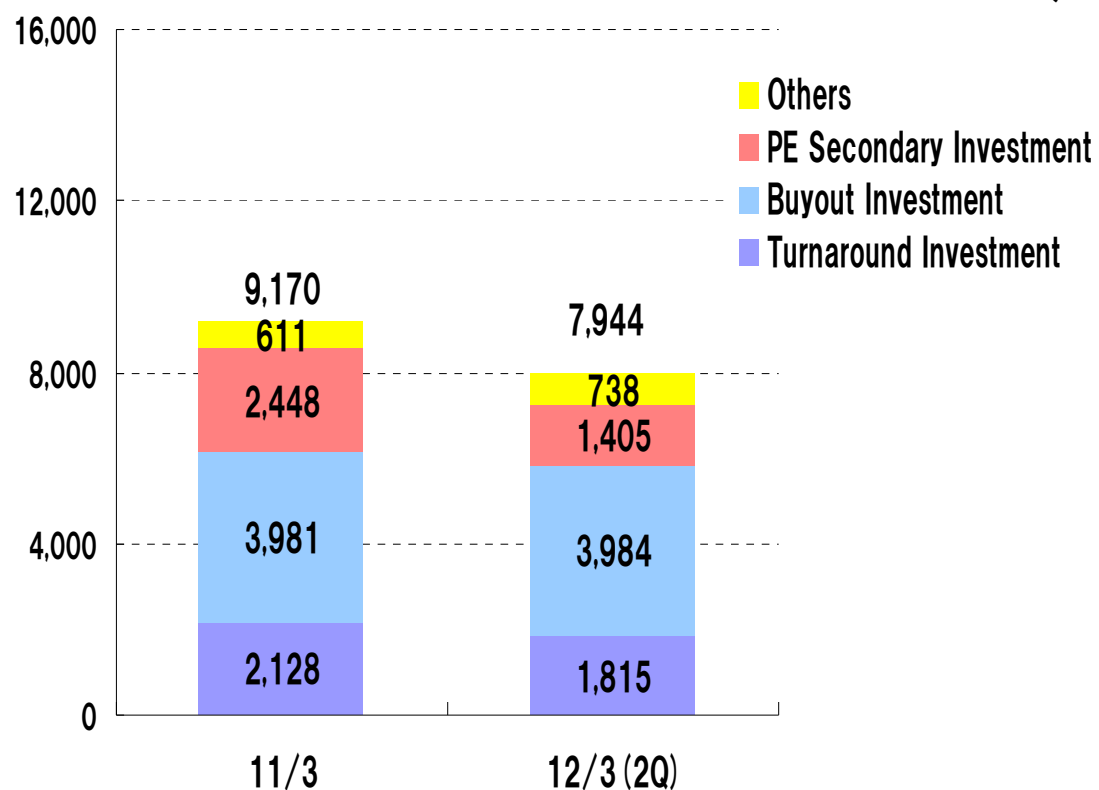
Note

1 : Investments in funds managed by third parties other than the Company in which the JAIC Group is not involved in the management, are not included.

2 : The funds changed the classification under process of business restructuring are excluded from this fiscal year. The effect is ¥3,457 million of 44 companies as of March 31, 2011.

◆Other PE investment by investment type

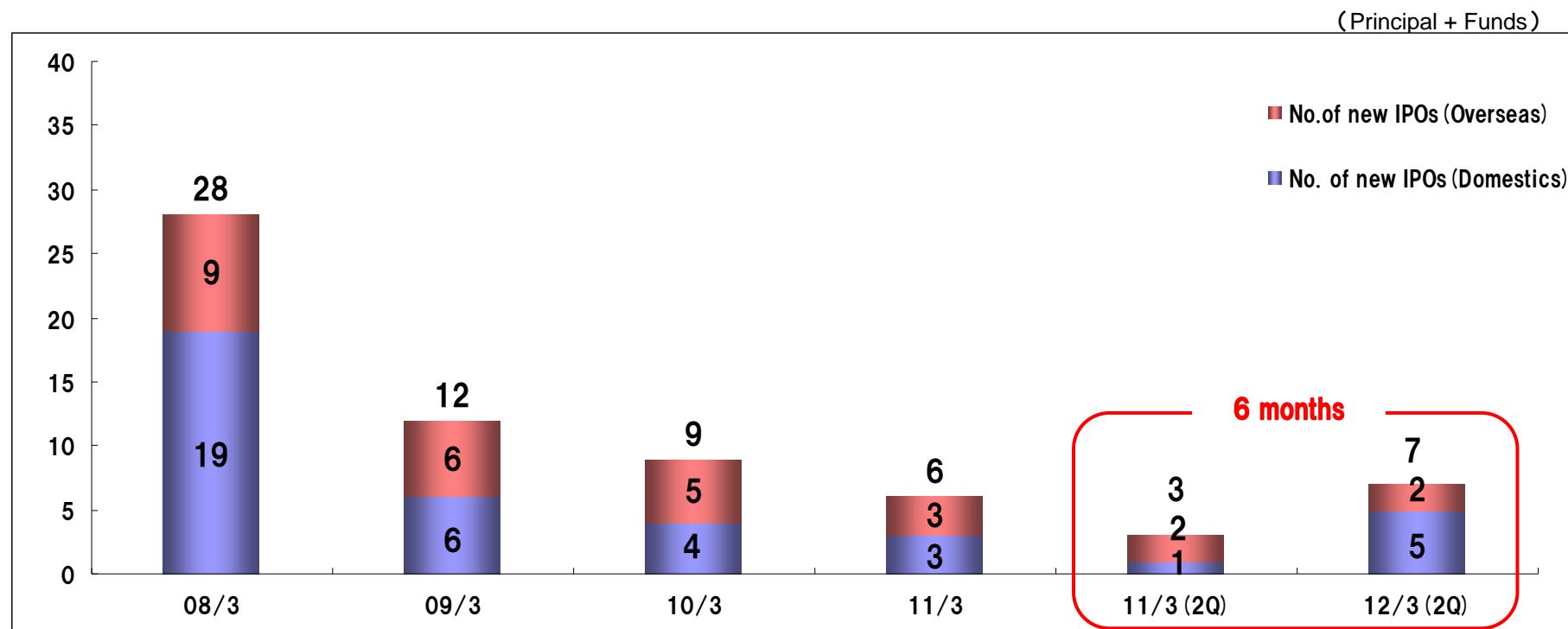
(¥ million)



(Principal + Funds)

Note

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- 2 : The funds changed the classification under process of business restructuring are excluded from 11/3. The effect is ¥618 million of 7 companies.



Investment multiple by Initial price (First price multiple)

(Investment multiple)

	08/3	09/3	10/3	11/3	11/3(2Q)	12/3(2Q)
Domestics	2.6	3.5	1.3	1.9	2.1	1.6
Overseas	6.2	0.9	1.6	0.6	0.4	1.9

Note

1: IPOs include backdoor listings (2 in 2008/3, 3 in 2009/3, 1 in 2010/3 and 1 in 2011/3).

2: The above numbers include companies whose listed shares the Group acquired as a result of equity swaps between its invested companies and previously listed companies.

3: First price multiple = Gross market capitalization at first price/Total our acquisition cost. However, the calculation of the first price multiple does not include the number of companies whose listed shares the Group acquired as a result of equity swaps.

(Reference) Details of Income Statement



(JPY : million)

	08/3 PAS	09/3 PAS	10/3 PAS	11/3 PAS	11/3(2Q) PAS	12/3(2Q) PAS	Change	11/3(2Q) FCAS	12/3(2Q) FCAS	Change
1. Fundmanagement operation										
<i>Fund management fees and others</i>	1,501	1,559	1,294	1,088	597	475	(20%)	262	210	(20%)
<i>Contingency Fees</i>	1,006	268	461	295	157	0	(100%)	113	-	-
Operating Revenue	2,508	1,827	1,755	1,383	754	476	(37%)	375	210	(44%)
Operating Cost	2	-	-	-	-	-	-	-	-	-
Operating Gross Profit	2,506	1,827	1,755	1,383	754	476	(37%)	375	210	(44%)
2. Investment operations										
<i>Proceeds of sales of securities</i>	14,547	5,203	4,700	8,584	4,163	1,659	(60%)	4,780	2,209	(54%)
<i>Operational interest and dividend income</i>	1,988	814	673	776	302	135	(55%)	340	164	(52%)
Operating Revenue	16,535	6,018	5,373	9,360	4,466	1,794	(60%)	5,121	2,374	(54%)
<i>Cost of securities sold</i>	5,960	5,022	4,450	6,680	2,544	1,514	(40%)	2,819	1,933	(31%)
<i>Investment write-offs</i>	1,665	15,069	2,829	627	534	341	(36%)	576	626	9%
<i>Provision for allowance for possible investment losses</i>	467	7,615	5,151	-296	121	116	(4%)	142	427	201%
<i>Profit and losses from LP funds and Others</i>	540	509	398	191	46	39	(15%)	80	88	10%
Operating Cost	8,632	28,217	12,829	7,203	3,246	2,012	(38%)	3,618	3,076	(15%)
Operating Gross Profit	7,902	(22,199)	(7,456)	2,157	1,219	(217)	-	1,503	(701)	-
3. Others										
Operating Revenue	1,008	649	285	234	155	54	(65%)	162	60	(63%)
Operating Cost	537	266	183	83	52	19	(63%)	52	19	(63%)
Operating Gross Profit	470	382	101	151	102	34	(66%)	109	41	(62%)
Total										
Operating Revenues	20,051	8,494	7,414	10,979	5,376	2,325	(57%)	5,659	2,645	(53%)
Operating Cost	9,172	28,483	13,013	7,286	3,299	2,031	(38%)	3,671	3,095	(16%)
Operating Gross Profit	10,879	(19,988)	(5,599)	3,692	2,076	293	(86%)	1,987	(450)	-
SG&A Expenses	5,328	7,698	3,787	2,399	1,275	1,107	(13%)	1,174	1,032	(12%)
Operating Income	5,550	(27,686)	(9,386)	1,293	800	(813)	-	813	(1,482)	-
Ordinary Income	4,796	(28,950)	(10,334)	175	411	(1,099)	-	416	(1,777)	-
Net Income	3,049	(34,845)	(10,903)	(2,044)	(258)	(1,117)	-	(252)	(1,313)	-

■ These amounts are before elimination as of '08/3. The amounts of influence are 06/3: ¥3 million, 07/3: ¥—million

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