

Financial Results Overview for the 3rd Quarter Ended December 31, 2017

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

Announcement: February 13, 2018

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The figures in this document is based on consolidated financial statements.

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1. Results for 3Q FY March 2018 (Previous accounting standard)

- Revenues increased by 11.4% and final profit increased by 229.1%
- 1.1 billion yen gain on sale of renewable energy projects contributed to results

2. Business report

- Established a new fund: Business succession-type buyout fund of 1 billion yen
- New investment execution: 23 companies; 3.3 billion yen
- Electricity sales commencement projects: 6 projects; 20.4 MW

3. Result forecast FY Mar 2018 (Previous accounting standard)

- No change to full-year results forecast
- Expecting a positive net income for the third consecutive year
- Revenues from the sale of shares and renewable energy projects are expected in 4Q

Business Result

Outline of results	P5
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2. Results for 3Q FY March 2018 – Outline of results (Previous accounting standard)

	3Q FY Mar 2017 (Actual)		3Q FY Mar 2018 (Actual)			Result forecast FY2018	
	Amount (million yen)	Composition ratio	Amount (million yen)	Composition ratio	Change	Amount (million yen)	Progression ratio
Operating revenue	2,831	100.0%	3,154	100.0%	11.4%	4,700	67.1%
Operating cost	1,455	51.4%	1,773	56.2%	21.8%	2,650	66.9%
Operating gross profit	1,375	48.6%	1,381	43.8%	0.4%	2,050	67.4%
SG&A expenses	1,034	36.5%	922	29.2%	(10.8%)	1,300	71.0%
Operating income	341	12.1%	458	14.6%	34.4%	750	61.2%
Ordinary Income	194	6.9%	334	10.6%	71.8%	550	60.9%
Profit attributable to owners of parent	73	2.6%	240	7.6%	229.1%	470	51.3%

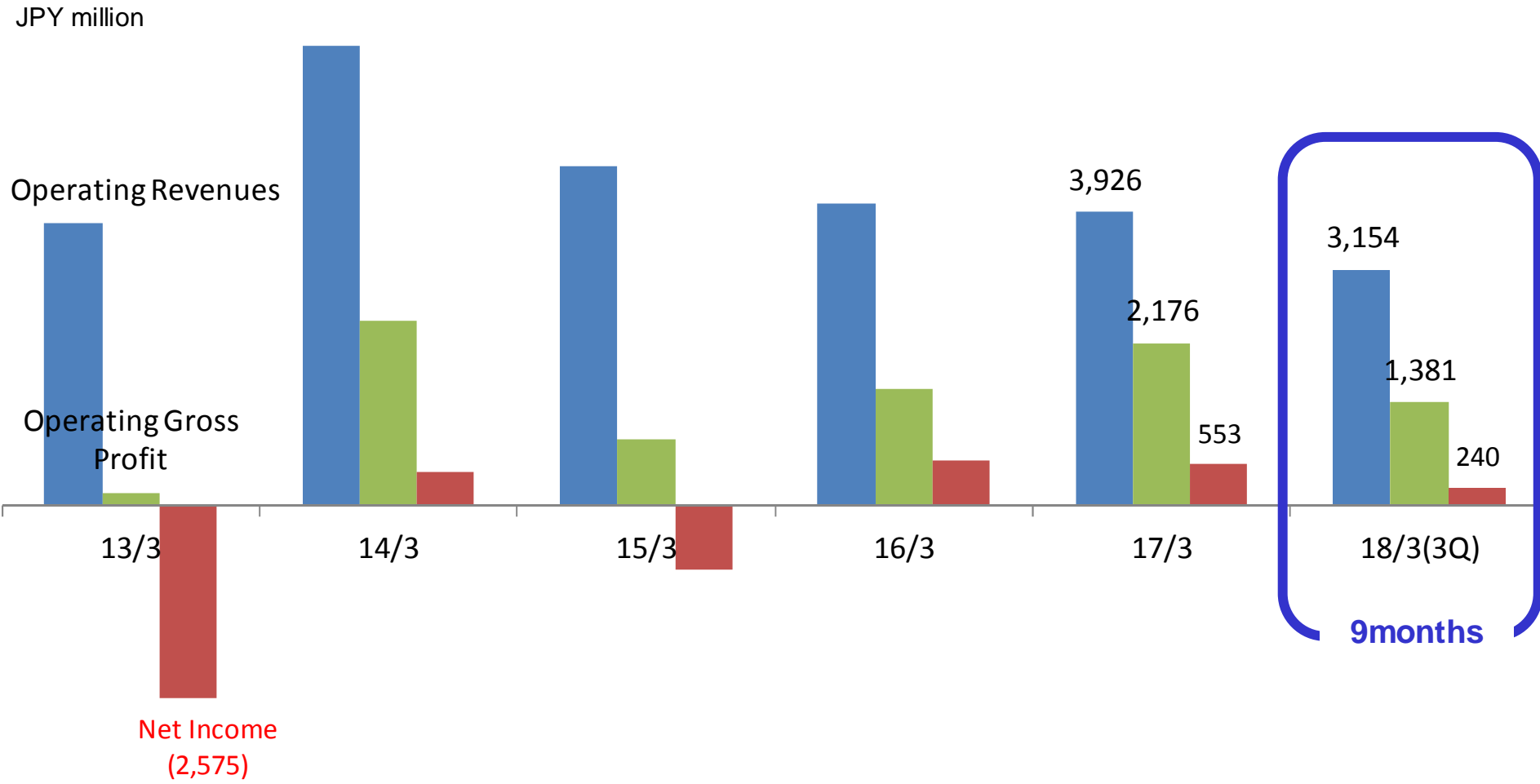
- ✓ 11.4% rise in revenues due to sale of renewable energy project compensated for increase in operating cost owing to write-offs and allowance
- ✓ 229.1% rise in income mainly due to a decrease in success fees paid under SG&A
- ✓ Progress rate against full-year forecast: Operating revenue 67.1%, final profit 51.3%
- ✓ Aim to achieve the full-year forecast with gains from sales in Q4

2. Results for 3Q FY March 2018 – Outline of results (Previous accounting standard)

	FY Mar 2017 (Actual)		3Q FY Mar 2018 (Actual)		
	Amount (million yen)	Composition ratio	Amount (million yen)	Composition ratio	Change
Total assets	20,305	100.0%	18,612	100.0%	(8.3%)
Cash and deposits	6,213	30.6%	4,559	24.5%	(26.6%)
Operational investment securities (Renewable energy projects) etc.	4,081	20.1%	4,466	24.0%	9.4%
Operational investment securities after deducting Allowance for possible investment loss (Private equity)	7,356	36.2%	7,112	38.2%	(3.3%)
Loans payable	14,128	69.6%	11,954	64.2%	(15.4%)
Total shareholders' equity	5,686	28.0%	5,839	31.4%	2.7%

- ✓ Renewable energy investment assets increased by 9.4% due to business expansion
- ✓ Outstanding borrowings and corporate bonds were 11.9 billion yen, a 73.9% decrease from the peak of 46.0 billion yen

2. Results for 3Q FY March 2017 – Results (Previous accounting standard)

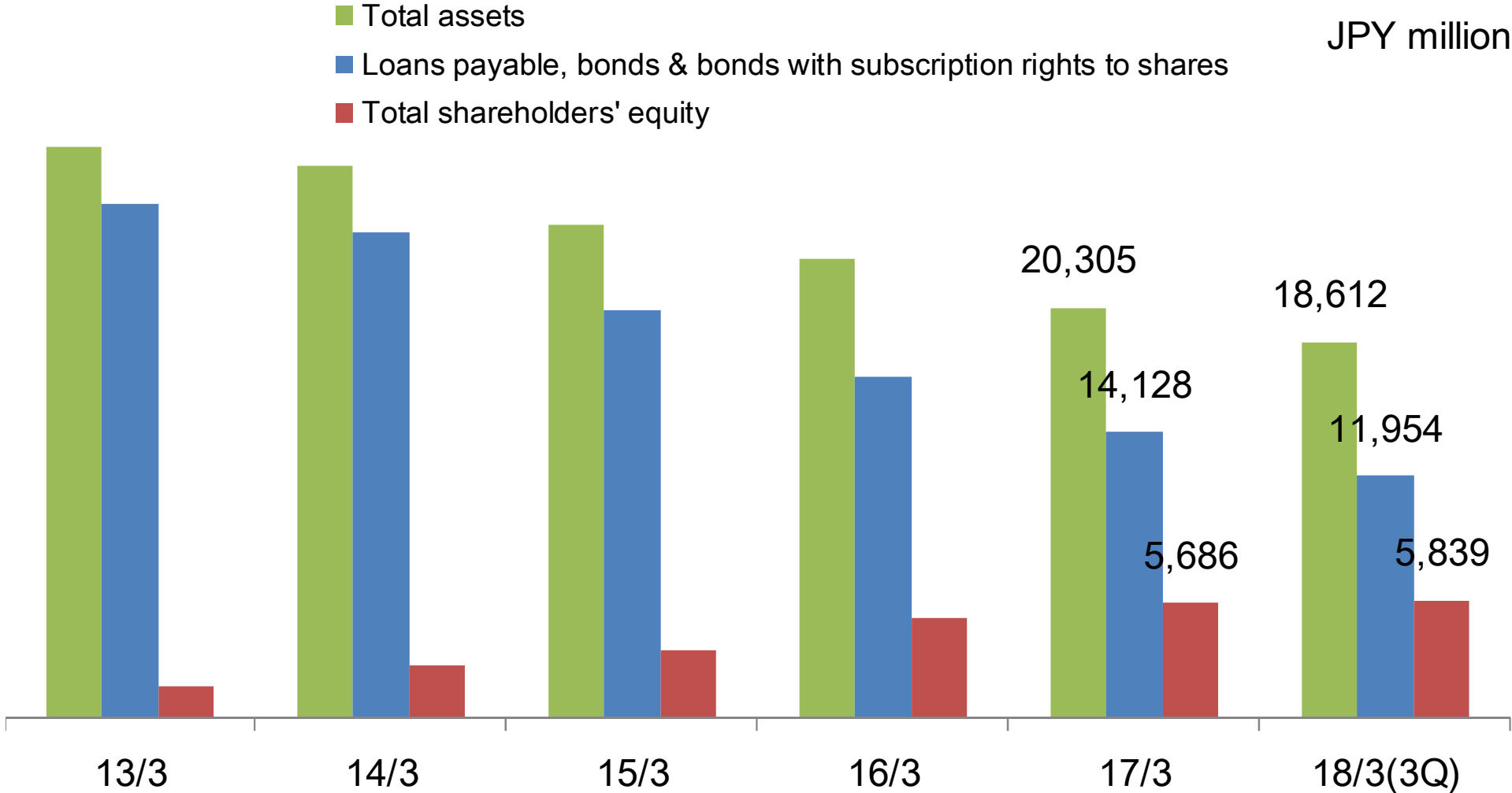


Performance recovered, profitability has taken root

2. Results for 3Q FY March 2017 – Balance Sheet (Previous accounting standard)



JPY million



Acceleration of reduction of borrowings and strengthening of equity capital led to improved financial health

2. Results for 3Q FY March 2018 – Cash Flows – (Fund consolidated accounting standard)

(JPY million)	13/3	14/3	15/3	16/3	17/3	18/3(3Q)
Operating CF	1,196	3,624	511	974	1,406	(180)
Investing CF	277	437	213	470	(5)	197
Financing CF	(2,838)	(1,424)	(3,224)	(1,404)	(2,469)	(2,173)
Change in Net CF	(1,259)	2,758	(2,371)	(26)	(1,100)	(2,155)
Cash & Cash Equivalents at End of Period	5,554	8,313	5,942	5,915	4,815	2,659

9 months

- ✓ Operating CF: Net cash used was ¥0.18 billion due to investment execution
- ✓ Financing CF: Net cash used was ¥2.17 billion due to repayment of borrowings
- ✓ Recover investment assets to obtain repayment sources and new investment funds
- ✓ Cash at end of period continues to decrease since insufficient recovery is compensated for with cash on hand

2. Results for 3Q FY March 2018 –

Break down of operating revenue & operating cost (Previous accounting standard)



		3Q FY Mar 2017 (Actual)	3Q FY Mar 2018 (Actual)	
		Amount (million yen)	Amount (million yen)	Change
Operating revenue		2,831	3,154	11.4%
Fund management operation	Fund management fees and others	263	208	(21.0%)
	Success Fees	46	86	87.4%
Investment operation	Proceeds of sales of securities (A)	2,135	1,457	(31.7%)
	Fund interests income etc.	343	1,339	290.3%
	Income gains	26	34	29.8%
Others	Other operating revenues	16	27	72.7%
Operating Cost		1,455	1,773	21.8%
Investment operation	Cost of securities sold (B)	1,363	1,219	(10.6%)
	Investment write-offs and Provision for allowance for possible investment losses (C)	73	534	626.1%
	Fund interests losses etc.	13	15	11.5%
Others	Other operating costs	4	4	(10.7%)
Operating Gross Profit		1,375	1,381	0.4%
Realized capital gains (A) - (B)		772	238	(69.1%)
Investment income (A) - (B) - (C)		698	(295)	-

*1 Funds with high performance >>> Fund management operation: Increase in success fees

*2 No large-scale sale of stocks >>> Investment operation: Decreases in proceeds of sales and realized capital gains

*3 1.1 billion yen gain on sale of renewable energy projects >>> Investment operation: Increase in fund interests income, etc.

*4 Some investees went bankrupt or saw a decline in business >>> Investment operation: Increases in write-offs and provision for allowance

2. Results for 3Q FY March 2018 – Investment operation – Details

(JPY million)	Total		Private equity		Renewable energy investment	
	3Q FY Mar 2017 (Actual)	3Q FY Mar 2018 (Actual)	3Q FY Mar 2017 (Actual)	3Q FY Mar 2018 (Actual)	3Q FY Mar 2017 (Actual)	3Q FY Mar 2018 (Actual)
Operating revenue of investment operation	2,505	2,831	2,016	652	488	2,179
Proceeds of sales of securities	2,135	1,457	1,860	627	*1 275	830
Fund interests income etc.	343	1,339	131	13	212	1,325
Income gains	26	34	25	11	1	23
Operating Cost of investment operation	1,450	1,768	1,180	947	270	821
Cost of securities sold	1,363	1,219	1,093	400	270	818
Investment write-offs and Provision for allowance for possible investment losses	73	534	73	534	*2 -	-
Fund interests losses etc.	13	15	13	12	-	2
Operating Gross Profit of investment operation	1,054	1,062	836	(294)	218	1,357

✓ The renewable energy investment business supported the drop in the highly fluctuating private equity (PE) business

*1 PE: Proceeds of sales: Decreased mainly due to postponed IPO of investee in Japan and failure to achieve target for trade sale outside Japan

*2 PE: Investment write-offs and provision for allowance to investees: Incurred for some investees in Japan that went bankrupt or saw a decline in business

*3 Renewable energy: Proceeds and cost of sales: 0.8 billion yen posted as is due to sale of some projects. Amount equivalent to gain on sale was posted under “fund interests income, etc.”

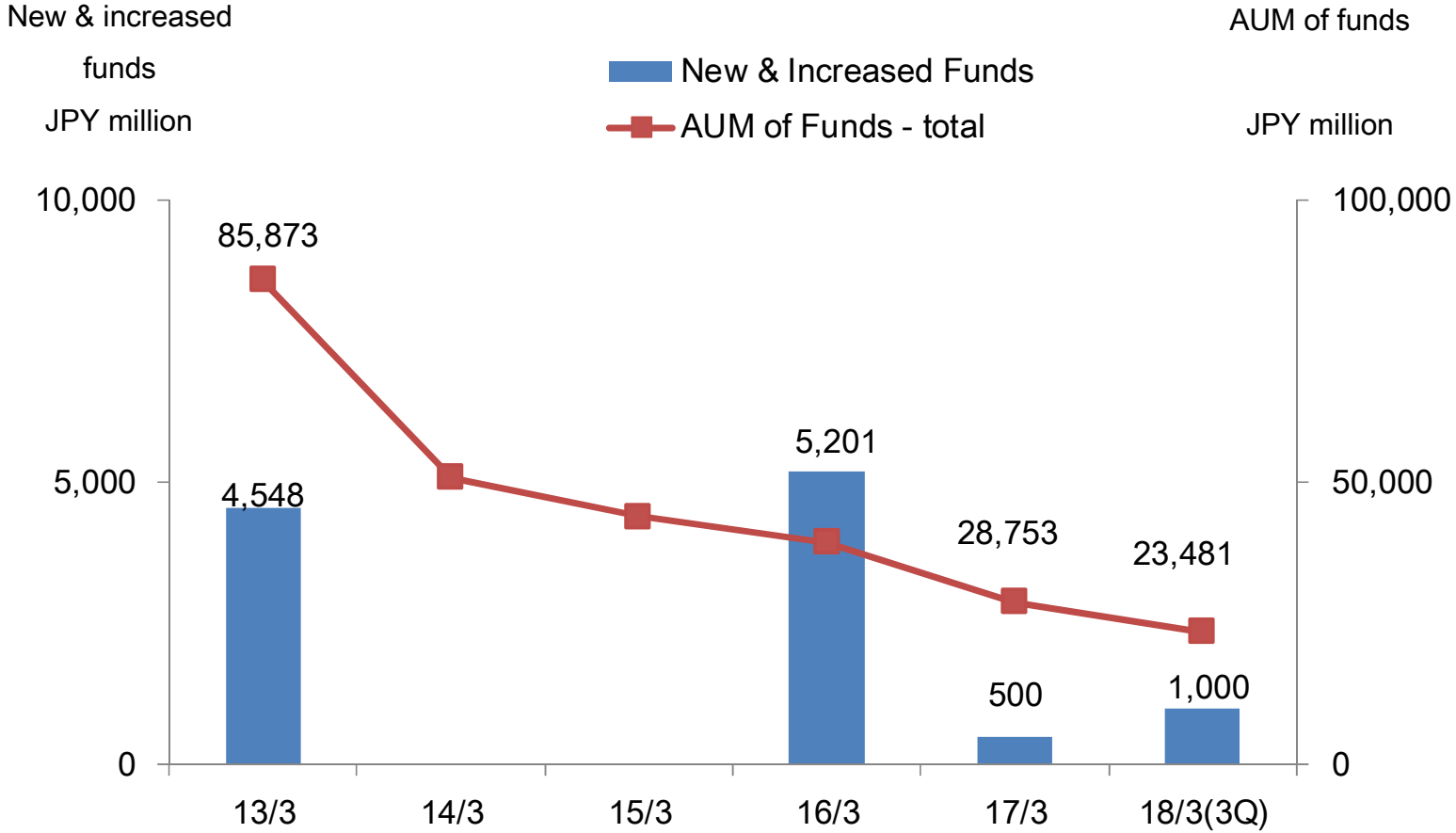
*4 Renewable energy: Fund interests income, etc.: 1.1 billion yen was gain on sale, 0.2 billion yen was income from electricity sales etc.

2. Results for 3Q FY March 2018 – Investment operation – List of projects sold

Name of power plant	Maximum output	Feed-in tariff (ex. tax)	Timing of sale
Ise-shi Kashiwa-cho Akame solar power plant (Mie)	2.1MW	¥32/kWh	June 2017
Ise-shi Kashiwa-cho Okayama solar power plant (Mie)	0.9MW	¥32/kWh	June 2017
Kameyamashiraki-cho solar power plant (Mie)	1.3MW	¥36/kWh	Aug. 2017
Yoshino-cho solar power plant (Nara)	31.7MW	¥36/kWh	Sep. 2017
Total	36.0MW (attribute to JAIC 22.0MW)		

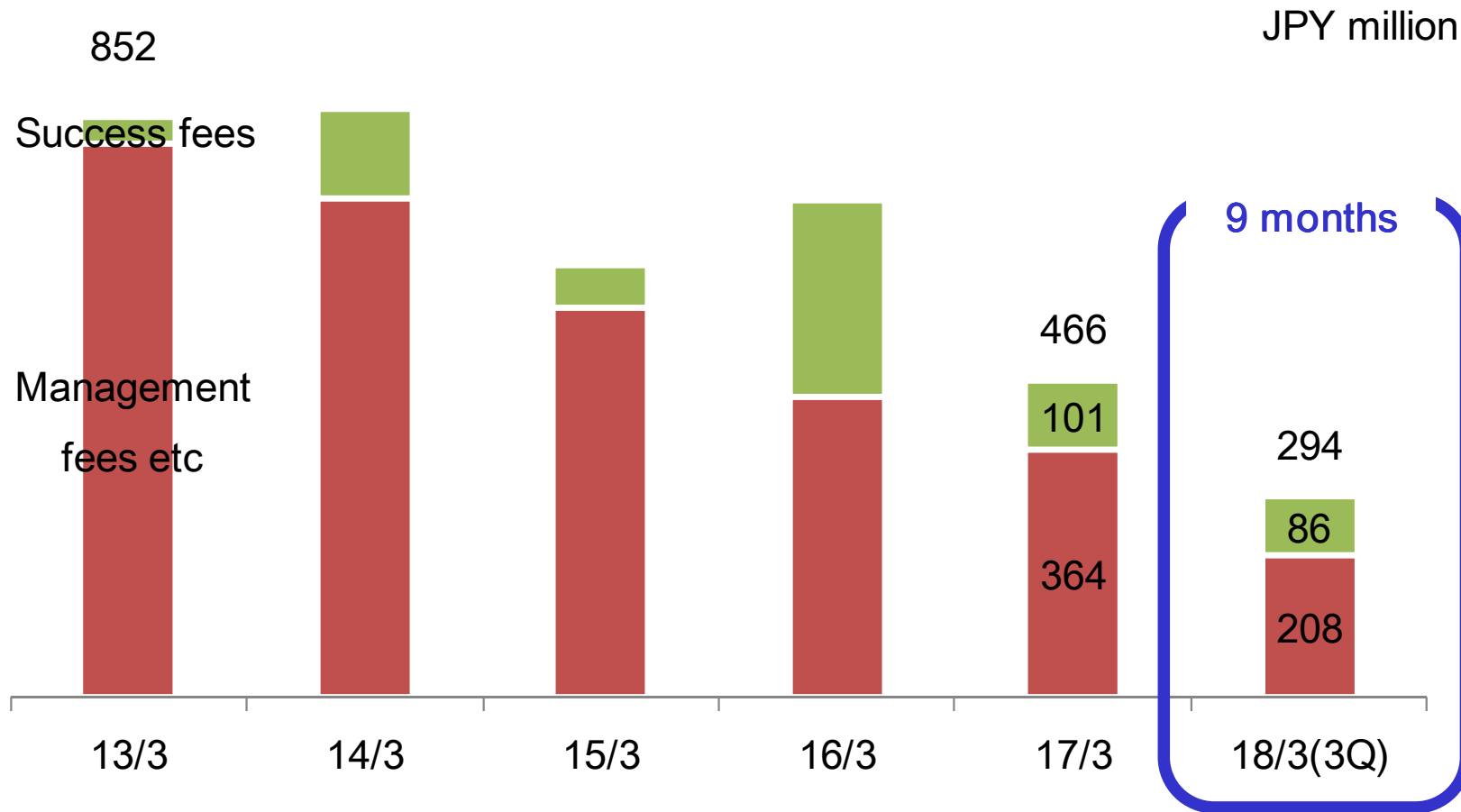
- ✓ Sold four projects with total output of 36.0 MW
- ✓ Realized sale of large projects

2. Results for 3Q FY March 2018 – Fund management operation – AUM



- ✓ Established a business succession-type buyout fund of ¥1 billion
- ✓ AUM of funds decreased due to maturity and decrement of funds

2. Results for 3Q FY March 2018 – Fund management operation – fees
(Previous accounting standard)



- ✓ Management fees etc. decreased due to a fall in AUM of funds
- ✓ Received success fees from funds operated in Japan and overseas

3. Business report

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3. Business report – Progress report on initial plan at year's start

Establish funds and expand investment domain of PE investment

- Established business succession-type buyout fund “Succession Investment Limited Partnership, I”
- Continue to solicit the Fund aiming to achieve additional contribution

Invest in high-profitability renewable energy projects

- Made investments in 4 new mega solar projects
- Carried out initiatives in renewable energy projects other than solar power
Started electricity sales by biomass power plant; made investment in biogas

Promotion of alliance with First Eastern Group

- Establish new department for promotion
- Cultivated investee candidates toward fund establishment and joint investment

Acquire gains from sales

- Gained 1.1 billion yen from sales of 4 renewable energy projects of 36.0 MW
- Gains from sales of stocks decreased due to postponed IPO and failure to carry out large-scale trade sale

Investment execution : 12 companies, 1.1 billion yen

Q O L



REGiMMUNE Corporation
Drug development in immunosuppressants



細胞の持つ潜在能力を科学する

CellAxia Inc.
New drugs, regenerative medicine products etc.

and 2 environment-related companies

Service



瀋陽貝爾猫教育信息諮詢
Scientific experiment class for children based on STEM education philosophy



NIPPON SOUKEN LTD.
Insurance broker

and 1 other company

IT



jena co. ltd.
IoT position information management, AI chat bot



CROCO CORPORATION
Crowd sourcing service specializing in article writing



瀋陽安新自動化控制
IoT air-conditioning control system

and 1 IoT-related company

Machinery/ Precision machine



株式会社 翔栄

— タッチパネルの開発・製造・販売 —

SHOEI CO., LTD. In-vehicle touch panel

3. Business report – Private equity – Updates on investee companies



Megakaryon Corporation
Human iPS cell-derived platelet
preparation

Succeeded in financing 3.7 billion yen

Investment from investment companies
such as INCJ and business partners
including Otsuka Holdings Group



Global Trust Networks Co., Ltd.
General living support dedicated to foreigners

Business alliance with Marui Group

Issued GTN Epos Card, Japan's first credit
card dedicated to foreigners



Genomix Co Ltd
世界初「再生誘導医薬」の実現を目指して

Genomix Co., Ltd.
Regeneration inducing medicine*

Succeeded in financing 1.0 billion yen

Investment from medical portal site
operator M3 and venture capital

*Regeneration inducing medicine: Medicine that leverages the ability of the body to repair and renew damaged tissue. Accelerates the renewal of damaged tissues with stem cells by injecting medicine that increases the supply of stem cells that can differentiate into various tissues.



MTES株式会社
MTES Co., LTD

MTES Co., LTD
IoT solution services

Business alliance with Edimax, a major listed
Taiwanese communication and network device firm

Provides “structural health monitoring,” a service for
accurately grasping the deterioration of structures in
Japan, U.S., China, and Taiwan

Investment execution: 11 projects, 2.2 billion yen

Example of new investment project 1

Large (15.7 MW) mega solar in Monbetsu, Hokkaido

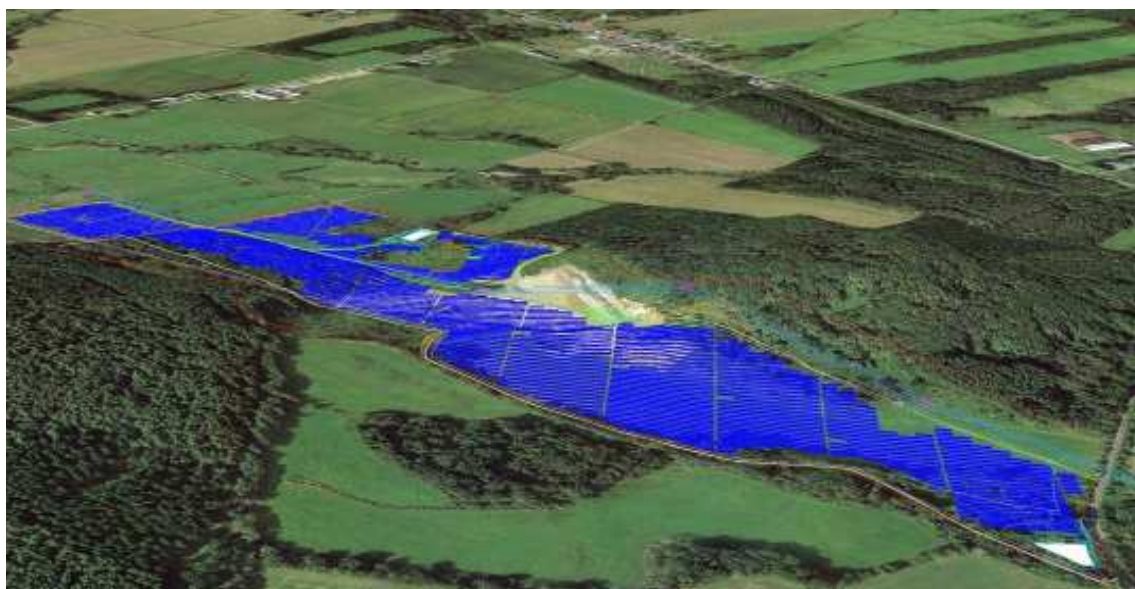


Image of completed plant

Data source: Smart Solar Corporation

Name of power plant:

Monbetsu-shi Kodo solar power plant

Maximum output: 15.7 MW

(*Solar cell panel system capacity basis)

Expected annual power generation:

16.50 million kWh

(*Equivalent to annual power consumption of approx. 5,000 average households)

Total project cost: 6.6 billion yen

(*Procured from invested funds by JAIC and Smart Solar, and project finance from financial institutions)

Feed-in tariff: 40 yen/kWh (ex. tax)

- Introduced an output control system that uses 8.3 MWh high-capacity lithium storage battery
- Joint investment with Smart Solar Corporation
- Project finance from financial institutions

“Solar Sharing”

Sharing solar power between power generation and agriculture



Name of power plant: Ichinoseki-shi Yoshitaka solar power plant,
Ichinoseki-shi Suzugasawa solar power plant

Location: Fujisawacho, Ichinoseki, Iwate

Maximum output: 5.3 MW (*Total of the two plants. Same applies hereinafter. Solar cell panel system capacity basis)

Expected annual power generation: 6.08 million kWh
(*Equivalent to annual power consumption of approx. 1,268 average households)

- Grows wheat and barley under panels installed on pillars in farmland
- Joint investment with Renewable Japan Co., Ltd. and TOKYU LAND CORPORATION
- Project finance from The Tohoku Bank, Ltd.; EPC* by Mitsubishi Electric System & Service Co., Ltd.

*EPC: Engineering, Procurement and Construction

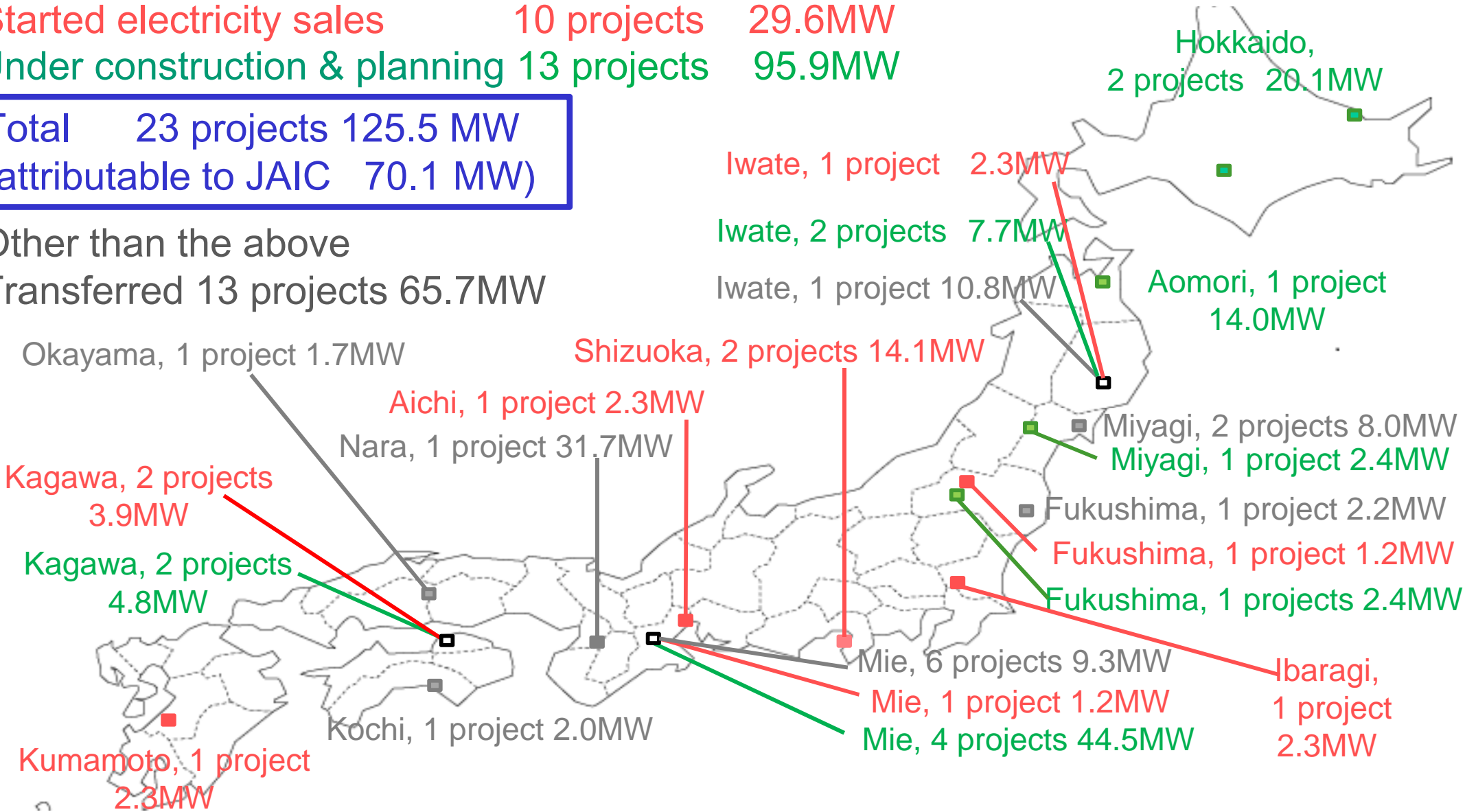
*Image of completed plant Data source: Renewable Japan Co., Ltd.

3. Business report – Renewable energy investment – Mega solar projects

Started electricity sales 10 projects 29.6MW
 Under construction & planning 13 projects 95.9MW

Total 23 projects 125.5 MW
(attributable to JAIC 70.1 MW)

Other than the above
 Transferred 13 projects 65.7MW



*1 Includes investment from RJA Energy Investment Business Limited Partnership.
 *2 Since our investment ratio differs in each project, the amount of JAIC's investment or revenues from mega solar projects that are attributable to JAIC are not necessarily linked to the MW figure of the project.

3. Business report – Renewable energy investment
– Examples of start of electricity sales



Started electricity sales in 3Q FY Mar 2018: 6 projects, 20.4MW



Shizuoka Izunokuni-shi Ukihashi solar power plant 2.8MW



Kagawa Nomaike solar power plant 2.4MW



Mie Taki-cho Nonaka solar power plant 1.2MW



Kagawa Mitakabeike solar power plant 1.5MW



Fukushima Inawashiro solar power plant 1.2MW



Shizuoka Izunokuni-shi Kitaema solar power plant 11.3MW

January 2018 Our first biomass power plant started electricity sales

~ Promoting various initiatives in renewable energy ~



Data source: Biomass Power Technologies Inc.

Name of power plant:

Biomass Power Technologies
Matsusaka woody biomass power plant

Operating company:

Biomass Power Technologies Inc.

Location: Okatanocho, Matsusaka, Mie

Power generation size: 1.99 MW

*Generating-end output basis

Expected annual power generation: 13.94 million kWh

*Equivalent to annual power consumption of approx. 4,000 average households

Fuel used: Woodchips of 30,000 t/year

Total operating expenses: 1.8 billion yen

*Procured from invested funds and business loans from financial institutions

- Invests in operating company Biomass Power Technologies Inc., together with major business firms
 - Uses waste from nearby existing biomass power plants such as tree barks
 - Partnered with “Woodpia Woody Biomass Utilization Cooperative,” which is run by a wood complex in Matsusaka city
- Receives stable supply of fuel, mainly consisting of local thinnings

4. Result forecast for FY Mar 2018 (Previous accounting standard)

Previous accounting standard	Result forecast FY2018		Actual 2018/3(3Q)		
	Amount (million yen)	Composition ratio	Amount (million yen)	Composition ratio	Progression ratio
Operating revenue	4,700	100.0%	3,154	100.0%	67.1%
Fund management operation	400	8.5%	294	9.3%	73.7%
Proceeds of sales of securities	3,400	72.3%	1,457	46.2%	42.9%
Renewable energy projects	900	19.1%	1,339	42.5%	148.8%
Others	-	-	62	2.0%	-
Operating cost	2,650	56.4%	1,773	56.2%	66.9%
Cost of securities sold	2,200	46.8%	1,219	38.6%	55.4%
Investment write-offs & provision for allowance for possible investment losses	400	8.5%	534	16.9%	133.6%
Others	50	1.1%	19	0.6%	39.5%
Operating gross profit	2,050	43.6%	1,381	43.8%	67.4%
SG&A expenses	1,300	27.7%	922	29.2%	71.0%
Operating income	750	16.0%	458	14.6%	61.2%
Ordinary Income	550	11.7%	334	10.6%	60.9%
Profit attributable to owners of parent	470	10.0%	240	7.6%	51.3%

- ✓ No change from start of term; aim for profitability for the third consecutive term
- ✓ Aim to achieve results forecast at start of term by gain on sales of shares and mega solar projects in Q4

The result forecast are based upon the information currently available to JAIC at the time of writing and certain assumptions. The achievement is not promised. Various factors could cause actual results to differ materially from these result forecasts.

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Allowance reserve ratio (Previous accounting standard)



Progress of replacement of assets led to a decrease in the allowance reserve ratio

(JPY million)

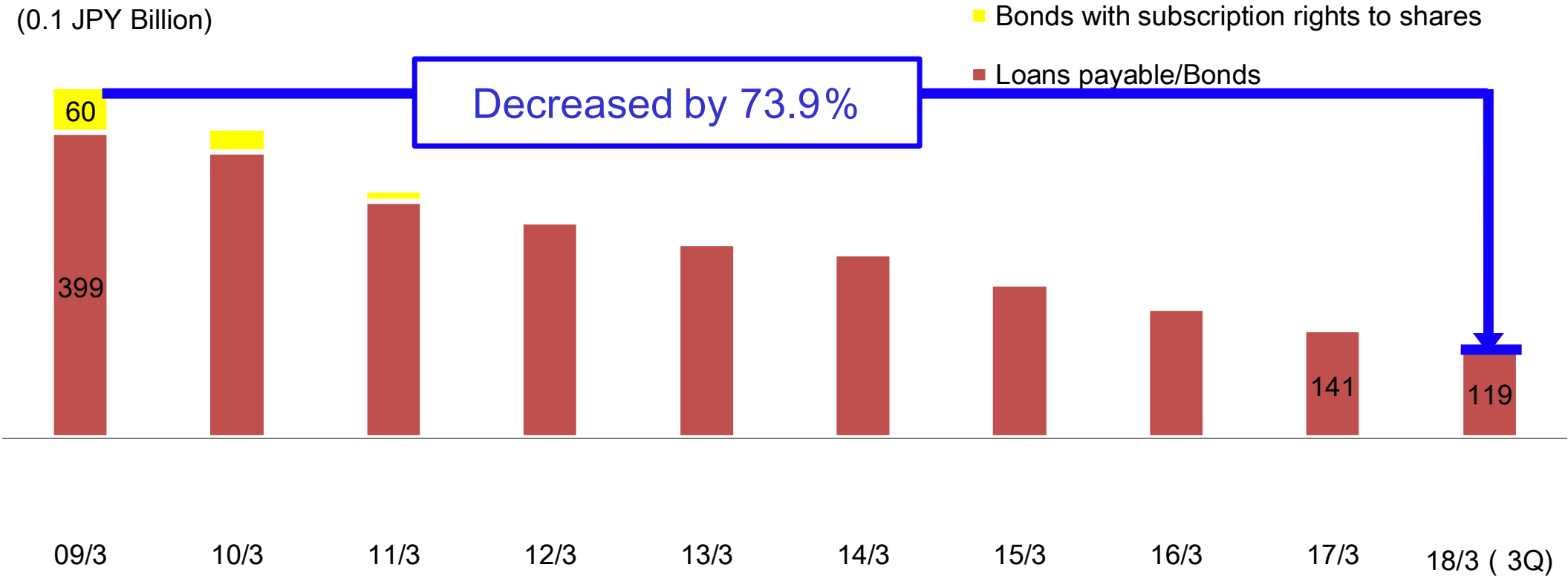
- Expenses in operational investment funds - success fees paid
- Expenses in operational investment funds - others
- Office rent
- Salaries, others
- Other expenses



		13/3	14/3	15/3	16/3	17/3	18/3 (3Q)
NO.of employee	Consol	80	46	45	43	44	42
	Non-consol	42	23	25	23	23	24

Debt outstanding (Previous accounting standard)

(0.1 JPY Billion)



Business results & financial position (Previous accounting standards)



(JPY million)	13/3	14/3	15/3	16/3	17/3	18/3(3Q)
Business Results						
Operating Revenues	3,784	6,155	4,532	4,043	3,926	3,154
Operating Gross Profit	176	2,474	882	1,554	2,176	1,381
SG&A Expenses	2,000	1,621	1,433	1,472	1,339	922
Operating Income	(1,823)	852	(550)	82	836	458
Ordinary Income	(2,612)	374	(610)	612	726	334
Net Income	(2,575)	462	(850)	597	553	240
Financial Position						
Cash and deposits	8,550	10,428	9,437	8,202	6,213	4,559
Operational investment securities of renewable energy projects	-	608	1,337	3,722	4,081	4,466
Operational investment securities after deducting allowance for possible investment loss (Private equity)	15,452	12,380	10,364	8,226	7,356	7,112
Loans payable, bonds & bonds with subscription rights to shares	25,433	24,010	20,193	16,910	14,128	11,954
Total shareholders' equity	1,565	2,573	3,373	4,976	5,686	5,839
Total assets	28,272	27,302	24,396	22,680	20,305	18,612

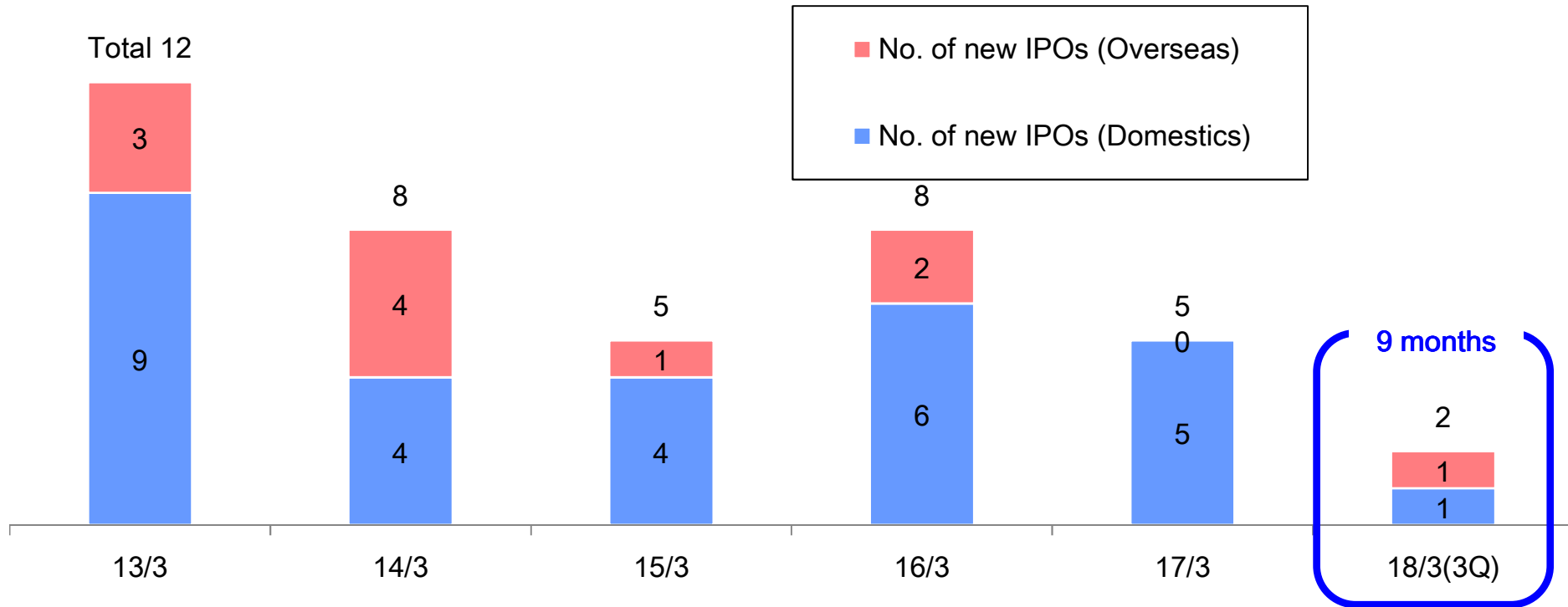
Funds & investment activities

(JPY million)	13/3	14/3	15/3	16/3	17/3	18/3(3Q)
New & Increased Funds	4,548	-	-	5,201	500	1,000
AUM of Funds - total	85,873	50,888	43,897	39,335	28,753	23,481
AUM of Funds - JAIC				14,004	9,427	7,356
New Investnents	4,746	4,189	2,728	4,093	4,315	3,379
Balance of Investments	33,886	25,862	19,722	18,783	16,558	16,468

Statement of Income – break down (Previous accounting standard)



(JPY:million)	13/3	14/3	15/3	16/3	17/3	17/3(3Q)	18/3(3Q)	Change (%)
1 . Fund management operation								
<i>Fund management fees and others</i>	815	733	571	441	364	263	208	(21.0%)
<i>Success Fees</i>	37	132	63	288	101	46	86	87.4%
Operating Revenue	852	865	634	729	466	309	294	(4.9%)
Operating Cost	-	-	-	-	-	-	-	-
Operating Gross Profit	852	865	634	729	466	309	294	(4.9%)
2 . Investment operation								
<i>Proceeds of sales of securities (A)</i>	2,411	4,656	3,651	2,954	2,275	2,135	1,457	(31.7%)
<i>Income gains</i>	95	121	93	49	30	26	34	29.8%
<i>Fund interests income etc.</i>	194	357	100	295	1,128	343	1,339	290.3%
Operating Revenue	2,701	5,134	3,844	3,300	3,434	2,505	2,831	13.0%
<i>Cost of securities sold (B)</i>	1,385	2,133	1,767	1,863	1,423	1,363	1,219	(10.6%)
<i>Investment write-offs and Provision for allowance for possible investment losses (C)</i>	2,038	1,480	1,704	569	274	73	534	626.1%
<i>Fund interests losses etc.</i>	158	52	168	47	46	13	15	11.5%
Operating Cost	3,582	3,666	3,640	2,481	1,744	1,450	1,768	21.9%
Operating Gross Profit	(880)	1,468	203	818	1,690	1,054	1,062	0.8%
3 . Others								
Operating Revenue	229	154	53	13	25	16	27	72.7%
Operating Cost	25	15	9	7	6	4	4	(10.7%)
Operating Gross Profit	204	139	44	5	19	11	23	107.4%
Total								
Operating Revenues	3,784	6,155	4,532	4,043	3,926	2,831	3,154	11.4%
Operating Cost	3,607	3,681	3,650	2,488	1,750	1,455	1,773	21.8%
Operating Gross Profit	176	2,474	882	1,554	2,176	1,375	1,381	0.4%



Investment multiple by Initial price (First price multiple)

(Investment multiple)

	13/3	14/3	15/3	16/3	17/3	18/3(3Q)
Domestics	1.5	15.2	4.9	1.7	5.6	3.1
Overseas	3.4	2.2	1.8	-	-	3.2

Note

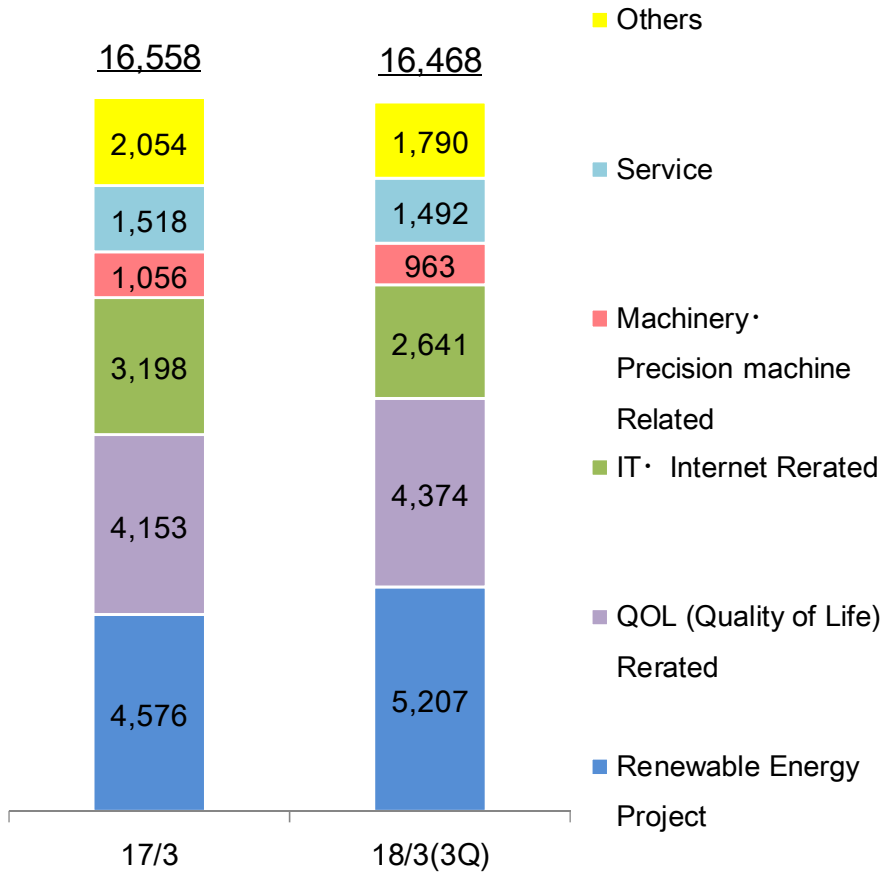
1: IPOs include acquisition by listed company as a result of equity swap etc. (2 in 2014/3, 2 in 2015/3, 2 in 16/3 and 1 in 17/3).

2: 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 companies whose shares are acquired by listed companies as a result of equity swaps etc.

Investment portfolio breakdown

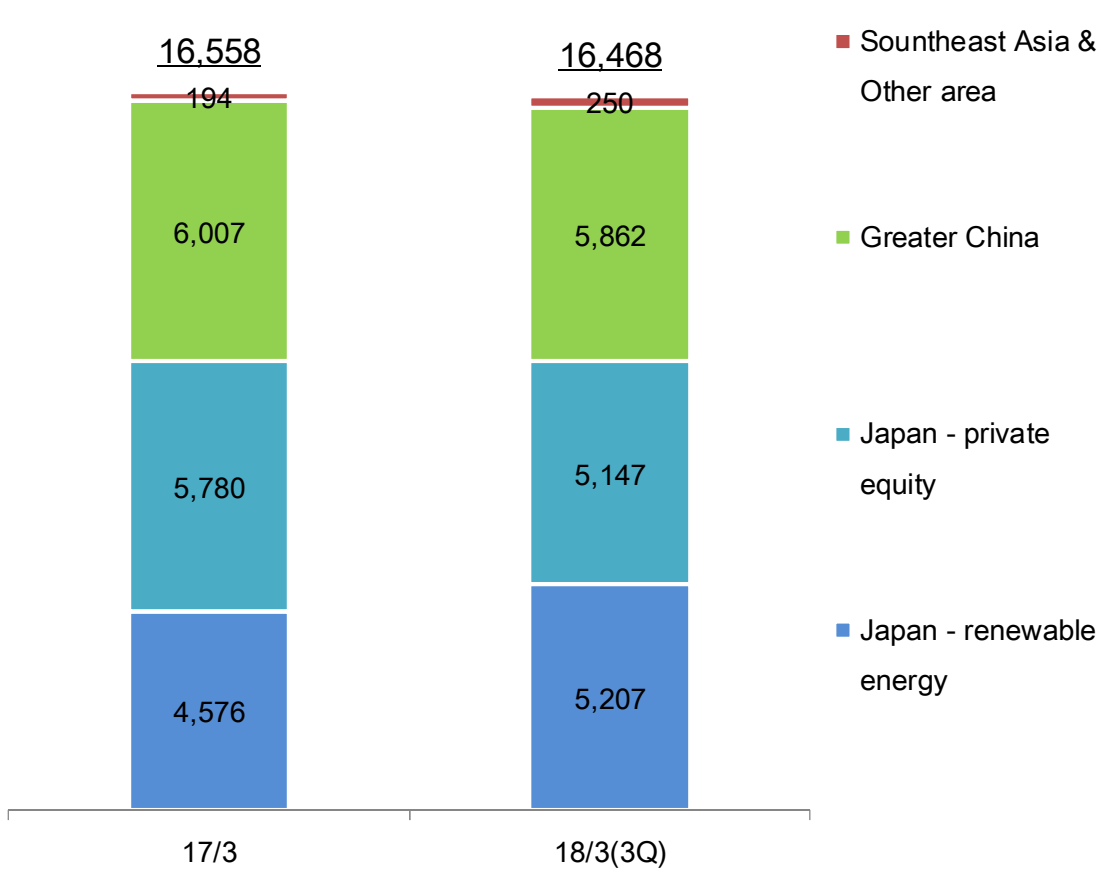
◆ By Industry

JPY million



◆ By Area

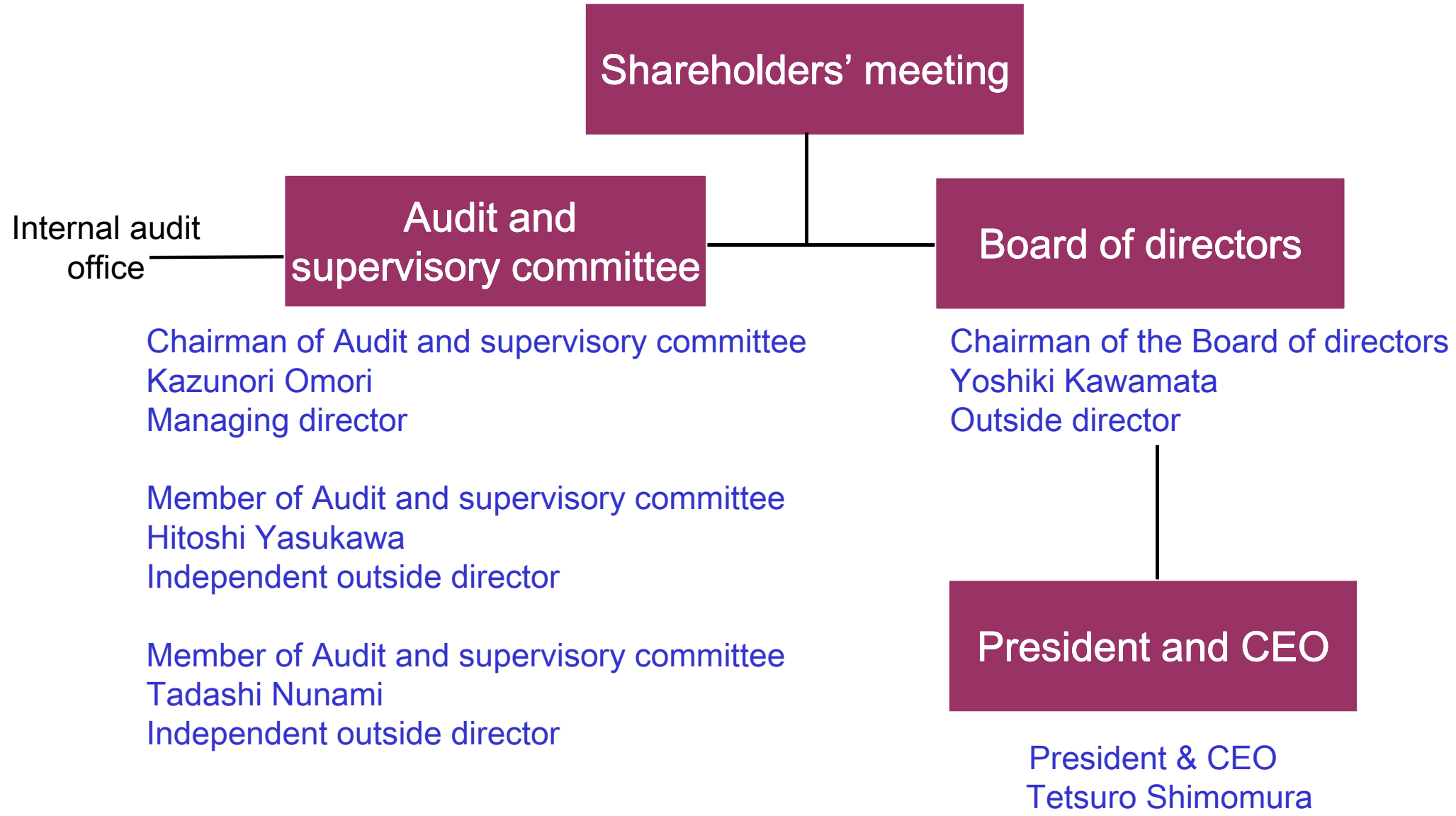
JPY million



Note : Investments in funds managed by third parties and in which the JAIC Group is not involved in the management, are not included.

Company data (as of December 31, 2017)

Company name	Japan Asia Investment Co., Ltd. Abbreviation; JAIC
Head office	3-11 Kandnishiki-cho, Chiyoda-ku, Tokyo 101-8570, Japan
Established	July 10, 1981
Paid-in capital	5,426 million yen
Listed market	Tokyo Stock Exchange, 1st Section (Securities code 8518)
Number of employees	42 (Consolidated) /24 (Non-consolidated)
Main business	<ul style="list-style-type: none">▪ Private equity▪ Renewable energy investment▪ New investment



JAIC

Japan Asia Investment Co., Ltd.

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The figures in this document is based on consolidated financial statements.