

Financial Results Overview for the 1st Quarter Ended June 30, 2019

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

Announcement: August 13, 2019

The contents of this document are based on materials available at the time of its compilation and no guarantee can be made as to the continued accuracy and reliability of the material. The contents may be changed without prior notice. Risks and uncertainties including changes to economic circumstances may cause results and projections to differ materially from those presented in the document.

The information in this document is for presentational purposes only and is not an inducement to invest in securities issued by JAIC.

The figures in this document are based on consolidated financial statements prepared in accordance with the previous accounting standards.

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1. Summary

- ✓ Results for 1Q FY Mar 2020
 - Revenues increased 3.7% year on year; deficit decreased ¥0.4 billion.
 - Evaluation loss on private equity investment assets decreased significantly.
- ✓ Full-year result forecasts
 - Results are on track. The low progress rate is as expected and there are no changes to the full-year results forecast at the beginning of the period.
(Progress rate against full-year results forecast: Operating revenue 5.6%; final profit -¥0.64 billion)
 - Deficit has been expected in the first half from the beginning since profit is concentrated in 4Q.
 - Gains on sale of shares are expected in IPOs in Japan and abroad.
- ✓ Business Report
 - The development of mega solar projects with a ¥30-level FIT price is steady, with three new investments being executed.
 - Two cases of strategic investment in a partner company in project oriented investment have been carried out.
(One additional investment, one new investment)
 - IPOs in 1Q onward: StemRim Inc. listed on the Mothers section of the Tokyo Stock Exchange on August 9.

2. Results for 1Q FY Mar 2020

Outline of results	P5
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2. Results for 1Q FY Mar 2020 – Outline of results – I/S

	FY Mar 2019 (1Q) (Actual)	FY Mar 2020 (1Q) (Actual)	
	Amount (million yen)	Amount (million yen)	Change
Operating revenue	189	↑ 196	3.7%
Operating cost	487	↓ 59	(87.8%)
Operating gross profit	(297)	136	-
SG&A expenses	239	255	6.6%
Operating income	(537)	(118)	-
Ordinary Income	(537)	(146)	-
Profit attributable to owners of parent	(539)	↑ (142)	-

- ✓ Year on year change: 3.7% increase in revenue; ¥0.4 billion yen reduction in deficit
- ✓ Operating revenue increased due to the progress of sale of shares of investee companies that carried out IPOs in past fiscal years.
- ✓ Deficit decreased due to the significant decrease in evaluation loss of private equity investment assets of operating cost.

2. Results for 1Q FY Mar 2020 – Outline of results – B/S

	As of Mar 2019 (Actual)	FY Mar 2020 (1Q) (Actual)	
	Amount (million yen)	Amount (million yen)	Change
Total assets	17,305	16,029	(7.4%)
(a) Cash and deposits	5,564	3,724	(33.1%)
(b) Project oriented investment securities	5,514	↑ 5,923	7.4%
Strategic investment securities in partner companies	373	↑ 685	83.8%
Private equity investment securities after deducting Allowance for possible investment loss except strategic investment in partner companies	4,765	4,677	(1.8%)
(c) Loans payable	9,784	8,887	(9.2%)
Total shareholders' equity	6,840	6,615	(3.3%)
(a) + (b) - (c)	1,294	↓ 759	(41.3%)

- ✓ Outstanding project oriented investment: The balance increased due to steady investment
- ✓ Outstanding strategic investment: The balance increased due to two investments
- ✓ Financial balance: Maintained a positive balance despite a decrease due to repayment of borrowings
(Cash & deposits + project oriented investment – loans payable)

2. Results for 1Q FY Mar 2020 – Outline of results – C/F

(JPY million)	FY Mar 2019 (1Q) (Actual)	FY Mar 2020 (1Q) (Actual)
Operating CF	(172)	(187)
Investing CF	(25)	43
Financing CF	(1,468)	(896)
Change in Net CF	(13)	5
Cash & Cash Equivalents at End of Period	3,078	3,048

- ✓ Operating CF: Net cash used was ¥187 million
Ended in negative cash flow due to the booking of net loss and the implementation of investment
- ✓ Investing CF: Net cash provided was ¥43 million
Turned positive due to redemption of a fund
- ✓ Financing CF: Net cash used was ¥896 million due to repayment of borrowings
The extent of negative cash flow improved significantly year on year due to the reduction of the repayment amount to correct the financing policy of placing priority on repayment

2. Results for 1Q FY Mar 2020 – Break down of operating revenue & operating cost

(JPY million)	Total		Private equity investment		Project oriented investment	
	FY Mar 2019 (1Q) (Actual)	FY Mar 2020 (1Q) (Actual)	FY Mar 2019 (1Q) (Actual)	FY Mar 2020 (1Q) (Actual)	FY Mar 2019 (1Q) (Actual)	FY Mar 2020 (1Q) (Actual)
Operating revenue	189	196	154	157	34	38
Fund management fees etc.	65	55	64	54	0	0
Proceeds of sales of securities	70	90	70	90	-	0
Fund interests income etc.	44	40	17	8	27	32
Other operating revenue	8	10	1	4	6	5
Operating Cost	487	59	487	59	-	-
Cost of securities sold	64	50	64	50	-	-
Investment write-offs and Provision for allowance for possible investment losses	415	5	415	5	-	-
Fund interests losses etc.	5	1	5	1	-	-
Other operating costs	1	1	1	1	-	-
Operating Gross Profit	(297)	136	(333)	98	34	38

- ✓ In private equity investment, operating gross profit turned positive.
The main reason is the significant drop in evaluation loss due to the small damage to investment assets in the quarter under review, while a large amount of evaluation loss was incurred in the same period of the previous year due to the drop in expected collection from overseas investee companies.
- ✓ In project oriented investment, interest income of roughly the same amount from the same period last year was booked.
The profit from projects with electricity sales minus the advance development costs of projects under construction was booked as interest income. The profit from projects that were completed during the previous quarter and a drop in temporary costs contributed.

2. Results for 1Q FY Mar 2020 – Progression status of key performance indicators

Key goal indicator	FY2021
Final profit	0.7 billion yen
ROE	9%

Strategy	Measures	KPI FY Mar. 2020-1Q	KPI FY Mar. 2021
Expand stable revenue from project oriented investment assets	Balance of project oriented investment assets	5.9 billion yen	9.0 billion yen
	Unrealized gains of project oriented investment assets (expected cumulative profits before discounting)	8.3 billion yen	20.0 billion yen
	Balance between the sum of cash and deposits and project oriented investment assets and borrowings	+0.7 billion yen	+5.6 billion yen
Replacement of private equity investment assets	Promotion of early liquidizing and monetization of existing assets	Balance of investment 4.6 billion yen (net of provisions)	Balance of investment 1.0 billion yen (net of provisions)
	<ul style="list-style-type: none"> Establishment of funds for new investments Implementation of strategic investments 	Balance of investment 0.6 billion yen	Balance of investment 1.0 billion yen

3. Full-year result forecasts

- ✓ **The private equity investment business conducted by the Group will be significantly affected by changing factors such as stock markets, given the characteristics of the business. In addition, it has been difficult to forecast results reasonably in the rapidly changing environment.**
- ✓ **For the convenience of investors and shareholders, however, we disclose “result forecast consolidated under the Previous Accounting Standard” even though it doesn’t have enough rationality.**
- ✓ **The “result forecast consolidated under the Previous Accounting Standard” and any other forward-looking statements in this document 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.**

3. Full-year result forecasts – Result forecast consolidated under the Previous Accounting Standard



	FY Mar 2020 (1Q) (Actual)	Result forecast FY2020 1st Half		Result forecast FY2020 (Disclosed on May 15, 2019)	
	Amount (million yen)	Amount (million yen)	Progression ratio	Amount (million yen)	Progression ratio
Operating revenue	196	600	32.7%	3,500	5.6%
Operating cost	59	290	20.5%	1,600	3.7%
Operating gross profit	136	310	44.2%	1,900	7.2%
SG&A expenses	255	550	46.5%	1,100	23.2%
Operating income	(118)	(240)	-	800	-
Ordinary Income	(146)	(320)	-	650	-
Profit attributable to owners of parent	(142)	(330)	-	500	-

- ✓ 1Q business results were on track, with no changes to the result forecast FY2020.
- ✓ The low progress rate against the expected full-year business results is as estimated.
- ✓ Since gain on sale of shares will be concentrated in 4Q, a deficit had been expected for 1H from the beginning.
- ✓ There is high anticipation toward IPOs of investees both in and outside Japan.

Private equity investment	P13
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Project oriented investment	P15
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Investment execution : 5 companies, ¥ 760 million



Smart Solar Corporation

One of JAIC’s partner companies in the filed of mega solar project oriented investment



Uetani Co., Ltd.

The first investment project of the business succession fund
A long-established company handling commercial facility interior and custom-made furniture manufacturing



Morihisa Engineering Co., LTD.

One of JAIC’s partner companies in the filed of smart agriculture related investment.



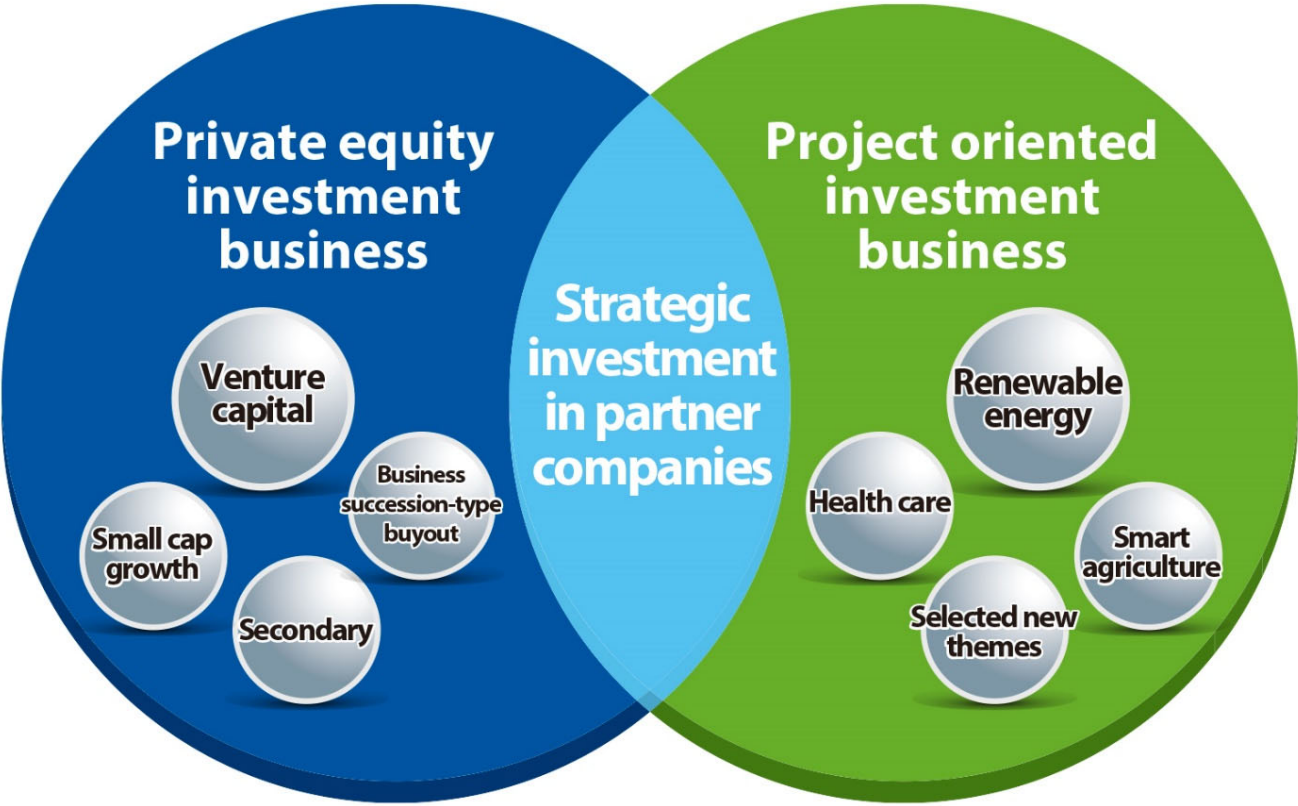
The Navel Japan Ltd.

A local trade company in Matsusaka, Mie prefecture, founded by the Daisan Bank, Ltd., and others

1 IT-related company

4. Business report

- Private equity investment – Strategic investment in partner companies



Investment cases



Renewable Japan Co., Ltd.
One of JAIC's partner companies in the filed of renewable energy related investment



Smart Solar Corporation
One of JAIC's partner companies in the filed of mega solar project investment



Morihisa Engineering Co., LTD.
One of JAIC's partner companies in the filed of smart agriculture related investment.

- Creates new businesses that can procure loan funds from financial institutions and invests in the business (project oriented investment), as well as focuses on “strategic investment” that invests in partner companies of the new businesses (private equity investment).
- Supports the growth of investee companies not only as an investor but also as a business partner.

Investment execution : 4 projects, ¥ 380 million

No.	Location	Project type	Generation capacity	Notes
1	Tochigi	Solar power	2.0MW	New project; FIT ¥32
2	Tochigi	Solar power	2.0MW	New project; FIT ¥32
3	Tochigi	Solar power	2.0MW	New project; FIT ¥36
4	Hyogo	Vegetable factory	-	Additional investment of the factory's operation funds

- Investments in mega solar projects with a ¥30-level FIT price are under progress.
- The vegetable factory is being operated steadily with the aim of full operation by March 2020.

4. Business report - Project oriented investment - Renewable energy projects as of June 30, 2019

Mega solar projects

Started electricity sales	12 projects	29.8 MW
Under construction or under planning	12 projects	70.0 MW
Total attributable to JAIC	24 projects	99.8 MW
other than above		56.4MW
Transferred	22 projects	119.7 MW

Other renewable energy projects

Woody biomass; Started electricity sales	1 project	2.0 MW
Bio gas; Started electricity sales	1 project	0.03 MW
Bio gas; Under construction	1 project	1.6 MW
Wind power; Under planning	1 project at most	25.2 MW

Fukuoka, Solar
1 project
2.9MW

Kumamoto, Solar
1 project 3.1MW
1project 11.8MW

Kagawa, Solar
4 projects 8.7MW

Mie,
Woody biomass, 1 project 2.0MW
Mega solar, 1 project 21.8MW
Wind power, 1 project at most 25.2MW

Tokyo, Bio gas,
1project 1.6MW

Hokkaido, Solar,
1 project 4.4MW
3 projects 20.0MW

Aomori, Bio gas,
1project 0.03MW

Iwate, Solar,
4 projects 10.0MW

Miyagi, Solar,
1 project 2.4MW

Fukushima, Solar,
1 project 1.2MW
2 projects 5.1MW

Tochigi, Solar,
3 projects 6.0MW

Kanagawa, Solar,
1 project 2.4MW

* 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.

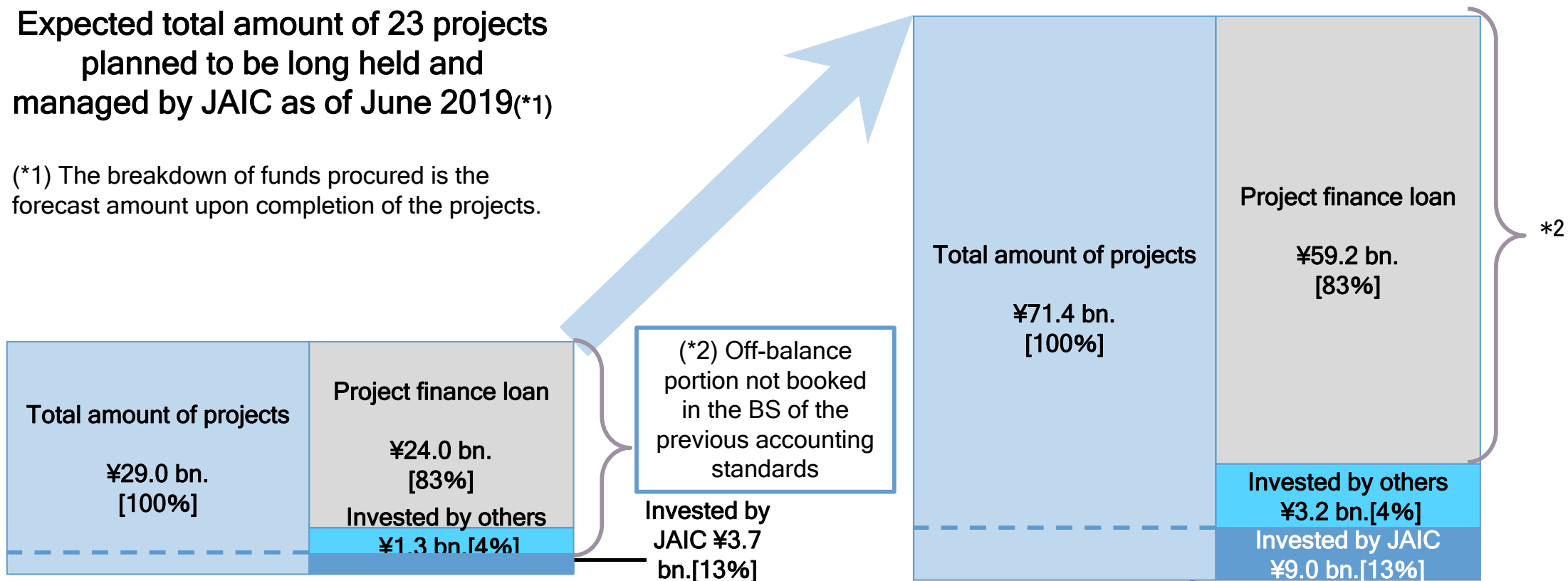
5. Appendix

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5. Appendix - Project oriented investment - total project amount

Expected total amount of 23 projects planned to be long held and managed by JAIC as of June 2019(*1)

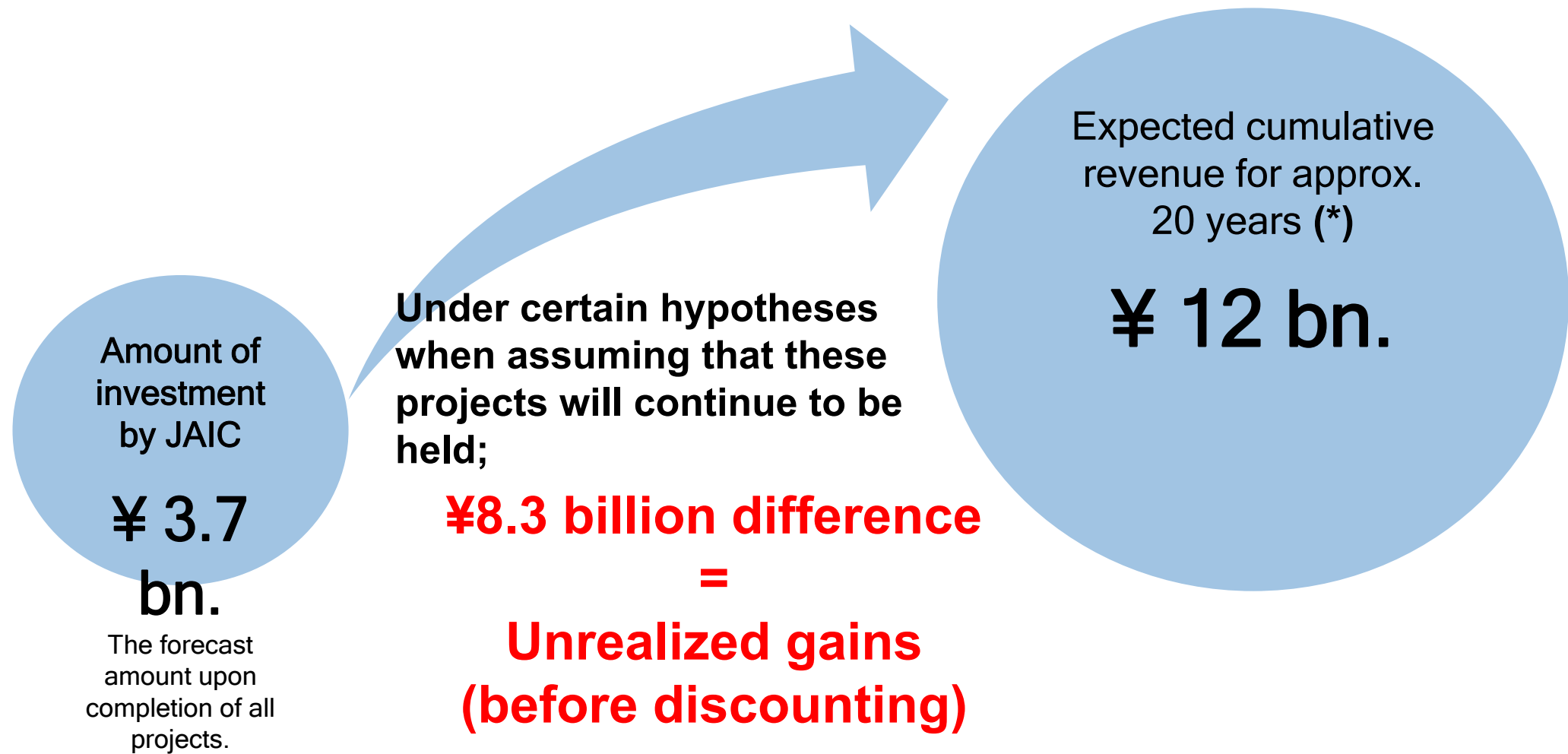
(*1) The breakdown of funds procured is the forecast amount upon completion of the projects.



- ✓ The expected total amount of 23 projects to be long held and managed by JAIC as of June 2019 is ¥29.0 billion.
- ✓ Based on the previous accounting standards, other than ¥3.7 billion “invested by JAIC” (13%) of the total amount of projects are off-balance*2.
- ✓ JAIC aims to increase “investment by JAIC” to ¥9.0 billion by end of March 2021.
Assuming that the same percentage of funding will be carried out in projects invested in the future as in existing projects to be long held, the total amount of projects that correspond to JAIC’s investment of ¥9.0 billion will increase to ¥71.4 billion.

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Estimation of cumulative revenue from 23 projects to be long held and managed by JAIC as of June 2019



* Revenues from electricity sales or vegetable sales minus depreciation, interest expenses and other expenses related to project management.

5. Appendix - List of renewable energy projects as of June 30, 2019

Type of project	No.	Name of power plant or Location	Generation Capacity [MW]	Current status	FIT [tax excluded, ¥]	Total amount of project [¥ bn.]
Solar	1	Nishiki-cho, Kuma-gun, Kumamoto	3.1	Started electricity sales in Dec. 2015	40	approx. 1.05
	2	Ichinosekishi Fujisawacho solar power plant	2.3	Started electricity sales in Sep. 2016	36	approx. 0.73
	3	Nomaie solar power plant	2.4	Started electricity sales in May. 2017	36	approx. 0.8
	4	Fukushima Inawashiro solar power plant	1.2	Started electricity sales in Sep. 2017	36	approx. 0.34
	5	Mitakabeike solar power plant	1.5	Started electricity sales in Sep. 2017	32	approx. 0.5
	6	Iwate Ichinoseki solar park	2.4	Started electricity sales in Jan. 2018	36	approx. 0.8
	7	Obihiro solar park	4.4	Started electricity sales in Mar. 2018	40	approx. 2.2
	8	Nakaoudaie solar power plant	2.4	Started electricity sales in Apr. 2018	36	approx. 0.86
	9	Ichinoseki-shi Yoshitaka solar power plant	2.6	Started electricity sales in Jun. 2018	36	—
	10	Higashioudaie solar power plant	2.4	Started electricity sales in Jul. 2018	36	approx. 0.86
	11	Ichinosekishi Suzugasawa solar power plant	2.7	Started electricity sales in Oct.. 2018	36	—
	12	Kami solar park	2.4	Started electricity sales in Oct. 2018	36	approx. 0.96
	13	Mombetsu-shi Kodo solar power plant	15.7	Under construction or Under planning	40	approx. 6.6
	14	Hokkaido	2.0	Under construction or Under planning	36	—
	15	Mie	21.8	Under construction or Under planning	24	—
	16	Fukushima	2.4	Under construction or Under planning	32	—
	17	Fukushima	2.7	Under construction or Under planning	40	—
	18	Kumamoto	11.8	Under construction or Under planning	38	—
	19	Hokkaido	2.3	Under construction or Under planning	40	—
	20	Kanagawa	2.4	Under construction or Under planning	32	—
	21	Fukuoka	2.9	Under construction or Under planning	36	—
	22	Tochigi	2.0	Under construction or Under planning	36	—
	23	Tochigi	2.0	Under construction or Under planning	32	—
	24	Tochigi	2.0	Under construction or Under planning	32	—

Total 99.8MW [attributable to JAIC 56.4MW]

5. Appendix - List of renewable energy projects as of June 30, 2019

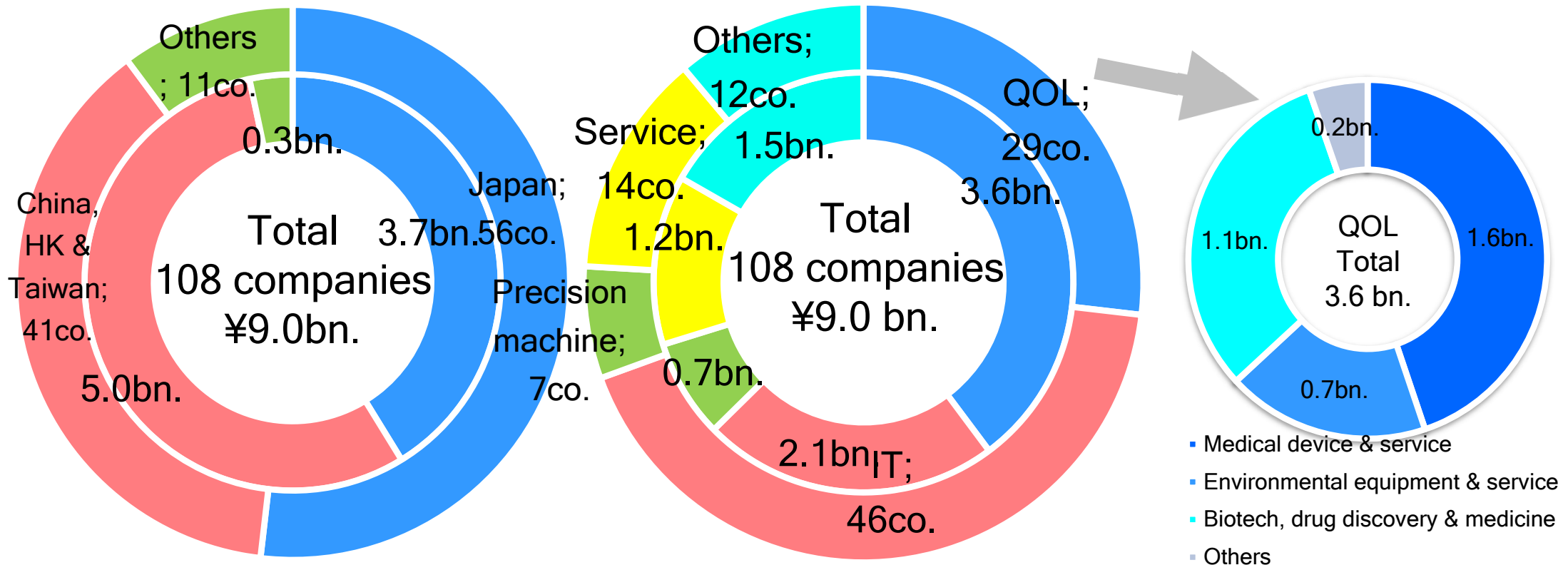
Type of project	No.	Location	Generation Capacity [MW]	Current status	FIT [tax excluded, ¥]	Total amount of project [¥ bn.]
Woody biomass		Matsusaka-shi, Mie	2.0	Started electricity sales in Jan. 2018	—	—
Bio gas	1	Tokyo	1.6	Under construction or Under planning	39	—
	2	Aomori Touhokumachi solar power plant	0.03	Started electricity sales in Nov. 2018	39	—
Wind power		Mie	At most 25.2	Under construction or Under planning	22	—
Vegetable plant		Tambasasayama-shi, Hyogo	—	Started operation	—	Approx. 0.7

5. Appendix - Break down of private equity investment balance

Investment balance : 108 companies, ¥9.0 bn.

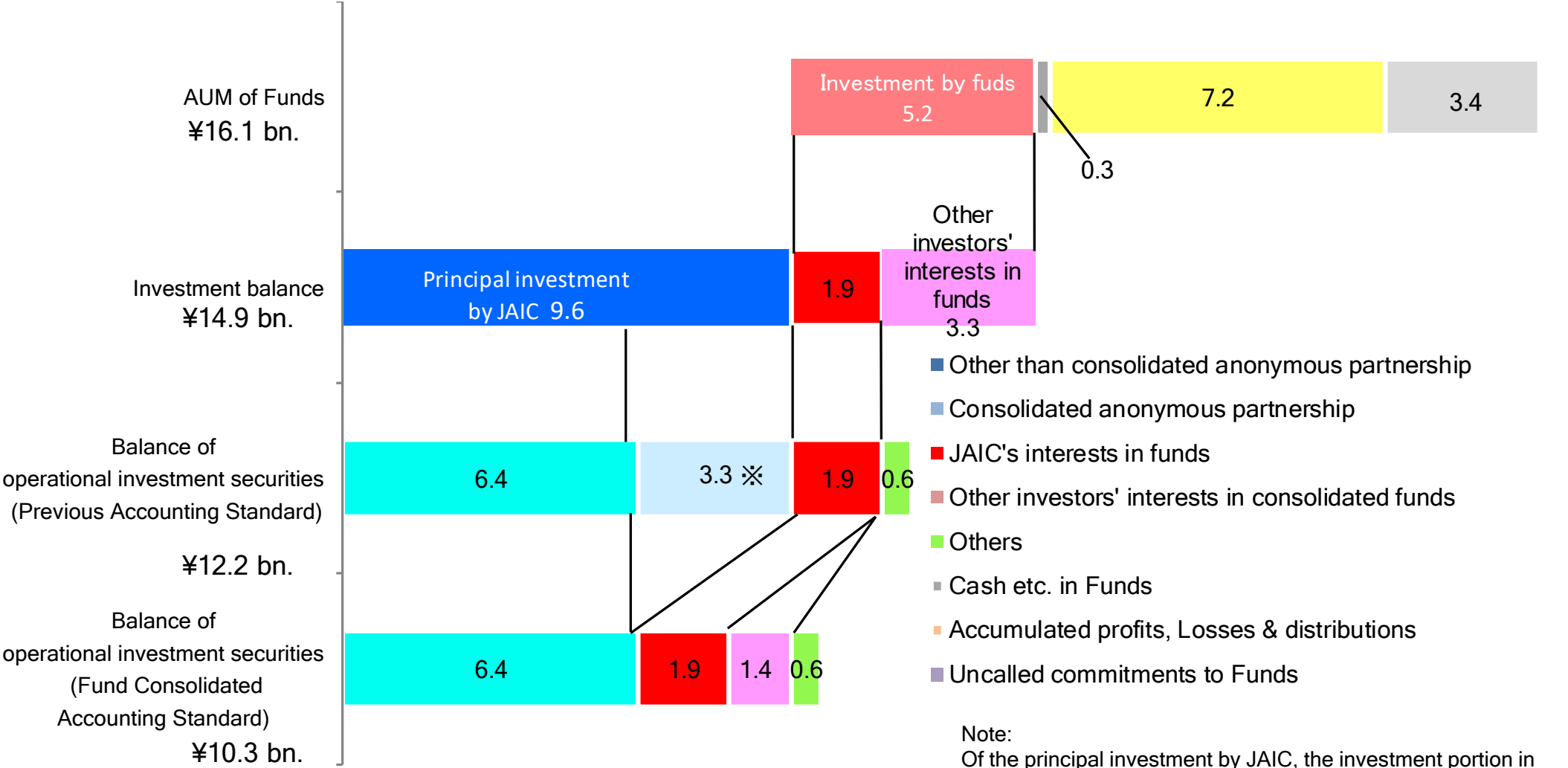
【Breakdown by area】

【Breakdown by industry】



Average investment amount per company (unit: ¥ million):
Japan 66, China, HK & Taiwan 122 / QOL 123, IT 44

5. Appendix - AUM of Funds, Investment balance & balance of operational investment securities



Note:
 Of the principal investment by JAIC, the investment portion in anonymous partnership, which is subject to consolidation, is deemed investment in a subsidiary under the fund consolidated accounting standards, and investment is offset by capital.
 On the other hand, renewable energy power generation facilities held by anonymous partnerships are booked as property, plant and equipment under the fund consolidated accounting standard.

5. Appendix - Funds & investment activities

(JPY million)	15/3	16/3	17/3	18/3	19/3
New & Increased Funds	-	5,201	500	1,000	2,000
AUM of Funds - total	43,897	39,335	28,753	19,150	16,494
AUM of Funds - JAIC		14,004	9,427	5,867	5,344
New Investnemts (Private Equity)	1,470	1,304	1,131	1,205	136
Balance of Investments (Private Equity)	18,385	15,061	11,981	10,398	8,437
New Investnemts (Project oriented investment)	1,257	2,788	3,184	2,681	3,612
Balance of Investments (Project oriented investment)	1,337	3,722	4,576	3,582	5,514

19/3(1Q)	20/3(1Q)
600	-
17,601	16,150
5,801	5,216
106	764
9,153	9,026
1,323	380
4,660	5,923

5. Appendix - Business results, financial position (Previous accounting standards)



(JPY million)	15/3	16/3	17/3	18/3	19/3
Business Results					
Operating Revenues	4,532	4,043	3,926	5,403	2,475
Operating Gross Profit	882	1,554	2,176	2,328	1,286
SG&A Expenses	1,433	1,472	1,339	1,311	1,109
Operating Income	(550)	82	836	1,017	177
Ordinary Income	(610)	612	726	954	83
Net Income	(850)	597	553	874	578
Financial Position					
Cash and deposits	9,437	8,202	6,213	7,308	5,564
Operational investment securities of project oriented investment	1,337	3,722	4,081	3,582	5,514
Operational investment securities of strategic investment in partner companies	-	100	100	373	373
Operational investment securities after deducting allowance for possible investment loss (Private equity except strategic investment in partner companies)	10,364	8,126	7,256	5,657	4,765
Loans payable, bonds & bonds with subscription rights to shares	20,193	16,910	14,128	11,954	9,784
Total shareholders' equity	3,373	4,976	5,686	6,545	6,840
Total assets	24,396	22,680	20,305	19,220	17,305

19/3(1Q)	20/3(1Q)
189	196
(297)	136
239	255
(537)	(118)
(537)	(146)
(539)	(142)
4,695	3,724
4,660	5,923
373	685
5,501	4,677
10,486	8,887
5,990	6,615
17,218	16,029

5. Appendix - Statement of Income - break down (Previous accounting standard)



(JPY:million)	15/3	16/3	17/3	18/3	19/3	19/3(1Q)	20/3(1Q)	Change(%)
1. Fund management operation								
<i>Fund management fees and others</i>	571	441	364	277	241	65	55	(14.8%)
<i>Success Fees</i>	63	288	101	86	-	-	-	-
Operating Revenue	634	729	466	364	241	65	55	(14.8%)
Operating Cost	-	-	-	-	-	-	-	-
Operating Gross Profit	634	729	466	364	241	65	55	(14.8%)
2. Investment operation								
<i>Proceeds of sales of securities (A)</i>	3,651	2,954	2,275	3,219	1,746	70	90	27.3%
<i>Fund interests income etc.</i>	193	345	1,159	1,677	429	44	40	(9.2%)
Operating Revenue	3,844	3,300	3,434	4,897	2,176	115	130	13.2%
<i>Cost of securities sold (B)</i>	1,767	1,863	1,423	2,469	554	64	50	(22.2%)
<i>Investment write-offs and Provision for allowance for possible investment losses (C)</i>	1,704	569	274	562	579	415	5	(98.6%)
<i>Fund interests losses etc.</i>	168	47	46	36	49	5	1	(64.3%)
Operating Cost	3,640	2,481	1,744	3,069	1,182	485	58	(88.0%)
Operating Gross Profit	203	818	1,690	1,827	993	(370)	72	-
3. Others								
Operating Revenue	53	13	25	142	57	8	10	17.6%
Operating Cost	9	7	6	5	6	1	1	(3.9%)
Operating Gross Profit	44	5	19	136	51	7	8	21.6%
Total								
Operating Revenues	4,532	4,043	3,926	5,403	2,475	189	196	3.7%
Operating Cost	3,650	2,488	1,750	3,074	1,188	487	59	(87.8%)
Operating Gross Profit	882	1,554	2,176	2,328	1,286	(297)	136	-

5. Appendix - Core competence

Capability to capture up-to-date business information

Through the activity of exploring promising companies and investment opportunities, JAIC has capability to capture highly professional and cutting-edge information on various corporates.

Historical background in Asian region

Since its establishment in 1981 by the Japan Association of Corporate Executives (Keizai Doyukai), JAIC has contributed to economic exchange between Japan and Asian countries over 35 years which led to high name recognition.



Wide range of network with venture companies

JAIC has track record of leading more than 300 invested venture companies to "Going Public". Through the long time investment activities, JAIC enjoys close relationship with wide range of venture companies. Based on this intangible asset, JAIC is utilizing the network to create value for invested companies through business matching and cultivating new business theme for JAIC's own.

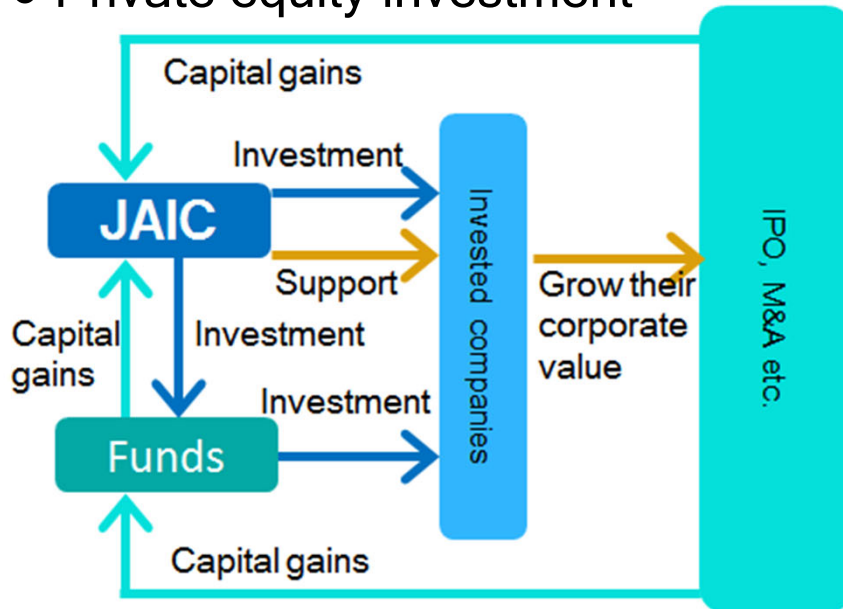
Expertise to structure sophisticated finance scheme

JAIC's accumulated invested volume inside and outside of Japan is Japanese Yen 330 billion.

For the project oriented investment, in addition to providing direct equity investment, JAIC has been arranging various financing scheme utilizing project-finance approach and leverage financing together with financial institutions.

5. Appendix - Profit structure

• Private equity investment

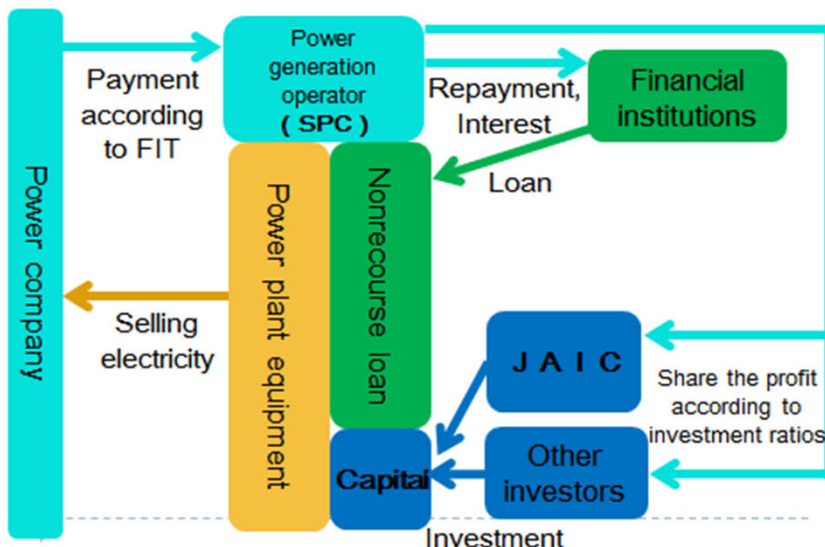


There are the following two types of investment capital:

- Contribution from JAIC's cash reserves
- Capital that is entrusted for investment by fund investors in Japan and abroad through the fund

JAIC also invests in the fund and acquires capital gains according to its investment ratio.

• Renewable energy project investment



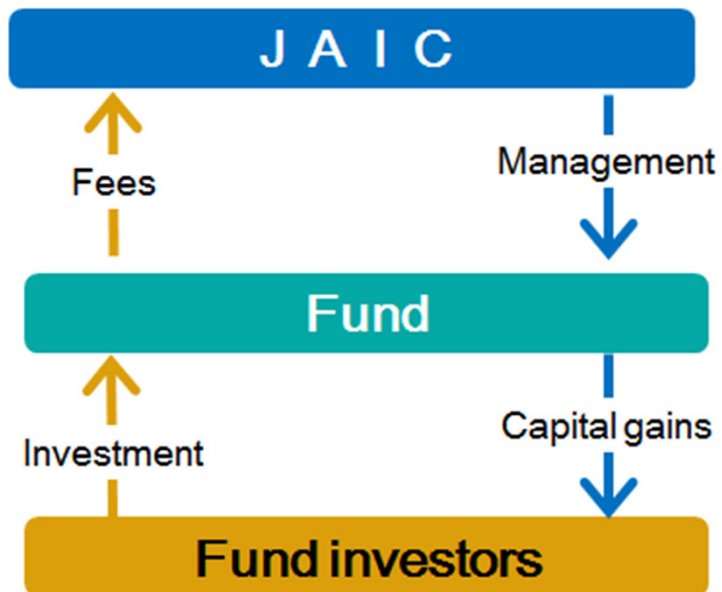
The power generation operator procures funds for the construction of power plants by the following two ways and owns the power plants:

- Investment by JAIC and other investors
- Loans from financial institutions

The generated power is purchased by power companies at FIT. JAIC and other investors obtain stable revenue from electricity sales according to their investment ratios.

5. Appendix - Profit structure

- Fund management



In fund management, there are the following two types of fees:

- Management fee received as compensation for recurring management and operation
- Success fees received according to the fund's performance

5. Appendix - Company data (as of June 30, 2019)

Company name	Japan Asia Investment Co., Ltd. Abbreviation; JAIC
Head office	3-11 Kandanishiki-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)
Employees	41 (Consolidated) /22 (Non-consolidated)
Main business	Private equity investment / Project oriented investment
Directors	Chairman of the Board :Yoshiaki Kawamata [Outside/Independent] President & CEO :Tetsuro Shimomura In charge of New Energy Investment Group :Masafumi Hatta Chairman of Audit & Supervisory Committee :Kazunori Omori Member of Audit & Supervisory Committee :Hitoshi Yasukawa [Outside/Independent] :Tadashi Nunami [Outside/Independent] :Harumi Katagiri [Outside/Independent]

JAIC

Japan Asia Investment Co., Ltd.

Seiko-Takebashi-Kyodo Bldg., 3-11 Kandanishiki-cho, Chiyoda-ku, Tokyo 101-8570

TEL +81-3-3259-8518 Fax +81-3-3259-8511

<http://www.jaic-vc.co.jp/>

Contact to:

Kenji Kishimoto, Executive Officer

Miyuki Maruyama, Administration Group

IR e-mail : ir@jaic-vc.co.jp

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