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Consolidated Financial Results
for the First Quarter Ended June 30, 2018
[Japanese Standards]
(Summary of Japanese announcement)

August 13, 2018

Company name: Japan Asia Investment Co., Ltd.
Listed on: First Section of the Tokyo Stock Exchange (Stock code: 8518) URL: <http://www.jaic-vc.co.jp/>
Head office: Tokyo
Representative: Tetsuro Shimomura, President and CEO
Contact: Kenji Kishimoto, Executive Officer
Tel: +81-3-3259-8518 (main)
Scheduled date for submission of quarterly report: August 14, 2018
Scheduled date for start of payment of dividends: —
The additional materials of the Financial Results: Yes
The briefing session of the Financial Results: No

(Throughout this report, fractional amounts have been rounded down to the nearest one million yen.)

1. Consolidated business results for the first quarter ended June 30, 2018 (April 1, 2018 to June 30, 2018)

(1) Consolidated results of operations (cumulative total)

(Percentages indicate year-on-year increase or decrease)

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change
For three months ended June 30, 2018	422	(37.2)	(516)	—	(561)	—	(540)	—
For three months ended June 30, 2017	673	(35.5)	153	356.3	99	—	307	—

(Note) Comprehensive Income

For three months ended June 30, 2018: (546) millions of yen (—%)

For three months ended June 30, 2017: (6) millions of yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
For three months ended June 30, 2018	(30.51)	—
For three months ended June 30, 2017	17.40	17.36

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2018	28,183	7,806	21.1	335.93
As of March 31, 2018	27,184	8,053	23.9	367.34

(Reference) Total shareholders' equity As of June 30, 2018: 5,947 millions of yen As of March 31, 2018: 6,503 millions of yen

2. Dividends

(Base date)	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	0.00	—	0.00	0.00
Year ending March 31, 2019	—				
Year ending March 31, 2019 (forecast)		0.00	—	0.00	0.00

(Note) Revision of dividends forecast during the current quarterly period: None

3. Outlook for the fiscal year ending March 31, 2019(April 1, 2018 to March 31, 2019)

The private equity investment business conducted by the Group (including investment partnerships) is 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. Therefore we do not disclose the results forecast. 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. For details, please refer to “2. Outlook for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)” on page 14.

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.

4. Other matters

(1) Changes among significant subsidiaries (Changes among specific subsidiaries resulting in changes in the scope of consolidation): Yes

[New 1 company (company name: 1 investment fund) Excluded - company (company name: -)]

(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

(i) Changes in accounting principles due to revisions to accounting standards: Yes

(ii) Changes other than shown in (i) above: None

(iii) Changes in accounting estimates: None

(iv) Correction of prior period errors: None

For details, please refer to “3. Consolidated Financial Statements (5) Notes on Quarterly Consolidated Financial Statements (Change in accounting policy)” on page 13.

(4) No. of shares issued and outstanding (common stock)

(i) Shares issued and outstanding at the end of each period (including treasury stock)	Three months ended June 30, 2018:	17,884,392 shares	Year ended March 31, 2018:	17,884,392 shares
(ii) Shares of treasury stock at the end of each period	Three months ended June 30, 2018:	181,009 shares	Year ended March 31, 2018:	181,009 shares
(ii) Average number of shares during the period (cumulative quarterly consolidated period)	Three months ended June 30, 2018:	17,703,383 shares	Three months ended June 30, 2017	17,680,063 shares

*The above quarterly financial results are not subject to a quarterly review required under the Financial Instruments and Exchange Act.

*Cautionary Statements with Respect to Forward-looking Statements and Other Notes

The additional materials of the Financial Results for the first quarter ended June 30, 2018 will be released on our website by August 31, 2018.

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 the Group 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.

1. Business Performance and Financial Condition

(1) Breakdown of operating revenue and operating cost

(Millions of yen)

	For three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	For three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)	For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Total operating revenue (A)	673	422	8,303
Management fees	37	42	177
Contingency fees	50	-	55
Proceeds of sales of operational investment securities (B)	236	81	6,747
Fund interests income etc.	322	289	1,124
Income gains	19	7	68
Other operating revenue	6	2	130
Total operating cost (C)	169	610	5,656
Cost of securities sold (D)	72	67	4,787
Investment write-offs & Provision for allowance for possible investment losses (E)	51	415	630
Fund interests losses etc.	43	126	232
Other operating cost	1	1	5
Operating gross profit (A) - (C)	504	(187)	2,646
Realized capital gains (B) - (D)	164	13	1,959
Investment income (B) - (D) - (E)	112	(402)	1,329

(2) Cash flows

(Millions of yen)

	For three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	For three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)	For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Cash flow from operating activities	(377)	(172)	1,870
Cash flow from investing activities	(4)	(25)	238
Cash flow from financing activities	(1,453)	(1,468)	(2,173)
Cash and cash equivalents at the end of period	2,970	3,078	4,757

(3) Operational Investment Securities and Allowance for Possible Investment Loss

(Millions of yen)

	As of June 30, 2017		As of June 30, 2018		As of March 31, 2018	
	Amount	(B)/(A) (%)	Amount	(B)/(A) (%)	Amount	(B)/(A) (%)
Operational Investment Securities (A)	14,458	-	9,819	-	9,349	-
Allowance for Possible Investment Loss (B)	(2,244)	15.5	(1,493)	15.2	(1,535)	16.3

(4) Breakdown of Loans payable

(Millions of yen)

	As of June 30, 2017	As of June 30, 2018	As of March 31, 2018
Total of loans payable	17,433	19,145	18,367
Non-consolidated base loans payable	12,675	10,486	11,954
Loans payable of SPC etc.	4,757	8,659	6,412

2. Business Position

(1) Investment activities (JAIC+Funds)

i) Breakdown of new investment

	For three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)		For three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)		For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	
	Number of companies	Amount (Millions of yen)	Number of companies	Amount (Millions of yen)	Number of companies	Amount (Millions of yen)
Area						
Japan	8	588	5	1,343	20	3,639
China, Hong Kong, Taiwan	-	-	1	86	3	191
Southeast Asia	-	-	-	-	-	-
Others	-	-	-	-	1	56
Industry						
QOL(Quality of Life)	2	190	1	86	5	692
Renewable Energy Project	4	265	4	1,323	11	2,681
IT/Internet	-	-	-	-	4	231
Machinery/ Precision machine	1	117	-	-	1	146
Service	1	15	1	20	2	84
Others	-	-	-	-	1	50
Total	8	588	6	1,429	24	3,887

ii) Balance of investment

	As of June 30, 2017		As of June 30, 2018		As of March 31, 2018	
	Number of companies	Amount (Millions of yen)	Number of companies	Amount (Millions of yen)	Number of companies	Amount (Millions of yen)
Area						
Japan	131	10,933	95	8,697	97	7,817
China, Hong Kong, Taiwan	45	5,945	43	4,864	45	5,912
Southeast Asia	5	189	5	189	5	189
Others	6	4	7	61	7	61
Industry						
QOL(Quality of Life)	36	4,125	30	3,555	30	4,156
Renewable Energy Project	28	5,151	26	4,660	24	3,582
IT/Internet	67	3,126	56	2,439	58	2,581
Machinery/ Precision machine	10	1,144	7	549	8	863
Service	19	1,518	16	1,262	16	1,242
Others	27	2,007	15	1,346	18	1,555
Total	187	17,073	150	13,813	154	13,981

Note:

1. QOL (Quality of Life); Biotechnology, Medical Service, Welfare Service, Medical Device, Drug Medicine, etc.
2. Investments in funds managed by third parties other than JAIC Group in which the JAIC Group is not involved in the management, are not included.

(2) JAIC-Backed IPOs (JAIC+Funds)

i) Number of IPOs

	For three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	For three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)	For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Japan	-	-	1 company
Overseas	-	-	1 company
Total	-	-	2 companies

ii) First price multiple

	For three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)	For three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)	For the year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Japan	- times	- times	3.1 times
Overseas	- times	- times	3.2 times

Note: 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.

iii) JAIC-Backed IPOs

For three months ended June 30, 2018 (from April 1, 2018 to June 31, 2018)

No applicable items

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Company Name	Date of IPO	Market	Business	Head quarters
Suzhou Institute of Building Science Group	5-Sep-17	SSE A-shares	Construction survey, new building materials, professional construction	China
MIDAC CO., LTD.	22-Dec-17	NSE 2nd Sec.	- Collection, transport, intermediate treatment and permanent disposal of industrial waste - Collection, transport and intermediate treatment of general waste	Japan

(3) Management of Investment Funds (Funds for which JAIC and its Group are responsible for management and provision of essential information)

i) Balance of funds under management

	As of June 30, 2017	As of June 30, 2018	As of March 31, 2018
Total commitment amount in investment funds (Millions of yen)	28,292	17,601	19,150
Total commitment amount of JAIC group (Millions of yen)	9,104	5,801	5,867
No. of funds	16	11	12

Note: Funds being wound up after their maturity are not included in the data above.

ii) Funds newly established or whose assets were increased

For three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)			
Newly established		Assets increased	
Total commitment amount in investment funds (Millions of yen)	1,000	Increase in fund value (Millions of yen)	-
No. of funds	1	No. of funds	-

For three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)			
Newly established		Assets increased	
Total commitment amount in investment funds (Millions of yen)	-	Increase in fund value (Millions of yen)	600
No. of funds	-	No. of funds	1

For the year ended March 31, 2018 (April 1, 2017 to March 31, 2018)			
Newly established		Assets increased	
Total commitment amount in investment funds (Millions of yen)	1,000	Increase in fund value (Millions of yen)	-
No. of funds	1	No. of funds	-

iii) Details of funds newly established or whose assets were increased

For three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)

Name of fund	Date of establishment	Total commitment amount in investment funds (Millions of yen)	Main investment targets
Succession Investment Limited Partnership, I	Jun 2017	1,000	SMEs in Japan which has successor problem

For three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)

Name of fund	Date of assets increased	Increase in fund value (Millions of yen)	Main investment targets
Succession Investment Limited Partnership, I	Jun 2018	600	SMEs in Japan which has successor problem

iv) Funds to reach maturity within three years of the fiscal year-end

	For the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)	For the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)
Total commitment amount in investment funds (Millions of yen)	5,523	5,979	1,999
No. of funds	4	3	1

Notes to tables i) to iv) above:

1. The amounts stated for funds denominated in foreign currencies are calculated on the basis of the exchange rate prevailing on the final day of the fiscal year-end. Therefore, changes in assets under management include the amount affected by exchange rates.
2. The total amount of fund is listed as the amount of commitment base.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	9,019	5,897
Operational investment securities	9,394	9,819
Allowance for possible investment loss	(1,535)	(1,493)
Operating loans	204	204
Other	614	1,039
Allowance for doubtful accounts	(39)	(0)
Total current assets	17,658	15,466
Non-current assets		
Property, plant and equipment		
Buildings and structures	29	29
Accumulated depreciation	(15)	(15)
Buildings and structures, net	14	14
Machinery and equipment	4,223	7,030
Accumulated depreciation	(257)	(363)
Machinery and equipment, net	3,965	6,666
Vehicles, tools, furniture and fixtures	70	70
Accumulated depreciation	(55)	(56)
Vehicles, tools, furniture and fixtures, net	14	13
Land	22	22
Construction in progress	3,065	3,399
Total property, plant and equipment	7,083	10,117
Intangible assets		
Other	586	652
Total intangible assets	586	652
Investments and other assets		
Investment securities	1,454	1,476
Claims provable in bankruptcy, claims provable in rehabilitation and other	89	84
Other	331	402
Allowance for doubtful accounts	(18)	(16)
Total investments and other assets	1,856	1,947
Total non-current assets	9,526	12,716
Total assets	27,184	28,183

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Short-term loans payable	2,222	2,028
Accrued expenses	290	473
Income taxes payable	61	27
Provision for bonuses	51	20
Other	80	273
Total current liabilities	2,706	2,824
Non-current liabilities		
Long-term loans payable	16,144	17,116
Deferred tax liabilities	18	22
Net defined benefit liability	112	115
Asset retirement obligations	149	296
Total non-current liabilities	16,424	17,552
Total liabilities	19,131	20,376
Net assets		
Shareholders' equity		
Capital stock	5,426	5,426
Capital surplus	3,408	3,408
Retained earnings	(2,529)	(3,069)
Treasury shares	(353)	(353)
Total shareholders' equity	5,951	5,411
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29	60
Foreign currency translation adjustment	522	475
Total accumulated other comprehensive income	551	535
Share acquisition rights	17	18
Non-controlling interests	1,532	1,841
Total net assets	8,053	7,806
Total liabilities and net assets	27,184	28,183

(2) Consolidated Statements of Income

	(Millions of yen)	
	For three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	For three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)
Operating revenue	673	422
Operating cost	169	610
Operating gross profit (loss)	504	(187)
Selling, general and administrative expenses	351	328
Operating profit (loss)	153	(516)
Non-operating income		
Interest income	4	5
Dividend income	24	16
Foreign exchange gains	0	24
Miscellaneous income	6	5
Total non-operating income	35	52
Non-operating expenses		
Interest expenses	87	95
Miscellaneous loss	2	2
Total non-operating expenses	89	98
Ordinary profit (loss)	99	(561)
Extraordinary income		
Gain on sales of non-current assets	0	—
Insurance income	—	34
Subsidy income	217	—
Total extraordinary income	217	34
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Total extraordinary losses	0	—
Profit (loss) before income taxes	315	(527)
Income taxes - current	2	2
Total income taxes	2	2
Profit (loss)	313	(529)
Profit attributable to non-controlling interests	5	10
Profit (loss) attributable to owners of parent	307	(540)

(3) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	For three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	For three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)
Profit (loss)	313	(529)
Other comprehensive income		
Valuation difference on available-for-sale securities	(167)	39
Deferred gains or losses on hedges	(162)	—
Foreign currency translation adjustment	5	(53)
Share of other comprehensive income of entities accounted for using equity method	5	(2)
Total other comprehensive income	(319)	(16)
Comprehensive income	(6)	(546)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	67	(556)
Comprehensive income attributable to non-controlling interests	(73)	9

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	For three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	For three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)
Cash flows from operating activities		
Profit (loss) before income taxes	315	(527)
Depreciation	1	4
Increase (decrease) in allowance for investment loss	(17)	(163)
Increase (decrease) in allowance for doubtful accounts	3	(40)
Increase (decrease) in provision for bonuses	(15)	(30)
Increase (decrease) in net defined benefit liability	(0)	3
Interest and dividend income	(25)	(17)
Interest expenses	57	48
Loss on valuation of operational investment securities	0	359
Decrease (increase) in investment securities for sale	(368)	249
Decrease (increase) in operating loans receivable	(48)	—
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	12	4
Payment for purchase of investment funds	(305)	(251)
Dividends from investment funds	14	135
Increase (decrease) in investment funds of non- controlling interest	(32)	(10)
Other, net	116	136
Subtotal	(292)	(99)
Interest and dividend income received	25	17
Interest expenses paid	(90)	(76)
Income taxes paid	(19)	(13)
Net cash provided by (used in) operating activities	(377)	(172)
Cash flows from investing activities		
Purchase of intangible assets	—	(9)
Purchase of investment securities	(7)	(15)
Proceeds from sales of investment securities	—	0
Proceeds from redemption of investment securities	—	0
Other, net	2	(0)
Net cash provided by (used in) investing activities	(4)	(25)
Cash flows from financing activities		
Repayments of long-term loans payable	(1,453)	(1,468)
Other, net	0	—
Net cash provided by (used in) financing activities	(1,453)	(1,468)
Effect of exchange rate change on cash and cash equivalents	(9)	(13)
Net increase (decrease) in cash and cash equivalents	(1,844)	(1,679)
Cash and cash equivalents at beginning of period	4,815	4,757
Cash and cash equivalents at end of period	2,970	3,078

(5) Notes on Quarterly Consolidated Financial Statements

(Notice Concerning Notes on Matters Regarding the Assumption of Going Concern)

No applicable items

(Notice Concerning Notes on Significant Changes in Shareholder's Equity)

No applicable items

(Change in accounting policy)

(Application of "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.")

The Company decided to apply "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc." (ASBJ Practical Issues Task Force ("PITF") No. 36, issued on January 12, 2018; hereinafter referred to as "PITF No. 36") from April 1, 2018 and to account for transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions in accordance with the "Accounting Standard for Stock Options" (ASBJ Statement No. 8, issued on December 27, 2005) and related guidance.

However, when applying PITF No. 36, the Company complied with the transitional provisions in Paragraph 10, Item (3) of PITF No. 36 and continued to account for transactions that granted employees and others stock acquisition rights, which involve considerations, with vesting conditions prior to the date of application of PITF No. 36 in accordance with the previously adopted accounting procedure.

