

This document has been translated from Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. JAIC assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Qualitative Information on Consolidated Operating Results for the Second Quarter Ended September 30, 2020

Forward-looking statements contained in the report are judgments and forecasts made by the JAIC Group as of the end of the second quarter under review.

(1) Outline of consolidated operating results

The consolidated operating results of the JAIC Group for the second quarter ended September 31, 2020 (from April 1, 2020 to September 30, 2020) recorded operating revenue of 1,257 million yen (down 7.1% year-on-year), operating gross profit of 533 million yen (up 22.4 % year-on-year), operating loss of 179 million yen (that of 216 million yen for the the same period last year), ordinary loss of 300 million yen (that of 364 million yen for the the same period last year) and loss attributable to owners of parent of 342 million yen (that of 462 million yen for the the same period last year). The breakdown of operating results and the background of our business activities are as follows.

(1-1) Breakdown of Operating Results

(a) Breakdown of operating revenue and operating cost

(Fund management fees etc.)

Fund management fees etc. includes management fees from investment funds and administrative fees from the investment funds. Fund management fees etc. decreased 14.3% by year-on-year to 58 million yen. The management fees decreased because some investment funds extended their maturities. The administrative fees decreased in line with liquidation of some investment funds and decrement of NAV of some other investment funds.

(Investment income)

Proceeds of sales of operational investment securities decreased by 58.6% year-on-year to 253 million yen and realized capital gains, which are calculated by deducting cost of securities sold from proceeds of sales of operational investment securities, decreased by 25.9 % year-on-year to 159 million yen. The decreases were attributable mainly to smaller sales of unlisted shares both in Japan and overseas. The total amount of investment write-offs and provision for allowance for possible investment losses decreased to (57) million yen (that of 200 million yen for the same period last year).

Provision for allowance for possible investment losses was recorded in anticipation of the decline in the expected amount of investment recovery because the funds that have invested in will mature in the near future. On the other hand, reversal of allowance for possible investment losses was recorded with regard to our investee companies. The allowance for the investee companies had been provided in the past, however, their business performance has improved or investment recovery amount from them is expected to be greater than anticipated. As a result, there was a reversal of 57 million yen in total. As a result, investment income, which is calculated by deducting investment write-offs and provision for allowance for possible investment losses from realized capital gains, significantly increased by 1,405.0% year-on-year to 216 million yen.

(Fund interests income, etc.)

Fund interests income, etc. includes revenue from electricity sales and revenue from vegetable sales of the projects operated by the JAIC Group, interests income from the projects operated by other companies (such as net profits of the projects sourced from electricity sales and gains from the sale of projects), interests income from private equity funds operated by other companies, interest and dividend income and other income.

The total amount of fund interests income, etc. for the current second quarter under review increased by 40.4% year-on-year to 932 million yen. Out of this, revenue from electricity sales and revenue from vegetable sales of the projects operated by the JAIC Group accounted for 842 million yen (up 44.8% year-on-year). The revenues from the new projects increased year-on-year. In addition, interests income from the private equity funds operated by other companies increased by 38.0 % year-on-year to 81 million yen owing to capital gains of the funds.

(Fund interests losses, etc.)

Fund interests losses, etc. includes cost of electricity sales and cost of producing vegetables of the projects operated by the JAIC Group, interests losses (such as costs, etc. of projects under construction) of the projects operated by other companies and interests losses, etc. of the private equity funds operated by other companies.

The total amount of fund interests losses etc. for the current second quarter under review increased by 114.8 % year-on-year to 683 million yen. Out of this, cost of electricity sales and cost of producing vegetables of the projects operated by the JAIC Group accounted for 467 million yen (up 52.6 % year-on-year), reflecting an increase in cost from the new projects. In addition, interests loss from the private equity funds operated by other companies increased by 1,754.6 % year-on-year to 213 million yen. Losses increased due to capital loss from the private equity funds operated by other companies because the expected amount of investment recovery had decreased.

As a result, operating revenue decreased by 7.1% year-on-year to 1,257 million yen, operating cost decreased by 21.1% year-on-year to 724 million yen and operating gross profit increased by 22.4% year-on-year to 533 million yen.

(b) Selling, general and administrative expenses and operating income

The total amount of selling, general and administrative expenses increased by 9.2% year-on-year to 712 million yen.

The main factors behind the increase were expenses related to the relocation of the head office and expenses of mega solar projects which commenced operating.

As a result, operating loss was 179 million yen (that of 216 million yen for the same period last year).

(c) Non-operating income, non-operating expenses and ordinary income

Non-operating income increased by 162.6 % year-on-year to 48 million yen due mainly to gain on an investment partnership.

Non-operating expenses of 169 million yen was interest expenses and was roughly the same level of the same period last year (up 2.3 % year-on-year).

On the non-consolidated basis, interest expenses decreased as a result of the reduction of loans payable. On the other hand, for the projects operated by JAIC, interest expenses increased related to project finance and bonds. As a result, total

interest expenses were virtually unchanged from the previous fiscal year.

As a result, ordinary loss was 300 million yen (that of 364 million yen for the same period last year).

(d) Extraordinary income and profit attributable to owners of parent
(Extraordinary income)

For the the second quarter last year, total extraordinary income amounted to 13 million yen due mainly to the recording of gain on sales of shares of subsidiaries & associates and gain on liquidation of subsidiaries & associates. On the other hand, for the current second quarter under review, total extraordinary income amounted to 13 million yen reflecting the recording of gain on redemption of investment securities and gain on sales of land etc.

For the same period last year, extraordinary loss wasn't incurred. On the other hand, for the current second quarter under review, loss on redemption of investment securities and loss on sales and retirement of non-current assets amounted to 3 million yen.

As a result, loss before income taxes amounted to 290 million yen (that of 350 million yen for the same period last year).

(Profit attributable to owners of parent)

Total income taxes of 9 million yen (down 18.1% year-on-year) were recorded primarily for subsidiaries. In terms of tax, both in the current second quarter under review and the previous fiscal year, JAIC conservatively estimated tax effect accounting and did not recognize deferred tax assets.

Profit/loss attributable to non-controlling interests represents the portion of profit/loss from the investment funds and projects operated by the JAIC Group which is attributable to investors other than the JAIC Group. In the current second quarter under review, due to profit from the aforementioned investment funds and projects, resulting in a profit attributable to non-controlling interests of 43 million yen (down 56.7 % year-on-year).

As a result, loss attributable to owners of parent amounted to 342 million yen (that of 462 million yen for the same period last year).

(1-2) Business Position

(a) Investment activities

For the current second quarter under review, new investments decreased by 69.4 % year-on-year to 533 million yen in 7 companies/projects. As of September 30, 2020, the balance of investments decreased to 14,376 million yen in 126 companies/projects (compared to 15,101 million yen in 130 companies/projects as of March 31, 2020).

As for private equity investment, when JAIC's own capital is used, JAIC makes strategic investment in partner companies for project oriented investment. JAIC invests its own capital in a selective manner based on business themes in line with its management philosophy in principle. When the capital of a fund is used, JAIC makes investment pursuant to the fund's investment policy.

For the current second quarter under review, new investments decreased by 80.7 % year-on-year to 158 million yen in 2 companies. Strategic investments decreased and the size of financial investments was smaller than the previous second quarter. In terms of investment recovery, while the sale of listed shares progressed, there was no large-scale recovery of investment in unlisted shares.

As a result, the balance of investments was 8,375 million yen, roughly the same level of the previous second quarter (8,405 million yen in 98 companies as of March 31, 2020).

Looking at project oriented investment for the current second quarter under review, new investments decreased by 59.3 % year-on-year to 374 million yen in 5 projects. The decline reflecting the fact that investment amounts in mega solar projects decreased. Meanwhile, profitability of a project under construction was decline and JAIC recovered the investment principal during the current second quarter under review. As a result, the balance of investments as of September 30, 2020 decreased to 6,000 million yen in 31 projects (compared to 6,696 million yen in 32 projects as of March 31, 2020).

As of September 30, 2020, JAIC, including JAIC-Solar Fund, L.P., II, invested in 22 mega solar projects (24 power plants) with the capacity of 85.8MW which are either currently selling electricity or are under construction or planning. Out of these mega solar projects, the portion that attributable to JAIC is 38.2MW in capacity. JAIC also invested in one woody biomass project with the capacity of 2.0MW, two biogas projects with the capacity of 1.6MW and one wind power project with the

capacity of 25.2MW at most.

(b) Management of investment funds

As of September 30, 2020, the number of investment funds those the JAIC Group manages, operates or provides investment information totaled 11. The balance of total commitment amounts of the funds amounted to 16,556 million yen (compared to 11 investment funds with 17,390 million yen as of March 31, 2020).

In the second quarter under review, JAIC established 1 fund. On the other hand, 1 fund entered liquidation period after its maturity and the balance of total commitment amounts under management decreased.

(2) Cash flows

(Cash flow from operating activities)

Net cash generated from operating activities amounted to 326 million yen (compared to 870 million yen of net cash used in for the previous second quarter), due mainly to the decrease in operational investment securities of 132 million yen (compared to the increase of 616 million yen for the previous second quarter).

(Cash flow from investing activities)

Net cash used in investing activities amounted to 13 million yen (compared to 56 million yen of net cash generated from for the previous second quarter). There were expenditures due to the acquisition of property, plant and equipment in line with the relocation of the head office.

(Cash flow from financing activities)

Net cash used in financing activities decreased year-on-year to 697 million yen (compared to 1,095 million yen for the previous second quarter), reflecting a decrease in repayments of long-term borrowings.

Cash and cash equivalents as of September 30, 2020 decreased by 396 million yen from March 31, 2020 to 2,326 million yen, after deducting effect of exchange rate change on cash and cash equivalents of (12) million yen.

(3) Financial position

(Assets)

Total assets as of September 30, 2020 remained virtually unchanged at 28,250

million yen (compared to 28,548 million yen as of March 31, 2020).

Cash and deposits increased to 5,103 million yen (compared to 4,520 million yen as of March 31, 2020). Meanwhile, the amount included deposits attributable to the investment funds operated by the JAIC Group. Those deposits must be managed in accordance with each fund's partnership agreement. The JAIC Group clearly separates and manages those deposits from cash and deposits belonging to the JAIC Group. Cash and deposits belonging to the JAIC Group were 2,326 million yen as of September 30, 2020 (compared to 2,723 million yen as of March 31, 2020) as shown in the consolidated statements of cash flows.

In addition, private equity investments conducted by the JAIC Group are highly affected by factors such as stock market fluctuations due to the nature of their business. It is difficult to make a reasonable forecast of business results in the current volatile environment. As a result, the amount of funds recovered from private equity investments could decline significantly. Under these circumstances, the JAIC Group must maintain a certain balance of cash and deposits at all times to ensure not only the payment of expenses and interests and the repayment of loans payable but also the investment for future growth.

Property, plant and equipment mainly includes renewable energy power plant facilities of projects operated by the JAIC Group. Property, plant and equipment decreased to 10,959 million yen (compared to 12,119 million yen as of March 31, 2020). The decline reflected the recovery of investment in a mega solar project under construction.

In assets, operational investment securities as of September 30, 2020 remained virtually unchanged at 9,789 million yen (compared to 9,848 million yen as of March 31, 2020). Both the amount of new investments and the amount of investment recovery remained at a low level.

Allowance for possible investment losses as of September 30, 2020 decreased to 1,502 million yen (compared to 1,574 million yen as of March 31, 2020) due to recording a reversal of the allowance.

As a result, the investment loss provision ratio (ratio of allowance for possible investment losses to operational investment securities) as of September 30, 2020 was 15.3%, down 0.7 points from March 31, 2020.

(Liabilities)

Total liabilities increased to 20,159 million yen as of September 30, 2020 (compared to 19,832 million yen as of March 31, 2020).

In liabilities, total of loans payable and bonds as of September 30, 2020 increased to 19,185 million yen (compared to 17,334 million yen as of March 31, 2020). Loans payable of JAIC itself decreased to 7,469 million yen (compared to 8,166 million yen as of March 31, 2020), reflecting the repayments of 697 million yen for the current second quarter under review. JAIC repaid an additional 518 million yen in October 2020, reducing the balance to 6,950 million yen. JAIC will continue to reduce its own loans payable in the future. On the other hand, project finance and bonds for the projects operated by the JAIC Group as of September 30, 2020 increased to 11,715 million yen (compared to 9,167 million yen as of March 31, 2020). The project finance and bonds will not affect the financial soundness of the JAIC Group, since its source of payments is limited to the assets and revenues of the projects. Therefore, the JAIC Group will continue to expand fund raising through project finance. The JAIC Group will promote leveraged investment in a wide range of projects including renewable energy projects operated by them. This enhance profitability of the JAIC Group without compromising on financial soundness.

(Net assets)

In net assets, total shareholders' equity as of September 30, 2020 decreased to 6,721 million yen (compared to 7,219 million yen as of March 31, 2020), due to the recording of a loss attributable to owners of parent and a decrement in unrealized gains. As a result, the equity ratio as of September 30, 2020 fell by 1.5 points to 23.8% (compared to 25.3% as of March 31, 2020). Total net assets as of September 30, 2020 also decreased to 8,090 million yen (compared to 8,716 million yen as of March 31, 2020). Meanwhile, JAIC's non-consolidated equity ratio as of September 30, 2020 rose 0.3 points to 44.9% (compared to 44.6% as of March 31, 2020). The reduction of loans payable improved financial soundness.

(4) Forecast

The overall private equity investment business conducted by the JAIC 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 JAIC does not disclose the results forecast. For the convenience of

investors and shareholders, however, JAIC discloses “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.

For details, please refer to “2. Outlook for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)” on page 17 in “Consolidated Financial Results for the Second Quarter Ended September 30, 2020 [Japanese Standards] (Summary of Japanese announcement)”.

(End)