

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 Year Ended March 31, 2021

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

(1) Outline of consolidated operating results

The consolidated operating results of the JAIC Group for the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021) recorded operating revenue of 3,709 million yen (down 6.1% year-on-year), operating gross profit of 1,192 million yen (down 40.2 % year-on-year), operating loss of 163 million yen (compared to operating profit of 716 million yen for FY March 31, 2020), ordinary loss of 399 million yen (compared to ordinary profit of 441 million yen for FY March 31, 2020) and profit attributable to owners of parent of 33 million yen (down 90.3 % year-on-year). The breakdown of operating results are as follows.

(a) Breakdown of operating revenue and operating cost

(Fund management fees)

Fund management fees etc. consist of management fees from investment funds and administrative fees from the investment funds. Fund management fees etc. decreased to 122 million yen (down 8.3% year-on-year). The management fees decreased because some investment funds changed their fee structures. The administrative fees decreased in line with decrement of NAV and drop in compensation rate of some other investment funds.

(Investment income)

Proceeds of sales of operational investment securities decreased to 2,112 million yen (down 23.7% year-on-year) and realized capital gains, which are calculated by deducting cost of securities sold from proceeds of sales of operational investment

securities, decreased to 913 million yen (down 46.8% year-on-year).

As for private equity investment, the proceeds of sale of operational securities and realized capital gain increased from the previous fiscal year. Though there was a decrease in sales of listed shares with higher investment returns compared with the previous fiscal year, there was the progress in sales of unlisted shares with a large amount of investment which resulted in profitability. Meanwhile, in project investment, the number of sale of projects remained at seven, unchanged from the previous fiscal year. In the current fiscal year under review, however, out of the seven projects sold, the proceeds from three projects were recorded as the proceeds of sales of operational securities, while the proceeds from the remaining four projects were recorded separately as gains on sales of fixed assets and an increase in capital surplus. As a result, the proceeds of sale of operational securities and realized capital gain decreased from the previous fiscal year.

The total amount of investment write-offs and provision for allowance for possible investment losses decreased to 199 million yen (down 29.4% year-on-year).

This was due to a decrease in the number of investee companies whose business conditions deteriorated compared with the previous fiscal year.

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, decreased to 713 million yen (down 50.3% year-on-year).

(Fund interests income, etc.)

Fund interests income, etc. includes revenue from electricity sales, revenue from vegetable sales and other revenues 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 fiscal year under review increased to 1,450 million yen (up 41.0% year-on-year). Out of this, revenue from electricity sales, revenue from vegetable sales and other revenues of the projects operated by the JAIC Group accounted for 1,313 million yen (up 43.7% year-on-year). The revenues of the newly launched projects increased.

(Fund interests losses, etc.)

Fund interests losses, etc. includes cost of electricity sales, cost of producing

vegetables and other costs 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 fiscal year under review increased to 1,109 million yen (up 79.8% year-on-year). Out of this, cost of electricity sales, cost of producing vegetables and other costs of the projects operated by the JAIC Group accounted for 880 million yen (up 50.8% year-on-year). The costs of newly launched projects increased. Additionally, losses increased to 229 million yen (up 589.8% year-on-year) 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 6.1% year-on-year to 3,709 million yen, operating cost increased by 28.6% year-on-year to 2,516 million yen and operating gross profit decreased by 40.2% year-on-year to 1,192 million yen.

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

The total amount of selling, general and administrative expenses increased to 1,355 million yen (up 6.2% year-on-year). 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 163 million yen (compared to operating profit of 716 million yen for FY March 31, 2020).

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

Non-operating income increased to 91 million yen (up 184.6% year-on-year) due mainly to gain on an investment partnership.

Non-operating expenses increased to 328 million yen (up 6.7% year-on-year) due mainly to interest expenses of projects operated by the JAIC Group. 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 the JAIC Group, interest expenses increased related to project finance and bonds those newly financed.

As a result, ordinary loss was 399 million yen (compared to ordinary profit of 441 million yen for FY March 31, 2020).

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

For the previous fiscal year, total extraordinary income amounted to 189 million yen reflecting the recording of gain on sales of investment securities of 173 million yen etc. On the other hand, for the current fiscal year under review, total extraordinary income amounted to 637 million yen (up 237.0% year-on-year) reflecting the recording of gain on sales of fixed assets of 622 million yen etc. by selling 3 mega solar projects.

For the previous fiscal year, loss on redemption of investment securities of 2 million yen was recorded as extraordinary loss. On the other hand, for the current fiscal year under review, total extraordinary loss amounted to 29 million yen (up 1,286.5% year-on-year) reflecting loss on evaluation of investment securities of 25 million yen.

As a result, loss before income taxes decreased to 208 million yen (down 66.8% year-on-year).

(Profit attributable to owners of parent)

Total income taxes of 16 million yen (down 29.2% year-on-year) were recorded primarily for subsidiaries. In terms of tax, both in the current fiscal year 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 fiscal year under review, due to profit from the aforementioned investment funds and projects, resulting in a profit attributable to non-controlling interests of 158 million yen (down 39.4% year-on-year).

As a result, profit attributable to owners of parent decreased to 33 million yen (down 90.3% year-on-year).

(2) Cash flows

(Cash flow from operating activities)

Net cash generated from operating activities increased year-on-year to 1,728 million yen (compared to 124 million yen for the previous fiscal year), due mainly to the decrease in operational investment securities of 173 million yen (compared to the increase of 1,446 million yen for the previous fiscal year) in line with the progress

in collection of operational investment securities.

(Cash flow from investing activities)

Net cash generated from investing activities decreased year-on-year to 61 million yen (compared to 147 million yen for the previous fiscal year) mainly due to a decline in proceeds from sales of investment securities to 46 million yen (compared to 215 million yen for the previous fiscal year).

(Cash flow from financing activities)

Net cash used in financing activities decreased year-on-year to 1,216 million yen (compared to 1,617 million yen for the previous fiscal year) reflecting a decrease in repayments of long-term borrowings.

Cash and cash equivalents as of March 31, 2021 increased by 577 million yen from March 31, 2020 to 3,301 million yen, after adding effect of exchange rate change on cash and cash equivalents of 3 million yen.

(3) Financial position

(Assets)

Total assets as of March 31, 2021 decreased year-on-year to 25,165 million yen (compared to 28,548 million yen as of March 31, 2020).

Cash and deposits increased year-on-year to 6,486 million yen (compared to cash and deposits of 4,520 million yen as of March 31, 2020).

This mainly reflected the sale of fixed assets and fund procurement through project financing for the projects operated by the JAIC Group.

Meanwhile, the amount of the cash and deposits 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 cash and cash equivalents of 3,301 million yen as of March 31, 2021 (compared to 2,723 million yen as of March 31, 2020) 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 7,852 million yen (compared to 12,119 million yen as of March 31, 2020) reflecting the recovery and sales of investment in mega solar projects.

Operational investment securities include the assets of the projects mainly operated by other companies in addition to private equity investment assets. Investment assets in the projects operated by other companies increased through investment in new healthcare projects. Meanwhile, in private equity investments, there was a progress in the recovery of financial investment.

Operational investment securities as of March 31, 2021 decreased year-on-year to 9,379 million yen (compared to 9,848 million yen as of March 31, 2020) due to above mentioned reasons.

Allowance for possible investment losses as of March 31, 2021 decreased to 1,349 million yen (compared to 1,574 million yen as of March 31, 2020), due to the sale and write-off of investment assets with the provision for investment losses.

As a result, the investment loss provision ratio (ratio of allowance for possible investment losses to operational investment securities) as of March 31, 2021 was 14.4%, down 1.6 points from March 31, 2020.

(Liabilities)

Total liabilities decreased to 16,059 million yen as of March 31, 2021 (compared to 19,832 million yen as of March 31, 2020).

In liabilities, total of loans payable and bonds as of March 31, 2021 decreased to 14,990 million yen (compared to 17,334 million yen as of March 31, 2020). Loans payable of JAIC itself decreased to 6,950 million yen (compared to 8,166 million yen as of March 31, 2020). Project finance and bonds for the projects operated by the JAIC Group as of March 31, 2021 decreased to 8,039 million yen (compared to 9,167 million yen as of March 31, 2020).

The balance of loans payable by project finance and bonds for the projects operated by the JAIC Group decreased by 1,127 million yen year-on-year in total due to a decline in the balance for sold projects, despite an increase in the balance for the projects for which new funds were procured.

Loans payable of JAIC itself decreased year-on-year, reflecting the repayments of 1,216 million yen for the current fiscal year under review. JAIC repaid an additional 507 million yen in April 2021, reducing the balance to 6,442 million yen. JAIC will continue to reduce its non-consolidated loans payable in the future. On the other hand, project finance for the projects operated by the JAIC Group 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 the JAIC Group. This enhance profitability of the JAIC Group without compromising on financial soundness.

(Net assets)

In net assets, total shareholders' equity as of March 31, 2021 increased year-on-year to 7,328 million yen (compared to 7,219 million yen as of March 31, 2020).

In net assets, total shareholders' equity increased year-on-year as a mega solar project that falls under the scope of subsidiaries was sold and the gains on sale was recorded as capital surplus accordingly, in addition to the effect of the recording of a profit attributable to owners of parent.

On the other hand, total assets decreased year-on-year. As a result, the equity ratio as of March 31, 2021 rose by 3.8 points year-on-year to 29.1% (compared to 25.3% as of March 31, 2020). Total net assets as of March 31, 2021 also increased year-on-year to 9,106 million yen (compared to 8,716 million yen as of March 31, 2020). Meanwhile, JAIC's non-consolidated equity ratio as of March 31, 2021 rose 4.3 points year-on-year to 48.9% (compared to 44.6% as of March 31, 2020). The reduction of loans payable improved financial soundness.

(4) Business Position

(a) Investment and loan activities

For the current fiscal year under review, new investments and loans decreased by 49.0% year-on-year to 1,767 million yen in 19 companies/projects. As of March 31, 2021, the balance of investments and loans decreased year-on-year to 12,855

million yen in 121 companies/projects (compared to 15,191 million yen in 131 companies/projects as of March 31, 2020).

As for private equity investment, when JAIC's own capital is invested, 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 invested, JAIC makes financial investment pursuant to the fund's investment policy.

For the current fiscal year under review, new investments decreased by 73.7% year-on-year to 322 million yen in 5 companies.

For the current fiscal year under review, new investments and loans decreased year-on-year as strategic investment focused on additional investment in existing investee companies and there was no financial investment with a significant amount of investment per company.

The balance of investments and loans decreased to 6,767 million yen (compared to 8,405 million yen as of March 31, 2020), due to progress of the sale of shares in financial investment.

Looking at project oriented investment for the current fiscal year under review, new investments and loans decreased by 35.5% year-on-year to 1,445 million yen in 14 projects. The decline reflecting the fact that the size of mega solar projects that JAIC invested in during the current fiscal year under review was smaller than those during the previous fiscal year.

In renewable energy projects, JAIC made additional investment in existing mega solar projects. In healthcare projects, JAIC invested in an aged-care facility, and there was an increase in the number of loan executions related to group home projects for persons with disabilities. In smart agriculture projects, JAIC invested towards the construction of a vegetable factory which will become the second project.

As for the sale of projects, including partial sales, JAIC sold 7 mega sola projects which are currently selling electricity with a capacity of 18.3 MW in total during the current fiscal year. As a result, the balance of investments and loans as of March 31, 2021 decreased year-on-year to 6,088 million yen (compared to 6,786 million yen as of March 31, 2020).

As of March 31, 2021, JAIC invested in 16 mega solar projects (18 power plants)

with the capacity of 70.5MW 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 26.7MW 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, one operator of biogas plant and one wind power project with the capacity of 25.2MW at most.

(b) Management of investment funds

As of March 31, 2021, the number of investment funds, for which the JAIC Group is responsible for management, operation or provision of investment information, totaled 11, and the balance of total commitment amounts under management amounted to 16,450 million yen (compared to 11 investment funds with 17,390 million yen as of March 31, 2020).

In the current fiscal year under review, the total commitment amount in investment funds was impacted by the establishment of a new fund (total commitment amount of 151 million yen) and foreign exchange fluctuations. Meanwhile, the operation of a fund (total commitment amount of 1,531 million yen), which had been in the course of being wound up upon maturity, was transferred to another company. As a result, the total commitment amount in investment funds decreased year-on-year.

(5) Forecast

(5-1) Impact of COVID-19

COVID-19 has a widespread impact on the economy and business activities. However, the impact on the Group has been limited since the end of the previous consolidated fiscal year. We make accounting estimates of investment valuations based on the assumption that the impact of this infectious disease on the economy and corporate activities will be a new normal.

(4 – 2) Business results and dividend forecasts

The overall 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 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, 2022 (April 1, 2021 to March 31, 2022)” on page 22 in the summary of consolidated financial results for the year ended March 31, 2021.

The Group’s basic policy for profit allocation is to provide stable and continued dividends to its shareholders and at the same time to improve its retained earnings with the aim of activating its operational investment activities to develop a new revenue stream and strengthen its financial base. However, to our great regret, JAIC decided to pass its dividend in the fiscal year under review due to a large cumulative loss in the past consolidated fiscal years.

JAIC also expects no dividend payment for the fiscal year ending March 31, 2022 since cumulative losses of past years cannot be eliminated although it expects positive profit attributable to owners of parent in the forecasts consolidated under the previous accounting standard.

2. Basic Rationale for Selection of Accounting Standards

The JAIC Group intends to prepare consolidated financial statements based on Japanese standards in consideration of the statements’ period to period comparability and comparability between companies for the time being. With regard to the application of IFRS (International Financial Reporting Standards), JAIC intends to respond appropriately by taking into account the situations both in Japan and abroad.

(End)