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Qualitative Information on Consolidated Operating Results for the six months Ended September 30, 2021

(1) Outline of consolidated operating results

The consolidated operating results of the JAIC Group for the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021) recorded operating revenue of 1,018 million yen (down 19.0% year-on-year), operating gross profit of 293 million yen (down 44.9 % year-on-year), operating loss of 413 million yen (compared to operating loss of 179 million yen for the same period last year), ordinary loss of 529 million yen (compared to ordinary loss of 300 million yen for the same period last year) and loss attributable to owners of parent of 651 million yen (compared to loss attributable to owners of parent of 342 million yen for the the second quarter of the previous fiscal 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 and administrative fees from investment funds. Total fund management fees etc. was 59 million yen (up 0.6% year-on-year), which was almost the same as the amount for the same period last year. Of the total fees, fund management fees decreased due to a decrease in fees from the fund that started the liquidation process. On the other hand, fund administrative fees increased mainly due to an increase in the number of administrative trust funds.

(Investment income)

Most of the proceeds of sale of operational securities were private equity investments for both the second quarter of the current fiscal year under review and the same period last year. In the same period last year JAIC mainly sold listed shares with high profit margins. On the other hand, in the second quarter of the current

fiscal year under review, JAIC sold unlisted shares of an investee those were liquidated by prioritizing collection of funds over capital gain. Along with this the proceeds of sale of operational securities decreased to 213 million yen (down 15.7 % year-on-year). Realized capital gain, which is calculated by deducting cost of securities sold from proceeds of sales of operational investment securities, also decreased to 44 million yen (down 71.7% year-on-year).

The total amount of investment write-offs and provision for allowance for possible investment losses increased to 152 million yen (compared to reversal of 57 million yen for the same period last year). For the same period last year, reversal of allowance for possible investment losses was recorded with regard to some investee companies. It was because investment recovery amount from these investee companies was expected to be greater than anticipated. On the other hand, for the second quarter of the current fiscal year under review, investment write-offs and provision for allowance for possible investment losses were recorded. The business conditions of some investee companies have deteriorated and the estimated amount of recovery from them has decreased.

As a result, investment loss, which is calculated by deducting investment write-offs and provision for allowance for possible investment losses from realized capital gains, amounted to 107 million yen (compared to investment income of 216 million yen for the same period last year).

(Fund interests income, etc.)

Fund interests income, etc. includes revenue from electricity sales, revenue from vegetable sales and other revenues from 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 second quarter of the current fiscal year under review decreased to 730 million yen (down 21.6% year-on-year). Out of this, revenue from electricity sales, revenue from vegetable sales and other revenues from the projects operated by the JAIC Group accounted for 690 million yen (down 18.0% year-on-year). The main factor of the decrease was the sale of some mega solar projects that were selling electricity in the previous fiscal year. Interests income from private equity funds operated by other companies also

decreased to 27 million yen (down 66.3% year-on-year) owing to a decrease in capital gains from investee companies of the funds.

(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 second quarter of the current fiscal year under review decreased to 398 million yen (down 41.7% 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 363 million yen (down 22.2% year-on-year). The main factor of the decrease was the sale of some mega solar projects that are selling electricity in the previous fiscal year. Additionally, losses decreased to 34 million yen (down 84.0% year-on-year) from the private equity funds operated by other companies.

As a result, operating revenue decreased by 19.0% year-on-year to 1,018 million yen, operating cost increased by 0.0% year-on-year to 724 million yen and operating gross profit decreased by 44.9% year-on-year to 293 million yen.

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

The total amount of selling, general and administrative expenses was 707 million yen (down 0.8% year-on-year), which was almost the same as the amount for the same period last year. While labor costs increased, project operating costs decreased due to the sale of some mega solar projects in the previous fiscal year. In addition, depreciation expenses also decreased for the second quarter of the current fiscal year under review. Depreciation expenses temporarily increased for the same period last year due to the relocation of the head office.

As a result, operating loss was 413 million yen (compared to operating loss of 179 million yen for the same period last year).

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

Non-operating income decreased to 14 million yen (down 70.6% year-on-year) due mainly to a decrease of gain on an investment partnership.

Non-operating expenses decreased to 130 million yen (down 22.9% year-on-year) due mainly to a decrease of interest expenses with the reduction of the balance of loans payable.

As a result, ordinary loss was 529 million yen (compared to ordinary loss of 300 million yen for the same period last year).

(d) Extraordinary income/loss and Profit/Loss attributable to owners of parent
(Extraordinary income/loss)

The main item of extraordinary income/loss for the same period last year was gain on redemption of investment securities. Total extraordinary income amounted to 13 million yen.

The main item of extraordinary income/loss for the current second quarter under review was loss on valuation of investment securities. Total extraordinary losses amounted to 101 million yen.

As a result, loss before income taxes amounted to 630 million yen (compared to loss before income taxes of 290 million yen for the same period last year).

(Profit/loss attributable to owners of parent)

As a result of deducting income taxes and profit attributable to non-controlling interests from loss before income taxes, loss attributable to owners of parent amounted to 651 million yen (compared to loss attributable to owners of parent of 342 million yen for the same period last year). JAIC properly estimated tax effect accounting and did not recognize deferred tax assets for both the second quarter of the current fiscal year under review and the same period last year.

(2) Cash flows

(Cash flow from operating activities)

Net cash used in operating activities amounted to 1,232 million yen (compared to 326 million yen generated from for the same period last year), due mainly to the decrease in distribution from investment funds.

(Cash flow from investing activities)

Net cash generated from investing activities was 55 million yen (compared to 13 million yen used in for the same period last year) mainly due to proceeds from sales of investment securities.

(Cash flow from financing activities)

Net cash used in financing activities with repayments of long-term borrowings was 697 million yen (compared to 697 million yen for the same period last year).

Cash and cash equivalents as of September 30, 2021 decreased by 1,855 million yen from March 31, 2021 to 1,445 million yen, after adding effect of exchange rate change on cash and cash equivalents of 19 million yen.

(3) Financial position

(Assets)

Total assets as of September 30, 2021 decreased to 23,743 million yen (compared to 25,165 million yen as of March 31, 2021).

Cash and deposits decreased to 5,035 million yen (compared to cash and deposits of 6,486 million yen as of March 31, 2021) due to repayment of loans payable, payment of expenses and interests, and investment executions.

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 1,445 million yen as of September 30, 2021 (compared to 3,301 million yen as of March 31, 2021) 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 consists of renewable energy power plant facilities of projects operated by the JAIC Group. The amount as of September 30, 2021 increased to 8,184 million yen (compared to 7,852 million yen as of March 31,

2021) because the power generation equipment under planning was recorded in the construction in progress.

Operational investment securities consist of private equity investment assets, the assets of the projects operated by other companies and the assets of some projects operated by the JAIC Group. These projects operated by the JAIC Group and in the early stages of development are recorded as operational investment securities because those are not included in the scope of consolidation due to their low financial importance.

Operational investment securities as of September 30, 2021 decreased to 9,070 million yen (compared to 9,379 million yen as of March 31, 2021). The main reason for the decrease was that some of the projects operated by the JAIC Group were consolidated and they were recorded in other items such as property, plant and equipment. Those projects were consolidated due to the progress of development and the increase in financial importance.

Allowance for possible investment losses as of September 30, 2021 increased to 1,439 million yen (compared to 1,349 million yen as of March 31, 2021), because provisions were posted for the second quarter of the current fiscal year under review. As a result, the investment loss provision ratio (ratio of allowance for possible investment losses to operational investment securities) as of September 30, 2021 was 15.9 % (up 1.5 points from March 31, 2021).

(Liabilities)

Total liabilities decreased to 15,366 million yen as of September 30, 2021 (compared to 16,059 million yen as of March 31, 2021).

In liabilities, total of loans payable and bonds as of September 30, 2021 decreased to 14,155 million yen (compared to 14,990 million yen as of March 31, 2021). Loans payable of JAIC itself decreased to 6,253 million yen (compared to 6,950 million yen as of March 31, 2021). Project finance and bonds for the projects operated by the JAIC Group as of September 30, 2021 decreased to 7,902 million yen (compared to 8,039 million yen as of March 31, 2021).

Loans payable of JAIC itself decreased reflecting the repayments of 697 million yen for the second quarter of the current fiscal year under review. After securing investment funds for future growth, JAIC will continue to repay its loans payable.

The balance of loans payable by project finance and bonds for the projects operated by the JAIC Group decreased by 137 million yen reflecting the repayments for the second quarter of the current fiscal year under review. Project finance and bond 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 and bond. 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 September 30, 2021 decreased to 6,650 million yen (compared to 7,328 million yen as of March 31, 2021) due to a quarterly net loss attributable to owners of the parent and a decrease in unrealized gains on securities. As a result, the equity ratio as of September 30, 2021 fell by 1.1 points to 28.0% (compared to 29.1% as of March 31, 2021). Total net assets as of September 30, 2021 also decreased to 8,377 million yen (compared to 9,106 million yen as of March 31, 2021).

(4) Business Position

(a) Investment and loan activities

For the second quarter of the current fiscal year under review, new investments and loans increased by 238.6% year-on-year to 2,214 million yen in 15 companies/projects. As of September 30, 2021, the balance of investments and loans increased to 14,741 million yen in 124 companies/projects (compared to 12,855 million yen in 121 companies/projects as of March 31, 2021).

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 second quarter of the current fiscal year under review, new investments increased by 707.8% year-on-year to 1,282 million yen in 5 companies.

The amount increased due to the execution of strategic investments and the

execution of investments from the fund supporting the business succession needs. On the other hand, no large scale divestment was executed for the second quarter of the current fiscal year under review. As a result, the balance of investments and loans increased to 7,754 million yen in 87 companies (compared to 6,767 million yen in 88 companies as of March 31, 2021).

Looking at project oriented investment for the second quarter of the current fiscal year under review, new investments and loans increased by 88.2% year-on-year to 932 million yen in 10 projects. The investment amounts in smart-agriculture project and renewable energy projects increased.

No project was sold for the second quarter of the current fiscal year under review. As a result, the balance of investments and loans as of September 30, 2021 increased to 6,986 million yen in 37 projects (compared to 6,088 million yen in 33 projects as of March 31, 2021).

As of September 30, 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 1.1MW, one biogas plant operator and one wind power project with the capacity of 25.2MW at most.

(b) Management of investment funds

As of September 30, 2021, the number of investment funds, for which the JAIC Group is responsible for management, operation or provision of investment information, totaled 10, and the balance of total commitment amounts under management decreased to 15,884 million yen (compared to 11 investment funds with 16,450 million yen as of March 31, 2021).

In the second quarter of the current fiscal year under review, 1 fund (total commitment amount of 1,001 million yen) was established. The total commitment amount in investment funds decreased, however, due to 1 fund (total commitment amount of 500 million yen) which had been under liquidation procedure and 1 fund (total commitment amount of 1,178 million yen) which maturity had been extended.

(End)