

This document has been translated from a part of the 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 six months Ended September 30, 2022

(1) Outline of consolidated operating results

The consolidated operating results of the JAIC Group for the second quarter of the current fiscal year under review (from April 1, 2022 to September 30, 2022) recorded operating revenue of 1,112 million yen (up 9.3% year-on-year), operating gross profit of 146 million yen (down 50.0 % year-on-year), operating loss of 488 million yen (compared to operating loss of 413 million yen for the second quarter of the previous fiscal year), ordinary loss of 579 million yen (compared to ordinary loss of 529 million yen for the second quarter of the previous fiscal year) and loss attributable to owners of parent of 671 million yen (compared to loss attributable to owners of parent of 651 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. Fund management fees etc. were 58 million yen (down 1.3% year-on-year), about the same as year-on-year. The management fees from funds in liquidation process decreased.

(Investment income)

The proceeds of sale of operational investment securities increased to 444 million yen (up 108.0 % year-on-year). As for private equity investment, sales of domestic listed shares increased. As for project-

oriented investment, 1 mega-solar project was sold. Realized capital gain, which is calculated by deducting cost of securities sold from proceeds of sales of operational investment securities, also increased to 121 million yen (up 170.9% year-on-year).

The total amount of investment write-offs and provision for allowance for possible investment losses increased to 287 million yen (up 88.7 % year-on-year). JAIC posted provisions for investee companies those experienced significant delays in business progress or for which negotiation for the recovery of investment took a long time.

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, amounted to loss of 166 million yen (compared to investment loss of 107 million yen for the second quarter of the previous fiscal year).

(Fund interests income, etc.)

Fund interests income, etc. consist of revenues of the projects operated by the JAIC Group (such as revenue from electricity sales, revenue from vegetable sales and other revenues), interests income from the projects operated by other companies (such as net profits of the projects 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 599 million yen (down 17.9 % year-on-year). Out of this, revenues of the projects operated by the JAIC Group (such as revenue from electricity sales, revenue from vegetable sales, rent fee revenue from group homes for the handicapped and other revenues) accounted for 379 million yen (down 45.0 % year-on-year). Revenue from electricity sales decreased because some mega solar projects that are selling electricity were sold in the previous fiscal year.

On the other hand, operational dividend income increased 217 million yen (up 2,204.1 % year-on-year). JAIC received profit dividend from a logistic warehouse project that sold the facility in the previous fiscal year.

(Fund interests losses, etc.)

Fund interests losses, etc. consist of costs of the projects operated by the JAIC Group (such as cost of electricity sales, cost of producing vegetables and other costs), interests losses of the projects operated by other companies (such as losses mainly from projects in early stage) and interests losses of the private equity funds operated by other companies and others.

The total amount of fund interests losses etc. for the current fiscal year under review decreased to 348 million yen (down 12.4 % year-on-year). Out of this, costs of the projects operated by the JAIC Group (such as cost of electricity sales, cost of producing vegetables, rental cost of group homes for the handicapped and other costs) accounted for 319 million yen (down 12.1 % year-on-year). Cost of electricity sales decreased because some mega solar projects that are selling electricity were sold in the previous fiscal year.

As a result, operating revenue increased by 9.3 % year-on-year to 1,112 million yen, operating cost increased by 33.3 % year-on-year to 965 million yen and operating gross profit decreased by 50.0 % year-on-year to 146 million yen.

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

The total amount of selling, general and administrative expenses decreased to 635 million yen (down 10.1 % year-on-year). Administrative expenses from projects decreased because some mega solar projects that are selling electricity were sold in the previous fiscal year.

As a result, operating loss was 488 million yen (compared to operating loss of 413 million yen for the second quarter of the previous fiscal year).

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

Non-operating income decreased to 5 million yen (down 62.1 % year-on-year) mainly because of a decrease of foreign exchange gains.

Non-operating expenses mainly consists of interest expenses and decreased to 95 million yen (down 26.6 % year-on-year). On the non-consolidated basis, interest expenses decreased with the reduction of

loans payable. On the consolidated basis, interest expenses also decreased with the reduction of loans payable by project finance due to the sale of some mega solar projects in the previous fiscal year.

As a result, ordinary loss was 579 million yen (compared to ordinary loss of 529 million yen for the second quarter of the previous fiscal year).

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

Loss on valuation of investment securities was main item among extraordinary income/loss for both the second quarter of the previous fiscal year and for the second quarter of the current fiscal year under review. Total extraordinary loss decreased to 13 million yen (down 86.7 % year-on-year) for the second quarter of the current fiscal year under review.

Profit attributable to non-controlling shareholders is the profit attributable to fund investors other than the JAIC Group among the profits of the funds subject to consolidation. The amount increased to 77 million yen (up 379.9 % year-on-year) as the profits of the funds subject to consolidation increased.

As a result of adding extraordinary income and deducting extraordinary loss, income taxes and profit attributable to non-controlling interests from ordinary loss, loss attributable to owners of parent amounted to 671 million yen (compared to loss attributable to owners of parent of 651 million yen for the second quarter of the previous fiscal year). JAIC properly estimated tax effect accounting and did not recognize deferred tax assets for both the second quarter of the previous fiscal year and the second quarter of the current fiscal year under review.

(2) Cash flows

(Cash flow from operating activities)

Net cash generated from operating activities amounted to 126 million yen (compared to 1,232 million yen used in for the second quarter of the previous fiscal year). Distributions from investment funds increased and payment for investment of investment funds decreased.

(Cash flow from investing activities)

Net cash used in investing activities was 0 million yen (compared to 55 million yen generated from for the second quarter of the previous fiscal year). There were no proceeds from sales of non-operational investment securities for the second quarter of the current fiscal year under review.

(Cash flow from financing activities)

Net cash used in financing activities with repayments of long-term borrowings decreased year-on-year to 494 million yen (compared to 697 million yen for the second quarter of the previous fiscal year).

Cash and cash equivalents as of September 30, 2022 decreased by 342 million yen from March 31, 2022 to 2,055 million yen, after adding effect of exchange rate change on cash and cash equivalents of 26 million yen.

(3) Financial position

(Assets)

Total assets as of September 30, 2022 decreased to 18,405 million yen (compared to 20,231 million yen as of March 31, 2022).

Cash and deposits decreased to 3,857 million yen (compared to 5,666 million yen as of March 31, 2022) because of repayment of loans payable, payment of expenses and interests, and new 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 2,055 million yen as of September 30, 2022 (compared to 2,397 million yen as of March 31, 2022) 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 always maintain a certain balance of cash and deposits 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 assets of projects operated by the JAIC Group, such as renewable energy power plant facilities, vegetable plant facilities and group homes for the handicapped. Since group homes for the handicapped were newly constructed during the second quarter of the current fiscal year under review, the amount increased to 4,584 million yen (compared to 4,148 million yen as of March 31, 2022).

Operational investment securities consist of private equity investments, the projects those are operated by the JAIC Group and are in the initial stages of development, and the projects operated by other companies. Operational investment securities as of September 30, 2022 decreased to 9,142 million yen (compared to 9,538 million yen as of March 31, 2022), mainly because of progress of investment collections and distributions from projects.

Allowance for possible investment losses as of September 30, 2022 increased to 1,626 million yen (compared to 1,492 million yen as of March 31, 2022), due to positing provisions.

As a result, the investment loss provision ratio (ratio of allowance for possible investment losses to operational investment securities) as of September 30, 2022 was 17.8 %, up 2.2 points from March 31, 2022.

(Liabilities)

Total liabilities decreased to 10,519 million yen as of September 30, 2022 (compared to 10,787 million yen as of March 31, 2022).

Of liabilities, total of loans payable and bonds as of September 30, 2022 decreased to 9,291 million yen (compared to 9,521 million yen as of March 31, 2022). Loans payable of JAIC itself decreased to 5,448 million yen (compared to 5,943 million yen as of March 31, 2022). Project finance and bonds for the projects operated by the JAIC Group as of September 30, 2022 increased to 3,842 million yen (compared to 3,578

million yen as of March 31, 2022).

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

The balance of loans payable by project finance and bonds for the projects operated by the JAIC Group increased from the end of the previous consolidated fiscal year because the amount of new procurement exceeded the amount of repayment. 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 enhances profitability of the JAIC Group without compromising on financial soundness.

(Net assets)

Of net assets, total shareholders' equity as of September 30, 2022 decreased to 7,099 million yen (compared to 7,766 million yen as of March 31, 2022) due to a loss attributable to owners of parent and decrease of unrealized gains on operational investment securities. On the other hand, total assets also decreased. As a result, the equity ratio as of September 30, 2022 was up 0.2 points to 38.6 % (compared to 38.4% as of March 31, 2022). Non-controlling interests also decreased to 754 million yen (compared to 1,646 million yen as of March 31, 2022) mainly because of distributions from investment funds. As a result, total net assets as of September 30, 2022 also decreased to 7,886 million yen (compared to 9,443 million yen as of March 31, 2022).

(4) Business Position

(a) Investment and loan activities

For the second quarter of the current fiscal year under review, execution of investments and loans decreased by 40.2 % year-on-year to

1,324 million yen in 14 companies/projects. As of September 30, 2022, the balance of investments and loans decreased to 13,618 million yen in 128 companies/projects (compared to 13,784 million yen in 129 companies/projects as of March 31, 2022).

Looking at project oriented investment, total amount of execution of investments and loans in new projects and in existing projects decreased by 35.6 % year-on-year to 600 million yen in 8 projects. The investment amounts decreased in a smart agriculture project and there was no investment in distribution center projects. As for investments in other projects, investment amounts per project were small.

On the other hand, 1 mega-solar project, 1 healthcare project and 1 distribution center project were sold during the second quarter of the current fiscal year under review. Additionally, distributions from existing projects decrease the balance of project oriented investments and interest profits/losses also increase/decrease the balance. As a result, the balance of investments and loans as of September 30, 2022 decreased to 6,191 million yen in 44 projects (compared to 6,344 million yen in 43 projects as of March 31, 2022).

As of September 30, 2022, JAIC invested in 13 mega solar projects (15 power plants) with the capacity of 30.7MW 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 13.1MW 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.

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, total amount of execution of investments and loans in new companies and in existing companies decreased by 43.5 % year-on-year to 724 million yen in 6 companies.

Strategic investments decreased in both number of companies and amounts. Investment amounts also decreased from the fund supporting the business succession needs. As for investment collection, sales of domestic listed shares and unlisted shares in China proceeded. As a result, the balance of investments and loans was about the same as at the end of the previous consolidated fiscal year, to 7,427 million yen in 84 companies (compared to 7,440 million yen in 86 companies as of March 31, 2022).

(b) Management of investment funds

As of September 30, 2022, 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 increased to 16,787 million yen (compared to 10 investment funds with 16,463 million yen as of March 31, 2022).

In the second quarter of the current fiscal year under review, “Succession Investment Limited Partnership, II” was newly established. The fund is supporting the business succession needs of SMEs in Japan and its commitment amount is 1,801 million yen. The total commitment amount in investment funds also increased by 526 million yen because of foreign exchange fluctuation. On the other hand, 1 investment fund which commitment amount of 2,003 million yen decreased from “Maturity is being extended”.

(End)