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Qualitative Information on Consolidated Operating Results for Three Months Ended June 30, 2023

(1) Outline of consolidated operating results

The consolidated operating results of the JAIC Group for the first quarter of the current fiscal year under review (from April 1, 2023 to June 30, 2023) recorded operating revenue of 882 million yen (up 125.0% year-on-year), operating gross profit of 470 million yen (up 361.9% year-on-year), operating profit of 160 million yen (compared to operating loss of 213 million yen for the same period of the previous fiscal year), ordinary profit of 129 million yen (compared to ordinary loss of 257 million yen for the same period of the previous fiscal year) and loss attributable to owners of parent of 100 million yen (compared to loss attributable to owners of parent of 272 million yen for the same period 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 30 million yen (up 2.6% year-on-year), about the same as year-on-year.

(Investment income)

JAIC sold only private equity investments for the first quarter for the current fiscal year under review and for the same period of the previous fiscal year. For the first quarter of the current fiscal year, JAIC has proceeded the sale of high margin listed and unlisted stocks in Japan invested by the funds under management. The proceeds of sale of

operational investment securities increased to 600 million yen (up 250.8 % year-on-year). Realized capital gain, which is calculated by deducting cost of securities sold from proceeds of sales of operational investment securities, also increased to 532 million yen (up 830.3% year-on-year).

JAIC posted provisions for portfolio companies with lower expected recoveries. The total amount of investment write-offs and provision for allowance for possible investment losses increased to 161 million yen (up 11,030.3 % year-on-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, increased to 371 million yen (up 564.8 % year-on-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, rent fee revenue from group homes for the disabled people 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 the private equity funds operated by other companies, interest income, dividend income and other income.

The total amount of fund interests income, etc. for the first quarter of the current fiscal year under review increased to 243 million yen (up 30.6% year-on-year). The income increased as new projects have launched and the scale of existing projects have expanded.

(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, rental cost of group homes for the disabled people and other costs), interests losses from the projects operated by other companies (such as losses mainly from projects in the early stage of launch), interests losses from the private equity funds operated by other companies, and other losses.

The total amount of fund interests losses etc. for the first quarter of the current fiscal year under review were 179 million yen (up 4.2 % year-on-year), about the same as year-on-year. While the cost of producing vegetables decreased, the cost of new projects and projects with expanded business scale increased. As a result, operating revenue increased by 125.0 % year-on-year to 882 million yen, operating cost increased by 41.8 % year-on-year to 411 million yen and operating gross profit increased by 361.9 % year-on-year to 470 million yen.

(b) Other profit and loss items

Among the profit and loss items other than (a) above, net income attributable to non-controlling shareholders is the item that deserves special mention for the first quarter of the current fiscal year under review.

This item is the profit attributable to fund investors other than the JAIC Group among the profits of the funds and projects operated by the JAIC Group. The amount increased to 228 million yen (up 43,027.9% year-on-year) as the profits of the funds and the projects increased.

As a result, loss attributable to owners of parent amounted to 100 million yen (compared to loss attributable to owners of parent of 272 million yen for the same period of the previous fiscal year).

(2) Cash flows

Cash and cash equivalents as of June 30, 2023, increased by 36 million yen from March 31, 2023, to 1,799 million yen. The main factors for increase and decrease are as follows:

(Cash flow from operating activities)

Net cash generated from operating activities turned profitable and amounted to 349 million yen (compared to 265 million yen used in for the same period of the previous fiscal year). Distributions from investment funds increased as investment recovery progressed.

(Cash flow from financing activities)

Net cash used in financing activities with repayments of long-term

borrowings was 316 million yen (compared to 309 million yen used in for the same period of the previous fiscal year).

(3) Financial position

(Assets)

Total assets as of June 30, 2023, decreased to 18,193 million yen (compared to 18,775 million yen as of March 31, 2023).

Cash and deposits decreased to 2,988 million yen (compared to 3,130 million yen as of March 31, 2023). The main reasons for the decrease were repayment of borrowings, expenses and interest payments.

Meanwhile, the amount of the cash and deposits include 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 with high liquidity belonging to the JAIC Group were cash and cash equivalents of 1,799 million yen as of June 30, 2023 (compared to 1,762 million yen as of March 31, 2023) 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 because of 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 (PP&E) 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 disabled people. Total amount of PP&E decreased to 5,355 million yen (compared to 5,432 million yen as of March 31, 2023). While JAIC invested in group homes for disabled people, PP&E decreased due to depreciation and

reduction entries, as well as the transfer from the construction in progress to items other than PP&E at the time of the completion of the power plant.

Operational investment securities consist of private equity investments, the projects operated by the JAIC Group and that are in the initial stages of development, and the projects operated by other companies.

Operational investment securities as of June 30, 2023, decreased to 8,810 million yen (compared to 9,375 million yen as of March 31, 2023). The main reasons for the decrease were positive investment collection and decrease of unrealized gain of listed shares.

Allowance for possible investment losses as of June 30, 2023, increased to 1,723 million yen (compared to 1,588 million yen as of March 31, 2023), because of positing provisions.

As a result, the investment loss provision ratio (ratio of allowance for possible investment losses to operational investment securities) as of June 30, 2023, was 19.6%, up 2.7 points from March 31, 2023.

(Liabilities)

Total liabilities were 9,622 million yen as of June 30, 2023 (compared to 9,673 million yen as of March 31, 2023), about the same as March 31, 2023.

Of liabilities, total of loans payable and bonds as of June 30, 2023, decreased to 8,682 million yen (compared to 8,993 million yen as of March 31, 2023).

Loans payable of JAIC itself were 4,825 million yen (compared to 5,137 million yen as of March 31, 2023). After securing investment funds for future growth, JAIC will repay its loans payable.

As for project finance and bonds for the projects operated by the JAIC Group, the balance as of June 30, 2023, were 3,857 million yen (compared to 3,856 million yen as of March 31, 2023). The amount of new procurement and the amount of repayment were comparable, and the balance was about the same as of March 31, 2023.

Project finance and bond for the projects operated by the JAIC Group will limitedly affect the financial soundness of the JAIC Group, since its source of repayments is limited to the assets and revenues of the

projects. Therefore, the JAIC Group will continue to expand fund procurement through project finance and bond. The JAIC Group will promote leveraged investment in a wide range of projects such as renewable energy projects operated by the JAIC Group. This enhances profitability of the JAIC Group while maintaining financial soundness.

(Net assets)

Of net assets, total shareholders' equity as of June 30, 2023, decreased to 7,329 million yen (compared to 7,581 million yen as of March 31, 2023) due to loss attributable to owners of parent and decrease of unrealized gain of listed shares. As a result, the equity ratio as of June 30, 2023, was down 0.1 points to 40.3% (compared to 40.4% as of March 31, 2023). Non-controlling interests also decreased. As a result, total net assets as of June 30, 2023, decreased to 8,570 million yen (compared to 9,101 million yen as of March 31, 2023).

(4) Business Position

(a) Investment and loan activities

For the first quarter of the current fiscal year under review, execution of investments and loans increased by 428.7% year-on-year to 493 million yen in 9 companies/projects. As of June 30, 2023, the balance of investments and loans decreased to 13,252 million yen in 122 companies/projects (compared to 14,133 million yen in 131 companies/projects as of March 31, 2023).

Looking at project-oriented investment, it increased by 290.7% year-on-year to 319 million yen in 5 projects that total amount of execution of investments and loans in new projects and in existing projects. The investment amounts increased mainly in renewable energy projects.

As for investment collection, redemption of bonds and distributions from existing projects reduced the balance. As a result, the balance of investments and loans as of June 30, 2023, decreased to 6,854 million yen in 51 projects (compared to 7,123 million yen in 50 projects as of March 31, 2023).

As of June 30, 2023, 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 two biomass project with the capacity of 4.0MW, two biogas projects with the capacity of 1.1MW, one biogas plant operator, one wind power project with the capacity of 25.2MW at most and three solar power systems with storage batteries installed on the rooftops with the total capacity of 1.2MW in total.

Looking at private equity investment, for the first quarter of the current fiscal year under review, it increased by 1,419.4% year-on-year to 173 million yen in 4 companies that total amount of execution of investments and loans in new companies and in existing companies. The amount increased mainly from a fund that supports business succession.

As for investment collection, JAIC sold listed shares and unlisted shares in Japan. As a result, the balance of investments and loans decreased to 6,398 million yen in 71 companies (compared to 7,010 million yen in 81 companies as of March 31, 2023).

(b) Management of investment funds

As of June 30, 2023, the number of investment funds, for which the JAIC Group is responsible for management, operation or provision of investment information, totaled 9, and the balance of total commitment amounts under management increased to 16,397 million yen (compared to 9 investment funds with 15,850 million yen as of March 31, 2023).

In the first quarter of the current fiscal year under review, “Succession Investment Limited Partnership, II” increased its commitment amounts. Foreign exchange fluctuation also increased the balance of total commitment amounts.

(End)