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Qualitative Information on Consolidated Operating Results for Nine Months Ended December 31, 2023

(1) Outline of consolidated operating results

The consolidated operating results of the JAIC Group for the third quarter of the current fiscal year under review (from April 1, 2023 to December 31, 2023) recorded operating revenue of 1,728 million yen (down 48.8 % year-on-year), operating gross profit of 142 million yen (down 89.3 % year-on-year), operating loss of 829 million yen (compared to operating income of 233 million yen for the same period of the previous fiscal year), ordinary loss of 942 million yen (compared to ordinary income of 127 million yen for the same period of the previous fiscal year) and loss attributable to owners of parent of 1,273 million yen (compared to loss attributable to owners of parent of 103 million yen for the same period of the previous fiscal year). Due to sluggish sales of private equity investments and the absence of sales of project-oriented investments, operating revenue decreased and the deficit widened substantially compared to the same period of the previous fiscal year. The breakdown and background 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. increased to 92 million yen (up 6.4 % year-on-year), due to increase of the administrative fees.

(Investment income)

The proceeds of sale of operational investment securities decreased to

816 million yen (down 59.1 % 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 479 million yen (down 50.7 % year-on-year).

As for private equity investment, JAIC did not execute stock sales with relatively large deal size. As for project-oriented investment, for the same period of the previous fiscal year JAIC had sold 1 mega solar project, however, JAIC did not sale any project-oriented investment for the third quarter of the current fiscal year under review.

The total amount of investment write-offs and provision for allowance for possible investment losses increased to 607 million yen (up 31.0 % year-on-year). JAIC posted provisions for portfolio companies with relatively large investment amount, because their business progress had been slower than planned.

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, was in the red, resulting in investment loss of 127 million yen (compared to investment income of 508 million yen for the same period 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, rent fee revenue from group home for 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 third quarter of the current fiscal year under review decreased to 790 million yen (down 38.2 % year-on-year).

Operational dividend income and interests income from the projects operated by other companies decreased, respectively. 2 projects had been sold for the same period of the previous fiscal year, however, no project was sold for the third quarter of the current fiscal year under review.

On the other hand, revenues of the projects operated by the JAIC Group increased to 742 million yen (up 30.6 % year-on-year). The revenues increased because JAIC has launched new mega-solar projects and new group homes for disabled people. Additionally, JAIC has scaled up existing projects.

(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 home for 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 third quarter of the current fiscal year under review increased to 629 million yen (up 13.3 % year-on-year). While the cost of producing vegetables decreased, the costs increased from new projects and existing projects those expanded their business scale.

As a result, operating revenue decreased by 48.8 % year-on-year to 1,728 million yen, operating cost decreased by 22.8 % year-on-year to 1,586 million yen and operating gross profit decreased by 89.3 % year-on-year to 142 million yen.

(b) Selling, general and administrative expenses

The total amount of selling, general and administrative expenses decreased to 972 million yen (down 10.9 % year-on-year). For the same period of the previous fiscal year, there were provision for doubtful debts of 102 million yen, however, there was no provision for doubtful debts for the third quarter of the current fiscal year under review.

(c) Other profit and loss items

Among the profit and loss items other than (a) and (b) above, net income attributable to non-controlling shareholders is the item that deserves special mention for the third 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 326 million yen (up 145.8 % year-on-year) because the profits of the funds and the profits of the projects increased.

As a result, the deficit widened compared to the same period of the previous fiscal year. Loss attributable to owners of parent amounted to 1,273 million yen (compared to loss attributable to owners of parent of 103 million yen for the same period of the previous fiscal year).

(2) Cash flows

Cash and cash equivalents as of December 31, 2023, decreased by 580 million yen from March 31, 2023, to 1,181 million yen. The main factors for increase and decrease are as follows:

(Cash flow from operating activities)

Net cash generated from operating activities decreased to 234 million yen (compared to 517 million yen generated from for the same period of the previous fiscal year). The return on operational investment securities through the redemption of bonds has progressed, however, widened deficit decreased the cash flow.

(Cash flow from financing activities)

Net cash used in financing activities with repayments of long-term borrowings increased to 828 million yen (compared to 806 million yen used in for the same period of the previous fiscal year).

(3) Financial position

(Assets)

Total assets as of December 31, 2023, decreased to 16,847 million yen (compared to 18,775 million yen as of March 31, 2023).

Cash and deposits decreased to 2,415 million yen (compared to 3,130 million yen as of March 31, 2023) reflecting on investment execution and repayments of borrowings.

Property, plant and equipment increased to 6,072 million yen (compared to 5,432 million yen as of March 31, 2023) due to constructing new group homes for disabled people and new mega-solar projects.

Operational investment securities as of December 31, 2023, decreased to 6,798 million yen (compared to 9,375 million yen as of March 31, 2023). Loss from unlisted shares and divestment of listed shares led the decrease of the balance of operational investment securities.

Allowance for possible investment losses as of December 31, 2023, decreased to 965 million yen (compared to 1,588 million yen as of March 31, 2023) due to withdrawals associated with investment collection.

As a result, the investment loss provision ratio (ratio of allowance for possible investment losses to operational investment securities) as of December 31, 2023, fell by 2.7 points from March 31, 2023 to 14.2 %.

(Liabilities)

Total liabilities as of December 31, 2023, increased to 10,088 million yen (compared to 9,673 million yen as of March 31, 2023). Accrued expenses and suspense receipt increased, respectively.

Of liabilities, total of loans payable and bonds as of December 31, 2023, increased to 9,114 million yen (compared to 8,993 million yen as of March 31, 2023).

Due to repayment, loans payable of JAIC itself decreased to 4,314 million yen (compared to 5,137 million yen as of March 31, 2023).

As for project finance and bonds for the projects operated by the JAIC Group, the balance as of December 31, 2023 increased to 4,799 million yen (compared to 3,856 million yen as of March 31, 2023). A new mega sola project and several projects of group home for disabled people have raised new debt.

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 December 31, 2023, decreased to 6,021 million yen (compared to 7,581 million yen as of March 31, 2023) due to loss attributable to owners of parent and a decrease in unrealized gain of listed shares. As a result, the equity ratio as of December 31, 2023, fell by 4.7 points to 35.7 % (compared to 40.4% as of March 31, 2023).

Non-controlling interests also decreased to 701 million yen (compared to 1,487 million yen as of March 31, 2023), because unrealized gain of listed shares held by the funds decreased and the funds executed distributions. As a result, total net assets as of December 31, 2023 decreased to 6,759 million yen (compared to 9,101 million yen as of March 31, 2023).

(4) Business Position

(a) Investment and loan activities

For the third quarter of the current fiscal year under review, execution of investments and loans decreased by 17.1 % year-on-year to 1,932 million yen in 25 companies/projects. As of December 31, 2023, the balance of investments and loans decreased to 12,951 million yen in 125 companies/projects (compared to 14,133 million yen in 131 companies/projects as of March 31, 2023).

Looking at project-oriented investment, it decreased by 27.0 % year-on-year to 826 million yen in 16 projects that total amount of execution of investments and loans in new projects and in existing projects. The amount of investments in mega-solar projects decreased. As for investments in group homes for disabled people, the number of investments increased, but the amount of investment per project was small.

As for investment collection, redemption of bonds and distributions from existing projects decreased the balance. Fund interest income/loss also increased/decreased the balance. As a result, the balance of investments and loans as of December 31, 2023, decreased to 6,968 million yen in 56 projects (compared to 7,123 million yen in 50 projects as of March 31, 2023).

Looking at private equity investment, it decreased by 7.7 % year-on-year to 1,105 million yen in 9 companies that total amount of execution of investments and loans in new companies and in existing companies.

The fund which supporting the business succession needs increased financial investments. On the other hand, other financial investments and strategic investments decreased.

As for investment collection, JAIC sold unlisted shares overseas. JAIC also posted loss to unlisted shares overseas. As a result, the balance of investments and loans decreased to 5,983 million yen in 69 companies (compared to 7,010 million yen in 81 companies as of March 31, 2023).

(b) Management of investment funds

JAIC Group is responsible for management, operation or provision of investment information for investment funds under its management. As of December 31, 2023, the number of the investment funds totaled 8, and the balance of total commitment amounts under management decreased to 15,416 million yen (compared to 9 investment funds with 15,850 million yen as of March 31, 2023).

For the third quarter of the current fiscal year under review, 1 fund with the commitment amount of 1,880 million yen decreased due to completion of liquidation procedures. On the other hand, “Succession Investment Limited Partnership, II” increased its commitment amounts by 1,400 million yen and completed the final closing with a total amount of 5,101 million yen. Foreign exchange fluctuation also increased the balance of total commitment amounts.

(End)