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Qualitative Information on Consolidated Operating Results for the nine months Ended December 31, 2021

(1) Outline of consolidated operating results

The consolidated operating results of the JAIC Group for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021) recorded operating revenue of 2,769 million yen (down 6.7 % year-on-year), operating gross profit of 1,130 million yen (up 26.0 % year-on-year), operating profit of 62 million yen (compared to operating loss of 135 million yen for the same period last year), ordinary loss of 49 million yen (compared to ordinary loss of 308 million yen for the same period last year) and loss attributable to owners of parent of 227 million yen (compared to loss attributable to owners of parent of 363 million yen for the the same period last 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 89 million yen (down 1.2% 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 due mainly to an increase in the number of administrative trust funds.

(Investment income)

Proceeds of sales of operational securities was 1,661 million yen (up 1.5 % year-on-year), which was almost the same as the amount for the same period last year. On the other hand, realized capital gain, which is calculated by deducting cost of securities sold from proceeds of sales of operational investment securities, increased to 807 million yen (up 17.2% year-on-year).

As for private equity investment, JAIC mainly sold unlisted shares in the same period last year. On the other hand, JAIC mainly sold Japanese listed shares with high profit margins in the third quarter of the current fiscal year under review. Along with this, realized capital gain increased.

As for project oriented investment, JAIC sold one mega solar project in the same period last year. On the other hand, JAIC sold 1 mega solar project and partially sold 1 distribution warehouse project in the third quarter of the current fiscal year under review.

The total amount of investment write-offs and provision for allowance for possible investment loss decreased to 167 million yen (down 25.4 % year-on-year). In the third quarter of the current fiscal year under review, JAIC posted investment write-offs and provision for allowance for possible investment loss to investee companies those investment balance were relatively small amount.

As a result, investment profits, which is calculated by deducting investment write-offs and provision for allowance for possible investment loss from realized capital gains, increased to 640 million yen (up 37.6 % year-on-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 third quarter of the current fiscal year under review decreased to 1,000 million yen (down 18.3% 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 951 million yen (down 15.8% 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 34 million yen (down 59.1% year-on-year) owing to a decrease in capital gains from investee companies of these 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 third quarter of the current fiscal year under review decreased to 611 million yen (down 31.7% 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 573 million yen (down 15.5% 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 35 million yen (down 83.5% year-on-year) from the private equity funds operated by other companies.

As a result, operating revenue decreased by 6.7% year-on-year to 2,769 million yen, operating cost decreased by 20.9% year-on-year to 1,639 million yen and operating gross profit increased by 26.0% year-on-year to 1,130 million yen.

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

The total amount of selling, general and administrative expenses increased to 1,068 million yen (up 3.5% year-on-year). Labor costs and operational expenses of healthcare projects related to group home for the handicapped increased.

As a result, operating profit was 62 million yen (compared to operating loss of 135 million yen for the same period last year).

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

Non-operating income increased to 82 million yen (up 7.3% year-on-year). While gain on an investment partnership decreased, foreign exchange gain increased associated with the recovery of foreign currency-denominated investments.

Non-operating expenses decreased to 193 million yen (down 22.5% 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 49 million yen (compared to ordinary loss of 308 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 items of extraordinary income for the same period last year were gain on redemption of investment securities and gain on sale of investment securities. Total extraordinary income amounted to 18 million yen.

The main item of extraordinary income for the current third quarter under review was gain on sale of investment securities. Total extraordinary income amounted to 19 million yen.

The main item of extraordinary loss for the same period last year were loss on valuation of investment securities. Total extraordinary loss amounted to 30 million yen.

The main item of extraordinary loss for the current third quarter under review was loss on sale of investment securities. Total extraordinary profit amounted to 107 million yen.

As a result, loss before income taxes amounted to 137 million yen (compared to loss before income taxes of 320 million yen for the same period last year).

(Profit/loss attributable to owners of parent)

JAIC properly estimated tax effect accounting and did not recognize deferred tax assets for both the third quarter of the current fiscal year under review and the same period last year.

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 third quarter of the current fiscal year under review, due to an increase of profit from the aforementioned investment funds and projects, profit attributable to non-controlling interests increased to 86 million yen (up 183.1% year-on-year).

As a result, loss attributable to owners of parent amounted to 227 million yen (compared to loss attributable to owners of parent of 363 million yen for the same period last year).

(2) Cash flows

(Cash flow from operating activities)

Net cash used in operating activities was 542 million yen (compared to 1,591 million yen generated from for the same period last year), due mainly to an increase in investment execution.

(Cash flow from investing activities)

Net cash generated from investing activities was 117 million yen (compared to 18 million yen generated from for the same period last year) due mainly to proceeds from sale of investment securities.

(Cash flow from financing activities)

Net cash used in financing activities decreased to 1,007 million yen (compared to 1,216 million yen for the same period last year) reflecting a decrease in repayments of long-term borrowings.

Cash and cash equivalents as of December 31, 2021 decreased by 1,409 million yen from March 31, 2021 to 1,891 million yen, after adding effect of exchange rate change on cash and cash equivalents of 23 million yen.

(3) Financial position

(Assets)

Total assets as of December 31, 2021 decreased to 23,830 million yen (compared to 25,165 million yen as of March 31, 2021).

Cash and deposits decreased to 4,479 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 execution.

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 1,891 million yen as of December 31, 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 and group home for the handicapped of projects operated by the JAIC Group. The amount as of December 31, 2021 increased to 8,807 million yen (compared to 7,852 million yen as of March 31, 2021). Construction of the group homes have progressed and the power generation equipment under planning was recorded in the construction in progress.

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

Operational investment securities as of December 31, 2021 decreased to 9,099 million yen (compared to 9,379 million yen as of March 31, 2021) reflecting the progress of investment recovery.

JAIC posted provisions for possible investment loss for the third quarter of the current fiscal year under review. The balance of the allowance for possible investment loss as of December 31, 2021 increased to 1,475 million yen (compared to 1,349 million yen as of March 31, 2021).

As a result, the investment loss provision ratio (ratio of allowance for possible investment losses to operational investment securities) as of December 31, 2021 was 16.2 % (up 1.8 points from March 31, 2021).

(Liabilities)

Total liabilities decreased to 14,882 million yen as of December 31, 2021 (compared to 16,059 million yen as of March 31, 2021).

Of liabilities, total balance of loans payable and bonds as of December 31, 2021 decreased to 13,910 million yen (compared to 14,990 million yen as of March 31, 2021). Loans payable of JAIC itself decreased to 5,943 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 December 31, 2021 decreased to 7,967 million yen (compared to 8,039 million yen as of March 31, 2021).

Loans payable of JAIC itself decreased reflecting the repayments of 1,007 million

yen for the third 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 72 million yen reflecting the repayments for the third 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 December 31, 2021 increased to 7,444 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 an increase in unrealized gains on securities. On the other hand, total asset decreased from the balance as of March 31, 2021. As a result, the equity ratio as of December 31, 2021 rose by 2.1 points to 31.2% (compared to 29.1% as of March 31, 2021). Total net assets as of December 31, 2021 decreased to 8,948 million yen (compared to 9,106 million yen as of March 31, 2021). Non-controlling interests decreased associated with change in investment ratio in the investment funds and distribution from the investment funds.

(4) Business Position

(a) Investment and loan activities

For the third quarter of the current fiscal year under review, new investments and loans increased by 231.5% year-on-year to 2,909 million yen in 22 companies/projects. As of December 31, 2021, the balance of investments and loans increased to 14,623 million yen in 127 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 third quarter of the current fiscal year under review, new investments increased by 512.3% year-on-year to 1,482 million yen in 8 companies.

The amount increased due to the execution of strategic investments, the execution of investments from the fund supporting the business succession needs and the execution of investments from the fund newly launched.

As for the investment recovery, in Japan and overseas JAIC sold listed shares and sold unlisted shares through M&A deals. Reflecting the progress of investment execution, the balance of investments and loans increased to 7,836 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 third quarter of the current fiscal year under review, new investments and loans increased by 124.5% year-on-year to 1,427 million yen in 14 projects. The investment execution in a smart-agriculture project increased.

Including a partial sale, 2 projects were sold for the third quarter of the current fiscal year under review. As a result, the balance of investments and loans as of December 31, 2021 increased to 6,787 million yen in 40 projects (compared to 6,088 million yen in 33 projects as of March 31, 2021).

As of December 31, 2021, JAIC invested in 15 mega solar projects (17 power plants) with the capacity of 48.7MW 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 23.6MW 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 25.2 MW at most.

(b) JAIC-Backed IPOs

Renewable Japan Co., Ltd. achieved IPO in the third quarter of the current fiscal year under review. We have proactively supported Renewable Japan as one of our partner companies in project investment business. This is the result of "strategic investment", which we have been focusing on in recent years to actively support project investment partner companies through collaboration in projects.

(c) Management of investment funds

As of December 31, 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 16,091 million yen (compared to 11 investment funds with 16,450 million yen as of March 31, 2021).

In the third quarter of the current fiscal year under review, 1 fund (total commitment amount of 1,001 million yen) was established. There was also an increase due to exchange rate fluctuations. 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)