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Qualitative Information on Consolidated Operating Results for the nine months Ended December 31, 2022

(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, 2022 to December 31, 2022) recorded operating revenue of 3,377 million yen (up 22.0% year-on-year), operating gross profit of 1,324 million yen (up 17.2 % year-on-year), operating profit of 233 million yen (up 275.3 % year-on-year), ordinary profit of 127 million yen (compared to ordinary loss of 49 million yen for the same period of the previous fiscal year) and loss attributable to owners of parent of 103 million yen (compared to loss attributable to owners of parent of 227 million yen for the 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 87 million yen (down 2.2 % 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 1,996 million yen (up 20.2 % 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 972 million yen (up 20.3% year-on-year).

As for private equity investment, JAIC had mainly sold Japan listed shares for the third quarter of the previous fiscal year. On the other hand, JAIC sold Japan and overseas unlisted shares, which were relatively large investment amounts, for the third quarter of the current fiscal year under review.

As for project-oriented investment, JAIC had sold one mega solar project and had partially sold one distribution warehouse project for the third quarter of the previous fiscal year. On the other hand, JAIC only sold one mega-solar project 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 463 million yen (up 176.9 % year-on-year). JAIC posted provisions for investee companies those experienced significant delays in business progress and for which negotiation for the recovery of investment took a long time. Compared to the same period of the previous fiscal year, JAIC posted provisions for investee companies which were relatively large investment amounts.

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, decreased to 508 million yen (down 20.6 % 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 handicapped 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 third quarter of the current fiscal year under review increased to 1,278 million yen (up 27.9 % 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 568 million yen (down 40.2 % year-on-year). Revenue from electricity sales decreased because JAIC had sold some mega solar projects that were selling electricity in the previous fiscal year.

On the other hand, operational dividend income increased to 358 million yen (up 3,200.4 % year-on-year). JAIC received profit dividends from two logistic warehouse projects those sold their facilities.

Interests income from the projects and private equity funds operated by other companies also increased to 348 million yen (up 924.4 % year-on-year). One healthcare project operated by other company posted capital gain from selling the facility for the elderly.

(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 handicapped and other costs), interests losses of the projects operated by other companies (such as losses mainly from projects in the early stage of launch) 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 555 million yen (down 9.2 % 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 492 million yen (down 14.0 % year-on-year). Cost of electricity sales decreased because JAIC had sold some mega solar projects that were selling electricity in the previous fiscal year.

Interests losses of the projects and private equity funds operated by other companies increased to 62 million yen (up 63.0 % year-on-year). Interests losses increased mainly from the projects in the initial stages of launch.

As a result, operating revenue increased by 22.0 % year-on-year to 3,377 million yen, operating cost increased by 25.2 % year-on-year to 2,053

million yen and operating gross profit increased by 17.2 % year-on-year to 1,324 million yen.

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

The total amount of selling, general and administrative expenses increased to 1,091 million yen (up 2.2 % year-on-year). Administrative expenses from projects decreased because JAIC had sold some mega solar projects that were selling electricity in the previous fiscal year. On the other hand, provision for doubtful accounts increased.

As a result, operating profit was 233 million yen (up 275.3 % year-on-year).

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

Non-operating income decreased to 36 million yen (down 55.4 % year-on-year). Main reason was a decrease of foreign exchange gains incurred when recovering assets denominated in foreign currencies.

Non-operating expenses mainly consists of interest expenses and decreased to 142 million yen (down 26.4 % 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 because JAIC had sold some mega solar projects in the previous fiscal year.

As a result, ordinary profit was 127 million yen (compared to ordinary loss of 49 million yen for the same period of the previous fiscal year).

(d) Extraordinary income/loss and Profit

For the third quarter of the previous fiscal year, total amount of extraordinary income was 19 million yen. Main item was gain on sales of investment securities. For the third quarter of the current fiscal year under review, the total amount of extraordinary income was only 1 million yen.

For the third quarter of the previous fiscal year, total amount of extraordinary loss was 107 million yen. Main item was Loss on sales of investment securities. For the third quarter of the current fiscal year under review, total amount of extraordinary loss was 9 million yen. Main

item was Loss on valuation of investment securities.

As a result, profit before income tax was 119 million yen (compared to loss before income tax of 137 million yen for the same period of the previous fiscal year).

(e) Loss attributable to owners of parent

Income tax-current increased to 90 million yen (up 2,688.9 % year-on-year) because of an increase of profit before income tax.

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 of the previous fiscal year.

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 132 million yen (up 52.7 % year-on-year) as the profits of the funds subject to consolidation increased.

As a result, loss attributable to owners of parent amounted to 103 million yen (compared to loss attributable to owners of parent of 227 million yen for the same period of the previous fiscal year).

(2) Cash flows

(Cash flow from operating activities)

Net cash generated from operating activities turned profitable and amounted to 517 million yen (compared to 542 million yen used in for the same period of the previous fiscal year). Profit before income tax increased and cash inflow from collection of investments increased.

(Cash flow from investing activities)

Net cash used in investing activities was 2 million yen (compared to 117 million yen generated from for the same period of the previous fiscal year). There were no proceeds from sale of non-operational investment securities for the third 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 806 million yen (compared to 1,007 million yen for the same period of the previous fiscal year).

Cash and cash equivalents as of December 31, 2022 decreased by 263 million yen from March 31, 2022 to 2,134 million yen, after adding effect of exchange rate change on cash and cash equivalents of 27 million yen.

(3) Financial position

(Assets)

Total assets as of December 31, 2022 decreased to 19,393 million yen (compared to 20,231 million yen as of March 31, 2022).

Cash and deposits decreased to 4,044 million yen (compared to 5,666 million yen as of March 31, 2022). Deposits attributable to the investment funds operated by the JAIC Group decreased because of the payment of taxes and distributions.

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 2,134 million yen as of December 31, 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 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 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. Total amount of property, plant and equipment increased to 4,974 million yen (compared to 4,148 million yen as of March 31, 2022). JAIC newly constructed group homes for the handicapped during the third quarter of the current fiscal year under review. JAIC also recorded power generation facilities under planning in construction in progress account.

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 December 31, 2022 increased to 9,732 million yen (compared to 9,538 million yen as of March 31, 2022), mainly because of an increase of unrealized gain from listed shares.

Allowance for possible investment losses as of December 31, 2022 increased to 1,743 million yen (compared to 1,492 million yen as of March 31, 2022), 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 December 31, 2022 was 17.9 %, up 2.3 points from March 31, 2022.

(Liabilities)

Total liabilities decreased to 9,778 million yen as of December 31, 2022 (compared to 10,787 million yen as of March 31, 2022).

Of liabilities, total of loans payable and bonds as of December 31, 2022 decreased to 9,048 million yen (compared to 9,521 million yen as of March 31, 2022). Loans payable of JAIC itself decreased to 5,137 million yen (compared to 5,943 million yen as of March 31, 2022). As for project finance and bonds for the projects operated by the JAIC Group, the balance as of December 31, 2022 increased to 3,911 million yen (compared to 3,578 million yen as of March 31, 2022).

Loans payable of JAIC itself decreased reflecting the repayments for the third 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.

As for loans payable by project finance and bonds for the projects

operated by the JAIC Group, the balance 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 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 raising 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 without compromising on financial soundness.

(Net assets)

Of net assets, total shareholders' equity as of December 31, 2022 increased to 7,843 million yen (compared to 7,766 million yen as of March 31, 2022). Though loss attributable to owners of parent was posted, capital surplus and unrealized gains on operational investment securities increased. On the other hand, total assets also decreased. As a result, the equity ratio as of December 31, 2022 was up 2.0 points to 40.4 % (compared to 38.4% as of March 31, 2022).

Non-controlling interests also increased to 1,737 million yen (compared to 1,646 million yen as of March 31, 2022) mainly because of increase of profits and unrealized gains on operational investment securities of investment funds. As a result, total net assets as of December 31, 2022 also increased to 9,614 million yen (compared to 9,443 million yen as of March 31, 2022).

(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 19.9 % year-on-year to 2,330 million yen in 23 companies/projects. As of December 31, 2022, the balance of investments and loans decreased to 13,697 million yen in 132 companies/projects (compared to 13,784 million yen in 129 companies/projects as of March 31, 2022).

Looking at project oriented investment, it decreased by 20.7 % year-on-year to 1,132 million yen in 15 projects that total amount of execution of investments and loans in new projects and in existing projects. The investment amounts increased in renewable energy projects. JAIC invested in new projects such as biomass power generation and solar power systems with storage batteries installed on the rooftops. On the other hand, the investment amounts decreased in a smart agriculture project and in distribution center projects.

As for investment collection, JAIC sold one mega-solar project, one healthcare project and one distribution center project during the third quarter of the current fiscal year under review. Additionally, distributions from existing projects decreased the balance of project oriented investments and interest profits/losses also increased/decreased the balance. As a result, the balance of investments and loans as of December 31, 2022 increased to 6,584 million yen in 50 projects (compared to 6,344 million yen in 43 projects as of March 31, 2022).

As of December 31, 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 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 capacity of 1.2MW.

Looking at 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, it decreased by 19.1 % year-on-year to 1,198 million yen in 8 companies that total

amount of execution of investments and loans in new companies and in existing companies.

Strategic investments decreased in both number of companies and amounts. Financial investments also decreased because of decrease of investment amounts from the fund supporting the business succession needs.

As for investment collection, JAIC sold one strategic investee and mainly sold listed shares in Japan and unlisted shares in China. As a result, the balance of investments and loans decreased to 7,113 million yen in 82 companies (compared to 7,440 million yen in 86 companies as of March 31, 2022).

(b) Management of investment funds

As of December 31, 2022, 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 decreased to 14,813 million yen (compared to 10 investment funds with 16,463 million yen as of March 31, 2022).

In the third quarter of the current fiscal year under review, “Succession Investment Limited Partnership, II” was newly established and increased its commitment amounts to 2,701 million yen. This fund is supporting the business succession needs of SMEs in Japan. On the other hand, two investment funds which total commitment amount of 4,328 million yen decreased from “Maturity is being extended”. The total commitment amount in investment funds also decreased by 23 million yen because of foreign exchange fluctuation.

(End)