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July 29, 2022

Consolidated Financial Results for the Six Months Ended June 30, 2022 (Japanese GAAP)

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 Listing: Tokyo Stock Exchange, Prime Market
 Securities code: 7172
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 Scheduled date to file quarterly securities report: August 5, 2022
 Scheduled date to commence dividend payments: September 1, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analyst)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated operating results

(Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	12,527	130.4	1,501	(24.3)	6,705	178.7	5,323	283.6
June 30, 2021	5,437	(48.4)	1,982	(55.3)	2,405	(39.6)	1,387	(48.8)

Note: Comprehensive income For the six months ended June 30, 2022: ¥6,563 million [up 266.6%]
 For the six months ended June 30, 2021: ¥1,790 million[down 31.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	176.32	-
June 30, 2021	46.17	46.12

(Note) Diluted earnings per share is not shown because there are no residual securities with dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	129,849	47,765	36.7
December 31, 2021	101,764	41,679	40.8

Reference: Equity

As of June 30, 2022: ¥47,631 million
 As of December 31, 2021: ¥41,549 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	-	16.00	-	16.00	32.00
Fiscal year ending December 31, 2022	-	16.00			
Fiscal year ending December 31, 2022 (Forecast)			-	16.00	32.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated Forecast for FY2022 (January 1 to December 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	19,400	37.5	3,000	(20.5)	7,900	67.9	6,400	119.1	212.00

Note: Revisions to the most recently announced consolidated forecast: None

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: -

Excluded: -

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Notes (3) Notes to Quarterly Consolidated Financial Statements (Change in Accounting Policies)" on page 11 of the attached document.

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	30,731,200 shares
As of December 31, 2021	30,731,200 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2022	540,420 shares
As of December 31, 2021	540,392 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2022	30,190,807 shares
Six months ended June 30, 2021	30,050,703 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to JIA management, but are not promises by JIA regarding future performance. Actual results could differ from the business forecasts due to change in economic conditions, market trends, exchange rate fluctuations and other factors. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 for forecast assumptions and notes of caution for usage.

JIA plans to hold a financial results meeting for institutional investors and analysts on August 1, 2022.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

The Japan Investment Adviser (JIA) Group has two reportable segments: the financial solutions business, which includes primarily the operating lease business, and the media-related business. Only information about the financial solutions business is presented because of the negligible importance of the other business.

(1) Explanation of Consolidated Results of Operations

Regarding the global economic situation during the first half of the current fiscal year (January 1, 2022 to June 30, 2022), we saw the emergence of risk factors that hinder economic growth, such as rising food and energy prices due to the Ukraine-Russia conflict and supply chain stagnation due to the urban lockdown in China as a countermeasure against COVID-19. In the U.S. and the Eurozone, rapid interest rate hikes are being implemented to curb high inflation, as the current annual inflation rate is in the order of 8%, and there are concerns that these hikes may lead to an economic slowdown.

Regarding the Japanese economic situation, consumer spending has been revitalized with the easing of behavioral restrictions that continued due to the COVID-19 pandemic. However, the economic outlook is becoming increasingly uncertain, particularly in the manufacturing sector, due to rising global food and energy prices and stagnant supply chains, as well as the effects of the rapid depreciation of the yen, which has led to a sharp rise in imported raw material prices. Although low compared to the U.S. and the Eurozone, an inflation rate of over 2% in a situation where incomes are not rising is raising concerns about a negative impact on the economy going forward.

In this economic situation, the JIA Group has strived to enhance its corporate value, while focusing on its 3 core businesses (the operating lease business, the renewable energy business, and the aircraft part out & conversion business), under the ethos: “Always be a company contributing to society by offering financial services.”

The sales of operating lease business were 4,534 million yen, (down 7.5% year on year). Equity sales were as healthy as 28,541 million yen (up 22.5% year on year), supported by the firm demand from investors. The amount of deals structured was 107,950 million yen (up 114.8% year on year), and the deal-structuring environment has been revitalized. On the other hand, the company experienced a decline in revenues during the first half of the current fiscal year due to a number of relatively unprofitable projects. This is an event for some individual products and will not affect the overall performance of products in the future.

The sales in the renewable energy business increased significantly to 7,081 million yen (up 3,168.4% year on year) due to the signing of large projects. Of the solar power plants owned by the company, 14 were sold to financial institutions and other institutional investors as a single yield product.

The sales of the aircraft part out & conversion business were 443 million yen, (up 1,678.5% year on year). The part out business, which disassembles retired aircraft and sells aircraft parts, contributed. The conversion business, which converts passenger airplanes into cargo jets, is expected to yield revenue from the second quarter.

In addition, the efforts to enrich our business portfolio paid off, and we were able to monetize several projects in consulting businesses.

The table below shows the business results of our group for the first quarter of the current fiscal year.

[Millions of yen]

	Second Quarter of the Fiscal Year Ending December 31, 2021 (FY2021)	Second Quarter of the Fiscal Year Ending December 31, 2022 (FY2022)	Change	Change rate (%)
Net sales	5,437	12,527	7,090	130.4
Operating profit	1,982	1,501	(481)	(24.3)
Ordinary profit	2,405	6,705	4,299	178.7
Profit attributable to owners of parent	1,387	5,323	3,935	283.6

(2) Explanation of Consolidated Financial Position

1) Assets, liabilities and net assets

(Assets)

Total assets increased 28,084 million yen from the end of 2021 to 129,849 million yen at the end of the second quarter of 2022. This was mainly due to increases in equity underwritten of 11,846 million yen, cash and deposits of 11,276 million yen, and trust beneficiary right of 6,247 million yen, while there were decreases in accounts receivable-trade of 2,611 million yen, and merchandise of 1,357 million yen.

(Liabilities)

Total liabilities increased 21,998 million yen from the end of 2021 to 82,083 million yen at the end of the second quarter of 2022. This was mainly due to increases in short-term loans payable of 23,710 million yen, contract liabilities of 2,625 million yen (fees related to investments, which were recorded as unearned revenue at the end of the previous fiscal year, were recorded as contract liabilities at the end of the second quarter of the current fiscal year. Compared to the balance of unearned revenue at the end of the previous fiscal year, contract liabilities increased 2,212 million yen from the previous fiscal year.), and income taxes payable of 886 million yen, while there is decrease in long-term loans payable of 3,684 million yen.

(Net Assets)

Total net assets increased 6,086 million yen from the end of 2021 to 47,765 million yen at the end of the second quarter of 2022. This was mainly due to booking of profit attributable to owners of parent of 5,323 million yen. As a result, the equity ratio decreased from 40.8% at the end of the previous fiscal year to 36.7%.

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the second quarter of 2022 increased by 11,276 million yen from the end of 2021 to 23,521 million yen.

The cash flow components during the second quarter of 2022 and the main reasons for changes are as described below.

(Cash flows from operating activities)

Net cash used in operating activities was 15,741 million yen (compared with 19,988 million yen provided in the same period of 2021). Main negative factors include increase of 12,316 million yen in equity underwritten, inventories of 9,480 million yen. While major positive factors were book in profit before income taxes of 7,217 million yen, and decrease in advance payments-trade of 2,509 million yen.

(Cash flows from investing activities)

Net cash provided in investing activities was 3,760 million yen (compared with 9,571 million yen used in the same period of 2021). Main positive factors include proceeds from collection of loans receivable for 3,426 million yen. While major negative factors were loans advances of 437 million yen, and purchase of investment securities of 76 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 23,000 million yen (compared with 19,889 million yen used in the same period of 2021). Main positive factor includes a 55,372 million yen increase in short-term loans payable. While main negative factor includes a 31,488 million yen repayment of short-term loans payable.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

At this moment, the consolidated earnings forecasts remain unchanged, but if it becomes necessary to revise our earnings forecasts, JIA will promptly announce such revisions in a timely disclosure.

The forecasts are based on information available to JIA. Actual results could differ from the forecasts due to various uncertainties and changes in the future business conditions.

(4) Regarding COVID

If the pandemic of COVID lingers, opportunities to develop deals may decrease due to the worsening of business performance of lessees, including airlines, and the changes in the terms and conditions of lending by financial institutions; investors, mainly small and medium-sized enterprises, may decrease the willingness to invest; and the value of assets owned for the operating lease business may degrade.

If an employee of our corporate group is infected with the novel coronavirus, the internal infection spreads, etc., and our offices are temporarily closed or some of our businesses are temporarily stopped, then the business operation of our corporate group may be affected. In order to secure the safety and security of clients, business partners, executives, and employees, we have been undertaking measures suited for promotion of social distancing, wearing of face masks, and health management of our staff as much as possible.

Furthermore, The Group conducts estimation for accounting, such as evaluation of assets, based on information available as of the preparation of consolidated financial statements. However, the figures obtained through estimation with the best efforts may be different from actual results, due to uncertainties about the future. We conduct estimation for accounting, under the assumption that it will take one to two years to see the pandemic subsiding and the economy returning to the pre-pandemic state.

If sales decline, value of owned assets degrade, or our business operation is affected due to the factors mentioned above, despite our countermeasures, then the financial standing and business performance of our corporate group may suffer adverse effects.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY2021 (As of Dec. 31, 2021)	Second Quarter of FY2022 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	12,314	23,591
Accounts receivable-trade	7,420	4,808
Merchandise	9,817	8,459
Equity underwritten	18,871	30,717
Trust beneficiary right	—	6,247
Costs on uncompleted services	281	293
Advance payments-trade	13,191	13,216
Advances paid	8,568	10,576
Short-term loans receivable	1,379	2,343
Accounts receivable-other	773	851
Operational investment securities	1,967	1,712
Other	2,102	1,411
Total current assets	76,687	104,231
Non-current assets		
Tangible fixed assets	355	429
Intangible assets	360	476
Investments and other assets		
Investment securities	11,471	13,488
Long-term loans receivable	11,150	9,491
Other	1,631	1,644
Total Investments and other assets	24,253	24,624
Total non-current assets	24,969	25,529
Deferred assets		
Bond issuance cost	106	88
Total deferred assets	106	88
Total assets	101,764	129,849

(Millions of yen)

	FY2021 (As of Dec. 31, 2021)	Second Quarter of FY2022 (As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	270	560
Accounts payable-operating	68	386
Short-term loans payable	38,931	62,642
Current portion of long-term loans payable	2,657	1,611
Current portion of bonds	1,715	4,627
Accounts payable-other	129	88
Unearned revenue	1,164	—
Contract liabilities	—	2,625
Income taxes payable	1,377	2,264
Provision for bonus	338	473
Other	1,655	1,791
Total current liabilities	48,310	77,072
Non-current liabilities		
Bonds payable	5,754	2,414
Long-term loans payable	5,702	2,017
Other	318	579
Total non-current liabilities	11,775	5,011
Total liabilities	60,085	82,083
Net assets		
Shareholders' equity		
Capital stock	11,679	11,679
Capital surplus	11,621	11,621
Retained earnings	19,011	23,851
Treasury shares	(1,470)	(1,470)
Total shareholders' equity	40,842	45,682
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	320	227
Foreign currency translation adjustment	386	1,720
Total accumulated other comprehensive income	706	1,948
Subscription rights to shares	8	8
Non-controlling interests	121	125
Total net assets	41,679	47,765
Total liabilities and net assets	101,764	129,849

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Six-month Period)**

(Millions of yen)

	First Six months of FY2021 (Jan. 1 – Jun. 30, 2021)	First six months of FY2022 (Jan. 1 – Jun. 30, 2022)
Net sales	5,437	12,527
Cost of sales	1,187	8,379
Gross profit	4,249	4,148
Selling, general and administrative expenses	2,267	2,646
Operating profit	1,982	1,501
Non-operating income		
Interest income	104	175
Gain on sales of equity underwritten	103	71
Commission fee	163	5
Foreign exchange gains	725	4,254
Equity in earnings of affiliates	—	1,094
Other	106	135
Total non-operating income	1,203	5,738
Non-operating expenses		
Interest expenses	275	274
Commission fee	375	228
Equity in losses of affiliates	86	—
Other	43	32
Total non-operating expenses	780	534
Ordinary profit	2,405	6,705
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	38	511
Gain on reversal of stock acquisition rights	6	—
Total extraordinary income	45	511
Profit before income taxes	2,451	7,217
Income taxes	986	1,895
Profit	1,465	5,321
Profit attributable to non-controlling interests	77	(1)
Profit attributable to owners of parent	1,387	5,323

(Quarterly Consolidated Statement of Comprehensive Income)
(For the Six-month Period)

(Millions of yen)

	First six months of FY2021 (Jan. 1 – Jun. 30, 2021)	First six months of FY2022 (Jan. 1 – Jun. 30, 2022)
Profit	1,465	5,321
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(92)
Foreign currency translation adjustment	318	1,334
Total other comprehensive income	324	1,241
Comprehensive income	1,790	6,563
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,712	6,565
Comprehensive income attributable to non-controlling interests	77	(1)

(3) Quarterly Consolidated Statement of Cash Flows

	First six months of FY2021 (Jan. 1 – Jun. 30, 2021)	First six months FY2022 (Jan. 1 – Jun. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	2,451	7,217
Depreciation	240	314
Amortization of goodwill	1	38
Foreign exchange losses (gains)	446	(2,361)
Gain on sales of equity underwritten	(103)	(71)
Share of (profit) loss of entities accounted for using equity method	86	(1,094)
Gain on liquidation of subsidiaries and associates	(38)	(511)
Interest and dividend income	(343)	(270)
Interest expenses	275	274
Decrease (increase) in notes and accounts receivable-trade	(691)	2,509
Decrease (increase) in inventories	(3,807)	(9,480)
Decrease (increase) in advance payments-trade	(761)	(25)
Increase (decrease) in notes and accounts payable-trade	(120)	595
Decrease (increase) in equity underwritten	7,343	(12,316)
Decrease (increase) in advances paid	13,139	(2,002)
Decrease (increase) in deposits paid	(54)	513
Increase (decrease) in unearned revenue	(441)	–
Increase (decrease) in contract liabilities	–	1,408
Increase/decrease in accrued or accrued consumption taxes	1,376	(1,045)
Others	(856)	1,632
Subtotal	18,142	(14,674)
Interest and dividend income received	630	246
Interest expenses paid	(277)	(277)
Income taxes receivable	1,559	(17)
Income taxes paid	(65)	(1,016)
Net cash provided by (used in) operating activities	19,988	(15,741)
Cash flows from investing activities		
Purchase of property, plant and equipment	(28)	(67)
Purchase of intangible assets	(1)	(3)
Purchase of investment securities	(7,366)	(76)
Proceeds from refund of leasehold deposits	138	-
Loans advances	(3,073)	(437)
Proceeds from collection of loans receivable	989	3,426
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(230)	-
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	691
Decrease (increase) in investments and other assets	0	227
Net cash provided by (used in) investing activities	(9,571)	3,760

	First six months of FY2021 (Jan. 1 – Jun. 30, 2021)	First six months FY2022 (Jan. 1 – Jun. 30, 2022)
Cash flows from financing activities		
Proceeds from short-term loans payable	19,268	55,372
Repayments of short-term loans payable	(39,459)	(31,488)
Proceeds from long-term loans payable	2,290	1,800
Repayments of long-term loans payable	(1,251)	(1,782)
Proceeds from issuance of bonds	200	400
Redemption of bonds	(571)	(827)
Proceeds from exercise of employee share options	13	-
Cash dividends paid	(479)	(482)
Other	99	9
Net cash provided by (used in) financing activities	(19,889)	23,000
Effect of exchange rate change on cash and cash equivalents	241	256
Net increase (decrease) in cash and cash equivalents	(9,230)	11,276
Cash and cash equivalents at beginning of period	21,377	12,244
Cash and cash equivalents at end of period	12,146	23,521

(4) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Change in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition") and others from the beginning of the first quarter of the current fiscal year, and has decided to recognize revenue at the amount expected to be received in exchange for the promised goods or services at the time control of the promised goods or services is transferred to the customer.

As a result, with respect to accounting for sales of aircraft and other equipment in the part out & conversion business, the Company previously recognized in net sales an amount equivalent to the Group's profit (equivalent to the service fee), which is the transfer price of the goods, less the book value of the aircraft and other equipment, but effective from the first quarter of effective from the first quarter of the current fiscal year, however, the Company changed the method of recording the transfer price of the aircraft, etc. in net sales as the Group's role in providing goods or services to customers corresponds to that of the principal. This change does not impact profits or losses.

In accordance with the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year is included in the cumulative effect of retrospectively applying the new accounting policies prior to the beginning of the first quarter of the current fiscal year was added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting methods were implemented at the beginning of this period.

As a result, there is no effect on net sales and cost of sales for the six months ended June 30, 2022 compared to the previous method. There is no impact on profit and loss, and retained earnings at the beginning of the period.

Due to the application of the revenue recognition accounting standard, "Unearned revenue," which was presented in "Current liabilities" in the consolidated balance sheet in the previous consolidated fiscal year, is included in "Contract liabilities" in "Current liabilities" from the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to reflect the new presentation for the previous consolidated fiscal year.

(Application of Accounting Standard for Measurement of Fair Value)

In accordance with the "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Calculation of Fair Value"), the Company has adopted the following accounting standard. (Application of the "Accounting Standard for Measurement of Fair Value") and others are applied from the beginning of the first quarter of the current consolidated fiscal year, as stipulated in Paragraph 19 of the Accounting Standard for Calculation of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). In accordance with the transitional treatment, the new accounting policies prescribed by the fair value accounting standard will be applied prospectively. There is no impact on the quarterly consolidated financial statements as a result of this amendment.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.