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October 31, 2022

Consolidated Financial Results for the Nine Months Ended September 30, 2022 (Japanese GAAP)

Company name: Japan Investment Adviser Co., Ltd.
 Listing: Tokyo Stock Exchange, Prime Market
 Securities code: 7172
 URL: <https://www.jia-ltd.com/>
 Representative: Naoto Shiraiwa, President and CEO
 Inquiries: Takeshi Sugimoto, Director, General Manager of Corporate Administration Division
 Telephone: +81-3-6550-9307
 Scheduled date to file quarterly securities report: November 4, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended September 30, 2022 (from January 1, 2022 to September 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	%
Nine months ended								
September 30, 2022	15,500	54.6	1,775	(42.6)	7,660	128.4	5,784	185.1
September 30, 2021	10,023	(29.0)	3,092	(44.2)	3,354	(27.3)	2,029	(34.1)

Note: Comprehensive income For the nine months ended September 30, 2022: ¥7,391 million [up 192.6%]
 For the nine months ended September 30, 2021: ¥2,526 million[down 15.5%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2022	191.59	-
September 30, 2021	67.44	67.23

(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	%
September 30, 2022	145,178	48,113	33.0
December 31, 2021	101,764	41,679	40.8

Reference: Equity
 As of September 30, 2022: ¥47,977 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 8 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 September 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 September 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)

Nine months ended September 30, 2022	30,190,798 shares
Nine months ended September 30, 2021	30,084,438 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.

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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 cumulative third quarter of the current fiscal year (January 1, 2022 to September 30, 2022), we saw each country being preoccupied with coping with inflation, as the prices of food products and energy remained high, due to the Ukraine-Russia conflict, etc. In major European countries, such as Germany, there is concern over economic downturn as production output is curtailed for saving energy. In the U.S., monetary tightening has been actively implemented for curbing inflation, so there is concern over the adverse effects of the appreciation of the dollar on the economies of emerging countries.

On the other hand, the inflation rate in Japan is low compared with those in the U.S. and the euro zone. The Japanese economy is expected to recover gently from the depressed state in the coronavirus pandemic, thanks to the excessive savings accumulated during the pandemic, firm consumer spending supported by governmental measures for coping with the rise in commodity prices, and active corporate investment in equipment.

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 the Operating Lease Business were 6,785 million yen, down 15.9% year on year. The demand from investors is firm, but due to the insufficiency of financial instruments, equity sales were 38,999 million yen, down 2.3% or nearly unchanged year on year. The amount of deals structured stood at 131,525 million yen, up 121.7% year on year. The environment for creating deals has become favorable, so the market environment can be expected to become active.

The sales of the Renewable Energy Business were 7,132 million yen, up 456.6% year on year. In June, we sold 14 solar power plants we had owned to institutional investors, such as financial institutions, as a yield product. This contributed to the sales.

The sales of the Part Out & Conversion Business were 938 million yen, up 427.1% year on year. We made efforts to increase transactions in the Part Out Business, which manages the disassembled parts of retired aircraft and sells them to maintenance companies, lease companies, airlines, etc., and the Conversion Business, which converts passenger airplanes into cargo aircraft.

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

[Millions of yen]

	Third Quarter of the Fiscal Year Ending December 31, 2021 (FY2021)	Third Quarter of the Fiscal Year Ending December 31, 2022 (FY2022)	Change	Change rate (%)
Net sales	10,023	15,500	5,477	54.6
Operating profit	3,092	1,775	(1,316)	(42.6)
Ordinary profit	3,354	7,660	4,306	128.4
Profit attributable to owners of parent	2,029	5,784	3,755	185.1

(2) Explanation of Consolidated Financial Position

1) Assets, liabilities and net assets

(Assets)

Total assets increased 43,413 million yen from the end of 2021 to 145,178 million yen at the end of the third quarter of 2022. This was mainly due to increases in trust beneficiary right of 20,995 million yen, equity underwritten of 13,777 million yen, and cash and deposits of 6,198 million yen, and, while there were decreases in advances paid of 2,031 million yen, and accounts receivable-trade of 1,509 million yen.

(Liabilities)

Total liabilities increased 36,979 million yen from the end of 2021 to 97,064 million yen at the end of the third quarter of 2022. This was mainly due to increases in short-term loans payable of 27,393 million yen, long-term loans payable of 5,152 million yen, contract liabilities of 3,196 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 third quarter of the current fiscal year. Compared to the balance of unearned revenue at the end of the previous fiscal year, contract liabilities increased 2,031 million yen from the previous fiscal year.), while there is decrease in bonds payable of 2,135 million yen.

(Net Assets)

Total net assets increased 6,434 million yen from the end of 2021 to 48,113 million yen at the end of the third quarter of 2022. This was mainly due to booking of profit attributable to owners of parent of 5,784 million yen.

(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)	Third Quarter of FY2022 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	12,314	18,513
Accounts receivable-trade	7,420	5,910
Merchandise	9,817	9,974
Equity underwritten	18,871	32,649
Trust beneficiary right	—	20,995
Costs on uncompleted services	281	436
Advance payments-trade	13,191	12,086
Advances paid	8,568	6,536
Short-term loans receivable	1,379	2,717
Accounts receivable-other	773	1,484
Operational investment securities	1,967	2,263
Other	2,102	2,081
Total current assets	76,687	115,650
Non-current assets		
Tangible fixed assets	355	473
Intangible assets	360	452
Investments and other assets		
Investment securities	11,471	11,820
Long-term loans receivable	11,150	14,621
Other	1,631	2,040
Total Investments and other assets	24,253	28,483
Total non-current assets	24,969	29,409
Deferred assets		
Bond issuance cost	106	118
Total deferred assets	106	118
Total assets	101,764	145,178

(Millions of yen)

	FY2021 (As of Dec. 31, 2021)	Third Quarter of FY2022 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	270	533
Accounts payable-operating	68	123
Short-term loans payable	38,931	66,325
Current portion of long-term loans payable	2,657	2,000
Current portion of bonds	1,715	5,287
Accounts payable-other	129	24
Unearned revenue	1,164	—
Contract liabilities	—	3,196
Income taxes payable	1,377	2,156
Provision for bonus	338	517
Other	1,655	1,367
Total current liabilities	48,310	81,532
Non-current liabilities		
Bonds payable	5,754	3,619
Long-term loans payable	5,702	10,854
Other	318	1,058
Total non-current liabilities	11,775	15,532
Total liabilities	60,085	97,064
Net assets		
Shareholders' equity		
Capital stock	11,679	11,679
Capital surplus	11,621	11,621
Retained earnings	19,011	23,829
Treasury shares	(1,470)	(1,470)
Total shareholders' equity	40,842	45,660
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	320	114
Foreign currency translation adjustment	386	2,202
Total accumulated other comprehensive income	706	2,317
Subscription rights to shares	8	8
Non-controlling interests	121	127
Total net assets	41,679	48,113
Total liabilities and net assets	101,764	145,178

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

(Millions of yen)

	First nine months of FY2021 (Jan. 1 – Sep. 30, 2021)	First nine months of FY2022 (Jan. 1 – Sep. 30, 2022)
Net sales	10,023	15,500
Cost of sales	3,524	9,686
Gross profit	6,498	5,814
Selling, general and administrative expenses	3,406	4,038
Operating profit	3,092	1,775
Non-operating income		
Interest income	157	245
Gain on sales of equity underwritten	171	111
Commission fee	168	9
Foreign exchange gains	789	5,489
Equity in earnings of affiliates	120	1,283
Other	146	182
Total non-operating income	1,553	7,321
Non-operating expenses		
Interest expenses	387	496
Commission fee	852	890
Equity in losses of affiliates		
Other	52	49
Total non-operating expenses	1,292	1,436
Ordinary profit	3,354	7,660
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	37	511
Gain on reversal of stock acquisition rights	6	—
Total extraordinary income	44	511
Extraordinary losses		
Loss on valuation of investment securities	—	111
Total extraordinary losses	—	111
Profit before income taxes	3,399	8,061
Income taxes	1,295	2,279
Profit	2,103	5,781
Profit attributable to non-controlling interests	74	(2)
Profit attributable to owners of parent	2,029	5,784

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

	(Millions of yen)	
	First nine months of FY2021 (Jan. 1 – Sep. 30, 2021)	First nine months of FY2022 (Jan. 1 – Sep. 30, 2022)
Profit	2,103	5,781
Other comprehensive income		
Valuation difference on available-for-sale securities	55	(206)
Foreign currency translation adjustment	367	1,816
Total other comprehensive income	422	1,610
Comprehensive income	2,526	7,391
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,451	7,394
Comprehensive income attributable to non-controlling interests	74	(2)

(3) 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 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 first period.

As a result, there is no effect on net sales and cost of sales for the nine months ended September 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.

In addition, in accordance with the transitional handling stipulated in Paragraph 28-15 of the "Accounting Standards for Quarterly Financial Statements (ASBJ Statement No. 12; March 31, 2020)," the breakdown of revenues from contracts with customers in the cumulative third quarter of the previous consolidated term is not described.

(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.