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July 31, 2023

Consolidated Financial Results for the Six Months Ended June 30, 2023 (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: August 4, 2023
 Scheduled date to commence dividend payments: September 1, 2023
 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 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results

(Percentage figures are the increase / (decrease) for 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	%
For the six months ended								
June 30, 2023	8,938	(28.7)	3,200	113.1	2,611	(61.0)	1,696	(68.1)
June 30, 2022	12,527	130.4	1,501	(24.3)	6,705	178.7	5,323	283.6

Note: Comprehensive income For the six month ended June 30, 2023: ¥2,761 million [down 57.9%]
 For the six month ended June 30, 2022: ¥6,563 million [up 266.6%]

	Net income per share	Diluted net income per share
For the six months ended	Yen	Yen
June 30, 2023	56.20	—
June 30, 2022	176.32	—

(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 ratio
	Million yen	Million yen	%
As of Jun. 30, 2023	208,945	49,171	23.0
As of Dec. 31, 2022	175,876	46,795	26.0

Reference: Shareholders' equity
 As of June 30, 2023: ¥48,121 million
 As of December 31, 2022: ¥45,775 million

2. Cash dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	-	16.0	-	16.0	32.0
FY2023	-	16.0			
FY2023 (forecast)			-	16.0	32.0

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

3. Consolidated Forecast for FY2023 (from January 1 to December 31, 2023)

(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	19,300	7.0	5,000	285.0	3,400	(42.4)	2,400	(45.6)	79.49

(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 changes in scope of consolidation): None

Newly added: - Excluded: -

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

(3) Changes in accounting policies and accounting estimates, and restatements

(i) Changes in accounting policies due to revisions in accounting standards, others: Yes

(ii) Changes in accounting policies other than 1) above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Notes (4) Notes to Quarterly Consolidated Financial Statements (Change in Accounting Policies)" on page 9 of the attached document.

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of Jun. 30, 2023	30,731,200 shares	As of Dec. 31, 2022	30,731,200 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2023	540,420 shares	As of Dec. 31, 2022	540,420 shares
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3) Average number of shares during the period

Three months ended Jun. 30, 2023	30,190,780 shares	Three months ended Jun. 30, 2022	30,190,807 shares
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* Quarterly financial result report is not subject to audit procedures.

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 4 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, 2023.

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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 consolidated fiscal year (January 1 to June 30, 2023), while the non-manufacturing industry centered around service business was healthy thanks to the easing of restrictions for coping with the novel coronavirus pandemic, the manufacturing industry was faced with a harsh situation, including the global monetary tightening and the economic downturn in China. In addition, it seems that inflation has peaked out, due to the normalization of supply chains, etc. On the other hand, it is forecast that Russia's military invasion of Ukraine will remain a factor in inflating the prices of food and energy, as Russia cancelled the agreement for export of grain grown in Ukraine via the Black Sea in July.

Regarding the Japanese economy, the COVID-19 was reclassified into Category 5 in May 2023, boosting the normalization of economic activities, and it can be expected that the economy will rebound thanks to consumer spending mainly in the service provision sector and the consumption by foreign visitors to Japan, which have increased through the easing of restrictions on entry to Japan. However, real wages have been declining due to the inflation, and it is noteworthy whether movements for raising wages like the wage negotiations in the spring of this year will be actualized.

The sales of the Operating Lease Business reached 7,807 million yen (up 72.2% year on year). For that year, we assumed that sales would be sluggish in the first half, and increase in the second half. However, the demand from investors was firm, financial instruments were insufficient in the market of Japanese Operating Lease investment products (JOL/JOLCO), and the features of our products matched the needs from investors, so equity sales were as healthy as 33,568 million yen (up 17.6% year on year). The amount of deals structured was 123,343 million yen (up 14.3% year on year), indicating the vitalization of the environment for structuring deals. Furthermore, the trading revenue per leasable aircraft contributed significantly, increasing operating revenue considerably.

The sales of the Renewable Energy Business were 270 million yen (down 96.2% year on year). This is because of the recoil from a large-scale project in which we sold 14 facilities for solar power generation we had owned to institutional investors as "Portfolio Fund" in the second quarter of the previous term.

The sales of the Part-Out & Conversion Business were 362 million yen (down 18.1% year on year). We are working to realize projects in the Part-Out business, which manages parts that have been dismantled from retired aircraft and sells them to maintenance companies, lease companies, and airlines, as well as in the conversion business, which converts passenger aircraft into cargo aircraft.

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

[Unit: Million yen]

	First half of FY2022	First half of FY2023	Change	Change rate (%)
Net sales	12,527	8,938	(3,589)	(28.7)
Operating profit	1,501	3,200	1,698	113.1
Ordinary profit	6,705	2,611	(4,093)	(61.0)
Profit attributable to owners of parent	5,323	1,696	(3,626)	(68.1)

(2) Explanation of Consolidated Financial Position

1) Assets, liabilities and net assets

Assets

Total assets increased by 33,068 million yen from the end of 2022 to 208,945 million yen at the end of the second quarter of FY2023. This was mainly due to increases in equity underwritten of 35,043 million yen, investment securities of 7,771 million yen, merchandise of 3,516 million yen, and short-term loans receivable of 2,618 million yen, while there were decreases in trust beneficiary rights to be sold of 12,656 million yen and cash and deposits of 7,336 million yen.

Liabilities

Total liabilities increased by 30,693 million yen from the end of 2022 to 159,774 million yen at the end of the second quarter of FY2023. This was mainly due to increases in short-term loans payable of 26,171 million yen, contract liabilities of 5,280 million yen, and long-term loans payable of 3,511 million yen, while there were decreases in long-term non-recourse loans of 3,430 million yen and current portion of bonds payable of 2,720 million yen.

Net Assets

Total net assets increased by 2,375 million yen from the end of 2022 to 49,171 million yen at the end of the second quarter of FY2023. This was mainly due to the recording of profit attributable to owners of parent of 1,696 million yen. As a result, the shareholders' equity ratio decreased from 26.0% at the end of the previous fiscal year to 23.0%.

2) Cash flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the second quarter of 2023 decreased by 7,336 million yen from the end of 2022 to 13,500 million yen.

The cash flow components during the second quarter of 2023 and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash used in operating activities was 21,112 million yen (compared with 15,741 million yen used in the same period of 2022). Main negative factors include increase of 35,193 million yen in equity underwritten. While major positive factors were decrease in inventories of 7,934 million yen, and decrease in contract liabilities of 5,254 million yen.

Cash flows from investing activities

Net cash used in investing activities was 9,267 million yen (compared with 3,760 million yen provided in the same period of 2022). Main negative factors include purchase of investment securities of 7,113 million yen, and payments of loans receivable of 5,018 million yen. While major positive factors was proceeds from collection of loans receivable of 2,796 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 22,481 million yen (compared with 23,000 million yen provides in the same period of 2022). Main positive factor includes a 58,815 million yen increase in short-term loans payable. While main negative factor includes a 33,063 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.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	End of Dec 31, 2022	End of Jun 30, 2023
[Assets]		
Current assets		
Cash and deposits	20,906	13,570
Accounts receivable-trade	4,593	5,054
Merchandise	9,963	13,480
Equity underwritten	46,587	81,630
Trust beneficiary right	28,680	16,024
Costs on uncompleted – trade	999	2,049
Advance payments-trade	10,583	10,225
Advances paid	6,204	4,552
Short-term loans receivable	3,649	6,268
Operational investment securities	2,136	2,509
Other	2,657	4,819
Total current assets	136,963	160,183
Non-current assets		
Property, plant and equipment	460	463
Intangible assets	425	365
Investments and other assets		
Investment securities	17,449	25,220
Long-term loans receivable	17,166	17,393
Deferred tax assets	3,000	4,933
Other	308	310
Allowance for doubtful accounts	(20)	(20)
Total Investments and other assets	37,926	47,837
Total non-current assets	38,812	48,666
Deferred assets		
Bond issuance cost	101	94
Total deferred assets	101	94
Total assets	175,876	208,945

(Millions of yen)

	End of Dec 31, 2022	End of June 30, 2023
[Liabilities]		
Current liabilities		
Accounts payable-trade	452	436
Accounts payable-operating	246	258
Short-term loans payable	86,797	112,969
Current portion of long-term loans payable	2,024	2,807
Current portion of long-term non-recourse loans	717	550
Current portion of bonds payable	5,321	2,601
Income taxes payable	2,428	2,864
Contract liabilities	5,510	10,790
Provision for shareholder benefit program	60	0
Provision for bonus	367	652
Other	2,962	3,615
Total current liabilities	106,890	137,546
Non-current liabilities		
Bonds payable	3,217	2,816
Long-term borrowings	5,424	8,936
Long-term non-recourse loans	12,662	9,231
Other	886	1,243
Total non-current liabilities	22,190	22,228
Total liabilities	129,080	159,774
[Net assets]		
Shareholders' equity		
Capital stock	11,679	11,679
Capital surplus	11,624	11,624
Retained earnings	22,457	23,746
Treasury shares	(1,470)	(1,470)
Total shareholders' equity	44,291	45,580
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	87
Foreign currency translation adjustment	1,478	2,452
Total accumulated other comprehensive income	1,483	2,540
Subscription rights to shares	8	8
Non-controlling interests	1,011	1,041
Total net assets	46,795	49,171
Total liabilities and net assets	175,876	208,945

(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 FY2022 (Jan. 1 – Jun. 30, 2022)	First six months of FY2023 (Jan. 1 – Jun. 30, 2023)
Net sales	12,527	8,938
Cost of sales	8,379	2,319
Gross profit	4,148	6,618
Selling, general and administrative expenses	2,646	3,418
Operating profit	1,501	3,200
Non-operating income		
Interest income	175	520
Gain on sales of equity underwritten	71	161
Foreign exchange gains	4,254	-
Equity in earnings of affiliates	1,094	124
Other	141	182
Total non-operating income	5,738	988
Non-operating expenses		
Interest expenses	274	1,025
Commission expenses	228	335
Foreign exchange losses	-	176
Other	32	39
Total non-operating expenses	534	1,577
Ordinary profit	6,705	2,611
Extraordinary benefit		
Gain on sale of shares of subsidiaries and associates	511	-
Total extraordinary benefit	511	-
Profit before income taxes	7,217	2,611
Income taxes	1,895	908
Profit	5,321	1,703
Profit attributable to non-controlling interests	(1)	6
Profit attributable to owners of parent	5,323	1,696

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

(Millions of yen)

	First six months of FY2022 (Jan. 1 – Jun. 30, 2022)	First six months of FY2023 (Jan. 1 – Jun. 30, 2023)
Profit	5,321	1,703
Other comprehensive income		
Valuation difference on available-for-sale securities	(92)	83
Foreign currency translation adjustment	1,334	974
Total other comprehensive income	1,241	1,057
Comprehensive income	6,563	2,761
(Breakdown)		
Comprehensive income attributable to owners of parent	6,565	2,754
Comprehensive income attributable to non-controlling interests	(1)	6

(1) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six month of FY2022 (Jan. 1 – Jun. 30, 2022)	First six month of FY2023 (Jan. 1 – Jun. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	7,217	2,611
Depreciation	314	165
Amortization of goodwill	38	42
Foreign exchange losses (gains)	(2,361)	(531)
Gain on sales of equity underwritten	(71)	(161)
Share of (profit) loss of entities accounted for using equity method	(1,094)	(124)
Loss (gain) on sales of stocks of subsidiaries and affiliates	(511)	-
Interest and dividend income	(270)	(625)
Interest expenses	274	1,025
Decrease (increase) in notes and accounts receivable-trade	2,509	(437)
Decrease (increase) in inventories	(9,480)	7,934
Decrease (increase) in advance payments	(25)	358
Increase (decrease) in notes and accounts payable-trade	595	(14)
Decrease (increase) in equity underwritten	(12,316)	(35,193)
Decrease (increase) in advances paid	(2,002)	1,607
Decrease (increase) in deposits paid	513	-
Increase (decrease) in contract liabilities	1,408	5,254
Decrease (increase) in consumption taxes receivable/payable	(1,045)	233
Others	1,632	(516)
Subtotal	(14,674)	(18,371)
Interest and dividend income received	246	731
Interest expenses paid	(277)	(1,056)
Income taxes paid	(1,034)	(2,416)
Net cash provided by (used in) operating activities	(15,741)	(21,112)
Cash flows from investing activities		
Purchase of property, plant and equipment	(67)	(17)
Purchase of intangible assets	(3)	-
Purchase of investment securities	(76)	(7,113)
Payments of loans receivable	(437)	(5,018)
Collection of loans receivable	3,426	2,796
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	691	-
Others	227	85
Net cash provided by (used in) investing activities	3,760	(9,267)
Cash flows from financing activities		
Increase in short-term loans payable	55,372	58,815
Decrease in short-term loans payable	(31,488)	(33,063)
Proceeds from long-term loans payable	1,800	6,711
Repayments of long-term loans payable	(1,782)	(6,014)
Proceeds from issuance of bonds	400	1,000
Redemption of bonds	(827)	(4,120)
Cash dividends paid	(482)	(482)
Other, net	9	(364)
Net cash provided by (used in) financing activities	23,000	22,481
Effect of exchange rate change on cash and cash equivalents	256	562
Net increase (decrease) in cash and cash equivalents	11,276	(7,336)
Cash and cash equivalents at beginning of period	12,244	20,836
Cash and cash equivalents at end of period	23,521	13,500

(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 Measurement of Fair Value)

We started applying the "Accounting Standards for Calculation of Fair Value" (ASBJ Statement No. 31, June 17, 2021; hereinafter referred to as the "Accounting Standard for Calculation of Fair Value") at the beginning of the first quarter of the consolidated accounting year, and decided to apply the new accounting policy set in the Accounting Standard for Calculation of Fair Value prospectively, in accordance with the transitional measures described in Paragraph 27-2 of the Accounting Standard for Calculation of Fair Value. This application will not produce any effect on quarterly consolidated financial statements.