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October 31, 2023

Consolidated Financial Results for the Nine Months Ended September 30, 2023 (Japanese GAAP)

Company name: Japan Investment Adviser Co., Ltd.
 Listing: Tokyo Stock Exchange, Prime Market
 Securities code: 7172
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 Scheduled date to file quarterly securities report: November 2, 2023
 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 (from January 1, 2023 to September 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 nine months ended								
September 30, 2023	14,833	(4.3)	3,566	100.8	3,143	(59.0)	2,231	(61.4)
September 30, 2022	15,500	54.6	1,775	(42.6)	7,660	128.4	5,784	185.1

Note: Comprehensive income For the nine month ended September 30, 2023: ¥3,601 million [down 51.3%]
 For the nine month ended September 30, 2022: ¥7,391 million [up 192.6%]

	Net income per share	Diluted net income per share
For the nine months ended	Yen	Yen
September 30, 2023	73.89	—
September 30, 2022	191.59	—

(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 Sep. 30, 2023	220,493	49,627	22.0
As of Dec. 31, 2022	175,876	46,795	26.0

Reference: Shareholders' equity
 As of September 30, 2023: ¥48,599 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 (3) Notes to Quarterly Consolidated Financial Statements (Change in Accounting Policies)" on page 8 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 Sep. 30, 2023	30,781,400 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 Sep. 30, 2023	540,447 shares	As of Dec. 31, 2022	540,420 shares
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3) Average number of shares during the period

Nine months ended Sep. 30, 2023	30,196,474 shares	Nine months ended Sep. 30, 2022	30,190,798 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 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 in the cumulative third quarter of the consolidated fiscal year (January 1 to September 30, 2023), the non-manufacturing industry, centered around the service industry, was healthy after the restrictions for coping with the coronavirus pandemic were eased, but the manufacturing industry faced a harsh environment due to the global monetary tightening and the economic slowdown of China caused by the worsening of the real estate market. In addition, there are some signs of inflation rate peaking out, thanks to the normalization of the supply chain, etc. On the other hand, a variety of geopolitical issues, including Russia's invasion of Ukraine, caused the rise in inflation rates of prices of food and energy, which is a factor in economic slowdown.

In addition, the economic activities in Japan are returning to normal, as COVID-19 was reclassified into Class 5 in accordance with the law concerning infectious diseases in May 2023. It can be expected that the economy will grow thanks to consumer spending mainly in the service industry, the consumption by foreign visitors to Japan in the wake of the easing of restrictions on entry to Japan, and so on. Although wages have not been increased in parallel with the inflation, the income environment can be expected to improve, due to the shortage of manpower, the rise in the minimum wage, etc.

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 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 11,263 million yen (up 66.0% year on year). The demand from investors was firm, there were not enough Japanese operating lease investment instruments (JOL/JOLCO) in the market, and our company prepared a sufficient lineup of financial instruments. Accordingly, equity sales were as healthy as 49,550 million yen (up 27.1% year on year). The amount of deals structured was 165,879 million yen (up 26.1% 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 382 million yen (down 94.6% 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 2,386 million yen (up 154.2% 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 third quarter of the current fiscal year.

[Unit: Million yen]

	Nine Months FY2022	Nine Months FY2023	Change	Change rate (%)
Net sales	15,500	14,833	(666)	(4.3)
Operating profit	1,775	3,566	1,790	100.8
Ordinary profit	7,660	3,143	(4,517)	(59.0)
Profit attributable to owners of parent	5,784	2,231	(3,553)	(61.4)

(2) Explanation of Consolidated Financial Position

1) Assets, liabilities and net assets

Assets

Total assets increased by 44,616 million yen from the end of 2022 to 220,493 million yen at the end of the third quarter of FY2023. This was mainly due to increases in equity underwritten of 37,025 million yen, investment securities of 9,987 million yen, cash and deposits of 5,488 million yen, and merchandise of 5,439 million yen, while there were decreases in trust beneficiary rights to be sold of 21,126 million yen.

Liabilities

Total liabilities increased by 41,785 million yen from the end of 2022 to 170,865 million yen at the third quarter of FY2023. This was mainly due to increases in short-term loans payable of 39,069 million yen, contract liabilities of 7,232 million yen, and current portion of long-term loans payable of 2,975 million yen, while there were decreases long-term non-recourse loans of 7,936 million yen.

Net Assets

Total net assets increased by 2,831 million yen from the end of 2022 to 49,627 million yen at the third quarter of FY2023. This was mainly due to the recording of profit attributable to owners of parent of 2,231 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.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	End of Dec 31, 2022	End of Sep 30, 2023
[Assets]		
Current assets		
Cash and deposits	20,906	26,395
Accounts receivable-trade	4,593	5,966
Merchandise	9,963	15,313
Equity underwritten	46,587	83,612
Trust beneficiary right	28,680	7,553
Costs on uncompleted – trade	999	2,050
Advance payments-trade	10,583	8,376
Advances paid	6,204	5,357
Short-term loans receivable	3,649	5,862
Operational investment securities	2,136	2,902
Other	2,657	5,437
Total current assets	136,963	168,830
Non-current assets		
Property, plant and equipment	460	473
Intangible assets	425	336
Investments and other assets		
Investment securities	17,449	27,436
Long-term loans receivable	17,166	18,104
Deferred tax assets	3,000	4,920
Other	308	259
Total Investments and other assets	37,926	50,721
Total non-current assets	38,812	51,531
Deferred assets		
Bond issuance cost	101	131
Total deferred assets	101	131
Total assets	175,876	220,493

	(Millions of yen)	
	End of Dec 31, 2022	End of Sep 30, 2023
[Liabilities]		
Current liabilities		
Accounts payable-trade	452	211
Accounts payable-operating	246	419
Short-term loans payable	86,797	125,867
Current portion of long-term loans payable	2,024	5,000
Current portion of long-term non-recourse loans	717	285
Current portion of bonds payable	5,321	2,692
Income taxes payable	2,428	1,426
Contract liabilities	5,510	12,742
Provision for shareholder benefit program	60	0
Provision for bonus	367	757
Other	2,962	2,651
Total current liabilities	106,890	152,055
Non-current liabilities		
Bonds payable	3,217	6,141
Long-term borrowings	5,424	6,501
Long-term non-recourse loans	12,662	4,725
Other	886	1,441
Total non-current liabilities	22,190	18,810
Total liabilities	129,080	170,865
[Net assets]		
Shareholders' equity		
Capital stock	11,679	11,716
Capital surplus	11,624	11,658
Retained earnings	22,457	23,835
Treasury shares	(1,470)	(1,470)
Total shareholders' equity	44,291	45,739
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	46
Foreign currency translation adjustment	1,478	2,813
Total accumulated other comprehensive income	1,483	2,860
Subscription rights to shares	8	-
Non-controlling interests	1,011	1,027
Total net assets	46,795	49,627
Total liabilities and net assets	175,876	220,493

(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 FY2022 (Jan. 1 – Sep. 30, 2022)	First nine months of FY2023 (Jan. 1 – Sep. 30, 2023)
Net sales	15,500	14,833
Cost of sales	9,686	6,247
Gross profit	5,814	8,585
Selling, general and administrative expenses	4,038	5,019
Operating profit	1,775	3,566
Non-operating income		
Interest income	245	719
Gain on sales of equity underwritten	111	248
Foreign exchange gains	5,489	245
Equity in earnings of affiliates	1,283	732
Other	191	238
Total non-operating income	7,321	2,184
Non-operating expenses		
Interest expenses	496	1,558
Commission expenses	890	998
Other	49	50
Total non-operating expenses	1,436	2,607
Ordinary profit	7,660	3,143
Extraordinary benefit		
Gain on sale of shares of subsidiaries and associates	511	-
Total extraordinary benefit	511	-
Extraordinary losses		
Loss on valuation of investment securities	111	-
Total extraordinary losses	111	-
Profit before income taxes	8,061	3,143
Income taxes	2,279	919
Profit	5,781	2,224
Profit attributable to non-controlling interests	(2)	(7)
Profit attributable to owners of parent	5,784	2,231

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

(Millions of yen)

	First nine months of FY2022 (Jan. 1 – Sep. 30, 2022)	First nine months of FY2023 (Jan. 1 – Sep. 30, 2023)
Profit	5,781	2,224
Other comprehensive income		
Valuation difference on available-for-sale securities	(206)	42
Foreign currency translation adjustment	1,816	1,334
Total other comprehensive income	1,610	1,377
Comprehensive income	7,391	3,601
(Breakdown)		
Comprehensive income attributable to owners of parent	7,394	3,608
Comprehensive income attributable to non-controlling interests	(2)	(7)

(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 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.