Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2018 (FY2018) (Nine Months Ended September 30, 2018)

[Japanese GAAP]

October 31, 2018

Company name: Japan Investment Adviser Co., Ltd. Listed Exchange: Tokyo Stock Exchange, Mothers
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Scheduled date of filing of Quarterly Report: November 9, 2018
Scheduled date of dividend payment: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter (January 1 to September 30, 2018) of FY2018

(1) Consolidated results of operations (cumulative) (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Sep. 30, 2018	10,198	113.2	6,020	144.4	4,973	153.3	2,989	166.6
Nine months ended Sep. 30, 2017	4,784	55.3	2,463	302.6	1,963	465.5	1,121	602.9

Note: Comprehensive income Nine months ended Sep. 30, 2018: 3,218 million yen (up 197.1%)
Nine months ended Sep. 30, 2017: 1,083 million yen (up 618.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2018	106.00	102.18
Nine months ended Sep. 30, 2017	44.93	43.16

Note: Japan Investment Adviser (JIA) conducted a 2-for-1 common stock split on September 1, 2017. Accordingly, net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of FY2017.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2018	99,666	30,080	30.0	1,009.12
As of Dec. 31, 2017	66,015	14,255	21.5	526.33

Reference: Owners' equity As of Sep. 30, 2018: 29,917 million yen As of Dec. 31, 2017: 14,222 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	-	6.00	-	6.00	-
FY2018	-	5.50	-		
FY2018 (forecast)				7.50	13.00

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

JIA conducted a 2-for-1 common stock split on September 1, 2017. Accordingly, the year-end dividend per share for FY2017 is adjusted to reflect the stock split and the total dividend per share for FY2017 is shown as " - ."

3. Consolidated Forecast for FY2018 (January 1 to December 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	12,000	40.0	6,800	44.5	6,000	43.7	4,100	50.4	145.38

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

Net income per share is calculated based on the estimated average number of shares during the period and includes the public offering of 2,350,000 shares on June 5, 2018 and the offering of 319,800 shares for third party allotment for capital increase on June 27, 2018.

*** Notes**

(1) Changes in significant subsidiaries during the nine months ended September 30, 2018(changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Restatements: None

(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, 2018	30,181,600 shares	As of Dec. 31, 2017	27,262,200 shares

2) Number of treasury shares at the end of the period

As of Sep. 30, 2018	534,493 shares	As of Dec. 31, 2017	240,150 shares

3) Average number of shares during the period (cumulative)

Nine months ended Sep. 30, 2018	28,201,857 shares	Nine months ended Sep. 30, 2017	24,961,271 shares

JIA conducted a 2-for-1 common stock split on September 1, 2017. Number of shares issued (common stock) has been calculated as if this stock split had taken place at the beginning of FY2017.

* The current quarterly financial results are not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements, and other special items

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 “(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

Forward-looking statements in this section represent the judgments of the Japan Investment Adviser (JIA) Group (Japan Investment Adviser Co., Ltd. and its consolidated subsidiaries) as of the end of the period under review.

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

During the first nine months of 2018, despite the fact that the rising crude oil prices affected corporate confidence and concerns emerged over the trend toward protectionism in the U.S. trade and foreign policies, the Japanese economy expanded gradually with the support of strong corporate capital investment to cope with labor shortages as well as improvements in jobs and personal income.

In our core operating lease business, the volume of potential deals continues to be very high. There has been a constant flow of inquiries from companies interested in leasing aircraft and shipping containers. To locate investors who fund these leases, we use our close ties with intermediary service firms such as financial institutions, accounting offices, consulting companies and other such service providers with whom with business referral agreements. We provided information to potential clients nationwide about investment products that meet their needs and received many investments as a result.

In the renewable energy business, we are structuring deals in preparation for marketing as there is strong demand from investors for currency risk-free investment products.

In the aircraft part-out & conversion business, our affiliate Vallair Capital SAS manages external sales. The part-out business involves dismantling retired aircraft, managing inventories of parts obtained from these planes and selling the parts to aircraft maintenance companies, leasing companies, airlines and other companies. The conversion business involves remodeling and reselling old passenger aircraft for cargo and other uses.

There were 27 deals with an aggregate value of 134,179 million yen during the third quarter of 2018. Net sales increased 113.2% year on year to 10,198 million yen, operating profit increased 144.4% to 6,020 million yen, ordinary profit increased 153.3% to 4,973 million yen and profit attributable to owners of parent was up 166.6% to 2,989 million yen.

(2) Explanation of Consolidated Financial Position

Assets

Total assets increased 33,650 million yen from the end of 2017 to 99,666 million yen at the end of the third quarter of 2018. This was mainly due to increases in deposits paid of equity underwritten of 16,626 million yen, cash and deposits of 11,120 million yen, advances paid of 3,337 million yen, and accounts receivable-trade of 2,077 million yen, while there were decreases in deposits paid of 751 million yen, and advance payments-trade of 648 million yen.

Liabilities

Total liabilities increased 17,826 million yen from the end of 2017 to 69,585 million yen. This was mainly due to increases in short-term loans payable of 15,319 million yen, unearned revenue of 2,045 million yen, long-term loans payable of 1,723 million yen, and bonds payable of 820 million yen, while there was a decrease in income taxes payable of 1,776 million yen.

Net Assets

Total net assets increased 15,824 million yen from the end of 2017 to 30,080 million yen because of increases of 7,092 million yen in capital stock, 7,095 million yen in capital surplus and 2,650 million yen in retained earnings mainly resulting from the capital increase during the period, while there was a increased in treasury

shares of 1,247 million yen.

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

As for the full-year earnings forecast, the forecast announced previously on Feb. 7, 2018 has not been revised, but the performance during the third quarter of 2018 was healthy. We will see the variations in the sales trend, estimated revenue, etc. of the operating lease business in the consolidated fourth quarter, and if it becomes necessary to revise the earnings forecast, we will disclose the revision immediately.

Forecasts are based on information currently available to JIA. Actual performance could differ from these forecasts for a number of uncertainties and changes in the business environment.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY2017 (As of Dec. 31, 2017)	Third Quarter of FY2018 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	11,484,722	22,605,337
Accounts receivable-trade	2,234,264	4,311,516
Merchandise	3,602,767	4,037,228
Operational investment securities	-	848,202
Equity underwritten	33,781,930	50,408,662
Costs on uncompleted services	959,227	875,378
Advance payments-trade	2,484,666	1,836,382
Advances paid	2,398,809	5,736,260
Short-term loans receivable	995,336	1,330,737
Deposits paid	1,575,778	824,143
Deferred tax assets	1,751,452	1,299,808
Other	1,409,678	3,459,457
Total current assets	62,678,635	97,573,114
Non-current assets		
Property, plant and equipment	90,719	125,676
Intangible assets	70,433	56,302
Investments and other assets	3,127,153	1,839,469
Total non-current assets	3,288,306	2,021,448
Deferred assets		
Bond issuance cost	48,691	71,821
Total deferred assets	48,691	71,821
Total assets	66,015,632	99,666,384
Liabilities		
Current liabilities		
Accounts payable-trade	16,044	26,348
Accounts payable-operating	719,611	741,863
Short-term loans payable	41,815,287	57,134,498
Current portion of long-term loans payable	715,144	1,401,063
Current portion of bonds	460,000	700,000
Accounts payable-other	357,026	141,255
Unearned revenue	2,674,097	4,719,101
Income taxes payable	2,162,825	386,044
Other	431,317	261,283
Total current liabilities	49,351,354	65,511,457
Non-current liabilities		
Bonds payable	1,690,000	2,270,000
Long-term loans payable	706,164	1,743,471
Other	12,278	61,000
Total non-current liabilities	2,408,442	4,074,471
Total liabilities	51,759,796	69,585,929
Net assets		
Shareholders' equity		
Capital stock	4,544,181	11,636,575
Capital surplus	4,478,857	11,574,174
Retained earnings	5,356,383	8,006,673
Treasury shares	(200,083)	(1,447,243)
Total shareholders' equity	14,179,338	29,770,180
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,578	139,522
Foreign currency translation adjustment	12,624	7,777
Total accumulated other comprehensive income	43,202	147,300
Subscription rights to shares	11,010	16,171
Non-controlling interests	22,284	146,802
Total net assets	14,255,835	30,080,454
Total liabilities and net assets	66,015,632	99,666,384

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

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

(Thousands of yen)

	First nine months of FY2017 (Jan. 1 – Sep. 30, 2017)	First nine months of FY2018 (Jan. 1 – Sep. 30, 2018)
Net sales	4,784,261	10,198,829
Cost of sales	1,284,222	2,279,715
Gross profit	3,500,039	7,919,113
Selling, general and administrative expenses	1,036,432	1,898,220
Operating income	2,463,607	6,020,892
Non-operating income		
Interest income	65,129	215,997
Gain on sales of equity underwritten	178,344	320,978
Commission fee	14,660	19,772
Foreign exchange gains	-	180,055
Other	3,358	645
Total non-operating income	261,493	737,450
Non-operating expenses		
Interest expenses	168,349	348,201
Commission fee	371,806	678,072
Foreign exchange losses	107,971	-
Share of loss of entities accounted for using equity method	88,703	679,348
Share issuance cost	22,546	63,134
Other	1,991	15,906
Total non-operating expenses	761,369	1,784,663
Ordinary income	1,963,731	4,973,678
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	14,999
Other	-	681
Total extraordinary income	-	15,681
Extraordinary losses		
Loss on valuation of investment securities	-	62,499
Office transfer expenses	3,223	2,733
Total extraordinary losses	3,223	65,233
Profit before income taxes	1,960,507	4,924,126
Income taxes	839,006	1,810,080
Profit	1,121,500	3,114,046
Profit (loss) attributable to non-controlling interests	(1)	124,517
Profit attributable to owners of parent	1,121,502	2,989,528

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

(Thousands of yen)

	First nine months of FY2017 (Jan. 1 – Sep. 30, 2017)	First nine months of FY2018 (Jan. 1 – Sep. 30, 2018)
Profit	1,121,500	3,114,046
Other comprehensive income		
Valuation difference on available-for-sale securities	(47,422)	108,944
Foreign currency translation adjustment	9,230	(4,846)
Total other comprehensive income	(38,192)	104,098
Comprehensive income	1,083,307	3,218,144
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,083,309	3,093,627
Comprehensive income attributable to non-controlling interests	(1)	124,517

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Change in Accounting Policy

(Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions etc.)

We decided to apply "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions (Practical Issues Task Force No. 36; Jan. 12, 2018; hereinafter referred to as "PITF No. 36")," etc. from Apr. 1, 2018, and conduct accounting for the transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions in accordance with "Accounting Standards for Stock Options, etc." (Corporate Accounting Standards No. 8; Dec. 27, 2005), etc.

However, the application of PITF No. 36 follows the transitional handling specified in Paragraph 10 (3) of PITF No. 36, and the transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions before the date of application of PITF No. 36 follow the conventional accounting practice.

Additional information

(Change in the purpose of holding investment securities)

In the second quarter of 2018, the purpose of holding investment securities was changed, and out of the balance of "investments and other assets" as of the end of the second quarter of 2018, 673,482 thousand yen was transferred to "operational investment securities" of current assets. Part of said assets were sold in the third quarter of 2018, and posted in cost of sales.

Significant Changes in Shareholders' Equity

In accordance with a resolution approved by the Board of Directors on May 18, 2018, newly issued stock was sold by using a public offering, a third-party allotment and a secondary offering through over-allotment. As a result, capital stock and capital surplus increased by 6,996,477 thousand yen each during the first six months of 2018.

In addition, mainly due to exercise of subscription rights to shares, capital stock and capital surplus were 11,636,575 thousand yen and 11,574,174 thousand yen, respectively, at the end of the third quarter.

Our company acquired 294,300 treasury shares by the last day of the third quarter of 2018, based on the resolution at the meeting of the board of directors held on Aug. 13, 2018. As a result, the amount of treasury shares increased by 1,247,160 thousand yen in the third quarter of 2018, and it was 1,447,243 thousand yen as of the end of the third quarter of 2018.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

Segment Information, etc.

Segment Information

I. First nine months of FY2017 (Jan. 1 – Sep. 30, 2017)

The JIA Group is engaged in the financial solutions business, which includes primarily the operating lease business, and the media-related business. As the financial solutions business accounts for more than 90% of consolidated sales and operating income as well as the assets of all segments, only information about the financial solutions business is presented because of the negligible importance of the other business.

II. First nine months of FY2018 (Jan. 1 – Sep. 30, 2018)

The JIA Group is engaged in the financial solutions business, which includes primarily the operating lease business, and the media-related business. As the financial solutions business accounts for more than 90% of consolidated sales and operating income as well as the assets of all segments, only information about the financial solutions business is presented because of the negligible importance of the other business.

Subsequent Events

Not applicable.

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.