JIA

Japan Investment Adviser Co., Ltd.

(Stock Code: 7172)

Financial Results for the Third Quarter of FY2018

October 31, 2018

Kasumigaseki Common Gate West Tower 34F
3-2-1 Kasumigaseki, Chiyoda-ku Tokyo Japan
https://www.jia-ltd.com

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1. Company Overview

Corporate Philosophy

Always be a company contributing to society by offering financial services

Our commitments for accomplishing this goal

For shareholders	**We will contribute to the prosperity of our shareholders by increasing corporate value with an aim to achieve a steady and rapid growth on a sustainable basis.**
For clients	**We are dedicated to contributing to the prosperity of our corporate and individual clients by providing financial products and services that are backed by the support and trust of our clients.**
For business partners	**We aim to fulfill our social responsibility and achieve business growth together with our business partners empowered by their support and trust.**
For our officers and employees	**We will build a work environment to help each of our staff to develop professionalism and fully exercise their ability. We will foster an organization and a corporate culture that prioritize openness and creativity to encourage our staff to take on new challenges.**

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Corporate Information

Company Name	Japan Investment Adviser Co., Ltd.
Headquarters	Kasumigaseki Common Gate West Tower 34F, 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo
Representative	Naoto Shiraiwa, President and CEO
Established	September 2006 (Fiscal Year-end: December 31)
Business Activities	Financial solutions business, Media-related business
Paid-in Capital	¥11,636million
Listed Exchange	Tokyo Stock Exchange – Mothers (Stock Code: 7172)
Employees	Non-consolidated: 87 ; Consolidated: 131 (As of September 30, 2018)
Sales Offices	Tokyo Headquarters, Western Japan Regional Office (Osaka)
Financial Institutions	Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Resona Bank, Limited., The Chiba Bank, Ltd., THE DAISHI BANK, LTD., and the other 65banks (As of September 30, 2018)
Major Shareholders	Naoto Shiraiwa KODO Holdings Co., Ltd. Japan Trustee Services Bank, Ltd. (Trust account) The Master Trust Bank of Japan, Ltd. (Trust account) MSCO CUSTOMER SECURITIES Japan Trustee Services Bank, Ltd. (Trust account No.9) Note: Top six shareholders (63.7% shares) as of June 30, 2018
Auditor	Grant Thornton Taiyo LLC (former name : YUSEI Audit & Co.)



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Group Companies

Note: As of September 30, 2018

	Name	Location	Capital (Thousands of yen)	Main line of business	Share of voting rights (%)
Consolidated subsidiaries	JP Lease Products & Services Co., Ltd.	Chiyoda-ku, Tokyo	950,000	Operating lease business for aircrafts, maritime container boxes and vessels	100.0
	JPO No.0 Co., Ltd.	Chiyoda-ku, Tokyo	300	Aircraft part-out & conversion business	100.0
	JPO No.1 Co., Ltd.	Chiyoda-ku, Tokyo	300	Aircraft part-out & conversion business	100.0
	Finspire Inc.	Chiyoda-ku, Tokyo	50,000	Operating lease business Insurance agency business	100.0
	JIA LUXEMBOURG SARL	Luxembourg	1.8 million euros	Investment business	100.0
	JPE No.1 Co., Ltd.	Chiyoda-ku, Tokyo	300	Investment business	100.0
	BF TEC Co., Ltd.	Chuo-ku, Osaka	38,700	Renewable energy business	91.2
	Nihon Securities Journal Inc.	Chuo-ku, Tokyo	4,500	Media-related business	100.0
	Nihon Securities Journal Research Inc.	Chuo-ku, Tokyo	10,000	Media-related business	100.0
	TRADEX Co., Ltd.	Chuo-ku, Tokyo	75,000	Media-related business	100.0
	Japan M&A Adviser Co.,Ltd.	Chuo-ku, Osaka	30,000	M&A advisory business	100.0
	Arena Aviation Partners B.V.	Netherlands	1,100 euros	Aircraft lease arrangement Aircraft resale business	49.0
Equity method affiliates	Fuji Eco Technos Co., Ltd.	Higashisumiyoshi-ku, Osaka	12,505	Renewable energy business	46.7
	Vallair Capital SAS	France	101,570 euros	Aircraft part-out & conversion business	40.0
	Iter Corporation	Chiyoda-ku, Tokyo	100,000	Fintech business	37.0

Note: Finspire Inc., a wholly owned subsidiary of JIA, absorbed Insurance Network Co., Ltd. on January 4, 2018.
Note: The company sold all the shares of ASUKA GREEN INVESTMENT Co., Ltd., which was its affiliated company accounted for by the equity method, on May 31, 2018.
Note: Nihon Securities Journal Inc. acquired all shares of TRADEX Co., Ltd. on July 31, 2018.

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Business History

Established Japan Investment Advisor Co., Ltd. and started an operating lease business for marine transportation containers

Established JP Lease Products & Services Co., Ltd. and started an operating lease business for aircraft.

JP Lease Products & Services Co., Ltd. started an operating lease business for marine transportation containers.

Acquired all shares of Nihon Securities Journal Inc. and Nihon Securities Journal Research Inc. and started media related & IR supporting business.

Established JIA LUXEMBOURG SARL and constructed a network of partners in Europe.

Started aircraft part-out and conversion business through a capital and business tie-up with Valliere Aviation S.A. (currently Vallair Capital SAS)

Started an operating lease business for Vessels

Started private equity investment business

Acquired shares of Arena Aviation Partners B.V. and strengthened the capabilities for structuring operating lease for aircraft

Conclusion of contract to purchase 10 Boeing 737MAX8 (4 aircraft scheduled to be delivered in 2021 and 6 aircraft in 2022)

Established Iter Corporation (affiliated company accounted for by the equity method), a joint venture for financial service business.

Started insurance agency business

2006 2007 2011 2013 2014 2015 2016 2017 2018

Started M&A advisory business

Established CAIJ Inc. (currently Finspire Inc.), a joint venture of leasing business of marine transportation containers that utilized portfolio of America CAI International, Inc. (company listed on NY Stock Exchange)

Got listed on Tokyo Stock Exchange Mothers Section.

Started structuring and selling the No. 1 Fund of solar power generation business

Established Japan M&A Adviser Co., Ltd. and enhanced M&A advisory business

Started IPO consulting business

Acquired all shares of CAIJ Inc. (currently Finspire Inc.) (made into a wholly owned subsidiary company)

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Our Businesses

Financial Solutions Business

-Our group supports various business with financial technology-

Three Core Lines of Business

Operating Lease Business(JOL)





(Portfolio sale function) JP Lease Products & Services Co., Ltd.
Finspire Inc.

(Arrange function) Arena Aviation Partners B.V.

Renewable Energy Business



BF TEC Co., Ltd.
Fuji Eco Technos Co., Ltd.

Aircraft Part-Out & Conversion Business



JPO No.0 Co., Ltd.
JPO No.1 Co., Ltd.
Vallair Capital SAS

M&A Advisory Business



Japan M&A Adviser Co.,Ltd.

IPO Consulting Business



Wealth Management Business



Insurance Agency Business



Finspire Inc.

Fintech Business



Iter Corporation

Private Equity Investment Business



JPE No.1 Co., Ltd.

Human Resource Business



Health Tech Business



Real Estate Investment Business



Agribusiness



Media-related Business

Media-related & IR Support Business



Nihon Securities Journal Inc.
Nihon Securities Journal Research Inc.
TRADEX Co., Ltd.

※**(Operating Lease Business Management function for overseas affiliate companies)** JIA LUXEMBOURG SARL

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Third Quarter of FY2018

2. Business Overview

Highlights for the Third Quarter of FY2018

For the cumulative third quarter, sales and profit increased for the second consecutive term, and profit hit a record high profit.

- Profit attributable to owners of parent was 2,989 million yen, up 166.6% year on year.
- Equity sales* were 61,104 million yen, up 86.4% year on year.

(Millions of yen)	Q3 FY2018 Results	Q3 FY2017 Results	YoY change	YoY change (%)	Forecast for the whole fiscal year	Rate of progress
Net sales	10,198	4,784	+5,414	113.2%	12,000	85.0%
Operating profit	6,020	2,463	+3,557	144.4%	6,800	88.5%
Ordinary profit	4,973	1,963	+3,009	153.3%	6,000	82.9%
Profit attributable to owners of parent	2,989	1,121	+1,868	166.6%	4,100	72.9%
Total amount of equity sales*	61,104	32,776	+28,328	86.4%	80,000	-

* Note: Transfer of equity interest in special-purpose companies(SPC) as defined in Article 2, Paragraph 2-5 of the Financial Instruments and Exchange Act

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Business Segment Summary

The core operating lease business was the main source of sales growth

◆ Operating lease sales increased 154.2% and rose from 74% to 88% of total sales

Business units (Millions of yen)		Q3 FY2017 Net sales Results	Q3 FY2018 Net sales Results	YoY change	YoY change (%)
Operating Lease Business		3,531	8,976	+5,445	154.2%
Renewable Energy Business		551	222	▲328	▲59.6%
Aircraft Part-Out & Conversion Business		388	307	▲80	▲20.8%
Other Businesses	Insurance Business	87	476	+388	446.6%
	M&A Advisory Business				
	Private Equity Investment Business				
	IPO Consulting Business and others				
Media-related & IR Support Business		225	215	▲9	▲4.3%
Total		4,784	10,198	+5,414	113.2%

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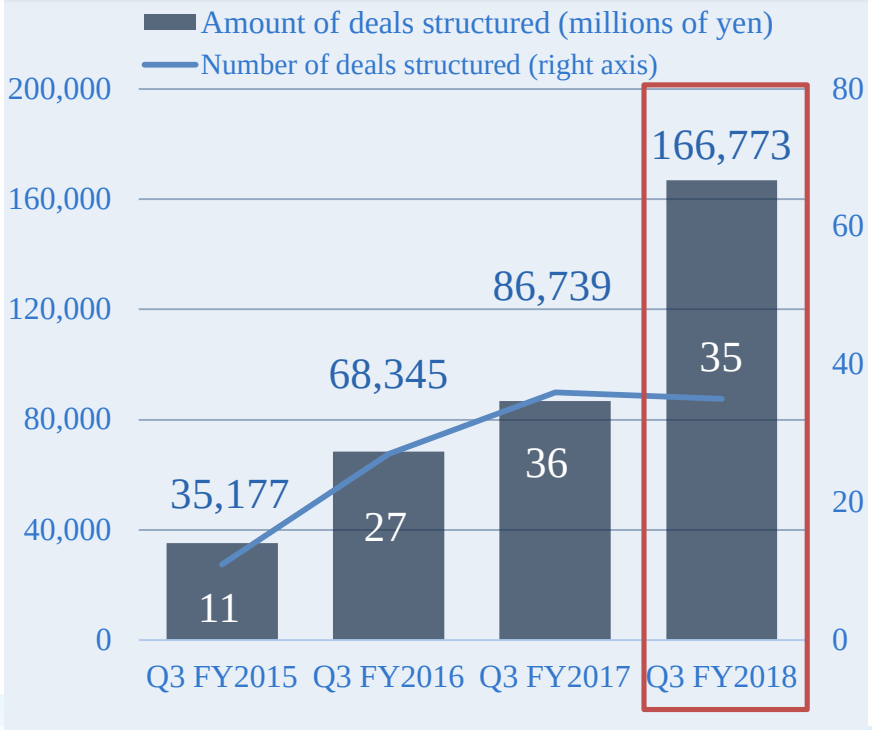
Deals Structured

Amount and Number of Deals Structured by Type of Asset

(Millions of yen)	Q3 FY2017	Q3 FY2018
Aircraft	64,001 (24 deals)	157,419 (30 deals)
Vessel	7,847 (4 deals)	0 (0 deal)
Container box	11,784 (5 deals)	9,353 (5 deals)
Solar Power Stations	3,107 (3 deals)	0 (0 deal)
Total	86,739 (36 deals)	166,773 (35 deals)

Change in Amount and Number of Deals Structured



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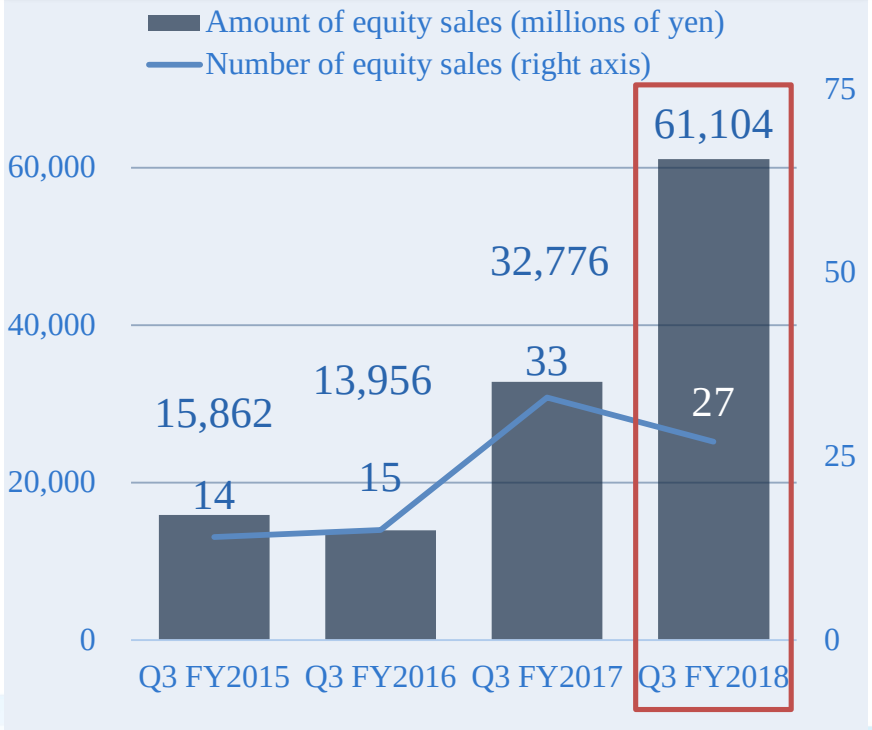
Equity Sales

Amount and Number of Equity Sales* by Type of Asset

(Millions of yen)	Q3 FY2017	Q3 FY2018
Aircraft	27,038 (25 deals)	51,652 (19 deals)
Vessel	1,702 (2 deals)	1,366 (2 deals)
Container box	1,870 (3 deals)	8,086 (6 deals)
Solar Power Stations	2,164 (3 deals)	0 (0 deal)
Total	32,776 (33 deals)	61,104 (27 deals)

Change in Amount and Number of Equity Sales*



* Note: Transfer of equity interest in special-purpose companies(SPC) as defined in Article 2, Paragraph 2-5 of the Financial Instruments and Exchange Act

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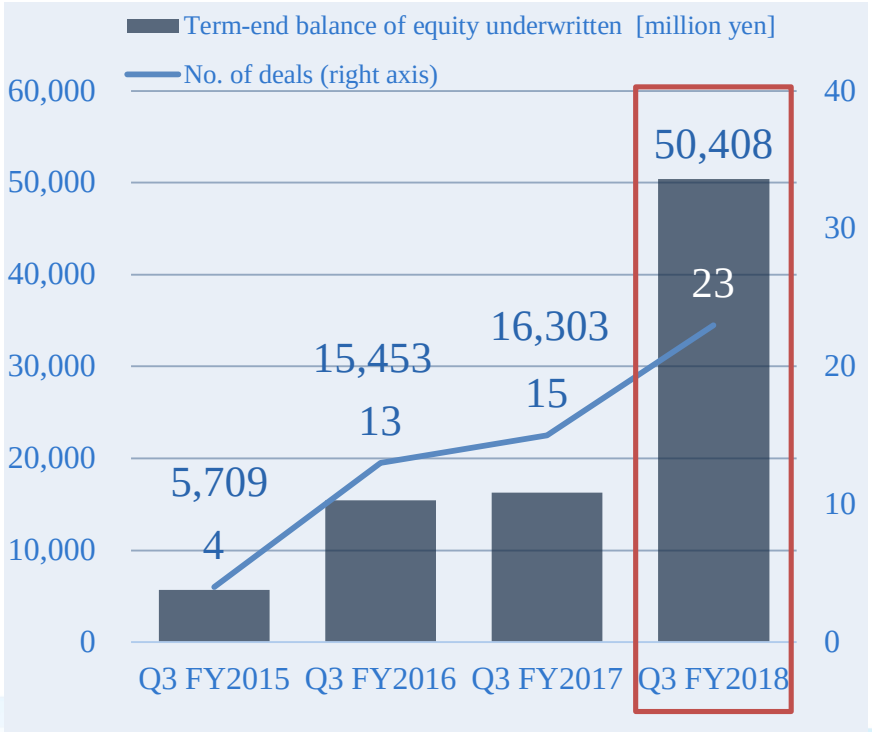
Balance of Equity underwritten* at the End of the Term

Balance and Number of Equity underwritten* at the end of the term by Type of Asset

(Millions of yen)	Q3 FY2017	Q3 FY2018
Aircraft	10,925 (10 deals)	49,296 (22 deals)
Vessel	2,042 (3 deals)	0 (0 deal)
Container box	3,335 (2 deals)	1,112 (1 deal)
Total	16,303 (15 deals)	50,408 (23 deals)

* Note: Falls under the item "Merchandise Investments" of Balance Sheet

Balance of Equity underwritten* at the end of the term



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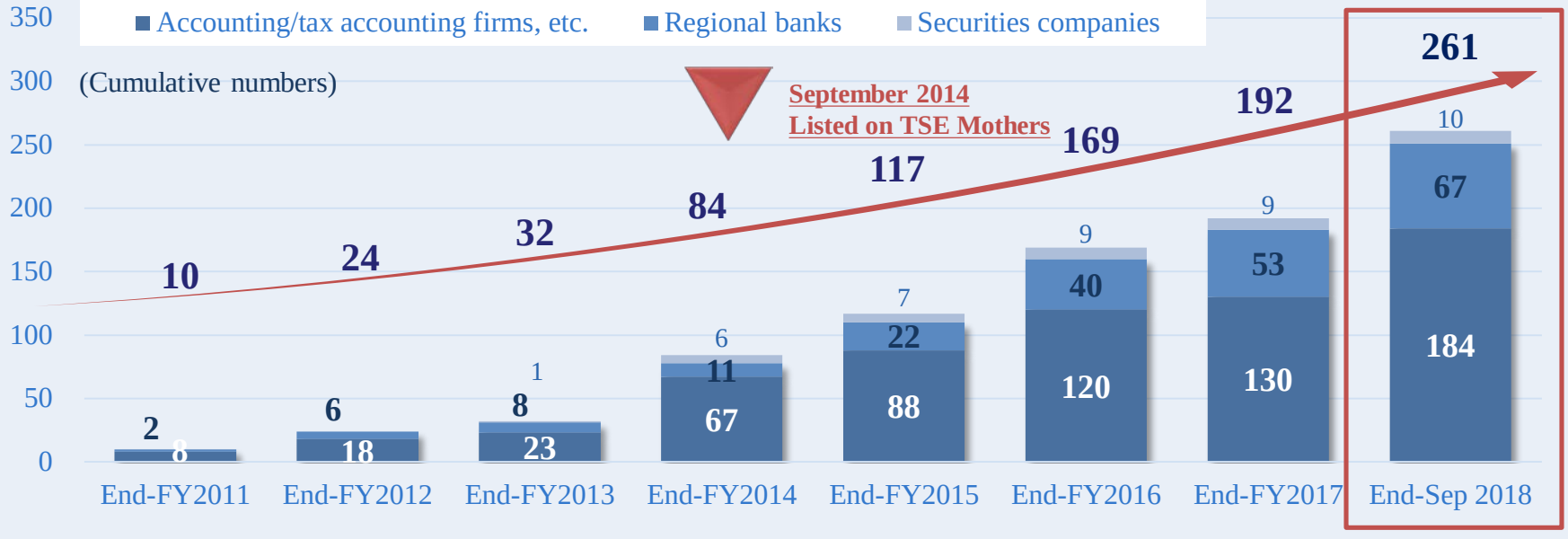
Growth of the Sales Network (Business Matching Partners)

- ✓ In the Third quarter of 2018 (3 months), business matching contracts were executed with 25 accounting/tax accounting firms , 5 regional banks and 1 securities company
- ✓ At the end of the third quarter of 2018, there were matching agreements with 184 accounting/tax accounting firms, 67 regional banks and 10 securities companies, a total of 261 partners.



Note: Figures for End-FY2016, End-FY2017 and End-Sep 2018 include the total number of matching contracts for JP Lease Products & Services Co., Ltd. and Finspire Inc. (only for JP Lease Products & Services Co., Ltd. was shown until the previous materials for FY2017)

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Third Quarter of FY2018

3. Financial Results

Q3 FY2018 Consolidated Income Statement Summary (1)

(Millions of yen)	Q3 FY2017 Results	Q3 FY2018 Results	YoY change	YoY change (%)
Net sales	4,784	10,198	+5,414	113.2%
Cost of sales	1,284	2,279	+995	77.5%
Gross profit *1	3,500	7,919	+4,419	126.3%
SG&A expenses *2	1,036	1,898	+861	83.1%
Operating profit	2,463	6,020	+3,557	144.4%
Non-operating income *3	261	737	+475	182.0%
Non-operating expenses *4	761	1,784	+1,023	134.4%
Ordinary profit	1,963	4,973	+3,009	153.3%
Profit attributable to owners of parent	1,121	2,989	+1,868	166.6%

*1. Gross profit

Gross profit margin increased 4.5% to 77.6%.

*2. SG&A expenses

SG&A expenses ratio decreased 3.1% to 18.6%.

*3. Non-operating income

Year on Year Comparison out of 475 million yen increased

- Interest income Increased 150 million
- Gain on sale of special-purpose companies(SPC) investments Increased 142 million

Exchange gain was 180 million yen in the current term.
(exchange loss of 107 million yen in the previous term)

*4. Non-operating expenses

Year on Year Comparison out of 1,023 million increased

- Equity losses of affiliates Increased 590 million
- Interest expense Increased 179 million
- Non-operating commissions expense Increased 306 million

(Increase due to the expansion of the committed credit line)

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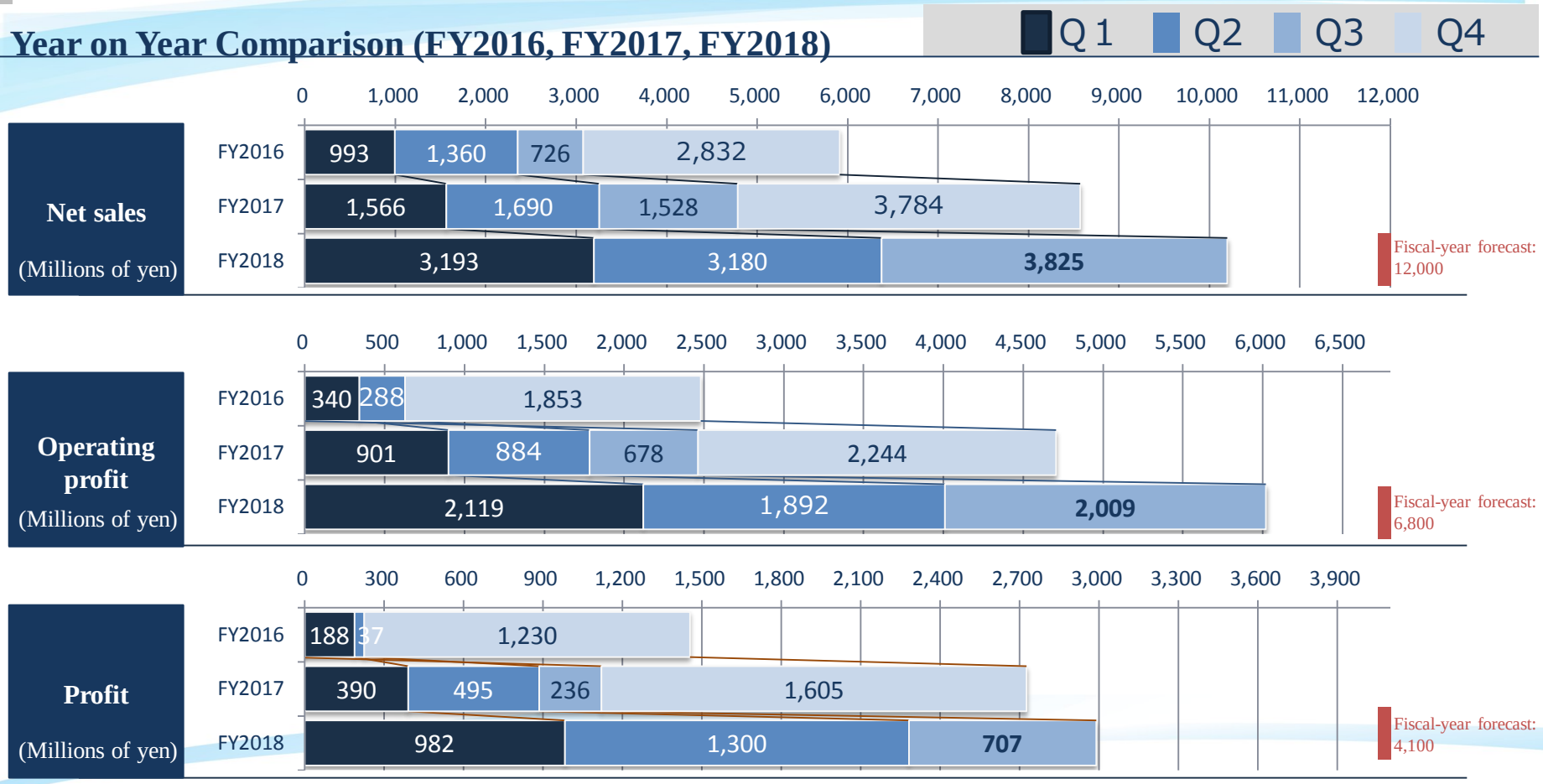
Q3 FY2018 Consolidated Income Statement Summary (2)

Year on Year Comparison (FY2016, FY2017, FY2018)



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Q3 FY2018 Consolidated Balance Sheet Summary (1)

(Millions of yen)	Sep. 30, 2017 (1)	Dec. 31, 2017 (2)	Sep. 30, 2018 (3)	YoY change (3) – (1)	Vs. Dec. 31, 2017 (3) – (2)
	Results	Results	Results		
*1 Cash and deposits	11,205	11,484	22,605	+11,400	+11,120
Accounts receivable - trade	1,499	2,234	4,311	+2,811	+2,077
*2 Merchandise	2,005	3,602	4,037	+2,031	+434
*3 Equity underwritten	16,303	33,781	50,408	+34,105	+16,626
Costs on uncompleted services	379	959	875	+496	▲83
Advance payments - trade	3,660	2,484	1,836	▲1,823	▲648
*4 Advances paid	4,862	2,398	5,736	+873	+3,337
Other	3,367	5,732	7,762	+4,395	+2,030
Current assets	43,282	62,678	97,573	+54,290	+34,894
Property, plant and equipment	92	90	125	+33	+34
Intangible assets	37	70	56	+18	▲14
Investments and other assets	1,879	3,127	1,839	▲39	▲1,287
Non-current assets	2,009	3,288	2,021	+12	▲1,266
Deferred assets	7	48	71	+64	+23
Total assets	45,298	66,015	99,666	+54,367	+33,650

*1. Cash and Deposits

YoY change ¥11,400 million

It saw a temporary rise due to issuance of new shares and sale of shares from May through June.

*2. Merchandise

Inventories in the aircraft part-out & conversion business increased ¥ 2,031 million YoY.

*3. Equity underwritten

special-purpose companies(SPC) investments to be sold in the operating lease business increased ¥ 34,105 million YoY.

*4. Advances paid

Advances paid mainly for investments in the renewable energy business increased ¥ 873 million YoY.

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Q3 FY2018 Consolidated Balance Sheet Summary (2)

(Millions of yen)	Sep. 30, 2017 (1)	Dec. 31, 2017 (2)	Sep. 30, 2018 (3)	YoY change (3) – (1)	Vs. Dec. 31, 2017 (3) – (2)
	Results	Results	Results		
Accounts payable - trade	16	16	26	+10	+10
*1 Short-term loans payable	28,915	42,990	59,235	+30,320	+16,245
*2 Unearned revenue	1,325	2,674	4,719	+3,393	+2,045
Income taxes payable	140	2,162	386	+245	▲1,776
Other	1,284	1,507	1,144	▲140	▲363
Current liabilities	31,683	49,351	65,511	+33,828	+16,160
Non-current liabilities	827	2,408	4,074	+3,246	+1,666
Total liabilities	32,510	51,759	69,585	+37,075	+17,826
*3 Capital stock	4,536	4,544	11,636	+7,099	+7,092
*3 Capital surplus	4,478	4,478	11,574	+7,095	+7,095
Retained earnings	3,751	5,356	8,006	+4,255	+2,650
*4 Treasury shares	-200	-200	-1,447	▲1,247	▲1,247
Shareholders' equity	12,566	14,179	29,770	+17,203	+15,590
Other	221	76	310	+88	+233
Total net assets	12,788	14,255	30,080	+17,292	+15,824

*1. Short-term loans payable

Short-term loans payable rose ¥30,320 million YoY due to temporary acceptance of special-purpose companies(SPC) investments after actively structured.

*2. Unearned revenue

Unearned revenue increased ¥3,393 million YoY due to higher number of deals available for sale across the fiscal periods.

*3. Capital stock, Capital surplus

May 2018 Capital increased through public offering

June 2018 Allocated new shares to a third party as shares were sold through over-allotment (OA). As a result, JIA procured 13,992 million yen

*4. Treasury shares

We bought treasury shares at 1,247 million yen in the stock market in the 3rd quarter.

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4. Growth Strategy

Our Growth Strategy

1	**Further strengthen the three core businesses (operating lease, renewable energy, aircraft part-out & conversion).**
2	**Expand the comprehensive financial solutions services.**
3	**Aim for growth of IT and human resource services, where synergies with the financial solutions business are expected, and growth of new financial services (fintech) that utilize artificial intelligence.**

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1. Making The Three Main Businesses More Powerful

◆ Expansion of Client Airline Companies (Operating Lease Business for Aircraft)

Development of airlines in a new area in addition to Europe where there are many existing business partners

✓ Newly structuring portfolios with 8 airline companies in 2018 (3 in Europe, 3 in America , 1 in Middle East and 1 in Japan)

◆ Expansion of Target Models' Portfolio (Operating Lease Business for Aircraft)

Expansion of opportunity of deal through expansion of portfolio of the assets subject to operating lease

✓ In addition to NARROW BODY (1 aisle), which is the strong point, the portfolio of WIDE BODY (2 aisles) expanded.

✓ Made an agreement to purchase 10 Boeing 737MAX8 aircrafts manufactured by the Boeing Company, in August 2017. The list price* of 10 aircraft amounts to approximately 1.12 billion US dollars (approx.123.2 billion JPY).
4 and 6 aircraft are to be delivered in 2021 and 2022 respectively.



NOTE* List price means the catalogue price.

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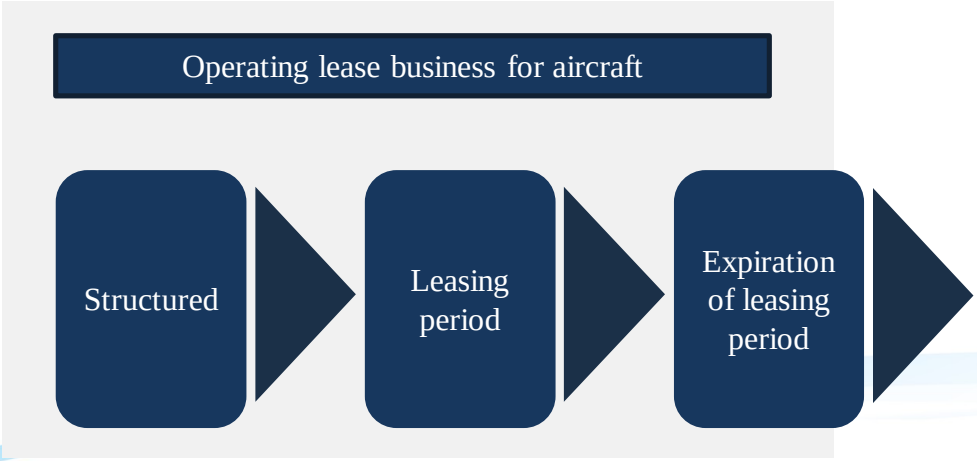
1. Making The Three Main Businesses More Powerful

◆ Aircraft Part-Out & Conversion Business

Realizing synergy effects with existing businesses through capital and business tie-up with Vallair Capital SAS since 2015

- ■ Part-out Business　It disassembles the bodies of retire aircraft, carries out inventory control of each part, and sells them to users around the globe (servicing companies, leasing companies, airline companies, etc.)
- ■ Conversion Business　It modifies and recycles old passenger aircraft into cargo aircraft.

✓ Turning the exit risk of operating lease of secondhand aircraft into a profit-making opportunity and expanding the options of aircraft utilization after the expiration of the leasing period.



Tie-up business with Vallair Capital

Conversion Business
Modify into cargo aircrafts and lease
Modify into cargo aircrafts and sell
Part-out Business
Dissemble the aircraft body and sell its parts

Cooperation with tie-up companies such as Arena Aviation Partners B.V.

Lease as secondhand aircrafts
Sell as secondhand aircrafts

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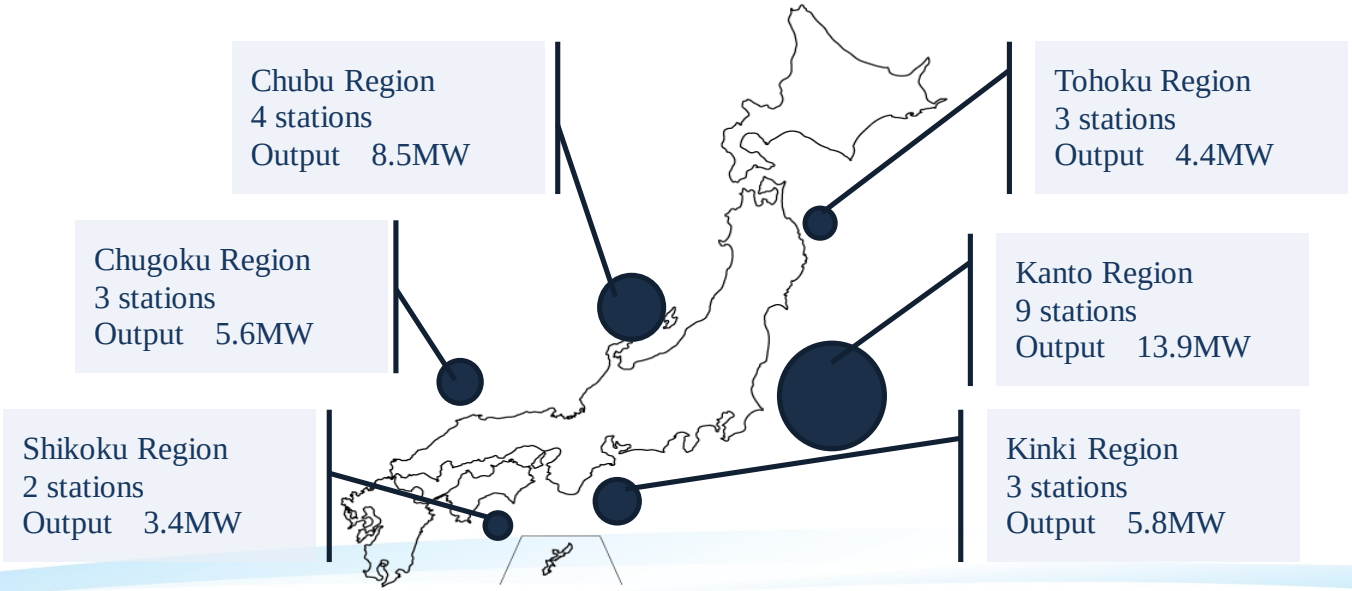
1. Making The Three Main Businesses More Powerful

◆ Stable business operation offering yen-denominated yield products

- ✓ Since there are stable needs for them as yen-denominated yield products, we operate business while assessing profitability carefully.
- ✓ We have the experience of operating 24 solar power stations, and earn stable revenue from operation outsourcing fees.

Operational status of solar power stations at the end of Sep 2018

24 stations
Output 41.8MW



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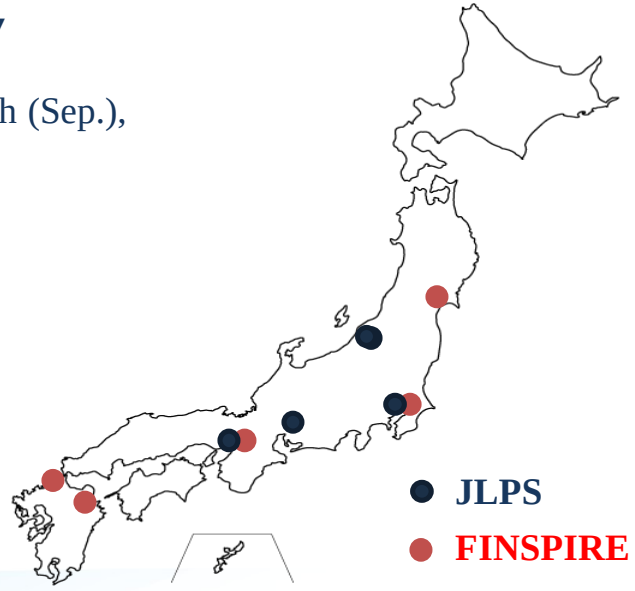
2. Expand The Comprehensive Financial Solutions Services

◆ Expansion of Sales Bases and Services

Providing a solution service that matches customers' needs and responding to diverse demands of small and medium enterprises of Japan by utilizing the network of regional banks, tax offices, etc.

- **Opened branch of a wholly owned subsidiary of JIA, JP Lease Products & Services Co., Ltd. (JLPS)**
  - ✓ In 2018, JLPS opened Nagoya Branch (Jul.) and Niigata Branch (Sep.), strengthening the contact points with BM clients and investors.
- **Full-fledged entry of Insurance Agency Business by a wholly owned subsidiary of JIA, Finspire Inc.**
  - ✓ Insurance Network Co., Ltd. started the insurance agency business in November 2017.
  - ✓ Finspire Inc. absorbed Insurance Network Co., Ltd. on January 4, 2018.
  - ✓ Developing operating lease business and insurance agency business by having business bases in Tokyo, Osaka, Fukuoka , Oita and Sendai(Oct.) .



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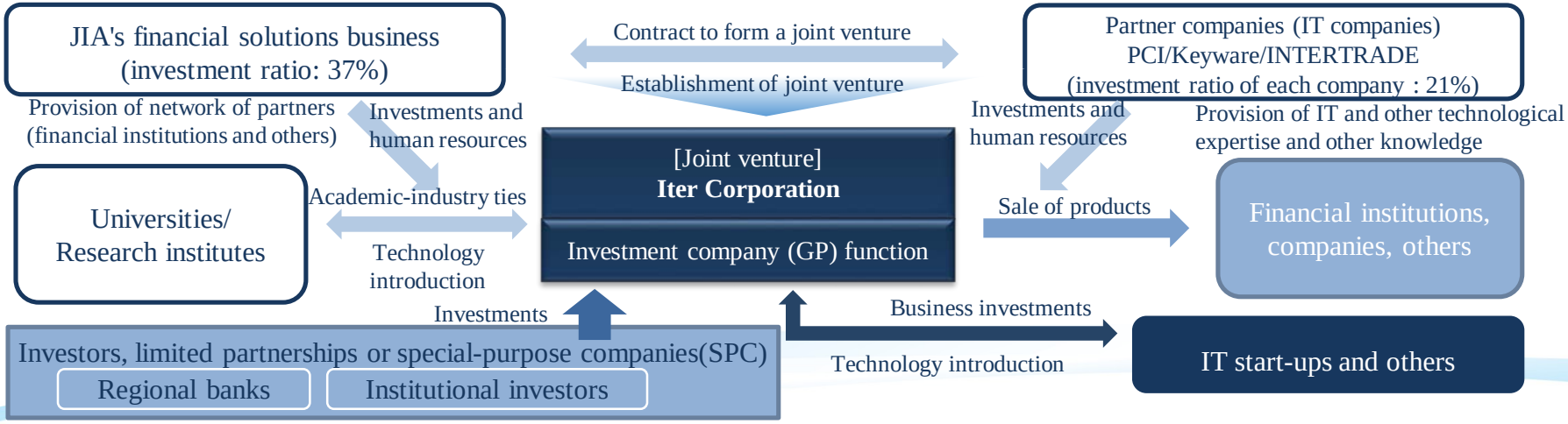
3. Growth of Financial Services (Financial Technology)

◆ Financial Services (Financial Technology)

Sales of fintech products start at joint venture Iter Corporation.

- ✓ In May 2017, JIA established a joint venture with three other companies: PCI Holdings (TSE 1st section), Keyware Solutions (TSE 2nd section) and INTERTRADE (TSE 2nd section).
- ✓ Iter develops advanced data and communications technologies involving artificial intelligence, big data analysis and other fields. The company plans to use these technologies for solution products sold to financial institutions and institutional investors.
- ✓ Iter is aiming to quickly add new businesses by using business investments in technology companies in order to acquire new technologies and provide information to financial institutions and other organizations with an interest in this business sector.



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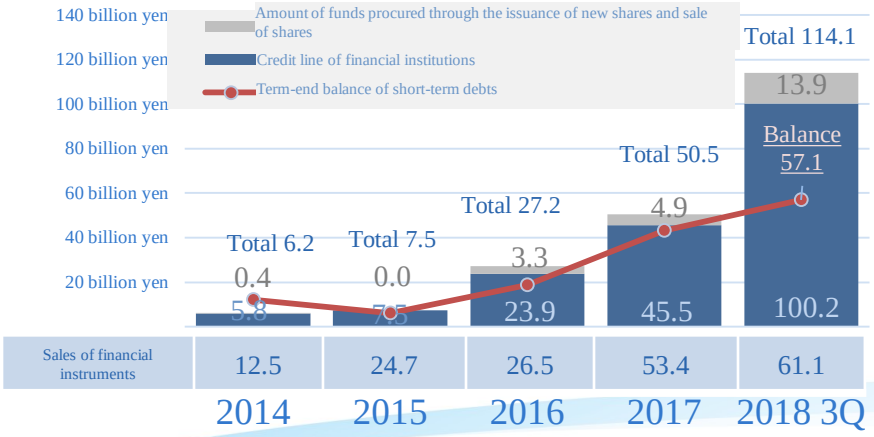
Topics (financing)

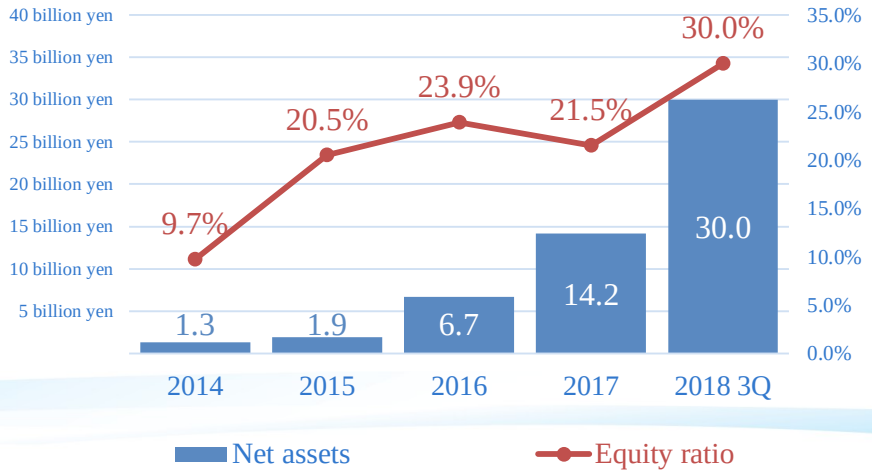
◆ We actively conduct investments, after the increase in our capital and credit line.

- ✓ We procured 13,992 million yen through the capital increase carried out from May to June 2018.
- ✓ The committed credit lines for financial institutions increased, and equity ratio is 20-30%.
- ✓ We have developed a fund procurement system for the portfolio in the next fiscal year.

Variation in fund procurement



Variation in Net Assets/Equity Ratio



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Topics (acquisition of treasury shares)

◆ Acquisition of treasury shares (announced on Aug. 13, 2018)

✓We implemented flexible capital measures in response to the changes in the business environment, improving capital efficiency and securing the flexibility of capital measures.

✓To acquire 300,000 treasury shares at 1,270 million yen (by Oct. 3)

✓Cumulative total number of treasury shares: 540,000
(Ratio to the total number of outstanding shares:1.79%)

⇒ Held as treasury shares (stock options, M&A, etc.)

（For reference）State of acquisition of treasury shares

Acquisition period	No. of shares acquired	Total price of shares acquired	Acquisition method
Jul. to Aug. 2015	240,000 (Note)	199 million yen	Purchase in the stock market
Aug. to Oct. 2018	300,000	1,270 million yen	Purchase in the stock market
Total	540,000	1,469 million yen	

Note: The 2-for-1 share split conducted on Sep. 1, 2017 was taken into account.

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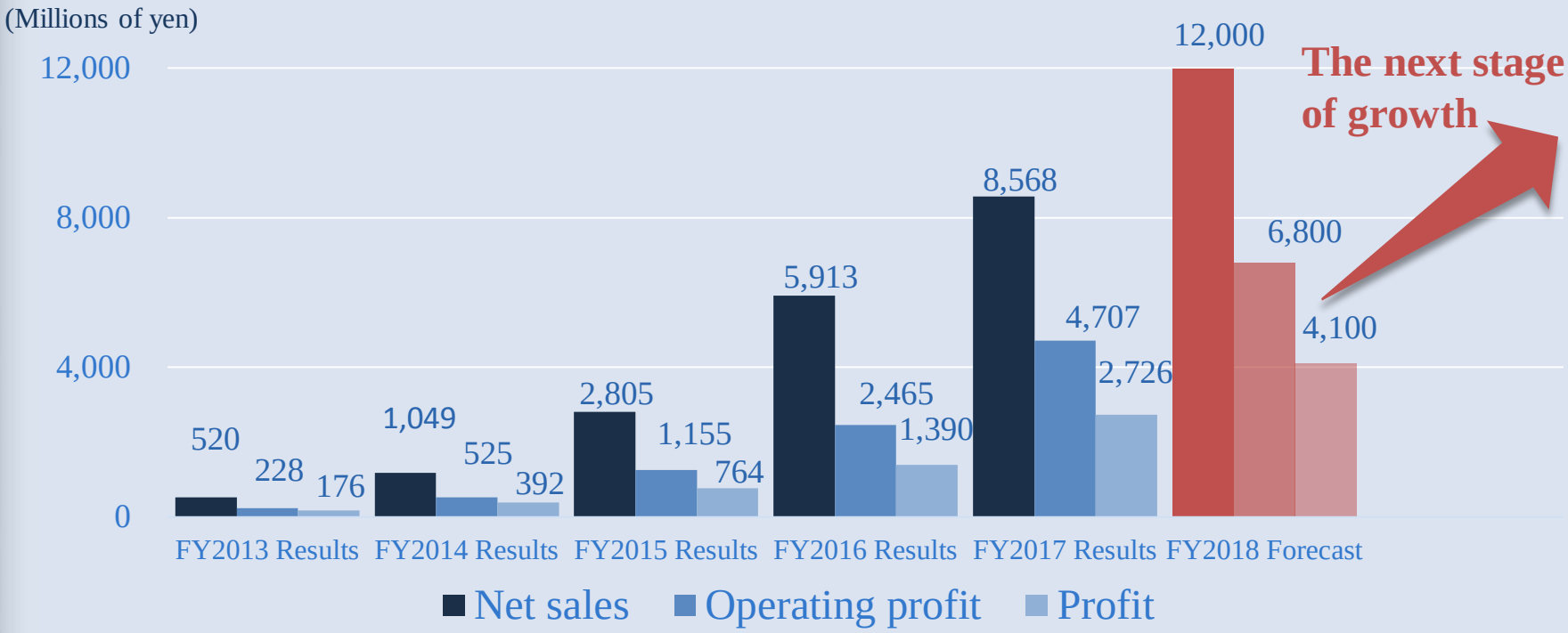
Six-year Consolidated Financial Summary

◆ **Continue to aim for annual profit growth of at least 50%**



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5. Shareholder Return

FY2018 Dividend Forecast

◆ **Our dividend policy is to aim for a consolidated payout ratio of at least 20% in the medium to long term**

Basic Policy for Shareholder Return

- ✓ The basic policy of JIA for the profit distribution is to place priority on returning profits to shareholders by continuously paying a stable dividend. The dividend also takes into account the need for retaining earnings as required for funding future business activities and strengthening business operations.
- ✓ JIA conducted a 2-for-1 common stock split on September 1, 2017. After adjusting dividends as if this stock split was conducted on January 1, 2016, the FY2017 dividend of ¥9 is an increase of ¥4 from the FY2016 dividend of ¥5.
- ✓ JIA plans to pay a dividend of ¥13 for FY2018.

		Interim dividend	Year-end dividend	Annual dividend
FY2016	Actual	2 yen(*)	3 yen (*)	5 yen (*)
FY2017	Actual	3 yen (*)	6 yen	9 yen (*)
FY2018		5.5 yen (actual)	7.5 yen (forecast)	13 yen (forecast)

* A 2-for-1 share split was conducted on September 1, 2017. Accordingly, the interim, term-end, and annual dividends for the term ended Dec. 2016 and the interim dividend for the term ended Dec. 2017 were calculated based on the standards after the share split, instead of using the dividend amounts before the share split.

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Profitability Indicators

◆ Return on equity remains high due to strong earnings and rapidly growth of business operations

✓ Earnings were used for dividends and retained earnings will be used for carefully selected investments in order to maintain high profitability and a rapid growth rate.

	FY2014	FY2015	FY2016	FY2017	FY2018
	Actual	Actual	Actual	Actual	(Forecast)
Payout ratio	—	—	8.5%	8.4%	8.6%
Equity ratio	9.5%	20.5%	23.9%	21.5%	-
ROA	8.6%	10.8%	11.9%	8.9%	-
Profit to sales	37.5%	27.2%	23.5%	31.8%	34.2%
Increase in profit	+122.7%	+80.6%	+81.8%	+96.1%	+50.4%
ROE	42.1%	46.3%	32.1%	26.0%	-

* The full-year forecast has not been changed from the initial one.

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Shareholder Incentives

◆ Descriptions of shareholder incentives in FY2017

✓ We expanded the incentive plan for shareholders to encourage more shareholders to maintain their investment loyalty over the medium- to long-term period. (Revisions made due to the stock split of September 1, 2017)

(1) Eligible shareholders	Perks are provided to all shareholders recorded in the shareholder register as of December 31
(2) Allocation date	End of December (once each year)
(3) Gift	QUO Card and free subscription of Nihon Securities Journal (Digital Version)
(4) Gift eligibility	The number of shares (QUO Card + subscription ticket of Nihon Securities Journal (Digital Version)) **Period of less than one year** 100 or more and less than 2,000 shares → QUO Card worth ¥1,000 + One-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥3,000 2,000 shares or more → QUO Card worth ¥3,000 + Three-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥9,000 **Period of one year to less than two years** 100 or more and less than 2,000 shares → QUO Card worth ¥3,000 + Three-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥9,000 2,000 shares or more → QUO Card worth ¥5,000 + Six-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥18,000 **Period of two years or more** 100 or more and less than 2,000 shares → QUO Card worth ¥5,000 + Three-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥9,000 2,000 shares or more → QUO Card worth ¥10,000 + Six-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥18,000
(5) Definition of continuous ownership period	A continuous ownership period is the time during which an investor holds JIA stock without any interruption. This is defined as the length of time JIA stock is held continuously starting on the day an investor is recorded in the shareholder register and ending on the record date (December 31 every year).

Note: As the above incentives are FY2017 results, future plans may be changed.

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6. References

Reference Information on Our Group's Investment

◆ Investment in NeuroSky, Inc. (launch of a business of utilizing data on biological signals)

- ✓ NeuroSky, Inc. globally leads the consumer electroencephalogram (EEG) and electrocardiogram (ECG) markets, which are rapidly growing.
- ✓ In Sep. 2018, NeuroSky, Inc. (San Jose, California, the U.S.) and JPE No1. Co., Ltd., a 100% subsidiary, established a joint venture (NeuroSky Japan, Inc.; Chuo-ku, Tokyo).
- ✓ It aims to become a leading company in Japan, in the health-tech field utilizing data on biological signals (brain waves, electrocardiograms, electromyograms, etc.).

(1) Solution for visualizing emotions, enhancing concentration, and helping acquire the skill to relax

(2) Solution for detecting a mental disorder at an early stage

(3) Security management solutions, including personal authentication (cooperation with the fintech business)

◆ Realization of IPO from companies that private equity business invested in

- ✓ Bank of Innovation Inc. (code: 4393), a company which JIA invested in, got listed on Tokyo Stock Exchange Mothers on July 24, 2018.

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Reference Info Regarding Frequently Asked Questions

◆ Regarding the effects of the revision to the International Financial Reporting Standards (lease accounting) on JIA Group

- ✓ In accordance with the decision of the International Accounting Standards Board (IASB), the companies that comply with the International Financial Reporting Standards (IFRS) post lease liabilities while recognizing the right of use as a borrower as assets in all lease transactions, excluding short-term lease and lease of low-value assets, pursuant to IFRS No. 16, from the fiscal year starting on Jan. 1, 2019 or later. (Revised so that lease charges are depreciated as lease assets rather than being posted as expenses.)
- ✓ Some people expressed concerns over the shrinkage of the lease market and the influence of this revision on the performance of JIA Group, but JIA issued a news release expecting that the direct impact on the performance of JIA Group would be minor. (Jul. 3, 2018)

Merits of utilization of operating leases

Lessees	Fund procurement in various ways ・Reduction in fund procurement cost ・Expansion of fund procurement capacity Flexibility of target assets ・It is possible to return aircraft after the lease period.
Investors (sponsors)	・Utilization as investment products

Assumed effects of the revision to IFRS (lease accounting)

Lessees	・Increase of total assets, as lease assets are posted in balance sheets. Worsening of financial indicators, such as ROA. ・Accounting processes becoming cumbersome
Investors (sponsors)	・Unless Japanese tax systems are revised, there will be no direct impact of the revision to IFRS.

As lessees are mainly global companies that comply with IFRS, such as overseas airliners, it is considered that the possibility of the decline in demand for “operating leases” due to cumbersome accounting processes is very low.

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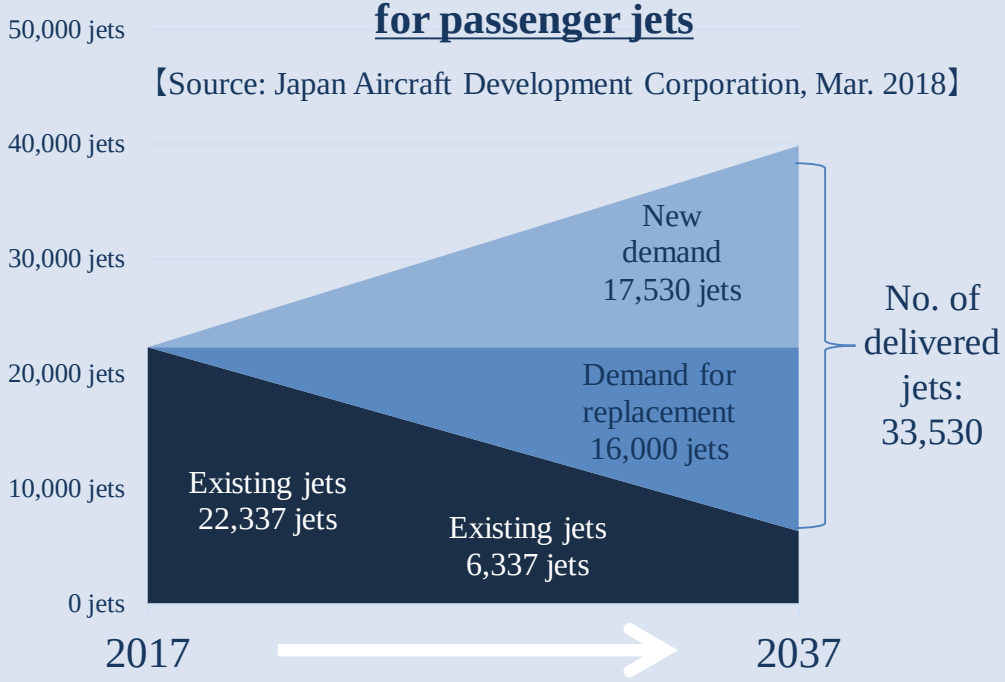
Reference Info Regarding The Operating Lease Market Scale

◆ World wide Variation in the aircraft market scale

◆ World wide Forecast of demand for passenger jets

【Source: Japan Aircraft Development Corporation, Mar. 2018】



According to a survey by Japan Aircraft Development Corporation,

> As the demand for passenger transportation is expected to increase due to the global economic growth, the number of passenger jets in operation is estimated to rise 1.78 times from 22,337 in 2017 to 39,867 in 2037.

Out of them, 16,000 is for the demand for replacement of existing airplanes, while 17,530 is for new demand in response to the increase of passengers.

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Investor Briefings in 2018

◆ Events held in 2018

Feb.	13 15 20 21	Investor Briefings for Institutional Investors in Tokyo, hosted by The Securities Analysts Association of Japan Investor Briefings for Individual Investors in Osaka, hosted by SMBC Nikko Securities Investor Briefings for Individual Investors in Tokyo, hosted by Mizuho Securities Investor Briefings for Individual Investors in Tokyo, hosted by Mizuho Securities
Mar.	6	Investor Briefings for overseas Institutional Investors in Malaysia, hosted by Nihon Securities Journal Research
Apr.	12	Investor Briefings for Individual Investors in Takamatsu, hosted by Daiwa Securities
Jun.	11-13	Investor Briefings for Institutional Investors in Hong Kong and Singapore, hosted by Daiwa Securities
Jul.	6	Investor Briefings for Individual Investors in Kita-Kyushu, hosted by Daiwa Securities
Aug.	7 10	Investor Briefings for Institutional Investors in Tokyo, hosted by The Securities Analysts Association of Japan Investor Briefings for Individual Investors in Sapporo, hosted by Nihon Securities Journal Research
Oct.	10 11 12	Investor Briefings for Individual Investors in Kobe, hosted by Mitsubishi UFJ Morgan Stanley Securities Investor Briefings for Individual Investors in Tokushima, hosted by Mizuho Securities Investor Briefings for Individual Investors in Takamatsu, hosted by SMBC Nikko Securities

◆ Events planned for 2018

Nov.	20	Investor Briefings for Individual Investors in Hiroshima, hosted by Hirogin Securities
	21	Investor Briefings for Individual Investors in Fukuoka, hosted by Nihon Securities Journal Research
	22	Investor Briefings for Individual Investors in Kumamoto, hosted by Mizuho Securities

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We may reply to you in writing, and it may take some time to respond to your inquiries. Please note that we will respond on or after the following business day if your inquiries are received on weekends, holidays, or the year-end and New Year holidays.

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