Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2019 (FY2019) (Six Months Ended June 30, 2019)

[Japanese GAAP]

August 2, 2019

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Scheduled date of filing of Quarterly Report: August 9, 2019
Scheduled date of dividend payment: September 2, 2019
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes

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

1. Consolidated Financial Results for the Second Quarter (January 1 to June 30, 2019) of FY2019

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2019	6,046	(2.1)	3,147	(18.0)	2,694	(21.6)	1,765	(18.4)
Six months ended Jun. 30, 2018	6,176	89.6	3,837	114.9	3,438	118.0	2,162	144.3

Note: Comprehensive income Six months ended Jun. 30, 2019: 1,754 million yen (down 21.7%)
Six months ended Jun. 30, 2018: 2,240 million yen (up 164.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2019	59.45	58.02
Six months ended Jun. 30, 2018	78.94	75.86

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2019	150,373	33,541	22.2	1,123.20
As of Dec. 31, 2018	106,776	32,080	30.0	1,077.87

Reference: Owners' equity As of Jun. 30, 2019: 33,457 million yen As of Dec. 31, 2018: 32,003 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	-	5.5	-	9.5	15.0
FY2019	-	9.5			
FY2019 (forecast)			-	12.5	22.0

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

3. Consolidated Forecast for FY2019 (January 1 to December 31, 2019)

(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	20,000	33.0	11,500	31.2	10,000	38.2	6,280	25.0	211.50

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

The percentage change from the previous fiscal year is retroactively applied as a result of the change in accounting policy, and is therefore shown in comparison with the figures for the previous fiscal year after retroactive application.

*** Notes**

(1) Changes in significant subsidiaries during the six months ended June 30, 2019 (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: None

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: Yes

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 June 30, 2019	30,328,200 shares	As of Dec. 31, 2018	30,231,600 shares

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

As of June 30, 2019	540,242 shares	As of Dec. 31, 2018	540,193 shares

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

Six months ended June 30, 2019	29,692,012 shares	Six months ended June 30, 2018	27,396,866 shares

* 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.

JIA plans to hold a financial results meeting for institutional investors and analysts on August 5, 2019.

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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.
We changed our accounting policies on the criteria for recognizing revenue in the first quarter of the current consolidated fiscal year, and the results of this year are compared with those at the end of the previous fiscal year and those of the same period last year based on the figures restated retrospectively. For more details, please see "(4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" under "2. Quarterly Consolidated Financial Statements and Notes" on Page 10.

(1) Explanation of Consolidated Results of Operations

During the second quarter of 2019, there is mounting concern over uncertainty of the global economy, such as the economic stagnation in China, the slowing economy in the United States, the trade dispute between the U.S. and China, the issue of the United Kingdom's withdrawal from the European Union (EU), and currency depreciation in emerging markets. Meanwhile, Japan is seeing a gradual boom in the economy on the back of an upward economic circulation mechanism from income to spending and is expected to sustain steady growth in the future; however, it is of concern that such negative factors as the economic slowdown overseas have an impact on Japan's export and production activities.

Under these economic environments, in our operating lease business, there has been a constant flow of inquiries from companies interested in leasing aircraft and shipping containers, and therefore, the JIA Group continues to have more opportunities for designing lease schemes, such as working on the large-scale transactions based on a new portfolio scheme, and a high volume of potential deals. Furthermore, to locate investors who fund these leases, we executed new business matching contracts with intermediary service providers all across Japan, including regional banks, securities companies, accounting offices, and consulting companies, which has provided us with a broader point of contact with local investors and, in turn, enabled us to offer them information on investment products satisfying their respective needs and receive many investments as a result.

In the renewable energy business, as the tax incentive (tax system to promote capital investment into productivity increase) was ended at the end of March 2017, the JIA Group started focusing on sales activities by shifting the investment outlet from the conventional products designed for equalization of profit to products structured for attractive returns.

In the aircraft parts-out & conversion business that is targeted at airplanes, we strived to cement the relationships with aircraft manufacturers and expand business opportunities. The parts-out business involves dismantling of retired aircraft, management of inventories of parts obtained from these disassembled planes, and sale of these parts to maintenance companies, leasing companies, airlines, and other companies. The conversion business involves remodeling of old passenger aircraft into cargo and other similar kinds of planes, and recycling and resale of these remodeled planes.

In the insurance agency business, despite the impact of the discontinuation of sale of some of the term insurance products designed for corporations, we are focused on providing services which meet our customers' needs.

Since the sale of the above-mentioned large-scale portfolio projects will be conducted in the third quarter or later, there were 25 deals with an aggregate value of 39,390 million yen during the second quarter of 2019. Net sales decreased 2.1% year on year to 6,046 million yen, operating profit decreased 18.0% to 3,147 million yen, ordinary profit decreased 21.6% to 2,694 million yen and profit attributable to owners of parent was down 18.4% to 1,765 million yen.

(2) Explanation of Consolidated Financial Position

1) Assets, liabilities and net assets

Assets

Total assets increased 43,596 million yen from the end of 2018 to 150,373 million yen at the end of the second quarter of 2019. This was mainly due to increases in equity underwritten of 31,043 million yen, cash and deposits of 5,868 million yen, costs on uncompleted services of 3,612 million yen, and deposits paid of 2,735 million yen, while there was a decrease in advance payments-trade of 4,029 million yen.

Liabilities

Total liabilities increased 42,135 million yen from the end of 2018 to 116,832 million yen at the end of the second quarter of 2019. This was mainly due to increases in short-term loans payable of 31,686 million yen, unearned revenue of 8,769 million yen and long-term loans payable of 1,373 million yen, while there was a decrease in accounts payable-operating of 1,093 million yen.

Net Assets

Total net assets increased 1,461 million yen from the end of 2018 to 33,541 million yen. This was mainly due to booking of profit attributable to owners of parent of 1,765 million yen in the second quarter of 2019.

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the second quarter of 2019 increased 5,868 million yen from the end of 2018 to 26,160 million yen.

The cash flow components during the second quarter of 2019 and the main reasons for changes are as described below.

(Cash flows from operating activities)

Net cash used in operating activities was 25,895 million yen (compared with 11,434 million yen used in the same period of 2018). Main positive factors include a 8,769 million yen increase in unearned revenue, a 4,029 million yen decrease in advance payments-trade, and a 2,694 million yen book in profit before income taxes. While major negative factors include increases in equity underwritten of 31,043 million yen, inventories of 3,229 million, deposits of 2,735 million yen, and income taxes paid of 1,256 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 2,230 million yen (compared with 1,775 million yen used in the same period of 2018). Main factors include 2,027 million yen for the purchase of investment securities and payments of 739 million yen for loans receivable.

(Cash flows from financing activities)

Net cash provided by financing activities was 34,625 million yen (compared with 29,632 million yen provided in the same period of 2018). Main positive factors include a 85,279 million yen increase in short-term loans payable and proceeds of 2,750 million yen from long-term loans payable and proceeds of 800 million yen from the issuance of bonds. While main negative factors include a 52,522 million yen decrease in short-term loans payable

and repayments of long-term loans payable of 961 million yen.

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

As for the consolidated earnings forecast for the term ending December 2019, the consolidated earnings forecast announced on February 7, 2019 was revised, while considering the recent business performance. For details, please see the “Notification regarding the revision to the earnings forecast” announced on July 22, 2019.

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)

	FY2018 (As of Dec. 31, 2018)	Second Quarter of FY2019 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	20,292,651	26,160,706
Accounts receivable-trade	4,438,726	4,719,192
Merchandise	4,705,505	4,180,054
Operational investment securities	803,164	944,884
Equity underwritten	51,063,287	82,107,120
Costs on uncompleted services	1,059,725	4,672,597
Advance payments-trade	9,232,205	5,202,921
Advances paid	6,236,952	7,114,580
Short-term loans receivable	1,505,018	1,625,109
Deposits paid	1,901,788	4,637,293
Other	1,130,918	1,741,550
Total current assets	102,369,945	143,106,010
Non-current assets		
Property, plant and equipment	146,202	405,875
Intangible assets	48,724	54,234
Investments and other assets	4,139,989	6,720,287
Total non-current assets	4,334,916	7,180,397
Deferred assets		
Bond issuance cost	72,067	87,348
Total deferred assets	72,067	87,348
Total assets	106,776,929	150,373,757
Liabilities		
Current liabilities		
Accounts payable-trade	33,512	21,877
Accounts payable-operating	1,516,649	422,825
Short-term loans payable	60,431,945	92,118,785
Current portion of long-term loans payable	1,342,015	1,757,862
Current portion of bonds	802,000	962,000
Accounts payable-other	239,979	146,144
Unearned revenue	4,034,385	12,804,034
Income taxes payable	1,377,676	1,971,619
Other	1,009,125	1,110,113
Total current liabilities	70,787,289	111,315,261
Non-current liabilities		
Bonds payable	2,268,000	2,507,000
Long-term loans payable	1,609,014	2,982,126
Other	32,078	27,630
Total non-current liabilities	3,909,092	5,516,756
Total liabilities	74,696,381	116,832,018
Net assets		
Shareholders' equity		
Capital stock	11,639,700	11,646,134
Capital surplus	11,574,376	11,580,810
Retained earnings	10,176,367	11,659,441
Treasury shares	(1,470,585)	(1,470,719)
Total shareholders' equity	31,919,859	33,415,667
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,166	66,502
Foreign currency translation adjustment	(409)	(24,195)
Total accumulated other comprehensive income	83,756	42,307
Subscription rights to shares	16,171	16,162
Non-controlling interests	60,760	67,602
Total net assets	32,080,547	33,541,739
Total liabilities and net assets	106,776,929	150,373,757

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statement of Income)

(For the Six-month Period)

(Thousands of yen)

	First six months of FY2018 (Jan. 1 – Jun. 30, 2018)	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)
Net sales	6,176,318	6,046,478
Cost of sales	1,197,457	1,485,158
Gross profit	4,978,860	4,561,319
Selling, general and administrative expenses	1,141,706	1,414,249
Operating profit	3,837,153	3,147,069
Non-operating income		
Interest income	139,905	82,285
Gain on sales of equity underwritten	177,829	305,311
Commission fee	10,388	24,570
Foreign exchange gains	51,334	-
Other	349	46,125
Total non-operating income	379,806	458,292
Non-operating expenses		
Interest expenses	233,108	318,776
Commission fee	171,469	142,246
Foreign exchange losses	-	354,234
Share of loss of entities accounted for using equity method	305,487	86,553
Share issuance cost	57,077	-
Other	10,965	8,559
Total non-operating expenses	778,108	910,371
Ordinary profit	3,438,851	2,694,991
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	14,999	-
Total extraordinary income	14,999	-
Extraordinary losses		
Loss on valuation of investment securities	62,499	-
Office transfer expenses	2,226	-
Total extraordinary losses	64,726	-
Profit before income taxes	3,389,125	2,694,991
Income taxes	1,156,518	899,193
Profit	2,232,600	1,795,797
Profit (loss) attributable to non-controlling interests	69,903	30,654
Profit attributable to owners of parent	2,162,703	1,765,142

(Quarterly Consolidated Statement of Comprehensive Income)

(For the Six-month Period)

(Thousands of yen)

	First six months of FY2018 (Jan. 1 – Jun. 30, 2018)	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)
Profit	2,232,606	1,795,797
Other comprehensive income		
Valuation difference on available-for-sale securities	20,106	(17,663)
Foreign currency translation adjustment	(12,168)	(23,785)
Total other comprehensive income	7,938	(41,449)
Comprehensive income	2,240,544	1,754,348
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,170,641	1,723,693
Comprehensive income attributable to non-controlling interests	69,903	30,654

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2018 (Jan. 1 – Jun. 30, 2018)	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	3,389,125	2,694,991
Depreciation	9,587	17,007
Amortization of goodwill	13,003	6,701
Foreign exchange losses (gains)	(36,606)	(391,771)
Gain on sales of equity underwritten	(177,829)	(305,311)
Share of (profit) loss of entities accounted for using equity method	305,487	86,553
Loss (gain) on valuation of investment securities	62,499	-
Loss (gain) on sales of shares of subsidiaries and associates	(14,999)	-
Interest and dividend income	(139,905)	(82,285)
Interest expenses	233,108	318,776
Other loss (gain)	(4,725)	-
Decrease (increase) in notes and accounts receivable-trade	(2,941,008)	(280,466)
Decrease (increase) in inventories	(359,404)	(3,229,478)
Decrease (increase) in advance payments	728,174	4,029,283
Increase (decrease) in notes and accounts payable-trade	11,817	(1,105,458)
Decrease (increase) in equity underwritten	(13,943,343)	(31,043,832)
Decrease (increase) in advances paid	(755,961)	(870,021)
Decrease (increase) in deposits paid	642,878	(2,735,504)
Increase (decrease) in accounts payable-other	9,114	-
Increase (decrease) in unearned revenue	3,515,802	8,769,648
Others	28,805	(1,022,239)
Subtotal	(9,424,380)	(25,143,402)
Interest and dividend income received	305,780	404,558
Interest expenses paid	(229,712)	(307,436)
Income taxes refund	-	407,485
Income taxes paid	(2,085,918)	(1,256,709)
Net cash provided by (used in) operating activities	(11,434,230)	(25,895,503)
Cash flows from investing activities		
Purchase of property, plant and equipment	(38,621)	(272,043)
Purchase of intangible assets	(1,567)	(13,894)
Purchase of investment securities	(442,792	(2,027,739)
Payments of loans receivable	(1,441,902)	(739,047)
Collection of loans receivable	173,829	821,928
Decrease(increase) in investments and other assets	(24,244)	238
Net cash provided by (used in) investing activities	(1,775,297)	(2,230,557)

(Thousands of yen)

	First six months of FY2018 (Jan. 1 – Jun. 30, 2018)	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)
Cash flows from financing activities		
Increase in short-term loans payable	73,191,477	85,279,079
Decrease in short-term loans payable	(60,304,030)	(52,522,329)
Proceeds from long-term loans payable	2,250,000	2,750,000
Repayments of long-term loans payable	(403,405)	(961,041)
Proceeds from issuance of bonds	1,200,000	800,000
Redemption of bonds	(230,000)	(401,000)
Proceeds from issuance of common shares	13,935,877	-
Proceeds from exercise of share options	148,086	12,858
Proceeds from issuance of subscription rights to shares	6,985	-
Cash dividends paid	(161,950)	(281,445)
Dividends paid to non-controlling interests	-	(23,812)
Purchase of treasury shares	(188)	(134)
Others	-	(26,921)
Net cash provided by (used in) financing activities	29,632,851	34,625,254
Effect of exchange rate change on cash and cash equivalents	(2,509)	(631,138)
Net increase (decrease) in cash and cash equivalents	16,420,813	5,868,054
Cash and cash equivalents at beginning of period	11,484,722	20,292,651
Cash and cash equivalents at end of period	27,905,535	26,160,706

(4) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)

Not applicable.

(Changes in Accounting Policies)

(Changes in the criteria for recording sales and cost of sales in the operating lease business)

The JIA Group conventionally adopted the method of posting all the amounts of sales and cost of sales in the operating lease business when the investments for a deal are sold out; however, we began to follow a method of recording sales and cost of sales according to the amount of investments that are sold for a deal in the first quarter of the current consolidated fiscal year. This change has been made, based on such facts as the increasing number of orders that we are receiving for large-scale deals, with the aim of making fairer calculations of periodical profit and loss.

This change in the accounting policies is applied retrospectively; therefore, the results in the quarterly consolidated financial statement for the same period of the previous fiscal year and the consolidated financial statement for the whole previous year have been restated retrospectively.

Consequently, compared with the results before the change is applied retrospectively, for the second quarter of the previous consolidated year, sales down by 197,231 thousand yen, cost of sales grew by 22,514 thousand yen, operating profit, ordinary profit and profit before income taxes went down by 174,716 thousand yen, respectively, and profit attributable to owners of parent decreased by 120,799 thousand yen.

In addition, the beginning balance of retained earnings for the second quarter of this fiscal year after the retrospective application of the policy change showed a rise of 4,092 thousand yen owing to the amount of the cumulative financial impact of the change in the accounting policies that has been reflected in the book value of the net assets at the beginning of the first quarter of this year.

(Changes in Accounting Estimates)

The company resolved to relocate the headquarters at the meeting of the board of directors held on June 19, 2019.

For the relocation of the headquarters, the useful lifespans of equipment attached to buildings that will not be used after the relocation and assets retirement obligations related to the restoration of such assets to the original state have been revised in the current consolidated fiscal year, so that the posting of depreciations and asset retirement obligations will end by the date of termination of the contract. Accordingly, the operating profit, ordinary profit, and profit before income taxes for the current consolidated fiscal year have decreased by 3,942 thousand yen each from those calculated with the conventional method.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

Starting to adopt "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16, 2018) and other standards in the first quarter of the current consolidated fiscal year, the JIA Group has presented deferred tax assets under the Investments and

other assets section and deferred tax liabilities under the section of Non-current liabilities.

(Segment Information, etc.)

Segment Information

I. First six months of FY2018 (Jan. 1 – Jun. 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 profit 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 six months of FY2019 (Jan. 1 – Jun. 30, 2019)

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 profit 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.