Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2019 (FY2019) (Nine Months Ended September 30, 2019)

[Japanese GAAP]

October 31, 2019

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 8, 2019
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, 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	%
Nine months ended Sep. 30, 2019	8,788	(17.6)	3,980	(38.0)	2,692	(49.9)	1,642	(49.7)
Nine months ended Sep. 30, 2018	10,665	122.9	6,423	160.7	5,376	173.8	3,267	191.4

Note: Comprehensive income Nine months ended Sep. 30, 2019: 1,983 million yen (down 43.3%)
Nine months ended Sep. 30, 2018: 3,496 million yen (up 222.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2019	55.25	54.05
Nine months ended Sep. 30, 2018	115.87	111.68

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2019	179,653	33,495	18.5	1,118.18
As of Dec. 31, 2018	106,776	32,080	30.0	1,077.87

Reference: Owners' equity As of Sep. 30, 2019: 33,368 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 nine months ended Sep 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 Sep 30, 2019	30,382,400 shares	As of Dec. 31, 2018	30,231,600 shares

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

As of Sep 30, 2019	540,281 shares	As of Dec. 31, 2018	540,193 shares

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

Nine months ended Sep 30, 2019	29,724,539 shares	Nine months ended Sep 30, 2018	28,201,857 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.

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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 "(3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" under "2. Quarterly Consolidated Financial Statements and Notes".

(1) Explanation of Consolidated Results of Operations

During the third 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 uncertainty about exchange rates 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.

Although we focused on the sale of the above-mentioned large-scale portfolio projects in the third quarter, there were 33 deals with an aggregate value of 55,880 million yen during the third quarter of 2019. Net sales decreased 17.6% year on year to 8,788 million yen, operating profit decreased 38.0% to 3,980 million yen, ordinary profit decreased 49.9% to 2,692 million yen and profit attributable to owners of parent was down 49.7% to 1,642 million yen.

As a business trend of the Group, sales and profits are likely to be recorded in the fourth quarter as demand for investors will increase toward the end of the year.

(2) Explanation of Consolidated Financial Position

Assets, liabilities and net assets

Assets

Total assets increased 72,876 million yen from the end of 2018 to 179,653 million yen at the end of the third quarter of 2019. This was mainly due to increases in equity underwritten of 62,740 million yen, cash and deposits of 5,239 million yen, and costs on uncompleted services of 4,706 million yen, while there were decreases in advance payments-trade of 4,029 million yen and merchandise of 3,029 million yen.

Liabilities

Total liabilities increased 71,462 million yen from the end of 2018 to 146,158 million yen at the end of the third quarter of 2019. This was mainly due to increases in short-term loans payable of 53,729 million yen, unearned revenue of 14,720 million yen and long-term loans payable of 2,584 million yen and income taxes payable of 1,133 million yen, while there was a decrease in accounts payable-operating of 1,148 million yen.

Net Assets

Total net assets increased 1,414 million yen from the end of 2018 to 33,495 million yen. This was mainly due to booking of profit attributable to owners of parent of 1,642 million yen in the third quarter of 2019.

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

There is no change in the consolidated forecast that was released 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)	Third Quarter of FY2019 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	20,292,651	25,532,569
Accounts receivable-trade	4,438,726	6,428,190
Merchandise	4,705,505	1,676,304
Operational investment securities	803,164	1,581,970
Equity underwritten	51,063,287	113,803,294
Costs on uncompleted services	1,059,725	5,766,378
Advance payments-trade	9,232,205	5,202,921
Advances paid	6,236,952	6,619,278
Short-term loans receivable	1,505,018	1,341,319
Deposits paid	1,901,788	734,785
Other	1,130,918	1,097,291
Total current assets	102,369,945	169,784,305
Non-current assets		
Property, plant and equipment	146,202	1,090,446
Intangible assets	48,724	72,818
Investments and other assets	4,139,989	8,625,018
Total non-current assets	4,334,916	9,788,284
Deferred assets		
Bond issuance cost	72,067	80,967
Total deferred assets	72,067	80,967
Total assets	106,776,929	179,653,557
Liabilities		
Current liabilities		
Accounts payable-trade	33,512	23,974
Accounts payable-operating	1,516,649	367,791
Short-term loans payable	60,431,945	114,161,783
Current portion of long-term loans payable	1,342,015	2,367,722
Current portion of bonds	802,000	912,000
Accounts payable-other	239,979	64,776
Unearned revenue	4,034,385	18,755,266
Income taxes payable	1,377,676	2,511,654
Other	1,009,125	271,614
Total current liabilities	70,787,289	139,436,583
Non-current liabilities		
Bonds payable	2,268,000	2,337,000
Long-term loans payable	1,609,014	4,193,092
Other	32,078	191,736
Total non-current liabilities	3,909,092	6,721,828
Total liabilities	74,696,381	146,158,412

(Thousands of yen)

	FY2018 (As of Dec. 31, 2018)	Third Quarter of FY2019 (As of Sep. 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	11,639,700	11,649,654
Capital surplus	11,574,376	11,591,665
Retained earnings	10,176,367	11,246,147
Treasury shares	(1,470,585)	(1,470,787)
Total shareholders' equity	31,919,859	33,016,679
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,166	399,852
Foreign currency translation adjustment	(409)	(47,770)
Total accumulated other comprehensive income	83,756	352,081
Subscription rights to shares	16,171	16,159
Non-controlling interests	60,760	110,223
Total net assets	32,080,547	33,495,144
Total liabilities and net assets	106,776,929	179,653,557

(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 FY2018 (Jan. 1 – Sep. 30, 2018)	First nine months of FY2019 (Jan. 1 – Sep. 30, 2019)
Net sales	10,665,417	8,788,760
Cost of sales	2,343,826	2,396,833
Gross profit	8,321,591	6,391,926
Selling, general and administrative expenses	1,898,220	2,411,860
Operating profit	6,423,371	3,980,066
Non-operating income		
Interest income	215,997	148,580
Gain on sales of equity underwritten	320,978	402,960
Commission fee	19,772	37,316
Foreign exchange gains	180,055	-
Other	645	84,508
Total non-operating income	737,450	673,365
Non-operating expenses		
Interest expenses	348,201	572,992
Commission fee	678,072	832,981
Foreign exchange losses	-	404,752
Share of loss of entities accounted for using equity method	679,348	134,021
Share issuance cost	63,134	-
Other	15,906	15,736
Total non-operating expenses	1,784,663	1,960,484
Ordinary profit	5,376,157	2,692,947
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	2,733	-
Total extraordinary losses	65,233	-
Profit before income taxes	5,326,605	2,692,947
Income taxes	1,934,284	977,502
Profit	3,392,320	1,715,445
Profit attributable to non-controlling interests	124,517	73,276
Profit attributable to owners of parent	3,267,802	1,642,169

(Quarterly Consolidated Statement of Comprehensive Income)

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY2018 (Jan. 1 – Sep. 30, 2018)	First nine months of FY2019 (Jan. 1 – Sep. 30, 2019)
Profit	3,392,320	1,715,445
Other comprehensive income		
Valuation difference on available-for-sale securities	108,944	315,686
Foreign currency translation adjustment	(4,846)	(47,361)
Total other comprehensive income	104,098	268,325
Comprehensive income	3,496,418	1,983,770
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,371,900	1,910,494
Comprehensive income attributable to non-controlling interests	124,517	73,276

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

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

The JIA Group conventionally adopted the method of posting all the amounts of net 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 nine quarter of the previous consolidated year, sales up by 466,588 thousand yen, cost of sales grew by 64,110 thousand yen, operating profit, ordinary profit and profit before income taxes went up by 402,478 thousand yen, respectively, and profit attributable to owners of parent increased by 278,273 thousand yen.

In addition, the beginning balance of retained earnings for the third 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 14,294 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.

(Significant Changes in Shareholders’ Equity)

Not applicable.

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

Not applicable.

(Segment Information, etc.)

Segment Information

I. 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 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 nine months of FY2019 (Jan. 1 – Sep. 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.