JIA

Japan Investment Adviser Co., Ltd.

(Stock Code: 7172)

Financial Results for the Third Quarter of FY2019

October 31, 2019

JPX
TSE LISTED

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

As of September 30, 2019



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	¥11,649 million
Listed Exchange	Tokyo Stock Exchange – Mothers (Stock Code: 7172)
Employees	Non-consolidated: 131; Consolidated: 171
Financial Institutions	Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Resona Bank, Limited., Sumitomo Mitsui Trust Bank, Limited, The Norinchukin Bank, The Chiba Bank, Ltd., THE DAISHI BANK, LTD., and the other 73 banks
Major Shareholders	Naoto Shiraiwa KODO Holdings Co., Ltd. Japan Trustee Services Bank, Ltd. (Trust account) Japan Investment Adviser Co., Ltd.(Treasury stock) Japan Trustee Services Bank, Ltd. (Trust account No.9) Trust & Custody Services Bank, Ltd. (Securities investment trust account) Note: Top six shareholders (62% shares) as of June 30, 2019
Auditor	Grant Thornton Taiyo LLC

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Group Companies

As of September 30, 2019

	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 Insurance agency business	100.0
	Finspire Inc.	Chiyoda-ku, Tokyo	50,000	Operating lease business	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
	JIA LUXEMBOURG SARL	Luxembourg	5.3 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 business Aircraft resale business	49.0
Equity method affiliates	Vallair Capital SAS	France	101,570 euros	Aircraft part-out & conversion business	40.0
	Iter Corporation	Chiyoda-ku, Tokyo	50,000	Fintech business	37.0
	Others (2 companies)	—	—	—	—

Note: On July 1, 2019, we made Finspire Inc. a company splitting in the absorption-type split, and JP Lease Products & Services Co., Ltd. succeeded the insurance agency business.
Note: On October 1, 2019, Nippon Securities Journal Inc. conducted an absorption merger with Nippon Securities Journal Research Inc.

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Business History

2007
Established Japan Investment Adviser Co., Ltd. and started an operating lease business for marine transportation containers

2011
Established JP Lease Products & Services Co., Ltd. and started an operating lease business for aircraft.

2013
JP Lease Products & Services Co., Ltd. started an operating lease business for marine transportation containers.

2014
Got listed on Tokyo Stock Exchange Mothers Section.

2015
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

2016
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)

2017
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

2018
The first IPO in private equity investment business（TSE – Mothers (Stock Code: 4393) Bank of Innovation ,Inc.）

2019
JP Lease Products & Services Co., Ltd. succeeded the insurance agency business of Finspire Inc.

Nippon Securities Journal Inc. conducted an absorption merger with Nippon Securities Journal Research Inc.

2006
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)

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

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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



JP Lease Products & Services Co., Ltd.
BF TEC 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



JP Lease Products & Services Co., Ltd.

Fintech Business



Iter Corporation

Private Equity Investment Business



JPE No.1 Co., Ltd.

Human Resource Business



Real Estate Investment Business



Health Tech Business



Agri Business



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

Media-related Business

Media-related & IR Support Business



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

Note: On July 1, 2019, we made Finspire Inc. a company splitting in the absorption-type split, and JP Lease Products & Services Co., Ltd. succeeded the insurance agency business.
Note: On October 1, 2019, Nippon Securities Journal Inc. conducted an absorption merger with Nippon Securities Journal Research Inc.

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Third Quarter of FY2019

2. Business Overview

Highlights for the Third Quarter of FY2019

The profit in the third quarter declined for the first time since 2016.
We will try to recover profit in the fourth quarter.

- ◆ Our performance was strongly affected by the delay in release of new large-scale projects, which was originally scheduled in the second quarter.
- ◆ Out of the balance of equity of 113.8 billion yen, the balance that needs to be sold out by the end of Fiscal 2019 is 94 billion yen.
  The marketing period of the remaining products is long, covering a broad range of investor needs.

(Millions of yen)	Q3 FY2018		Q3 FY2019	YoY change	YoY change(%)	Full-year forecast *3	
	Sold out	recording *2 sales	recording sales				Progress rate
Net sales	10,198	10,665	8,788	(1,876)	(17.6%)	20,000	43.9%
Operating profit	6,020	6,423	3,980	(2,443)	(38.0%)	11,500	34.6%
Ordinary profit	4,973	5,376	2,692	(2,683)	(49.9%)	10,000	26.9%
Profit attributable to owners of parent	2,989	3,267	1,642	(1,625)	(49.7%)	6,280	26.1%
Total amount of equity sales *1	61,104		55,880	(5,223)	(8.5%)	130,000	43.0%

- Note1: Transfer of equity interest in special-purpose companies(SPC) as defined in Article 2, Paragraph 2-5 of the Financial Instruments and Exchange Act
- Note2: The JIA Group has restated the results for FY2018 following the shift in the criteria for recording sales in FY2019.
- Note3: The forecast of FY 2019 was revised on July 22, 2019.

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Business Segment Summary

The equity of the Operating Lease Business hit a record high.

◆The sales of the Operating Lease Business declined 17.2% due to the delay in the release of new large-scale projects.

◆The balance of equity is 113.8 billion yen, we will be able to sell equity underwritten without generating opportunity loss until a peak in demand for the Operating Lease Business in the next first quarter.

Business units (Millions of yen)		Q3 FY2018		Q3 FY2019	YoY change	YoY change (%)
		Sold out	recording sales*	recording sales	recording sales	recording sales
Operating Lease Business		8,976	9,443	7,822	(1,620)	(17.2%)
Renewable Energy Business		222	222	249	27	12.1%
Aircraft Part-Out & Conversion Business		307	307	4	(302)	(98.5%)
Other Businesses	Insurance Business	476	476	504	28	6.0%
	M&A Advisory Business					
	Private Equity Investment Business					
	IPO Consulting Business and others					
Media-related & IR Support Business		215	215	206	(8)	(4.1%)
Total		10,198	10,665	8,788	(1,876)	(17.6%)

- Note: The JIA Group has restated the results for FY2018 following the shift in the criteria for recording sales in FY2019.

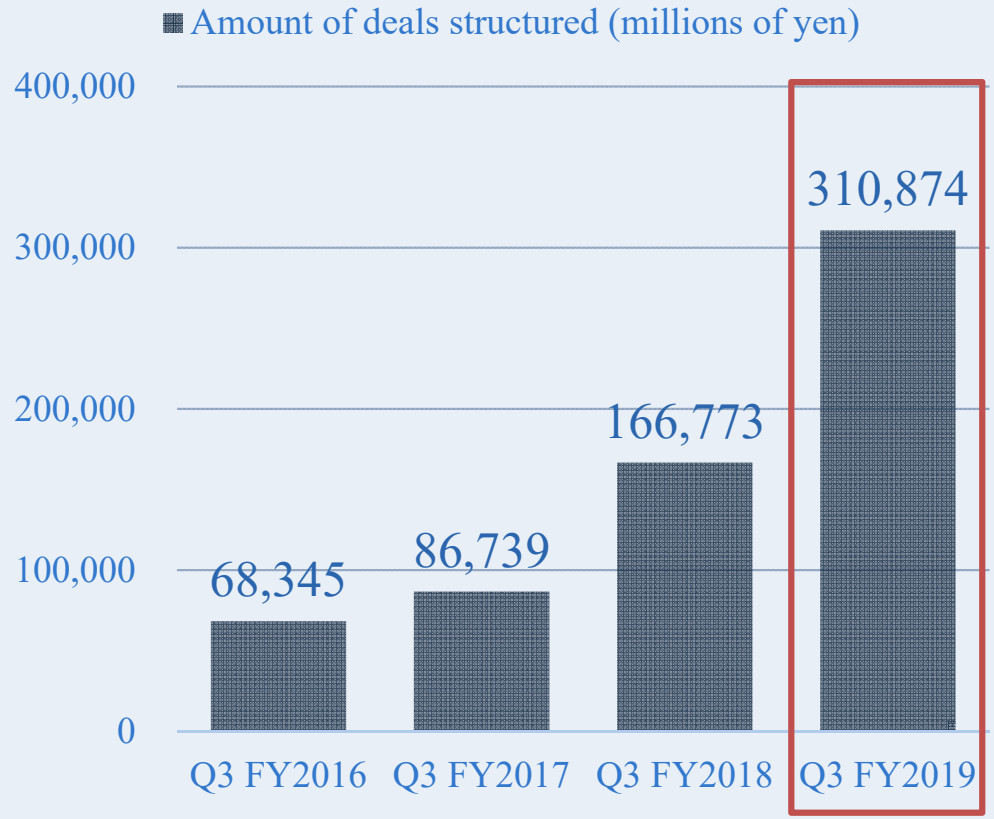
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Deals Structured

Amount and Number of Deals Structured by Type of Asset

(Millions of yen)	Q3 FY2018	Q3 FY2019
Aircraft	157,419 (30 deals)	280,496 (40 deals)
Vessel	0 (0 deal)	0 (0 deal)
Container box	9,353 (5 deals)	29,716 (6 deals)
Solar photovoltaic generation	0 (0 deal)	661 (1deal)
Total	166,773 (35 deals)	310,874 (47 deals)

Change in Amount and Number of Deals Structured



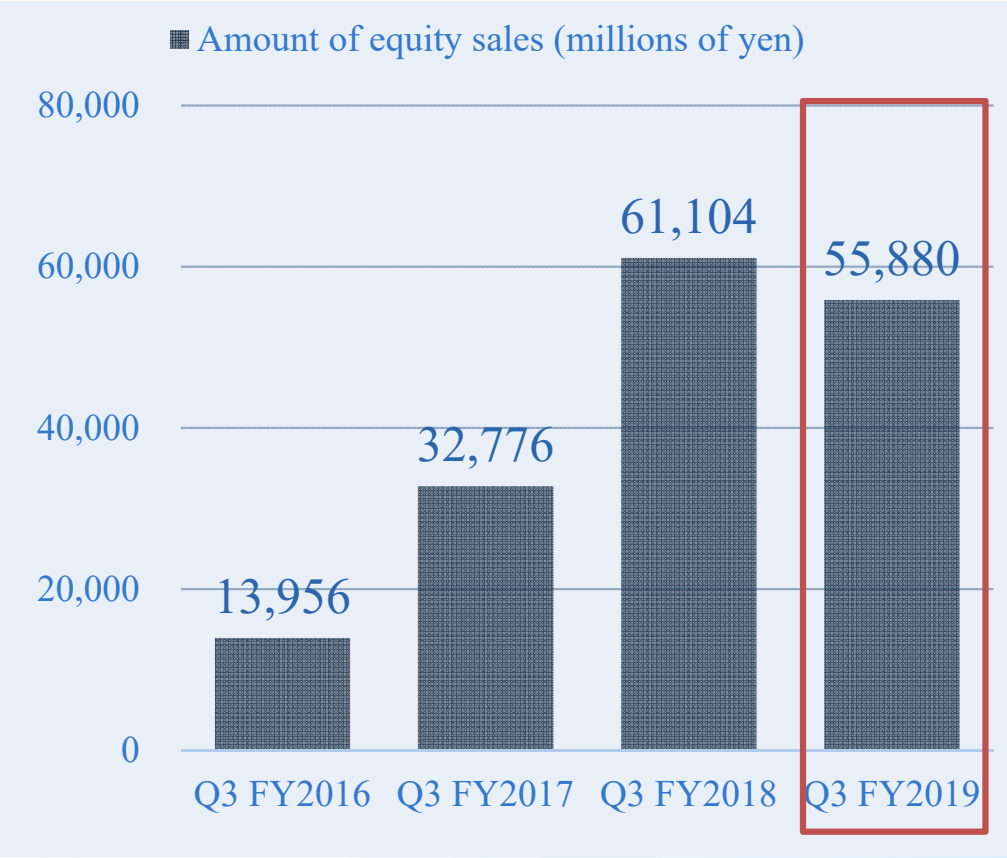
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Equity Sales

Amount and Number of Equity Sales* by Type of Asset

(Millions of yen)	Q3 FY2018	Q3 FY2019
Aircraft	51,652 (19 deals)	51,477 (30 deals)
Vessel	1,366 (2 deals)	0 (0 deal)
Container box	8,086 (6 deals)	4,153 (2 deal)
Solar photovoltaic generation	0 (0 deal)	250 (1deal)
Total	61,104 (27 deals)	55,880 (33 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

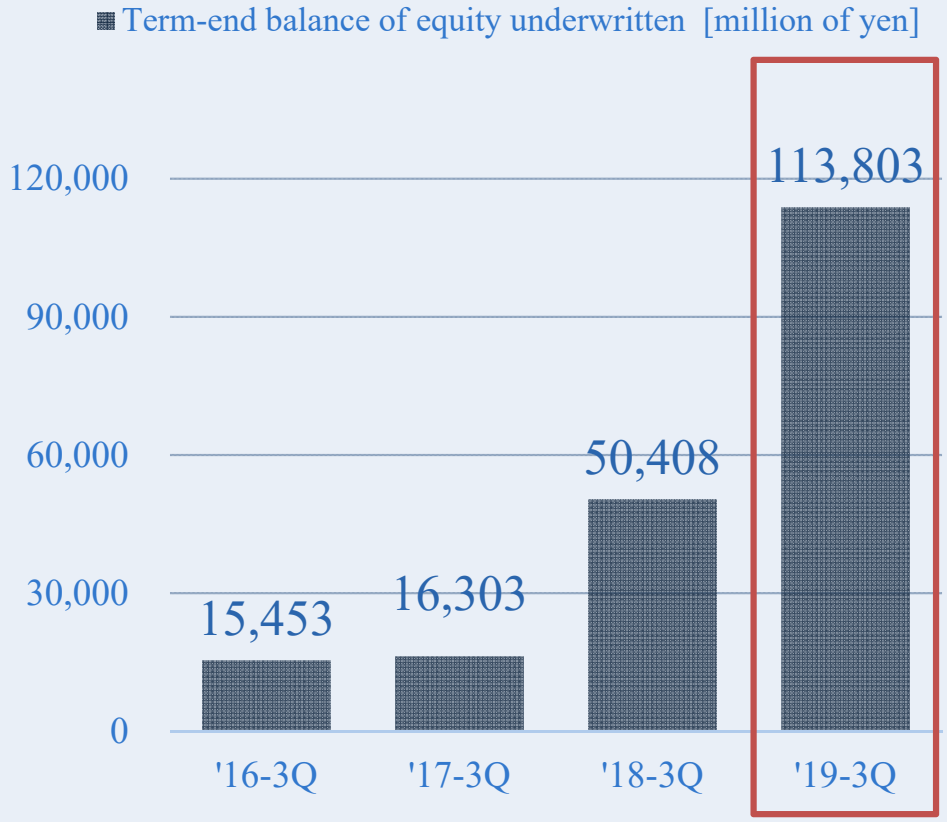
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Balance of Equity underwritten* at the End of the Term

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

(Millions of yen)	Q3 FY2018	Q3 FY2019
Aircraft	49,296 (22 deals)	99,797 (37 deals)
Vessel	0 (0 deal)	0 (0 deal)
Container box	1,112 (1 deal)	14,066 (4deal)
Total	50,408 (23 deals)	113,803 (41 deals)

Balance of Equity underwritten* at the end of the term

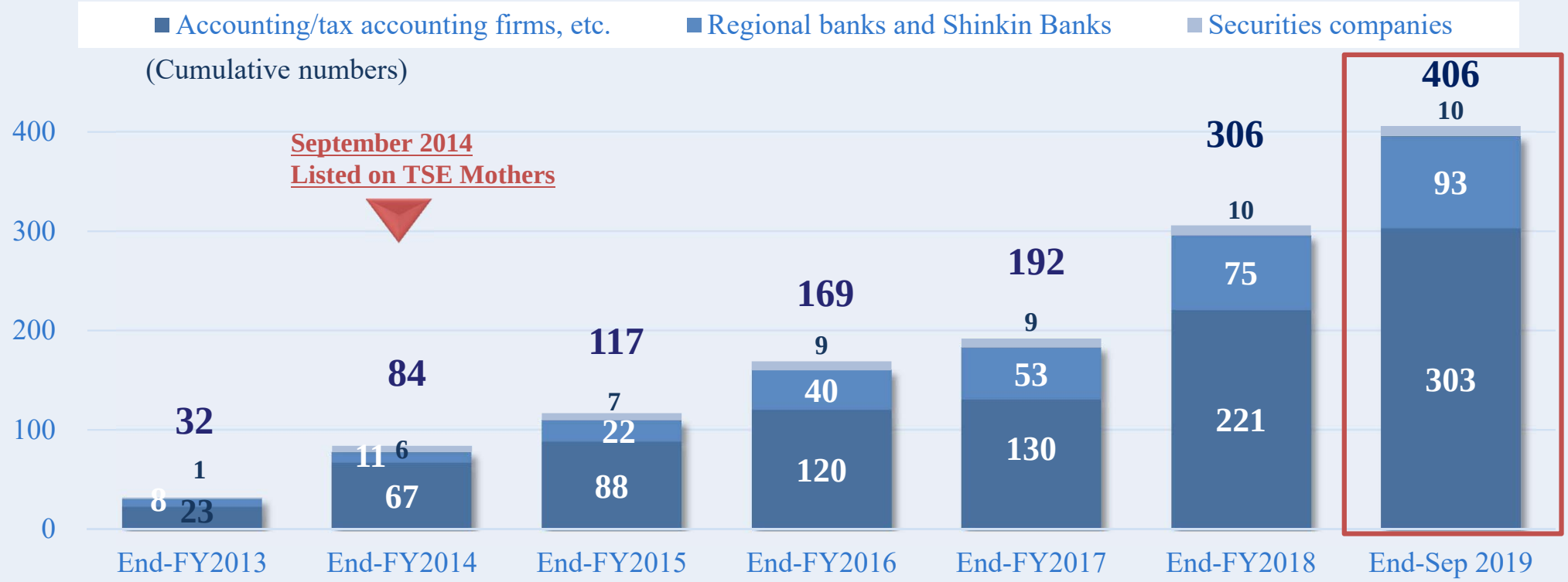


* Note: Falls under the item "Merchandise Investments" of Balance Sheet

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Growth of the Sales Network (Business Matching Partners)

- ✓ In the third quarter of 2019 (3 months), business matching contracts were executed with 36 accounting/tax accounting firms, 2 regional bank/shinkin banks.
- ✓ At the end of September 2019, there were matching agreements with 304 accounting/tax accounting firms, 92 regional bank/ shinkin banks, 10 securities companies, a total of 406 partners.



Note: Figures for End-FY2016, End-FY2017 , End-FY 2018 and End-Sep 2019 include the total number of matching contracts for JP Lease Products & Services Co., Ltd. and Finspire Inc.

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Third Quarter of FY2019

3. Financial Results

Q3 FY2019 Consolidated Income Statement Summary

(Millions of yen)	Q3 FY2018		Q3 FY2019	YoY change (%) *6	
	Sold out	recording sales *5	recording sales		
Net sales	10,198	10,665	8,788	(1,876)	(17.6%)
Cost of sales	2,279	2,343	2,396	53	2.3%
*1 Gross profit	7,919	8,321	6,391	(1,929)	(23.2%)
*2 SG&A expenses	1,898	1,898	2,411	513	27.1%
Operating profit	6,020	6,423	3,980	(2,443)	(38.0%)
*3 Non-operating income	737	737	673	(64)	(8.7%)
*4 Non-operating expenses	1,784	1,784	1,960	175	9.9%
Ordinary profit	4,973	5,376	2,692	(2,683)	(49.9%)
Profit attributable to owners of parent	2,989	3,267	1,642	(1,625)	(49.7%)

*1. Gross profit

Gross profit rate was 72.7%, down 5.3 % YoY.

*2. SG&A expenses

SG&A rate was 27.4%, up 9.6 % YoY.

*3. Non-operating income

Down 64 million YoY.

*4. Non-operating expenses

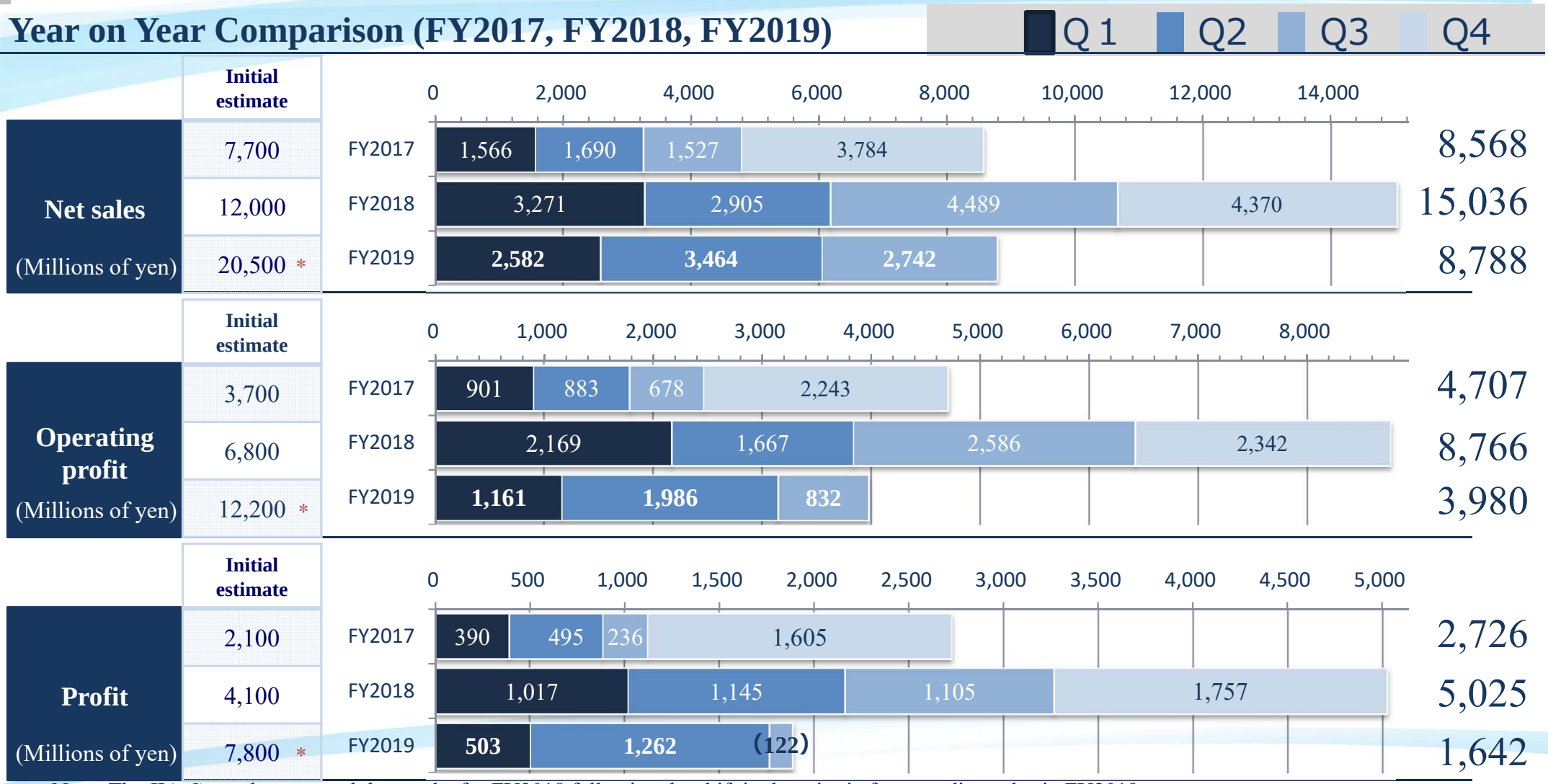
Up 175 million yen YoY.
Interest paid: up 224 million yen
Non-operating commissions paid: up 154 million yen
→ In the 3rd quarter, the commitment line was updated,
Investment loss on equity method: down 545 million yen
Exchange loss: 404 million yen
Ordinary profit decreased by 584 million yen due to foreign exchange gains and losses compared to Q3 FY2018.

* Note5: The JIA Group has restated the results for FY2018 following the shift in the criteria for recording sales in FY2019.
* Note6: Increase or decrease comparison is the criteria for recording sales.

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Trends by quarter

Year on Year Comparison (FY2017, FY2018, FY2019)



- Note: The JIA Group has restated the results for FY2018 following the shift in the criteria for recording sales in FY2019.
- Note: The forecast of FY 2019 was revised on July 22, 2019.

Q3 FY2019 Consolidated Balance Sheet Summary (1)

(Millions of yen)	Sep. 30, 2018 (1) recording sales	Dec. 31, 2018 (2) recording sales	Sep. 30, 2019 (3) recording sales	YoY change (3) – (1)	Vs. Dec. 31, 2018 (3) – (2)
Cash and deposits	22,605	20,292	25,532	2,977	5,239
Accounts receivable - trade	4,311	4,438	6,428	2,116	1,989
*1 Merchandise	4,037	4,705	1,676	(2,360)	(3,029)
*2 Equity underwritten	50,408	51,063	113,803	63,394	62,740
Costs on uncompleted services	*5 788	1,059	5,766	4,977	4,706
*3 Advance payments - trade	1,836	9,232	5,202	3,366	(4,029)
*4 Advances paid	5,736	6,236	6,619	883	382
Other	6,462	5,340	4,755	(1,707)	(585)
Current assets	96,186	102,369	169,784	73,597	67,414
Property, plant and equipment	125	146	1,090	964	944
Intangible assets	56	48	72	16	24
Investments and other assets	2,961	4,139	8,625	5,663	4,485
Non-current assets	3,143	4,334	9,788	6,645	5,453
Deferred assets	71	72	80	9	8
Total assets	99,401	106,776	179,653	80,251	72,876

*1. Merchandise

Inventories in the aircraft part-out & conversion.

*2. Equity underwritten

Special-Purpose Companies(SPC) investments to be sold in the operating lease business.

*3. Advance payments - trade

Purchase of Aircraft before investment products in the operating lease business.

*4. Advances paid

Advances paid mainly for investments in the renewable energy business.

*5. Subjects revised in the previous fiscal year because the sales accounting standard has been changed.

(Millions of yen)	June. 30, 2018 Sold out	Dec. 31, 2018 Sold out
Costs on uncompleted services	875	1,063

※ The JIA Group has restated the results for FY2018 following the shift in the criteria for recording sales in FY2019.

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Q3 FY2019 Consolidated Balance Sheet Summary (2)

(Millions of yen)	Sep. 30, 2018 (1) recording sales	Dec. 31, 2018 (2) recording sales	Sep. 30, 2019 (3) recording sales	YoY change (3) – (1)	Vs. Dec. 31, 2017 (3) – (2)
Accounts payable - trade	26	33	23	(2)	(9)
*1 Short-term loans payable	59,235	62,575	117,441	58,205	54,865
*2 Unearned revenue	*4 4,002	4,034	18,755	14,753	14,720
Income taxes payable	386	1,377	2,511	2,125	1,133
Other	1,144	2,765	704	(440)	(2,061)
Current liabilities	64,794	70,787	139,436	74,642	68,649
Non-current liabilities	4,074	3,909	6,721	2,647	2,812
Total liabilities	68,869	74,696	146,158	77,289	71,462
Capital stock	11,636	11,639	11,649	13	9
Capital surplus	11,574	11,574	11,591	17	17
Retained earnings	*4 8,458	10,176	11,246	2,787	1,069
Treasury shares	(1,447)	(1,470)	(1,470)	(23)	0
*3 Shareholders' equity	30,222	31,919	33,016	2,794	1,096
Other	310	160	478	168	317
Total net assets	30,532	32,080	33,495	2,962	1,414

*1. Short-term loans payable

Short-term loans payable rose due to temporary acceptance of Special-Purpose Companies(SPC) investments after actively structured.

*2. Unearned revenue

Out of the outsourcing fee received from anonymous associations, the pre-sale amount was posted.

*3. Capital adequacy ratio

Capital adequacy ratio decreased due to temporary increase in loans payable associated with development of large-scale projects.

End of FY 2018	30.0 %
End of 3rd quarter of FY 2019	18.5 %

*4 . Subjects revised in the previous fiscal year because the sales accounting standard has been changed.

(Millions of yen)	Jun. 30, 2018 Sold out	Dec. 31, 2018 Sold out
Unearned revenue	4,719	4,043
Retained earnings	8,006	10,172

Note: The JIA Group has restated the results for FY2018 following the shift in the criteria for recording sales in FY2019.

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FY2019

4. Growth Strategy

Our Growth Strategy

1	To strengthen the 3 core businesses (expansion of target investor and financial market through diversification of services)
2	To expand the market position by improving financial solutions (approach multifaceted to investor needs)
3	To deepen the investor markets by developing sales promotion systems (improve marketing efficiency and aim for further productivity improvement)

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1. Making The Three Main Businesses More Powerful (Operating Lease Business)

◆ Enrichment of quantity and quality through expansion of handling scale and new structured deals

The largest ever balance of investment funds.

✓ In the cumulative third quarter of 2019, we produced 47 projects for operating lease worth 310,874 million yen. At the end of the third quarter, the balance of equity was 113,803 million yen, hitting a record high (close to the estimated equity sales for this year: 130,000 million yen).

Realization of a new project scheme.

✓ With a new project scheme, we promote the sales of large-scale projects, and actively design new products.

◆ Responding to aviation industry issues

To broaden antennas for information collection to avoid risks.

✓ There were events that do not directly affect the business performance but consume the time and effort of the airline industry professionals including us. We will collect information as much as possible and respond promptly and appropriately.

(Ex.) ・Flight suspension due to 2 crash accidents of Boeing B737 Max
(We have signed a contract to purchase 10 Boeing 737 Max 8 which 4 aircraft is planned to be delivered in 2021 and 6 in 2022.)
・ It was announced that production of Airbus A380 will end (we do not own one.).

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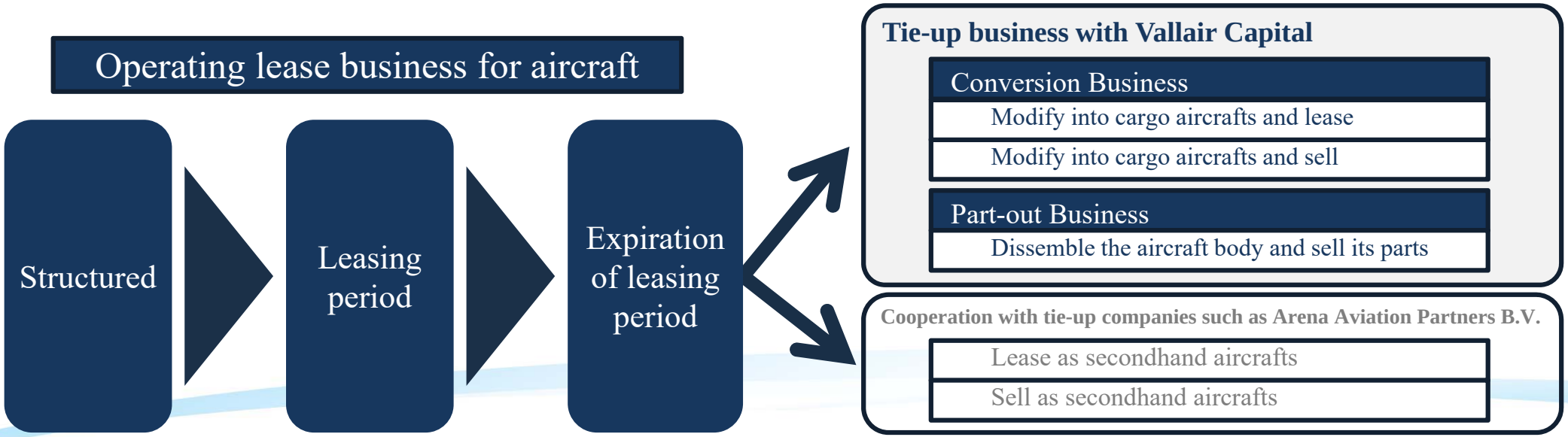
1. Making The Three Main Businesses More Powerful (Aircraft Part-Out & Conversion Business)

◆ 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.



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1. Making The Three Main Businesses More Powerful (Renewable Energy Business)

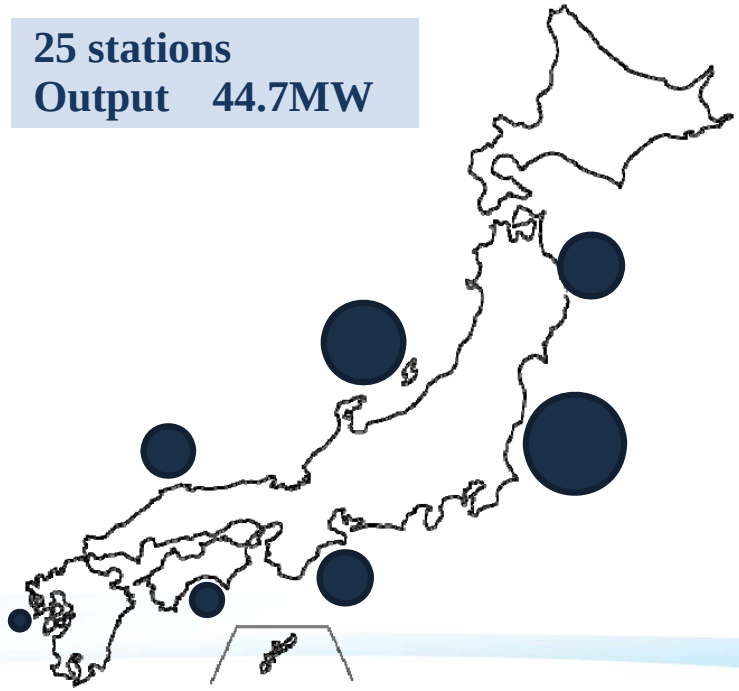
◆ Revenue base based on the operation of 25 solar power stations

- ✓ There are stable needs as yen-denominated yield products, and we will operate the business after carefully responding to system changes and determining the earning power. (Operation commissions for the already operating power stations are continuously recorded as stable income.)
- ✓ For the first time in 2 years, we sold projects and acquired and sold facilities that are under operation.

Operational status of solar power stations at the end of Sep 2019

Region	at the end of Dec 2018		at the end of Sep 2019	
	Output	Number	Output	Number
Kanto	11.9MW	8	11.0MW	7
Tohoku	4.4MW	3	7.2MW	4
Chubu	8.5MW	4	9.6MW	5
Kinki	5.9MW	3	5.9MW	3
Chugoku	5.7MW	3	5.7MW	3
Shikoku	3.4MW	2	3.4MW	2
Kyushu	-	-	2.0MW	1
Total	**39.8**MW	**23**	**44.7**MW	**25**

25 stations
Output 44.7MW



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2. To expand the market position by improving financial solutions

◆ Enrichment of comprehensive financial solutions

Major issues that small and medium-sized businesses owners are faced with.

- Inheritance/ Business succession
- Sustainable corporate management
- Benefit package
- Retirement allowance for executives
- Strengthening human resource

We work closely with business matching contractors such as financial institutions and accounting firms to provide comprehensive financial solution services.

■ Providing operating lease products with a competitive advantage.

＋

■ Providing comprehensive financial solution services

- Insurance Agency Business
- M&A Advisory Business
- Real Estate Related Business
- Staffing Business（recruiting, BPO)

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3. To deepen the investor markets by developing sales promotion systems

◆ Respond to customer needs by optimizing marketing resources

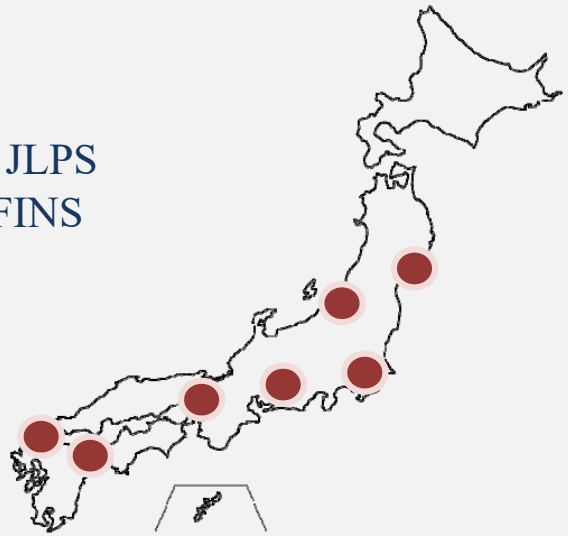
- ✓ To strengthen the insufficient systems in western Japan, and try to closely communicate with financial institutions, accounting offices, etc. with which we signed a contract for business matchmaking.
- ✓ To respond to a wide range of investor demand through reorganization of two companies within the Group (JP Lease Products & Services Co., Ltd. (JLPS) and Finspire Inc. (FINS)).

● To meet customer needs with optimal placement.

- ✓ To deploy a director in charge of marketing stationed in western Japan
- ✓ Integration of the following two companies completed as of July 1.
  - ▪ There are many business matching partners for banks and shinkin-banks. → JLPS
  - ▪ There are many business matching partners for tax accountant offices. → FINS
- ✓ Seven marketing offices joined hands for integration and strived to find business partners / investors.
- ✓ We concluded 100 new business matchmaking contracts in the cumulative third quarter (up 32.7% from the end of the previous term).

⇒ We will actively introduce projects before the peak in demand for operating lease.

Footholds of our corporate group



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5. Shareholder Return

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 pay dividends linked to business performance, taking into consideration the balance with the expansion of financial base and human investment for performance improvement.
- ✓ The annual dividend for the FY ending December 2019 is estimated to be 22 yen, an increase of 7 yen per share (same as the initial forecast).

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (forecast)
Annual dividend	—	—	10yen	12yen	15yen	22yen
Total dividend	—	—	48mil	146mil	326mil	655mil
Share buyback	—	199mil	—	—	1,270mil	—
Total return	—	199mil	48mil	146mil	1,596mil	
Shareholder Incentives	Not implemented	Newly introduced	Long-term preferential treatment	Long-term preferential treatment	Expansion of preferential treatment	Continuation of preferential treatment

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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.

	FY2015	FY2016	FY2017	FY2018		FY2019 (forecast) *3
	Sold out	Sold out	Sold out	Sold out	recording sales *1	recording sales
Payout ratio	—	8.5%	8.4%	8.3%	8.5%	10.4%
Equity ratio	20.5%	23.9%	21.5%	30.0%	30.0%	—
ROA	10.8%	11.9%	8.9%	8.6%	8.4%	—
Profit to sales	27.2%	23.5%	31.8%	33.8%	33.4%	31.4%
Increase in profit	+80.6%	+81.8%	+96.1%	+88.6%	+84.3%	*2 +25.0%
ROE	46.3%	32.1%	26.0%	22.3%	21.7%	—

* Note1: The JIA Group has restated the results for FY2018 following the shift in the criteria for recording sales in FY2019.
* Note2: It shows that the criteria for sold sales in FY2018 compare to the criteria for recording sales in FY2019.
* Note3:The forecast of FY 2019 was revised on July 22, 2019.

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Shareholder Incentives

◆ Descriptions of shareholder incentives in 2019

✓ We introduced the incentive plan for shareholders to encourage more shareholders to maintain their investment loyalty over the medium- to long-term period

(1) Eligible shareholders	Perks are provided to all shareholders recorded in the shareholder register as of December 31,2019
(2) Allocation date	End of December,2019 (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 + Three-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥9,000 2,000 shares or more → QUO Card worth ¥3,000 + Six-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥18,000 **Period of one year to less than two years** 100 or more and less than 2,000 shares → QUO Card worth ¥3,000 + Six-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥18,000 2,000 shares or more → QUO Card worth ¥5,000 + Twelve-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥36,000 **Period of two years or more** 100 or more and less than 2,000 shares → QUO Card worth ¥5,000 + Six-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥18,000 2,000 shares or more → QUO Card worth ¥10,000 + Twelve-month free subscription ticket of Nihon Securities Journal (Digital Version) worth ¥36,000
(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 31,2019).

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6. Topixs

Topix

◆ Selection as a component of the “JPX-Nikkei Mid and Small Cap Index”

■ Selected for JPX-Nikkei Mid Small in FY2019 (from August 30, 2019 to August 28, 2020)

JPX-Nikkei Mid and Small Cap Index

- ✓ The index applies the concept of the JPX-Nikkei Index 400, which is an index comprised of highly attractive listed companies.
- ✓ Selecting companies that focus on capital efficiency and investor-oriented management, and aim to foster greater awareness of such issues among corporate executives.
- ✓ The index will also aim to meet the needs of investors looking to invest in such companies.

No. of Constituents	200 issues
All the eligible constituents	Common stocks whose main market is the TSE 1st Section, 2nd Section, Mothers, or JASDAQ market
Constituent Selection/ Review Method	Scoring based on Quantitative Indicators ・3-year average ROE: 70% ・3-year cumulative operating profit: 30% Scoring based on Qualitative Factors ・Appointment of Independent Outside Directors , etc.
Replacement date	August 30, 2019

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Topix

◆ New investment destination in the Private Equity Investment Business

■Tripleize Co., Ltd.
（https://www.3-ize.jp/）
It concentrates on the establishment of a web-based system, the R&D of AI (Deep Learning) and block-chain technology, and IoT services.

✓ Strengths of Tripleize

① Knowledge accumulated by developing and offering mission-critical and settlement systems to clients in various fields, including finance and logistics.

② Active research into the cutting-edge technologies, including that for image recognition.

③ Installation of AIZE, an image recognition platform developed with the above background, in leading eyewear and restaurant chains, etc.

■Arithmer Inc.
（https://arithmer.co.jp）
It researches and develops AI-based solutions for optical character recognition (OCR), analysis of still and moving images, natural language processing, and smart robots.

✓ Strengths of Arithmer

① AI enterprise originating from Graduate School of Mathematical Sciences, the University of Tokyo. Provision of AI algorithm modules based on the cutting-edge advanced mathematics.

② Development of AI algorithm modules in the fields of image recognition, natural language processing, database analysis, robot control, etc.

③ High performance of OCR and video analysis with its original AI development technology.

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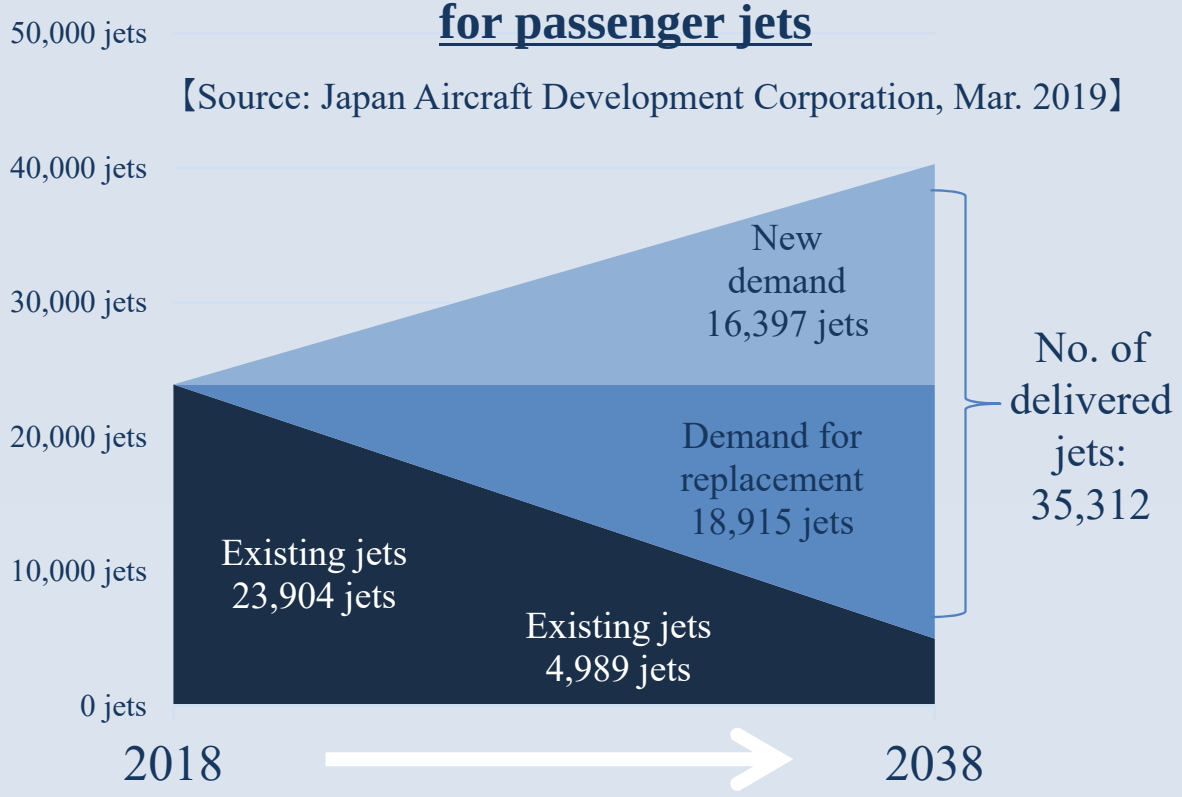
7. References

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. 2019】



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 1.68 times from 23,904 in 2018 to 40,301 in 2038.

Out of them, 18,915 is for the demand for replacement of existing airplanes, while 16,397 is for new demand in response to the increase of passengers.

Quote: Worldwide Market Forecast 2019-2038

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Reference Information Concerning Matters that are Frequently Asked.

◆ Impact of crashes of Boeing 737 MAX8

- On October 29, 2018 (local time), Boeing 737MAX8 of Lion Air, going from Jakarta to Pankarpinan of the Bangka Islands, east of Sumatra, Indonesia, crashed into the sea immediately after takeoff.
- On March 10, 2019 (local time), Boeing 737MAX8 of Ethiopian Airlines, going from Ethiopia's capital Addis Ababa to Kenya's capital Nairobi, crashed shortly after take-off.
- Many countries suspended operation of Boeing 737MAX.
- Boeing announced reduction of 737MAX production by 20% from mid-April.

・・・The series of reports on the accidents increased inquiries about the impact on our business performance.

【 (Response) Given the current situation, there is no impact on the business results for FY2019. However, we will keep our eyes on the identification of causes of the crashes and trends of aviation authorities and Boeing. 】

(Situation ①) No lease projects with Lion Air or Ethiopian Airlines are included in the lease project that are currently handled or planned by the Company.

(Situation ②) Boeing 737MAX series are not included in the lease projects currently handled by the Company.

(Situation ③) We ordered 10 Boeing 737MAX8 aircraft in August 2017, and they will be delivered sequentially from 2021 to 2022.

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Reference Information Concerning Matters that are Frequently Asked.

◆ Impact of the Japanese Accounting Standards on recording ”Lease Assets” on the balance sheet.

- “The day when lease disappears?” July 1, 2018. Nihon Keizai Shinbun.
- “Lease transactions to be capitalized. – Accounting to match the international standards –” March 8, 2019. Nihon Keizai Shinbun.

・・・Because of the articles with the headlines above describing the concerns over the companies that may stop using lease products, there was an increase in inquiries about the impact on our business.

【(Response) The above concerns will have a very minor impact on the performance of our Operating Lease Business.】

(Reason ①) From the perspective of the lessee of the Operating Lease Business formed by our group

- ✓ The lessee considers a variety of funding, such as reduced funding costs and increased capacity, and the flexibility to return the aircraft after a certain period of lease as advantages of “operating lease.”
- ✓ The lessee is mainly a global company such as an overseas airline that is already in compliance with the International Financial Reporting Standards (IFRS), and there is an extremely small possibility that complication in accounting will become the direct reason for declining the demand for “operating lease.”

(Reason ②) From the perspective of investors for the Operating Lease Business developed by our corporate group.

- ✓ The Company sells the Operating Lease Business as a financial product to Japanese investors. To the investors, we calculate taxable income based on the Japanese tax system and distribute it to investors. This means that even if there is a change in accounting standards, there will be no direct impact on investors in the Operating Lease Business developed by our corporate group unless the Japanese tax system changes.

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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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