**Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (FY2020)**

**[Japanese GAAP]**

February 10, 2021


Company name: Japan Investment Adviser Co., Ltd. Listed Exchange: Tokyo Stock Exchange, First Section
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Scheduled date of Annual General Meeting of Shareholders: March 26, 2021
Scheduled date of dividend payment: March 29, 2021
Scheduled date of filing of Annual Securities Report: March 29, 2021
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

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

## 1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)

(1) Consolidated results of operations (Percentages shown for net sales and profits 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 | % |
| FY2020 | 17,707 | 6.4 | 7,009 | (14.4) | 6,064 | (15.6) | 3,831 | (15.9) |
| FY2019 | 16,647 | 10.7 | 8,188 | (6.6) | 7,184 | (0.7) | 4,555 | (9.3) |

Note: Comprehensive income Fiscal year ended Dec. 31, 2020: 3,637 million yen (down 23.6%)
Fiscal year ended Dec. 31, 2019: 4,763 million yen (down 6.9%)

| | Net income per share | Diluted net income per share | Return on equity | Ordinary profit on total assets | Operating profit to net sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| FY2020 | 128.13 | 127.05 | 10.2 | 4.5 | 39.6 |
| FY2019 | 153.11 | 150.19 | 13.4 | 5.4 | 49.2 |

Reference: Equity in earnings of affiliates Fiscal year ended Dec. 31, 2020: 37million yen
Fiscal year ended Dec. 31, 2019: (25) million yen

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of Dec. 31, 2020 | 112,170 | 39,085 | 34.7 | 1,294.62 |
| As of Dec. 31, 2019 | 158,879 | 36,256 | 22.7 | 1,208.99 |

Reference: Owners' equity As of Dec. 31, 2020: 38,903million yen As of Dec. 31, 2019: 36,126 million yen

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| FY2020 | 24.024 | (1,727) | (37,054) | 21,377 |
| FY2019 | (20,670) | (1,771) | 38,983 | 36,239 |

## 2. Dividends

| | Dividends per share | | | | | Total dividends | Payout ratio (consolidated) | Dividend on equity (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| FY2019 | - | 9.5 | - | 12.5 | 22.0 | 655 | 14.4 | 1.9 |
| FY2020 | - | 16.0 | - | 16.0 | 32.0 | 959 | 25.0 | 2.6 |
| FY2021 (forecast) | - | 16.0 | - | 16.0 | 32.0 | | 34.3 | |

## 3. Consolidated Forecast for FY2021 (January 1 to December 31, 2021)

(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 |
| First half | 5,520 | (47.7) | 1,950 | (56.0) | 1,880 | (52.8) | 1,330 | (51.0) | 44.47 |
| Full year | 13,000 | (26.6) | 4,630 | (34.0) | 4,070 | (32.9) | 2,800 | (26.9) | 93.63 |

*** Notes**

(1) Changes in significant subsidiaries during 2020 (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) 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: None
3) Changes in accounting estimates: None
4) Restatements: None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

| | | | |
|---|---|---|---|
| As of Dec. 31, 2020 | 30,590,200 shares | As of Dec. 31, 2019 | 30,422,000 shares |

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

| | | | |
|---|---|---|---|
| As of Dec. 31, 2020 | 540,392 shares | As of Dec. 31, 2019 | 540,281 shares |

3) Average number of shares during the period

| | | | |
|---|---|---|---|
| Fiscal year ended Dec. 31, 2020 | 29,906,246 shares | Fiscal year ended Dec. 31, 2019 | 29,754,284 shares |

**(Reference) Summary of Non-consolidated Financial Results**

**Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)**

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY2020 | 5,442 | 12.5 | 2,570 | 0.8 | 3,895 | (33.2) | 2,800 | (41.9) |
| FY2019 | 4,839 | 20.0 | 2,549 | 8.8 | 5,830 | 3.1 | 4,817 | (11.6) |

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| FY2020 | 93.64 | 92.86 |
| FY2019 | 161.92 | 158.83 |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of Dec. 31, 2020 | 60,232 | 35,123 | 58.3 | 1,168.30 |
| As of Dec. 31, 2019 | 53,852 | 33,198 | 61.6 | 1,110.47 |

Reference: Owners' equity As of Dec. 31, 2020:35,107million yen As of Dec. 31, 2019:33,182 million yen

* The current financial report is not subject to audit procedures.

* 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 "1. Overview of Results of Operations, (1) Analysis of Results of Operations" on page 2 for forecast assumptions and notes of caution for usage.

A briefing session for Institutional investors and Analysts on the conference call to be held on February 10, 2021.

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## 1. Overview of Results of Operations

### (1) Analysis of Results of Operations

1) Summary of 2020

In the consolidated fiscal year (Jan. 1, 2020 to Dec. 31, 2020), the global economy saw corporate earnings declining rapidly and consumer spending shrinking due to the novel coronavirus (COVID-19), which spread globally. For preventing the spread of COVID-19, countries around the world continued the restrictions on the entry to their respective countries and on people's movements, and especially the business environment in the airline industry was harsh. While the COVID-19 pandemic is lingering, countries around the world are seeking methods to increase the levels of social and economic activities while implementing measures to prevent the spread of COVID-19. In Japan, too, corporate earnings and the employment environment are harsh. As there is concern over the escalation and prolongation of the pandemic, the future outlook is still unclear.

In this economic situation, the JIA Group has strived to enhance its corporate value, while focusing on its 3 core businesses (the operating lease business, the renewable energy business, and the aircraft parts-out & conversion business), under the ethos: "Always be a company contributing to society by offering financial services."

The sales of the operating lease business were 16,561 million yen, up 7.2% year on year. Equity sales dropped for the first time since listing and stood at 79,301 million yen, down 23.9% year on year. However, the revenue grew, thanks to the commissions for the extension of the lease periods of aircraft and sale of aircraft, etc. The amount of transactions developed was as small as 95,064 million yen, down 72.2% year on year. As a result, the term-end balance of equities underwritten was 28,431 million yen, down 65.5% year on year.

The sales of the renewable energy business were 414 million yen, up 10.9% year on year. This is mainly due to the commissions for management of solar power stations and the revenues from sale of electricity. The operation of new solar power stations was started and the existing solar power generation business funds were redeemed, however the company decided to put off the establishment and the sale of new funds for solar power generation projects, and to keep owning them until the subsiding of the pandemic becomes foreseeable. Consequently, the revenues from sale of electricity contributed to sales growth.

The sales of the aircraft parts-out & conversion business were 177 million yen, up 1,344.2% year on year. The company strived to make new deals in the parts-out business, in which parts obtained by dismantling retired aircraft are managed and sold to maintenance companies, lease companies, airlines, etc. and in the conversion business, in which passenger airplanes are converted into cargo planes.

The following table shows the changes and change rates between the consolidated fiscal year 2020 and the previous year.

[Unit: Million yen]

| | Previous consolidated fiscal year | Current consolidated fiscal year | Change | Change rate (%) |
|---|---|---|---|---|
| Net sales | 16,647 | 17,707 | 1,059 | 6.4 |
| Operating profit | 8,188 | 7,009 | (1,178) | (14.4) |
| Ordinary profit | 7,184 | 6,064 | (1,119) | (15.6) |
| Profit attributable to owners of parent | 4,555 | 3,831 | (723) | (15.9) |

2) Outlook for the next fiscal year

As for the operating lease business, which is the mainstay of the corporate group, airlines faced difficulty in coping with the turmoil at the beginning of the coronavirus crisis, but the aircraft leasing business environment is recovering as they strive to do business while coping with the novel coronavirus. In addition, attractive products for investors are sold out quickly even while the future outlook is unclear. Accordingly, the environments for the development and the sales of leasing transactions are expected to recover gradually after bottoming out in the first half of the fiscal year ending December 2021, although it is necessary to pay attention to the signs of escalation and prolongation of the coronavirus crisis.

In addition, in order to develop the core business in the next growth strategy, the company will concentrate on the cross-selling and the advisory business utilizing the customer base.

Results for the fiscal year ending December 31, 2021 are as follows.

| | FY December 2020 (Actual) | FY December 2021 (Forecast) | | | |
|---|---|---|---|---|---|
| | Throughout the year (Million yen) | Second quarter (Million yen) | YoY (%) | Throughout the year (Million yen) | YoY (%) |
| Net sales | 17,707 | 5,520 | (47.7) | 13,000 | (26.6) |
| Operating profit | 7,009 | 1,950 | (56.0) | 4,630 | (34.0) |
| Ordinary profit | 6,064 | 1,880 | (52.8) | 4,070 | (32.9) |
| Profit attributable to owners of parent | 3,831 | 1,330 | (51.0) | 2,800 | (26.9) |

**(2) Analysis of Financial Position**

1) Assets, liabilities and net assets

Assets

Total assets decreased by 46,709 million yen from the end of 2019 to 112,170 million yen at the end of 2020 consolidated fiscal year.

Total current assets decreased by 45,905 million yen from the end of 2019 to 105,261 million yen at the end of 2020. This was mainly due to decreases in equity underwritten of 53,940 million yen, cash and deposits of 14,862 million yen, and costs on uncompleted services of 4,016 million yen, while there were increases in advance payments-trade of 12,871 million yen, advance payments of 10,708 million yen and merchandise of 5,207 million yen.

Total Non-current assets decreased by 806 million yen from the end of 2019 to 6,826 million yen at the end of 2020. This was mainly due to decreases in deferred tax assets of 1,791 million yen, while there were increases in investment securities of 252 million yen, tangible fixed assets of 247 million yen.

Liabilities

Total liabilities decreased by 49,538 million yen from the end of 2019 to 73,084 million yen at the end of 2020 consolidated fiscal year.

Total current liabilities decreased by 52,223 million yen from the end of 2019 to 64,374 million yen at the end of 2020. This was mainly due to decreases in short-term loans payable of 39,398 million yen and unearned revenue of 10,801 million yen.

Total non-current liabilities increased by 2,685 million yen from the end of 2019 to 8,710 million yen at the end of 2020. This was mainly due to increases in long-term loans payable of 2,752 million yen.

Net Assets

Total net assets increased by 2,828 million yen from the end of 2019 to 39,085 million yen. This was mainly due to increases in retained earnings of 2,979 million yen.

**(3) Analysis of Cash Flows**

Cash and cash equivalents (hereinafter, "net cash") at the end of 2020 decreased 14,862 million yen from the end of 2019 to 21,377 million yen.

The cash flow components during 2020 and the main reasons for changes are as described below.

(Cash flows from operating activities)

Net cash provided in operating activities was 24,024 million yen (compared with 20,670 million yen used in 2019). Main positive factors include profit before income taxes of 6,064 million yen and a 53,940 million yen decrease in equity underwritten. Major negative factors include increases in advances paid of 12,609 million yen, advance payments-trade of 10,708 million yen and a decrease in unearned revenue of 10,745 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,727 million yen (compared with 1,771 million yen used in 2019). Main factors include payments of 1,979 million yen for loans receivable, payments of 538 million yen for the purchase of investment securities. Major positive factors include collection of loans receivable of 1,258 million yen.

(Cash flows from financing activities)

Net cash used by financing activities was 37,054 million yen (compared with 38,983 million yen provided in 2019). Main negative factors include a 117,609 million yen decrease in short-term loans payable. Main positive factors include a 78,758 million yen increase in short-term loans payable.

Reference: Cash flow indicators

| | FY2018 | FY2019 | FY2020 |
|---|---|---|---|
| Equity ratio (%) | 30.0 | 22.7 | 34.7 |
| Market value-based equity ratio (%) | 85.8 | 28.5 | 35.7 |
| Interest-bearing debt to cash flow ratio (years) | (Note 6) | (Note 6) | 2.8 |
| Interest coverage ratio (times) | (Note 6) | (Note 6) | 34.3 |

Equity ratio: Owners' equity / Total assets
Market value-based equity ratio: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio = Interest-bearing debt / Operating cash flows
Interest coverage ratio = Operating cash flows / Interest payments

Notes: 1. All indices are calculated based on consolidated figures.
2. Market capitalization is calculated by multiplying the closing share price at the end of the period by the total number of shares issued, excluding treasury shares, at the end of the period.
3. Cash flows are calculated using the figures for operating cash flows on the consolidated statement of cash flows.
4. Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.
5. Interest payments use the amount of interest expenses paid stated on the consolidated statement of cash flows.
6. Not presented because operating cash flows were negative.

**(4) Basic Policy for Profit Distribution, and Dividends for the Current and Next Fiscal Years**

Returning profits to shareholders is one of our highest priorities and we also place great importance on our policy for dividends. The basic policy for the distribution of surplus is to pay dividends in consideration of the balance between performance-linked and stable dividends, while securing the necessary internal reserves for future business development and strengthening our financial base.

In view of the above policy, we plan to pay an annual dividend of 32 yen/share for the fiscal year ending Dec. 31, 2020, with a consolidated payout ratio of 25.0%. Although our business performance fell short of our initial forecast, we paid an interim dividend of 16 yen/share and plan to pay a year-end dividend of 16 yen/share, emphasizing stable dividends.

For the fiscal year ending Dec. 31, 2021, although we estimate a decrease in profit due to the prolonged Corona disaster, we plan to pay an interim dividend of 16 yen/share, a year-end dividend of 16 yen/share, and an annual dividend of 32 yen/share (consolidated payout ratio: 34.3%), the same amount as the fiscal year ending Dec. 31, 2020, with an emphasis on stable dividends.

The JIA Articles of Incorporation include a provision for the payment of an interim dividend as provided for in Article 454, Paragraph 5 of the Companies Act. The interim dividend is determined by the Board of Directors and the year-end dividend is determined at the annual shareholders meeting.

Internal reserves will be effectively utilized for future business development and strengthening of the financial base.

**(5) Business Risks**

Risks that may have a significant impact on investment decisions of investors are as follows. It is noted that forward-looking statements in the description below are based on the judgment the Group made as of the date of filing this report, and do not cover all business risks related to investment in the stock of JIA.

(Risks related to the degree of dependency on the operating lease business)

The Group records commission fee, including arrangement fee from the operating lease business, as net sales. Since the establishment of the Company, we have expanded our business while positioning the operating lease business as its core business. Accordingly, the sales in the operating lease business account for the majority of the Group’s sales. Target properties include aircraft, vessels, and containers, and the ratio of aircraft is high. So, the development of the operating lease projects could be influenced by trends in capital investment in the aviation industry.

The Group will continue to expand the operating lease business through expansion of sales channels and development of the products that meet the needs of investors and release them. On the other hand, we will diversify our revenue base by fortifying other existing businesses than the operating lease business and developing new businesses.

However, the degree of dependency on the operating lease business is high at this time. If any problems arise in the growth of the operating lease business, such as competition with other companies, it could adversely affect the Group’s financial position and business performance.

（Risks in the operating lease business）

The following are the risks relevant to the operating lease business of the Group.

1) Risk of impact of international conflicts on the global economy

In the operating lease business, the main assets are aircraft, and the lessees are major airlines around the world. Since these airlines conduct the business activities all over the world, conflict, terrorism, epidemics in the region in the world may cause decline in demand for operating lease of aircraft and investors’ appetite for investment may wane.

In case the above-mentioned event is prolonged, it could have a serious impact on the real economy through not only the aviation industry but also global supply-chain, etc.

In case these risks actualize, lease demand for aircraft, vessels, and containers may decline, investors' appetite for investment may wane, and the Group's business development, financial position and business performance could be adversely affected.

2) Risk of bankruptcies of airlines or other lessees

In the event where lease payments are not made by lessees to SPC for any reason including commencement of bankruptcy proceedings of an airline, etc., return on the operating lease business may decline, leading to investors who have invested in the business incurring losses.

In the event of the above, investors' appetite for investing may wane, and in turn, soliciting investment in newly structured operating lease projects could become difficult. Consequently, sale of rights under a silent partnership agreement may decrease, resulting in a drop in the Group's financial position and business performance.

The Group develops operating lease projects after checking the credit status, etc. of airlines that are the lessees to mitigate the risk of their bankruptcies. Should insolvency proceedings against a lessee be commenced, the Group will strive to deal with the situation to avoid decline of return on the operating lease projects by selling the lease properties or scouting for a new lessee.

Despite these measures, however, if something unexpected should occur, investors' appetite for investment may wane. Consequently, sale of rights under a silent partnership agreement may decrease, resulting in drop in the Group's commission fee revenue, which could adversely affect the Group's financial position and business performance.

3) Risk of fluctuation in residual value (future selling price of lease properties)

If a lessee does not opt to purchase the lease property at the end of the lease term, the lease property will be sold to a third party in the market. If the property is sold at a price lower than the expected selling price at the time of lease structuring, return on the operating lease business may decline, leading to investors who have invested in the business incurring losses.

The Group is coping with the risk of price fluctuation by taking multiple measures, including conservatively estimating a selling price of leased properties at the time of lease structuring as well as setting a buy option or a lease term extension option depending on deals based on forecast for the future market. Despite these measures, however, if something unexpected should occur, investors' appetite for investing may wane. Consequently, sale of rights under a silent partnership agreement may decrease, resulting in drop in the Group's commission fee revenue, which could adversely affect the Group's financial position and business performance.

In the event of the above, soliciting investment in newly structured operating lease projects could become difficult. Consequently, sale of rights under a silent partnership agreement may decrease, resulting in a drop in the Group's financial position and business performance.

4) Rights under silent partnership agreement accounted for as equity underwritten

The Group, in principle, temporarily acquires rights under a silent partnership agreement pertaining to SPCs on the premise that it will transfer the rights to investors. The rights under the relevant silent partnership agreement are accounted at acquisition price as "equity underwritten" in the "assets section" of the consolidated balance sheet.

If the Group needs to continue holding the equity underwritten for some reasons, it will be difficult for the Group to receive the expected commission fee upon the transfer of the relevant equity underwritten and to collect investments. Furthermore, because such a situation implies that the Group itself is involved in the operating lease business as an investor, it could adversely affect the Group's financial position and business performance. In case the value of the lease properties falls, the Group will be exposed to the risk of failing to recoup all or part of its equity underwritten.

5) Currency risks

i) Impact on new operating lease businesses

In the operating lease business, the lease properties are mainly sold in foreign currencies at termination of each lease term. Therefore, if the yen is appreciated more than the exchange rate at the time of the lease structuring, yen-denominated earnings will deteriorate, leading to investors who have invested in the business incurring losses.

Additionally, investors often receive their investments in capital in foreign currencies at termination of each lease term. Therefore, if the yen is appreciated more than the exchange rate at the time of the equity investment, they will receive the proceeds less than the amount of the initial investment, leading to investors who have invested in the business incurring losses.

As described above, if investors expect that the yen-denominated earnings or cash flows from the operating lease business will deteriorate and they will incur losses in the future because of stronger yen, their appetite for investing in operating leases structured by the Group may wane, and in turn, soliciting investment in newly structured operating leases could become difficult. Consequently, sale of rights under silent partnership agreement may decrease, resulting in a drop in the Group's commission fee revenue, which could adversely affect the Group's financial position and business performance.

ii) Impact on transfer of equity underwritten

When the Group transfers to investors equity underwritten denominated in yen, which was acquired by the Group in foreign currencies, the Group determines the assignment price of the equity underwritten based on the level of the exchange rate at the time of originating the operating lease business.

Therefore, if the yen is appreciated rapidly after the acquisition of the equity underwritten, the value of the equity underwritten will become higher than the value calculated at the level of the exchange rate at the time of originating the relevant operating lease business. In this case, the Group's financial position and business performance may deteriorate due to waning of the investors' appetite for investment, etc.

(Regarding COVID-19)

If the pandemic of COVID-19 lingers, opportunities to develop deals may decrease due to the worsening of business performance of lessees, including airlines, and the changes in the terms and conditions of lending by financial institutions; investors, mainly small and medium-sized enterprises, may decrease the willingness to invest; and the value of assets owned for the operating lease business may degrade.

The Group conducts estimation for accounting, such as evaluation of assets, based on information available as of the preparation of consolidated financial statements. However, the figures obtained through estimation with the best efforts may be different from actual results, due to uncertainties about the future.

If an employee of our corporate group is infected with the novel coronavirus, the infection spreads through the contact among employees, etc., and our offices are temporarily closed or some of our businesses are temporarily stopped, then the business operation of our corporate group may be affected.

In order to cope with these risks appropriately, the Group strives to exchange information with related staff involved in the operating lease business and takes appropriate measures such as making deals targeted at products other than aircraft. We conduct estimation for accounting, under the assumption that it will take one to two years to see the pandemic subsiding and the economy returning to the pre-pandemic state. Furthermore, in order to secure the safety and peace of mind of clients, business partners, executives, and employees, we will implement measures suited for new lifestyles (e.g. promotion of social distancing, wearing of face masks, and health management) as much as possible.

If sales decline, value of owned assets degrade, or our business operation is affected due to the factors mentioned above, despite our countermeasures, then the financial standing and business performance of our corporate group may suffer adverse effects.

(Regarding the risk accompanying the handling of projects with a new scheme)

The Group strives to improve product competitiveness every day in order to meet various needs from investors. In addition to deals targeted at individual lease assets and lessees, the Group released portfolio-type deals targeted at multiple lease assets and lessees for the purpose of diversifying risks, reducing costs for creating portfolios, etc.

When selling such portfolios to investors, we produce reference material for explaining the differences from existing projects, etc. sufficiently and give prior explanations to investors.

As for the portfolio creation scheme, there are many lessees, and it takes a lot of time to conduct prior adjustment, produce reference material for sale, etc. Accordingly, there are the possibilities of delay in release than expected and the prolongation of the selling period. Such cases could adversely affect the Group's financial position and business performance.

（Risk of the renewable energy business）

The Group engages in a solar photovoltaic generation business as part of the renewable energy business.

Since this business is subject to the government regulations including the Renewable Energy Act and other related legal system, revisions to the feed-in tariff scheme in connection with changes in the legal system for various governmental reasons could adversely affect structuring and operation of the funds administered by the Group.

（Risk of the aircraft part-out & conversion business）

The Group's equity-method affiliate Vallair Capital SAS (hereinafter "Vallair") purchases aircraft, engines and other parts, remodels aircraft, manages inventory, and sells them.

The Group intends to mitigate risks of this business by leveraging knowledge and business networks established through arrangement and sale of the aircraft leases at the operating lease business.

Nevertheless, as this business is influenced by trends in capital investment in the aviation industry, the Group's financial position and business performance could be affected by the recording of equity method investment losses in association with the deterioration of Vallair's business performance in case of a downturn in the global economy, decline in demand for aircraft due to and geopolitical risks and more-than-expected drop in selling price of aircraft or other assets.

(Risks in the private equity investment business)

As part of the private equity investment business, the Group provides support for the selection and development of investee companies, mainly with the aim of obtaining capital gains through value enhancement.

When investing, the Group strives to minimize risks by conducting due diligence on the target companies. However, in the event of violations of laws and regulations, unrecognized debts, etc. that could not be discovered before the investment or that become apparent after the investment, or if the future performance of the investee is below the Group's expectations, it will be difficult to recover the investment funds. Furthermore, impairment accounting will be applied to the Company's operational investment securities, which may adversely affect the Group's financial position and business performance.

（Risks related to Statutory regulations）

1) Financial Instruments and Exchange Act

Since investors' rights under silent partnership agreements executed in the operating lease business fall under securities stipulated in the Article 2, Paragraph 2-5 of the Financial Instruments and Exchange Act, the Group is obliged to abide by each of the Financial Instruments and Exchange Act and the Act on Sales, etc. of Financial Instruments.

Since JLPS is engaged in handling private placement for silent partnership equity stake including rights under silent partnership agreements, it is registered as an operator of Type II Financial Instruments Business under the Article 29 of the Financial Instruments and Exchange Act. The Article 52 of the Financial Instruments and Exchange Act stipulates reasons for rescission of registration or suspension of business. If JLPS falls under any of the reasons, it could be ordered to rescind the registration or suspend the business.

The Group stringently enforces compliance of laws and regulations when engaging in this business and has recognized no evidence of reasons for such rescission of registration or suspension of business as of the date of filing this report. Nevertheless, if JLPS is, for some reason, subject to punitive administrative actions to rescind the registration or suspend the business in the future, it could significantly affect the Group's financial position and business performance.

2) Tax and other related laws and regulations

We develop portfolios in the operating lease business in accordance with the current ordinances regarding tax, accounting and others pertaining to the business.

The Group confirm substance and interpretation of the related ordinances with respect to each portfolio by consulting with Certified Public Tax Accountants, lawyers or other professionals. Nevertheless, if the relevant ordinances are revised or newly enacted, leading to changes in taxation, investors' appetite for investing in the operating leases business may wane, and in turn, sale of rights under a silent partnership agreement may decrease, which could adversely affect the Group's financial position and business performance.

（Risk related to fund raising）

The Group may temporarily acquire rights under silent partnership agreement pertaining to SPCs on the premise that it will transfer the rights to investors. If it becomes difficult for the Group to develop portfolios smoothly after failing to procure funds from financial institutions for some reasons such as worsening economy or deterioration of the Group's business performance, etc., the Group's financial position and business performance may be adversely affected.

（Risk related to financial covenants）

The Group procure funds for temporarily acquiring rights under silent partnership agreement in the operating lease business by using its own funds, borrowings from financial institutions, or executing an overdraft facility agreement and a commitment line agreement so that we can draw down funds as needed.

These agreements include financial covenants stipulating that the Group shall maintain financial position and results of operations at levels above certain specified figures. Such covenants include maintaining the balance of net assets on the consolidated balance sheet at the end of each fiscal year and the second quarter end of each fiscal year at 75% or more of the balance of net assets at the end of the specified period of the immediate previous fiscal year; and reporting no ordinary losses (or no operating losses depending on financial institutions) on the consolidated statement of income for each fiscal year and for the first half of each fiscal year.

Therefore, if the Group's business performance deteriorates to the extent that it will violate any financial covenants, the Group's obligation to repay the loans is accelerated by lenders, which could adversely affect the Group's financial position and business performance.

（Risk related to significant litigations）

The Group engages in the operating lease business and other investment banking services. In the course of our business activities, investors or intermediaries may file legal proceedings against us. It is difficult for us to predict the occurrence or outcome of such litigations and legal proceedings in which the Group would be involved as a party. If unfavorable outcomes occur to the Group, it could adversely affect the Group's financial position, business performance and business development.

（Risk arising from inclusion of non-consolidated subsidiaries into the scope of consolidation）

As inclusion of SPCs, operators of individual deals structured by the Group, into the scope of consolidation may considerably mislead the stakeholders' decision-making, the Group excludes these SPCs from the scope of consolidation for purposes of the Group' s financial reporting based on the Article 5, Paragraph 1, Item 2 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of Ministry of Finance No. 28, 1976).

If the SPCs who are operators of the projects structured by the Group is included in the scope of consolidation for some reasons such as new rules different from conventional rules are enacted in the future, it could adversely affect the Group's financial position and business performance.

（Risk related to corporate organization）

1) Dependence on the founder

The founder of the Group is Naoto Shiraiwa, current President and CEO. He has served as CEO since inception of the Group and has played a significant role in promoting the Group's business by determining the management policy and business strategies, as well as formulating and implementing operational measures.

The Group appoints directors in charge of each operation, operating officer and division heads, and holds regular meetings so that the Group can proactively seek various ideas and share information. Additionally, we have steadily been working on establishing a corporate structure not overly dependent on Mr. Shiraiwa by delegating authority as appropriate. Nevertheless, if something unexpected would occur to Mr. Shiraiwa for some reasons or things would occur that will cause him to leave the post, it could adversely affect the Group's financial position, business performance and business development.

2) Risks related to securing and developing human resources

The Group recognizes that securing talented professionals with good business skill and sense as well as fostering human resources are vital issues for the Group to expand the business going forward. Therefore, the Group is intending to increase highly skilled staff and strengthen the internal control system.

Nevertheless, if the Group fails to secure a sufficient number of qualified workers, fails to retain current employees resulting in the shortage of workforce, or fails to effectively and sufficiently accommodate the growth of the Group's business due to the shortage of workforce or lack of organizational capability, the Group's business development, financial position and business performance could be adversely affected.

It is difficult to gauge the possibility, degree, and timing of each risk and accurately estimate factors that would affect the financial standing and business performance of the Group, but in the current consolidated fiscal year, the spread of COVID-19 rapidly worsened the economic and financial environments of each country around the world. Especially, due to the downturn of the business environment of the airline industry, the operating lease business of the Group saw the decline in needs for transactions by lessees and investors' judgment becoming cautious due to the anxiety over the future economy, concerns over the credibility of lessees, etc. Then, equity sales became sluggish, augmenting risks and affecting the business performance and financial standing of the Group.

As for the future outlook, the global economy and the business environment of airlines are expected to get out of the worst period, thanks to the voluntary efforts of airlines, each country's measures for preventing the spread of COVID-19, including vaccine development, and economic policies, including the financial assistance of governments, financial institutions, etc. for airlines, but it is assumed that it will take 1 or 2 years to see the pandemic subsiding and the economy returning to the pre-pandemic state. If actual situations turn out to be different from the Group's assumption, the above risks may emerge, affecting the financial standing and business performance of the Group.

**2. Corporate Group**

（as of December 31,2020）

| Name | Location | Capital (Thousands of yen) | Main line of business | Share of voting rights (%) | Relationships |
|---|---|---|---|---|---|
| **Consolidated subsidiaries** | | | | | |
| JP Lease Products & Services Co., Ltd.(note.2) | Chiyoda-ku, Tokyo | 950,000 | Operating lease business for aircrafts and maritime container boxes, Insurance agent | 100.0 | Concurrent directors: Yes<br>Guarantees of debt<br>Contract services<br>financial support |
| JLPS Holding Ireland Limited (note.3) | Ireland | 20,000 thousand euros | Aircraft leasing businesses | 100.0<br>(100.0) | Concurrent directors: Yes |
| Finspire Inc. | Chiyoda-ku, Tokyo | 50,000 | Operating lease business | 100.0 | Concurrent directors: None |
| JPO No.0 Co., Ltd. | Chiyoda-ku, Tokyo | 300 | Aircraft part-out & conversion business | 100.0 | Concurrent directors: Yes<br>financial support |
| JPO No.1 Co., Ltd. | Chiyoda-ku, Tokyo | 300 | Aircraft part-out & conversion business | 100.0 | Concurrent directors: Yes<br>financial support |
| JIA Luxembourg SARL | Luxembourg | 5,300,000 euros | Investment business | 100.0 | Concurrent directors: None<br>financial support |
| JPE No.1 Co., Ltd. | Chiyoda-ku, Tokyo | 300 | Investment business | 100.0 | Concurrent directors: None<br>financial support |
| Nihon Securities Journal Inc. | Chuo-ku, Tokyo | 4,500 | Media-related business | 100.0 | Concurrent directors: None<br>financial support |
| Arena Aviation Partners B.V. (note.5) | Netherlands | 1,100 euros | Aircraft lease management and aircraft resale businesses | 49.0<br>(49.0) | Concurrent directors: None<br>financial support |
| Other 11 Company | | | | | |
| **Affiliates accounted for using the equity method** | | | | | |
| Vallair Capital SAS | France | 101,570 euros | Aircraft part-out & conversion business | 40.0<br>(40.0) | Concurrent directors: Yes<br>financial support |
| Iter Corporation | Chiyoda-ku, Tokyo | 50,000 | Fintech business | 37.0 | Concurrent directors: Yes |
| Other 3 Company | | | | | |

Note1: There are no companies submitting securities registration statement or securities report.

2: JP Lease Products & Services Co., Ltd. is significant subsidiaries whose revenue exceeds 10% of consolidated revenue reported in the consolidated financial statements for the fiscal year ended December 31, 2020.

Key financial results (in Japanese yen)

| | |
|---|---|
| Revenue | 16,156 millions of yen |
| Ordinary profit | 3,470 millions of yen |
| Profit for the year | 2,403 millions of yen |
| Total equity | 6,969 millions of yen |
| Total assets | 73,176 millions of yen |

3: Falls under specified subsidiaries.

4: Voting rights (%) figures in parentheses show percentage indirectly owned by the Company.

5: Arena Aviation Partners B.V. is considered to be a consolidated subsidiary as the Company holds effective control over its operation even though the Company's voting rights do not exceed 50%.

### 3. Basic Approach for the Selection of Accounting Standards

The JIA Group will continue to prepare consolidated financial statements using the generally accepted accounting principles in Japan for the time being. We will take suitable actions with regard to the application of International Financial Reporting Standards by taking into account associated factors in Japan and other countries.

## 4. Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheet

(Millions of yen)

| | FY2019 (As of Dec. 31, 2019) | FY2020 (As of Dec. 31, 2020) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 36,239 | 21,377 |
| Accounts receivable-trade | 6,661 | 4,076 |
| Merchandise | 2,637 | 7,845 |
| Equity underwritten | 82,372 | 28,431 |
| Costs on uncompleted services | 4,580 | 564 |
| Short-term loans receivable | 1,244 | 1,522 |
| Advance payments-trade | 5,263 | 15,971 |
| Advances paid | 6,898 | 19,769 |
| Deposits paid | 503 | - |
| Operational investment securities | 1,561 | 1,677 |
| Accounts receivable-other | 2,680 | 2,284 |
| Consumption taxes receivable | 272 | 1,506 |
| Other | 250 | 235 |
| Total current assets | 151,167 | 105,261 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 58 | 193 |
| Land | 39 | 108 |
| Other, net | 12 | 55 |
| Total property, plant and equipment | 109 | 357 |
| Intangible assets | | |
| Software | 102 | 105 |
| Goodwill | 11 | 7 |
| Patent right | 0 | 0 |
| Total intangible assets | 114 | 113 |
| Investments and other assets | | |
| Investment securities | 3,888 | 4,140 |
| Deferred tax assets | 3,251 | 1,459 |
| Other | 272 | 774 |
| Allowance for doubtful accounts | (3) | (19) |
| Total investments and other assets | 7,407 | 6,354 |
| Total non-current assets | 7,632 | 6,826 |
| Deferred assets | | |
| Bond issuance cost | 80 | 83 |
| Total deferred assets | 80 | 83 |
| Total assets | 158,879 | 112,170 |

(Millions of yen)

| | FY2019 (As of Dec. 31, 2019) | FY2020 (As of Dec. 31, 2020) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 39 | 18 |
| Accounts payable-operating | 677 | 191 |
| Short-term loans payable | 95,813 | 56,415 |
| Current portion of long-term loans payable | 2,266 | 2,132 |
| Current portion of bonds | 972 | 1,136 |
| Accounts payable-other | 132 | 799 |
| Income taxes payable | 2,335 | 15 |
| Accrued consumption taxes | 19 | 1 |
| Unearned revenue | 13,574 | 2,772 |
| Provision for shareholder benefit program | 40 | 56 |
| Provision for bonus | - | 302 |
| Other | 726 | 533 |
| Total current liabilities | 116,598 | 64,374 |
| Non-current liabilities | | |
| Long-term loans payable | 3,671 | 6,424 |
| Bonds payable | 2,316 | 2,170 |
| Deferred tax liabilities | 26 | - |
| Other | 11 | 115 |
| Total non-current liabilities | 6,025 | 8,710 |
| Total liabilities | 122,623 | 73,084 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 11,658 | 11,670 |
| Capital surplus | 11,593 | 11,605 |
| Retained earnings | 14,154 | 17,134 |
| Treasury shares | (1,470) | (1,470) |
| Total shareholders' equity | 35,935 | 38,938 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 215 | 116 |
| Foreign currency translation adjustment | (23) | (152) |
| Total accumulated other comprehensive income | 191 | (35) |
| Subscription rights to shares | 16 | 15 |
| Non-controlling interests | 114 | 166 |
| Total net assets | 36,256 | 39,085 |
| Total liabilities and net assets | 158,879 | 112,170 |

## (2) Consolidated Statements of Income and Comprehensive Income

### Consolidated Statement of Income

(Millions of yen)

| | FY2019 (Jan. 1 – Dec. 31, 2019) | FY2020 (Jan. 1 – Dec. 31, 2020) |
|---|---|---|
| Net sales | 16,647 | 17,707 |
| Cost of sales | 4,910 | 6,383 |
| Gross profit | 11,736 | 11,323 |
| Selling, general and administrative expenses | | |
| Directors' compensations | 313 | 286 |
| Salaries and allowances | 1,155 | 1,346 |
| Bonuses | 252 | 803 |
| Commission fee | 192 | 204 |
| Compensations | 142 | 103 |
| Taxes and dues | 547 | 565 |
| Rents | 209 | 228 |
| Other | 734 | 775 |
| Total selling, general and administrative expenses | 3,548 | 4,314 |
| Operating profit | 8,188 | 7,009 |
| Non-operating income | | |
| Interest income | 208 | 201 |
| Commission fee | 48 | 281 |
| Gain on sales of equity underwritten | 610 | 581 |
| Interest on investment securities | 87 | 146 |
| Other | 45 | 54 |
| Total non-operating income | 1,000 | 1,265 |
| Non-operating expenses | | |
| Interest expenses | 829 | 704 |
| Commission fee | 912 | 1,004 |
| Amortization of bond issuance cost | 24 | 30 |
| Foreign exchange losses | 210 | 439 |
| Share of loss of entities accounted for using equity method | 25 | - |
| Other | 1 | 31 |
| Total non-operating expenses | 2,004 | 2,210 |
| Ordinary profit | 7,184 | 6,064 |
| Profit before income taxes | 7,184 | 6,064 |
| Income taxes-current | 3,843 | 386 |
| Income taxes-deferred | (1,315) | 1,813 |
| Total income taxes | 2,528 | 2,200 |
| Profit | 4,655 | 3,864 |
| Profit attributable to non-controlling interests | 100 | 32 |
| Profit attributable to owners of parent | 4,555 | 3,831 |

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

| | FY2019 (Jan. 1 – Dec. 31, 2019) | FY2020 (Jan. 1 – Dec. 31, 2020) |
|---|---|---|
| Profit | 4,655 | 3,864 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 131 | (98) |
| Foreign currency translation adjustment | (23) | (128) |
| Total other comprehensive income | 107 | (226) |
| Comprehensive income | 4,763 | 3,637 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,663 | 3,604 |
| Comprehensive income attributable to non-controlling interests | 100 | 32 |

### (3) Consolidated Statement of Changes in Equity

FY2019 (Jan. 1 – Dec. 31, 2019)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 11,639 | 11,574 | 10,176 | (1,470) | 31,919 |
| Changes of items during period | | | | | |
| Issuance of new shares - exercise of subscription rights to shares | 18 | 18 | | | 37 |
| Dividends of surplus | | | (565) | | (565) |
| Profit attributable to owners of parent | | | 4,555 | | 4,555 |
| Purchase of treasury shares | | | | (0) | (0) |
| Change of scope of consolidation | | | (12) | | (12) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | 18 | 18 | 3,978 | (0) | 4,015 |
| Balance at end of current period | 11,658 | 11,593 | 14,154 | (1,470) | 35,935 |

| | Accumulated other comprehensive income | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 84 | (0) | 83 | 16 | 60 | 32,080 |
| Changes of items during period | | | | | | |
| Issuance of new shares - exercise of subscription rights to shares | | | | | | 37 |
| Dividends of surplus | | | | | | (565) |
| Profit attributable to owners of parent | | | | | | 4,555 |
| Purchase of treasury shares | | | | | | (0) |
| Change of scope of consolidation | | | | | | (12) |
| Net changes of items other than shareholders' equity | 131 | (23) | 107 | (0) | 53 | 160 |
| Total changes of items during period | 131 | (23) | 107 | (0) | 53 | 4,176 |
| Balance at end of current period | 215 | (23) | 191 | 16 | 114 | 36,256 |

FY2020 (Jan. 1 – Dec. 31, 2020)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 11,658 | 11,593 | 14,154 | (1,470) | 35,935 |
| Changes of items during period | | | | | |
| Issuance of new shares - exercise of subscription rights to shares | 11 | 11 | | | 23 |
| Dividends of surplus | | | (852) | | (852) |
| Profit attributable to owners of parent | | | 3,831 | | 3,831 |
| Purchase of treasury shares | | | | (0) | (0) |
| Change of scope of consolidation | | | | | - |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | 11 | 11 | 2,979 | (0) | 3,003 |
| Balance at end of current period | 11,670 | 11,605 | 17,134 | (1,470) | 38,938 |

| | Accumulated other comprehensive income | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 215 | (23) | 191 | 16 | 114 | 36,256 |
| Changes of items during period | | | | | | |
| Issuance of new shares - exercise of subscription rights to shares | | | | | | 23 |
| Dividends of surplus | | | | | | (852) |
| Profit attributable to owners of parent | | | | | | 3,831 |
| Purchase of treasury shares | | | | | | (0) |
| Change of scope of consolidation | | | | | | - |
| Net changes of items other than shareholders' equity | (98) | (128) | (226) | (0) | 52 | (174) |
| Total changes of items during period | (98) | (128) | (226) | (0) | 52 | 2,828 |
| Balance at end of current period | 116 | (152) | (35) | 15 | 166 | 39,085 |

**(4) Consolidated Statement of Cash Flows**

(Millions of yen)

| | FY2019 (Jan. 1 – Dec. 31, 2019) | FY2020 (Jan. 1 – Dec. 31, 2020) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 7,184 | 6,064 |
| Depreciation | 89 | 98 |
| Amortization of goodwill | 8 | 3 |
| Foreign exchange losses (gains) | (445) | (455) |
| Gain on sales of equity underwritten | (610) | (581) |
| Share of (profit) loss of entities accounted for using equity method | 25 | (37) |
| Interest and dividend income | (208) | (201) |
| Interest expenses | 829 | 704 |
| Decrease (increase) in notes and accounts receivable-trade | (2,223) | 2,585 |
| Decrease (increase) in inventories | (2,212) | (1,307) |
| Decrease (increase) in advance payments | 3,969 | (10,708) |
| Increase (decrease) in notes and accounts payable-trade | (833) | (507) |
| Decrease (increase) in equity underwritten | (31,309) | 53,940 |
| Decrease (increase) in advances paid | (642) | (12,609) |
| Decrease (increase) in accounts receivable-other | (2,525) | 538 |
| Decrease (increase) in deposits paid | 1,397 | 503 |
| Increase (decrease) in unearned revenue | 9,539 | (10,745) |
| Decrease (increase) in consumption taxes receivable/payable | (96) | (1,252) |
| Others | (247) | 615 |
| Subtotal | (18,309) | 26,649 |
| Interest and dividend income received | 849 | 801 |
| Interest expenses paid | (821) | (699) |
| Income taxes receivable | 441 | - |
| Income taxes paid | (2,830) | (2,727) |
| Net cash provided by (used in) operating activities | (20,670) | 24,024 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (25) | (309) |
| Purchase of intangible assets | (89) | (15) |
| Purchase of investment securities | (2,146) | (538) |
| Payments of loans receivable | (591) | (1,979) |
| Collection of loans receivable | 1,126 | 1,258 |
| Others | (45) | (142) |
| Net cash provided by (used in) investing activities | (1,771) | (1,727) |

(Millions of yen)

| | FY2019 (Jan. 1 – Dec. 31, 2019) | FY2020 (Jan. 1 – Dec. 31, 2020) |
|---|---|---|
| Cash flows from financing activities | | |
| Increase in short-term loans payable | 142,753 | 78,758 |
| Decrease in short-term loans payable | (106,355) | (117,609) |
| Proceeds from long-term loans payable | 5,150 | 4,891 |
| Repayments of long-term loans payable | (2,162) | (2,272) |
| Proceeds from issuance of bonds | 1,100 | 1,100 |
| Redemption of bonds | (882) | (1,082) |
| Purchase of treasury shares | (0) | - |
| Proceeds from exercise of share options | 37 | 23 |
| Dividends paid to non-controlling interests | (46) | - |
| Cash dividends paid | (563) | (850) |
| Other, net | (45) | (13) |
| Net cash provided by (used in) financing activities | 38,983 | (37,054) |
| Effect of exchange rate change on cash and cash equivalents | (594) | (104) |
| Net increase (decrease) in cash and cash equivalents | 15,947 | (14,862) |
| Cash and cash equivalents at beginning of period | 20,292 | 36,239 |
| Cash and cash equivalents at end of period | 36,239 | 21,377 |

**(5) Notes to Consolidated Financial Statements**

**（Going Concern Assumption）**

Not applicable.

**（Change display method）**

(Notes Regarding Consolidated Balance Sheets)

“Consumption taxes receivable”, which was included in “Others” under “Current assets” until the previous consolidated fiscal year, has been separately posted since the current fiscal year due to its increased material significance. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

(Notes Regarding Consolidated Statements of Cash Flows)

“Decrease (increase) in consumption taxes receivable/payable,” which was included in “other” under “cash flows from operating activities” in the previous fiscal year, also has become significant in value, and is separately presented from the fiscal year ended December 31, 2020. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

**（Segment Information, etc.）**

[Segment Information]

FY2019 (Jan. 1 – Dec. 31, 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.

FY2020 (Jan. 1 – Dec. 31, 2020)

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.

[Related information]

FY2019 (Jan. 1 – Dec. 31, 2019)

1. Information by product or service

(Millions of yen)

| Business segments | Financial solutions business | | | | Media-related business | Total |
|---|---|---|---|---|---|---|
| Business units | Operating lease | Renewable energy | Aircraft part-out & conversion | Other businesses | - | - |
| External sales | 15,442 | 373 | 12 | 537 | 281 | 16,647 |

2. Information by region

(1) Net sales (Millions of yen)

| Japan | Europe | Total |
|---|---|---|
| 16,635 | 12 | 16,647 |

Note: Classification of net sales is based on the location of the client and categorized by country or region.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

(Millions of yen)

| Customer name | Net sales | Related segments |
|---|---|---|
| JPP No. 1 Co., Ltd. | 3,306 | Financial solutions business |

FY2020 (Jan. 1 – Dec. 31, 2020)

1. Information by product or service

(Millions of yen)

| Business segments | Financial solutions business | | | | Media-related business | Total |
|---|---|---|---|---|---|---|
| Business units | Operating lease | Renewable energy | Aircraft part-out & conversion | Other businesses | - | - |
| External sales | 16,561 | 414 | 177 | 341 | 212 | 17,707 |

2. Information by region

(1) Net sales (Millions of yen)

| Japan | Europe | Total |
|---|---|---|
| 17,529 | 177 | 17,707 |

Note: Classification of net sales is based on the location of the client and categorized by country or region.

(2) Property, plant and equipment (Millions of yen)

| Japan | Europe | Total |
|---|---|---|
| 294 | 63 | 357 |

3. Information by major client

(Millions of yen)

| Customer name | Net sales | Related segments |
|---|---|---|
| JPP No. 1 Co., Ltd. | 4,394 | Financial solutions business |

[Information related to impairment losses on non-current assets for each reportable segment]

Not applicable.

[Information related to goodwill amortization and the unamortized balance for each reportable segment]

Omitted due to immateriality.

[Information related to gain on bargain purchase for each reportable segment]

Omitted due to immateriality.

**(Per-share Information)**

(Yen)

| | FY2019 (Jan. 1 – Dec. 31, 2019) | FY2020 (Jan. 1 – Dec. 31, 2020) |
|---|---|---|
| Net assets per share | 1,208.99 | 1,294.62 |
| Net income per share | 153.11 | 128.13 |
| Diluted net income per share | 150.19 | 127.05 |

Notes: 1. Basis for the calculation of net income per share and diluted net income per share are as follows:

| | FY2019 (Jan. 1 – Dec. 31, 2019) | FY2020 (Jan. 1 – Dec. 31, 2020) |
|---|---|---|
| Net income per share | | |
| Profit attributable to owners of parent (Millions of yen) | 4,555 | 3,831 |
| Amount not attributable to ordinary shareholders (Millions of yen) | - | - |
| Profit attributable to owners of parent applicable to common stock (Millions of yen) | 4,555 | 3,831 |
| Average number of shares during the period (Shares) | 29,754,284 | 29,906,246 |
| | | |
| Diluted net income per share | | |
| Adjustment to profit attributable to owners of parent (Millions of yen) | - | - |
| Increase in number of common stock (Shares) | 599,802 | 252,624 |
| [of which subscription rights to shares (Shares)] | [599,802] | [252,624] |
| Summary of potentially dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect | Third Series Stock Acquisition Rights (Number of stock subscription rights 3,047(304,700 shares of common stock)) | Second Series Stock Acquisition Rights (Number of stock subscription rights 2,999(599,800 shares of common stock)) Third Series Stock Acquisition Rights (Number of stock subscription rights 3,047(304,700 shares of common stock)) |

**（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.*