Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021 (FY2021) (Three Months Ended March 31, 2021)

[Japanese GAAP]

April 30, 2021

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Scheduled date of dividend payment: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Quarter (January 1 to March 31, 2021) of FY2021

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Mar. 31, 2021	3,732	(49.4)	1,938	(36.6)	2,425	(15.4)	1,370	(32.3)
Three months ended Mar. 31, 2020	7,380	185.8	3,057	163.4	2,867	213.8	2,023	302.2

Note: Comprehensive income Three months ended Mar. 31, 2021: 1,797 million yen (down 2.8%)
Three months ended Mar. 31, 2020: 1,848 million yen (up 214.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 31, 2021	45.59	45.40
Three months ended Mar. 31, 2020	67.71	67.06

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	96,442	40,466	41.7	1,337.83
As of Dec. 31, 2020	112,170	39,085	34.7	1,294.62

Reference: Owners' equity As of Mar. 31, 2021: 40,201 million yen As of Dec. 31, 2020: 38,903 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	-	16.00	-	16.00	32.00
FY2021	-				
FY2021 (forecast)		16.00	-	16.00	32.00

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

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)	44.26
Full year	13,000	(26.6)	4,630	(34.0)	4,070	(32.9)	2,800	(26.9)	93.18

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

*** Notes**

(1) Changes in significant subsidiaries during the three months ended March 31, 2021 (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

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

As of Mar. 31, 2021	30,590,200 shares	As of Dec. 31, 2020	30,590,200 shares

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

As of Mar. 31, 2021	540,392 shares	As of Dec. 31, 2020	540,392 shares

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

Three months ended Mar. 31, 2021	30,049,808 shares	Three months ended Mar. 31, 2020	29,881,719 shares

* The current quarterly financial results are not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements, and other special items

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to JIA management, but are not promises by JIA regarding future performance. Actual results could differ from the business forecasts due to change in economic conditions, market trends, exchange rate fluctuations and other factors. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

The Japan Investment Adviser (JIA) Group has two reportable segments: the financial solutions business, which includes primarily the operating lease business, and the media-related business. Only information about the financial solutions business is presented because of the negligible importance of the other business.

(1) Explanation of Consolidated Results of Operations

As for the situation of the global economy during the consolidated first quarter (Jan. 1 to Mar. 31, 2021), the spread of COVID-19 (hereinafter called "the coronavirus crisis") peaked out mainly in countries where vaccines were distributed, and there emerged a sign of gentle economic recovery. On the other hand, the outlook for the Japanese economy remains uncertain, as vaccination is still limited to medical staff and a state of emergency was declared. While the scheduled dates of the Tokyo Olympics and Paralympics are drawing closer, it is expected that efforts for preventing the spread of the novel coronavirus and expanding economic activities will be continued.

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 in the first quarter of this consolidated fiscal year was 3,494 million yen, down 51.4% year on year. Amid the coronavirus crisis, the needs from investors remained firm, and sales were as estimated. Equity sales was 18,099 million yen, down 43.9% from the same period of the previous year, which witnessed record-high sales, but the results were almost unchanged from those in the first quarters in 2018 and 2019. The negotiation for making of deals, which had been stagnant due to the coronavirus crisis, was resumed gradually, but the amount of transactions was as small as 20,946million yen, down 67.1% year on year. In the plan designed at the beginning of the term, it was assumed that the number of sales transactions would be small in the second and third quarters. The JIA Group is carefully negotiating for obtaining items to be sold in the fourth quarter.

The sales of the renewable energy business during the same period was 86 million yen, up 10.3% year on year. This is mainly due to the management fees for solar power generation equipment and the revenues from electricity sale. The company decided to own solar power generation equipment rather than establishing funds, until the subsiding of the coronavirus crisis becomes foreseeable. Accordingly, the revenues from electricity sale contributed to sales growth.

There were no sales results in the aircraft parts-out & conversion business during the same period. The company strived to increase transactions in the parts-out business, which manages parts of dismantled aircraft and sells them to companies for maintenance, lease, and airlines, and the conversion business, which converts passenger airplanes into cargo aircraft.

The table below shows the business results of our group for the first quarter of the current fiscal year.

[Unit: Million yen]

	First Quarter of the Fiscal Year Ending December 31, 2020 (FY2020)	First Quarter of the Fiscal Year Ending December 31, 2021 (FY2021)	Change	Change rate (%)
Net sales	7,380	3,732	(3,648)	(49.4)
Operating profit	3,057	1,938	(1,119)	(36.6)
Ordinary profit	2,867	2,425	(441)	(15.4)
Profit attributable to owners of parent	2,023	1,370	(653)	(32.3)

(2) Explanation of Consolidated Financial Position

1) Assets

Total assets decreased 15,728 million yen from the end of 2020 to 96,442 million yen at the end of the first quarter of 2021. This was mainly due to decreases in equity underwritten of 16,691 million yen, cash and deposits of 8,277 million yen, advances paid of 2,286 million yen while there were increases in investment securities of 3,576 million yen, merchandise of 3,324 million yen.

2) Liabilities

Total liabilities decreased 17,109 million yen from the end of 2020 to 55,975 million yen at the end of the first quarter of 2021. This was mainly due to decreases in short-term loans payable of 14,818 million yen, unearned revenue of 1,123 million yen, accounts payable-other of 735 million yen.

3) Net Assets

Total net assets increased 1,380 million yen from the end of 2020 to 40,466 million yen at the end of the first quarter of 2021. This was mainly due to booking of profit attributable to owners of parent of 1,370 million yen. As a result, the equity ratio increased from 34.7% at the end of the previous fiscal year to 41.7%.

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

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.

(4) 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. 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. However, the figures obtained through estimation with the best efforts may be different from actual results, due to uncertainties about the future.
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.
Furthermore, 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 secure the safety and peace of mind of clients, business partners, executives, and employees, we 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.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY2020 (As of Dec. 31, 2020)	First Quarter of FY2021 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	21,377	13,100
Accounts receivable-trade	4,076	5,528
Merchandise	7,845	11,169
Equity underwritten	28,431	11,739
Costs on uncompleted services	564	1,140
Advance payments-trade	15,971	16,579
Advances paid	19,769	17,482
Short-term loans receivable	1,522	1,926
Deposits paid	2,284	2,133
Operational investment securities	1,677	1,610
Other	1,741	1,086
Total current assets	105,261	83,499
Non-current assets		
Tangible fixed assets	357	378
Intangible assets	113	106
Investments and other assets	6,354	12,381
Total non-current assets	6,826	12,867
Deferred assets		
Bond issuance cost	83	75
Total deferred assets	83	75
Total assets	112,170	96,442

(Millions of yen)

	FY2020 (As of Dec. 31, 2020)	First Quarter of FY2021 (As of Mar. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	18	67
Accounts payable-operating	191	93
Short-term loans payable	56,415	41,596
Current portion of long-term loans payable	2,132	1,886
Current portion of bonds	1,136	1,236
Accounts payable-other	799	63
Unearned revenue	2,772	1,717
Income taxes payable	15	473
Provision for bonus	302	429
Other	591	425
Total current liabilities	64,374	47,989
Non-current liabilities		
Bonds payable	2,170	1,790
Long-term loans payable	6,424	6,047
Other	115	148
Total non-current liabilities	8,710	7,986
Total liabilities	73,084	55,975
Net assets		
Shareholders' equity		
Capital stock	11,670	11,670
Capital surplus	11,605	11,605
Retained earnings	17,134	18,054
Treasury shares	(1,470)	(1,470)
Total shareholders' equity	38,938	39,859
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	116	150
Foreign currency translation adjustment	(152)	191
Total accumulated other comprehensive income	(35)	342
Subscription rights to shares	15	8
Non-controlling interests	166	255
Total net assets	39,085	40,466
Total liabilities and net assets	112,170	96,442

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statement of Income)
(For the Three-month Period)

(Millions of yen)

	First three months of FY2020 (Jan. 1 – Mar. 31, 2020)	First three months of FY2021 (Jan. 1 – Mar. 31, 2021)
Net sales	7,380	3,732
Cost of sales	3,232	568
Gross profit	4,148	3,163
Selling, general and administrative expenses	1,090	1,225
Operating profit	3,057	1,938
Non-operating income		
Gain on sales of equity underwritten	210	89
Interest income	49	63
Foreign exchange gains	-	747
Other	49	159
Total non-operating income	308	1,060
Non-operating expenses		
Interest expenses	208	147
Commission fee	146	282
Share of loss of entities accounted for using equity method	17	134
Foreign exchange losses	103	-
Other	23	8
Total non-operating expenses	499	572
Ordinary profit	2,867	2,425
Extraordinary income		
Gain on reversal of stock acquisition rights	-	6
Total extraordinary income	-	6
Profit before income taxes	2,867	2,432
Income taxes	834	1,013
Profit	2,032	1,419
Profit attributable to non-controlling interests	9	49
Profit attributable to owners of parent	2,023	1,370

(Quarterly Consolidated Statement of Comprehensive Income)

(For the Three-month Period)

(Millions of yen)

	First three months of FY2020 (Jan. 1 – Mar. 31, 2020)	First three months of FY2021 (Jan. 1 – Mar. 31, 2021)
Profit	2,032	1,419
Other comprehensive income		
Valuation difference on available-for-sale securities	(167)	33
Foreign currency translation adjustment	(16)	343
Total other comprehensive income	(183)	377
Comprehensive income	1,848	1,797
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,839	1,747
Comprehensive income attributable to non-controlling interests	9	49

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

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.