



**Consolidated Financial Results for the Second Quarter of the
Fiscal Year Ending December 31, 2020 (FY2020)
(Six Months Ended June 30, 2020)**

[Japanese GAAP]

July 31, 2020

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Stock code: 7172

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Scheduled date of filing of Quarterly Report:

August 7, 2020

Scheduled date of dividend payment:

September 1, 2020

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly 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 Second Quarter (January 1 to June 30, 2020) of FY2020

(1) Consolidated results of operations (cumulative)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2020	10,544	74.4	4,436	41.0	3,979	47.7	2,712	53.7
Six months ended Jun. 30, 2019	6,046	(2.1)	3,147	(18.0)	2,694	(21.6)	1,765	(18.4)

Note: Comprehensive income Six months ended Jun. 30, 2020: 2,622 million yen (up 49.5%)

Six months ended Jun. 30, 2019: 1,754 million yen (down 21.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2020	90.77	90.07
Six months ended Jun. 30, 2019	59.45	58.02

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2020	131,910	38,512	29.1	1,281.79
As of Dec. 31, 2019	158,879	36,256	22.7	1,208.99

Reference: Owners' equity

As of Jun. 30, 2020: 38,363 million yen

As of Dec. 31, 2020: 36,126 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	-	9.5	-	12.5	22.0
FY2020	-	16.0	-	-	-
FY2020 (forecast)	-	-	-	16.0	32.0

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

3. Consolidated Forecast for FY2020 (January 1 to December 31, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	19,730	18.5	8,400	2.6	7,000	(2.6)	4,400	(3.4)	147.24

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

*** Notes**

(1) Changes in significant subsidiaries during the six months ended June 30, 2020 (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 June 30, 2020	30,470,000 shares	As of Dec. 31, 2019	30,422,000 shares
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2) Number of treasury shares at the end of the period

As of June 30, 2020	540,361 shares	As of Dec. 31, 2019	540,281 shares
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3) Average number of shares during the period (cumulative)

Six months ended June 30, 2020	29,881,961 shares	Six months ended June 30, 2019	29,692,012 shares
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* The current quarterly financial results are not subject to quarterly review by certified public accountants or auditing firms.

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

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to JIA management, but are not promises by JIA regarding future performance. Actual results could differ from the business forecasts due to change in economic conditions, market trends, exchange rate fluctuations and other factors. Please refer to “(3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 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 July 31, 2020.

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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

In the cumulative second quarter of the current term (Jan. 1 to Jun. 30, 2020), the global economy saw a significant worsening of corporate earnings caused by the functional failure of global supply chains and a remarkable decline in consumer spending due to restrictions on going-out, amid the global pandemic of COVID-19. The outlook for the financial market remains uncertain. The Japanese economy, similarly, witnessed constraints on production and sales activities in a broad range of fields and a significant decline in consumer spending due to the declaration of a state of emergency.

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 10,184 million yen, up 88.0% year on year. As for the situation of sale of equities underwritten, sales promotion based on an accurate understanding of investor needs contributed to increase to 53,074 million yen, up 34.7% year on year. As for the development of deals, the amount of transactions made was 69,134 million yen, down 64.7% year on year, amid the turmoil of the overall airline industry caused by the spread of COVID-19.

The sales of the renewable energy business were 177 million yen, down 17.1% year on year. This revenue reflects the skill for managing power plants and stable power generation results accumulated since the start of this business. Although there were no sales figures for this term, a new large-scale project is expected to be completed in the third quarter or later.

The sales of the aircraft parts-out & conversion business during the same period were 33 million yen, up 94.8% year on year. 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 following table shows the changes and change rates between the current second quarter consolidated fiscal year 2020 and the previous second quarter consolidated fiscal year.

[Unit: Million yen]

	Second Quarter of the Fiscal Year Ending December 31, 2019 (FY2019)	Second Quarter of the Fiscal Year Ending December 31, 2020 (FY2020)	Change	Change rate (%)
Net sales	6,046	10,544	4,498	74.4
Operating profit	3,147	4,436	1,289	41.0
Ordinary profit	2,694	3,979	1,284	47.7
Profit attributable to owners of parent	1,765	2,712	947	53.7

(2) Explanation of Consolidated Financial Position

1) Assets, liabilities and net assets

Assets

Total assets decreased 26,969 million yen from the end of 2019 to 131,910 million yen at the end of the second quarter of 2020. This was mainly due to decreases in equity underwritten of 36,239 million yen, costs on uncompleted services of 2,822 million yen, and deposits paid of 503 million yen and accounts receivable-trade of 494 million yen, while there were increases in advances paid of 7,857 million yen, advance payments-trade of 2,710, merchandise of 1,113 million yen and cash and deposits of 727 million yen.

Liabilities

Total liabilities decreased 29,225 million yen from the end of 2019 to 93,398 million yen at the end of the second quarter of 2020. This was mainly due to decreases in short-term loans payable of 19,515 million yen, unearned revenue of 6,156 million yen, income taxes payable of 2,136 million yen and long-term loans payable of 1,027 million yen, while there was an increase in bonds payable of 419 million yen.

Net Assets

Total net assets increased 2,255 million yen from the end of 2019 to 38,512 million yen. This was mainly due to booking of profit attributable to owners of parent of 2,712 million yen in the second quarter of 2020.

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the second quarter of 2020 increased 727 million yen from the end of 2019 to 36,966 million yen.

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

(Cash flows from operating activities)

Net cash provided in operating activities was 21,903 million yen (compared with 25,895 million yen used in the same period of 2019). Main positive factors include decrease in a 36,239 million yen in equity underwritten, book in profit before income taxes of 3,979 million yen, a decrease in inventories of 1,595 million yen and cash and deposits of 503 million yen. While major negative factors include increases in a 7,847 million yen in advances paid, a decrease in unearned revenue of 6,129 million yen, an increase in advance payments of 2,710 million and income taxes paid of 2,283 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 727 million yen (compared with 2,230 million yen used in the same period of 2019). Main factors include 548 million yen for the payments for loans receivable and purchase of 261 million yen for investment securities.

(Cash flows from financing activities)

Net cash used by financing activities was 20,387 million yen (compared with 34,625 million yen provided in the same period of 2019). Main positive factors include a 66,851 million yen decrease in short-term loans payable

and repayments of 1,217 million yen from long-term loans payable. While main negative factors include a 47,493 million yen increase in short-term loans payable and issuance of bonds of 1,100 million yen.

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

The grounding of airplanes and other measures for coping with the spread of COVID-19 brought the tight business condition for the airline industry. In the operating lease business, which is the mainstay of our group, the aircraft leasing business constitutes a dominant portion in our case, therefore, the business environment of the airline industry will be a large factor which shall affect the future outlook of our group. We consider that it will take 1 or 2 years to regain a double-digit growth rate in sales and profit, which had been maintained since the initial public offering of our stock in 2014, but it is still impossible, as of this moment, to gauge the degree of the impact.

On the other hand, it is expected that there will be demands for replacing aged airplanes with new ones and for the shift from owning to lease of airplanes, so we will reform our business structure preparing for the post-pandemic world, while pursuing stable business administration.

We have no plan to revise the full-year earnings forecast as of now, but as soon as it becomes necessary to revise it, we will disclose it promptly through the timely disclosure.

Forecasts are based on information currently available to JIA. Actual performance could differ from these forecasts for a number of uncertainties and changes in the business environment.

(4) Risks in business, etc. due to 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 airline companies, and the changes in the terms and conditions of lending by financial institutions; investors, mainly small and medium-sized enterprises, may lose the willingness to invest; and the value of assets owned for the operating lease business may degrade.

In addition, 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, the business operation of our corporate group may be affected.

In order to cope with these risks, our corporate group has taken appropriate measures swiftly, while making efforts to exchange information with relevant parties for the operating lease business. 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 above factors despite our countermeasures, 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)

	FY2019 (As of Dec. 31, 2019)	Second Quarter of FY20 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	36,239	36,966
Accounts receivable-trade	6,661	6,167
Merchandise	2,637	3,751
Equity underwritten	82,372	46,132
Costs on uncompleted services	4,580	1,758
Advance payments-trade	5,263	7,973
Advances paid	6,898	14,755
Short-term loans receivable	1,244	1,487
Deposits paid	503	-
Operational investment securities	1,561	1,674
Other	3,202	4,344
Total current assets	151,167	125,012
Non-current assets		
Property, plant and equipment	109	222
Intangible assets	114	124
Investments and other assets	7,407	6,450
Total non-current assets	7,632	6,798
Deferred assets		
Bond issuance cost	80	99
Total deferred assets	80	99
Total assets	158,879	131,910
Liabilities		
Current liabilities		
Accounts payable-trade	39	15
Accounts payable-operating	677	328
Short-term loans payable	95,813	76,298
Current portion of long-term loans payable	2,266	2,076
Current portion of bonds	972	1,142
Accounts payable-other	132	45
Unearned revenue	13,574	7,417
Income taxes payable	2,335	199
Provision for bonus	-	219
Other	786	193
Total current liabilities	116,598	87,935
Non-current liabilities		
Bonds payable	2,316	2,735
Long-term loans payable	3,671	2,644
Other	37	83
Total non-current liabilities	6,025	5,462
Total liabilities	122,623	93,398
Net assets		
Shareholders' equity		
Capital stock	11,658	11,661
Capital surplus	11,593	11,596
Retained earnings	14,154	16,493
Treasury shares	(1,470)	(1,470)
Total shareholders' equity	35,935	38,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	215	137
Foreign currency translation adjustment	(23)	(53)
Total accumulated other comprehensive income	191	83
Subscription rights to shares	16	16
Non-controlling interests	114	132
Total net assets	36,256	38,512
Total liabilities and net assets	158,879	131,910

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Six-month Period)**

(Millions of yen)

	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)	First six months of FY2020 (Jan. 1 – Jun. 30, 2020)
Net sales	6,046	10,544
Cost of sales	1,485	4,054
Gross profit	4,561	6,490
Selling, general and administrative expenses	1,414	2,054
Operating profit	3,147	4,436
Non-operating income		
Interest income	82	93
Gain on sales of equity underwritten	305	370
Commission fee	24	42
Other	46	90
Total non-operating income	458	596
Non-operating expenses		
Interest expenses	318	389
Commission fee	142	329
Foreign exchange losses	354	203
Share of loss of entities accounted for using equity method	86	104
Other	8	25
Total non-operating expenses	910	1,053
Ordinary profit	2,694	3,979
Profit before income taxes	2,694	3,979
Income taxes	899	1,248
Profit	1,795	2,730
Profit attributable to non-controlling interests	30	18
Profit attributable to owners of parent	1,765	2,712

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

	(Millions of yen)	
	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)	First six months of FY2020 (Jan. 1 – Jun. 30, 2020)
Profit	1,795	2,730
Other comprehensive income		
Valuation difference on available-for-sale securities	(17)	(77)
Foreign currency translation adjustment	(23)	(29)
Total other comprehensive income	(41)	(107)
Comprehensive income	1,754	2,622
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,723	2,604
Comprehensive income attributable to non-controlling interests	30	18

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)	First six months of FY2020 (Jan. 1 – Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	2,694	3,979
Depreciation	17	16
Amortization of goodwill	6	1
Foreign exchange losses (gains)	(391)	(126)
Gain on sales of equity underwritten	(305)	(370)
Share of (profit) loss of entities accounted for using equity method	86	104
Interest and dividend income	(82)	(93)
Interest expenses	318	389
Decrease (increase) in notes and accounts receivable-trade	(280)	494
Decrease (increase) in inventories	(3,229)	1,595
Decrease (increase) in advance payments	4,029	(2,710)
Increase (decrease) in notes and accounts payable-trade	(1,105)	(373)
Decrease (increase) in equity underwritten	(31,043)	36,239
Decrease (increase) in advances paid	(870)	(7,847)
Decrease (increase) in deposits paid	(2,735)	503
Increase (decrease) in unearned revenue	8,769	(6,129)
Others	(1,022)	(1,560)
Subtotal	(25,143)	24,114
Interest and dividend income received	404	471
Interest expenses paid	(307)	(399)
Income taxes refund	407	-
Income taxes paid	(1,256)	(2,283)
Net cash provided by (used in) operating activities	(25,895)	21,903
Cash flows from investing activities		
Purchase of property, plant and equipment	(272)	(113)
Purchase of intangible assets	(13)	(15)
Purchase of investment securities	(2,027)	(261)
Payments of loans receivable	(739)	(548)
Collection of loans receivable	821	300
Decrease(increase) in investments and other assets	0	(88)
Net cash provided by (used in) investing activities	(2,230)	(727)

	(Millions of yen)	
	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)	First six months of FY2020 (Jan. 1 – Jun. 30, 2020)
Cash flows from financing activities		
Increase in short-term loans payable	85,279	47,493
Decrease in short-term loans payable	(52,522)	(66,851)
Proceeds from long-term loans payable	2,750	-
Repayments of long-term loans payable	(961)	(1,217)
Proceeds from issuance of bonds	800	1,100
Redemption of bonds	(401)	(511)
Proceeds from exercise of share options	12	6
Cash dividends paid	(281)	(373)
Dividends paid to non-controlling interests	(23)	-
Purchase of treasury shares	(0)	(0)
Others	(26)	(33)
Net cash provided by (used in) financing activities	34,625	(20,387)
Effect of exchange rate change on cash and cash equivalents	(631)	(60)
Net increase (decrease) in cash and cash equivalents	5,868	727
Cash and cash equivalents at beginning of period	20,292	36,239
Cash and cash equivalents at end of period	26,160	36,966

(4) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

Segment Information

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

The JIA Group is engaged in the financial solutions business, which includes primarily the operating lease business, and the media-related business. As the financial solutions business accounts for more than 90% of consolidated sales and operating profit as well as the assets of all segments, only information about the financial solutions business is presented because of the negligible importance of the other business.

II. First six months of FY2020 (Jan. 1 – Jun. 30, 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.

(Additional information)

(Estimation of the impact of the COVID-19 pandemic in accounting)

The JIA group estimated the valuation of assets, etc. based on available information as of the production of quarterly consolidated financial statements. We estimated the impact of COVID-19 in accounting, under the assumption that it will take 1 or 2 years to recover to the pre-pandemic state.

However, due to uncertainties, there is a possibility that estimates made on the best effort basis may differ from actual results, and which may affect the business performance and financial standing of our group.

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.