Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 (FY2018)

[Japanese GAAP]

February 7, 2019

Company name: Japan Investment Adviser Co., Ltd.
Listed Exchange: Tokyo Stock Exchange, Mothers
Stock code: 7172
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Scheduled date of Annual General Meeting of Shareholders: March 27, 2019
Scheduled date of dividend payment: March 28, 2019
Scheduled date of filing of Annual Securities Report: March 28, 2019
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)

(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	%
FY2018	15,226	77.7	8,936	89.8	7,405	77.3	5,142	88.6
FY2017	8,568	44.9	4,707	90.9	4,176	86.4	2,726	96.1

Note: Comprehensive income
Fiscal year ended Dec. 31, 2018: 5,234 million yen (up 95.9%)
Fiscal year ended Dec. 31, 2017: 2,671 million yen (up 79.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY2018	180.03	175.23	22.3	8.6	58.7
FY2017	107.12	102.93	26.0	8.9	54.9

Reference: Equity in earnings of affiliates
Fiscal year ended Dec. 31, 2018: (1,069) million yen
Fiscal year ended Dec. 31, 2017: (29) million yen

Note: Japan Investment Adviser (JIA) conducted a 2-for-1 common stock split on September 1, 2017. Accordingly, net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of FY2017.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2018	106,781	32,076	30.0	1,077.74
As of Dec. 31, 2017	66,015	14,255	21.5	526.33

Reference: Owners' equity As of Dec. 31, 2018: 31,999million yen As of Dec. 31, 2017: 14,222 million yen

Note: JIA conducted a 2-for-1 common stock split on September 1, 2017. Accordingly, net assets per share have been calculated as if this stock split had taken place at the beginning of FY2017.

(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
FY2018	(23,006)	(1,850)	33,700	20,292
FY2017	(23,085)	(2,806)	30,749	11,484

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	%	%
FY2017	-	6.0	-	6.0	-	235	8.4	2.2
FY2018	-	5.5	-	9.5	15.0	446	8.3	1.9
FY2019 (forecast)	-	9.5	-	12.5	22.0		8.4	

Note: JIA conducted a 2-for-1 common stock split on September 1, 2017. Accordingly, the year-end dividend per share for FY2017 is adjusted to reflect the stock split and the total dividend per share for FY2017 is shown as " - ."

3. Consolidated Forecast for FY2019 (January 1 to December 31, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	8,300	30.2	4,600	14.7	4,400	21.8	3,000	31.4	105.02
Full year	20,500	34.6	12,200	36.5	11,400	53.9	7,800	51.7	273.06

*** Notes**

(1) Changes in significant subsidiaries during 2018 (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: Yes
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, 2018	30,231,600	As of Dec. 31, 2017	27,262,200 shares

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

As of Dec. 31, 2018	540,193	As of Dec. 31, 2017	240,150 shares

3) Average number of shares during the period

Fiscal year ended Dec. 31, 2018	28,564,871	Fiscal year ended Dec. 31, 2017	25,455,056 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2018
(January 1 to December 31, 2018)

(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	%
FY2018	4,034	69.8	2,343	84.4	5,652	177.8	5,447	272.2
FY2017	2,376	177.2	1,270	153.4	2,035	267.1	1,463	366.3

	Net income per share	Diluted net income per share
	Yen	Yen
FY2018	190.69	185.62
FY2017	57.49	54.89

Note: JIA conducted a 2-for-1 common stock split on September 1, 2017. Accordingly, net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of FY2017.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2018	58,534	28,768	49.1	968.38
As of Dec. 31, 2017	35,875	10,731	29.9	396.71

Reference: Owners' equity As of Dec. 31, 2018: 28,752million yen As of Dec. 31, 2017: 10,720 million yen

Note: JIA conducted a 2-for-1 common stock split on September 1, 2017. Accordingly, net assets per share have been calculated as if this stock split had taken place at the beginning of FY2017.

* 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.

JIA plans to hold a financial results meeting for institutional investors and analysts on February 12, 2019.

We changed the display method of date from Japanese calendar display to Christian era display.

Contents of Attachments

1. Overview of Results of Operations

(1) Analysis of Results of Operations

1) Summary of 2018

The Japanese economy during the current consolidated fiscal year (January 1, 2018 to December 31, 2018) was healthy, as employment and income environments continued to improve against the backdrop of favorable corporate earnings, continuing a positive circulation from income to expenditure. In addition, overseas economies were also steadily growing as a whole. On the other hand, it is necessary to pay attention to overseas economic uncertainty accompanying US trade policy and changes in the international financial capital market.

Under this economic circumstance, the Japan Investment Adviser (JIA) Group continued to promote the operating lease business. For companies that use aircraft and other large transport equipment (lessees), operating leases offer an advantage of a fund procurement channel. For investors, these leases are a financial product with benefits including evening out annual earnings, earning a consistent return and earning capital gains. As the opportunities to establish leasing schemes increased and the demand among investors for attractive investments became even stronger due to the growth of demand for aircraft by airline companies, integration of shipping industry, Activate cargo movement and others, the JIA Group made efforts to aggressively formulate projects. As a result, 51 projects (242,065 Million yen) were established.

As for sales, we strengthened our sales system by hiring more salespeople and establishing new local sites. At the same time, we managed to have more contacts especially with regional investors by concluding new business matching agreements with regional banks, securities companies, accounting officer, consulting firms, and other companies across Japan. As a result of making efforts to expand sales channels, we completed the sales of 37 deals (92,394 Million yen) in the operating lease business.

As for financial procurement, we undertook the public offering and third party allotment in the current consolidated fiscal year and grew our shareholders' equity. The growth in transactions with banks associated with enhanced credibility makes it possible for consolidated subsidiary JP Lease Products & Services Co., Ltd. (JLPS) to underwrite a larger amount of silent partnership investments when leases are structured. This has significantly increased our ability to arrange new deals.

In the renewable energy business, we shifted the investment target objects from conventional products with level earnings from year to year to products structured for attractive returns in conjunction with the expiration at the end of March 2017 of the reduced taxation (the tax to promote capital expenditures for higher productivity) in the previous consolidated fiscal year. This shift made it possible to meet an even broader spectrum of client needs in the current consolidated fiscal year.

In the aircraft part-out and conversion business, we are trying to expand business opportunities by strengthening relationships with aircraft manufacturers. The part-out business involves dismantling retired aircraft, managing inventories of parts obtained from these planes and selling the parts to aircraft maintenance companies, leasing companies, airlines and other companies. The conversion business involves remodeling, recycling and reselling old passenger aircraft for cargo and other uses.

In the insurance agency business, which started in the second half of the previous consolidated fiscal year, we were able to expand the business steadily because of its high affinity with investment objectives of the investors in the JOL business.

As a result of the above, net sales increased by 6,658 million yen, or up 77.7% year on year, to 15,226 million yen. Operating profit increased by 4,228 million yen, or up 89.8% year on year, to 8,936 million yen, ordinary profit increased by 3,229 million yen, or up 77.3% year on year, to 7,405 million yen, and profit attributable to owners of parent increased by 2,415 million yen, or up 88.6% year on year, to 5,142 million yen.

As shown below, sales and earnings at all levels increased to record highs.
[Unit: Million yen]

	Previous consolidated fiscal year	Current consolidated fiscal year	Change	Change rate (%)

Net sales	8,568	15,226	6,658	77.7%
Operating profit	4,707	8,936	4,228	89.8%
Ordinary profit	4,176	7,405	3,229	77.3%
Profit attributable to owners of parent	2,726	5,142	2,415	88.6%

②Outlook for the next fiscal year

Among the core operating lease business of the Group, in the operating lease business, inquiries from lessees continue to be strong in both the aircraft division, vessel division and shipping container division, while risks are appearing in the vessel division and shipping container division as market conditions soften. Therefore, we are more careful. Sovereign risk is also considered a common problem, so we will need to aim for the growth of the business while carefully selecting lessees.

The renewable energy business shifted emphasis from products with level earnings from year to year to products structured for attractive returns in response to the expiration at the end of March 2017 of a tax reduction in the previous consolidated fiscal year. Under this circumstance, there have been many inquiries from prospective clients, primarily concerning transactions that are larger than those in prior years. Thus, prospects are positive for this business to continue growing.

The aircraft part-out and conversion business will be capable of achieving portfolio management with greater safety through the use of highly specialized skills, in addition to the standpoint of the total management of aircraft life cycle. This business also has the potential to generate strong earnings, as there are many synergies between this business and the operating lease business by utilizing the know-how and network that we cultivated through the development of and sales in aircraft operating and leasing businesses as well as reducing the risk of exits.

In the insurance agency business, we believe that we will be able to expand the business steadily because of its high affinity with investment objectives of the investors in the JOL business.

As for the earnings forecast for the fiscal year ending December 2019, as shown in the table below, we are planning to increase sales and profit for each stage and continue to update the highest record by effectively utilizing the management resources of the Group.

	FY December 2018 (Actual)	FY December 2019 (Forecast)			
	Throughout the year (Million yen)	Second quarter (Million yen)	YoY (%)	Throughout the year (Million yen)	YoY (%)
Net sales	15,226	8,300	130.2%	20,500	134.6%
Operating profit	8,936	4,600	114.7%	12,200	136.5%
Ordinary profit	7,405	4,400	121.8%	11,400	153.9%
Profit attributable to owners of parent	5,142	3,000	131.4%	7,800	151.7%

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

Assets

Total assets increased 40,766 million yen from the end of 2017 to 106,781 million yen at the end of 2018.

Total current assets increased 41,565 million yen from the end of 2017 to 104,243 million yen at the end of 2018. This was mainly due to increases in equity underwritten of 17,281 million yen, cash and deposits of 8,807 million yen, Advance payments-trade of 6,747 million yen, Advances paid of 3,838 million yen, Accounts receivable-trade of 2,204 million yen, and Merchandise of 1,102 million yen.

Liabilities

Total current liabilities increased 21,444 million yen from the end of 2017 to 70,796 million yen. This was mainly due to increases in short-term loans payable of 18,616 million yen, unearned revenue of 1,369 million yen, and accounts payable-operating of 797 million yen.

Total non-current liabilities increased 1,500 million yen from the end of 2017 to 3,909 million yen. This was mainly due to increases in long-term loans payable of 902 million yen, and bonds payable of 578 million yen.

Net Assets

Total net assets increased 17,820 million yen from the end of 2017 to 32,076 million yen because of increases of 7,095 million yen in capital stock, 7,095 million yen in capital surplus and 4,815 million yen in retained earnings mainly resulting from the capital increase during the period.

(3) Analysis of Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of 2018 increased 8,807 million yen from the end of 2017 to 20,292 million yen.

The cash flow components during 2018 and the main reasons for changes are as described below.

(Cash flows from operating activities)

Net cash used in operating activities was 23,006 million yen (compared with 23,085 million yen used in 2017). Main positive factors include profit before income taxes of 7,070 million yen and a 1,369 million yen increase in unearned revenue. Major negative factors include increases in equity underwritten of 17,281 million yen, advance payments of 6,747 million yen, advances paid of 3,811 million yen and notes and accounts receivable-trade of 2,204 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,850 million yen (compared with 2,806 million yen used in 2017). Main factors include Collection of 2,240 million yen for loans receivable. Major negative factors include increases Payments of 2,240 million yen for loans receivable and 1,417 million yen for the purchase of investment securities.

(Cash flows from financing activities)

Net cash provided by financing activities was 33,770 million yen (compared with 30,749 million yen provided in 2017). Main positive factors include a 112,139 million yen increase in short-term loans payable and proceeds of 13,992 million yen from the issuance of common shares. Main negative factors include a 93,421 million yen decrease in short-term loans payable.

Reference: Cash flow indicators

	FY2016	FY2017	FY2018
Equity ratio (%)	23.9	21.5	30.0
Market value-based equity ratio (%)	155.2	129.1	85.8
Interest-bearing debt to cash flow ratio (years)	(Note 6)	(Note 6)	(Note 6)
Interest coverage ratio (times)	(Note 6)	(Note 6)	(Note 6)

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 dividends is to make payments that reflect results of operations while maintaining the proper balance between dividends and the need for funds to increase financial soundness and to invest in human resources for the growth of sales and earnings.

There has been no dividend since JIA's inception because of the need to use funds for investments in human resources for growth and for increasing financial soundness. Since the initial public offering, results of operations have been very strong with earnings reaching record highs. Due to this performance, the decision was made to pay a dividend starting with the dividends for 2016. For 2018, we paid an interim dividend of 5.5 yen and plan to pay a year-end dividend of 9.5 yen.

There are a number of uncertainties about the business environment in 2019, including risk involving foreign exchange rate volatility. Despite this uncertainty, to express our appreciation for the support of shareholders, we plan to pay an annual dividend of 22 yen (9.5 yen interim dividend and 12.5 yen year-end dividend) for 2019. This is approximately 50% higher than the 2018 dividend.

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.

Our policy for retained earnings is to use these funds effectively for the development of products that meet market needs and the reinforcement of business operations in order to adapt to anticipated changes in the operating environment.

(5) Business Risks

The risks described below could affect the JIA Group's business. Furthermore, from the perspective of proactive information disclosure to investors and shareholders, the following includes descriptions that are not necessarily pertinent to business risks but considered important for making investment decisions or understanding nature of the Group's business. 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 stock of JIA.

（Risks in the operating lease business）

The Group engages in the operating lease business. Specifically, JLPS, the Group's subsidiary, raises funds from investors and financial institutions in the form of equity investment and loans, respectively, through non-consolidated subsidiaries (SPC) that are operators of silent partnership; purchases aircraft, containers and other assets; and leases them to airlines, shipping companies or others (lessees). The following are the risks relevant to the operating lease business.

1) 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 insolvency proceedings such as bankruptcy proceedings, civil rehabilitation proceedings or corporate reorganization proceedings of airlines or other lessees, 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 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 business performance.

The Group structures operating leases primarily for major global airlines to mitigate the risk of bankruptcies of lessees. Should insolvency proceedings against a lessee be commenced, the Group will strive to deal with the situation to avoid decline of return on the business by selling the lease properties or scouting for a new lessee.

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

2) 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, SPC is to sell it to a third party in the market. If the property is sold at a price lower than an 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.

In the event of the above, investors' 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 business performance.

The Group is coping with the risk of price fluctuation by taking multiple technical measures, including conservatively estimating a selling price 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, return on the business could deteriorate. In the event of this happening, investors' appetite for investment may wane. Consequently, sale of rights under silent partnership agreement may decrease, resulting in drop in the Group's commission fee revenue, which could adversely affect the Group's business performance.

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

The Group may temporarily acquire rights under silent partnership agreement pertaining to SPCs on the premise that it will transfer the rights to investors. In this case, the rights under the relevant silent partnership agreement are accounted for as "equity underwritten" at cost in the assets section of the consolidated balance sheet rather than being accounted for as ordinary "investments in capital."

Therefore, if the value of the relevant equity underwritten falls below the cost due to a decrease in value of lease properties, credit deterioration of lessees, or fluctuation in foreign exchange rates during the period when the Group holds the equity underwritten, the Group will recognize valuation loss or loss on transfer, which could adversely affect the Group's business performance.

Additionally, if the Group fails to scout any other investors to whom the Group will transfer the equity underwritten, it cannot receive the expected commission fee upon the transfer of the relevant equity underwritten. Such a situation implies that the Group itself is involved in the operating lease business as an investor to the extent of its equity stake corresponding to the relevant equity underwritten, which will cause the value of the lease properties to fall. Consequently, the Group will be exposed to the risk of failing to recoup all or part of its equity underwritten.

4) Currency risks

i) Impact on converted value of commission fee

JLPS receives from SPCs the commission fee denominated mainly in foreign currencies. Therefore, appreciation of yen in the foreign exchange market will cause the relevant commission fee denominated in yen to be lower than the initially expected amount, which could adversely affect the Group's business performance.

ii) Impact on new operating lease businesses

In the operating lease business originated by the Group, the lease properties may be sold in foreign currencies. In this case and if yen is appreciated more than the exchange rate at the time of the lease structuring, the yen-denominated earnings from the operating lease business 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 lease term.

In this case and if 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. Consequently, the yen-denominated earnings from the operating lease business will deteriorate, 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 business performance.

iii) 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 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 exchange rate at the time of originating the relevant operating lease business. In this case, waning of the investors' appetite for investment may lead to fewer investors willing to purchase the equity underwritten, which could delay the initial sales plan and adversely affect the Group's business performance.

(Risks concerning the procurement plan of new aircrafts made by Boeing）

The Group have ordered ten Boeing 737 MAX 8 aircrafts. Although the aircrafts are scheduled to be delivered sequentially after 2021, if delivery of the aircrafts is delayed for some reason, the lease to the airlines will be delayed and, consequently, there may be impact on the Group's aircraft leasing business.

（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 government policy reasons could adversely affect structuring and operation of the funds administered by the Group.

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

The Group has engaged in the aircraft part-out & conversion business since the fiscal year ended December 31, 2015. The part-out business involves taking apart retired aircraft, managing inventories of parts obtained from these planes and selling the parts to aircraft maintenance companies, leasing companies, airlines and other companies. The conversion business involves remodeling and recycling and reselling old passenger aircraft for cargo and other uses.

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 has been influenced by trends in capital investment in the aviation industry, the Group's business performance could adversely be affected by a decrease in demand for aircraft or a more-than-expected drop in selling price of aircraft or other assets due to downturn in the global economy and geopolitical risks.

(Risks in the private equity investment business)

As a private equity investment business, the Group are supporting the selection and development of investment companies aiming to be listed on the stock market, and the number of companies invested through the Group is 10.

Concerning investments, the Group are making efforts to reduce risk as much as possible by conducting due diligence for the target companies. However, in cases where violation of laws or regulations that the Group are unable to find before investments or that occur after investments or unrecognized obligations etc. become apparent, or in cases where the future business performance of the investment destination is below our estimates, there is a possibility that the Group may not be able to achieve our collection plan due to delay or suspension of the listing of shares. Also, the application of impairment losses on operational investment securities held by the Company, etc. may affect the Group's business performance.

(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 business performance.

2) Tax and other related laws and regulations

The Group originate the operating lease business through SPCs 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 individual case upon originating the operating lease business, 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 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 business performance.

(Dependence on specific business sectors)

As aircraft are currently the primary target property of the Group's operating lease business, trends in capital investment in the aviation industry could influence trends in our operating lease structuring, which could adversely affect the Group's business performance.

Furthermore, depending on a situation in the aviation industry or industries to which our target property belongs, investors' confidence in lessees may decrease or selling price of a property at a termination of a lease term may decline. Such a situation, in turn, might lead to waning of investors' appetite for investment and a decrease in sale of rights under silent partnership agreement, resulting in a drop in the Group's commission fee revenue, which could adversely affect the Group's 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. In this case, the acquisition is financed by loans from financial institutions as well as its own funds. If the Group is not allowed to borrow money from financial institutions for some reasons such as worsening economy, the Group may not be able to procure funds required for its business in a timely manner, which could adversely affect the Group's business performance.

（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.

（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 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 an ordinance that refutes the ground for the above accounting treatment is enacted in the future, inclusion of the SPCs who are operators of the deals structured by the Group into the scope of consolidation could adversely affect the Group’s financial position and results of operations.

（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 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 business performance and business development.

2) Risk related to small-scale organization

The Group has a short history and the corporate size is small in terms of the number of employees, with our internal control system relying mainly on checks and balances. The Group has recognized that securing talented professionals with good business skill and sense in the areas such as sales and management, as well as fostering human resources are vital issues for the Group to expand the business going forward. Therefore, the Group is planning to increase highly-skilled staff and strengthen the internal control system. Nevertheless, if the Group fails to recruit enough number of qualified professionals, fails to retain current employees resulting in the shortage of workforce, or fails to effectively accommodate the growth of the Group’s business due to the shortage of workforce or lack of organizational capability, the Group’s business performance and business development could adversely be affected.

2. Corporate Group

(as of December 31,2018)

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	100.0	Concurrent directors: Yes Guarantees of debt Contract services
Finspire Inc.	Chiyoda-ku, Tokyo	50,000	Operating lease business	100.0	Concurrent directors: Yes
JPO No.1 Co., Ltd.	Chiyoda-ku, Tokyo	300	Aircraft part-out & conversion business	100.0	Concurrent directors: Yes Guarantees of debt
JPO No.0 Co., Ltd.	Chiyoda-ku, Tokyo	300	Aircraft part-out & conversion business	100.0	Concurrent directors: Yes Guarantees of debt
JIA Luxembourg SARL	Luxembourg	5,300,000 euros	Investment business	100.0	Concurrent directors: None
JPE No.1 Co., Ltd.	Chiyoda-ku, Tokyo	300	Investment business	100.0	Concurrent directors: None
BF TEC Co., Ltd.	Chuo-ku, Osaka	38,700	Renewable energy business	91.2	Concurrent directors: None
Nihon Securities Journal Inc.	Chuo-ku, Tokyo	4,500	Media-related business	100.0	Concurrent directors: Yes
Japan M&A Adviser Co.,Ltd.	Chuo-ku, Osaka	30,000	M&A advisory business	100.0	Concurrent directors: Yes
Arena Aviation Partners B.V. (note.4)	Netherlands	1,100 euros	Aircraft lease management and aircraft resale businesses	49.0 (49.0)	Concurrent directors: None
Other 2 Company					
Affiliates accounted for using the equity method					
Vallair Capital SAS	France	101,570 euros	Aircraft part-out & conversion business	40.0 (40.0)	Concurrent directors: Yes
Iter Corporation	Chiyoda-ku, Tokyo	50,000	Fintech business	37.0	Concurrent directors: Yes
Other 2 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 31,2018.

Key financial results (in Japanese yen)

Revenue	13,289,042 thousands of yen
Ordinary profit	5,503,563 thousands of yen
Profit for the year	3,813,944 thousands of yen
Total equity	5,677,433 thousands of yen
Total assets	71,920,906 thousands of yen

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

4: 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

(Thousands of yen)

	FY2017 (As of Dec. 31, 2017)	FY2018 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	11,484,722	20,292,651
Accounts receivable-trade	2,234,264	4,438,726
Merchandise	3,602,767	4,705,505
Equity underwritten	33,781,930	51,063,287
Costs on uncompleted services	959,227	1,063,129
Short-term loans receivable	995,336	1,505,018
Advance payments-trade	2,484,666	9,232,205
Advances paid	2,398,809	6,236,952
Deposits paid	1,575,778	1,901,788
Deferred tax assets	1,751,452	1,870,539
Operational investment securities	-	803,164
Other	1,409,678	1,130,918
Total current assets	62,678,635	104,243,888
Non-current assets		
Property, plant and equipment		
Buildings, net	38,173	74,603
Land	39,000	39,000
Other, net	13,546	32,598
Total property, plant and equipment	90,719	146,202
Intangible assets		
Software	2,909	10,091
Goodwill	67,523	19,803
Patent rights	-	18,829
Total intangible assets	70,433	48,724
Investments and other assets		
Investment securities	2,440,620	1,650,628
Other	690,320	624,090
Allowance for doubtful accounts	(3,788)	(3,740)
Total investments and other assets	3,127,153	2,270,978
Total non-current assets	3,288,306	2,465,905
Deferred assets		
Bond issuance cost	48,691	72,067
Total deferred assets	48,691	72,067
Total assets	66,015,632	106,781,861

(Thousands of yen)

	FY2017 (As of Dec. 31, 2017)	FY2018 (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	16,044	33,512
Accounts payable-operating	719,611	1,516,649
Short-term loans payable	41,815,287	60,431,945
Current portion of long-term loans payable	715,144	1,342,015
Current portion of bonds	460,000	802,000
Accounts payable-other	357,026	239,979
Income taxes payable	2,162,825	1,377,676
Accrued consumption taxes	180,779	243,526
Unearned revenue	2,674,097	4,043,411
Provision for shareholder benefit program	13,000	20,000
Other	237,538	745,598
Total current liabilities	49,351,354	70,796,314
Non-current liabilities		
Long-term loans payable	706,164	1,609,014
Bonds payable	1,690,000	2,268,000
Deferred tax liabilities	-	20,106
Other	12,278	11,971
Total non-current liabilities	2,408,442	3,909,092
Total liabilities	51,759,796	74,705,406
Net assets		
Shareholders' equity		
Capital stock	4,544,181	11,639,700
Capital surplus	4,478,857	11,574,376
Retained earnings	5,356,383	10,172,274
Treasury shares	(200,083)	(1,470,585)
Total shareholders' equity	14,179,338	31,915,767
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,578	84,166
Foreign currency translation adjustment	12,624	(409)
Total accumulated other comprehensive income	43,202	83,756
Subscription rights to shares	11,010	16,171
Non-controlling interests	22,284	60,760
Total net assets	14,255,835	32,076,455
Total liabilities and net assets	66,015,632	106,781,861

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY2017 (Jan. 1 – Dec. 31, 2017)	FY2018 (Jan. 1 – Dec. 31, 2018)
Net sales	8,568,766	15,226,912
Cost of sales	2,189,265	3,470,162
Gross profit	6,379,500	11,756,750
Selling, general and administrative expenses		
Directors' compensations	180,022	303,338
Salaries and allowances	478,403	880,584
Bonuses	119,361	230,131
Commission fee	101,756	140,103
Compensations	64,426	76,157
Taxes and dues	266,337	426,591
Rents	119,405	181,643
Other	342,695	582,165
Total selling, general and administrative expenses	1,672,408	2,820,715
Operating profit	4,707,091	8,936,034
Non-operating income		
Interest income	87,284	262,866
Commission fee	19,002	29,543
Gain on sales of equity underwritten	244,928	555,935
Gain on investments in silent partnership	2,532	-
Foreign exchange gains	-	8,880
Other	5,130	1,612
Total non-operating income	358,877	858,838
Non-operating expenses		
Interest expenses	246,462	499,204
Commission fee	397,919	729,604
Amortization of bond issuance cost	3,322	17,833
Foreign exchange losses	183,336	-
Share of loss of entities accounted for using equity method	29,766	1,069,841
Share issuance cost	29,057	66,469
Other	0	6,770
Total non-operating expenses	889,864	2,389,723
Ordinary profit	4,176,104	7,405,148
Extraordinary income		
Gain on step acquisitions	-	14,999
Total extraordinary income	-	14,999
Extraordinary losses		
Office transfer expenses	3,223	2,733
Loss on valuation of investment securities	92,024	347,237
Bad debts written off	67,198	-
Total extraordinary losses	162,447	349,971
Profit before income taxes	4,013,657	7,070,177
Income taxes-current	2,685,901	2,103,153
Income taxes-deferred	(1,399,745)	(226,581)
Total income taxes	1,286,155	1,876,572
Profit	2,727,501	5,193,604
Profit (loss) attributable to non-controlling interests	725	51,185
Profit attributable to owners of parent	2,726,775	5,142,419

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY2017 (Jan. 1 – Dec. 31, 2017)	FY2018 (Jan. 1 – Dec. 31, 2018)
Profit	2,727,501	5,193,604
Other comprehensive income		
Valuation difference on available-for-sale securities	(67,976)	53,588
Foreign currency translation adjustment	11,978	(13,034)
Total other comprehensive income	(55,997)	40,554
Comprehensive income	2,671,504	5,234,159
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,670,778	5,182,973
Comprehensive income attributable to non-controlling interests	725	51,185

(3) Consolidated Statement of Changes in Equity

FY2017 (Jan. 1 – Dec. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,061,367	2,003,378	2,775,894	(199,946)	6,640,693
Changes of items during period					
Issuance of new shares	2,471,563	2,471,563			4,943,127
Issuance of new shares - exercise of subscription rights to shares	11,250	11,250			22,500
Dividends of surplus			(146,286)		(146,286)
Profit attributable to owners of parent			2,726,775		2,726,775
Purchase of treasury shares				(136)	(136)
Change in ownership interest of parent due to transactions with non-controlling interests		(7,335)			(7,335)
Net changes of items other than shareholders' equity					-
Total changes of items during period	2,482,813	2,475,478	2,580,489	(136)	7,538,644
Balance at end of current period	4,544,181	4,478,857	5,356,383	(200,083)	14,179,338

	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	98,554	645	99,199	11,010	5,895	6,756,799
Changes of items during period						
Issuance of new shares						4,943,127
Issuance of new shares - exercise of subscription rights to shares						22,500
Dividends of surplus						(146,286)
Profit attributable to owners of parent						2,726,775
Purchase of treasury shares						(136)
Change in ownership interest of parent due to transactions with non-controlling interests						(7,335)
Net changes of items other than shareholders' equity	(67,976)	11,978	(55,997)		16,388	(39,608)
Total changes of items during period	(67,976)	11,978	(55,997)	-	16,388	7,499,036
Balance at end of current period	30,578	12,624	43,202	11,010	22,284	14,255,835

FY2018 (Jan. 1 – Dec. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,544,181	4,478,857	5,356,383	(200,083)	14,179,338
Changes of items during period					
Issuance of new shares	6,996,477	6,996,477			13,992,955
Issuance of new shares - exercise of subscription rights to shares	99,041	99,041			198,083
Dividends of surplus			(326,528)		(326,528)
Profit attributable to owners of parent			5,142,419		5,142,419
Purchase of treasury shares				(1,270,501)	(1,270,501)
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					
Total changes of items during period	7,095,519	7,095,519	4,815,891	(1,270,501)	17,736,428
Balance at end of current period	11,639,700	11,574,376	10,172,274	(1,470,585)	31,915,767

	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	30,578	12,624	43,202	11,010	22,284	14,255,835
Changes of items during period						
Issuance of new shares						13,992,955
Issuance of new shares - exercise of subscription rights to shares						198,083
Dividends of surplus						(326,528)
Profit attributable to owners of parent						5,142,419
Purchase of treasury shares						(1,270,501)
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes of items other than shareholders' equity	53,588	(13,034)	40,554	5,161	38,476	84,191
Total changes of items during period	53,588	(13,034)	40,554	5,161	38,476	17,820,619
Balance at end of current period	84,166	(409)	83,756	16,171	60,760	32,076,455

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY2017 (Jan. 1 – Dec. 31, 2017)	FY2018 (Jan. 1 – Dec. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	4,013,657	7,070,177
Depreciation	10,024	21,388
Amortization of goodwill	25,686	29,201
Foreign exchange losses (gains)	5,673	(80,794)
Gain on sales of equity underwritten	(244,928)	(555,935)
Gain on investments in silent partnership	(2,532)	-
Share of (profit) loss of entities accounted for using equity method	29,766	1,069,841
Loss (gain) on valuation of investment securities	92,024	347,237
Loss(gain) on sale of investment securities	-	(14,999)
Impairment loss	67,198	-
Interest and dividend income	(87,284)	(262,866)
Interest expenses	246,462	499,204
Decrease (increase) in notes and accounts receivable-trade	828,267	(2,204,461)
Decrease (increase) in inventories	(2,899,574)	(1,428,778)
Decrease (increase) in advance payments	(1,695,028)	(6,747,538)
Increase (decrease) in notes and accounts payable-trade	652,423	814,505
Decrease (increase) in equity underwritten	(22,765,681)	(17,281,357)
Decrease (increase) in advances paid	247,561	(3,811,983)
Decrease (increase) in deposits paid	(1,335,779)	(326,009)
Increase (decrease) in accounts payable-other	(103,465)	165,454
Increase (decrease) in unearned revenue	1,790,584	1,369,313
Others	(743,138)	1,311,464
Subtotal	(21,868,081)	(20,016,937)
Interest and dividend income received	348,841	375,384
Interest expenses paid	(227,728)	(479,366)
Income taxes paid	(1,339,003)	(2,885,723)
Net cash provided by (used in) operating activities	(23,085,972)	(23,006,644)
Cash flows from investing activities		
Purchase of property, plant and equipment	(40,316)	(73,873)
Purchase of intangible assets	(19,018)	(1,797)
Purchase of investment securities	(1,315,949)	(1,417,274)
Payments of loans receivable	(3,122,734)	(2,240,922)
Collection of loans receivable	1,730,959	1,917,270
Others	(39,868)	(33,642)
Net cash provided by (used in) investing activities	(2,806,926)	(1,850,238)

(Thousands of yen)

	FY2017 (Jan. 1 – Dec. 31, 2017)	FY2018 (Jan. 1 – Dec. 31, 2018)
Cash flows from financing activities		
Increase in short-term loans payable	123,763,967	112,139,211
Decrease in short-term loans payable	(99,990,637)	(93,421,197)
Proceeds from long-term loans payable	1,100,000	2,700,000
Repayments of long-term loans payable	(529,146)	(1,170,279)
Proceeds from issuance of bonds	1,756,954	1,500,000
Redemption of bonds	(100,000)	(580,000)
Proceeds from issuance of common shares	4,914,070	13,992,955
Purchase of issuance of common shares	-	(66,469)
Purchase of treasury shares	(136)	(1,270,501)
Proceeds from exercise of share options	22,500	196,259
Proceeds from issuance of subscription rights to shares	-	6,985
Dividends paid to non-controlling interests	(26,988)	-
Cash dividends paid	(146,046)	(326,032)
Other, net	(14,670)	-
Net cash provided by (used in) financing activities	30,749,867	33,700,931
Effect of exchange rate change on cash and cash equivalents	(32,257)	(36,119)
Net increase (decrease) in cash and cash equivalents	4,824,710	8,807,929
Cash and cash equivalents at beginning of period	6,660,011	11,484,722
Cash and cash equivalents at end of period	11,484,722	20,292,651

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions etc.)
We decided to apply “Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions (Practical Issues Task Force No. 36; Jan. 12, 2018; hereinafter referred to as “PITF No. 36”),” etc. from Apr. 1, 2018, and conduct accounting for the transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions in accordance with “Accounting Standards for Stock Options, etc.” (Corporate Accounting Standards No. 8; Dec. 27, 2005), etc.
However, the application of PITF No. 36 follows the transitional handling specified in Paragraph 10 (3) of PITF No. 36, and the transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions before the date of application of PITF No. 36 follow the conventional accounting practice.

(Change display method)

(Consolidated Statements of Cash Flows)
“Share issuance cost, ” “Office transfer expenses,” “Other loss (gain),” “Decrease (increase) in other assets,” “Increase (decrease) in other liabilities” and “Increase (decrease) in accrued consumption taxes,” which were separately presented under “Cash flows from operating activities” in the previous fiscal year, are included in “Other” under “Cash flows from operating activities” from this fiscal year, from the perspective of their importance. In order to reflect this change, we have reclassified Consolidated Statement of Cash Flows for the previous consolidated fiscal year.
As a result, 29,057 thousand yen in the “Share issuance cost,” 3,223 thousand yen in the “Office transfer expenses,” 39,315 thousand yen in the “Other loss (gain),” (930,536) thousand yen in the “Decrease (increase) in other assets,” 70,371 thousand yen in the “Increase (decrease) in other liabilities” and 45,429 thousand yen in the “Increase (decrease) in accrued consumption taxes,” which were presented in the Consolidated Statements of Cash Flows in the previous fiscal year, are reclassified as (743,138) thousand yen in “Other”.

“Purchase of long-term prepaid expenses,” “Proceeds from sales and redemption of investment securities,” “Payments for lease and guarantee deposits,” “Proceeds from collection of lease and guarantee deposits,” “Increase in insurance funds,” and “Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation,” which were separately presented under “Cash flows from investing activities” in the previous fiscal year, are included in “Other” under “Cash flows from investing activities” from this fiscal year, from the perspective of their importance. In order to reflect this change, we have reclassified Consolidated Statement of Cash Flows for the previous consolidated fiscal year.
As a result, (7,604) thousand yen in the “Purchase of long-term prepaid expenses,” 600 thousand yen in the “Proceeds from sales and redemption of investment securities,” (106,261) thousand yen in the “Payments for lease and guarantee deposits,” 38,825 thousand yen in the “Proceeds from collection of lease and guarantee deposits,” 579 thousand yen in the “Increase in insurance funds,” and 34,611 thousand yen in the “Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation,” which were presented in the Consolidated Statements of Cash Flows in the previous fiscal year, are reclassified as (39,868) thousand yen in “Other”.

(Additional information)

(Change in the purpose of holding investment securities)

In the fiscal year of 2018, the purpose of holding investment securities was changed, and out of the balance of "investments and other assets" as of the end of the fiscal year of 2018, 673,482 thousand yen was transferred to "operational investment securities" of current assets. Part of said assets were sold in the fiscal year of 2018, and posted in cost of sales.

(Segment Information, etc.)

[Segment Information]

FY2017 (Jan. 1 – Dec. 31, 2017)

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.

FY2018 (Jan. 1 – Dec. 31, 2018)

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

[Related information]

FY2017 (Jan. 1 – Dec. 31, 2017)

1. Information by product or service

(Thousands of yen)

Business segments	Financial solutions business			Media-related business	Other businesses	Total
Business units	Operating lease	Renewable energy	Aircraft part-out & conversion	-	-	-
External sales	7,236,306	513,548	364,718	310,711	143,482	8,568,766

2. Information by region

(1) Net sales (Thousands of yen)

Japan	Europe	Total
8,204,047	364,718	8,568,766

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

This information is omitted because no specific client accounts for 10% or more of net sales in the consolidated statement of income.

FY2018 (Jan. 1 – Dec. 31, 2018)

1. Information by product or service

(Thousands of yen)

Business segments	Financial solutions business			Media-related business	Other businesses	Total
Business units	Operating lease	Renewable energy	Aircraft part-out & conversion	-	-	-
External sales	13,531,373	404,533	267,466	307,133	716,406	15,226,912

2. Information by region

(1) Net sales (Thousands of yen)

Japan	Europe	Total
14,959,446	267,466	15,226,912

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

(Thousands of yen)

Customer name	Net sales	Related segments
JPA No.49 Co., Ltd.	1,828,453	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)

	FY2017 (Jan. 1 – Dec. 31, 2017)	FY2018 (Jan. 1 – Dec. 31, 2018)
Net assets per share	526.33	1,077.74
Net income per share	107.12	180.03
Diluted net income per share	102.93	175.23

Notes: 1. JIA conducted a 2-for-1 common stock split on September 1, 2017. Accordingly, net assets per share, net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of FY2017.

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

	FY2017 (Jan. 1 – Dec. 31, 2017)	FY2018 (Jan. 1 – Dec. 31, 2018)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	2,726,775	5,142,419
Amount not attributable to ordinary shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Thousands of yen)	2,726,775	5,142,419
Average number of shares during the period (Shares)	25,455,056	28,564,871
Diluted net income per share		
Adjustment to profit attributable to owners of parent (Thousands of yen)	-	-
Increase in number of common stock (Shares)	1,036,684	781,077
[of which subscription rights to shares (Shares)]	1,036,684	781,077
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))

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.