

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (Based on Japanese GAAP)

November 10, 2016

Company name: JAPAN ASIA GROUP LIMITED  
 Stock exchange listing: Tokyo  
 Stock code: 3751 URL: <http://www.japanasiagroup.jp/>  
 Representative: Tetsuo Yamashita Chairman and CEO  
 Inquiries: Kazunobu Watanabe Director TEL: +81-3-4476-8000  
 Scheduled date to file Quarterly Securities Report: November 11, 2016  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2016	29,111	(16.6)	(750)	–	(1,379)	–	(1,737)	–
Six months ended September 30, 2015	34,919	16.2	1,063	(17.7)	254	(50.4)	491	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2016	(63.80)		–	
Six months ended September 30, 2015	17.90		17.84	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	112,852	25,635	21.4
As of March 31, 2016	121,563	28,213	21.9

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2016	–	0.00	20.00	10.00	30.00
Year ending March 31, 2017	–	0.00			
Year ending March 31, 2017 (Forecast)			–	10.00	10.00

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	77,000	2.0	2,800	(28.0)	1,300	(49.3)	1,000	142.7	36.18

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2016  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2016	27,652,880 shares	As of March 31, 2016	27,652,880 shares
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Number of treasury shares at the end of the period

As of September 30, 2016	887,475 shares	As of March 31, 2016	12,465 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2016	27,243,278 shares	Six months ended September 30, 2015	27,437,653 shares
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**Quarterly consolidated financial statements**  
**Quarterly consolidated balance sheets**

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	30,528	32,030
Notes and accounts receivable - trade	27,080	16,222
Trading products in securities business	288	119
Work in process	132	159
Raw materials and supplies	35	36
Real estate for sale	6,475	6,693
Margin transaction assets in securities business	5,800	5,001
Short-term loans receivable	20	21
Other	8,864	9,403
Allowance for doubtful accounts	(54)	(22)
Total current assets	79,171	69,664
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	14,229	13,872
Other, net	18,238	19,008
Total property, plant and equipment	32,467	32,881
Intangible assets	469	351
Investments and other assets		
Investment securities	3,995	3,906
Investments in other securities of subsidiaries and associates	177	193
Long-term loans receivable	151	159
Lease and guarantee deposits	2,168	2,169
Other	3,497	4,087
Allowance for doubtful accounts	(1,138)	(1,166)
Total investments and other assets	8,850	9,351
Total non-current assets	41,787	42,584
Deferred assets	604	604
Total assets	121,563	112,852

(Millions of yen)

As of March 31, 2016

As of September 30, 2016

Liabilities	As of March 31, 2016	As of September 30, 2016
Current liabilities		
Accounts payable - trade	6,879	4,095
Short-term loans payable	6,521	5,568
Current portion of bonds	11,496	11,604
Current portion of long-term loans payable	5,418	5,404
Accounts payable - other	2,308	577
Income taxes payable	696	300
Margin transaction liabilities in securities business	4,475	3,885
Provision for bonuses	1,487	839
Provision for directors' bonuses	14	–
Provision for loss on order received	175	297
Provision for contingent loss	1,360	306
Other	9,272	8,148
Total current liabilities	50,106	41,028
Non-current liabilities		
Bonds payable	4,701	5,472
Long-term loans payable	27,468	29,783
Lease obligations	5,339	5,293
Deferred tax liabilities	837	694
Net defined benefit liability	2,548	2,587
Other	2,287	2,307
Total non-current liabilities	43,182	46,137
Reserves under special laws		
Reserve for financial products transaction liabilities	61	51
Total reserves under special laws	61	51
Total liabilities	93,349	87,217
Net assets		
Shareholders' equity		
Capital stock	3,995	3,995
Capital surplus	1	10
Retained earnings	21,802	19,788
Treasury shares	(8)	(354)
Total shareholders' equity	25,790	23,439
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,031	954
Deferred gains or losses on hedges	(51)	(48)
Foreign currency translation adjustment	(7)	(136)
Remeasurements of defined benefit plans	(137)	(111)
Total accumulated other comprehensive income	834	657
Subscription rights to shares	16	8
Non-controlling interests	1,572	1,528
Total net assets	28,213	25,635
Total liabilities and net assets	121,563	112,852

**Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income**  
**Quarterly consolidated statements of income**

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	34,919	29,111
Cost of sales	24,126	20,326
Gross profit	10,793	8,784
Selling, general and administrative expenses	9,729	9,535
Operating income (loss)	1,063	(750)
Non-operating income		
Interest income	3	2
Dividend income	34	48
Share of profit of entities accounted for using equity method	33	38
Reversal of allowance for doubtful accounts	7	10
Other	104	114
Total non-operating income	183	214
Non-operating expenses		
Interest expenses	652	627
Foreign exchange losses	1	53
Provision of allowance for doubtful accounts	–	1
Other	339	161
Total non-operating expenses	992	843
Ordinary income (loss)	254	(1,379)
Extraordinary income		
Gain on sales of investment securities	896	18
Subsidy income	–	85
Reversal of reserve for financial products transaction liabilities	–	9
Total extraordinary income	896	113
Extraordinary losses		
Impairment loss	–	11
Loss on reduction of non-current assets	–	85
Loss on sales of investment securities	35	5
Settlement package	–	80
Provision of reserve for financial products transaction liabilities	4	–
Total extraordinary losses	39	182
Profit (loss) before income taxes	1,110	(1,448)
Income taxes - current	303	154
Income taxes - deferred	246	54
Total income taxes	549	208
Profit (loss)	560	(1,657)
Profit attributable to non-controlling interests	69	80
Profit (loss) attributable to owners of parent	491	(1,737)

**Quarterly consolidated statements of comprehensive income**

	(Millions of yen)	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit (loss)	560	(1,657)
Other comprehensive income		
Valuation difference on available-for-sale securities	(285)	(77)
Deferred gains or losses on hedges	21	3
Foreign currency translation adjustment	61	(129)
Remeasurements of defined benefit plans, net of tax	25	26
Total other comprehensive income	(177)	(176)
Comprehensive income	383	(1,834)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	314	(1,914)
Comprehensive income attributable to non-controlling interests	69	80

**Consolidated statements of cash flows**

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	1,110	(1,448)
Depreciation	911	971
Amortization of deferred assets	37	49
Amortization of goodwill	8	–
Impairment loss	–	11
Loss (gain) on sales of investment securities	(860)	(12)
Increase (decrease) in allowance for doubtful accounts	(0)	(5)
Increase (decrease) in provision for bonuses	(904)	(648)
Increase (decrease) in provision for directors' bonuses	(44)	(14)
Increase (decrease) in net defined benefit liability	56	65
Increase (decrease) in provision for loss on order received	(286)	122
Increase (decrease) in provision for contingent loss	–	(1,053)
Interest and dividend income	(38)	(50)
Interest expenses	652	627
Foreign exchange losses (gains)	22	25
Share of (profit) loss of entities accounted for using equity method	(33)	(38)
Decrease (increase) in notes and accounts receivable - trade	11,889	10,519
Decrease (increase) in inventories	1,920	(246)
Increase (decrease) in notes and accounts payable - trade	(3,439)	(2,782)
Decrease/increase in assets/liabilities for margin transaction related to securities business	(800)	209
Decrease (increase) in trading products-assets (liabilities) related to securities business	(28)	264
Increase (decrease) in deposits received related to securities business	(332)	(19)
Decrease (increase) in lease receivables	(283)	30
Other, net	2,037	(1,287)
Subtotal	11,594	5,288
Interest and dividend income received	57	61
Interest expenses paid	(668)	(640)
Income taxes paid	(529)	(644)
Net cash provided by (used in) operating activities	10,454	4,065

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from investing activities		
Decrease (increase) in time deposits and other	(2,335)	649
Purchase of property, plant and equipment	(5,159)	(3,161)
Purchase of intangible assets	(39)	(16)
Payments for deferred assets	(114)	(49)
Purchase of investment securities	(1)	(101)
Proceeds from sales of investment securities	1,301	64
Payments of loans receivable	(43)	(25)
Collection of loans receivable	60	15
Other, net	(230)	(580)
Net cash provided by (used in) investing activities	(6,561)	(3,205)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(9,243)	(1,063)
Proceeds from long-term loans payable	7,304	5,207
Repayments of long-term loans payable	(3,242)	(2,678)
Proceeds from issuance of bonds	15,107	6,474
Redemption of bonds	(14,925)	(5,621)
Proceeds from sales and leasebacks	1,382	68
Purchase of treasury shares	(0)	(345)
Proceeds from sales of shares of parent held by subsidiaries	722	–
Cash dividends paid	–	(277)
Dividends paid to non-controlling interests	(3)	(4)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(42)
Proceeds from share issuance to non-controlling shareholders	881	–
Repayments to non-controlling shareholders	(100)	(67)
Other, net	(221)	(268)
Net cash provided by (used in) financing activities	(2,339)	1,380
Effect of exchange rate change on cash and cash equivalents	(12)	(86)
Net increase (decrease) in cash and cash equivalents	1,540	2,154
Cash and cash equivalents at beginning of period	24,595	19,762
Cash and cash equivalents at end of period	26,135	21,916