Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (Based on Japanese GAAP)

May 11, 2017

Company name: JAPAN ASIA GROUP LIMITED
Stock exchange listing: Tokyo Stock Exchange URL: http://www.japanasiagroup.jp/english/
Stock code: 3751
Representative: Tetsuo Yamashita Chairman and CEO
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Scheduled date of ordinary general meeting of shareholders June 22, 2017
Scheduled date to commence dividend payments: June 23, 2017
Scheduled date to file Securities Report: June 22, 2017
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended March 31, 2017	68,341	(9.5)	2,740	(29.5)	1,592	(37.9)	1,778	331.8
Fiscal Year ended March 31, 2016	75,524	(0.5)	3,887	(27.4)	2,563	(31.4)	411	(89.0)

(Note) Comprehensive income Fiscal year ended March 31, 2017 ¥1,372 million (–%)
Fiscal year ended March 31, 2016 ¥(10) million (–%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal Year ended March 31, 2017	65.87	-	6.6	1.3	4.0
Fiscal Year ended March 31, 2016	14.96	14.92	1.6	2.1	5.1

(Reference) Share of profit of entities accounted for using equity method:
Fiscal year ended March 31, 2017: ¥42 million Fiscal year ended March 31, 2016: ¥40 million

(Note) Diluted earnings per share for the fiscal year ended March 31, 2017 is not shown because there were no potential shares that have dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	127,522	29,555	21.4	1,020.10
As of March 31, 2016	121,563	28,213	21.9	963.28

(Reference) Equity: As of March 31, 2017: ¥27,303 million As of March 31, 2016: ¥26,625 million

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year ended March 31, 2017	(1,906)	(8,431)	13,154	22,537
Fiscal Year ended March 31, 2016	3,555	(16,376)	8,001	19,762

2. Dividends

	Annual dividends					Total dividend payments	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year ended March 31, 2016	–	0.00	20.00	10.00	30.00	829	200.5	3.1
Fiscal Year ended March 31, 2017	–	0.00	–	20.00	20.00	535	30.4	2.0
Fiscal Year ending March 31, 2018 (Forecast)	–	0.00	–	10.00	10.00		26.8	

(Note) Breakdown of year-end dividends: Ordinary dividends ¥10.00 Special dividends: ¥10.00

For details, please refer to the Company's press release announced on May 9, 2017 entitled "Notice of Revision of Dividend Estimate (Special Dividends)" (Japanese only).

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	82,000	20.0	2,750	0.3	1,000	(37.2)	1,000	(43.8)	37.36

*Notes

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Excluded companies: 3 (Japan Asia Securities Co.,Ltd., Okinawa Securities Limited., Japan Asia Securities Limited)

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
2) Changes in accounting policies due to other reasons: No
3) Changes in accounting estimates: No
4) Restatement of prior period financial statements: No

(Note) For details, please refer to “(5) Notes to Consolidated Financial Statements (Changes in accounting policies)” of “5. Consolidated Financial Statements and Principal Notes” on page 23 of the attached material.

(3) Number of issued shares (common shares)

1) Total number of issued shares at the end of the fiscal year (including treasury shares)

As of March 31, 2017	27,652,880 shares	As of March 31, 2016	27,652,880 shares

2) Number of treasury shares at the end of the fiscal year

As of March 31, 2017	887,805 shares	As of March 31, 2016	12,465 shares

3) Average number of shares during the fiscal year

Fiscal Year ended March 31, 2017	27,004,900 shares	Fiscal Year ended March 31, 2016	27,538,518 shares

(Reference) Summary of non-consolidated results

1. Non-consolidated financial results for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended March 31, 2017	4,729	112.7	2,656	221.6	2,234	-	5,161	(72.3)
Fiscal Year ended March 31, 2016	2,223	(7.4)	825	(25.8)	57	(86.3)	18,608	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal Year ended March 31, 2017	191.13	-
Fiscal Year ended March 31, 2016	673.27	671.41

(Note) Diluted earnings per share for the fiscal year ended March 31, 2017 is not shown because there were no potential shares that have dilutive effects.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	51,573	25,032	48.5	934. 96
As of March 31, 2016	46,777	20,566	43.9	743.49

(Reference) Equity: As of March 31, 2017: ¥25,024 million As of March 31, 2016: ¥20,550 million

*This financial report is outside the scope of audits.

*Statement regarding appropriate use of forward-looking statements and other notes

(Cautionary statement regarding forward-looking statements)

The forecasts of consolidated financial results and other forward-looking statements contained in this document are based on information currently available to the Company and on certain assumptions that management deems reasonable. Actual business performance may differ materially from those forecasts due to various factors. For details of assumptions supporting the forecasts and other related items, please refer to “Analysis of Operating Results and Financial Position” on page 2 of the supplementary materials.

(Method for acquiring supplementary materials)

The Company has scheduled a results briefing for securities analysts on May 24 (Wednesday), 2017. The Company plans to upload materials distributed at the meeting to its website as soon as possible after the end of the meeting.

Contents of Supplementary Materials

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

The Japan Asia Group (“the Group”) has positioned the period up to fiscal 2020 as a “stage for cultivating DNA for growth” based on the formulation of management strategies targeting fiscal 2020. From that point onward, the Group’s policy is to transform into a corporate Group able to achieve sustainable growth without being greatly affected by economic trends (continuing to provide differentiated, “outstanding” services and products at a reasonable price).
Under this policy, the Group positioned the fiscal year (from April 1, 2016 to March 31, 2017) as “a year for preparing to leap ahead” towards fiscal 2020 by proceeding to establish a foundation for sustainable growth. The Group aimed to carry out strategic upfront investments for the future, establish a competitive advantage, and deliver added value.
In the fiscal year, in sowing the seeds for the future, the technological division proceeded to aggressively open up new markets in the private sector and overseas, mainly centered on the technological services of geospatial information and disaster and environmental management fields, in addition to receiving orders in new fields, such as business management expected to see market growth going forward and climate change countermeasures. Furthermore, the Group expanded its investments into new businesses in addition to renewable energy, making upfront investment to realize the core elements such as technology, products, business models, and human resource development in a short time, and strengthening project frameworks. These activities caused an increase in fixed costs and so forth leading to a decline in sales and profits. In the financial division, the Group transitioned its securities branches into securities brokerage branches, while expanding measures to further strengthen the new asset management formation operations by bolstering its sales front workforce and promote cost reductions. However, sales and profits declined due to the impact of fluctuations in market conditions.
Regarding the performance of the Group in the fiscal year, consolidated sales were down 9.5% year on year from ¥75,524 million in the previous fiscal year to ¥68,341 million, operating profit was ¥2,740 million (from ¥3,887 million), and ordinary profit was ¥1,592 million (from ¥2,563 million). Profit attributable to owners of parent was ¥1,778 million (from ¥411 million).

Operating performance at each business segment is as follows.

< Geospatial information consulting business >
In developing its operations related to green energy, disaster and environmental management, infrastructure, and geospatial information services, centered on KOKUSAI KOGYO CO., LTD. and ASNAL CORPORATION, the Group positioned itself to meet not only the demand from government agencies but also private-sector demand, both in Japan and overseas. Moreover, we will continue enhancing the segment’s core geospatial information technologies (measurement, analysis and evaluation tools), leveraging our customer base and our unique strengths in combination with strengthening our new business development capabilities to further develop the business.

In this business, while the government's initial budget for public works spending in fiscal 2016 was at almost the same level as the previous fiscal year, by responding proactively advanced execution of budgets, the Group proceeded to cultivate new customers among national, prefectural and municipal governments. The Group also worked to encourage more sharing of order and production line information and smooth fluctuations in work volume by bringing forward production, and other measures.
As a result, orders received were ¥44,990 million, up 6.7% year on year (from ¥42,146 million in the previous fiscal year), and net sales at ¥43,907 million, up 2.9% year on year (from ¥42,681 million in the previous fiscal year). Business income was ¥1,209 million (from ¥1,746 million in the previous fiscal year).

< Green energy business >
The Group focuses on the power generation business, which sells electricity from the Group’s solar power plants using the feed-in tariff system, and the consigned development business, which plans, develops, and operates solar power plants, to provide real estate leasing, asset management, property management, project management, and real estate solutions, mainly through JAG Energy Co., Ltd., a core company of this business. In addition, KHC Ltd. is engaged in the detached housing business.
In the consigned development business, the market contracted sharply due to concerns over delays in connection certification and enhanced output adjustments. In the power generation business, new solar power plants started operations at Saroma-cho, Hokkaido Prefecture (0.5 MW), Mibu-machi, Tochigi Prefecture (16.8 MW), Osaki-cho, Kagoshima Prefecture (2.7 MW), Ora-machi, Gunma Prefecture (0.6 MW), Kosai-shi, Shizuoka Prefecture (1.5 MW), and Toyohashi-shi, Aichi Prefecture (0.7 MW), bringing the total number of power plants currently online to 57 for a combined output capacity of more than 103 MW, as the Group made further progress towards stabilizing its earnings. However, only the power generation business increased in sales, and this was not sufficient to absorb the decline in sales recorded in the consigned development business. In the

detached housing business, the Group made progress on delivering on orders for custom-built houses and so forth; however, the order environment has grown more adverse.
As a result, orders received by the green energy business totaled ¥13,872 million, down 22.6% year on year (from ¥17,931 million in the previous fiscal year). Net sales were ¥17,520 million, down 29.9% year on year (from ¥25,007 million in the previous year). Business income was ¥1,512 million, down 18.6% year-on-year from ¥1,856 million in the previous fiscal year.

< Financial service business >
In this business, the Group operates a securities business mainly through Japan Asia Securities Co., Ltd. and Okinawa Securities Limited.
The share market during the fiscal year saw an increase in risk aversion among global investors sparked by the U.K. Brexit vote, driving the yen-U.S. dollar pair to the upper ¥99 range in August as the Japanese currency proceeded to appreciate against the dollar. During this time, policies implemented by the Japanese government and the Bank of Japan supported share prices, but prices continued to come under pressure due to fears of downward revisions to corporate earnings caused by the yen's appreciation. Subsequently, policy expectations under the U.S. Trump administration and interest rate rises provided support for a rise in U.S. share prices and the U.S. dollar, which promoted firm share prices. However, concerns over the feasibility of Trump administration policies saw the yen continue to rise, driving stock prices down.
In this business, the Group worked to strengthen its customer base aiming for expanding assets under management, while proceeding to transition to "brokerage" type financial services. However, global risk-off movement caused uncertainty in the markets, which delayed the recovery of earnings.
As a result, sales totaled ¥6,881 million, down 11.7% from ¥7,795 million in the previous fiscal year, and business income was ¥224 million, down 59.3% from ¥551 million in the previous fiscal year.
Moreover, as announced in the Company's press releases dated January 27, 2017 "Notice of Transfer of Subsidiary's Shares (Transfer of a Subsidiary)" and February 9, 2017 "Notice of Transfer of Subsidiary's Shares (Transfer of a Subsidiary)," Japan Asia Securities Co., Ltd. and Okinawa Securities Limited ceased to be consolidated subsidiaries of the Company.

(Business Outlook)
In fiscal 2017 (April 1, 2017 to March 31, 2018), the recovery trend in the Japanese economy is expected to become clearer, driven by the recovery in overseas economies, improvements in domestic inventory management, expansion in capital investment associated with the recovery in exports, and execution of public spending in line with economic measures. The employment environment should remain favorable, but lackluster growth in wages and incomes is not likely to change, and with little real sensation of the economic recovery among ordinary consumers, consumption sentiment is expected to continue to falter. Meanwhile, the global economy is expected to continue its expansion trend, driven by recovery in the U.S. and resource producing countries. However, we will continue to pay careful attention to downside risks such as concerns over the feasibility of the Trump administration's policies, the political trends in Europe, economic administration in China, and the intensifying situation on the Korean peninsula.
Against this backdrop, the Group's business environment is set to grow more adverse, with a tightening public funding in general and local government budget allocations related to the earthquake recovery and other matters. In this environment, businesses that are necessary for society are expected to continue to perform relatively steadily – for example countermeasures for disaster prevention and reduction, countermeasures for aging social infrastructure, countermeasures for climate change, and the business environment related to green energy.
The Group will continue to strengthen its operational framework through restructuring, and promote internal reforms and streamlining of administration divisions. We will concentrate our management resources in our growth fields (geospatial × ICT, climate change countermeasures, urban development), and taking the geospatial information consulting and green energy businesses as our core operations, we will promote further expansion of business opportunities through our newly launched forest activation project and new business developments, among other means, and work to increase profitability.
In the geospatial information consulting business segment, the Group will steadily accumulate experience in Japan and overseas in the provision of services for a range of business scenarios including the i-Construction-related business promoted by the Ministry of Land, Infrastructure, Transport and Tourism, business based on high-precision 3D analysis services predicated on market expansion, and services using indoor and outdoor locational information.
In the green energy business segment, we will work to ensure an appropriate level of solar power plant operation in the power generation business based on the feed-in tariff system, as well as push ahead with the construction of projects on the order book, develop projects nationwide, and acquire interests and existing power plants to secure stable sources of earnings over the medium and long term. In addition, based on power supply composition from a long-term perspective, we will start the full-scale development of other sources of natural energy, such as biomass power plants and wind farms. In the segment's detached housing business, we will use our energy-saving and wood engineering technologies to enhance medium and large wooden structures business.

Moreover, in the forest activation project, which was started as a new business to nurture following the contraction of the financial service business segment, we will utilize smart technologies applied to geospatial information to build a high value-added forestry business while engaging in businesses that make new use of forest resources.
As a result of restructuring the business portfolio to be better suited to the future business environment, the securities business has been extricated from the Group's consolidated operations thereby leaving us no longer exposed to market trends that have been a cause of instability up until now. However, we must anticipate a negative impact on consolidated financial results from this business. On the other hand, after weighing up numerous factors including contribution to consolidated financial results from Meiji Consultant Co., Ltd., which became a consolidated subsidiary in the fiscal year under review, the business expansion of both the geospatial information consulting business and the green energy business, the business expansion into the private sector and overseas markets, and the increased fixed costs from extra investments directed into new businesses, we expect both net sales and operating profit to increase.
For fiscal 2017, based on the above initiatives, we forecast consolidated net sales of ¥82,000 million, up 20.0% year on year, operating profit of ¥2,750 million, up 0.3%, ordinary profit of ¥1,000 million, down 37.2%, and profit attributable to owners of parent of ¥1,000 million, down 43.8% year on year.
(The above forecasts are based on information currently available to the Company and contain considerable uncertainties. Actual business performance may differ materially from forecasts due to various factors.)

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

As of March 31, 2017, consolidated net assets totaled ¥127,522 million, up ¥5,958 million from the end of the previous fiscal year. Current assets totaled ¥76,027 million, down ¥3,144 million, mainly reflecting decreases of ¥4,795 million for cash segregated as deposits and ¥5,800 million yen for margin transaction assets in securities business due to the sale of subsidiaries in securities business, despite increases of ¥6,389 million for cash and deposits and ¥1,298 million for notes and accounts receivable - trade. Non-current assets totaled ¥50,785 million, up ¥8,997 million, mainly reflecting an increase of ¥8,337 million for property, plant and equipment due to the construction of solar power plants and other factors. Deferred assets rose ¥104 million from the end of the previous fiscal year, primarily due to an increase in deferred assets related to the development of solar power plants.

Liabilities totaled ¥97,966 million, up ¥4,616 million from the end of the previous fiscal year, mainly reflecting an increase of ¥12,407 million for interest-bearing debt (including lease obligations) related to the procurement of development funds for solar power plants and other factors, despite declines of ¥2,963 million for deposits from customers in securities business, and ¥4,475 million for margin transaction liabilities in securities business due to the sale of subsidiaries in securities business.

Net assets totaled ¥29,555 million, up ¥1,341 million from the end of the previous fiscal year, mainly due to the booking of profit attributable to owners of parent and other factors.

2) Cash flows

As of March 31, 2017, cash and cash equivalents totaled ¥22,537 million, up ¥2,774 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Operating activities used net cash of ¥1,906 million, down ¥5,461 million from net cash provided of ¥3,555 million in the previous fiscal year. The main items were profit before income taxes of ¥2,831 million (rise in cash provided of ¥927 million year on year), increase in notes and accounts receivable – trade of ¥1,095 million (drop in cash provided of ¥9 million year on year), increase in inventories of ¥372 million (drop in cash provided of ¥2,406 million year on year), decrease in notes and accounts payable – trade of ¥1,170 million (rise in cash provided of ¥329 million year on year), other operating cash flow of negative ¥775 million (drop in cash provided of ¥3,118 million year on year), mainly from an increase in cash segregated as deposits and other items, and income taxes paid of ¥1,365 million (drop in cash provided of ¥408 million year on year).

(Cash flows from investing activities)

Investing activities used net cash of ¥8,431 million, compared with net cash used of ¥16,376 million in the previous fiscal year. The main item providing cash was proceeds of ¥4,491 million from sales of shares of subsidiaries resulting in change in scope of consolidation and proceeds of ¥1,327 million from sales of investment securities, versus cash used of ¥6,974 million for the purchase of property, plant and equipment due to the construction of solar power plants and other factors, ¥4,564 million for increase in time deposits and ¥2,635 million for purchase of investment securities.

(Cash flows from financing activities)

Financing activities provided net cash of ¥13,154 million, compared with net cash provided of ¥8,001 million in the previous fiscal year. The main items providing cash were net proceeds of ¥13,413 million from loans and issuance of bonds.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity ratio (%)	19.9	19.8	21.7	21.9	21.4
Equity ratio based on market value (%)	9.0	12.6	12.4	12.2	8.2
Interest-bearing debt to cash flow ratio (years)	–	–	7.4	18.5	–
Interest coverage ratio (times)	–	–	5.2	2.8	–

Equity ratio: Equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flow

Interest coverage ratio: operating cash flow / interest payments

*All ratios are calculated based on amounts in the consolidated financial statements.

*Cash flow is operating cash flow. Interest-bearing debt is all debt in the consolidated balance sheets on which interest is paid.

*Interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for the fiscal years ended March 31, 2013, March 31, 2014, or March 31, 2017, as operating cash flow was negative in those years.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2017 and the Fiscal Year Ending March 31, 2018

The Company views shareholder returns as an important issue. The Company's basic policy is to consider a wide range of factors when setting the dividend, such as the level of dividends in relation to earnings and the payment of stable returns over the medium and long term, while also taking into account the Company's competitiveness, operating environment and financial position.

Based on the above policy, for the fiscal year ended March 31, 2017 (the 30th term), the Company has decided to pay an annual dividend of ¥20.00 per share, comprising a year-end dividend of ¥10.00 and a special dividend of ¥10.00. For the fiscal year ending March 31, 2018 (the 31st term), the Company plans to pay an annual dividend of ¥10.00 per share, comprising a year-end dividend of ¥10.00.

(4) Business and Other Risks

The Group is exposed to various factors that could impact its operations and business performance. The Group's business performance and financial position could be affected by risks related to the economic environment, social conditions and Group businesses. The following summary, which is not exhaustive, lists the risks of which the Company is currently aware.

1) Geospatial information consulting business and green energy business

Please refer to "2. Status of Group" for major companies in the geospatial information consulting business and green energy business.

(i) Risk related to high dependence on orders from public sector

The Group's main clients are central and local government agencies. The Group's operating results may be affected if orders decline or competition for orders intensifies due to deterioration in public finances or a related contraction in public sector spending.

(ii) Seasonal fluctuation in earnings

Project deliveries in the geospatial information consulting business and a part of the green energy business are typically concentrated in March. As a result, the booking of consolidated net sales and operating profit tends to be weighted to the fourth quarter of the fiscal year, and that trend is likely to continue.

The tables below show fluctuations in consolidated earnings on a quarterly basis for the previous fiscal year and the fiscal year under review.

	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Net sales (Millions of yen)	15,514	19,405	18,775	21,829	75,524
Composition ratio (%)	20.5	25.7	24.9	28.9	100.0
Operating profit (Millions of yen)	3	1,060	279	2,544	3,887
Composition ratio (%)	0.1	27.3	7.2	65.4	100.0

	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Net sales (Millions of yen)	12,375	16,735	17,324	21,905	68,341
Composition ratio (%)	18.1	24.4	25.4	32.1	100.0
Operating profit (Millions of yen)	(1,092)	341	182	3,309	2,740
Composition ratio (%)	(39.8)	12.5	6.7	120.6	100.0

(iii) Risk of delays to production activities due to weather conditions or disasters

The geospatial information consulting business conducts a large proportion of its production activities outside, such as aerial photographic surveys. Consequently, operations are dependent on prevailing weather conditions. In addition, natural disasters, fires or other disaster events could damage or destroy facilities or data required for production activities, seriously reducing the capacity of the business to conduct those activities. In the green energy business, electricity generation by solar power plants is also highly dependent on weather conditions and natural disasters, fires and other disaster events could also damage facilities, causing a significant reduction in electricity output. All these factors could affect the Group's operating results.

(iv) Risk related to dependence on specific facilities and investment to address developments in measurement technologies

The geospatial information consulting business uses cutting-edge measurement technologies such as ultra high-precision aerial digital cameras and laser 3D measuring systems to gather aerial data. This highly specialized equipment is only produced in small numbers. Consequently, technical problems or breakages that require significant time for repair could reduce the capacity of the business to conduct its production activities or result in a potential loss of orders. In addition, aerial measurement and other related technologies are developing at rapid pace, requiring the business to continually procure expensive, advanced equipment. Against this backdrop, the Company could face an increase in costs in order to secure a technological advantage. The green energy business also faces the risk of technical problems or failures at its solar power plants, which could reduce electricity output or necessitate repair costs.

All these factors could affect the Group's operating results and financial position.

(v) Risk related to information security

The Group is involved in business activities with a high public need and it handles confidential information and a range of other private information. The Group works to protect this information, but there is no guarantee that this will completely eliminate the risk of information leaks and other incidents. The leak of information and similar events could affect the Group's operating results and financial position.

(vi) Risk related to the economic environment and conditions in the real estate market

In the real estate field, the Group is exposed to various risks, including fluctuations in the economy, interest rates, the level of new real estate supply, changes in real estate prices and tax rules for real estate. In the green energy business, the Group is exposed to risks such as fluctuations in the price of land for power plants, fund procurement interest rates and lending trends at financial institutions. Changes in all these conditions could affect the Group's operating results and financial position.

(vii) Regulatory risk

The real estate industry is subject to a large number of building and real estate transaction laws and regulations, including the Building Standards Act, National Land Use Planning Act, City Planning Act, and Building Lots and Buildings Transaction Business Act, as well as building code ordinances set by local governments. In future, these legal regulations may be revised or abolished, significantly altered, or replaced with new regulations, potentially requiring major changes to business plans or resulting in violations of those laws and regulations, which could affect the Group's operating results and financial position. The green energy business also conducts its operations based on various laws and regulations, such as the feed-in tariff system for renewable energy. However, changes to the price paid for electricity, related laws and regulations, or the policies of conventional power producers may necessitate major revisions to business development plans, which could affect the Group's operating results and financial position.

(viii) Earnings risk during the solar power plant development phase

During the solar power plant development phase, development costs are booked upfront and there is no guarantee of income from the sale of electricity produced by those plants. Large solar power plants take several years to be completed and brought on line. Consequently, although solar power plants are likely to make stable long-term contributions to earnings, the Group anticipates a greater weighting of costs than income in the near term due to its active program of solar power plant development.

(ix) Items related to changes in the scope of consolidation

The green energy business is developing its power generation business based on a structure that uses anonymous partnership agreements and other schemes. Effective from the fiscal year ended March 31, 2015, the segment adopted the Practical Solution on Application of the Control Criteria and Influence Criteria to Investment Associations (Accounting Standards Board of Japan (ASBJ) Practical Issue Task Force (PITF) No. 20, revised March 27, 2009). Currently, the Company determines the scope of consolidation based on an assessment of the control criteria and influence criteria for each investment fund.

In future, changes to accounting standards, the announcement of new practical guidelines and other developments may lead to the establishment of common accounting practices for determining the scope of consolidation that are significantly different to those currently used by the Company. As a result, major changes to accounting policies used by the Group to determine the scope of consolidation could affect the Group's business performance and financial position.

2) Financial service business

The Group’s financial service business includes Japan Asia Asset Management Co., Ltd.

(i) Risks related to changes in the external environment and fluctuations in earnings

The financial service business tends to see large fluctuations in earnings due to economic trends and changes in market prices and trends in Japan, as well as overseas. These factors could affect the Group’s operating results and financial position.

(ii) Risks related to deterioration in creditworthiness of business partners and other entities

The Group’s operating results and financial position could be affected if losses result from a default at a business partner, including failure to settle payment, or if there is a marked deterioration in the creditworthiness of an issuer of marketable securities held by the Group.

(iii) Risk related to IT systems and operational risk

Computer systems play an indispensable role in the Group’s business activities. The Group could incur damages if computer systems or communication lines used in business activities become inoperable or are damaged due to improper access caused by malfunction, disaster events, power outages or other events. In addition, the Group’s operating results and financial position could be affected due to business processes that do not function normally, inappropriate behavior by employees or executives, or external events such as criminal activity, resulting in legal damages or deterioration in the Group’s creditworthiness.

(iv) Risks related to information security

The Group’s operating results and financial position could be affected due to the leak of client, employee or executive personal information or other confidential information such as business and sales data, resulting in legal damages or deterioration in the Group’s creditworthiness.

(v) Risks related to requirements for financial instruments business

The Company’s subsidiary, Japan Asia Asset Management Co., Ltd., is mainly focused on financial instruments business. This company is licensed to conduct its operations under the Financial Instruments and Exchange Act.

Financial service providers involved in financial instruments and exchange operations and related businesses that are found to be in violation of laws and regulations may lose their license or authorization and be required to temporarily cease operations or implement business improvement orders.

On March 7, 2017, the Group’s subsidiary Japan Asia Asset Management Co., Ltd. received a business improvement order from the Financial Services Agency pursuant to Article 51 of the Financial Instruments and Exchange Act, in relation to “operation administration with issues regarding the protection of investors relating to discretionary investment management services.”

We take the business improvement order seriously, and in addition to thoroughly implementing measures to prevent a similar incident from occurring again, we will strive to enhance awareness of compliance with laws and regulations among all employees and executives, while continuing to strengthen our management and administration systems, and our internal control systems.

(vi) Regulatory risk

The Group is subject to various business regulations in each area of its operations. The Company’s subsidiary, Japan Asia Asset Management Co., Ltd., operates as financial service provider under the Financial Instruments and Exchange Act and related laws and regulations, as well as regulations set out by the Investment Trusts Association, Japan, or others.

3) Other

(i) Business restructuring, etc.

The Group intends to expand its business by restructuring operations within the Group and by pursuing mergers and acquisitions (M&A) with other companies that have the potential to generate synergies with the core businesses of Group companies. However, there is a possibility that this process may result in unexpected outcomes, even after sufficient prior investment analysis and due diligence, which could affect the Group’s operating results and financial position.

(ii) Regulatory risk

The Group is subject to various laws and regulations in each type of business and area of operations. In addition, the Group’s overseas subsidiaries operate under the jurisdiction of local laws. In future, these legal regulations may be tightened or unforeseen regulations may be implemented.

The Group is required to follow the various laws and regulations that apply to its business. However, any failure to comply with those laws and regulations could lead to controls and orders requiring business improvements or a halt to operations, which could restrict the Group's business activities.

(iii) Major lawsuits, etc.

The Group's domestic and overseas business may become the target of lawsuits, legal disputes or other legal procedures. Individual Group companies work to manage these types of legal risk, and where necessary, provide reports to the Company's Board of Directors, etc. through a risk management system. In future, any major lawsuits and other legal issues could have a material impact on the Group's operating results and financial position.

(iv) Impact of asset impairment accounting

The Group sees investment in other businesses and M&A as effective options for expanding the business of Group companies and generating synergies. When a business becomes a subsidiary of the Group, goodwill – the difference between the market value and book value of the business – is calculated through a process of due diligence. This goodwill is amortized over a considerable period of time, but can be subject to asset impairment accounting for reasons such as an unexpected deterioration in earnings at the acquired business, which could affect the Group's operating results and financial position.

(v) Increases in interest rates

The Group issues bonds and secures loans from financial institutions to procure the necessary funds for operations in its green energy business and other businesses. The Group's ratio of interest-bearing debt to net assets is high, so it aims to secure loans with fixed interest rates and works to control interest-bearing debt. However, any increase in market interest rates could lead to a relatively large increase in the Group's interest payment burden or deterioration in the terms of fund procurement, which could adversely affect the Group's business performance and financial position.

(vi) Exchange rate risk

The Group's green energy business operates a solar power generation business in Europe. The impact of changes in foreign exchange rates on this operation could affect the Group's operating results and financial position.

(vii) Risk related to financial covenants in financing

Some of the Group's loan contracts with financial institutions have been concluded to secure a flexible source of funds or to supplement liquidity. However, these contracts include certain financial covenants, which if infringed, require immediate full repayment of loans from profits in that financial year, which could affect the Group's financial position. As of March 31, 2017, the Group was not in infringement of any such financial covenants.

2. Status of Group

The Group (the Company and its affiliated companies) comprises the Company (Japan Asia Group Limited), 66 consolidated subsidiaries and two equity method affiliates operating in the geospatial information consulting business, green energy business and the financial service business.
The table below shows the Group's main business areas and the relationship of each company and reportable segment to those business areas.

Reportable segment	Main services	Main operating companies
Geospatial information consulting business	Operations related to the use of geospatial information for green energy, disaster and environmental management, infrastructure and administrative management applications.	KOKUSAI KOGYO CO., LTD. ASNAL CORPORATION Toyo Sekkei CO., LTD. EONEX Co., Ltd. RISUISHA Co., Ltd. KOKUSAI BUNKAZAI CO., LTD. RYUKYU KOKUSAI KOGYO CO., LTD. KKC Systems Co., Ltd. TDS Co., Ltd. KOKUSAI Data Production Center Co., Ltd. KOKUSAI BEIJING LIMITED Meiji Consultant Co.,Ltd. (One other affiliate)
Green energy business	Planning, development and operational development of solar power plants and other facilities, power generation business, real estate leasing, asset management, property management, real estate-related solutions, and detached housing business, etc.	JAG Energy Co., Ltd. KHC Ltd. Katsumi Jyutaku Co., Ltd. AKASHI-JYUKEN Co., Ltd. Labo Co., Ltd. KOKUSAI BUILDING MANAGEMENT CO., LTD. Miyazaki Solar Way Co., Ltd. JAG Seabell Co., Ltd. KOKUSAI EUROPE GmbH (38 other subsidiaries, one other affiliate)
Financial service business	Investment trust and investment advisory services, other financial services	Japan Asia Asset Management Co., Ltd. Japan Asia Financial Service Co., Ltd. (Two other subsidiaries)
Other	Insurance agency services etc.	Associate Lease Co., Ltd. KOKUSAI CHINA LIMITED KOKUSAI ASIA PTE. LTD.

3. Management Policy

(1) Basic Corporate Management Policy

The Group's mission is to improve the sustainability of our planet and local communities to support and accelerate far-sighted technological innovation that leads to the creation of new societies and markets, ultimately aiming to create safe, secure and sustainable communities (green communities) through its business activities.

(2) Targeted Management Benchmarks

By maximizing the Group's combined strengths in technology and finance, the Company aims to increase consolidated net sales and operating profit by expanding its business and improve ROE by growing profits.

(3) Medium- and Long-Term Management Strategy

The Group aims to transform into a corporate Group able to achieve sustainable growth (continuing to provide differentiated, "outstanding" services and products at a reasonable price) targeting the 2020 fiscal year. To this end, the Group will secure growth potential and enhance its profitability by reviewing the allocation of its management resources and building a balanced business portfolio through external procurement and other means, aiming to move to a robust financial structure.

(4) Issues to Be Addressed

The Company will leverage its ability to create new businesses and services going beyond consulting through its proprietary technologies, financial expertise, and customer base, centered on its two core businesses – the geospatial information consulting business and the green energy business – to deliver sustained growth in corporate value by maximizing the Group's added value, realizing the potential of each operating company, and boosting profitability.

1) Implement growth strategies in tune with changes in the management and business environment
All Group companies will aim to improve profitability by rapidly implementing appropriate management strategies that address changes in the management and business environment in order to maintain growth and restructure their operations. In addition, we will channel management resources into new areas of growth (Geospatial×ICT, climate change countermeasures, and urban development), adjust the allocation of Group resources and use external procurement to build a more balanced business portfolio.

2) Optimize Group management efficiency
We aim to promote internal Group reforms and streamlining of management divisions to optimize Group management efficiency and implement growth strategies.

3) Stabilize the financial position and expand earnings capacity
We intend to boost earnings capacity by increasing net sales at all Group companies and by generating an appropriate level of profits. We also aim to improve the Group's financial position by strengthening shareholders' equity and restricting increase in interest-bearing debt by reviewing assets, aiming to increase the Group's value by smoothly procuring the necessary funds for growth fields.

4) Implement initiatives to realize global Group management
The Group will focus on creating green communities worldwide. As such, we plan to build organizations, secure personnel and create networks with global players to support business expansion and expand fund procurement on a global basis.

5) Strengthen the Group's brand power
We aim to share and distribute up-to-date information that has a strong message and emphasizes the Group's brand image. We plan to use information distribution tools to provide continual exposure for Group businesses in order to build a stronger brand with greater visibility.

By addressing and overcoming the above issues, we intend to establish a business base to support further development and increase the Group's corporate value.

(5) Other Material Items Related to the Company's Management

No items to report.

4. Basic Approach to Selection of Accounting Standards

For the time being, the Group intends to use Japanese Generally Accepted Accounting Principles (Japanese GAAP) to prepare its consolidated financial statements in order to facilitate comparison with other financial periods and other companies.

The Group intends to appropriately address the adoption of International Financial Reporting Standards (IFRS) after taking into account the situation in Japan and overseas.

5. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	30,528	36,917
Cash segregated as deposits	4,795	–
Notes and accounts receivable - trade	27,080	28,378
Trading products in securities business	288	–
Work in process	132	1,023
Raw materials and supplies	35	49
Real estate for sale	6,475	6,802
Margin transaction assets in securities business	5,800	–
Short-term loans receivable	20	14
Accounts receivable - other	686	1,117
Deferred tax assets	878	409
Other	2,504	1,378
Allowance for doubtful accounts	(54)	(65)
Total current assets	79,171	76,027
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,319	10,469
Accumulated depreciation	(5,498)	(5,122)
Accumulated impairment loss	(655)	(647)
Buildings and structures, net	3,165	4,699
Machinery, equipment and vehicles	16,777	22,706
Accumulated depreciation	(2,306)	(3,108)
Accumulated impairment loss	(241)	(241)
Machinery, equipment and vehicles, net	14,229	19,356
Land	7,129	8,381
Leased assets	6,426	7,036
Accumulated depreciation	(1,056)	(1,283)
Leased assets, net	5,370	5,752
Construction in progress	1,973	1,851
Other	1,613	1,688
Accumulated depreciation	(904)	(817)
Accumulated impairment loss	(109)	(106)
Other, net	599	764
Total property, plant and equipment	32,467	40,805
Intangible assets		
Goodwill	–	255
Other	469	353
Total intangible assets	469	609

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Investments and other assets		
Investment securities	3,995	4,817
Investments in other securities of subsidiaries and associates	177	136
Long-term loans receivable	151	148
Lease and guarantee deposits	2,168	1,060
Deferred tax assets	161	363
Other	3,336	3,625
Allowance for doubtful accounts	(1,138)	(781)
Total investments and other assets	8,850	9,370
Total non-current assets	41,787	50,785
Deferred assets		
Deferred organization expenses	1	1
Business commencement expenses	602	707
Total deferred assets	604	708
Total assets	121,563	127,522
Liabilities		
Current liabilities		
Accounts payable - trade	6,879	6,078
Short-term loans payable	6,521	8,185
Deposits from customers in securities business	2,963	–
Current portion of bonds	11,496	11,605
Current portion of long-term loans payable	5,418	6,609
Lease obligations	494	537
Accounts payable - other	2,308	5,878
Income taxes payable	696	452
Margin transaction liabilities in securities business	4,475	–
Provision for bonuses	1,487	774
Provision for directors’ bonuses	14	19
Provision for loss on order received	175	83
Provision for contingent loss	1,360	–
Other	5,814	4,715
Total current liabilities	50,106	44,939
Non-current liabilities		
Bonds payable	4,701	4,924
Long-term loans payable	27,468	36,303
Lease obligations	5,339	5,682
Deferred tax liabilities	837	519
Net defined benefit liability	2,548	3,050
Other	2,287	2,547
Total non-current liabilities	43,182	53,027
Reserves under special laws		
Reserve for financial products transaction liabilities	61	–
Total reserves under special laws	61	–
Total liabilities	93,349	97,966

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Net assets		
Shareholders' equity		
Capital stock	3,995	3,995
Capital surplus	1	0
Retained earnings	21,802	23,305
Treasury shares	(8)	(354)
Total shareholders' equity	25,790	26,946
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,031	568
Deferred gains or losses on hedges	(51)	(35)
Foreign currency translation adjustment	(7)	(88)
Remeasurements of defined benefit plans	(137)	(87)
Total accumulated other comprehensive income	834	356
Subscription rights to shares	16	8
Non-controlling interests	1,572	2,244
Total net assets	28,213	29,555
Total liabilities and net assets	121,563	127,522

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	75,524	68,341
Cost of sales	52,042	46,183
Gross profit	23,482	22,158
Selling, general and administrative expenses		
Advertising expenses	689	565
Business consignment expenses	433	365
Provision of allowance for doubtful accounts	45	43
Salaries and allowances	8,855	8,675
Provision for bonuses	700	580
Provision for directors’ bonuses	14	19
Amortization of goodwill	16	–
Other	8,840	9,166
Total selling, general and administrative expenses	19,595	19,417
Operating profit	3,887	2,740
Non-operating income		
Interest income	5	3
Dividend income	87	69
Compensation income	81	–
Share of profit of entities accounted for using equity method	40	42
Foreign exchange gains	4	34
Reversal of allowance for doubtful accounts	11	14
Gain on consumption tax	41	49
Other	147	134
Total non-operating income	420	349
Non-operating expenses		
Interest expenses	1,265	1,240
Provision of allowance for doubtful accounts	4	–
Other	473	257
Total non-operating expenses	1,743	1,498
Ordinary profit	2,563	1,592
Extraordinary income		
Gain on sales of non-current assets	–	1
Gain on territorial rights exchange of non-current assets	81	–
Subsidy income	20	115
Gain on sales of investment securities	896	815
Gain on sales of shares of subsidiaries and associates	–	564
Reversal of provision for contingent loss	–	66
Reversal of reserve for financial products transaction liabilities	–	9
Total extraordinary income	997	1,573

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Extraordinary losses		
Impairment loss	152	24
Loss on sales and retirement of non-current assets	–	64
Loss on reduction of non-current assets with territorial rights exchange	81	–
Loss on reduction of non-current assets	20	115
Loss on sales of investment securities	38	50
Loss on valuation of investment securities	1	–
Provision for contingent loss	1,360	–
Settlement package	–	80
Provision of reserve for financial products transaction liabilities	4	–
Total extraordinary losses	1,657	335
Profit before income taxes	1,903	2,831
Income taxes - current	1,040	895
Income taxes - deferred	395	85
Total income taxes	1,436	981
Profit	467	1,849
Profit attributable to non-controlling interests	55	71
Profit attributable to owners of parent	411	1,778

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	467	1,849
Other comprehensive income		
Valuation difference on available-for-sale securities	(483)	(462)
Deferred gains or losses on hedges	(17)	15
Foreign currency translation adjustment	(25)	(81)
Remeasurements of defined benefit plans, net of tax	48	50
Total other comprehensive income	(478)	(477)
Comprehensive income	(10)	1,372
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(65)	1,300
Comprehensive income attributable to non-controlling interests	54	71

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,994	7,524	14,251	(637)	25,132
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	1	1			2
Deficit disposition		(7,692)	7,692		–
Dividends of surplus			(552)		(552)
Profit attributable to owners of parent			411		411
Capital increase of consolidated subsidiaries					–
Purchase of shares of consolidated subsidiaries					–
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		168		630	798
Net changes of items other than shareholders' equity					
Total changes of items during period	1	(7,523)	7,551	629	658
Balance at end of current period	3,995	1	21,802	(8)	25,790

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,514	(33)	17	(186)	1,311	16	888	27,348
Changes of items during period								
Issuance of new shares - exercise of subscription rights to shares								2
Deficit disposition								–
Dividends of surplus								(552)
Profit attributable to owners of parent								411
Capital increase of consolidated subsidiaries								–
Purchase of shares of consolidated subsidiaries								–
Purchase of treasury shares								(0)
Disposal of treasury shares								798
Net changes of items other than shareholders' equity	(482)	(17)	(25)	48	(477)	0	684	206
Total changes of items during period	(482)	(17)	(25)	48	(477)	0	684	865
Balance at end of current period	1,031	(51)	(7)	(137)	834	16	1,572	28,213

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,995	1	21,802	(8)	25,790
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares					–
Deficit disposition					–
Dividends of surplus			(276)		(276)
Profit attributable to owners of parent			1,778		1,778
Capital increase of consolidated subsidiaries		(10)			(10)
Purchase of shares of consolidated subsidiaries		9			9
Purchase of treasury shares				(346)	(346)
Disposal of treasury shares					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	1,502	(346)	1,155
Balance at end of current period	3,995	0	23,305	(354)	26,946

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,031	(51)	(7)	(137)	834	16	1,572	28,213
Changes of items during period								
Issuance of new shares - exercise of subscription rights to shares								–
Deficit disposition								–
Dividends of surplus								(276)
Profit attributable to owners of parent								1,778
Capital increase of consolidated subsidiaries								(10)
Purchase of shares of consolidated subsidiaries								9
Purchase of treasury shares								(346)
Disposal of treasury shares								–
Net changes of items other than shareholders' equity	(462)	15	(81)	50	(478)	(7)	671	185
Total changes of items during period	(462)	15	(81)	50	(478)	(7)	671	1,341
Balance at end of current period	568	(35)	(88)	(87)	356	8	2,244	29,555

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	1,903	2,831
Depreciation	1,893	2,030
Amortization of deferred assets	76	100
Amortization of goodwill	16	–
Impairment loss	152	24
Loss (gain) on sales of shares of subsidiaries and associates	–	(564)
Loss (gain) on sales of investment securities	(858)	(764)
Loss (gain) on valuation of investment securities	1	–
Increase (decrease) in allowance for doubtful accounts	13	(13)
Increase (decrease) in provision for bonuses	(674)	(464)
Increase (decrease) in provision for directors' bonuses	(29)	5
Increase (decrease) in net defined benefit liability	129	112
Increase (decrease) in provision for loss on order received	(499)	(91)
Increase (decrease) in provision for contingent loss	1,360	(1,279)
Interest and dividend income	(93)	(73)
Interest expenses	1,265	1,240
Foreign exchange losses (gains)	(11)	1
Loss (gain) on sales and retirement of non-current assets	–	63
Share of (profit) loss of entities accounted for using equity method	(40)	(42)
Decrease (increase) in notes and accounts receivable - trade	(1,086)	(1,095)
Decrease (increase) in inventories	2,034	(372)
Increase (decrease) in notes and accounts payable - trade	(1,500)	(1,170)
Decrease/increase in assets/liabilities for margin transaction related to securities business	99	(425)
Decrease (increase) in trading products-assets (liabilities) related to securities business	(6)	205
Increase (decrease) in deposits received related to securities business	(542)	1,117
Decrease (increase) in lease receivables	(255)	61
Other, net	2,343	(775)
Subtotal	5,692	661
Interest and dividend income received	129	96
Interest expenses paid	(1,309)	(1,298)
Income taxes paid	(957)	(1,365)
Net cash provided by (used in) operating activities	3,555	(1,906)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investing activities		
Decrease (increase) in time deposits and other	(7,622)	(4,564)
Purchase of property, plant and equipment	(8,377)	(6,974)
Proceeds from sales of property, plant and equipment	1	10
Purchase of intangible assets	(81)	(97)
Payments for deferred assets	(296)	(186)
Purchase of investment securities	(44)	(2,635)
Proceeds from sales of investment securities	1,303	1,327
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	394
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	4,491
Payments of loans receivable	(63)	(35)
Collection of loans receivable	83	40
Other, net	(1,278)	(200)
Net cash provided by (used in) investing activities	(16,376)	(8,431)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(7,117)	2,963
Proceeds from long-term loans payable	21,428	15,856
Repayments of long-term loans payable	(5,797)	(5,709)
Proceeds from issuance of bonds	25,692	11,962
Redemption of bonds	(29,141)	(11,658)
Repayments of lease obligations	(464)	(531)
Proceeds from sales and leasebacks	2,682	391
Purchase of treasury shares	(0)	(346)
Proceeds from sales of shares of parent held by subsidiaries	722	–
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	2	–
Cash dividends paid	(543)	(278)
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	–	(62)
Proceeds from share issuance to non-controlling shareholders	881	779
Repayments to non-controlling shareholders	(337)	(206)
Net cash provided by (used in) financing activities	8,001	13,154
Effect of exchange rate change on cash and cash equivalents	(13)	(41)
Net increase (decrease) in cash and cash equivalents	(4,832)	2,774
Cash and cash equivalents at beginning of period	24,595	19,762
Cash and cash equivalents at end of period	19,762	22,537

(5) Notes to Consolidated Financial Statements

(Notes relating to the assumptions of the going concern)

No items to report.

(Changes in accounting policies)

Following the revision to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the fiscal year under review, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The impact of this change on profit or loss for the fiscal year under review is immaterial.

(Changes in presentation)

(Consolidated statements of Income)

During the previous fiscal year, "gain on consumption tax" was included in "other" under "non-operating income." However, it has been presented separately from the fiscal year under review because the amount has exceeded 10% of the total amount of non-operating income. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥188 million that was presented as "other" under "non-operating income" in the consolidated statements of income for the previous fiscal year has been reclassified as "gain on consumption tax" of ¥41 million and "other" of ¥147 million.

(Segment Information)

[Segment Information]

1 Summary of reportable segments

Method for determining reportable segments and details of products and services associated with each reportable segment

The Group's reportable segments are components of the Group with separate financial information that is evaluated regularly by the Board of Directors to decide how to allocate resources and assess performance.

As the holding company, the Company is responsible for the Group's management strategy, business management and related activities. Each operating company develops business strategies for Japan and overseas related to their respective area of responsibility in the green infrastructure business and works to implement coordinated business activities that leverage synergies between those strategies.

As such, the Group is divided into three separate business segments based on operating companies that are distinct management entities, which correspond to the Group's three reportable segments: the geospatial information consulting business, green energy business and financial service business.

The geospatial information consulting business uses aerial information in business activities to support national land management, environmental and disaster prevention businesses and the digitization of local governments. The green energy business develops and leases real estate, sells housing, and designs and constructs solar power plants. The green energy business develops, operates and manages solar power plants and engages in the power generation business. The financial service business operates securities services businesses and provides investment trust and investment advisory services and other financial services.

2\. Methods of measurement for the amounts of net sales, profit (loss), assets and other items for each reportable segment

The accounting policies for each reportable segment are generally consistent with those of consolidated financial statements.

The figures for profit (loss) for each reportable segment are based on operating profit (loss). Intersegment net sales or transfers are based on the same transaction terms as those commonly used for external customers.

3. Information for amounts of net sales, profit (loss), assets and other items for each reportable segment

Fiscal year under review (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segment				Other*1	Total	Adjustment *2	Amount in consolidated financial statements *3
	Geospatial information consulting business	Green energy business	Financial service business	Total				
Net sales								
Sales to external customers	43,907	17,520	6,881	68,309	32	68,341	–	68,341
Intersegment nets sales or transfers	3	888	194	1,086	3	1,090	(1,090)	–
Total	43,910	18,408	7,076	69,396	36	69,432	(1,090)	68,341
Segment profit (loss)	1,209	1,512	224	2,945	(29)	2,916	(175)	2,740
Segment assets	43,325	70,009	422	113,757	132	113,890	13,631	127,522
Other items								
Depreciation	569	1,433	26	2,029	1	2,030	–	2,030
Increase in property, plant and equipment and intangible assets	1,021	9,682	53	10,757	–	10,757	–	10,757

(Notes) 1. The “Other” segment includes operations not incorporated in reportable business segments, such as insurance agency services.

2. Adjustments include the following items:

(1) Adjustment of segment loss refers to elimination of intersegment transactions.

(2) Adjustment of segment assets refers to Companywide assets, primarily cash and deposits and investment securities not allocated to any reportable segment.

3. Segment profit (loss) is adjusted with reported operating profit on the consolidated statements of income.

(Per share information)

(Yen)

	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Net assets per share	963.28	1,020.10
Earnings per share	14.96	65.87
Diluted earnings per share	14.92	–

(Notes) 1. Diluted earnings per share for the fiscal year ended March 31, 2017 is not shown because there were no potential shares that have dilutive effects.

2. Amounts for earnings per share and diluted earnings per share are calculated based on the following items.

Item	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	411	1,778
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	411	1,778
Average number of common shares during the fiscal year (shares)	27,538,518	27,004,900
Diluted earnings per share		
Adjusted profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (shares)	76,289	–
(Of which, subscription rights to shares) (shares)	(76,289)	–
Summary of residual securities not included in calculations of diluted earnings per share due to no dilutive effect	Two types of subscription rights to shares (number of subscription rights to shares: 8,332) 833,200 common shares	Two types of subscription rights to shares (number of subscription rights to shares: 6,290) 629,000 common shares

3. Net assets per share is calculated based on the following items.

Item	As of March 31, 2016	As of March 31, 2017
Total net assets (Millions of yen)	28,213	29,555
Amounts deducted from total net assets (Millions of yen)	1,588	2,252
(Of which, subscription rights to shares) (Millions of yen)	(16)	(8)
(Of which, non-controlling interests) (Millions of yen)	(1,572)	(2,244)
Net assets related to common stock at end of period (Millions of yen)	26,625	27,303
Number of common shares at end of period used to calculate net assets per share (shares)	27,640,415	26,765,075

(Notes on the subsequent events)

No items to report.

6. Other

(1) Orders and Sales

(i) Orders

Orders received by each segment in the fiscal year under review are as follows.

(Millions of yen)

Segment	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)		Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)		Change	
	Order volume	Order backlog	Order volume	Order backlog	Order volume	Order backlog
Geospatial information consulting business	42,146	10,895	44,990	11,978	2,844	1,083
Green energy business	17,931	8,451	13,872	8,198	(4,058)	(252)

(Notes)
1. Intersegment transactions have been eliminated.
2. The above amounts do not include consumption tax and other taxes.
3. Order volume and order backlog have been omitted for the financial service business, as services are not provided on a made-to-order basis.

(ii) Sales

Sales by each segment in the fiscal year under review are as follows.

Segment	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)		Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)		Change	
	Net sales (Millions of yen)	Composition ratio (%)	Net sales (Millions of yen)	Composition ratio (%)	Net sales (Millions of yen)	Year-on-year changes (%)
Geospatial information consulting business	42,681	56.5	43,907	64.2	1,225	2.9
Green energy business	25,007	33.1	17,520	25.6	(7,487)	(29.9)
Financial service business	7,795	10.3	6,881	10.1	(913)	(11.7)
Other	39	0.1	32	0.1	(6)	(17.6)
Total	75,524	100.0	68,341	100.0	(7,182)	(9.5)

(Notes)
1. Intersegment transactions have been eliminated.
2. The above amounts do not include consumption tax and other taxes.