

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

November 9, 2017

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 10, 2017  
 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, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2017	31,973	9.8	730	–	(77)	–	(163)	–
Six months ended September 30, 2016	29,111	(16.6)	(750)	–	(1,379)	–	(1,737)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	(6.09)	–
Six months ended September 30, 2016	(63.80)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	131,447	30,179	20.5
As of March 31, 2017	127,522	29,555	21.4

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	–	0.00	–	20.00	20.00
Year ending March 31, 2018	–	0.00			
Year ending March 31, 2018 (Forecast)			–	10.00	10.00

3. Forecast of consolidated financial results for the 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	80,000	17.1	2,800	2.2	1,000	(37.2)	1,200	(32.5)	44.84

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2017  
(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: No
- 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, 2017	27,652,880 shares	As of March 31, 2017	27,652,880 shares
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Number of treasury shares at the end of the period

As of September, 30 2017	888,105 shares	As of March 31, 2017	887,805 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, 2017	26,764,957 shares	Six months ended September 30, 2016	27,243,278 shares
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**Quarterly consolidated financial statements**  
**Quarterly consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	36,917	27,510
Notes and accounts receivable - trade	28,378	18,581
Work in process	1,023	683
Raw materials and supplies	49	74
Real estate for sale	6,802	6,729
Short-term loans receivable	14	16
Other	2,905	4,589
Allowance for doubtful accounts	(65)	(83)
Total current assets	76,027	58,101
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	19,356	24,906
Land	8,381	15,368
Other, net	13,067	20,020
Total property, plant and equipment	40,805	60,294
Intangible assets		
Goodwill	255	1,704
Other	353	605
Total intangible assets	609	2,310
Investments and other assets		
Investment securities	4,817	4,287
Investments in other securities of subsidiaries and associates	136	—
Long-term loans receivable	148	124
Lease and guarantee deposits	1,060	1,178
Other	3,989	4,953
Allowance for doubtful accounts	(781)	(755)
Total investments and other assets	9,370	9,789
Total non-current assets	50,785	72,394
Deferred assets	708	951
Total assets	127,522	131,447

(Millions of yen)

As of March 31, 2017

As of September 30, 2017

Liabilities	As of March 31, 2017	As of September 30, 2017
Current liabilities		
Accounts payable - trade	6,078	4,545
Short-term loans payable	8,185	1,880
Current portion of bonds	11,605	13,353
Current portion of long-term loans payable	6,609	8,244
Accounts payable - other	5,878	942
Income taxes payable	452	457
Provision for bonuses	774	748
Provision for directors' bonuses	19	—
Provision for loss on order received	83	128
Other	5,253	4,706
Total current liabilities	44,939	35,006
Non-current liabilities		
Bonds payable	4,924	4,783
Long-term loans payable	36,303	45,340
Lease obligations	5,682	9,155
Deferred tax liabilities	519	660
Net defined benefit liability	3,050	3,053
Asset retirement obligations	1,506	2,072
Other	1,040	1,196
Total non-current liabilities	53,027	66,261
Total liabilities	97,966	101,268
Net assets		
Shareholders' equity		
Capital stock	3,995	3,995
Capital surplus	0	—
Retained earnings	23,305	22,547
Treasury shares	(354)	(354)
Total shareholders' equity	26,946	26,188
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	568	780
Deferred gains or losses on hedges	(35)	(36)
Foreign currency translation adjustment	(88)	29
Remeasurements of defined benefit plans	(87)	(60)
Total accumulated other comprehensive income	356	713
Subscription rights to shares	8	7
Non-controlling interests	2,244	3,269
Total net assets	29,555	30,179
Total liabilities and net assets	127,522	131,447

**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, 2016	Six months ended September 30, 2017
Net sales	29,111	31,973
Cost of sales	20,326	23,543
Gross profit	8,784	8,430
Selling, general and administrative expenses	9,535	7,699
Operating profit (loss)	(750)	730
Non-operating income		
Interest income	2	2
Dividend income	48	82
Share of profit of entities accounted for using equity method	38	29
Reversal of allowance for doubtful accounts	10	16
Other	114	56
Total non-operating income	214	188
Non-operating expenses		
Interest expenses	627	685
Foreign exchange losses	53	0
Provision of allowance for doubtful accounts	1	1
Other	161	308
Total non-operating expenses	843	995
Ordinary loss	(1,379)	(77)
Extraordinary income		
Gain on sales of investment securities	18	5
Subsidy income	85	–
Reversal of reserve for financial products transaction liabilities	9	–
Gain on step acquisitions	–	473
Total extraordinary income	113	478
Extraordinary losses		
Impairment loss	11	–
Loss on reduction of non-current assets	85	–
Loss on sales of investment securities	5	–
Settlement package	80	–
Total extraordinary losses	182	–
Profit (loss) before income taxes	(1,448)	401
Income taxes - current	154	307
Income taxes - deferred	54	(3)
Total income taxes	208	304
Profit (loss)	(1,657)	97
Profit attributable to non-controlling interests	80	260
Loss attributable to owners of parent	(1,737)	(163)

**Quarterly consolidated statements of comprehensive income**

	(Millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit (loss)	(1,657)	97
Other comprehensive income		
Valuation difference on available-for-sale securities	(77)	212
Deferred gains or losses on hedges	3	(0)
Foreign currency translation adjustment	(129)	118
Remeasurements of defined benefit plans, net of tax	26	27
Total other comprehensive income	(176)	357
Comprehensive income	(1,834)	454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,914)	193
Comprehensive income attributable to non-controlling interests	80	260

**Consolidated statements of cash flows**

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	(1,448)	401
Depreciation	971	1,280
Amortization of deferred assets	49	95
Amortization of goodwill	–	52
Impairment loss	11	–
Loss (gain) on sales of investment securities	(12)	(5)
Increase (decrease) in allowance for doubtful accounts	(5)	(18)
Increase (decrease) in provision for bonuses	(648)	(40)
Increase (decrease) in provision for directors' bonuses	(14)	(19)
Increase (decrease) in net defined benefit liability	65	21
Increase (decrease) in provision for loss on order received	122	44
Increase (decrease) in provision for contingent loss	(1,053)	–
Interest and dividend income	(50)	(84)
Interest expenses	627	685
Foreign exchange losses (gains)	25	0
Loss (gain) on step acquisitions	–	(473)
Share of (profit) loss of entities accounted for using equity method	(38)	(29)
Decrease (increase) in notes and accounts receivable - trade	10,519	10,323
Decrease (increase) in inventories	(246)	388
Increase (decrease) in notes and accounts payable - trade	(2,782)	(1,534)
Decrease/increase in assets/liabilities for margin transaction related to securities business	209	–
Decrease (increase) in trading products-assets (liabilities) related to securities business	264	–
Increase (decrease) in deposits received related to securities business	(19)	–
Decrease (increase) in lease receivables	30	33
Other, net	(1,287)	(3,186)
Subtotal	5,288	7,934
Interest and dividend income received	61	84
Interest expenses paid	(640)	(675)
Income taxes paid	(644)	(411)
Net cash provided by (used in) operating activities	4,065	6,932

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from investing activities		
Decrease (increase) in time deposits and other	649	9,753
Purchase of property, plant and equipment	(3,161)	(20,334)
Proceeds from sales of property, plant and equipment	–	2
Purchase of intangible assets	(16)	(167)
Payments for deferred assets	(49)	(93)
Purchase of investment securities	(101)	(1,818)
Proceeds from sales of investment securities	64	2,687
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	–	(1,281)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	161
Payments of loans receivable	(25)	(13)
Collection of loans receivable	15	24
Other, net	(580)	(855)
Net cash provided by (used in) investing activities	(3,205)	(11,934)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(1,063)	(6,305)
Proceeds from long-term loans payable	5,207	19,331
Repayments of long-term loans payable	(2,678)	(9,721)
Proceeds from issuance of bonds	6,474	7,057
Redemption of bonds	(5,621)	(5,592)
Proceeds from sales and leasebacks	68	528
Purchase of treasury shares	(345)	(0)
Cash dividends paid	(277)	(531)
Dividends paid to non-controlling interests	(4)	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(42)	(59)
Proceeds from share issuance to non-controlling shareholders	–	615
Repayments to non-controlling shareholders	(67)	(258)
Other, net	(268)	(352)
Net cash provided by (used in) financing activities	1,380	4,711
Effect of exchange rate change on cash and cash equivalents	(86)	24
Net increase (decrease) in cash and cash equivalents	2,154	(266)
Cash and cash equivalents at beginning of period	19,762	22,537
Cash and cash equivalents at end of period	21,916	22,270