Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (Based on Japanese GAAP)

May 12, 2016

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 to ordinary general meetings of shareholders June 23, 2016
Scheduled date to commence dividend payments: June 24, 2016
Scheduled date to file Securities Report: June 23, 2016
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, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated operating results (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	%
Fiscal Year ended March 31, 2016	75,524	(0.5)	3,887	(27.4)	2,563	(31.4)	411	(89.0)
Fiscal Year ended March 31, 2015	75,903	2.1	5,352	19.5	3,737	(1.0)	3,739	49.1

(Note) Comprehensive income Fiscal year ended March 31, 2016 ¥(10) million (–%)
Fiscal year ended March 31, 2015 ¥4,593 million (97.6%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Fiscal Year ended March 31, 2016	14.96	14.92	1.6	2.1	5.1
Fiscal Year ended March 31, 2015	142.13	141.64	15.6	3.2	7.1

(Reference) Equity in earnings (losses) of affiliates:
Fiscal year ended March 31, 2016: ¥40 million Fiscal year ended March 31, 2015: ¥4 million

(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, 2016	121,563	28,213	21.9	963.28
As of March 31, 2015	121,898	27,348	21.7	1,000.90

(Reference) Equity: As of March 31, 2016: ¥26,625 million As of March 31, 2015: ¥26,443 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, 2016	3,555	(16,376)	8,001	19,762
Fiscal Year ended March 31, 2015	7,216	(7,658)	6,634	24,595

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, 2015	–	0.00	–	0.00	0.00	–	–	–
Fiscal Year ended March 31, 2016	–	0.00	20.00	10.00	30.00	829	200.5	3.1
Fiscal Year ending March 31, 2017 (Forecast)	–	0.00	–	10.00	10.00		27.6	

3. Forecast of consolidated financial results for the fiscal 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

*Notes

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2016
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
Excluded companies: 2 (Japan Asia Holdings (Japan) Limited, Kokusai Kogyo Holdings Co., Ltd.)

(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" 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 period (including treasury shares)

As of March 31, 2016	27,652,880 shares	As of March 31, 2015	27,648,880 shares

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

As of March 31, 2016	12,465 shares	As of March 31, 2015	1,228,744 shares

3) Average number of shares during the period

Fiscal Year ended March 31, 2016	27,538,518 shares	Fiscal Year ended March 31, 2015	26,310,401 shares

(Reference) Summary of non-consolidated results

1. Non-consolidated financial results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended March 31, 2016	2,223	(7.4)	825	(25.8)	57	(86.3)	18,608	–
Fiscal Year ended March 31, 2015	2,401	5.8	1,113	1.1	416	224.7	735	517.7

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal Year ended March 31, 2016	673.27	671.41
Fiscal Year ended March 31, 2015	26.73	26.64

(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, 2016	46,777	20,566	43.9	743.49
As of March 31, 2015	22,329	2,408	10.7	86.54

(Reference) Equity: As of March 31, 2016: ¥20,550 million As of March 31, 2015: ¥2,391 million

*Status of implementation of audit procedures

This financial report is outside the scope of audit procedures pursuant to the Financial Instruments and Exchange Act. The audit procedures of the consolidated financial statements were not completed at the time of release of this report.

*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.

(Change in unit of presentation)

Previously, figures in the Company's consolidated financial statements and other items were listed in thousand yen units. However, effective from the fiscal year under review, figures will be shown in million yen units. To facilitate comparison, figures for previous fiscal years have been shown in million yen units.

(Method for acquiring supplementary materials)

The Company has scheduled a results briefing for securities analysts on May 20 (Friday), 2016. 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

In this fiscal year (from April 1, 2015 to March 31, 2016), the Japanese economy saw firm capital investment, such as from the implementation of investment plans formulated when corporate earnings were strong. However, the real economic growth rate in the third quarter of the fiscal year (October–December 2015) turned negative for the first time in two quarters given stagnant consumer spending due to weak wage growth and the impact of the warm winter. Still, despite sluggish production in light of slowing overseas demand, factors such as inbound consumption by overseas visitors to Japan continued to support the Japanese economy.

In such an environment, the Japan Asia Group (“the Group”) worked as one towards building a sustainable society through the creation of green communities, guided by its mission statement, “Save the Earth, Make Communities Green.” Further, the Group put even more emphasis on profitability and growth, promoting structural reforms, human resources, and technological development.

Regarding the Group’s performance this fiscal year, the technical divisions of the geospatial information consulting business and the green energy business performed well. However, sales in the financial service business declined sharply due to fluctuations in market conditions.

As a result, consolidated sales were down 0.5% year-on-year from ¥75,903 million in the previous fiscal year to ¥75,524 million, operating income was ¥3,887 million (from ¥5,352 million), and ordinary income was ¥2,563 million (from ¥3,737 million). Profit attributable to owners of the parent was ¥411 million (down from ¥3,739 million) due to a provision for contingent loss at a subsidiary of ¥1,360 million treated as extraordinary losses.

Operating performance at each business segment is as follows. Note that the reportable business classification was revised from this fiscal year. Analysis of operating results for this fiscal year and year-on-year comparisons are based on the new classification.

< Geospatial information consulting business >

This business’s core company, Kokusai Kogyo Co., Ltd., restructured its organization in order to reinforce its technological, marketing, and new business development capabilities. In addition, it redefined its business areas to green energy, disaster and environmental management, infrastructure, and geospatial information services, and aims to expand operations in each of these areas.

In this business, while the government's initial budget for public works spending in fiscal 2015 projected only a modest increase from the previous year, the Group actively responded to projects to create communities, people, and jobs, and measures to prevent and reduce the impact of natural disasters, and prevent infrastructure deterioration, promoting the cultivation of business with prefectural and municipal government customers. The Group also worked to strengthen its manufacturing base, by encouraging more sharing of order and production line information, smoothing fluctuations in work volume by bringing forward production, and other measures. In addition, the Group worked to win private-sector customers through a merger and collaboration with Kokusai Environment Solutions Co., Ltd., whose customer base is mainly large manufacturing companies.

As a result, orders and sales were firm, with orders received by the geospatial information consulting business totaling ¥42,146 million, up 2.0% year-on-year (from ¥41,320 million in the previous fiscal year), and net sales at ¥42,681 million, up 1.6% year-on-year (from ¥41,989 million in the previous fiscal year). Business income was ¥1,746 million, up by ¥365 million (from ¥1,381 million in the previous fiscal year).

< Green energy business >

JAG Energy Co., Ltd., which has operated a green energy business, and Kokusai Land & Development Co., Ltd., which operates a green property business, merged on July 1, 2015 and combined their businesses to become the new green energy business from this fiscal year. Additionally, the Group had already been focusing on the concept of energy saving, generation, and storage in the real estate and detached housing businesses, but using the merger of these two core companies and the integration of their businesses into this new business, it plans to step up its efforts in this area.

This business focuses on the power generation business, which sells electricity from the Group’s solar power plants using the feed-in tariff system, and the consignment 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 power generation business, the following solar power plants brought online during this fiscal year contributed to business income: Tamano-shi, Okayama Prefecture (4.0MW), Nakatado-gun, Mannou-cho, Kagawa Prefecture (2.0MW), Ushiku-shi, Ibaraki Prefecture (0.3MW), Sapporo-shi, Hokkaido Prefecture (0.95MW), Nagahama-shi, Shiga Prefecture (0.83MW), Takikawa-shi, Hokkaido Prefecture (0.61MW), and Karatsu-shi, Saga Prefecture (0.31MW). The Group is also working towards the development of new solar power plants. It now has brought online more than 49 solar power plants for a

combined output capacity of over 74MW. Earnings in both the consignment business and the detached housing business were strong, with the number of projects delivered in line with plan.
As a result, orders received by the green energy business totaled ¥17,931 million, down 26.7% year-on-year (from ¥24,456 million in the previous fiscal year), partly reflecting a pullback from large orders secured in the previous fiscal year. Net sales were ¥25,007 million, up 8.1% year-on-year (from ¥23,127 million in the previous year), supported by strong sales in the power generation business and solid performance in the consignment business due to the development of solar power plants orders received in the previous fiscal year. Business income was ¥1,856 million, up 10.9% year-on-year from ¥1,674 million in the previous fiscal year.

< Financial service business >
In this business, the Group operates a securities business through two subsidiaries, Japan Asia Securities Co., Ltd. and Okinawa Securities Limited, and provides investment trust and investment advisory services and other financial services through another subsidiary, Japan Asia Asset Management Co., Ltd.
In this fiscal year under review, the Nikkei Stock Average approached the ¥21,000 level in July 2015, supported by strong corporate earnings and expectations for government policies. After that, the stock market fluctuated sharply between ¥16,000 and ¥20,000 due to concerns about the outlook for the global economy, which was triggered by a worldwide decline in equities, starting on the Shanghai market in China, and a drop in the crude oil price. This led to a stronger yen, fueling concern about a shortfall in corporate earnings in Japan. Until December 2015, the yen was largely stable against the US dollar, trading at around ¥120. However, the yen subsequently strengthened against the US dollar amid prospects for a moderate pace of interest rate hikes in the US and growing risk-off sentiment among investors due to sharp falls in equities in the US and Japan. By March 2016, the currency was trading at the low ¥111 level.
In this business, the Group worked to strengthen its customer base by expanding assets under management. This included the sale of a new fund product by Japan Asia Securities Co., Ltd. called US M&A Focus Equities Fund, in line with its investment strategy for fiscal 2015. However, amid risk-off sentiment worldwide, income from foreign equities in particular declined, leading to a drop in business income compared with the previous fiscal year. Income also declined at Okinawa Securities Limited following moves to expand its offering of foreign equities, in addition to its existing line of offered products such as investment trusts.
As a result, sales totaled ¥7,795 million, down 27.5% from ¥10,755 million in the previous fiscal year. Business income was ¥551 million, down 78.9% from ¥2,608 million in the previous fiscal year.

(Business Outlook)
In fiscal 2016 (April 1, 2016 to March 31, 2017), we expect the Japanese economy to remain on steady recovery path. However, the recovery is likely to lack strength due to weak business and consumer confidence amid slowing growth in overseas economies and the strong yen and weak equities since the start of 2016. We forecast continued firm conditions in the employment environment, with the economy likely to be supported by a rush in demand towards the end of 2016 ahead of the hike to consumption tax and by sustained momentum in inbound demand. In the US, consumer spending and the housing market are recovering on the whole, supported by an ongoing upturn in the employment market. We expect the firm conditions in the US economy to continue into fiscal 2016. In Asia, we expect the economic outlook to gradually stabilize, particularly in China, where monetary easing measures, an upturn in the housing market and the roll out of a major infrastructure investment program are helping to lift business confidence.
Against this backdrop, we think the Group’s operating environment will be supported by a number of positive factors, including an expected increase in renewable energy needs over the medium and long term and sustained spending on public works projects backed by government policies. However, we will also need to monitor a number of risks for earnings, such as problems formulating business plans due to changes in the feed-in tariff system and restrictions on electricity output by conventional power producers, as well as deterioration in market sentiment due to fluctuations in Japanese and US equity markets.
The Group will continue to strengthen its operating framework through restructuring and channel management resources into renewable energy, while also boosting profitability in each operating field by increasing business opportunities through greater synergies between its three core business fields: geospatial information consulting, green energy and financial services.
In the geospatial information consulting business segment, we aim to expand the business by strengthening our presence overseas and in the private sector, focusing on four main business fields: green energy, disaster and environmental management, infrastructure, and geospatial information services. We will continue enhancing the segment’s core geospatial information technologies (measurement, analysis and evaluation tools), leveraging the unique strengths of our customer base to further develop the business and deliver a sustained improvement in profitability.
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 for the

long term. In addition, we will start the full-scale development of other sources of renewable energy, such as biomass power plants and wind farms. In the segment's consignment business, we will continue to build, operate and manage solar power plants, and focus on expanding our menu of solution services related to energy saving and generation. We will also continue to provide support for Japanese companies moving into Asia, particularly Vietnam. In the segment's detached housing business, we will use our energy-saving and wood engineering technologies to build medium and large wooden structures.
In the financial service business segment, the business environment is likely to be mixed, with pension funds and share buybacks supporting share prices, countered by factors such as growing concerns about corporate earnings due to the stronger yen and sustained selling pressure from overseas investors. Against this backdrop, we will focus on domestic and overseas equities, sales of overseas bonds and investment trusts, and shares in the Vietnamese market. Also, we plan to strengthen our organizations to attract new customers, accelerate the development of low cost branches through securities brokerage operations, and offer services even more closely tailored to customer needs in order to increase assets under management. We have adopted a cautious outlook for the fiscal year due to uncertainties about market trends and our intention to focus on increasing assets under management. However, we will work to deliver growth in profits while carefully monitoring of market conditions.

In the technological division, we forecast higher sales, supported by growth in private sector and overseas business and an increase in investment in renewable energy and other new businesses. However, we expect profits to decline due to growth in fixed expenses as a result of strategic and upfront investment. In the financial division, we forecast higher sales due to expansion in securities brokerage branches and steps to strengthen the earnings base, supporting a recovery in profits. Overall, we expect earnings to weaken temporarily in fiscal 2016, but we have positioned the year as a key period to implement aggressive investment and experimental initiatives in order to create a foothold for sustained growth.
For fiscal 2016, based on the above initiatives, we forecast consolidated net sales of ¥77,000 million, up 2.0% year on year, operating income of ¥2,800 million, down 28.0%, ordinary income of ¥1,300 million, down 49.3%, and profit attributable to owners of parent of ¥1,000 million, up 142.7% 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, 2016, consolidated net assets totaled ¥121,563 million, down ¥334 million from the end of the previous fiscal year. Current assets totaled ¥79,171 million, down ¥5,729 million, mainly reflecting decreases of ¥1,470 million for cash segregated as deposits, ¥1,736 million for real estate for sale, and ¥1,772 million for margin transaction assets in securities business. Non-current assets totaled ¥41,787 million, up ¥5,175 million, mainly reflecting an increase of ¥5,479 million for property, plant and equipment due to the construction of solar power plants and other factors. Deferred assets rose ¥219 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 ¥93,349 million, down ¥1,200 million from the end of the previous fiscal year, mainly reflecting an increase of ¥7,857 million for interest-bearing debt (including lease obligations) related to the procurement of development funds for solar power plants and other factors, versus declines of ¥1,810 million for accounts payable – trade, ¥2,303 million for accounts payable – other related to upfront construction payments for solar power plants, ¥1,673 million for margin transaction liabilities in securities business, ¥674 million for provision for bonuses, and ¥2,538 million for other liabilities, including advances received.

Net assets totaled ¥28,213 million, up ¥865 million from the end of the previous fiscal year, mainly due to the booking of profit attributable to owners of parent and an increase of ¥684 million for non-controlling interests.

2) Cash flows

As of March 31, 2016, cash and cash equivalents totaled ¥19,762 million, down ¥4,832 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Operating activities provided net cash of ¥3,555 million, down ¥3,661 million from net cash provided of ¥7,216 million in the previous fiscal year. The main items were profit before income taxes of ¥1,903 million (drop in cash provided of ¥1,684 million year on year), increase in notes and accounts receivable – trade of ¥1,086 million (drop in cash provided of ¥2,849 million year on year), decrease in inventories of ¥2,034 million (rise in cash provided of ¥1,663 million year on year), decrease in notes and accounts payable – trade of ¥1,500 million (drop in cash provided of ¥3,362 million year on year), decrease in deposits received related to securities business of ¥542 million (drop in cash provided of ¥1,185 million year on year), and other operating cash flow of ¥2,343 million (rise in cash provided of ¥4,346 million year on year), such as decrease in cash segregated as deposits and other items.

(Cash flows from investing activities)

Investing activities used net cash of ¥16,376 million, compared with net cash used of ¥7,658 million in the previous fiscal year. The main item providing cash was proceeds of ¥1,303 million from sales of investment securities, which were sold to improve the efficiency of asset holdings, versus cash used of ¥8,377 million for the purchase of property, plant and equipment and ¥7,622 million for increase in time deposits.

(Cash flows from financing activities)

Financing activities provided net cash of ¥8,001 million, compared with net cash provided of ¥6,634 million in the previous fiscal year. The main items providing cash were net proceeds of ¥5,064 million from loans and issuance of bonds and proceeds of ¥2,682 million from sales and leasebacks.

(Reference) Trends in cash flow indicators

	Fiscal year ended April 30, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity ratio (%)	21.1	19.9	19.8	21.7	21.9
Equity ratio based on market value (%)	8.6	9.0	12.6	12.4	12.2
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 April 30, 2012, March 31, 2013, or March 31, 2014, as operating cash flow was negative in those years.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2016 and the Fiscal Year Ending March 31, 2017

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, 2016, the Company intends to pay an annual dividend of ¥30.00 per share, comprising a commemorative dividend of ¥20.00 (already paid) to mark the Company’s listing on the First Section of the Tokyo Stock Exchange, and a year-end dividend of ¥10.00. For the fiscal year ending March 31, 2017, 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 income 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, 2015 (From April 1, 2014 to March 31, 2015)				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Net sales (Millions of yen)	12,460	17,599	18,162	27,681	75,903
Composition ratio (%)	16.4	23.2	23.9	36.5	100.0
Operating income (Millions of yen)	145	1,147	1,006	3,052	5,352
Composition ratio (%)	2.7	21.4	18.8	57.1	100.0

	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 income (Millions of yen)	3	1,060	279	2,544	3,887
Composition ratio (%)	0.1	27.3	7.2	65.4	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 Securities Co., Ltd., Okinawa Securities Limited, Japan Asia Asset Management Co., Ltd. and other companies.

(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

Three Group subsidiaries, Japan Asia Securities Co., Ltd. and Okinawa Securities Limited, Japan Asia Asset Management Co., Ltd. are mainly focused on financial instruments business. These companies are licensed to conduct those 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.

Following an inspection, the Securities and Exchange Surveillance Commission (SESC) submitted a report to the Prime Minister and the Commissioner of the Financial Services Agency (FSA) on February 19, 2016 recommending an administrative order for Okinawa Securities Limited. On the same date, the company received a business improvement order from the Director General of the Okinawa General Bureau.

In response to the administrative order issued to subsidiary Okinawa Securities Limited, which was disclosed on February 26, 2016, the Company's Board of Directors passed a resolution on May 11, 2016 approving a transition to reconciliation procedures. As a result of this decision, the Company transferred ¥1,360 million to provision for contingent loss in the fiscal year ended March 31, 2016 to prepare for future related losses. These provisions were recorded under extraordinary losses.

(vi) Regulatory risk

The Group is subject to various business regulations in each area of its operations. The Company's main securities subsidiaries, Japan Asia Securities Co., Ltd., Okinawa Securities Limited and Japan Asia Asset Management Co., Ltd. operate as financial service providers under the Financial Instruments and Exchange Act and related laws and regulations, as well as regulations set out by each financial instrument exchange and the Japan Securities Dealers Association.

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 financial service business operates a securities services business in Hong Kong, while the green energy business operates a solar power generation business in Europe. The impact of changes in foreign exchange rates on these operations 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, 2016, 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), 72 consolidated subsidiaries and two equity method affiliates operating in the geospatial information consulting business, green energy business and the financial service business.
The Group reorganized its internal structure, effective July 1, 2015. As a result, the respective subsidiary management functions and the geospatial information consulting business segment management functions of two intermediate holding companies (Japan Asia Holdings (Japan) Limited and Kokusai Kogyo Holdings Co., Ltd.) were spun off and transferred to two key subsidiaries (Japan Asia Securities Co., Ltd. and Kokusai Kogyo Co., Ltd.), and the remaining functions of the two intermediate holding companies were absorbed by the Company. The intermediate holding company structure was then dissolved.
JAG Energy Co., Ltd. and Kokusai Land & Development Co., Ltd. were merged and the surviving company named JAG Energy Co., Ltd., effective July 1, 2015. The newly merged entity is now the core company responsible for all the Group's energy operations, covering various energy-related roles from identification of potential energy projects through construction to generation and maintenance. In addition, subsidiaries in the financial service business segment were consolidated within Japan Asia Securities Co., Ltd. in order to create a stronger business segment centered on that company.
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 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 (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 TWO GmbH (41 other subsidiaries, one other affiliate)
Financial service business	Securities services, investment trust and investment advisory services, other financial services	Japan Asia Securities Co., Ltd. Okinawa Securities Limited Japan Asia Asset Management Co., Ltd. Japan Asia Financial Service Co., Ltd. Japan Asia Research Institute Limited Japan Asia Securities Limited (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 by using financing 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 income by expanding its business and improve ROE by growing profits.

(3) Medium- and Long-Term Management Strategy

The Group plans to create a clear management strategy focused on generating growth and improving profitability. Specifically, we will review the Group's business portfolio to create new areas of growth by using our financing functions to launch new proprietary solutions, as well as improve business efficiency by fundamentally overhauling our operating structure. By implementing these initiatives, we aim to move to a robust financial structure.

(4) Issues to Be Addressed

Leveraging proprietary technologies and know-how accumulated from three core businesses – the geospatial information consulting business, green energy business and the financial service business – and the capabilities of the whole Group, which is supported by a strong customer base, the Company will work 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 business resources into further strengthening our renewable energy business, 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 create an efficient organization and overhaul business functions 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

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	27,739	30,528
Cash segregated as deposits	6,265	4,795
Notes and accounts receivable - trade	27,919	27,080
Trading products in securities business	461	288
Work in process	276	132
Raw materials and supplies	189	35
Real estate for sale	8,211	6,475
Margin transaction assets in securities business	7,573	5,800
Short-term loans receivable	14	20
Accounts receivable - other	1,585	686
Deferred tax assets	1,498	878
Other	3,244	2,504
Allowance for doubtful accounts	(77)	(54)
Total current assets	84,901	79,171
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,155	9,319
Accumulated depreciation	(5,315)	(5,498)
Accumulated impairment loss	(658)	(655)
Buildings and structures, net	3,181	3,165
Machinery, equipment and vehicles	15,137	16,777
Accumulated depreciation	(1,622)	(2,306)
Accumulated impairment loss	(239)	(241)
Machinery, equipment and vehicles, net	13,274	14,229
Land	7,213	7,129
Leased assets	3,555	6,426
Accumulated depreciation	(725)	(1,056)
Accumulated impairment loss	(15)	–
Leased assets, net	2,814	5,370
Construction in progress	283	1,973
Other	1,175	1,613
Accumulated depreciation	(852)	(904)
Accumulated impairment loss	(103)	(109)
Other, net	220	599
Total property, plant and equipment	26,988	32,467
Intangible assets		
Goodwill	161	–
Other	790	469
Total intangible assets	951	469

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Investments and other assets		
Investment securities	5,145	3,995
Investments in other securities of subsidiaries and associates	304	177
Long-term loans receivable	177	151
Lease and guarantee deposits	1,410	2,168
Deferred tax assets	132	161
Other	2,603	3,336
Allowance for doubtful accounts	(1,102)	(1,138)
Total investments and other assets	8,671	8,850
Total non-current assets	36,612	41,787
Deferred assets		
Deferred organization expenses	2	1
Business commencement expenses	382	602
Total deferred assets	384	604
Total assets	121,898	121,563
Liabilities		
Current liabilities		
Accounts payable - trade	8,690	6,879
Short-term loans payable	13,738	6,521
Deposits received related to securities business	3,505	2,963
Current portion of bonds	17,255	11,496
Current portion of long-term loans payable	4,181	5,418
Lease obligations	342	494
Accounts payable - other	4,612	2,308
Income taxes payable	859	696
Margin transaction liabilities in securities business	6,149	4,475
Provision for bonuses	2,162	1,487
Provision for directors' bonuses	44	14
Provision for loss on order received	674	175
Provision for contingent loss	–	1,360
Other	8,353	5,814
Total current liabilities	70,568	50,106
Non-current liabilities		
Bonds payable	2,293	4,701
Long-term loans payable	13,107	27,468
Lease obligations	2,663	5,339
Deferred tax liabilities	1,298	837
Net defined benefit liability	2,466	2,548
Other	2,094	2,287
Total non-current liabilities	23,923	43,182

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Reserves under special laws		
Reserve for financial products transaction liabilities	57	61
Total reserves under special laws	57	61
Total liabilities	94,550	93,349
Net assets		
Shareholders' equity		
Capital stock	3,994	3,995
Capital surplus	7,524	1
Retained earnings	14,251	21,802
Treasury shares	(637)	(8)
Total shareholders' equity	25,132	25,790
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,514	1,031
Deferred gains or losses on hedges	(33)	(51)
Foreign currency translation adjustment	17	(7)
Remeasurements of defined benefit plans	(186)	(137)
Total accumulated other comprehensive income	1,311	834
Subscription rights to shares	16	16
Non-controlling interests	888	1,572
Total net assets	27,348	28,213
Total liabilities and net assets	121,898	121,563

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	75,903	75,524
Cost of sales	50,437	52,042
Gross profit	25,466	23,482
Selling, general and administrative expenses		
Advertising expenses	641	689
Business consignment expenses	423	433
Provision of allowance for doubtful accounts	1	45
Salaries and allowances	8,523	8,855
Provision for bonuses	1,445	700
Provision for directors' bonuses	44	14
Amortization of goodwill	4	16
Other	9,031	8,840
Total selling, general and administrative expenses	20,114	19,595
Operating income	5,352	3,887
Non-operating income		
Interest income	15	5
Dividend income	65	87
Compensation income	–	81
Share of profit of entities accounted for using equity method	4	40
Foreign exchange gains	–	4
Reversal of allowance for doubtful accounts	29	11
Other	115	188
Total non-operating income	230	420
Non-operating expenses		
Interest expenses	1,383	1,265
Foreign exchange losses	148	–
Provision of allowance for doubtful accounts	–	4
Other	312	473
Total non-operating expenses	1,844	1,743
Ordinary income	3,737	2,563

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Extraordinary income		
Gain on territorial rights exchange of non-current assets	–	81
Subsidy income	–	20
Gain on sales of investment securities	936	896
Gain on sales of investments in other securities of subsidiaries and affiliates	24	–
Total extraordinary income	961	997
Extraordinary losses		
Impairment loss	360	152
Loss on reduction of non-current assets with territorial rights exchange	–	81
Loss on reduction of non-current assets	–	20
Loss on sales of investment securities	–	38
Loss on valuation of investment securities	1	1
Loss on sales of shares of subsidiaries and associates	737	–
Provision for contingent loss	–	1,360
Provision of reserve for financial products transaction liabilities	11	4
Total extraordinary losses	1,111	1,657
Profit before income taxes	3,588	1,903
Income taxes - current	1,143	1,040
Income taxes - deferred	(1,195)	395
Total income taxes	(52)	1,436
Profit	3,640	467
Profit (loss) attributable to non-controlling interests	(98)	55
Profit attributable to owners of parent	3,739	411

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	3,640	467
Other comprehensive income		
Valuation difference on available-for-sale securities	70	(483)
Deferred gains or losses on hedges	(18)	(17)
Foreign currency translation adjustment	845	(25)
Remeasurements of defined benefit plans, net of tax	56	48
Total other comprehensive income	952	(478)
Comprehensive income	4,593	(10)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,691	(65)
Comprehensive income attributable to non-controlling interests	(98)	54

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2015

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,892	7,422	10,511	(636)	21,191
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	101	101			203
Deficit disposition					
Dividends of surplus					
Profit attributable to owners of parent			3,739		3,739
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	101	101	3,739	(1)	3,940
Balance at end of current period	3,994	7,524	14,251	(637)	25,132

	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	1,444	(15)	(827)	(242)	359	34	910	22,496
Changes of items during period								
Issuance of new shares - exercise of subscription rights to shares								203
Deficit disposition								–
Dividends of surplus								–
Profit attributable to owners of parent								3,739
Purchase of treasury shares								(1)
Disposal of treasury shares								–
Net changes of items other than shareholders' equity	69	(18)	845	56	952	(18)	(22)	911
Total changes of items during period	69	(18)	845	56	952	(18)	(22)	4,851
Balance at end of current period	1,514	(33)	17	(186)	1,311	16	888	27,348

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
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
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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	3,588	1,903
Depreciation	1,684	1,893
Amortization of deferred assets	54	76
Amortization of goodwill	4	16
Impairment loss	360	152
Loss (gain) on sales of shares of subsidiaries and associates	737	–
Loss (gain) on sales of investments in other securities of subsidiaries and affiliates	(24)	–
Loss (gain) on sales of investment securities	(936)	(858)
Loss (gain) on valuation of investment securities	1	1
Increase (decrease) in allowance for doubtful accounts	(28)	13
Increase (decrease) in provision for bonuses	47	(674)
Increase (decrease) in provision for directors' bonuses	21	(29)
Increase (decrease) in net defined benefit liability	151	129
Increase (decrease) in provision for loss on order received	318	(499)
Increase (decrease) in provision for contingent loss	–	1,360
Interest and dividend income	(80)	(93)
Interest expenses	1,383	1,265
Foreign exchange losses (gains)	245	(11)
Share of (profit) loss of entities accounted for using equity method	(4)	(40)
Decrease (increase) in notes and accounts receivable - trade	1,763	(1,086)
Decrease (increase) in inventories	370	2,034
Increase (decrease) in notes and accounts payable - trade	1,862	(1,500)
Decrease/increase in assets/liabilities for margin transaction related to securities business	678	99
Decrease (increase) in trading products-assets (liabilities) related to securities business	(74)	(6)
Increase (decrease) in deposits received related to securities business	643	(542)
Decrease (increase) in lease receivables	(305)	(255)
Other, net	(2,003)	2,343
Subtotal	10,458	5,692
Interest and dividend income received	122	129
Interest expenses paid	(1,416)	(1,309)
Income taxes paid	(1,947)	(957)
Net cash provided by (used in) operating activities	7,216	3,555

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from investing activities		
Decrease (increase) in time deposits and other	(391)	(7,622)
Purchase of property, plant and equipment	(9,069)	(8,377)
Proceeds from sales of property, plant and equipment	–	1
Purchase of intangible assets	(161)	(81)
Payments for deferred assets	(398)	(296)
Purchase of investment securities	(91)	(44)
Proceeds from sales of investment securities	2,120	1,303
Purchase of investments in other securities of subsidiaries and affiliates	(475)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(115)	–
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(260)	–
Proceeds from sales of other securities of subsidiaries and affiliates resulting in change in scope of consolidation	1,584	–
Payments of loans receivable	(110)	(63)
Collection of loans receivable	132	83
Other, net	(420)	(1,278)
Net cash provided by (used in) investing activities	(7,658)	(16,376)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(1,082)	(7,117)
Proceeds from long-term loans payable	9,256	21,428
Repayments of long-term loans payable	(9,228)	(5,797)
Proceeds from issuance of bonds	30,360	25,692
Redemption of bonds	(27,721)	(29,141)
Repayments of lease obligations	(382)	(464)
Proceeds from sales and leasebacks	4,802	2,682
Purchase of treasury shares	(1)	(0)
Proceeds from sales of shares of parent held by subsidiaries	–	722
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	196	2
Proceeds from issuance of subscription rights to shares	7	–
Payments for purchase and cancellation of subscription rights to shares	(19)	–
Cash dividends paid	–	(543)
Dividends paid to non-controlling interests	(4)	(3)
Proceeds from share issuance to non-controlling shareholders	655	881
Repayments to non-controlling shareholders	(204)	(337)
Net cash provided by (used in) financing activities	6,634	8,001
Effect of exchange rate change on cash and cash equivalents	5	(13)
Net increase (decrease) in cash and cash equivalents	6,197	(4,832)
Cash and cash equivalents at beginning of period	18,397	24,595
Cash and cash equivalents at end of period	24,595	19,762

(5) Notes to Consolidated Financial Statements

(Notes relating to the assumptions of the going concern)

No items to report

(Changes in accounting policies)

Effective from the fiscal year under review, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for "net income" and other related items was changed, and "minority interests" was changed to "non-controlling interests." To reflect these changes, the Company has reclassified its consolidated financial statements for the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standards, etc. prospectively from the beginning of the fiscal year under review.

In the consolidated statements of cash flows for the fiscal year under review, the method of recording cash flows from the purchase or sales of investment in subsidiaries not related to changes in scope of consolidation has been changed, and these cash flows are now classified under "Cash flows from financing activities." Moreover, the method of recording cash flows relating to costs arising from the purchase of investment in subsidiaries related to changes in scope of consolidation and costs arising from the purchase or sales of investment in subsidiaries not related to changes in scope of consolidation has been changed, and these cash flows are now classified under "Cash flows from operating activities".

These changes have no impact on the consolidated financial statements for the fiscal year under review, and per-share information.

(Additional information)

The "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) became applicable to the consolidated financial statements for the fiscal year under review, and said guidance was applied from the fiscal year under review.

(Segment Information etc.)

[Segment Information]

1 Summary of reportable segments

(1) 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) Matters related to changes in reportable segments

The Group reorganized its internal structure, effective July 1, 2015. As a result, effective from the fiscal year under review, the Group's previous four business segments – geospatial information consulting business, green property business, green energy business and financial service business – have been reclassified as three business segments – geospatial information consulting business, green energy business, and financial service business.

In addition, following the merger of consolidated subsidiary Kokusai Environment Solutions Co., Ltd. with consolidated subsidiary Kokusai Kogyo Co., Ltd., effective March 1, 2015, business previously conducted by Kokusai Environment Solutions Co., Ltd. has been transferred from the green property business segment to the geospatial information consulting business segment, effective from the fiscal year under review.

Segment information for the previous fiscal year has been realigned with the new segment classifications and is shown below in "3. Information for amounts of net sales, income (loss), assets and other items for each reportable segment."

2. Methods of measurement for the amounts of net sales, income (loss), assets, liability 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 income (loss) for each reportable segment are based on operating income (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, income (loss), assets, liabilities and other items for each reportable segment
Fiscal year under review (from April 1, 2015 to March 31, 2016)

(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	42,681	25,007	7,795	75,484	39	75,524	–	75,524
Intersegment nets sales or transfers	35	829	275	1,140	1	1,141	(1,141)	–
Total	42,717	25,836	8,071	76,625	41	76,666	(1,141)	75,524
Segment income (loss)	1,746	1,856	551	4,154	(15)	4,139	(252)	3,887
Segment assets	39,318	58,289	21,963	119,571	165	119,737	1,826	121,563
Other items								
Depreciation	721	1,144	26	1,893	0	1,893	–	1,893
Increase in property, plant and equipment and intangible assets	989	6,149	41	7,180	–	7,180	–	7,180

(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 investment securities not allocated to any reportable segment.
3. Segment income (loss) is adjusted with reported operating income on the consolidated statements of income.

(Per share information)

(Yen)

	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Net assets per share	1,000.90	963.28
Earnings per share	142.13	14.96
Diluted earnings per share	141.64	14.92

(Notes) 1. Amounts for earnings per share and diluted earnings per share are calculated based on the following items.

Item	Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	3,739	411
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	3,739	411
Average number of common shares during the fiscal year (shares)	26,310,401	27,538,518
Diluted earnings per share		
Adjusted profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (shares)	90,937	76,289
(Of which, subscription rights to shares) (shares)	(90,937)	(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: 8,380) 838,000 common shares	Two types of subscription rights to shares (number of subscription rights to shares: 8,332) 833,200 common shares

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

Item	As of March 31, 2015	As of March 31, 2016
Total net assets (Millions of yen)	27,348	28,213
Amounts deducted from total net assets (Millions of yen)	904	1,588
(Of which, subscription rights to shares) (Millions of yen)	(16)	(16)
(Of which, non-controlling interests) (Millions of yen)	(888)	(1,572)
Net assets related to common stock at end of period (Millions of yen)	26,443	26,625
Number of common shares at end of period used to calculate net assets per share (shares)	26,420,136	27,640,415

(Notes on the subsequent events)

Not applicable

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, 2015 (From April 1, 2014 to March 31, 2015)		Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)		Change	
	Order volume	Order backlog	Order volume	Order backlog	Order volume	Order backlog
Geospatial information consulting business	41,320	11,430	42,146	10,895	826	(535)
Green energy business	24,456	12,674	17,931	8,451	(6,525)	(4,223)

(Notes)
1. Reportable segment classifications have been changed, effective from the fiscal year under review. Figures for the previous fiscal year have been adjusted to align them with the new classifications.
2. Intersegment transactions have been eliminated.
3. The above amounts do not include consumption tax and other taxes.
4. 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, 2015 (From April 1, 2014 to March 31, 2015)		Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)		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	41,989	55.3	42,681	56.5	692	1.6
Green energy business	23,127	30.5	25,007	33.1	1,879	8.1
Financial service business	10,755	14.2	7,795	10.3	(2,959)	(27.5)
Other	31	0.0	39	0.1	8	26.0
Total	75,903	100.0	75,524	100.0	(379)	(0.5)

(Notes)
1. Reportable segment classifications have been changed, effective from the fiscal year under review. Figures for the previous fiscal year have been adjusted to align them with the new classifications.
2. Intersegment transactions have been eliminated.
3. The above amounts do not include consumption tax and other taxes.