

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

November 8, 2018

Company name: JAPAN ASIA GROUP LIMITED
 Stock exchange listing: Tokyo
 Stock code: 3751 URL: <https://www.japanasiagroup.jp/>
 Representative: Tetsuo Yamashita Chairman and CEO
 Inquiries: Takaki Fuchita Director TEL: +81-3-4476-8000
 Scheduled date to file Quarterly Securities Report: November 9, 2018
 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, 2018 (from April 1, 2018 to September 30, 2018)

(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, 2018	47,079	47.2	(1,281)	–	(2,190)	–	(2,892)	–
Six months ended September 30, 2017	31,973	9.8	730	–	(77)	–	(163)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	(107.76)	–
Six months ended September 30, 2017	(6.09)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	154,049	29,107	16.4
As of March 31, 2018	155,121	31,660	18.1

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, 2018	–	0.00	–	10.00	10.00
Year ending March 31, 2019	–	0.00	–	–	–
Year ending March 31, 2019 (Forecast)	–	–	–	10.00	10.00

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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	110,000	50.0	3,200	1.5	1,500	5.2	1,000	(31.0)	37.36

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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, 2018	27,763,880 shares	As of March 31, 2018	27,652,880 shares
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Number of treasury shares at the end of the period

As of September 30, 2018	889,195 shares	As of March 31, 2018	888,875 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, 2018	26,837,776 shares	Six months ended September 30, 2017	26,764,957 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	31,932	25,699
Notes and accounts receivable - trade	29,814	21,393
Merchandise and finished goods	78	351
Work in process	486	1,593
Raw materials and supplies	99	3,254
Real estate for sale	6,235	6,342
Short-term loans receivable	15	15
Other	3,224	3,320
Allowance for doubtful accounts	(60)	(62)
Total current assets	71,825	61,909
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	32,608	32,934
Land	15,694	17,900
Other, net	18,464	21,077
Total property, plant and equipment	66,767	71,912
Intangible assets		
Goodwill	1,820	2,216
Other	1,025	1,326
Total intangible assets	2,845	3,543
Investments and other assets		
Investment securities	4,199	5,070
Long-term loans receivable	124	30
Lease and guarantee deposits	1,272	1,407
Other	6,767	8,925
Allowance for doubtful accounts	(677)	(675)
Total investments and other assets	11,686	14,758
Total non-current assets	81,300	90,213
Deferred assets	1,995	1,926
Total assets	155,121	154,049

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,687	10,571
Short-term loans payable	7,337	4,516
Current portion of bonds	8,977	2,415
Current portion of long-term loans payable	7,521	10,782
Current portion of projects finance loans	4,829	4,905
Accounts payable - other	6,967	1,454
Income taxes payable	571	352
Provision for bonuses	811	1,325
Provision for directors' bonuses	7	–
Provision for loss on order received	125	275
Provision for shareholder benefit program	9	–
Other	4,667	6,952
Total current liabilities	46,514	43,551
Non-current liabilities		
Bonds payable	4,245	5,222
Long-term loans payable	24,003	24,729
Projects finance loans	32,419	30,004
Lease obligations	8,901	9,966
Deferred tax liabilities	612	910
Net defined benefit liability	3,096	6,493
Asset retirement obligations	2,677	2,826
Other	989	1,238
Total non-current liabilities	76,946	81,391
Total liabilities	123,461	124,942
Net assets		
Shareholders' equity		
Capital stock	3,995	4,024
Capital surplus	–	84
Retained earnings	24,158	20,999
Treasury shares	(354)	(397)
Total shareholders' equity	27,799	24,711
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	331	205
Deferred gains or losses on hedges	(29)	(26)
Foreign currency translation adjustment	(36)	337
Remeasurements of defined benefit plans	(49)	9
Total accumulated other comprehensive income	217	525
Share acquisition rights	7	–
Non-controlling interests	3,635	3,870
Total net assets	31,660	29,107
Total liabilities and net assets	155,121	154,049

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, 2017	Six months ended September 30, 2018
Net sales	31,973	47,079
Cost of sales	23,543	38,529
Gross profit	8,430	8,549
Selling, general and administrative expenses	7,699	9,830
Operating profit (loss)	730	(1,281)
Non-operating income		
Interest income	2	12
Dividend income	82	56
Share of profit of entities accounted for using equity method	29	–
Reversal of allowance for doubtful accounts	16	4
Other	56	97
Total non-operating income	188	170
Non-operating expenses		
Interest expenses	685	776
Share of loss of entities accounted for using equity method	–	5
Foreign exchange losses	0	31
Provision of allowance for doubtful accounts	1	–
Other	308	266
Total non-operating expenses	995	1,080
Ordinary loss	(77)	(2,190)
Extraordinary income		
Gain on sales of non-current assets	–	17
Gain on sales of investment securities	5	31
Gain on step acquisitions	473	–
Total extraordinary income	478	49
Extraordinary losses		
Loss on sales of investment securities	–	18
Loss on sales of shares of subsidiaries and associates	–	51
Total extraordinary losses	–	70
Profit (loss) before income taxes	401	(2,211)
Income taxes - current	307	240
Income taxes - deferred	(3)	(103)
Total income taxes	304	136
Profit (loss)	97	(2,347)
Profit attributable to non-controlling interests	260	544
Loss attributable to owners of parent	(163)	(2,892)

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit (loss)	97	(2,347)
Other comprehensive income		
Valuation difference on available-for-sale securities	212	(126)
Deferred gains or losses on hedges	(0)	2
Foreign currency translation adjustment	118	374
Remeasurements of defined benefit plans, net of tax	27	58
Total other comprehensive income	357	309
Comprehensive income	454	(2,038)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	193	(2,583)
Comprehensive income attributable to non-controlling interests	260	545

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	401	(2,211)
Depreciation	1,280	2,116
Amortization of deferred assets	95	148
Amortization of goodwill	52	113
Loss (gain) on sales of shares of subsidiaries and associates	–	51
Loss (gain) on sales of investment securities	(5)	(12)
Increase (decrease) in allowance for doubtful accounts	(18)	(0)
Increase (decrease) in provision for bonuses	(40)	8
Increase (decrease) in provision for directors' bonuses	(19)	(7)
Increase (decrease) in net defined benefit liability	21	33
Increase (decrease) in provision for loss on order received	44	150
Increase (decrease) in provision for shareholder benefit program	–	(9)
Interest and dividend income	(84)	(68)
Interest expenses	685	776
Foreign exchange losses (gains)	0	(1)
Loss (gain) on sales and retirement of non-current assets	–	(17)
Loss (gain) on step acquisitions	(473)	–
Share of loss (profit) of entities accounted for using equity method	(29)	5
Decrease (increase) in notes and accounts receivable - trade	10,323	12,534
Decrease (increase) in inventories	388	(1,641)
Increase (decrease) in notes and accounts payable - trade	(1,534)	2,184
Decrease (increase) in lease receivables	33	(249)
Other, net	(3,186)	(657)
Subtotal	7,934	13,245
Interest and dividend income received	84	68
Interest expenses paid	(675)	(821)
Income taxes paid	(411)	(310)
Net cash provided by (used in) operating activities	6,932	12,182

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from investing activities		
Decrease (increase) in time deposits and other	9,753	7,545
Purchase of property, plant and equipment	(20,334)	(8,230)
Proceeds from sales of property, plant and equipment	2	38
Purchase of intangible assets	(167)	(276)
Payments for deferred assets	(93)	(102)
Purchase of investment securities	(1,818)	(1,607)
Proceeds from sales of investment securities	2,687	262
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,281)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	750
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	161	45
Payments of loans receivable	(13)	(8)
Collection of loans receivable	24	12
Other, net	(855)	(921)
Net cash provided by (used in) investing activities	(11,934)	(2,491)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(6,305)	(4,873)
Proceeds from long-term loans payable	4,693	8,216
Repayments of long-term loans payable	(2,941)	(4,252)
Proceeds from project finance loans payable	14,638	1,393
Repayments of project finance loans payable	(6,780)	(3,732)
Proceeds from issuance of bonds	7,057	1,480
Redemption of bonds	(5,592)	(7,208)
Proceeds from sales and leasebacks	528	1,583
Proceeds from sales of treasury shares	–	274
Purchase of treasury shares	(0)	(274)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	56
Cash dividends paid	(531)	(265)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(59)	(23)
Proceeds from share issuance to non-controlling shareholders	615	56
Repayments to non-controlling shareholders	(258)	(389)
Other, net	(352)	(471)
Net cash provided by (used in) financing activities	4,711	(8,430)
Effect of exchange rate change on cash and cash equivalents	24	13
Net increase (decrease) in cash and cash equivalents	(266)	1,273
Cash and cash equivalents at beginning of period	22,537	17,449
Cash and cash equivalents at end of period	22,270	18,723