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July 13, 2016

Summary of Financial Results of the Fiscal Year ending May 31, 2016
[Japanese standards] (Consolidated)

Company name: SHINWA ART AUCTION CO., LTD. Stock Exchange listings: Tokyo
 Securities code: 2437 URL: <http://www.shinwa-art.com>
 Representative: Yoichiro Kurata, President and Representative Director
 Contact: Yoshiharu Masudo, Accounting Manager Tel: +81-3-5537-8024
 Scheduled date of ordinary general meeting of shareholders: August 30, 2016
 Scheduled date of payment of dividend: August 31, 2016
 Scheduled date of filing securities report: August 31, 2016
 Preparation of supplementary references regarding financial results: Yes
 Holding the briefing of financial results: Yes (For institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)
 (△ means negative)

1. Financial results of the Fiscal Year ending May 31, 2016 (June 1, 2015 – May 31, 2016)

(1) Consolidated operating results

(Percentages represent changes from previous year)

	Net Sales		Operating income		Ordinary income		Income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY05/2016	3,898	32.2	356	358.2	332	530.3	164	902.9
FY05/2015	2,948	112.8	77	△42.6	52	△56.8	16	△84.9

(Note) Comprehensive income FY05/2016: 163 million yen (—%)
 FY05/2015: 11 million yen (△88.5%)

	Net income per share	Diluted net income per share	Ratio of net income to equity	Ratio of ordinary income to total assets	Ratio of operating income to sales
	yen	yen	%	%	%
FY05/2016	28.69	28.30	9.7	9.1	9.1
FY05/2015	2.89	2.51	1.0	1.7	2.6

(Reference) Equity in earnings of affiliated companies FY05/2016: — million yen
 FY05/2015: — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY05/2016	3,959	1,772	44.6	307.93
FY05/2015	3,360	1,640	48.5	285.56

(Reference) Shareholders equity FY05/2016: 1,765 million yen
 FY05/2015: 1,630 million yen

(3) Consolidated cash flow status

	Cash flow from operating activities	Cash flow from investments	Cash flow from financial activities	Balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
FY05/2016	279	△349	377	1,277
FY05/2015	490	△425	△24	971

2. Dividends

	Annual dividend per share					Total dividends	Dividend ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY05/2015	—	0.00	—	6.00	6.00	34	207.6	2.1
FY05/2016	—	0.00	—	7.00	7.00	40	24.4	2.3
FY05/2017 (forecasts)	—	0.00	—	7.00	7.00		17.8	

3. Consolidated performance forecasts for the Fiscal Year ending May 31, 2017 (June 1, 2016 – May 31, 2017)

(Percentages represent changes from previous year; △ means negative)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (cumulative total)	2,069	19.9	176	4.0	160	△0.0	98	1.4	17.12
Full term	4,299	10.3	417	17.1	382	15.2	225	37.2	39.29

FOR TRANSLATION PURPOSE ONLY

*Notes

- (1) Changes in important subsidiaries during the current period
(changes in specific subsidiaries resulting in modifications of the consolidation scope): None
- (2) Changes in accounting principles, changes and restatements of accounting estimates
- | | |
|---|------|
| 1) Changes in accounting principles caused by revision of accounting standards: | Yes |
| 2) Changes other than 1): | None |
| 3) Changes in accounting estimates: | Yes |
| 4) Restatements: | None |
- (3) Number of outstanding shares (common shares)
- | | |
|---|------------------|
| 1) Number of shares outstanding at the end of the period (including treasury stock) | |
| FY05/2016: | 6,594,900 shares |
| FY05/2015: | 6,562,900 shares |
| 2) Number of treasury stock at the end of the period | |
| FY05/2016: | 862,800 shares |
| FY05/2015: | 854,800 shares |
| 3) Average number of shares outstanding during the period | |
| FY05/2016: | 5,722,006 shares |
| FY05/2015: | 5,663,991 shares |

(Reference) Unconsolidated business results

1. Unconsolidated business results of the Fiscal Year ending May 31, 2016 (June 1, 2015 – May 31, 2016)

(1) Unconsolidated operating results

(Percentages represent changes from previous year; Δ means negative)

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY05/2016	1,117	2.2	86	185.2	84	158.1	44	—
FY05/2015	1,093	Δ 6.5	30	Δ 79.9	32	Δ 77.3	Δ 9	—

	Net income per share	Diluted net income per share
	Yen	Yen
FY05/2016	7.75	7.64
FY05/2015	Δ 1.64	—

Note: Amount of "Diluted net income per share" of FY05/2015 is not disclosed because, although there were residual securities, net loss per share has been posted.

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY05/2016	2,530	1,642	64.7	285.72
FY05/2015	2,932	1,632	55.3	284.23

(Reference) Shareholders equity FY05/2016: 1,637 million yen
FY05/2015: 1,622 million yen

2. Unconsolidated performance forecasts for the Fiscal Year ending May 31, 2017 (June 1, 2016 – May 31, 2017)

(Percentages represent changes from previous year; Δ means negative)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (cumulative total)	484	Δ 5.0	21	Δ 41.2	12	Δ 50.1	2.23
Full term	1,120	0.3	93	10.8	50	13.8	8.80

* Presentation concerning implementation status of audit procedures

This summary of financial results are not the subject of an audit procedure based on the Financial Instruments and Exchange Act, and at the time of disclosing this summary of financial results, audit procedures regarding the consolidated financial statements are in progress.

* Explanation regarding appropriate use of the earnings forecast and other special notes

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 1, "1. Analysis on operating results and financial position, (1) Analysis on operating results".

(How to obtain supplementary references regarding the financial results)

We will hold our financial results briefing for analysts and institutional investors on July 14, 2016 (Thu.). Documentations used in this briefing will be posted on our website immediately thereafter.

1. Analyses on operating results and financial position**(1) Analysis on operating results**

(Operating results of the current term)

During the current consolidated fiscal year, Japanese economy has, while moving to the second stage of the governmental economic policies (new three arrows of Abenomics), shown steady trend in overall personal spending, and has some sign of shift from quantitative improvement to qualitative improvement found in the employment situation due to solid corporate performance, resulting in gradual upward momentum as a whole.

However, while the yen has become stronger since the beginning of this year domestically, geopolitical risks are increasing overseas which have become a risk factor for Japanese economy being continuously depressed, along with concern about more significant economic slowdown in Asian emerging countries, natural resource exporting countries and others, as well as sharp fluctuation of crude oil price.

Amid such environment, the Group has endeavored to offer excellent articles including mainly high-priced art objects to auctions as part of its main business of auction related business, and to recommend art collectors comprising mainly of wealthy class that they should participate in auctions. In addition, the Group concentrated its efforts in the new category of energy related business to sales of low-pressure type photovoltaic installations, and moreover, decided to enter into the field of medical tourism as part of its another new business category of supporting medical institutions, so that the Group could build up its structure to ensure stable profitability at an early stage.

The operating results for each business segment are as follows.

① Auction related business

With respect to auction related business, handling volume was 4,129,619,000 yen (decrease by 7.0% YoY), net sales was 1,180,949,000 yen (increase by 3.5% YoY), and segment income was 89,175,000 yen (increase by 83,297,000 yen and 1,417.0% YoY).

The operating results for each business category are as follows.

Category	27th term							
	FY05/2016							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auctions held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	1,831,920	△28.9	380,001	△20.9	6	666	574	86.2
Modern Ceramics Auction	320,290	18.6	67,529	2.1	5	959	904	94.3
Modern Art Part II Auction	342,760	42.5	81,080	30.9	6	1,860	1,676	90.1
Other auctions	994,370	14.2	191,587	△4.1	13	4,665	3,107	66.6
Auctions business - total	3,489,340	△11.9	720,198	△10.9	30	8,150	6,261	76.8
Private sale	565,850	47.2	404,895	44.9				
Others	74,429	△24.0	55,855	5.7				
Other auction related business - total	640,279	32.8	460,750	38.6				
Auction related business - total	4,129,619	△7.0	1,180,949	3.5				

(Note) 1. One of major factors causing divergence with respect to YoY ratios of handling volume and of net sales is increase/decrease in merchandise sales. Merchandise sales constitute the Group's net sales, like commission income on successful auction bid price, income from catalog sales and annual membership fee do, and therefore if an article is sold from our stock, its sales price (successful bid price in case of being sold by auction) shall be allocated to net sales, as merchandise sales.

2. "Other auctions" are held from time to time depending on how many items are offered.

i) Auction business

During the current consolidated fiscal year, the Company held 30 auctions in total. These include: Modern Art Auction and Modern Art Part II Auction, each of which was held six times; Modern Ceramics Auction and Bags/Jewellery & Watches Auction each of which was held five times; Wine Auction that was held three times; European Decorative Art Auction and Post-War & Contemporary Art Auction, each of which was held twice; as well as Noritake Kinashi Auctions that was held once as a special one.

Modern Art Auction, our principal business, has seen decrease in numbers of items offered by 21.9% YoY and decrease in numbers of successful bids by 20.4% YoY, and average successful bid value also decreased by 10.4% YoY. However, ratio of successful bid value relative to the estimated minimum sum was as high as 139.3% on average. In the current consolidated fiscal year, Post-War & Contemporary Art Auction that previously had been included in Modern Art Auction since 2010, was held twice as a separate auction, and therefore handling volume, net sales, and numbers of items offered and of successful bids of Modern Art Auction have substantially decreased as compared to the previous year.

Modern Ceramics Auction has seen slight decrease in number of items offered by 1.0% and in number of successful bids by 0.9% (both YoY), whereas two auctions including antique arts achieved good performance in the current consolidated fiscal year, resulting in average successful bid value greatly increased by 20.4% YoY and also ratio of successful bid value relative to the estimated minimum sum was as high as 144.0% on average.

As for Modern Art Part II Auction, both numbers of items offered and of successful bids slightly increased by 2.9% and 0.1%, respectively YoY. Average successful bid value significantly increased by 42.5% YoY, and ratio of successful bid value relative to the estimated minimum sum was as high as 152.5% on average.

In terms of other auctions, Wine Auction achieved far greater performance than the previous year, and holding of Post-War & Contemporary Art Auction contributed to earnings.

ii) Other auction related business

In the Private Sale department, it put continuous efforts to deal actively during the current consolidated fiscal year, leading to high-value items successfully sold, and both handling volume and net sales significantly increased by 47.2% and 44.9%, respectively YoY. Elsewhere, services for purchasing precious metals were also carried out actively, leading to significant increase in both handling volume and net sales as compared to the previous year.

② Energy related business

With respect to sales of low-pressure type photovoltaic power generation installations of 50 kW class, 101 of those were sold during the current consolidated fiscal year. The taxation system for promoting investment on productivity improvement equipment that has been anticipated since the previous year became well-known, and due to demands aiming at immediate depreciation, number of installations sold has shown steady results up to the end of March this year which was the time limit for tax break. Since April, the tax break of the abovementioned taxation system provided 50% special depreciation and therefore slower growth of demands was expected, but in practice there remained strong demands since April, leading to further addition of installations sold.

It should be noted that, concerning electric power selling business (also known as "Eco-Sub") in cooperation with Japan Logitec Cooperative Association that had started during the current consolidated fiscal year, Japan Logitec has failed thereafter and therefore the Company considered carefully the possibility for recovering the sales credit held by its subsidiary, and decided to allocate bad debt expenses of 48,614,000 yen as extraordinary loss in the current consolidated fiscal year.

In addition, selling out Hokita Photovoltaic Station owned by one of our subsidiary, electric power selling business by using its own photovoltaic installations and other business have contributed to the Group's performance, leading to net sales of 2,714,240,000 yen (increase by 50.2% YoY) and segment income of 269,183,000 yen (increase by 258.4% YoY) in the current consolidated fiscal year.

③ Others

In the business category of supporting medical institutions, medical fee loans factoring business has been provisionally frozen, and as part of medical related business, specific negotiations are underway with medical institutions providing high-level medical services/examinations and with affiliated medical institutions, in order to establish medical tourism that presents cutting-edge medical technologies and high quality medical services to wealthy class in Asia, including Japan, as the Group's pillar of profitability. In the current consolidated fiscal year, the Company acquired a Hong Kong based company as its sub-subsidiary, which has executed a business tie-up with Coporate Business Network Limited having settlement capabilities handling China UnionPay credit cards in Hong Kong, and these companies established a new joint venture. It intends mainly to attract inbound tourists from China and other Asian countries visiting Japan for receiving medical services, and establishing such joint venture aims at building up credit card settlement platform for those services. Moreover, training courses for of medical coordinators and of medical interpreters have started.

Further, the Company has started another business as a nonlife insurance agent from the current consolidated fiscal year.

In such context, during the current consolidated fiscal year, net sales was 3,898,100,000 yen (increase by 32.2% and 950,042,000 yen YoY), operating income was 356,293,000 yen (increase by 358.2% and 278,529,000 yen YoY), ordinary income was 332,332,000 yen (increase by 530.3% and 279,603,000 yen YoY), and net income attributable to owners of parent was 164,149,000 yen (increase by 902.9% and 147,781,000 yen YoY), achieving substantial increase in both revenues and earnings as compared to the previous year.

(forecasts for the next term)

Although Japanese economy as a whole has kept gradual recovery, uncertainty about the future economy is increasing due to underlying trend of strong yen from the beginning of this year and concern about slowdown in global economy including Asia, and the current government has its policies on reaching the inflation target of 2% being sequentially postponed. In addition, stagnation of crude oil price would have positive effects on Japanese economy in the medium run, whereas in the short run it could cause downward pressure on prices, which might lead to further postponing of achieving the inflation target and hamper the movement towards full-blown breakaway from deflation.

Under such environment, for auction-related business in general, anticipation for further growth that was held until two years ago especially in terms of calling for items to be offered has turned to increasing uncertainty for the future, and therefore the Company will put its efforts to private sales as well as its main business, in order to deal with such circumstances.

With respect to energy-related business, the Company continues to expect demands aiming at making use of the taxation system for promoting investment on productivity improvement equipment, promotes obtaining actively rights to sell low-pressure type photovoltaic power generation installations, towards greater performance in sales of those installations. At the same time, some new business will be sought that could replace selling photovoltaic installations in this segment. Meanwhile, it was decided that business for wholesale power should be temporarily frozen due to failure of former partner, Japan Logitec Cooperative Association.

In the business category of supporting medical institutions, so that the settlement platform of the joint venture established in Hong Kong could be fully operational, which should be the pillar of profitability in medical tourism business, the Company will put its efforts to obtaining subscriptions from Japanese medical institutions and clinics during the first half of the next term, and it will, during the second half, proactively work on practically attracting inbound tourists from Asia, mainly China, coming for experiencing medical tourism.

Elsewhere, as a new business, full-sale operation of selling insurance products such as fire insurance and earthquake insurance will be initiated, in combination with establishing a reinsurance company overseas targeting wealthy class, so that insurance business derived from handling insurance associated with selling photovoltaic installations should be the second pillar.

In such context, consolidated performance for the fiscal year ending May, 2017 is projected as follows: consolidated net sales of 4,299,797,000 yen (increase by 10.3% YoY); consolidated operating income of 417,142,000 yen (increase by 17.1% YoY); consolidated ordinary income of 382,845,000 yen (increase by 15.2% YoY); and net income attributable to owners of parent of 225,188,000 yen (increase by 37.2% YoY).

(The abovementioned forecasts are based on information currently available to the Company, and include largely uncertain elements. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors.)

(2) Analysis on financial position

① Status of assets, liabilities and net assets

Total assets in the current consolidated fiscal year was 3,959,187,000 (increase by 598,424,000 yen YoY). It comprises mainly current assets of 3,566,198,000 yen (increase by 856,444,000 yen YoY) and non-current assets of 392,988,000 yen (decrease by 258,019,000 yen). Current assets comprises mainly cash and deposits of 2,065,625,000 yen (increase by 619,094,000 yen YoY), merchandise of 626,822,000 yen (increase by 273,874,000 yen YoY), advance payments of 199,085,000 yen (increase by 59,110,000 yen YoY), and work in process of 5,990,000 yen (decrease by 286,591,000 yen YoY). Non-current assets comprises mainly machinery, equipment and vehicles (net) of 252,465,000 yen (decrease by 276,060,000 yen YoY) and investment and other assets - other of 97,127,000 yen (increase by 6,555,000 yen YoY).

Total liabilities was 2,186,212,000 yen (increase by 466,277,000 yen YoY). It comprises mainly current liabilities of 1,778,474,000 yen (increase by 460,404,000 yen YoY) and non-current liabilities of 407,738,000 yen (increase by 5,873,000 yen YoY). Current liabilities comprises mainly short-term loans payable of 982,500,000 yen (increase by 621,000,000 yen YoY), accounts payable - auction business of 350,817,000 yen (decrease by 52,544,000 yen YoY), current portion of long-term loans payable of 61,172,000 yen (decrease by 226,055,000 yen YoY), and income taxes payable of 98,438,000 yen (increase by 55,073,000 yen YoY). Non-current liabilities comprises mainly long-term loans payable of 327,556,000 yen (increase by 8,828,000 yen YoY) and liabilities on retirement benefits of 42,550,000 yen (increase by 4,750,000 yen YoY).

Net assets was 1,772,974,000 yen (increase by 132,147,000 yen YoY). It comprises mainly capital stock of 930,457,000 yen (increase by 3,714,000 yen YoY), capital surplus of 535,740,000 yen (increase by 3,714,000 yen YoY), retained earnings of 524,385,000 yen (increase by 129,901,000 yen YoY), and treasury sstock of minus 223,655,000 yen (increase by 2,125,000 yen YoY). As a result, currently net assets per share is 307.93 yen and equity ratio is 44.6%.

② Cash flow status

Cash and cash equivalents (hereinafter, "business fund") at the end of the current consolidated fiscal year increased by 305,844,000 yen (increased cash flow from operating activities and financial activities was partly offset by decreased cash flow from investment activities), resulting in the business fund of 1,277,375,000 yen at the end of the current consolidated fiscal year.

Details of cash flow in the current consolidated fiscal year are as follows.

(Cash flow from operating activities)

The business fund acquired as a result of operating activities in the current consolidated fiscal year was 279,519,000 yen (490,750,000 yen earned in the previous year). It comprises mainly, on one hand, decrease by 252,436,000 yen due to increase in sales credit, and on the other hand, net income before income taxes of 281,247,000 yen and increase by 272,906,000 yen due to decrease in inventories.

(Cash flow from investment activities)

The business fund spent as a result of investment activities in the current consolidated fiscal year was 349,480,000 yen (425,927,000 yen spent in the previous year). It comprises mainly increase in expense to time deposits of 313,250,000 yen.

(Cash flow from financial activities)

The business fund acquired as a result of financial activities in the current consolidated fiscal year was 377,176,000 yen (24,764,000 yen spent in the previous year). It comprises mainly increase by 621,000,000 yen due to increase in short-term loans payable, decrease by 217,227,000 yen due to decrease in long-term loans payable, and decrease by 34,100,000 yen due to paying dividends.

Trends in cash flow indicators are as follows.

	FY05/2012	FY05/2013	FY05/2014	FY05/2015	FY05/2016
Equity ratio (%)	—	—	57.1	48.5	44.6
Equity ratio based on market value (%)	—	—	64.1	62.5	55.2
Ratio of cash flow to interest-bearing liabilities (year)	—	—	—	2.0	4.9
Interest coverage ratio (times)	—	—	—	27.9	15.9

Equity ratio: Equity / Total assets

Equity ratio based on market value: Aggregate market value / Total assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing liabilities / Cash flow

Interest coverage ratio: Cash flow / Interest payment

- NOTES: 1. Each indicator is calculated based on the consolidated financial results. It should be noted that because consolidated financial statements have been created since FY05/2014, figures of FY05/2013 and earlier are not disclosed.
2. Aggregate market value is calculated based on the number of shares issued, excluding treasury stock.
3. Cash flow from operating activities is used.
4. "Ratio of cash flow to interest-bearing liabilities" and "Interest coverage ratio" of FY05/2014 are not disclosed because cash flow from operating activities is negative.

(3) Basic principle of profit allocation and dividends for the current/next term

Basic idea for dividends policies of the Company is, while based on paying dividends according to the actual profit positions, that dividends should be determined upon consideration of, in a comprehensive manner, need for maintaining stable dividends, enhancing internal reserve in preparation for the future business development, and strengthening financial standing, etc. The Company seeks to appropriate its internally reserved funds into investment and loans for business expansion based on middle-and-long term viewpoints.

One of the basic principles of the Company is that year-end dividends should be paid out from the surplus, if any. Year-end dividends are determined by the general shareholders' meeting. In addition, the Company has a provision in its articles of incorporation that states "The Company may, according to the decision taken by the Board of Directors, pay out interim dividends, with November 30 as reference date every year.", so that it could respond timely depending on the current situation.

Year-end dividend of the current term shall be 7 yen per share, which is increased by 1 yen from the previous forecast of 6 yen per share, taking the performance of the current term and the Company's recent financial situation into account, and so that it should facilitate returning profits to its shareholders.

For the next term, we expect to pay out dividend of 7 yen per share.

2. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

	Previous consolidated fiscal year (May 31, 2015)	Current consolidated fiscal year (May 31, 2016)
(Thousand yen; △ means negative)		
Assets		
Current assets		
Cash and deposits	1,446,531	2,065,625
Accounts receivable - trade	52,734	256,556
Accounts receivable - other from auction business	261,616	228,001
Merchandise	352,947	626,822
Work in process	292,581	5,990
Advance payments	139,975	199,085
Deferred tax assets	75,524	70,131
Other	88,237	114,398
Allowance for doubtful accounts	△395	△412
Total current assets	2,709,754	3,566,198
Non-current assets		
Property, plant and equipment		
Buildings and structures	97,355	97,355
Accumulated depreciation	△91,584	△93,086
Buildings and structures, net	5,770	4,269
Machinery, equipment and vehicles	567,205	280,999
Accumulated depreciation	△38,679	△28,534
Machinery, equipment and vehicles, net	528,525	252,465
Land	22,500	30,500
Other	35,106	35,287
Accumulated depreciation	△31,490	△32,955
Other, net	3,616	2,331
Total property, plant and equipment	560,412	289,566
Intangible assets		
Software	—	5,741
Total intangible assets	—	5,741
Investment and other assets		
Deferred tax assets	13,951	14,417
Other	90,572	97,127
Allowance for doubtful accounts	△13,928	△13,864
Total investments and other assets	90,595	97,680
Total non-current assets	651,008	392,988
Total assets	3,360,762	3,959,187

(Thousand yen; △ means negative)

	Previous consolidated fiscal year (May 31, 2015)	Current consolidated fiscal year (May 31, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	31,896	65,219
Accounts payable - other from auction business	403,362	350,817
Short-term loans payable	361,500	982,500
Current portion of long-term loans payable	287,227	61,172
Income taxes payable	43,365	98,438
Provision for bonuses	18,446	18,675
Provision for directors' bonuses	—	58,232
Other	172,273	143,419
Total current liabilities	1,318,070	1,778,474
Non-current liabilities		
Long-term loans payable	318,728	327,556
Liabilities on retirement benefits	37,800	42,550
Asset retirement obligations	7,497	—
Deferred tax liabilities	25,239	21,190
Other	12,600	16,441
Total non-current liabilities	401,864	407,738
Total liabilities	1,719,935	2,186,212
Net assets		
Shareholders' equity		
Capital stock	926,742	930,457
Capital surplus	532,026	535,740
Retained earnings	394,484	524,385
Treasury stock	△221,530	△223,655
Total shareholders' equity	1,631,723	1,766,928
Accumulated other comprehensive income		
Foreign currency translation adjustment	△1,708	△1,864
Total accumulated other comprehensive income	△1,708	△1,864
Subscription rights to shares	9,893	5,210
Non-controlling interests	919	2,699
Total net assets	1,640,827	1,772,974
Total liabilities and net assets	3,360,762	3,959,187

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

(Thousand yen; △ means negative)

	Previous consolidated fiscal year (Jun. 1, 2014 - May 31, 2015)	Current consolidated fiscal year (Jun. 1, 2015 - May 31, 2016)
Net sales	2,948,057	3,898,100
Cost of sales	2,087,401	2,633,213
Gross profit	860,656	1,264,886
Selling, general and administrative expenses	782,891	908,592
Operating income	77,764	356,293
Non-operating income		
Interest income	450	648
Foreign exchange gains	3,520	—
Gain on forfeiture of unclaimed dividends	731	160
Compensation income for valuation service	656	506
Other	816	1,286
Total non-operating income	6,174	2,602
Non-operating expenses		
Interest expenses	17,372	17,854
Loss on valuation of derivatives	12,127	3,798
Foreign exchange losses	—	2,273
Other	1,710	2,637
Total non-operating expenses	31,210	26,563
Ordinary income	52,728	332,332
Extraordinary income		
Gain on sales of non-current assets	63	—
Gain on reversal of subscription rights to shares	—	3,474
Total extraordinary income	63	3,474
Extraordinary losses		
Loss on valuation of investment securities	—	5,944
Provision of allowance for doubtful accounts	—	48,614
Total extraordinary losses	—	54,559
Net income before income taxes and minority interests	52,791	281,247
Income taxes - current	49,271	116,957
Income taxes - deferred	△8,223	877
Total income taxes	41,048	117,835
Net income	11,743	163,412
Net income or loss (△) attributable to non-controlling shareholders	△4,625	△737
Net income attributable to owners of parent	16,368	164,149

(Consolidated Statement of Comprehensive Income)

(Thousand yen; △ means negative)

	Previous consolidated fiscal year (Jun. 1, 2014 - May 31, 2015)	Current consolidated fiscal year (Jun. 1, 2015 - May 31, 2016)
Net income	11,743	163,412
Other comprehensive income		
Foreign currency translation adjustment	—	△256
Total other comprehensive income	—	△256
Comprehensive income	11,743	163,155
(detail)		
Comprehensive income attributable to owners of parent	16,368	163,994
Comprehensive income attributable to non-controlling interests	△4,625	△838

(3) Consolidated Statements of Shareholders' Equity

Previous consolidated fiscal year (Jun. 1, 2014 - May 31, 2015)

(Thousand yen; △ means negative)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of current period	920,203	524,953	412,053	△222,826	1,634,383
Changes of items during the period					
Issuance of new shares	6,539	6,539			13,079
Dividends from surplus			△33,937		△33,937
Income attributable to owners of parent			16,368		16,368
Change of scope of consolidation					—
Disposal of treasury stock		533		1,295	1,829
Changes of items other than shareholders' equity (net)					
Total changes of items during the period	6,539	7,073	△17,569	1,295	△2,660
Balance at the end of current period	926,742	532,026	394,484	△221,530	1,631,723

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the start of current period	△1,708	△1,708	6,507	5,544	1,644,727
Changes of items during the period					
Issuance of new shares					13,079
Dividends from surplus					△33,937
Income attributable to owners of parent					16,368
Change of scope of consolidation					—
Disposal of treasury stock					1,829
Changes of items other than shareholders' equity (net)			3,385	△4,625	△1,239
Total changes of items during the period	—	—	3,385	△4,625	△3,899
Balance at the end of current period	△1,708	△1,708	9,893	919	1,640,827

Current consolidated fiscal year (Jun. 1, 2015 - May 31, 2016)

(Thousand yen; △ means negative)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of current period	926,742	532,026	394,484	△221,530	1,631,723
Changes of items during the period					
Issuance of new shares	3,714	3,714			7,428
Dividends from surplus			△34,248		△34,248
Income attributable to owners of parent			164,149		164,149
Purchase of treasury stock				△2,125	△2,125
Changes of items other than shareholders' equity (net)					
Total changes of items during the period	3,714	3,714	129,901	△2,125	135,205
Balance at the end of current period	930,457	535,740	524,385	△223,655	1,766,928

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the start of current period	△1,708	△1,708	9,893	919	1,640,827
Changes of items during the period					
Issuance of new shares					7,428
Dividends from surplus					△34,248
Income attributable to owners of parent					164,149
Purchase of treasury stock					△2,125
Changes of items other than shareholders' equity (net)	△155	△155	△4,682	1,780	△3,057
Total changes of items during the period	△155	△155	△4,682	1,780	132,147
Balance at the end of current period	△1,864	△1,864	5,210	2,699	1,772,974

(4) Consolidated Cash Flow Statement(Thousand yen, Δ means negative unless otherwise stated)

	Previous consolidated fiscal year (Jun. 1, 2014 - May 31, 2015)	Current consolidated fiscal year (Jun. 1, 2015 - May 31, 2016)
Cash flow from operating activities		
Net income before income taxes	52,791	281,247
Depreciation	27,154	29,479
Increase/decrease in allowance for doubtful accounts (Δ means decrease)	472	Δ 46
Increase/decrease in reserve for bonuses (Δ means decrease)	Δ 38	229
Increase/decrease in reserve for directors' bonuses (Δ means decrease)	Δ 24,415	58,232
Increase/decrease in liabilities on retirement benefits (Δ means decrease)	4,300	4,750
Interest and dividends income	Δ 450	Δ 648
Interest expenses	17,372	17,854
Bad debts expenses	—	48,614
Profit/loss on valuation of investment securities (Δ means profit)	—	5,944
Gain on reversal of subscription rights to shares	—	Δ 3,474
Profit/loss on valuation of derivatives (Δ means profit)	12,127	3,798
Increase/decrease in sales credit (Δ means increase)	Δ 47,669	Δ 252,436
Increase/decrease in accounts receivable - other from auction business (Δ means increase)	Δ 235,516	33,615
Increase/decrease in inventories (Δ means increase)	Δ 29,225	272,906
Increase/decrease in advance payments (Δ means increase)	95,162	Δ 59,110
Increase/decrease in accounts payable (Δ means decrease)	27,227	33,323
Increase/decrease in accounts payable - auction business (Δ means decrease)	350,776	Δ 52,544
Increase/decrease in co-investment on merchandise (Δ means increase)	240,853	—
Other	42,699	Δ 61,586
Subtotal	533,624	360,148
Interest and dividends income received	423	636
Interest expenses paid	Δ 17,616	Δ 17,609
Income taxes paid	Δ 25,680	Δ 63,655
Cash flow from operating activities	490,750	279,519
Cash flow from investment activities		
Purchase of property, plant and equipment	Δ 280,255	Δ 24,480
Proceeds from sales of property, plant and equipment	172	—
Purchase of intangible assets	—	Δ 6,500
Payments into time deposits	Δ 505,000	Δ 808,250
Proceeds from withdrawal of time deposits	375,000	495,000
Purchase of investment securities	Δ 15,000	—
Payments for investments in capital	Δ 100	—
Collection of loans receivable	1,048	8,951
Payments for lease and guarantee deposits	Δ 2,078	Δ 15,046
Proceeds from collection of lease and guarantee deposits	285	845
Cash flow from investment activities	Δ 425,927	Δ 349,480
Cash flow from financial activities		
Net increase/decrease in short-term loans payable (Δ means decrease)	Δ 335,000	621,000
Proceeds from long-term loans payable	360,000	70,000
Repayment of long-term loans payable	Δ 31,920	Δ 287,227
Proceeds from issuance of common stock	12,515	6,560
Proceeds from issuance of subscription rights to shares	1,577	450
Purchase of treasury stock	—	Δ 2,125
Proceeds from disposal of treasury stock	1,820	—
Cash dividends paid	Δ 33,756	Δ 34,100
Proceeds from share issuance to non-controlling shareholders	—	2,619
Cash flow from financial activities	Δ 24,764	377,176
Effect of exchange rate change on cash and cash equivalents	3,212	Δ 1,371
Increase/decrease in cash and cash equivalents (Δ means decrease)	43,270	305,844
Balance of cash and cash equivalents at beginning of the period	928,261	971,531
Balance of cash and cash equivalents at end of the period	971,531	1,277,375