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October 14, 2015

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

Company name: Shinwa Art Auction Company Limited

Stock Exchange listings: Tokyo

Securities code: 2437

URL: <http://www.shinwa-art.com>

Representative: Yoichiro Kurata, President and Representative Director

Contact: Yoshinaru Masudo, Accounting Manager

Tel: +81-3-5537-8024

Scheduled date of filing of quarterly report: October 15, 2015

Scheduled date of payment of dividend: N/A

Preparation of supplementary references regarding quarterly results: No

Holding the briefing of quarterly results: No

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

(△ means decrease)

1. Financial Results of the First Quarter ending May 31, 2016 (June 1, 2015 – August 31, 2015)

(1) Consolidated results of operations (cumulative total)

(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	%
1Q FY05/2016	455	73.8	△47	—	△51	—	△35	—
1Q FY05/2015	262	98.8	△65	—	△67	—	△50	—

(Note) Comprehensive income 1Q FY05/2016: △35 million yen (—%)

1Q FY05/2015: △51 million yen (—%)

	Quarterly Net income per share	Diluted quarterly net income per share
	Yen	Yen
1Q FY05/2016	△6.16	—
1Q FY05/2015	△8.86	—

(Note) Amount of "Diluted quarterly net income per share" is not disclosed because, although there were residual securities, net loss per share has been posted.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q FY05/2016	2,772	1,569	56.3	273.40
FY05/2015	3,360	1,640	48.5	285.56

(Reference) Shareholders equity: 1Q FY05/2016: 1,560 million yen

1Q FY05/2015: 1,630 million yen

2. Dividends

	Annual dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY05/2015	—	0.00	—	6.00	6.00
FY05/2016	—				
FY05/2016 (forecasts)		0.00	—	6.00	6.00

(NOTE) Revisions to dividend forecasts published most recently: None

3. Consolidated performance forecasts for the Fiscal Year ending May 31, 2016
(June 1, 2015 – May 31, 2016)

(Percentages represent changes from previous year)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (cumulative total)	1,299	59.2	46	—	35	—	30	—	5.34
Full term	3,113	5.6	182	135.1	158	201.5	100	516.3	17.67

(NOTE) Revisions to performance forecasts published most recently: None

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***Notes**

- (1) Changes in important subsidiaries during the current consolidated cumulative period: None
(changes in specific subsidiaries resulting in modifications of the consolidation scope)
- (2) Application of special accounting methods to the preparation of quarterly financial statement: 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
- (Note) Please see the appendix page 4, "2. Matters regarding Summary Information (Notes), (3) Changes in accounting principles, changes and restatements of accounting estimates."
- (3) Number of outstanding shares (common shares)
- 1) Number of shares outstanding at the end of the period (including treasury stock)
 - 1Q FY05/2016: 6,562,900 shares
 - FY05/2015: 6,562,900 shares
 - 2) Number of treasury stock at the end of the period
 - 1Q FY05/2016: 854,800 shares
 - FY05/2015: 854,800 shares
 - 3) Average number of shares outstanding during the period (quarterly cumulative)
 - 1Q FY05/2016: 5,708,100 shares
 - 1Q FY05/2015: 5,656,300 shares

*** Presentation concerning implementation status of quarterly review procedures**

These quarterly financial results are not the subject of a quarterly review procedure based on the Financial Instruments and Exchange Act, and at the time of disclosing these quarterly financial results, review procedures regarding the quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed.

*** 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 to be reasonable, and therefore actual business performance and other elements may differ substantially due to various factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 3, "1. Qualitative information regarding the financial results for the current quarter: (3) Descriptions regarding future prospects such as consolidated performance forecasts".

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1. Qualitative Information regarding the Current Quarter**(1) Descriptions regarding operating results**

During the current first quarter consolidated cumulative period (June 1, 2015 - August 31, 2015), Japanese economy has seen economic slowdown, and on the other hand, looking abroad, domestic economy has been at risk of being under pressure due to, for example, European economic trend and concern about economic slowdown in emerging countries.

In particular, uncertainty about the future is emerging because of economic slowdown in China and turmoil in financial market, which would likely to have some impact on corporate employment environment and capital investment and to make it potentially further harder for Japan to overcome deflationary situation.

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 expanded its new category of energy related business towards the field of Power Producer and Supplier (PPS), 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.

Since the current quarter consolidated fiscal period, the Group has renamed its "Renewable energy related business" to "Energy related business".

① Auction related business

In the current first quarter consolidated cumulative period, handling volume was 637,415,000 yen (down 18.5% YoY), net sales was 149,606,000 yen (down 15.2% YoY), and segment loss was 51,163,000 yen (54,408,000 in the corresponding period of previous year).

The operating results for each business category are as follows.

Category	1Q FY05/2015 (consolidated cumulative period) June 1, 2015 - August 31, 2015							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auction(s) held	Items offered	Successful bids	Sell through rate
Modern Art Auction	422,330	35.0	79,105	45.7	1	122	111	91.0
Modern Ceramics Auction	78,830	70.7	15,391	31.3	1	173	162	93.6
Modern Art Part II Auction	37,240	28.7	8,421	19.8	1	237	222	93.7
Other auctions	52,680	△85.6	11,601	△85.7	1	566	298	52.7
Auctions business - total	591,080	△21.5	114,518	△25.8	4	1,098	793	72.2
Private sale	24,875	122.0	18,088	74.4				
Others	21,460	25.1	16,999	44.4				
Other auction related business - total	46,335	63.4	35,088	58.4				
Auction related business - total	637,415	△18.5	149,606	△15.2				

(Note) 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.

i) Auction business

During the current first quarter consolidated cumulative period, the Company held Modern Art Auction, Modern Ceramics Auction, Modern Art Part II Auction, and Bags/Jewellery & Watches Auction, each of which was held once, four occasions in total.

Meanwhile, during the corresponding period of previous year, a special auction titled "Shiko Munakata - Twenty Two Lots From A Private Collection" was also held, i.e. five occasions in total, which means that number of auctions held during the current first quarter consolidated cumulative period decreased by one as compared to previous year, and therefore both handling volume and net sales decreased as well.

ii) Other auction related business

Private Sale department put continuous efforts to deal actively during the current first quarter consolidated cumulative period. Elsewhere, services for purchasing precious metals were also carried out actively, leading to increase in both handling volume and net sales as compared to previous year.

② Energy related business

With respect to sales of low-pressure type photovoltaic power generation installations of 50 kW class, demands aiming at application of taxation system for promoting investment on productivity improvement equipment that has been anticipated since previous year have indeed emerged from late June, and then from July, Ministry of Economy, Trade and Industry has started to give permission for relevant photovoltaic installations, such that the Group could sell as much as 13 installations during the current first quarter consolidated cumulative period. In addition, electric power selling business by using its own photovoltaic installations (total 1.85 MW) and business of co-purchasing electric power within the area of Chubu Electric Power Company have contributed to the Group's performance, leading to net sales of 306,057,000 yen (increase by 258.2% YoY) and segment income of 4,693,000 yen (segment loss of 10,220,000 yen in the previous year) in the current first quarter consolidated cumulative period.

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. Furthermore, preparation for opening training courses of medical coordinators and of medical interpreters is also underway.

In such context, performance of the current first quarter consolidated cumulative period was as follows: net sales of 455,664,000 yen (increase by 73.8% and 193,502,000 yen YoY), operating loss of 47,952,000 yen (decrease by 17,460,000 yen as compared to 65,412,000 yen in the previous year), ordinary loss of 51,096,000 yen (decrease by 16,570,000 yen as compared to 67,667,000 yen in the previous year), and quarterly net loss attributable to owners of parent of 35,163,000 yen (decrease by 14,961,000 yen as compared to 50,124,000 yen in the previous year). These actual performance values are, however, due to seasonal variable factors in that many of auctions are held in the second quarter and the fourth quarter of auction related business, and as such those values are as having been anticipated within the range of performance forecasts for the current consolidated fiscal year.

(2) Descriptions regarding financial position

(Assets)

Total assets was 2,772,698,000 yen at the end of the current first quarter consolidated fiscal period, i.e. decrease by 588,064,000 as compared to the end of previous consolidated fiscal year. It comprises mainly decrease in cash and deposits by 513,751,000 yen, decrease in accounts receivable - other from auction business by 251,452,000 yen, and increase in advance payments by 88,098,000 yen.

(Liabilities)

Total liabilities was 1,202,834,000 yen at the end of the current first quarter consolidated fiscal period, i.e. decrease by 517,101,000 as compared to the end of previous consolidated fiscal year. It comprises mainly decrease in accounts payable - auction business by 288,966,000 yen and decrease in short-term loans payable by 249,500,000 yen.

(Net assets)

Total net assets was 1,569,864,000 yen at the end of the current first quarter consolidated fiscal period, i.e. decrease by 70,962,000 as compared to the end of previous consolidated fiscal year. It comprises mainly decrease in retained earnings by 69,412,000 yen.

(3) Descriptions regarding future prospects such as consolidated performance forecasts

There is no change in consolidated performance forecasts for the second quarter consolidated cumulative period and for the full term, as announced in the "Summary of Financial Results of the Fiscal Year ending May 31, 2015" published on July 13, 2015.

2. Matters regarding Summary Information (Notes)**(1) Changes in important subsidiaries during the current consolidated cumulative period**

Not applicable.

(2) Application of special accounting methods to the preparation of quarterly consolidated financial statement

Not applicable.

(3) Changes in accounting principles, changes and restatements of accounting estimates

Change in accounting principles

(Application of Accounting Standard for Business Combination, etc.)

"Accounting Standard for Business Combination" (Corporate Accounting Standard No. 21 of September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (Corporate Accounting Standard No. 22 of September 13, 2013), and "Accounting Standard for Business Divestitures" (Corporate Accounting Standard No. 7 of September 13, 2013) have been applied to the Group's accounting method since the current first quarter consolidated fiscal period, and therefore balance amount due to change in equity interest which the Group has in its subsidiaries in case of continuous control over them is allocated as capital surplus and expenses related to acquisition are allocated as having been incurred during the consolidated fiscal year during which such acquisition took place. With respect to business combination to be carried out after the beginning of the current first quarter consolidated fiscal period, accounting method has been revised so that allocation amount of acquisition cost readjusted due to ascertainment of provisional accounting treatment should be reflected on the quarterly consolidated financial statements for the quarterly consolidated fiscal period during which relevant business combination took place. In addition, the manner in which quarterly net profit and others are represented has been revised; and reference to "minority shareholders" has been changed to as "non-controlling shareholders". In order to reflect such changes in representation, quarterly consolidated financial statements for the first quarter of the previous consolidated cumulative fiscal period and consolidated financial statements for the previous consolidated fiscal year were reconstructed accordingly.

Application of Accounting Standards for Business Combination and for others are in compliance with the transitional treatments as set out in Accounting Standard for Business Combination, Sec. 58-2 (4), Accounting Standard for Consolidated Financial Statements, Sec. 44-5 (4), and Accounting Standard for Business Divestitures, Sec. 57-4 (4), having been applied since the beginning of the current first quarter consolidated fiscal period and onwards.

These have no effect on the Group's loss/profit.

Changes in accounting estimates

(Inventories)

The Company has formerly, concerning evaluation standards for inventories, treated book values having been periodically written down in principle based on certain rates as those to be presented on the balance sheet, if certain period of time has passed since acquisition of any relevant inventory. However, taking current status of holding inventories and selling situation into account, and in order to reflect the fact of decline in profitability due to inventories more properly on the financial position and operating results, the Company decided to make change to certain period of time and certain rates for writing down book values since the current first quarter consolidated fiscal period.

This has resulted in, as compared to those according to the previous methods, decrease in cost of sales by 59,073,000 yen in the first quarter consolidated fiscal period, and accordingly decrease in operating loss and ordinary loss by the same amount and also decrease in net profit before income taxes by the same amount.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen; △ means decrease)

	Previous consolidated fiscal year (May 31, 2015)	Current first quarter consolidated fiscal period (August 31, 2015)
Assets		
Current assets		
Cash and deposits	1,446,531	932,780
Accounts receivable - trade	52,734	100,623
Accounts receivable - other from auction business	261,616	10,164
Merchandise	352,947	437,742
Work in process	292,581	235,398
Advance payments	139,975	228,073
Other	163,762	178,969
Allowance for doubtful accounts	△395	△16
Total current assets	2,709,754	2,123,735
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	5,770	5,395
Machinery, equipment and vehicles (net)	528,525	519,763
Land	22,500	28,500
Other (net)	3,616	3,210
Total property, plant and equipment	560,412	556,868
Investments and other assets		
Other	104,523	106,009
Allowance for doubtful accounts	△13,928	△13,915
Total investments and other assets	90,595	92,093
Total non-current assets	651,008	648,962
Total assets	3,360,762	2,772,698
Liabilities		
Current liabilities		
Accounts payable - trade	31,896	110,467
Accounts payable - auction business	403,362	114,395
Short-term loans payable	361,500	112,000
Current portion of long-term loans payable	287,227	280,102
Income taxes payable	43,365	2,480
Provision for bonuses	18,446	10,778
Provision for directors' bonuses	—	6,853
Other	172,273	168,763
Total current liabilities	1,318,070	805,838
Non-current liabilities		
Long-term loans payable	318,728	309,265
Liabilities on retirement benefits	37,800	39,200
Asset retirement obligations	7,497	7,525
Other	37,839	41,004
Total non-current liabilities	401,864	396,995
Total liabilities	1,719,935	1,202,834

	(Thousand yen; Δ means decrease)	
	Previous consolidated fiscal year (May 31, 2015)	Current first quarter consolidated fiscal period (August 31, 2015)
Net assets		
Shareholders' equity		
Capital stock	926,742	926,742
Capital surplus	532,026	532,026
Retained earnings	394,484	325,072
Treasury shares	Δ 221,530	Δ 221,530
Total shareholders' equity	1,631,723	1,562,311
Accumulated other comprehensive income		
Foreign currency translation adjustment	Δ 1,708	Δ 1,708
Total accumulated other comprehensive income	Δ 1,708	Δ 1,708
Subscription rights to shares	9,893	8,804
Non-controlling interests	919	457
Total net assets	1,640,827	1,569,864
Total liabilities and net assets	3,360,762	2,772,698

(2) Quarterly Consolidated Statements of Income and Statement of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the first quarter consolidated cumulative period)

	(Thousand yen; Δ means decrease)	
	Previous first quarter consolidated cumulative period (June 1, 2014 - August 31, 2014)	Current first quarter consolidated cumulative period (June 1, 2015 - August 31, 2015)
Net sales	262,161	455,664
Cost of sales	123,001	303,702
Gross profit	139,159	151,961
Selling, general and administrative expenses	204,572	199,913
Operating loss (Δ)	Δ 65,412	Δ 47,952
Non-operating income		
Interest income	127	94
Compensation income for valuation service	—	113
Foreign exchange gains	1,532	—
Gain on forfeiture of unclaimed dividends	—	160
Reversal of allowance for doubtful accounts	—	391
Other	270	37
Total non-operating income	1,930	796
Non-operating expenses		
Interest expenses	4,083	3,392
Foreign exchange losses	—	148
Other	102	400
Total non-operating expenses	4,185	3,940
Ordinary loss (Δ)	Δ 67,667	Δ 51,096
Extraordinary income		
Gain on reversal of subscription rights to shares	—	2,279
Total extraordinary income	—	2,279
Net loss before income taxes and minority interests (Δ)	Δ 67,667	Δ 48,816
Income taxes - current	369	1,305
Income taxes - deferred	Δ 16,975	Δ 14,497
Total income taxes	Δ 16,606	Δ 13,191
Net loss (Δ)	Δ 51,061	Δ 35,625
Net loss attributable to non-controlling shareholders (Δ)	Δ 936	Δ 461
Net loss attributable to shareholders of parent company (Δ)	Δ 50,124	Δ 35,163

(Quarterly Consolidated Statement of Comprehensive Income)
(For the first quarter consolidated cumulative period)

(Thousand yen; △ means decrease)

	Previous first quarter consolidated cumulative period (June 1, 2014 - August 31, 2014)	Current first quarter consolidated cumulative period (June 1, 2014 - August 31, 2015)
Net loss (△)	△51,061	△35,625
Other comprehensive income		
Total other comprehensive income	—	—
Comprehensive income	△51,061	△35,625
(detail)		
Comprehensive income attributable to owners of parent	△50,124	△35,163
Comprehensive income attributable to non-controlling interests	△936	△461

(3) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

【Segment Information】

I. Previous first quarter consolidated cumulative period (June 1, 2014 - August 31, 2014)

1. Information on amount of net sales and of income/loss for each reportable segment.

(Thousand yen; Δ means decrease)

	Reportable segments			Others (see Note)	Total
	Auction related business	Energy related business	Subtotal		
Net sales	176,504	85,441	261,945	216	262,161
Segment loss (Δ)	Δ 54,408	Δ 10,220	Δ 64,629	Δ 783	Δ 65,412

(Note) The category "Others" refers to business segment not included in the reportable segments, which includes the business category of supporting medical institutions.

2. Difference between the total amount of income/loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

Total amount of Segment loss (Δ) is in agreement with the operating loss presented on the Quarterly Consolidated Statements of Income.

3. Information on impairment loss of non-current assets or goodwill, etc. for each reportable segment.

Not applicable.

II. Current first quarter consolidated cumulative period (June 1, 2015 - August 31, 2015)

1. Information on amount of net sales and of income/loss for each reportable segment.

(Thousand yen; Δ means decrease)

	Reportable segments			Others (see Note 2)	Total
	Auction related business	Energy related business (see Note 1)	Subtotal		
Net sales	149,606	306,057	455,664	—	455,664
Segment income or loss (Δ)	Δ 51,163	4,693	Δ 46,469	Δ 1,482	Δ 47,952

(Note) 1 Since the current first quarter consolidated cumulative period, because of entry by Asia Pacific Energy Corporation into the field of Power Producer and Supplier (business of co-purchasing electric power), segment name has been changed from "Renewable energy related business" to "Energy related business", so that the segment's business activity could be identified more clearly.

It should be noted that segment information for the previous first quarter consolidated cumulative period is presented with the newly-changed name of the reportable segment. Such change was made only to the name, and there is no change to the reportable segment itself.

2. The category "Others" refers to business segment not included in the reportable segments, which includes the business category of supporting medical institutions.

2. Difference between the total amount of income/loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

Total amount of Segment loss (Δ) is in agreement with the operating loss presented on the Quarterly Consolidated Statements of Income.

3. Information on impairment loss of non-current assets or goodwill, etc. for each reportable segment.
Not applicable.