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July 14, 2017

Summary of Financial Results of the Fiscal Year ending May 31, 2017
[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
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 Scheduled date of ordinary general meeting of shareholders: August 30, 2017
 Scheduled date of payment of dividend: August 31, 2017
 Scheduled date of filing securities report: August 31, 2017
 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, 2017 (June 1, 2016 – May 31, 2017)

(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	%
FY05/2017	5,348	37.2	364	2.3	303	△8.7	166	1.3
FY05/2016	3,898	32.2	356	358.2	332	530.3	164	902.9

(Note) Comprehensive income FY05/2017: 165 million yen (1.4%)
 FY05/2016: 163 million yen (—%)

	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	%	%	%
FY05/2017	28.13	27.89	8.8	5.8	6.8
FY05/2016	28.69	28.30	9.7	9.1	9.1

(Reference) Equity in earnings of affiliated companies FY05/2017: — million yen
 FY05/2016: — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY05/2017	6,432	2,010	31.2	330.56
FY05/2016	3,959	1,772	44.6	307.93

(Reference) Shareholders equity FY05/2017: 2,004 million yen
 FY05/2016: 1,765 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
FY05/2017	△1,550	△1,253	2,134	606
FY05/2016	279	△349	377	1,277

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	%	%
FY05/2016	—	0.00	—	7.00	7.00	40	24.4	2.3
FY05/2017	—	0.00	—	7.20	7.20	43	25.6	2.2
FY05/2018 (forecasts)	—	0.00	—	7.20	7.20		19.2	

3. Consolidated performance forecasts for the Fiscal Year ending May 31, 2018 (June 1, 2017 – May 31, 2018)

(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)	2,249	25.4	139	—	102	—	59	—	9.88
Full term	5,960	11.5	432	18.6	374	23.5	227	37.0	37.58

***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: | None |
| 2) Changes other than 1): | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatements: | None |
- (3) Number of outstanding shares (common shares)
- 1) Number of shares outstanding at the end of the period (including treasury stock)
- | | |
|------------|------------------|
| FY05/2017: | 6,926,900 shares |
| FY05/2016: | 6,594,900 shares |
- 2) Number of treasury stock at the end of the period
- | | |
|------------|----------------|
| FY05/2017: | 862,800 shares |
| FY05/2016: | 862,800 shares |
- 3) Average number of shares outstanding during the period
- | | |
|------------|------------------|
| FY05/2017: | 5,913,376 shares |
| FY05/2016: | 5,722,006 shares |

(Reference) Unconsolidated business results

1. Unconsolidated business results of the Fiscal Year ending May 31, 2017 (June 1, 2016 – May 31, 2017)

(1) Unconsolidated operating results

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

	Net Sales		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%
FY05/2017	1,631	46.1	35	Δ 57.6	30	Δ 31.5
FY05/2016	1,117	2.2	84	158.1	44	—

	Net income per share	Diluted net income per share
	Yen	Yen
FY05/2017	5.14	5.09
FY05/2016	7.75	7.64

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY05/2017	3,567	1,745	48.8	287.18
FY05/2016	2,530	1,642	64.7	285.72

(Reference) Shareholders equity FY05/2017: 1,741 million yen
FY05/2016: 1,637 million yen

2. Unconsolidated performance forecasts for the Fiscal Year ending May 31, 2018 (June 1, 2017 – May 31, 2018)

(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)	460	22.6	2	—	1	—	0.18
Full term	1,000	Δ 38.7	67	88.8	54	78.3	8.93

* Summary of financial results is not audited.

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 shown gradual upswing, in conjunction with improved environment for employment/earning and effects of various governmental policies. However, there are so many uncertain elements in the arena of overseas politics and financial/capital markets including so-called "Brexit", as well as impacts of global geopolitical risks, implying unknown consequences in the future.

Amid such environment, the Group has endeavored to offer excellent articles including mainly high-priced art objects to auctions as part of its auction related business, and to recommend art collectors comprising mainly of wealthy class that they should participate in auctions. In addition, the Group has concentrated its efforts in its energy related business to sales of low-pressure type photovoltaic installations, while preparing for full-blown operation of medical tourism as part of the 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 2,994,566,000 yen (decrease by 27.5% YoY), net sales was 922,133,000 yen (decrease by 21.9% YoY), and segment loss was minus 112,475,000 yen (in contrast to segment income of 89,175,000 yen in the previous year).

The operating results for each business category are as follows.

Category	28th term							
	FY05/2017							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auctions held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	1,442,040	△21.3	307,853	△19.0	6	710	577	81.3
Modern Ceramics Auction	328,025	2.4	68,972	2.1	4	908	862	94.9
Modern Art Part II Auction	226,013	△34.1	53,590	△33.9	6	1,638	1,461	89.2
Other auctions (see Note 2)	600,080	△39.7	138,501	△27.7	12	4,327	2,761	63.8
Auctions business - total	2,596,158	△25.6	568,918	△21.0	28	7,583	5,661	74.7
Private sale	325,848	△42.4	288,388	△28.8				
Others	72,560	△2.5	64,826	16.1				
Other auction related business - total	398,408	△37.8	353,215	△23.3				
Auction related business - total	2,994,566	△27.5	922,133	△21.9				

(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 28 auctions in total. These include: Modern Art Auction and Modern Art Part II Auction, each of which was held six times; Bags/Jewellery & Watches Auction was held five times; Modern Ceramics Auction was held four times; Wine Auction was held three times; European Decorative Art Auction and Post-War & Contemporary Art Auction, each of which was held twice.

Modern Art Auction has seen slight increase in numbers of items offered by 6.6% YoY and increase in numbers of successful bids by 0.5% YoY, and ratio of successful bid value relative to the estimated minimum sum was as high as 120.3% on average. However, average successful bid value decreased by 21.9% YoY.

Modern Ceramics Auction has seen decrease in number of items offered by 5.3% and in number of successful bids by 4.6% (both YoY) because of fewer auctions held by one, whereas two auctions including antique arts achieved good performance in the current consolidated fiscal year, resulting in average successful bid value increased by 7.3% YoY and also ratio of successful bid value relative to the estimated minimum sum was as high as 148.3% on average.

As for Modern Art Part II Auction, both numbers of items offered and of successful bids decreased by 11.9% and 12.8%, respectively YoY. Average successful bid value decreased by 24.4% YoY, and ratio of successful bid value relative to the estimated minimum sum was 123.0% on average.

In terms of other auctions, handling volume of Post-War & Contemporary Art Auction substantially decreased as compared to the previous year, whereas Wine Auction maintained as high level as the previous year.

ii) Other auction related business

Private Sale department put its efforts to actively dealing with high-valued items, but both handling volume and net sales of other auctions related business decreased by 37.8% and 23.3% respectively as compared to the previous year due to the fact that in the previous year there were some especially high-value items successfully sold. As such, decreased revenues of the auction business could not be supplemented.

② Energy related business

With respect to sales of low-pressure type photovoltaic power generation installations of 50 kW class in the energy related business, 193 of those were sold during the current consolidated fiscal year (increase by 91.1% as compared to the previous year during which 101 installations were sold). Thanks to the demands intended for 50% special depreciation provided by the taxation system for promoting investment on productivity improvement equipment, number of installations sold maintained high-level and 114 of them were sold until the end of March, 2017, namely the deadline of the abovementioned tax break. Since April, slower growth of demands was expected but in practice there remained strong demands, leading to further substantial addition of installations sold.

In addition, electric power selling business by the subsidiary using its own photovoltaic installations and other business have contributed to the Group's performance, leading to net sales of 4,421,768,000 yen (increase by 62.9% YoY) and segment income of 479,244,000 yen (increase by 78.0% YoY) in the current consolidated fiscal year.

It should be noted that the Group acquired SHINWA APEC MALAYSIA SDN. BHD. in Malaysia and started PKS business, aiming at developing one of its new pillars of income in the energy related business.

③ Others

In the business category of supporting medical institutions, the Group endeavored to expand business to establish its profitability pillars as presenting cutting-edge medical technologies and high quality medical services to wealthy class in Asia, including Japan, with affiliated medical institutions having been considerably enhanced.

In such context, during the current consolidated fiscal year, net sales was 5,348,142,000 yen (increase by 37.2% and 1,450,041,000 yen YoY), operating income was 364,615,000 yen (increase by 2.3% and 8,321,000 yen YoY), ordinary income was 303,389,000 yen (decrease by 8.7% and 28,942,000 yen YoY), and net income attributable to owners of parent was 166,315,000 yen (increase by 1.3% and 2,165,000 yen YoY).

(2) Overall financial position of the current period

Total assets in the current consolidated fiscal year was 6,432,210,000 (increase by 2,473,023,000 yen YoY). It comprises mainly current assets of 5,026,441,000 yen (increase by 1,460,242,000 yen YoY) and non-current assets of 1,405,769,000 yen (increase by 1,012,781,000 yen). Current assets comprises mainly cash and deposits of 1,617,433,000 yen (decrease by 448,192,000 yen YoY), accounts receivable - trade of 1,957,424,000 yen (increase by 1,700,867,000 yen YoY), accounts payable - other from auction business of 134,285,000 yen (decrease by 93,715,000 yen YoY), merchandise of 884,064,000 yen (increase by 257,242,000 yen YoY), advance payments of 95,777,000 yen (decrease by 103,307,000 yen YoY), and other current assets of 263,828,000 yen (increase by 149,430,000 yen YoY). Current assets comprises mainly machinery, equipment and vehicles (net) of 979,832,000 yen (increase by 727,367,000 yen YoY), land of 122,760,000 yen (increase by 92,260,000 yen YoY), stocks of subsidiaries and affiliates of 102,657,000 yen (increase by 102,657,000 yen YoY), and investments and other assets 180,594,000 yen (increase by 83,467,000 yen YoY).

Total liabilities was 4,421,853,000 yen (increase by 2,235,640,000 yen YoY). It comprises mainly current liabilities of 3,272,049,000 yen (increase by 1,493,574,000 yen YoY) and non-current liabilities of 1,149,803,000 yen (increase by 742,065,000 yen YoY). Current liabilities comprises mainly short-term loans payable of 2,226,035,000 yen (increase by 1,243,535,000 yen YoY), current portion of long-term loans payable of 287,972,000 yen (increase by 226,800,000 yen YoY), accounts payable - auction business of 274,696,000 yen (decrease by 76,121,000 yen YoY), and income taxes payable of 6,201,000 yen (decrease by 92,237,000 yen YoY). Non-current liabilities comprises mainly long-term loans payable of

334,584,000 yen (increase by 7,028,000 yen YoY) and long-term accounts payable-installment purchase of 611,304,000 yen (increase by 611,304,000 yen YoY).

Net assets was 2,010,357,000 yen (increase by 237,383,000 yen YoY). It comprises mainly capital stock of 987,181,000 yen (increase by 56,724,000 yen YoY), capital surplus of 592,464,000 yen (increase by 56,724,000 yen YoY), retained earnings of 650,576,000 yen (increase by 126,190,000 yen YoY), and treasury stock of minus 223,655,000 yen (same as the previous year). As a result, currently net assets per share is 330.56 yen and equity ratio is 31.2%.

(3) Overall cash flows of the current term

Cash and cash equivalents (hereinafter, "business fund") at the end of the current consolidated fiscal year decreased by 670,452,000 yen (decreased cash flow from operating activities and investment activities was partly offset by decreased cash flow from financial activities), resulting in the business fund of 606,922,000 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 spent as a result of operating activities in the current consolidated fiscal year was 1,550,695,000 yen (279,519,000 yen gained in the previous year). It comprises mainly, on one hand, decrease by 1,700,867,000 yen due to increase in sales credit and decrease by 257,242,000 yen due to increase in inventories, and on the other hand, increased business fund due to net income before income taxes of 295,926,000 yen.

(Cash flow from investment activities)

The business fund spent as a result of investment activities in the current consolidated fiscal year was 1,253,805,000 yen (349,480,000 yen spent in the previous year). It comprises mainly purchase of property, plant and equipment of 870,773,000 yen, purchase of stocks of subsidiaries and affiliates of 102,657,000 yen, and increased payments of 222,260,000 yen due to increase in payments into time deposits.

(Cash flow from financial activities)

The business fund gained as a result of financial activities in the current consolidated fiscal year was 2,134,153,000 yen (377,176,000 yen gained in the previous year). It comprises mainly, on one hand, increased business fund including proceeds of 1,224,178,000 yen due to net increase in short-term loans payable, proceeds from long-term loans payable of 370,000,000 yen, proceeds from issuance of common stock of 113,446,000 yen, and on the other hand, repayments of long-term loans payable of 136,172,000 yen, payments for sale and installment back deal of 197,670,000 yen, and dividends paid of 39,908,000 yen.

Trends in cash flow indicators are as follows.

	FY05/2013	FY05/2014	FY05/2015	FY05/2016	FY05/2017
Equity ratio (%)	—	57.1	48.5	44.6	31.2
Equity ratio based on market value (%)	—	64.1	62.5	55.2	28.7
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 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 and FY05/2017 are not disclosed because cash flow from operating activities is negative.

(4) Forecasts for the future

Although Japanese economy as a whole has kept gradual recovery, deflation mindset has not yet turned towards breakaway, and the current government has its policies on reaching the inflation target of 2% being sequentially postponed.

Under such environment, for auction-related business in general, environment for publicly gathering the items to be offered for auctions has become even worse than the last year and we are struggling in such an extremely tough business environment. Nevertheless, we will put our full efforts to overcoming such situations including reconsideration of our operational framework, and also continue to work on reappraisal and evaluation of Japanese modern art that is called "Regeneration Project of Japanese Modern Art", including our gallery business to be started in full swing.

The Company has offered private sale (negotiated transaction) in response to the customers' needs as a business supplementing public auctions, and for the future, it has established Shinwa Prive Co., Ltd. for the purpose of more active reappraisal and evaluation of Japanese modern art, including negotiated transaction, and taking into account the global trends for auction companies to have separately gallery function, so that the Company would set out its role as a market-maker more clearly through Shinwa Prive.

With respect to the energy related business, since the special depreciation measures for photovoltaic installations using the taxation system for promoting investment on productivity improvement equipment have already ended at the end of March, 2017, the Group will proactively work on for the future to exploit demands for the business focusing on rate of return, that is essential. However, sales price will be inevitably lower in the market as a whole and lower profitability should be expected, so the Group will also put its efforts to early monetization of its PKS business as a new business in this segment.

In the business category of supporting medical institutions, the Group will endeavor further to enhance affiliated medical institutions, to establish its profitability pillars as presenting cutting-edge medical technologies and high quality medical services to wealthy class in Asia, including Japan.

In such context, consolidated performance for the fiscal year ending May, 2018 is projected as follows: consolidated net sales of 5,960,891,000 yen (increase by 11.5% YoY); consolidated operating income of 432,299,000 yen (increase by 18.6% YoY); consolidated ordinary income of 374,582,000 yen (increase by 23.5% YoY); and net income attributable to owners of parent of 227,904,000 yen (increase by 37.0% YoY).

In addition, as for performance forecasts of individual segments, although it is expected that net sales of photovoltaic installations would be lower during the first half as compared to the previous year, the Group shall lay stress on its mainstream of auction business and expects, for auction related business, net sales of 1,000,055,000 yen (decrease by 38.7% YoY), ordinary income of 67,744,000 yen (increase by 88.8% YoY), and net income of 54,161,000 yen (increase by 78.3% 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.)

(5) 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 7.20 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 7.20 yen per share.

2. Basic idea for the selection of accounting standards

The Group has decided to produce its consolidated financial statements in accordance with Japanese standards for the time being, considering year-on-year comparability of consolidated financial statements and comparability with other companies. Meanwhile, the Group also considers the possibility of applying International Financial Reporting Standards as appropriate, taking various domestic/international situations into account.

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

(Thousand yen; △ means negative)

	Previous consolidated fiscal year (May 31, 2016)	Current consolidated fiscal year (May 31, 2017)
Assets		
Current assets		
Cash and deposits	2,065,625	1,617,433
Accounts receivable - trade	256,556	1,957,424
Accounts receivable - other from auction business	228,001	134,285
Merchandise	626,822	884,064
Work in process	5,990	600
Advance payments	199,085	95,777
Deferred tax assets	70,131	73,479
Other	114,398	263,828
Allowance for doubtful accounts	△412	△453
Total current assets	3,566,198	5,026,441
Non-current assets		
Property, plant and equipment		
Buildings and structures	97,355	97,830
Accumulated depreciation	△93,086	△94,485
Buildings and structures (net)	4,269	3,344
Machinery, equipment and vehicles	280,999	1,055,148
Accumulated depreciation	△28,534	△75,315
Machinery, equipment and vehicles (net)	252,465	979,832
Land	30,500	122,760
Other	35,287	44,309
Accumulated depreciation	△32,955	△33,907
Other (net)	2,331	10,401
Total property, plant and equipment	289,566	1,116,339
Intangible assets		
Software	5,741	4,441
Total intangible assets	5,741	4,441
Investment and other assets		
Stocks of subsidiaries and affiliates	—	102,657
Deferred tax assets	14,417	15,656
Other	97,127	180,594
Allowance for doubtful accounts	△13,864	△13,921
Total investments and other assets	97,680	284,988
Total non-current assets	392,988	1,405,769
Total assets	3,959,187	6,432,210

(Thousand yen; △ means negative)

	Previous consolidated fiscal year (May 31, 2016)	Current consolidated fiscal year (May 31, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	65,219	119,855
Accounts payable - other from auction business	350,817	274,696
Short-term loans payable	982,500	2,226,035
Current portion of long-term loans payable	61,172	287,972
Income taxes payable	98,438	6,201
Provision for bonuses	18,675	42,094
Provision for directors' bonuses	58,232	57,255
Other	143,419	257,940
Total current liabilities	1,778,474	3,272,049
Non-current liabilities		
Long-term loans payable	327,556	334,584
Liabilities on retirement benefits	42,550	46,600
Deferred tax liabilities	21,190	145,934
Long-term accounts payable-installment purchase	—	611,304
Other	16,441	11,381
Total non-current liabilities	407,738	1,149,803
Total liabilities	2,186,212	4,421,853
Net assets		
Shareholders' equity		
Capital stock	930,457	987,181
Capital surplus	535,740	592,464
Retained earnings	524,385	650,576
Treasury stock	△223,655	△223,655
Total shareholders' equity	1,766,928	2,006,566
Accumulated other comprehensive income		
Foreign currency translation adjustment	△1,864	△2,035
Total accumulated other comprehensive income	△1,864	△2,035
Subscription rights to shares	5,210	3,616
Non-controlling interests	2,699	2,210
Total net assets	1,772,974	2,010,357
Total liabilities and net assets	3,959,187	6,432,210

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

(Thousand yen; △ means negative)

	Previous consolidated fiscal year (Jun. 1, 2015 - May 31, 2016)	Current consolidated fiscal year (Jun. 1, 2016 - May 31, 2017)
Net sales	3,898,100	5,348,142
Cost of sales	2,633,213	4,032,022
Gross profit	1,264,886	1,316,119
Selling, general and administrative expenses	908,592	951,504
Operating income	356,293	364,615
Non-operating income		
Interest income	648	529
Foreign exchange gains	—	53
Gain on forfeiture of unclaimed dividends	160	68
Gain on valuation of derivatives	—	3,420
Compensation income for valuation service	506	—
Other	1,286	1,560
Total non-operating income	2,602	5,631
Non-operating expenses		
Interest expenses	17,854	31,708
Loss on valuation of derivatives	3,798	—
Foreign exchange losses	2,273	—
Commission fee	—	31,941
Other	2,637	3,207
Total non-operating expenses	26,563	66,856
Ordinary income	332,332	303,389
Extraordinary income		
Gain on reversal of subscription rights to shares	3,474	1,592
Total extraordinary income	3,474	1,592
Extraordinary losses		
Loss on valuation of investment securities	5,944	9,055
Provision of allowance for doubtful accounts	48,614	—
Total extraordinary losses	54,559	9,055
Net income before income taxes and minority interests	281,247	295,926
Income taxes - current	116,957	9,827
Income taxes - deferred	877	120,156
Total income taxes	117,835	129,983
Net income	163,412	165,942
Net income or loss (△) attributable to non-controlling shareholders	△737	△372
Net income attributable to owners of parent	164,149	166,315

(Consolidated Statement of Comprehensive Income)

(Thousand yen; Δ means negative)

	Previous consolidated fiscal year (Jun. 1, 2015 - May 31, 2016)	Current consolidated fiscal year (Jun. 1, 2016 - May 31, 2017)
Net income	163,412	165,942
Other comprehensive income		
Foreign currency translation adjustment	Δ 256	Δ 288
Total other comprehensive income	Δ 256	Δ 288
Comprehensive income	163,155	165,654
(detail)		
Comprehensive income attributable to owners of parent	163,994	166,144
Comprehensive income attributable to non-controlling interests	Δ 838	Δ 489

(3) Consolidated Statements of Shareholders' Equity

Previous 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

Current consolidated fiscal year (Jun. 1, 2016 - May 31, 2017)

(Thousand yen; △ means negative)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of current period	930,457	535,740	524,385	△223,655	1,766,928
Changes of items during the period					
Issuance of new shares	56,724	56,724			113,448
Dividends from surplus			△40,124		△40,124
Income attributable to owners of parent			166,315		166,315
Purchase of treasury stock					—
Changes of items other than shareholders' equity (net)					
Total changes of items during the period	56,724	56,724	126,190	—	239,638
Balance at the end of current period	987,181	592,464	650,576	△223,655	2,006,566

	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	△1,864	△1,864	5,210	2,699	1,772,974
Changes of items during the period					
Issuance of new shares					113,448
Dividends from surplus					△40,124
Income attributable to owners of parent					166,315
Purchase of treasury stock					—
Changes of items other than shareholders' equity (net)	△170	△170	△1,594	△489	△2,255
Total changes of items during the period	△170	△170	△1,594	△489	237,383
Balance at the end of current period	△2,035	△2,035	3,616	2,210	2,010,357

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

	Previous consolidated fiscal year (Jun. 1, 2015 - May 31, 2016)	Current consolidated fiscal year (Jun. 1, 2016 - May 31, 2017)
Cash flow from operating activities		
Net income before income taxes	281,247	295,926
Depreciation	29,479	50,690
Increase or decrease (Δ) in allowance for doubtful accounts	Δ 46	98
Increase or decrease (Δ) in provision for bonuses	229	23,419
Increase or decrease (Δ) in provision for directors' bonuses	58,232	Δ 977
Increase or decrease (Δ) in liabilities for retirement benefits	4,750	4,050
Interest and dividends income	Δ 648	Δ 529
Interest expenses	17,854	31,708
Bad debts expenses	48,614	—
Loss or gain (Δ) on valuation of investment securities	5,944	9,055
Gain on reversal of subscription rights to shares	Δ 3,474	Δ 1,592
Loss or gain (Δ) on valuation of investment securities	3,798	Δ 3,420
Decrease or increase (Δ) in notes and accounts receivable - trade	Δ 252,436	Δ 1,700,867
Decrease or increase (Δ) in accounts receivable - other from auction business	33,615	93,715
Decrease or increase (Δ) in inventories	272,906	Δ 257,242
Decrease or increase (Δ) in advance payments	Δ 59,110	103,307
Increase or decrease (Δ) in notes and accounts payable-trade	33,323	54,635
Increase or decrease (Δ) in accounts payable - other from auction business	Δ 52,544	Δ 76,121
Other	Δ 61,586	10,451
Subtotal	360,148	Δ 1,363,693
Interest and dividends income received	636	578
Interest expenses paid	Δ 17,609	Δ 32,233
Income taxes paid	Δ 63,655	Δ 155,346
Net cash provided by or used in (Δ) operating activities	279,519	Δ 1,550,695
Cash flow from investing activities		
Purchase of property, plant and equipment	Δ 24,480	Δ 870,773
Purchase of intangible assets	Δ 6,500	—
Payments into time deposits	Δ 808,250	Δ 1,319,525
Proceeds from withdrawal of time deposits	495,000	1,097,265
Purchase of stocks of subsidiaries and affiliates	—	Δ 102,657
Collection of loans receivable	8,951	—
Payments for lease and guarantee deposits	Δ 15,046	Δ 1,267
Proceeds from collection of lease and guarantee deposits	845	—
Decrease or increase (Δ) in other investments	—	Δ 56,845
Net cash provided by or used in (Δ) investing activities	Δ 349,480	Δ 1,253,805
Cash flows from financing activities		
Net increase or decrease (Δ) in short-term loans payable	621,000	1,224,178
Proceeds from long-term loans payable	70,000	370,000
Repayments of long-term loans payable	Δ 287,227	Δ 136,172
Proceeds from issuance of common stock	6,560	113,446
Proceeds from issuance of subscription rights to shares	450	—
Purchase of treasury stock	Δ 2,125	—
Cash dividends paid	Δ 34,100	Δ 39,908
Proceeds from sale and installment back deal	—	800,280
Payments for sale and installment back deal	—	Δ 197,670
Proceeds from share issuance to non-controlling shareholders	2,619	—
Net cash provided by or used in (Δ) financing activities	377,176	2,134,153
Effect of exchange rate change on cash and cash equivalents	Δ 1,371	Δ 105
Net increase or decrease (Δ) in cash and cash equivalents	305,844	Δ 670,452
Cash and cash equivalents at beginning of period	971,531	1,277,375
Cash and cash equivalents at end of period	1,277,375	606,922