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January 10, 2019

Summary of Financial Results of the Second Quarter of the Fiscal Year ending May 31, 2019 [Japanese standards] (Consolidated)

Company name: SHINWA WISE HOLDINGS CO., LTD. Stock Exchange listings: Tokyo
 Securities code: 2437 URL: <http://www.shinwa-wise.com>
 Representative: Kenji Nakagawa, President and Representative Director
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 Scheduled date of filing of quarterly report: January 11, 2019
 Scheduled date of payment of dividend: N/A
 Preparation of supplementary references regarding quarterly results: Yes
 Holding the briefing of quarterly results: Yes (For institutional investors and analysts)

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

1. Financial Results of the Second Quarter of the Fiscal Year ending May 31, 2019 (Jun. 1, 2018 – Nov. 30, 2018)

(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	%
2Q FY05/2019	1,962	62.1	50	—	31	—	Δ10	—
2Q FY05/2018	1,210	Δ32.5	Δ38	—	Δ65	—	Δ73	—

(NOTE) Comprehensive income 2Q FY05/2019: Δ17 million yen (—%)

2Q FY05/2018: Δ73 million yen (—%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
2Q FY05/2019	Δ1.57	—
2Q FY05/2018	Δ11.76	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY05/2019	5,228	1,961	37.0	293.57
FY05/2018	6,120	1,906	30.7	293.65

(Reference) Shareholders equity: 2Q FY05/2019: 1,933 million yen

FY05/2018: 1,878 million yen

2. Dividends

	Annual dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY05/2018	—	0.00	—	7.20	7.20
FY05/2019	—	0.00	—	7.20	7.20
FY05/2019 (forecasts)	—	—	—	7.20	7.20

(NOTE) Revisions to dividend forecasts published most recently: No

3. Consolidated performance forecasts for the Fiscal Year ending May 31, 2019 (Jun. 1, 2018 – May 31, 2019)

(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
Full term	3,000	7.9	74	—	60	—	50	—	7.66

(NOTE) Revisions to performance forecasts published most recently: Yes

For details on amendment to the full-term performance forecasts, please refer to "Notices concerning differences between performance forecasts and actual achievements of the second quarter cumulative period of FY05/2019, and amendments to full term consolidated performance forecasts for FY05/2019" published on this day, January 10, 2019.

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***Notes**

- (1) Changes in important subsidiaries during the current consolidated cumulative period: No
(changes in specific subsidiaries resulting in modifications of the consolidation scope)
- (2) Application of special accounting methods to the preparation of quarterly financial statement: No
- (3) Changes in accounting principles, changes and restatements of accounting estimates
- 1) Changes in accounting principles caused by revision of accounting standards: No
 - 2) Changes other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatements: No
- (4) Number of outstanding shares (common shares)
- 1) Number of shares outstanding at the end of the period (including treasury stock)
 - 2Q FY05/2019: 7,439,900 shares
 - FY05/2018: 7,250,900 shares
 - 2) Number of treasury stock at the end of the period
 - 2Q FY05/2019: 852,800 shares
 - FY05/2018: 852,800 shares
 - 3) Average number of shares outstanding during the period (quarterly cumulative)
 - 2Q FY05/2019: 6,470,416 shares
 - 2Q FY05/2018: 6,216,034 shares

* Quarterly summary of financial results is not included in a quarterly review by a certified public accountant or an auditing firm.

*** 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 3, "1. Qualitative information regarding the financial results for the current quarter: (3) Descriptions regarding future prospects such as consolidated performance forecasts".

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

During the current second quarter consolidated cumulative period (Jun. 1, 2018 - Nov. 30, 2018), Japanese economy has shown gradual upswing, in conjunction with continuously improved environment for employment/earning and effects of various governmental policies. However, many factors such as impacts of the recent U.S.-China trade conflicts, uncertainties in the global economy, concerns about financial/capital markets, and as well as impacts of global geopolitical risks would imply 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 concentrated its efforts in its energy related business to sales of low-pressure type photovoltaic installations, and also put its efforts into building up the entire Group's structure to ensure stable profitability at an early stage, including reconsideration about its PKS business segment in Malaysia.

The operating results for each business segment are as follows.

① Auction related business

In the current second quarter consolidated cumulative period, handling volume was 2,840,926,000 yen (up 44.6% YoY), net sales was 1,369,641,000 yen (up 63.6% YoY), and segment income was 109,373,000 yen (up 239.4% YoY).

The operating results for each business category are as follows.

Category	2Q FY05/2019 (consolidated cumulative period) Jun. 1, 2018 - Nov. 30, 2018							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auction(s) held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	479,531	Δ30.2	82,027	Δ42.6	2	222	175	78.8
Modern Ceramics Auction	224,275	55.0	47,252	57.0	2	421	387	91.9
Modern Art Part II Auction	65,885	Δ57.1	14,734	Δ59.8	2	443	357	80.6
Other auctions	889,776	120.6	110,340	45.2	5	1,337	969	72.5
Auctions business - total	1,659,467	19.5	254,355	Δ11.0	11	2,423	1,888	77.9
Private sale	1,177,787	113.4	1,103,267	109.9				
Others	3,671	Δ85.1	12,017	Δ53.2				
Other auction related business - total	1,181,458	104.9	1,115,285	102.3				
Auction related business - total	2,840,926	44.6	1,369,641	63.6				

(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 second quarter consolidated fiscal period, the Company held 11 auctions, namely two occasions less than the same period of the previous year, because of renovation work of auction venue and construction work of new gallery space for Shinwa Prive Co., Ltd. Specifically, Modern Art Auction, Modern Ceramics Auction, and Modern Art Part II Auction were held twice respectively; Bags/Jewellery & Watches Auction, Western Art Auction, and Wine Auction were held once respectively; as well as MANGA (Japanese cartoons) Auction as a new genre and "ART JUNGLE The House Collection" as a special auction commemorating the renewal were also held once respectively.

Modern Art Auction has seen decrease in numbers of items offered by 39.3% YoY and decrease in numbers of successful bids by 41.3% YoY because of one occasion less than the same period of the previous year, whereas ratio of successful bid value relative to the estimated minimum sum was 124.3% on average that means increase by more than 8% YoY on average, and also average successful bid value significantly increased by 20.9% YoY.

As for Modern Ceramics Auction, both numbers of items offered and of successful bids increased by 9.9% and 2.9%, respectively YoY. During the current second quarter consolidated fiscal period, antique arts auctions continuously achieved good performance, resulting in average successful bid value increased by 48.8% YoY and also ratio of successful bid value relative to the estimated minimum sum was as high as 157.0% on average.

As for Modern Art Part II Auction, both numbers of items offered and of successful bids decreased by 45.5% and 51.7%, respectively YoY because of one occasion less than the same period of the previous year. Although average successful bid value decreased by 11.3% YoY, ratio of successful bid value relative to the estimated minimum sum was as high as 144.6% on average that means increase by more than 10% YoY on average.

In addition, Wine Auction also continued to achieve good performance, and in the current second quarter consolidated fiscal period a new genre named MANGA Auction was held once. Further, "ART JUNGLE The House Collection" was held as a special auction commemorating the renewal of auction venue and the newly created gallery space for Shinwa Prive Co., Ltd., resulting in handling volume of nearly 700 million yen and great achievements including sell-through rate of 92.9%.

ii) Other auction related business

For the Private Sale department, new gallery space was created for Shinwa Prive Co., Ltd., establishing its preparedness to respond customers' needs with fine and careful consideration, and efforts were put to proactive dealing with high-value items. Some large-scale trading could be realized during the current second quarter consolidated fiscal period, resulting in substantial increase in both handling volume and net sales by 113.4% and 109.9% respectively as compared to the previous year.

Elsewhere, business segment of selling high-value diamonds maintained stable net sales.

② Energy related business

With respect to sales of low-pressure type photovoltaic power generation installations of 50 kW class, thanks to demands for them as high-returning articles for trade, 15 of those were sold during the current second quarter consolidated cumulative period. However, purchase price of electricity as set out by the Ministry of Economy, Trade and Industry has been continuously lowered, so it has become harder to secure new projects in which some investment would be made in view of profitability.

PKS business segment in Malaysia realized sales of 10,000 tons during the current second quarter consolidated cumulative period and also endeavored to reconsider purchase price setting and other matters, leading to smaller deficit. However, it still needs improvement and will continue these efforts.

In addition, electric power selling business by using photovoltaic installations owned by a subsidiary has contributed to the Group's performance, leading to net sales of 546,327,000 yen (increase by 50.3% YoY) and segment loss of 28,970,000 yen (in comparison, it was 67,735,000 yen in the same period of the previous year) in the current second quarter consolidated cumulative period.

③ Others

Wealth management business segment introducing second-hand real-estates located in Texas, U.S.A. successfully sold 8 properties during the current second quarter consolidated fiscal period. Also, business segment of microfinance in Republic of the Union of Myanmar has achieved steady performance. In addition, the Group put its efforts to overall improvement for turning to a profitable entity, such as reviewing SG&A of each business segment.

In such context, performance of the current first quarter consolidated cumulative period was as follows: net sales of 1,962,966,000 yen (increase by 62.1% YoY), operating income of 50,084,000 yen (as opposed to operating loss of 38,170,000 yen in the same period of the previous year), ordinary income of 31,458,000 yen (as opposed to ordinary loss of 65,435,000 yen in the same period of the previous year), and quarterly net loss attributable to owners of parent of 10,177,000 yen (in comparison, it was 73,079,000 yen in the same period of the previous year).

(2) Descriptions regarding financial position

① Analysis of financial position

(Assets)

Total assets was 5,228,718,000 yen at the end of the current second quarter consolidated fiscal period, i.e. decrease by 892,104,000 yen as compared to the end of the previous consolidated fiscal year. It comprises mainly decrease in cash and deposits by 723,454,000 yen, decrease in accounts receivable - trade by 224,463,000 yen, decrease in accounts receivable - other from auction business by 185,654,000 yen, and increase in merchandise by 322,886,000 yen.

(Liabilities)

Total liabilities was 3,267,702,000 yen at the end of the current second quarter consolidated fiscal period, i.e. decrease by 946,141,000 as compared to the end of the previous consolidated fiscal year. It comprises mainly decrease in accounts payable - auction business by 222,188,000 yen, decrease in short-term loans payable by 399,950,000 yen, and decrease in long-term loans payable by 104,086,000 yen.

(Net assets)

Total net assets was 1,961,015,000 yen at the end of the current second quarter consolidated fiscal period, i.e. increase by 54,039,000 yen as compared to the end of the previous consolidated fiscal year. It comprises mainly increase in capital stock by 59,361,000 yen, increase in capital surplus by 59,361,000 yen, and decrease in retained earnings by 56,243,000 yen.

②Cash flow status

Cash and cash equivalents (hereinafter, "business fund") at the end of the current second quarter consolidated fiscal period were 785,578,000 yen, i.e., decrease by 535,571,000 yen from the end of the previous consolidated fiscal year (as opposed to increase by 460,852,000 in the same period of the previous year). Each cash flow status and factors thereof in the current second quarter consolidated cumulative period are as follows.

(Cash flows from operating activities)

Business fund spent for financial activities was 182,428,000 yen (as opposed to obtaining 956,525,000 in the same period of the previous year). It comprises mainly, on one hand, increased business fund due to decrease in notes and accounts receivable - trade by 218,917,000 yen, decrease in accounts receivable - other from auction business by 185,654,000 yen, and decrease in advance payments by 92,233,000 yen, and on the other hand decreased business fund due to increase in inventories by 322,945,000 yen, increase in accounts payable - other from auction business by 222,188,000 yen, and others of minus 124,049,000 yen.

(Cash flows from investing activities)

Business fund obtained resulting from operating activities was 129,735,000 yen (in comparison, it was 8,407,000 in the same period of the previous year). It comprises mainly, on one hand, increased business fund due to proceeds from withdrawal of time deposits of 630,015,000 yen, and on the other hand decreased business fund due to payments into time deposits of 442,131,000 yen and purchase of property, plant and equipment of 55,482,000 yen.

(Cash flows from financing activities)

Business fund spent for financial activities was 481,743,000 yen (in comparison, it was 504,714,000 in the same period of the previous year). It comprises mainly, on one hand, increased business fund due to proceeds from long-term loans payable of 100,000,000 yen and proceeds from issuance of common stocks of 118,002,000 yen, and on the other hand, decreased business fund due to net decrease in short-term loans payable by 399,950,000 yen, repayments of long-term loans payable of 204,086,000 yen and cash dividends paid of 45,339,000 yen.

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

Differences between performance forecasts and actual achievements in the current second quarter consolidated cumulative period, and modification of full term performance forecasts are as described in "Notices concerning differences between performance forecasts and actual achievements of the second quarter cumulative period of FY05/2019, and amendments to full term consolidated performance forecasts for FY05/2019" published on this day, January 10, 2019.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen; Δ means negative)

	Previous consolidated fiscal year (May 31, 2018)	Current second quarter consolidated fiscal period (November 30, 2018)
Assets		
Current assets		
Cash and deposits	2,103,966	1,380,512
Accounts receivable - trade	420,699	196,236
Accounts receivable - other from auction business	269,475	83,821
Merchandise	1,226,671	1,549,558
Advance payments	393,484	301,251
Other	219,869	193,529
Allowance for doubtful accounts	Δ9	Δ9
Total current assets	4,634,158	3,704,898
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	4,853	71,572
Machinery, equipment and vehicles (net)	906,273	873,871
Land	122,960	122,960
Construction in progress	36,466	—
Other (net)	12,733	32,583
Total property, plant and equipment	1,083,287	1,100,987
Intangible assets		
Software	12,791	10,941
Total intangible assets	12,791	10,941
Investments and other assets		
Stocks of subsidiaries and affiliates	70,600	70,600
Other	335,331	356,668
Allowance for doubtful accounts	Δ15,347	Δ15,378
Total investments and other assets	390,583	411,890
Total non-current assets	1,486,662	1,523,819
Total assets	6,120,821	5,228,718
Liabilities		
Current liabilities		
Accounts payable - trade	99,463	48,332
Accounts payable - other from auction business	498,114	275,926
Short-term loans payable	1,966,500	1,566,550
Current portion of bonds	44,000	44,000
Current portion of long-term loans payable	240,672	142,752
Income taxes payable	44,047	62,890
Provision for bonuses	11,425	16,894
Provision for directors' bonuses	6,739	—
Other	296,255	157,792
Total current liabilities	3,207,216	2,315,137
Non-current liabilities		
Bonds payable	84,000	62,000
Long-term loans payable	235,412	229,246
Liabilities on retirement benefits	33,600	34,750
Long-term accounts payable-installment purchase	557,378	530,414
Other	96,237	96,154
Total non-current liabilities	1,006,627	952,565
Total liabilities	4,213,844	3,267,702

(Thousand yen; Δ means negative)

	Previous consolidated fiscal year (May 31, 2018)	Current second quarter consolidated fiscal period (November 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	1,073,780	1,133,142
Capital surplus	680,020	739,381
Retained earnings	349,607	293,363
Treasury shares	Δ221,063	Δ221,063
Total shareholders' equity	1,882,345	1,944,824
Accumulated other comprehensive income		
Foreign currency translation adjustment	Δ3,569	Δ11,064
Total accumulated other comprehensive income	Δ3,569	Δ11,064
Subscription rights to shares	3,419	2,698
Non-controlling interests	24,781	24,557
Total net assets	1,906,976	1,961,015
Total liabilities and net assets	6,120,821	5,228,718

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

	(Thousand yen; Δ means negative)	
	Previous second quarter consolidated cumulative period (June 1, 2017 - November 30, 2017)	Current second quarter consolidated cumulative period (June 1, 2018 - November 30, 2018)
Net sales	1,210,951	1,962,966
Cost of sales	724,827	1,406,823
Gross profit	486,123	556,142
Selling, general and administrative expenses	524,294	506,057
Operating income or loss (Δ)	Δ 38,170	50,084
Non-operating income		
Interest income	207	315
Foreign exchange gains	650	4,080
Gain on forfeiture of unclaimed dividends	137	137
Gain on valuation of derivatives	1,393	848
Interest on refund of income taxes and other	1,423	—
Other	1,322	1,080
Total non-operating income	5,135	6,463
Non-operating expenses		
Interest expenses	17,783	18,546
Commission fee	14,616	6,471
Other	0	71
Total non-operating expenses	32,400	25,089
Ordinary income or loss (Δ)	Δ 65,435	31,458
Extraordinary income		
Gain on reversal of subscription rights to shares	—	156
Total extraordinary income	—	156
Extraordinary losses		
Loss on retirement of non-current assets	663	157
Impairment loss	8,271	—
Office transfer expenses	12,299	—
Total extraordinary losses	21,233	157
Net income or loss (Δ) before income taxes and minority interests	Δ 86,669	31,456
Income taxes - current	65,365	56,598
Income taxes - deferred	Δ 78,947	Δ 16,262
Total income taxes	Δ 13,581	40,336
Net income or loss (Δ)	Δ 73,087	Δ 8,879
Net income or loss (Δ) attributable to non-controlling shareholders	Δ 7	1,297
Net income or loss (Δ) attributable to owners of parent	Δ 73,079	Δ 10,177

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

(Thousand yen; Δ means negative)

	Previous second quarter consolidated cumulative period (June 1, 2017 - November 30, 2017)	Current second quarter consolidated cumulative period (June 1, 2018 - November 30, 2018)
Net income or loss (Δ)	Δ73,087	Δ8,879
Other comprehensive income		
Foreign currency translation adjustment	Δ22	Δ9,016
Total other comprehensive income	Δ22	Δ9,016
Comprehensive income	Δ73,109	Δ17,896
(detail)		
Comprehensive income attributable to owners of parent	Δ73,172	Δ17,672
Comprehensive income attributable to non-controlling interests	63	Δ224

(3) Quarterly Consolidated Cash Flow Statement

(Thousand yen, Δ means negative unless otherwise stated)

	Previous consolidated fiscal year (Jun. 1, 2017 - Nov. 30, 2017)	Current consolidated fiscal year (Jun. 1, 2018 - Nov. 30, 2018)
Cash flow from operating activities		
Net income or loss (Δ) before income taxes and minority interests	$\Delta 86,669$	31,456
Depreciation	34,157	39,474
Impairment loss	8,271	—
Increase or decrease (Δ) in allowance for doubtful accounts	69	30
Increase or decrease (Δ) in provision for bonuses	$\Delta 30,034$	5,469
Increase or decrease (Δ) in provision for directors' bonuses	$\Delta 48,193$	$\Delta 6,739$
Increase or decrease (Δ) in liabilities for retirement benefits	$\Delta 7,250$	1,150
Interest and dividends income	$\Delta 208$	$\Delta 316$
Interest expenses	17,783	18,546
Decrease or increase (Δ) in notes and accounts receivable - trade	1,599,233	218,917
Decrease or increase (Δ) in accounts receivable - other from auction business	$\Delta 175,898$	185,654
Decrease or increase (Δ) in inventories	$\Delta 165,717$	$\Delta 322,945$
Decrease or increase (Δ) in advance payments	$\Delta 391,393$	92,233
Increase or decrease (Δ) in notes and accounts payable-trade	$\Delta 83,454$	$\Delta 50,909$
Increase or decrease (Δ) in accounts payable - other from auction business	197,195	$\Delta 222,188$
Loss or gain(Δ) on valuation of derivatives	$\Delta 1,393$	$\Delta 848$
Loss on retirement of property, plant and equipment	705	157
Other	65,512	$\Delta 124,049$
Subtotal	932,715	$\Delta 134,904$
Interest and dividends income received	216	334
Interest expenses paid	$\Delta 17,812$	$\Delta 18,321$
Income taxes paid	41,406	$\Delta 29,536$
Net cash provided by or used (Δ) in operating activities	956,525	$\Delta 182,428$
Net cash provided by or used (Δ) in investing activities		
Expense by purchasing investment securities	$\Delta 20,500$	-
Purchase of stocks of subsidiaries and affiliates	$\Delta 40,990$	-
Purchase of property, plant and equipment	$\Delta 5,422$	$\Delta 55,482$
Payments into time deposits	$\Delta 564,104$	$\Delta 442,131$
Proceeds from withdrawal of time deposits	810,500	630,015
Purchase of insurance funds	—	$\Delta 5,155$
Proceeds from collection of lease and guarantee deposits	—	2,490
Other expenses	$\Delta 171,074$	-
Net cash provided by or used (Δ) in investing activities	8,407	129,735
Net cash provided by or used (Δ) in financing activities		
Net increase or decrease (Δ) in short-term loans payable	$\Delta 786,200$	$\Delta 399,950$
Proceeds from long-term loans payable	320,000	100,000
Repayments of long-term loans payable	$\Delta 284,886$	$\Delta 204,086$
Proceeds from issuance of bonds	147,085	—
Expense by redemption of bonds	—	$\Delta 22,000$
Proceeds from issuance of common stock	137,442	118,002
Dividends paid	$\Delta 43,336$	$\Delta 45,339$
Proceeds from disposal of treasury stock	3,530	—
Proceeds from sale and leaseback	27,893	—
Payments for sale and leaseback	—	$\Delta 1,407$
Payments for sale and installment back deal	$\Delta 26,963$	$\Delta 26,963$
Proceeds from issuance of subscription rights to shares	720	—
Net cash provided by or used (Δ) in financing activities	$\Delta 504,714$	$\Delta 481,743$
Effect of exchange rate change on cash and cash equivalents	633	$\Delta 1,134$
Net increase or decrease (Δ) in cash and cash equivalents	460,852	$\Delta 535,571$
Cash and cash equivalents at beginning of period	606,922	1,321,150
Balance of cash and cash equivalents at 2Q end	1,067,775	785,578

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)
Not applicable.

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

During the current second quarter consolidated cumulative period, execution of subscription rights to shares resulted in increase in capital stock by 59,361,000 yen and increase in capital surplus by 59,361,000 yen. Thus, at the end of the current second quarter consolidated cumulative period, capital stock was 1,133,142,000 yen and capital surplus was 739,381,000 yen.

(Additional information)

"Partial amendment of 'Accounting Standards for Tax Effect Accounting'" (Accounting Standards for Business Enterprises, No. 28, February 16, 2018) and others have been applied since the beginning of the first quarter consolidated fiscal period. Accordingly, deferred tax assets falls under investment and other assets; and deferred tax liabilities falls under non-current liabilities.

(Segment Information, etc.)

【Segment Information】

I. Previous second quarter consolidated cumulative period (June 1, 2017 - November 30, 2017)

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

(Thousand yen)

	Reportable segments			Others (see NOTE)	Total	Adjustment	Amount allocated to the current quarterly consolidated financial statements
	Auction related business	Energy related business	Subtotal				
Net sales	836,975	363,442	1,200,417	10,533	1,210,951	—	1,210,951
Segment income or loss (Δ)	32,225	Δ 67,735	Δ 35,509	Δ 2,660	Δ 38,170	—	Δ 38,170

(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 income or 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.
(Important impairment loss on non-current assets)

Impairment loss on non-current assets was recorded for the "Energy related business" segment. Recorded amount of the impairment loss was 8,271,000 yen in the current second quarter consolidated cumulative period.

II. Current second quarter consolidated cumulative period (June 1, 2018 - November 30, 2018)

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

(Thousand yen)

	Reportable segments			Others (see NOTE 1)	Total	Adjustment (see NOTE 2)	Amount allocated to the current quarterly consolidated financial statements
	Auction related business	Energy related business	Subtotal				
Net sales	1,369,641	546,327	1,915,968	46,997	1,962,966	—	1,962,966
Segment income or loss (Δ)	109,373	Δ 28,970	80,403	26,037	106,441	Δ 56,356	50,084

(NOTE) 1. The category "Others" refers to business segment not included in the reportable segments, which includes the business categories of supporting medical institutions, overseas real-estate, and microfinance.

2. Adjusted Segment income or loss (Δ) means corporate expenses not allocated to individual reportable segments of Δ 56,356,000 yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.

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 income or 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.