

## DISCLAIMER

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July 12, 2019

**Summary of Financial Results 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  
 Contact: Yoshiharu Masudo, Executive Officer and Accounting Manager Tel: +81-3-5537-8024  
 Scheduled date of ordinary general meeting of shareholders: August 29, 2019  
 Scheduled date of payment of dividend: August 30, 2019  
 Scheduled date of filing securities report: August 30, 2019  
 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)  
 (Δ means negative)

**1. Financial results of the Fiscal Year ending May 31, 2019 (June 1, 2018 – May 31, 2019)**

**(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	%
FY05/2019	2,932	5.4	Δ86	—	Δ134	—	Δ56	—
FY05/2018	2,781	Δ48.0	Δ181	—	Δ265	—	Δ257	—

(Note) Comprehensive income FY05/2019: Δ53 million yen (—%)  
 FY05/2018: Δ262 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	%	%	%
FY05/2019	Δ8.66	—	—	—	—
FY05/2018	Δ40.93	—	—	—	—

(Reference) Equity in earnings of affiliated companies FY05/2019: — million yen  
 FY05/2018: — million yen

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY05/2019	4,735	1,895	40.0	287.83
FY05/2018	6,120	1,906	30.7	293.65

(Reference) Shareholders equity FY05/2019: 1,895 million yen  
 FY05/2018: 1,878 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
FY05/2019	34	405	Δ995	756
FY05/2018	756	67	Δ175	1,321

**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	%	%
FY05/2018	—	0.00	—	7.20	7.20	46	—	2.4
FY05/2019	—	0.00	—	3.00	3.00	19	—	1.0
FY05/2020(forecasts)	—	0.00	—	3.00	3.00		89.8	

Year-end dividend of FY05/2019 is scheduled to be changed to 3.00 yen from that previously set at 7.20 yen. For details, please refer to "Notices concerning the difference between performance forecasts for the full term of FY05/2019 and the actual results, and amendments to the dividend forecasts for FY05/2019" announced today (July 12, 2019).

**3. Consolidated performance forecasts for the Fiscal Year ending May 31, 2020 (June 1, 2019 – May 31, 2020)**

(Percentages represent changes from previous year; Δ 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)	1,148	Δ41.5	Δ58	—	Δ69	—	Δ68	—	Δ10.32
Full term	2,726	Δ7.0	79	—	34	—	22	—	3.34

## 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): No
- (2) 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
- (3) Number of outstanding shares (common shares)
  - 1) Number of shares outstanding at the end of the period (including treasury stock)

FY05/2019:	7,439,900 shares
FY05/2018:	7,250,900 shares
  - 2) Number of treasury stock at the end of the period

FY05/2019:	852,800 shares
FY05/2018:	852,800 shares
  - 3) Average number of shares outstanding during the period

FY05/2019:	6,528,598 shares
FY05/2018:	6,286,571 shares

\* Summary of financial results is not included in audit 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 4, "1. Overall operating results, etc., (4) Forecasts for the future".

(How to obtain supplementary references regarding the financial results)

The Company will hold a briefing for institutional investors and analysts on July 29, 2019 (Mon.). Documentations used in this briefing will be posted on our website immediately thereafter.

**1. Overall operating results, etc.****(1) Overall operating results of the current period**

During the current consolidated fiscal year (June 1, 2018 - May 31, 2019), 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.

In these situations, Japanese domestic art markets have maintained the entire scale almost the same level as the previous year. Since the second half of last year, however, mid/low-priced modern arts have experienced sharp fall and distribution volume of art market as a whole substantially decreased. It is likely that such trends would continue, which the Company cannot disregard.

With respect to the energy related business segment, purchase price of electricity as set out by the Ministry of Economy, Trade and Industry has been continuously lowered, so the business of selling low-pressure type photovoltaic power generation installations has faced much difficulty in securing orders for new projects.

The operating results for each business segment are as follows.

**① Auction related business**

With respect to auction related business, handling volume was 4,609,396,000 yen (increase by 7.8% YoY), net sales was 2,133,566,000 yen (increase by 44.6% YoY), and segment income was 63,494,000 yen (decrease by 54.8% YoY).

The operating results for each business category are as follows.

Category	30th term							
	FY05/2019							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auctions held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	1,131,971	Δ39.6	267,875	Δ25.7	5	530	409	77.2
Modern Ceramics Auction	400,810	34.0	88,413	47.8	4	736	679	92.3
Modern Art Part II Auction	164,095	Δ33.2	38,394	Δ34.7	5	1,225	1,023	83.5
Other auctions (see Note 2)	1,130,749	14.7	168,487	Δ10.8	12	3,323	2,044	61.5
Auctions business - total	2,827,625	Δ16.9	563,171	Δ15.7	26	5,814	4,155	71.5
Private sale	1,776,671	110.2	1,548,143	100.8				
Others	5,100	Δ81.2	22,250	Δ40.0				
Other auction related business - total	1,781,771	104.2	1,570,394	94.4				
Auction related business - total	4,609,396	7.8	2,133,566	44.6				

(Note) 1. One of major factors causing divergence with respect to YoY increase/decrease 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 26 auctions (in comparison, 29 auctions were held during the same period of the previous year), due to renovation work of auction venue and construction work of new gallery space for Shinwa Prive Co., Ltd. Specifically, Modern Art Auction and Modern Art Part II Auction were held five times respectively; Modern Ceramics Auction and Bags/Jewellery & Watches Auction were held four times respectively; Wine Auction were held three times; and Western Art Auction were held once; as well as MANGA (Japanese cartoons) Auction as a new genre were held twice and "ART JUNGLE The House Collection" as a special auction commemorating the renewal was also held once.

As for Modern Art Auction, both numbers of items offered and of successful bids decreased by 21.8% and 25.6%, respectively YoY because of one occasion less than the same period of the previous year. Ratio of successful bid value relative to the estimated minimum sum was as high as 125.8% on average, but average successful bid value decreased by 18.2% YoY.

As for Modern Ceramics Auction, both numbers of items offered and of successful bids decreased by 2.4% and 5.6%, respectively YoY. During the current consolidated fiscal year, antique arts auctions continuously achieved good performance, resulting in average successful bid value increased by 41.0% YoY, and ratio of successful bid value relative to the estimated minimum sum was as high as 158.9% on average.

As for Modern Art Part II Auction, both numbers of items offered and of successful bids decreased by 17.3% and 22.1%, respectively YoY because of one occasion less than the same period of the previous year. Average successful bid value decreased by 14.1% YoY, and ratio of successful bid value relative to the estimated minimum sum was as high as 135.8% on average.

In addition, Wine Auction also maintained high level of performance, and a new genre named MANGA Auction were held twice. 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 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 consolidated fiscal year, resulting in substantial increase in both handling volume and net sales by 110.2% and 100.8% 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, 20 of those were sold during the current consolidated cumulative year. 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.

PKS business segment in Malaysia realized sales of about 20,000 tons during the current consolidated fiscal year and still continues to improve its profitability.

This segment, including electric power selling business by using photovoltaic installations owned by a subsidiary, resulted in net sales of 747,287,000 yen (decrease by 40.8% YoY) and segment loss of 64,779,000 yen (in comparison, it was 226,600,000 yen in the same period of the previous year) in the current consolidated fiscal year.

## ③ Others

Wealth management business segment introducing second-hand real-estates located in Texas, U.S.A. successfully sold 9 properties during the current consolidated fiscal year. In addition, the Group worked on improvement in its overall profitability, including reconsideration of SG&A expenses of individual business segments.

Also, the Group sold off the entire shares of SHINWA MICROFINANCE COMPANY LIMITED which had engaged in microfinance business in Republic of the Union of Myanmar, and as a result it allocated extraordinary income of 121,392,000 yen.

In such context, performance of the current consolidated fiscal year was as follows: net sales of 2,932,458,000 yen (increase by 151,089,000 yen, namely 5.4% YoY), operating loss of 86,047,000 yen (in comparison, it was 181,854,000 yen in the previous year), ordinary loss of 134,967,000 yen (in comparison, it was 265,494,000 yen in the previous year), and net loss attributable to owners of parent of 56,546,000 yen (in comparison, it was 257,306,000 yen in the previous year).

**(2) Overall financial position of the current period**

Total assets in the current consolidated fiscal year was 4,735,676,000 (decrease by 1,385,144,000 yen YoY). It comprises mainly current assets of 3,238,348,000 yen (decrease by 1,395,810,000 yen YoY) and non-current assets of 1,497,328,000 yen (increase by 10,665,000 yen YoY). Current assets comprises mainly cash and deposits of 1,223,162,000 yen (decrease by 880,803,000 yen YoY), accounts receivable - trade of 19,121,000 yen (decrease by 401,578,000 yen YoY), merchandise of 1,297,117,000 yen (increase by 70,446,000 yen YoY), and advance payments of 147,991,000 yen (decrease by 245,493,000 yen YoY). Non-current assets comprises mainly machinery, equipment and vehicles (net) of 68,388,000 yen (increase by 63,534,000 yen YoY) and machinery, equipment and vehicles (net) of 847,594,000 yen (decrease by 58,679,000 yen YoY).

Total liabilities was 2,839,739,000 yen (decrease by 1,374,104,000 yen YoY). It comprises mainly current liabilities of 1,942,791,000 yen (decrease by 1,264,425,000 yen YoY) and non-current liabilities of 896,948,000 yen (decrease by 109,679,000 yen YoY). Current liabilities comprises mainly short-term loans payable of 1,112,542,000 yen (decrease by 853,958,000 yen YoY), current portion of long-term loans payable of 147,932,000 yen (decrease by 92,740,000 yen YoY), and

accounts payable - auction business of 274,563,000 yen (decrease by 223,550,000 yen YoY). Non-current liabilities comprises mainly long-term loans payable of 215,340,000 yen (decrease by 20,072,000 yen YoY) and long-term accounts payable-installment purchase of 503,451,000 yen (decrease by 53,926,000 yen YoY).

Net assets was 1,895,937,000 yen (decrease by 11,039,000 yen YoY). It comprises mainly capital stock of 1,133,142,000 yen (increase by 59,361,000 yen YoY), capital surplus of 739,381,000 yen (increase by 59,361,000 yen YoY), and retained earnings of 247,529,000 yen (decrease by 102,078,000 yen YoY). As a result, currently net assets per share is 287.83 yen and equity ratio is 40.0%.

### (3) Overall cash flows of the current term

With respect to cash and cash equivalents (hereinafter, "business fund") at the end of the current consolidated fiscal year, business fund of 559,271,000 yen was spent due to increase in cash flow from operating activities and investment activities, an decrease in cash flow from financial activities, resulting in cash and cash equivalents of 756,162,000 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 gained as a result of operating activities in the current consolidated fiscal year was 34,191,000 yen (in comparison, 756,197,000 yen was gained in the previous year). It comprises mainly, on one hand, increase in business fund by 327,849,000 yen due to decrease in sales credit, and on the other hand, decrease in business fund by 157,298,000 yen due to decrease in accounts payable - auction business and decrease in business fund by 157,298,000 yen due to increase in accounts receivable - other.

#### (Cash flow from investment activities)

The business fund gained as a result of investment activities in the current consolidated fiscal year was 405,652,000 yen (in comparison, 67,130,000 yen was gained in the previous year). It comprises mainly increase in business fund by 165,497,000 yen due to sales of stocks of subsidiaries and affiliates, and increase in business fund by 315,815,000 yen due to net decrease in time deposits.

#### (Cash flow from financial activities)

The business fund spent as a result of financial activities in the current consolidated fiscal year was 995,227,000 yen (in comparison, 175,633,000 yen was spent in the previous year). It comprises mainly, on one hand, increase in business fund by 200,000,000 yen due to proceeds from long-term loans payable and increase in business fund by 118,002,000 yen due to proceeds from issuance of common stocks, and on the other hand, decrease in business fund by 853,958,000 yen due to net decrease in short-term loans payable and decrease in business fund by 312,812,000 yen due to repayments of long-term loans payable.

#### **(4) Forecasts for the future**

Although Japanese economy as a whole has kept gradual recovery, many factors such as impacts of the recent U.S.-China trade conflicts, uncertainties in the global economy, concerns about fluctuations in the financial/capital markets, might cause some risk of economic downturn.

Amid such environment, as for auction related business, good performances may be anticipated to be continued in certain kinds of auctions such as those of antique arts and wines, whereas mid/low priced modern arts have experienced sharp fall since the second half of last year and it is likely that such situations would continue for the next term. The Group has put its efforts to reappraisal and evaluation of Japanese modern arts, called "Revitalization Project for Japanese Modern Arts", and at the same time it will, in order to achieve some new corporate quality that ensures the Group's overall profitability, with a slogan of "Art makes profit", realize a shift to the market of Post-War & Contemporary Arts which may become a new pillar except modern arts, and seek to reconsider swiftly its business portfolio.

In the energy related business segment, it is likely that sales business of low-pressure type photovoltaic installations would arrive at a convergence in a few years, and in addition, it is assumed that PKS business would take several more years to make profits, so the Group will proactively put its efforts to development of some new business in place of selling low-pressure type photovoltaic installations.

In such context, consolidated performance for FY05/2020 is projected as follows: consolidated net sales of 2,726,860,000 yen; consolidated operating income of 79,341,000 yen; consolidated ordinary income of 34,157,000 yen; and net income attributable to owners of parent of 22,638,000 yen.

(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 3.00 yen per share, taking the performance of the current term, performance forecasts for the next term and the Company's recent financial situation into account, as described in the "Notices concerning the difference between performance forecasts for the full term of FY05/2019 and the actual results, and amendments to the dividend forecasts for FY05/2019" announced today (July 12, 2019).

For the next term, we expect to pay out dividend of 3.00 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; Δ means negative)

	Previous consolidated fiscal year (May 31, 2018)	Current consolidated fiscal year (May 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	2,103,966	1,223,162
Accounts receivable - trade	420,699	19,121
Accounts receivable - other from auction business	269,475	190,609
Merchandise	1,226,671	1,297,117
Advance payments	393,484	147,991
Other	219,869	360,347
Allowance for doubtful accounts	Δ9	Δ2
Total current assets	4,634,158	3,238,348
Non-current assets		
Property, plant and equipment		
Buildings and structures	97,304	138,766
Accumulated depreciation	Δ92,450	Δ70,378
Buildings and structures (net)	4,853	68,388
Machinery, equipment and vehicles	1,056,940	1,053,574
Accumulated depreciation	Δ150,667	Δ205,979
Machinery, equipment and vehicles (net)	906,273	847,594
Land	122,960	121,760
Construction in progress	36,466	—
Other	43,041	49,301
Accumulated depreciation	Δ30,307	Δ19,018
Other (net)	12,733	30,282
Total property, plant and equipment	1,083,287	1,068,025
Intangible assets		
Software	12,791	25,937
Total intangible assets	12,791	25,937
Investment and other assets		
Investment securities	108,125	108,125
Stocks of subsidiaries and affiliates	70,600	74,873
Deferred tax assets	90,234	121,532
Other	136,972	114,185
Allowance for doubtful accounts	Δ15,347	Δ15,351
Total investments and other assets	390,583	403,365
Total non-current assets	1,486,662	1,497,328
Total assets	6,120,821	4,735,676

	(Thousand yen; Δ means negative)	
	Previous consolidated fiscal year (May 31, 2018)	Current consolidated fiscal year (May 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	99,463	109,600
Accounts payable - other from auction business	498,114	274,563
Short-term loans payable	1,966,500	1,112,542
Current portion of bonds	44,000	44,000
Current portion of long-term loans payable	240,672	147,932
Income taxes payable	44,047	63,972
Provision for bonuses	11,425	14,971
Provision for directors' bonuses	6,739	—
Other	296,255	175,209
Total current liabilities	3,207,216	1,942,791
Non-current liabilities		
Bonds payable	84,000	40,000
Long-term loans payable	235,412	215,340
Liabilities on retirement benefits	33,600	15,480
Provision for directors' retirement benefits	—	36,000
Deferred tax liabilities	56,175	57,387
Long-term accounts payable-installment purchase	557,378	503,451
Other	40,062	29,288
Total non-current liabilities	1,006,627	896,948
Total liabilities	4,213,844	2,839,739
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,073,780	1,133,142
Capital surplus	680,020	739,381
Retained earnings	349,607	247,529
Treasury stock	Δ221,063	Δ221,063
Total shareholders' equity	1,882,345	1,898,990
Accumulated other comprehensive income		
Foreign currency translation adjustment	Δ3,569	Δ3,052
Total accumulated other comprehensive income	Δ3,569	Δ3,052
Subscription rights to shares	3,419	—
Non-controlling interests	24,781	—
Total net assets	1,906,976	1,895,937
Total liabilities and net assets	6,120,821	4,735,676



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

(Thousand yen; Δ means negative)

	Previous consolidated fiscal year (Jun. 1, 2017 - May 31, 2018)	Current consolidated fiscal year (Jun. 1, 2018 - May 31, 2019)
Net sales	2,781,368	2,932,458
Cost of sales	1,871,579	2,068,422
Gross profit	909,789	864,035
Selling, general and administrative expenses	1,091,644	950,083
Operating income or loss (Δ)	Δ181,854	Δ86,047
Non-operating income		
Interest income	371	1,694
Gain on forfeiture of unclaimed dividends	137	137
Gain on valuation of derivatives	2,547	920
Insurance income	—	832
Interest on refund of income taxes and other	1,423	69
Other	1,697	960
Total non-operating income	6,177	4,614
Non-operating expenses		
Interest expenses	36,349	31,006
Foreign exchange losses	11,261	7,346
Commission fee	27,258	13,421
Compensation expenses	12,867	—
Other	2,079	1,759
Total non-operating expenses	89,816	53,533
Ordinary income or loss (Δ)	Δ265,494	Δ134,967
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	—	121,392
Reversal of provision for retirement benefits	1,320	7,120
Gain on reversal of subscription rights to shares	7	2,698
Other	—	100
Total extraordinary income	1,327	131,311
Extraordinary losses		
Impairment loss	16,006	—
Loss on retirement of non-current assets	680	157
Office transfer expenses	12,299	3,250
Loss on litigation	17,244	8,950
Other	1,210	—
Total extraordinary losses	47,441	12,357
Net income or loss (Δ) loss before income taxes and minority interests	Δ311,608	Δ16,014
Income taxes - current	37,970	70,275
Income taxes - deferred	Δ90,856	Δ30,086
Total income taxes	Δ52,885	40,189
Net income or loss (Δ)	Δ258,722	Δ56,203
Net income or loss (Δ) attributable to non-controlling shareholders	Δ1,415	342
Net income or loss (Δ) attributable to owners of parent	Δ257,306	Δ56,546

## (Consolidated Statement of Comprehensive Income)

(Thousand yen; Δ means negative)

	Previous consolidated fiscal year (Jun. 1, 2017 - May 31, 2018)	Current consolidated fiscal year (Jun. 1, 2018 - May 31, 2019)
Net income or loss (Δ)	Δ258,722	Δ56,203
Other comprehensive income or loss (Δ)		
Foreign currency translation adjustment	Δ3,316	2,516
Total other comprehensive income or loss (Δ)	Δ3,316	2,516
Comprehensive income or loss (Δ)	Δ262,038	Δ53,686
(detail)		
Comprehensive income or loss (Δ) attributable to owners of parent	Δ258,840	Δ56,029
Comprehensive income or loss (Δ) attributable to non-controlling interests	Δ3,197	2,342

**(3) Consolidated Statements of Shareholders' Equity**

Previous consolidated fiscal year (Jun. 1, 2017 - May 31, 2018)

(Thousand yen; Δ means negative)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of current period	987,181	592,464	650,576	Δ223,655	2,006,566
Changes of items during the period					
Issuance of new shares	86,599	86,599			173,199
Dividends from surplus			Δ43,661		Δ43,661
Income or loss (Δ) attributable to owners of parent			Δ257,306		Δ257,306
Purchase of treasury stock		955		2,592	3,548
Changes of items other than shareholders' equity (net)					
Total changes of items during the period	86,599	87,555	Δ300,968	2,592	Δ124,221
Balance at the end of current period	1,073,780	680,020	349,607	Δ221,063	1,882,345

	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	Δ2,035	Δ2,035	3,616	2,210	2,010,357
Changes of items during the period					
Issuance of new shares					173,199
Dividends from surplus					Δ43,661
Income or loss (Δ) attributable to owners of parent					Δ257,306
Disposal of treasury stock					3,548
Changes of items other than shareholders' equity (net)	Δ1,534	Δ1,534	Δ197	22,571	20,840
Total changes of items during the period	Δ1,534	Δ1,534	Δ197	22,571	Δ103,380
Balance at the end of current period	Δ3,569	Δ3,569	3,419	24,781	1,906,976

Current consolidated fiscal year (Jun. 1, 2018 - May 31, 2019)

(Thousand yen; Δ means negative)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of current period	1,073,780	680,020	349,607	Δ221,063	1,882,345
Changes of items during the period					
Issuance of new shares	59,361	59,361			118,723
Dividends from surplus			Δ46,066		Δ46,066
Income or loss (Δ) attributable to owners of parent			Δ56,546		Δ56,546
Disposal of treasury stock					—
Change of scope of consolidation			533		533
Changes of items other than shareholders' equity (net)					
Total changes of items during the period	59,361	59,361	Δ102,078	—	16,644
Balance at the end of current period	1,133,142	739,381	247,529	Δ221,063	1,898,990

	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	Δ3,569	Δ3,569	3,419	24,781	1,906,976
Changes of items during the period					
Issuance of new shares					118,723
Dividends from surplus					Δ46,066
Income or loss (Δ) attributable to owners of parent					Δ56,546
Disposal of treasury stock					—
Change of scope of consolidation					533
Changes of items other than shareholders' equity (net)	516	516	Δ3,419	Δ24,781	Δ27,684
Total changes of items during the period	516	516	Δ3,419	Δ24,781	Δ11,039
Balance at the end of current period	Δ3,052	Δ3,052	—	—	1,895,937

**(4) Consolidated Cash Flow Statement**

(Thousand yen, Δ means negative unless otherwise stated)

	Previous consolidated fiscal year (Jun. 1, 2017 - May 31, 2018)	Current consolidated fiscal year (Jun. 1, 2018 - May 31, 2019)
<b>Cash flow from operating activities</b>		
Net income or loss (Δ) before income taxes	Δ311,608	Δ16,014
Depreciation	71,464	84,736
Increase or decrease (Δ) in allowance for doubtful accounts	982	Δ3
Increase or decrease (Δ) in provision for bonuses	Δ30,669	3,546
Increase or decrease (Δ) in provision for directors' bonuses	Δ50,516	Δ6,739
Increase or decrease (Δ) in liabilities for retirement benefits	Δ13,000	Δ18,120
Increase or decrease (Δ) in provision for directors' retirement benefits	—	36,000
Interest and dividends income	Δ371	Δ1,694
Interest expenses	36,349	31,006
Impairment loss	16,006	—
Loss or gain (Δ) on sales of stocks of subsidiaries and affiliates	—	Δ121,392
Gain on reversal of subscription rights to shares	Δ7	Δ2,698
Loss or gain (Δ) on valuation of derivatives	Δ2,547	Δ920
Decrease or increase (Δ) in notes and accounts receivable - trade	1,536,724	327,849
Decrease or increase (Δ) in accounts receivable - other from auction business	Δ135,190	78,866
Decrease or increase (Δ) in accounts receivable-other	Δ2,597	Δ157,298
Decrease or increase (Δ) in inventories	Δ326,412	Δ70,019
Decrease or increase (Δ) in advance payments	Δ297,706	245,493
Increase or decrease (Δ) in notes and accounts payable-trade	Δ20,392	10,605
Increase or decrease (Δ) in accounts payable - other from auction business	223,417	Δ223,550
Increase or decrease (Δ) in advances received	119,307	Δ131,103
Other	Δ63,020	49,765
Subtotal	750,213	118,313
Interest and dividends income received	372	788
Interest expenses paid	Δ35,791	Δ29,142
Income taxes paid	Δ11,036	Δ67,282
Income taxes refund	52,438	11,514
Net cash provided by or used in (Δ) operating activities	756,197	34,191
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	Δ67,922	Δ67,763
Purchase of intangible assets	—	Δ7,776
Payments into time deposits	Δ881,807	Δ630,334
Proceeds from withdrawal of time deposits	1,109,501	946,149
Purchase of stocks of subsidiaries and affiliates	Δ10,000	—
Proceeds from sales of stocks of subsidiaries and affiliates	—	165,497
Expense by purchasing investment securities	Δ58,075	—
Payments for lease and guarantee deposits	Δ17,029	Δ665
Proceeds from collection of lease and guarantee deposits	—	14,892
Purchase of insurance funds	—	Δ5,155
Decrease or increase (Δ) in other investments	Δ7,536	Δ9,191
Net cash provided by or used in (Δ) investing activities	67,130	405,652
<b>Cash flows from financing activities</b>		
Net increase or decrease (Δ) in short-term loans payable	Δ259,535	Δ853,958
Proceeds from long-term loans payable	320,000	200,000
Repayments of long-term loans payable	Δ466,472	Δ312,812
Proceeds from issuance of bonds	147,085	—
Expense by redemption of bonds	Δ22,000	Δ44,000
Proceeds from issuance of common stock	172,308	118,002
Proceeds from issuance of subscription rights to shares	720	—
Purchase of treasury stock	3,530	—
Cash dividends paid	Δ43,569	Δ45,739
Proceeds from sale and leaseback	27,893	—
Payments for sale and leaseback	Δ1,667	Δ2,794
Proceeds from sale and installment back deal	Δ53,926	Δ53,926
Net cash provided by or used in (Δ) financing activities	Δ175,633	Δ995,227

	Previous consolidated fiscal year (Jun. 1, 2017 - May 31, 2018)	Current consolidated fiscal year (Jun. 1, 2018 - May 31, 2019)
Effect of exchange rate change on cash and cash equivalents	Δ 1,294	Δ 3,887
Net increase or decrease (Δ) in cash and cash equivalents	646,400	Δ 559,271
Cash and cash equivalents at beginning of period	606,922	1,321,150
Increase in cash and cash equivalents from newly consolidated subsidiary	67,826	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	Δ 5,716
Cash and cash equivalents at end of period	1,321,150	756,162

**(5) Notes on Quarterly Consolidated Financial Statements**

(Going Concern Assumption)

Not applicable.

(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 current 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】

## 1. Overview of reportable segments

The Group's reportable segments are those being its constituent units for which separated financial information is available and are subject to periodic review by the board of directors for determining allocation of management resources and for evaluating business performance.

The Group engages in a variety of business including auction related business that organizes and operates various auctions; energy related business; as well as those supporting medical institutions.

Accordingly, the Group consists of several segments each of which deals with different products/services, and sets two reportable segments as "Auction related business" and "Energy related business".

## 2. How to calculate amounts of net sales, profit/loss, assets, liabilities and other items for each reportable segment

Accounting treatment methods for the business segments as reported herein are basically identical to the descriptions in the "Significant information regarding the preparation of consolidated financial statements".

Figures of segment income of individual reportable segments are based on their operating income.

## 3. Information concerning amounts of net sales, profit/loss, assets, liabilities and other items for each reportable segment

Previous consolidated fiscal year (June 1, 2017 - May 31, 2018)

	Reportable segments			Others (see Note 1)	Total	Adjustment (see Note 2)	Amount allocated on consolidated financial statements
	Auction related business	Energy related business	Subtotal				
Net sales							
Sales from external customers	1,475,879	1,262,679	2,738,559	42,808	2,781,368	—	2,781,368
Inter-segment sales or transfer	—	—	—	—	—	—	—
Total	1,475,879	1,262,679	2,738,559	42,808	2,781,368	—	2,781,368
Segment income or loss (Δ)	140,601	Δ226,600	Δ85,999	6,552	Δ79,446	Δ102,408	Δ181,854
Segment assets	2,444,607	2,196,515	4,641,122	313,319	4,954,441	1,166,379	6,120,821
Other items							
Depreciation	2,730	65,811	68,542	54	68,595	2,869	71,464
Increase in tangible/intangible assets	4,202	27,253	31,455	—	31,455	36,466	67,922

- Notes
- The category "Others" refers to business segment not included in the reportable segments, which includes the business categories of supporting medical institutions, insurance, overseas real-estate, and microfinance.
  - Adjusted amounts are as follows:
    - Adjusted segment loss of Δ102,408,000 yen includes corporate expenses not allocated to individual reportable segments of Δ102,408,000 yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.
    - Adjusted segment assets of 1,166,379,000 yen includes corporate assets not allocated to individual reportable segments. Corporate assets comprises mainly of cash, investment securities and assets under management, of the submitting company.
    - Adjusted depreciation of 2,869,000 yen comprises mainly of depreciation of corporate assets not allocated to individual reportable segments.
    - Adjusted increase in tangible/intangible assets of 36,466,000 yen comprises mainly of capital investment in corporate assets not allocated to individual reportable segments.
  - Total amount of Segment income or loss (Δ) is in agreement with the operating loss presented on the Consolidated Statements of Income.



Current consolidated fiscal year (June 1, 2018 - May 31, 2019)

(Thousand yen)

	Reportable segments			Others (see Note 1)	Total	Adjustment (see Note 2)	Amount allocated on consolidated financial statements
	Auction related business	Energy related business	Subtotal				
Net sales							
Sales from external customers	2,133,566	747,287	2,880,853	51,604	2,932,458	—	2,932,458
Inter-segment sales or transfer	—	—	—	—	—	—	—
Total	2,133,566	747,287	2,880,853	51,604	2,932,458	—	2,932,458
Segment income or loss ( $\Delta$ )	63,494	$\Delta$ 64,779	$\Delta$ 1,284	26,739	25,455	$\Delta$ 111,503	$\Delta$ 86,047
Segment assets	2,244,137	1,501,300	3,745,438	97,893	3,843,331	892,345	4,735,676
Other items							
Depreciation	17,102	64,967	82,069	125	82,194	2,541	84,736
Increase in tangible/intangible assets	81,858	1,053	82,912	—	82,912	1,699	84,611

- Notes
- The category "Others" refers to business segment not included in the reportable segments, which includes the business categories of supporting medical institutions, insurance, overseas real-estate, and microfinance. The Group sold off the entire shares of SHINWA MICROFINANCE COMPANY LIMITED which had engaged in microfinance business, so it has been since excluded from the scope of consolidation.
  - Adjusted amounts are as follows:
    - Adjusted segment loss of  $\Delta$ 111,503,000 yen includes corporate expenses not allocated to individual reportable segments of  $\Delta$ 111,503,000 yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.
    - Adjusted segment assets of 892,345,000 yen includes corporate assets not allocated to individual reportable segments. Corporate assets comprises mainly of cash, investment securities and assets under management, of the submitting company.
    - Adjusted depreciation of 2,541,000 yen comprises mainly of depreciation of corporate assets not allocated to individual reportable segments.
    - Adjusted increase in tangible/intangible assets of 1,699,000 yen comprises mainly of capital investment in corporate assets not allocated to individual reportable segments.
  - Total amount of Segment income or loss ( $\Delta$ ) is in agreement with the operating loss presented on the Consolidated Statements of Income.

(Per share data)

	Previous consolidated fiscal year (June 1, 2017 - May 31, 2018)	Current consolidated fiscal year (June 1, 2018 - May 31, 2019)
Net assets per share	293.65 yen	287.83 yen
Net income or loss ( $\Delta$ ) per share	$\Delta$ 40.93 yen	$\Delta$ 8.66 yen
Diluted net income per share	—	—

- Notes
1. Amount of "Diluted net income per share" of the previous consolidated fiscal year is not disclosed because, although there were residual securities, net loss per share has been posted. Amount of "Diluted net income per share" of the current consolidated fiscal year is not disclosed because net loss per share has been posted and no residual securities exist.
  2. Calculation bases of net assets per share are as follows.

	Previous consolidated fiscal year (May 31, 2018)	Current consolidated fiscal year (May 31, 2019)
Total net assets (thousand yen)	1,906,976	1,895,937
Deduction from total net assets (thousand yen)	28,201	—
(with subscription rights (thousand yen))	(3,419)	(—)
(for non-controlling shareholders (thousand yen))	(24,781)	(—)
End-of-period net assets applicable to common stock (thousand yen)	1,878,775	1,895,937
End-of-period number of shares used for calculating net assets per share	6,398,100	6,587,100

3. Calculation bases of net income/loss per share and diluted net income/loss per share are as follows.

	Previous consolidated fiscal year (June 1, 2017 - May 31, 2018)	Current consolidated fiscal year (June 1, 2018 - May 31, 2019)
Net income or loss ( $\Delta$ ) per share		
Income or loss ( $\Delta$ ) attributable to owners of parent (thousand yen)	$\Delta$ 257,306	$\Delta$ 56,546
Amount not attributable to common stockholders (thousand yen)	—	—
Income or loss ( $\Delta$ ) attributable to owners of parent applicable to common stock (thousand yen)	$\Delta$ 257,306	$\Delta$ 56,546
Average number of shares outstanding during the period	6,286,571	6,528,598
Diluted net income or loss ( $\Delta$ ) per share		
Adjusted income loss ( $\Delta$ ) attributable to owners of parent (thousand yen)	—	—
Increased number of common stock (number of shares with subscription rights)	(—)	(—)
(number of shares with stock options)	(—)	(—)
Summary of residual securities not included in calculating diluted earnings per share, because of having no dilution effect	—	—

(Significant post-balance sheet events)  
Not applicable.