

DISCLAIMER

This English translation is only for reference purpose. When there are any discrepancies between original Japanese version and English translation version, the original Japanese version always prevails.

July 12, 2018

Summary of Financial Results of the Fiscal Year ending May 31, 2018
[Japanese standards] (Consolidated)

Company name: SHINWA WISE HOLDINGS CO., LTD. Stock Exchange listings: Tokyo
 Securities code: 2437 URL: <http://www.shinwa-wise.com>
 Representative: Yoichiro Kurata, President and Representative Director
 Contact: Yoshiharu Masudo, Accounting Manager Tel: +81-3-5537-8024
 Scheduled date of ordinary general meeting of shareholders: August 30, 2018
 Scheduled date of payment of dividend: August 31, 2018
 Scheduled date of filing securities report: August 31, 2018
 Preparation of supplementary references regarding financial results: No
 Holding the briefing of financial results: No

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

1. Financial results of the Fiscal Year ending May 31, 2018 (June 1, 2017 – May 31, 2018)

(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 | % |
| FY05/2018 | 2,781 | △48.0 | △181 | — | △265 | — | △257 | — |
| FY05/2017 | 5,348 | 37.2 | 364 | 2.3 | 303 | △8.7 | 166 | 1.3 |

(Note) Comprehensive income FY05/2018: △262 million yen (—%)
 FY05/2017: 165 million yen (1.4%)

| | 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 | % | % | % |
| FY05/2018 | △40.93 | — | — | — | — |
| FY05/2017 | 28.13 | 27.89 | 8.8 | 5.8 | 6.8 |

(Reference) Equity in earnings of affiliated companies FY05/2018: — million yen
 FY05/2017: — million yen

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-----------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| FY05/2018 | 6,188 | 1,906 | 30.4 | 293.65 |
| FY05/2017 | 6,432 | 2,010 | 31.2 | 330.56 |

(Reference) Shareholders equity FY05/2018: 1,878 million yen
 FY05/2017: 2,004 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 |
| FY05/2018 | 756 | 67 | △175 | 1,321 |
| FY05/2017 | △1,550 | △1,253 | 2,134 | 606 |

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 | % | % |
| FY05/2017 | — | 0.00 | — | 7.20 | 7.20 | 43 | 25.6 | 2.2 |
| FY05/2018 | — | 0.00 | — | 7.20 | 7.20 | 46 | — | 2.4 |
| FY05/2019(forecasts) | — | 0.00 | — | 7.20 | 7.20 | | 91.5 | |

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

(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) | 1,800 | 48.6 | 30 | — | 21 | — | 14 | — | 2.19 |
| Full term | 3,800 | 36.6 | 74 | — | 60 | — | 50 | — | 7.87 |

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)

| | |
|------------|------------------|
| FY05/2018: | 7,250,900 shares |
| FY05/2017: | 6,926,900 shares |
 - 2) Number of treasury stock at the end of the period

| | |
|------------|----------------|
| FY05/2018: | 852,800 shares |
| FY05/2017: | 862,800 shares |
 - 3) Average number of shares outstanding during the period

| | |
|------------|------------------|
| FY05/2018: | 6,286,571 shares |
| FY05/2017: | 5,913,376 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".

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

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 along with continuous development of new businesses to be its profitability pillars, 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

As for auction related business, good performances were achieved in certain kinds of auctions such as those of antique arts and wines with much anticipation for further continuance, whereas the field of modern arts has still been on a declining trend in terms of distribution volume of the entire market, so we are still in a severe environment for inviting items to be offered. During the current consolidated fiscal year, handling volume was 4,277,014,000 yen (increase by 42.8% YoY); net sales was 1,475,879,000 yen (increase by 60.1% YoY); and segment income was 140,601,000 yen (as opposed to segment loss of 112,475,000 yen in the previous year).

The operating results for each business category are as follows.

| Category | 29th term | | | | | | | |
|---|-----------------------------|------------|--------------------------------|------------|------------------|------------------|--------------------|-----------------------------|
| | FY05/2018 | | | | | | | |
| | Volume (thousand yen) | YoY (%) | Net sales (thousand yen) | YoY (%) | Auctions held | Items offered | Successful bids | Sell through rate (%) |
| Modern Art Auction | 1,874,195 | 30.0 | 360,520 | 17.1 | 6 | 678 | 550 | 81.1 |
| Modern Ceramics Auction | 299,205 | Δ8.8 | 59,814 | Δ13.3 | 4 | 754 | 719 | 95.4 |
| Modern Art Part II Auction | 245,770 | 8.7 | 58,806 | 9.7 | 6 | 1,481 | 1,313 | 88.7 |
| Other auctions (see Note 2) | 985,429 | 64.2 | 188,839 | 36.3 | 13 | 4,778 | 3,090 | 64.7 |
| Auctions business - total | 3,404,599 | 31.1 | 667,981 | 17.4 | 29 | 7,691 | 5,672 | 73.8 |
| Private sale | 845,335 | 159.4 | 770,832 | 167.3 | | | | |
| Others | 27,080 | Δ62.7 | 37,066 | Δ42.8 | | | | |
| Other auction related business - total | 872,415 | 119.0 | 807,898 | 128.7 | | | | |
| Auction related business - total | 4,277,014 | 42.8 | 1,475,879 | 60.1 | | | | |

(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 29 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; as well as TEZUKA Osamu Special Auction was held once.

Modern Art Auction has seen decrease in numbers of items offered by 4.5% YoY and decrease in numbers of successful bids by 4.7% YoY, whereas ratio of successful bid value relative to the estimated minimum sum was as high as 132.8% on average, and also average successful bid value significantly increased by 36.3% YoY.

Modern Ceramics Auction has seen decrease in number of items offered by 17.0% and in number of successful bids by 16.6% (both YoY), whereas two auctions including antique arts continued to achieve good performance also in the current consolidated fiscal year, and as a result, ratio of successful bid value relative to the estimated minimum sum was as high as 173.4% on average. In addition, average successful bid value increased by 9.4% YoY.

Modern Art Part II Auction has seen decrease in numbers of items offered by 9.6% YoY and decrease in numbers of successful bids by 10.1% YoY, whereas ratio of successful bid value relative to the estimated minimum sum was as high as 143.3% on average, and also average successful bid value increased by 21.1% YoY.

In terms of other auctions, on the handling volume basis, European Decorative Art Auction increased by 52.7%, Wine Auction increased by 47.2%, and Post-War & Contemporary Art Auction increased by 150.9%, all of which achieved substantial increase YoY. Moreover, during the current consolidated fiscal year, TEZUKA Osamu Special Auction was held aiming at exploring some possibility that it could be one new category, which also contributed to earnings.

ii) Other auction related business

In the Private Sale department, Shinwa Prive Co., Ltd. specializing in gallery functions that carries out agile art dealing put its efforts to proactive handling of high-valued items, achieving substantial YoY increase both in handling volume by 159.4% and in net sales by 167.3%, which greatly contributed to earnings.

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, there continued to be a situation where it was hard to purchase power generation installations that would make it possible to estimate when to start selling electric power, due to temporary market turmoil caused by the implementation of revised FIT law, and even after purchase some factors such as delay in commencement of pre-linkage construction work also caused failure to supply as scheduled during the current term in spite of continued demands for the installations as high-returning articles for trade, resulting in carrying 18 installations over to the next fiscal year and actually total 40 installations were sold during the current consolidated fiscal year. Elsewhere, electric power selling business by using the Group's own photovoltaic installations has shown steady sales performance.

Besides, PKS business in Malaysia which started from the current consolidated fiscal year has completed shipment of about 30,000 tons of PKS, but it registered substantial red figure in its first term because of significantly higher purchase price setting and local SG&A expenses as compared to the initial plan.

Thus, in the current consolidated fiscal year, net sales was 1,262,679,000 yen (decrease by 71.4% YoY), and segment loss was 226,600,000 yen (as opposed to segment income of 479,244,000 yen in the previous year).

③ Others

Since the current consolidated fiscal year the Company has entered into wealth management business and started introducing second-hand real-estates located in Texas, USA, but it took longer time than the initial plan to disseminate local information and so forth, and it also required about six months longer than the initial plan to obtain loans for buyers, resulting in selling just 18 real-estate properties in total that is substantially behind the initial plan.

Also, the Company started microfinance business in Republic of the Union of Myanmar aiming at improvement in living standards of local people by means of petty-sum loans and actually executed such loans for about 5,000 people, having built up and expanded its business smoothly.

In such context, performance of the current consolidated fiscal year was as follows: net sales of 2,781,368,000 yen (decrease by 48.0% YoY), operating loss of 181,854,000 yen (as opposed to operating income of 364,615,000 yen in the previous year), ordinary loss of 265,494,000 yen (as opposed to ordinary income of 303,389,000 yen in the previous year), and net loss attributable to owners of parent of 257,306,000 yen (as opposed to net income attributable to owners of parent of 166,315,000 yen in the previous year).

(2) Overall financial position of the current period

Total assets in the current consolidated fiscal year was 6,188,827,000 (decrease by 243,583,000 yen YoY). It comprises mainly current assets of 4,779,872,000 yen (decrease by 246,568,000 yen YoY) and non-current assets of 1,408,754,000 yen (increase by 2,984,000 yen). Current assets comprises mainly cash and deposits of 2,103,966,000 yen (increase by 486,532,000 yen YoY), accounts receivable - trade of 420,699,000 yen (decrease by 1,536,724,000 yen YoY), merchandise of 1,226,671,000 yen (increase by 342,606,000 yen YoY), and advance payments of 393,484,000 yen (increase by 297,706,000 yen YoY). Non-current assets comprises mainly machinery, equipment and vehicles (net) of 906,273,000 yen (decrease by 73,559,000 yen YoY) and investment and other assets - other of 245,097,000 yen (increase by 64,502,000 yen YoY).

Total liabilities was 4,281,650,000 yen (increase by 140,202,000 yen YoY). It comprises mainly current liabilities of 3,207,216,000 yen (decrease by 64,832,000 yen YoY) and non-current liabilities of 1,074,433,000 yen (decrease by

75,369,000 yen YoY). Current liabilities comprises mainly short-term loans payable of 1,966,500,000 yen (decrease by 259,535,000 yen YoY), current portion of long-term loans payable of 240,672,000 yen (decrease by 47,300,000 yen YoY), and accounts payable - auction business of 498,114,000 yen (increase by 223,417,000 yen YoY). Non-current liabilities comprises mainly long-term loans payable of 235,412,000 yen (decrease by 99,172,000 yen YoY) and long-term accounts payable-installment purchase of 557,378,000 yen (decrease by 53,926,000 yen YoY).

Net assets was 1,906,976,000 yen (decrease by 103,380,000 yen YoY). It comprises mainly capital stock of 1,073,780,000 yen (increase by 86,599,000 yen YoY), capital surplus of 680,020,000 yen (increase by 87,555,000 yen YoY), retained earnings of 349,607,000 yen (decrease by 300,968,000 yen YoY), and treasury stock of minus 221,063,000 yen (decrease by 2,592,000 yen YoY). As a result, currently net assets per share is 293.65 yen and equity ratio is 30.4%.

(3) Overall cash flows of the current term

Cash and cash equivalents (hereinafter, "business fund") at the end of the current consolidated fiscal year increased by 646,400,000 yen (increased cash flow from operating activities and financial activities was partly offset by decreased cash flow from investment activities), resulting in the business fund of 1,321,150,000 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 increased by 756,197,000 yen as a result of investment activities in the current consolidated fiscal year (as opposed to 1,550,695,000 yen spent in the previous year). It comprises mainly, on one hand, increase by 1,536,724,000 yen due to decrease in notes and accounts receivable - trade, and on the other one hand, decreased business fund including decrease by 326,412,000 yen due to increase in inventories, decrease by 297,706,000 yen due to increase in advance payments, and net loss before income taxes of 311,608,000 yen.

(Cash flow from investment activities)

The business fund increased by 67,130,000 yen as a result of investment activities in the current consolidated fiscal year (for comparison, 1,253,805,000 yen was gained in the previous year). It comprises mainly purchase of property, plant and equipment of 67,922,000 yen, payments for lease and guarantee deposits of 17,029,000 yen, purchase of stocks of subsidiaries and affiliates of 10,000,000 yen, and proceeds of 227,694,000 yen due to increased withdrawal of time deposits.

(Cash flow from financial activities)

The business fund spent as a result of operating activities in the current consolidated fiscal year was 175,633,000 yen (as opposed to 2,134,153,000 yen gained in the previous year). It comprises mainly, on one hand, increased business fund including proceeds from long-term loans payable of 320,000,000 yen, proceeds from issuance of common stocks of 172,308,000 yen, and proceeds from issuance of bonds of 147,085,000 yen, and on the other hand, decreased business fund due to net decrease in short-term loans payable by 259,535,000 yen, repayments of long-term loans payable of 446,472,000 yen, payments for sale and installment back deal of 53,926,000 yen, and cash dividends paid of 43,569,000 yen.

(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 does not explicitly state in its policies when to reaching the inflation target of 2%.

Under such environment, with respect to auction-related business in general, the field of modern arts has still been on a declining trend in terms of distribution volume of the entire market, so we are still in a severe environment for inviting items to be offered. 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. In addition, by proactively ensuring masterpiece class articles of artists generally known as great masters of modern arts as strategic stock at our hand and by taking time to reappraisal/evaluation of Japanese modern arts through trading them, the Group will uphold the economic value of Japanese arts through which we further try to improve our mid- to long-term corporate value.

The Company moved to a holding company structure in order to speed up its decision-making on group management and to build up a structure for enabling each company to flexibly respond to changing business environment. This will, especially in our auction related business, make us set out our role as a market-maker more clearly from both viewpoints of auction business (Shinwa Auction Co., Ltd.) and gallery business (Shinwa Prive Co., Ltd.).

And 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 and additionally the revised FIT law came into force, 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 developing some new business in this segment that would replace existing business of selling photovoltaic installations.

Also in other business domains we will explore, with flexible thinking, some new business that would in the future bring about stable source of earnings for upholding the Group's growth strategies, including cooperation with various business entities.

In such context, consolidated performance for the fiscal year ending May, 2019 is projected as follows: consolidated net sales of 3,800,000,000 yen (increase by 36.6% YoY); consolidated operating income of 74,441,000 yen; consolidated ordinary income of 60,401,000 yen; and net income attributable to owners of parent of 50,366,000 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 7.20 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, 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; Δ means negative)

| | Previous consolidated fiscal year (May 31, 2017) | Current consolidated fiscal year (May 31, 2018) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,617,433 | 2,103,966 |
| Accounts receivable - trade | 1,957,424 | 420,699 |
| Accounts receivable - other from auction business | 134,285 | 269,475 |
| Merchandise | 884,064 | 1,226,671 |
| Advance payments | 95,777 | 393,484 |
| Deferred tax assets | 73,479 | 145,714 |
| Other | 264,428 | 219,869 |
| Allowance for doubtful accounts | Δ453 | Δ9 |
| Total current assets | 5,026,441 | 4,779,872 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 97,830 | 97,304 |
| Accumulated depreciation | Δ94,485 | Δ92,450 |
| Buildings and structures (net) | 3,344 | 4,853 |
| Machinery, equipment and vehicles | 1,055,148 | 1,056,940 |
| Accumulated depreciation | Δ75,315 | Δ150,667 |
| Machinery, equipment and vehicles (net) | 979,832 | 906,273 |
| Land | 122,760 | 122,960 |
| Construction in progress | — | 36,466 |
| Other | 44,309 | 43,041 |
| Accumulated depreciation | Δ33,907 | Δ30,307 |
| Other (net) | 10,401 | 12,733 |
| Total property, plant and equipment | 1,116,339 | 1,083,287 |
| Intangible assets | | |
| Software | 4,441 | 12,791 |
| Total intangible assets | 4,441 | 12,791 |
| Investment and other assets | | |
| Stocks of subsidiaries and affiliates | 102,657 | 70,600 |
| Deferred tax assets | 15,656 | 12,325 |
| Other | 180,594 | 245,097 |
| Allowance for doubtful accounts | Δ13,921 | Δ15,347 |
| Total investments and other assets | 284,988 | 312,675 |
| Total non-current assets | 1,405,769 | 1,408,754 |
| Total assets | 6,432,210 | 6,188,627 |

(Thousand yen; Δ means negative)

| | Previous consolidated fiscal year (May 31, 2017) | Current consolidated fiscal year (May 31, 2018) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 119,855 | 99,463 |
| Accounts payable - other from auction business | 274,696 | 498,114 |
| Short-term loans payable | 2,226,035 | 1,966,500 |
| Current portion of bonds | — | 44,000 |
| Current portion of long-term loans payable | 287,972 | 240,672 |
| Income taxes payable | 6,201 | 44,047 |
| Provision for bonuses | 42,094 | 11,425 |
| Provision for directors' bonuses | 57,255 | 6,739 |
| Other | 257,940 | 296,255 |
| Total current liabilities | 3,272,049 | 3,207,216 |
| Non-current liabilities | | |
| Bonds payable | — | 84,000 |
| Long-term loans payable | 334,584 | 235,412 |
| Liabilities on retirement benefits | 46,600 | 33,600 |
| Deferred tax liabilities | 145,934 | 123,981 |
| Long-term accounts payable-installment purchase | 611,304 | 557,378 |
| Other | 11,381 | 40,062 |
| Total non-current liabilities | 1,149,803 | 1,074,433 |
| Total liabilities | 4,421,853 | 4,281,650 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 987,181 | 1,073,780 |
| Capital surplus | 592,464 | 680,020 |
| Retained earnings | 650,576 | 349,607 |
| Treasury stock | Δ223,655 | Δ221,063 |
| Total shareholders' equity | 2,006,566 | 1,882,345 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustment | Δ2,035 | Δ3,569 |
| Total accumulated other comprehensive income | Δ2,035 | Δ3,569 |
| Subscription rights to shares | 3,616 | 3,419 |
| Non-controlling interests | 2,210 | 24,781 |
| Total net assets | 2,010,357 | 1,906,976 |
| Total liabilities and net assets | 6,432,210 | 6,188,627 |

(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, 2016 - May 31, 2017) | Current consolidated fiscal year (Jun. 1, 2017 - May 31, 2018) |
|---|--|---|
| Net sales | 5,348,142 | 2,781,368 |
| Cost of sales | 4,032,022 | 1,871,579 |
| Gross profit | 1,316,119 | 909,789 |
| Selling, general and administrative expenses | 951,504 | 1,091,644 |
| Operating income | 364,615 | Δ181,854 |
| Non-operating income | | |
| Interest income | 529 | 371 |
| Foreign exchange gains | 53 | — |
| Gain on forfeiture of unclaimed dividends | 68 | 137 |
| Gain on valuation of derivatives | 3,420 | 2,547 |
| Compensation income for valuation service | — | 1,423 |
| Other | 1,560 | 1,697 |
| Total non-operating income | 5,631 | 6,177 |
| Non-operating expenses | | |
| Interest expenses | 31,708 | 36,349 |
| Foreign exchange losses | — | 11,261 |
| Commission fee | 31,941 | 27,258 |
| Compensation expenses | — | 12,867 |
| Other | 3,207 | 2,079 |
| Total non-operating expenses | 66,856 | 89,816 |
| Ordinary income or loss (Δ) | 303,389 | Δ265,494 |
| Extraordinary income | | |
| Gain on reversal of subscription rights to shares | 1,592 | 7 |
| Reversal of provision for retirement benefits | — | 1,320 |
| Total extraordinary income | 1,592 | 1,327 |
| Extraordinary losses | | |
| Impairment loss | — | 16,006 |
| Loss on retirement of non-current assets | — | 680 |
| Loss on valuation of investment securities | 9,055 | — |
| Office transfer expenses | — | 12,299 |
| Loss on litigation | — | 17,244 |
| Other | — | 1,210 |
| Total extraordinary losses | 9,055 | 47,441 |
| Net income before income taxes and minority interests | 295,926 | Δ311,608 |
| Income taxes - current | 9,827 | 37,970 |
| Income taxes - deferred | 120,156 | Δ90,856 |
| Total income taxes | 129,983 | Δ52,885 |
| Net income | 165,942 | Δ258,722 |
| Net income or loss (Δ) attributable to non-controlling shareholders | Δ372 | Δ1,415 |
| Net income or loss (Δ) attributable to owners of parent | 166,315 | Δ257,306 |

(Consolidated Statement of Comprehensive Income)

(Thousand yen; Δ means negative)

| | Previous consolidated fiscal year (Jun. 1, 2016 - May 31, 2017) | Current consolidated fiscal year (Jun. 1, 2017 - May 31, 2018) |
|--|--|---|
| Net income | 165,942 | Δ258,722 |
| Other comprehensive income | | |
| Foreign currency translation adjustment | Δ288 | Δ3,316 |
| Total other comprehensive income | Δ288 | Δ3,316 |
| Comprehensive income | 165,654 | Δ262,038 |
| (detail) | | |
| Comprehensive income attributable to owners of parent | 166,144 | Δ258,840 |
| Comprehensive income attributable to non-controlling interests | Δ489 | Δ3,197 |

(3) Consolidated Statements of Shareholders' Equity

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

(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 | 930,457 | 535,740 | 524,385 | Δ223,655 | 1,766,928 |
| Changes of items during the period | | | | | |
| Issuance of new shares | 56,724 | 56,724 | | | 113,448 |
| Dividends from surplus | | | Δ40,124 | | Δ40,124 |
| 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 | Δ223,655 | 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 | Δ1,864 | Δ1,864 | 5,210 | 2,699 | 1,772,974 |
| Changes of items during the period | | | | | |
| Issuance of new shares | | | | | 113,448 |
| Dividends from surplus | | | | | Δ40,124 |
| Income attributable to owners of parent | | | | | 166,315 |
| Purchase of treasury stock | | | | | |
| Changes of items other than shareholders' equity (net) | Δ170 | Δ170 | Δ1,594 | Δ489 | Δ2,255 |
| Total changes of items during the period | Δ170 | Δ170 | Δ1,594 | Δ489 | 237,383 |
| Balance at the end of current period | Δ2,035 | Δ2,035 | 3,616 | 2,210 | 2,010,357 |

Current 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 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 attributable to owners of parent | | | | | Δ257,306 |
| Purchase 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 |

(4) Consolidated Cash Flow Statement

(Thousand yen, Δ means negative unless otherwise stated)

| | Previous consolidated fiscal year (Jun. 1, 2016 - May 31, 2017) | Current consolidated fiscal year (Jun. 1, 2017 - May 31, 2018) |
|---|--|---|
| Cash flow from operating activities | | |
| Net income or loss (Δ) before income taxes | 295,926 | Δ311,608 |
| Depreciation | 50,690 | 71,464 |
| Increase or decrease (Δ) in allowance for doubtful accounts | 98 | 982 |
| Increase or decrease (Δ) in provision for bonuses | 23,419 | Δ30,669 |
| Increase or decrease (Δ) in provision for directors' bonuses | Δ977 | Δ50,516 |
| Increase or decrease (Δ) in liabilities for retirement benefits | 4,050 | Δ13,000 |
| Interest and dividends income | Δ529 | Δ371 |
| Interest expenses | 31,708 | 36,349 |
| Bad debts expenses | — | 16,006 |
| Loss or gain (Δ) on valuation of investment securities | 9,055 | — |
| Gain on reversal of subscription rights to shares | Δ1,592 | Δ7 |
| Loss or gain (Δ) on valuation of investment securities | Δ3,420 | Δ2,547 |
| Decrease or increase (Δ) in notes and accounts receivable - trade | Δ1,700,867 | 1,536,724 |
| Decrease or increase (Δ) in accounts receivable - other from auction business | 93,715 | Δ135,190 |
| Decrease or increase (Δ) in inventories | Δ257,242 | Δ326,412 |
| Decrease or increase (Δ) in advance payments | 103,307 | Δ297,706 |
| Increase or decrease (Δ) in notes and accounts payable-trade | 54,635 | Δ20,392 |
| Increase or decrease (Δ) in accounts payable - other from auction business | Δ76,121 | 223,417 |
| Other | 10,451 | 53,690 |
| Subtotal | Δ1,363,693 | 750,213 |
| Interest and dividends income received | 578 | 372 |
| Interest expenses paid | Δ32,233 | Δ35,791 |
| Income taxes paid | Δ155,346 | Δ11,036 |
| Income taxes refund | — | 52,438 |
| Net cash provided by or used in (Δ) operating activities | Δ1,550,695 | 756,197 |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | Δ870,773 | Δ67,922 |
| Payments into time deposits | Δ1,319,525 | Δ881,807 |
| Proceeds from withdrawal of time deposits | 1,097,265 | 1,109,501 |
| Purchase of stocks of subsidiaries and affiliates | Δ102,657 | Δ10,000 |
| Expense by purchasing investment securities | — | Δ58,075 |
| Proceeds from collection of lease and guarantee deposits | Δ1,267 | Δ17,029 |
| Decrease or increase (Δ) in other investments | Δ56,845 | Δ7,536 |
| Net cash provided by or used in (Δ) investing activities | Δ1,253,805 | 67,130 |
| Cash flows from financing activities | | |
| Net increase or decrease (Δ) in short-term loans payable | 1,224,178 | Δ259,535 |
| Proceeds from long-term loans payable | 370,000 | 320,000 |
| Repayments of long-term loans payable | Δ136,172 | Δ466,472 |
| Proceeds from issuance of bonds | — | 147,085 |
| Expense by redemption of bonds | — | Δ22,000 |
| Proceeds from issuance of common stock | 113,446 | 172,308 |
| Proceeds from issuance of subscription rights to shares | — | 720 |
| Purchase of treasury stock | — | 3,530 |
| Cash dividends paid | Δ39,908 | Δ43,569 |
| Proceeds from sale and leaseback | — | 27,893 |
| Payments for sale and leaseback | — | Δ1,667 |
| Proceeds from sale and installment back deal | 800,280 | — |
| Payments for sale and installment back deal | Δ197,670 | Δ53,926 |
| Net cash provided by or used in (Δ) financing activities | 2,134,153 | Δ175,633 |
| Effect of exchange rate change on cash and cash equivalents | Δ105 | Δ1,294 |
| Net increase or decrease (Δ) in cash and cash equivalents | Δ670,452 | 646,400 |
| Cash and cash equivalents at beginning of period | 1,277,375 | 606,922 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | — | 67,826 |
| Cash and cash equivalents at end of period | 606,922 | 1,321,150 |