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January 13, 2016

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

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 Securities code: 2437 URL: <http://www.shinwa-art.com>  
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 Scheduled date of filing of quarterly report: January 14, 2016  
 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)  
(△ means decrease)

### 1. Financial Results of the Second Quarter of the Fiscal Year ending May 31, 2016 (Jun. 1, 2015 – Nov. 30, 2015)

#### (1) Consolidated results of operations (cumulative total)

(Percentages represent changes from previous year)

	Net Sales		Operating income		Ordinary income		Income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q FY05/2016	1,726	111.5	169	—	160	—	96	—
2Q FY05/2015	816	43.5	△12	—	△15	—	△24	—

(Note) Comprehensive income 1Q FY05/2016: △35 million yen (—%)  
 1Q FY05/2015: △51 million yen (—%)

	Quarterly Net income per share	Diluted quarterly net income per share
	Yen	Yen
2Q FY05/2016	16.95	16.91
2Q FY05/2015	△4.37	—

(Note) Amount of "Diluted quarterly net income per share" is not disclosed for 2Q FY05/2015 because, although there were residual securities, net loss per share has been posted.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY05/2016	3,687	1,702	46.0	296.20
FY05/2015	3,360	1,640	48.5	285.56

(Reference) Shareholders equity: 2Q FY05/2016: 1,697 million yen  
 FY05/2015: 1,630 million yen

### 2. Dividends

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

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

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

(Percentages represent changes from previous year)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full term	3,297	11.9	263	238.3	247	369.4	160	878.8	27.95

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

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**\*Notes**

- (1) Changes in important subsidiaries during the current consolidated cumulative period: None  
(changes in specific subsidiaries resulting in modifications of the consolidation scope)
- (2) Application of special accounting methods to the preparation of quarterly financial statement: None
- (2) Changes in accounting principles, changes and restatements of accounting estimates
- 1) Changes in accounting principles caused by revision of accounting standards: Yes
  - 2) Changes other than 1): None
  - 3) Changes in accounting estimates: Yes
  - 4) Restatements: None
- (Note) Please see the appendix page 5, "2. Matters regarding Summary Information (Notes), (3) Changes in accounting principles, changes and restatements of accounting estimates."
- (3) Number of outstanding shares (common shares)
- 1) Number of shares outstanding at the end of the period (including treasury stock)
    - 2Q FY05/2016: 6,594,900 shares
    - FY05/2015: 6,562,900 shares
  - 2) Number of treasury stock at the end of the period
    - 2Q FY05/2016: 862,800 shares
    - FY05/2015: 854,800 shares
  - 3) Average number of shares outstanding during the period (quarterly cumulative)
    - 2Q FY05/2016: 5,711,913 shares
    - 2Q FY05/2015: 5,657,802 shares

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

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

**\* Explanation regarding appropriate use of the earnings forecast and other special notes**

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered to be reasonable, and therefore actual business performance and other elements may differ substantially due to various factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 4, "1. Qualitative information regarding the financial results for the current quarter: (3) Descriptions regarding future prospects such as consolidated performance forecasts".

(How to obtain supplementary references regarding quarterly results)

The Company will hold a briefing for institutional investors and analysts on January 19, 2016 (Tue.). Documentations used in this briefing will be posted on our website immediately thereafter.

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

During the current second quarter consolidated cumulative period (Jun. 1, 2015 - Nov. 30, 2015), Japan has experienced economic slowdown, but steady trend in overall personal spending was seen and some sign of shift from quantitative improvement to qualitative improvement was observed in the employment situation. Corporate sector's performance has been in generally stable state due to weaker yen, whereas geopolitical risks are increasing overseas which have become a risk factor for Japanese economy being continuously depressed, along with concern about economic slowdown in Asian emerging countries and others, as well as decline in crude oil price.

Amid such environment, the Group has endeavored to offer excellent articles including mainly high-priced art objects to auctions as part of its main business of auction related business, and to recommend art collectors comprising mainly of wealthy class that they should participate in auctions. In addition, the Group concentrated its efforts in the new category of energy related business to sales of low-pressure type photovoltaic installations, and moreover, decided to enter into the field of medical tourism as part of its another new business category of supporting medical institutions, so that the Group could build up its structure to ensure stable profitability at an early stage.

The operating results for each business segment are as follows.

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

**① Auction related business**

In the current second quarter consolidated cumulative period, handling volume was 2,172,505,000 yen (down 5.6% YoY), net sales was 543,653,000 yen (down 5.7% YoY), and segment income was 43,316,000 yen (up 238.3% YoY).

The operating results for each business category are as follows.

Category	2Q FY05/2016 (consolidated cumulative period) June 1, 2015 - November 30, 2015							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auction(s) held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	1,120,870	△14.0	242,414	△2.4	3	381	333	87.4
Modern Ceramics Auction	228,660	122.4	47,253	68.7	3	658	616	93.6
Modern Art Part II Auction	176,535	52.7	39,061	39.0	3	994	907	91.2
Other auctions	495,925	△18.5	97,917	△28.8	7	2,407	1,544	64.1
Auctions business - total	2,021,990	△5.1	426,646	△3.5	16	4,440	3,400	76.6
Private sale	111,340	△5.1	89,932	△17.2				
Others	39,175	△25.2	27,074	4.6				
Other auction related business - total	150,515	△11.3	117,006	△13.0				
Auction related business - total	2,172,505	△5.6	543,653	△5.7				

(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. As part of the structure of auction-related business, many of auctions would be held during second and fourth quarter periods each year, and therefore there appear some seasonal fluctuations in performance for each quarter consolidated cumulative period.

## i) Auction business

During the current second quarter consolidated cumulative period, the Company held Modern Art Auction, Modern Ceramics Auction, Modern Art Part II Auction, and Bags/Jewellery & Watches Auction, each of which was held three times, as well as Wine Auction, Western Art Auction, Post-War & Contemporary Art Auction, and also Noritake Kinashi Auctions as a special one, each of which was held once, so sixteen occasions in total.

Modern Art Auction, our principal business, has seen decrease in numbers of items offered by 22.9% YoY and decrease in numbers of successful bids by 15.7% YoY, whereas average successful bid price slightly increased by 2.2% YoY. In addition, growth rate of successful bid price relative to the estimated minimum sum was as high as 142.2% on average.

As for Modern Ceramics Auction, both numbers of items offered and of successful bids increased by 44.6% and 44.3%, respectively YoY, which resulted in considerable increase in handling volume and net sales YoY. This is mainly because Modern Ceramics Auction, to be held usually in early December every year, was held in late November for convenience of schedule.

As for Modern Art Part II Auction, both numbers of items offered and of successful bids increased by 23.8% and 25.8%, respectively YoY. Average successful bid price increased by 21.6% YoY, and growth rate of successful bid price relative to the estimated minimum sum was as high as 148.7% on average.

With respect to other auctions, Wine Auction achieved significant performance growth over the previous year, and holding a Post-War & Contemporary Art Auction contributed to the revenues; however, both handling volume and net sales in this category decreased as compared to the previous year in which a special auction titled "Shiko Munakata - Twenty Two Lots From A Private Collection" was held.

## ii) Other auction related business

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

## ② Energy related business

With respect to sales of low-pressure type photovoltaic power generation installations of 50 kW class, 34 of those were sold during the current second quarter consolidated cumulative period.

Although levels of sales and cost of sales per installation have been lower than as originally planned, they had only small impact on overall profit. On the other hand, demands aiming at application of taxation system for promoting investment on productivity improvement equipment that has been anticipated since previous year have indeed emerged from late June, and then from July, Ministry of Economy, Trade and Industry has started to give permission for relevant photovoltaic installations, after which favorable performance in sales has been observed.

In addition, Hokita Photovoltaic Station that had been owned by one of our subsidiary was sold in the current second quarter consolidated cumulative period, resulting in sales and profit exceeding the original plan.

In addition, electric power selling business by using its own photovoltaic installations and business of co-purchasing electric power have contributed to the Group's performance, leading to net sales of 1,182,090,000 yen (increase by 393.8% YoY) and segment income of 128,437,000 (in contrast to the segment loss of 22,798,000 yen in the previous year) in the current second quarter consolidated cumulative period.

## ③ Others

In the business category of supporting medical institutions, medical fee loans factoring business has been provisionally frozen, and as part of medical related business, specific negotiations are underway with medical institutions providing high-level medical services/examinations and with affiliated medical institutions, in order to establish medical tourism that presents cutting-edge medical technologies and high quality medical services to wealthy class in Asia, including Japan, as the Group's pillar of profitability. Moreover, training courses for of medical coordinators and of medical interpreters have started.

In such context, performance of the current second quarter consolidated cumulative period was as follows: net sales of 1,726,403,000 yen (increase by 111.5% and 910,162,000 yen YoY), operating income of 169,692,000 yen (increase by 181,784,000 yen as compared to loss of 12,092,000 yen in the previous year), ordinary income of 160,722,000 yen (increase by 175,897,000 yen as compared to loss of 15,175,000 yen in the previous year), and quarterly net income attributable to owners of parent of 96,798,000 yen (increase by 121,542,000 yen as compared to loss of 24,743,000 yen in the previous year).

**(2) Descriptions regarding financial position****① Analysis of financial position****(Assets)**

Total assets was 3,687,925,000 yen at the end of the current second quarter consolidated fiscal period, i.e. increase by 327,163,000 as compared to the end of the previous consolidated fiscal year. It comprises mainly increase in cash and deposits by 91,326,000 yen, increase in accounts receivable by 54,831,000 yen, increase in merchandise by 285,775,000 yen, increase in advance payments by 111,460,000 yen, and decrease in machinery by 264,298,000 yen.

**(Liabilities)**

Total liabilities was 1,985,920,000 yen at the end of the current second quarter consolidated fiscal period, i.e. increase by 265,984,000 as compared to the end of the previous consolidated fiscal year. It comprises mainly increase in accounts payable - trade by 28,647,000 yen, increase in accounts payable - auction business by 271,187,000 yen, increase in short-term loans payable by 32,500,000 yen, increase in income taxes payable by 34,049,000 yen, increase in provision for bonuses by 32,187,000 yen, increase in provision for directors' bonuses by 45,526,000 yen, and decrease in current portion of long-term loans payable by 249,375,000 yen.

**(Net assets)**

Total net assets was 1,702,005,000 yen at the end of the current second quarter consolidated fiscal period, i.e. increase by 61,178,000 as compared to the end of the previous consolidated fiscal year. It comprises mainly increase in retained earnings by 62,549,000 yen.

**② Cash flow status**

Cash and cash equivalents (hereinafter, "business fund") at the end of the current second quarter consolidated fiscal period were 1,012,857,000 yen, i.e., increase by 41,326,000 yen from the end of the previous consolidated fiscal year (in contrast to decrease by 112,387,000 in the previous year). Each cash flow status and factors thereof in the current second quarter consolidated cumulative period are as follows.

**(Cash flow from operating activities)**

Business fund obtained resulting from operating activities was 374,082,000 yen (in contrast to spending 178,630,000 in the previous year). It comprises mainly, on one hand, increased business fund due to income before income taxes and minority interests of 164,196,000 yen, depreciation of 17,828,000 yen, increase in accounts payable - auction business by 271,187,000 yen, increase in provision for directors' bonuses by 45,526,000 yen, and increase in provision for bonuses by 32,187,000 yen, and on the other hand, decreased business fund due to increase in advance payments by 111,460,000 yen, increase in notes and accounts receivable - trade by 54,831,000 yen, and increase in inventories by 45,744,000.

**(Cash flow from investment activities)**

Business fund used for investment activities was 67,336,000 yen (decrease by 48.9% YoY). It comprises mainly, on one hand, decreased business fund due to expense to time deposits of 425,000,000 yen and expense by purchase of property, plant and equipment, and on the other hand, increased business fund due to proceeds from withdrawal of time deposits of 375,000,000 yen.

**(Cash flow from financial activities)**

Business fund spent for financial activities was 264,872,000 yen (in contrast to obtaining 193,617,000 in the previous year). It comprises mainly, on one hand, increased business fund due to net increase in short-term loans payable by 32,500,000 yen and proceeds from issuance of common stocks of 6,560,000 yen, and on the other hand, decreased business fund due to repayments of long-term loans payable of 268,301,000 yen and cash dividends paid of 33,956,000 yen.

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

With respect to performance forecasts for the fiscal year ending May 31, 2016, there is no change in consolidated performance forecasts for the second quarter consolidated cumulative period and for the full term as announced in the "Notice of Amendment to Performance Forecasts for the Second Quarter Cumulative Period and the Full Term of the Fiscal Year ending May 31, 2016", published on December 21, 2015.

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

Not applicable.

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

Not applicable.

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

Change in accounting principles

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

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

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

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

Changes in accounting estimates

(Inventories)

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

This has resulted in, as compared to those according to the previous methods, decrease in cost of sales by 81,992,000 yen in the current second quarter consolidated cumulative period, and accordingly increase in operating income and ordinary income by the same amount and also increase in quarterly net profit before income taxes by the same amount.

**3. Quarterly Consolidated Financial Statements**

## (1) Quarterly Consolidated Balance Sheets

(Thousand yen; △ means decrease)

	Previous consolidated fiscal year (May 31, 2015)	Current second quarter consolidated fiscal period (November 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	1,446,531	1,537,857
Accounts receivable - trade	52,734	107,565
Accounts receivable - other from auction business	261,616	273,475
Merchandise	352,947	638,722
Work in process	292,581	312,740
Advance payments	139,975	251,435
Other	163,762	173,791
Allowance for doubtful accounts	△395	△387
<b>Total current assets</b>	<b>2,709,754</b>	<b>3,295,203</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	5,770	5,019
Machinery, equipment and vehicles (net)	528,525	261,772
Land	22,500	30,500
Other (net)	3,616	2,796
<b>Total property, plant and equipment</b>	<b>560,412</b>	<b>300,088</b>
Investments and other assets		
Other	104,523	106,558
Allowance for doubtful accounts	△13,928	△13,923
<b>Total investments and other assets</b>	<b>90,595</b>	<b>92,634</b>
<b>Total non-current assets</b>	<b>651,008</b>	<b>392,722</b>
<b>Total assets</b>	<b>3,360,762</b>	<b>3,687,925</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	31,896	60,544
Accounts payable - auction business	403,362	674,550
Short-term loans payable	361,500	394,000
Current portion of long-term loans payable	287,227	37,852
Income taxes payable	43,365	77,415
Provision for bonuses	18,446	50,633
Provision for directors' bonuses	—	45,526
Other	172,273	265,719
<b>Total current liabilities</b>	<b>1,318,070</b>	<b>1,606,239</b>
Non-current liabilities		
Long-term loans payable	318,728	299,802
Liabilities on retirement benefits	37,800	39,850
Asset retirement obligations	7,497	—
Other	37,839	40,028
<b>Total non-current liabilities</b>	<b>401,864</b>	<b>379,680</b>
<b>Total liabilities</b>	<b>1,719,935</b>	<b>1,985,920</b>



(Thousand yen;  $\Delta$  means decrease)

	Previous consolidated fiscal year (May 31, 2015)	Current second quarter consolidated fiscal period (November 30, 2015)
Net assets		
Shareholders' equity		
Capital stock	926,742	930,457
Capital surplus	532,026	535,740
Retained earnings	394,484	457,034
Treasury shares	$\Delta$ 221,530	$\Delta$ 223,655
Total shareholders' equity	1,631,723	1,699,576
Accumulated other comprehensive income		
Foreign currency translation adjustment	$\Delta$ 1,708	$\Delta$ 1,708
Total accumulated other comprehensive income	$\Delta$ 1,708	$\Delta$ 1,708
Subscription rights to shares	9,893	3,845
Non-controlling interests	919	291
Total net assets	1,640,827	1,702,005
Total liabilities and net assets	3,360,762	3,687,925

(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)	
	Previous second quarter consolidated cumulative period (June 1, 2014 - November 30, 2014)	Current second quarter consolidated cumulative period (June 1, 2015 - November 30, 2015)
Net sales	816,240	1,726,403
Cost of sales	437,285	1,082,831
Gross profit	378,954	643,571
Selling, general and administrative expenses	391,047	473,879
Operating income or loss ( $\Delta$ )	$\Delta$ 12,092	169,692
Non-operating income		
Interest income	207	263
Refunded consumption taxes	—	918
Foreign exchange gains	4,398	—
Gain on forfeiture of unclaimed dividends	677	160
Other	728	278
Total non-operating income	6,011	1,620
Non-operating expenses		
Interest expenses	8,813	8,154
Loss on valuation of derivatives	—	1,125
Other	281	1,311
Total non-operating expenses	9,094	10,591
Ordinary income or loss ( $\Delta$ )	$\Delta$ 15,175	160,722
Extraordinary income		
Gain on reversal of subscription rights to shares	—	3,474
Total extraordinary income	—	3,474
Net income or loss ( $\Delta$ ) before income taxes and minority interests	$\Delta$ 15,175	164,196
Income taxes - current	15,446	73,830
Income taxes - deferred	$\Delta$ 3,302	$\Delta$ 5,805
Total income taxes	12,144	68,025
Net income or loss ( $\Delta$ )	$\Delta$ 27,320	96,170
Net income or loss ( $\Delta$ ) attributable to non-controlling shareholders	$\Delta$ 2,576	$\Delta$ 627
Net income or loss ( $\Delta$ ) attributable to shareholders of parent company	$\Delta$ 24,743	96,798

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

	(Thousand yen)	
	Previous first quarter consolidated cumulative period (June 1, 2014 - November 30, 2014)	Current second quarter consolidated cumulative period (June 1, 2015 - November 30, 2015)
Net income or loss ( $\Delta$ )	$\Delta 27,320$	96,170
Other comprehensive income		
Total other comprehensive income	—	—
Comprehensive income	$\Delta 27,320$	96,170
(detail)		
Comprehensive income attributable to owners of parent	$\Delta 24,743$	96,798
Comprehensive income attributable to non-controlling interests	$\Delta 2,576$	$\Delta 627$

## (3) Quarterly Consolidated Cash flow Statement

(Thousand yen)

	Previous second quarter consolidated cumulative period (June 1, 2014 - November 30, 2014)	Current second quarter consolidated cumulative period (June 1, 2015 - November 30, 2015)
<b>Cash flow from operating activities</b>		
Income or loss ( $\Delta$ ) before income taxes and minority interests	$\Delta 15,175$	164,196
Depreciation	11,098	17,828
Increase or decrease ( $\Delta$ ) in allowance for doubtful accounts	643	$\Delta 12$
Increase or decrease ( $\Delta$ ) in provision for bonuses	1,159	32,187
Increase or decrease ( $\Delta$ ) in provision for directors' bonuses	$\Delta 16,761$	45,526
Increase or decrease ( $\Delta$ ) in liabilities for retirement benefits	2,000	2,050
Interest and dividend income	$\Delta 207$	$\Delta 263$
Interest expenses	8,813	8,154
Gain on reversal of subscription rights to shares	—	$\Delta 3,474$
Decrease or increase ( $\Delta$ ) in notes and accounts receivable - trade	$\Delta 5,278$	$\Delta 54,831$
Decrease or increase ( $\Delta$ ) in accounts receivable - other from auction business	$\Delta 423,363$	$\Delta 11,859$
Decrease or increase ( $\Delta$ ) in inventories	$\Delta 285,692$	$\Delta 45,744$
Decrease or increase ( $\Delta$ ) in advance payments	181,472	$\Delta 111,460$
Increase or decrease ( $\Delta$ ) in notes and accounts payable-trade	7,587	28,647
Increase or decrease ( $\Delta$ ) in accounts payable - auction business	298,746	271,187
Loss or gain ( $\Delta$ ) on valuation of derivatives	—	1,125
Other	82,325	79,430
Subtotal	$\Delta 152,631$	422,688
Interest and dividends income received	211	292
Interest expenses paid	$\Delta 9,102$	$\Delta 8,106$
Income taxes paid	$\Delta 17,108$	$\Delta 40,792$
Net cash provided by or used in ( $\Delta$ ) operating activities	$\Delta 178,630$	374,082
<b>Cash flow from investing activities</b>		
Collection of loans receivable	517	8,951
Purchase of property, plant and equipment	$\Delta 444$	$\Delta 24,108$
Payments into time deposits	$\Delta 375,000$	$\Delta 425,000$
Proceeds from withdrawal of time deposits	245,000	375,000
Payments for investments in capital	—	$\Delta 20$
Payments for lease and guarantee deposits	$\Delta 2,078$	$\Delta 2,404$
Proceeds from collection of lease and guarantee deposits	285	245
Net cash provided by or used in ( $\Delta$ ) investing activities	$\Delta 131,719$	$\Delta 67,336$
<b>Cash flows from financing activities</b>		
Net increase or decrease ( $\Delta$ ) in short-term loans payable	118,200	32,500
Proceeds from long-term loans payable	120,000	—
Repayments of long-term loans payable	$\Delta 14,250$	$\Delta 268,301$
Proceeds from issuance of common shares	—	6,560
Purchase of treasury stock	—	$\Delta 2,125$
Proceeds from disposal of treasury stock	1,820	—
Cash dividends paid	$\Delta 33,730$	$\Delta 33,956$
Proceeds from issuance of subscription rights to shares	1,577	450
Net cash provided by or used in ( $\Delta$ ) financing activities	193,617	$\Delta 264,872$
Effect of exchange rate change on cash and cash equivalents	4,345	$\Delta 546$
Net increase or decrease ( $\Delta$ ) in cash and cash equivalents	$\Delta 112,387$	41,326
Cash and cash equivalents at beginning of period	928,261	971,531
Cash and cash equivalents at the end of period	815,873	1,012,857

## (3) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

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

Not applicable.

(Segment Information, etc.)

## 【Segment Information】

I. Previous second quarter consolidated cumulative period (June 1, 2014 - November 30, 2014)

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

(Thousand yen)

	Reportable segments			Others (see Note)	Total
	Auction related business	Energy related business	Subtotal		
Net sales	576,646	239,378	816,024	216	816,240
Segment income or loss (△)	12,803	△22,798	△9,994	△2,097	△12,092

(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 (△) is in agreement with the operating loss (△) presented on the Quarterly Consolidated Statements of Income.

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

## II. Current second quarter consolidated cumulative period (June 1, 2015 - November 30, 2015)

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

(Thousand yen)

	Reportable segments			Others (see Note 2)	Total
	Auction related business	Energy related business (see Note 1)	Subtotal		
Net sales	543,653	1,182,090	1,725,743	659	1,726,403
Segment income or loss ( $\Delta$ )	43,316	128,437	171,754	$\Delta$ 2,061	169,692

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

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

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

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

Total amount of Segment income or loss ( $\Delta$ ) is in agreement with the operating income 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.