

## DISCLAIMER

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April 12, 2018

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

Company name: SHINWA WISE HOLDINGS CO., LTD.  
 Securities code: 2437  
 Representative: Yoichiro Kurata, President and Representative Director  
 Contact: Yoshiharu Masudo, Accounting Manager  
 Scheduled date of filing of quarterly report: April 13, 2018  
 Scheduled date of payment of dividend: N/A  
 Preparation of supplementary references regarding quarterly results: No  
 Holding the briefing of quarterly results: No

Stock Exchange listings: Tokyo

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

**1. Financial Results of the Third Quarter of the Fiscal Year ending May 31, 2018 (Jun. 1, 2017 – Feb. 28, 2018)**

(1) Consolidated results of operations (cumulative total)

(Percentages represent changes from previous year)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q FY05/2018	1,572	△28.8	△222	—	△268	—	△226	—
3Q FY05/2017	2,207	△10.2	△67	—	△112	—	△100	—

(Note) Comprehensive income 3Q FY05/2018: △223 million yen (—%)  
 3Q FY05/2017: △100 million yen (—%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
3Q FY05/2018	△36.20	—
3Q FY05/2017	△17.20	—

(NOTE) Amount of "Diluted quarterly net income per share" is not disclosed 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
3Q FY05/2018	5,314	1,935	35.9	298.62
FY05/2017	6,432	2,010	31.2	330.56

(Reference) Shareholders equity: 3Q FY05/2018: 1,906 million yen  
 FY05/2017: 2,004 million yen

**2. Dividends**

	Annual dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY05/2017	—	0.00	—	7.20	7.20
FY05/2018	—	0.00	—		
FY05/2018 (forecasts)				7.20	7.20

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

**3. Consolidated performance forecasts for the Fiscal Year ending May 31, 2018**

**(Jun. 1, 2017 – May 31, 2018)**

(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	3,050	△42.9	△150	—	△220	—	△230	—	△36.59

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

For details on the revision to the consolidated performance forecasts, please refer to "Notices concerning consolidated performance forecasts for the full term of fiscal year ending May 31, 2018" announced today (April 12, 2018).

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**\*Notes**

- (1) Changes in important subsidiaries during the current consolidated cumulative period: No  
(changes in specific subsidiaries resulting in modifications of the consolidation scope)
- (2) Application of special accounting methods to the preparation of quarterly financial statement: No
- (3) Changes in accounting principles, changes and restatements of accounting estimates
- 1) Changes in accounting principles caused by revision of accounting standards: No
  - 2) Changes other than 1): No
  - 3) Changes in accounting estimates: No
  - 4) Restatements: No
- (4) Number of outstanding shares (common shares)
- 1) Number of shares outstanding at the end of the period (including treasury stock)
    - 3Q FY05/2018: 7,235,900 shares
    - FY05/2017: 6,926,900 shares
  - 2) Number of treasury stock at the end of the period
    - 3Q FY05/2018: 852,800 shares
    - FY05/2017: 862,800 shares
  - 3) Average number of shares outstanding during the period (quarterly cumulative)
    - 3Q FY05/2018: 6,253,308 shares
    - 3Q FY05/2017: 5,862,583 shares

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

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

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 4, "1. Qualitative information regarding the financial results for the current quarter: (3) Descriptions regarding future prospects such as consolidated performance forecasts".

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

During the current third quarter consolidated cumulative period (Jun. 1, 2017 - Feb. 28, 2018), 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 concentrated its efforts in its energy related business to sales of low-pressure type photovoltaic installations in order for preparation of starting-up its new business, and put its efforts into building up the entire Group's structure to ensure stable profitability at an early stage.

The operating results for each business segment are as follows.

## ① Auction related business

In the current third quarter consolidated cumulative period, handling volume was 2,554,333,000 yen (up 35.7% YoY), net sales was 988,987,000 yen (up 79.3% YoY), and segment loss was 60,500,000 yen (segment loss of 154,337,000 yen in the corresponding period of previous year).

The operating results for each business category are as follows.

Category	3Q FY05/2018 (consolidated cumulative period) Jun. 1, 2017 - Feb. 28, 2017							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auction(s) held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	983,915	12.4	198,977	0.6	4	468	380	81.2
Modern Ceramics Auction	254,190	△3.5	49,420	△6.6	3	540	517	95.7
Modern Art Part II Auction	176,440	17.6	42,397	18.6	4	1,037	934	90.1
Other auctions	511,722	36.5	104,252	22.0	7	2,789	1,886	67.6
Auctions business - total	1,926,267	15.8	395,048	6.2	18	4,834	3,717	76.9
Private sale	602,238	309.1	562,396	357.4				
Others	25,827	△63.8	31,542	△44.4				
Other auction related business - total	628,065	187.4	593,939	230.5				
Auction related business - total	2,554,333	35.7	988,987	79.3				

(Note) 1. One of major factors causing divergence with respect to YoY ratios of handling volume and of net sales is increase/decrease in merchandise sales. Merchandise sales constitute the Group's net sales, like commission income on successful auction bid price, income from catalog sales and annual membership fee do, and therefore if an article is sold from our stock, its sales price (successful bid price in case of being sold by auction) shall be allocated to net sales, as merchandise sales.

2. "Other auctions" are held from time to time depending on how many items are offered.

3. 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 fiscal period.

## i) Auction business

During the current third quarter consolidated cumulative period, the Company held Modern Art Auctions and Modern Art Part II Auctions four times respectively; Modern Ceramics Auctions and Bags/Jewellery & Watches Auctions three times respectively; Wine Auctions twice; as well as Western Art Auction and Post-War & Contemporary Art Auction once respectively; so eighteen occasions in total.

As for Modern Art Auctions, both numbers of items offered and of successful bids increased by 7.3% and 9.5%, respectively YoY. Ratio of successful bid value relative to the estimated minimum sum was as high as 124.4% on average, and average successful bid value turned to increase by 3.2% YoY.

Modern Ceramics Auction has seen decrease in number of items offered by 17.1% and in number of successful bids by 16.1% (both YoY), whereas antique arts auctions continuously achieved good performance, resulting in average successful bid value increased by 15.1% YoY and also ratio of successful bid value relative to the estimated minimum sum was as high as 180.1% on average.

As for Modern Art Part II Auction, both numbers of items offered and of successful bids decreased by 2.4% and 1.9%, respectively YoY. Average successful bid value increased by 19.9% YoY, and ratio of successful bid value relative to the estimated minimum sum was as high as 136.4% on average.

In addition, Wine Auctions have also maintained good performance, achieving much greater results as compared to the corresponding period of previous year.

## ii) Other auction related business

For the Private Sale department, a wholly-owned subsidiary being specialized in gallery business named Shinwa Prive Co., Ltd. was established in the current third quarter consolidated cumulative period, having led to building up its preparedness to respond customers' needs with fine and careful consideration, putting continuous efforts into proactive dealing. In addition, Shinwa Diamond Club was established based on the business targeting at wealthy class which the Group had fostered and it started to sell diamonds for the purpose of defending assets. It took, however, much more time to popularize the shift "from gold to diamond" than as initially expected, and failed to achieve the initial sales plan, but on the whole, both handling volume and net sales substantially increased as compared to the corresponding period of previous year.

## ② Energy related business

With respect to sales business of low-pressure type photovoltaic power generation installations of 50 kW class, it took much time for purchase of stock and careful selection of projects with systems which could certainly be coordinated with those of power utilities, resulting in actual sales of 17 installations in the current third quarter consolidated cumulative period. Nevertheless, there are still much positive purchase demands for good power generation installations of 50 kW class and therefore the Company has been able to secure purchasing projects one after another since around the end of 2017, and at present there are tens of installations expected to be sold before the end of the current consolidated fiscal year. Electric power selling business by using the Group's own photovoltaic installations has shown steady sales performance. Besides, PKS business in Malaysia started shipment and has already completed shipment of about 10,000 tons of PKS in the current third quarter consolidated cumulative period.

Thus, in the current third quarter consolidated cumulative period, net sales was 545,101,000 yen (down 67.0% YoY), and segment loss was 167,807,000 yen (segment income of 87,669,000 yen in the corresponding period of previous year).

## ③ Others

Since the current third quarter consolidated cumulative period the Company has entered into wealth management business and started introducing second-hand real-estates located in Texas, USA, but for Japanese customers there was little knowledge about the American tax system, economic situation and circumstances around real estate market, and also because it took much more time to popularize the business as profitable to benefit from capital gains and also took time to obtain loans for buying, both number of properties sold and profit rate were much behind the initial plan.

In such context, performance of the current third quarter consolidated cumulative period was as follows: net sales of 1,572,556,000 yen (decrease by 28.8% YoY), operating loss of 222,193,000 yen (in comparison, it was 67,712,000 yen in the previous year), ordinary loss of 268,518,000 yen (in comparison, it was 112,760,000 yen in the same period of the previous year), and quarterly net loss attributable to owners of parent of 226,348,000 yen (in comparison, it was 100,808,000 yen in the same period of the previous year).

**(2) Descriptions regarding financial position****(Assets)**

Total assets was 5,314,547,000 yen at the end of the current third quarter consolidated fiscal period, i.e. decrease by 1,117,663,000 yen as compared to the end of previous consolidated fiscal year. It comprises mainly decrease in cash and deposits by 200,627,000 yen, decrease in accounts receivable - other from auction business by 111,922,000 yen, decrease in accounts receivable - trade by 1,857,472,000 yen, increase in advance payment by 656,201,000 yen, increase in merchandise by 381,558,000 yen, and increase in current assets - other by 58,269,000 yen.

**(Liabilities)**

Total liabilities was 3,378,806,000 yen at the end of the current third quarter consolidated fiscal period, i.e. decrease by 1,043,047,000 yen as compared to the end of previous consolidated fiscal year. It comprises mainly decrease in accounts payable - other from auction business by 229,439,000 yen, decrease in short-term loans payable by 699,535,000 yen, and increase in bonds (including current portion) by 150,000,000 yen.

**(Net assets)**

Total net assets was 1,935,741,000 yen at the end of the current third quarter consolidated fiscal period, i.e. decrease by 74,615,000 yen as compared to the end of previous consolidated fiscal year. It comprises mainly increase in capital stock by 81,692,000 yen, increase in capital surplus by 82,648,000 yen, and decrease in retained earnings by 270,010,000 yen.

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

With respect to performance forecasts for the fiscal year ending May 31, 2018, upon consideration of actual results of the current third quarter consolidated cumulative period and the present business circumstances and business environment at this point, revisions were made to the performance forecasts which had been announced on July 14, 2017.

For details, please refer to "Notices concerning consolidated performance forecasts for the full term of fiscal year ending May 31, 2018" announced today (April 12, 2018).

Meanwhile, actual performance in the future may differ from these forecasts, influenced by a wide variety of factors.

**2. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheets**

(Thousand yen; △ means negative)

	Previous consolidated fiscal year (May 31, 2017)	Current third quarter consolidated fiscal period (February 28, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	1,617,433	1,416,805
Accounts receivable - trade	1,957,424	99,952
Accounts receivable - other from auction business	134,285	22,363
Merchandise	884,064	1,265,623
Advance payments	95,777	751,978
Other	337,908	396,177
Allowance for doubtful accounts	△453	△77
Total current assets	5,026,441	3,952,823
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	3,344	5,072
Machinery, equipment and vehicles (net)	979,832	930,917
Land	122,760	120,760
Other (net)	10,401	12,561
Total property, plant and equipment	1,116,339	1,069,311
Intangible assets		
Software	4,441	13,736
Total intangible assets	4,441	13,736
Investments and other assets		
Stocks of subsidiaries and affiliates	102,657	60,599
Other	196,251	231,932
Allowance for doubtful accounts	△13,921	△13,856
Total investments and other assets	284,988	278,675
Total non-current assets	1,405,769	1,361,724
Total assets	6,432,210	5,314,547
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	119,855	57,628
Accounts payable - other from auction business	274,696	45,256
Short-term loans payable	2,226,035	1,526,500
Current portion of bonds	—	44,000
Current portion of long-term loans payable	287,972	263,172
Income taxes payable	6,201	67,492
Provision for bonuses	42,094	6,663
Provision for directors' bonuses	57,255	11,724
Other	257,940	189,213
Total current liabilities	3,272,049	2,211,651
Non-current liabilities		
Bonds payable	—	106,000
Long-term loans payable	334,584	291,205
Liabilities on retirement benefits	46,600	32,400
Long-term accounts payable-installment purchase	611,304	570,859
Other	157,315	166,689
Total non-current liabilities	1,149,803	1,167,154
Total liabilities	4,421,853	3,378,806

(Thousand yen; △ means negative)

	Previous consolidated fiscal year (May 31, 2017)	Current third quarter consolidated fiscal period (February 28, 2018)
Net assets		
Shareholders' equity		
Capital stock	987,181	1,068,873
Capital surplus	592,464	675,113
Retained earnings	650,576	380,565
Treasury shares	△223,655	△221,063
Total shareholders' equity	2,006,566	1,903,489
Accumulated other comprehensive income		
Foreign currency translation adjustment	△2,035	2,657
Total accumulated other comprehensive income	△2,035	2,657
Subscription rights to shares	3,616	3,495
Non-controlling interests	2,210	26,099
Total net assets	2,010,357	1,935,741
Total liabilities and net assets	6,432,210	5,314,547

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

	(Thousand yen; △ means negative)	
	Previous third quarter consolidated cumulative period (June 1, 2016 - February 28, 2017)	Current third quarter consolidated cumulative period (June 1, 2017 - February 28, 2018)
Net sales	2,207,153	1,572,556
Cost of sales	1,604,419	968,786
Gross profit	602,734	603,770
Selling, general and administrative expenses	670,446	825,964
Operating income or loss (△)	△67,712	△222,193
Non-operating income		
Interest income	435	304
Gain on forfeiture of unclaimed dividends	68	137
Gain on valuation of derivatives	3,222	2,023
Reversal of allowance for doubtful accounts	227	440
Interest on refund of income taxes and other	—	1,423
Other	1,231	956
Total non-operating income	5,184	5,285
Non-operating expenses		
Interest expenses	23,422	25,442
Commission fee	26,309	21,190
Foreign exchange losses	—	4,918
Other	501	57
Total non-operating expenses	50,232	51,609
Ordinary loss (△)	△112,760	△268,518
Extraordinary income		
Reversal of provision for retirement benefits	—	1,320
Gain on reversal of subscription rights to shares	1,592	—
Total extraordinary income	1,592	1,320
Extraordinary losses		
Loss on retirement of non-current assets	—	680
Impairment loss	—	8,271
Office transfer expenses	—	12,299
Loss on valuation of investment securities	9,055	—
Total extraordinary losses	9,055	21,250
Net loss before income taxes and minority interests (△)	△120,223	△288,448
Income taxes - current	18,989	64,413
Income taxes - deferred	△38,070	△124,991
Total income taxes	△19,080	△60,578
Net loss (△)	△101,142	△227,870
Net loss attributable to non-controlling shareholders (△)	△334	△1,522
Net loss attributable to owners of parent (△)	△100,808	△226,348



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

(Thousand yen; △ means negative)

	Previous third quarter consolidated cumulative period (June 1, 2016 - February 28, 2017)	Current third quarter consolidated cumulative period (June 1, 2017 - February 28, 2018)
Net loss (△)	△101,142	△227,870
Other comprehensive income		
Foreign currency translation adjustment	423	4,335
Total other comprehensive income	423	4,335
Comprehensive income	△100,719	△223,535
(detail)		
Comprehensive income attributable to owners of parent	△100,564	△221,656
Comprehensive income attributable to non-controlling interests	△155	△1,879

## (3) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

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

During the current third quarter consolidated cumulative period, execution of subscription rights to shares resulted in increase in number of outstanding shares by 309,000 shares. In addition, disposal of 10,000 shares of treasury common stock were carried out. These have led to increase in capital stock by 81,692,000 yen and increase in capital surplus by 82,648,000 yen, and thus at the end of the current third quarter consolidated fiscal period capital stock was 1,068,873,000 yen and capital surplus was 675,113,000 yen.

(Changes in important subsidiaries during the current consolidated cumulative period)

Transition to holding company structure

During the current third quarter consolidated cumulative period, the Company has completed its transition to holding company structure as of December 1, 2017, and on the same day changed its trade name to "Shinwa Wise Holdings Co., Ltd."

In addition, it decided to succeed its auction related business segment to one of its wholly-owned subsidiaries, "Shinwa Auction Co., Ltd.", and to assume roles of management control over the group companies as their holding company.

Change in scope of consolidation

Since the first quarter consolidated fiscal period, Shinwa Prive Co., Ltd. has been established and included in the scope of consolidation.

Also, as part of preparation for the Group's transition to a holding company scheme, it has established its wholly-owned split preparation company named Shinwa Auction Co., Ltd., which has been included in the scope of consolidation since the first quarter consolidated fiscal period.

Shinwa Prive Co., Ltd. and Shinwa Auction Co., Ltd. belong to "Auction related business" segment.

Besides, Shinwa APEC Malaysia Sdn. Bhd. and Shinwa Microfinance Co., Ltd. have been included in the scope of consolidation since the current third quarter consolidated fiscal period, taking their growing importance into account.

Shinwa APEC Malaysia Sdn. Bhd. belongs to "Energy related business" segment; and Shinwa Microfinance Co., Ltd. belongs to "Others" segment.

Changes in the trade names of the Company's subsidiaries

The Company's consolidated subsidiaries changed their respective trade names as of December 1, 2017, as follows.

relationship	former trade name	new trade name
consolidated subsidiary	AEPC Co., Ltd.	Shinwa ARTEX Co., Ltd.
consolidated subsidiary	J-Auction Co., Ltd.	Shinwa Market Co., Ltd.

(Segment Information, etc.)

## 【Segment Information】

I. Previous third quarter consolidated cumulative period (June 1, 2016 - February 28, 2017)

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

(Thousand yen)

	Reportable segments			Others (see Note)	Total
	Auction related business	Energy related business	Subtotal		
Net sales	551,580	1,651,434	2,203,015	4,137	2,207,153
Segment income or loss (△)	△154,337	87,669	△66,667	△1,044	△67,712

(Note) The category "Others" refers to business segment not included in the reportable segments, which includes the business categories such as 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 third quarter consolidated cumulative period (June 1, 2017 - February 28, 2018)

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

(Thousand yen)

	Reportable segments			Others (see Note)	Total
	Auction related business	Energy related business	Subtotal		
Net sales	988,987	545,101	1,534,088	38,468	1,572,556
Segment income or loss (△)	△60,500	△167,807	△228,308	6,114	△222,193

(Note) The category "Others" refers to business segment not included in the reportable segments, which includes the business categories such as 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.

(Important impairment loss on non-current assets)

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