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October 11, 2018

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

Company name: SHINWA WISE HOLDINGS CO., LTD. Stock Exchange listings: Tokyo  
 Securities code: 2437 URL: <http://www.shinwa-wise.com>  
 Representative: Kenji Nakagawa, President and Representative Director  
 Contact: Yoshiharu Masudo, Accounting Manager Tel: +81-3-5537-8024  
 Scheduled date of filing of quarterly report: October 15, 2018  
 Scheduled date of payment of dividend: N/A  
 Preparation of supplementary references regarding quarterly results: No  
 Holding the briefing of quarterly results: No

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

**1. Financial Results of the First Quarter of the Fiscal Year ending May 31, 2019 (Jun. 1, 2018 – August 31, 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	%
1Q FY05/2019	894	196.5	Δ3	—	Δ11	—	Δ26	—
1Q FY05/2018	301	Δ71.8	Δ153	—	Δ163	—	Δ108	—

(Note) Comprehensive income 1Q FY05/2019: Δ28 million yen (—%)  
 1Q FY05/2018: Δ108 million yen (—%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
1Q FY05/2019	Δ4.07	—
1Q FY05/2018	Δ17.74	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q FY05/2019	5,252	1,877	35.2	286.06
FY05/2018	6,120	1,906	30.7	293.65

(Reference) Shareholders equity: 1Q FY05/2019: 1,848 million yen  
 FY05/2018: 1,878 million yen

**2. Dividends**

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

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

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

(Percentages represent changes from previous year)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (cumulative total)	1,800	48.6	30	—	21	—	14	—	2.19
Full term	3,800	36.6	74	—	30	—	50	—	7.87

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

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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)
    - 1Q FY05/2019: 7,313,900 shares
    - FY05/2018: 7,250,900 shares
  - 2) Number of treasury stock at the end of the period
    - 1Q FY05/2019: 852,800 shares
    - FY05/2018: 852,800 shares
  - 3) Average number of shares outstanding during the period (quarterly cumulative)
    - 1Q FY05/2019: 6,448,379 shares
    - 1Q FY05/2018: 6,137,252 shares

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

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

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 2, "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 first quarter consolidated cumulative period (Jun. 1, 2018 - Aug. 31, 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 impacts of trading policies of the U.S.A., uncertain elements in the arena of overseas politics and financial/capital markets, as well as impacts of global geopolitical risks and others, implying unknown consequences in the future.

Amid such environment, the Group has endeavored to offer/sell 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's energy related business segment continued to put its efforts to sales of low-pressure type photovoltaic installations along with continuous fostering 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

In the current first quarter consolidated cumulative period, handling volume was 738,219,000 yen (up 72.7% YoY), net sales was 604,637,000 yen (up 277.9% YoY), and segment income was 18,968,000 yen (segment loss of 113,025,000 yen in the corresponding period of the previous year).

The operating results for each business category are as follows.

Category	1Q FY05/2019 (consolidated cumulative period) June 1, 2018 - August 31, 2018							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auction(s) held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	△10,500	—	△1,287	—	—	—	—	—
Modern Ceramics Auction	141,800	56.8	29,008	65.7	1	212	192	90.6
Modern Art Part II Auction	—	—	—	—	—	—	—	—
Other auctions (see Note 2)	6,136	△79.9	1,344	△80.0	—	—	—	—
Auctions business - total	137,436	△60.0	29,065	△64.4	1	212	192	90.6
Private sale	600,035	823.9	570,517	872.0				
Others	748	△96.0	5,054	△74.2				
Other auction related business - total	600,783	616.9	575,571	635.6				
Auction related business - total	738,219	72.7	604,637	277.9				

(Note) 1. During the current first quarter consolidated cumulative period, some of the articles which had been once successfully bid at the Modern Art Auction held on May 19, 2018 were handled as cancelled, and therefore handling volume and net sales of Modern Art Auction are treated as negative. Meanwhile, those cancelled articles have already been sold to other buyers; however, handling volume and net sales of those articles are allocated to "Private sale" in the current first quarter consolidated cumulative period.

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

3. 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.

## i) Auction business

The current first quarter consolidated fiscal period was mostly overlapped by renovation work of auction venue and construction work of new gallery space for Shinwa Prive Co., Ltd., during which accordingly only one event of Modern Ceramics Auction could be held.

Modern Ceramics Auction has seen, because of constantly good performance of auctions held in June including antique arts, increase in numbers of items offered by 18.4% YoY and increase in numbers of successful bids by 11.0% YoY, and increase in average successful bid value by 38.7%. And additionally, ratio of successful bid value relative to the estimated minimum sum remained as high as 151.0% on average.

## ii) Other auction related business

Private Sale department put its efforts to proactive dealing with high-valued items. Some large-scale trading could be realized during the current first quarter consolidated fiscal period, resulting in substantial increase in both handling volume and net sales by 823.9% and 872.0% respectively as compared to the previous year. In addition, new gallery space was created for Shinwa Prive Co., Ltd., establishing its preparedness to respond customers' needs with fine and careful consideration.

## 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 still remained demands for them as high-returning articles for trade, and 10 installations having been carried over since the previous period were actually sold during the current first quarter consolidated fiscal period. However, purchase price of electricity as set out by the Ministry of Economy, Trade and Industry has been continuously lowered, so it has become harder to secure new projects in which some investment would be made in view of profitability.

Besides, PKS business segment in Malaysia made no shipment of products during the current first quarter consolidated fiscal period, but reviewed its purchase price setting and other matters in preparation for the next opportunity of shipment.

In addition, electric power selling business by using photovoltaic installations owned by a subsidiary has contributed to the Group's performance, leading to net sales of 267,766,000 yen (increase by 99.5% YoY) and segment loss of 8,675,000 yen (in comparison, it was 42,689,000 yen in the same period of the previous year) in the current first quarter consolidated cumulative period.

## ③ Others

Wealth management business segment introducing second-hand real-estates located in Texas, U.S.A. successfully sold 5 properties during the current first quarter consolidated fiscal period. Also, business segments of microfinance in Republic of the Union of Myanmar and selling high-valued diamonds have achieved steady performance. In addition, the Group put its efforts to overall improvement for turning to a profitable entity, such as reviewing SG&A of each business segment.

In such context, performance of the current first quarter consolidated cumulative period was as follows: net sales of 894,887,000 yen (increase by 196.5% YoY), operating loss of 3,499,000 yen (in comparison, it was 153,140,000 yen in the same period of the previous year), ordinary loss of 11,367,000 yen (in comparison, it was 163,937,000 yen in the same period of the previous year), and quarterly net loss attributable to owners of parent of 26,235,000 yen (in comparison, it was 108,886,000 yen in the same period of the previous year).

**(2) Descriptions regarding financial position**

## (Assets)

Total assets was 5,252,553,000 yen at the end of the current first quarter consolidated fiscal period, i.e. decrease by 868,267,000 yen as compared to the end of previous consolidated fiscal year. It comprises mainly decrease in cash and deposits by 1,017,666,000 yen, increase in merchandise by 417,892,000 yen, and increase in advance payments by 60,213,000 yen.

## (Liabilities)

Total liabilities was 3,375,121,000 yen at the end of the current first quarter consolidated fiscal period, i.e. decrease by 838,723,000 yen as compared to the end of previous consolidated fiscal year. It comprises mainly decrease in accounts payable - other from auction business by 495,753,000 yen and decrease in short-term loans payable by 190,700,000 yen.

## (Net assets)

Total net assets was 1,877,432,000 yen at the end of the current first quarter consolidated fiscal period, i.e. decrease by 29,544,000 yen as compared to the end of previous consolidated fiscal year. It comprises mainly increase in capital stock by 22,477,000 yen, increase in capital surplus by 22,477,000 yen, and decrease in retained earnings by 72,301,000 yen.

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

There is no change in consolidated performance forecasts for the second quarter consolidated cumulative period and for the full term, as announced in the "Summary of Financial Results of the Fiscal Year ending May 31, 2018" published on July 7, 2018.

**2. Quarterly Consolidated Financial Statements**

## (1) Quarterly Consolidated Balance Sheets

(Thousand yen;  $\Delta$  means negative)

	Previous consolidated fiscal year (May 31, 2018)	Current first quarter consolidated fiscal period (August 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	2,103,966	1,086,299
Accounts receivable - trade	420,699	241,613
Accounts receivable - other from auction business	269,475	6,561
Merchandise	1,226,671	1,644,563
Advance payments	393,484	453,697
Other	219,869	232,751
Allowance for doubtful accounts	$\Delta 9$	$\Delta 10$
Total current assets	4,634,158	3,665,477
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	4,853	4,531
Machinery, equipment and vehicles (net)	906,273	889,709
Land	122,960	122,960
Construction in progress	36,466	96,405
Other (net)	12,733	24,814
Total property, plant and equipment	1,083,287	1,138,420
Intangible assets		
Software	12,791	11,867
Total intangible assets	12,791	11,867
Investments and other assets		
Stocks of subsidiaries and affiliates	70,600	70,600
Other	335,331	381,551
Allowance for doubtful accounts	$\Delta 15,347$	$\Delta 15,364$
Total investments and other assets	390,583	436,786
Total non-current assets	1,486,662	1,587,075
Total assets	6,120,821	5,252,553
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	99,463	68,597
Accounts payable - other from auction business	498,114	2,360
Short-term loans payable	1,966,500	1,775,800
Current portion of bonds	44,000	44,000
Current portion of long-term loans payable	240,672	194,882
Income taxes payable	44,047	56,277
Provision for bonuses	11,425	5,810
Provision for directors' bonuses	6,739	—
Other	296,255	255,701
Total current liabilities	3,207,216	2,403,429
Non-current liabilities		
Bonds payable	84,000	84,000
Long-term loans payable	235,412	207,909
Liabilities on retirement benefits	33,600	34,250
Long-term accounts payable-installment purchase	557,378	543,896
Other	96,237	101,636
Total non-current liabilities	1,006,627	971,691
Total liabilities	4,213,844	3,375,121

(Thousand yen;  $\Delta$  means negative)

	Previous consolidated fiscal year (May 31, 2018)	Current first quarter consolidated fiscal period (August 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	1,073,780	1,096,257
Capital surplus	680,020	702,497
Retained earnings	349,607	277,305
Treasury shares	$\Delta$ 221,063	$\Delta$ 221,063
Total shareholders' equity	1,882,345	1,854,997
Accumulated other comprehensive income		
Foreign currency translation adjustment	$\Delta$ 3,569	$\Delta$ 6,758
Total accumulated other comprehensive income	$\Delta$ 3,569	$\Delta$ 6,758
Subscription rights to shares	3,419	3,050
Non-controlling interests	24,781	26,142
Total net assets	1,906,976	1,877,432
Total liabilities and net assets	6,120,821	5,252,553

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

	(Thousand yen; Δ means negative)	
	Previous first quarter consolidated cumulative period (June 1, 2017 - August 31, 2017)	Current first quarter consolidated cumulative period (June 1, 2018 - August 31, 2018)
Net sales	301,778	894,887
Cost of sales	187,749	636,529
Gross profit	114,028	258,357
Selling, general and administrative expenses	267,169	261,857
Operating income or loss (Δ)	Δ153,140	Δ3,499
Non-operating income		
Interest income	118	93
Foreign exchange gains	258	3,281
Gain on forfeiture of unclaimed dividends	137	133
Gain on valuation of derivatives	419	932
Reversal of allowance for doubtful accounts	400	—
Other	495	1,168
Total non-operating income	1,830	5,609
Non-operating expenses		
Interest expenses	8,532	10,346
Commission fee	4,094	3,131
Total non-operating expenses	12,627	13,477
Ordinary loss (Δ)	Δ163,937	Δ11,367
Extraordinary income		
Gain on sales of non-current assets	—	156
Total extraordinary income	—	156
Extraordinary losses		
Loss on retirement of non-current assets	—	155
Total extraordinary losses	—	155
Net loss before income taxes and minority interests (Δ)	Δ163,937	Δ11,366
Income taxes - current	Δ1,031	52,960
Income taxes - deferred	Δ54,011	Δ38,968
Total income taxes	Δ55,043	13,991
Net loss (Δ)	Δ108,894	Δ25,358
Net loss attributable to non-controlling shareholders (Δ)	Δ7	876
Net loss attributable to owners of parent (Δ)	Δ108,886	Δ26,235

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

(Thousand yen;  $\Delta$  means negative)

	Previous first quarter consolidated cumulative period (June 1, 2017 - August 31, 2017)	Current first quarter consolidated cumulative period (June 1, 2018 - August 31, 2018)
Net loss ( $\Delta$ )	$\Delta$ 108,894	$\Delta$ 25,358
Other comprehensive income		
Foreign currency translation adjustment	173	$\Delta$ 2,704
Total other comprehensive income	173	$\Delta$ 2,704
Comprehensive income	$\Delta$ 108,720	$\Delta$ 28,063
(detail)		
Comprehensive income attributable to owners of parent	$\Delta$ 108,783	$\Delta$ 29,423
Comprehensive income attributable to non-controlling interests	63	1,360



(3) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Additional information)

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

(Segment Information, etc.)

**【Segment Information】**

## I. Previous first quarter consolidated cumulative period (June 1, 2017 - August 31, 2017)

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

(Thousand yen)

	Reportable segments			Others (see Note)	Total	Adjustment	Amount allocated to the current quarterly consolidated financial statements
	Auction related business	Energy related business	Subtotal				
Net sales	159,982	134,252	294,234	7,543	301,778	—	301,778
Segment income or loss ( $\Delta$ )	$\Delta$ 113,025	$\Delta$ 42,689	$\Delta$ 155,714	2,574	$\Delta$ 153,140	—	$\Delta$ 153,140

(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 ( $\Delta$ ) 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 first quarter consolidated cumulative period (June 1, 2018 - August 31, 2018)

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

(Thousand yen)

	Reportable segments			Others (see Note 1)	Total	Adjustment (see Note 2)	Amount allocated to the current quarterly consolidated financial statements
	Auction related business	Energy related business	Subtotal				
Net sales	604,637	267,766	872,403	22,484	894,887	—	894,887
Segment income or loss ( $\Delta$ )	18,968	$\Delta$ 8,675	10,292	13,917	24,209	$\Delta$ 27,709	$\Delta$ 3,499

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

2. Adjusted Segment income or loss ( $\Delta$ ) means corporate expenses not allocated to individual reportable segments of  $\Delta$ 27,709,000 yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.

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

Total amount of Segment income or loss ( $\Delta$ ) 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.