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January 10, 2020

Summary of Financial Results of the Second Quarter of the Fiscal Year ending May 31, 2020 [Japanese standards] (Consolidated)

Company name: SHINWA WISE HOLDINGS CO., LTD. Stock Exchange listings: Tokyo
 Securities code: 2437 URL: <http://www.shinwa-wise.com>
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 Scheduled date of filing of quarterly report: January 14, 2020
 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 Second Quarter of the Fiscal Year ending May 31, 2020 (Jun. 1, 2019 – Nov. 30, 2019)

(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 FY05/2020	1,151	Δ41.4	Δ130	—	Δ141	—	Δ109	—
2Q FY05/2019	1,962	62.1	50	—	31	—	Δ10	—

(NOTE) Comprehensive income 2Q FY05/2020: Δ111 million yen (—%)

2Q FY05/2019: Δ17 million yen (—%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
2Q FY05/2020	Δ16.25	—
2Q FY05/2019	Δ1.57	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY05/2020	3,785	1,953	51.6	274.82
FY05/2019	4,735	1,895	40.0	287.83

(Reference) Shareholders equity: 2Q FY05/2020: 1,953 million yen

FY05/2019: 1,895 million yen

2. Dividends

	Annual dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY05/2019	—	0.00	—	3.00	3.00
FY05/2020	—	0.00	—	3.00	3.00
FY05/2020 (forecasts)	—	—	—	3.00	3.00

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

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

(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	2,726	Δ7.0	79	—	34	—	22	—	3.34

(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)
 - 2Q FY05/2020: 7,439,900 shares
 - FY05/2019: 7,439,900 shares
 - 2) Number of treasury stock at the end of the period
 - 2Q FY05/2020: 332,882 shares
 - FY05/2019: 852,800 shares
 - 3) Average number of shares outstanding during the period (quarterly cumulative)
 - 2Q FY05/2020: 6,739,883 shares
 - 2Q FY05/2019: 6,470,416 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 3, "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 second quarter consolidated cumulative period (Jun. 1, 2019 - Nov. 30, 2019), Japanese economy has shown gradual upswing, in conjunction with improved environment for employment/earning and effects of various governmental policies. However, in addition to overseas economic trends such as U.S.-China trade conflicts and so-called "Brexit", as well as fluctuations in the financial capital markets, many other concerns have become stronger about changes in consumer confidence due to raise in consumption tax rate, implying unknown consequences in the future.

In these situations, Japanese domestic art markets have experienced sharp fall in mid/low price range of modern arts and substantial decrease in distribution volume of art markets as a whole, which our auction-related business segment could not disregard.

In the energy related business segment, with respect to photovoltaic stations for large-scale businesses like us, it is highly likely that by the end of 2020 the Feed-in Tariff scheme as set out by the Ministry of Economy, Trade and Industry would be drastically overhauled and therefore it has been very hard for the sales business of low-pressure type photovoltaic installations to secure new projects from a viewpoint of profitability.

The operating results for each business segment are as follows.

① Auction related business

In the current second quarter consolidated cumulative period, handling volume was 1,827,052,000 yen (down 35.7% YoY), net sales was 1,082,209,000 yen (down 21.0% YoY), and segment loss was 63,290,000 yen (conversely, segment income of 109,373,000 yen in the same period of the previous year).

The operating results for each business category are as follows.

Category	2Q FY05/2020 (consolidated cumulative period) Jun. 1, 2019 - Nov. 30, 2019							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auction(s) held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	357,300	Δ25.5	67,070	Δ18.2	3	222	175	78.8
Modern Ceramics Auction	165,550	Δ26.2	30,610	Δ35.2	2	354	320	90.4
Modern Art Part II Auction	132,795	101.6	28,484	93.3	3	544	508	93.4
Other auctions	193,285	Δ78.3	50,141	Δ54.6	6	1,227	765	62.3
Auctions business - total	848,930	Δ48.8	176,307	Δ30.7	14	2,347	1,768	75.3
Private sale	977,385	Δ17.0	894,232	Δ18.9				
Others	736	Δ79.9	11,669	Δ2.9				
Other auction related business - total	978,122	Δ17.2	905,901	Δ18.8				
Auction related business - total	1,827,052	Δ35.7	1,082,209	Δ21.0				

- (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. Reversal phenomenon as can be seen in Volume and Net sales of the category "Others" is due to allocating income from catalogues.

i) Auction business

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

For items which had previously been handled in our principal Modern Art Auctions, overall decline in the market caused many of them fall down to the price range of Modern Art Part II Auctions dealing with mainly low-price ones, resulting in sharp increase in the number of items handled by Modern Art Part II Auctions. Accordingly, during the current second quarter consolidated cumulative period, Modern Art Part II Auctions achieved around twice as much both handling volume and net sales as the same period of the previous year. In these situations, there are very few high-value good items of our specialty distributed throughout the market, such that it has become difficult to attract them to our auctions, which caused substantial decrease in handling volume.

Modern Art Auction has seen decrease in average successful bid value by 27.3% YoY. During the current second quarter consolidated cumulative period, despite one more auction held as compared to the same period of the previous year, both numbers of items offered and of successful bids stayed at almost same level as the same period of the previous year, and ratio of successful bid value relative to the estimated minimum sum was 116.3%, also similar to the same period of the previous year.

As for Modern Ceramics Auction, numbers of items offered and of successful bids decreased by 15.9% and 17.3%, respectively, and average successful bid value decreased by 10.4% YoY. Ratio of successful bid value relative to the estimated minimum sum was 125.9%.

As for Modern Art Part II Auction, both numbers of items offered and of successful bids increased by 22.8% and 42.3%, respectively YoY. Average successful bid value increased by 41.6% YoY, and ratio of successful bid value relative to the estimated minimum sum was as high as 207.7%.

As for other auctions, Wine Auction continued to keep good results. In addition, Post-War & Contemporary Art Auctions were held twice, as part of shifting to the market of post-war & contemporary arts which may become a new pillar, which achieved handling volume of 53,465,000 yen, sell-through rate of 91.8%, and ratio of successful bid value relative to the estimated minimum sum of 112.4%. However, because in the same period of the previous year "ART JUNGLE The House Collection" was held as a special auction commemorating the renewal of auction venue and the newly created gallery space for Shinwa Prive Co., Ltd., this year both handling volume and net sales substantially decreased YoY.

ii) Other auction related business

Private Sale department has established its preparedness to respond with fine and careful consideration to customers' needs making use of the gallery space created for Shinwa Prive Co., Ltd., proactively dealing with high-valued items and having maintained steady performance. However, both handling volume and net sales decreased as compared to the same period of the previous year during which extraordinarily high-valued items were traded. Elsewhere, business segment of selling high-value diamonds was affected by the raise in consumption tax rate, so even though there was some rush demand in September, this segment has faced sluggish growth due to the back action since October.

② Energy related business

PKS business in Malaysia continued to put its efforts to higher profitability, as well as to exploiting new customers. In addition, electric power selling business by using photovoltaic installations owned by a subsidiary is carrying on, but no low-pressure type photovoltaic installation could be sold. Thus, in the current second quarter consolidated cumulative period, net sales was 65,750,000 yen (decrease by 88.0% YoY), and segment loss was 18,890,000 yen (it was 28,970,000 yen in the same period of the previous year).

Moreover, efforts were put to improvement in order for the entire Group to become more profitable, such as reexamination of SG&A expenses in each business segment. In such context, the performance of the current second quarter consolidated cumulative period was as follows: net sales of 1,151,105,000 yen (decrease by 41.4% YoY), operating loss of 130,942,000 yen (as opposed to operating income of 50,084,000 yen in the same period of the previous year), ordinary loss of 141,983,000 yen (as opposed to ordinary income of 31,458,000 yen in the same period of the previous year), and quarterly net loss attributable to owners of parent of 109,522,000 yen (it was 10,177,000 yen in the same period of the previous year).

(2) Descriptions regarding financial position

① Analysis of financial position

(Assets)

Total assets was 3,785,336,000 yen at the end of the current second quarter consolidated fiscal period, i.e. decrease by 950,340,000 yen as compared to the end of the previous consolidated fiscal year. It comprises mainly decrease in cash and deposits by 517,926,000 yen, decrease in accounts receivable - other from auction business by 153,802,000 yen, decrease in merchandise by 32,968,000 yen, and decrease in advance payments by 45,474,000 yen.

(Liabilities)

Total liabilities was 1,832,181,000 yen at the end of the current second quarter consolidated fiscal period, i.e. decrease by 1,007,558,000 as compared to the end of the previous consolidated fiscal year. It comprises mainly decrease in accounts payable - auction business by 135,099,000 yen, decrease in short-term loans payable by 588,162,000 yen, and decrease in long-term loans payable by 76,066,000 yen.

(Net assets)

Total net assets was 1,953,155,000 yen at the end of the current second quarter consolidated fiscal period, i.e. increase by 57,217,000 yen as compared to the end of the previous consolidated fiscal year. It comprises mainly increase in capital surplus by 62,453,000 yen, decrease in treasury stock by 134,764,000 yen, and decrease in retained earnings by 137,903,000 yen.

② Cash flow status

Cash and cash equivalents (hereinafter, "business fund") at the end of the current second quarter consolidated fiscal period was 351,735,000 yen, i.e., decrease by 405,709,000 yen from the end of the previous consolidated fiscal year (in comparison, it decreased by 535,571,000 in the same period of the previous year). Each cash flow status and factors thereof in the current second quarter consolidated cumulative period are as follows.

(Cash flows from operating activities)

Business fund obtained resulting from operating activities was 31,557,000 yen (in contrast to spending 182,428,000 in the same period of the previous year). It comprises mainly, on one hand, increase in business fund due to decrease in accounts receivable - other from auction business by 153,802,000 yen and decrease in accounts receivable - other by 150,395,000 yen, and on the other hand, decrease in business fund due to decrease in accounts payable - auction business by 135,099,000 yen and decrease in notes and accounts payable-trade by 95,373,000 yen.

(Cash flows from investing activities)

Business fund obtained resulting from investing activities was 100,656,000 yen (in comparison, it was 129,735,000 in the same period of the previous year). It comprises mainly, on one hand, increased business fund due to proceeds from withdrawal of time deposits of 348,500,000 yen, and on the other hand decreased business fund due to payments into time deposits of 235,000,000 yen.

(Cash flows from financing activities)

Business fund spent for financial activities was 536,961,000 yen (in comparison, it was 481,743,000 in the same period of the previous year). It comprises mainly, on one hand, increase in business fund by 197,256,000 yen due to disposal of treasury stock, and on the other hand, decrease in business fund due to net decrease in short-term loans payable by 588,162,000 yen and repayments of long-term loans payable of 76,066,000 yen.

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

There is no change in consolidated performance forecasts for the full term, as announced in the "Summary of Financial Results of the Fiscal Year ending May 31, 2019" published on July 12, 2019.

Differences between performance forecasts and actual achievements in the current second quarter consolidated cumulative period are as described in "Notices concerning differences between performance forecasts and actual achievements for the second quarter cumulative period of FY05/2020" published on this day, January 10, 2020.

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

(Thousand yen; Δ means negative)

	Previous consolidated fiscal year (May 31, 2019)	Current second quarter consolidated fiscal period (November 30, 2019)
Assets		
Current assets		
Cash and deposits	1,223,162	705,236
Accounts receivable - trade	19,121	21,990
Accounts receivable - other from auction business	190,609	36,807
Merchandise	1,297,117	1,264,149
Advance payments	147,991	102,516
Other	360,347	162,039
Allowance for doubtful accounts	Δ2	Δ2
Total current assets	3,238,348	2,292,737
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	68,388	63,021
Machinery, equipment and vehicles (net)	847,594	814,779
Land	121,760	121,760
Other (net)	30,282	28,593
Total property, plant and equipment	1,068,025	1,028,154
Intangible assets		
Software	25,937	26,019
Total intangible assets	25,937	26,019
Investments and other assets		
Stocks of subsidiaries and affiliates	74,873	64,873
Other	343,842	388,904
Allowance for doubtful accounts	Δ15,351	Δ15,353
Total investments and other assets	403,365	438,424
Total non-current assets	1,497,328	1,492,599
Total assets	4,735,676	3,785,336
Liabilities		
Current liabilities		
Accounts payable - trade	109,600	13,883
Accounts payable - other from auction business	274,563	139,464
Short-term loans payable	1,112,542	524,380
Current portion of bonds	44,000	42,000
Current portion of long-term loans payable	147,932	110,732
Income taxes payable	63,972	26,420
Provision for bonuses	14,971	11,355
Other	175,209	140,910
Total current liabilities	1,942,791	1,009,145
Non-current liabilities		
Bonds payable	40,000	20,000
Long-term loans payable	215,340	176,474
Liabilities on retirement benefits	15,480	15,945
Long-term accounts payable-installment purchase	503,451	476,488
Provision for directors' retirement benefits	36,000	56,000
Other	86,676	78,127
Total non-current liabilities	896,948	823,035
Total liabilities	2,839,739	1,832,181

(Thousand yen; Δ means negative)

	Previous consolidated fiscal year (May 31, 2019)	Current second quarter consolidated fiscal period (November 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	1,133,142	1,133,142
Capital surplus	739,381	801,835
Retained earnings	247,529	109,625
Treasury stock	Δ221,063	Δ86,299
Total shareholders' equity	1,898,990	1,958,304
Accumulated other comprehensive income		
Foreign currency translation adjustment	Δ3,052	Δ5,149
Total accumulated other comprehensive income	Δ3,052	Δ5,149
Total net assets	1,895,937	1,953,155
Total liabilities and net assets	4,735,676	3,785,336

(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; Δ means negative)	
	Previous second quarter consolidated cumulative period (June 1, 2018 - November 30, 2018)	Current second quarter consolidated cumulative period (June 1, 2019 - November 30, 2019)
Net sales	1,962,966	1,151,105
Cost of sales	1,406,823	857,008
Gross profit	556,142	294,096
Selling, general and administrative expenses	506,057	425,039
Operating income or loss (Δ)	50,084	Δ 130,942
Non-operating income		
Interest income	315	339
Foreign exchange gains	4,080	92
Gain on forfeiture of unclaimed dividends	137	204
Gain on valuation of derivatives	848	1,229
Other	1,080	881
Total non-operating income	6,463	2,747
Non-operating expenses		
Interest expenses	18,546	7,493
Commission fee	6,471	6,294
Other	71	—
Total non-operating expenses	25,089	13,788
Ordinary income or loss (Δ)	31,458	Δ 141,983
Extraordinary income		
Gain on sales of non-current assets	156	—
Total extraordinary income	156	—
Extraordinary losses		
Loss on retirement of non-current assets	157	—
Total extraordinary losses	157	—
Net income or loss (Δ) before income taxes and minority interests	31,456	Δ 141,983
Income taxes - current	56,598	22,326
Income taxes - deferred	Δ 16,262	Δ 54,787
Total income taxes	40,336	Δ 32,461
Net income or loss (Δ)	Δ 8,879	Δ 109,522
Net income or loss (Δ) attributable to non-controlling shareholders	1,297	—
Net income or loss (Δ) attributable to owners of parent	Δ 10,177	Δ 109,522

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

(Thousand yen; Δ means negative)

	Previous second quarter consolidated cumulative period (June 1, 2018 - November 30, 2018)	Current second quarter consolidated cumulative period (June 1, 2019 - November 30, 2019)
Net income or loss (Δ)	Δ8,879	Δ109,522
Other comprehensive income		
Foreign currency translation adjustment	Δ9,016	Δ2,096
Total other comprehensive income	Δ9,016	Δ2,096
Comprehensive income	Δ17,896	Δ111,618
(detail)		
Comprehensive income attributable to owners of parent	Δ17,672	Δ111,618
Comprehensive income attributable to non-controlling interests	Δ224	—

(3) Quarterly Consolidated Cash Flow Statement

(Thousand yen, Δ means negative unless otherwise stated)

	Previous consolidated fiscal year (Jun. 1, 2018 - Nov. 30, 2018)	Current consolidated fiscal year (Jun. 1, 2019 - Nov. 30, 2019)
Cash flow from operating activities		
Net income or loss (Δ) before income taxes and minority interests	31,456	Δ 141,983
Depreciation	39,474	45,371
Increase or decrease (Δ) in allowance for doubtful accounts	30	2
Increase or decrease (Δ) in provision for bonuses	5,469	Δ 3,615
Increase or decrease (Δ) in provision for directors' bonuses	Δ 6,739	—
Increase or decrease (Δ) in liabilities for retirement benefits	1,150	465
Increase or decrease (Δ) in provision for directors' retirement benefits	—	20,000
Interest and dividends income	Δ 316	Δ 339
Interest expenses	18,546	7,493
Decrease or increase (Δ) in notes and accounts receivable - trade	218,917	Δ 2,879
Decrease or increase (Δ) in accounts receivable - other from auction business	185,654	153,802
Decrease or increase (Δ) in accounts receivable-other	Δ 3,879	150,395
Decrease or increase (Δ) in inventories	Δ 322,945	32,097
Decrease or increase (Δ) in advance payments	92,233	45,474
Increase or decrease (Δ) in notes and accounts payable-trade	Δ 50,909	Δ 95,373
Increase or decrease (Δ) in accounts payable - other from auction business	Δ 222,188	Δ 135,099
Loss or gain(Δ) on valuation of derivatives	Δ 848	Δ 1,229
Loss on retirement of property, plant and equipment	157	—
Other	Δ 120,170	7,163
Subtotal	Δ 134,904	81,743
Interest and dividends income received	334	350
Interest expenses paid	Δ 18,321	Δ 6,676
Income taxes paid	Δ 29,536	Δ 58,859
Income taxes refund	-	14,998
Net cash provided by or used (Δ) in operating activities	Δ 182,428	31,557
Net cash provided by or used (Δ) in investing activities		
Purchase of property, plant and equipment	Δ 55,482	Δ 2,737
Purchase of intangible assets	—	Δ 4,970
Payments into time deposits	Δ 442,131	Δ 235,000
Proceeds from withdrawal of time deposits	630,015	348,500
Purchase of insurance funds	Δ 5,155	Δ 5,155
Proceeds from collection of lease and guarantee deposits	2,490	—
Other expenses	—	20
Net cash provided by or used (Δ) in investing activities	129,735	100,656
Net cash provided by or used (Δ) in financing activities		
Net increase or decrease (Δ) in short-term loans payable	Δ 399,950	Δ 588,162
Proceeds from long-term loans payable	100,000	—
Repayments of long-term loans payable	Δ 204,086	Δ 76,066
Expense by redemption of bonds	Δ 22,000	Δ 22,000
Proceeds from issuance of common stock	118,002	—
Dividends paid	Δ 45,339	Δ 19,621
Proceeds from disposal of treasury stock	—	197,256
Purchase of treasury stock	—	Δ 38
Proceeds from sale and leaseback	Δ 1,407	Δ 1,367
Payments for sale and installment back deal	Δ 26,963	Δ 26,963
Net cash provided by or used (Δ) in financing activities	Δ 481,743	Δ 536,961
Effect of exchange rate change on cash and cash equivalents	Δ 1,134	Δ 961
Net increase or decrease (Δ) in cash and cash equivalents	Δ 535,571	Δ 405,709
Cash and cash equivalents at beginning of period	1,321,150	756,162
Increase in cash and cash equivalents from newly consolidated subsidiary	—	1,282
Balance of cash and cash equivalents at 2Q end	785,578	351,735

(4) 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 second quarter consolidated cumulative period, disposal of treasury shares through third party allocation resulted in increase in capital surplus by 62,453,000 yen and decrease in treasury stock by 134,802,000 yen. In addition, purchase of shares less than one unit resulted in increase in treasury stock by 38,000 yen. Thus, at the end of the current second quarter consolidated cumulative period, capital surplus was 801,835,000 yen and treasury stock was Δ 86,299,000 yen.

(Segment Information, etc.)

【Segment Information】

I. Previous second quarter consolidated cumulative period (June 1, 2018 - November 30, 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	1,369,641	546,327	1,915,968	46,997	1,962,966	—	1,962,966
Segment income or loss (Δ)	109,373	Δ28,970	80,403	26,037	106,441	Δ56,356	50,084

- (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 (Δ) means corporate expenses not allocated to individual reportable segments of Δ56,356,000 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 (Δ) 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.

II. Current second quarter consolidated cumulative period (June 1, 2019 - November 30, 2019)

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	1,082,209	65,750	1,147,960	3,144	1,151,105	—	1,151,105
Segment income or loss (Δ)	Δ63,290	Δ18,890	Δ82,181	Δ209	Δ82,390	Δ48,552	Δ130,942

- (NOTE)
1. The category "Others" refers to business segment not included in the reportable segments, which includes the business categories of supporting medical institutions and overseas real-estate.
 2. Adjusted Segment income or loss (Δ) means corporate expenses not allocated to individual reportable segments of Δ48,552,000 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 (Δ) 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.