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January 11, 2018

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

Company name: SHINWA WISE HOLDINGS CO., LTD.

Stock Exchange listings: Tokyo

Securities code: 2437

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Scheduled date of filing of quarterly report: January 12, 2018

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 negative)

1. Financial Results of the Second Quarter of the Fiscal Year ending May 31, 2018 (Jun. 1, 2017 – Nov. 30, 2017)

(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 FY05/2018	1,210	△32.5	△38	—	△65	—	△73	—
2Q FY05/2017	1,794	3.9	△0	—	△36	—	△37	—

(Note) Comprehensive income 2Q FY05/2018: △73 million yen (—%)
2Q FY05/2017: △40 million yen (—%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
2Q FY05/2018	△11.76	—
2Q FY05/2017	△6.53	—

(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
2Q FY05/2018	5,936	2,035	34.2	321.98
FY05/2017	6,432	2,010	31.2	330.56

(Reference) Shareholders equity: 2Q FY05/2018: 2,029 million yen
FY05/2017: 2,004 million yen

2. Dividends

	Annual dividend per share				
	2Q-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	5,960	11.5	432	18.6	374	23.5	227	37.0	37.58

(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 FY05/2018: 7,155,900 shares
 - FY05/2017: 6,926,900 shares
 - 2) Number of treasury stock at the end of the period
 - 2Q FY05/2018: 852,800 shares
 - FY05/2017: 862,800 shares
 - 3) Average number of shares outstanding during the period (quarterly cumulative)
 - 2Q FY05/2018: 6,216,034 shares
 - 2Q FY05/2017: 5,763,477 shares

* Quarterly summary of financial results is not covered by quarterly review.

*** 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".

(How to obtain supplementary references regarding quarterly results)

The Company will hold a briefing for institutional investors and analysts on January 19, 2018 (Fri.). Documentations used in this briefing will be posted on our website immediately thereafter.

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

During the current second quarter consolidated cumulative period (Jun. 1, 2017 - Nov. 30, 2017), 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 second quarter consolidated cumulative period, handling volume was 1,965,044,000 yen (up 48.3% YoY), net sales was 836,975,000 yen (up 113.5% YoY), and segment income was 32,225,000 yen (segment loss of 101,529,000 yen in the corresponding period of previous year).

The operating results for each business category are as follows.

Category	2Q FY05/2018 (consolidated cumulative period) Jun. 1, 2017 - Nov. 30, 2017							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auction(s) held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	686,665	3.4	142,993	8.6	3	366	298	81.4
Modern Ceramics Auction	144,720	15.2	30,106	11.7	2	383	376	98.2
Modern Art Part II Auction	153,685	37.8	36,668	37.6	3	813	739	90.9
Other auctions	403,345	58.0	75,980	27.4	5	1,841	1,282	69.6
Auctions business - total	1,388,415	20.1	285,749	16.7	13	3,403	2,695	79.2
Private sale	552,043	382.8	525,522	433.4				
Others	24,586	△54.5	25,703	△47.1				
Other auction related business - total	576,629	242.4	551,225	274.7				
Auction related business - total	1,965,044	48.3	836,975	113.5				

(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.

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 Bags/Jewellery & Watches Auctions twice respectively; as well as Western Art Auctions, Wine Auctions and Post-War & Contemporary Art Auction once respectively; so thirteen occasions in total.

Modern Art Auction has seen increase in numbers of items offered by 7.3% YoY and increase in numbers of successful bids by 11.6% YoY, and ratio of successful bid value relative to the estimated minimum sum was as high as 116.0% on average, with average successful bid value decreased by 6.6% YoY.

Modern Ceramics Auction has seen decrease in number of items offered by 20.2% and in number of successful bids by 16.8% (both YoY), whereas antique arts auctions continuously achieved good performance, resulting in average successful bid value increased by 35.7% YoY and also ratio of successful bid value relative to the estimated minimum sum was as high as 170.9% on average.

As for Modern Art Part II Auction, both numbers of items offered and of successful bids increased by 6.0% and 6.6%, respectively YoY. Average successful bid value increased by 29.3% YoY, and ratio of successful bid value relative to the estimated minimum sum was as high as 134.3% 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 second 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

Electric power selling business by using the Group's own photovoltaic installations has shown steady sales performance. With respect to sales of low-pressure type photovoltaic power generation installations of 50 kW class, demands shifted from those aiming at making use of the taxation system for promoting investment on productivity improvement equipment to those aiming at investment yield, and therefore the Company has continued to concentrate its efforts to purchasing photovoltaic installations for investment with a perspective of profitability. Despite there being still much positive purchase demands, in the market situation disrupted by substantial changes in the accreditation scheme due to implementation of the amended FIT law in April, 2017, the Company spent far more time than as initially expected for stringent selection of purchasing projects that could be coordinated with each other, resulting in actual sales of 13 installations with the goal of 50 installations in the current second quarter consolidated cumulative period. At this moment, market turmoil has generally calmed down and the Company has nearly secured some purchasing projects, and therefore it is anticipated that the plan for the first half of the current fiscal year would be extended into the second half. Also, the Group started purchase and sales activities for the PKS business in Malaysia.

③ Others

Since the current second quarter consolidated cumulative period the Company has entered into wealth management business centered on interfacing overseas real-estate sales activities and started its business of introducing second-hand real-estates located in Texas, USA, but because there was little knowledge about the local 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, both number of properties sold and profit rate were much lower than the initial plan.

Also, the Company obtained a microfinance license in Republic of the Union of Myanmar aiming at improvement in living standards of farmers and small-scale business owners by means of petty-sum loans, and its microfinance business has started since the current second quarter consolidated cumulative period.

In such context, performance of the current second quarter consolidated cumulative period was as follows: net sales of 1,210,951,000 yen (decrease by 32.5% YoY), operating loss of 38,170,000 yen (in comparison, it was 934,000 yen in the previous year), ordinary loss of 65,435,000 yen (in comparison, it was 36,371,000 yen in the same period of the previous year), and quarterly net loss attributable to owners of parent of 73,079,000 yen (in comparison, it was 37,635,000 yen in the same period of the previous year).

(2) Descriptions regarding financial position

① Analysis of financial position

(Assets)

Total assets was 5,936,189,000 yen at the end of the current second quarter consolidated fiscal period, i.e. decrease by 496,020,000 yen as compared to the end of the previous consolidated fiscal year. It comprises mainly increase in cash and deposits by 214,456,000 yen, increase in accounts payable - other from auction business by 175,898,000 yen, increase in merchandise by 181,911,000 yen, increase in advance payments by 391,393,000 yen, and decrease in accounts receivable - trade by 1,599,233,000 yen.

(Liabilities)

Total liabilities was 3,900,911,000 yen at the end of the current second quarter consolidated fiscal period, i.e. decrease by 520,941,000 as compared to the end of the previous consolidated fiscal year. It comprises mainly increase in accounts payable - other from auction business by 197,195,000 yen, increase in bonds by 106,000,000 yen, decrease in accounts payable - trade by 83,454,000 yen, and decrease in short-term loans payable by 786,200,000 yen.

(Net assets)

Total net assets was 2,035,278,000 yen at the end of the current second quarter consolidated fiscal period, i.e. increase by 24,920,000 yen as compared to the end of the previous consolidated fiscal year. It comprises mainly increase in capital stock by 69,100,000 yen, increase in capital surplus by 70,056,000 yen, and decrease in retained earnings by 116,741,000 yen.

②Cash flow status

Cash and cash equivalents (hereinafter, "business fund") at the end of the current second quarter consolidated fiscal period were 1,067,775,000 yen, i.e., increase by 460,852,000 yen from the end of the previous consolidated fiscal year (in contrast to decrease by 350,725,000 in 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 956,525,000 yen (in contrast to spending 1,145,843,000 in the previous year). It comprises mainly, on one hand, increased business fund due to decrease in notes and accounts receivable - trade by 1,599,233,000 yen and increase in accounts payable - auction business by 197,195,000 yen, and on the other hand decreased business fund due to increase in accounts receivable - other from auction business by 175,898,000 yen and increase in inventories by 165,717,000 yen.

(Cash flows from investing activities)

Business fund obtained resulting from investment activities was 8,407,000 yen (in contrast to spending 983,679,000 in the previous year). It comprises mainly, on one hand, increased business fund due to proceeds from withdrawal of time deposits of 810,500,000 yen, and on the other hand decrease in business fund by 171,094,000 yen due to payments into time deposits of 564,104,000 yen and purchase of stock of subsidiaries and affiliates of 40,990,000 yen.

(Cash flows from financing activities)

Business fund spent for financial activities was 504,714,000 yen (in contrast to obtaining 1,780,276,000 yen in the previous year). It comprises mainly, on one hand, increased business fund due to proceeds from long-term loans payable of 320,000,000 yen, proceeds from issuance of bonds of 147,085,000 yen, and proceeds from issuance of common stocks of 137,442,000 yen, and on the other hand, decreased business fund due to net decrease in short-term loans payable by 786,200,000 yen, repayments of long-term loans payable of 284,886,000 yen and cash dividends paid of 43,336,000 yen.

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

Differences between performance forecasts and actual achievements in the current second quarter consolidated cumulative period, and modification of individual full term performance forecasts are as described in "Notices concerning differences between performance forecasts and actual achievements for the second quarter cumulative period of FY05/2018 (consolidated and nonconsolidated), and modification of individual performance forecasts for the full term of FY05/2018" published on this day, January 11, 2018.

There is no change in consolidated performance forecasts for the full term of FY05/2018, as announced in the "Summary of Financial Results of the Fiscal Year ending May 31, 2017" published on July 14, 2017.

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

	Previous consolidated fiscal year (May 31, 2017)	(Thousand yen; △ means negative) Current second quarter consolidated fiscal period (November 30, 2017)
Assets		
Current assets		
Cash and deposits	1,617,433	1,831,889
Accounts receivable - trade	1,957,424	358,190
Accounts receivable - other from auction business	134,285	310,184
Merchandise	884,064	1,065,975
Advance payments	95,777	487,171
Other	337,908	473,207
Allowance for doubtful accounts	△453	△523
Total current assets	5,026,441	4,526,096
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	3,344	2,860
Machinery, equipment and vehicles (net)	979,832	928,378
Land	122,760	120,760
Other (net)	10,401	12,255
Total property, plant and equipment	1,116,339	1,064,253
Intangible assets		
Software	4,441	14,646
Total intangible assets	4,441	14,646
Investments and other assets		
Stocks of subsidiaries and affiliates	102,657	143,648
Other	196,251	201,465
Allowance for doubtful accounts	△13,921	△13,920
Total investments and other assets	284,988	331,193
Total non-current assets	1,405,769	1,410,093
Total assets	6,432,210	5,936,189
Liabilities		
Current liabilities		
Accounts payable - trade	119,855	36,400
Accounts payable - other from auction business	274,696	471,891
Short-term loans payable	2,226,035	1,439,835
Current portion of bonds	—	44,000
Current portion of long-term loans payable	287,972	310,672
Income taxes payable	6,201	71,945
Provision for bonuses	42,094	12,059
Provision for directors' bonuses	57,255	9,061
Other	257,940	256,138
Total current liabilities	3,272,049	2,652,003
Non-current liabilities		
Bonds payable	—	106,000
Long-term loans payable	334,584	346,998
Liabilities on retirement benefits	46,600	39,350
Long-term accounts payable-installment purchase	611,304	584,341
Other	157,315	172,218
Total non-current liabilities	1,149,803	1,248,907
Total liabilities	4,421,853	3,900,911

	(Thousand yen; △ means negative)	
	Previous consolidated fiscal year (May 31, 2017)	Current second quarter consolidated fiscal period (November 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	987,181	1,056,281
Capital surplus	592,464	662,521
Retained earnings	650,576	533,834
Treasury shares	△223,655	△221,063
Total shareholders' equity	2,006,566	
Accumulated other comprehensive income		
Foreign currency translation adjustment	△2,035	△2,128
Total accumulated other comprehensive income	△2,035	△2,128
Subscription rights to shares	3,616	3,559
Non-controlling interests	2,210	2,273
Total net assets	2,010,357	2,035,278
Total liabilities and net assets	6,432,210	5,936,189

(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; △ means negative)	
	Previous second quarter consolidated cumulative period (June 1, 2016 - November 30, 2016)	Current second quarter consolidated cumulative period (June 1, 2017 - November 30, 2017)
Net sales	1,794,510	1,210,951
Cost of sales	1,329,165	724,827
Gross profit	465,344	486,123
Selling, general and administrative expenses	466,279	524,294
Operating income or loss (△)	△934	△38,170
Non-operating income		
Interest income	328	207
Foreign exchange gains	—	650
Gain on forfeiture of unclaimed dividends	68	137
Gain on valuation of derivatives	2,313	1,393
Reversal of allowance for doubtful accounts	405	—
Interest on refund of income taxes and other	—	1,423
Other	709	1,322
Total non-operating income	3,824	5,135
Non-operating expenses		
Interest expenses	16,082	17,783
Commission fee	23,178	14,616
Other	1	0
Total non-operating expenses	39,261	32,400
Ordinary loss (△)	△36,371	△65,435
Extraordinary income		
Gain on reversal of subscription rights to shares	1,592	—
Total extraordinary income	1,592	—
Extraordinary losses		
Loss on retirement of non-current assets	—	663
Impairment loss	—	8,271
Office transfer expenses	—	12,299
Total extraordinary losses	—	21,233
Net loss before income taxes and minority interests (△)	△34,779	△86,669
Income taxes - current	30,617	65,365
Income taxes - deferred	△27,603	△78,947
Total income taxes	3,013	△13,581
Net loss (△)	△37,792	△73,087
Net loss attributable to non-controlling shareholders (△)	△157	△7
Net loss attributable to owners of parent (△)	△37,635	△73,079

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

	(Thousand yen; △ means negative)	
	Previous second quarter consolidated cumulative period (June 1, 2016 - November 30, 2016)	Current second quarter consolidated cumulative period (June 1, 2017 - November 30, 2017)
Net loss (△)	△37,792	△73,087
Other comprehensive income		
Foreign currency translation adjustment	△2,365	△22
Total other comprehensive income	△2,365	△22
Comprehensive income	△40,158	△73,109
(detail)		
Comprehensive income attributable to owners of parent	△39,037	△73,172
Comprehensive income attributable to non-controlling interests	△1,120	63

(3) Quarterly Consolidated Cash Flow Statement

(Thousand yen, △ means negative unless otherwise stated)

	Previous consolidated fiscal year (Jun. 1, 2016 - Nov. 30, 2016)	Current consolidated fiscal year (Jun. 1, 2017 - Nov. 30, 2017)
Cash flow from operating activities		
Net loss (△) before income taxes and minority interests	△34,779	△86,669
Depreciation	17,775	34,157
Impairment loss	—	8,271
Increase or decrease (△) in allowance for doubtful accounts	△78	69
Increase or decrease (△) in provision for bonuses	14,648	△30,034
Increase or decrease (△) in provision for directors' bonuses	△36,713	△48,193
Increase or decrease (△) in liabilities for retirement benefits	1,550	△7,250
Interest and dividends income	△328	△208
Interest expenses	16,082	17,783
Gain on reversal of subscription rights to shares	△1,592	—
Decrease or increase (△) in notes and accounts receivable - trade	207,346	1,599,233
Decrease or increase (△) in accounts receivable - other from auction business	107,862	△175,898
Decrease or increase (△) in inventories	△201,964	△165,717
Decrease or increase (△) in advance payments	△984,990	△391,393
Increase or decrease (△) in notes and accounts payable-trade	△35,523	△83,454
Increase or decrease (△) in accounts payable - other from auction business	△80,577	197,195
Loss or gain(△) on valuation of derivatives	△2,313	△1,393
Loss on retirement of property, plant and equipment	—	705
Other	△16,819	65,512
Subtotal	△1,030,416	932,715
Interest and dividends income received	377	216
Interest expenses paid	△16,269	△17,812
Income taxes paid	△99,535	41,406
Net cash provided by or used (△) in operating activities	△1,145,843	956,525
Net cash provided by or used (△) in investing activities		
Expense by purchasing investment securities	—	△20,500
Purchase of stocks of subsidiaries and affiliates	—	△40,990
Purchase of property, plant and equipment	△848,793	△5,422
Payments into time deposits	△961,525	△564,104
Proceeds from withdrawal of time deposits	826,640	810,500
Other expenses	—	△171,074
Net cash provided by or used (△) in investing activities	△983,679	8,407
Net cash provided by or used (△) in financing activities		
Net increase or decrease (△) in short-term loans payable	1,005,443	△786,200
Proceeds from long-term loans payable	100,000	320,000
Repayments of long-term loans payable	△30,586	△284,886
Proceeds from issuance of bonds	—	147,085
Proceeds from issuance of common stock	113,446	137,442
Dividends paid	△39,687	△43,336
Proceeds from disposal of treasury stock	—	3,530
Proceeds from sale and leaseback	—	27,893
Proceeds from sale and installment back deal	800,280	—
Payments for sale and installment back deal	△168,620	△26,963
Proceeds from issuance of subscription rights to shares	—	720
Net cash provided by or used (△) in financing activities	1,780,276	△504,714
Effect of exchange rate change on cash and cash equivalents	△1,478	633
Net increase or decrease (△) in cash and cash equivalents	△350,725	460,852
Cash and cash equivalents at beginning of period	1,277,375	606,922
Balance of cash and cash equivalents at 2Q end	926,650	1,067,775

(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, execution of subscription rights to shares resulted in increase in number of outstanding shares by 229,000 shares. In addition, disposal of 10,000 shares of treasury common stock were carried out. These have led to increase in capital stock by 69,100,000 yen and increase in capital surplus by 70,056,000 yen, and thus at the end of the current second quarter consolidated fiscal period capital stock was 1,056,281,000 yen and capital surplus was 662,521,000 yen.

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

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.

(Segment Information, etc.)

【Segment Information】

I. Previous second quarter consolidated cumulative period (June 1, 2016 - November 30, 2016)

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	391,989	1,398,436	1,790,425	4,085	1,794,510
Segment income or loss (△)	△101,529	101,096	△433	△501	△934

(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, 2017 - November 30, 2017)

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 (see Note)	Subtotal		
Net sales	836,975	363,442	1,200,417	10,533	1,210,951
Segment income or loss (△)	32,225	△67,735	△35,509	△2,660	△38,170

(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.

(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 second quarter consolidated cumulative period.

(Significant post-balance sheet events)

(Changes in the trade names of the Company and its subsidiaries)

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

relationship	former trade name	new trade name
parent company	Shinwa Art Auction Co., Ltd.	Shinwa Wise Holdings Co., Ltd.
consolidated subsidiary	AEPC Co., Ltd.	Shinwa ARTEX Co., Ltd.
consolidated subsidiary	J-Auction Co., Ltd.	Shinwa Market Co., Ltd.

(Change in representative director)

The Company adopted the resolution regarding change in one of its representative directors as described below at its board meeting held on November 24, 2017, and such change took effect on December 1, 2017. Due to this action, the Company has currently only one representative director, namely Yoichiro Kurata, President and Representative Director.

name	former position	new position
Kenji Nakagawa	Senior Managing Director	Chairman

(Completion of transition to holding company structure through company split)

The Company has, as of December 1, 2017, succeeded its auction related business segment to one of its wholly-owned subsidiaries, "Shinwa Auction Co., Ltd." based on the absorption-type split agreement that had been approved and executed at the board meeting held on September 19, 2017, and thus completed its transition to holding company structure.

Overview of the splitting company in the absorption-type split

(1) Company name	Shinwa Wise Holdings Co., Ltd.
(2) Address	7-4-12, Ginza, Chuo-ku, Tokyo 104-0061 JAPAN
(3) Representative	Yoichiro Kurata, President and Representative Director
(4) Main business activities	Group management, administration of each business company, etc.
(5) Capital	1,056 million yen
(6) Establishment	June 15, 1989
(7) Account settlement date	May 31

Overview of the succeeding company in the absorption-type split

(1) Company name	Shinwa Auction Co., Ltd.
(2) Address	7-4-12, Ginza, Chuo-ku, Tokyo 104-0061 JAPAN
(3) Representative	Kazuki Ishii, President and Representative Director
(4) Main business activities	Planning/operation of auctions; direct dealing, consignment dealing and import/export of antiques
(5) Capital	50 million yen
(6) Establishment	August 1, 2017
(7) Account settlement date	May 31