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April 11, 2019

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

Company name: SHINWA WISE HOLDINGS CO., LTD.
 Securities code: 2437 URL: <http://www.shinwa-wise.com>
 Representative: Kenji Nakagawa, President and Representative Director
 Contact: Yoshiharu Masudo, Executive Officer and Accounting Manager
 Scheduled date of filing of quarterly report: April 12, 2019
 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)
 (Δ means negative)

1. Financial Results of the Third Quarter of the Fiscal Year ending May 31, 2019 (Jun. 1, 2018 – Feb. 28, 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	%
3Q FY05/2019	2,399	52.6	Δ24	—	Δ59	—	Δ80	—
3Q FY05/2018	1,572	Δ28.8	Δ222	—	Δ268	—	Δ226	—

(NOTE) Comprehensive income 3Q FY05/2019: Δ93 million yen (—%)
 3Q FY05/2018: Δ223 million yen (—%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
3Q FY05/2019	Δ12.34	—
3Q FY05/2018	Δ36.20	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q FY05/2019	4,654	1,866	39.9	282.17
FY05/2018	6,120	1,906	30.7	293.65

(Reference) Shareholders equity: 3Q FY05/2019: 1,858 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	—	0.00	—	7.20	7.20
FY05/2019 (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, 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
Full term	3,000	7.9	74	—	60	—	50	—	7.66

(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)
 - 3Q FY05/2019: 7,439,900 shares
 - FY05/2018: 7,250,900 shares
 - 2) Number of treasury stock at the end of the period
 - 3Q FY05/2019: 852,800 shares
 - FY05/2018: 852,800 shares
 - 3) Average number of shares outstanding during the period (quarterly cumulative)
 - 3Q FY05/2019: 6,508,883 shares
 - 3Q FY05/2018: 6,253,308 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 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 third quarter consolidated cumulative period (Jun. 1, 2018 - Feb.28, 2019), Japanese economy has shown gradual upswing, in conjunction with continuously improved environment for employment/earning and effects of various governmental policies. However, many factors such as impacts of the recent U.S.-China trade conflicts, uncertainties in the global economy, concerns about financial/capital markets, and as well as impacts of global geopolitical risks would imply 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 has put its efforts in the energy related business to sales of low-pressure type photovoltaic installations, as well as building up the entire Group's structure to ensure stable profitability at an early stage, including reconsideration about the PKS business segment in Malaysia.

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 3,597,012,000 yen (up 40.8% YoY), net sales was 1,754,157,000 yen (up 77.4% YoY), and segment income was 79,796,000 yen (as opposed to segment loss of 60,500,000 yen in the same period of the previous year).

The operating results for each business category are as follows.

Category	3Q FY05/2019 (consolidated cumulative period) Jun. 1, 2018 - Feb. 28, 2019							
	Volume (thousand yen)	YoY (%)	Net sales (thousand yen)	YoY (%)	Auction(s) held	Items offered	Successful bids	Sell through rate (%)
Modern Art Auction	722,491	Δ26.6	192,057	Δ3.5	3	315	250	79.4
Modern Ceramics Auction	363,890	43.2	70,790	43.2	3	604	553	91.6
Modern Art Part II Auction	89,335	Δ49.4	21,009	Δ50.4	3	639	527	82.5
Other auctions	1,012,876	97.9	137,121	31.5	8	2,367	1,470	62.1
Auctions business - total	2,188,592	13.6	420,979	6.6	17	3,925	2,800	71.3
Private sale	1,403,697	133.1	1,315,651	133.9				
Others	4,722	Δ81.7	17,526	Δ44.4				
Other auction related business - total	1,408,419	124.2	1,333,178	124.5				
Auction related business - total	3,597,012	40.8	1,754,157	77.4				

(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 fiscal period, the Company held 17 auctions, namely one occasion less than the same period of the previous year, because of renovation work of auction venue and construction work of new gallery space for Shinwa Prive Co., Ltd. Specifically, Modern Art Auction, Modern Ceramics Auction, Modern Art Part II Auction and Bags/Jewellery & Watches Auction were held three times respectively; Wine Auction were held twice; and Western Art Auction was held once; as well as MANGA (Japanese cartoons) Auction as a new genre and "ART JUNGLE The House Collection" as a special auction commemorating the renewal were also held once respectively.

Modern Art Auction has seen decrease in numbers of items offered by 32.7% YoY (but improved by 6.6 points as compared to the second quarter consolidated cumulative period) and decrease in numbers of successful bids by 34.2% YoY (but improved by 7.1 points as compared to the second quarter consolidated cumulative period) because of one occasion less than the same period of the previous year, whereas ratio of successful bid value relative to the estimated minimum sum was 128.8% on average that means increase by more than 4.4% YoY on average, and also average successful bid value increased by 12.7% YoY.

As for Modern Ceramics Auction, both numbers of items offered and of successful bids increased by 11.9% (improved by 2.0 points as compared to the second quarter consolidated cumulative period) and 7.0% (improved by 4.1 points as compared to the second quarter consolidated cumulative period), respectively YoY. During the current third quarter consolidated fiscal period, antique arts auctions continuously achieved good performance, resulting in average successful bid value increased by 33.0% YoY and also ratio of successful bid value relative to the estimated minimum sum was as high as 161.8% on average.

As for Modern Art Part II Auction, because of one occasion less than the same period of the previous year, both numbers of items offered and of successful bids decreased by 38.4% (but improved by 7.1 points as compared to the second quarter consolidated cumulative period) and 43.6% (but improved by 8.1 points as compared to the second quarter consolidated cumulative period), respectively YoY. Average successful bid value decreased by 10.0% YoY (but improved by 1.3 points as compared to the second quarter consolidated cumulative period), and ratio of successful bid value relative to the estimated minimum sum was as high as 134.2% on average.

In addition, Wine Auction also continued to achieve good performance, and in the current third quarter consolidated fiscal period a new genre named MANGA Auction was held once. Further, "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., resulting in handling volume of nearly 700 million yen and great achievements including sell-through rate of 92.9%.

ii) Other auction related business

For the Private Sale department, new gallery space was created for Shinwa Prive Co., Ltd., establishing its preparedness to respond customers' needs with fine and careful consideration, and efforts were put to proactive dealing with high-value items. Some large-scale trading could be realized during the current third quarter consolidated fiscal period, resulting in substantial increase in both handling volume and net sales by 133.1% and 133.9% respectively as compared to the previous year.

Elsewhere, business segment of selling high-value diamonds maintained stable net sales.

② Energy related business

With respect to sales of low-pressure type photovoltaic power generation installations of 50 kW class, thanks to demands for them as high-returning articles for trade, 18 of those were sold during the current third quarter consolidated cumulative 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.

PKS business segment in Malaysia realized sales of 10,000 tons during the current third quarter consolidated cumulative period and also endeavored to reconsider purchase price setting and other matters, leading to smaller deficit. However, it still needs improvement and will continue these efforts.

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 593,697,000 yen (increase by 8.9% YoY) and segment loss of 48,476,000 yen (in comparison, it was 167,807,000 yen in the same period of the previous year) in the current third quarter consolidated cumulative period.

③ Others

Wealth management business segment introducing second-hand real-estates located in Texas, U.S.A. successfully sold 9 properties during the current third quarter consolidated fiscal period. Also, business segment of microfinance in Republic of the Union of Myanmar has 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 third quarter consolidated cumulative period was as follows: net sales of 2,399,341,000 yen (increase by 52.6% YoY), operating loss of 24,939,000 yen (in comparison, it was 222,193,000 yen in the previous year), ordinary loss of 59,291,000 yen (in comparison, it was 268,518,000 yen in the same period of the previous year), and quarterly net loss attributable to owners of parent of 80,300,000 yen (in comparison, it was 226,348,000 yen in the same period of the previous year).

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

Total assets was 4,654,670,000 yen at the end of the current third quarter consolidated fiscal period, i.e. decrease by 1,466,150,000 yen as compared to the end of previous consolidated fiscal year. It comprises mainly increase in cash and deposits by 1,022,324,000 yen, decrease in accounts receivable - other from auction business by 242,295,000 yen, decrease in accounts receivable - trade by 295,970,000 yen, decrease in advance payments by 235,673,000 yen, and increase in merchandise by 334,835,000 yen.

(Liabilities)

Total liabilities was 2,788,301,000 yen at the end of the current third quarter consolidated fiscal period, i.e. decrease by 1,425,542,000 yen as compared to the end of previous consolidated fiscal year. It comprises mainly decrease in accounts payable - other from auction business by 411,646,000 yen, decrease in short-term loans payable by 613,061,000 yen, decrease in long-term loans payable (including current portion) by 170,379,000 yen and decrease in other current liabilities by 92,446,000 yen.

(Net assets)

Total net assets was 1,866,369,000 yen at the end of the current third quarter consolidated fiscal period, i.e. decrease by 40,607,000 yen as compared to the end of previous consolidated fiscal year. It comprises mainly increase in capital stock by 59,361,000 yen, increase in capital surplus by 59,361,000 yen, and decrease in retained earnings by 126,367,000 yen.

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

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. Since the consolidated performance forecasts are calculated assuming such seasonal fluctuations, and the consolidated performance of the third quarter was as such, there is no change in consolidated performance forecasts for the full term of FY05/2019 as announced in the "Notices concerning differences between performance forecasts and actual achievements of the second quarter cumulative period of FY05/2019, and amendments to full term consolidated performance forecasts for FY05/2019" published on this day, January 10, 2019.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen; Δ means negative)

	Previous consolidated fiscal year (May 31, 2018)	Current third quarter consolidated fiscal period (February 28, 2019)
Assets		
Current assets		
Cash and deposits	2,103,966	1,081,641
Accounts receivable - trade	420,699	124,729
Accounts receivable - other from auction business	269,475	27,180
Merchandise	1,226,671	1,561,506
Advance payments	393,484	157,811
Other	219,869	207,142
Allowance for doubtful accounts	$\Delta 9$	$\Delta 2$
Total current assets	4,634,158	3,160,010
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	4,853	69,661
Machinery, equipment and vehicles (net)	906,273	863,092
Land	122,960	122,960
Construction in progress	36,466	—
Other (net)	12,733	31,057
Total property, plant and equipment	1,083,287	1,086,771
Intangible assets		
Software	12,791	10,015
Total intangible assets	12,791	10,015
Investments and other assets		
Stocks of subsidiaries and affiliates	70,600	70,600
Other	335,331	342,651
Allowance for doubtful accounts	$\Delta 15,347$	$\Delta 15,378$
Total investments and other assets	390,583	397,873
Total non-current assets	1,486,662	1,494,660
Total assets	6,120,821	4,654,670
Liabilities		
Current liabilities		
Accounts payable - trade	99,463	57,639
Accounts payable - other from auction business	498,114	86,468
Short-term loans payable	1,966,500	1,353,438
Current portion of bonds	44,000	44,000
Current portion of long-term loans payable	240,672	104,232
Income taxes payable	44,047	29,144
Provision for bonuses	11,425	6,426
Provision for directors' bonuses	6,739	—
Other	296,255	203,809
Total current liabilities	3,207,216	1,885,158
Non-current liabilities		
Bonds payable	84,000	62,000
Long-term loans payable	235,412	201,473
Liabilities on retirement benefits	33,600	35,850
Long-term accounts payable-installment purchase	557,378	516,933
Other	96,237	86,886
Total non-current liabilities	1,006,627	903,143
Total liabilities	4,213,844	2,788,301

(Thousand yen; Δ means negative)

	Previous consolidated fiscal year (May 31, 2018)	Current third quarter consolidated fiscal period (February 28, 2019)
Net assets		
Shareholders' equity		
Capital stock	1,073,780	1,133,142
Capital surplus	680,020	739,381
Retained earnings	349,607	223,240
Treasury shares	Δ 221,063	Δ 221,063
Total shareholders' equity	1,882,345	1,874,701
Accumulated other comprehensive income		
Foreign currency translation adjustment	Δ 3,569	Δ 15,995
Total accumulated other comprehensive income	Δ 3,569	Δ 15,995
Subscription rights to shares	3,419	—
Non-controlling interests	24,781	7,663
Total net assets	1,906,976	1,866,369
Total liabilities and net assets	6,120,821	4,654,670

(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; Δ means negative)	
	Previous third quarter consolidated cumulative period (June 1, 2017 - February 28, 2018)	Current third quarter consolidated cumulative period (June 1, 2018 - February 28, 2019)
Net sales	1,572,556	2,399,341
Cost of sales	968,786	1,701,650
Gross profit	603,770	697,690
Selling, general and administrative expenses	825,964	722,629
Operating income or loss (Δ)	Δ 222,193	Δ 24,939
Non-operating income		
Interest income	304	479
Gain on forfeiture of unclaimed dividends	137	137
Gain on valuation of derivatives	2,023	684
Reversal of allowance for doubtful accounts	440	—
Interest on refund of income taxes and other	1,423	75
Compensation income for valuation service	—	308
Other	956	469
Total non-operating income	5,285	2,155
Non-operating expenses		
Interest expenses	25,442	23,941
Commission fee	21,190	9,694
Foreign exchange losses	4,918	2,871
Other	57	—
Total non-operating expenses	51,609	36,508
Ordinary income or loss (Δ)	Δ 268,518	Δ 59,291
Extraordinary income		
Reversal of provision for retirement benefits	1,320	—
Gain on reversal of subscription rights to shares	—	2,854
Total extraordinary income	1,320	2,854
Extraordinary losses		
Loss on retirement of non-current assets	680	157
Impairment loss	8,271	—
Office transfer expenses	12,299	3,510
Loss on litigation	—	5,200
Other	—	370
Total extraordinary losses	21,250	9,238
Net loss before income taxes and minority interests (Δ)	Δ 288,448	Δ 65,675
Income taxes - current	64,413	42,213
Income taxes - deferred	Δ 124,991	Δ 27,930
Total income taxes	Δ 60,578	14,282
Net loss (Δ)	Δ 227,870	Δ 79,958
Net loss attributable to non-controlling shareholders (Δ)	Δ 1,522	342
Net loss attributable to owners of parent (Δ)	Δ 226,348	Δ 80,300

(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, 2017 - February 28, 2018)	Current third quarter consolidated cumulative period (June 1, 2018 - February 28, 2019)
Net loss (△)	△227,870	△79,958
Other comprehensive income		
Foreign currency translation adjustment	4,335	△13,080
Total other comprehensive income	4,335	△13,080
Comprehensive income	△223,535	△93,039
(detail)		
Comprehensive income attributable to owners of parent	△221,656	△92,726
Comprehensive income attributable to non-controlling interests	△1,879	△312

(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 capital stock by 59,361,000 yen and increase in capital surplus by 59,361,000 yen. Thus, at the end of the current third quarter consolidated cumulative period, capital stock was 1,133,142,000 yen and capital surplus was 739,381,000 yen.

(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 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 third quarter consolidated cumulative period (June 1, 2017 - February 28, 2018)

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	988,987	545,101	1,534,088	38,468	1,572,556	—	1,572,556
Segment income or loss (Δ)	Δ60,500	Δ167,807	Δ228,308	6,114	Δ222,193	—	Δ222,193

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

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.

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.

II. Current third quarter consolidated cumulative period (June 1, 2018 - February 28, 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	1,754,157	593,697	2,347,854	51,486	2,399,341	—	2,399,341
Segment income or loss (Δ)	79,796	Δ48,476	31,320	27,030	58,350	Δ83,289	Δ24,939

(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 Δ83,289,000 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.