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# Summary of Financial Statements
# For Fiscal 2014

November 14, 2014

Company Name: FinTech Global Incorporated (Code Number: 8789 TSE Mothers)
(URL: http://www.fgi.co.jp/) TEL: +81-3-5733-2121
Responsible President and Chief Executive Officer Name: Nobumitsu Tamai
For Inquiries: Member of the Board,Senior Executive Officer, in charge of Business Management Department and Business Planning Department Name: Seigo Washimoto

Scheduled date of General Shareholders' Meeting: December 19, 2014

Scheduled date for filing of securities report: December 22, 2014

1. Overview of the financial conditions and business results for fiscal 2014.
(October 1, 2013 – September 30, 2014)

(1) Business results （The percentage in the table indicates YOY changes.）

| | Revenues | | Operating income | | Ordinary profit | | Net income/(loss) | |
|---|---|---|---|---|---|---|---|---|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % |
| Fiscal 2014 | 3,911 | 143.9 | 555 | ― | 684 | 678.0 | 923 | 405.0 |
| Fiscal 2013 | 1,603 | (21.3) | (31) | ― | 88 | ― | 182 | ― |

(Reference) Comprehensive income: 932 million for fiscal 2014 (419.7%)
179 million for fiscal 2013 (―)

| | Net income/(loss) per share | Net income/(loss) per share (diluted) | Return on Equity (ROE) | Return on Assets (ROA) | Return on Sales (ROS) |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Fiscal 2014 | 6.92 | 6.89 | 22.5 | 11.2 | 14.2 |
| Fiscal 2013 | 1.52 | 1.52 | 7.2 | 1.6 | (2.0) |

(Reference) Equity in earnings of affiliated companies: (0) million for fiscal 2014
2 million for fiscal 2013

(Note) FGI split each share of common stock held by shareholders of registry as of March 31, 2014, into 100 shares, effective April 1, 2014.
Consequently, net income per share and net income per share after adjustment for diluted shares have been calculated as if the aforementioned stock split had occurred at the beginning of the preceding consolidated fiscal year.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million Yen | Million Yen | % | Yen |
| Fiscal 2014 | 7,452 | 5,534 | 73.9 | 37.41 |
| Fiscal 2013 | 4,770 | 2,716 | 56.4 | 22.23 |

(Reference) Shareholders' equity: 5,507million yen for fiscal 2014
2,688million yen for fiscal 2013

(Note) FGI split each share of common stock held by shareholders of registry as of March 31, 2014, into 100 shares, effective April 1, 2014.
Consequently, net assets per share has been calculated as if the aforementioned stock split had occurred at the beginning of the preceding consolidated fiscal year.

(3) Consolidated cash flows (Unit: Millions of yen)

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of period |
|---|---|---|---|---|
| Fiscal 2014 | (2,208) | 509 | 2,065 | 2,024 |
| Fiscal 2013 | (464) | 85 | (128) | 1,644 |

2. Dividends

| | Dividends per share | | | | | Total dividends (Annual) | Payout ratio (Consolidated) | Dividends on equity (DOE) (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| Record date | The end of the first period | The end of interim period | The end of the third period | The end of the fiscal year | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million Yen | % | % |
| Fiscal 2013 | ― | 0.00 | ― | 50.00 | 50.00 | 60 | 32.9 | 2.4 |
| Fiscal 2014 | ― | 0.00 | ― | 0.50 | 0.50 | 73 | 7.2 | 1.7 |
| Fiscal 2015 (Estimates) | ― | 0.00 | ― | 0.60 | 0.60 | | 8.0 | |

(Note) FGI split each share of common stock held by shareholders of registry as of March 31, 2014 into 100 shares, effective April 1, 2014. Actual dividends prior to the aforementioned stock split are shown for the fiscal year ended September 30, 2013.

3. Performance forecasts for the full-fiscal 2015 (October 1, 2014 – September 30, 2015)
(Percentages indicate amount of change from the same period in the previous fiscal year.)

| | Revenues | | Operating income | | Ordinary profit | | Net income/(loss) | | Net income/(loss) per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % | Yen |
| Full Fiscal 2015 | 7,900 | 102.0 | 1,250 | 125.0 | 1,200 | 75.2 | 1,100 | 19.1 | 7.47 |

(Note) 1. Revision of the Performance forecasts for the full-fiscal 2015 for recently: None
2. Performance forecasts for the first two quarters of Fiscal 2015: None

4. Others
(1) Transfer of the principal consolidated subsidiary during the term
(Transfer of specified subsidiary with change of scope of consolidation.): Applicable
New: - (Company name: - )
Excluded: 2 (Company names: SP&W Asklepius Investment PartnershipNo.4, Crane Reinsurance Limited)

(2) Changes in accounting policies:
1. Changes due to changes in accounting standard: N/A
2. Other changes in accounting policy: N/A
3. Changes in accounting estimates: N/A
4. Restatement of corrections: N/A

(3) Number of shares issued
1. Number of shares issued (including treasury stocks): 147,196,800 shares for fiscal 2014
120,924,300 shares for fiscal 2013
2. Number of treasury shares: － shares for fiscal 2014
－ shares for fiscal 2013
3. Average number of shares in the period: 133,403,327 shares for fiscal 2014
119,995,464 shares for fiscal 2013

(Note) FGI split each share of common stock held by shareholders of registry as of March 31, 2014 into 100 shares, effective April 1,2014.Consequently, number of shares has been calculated as if this stock split occurred at the beginning of the preceding consolidated fiscal year.

(Reference) Summary of non-consolidated financial conditions and business results

1. Non-consolidated financial conditions and business results for Fiscal 2014
(October 1, 2013 – September 30, 2014)

(1) Non-consolidated business results (The percentage in the table indicated YOY changes.)

| | Revenues | | Operating income | | Ordinary profit | | Net income/(loss) | |
|---|---|---|---|---|---|---|---|---|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % |
| Fiscal 2014 | 1,623 | 77.2 | 449 | 137.9 | 571 | 154.2 | 534 | 319.2 |
| Fiscal 2013 | 916 | (4.4) | 189 | — | 224 | — | 127 | — |

| | Net income/(loss) per share | Net income per share (diluted) |
|---|---|---|
| | Yen | Yen |
| Fiscal 2014 | 4.00 | 3.99 |
| Fiscal 2013 | 1.05 | 1.05 |

(Note) FGI split each share of common stock held by shareholders of registry as of March 31, 2014, into 100 shares, effective April 1, 2014.
Consequently, net income per share and net income per share after adjustment for diluted shares have been calculated as if the aforementioned stock split had occurred at the beginning of the preceding fiscal year.

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million Yen | Million Yen | % | Yen |
| Fiscal 2014 | 5,743 | 5,094 | 88.6 | 34.58 |
| Fiscal 2013 | 3,985 | 2,664 | 66.8 | 22.02 |

(Reference) Shareholders' equity: 5,090 million yen for FY2014, 2,662 million yen for FY2013

(Note) FGI split each share of common stock held by shareholders of registry as of March 31, 2014, into 100 shares, effective April 1, 2014.
Consequently, net assets per share have been calculated as if the aforementioned stock split had occurred at the beginning of the preceding fiscal year.

* Status of audit procedure

This financial summary does not need to undergo audit prodedure under the Financial Instruments and Exchange Act. The consolidated financial statements under the Financial Instruments and Exchange Act have not been auditied at the time of the announcement of this financial summary.

* Information concerning proper use of forward-looking statements and other special instructions

Forward-looking statements in this material are based on data available to management as of November 14, 2014 and certain assumptions which are believed to be rational. Actual results may differ from these estimates due to unforeseen factors.

## 1. Analysis of Business Performance and Financial Position

### (1) Consolidated business results
### Business results for fiscal 2014

The economic environment in Japan during fiscal 2014—the consolidated accounting period for FinTech Global Incorporated (FGI) ended September 30, 2014—was marked by better corporate performances and positive employment news, spurred by government economic programs designed to overcome deflation and by the Bank of Japan's policy on monetary easing. Capital spending grew, one of several factors that sustained a gradual recovery tone, but consumer spending weakened, mainly due to the reactionary drop in demand that followed a rush of purchasing activity ahead of the April 1, 2014 increase in the consumption tax.

Against this economic backdrop, FGI, as a boutique investment bank for all companies in all industries, focused on investment banking services and corporate investment to expand Group business while supporting growth through various solutions matched to the needs of corporate clients. An emphasis was also placed on activities to promote the development of local industry.

In corporate investment, FGI orchestrated exits from investment business limited partnerships that had sold holdings in portfolio companies once corporate value had reached a suitable level through financial support and management development input from FGI Group companies. This added ¥1.2 billion to consolidated revenue and operating income and drove revenue and profits dramatically higher over the previous fiscal year. In the investment banking business, demand for arrangement services expanded rapidly, particularly for renewable energy-related projects, which reinforced fee income.

Also, to accelerate growth, stabilize earnings and add depth to the business portfolio, FGI acquired real estate and construction companies, turned them into subsidiaries, and opened a new path into the real estate and construction businesses. Services had already been provided to individuals, albeit indirectly, through a subsidiary's support for employee welfare programs at client companies, but the start of these new businesses paves the way to wider business pursuits targeting individuals at client companies.

Of note, to procure working capital for aggressive investment in sectors with growth potential, on March 4, 2014, FGI issued its 12th series of share warrants (through third-party allotment) with option to revise exercise price and then on May 15, 2014, exercised all rights to these share warrants with exercise rights. This generated a total of ¥1,833 million (excluding miscellaneous costs associated with issuance).

Through the activities described above, consolidated revenue for fiscal 2014 soared 143.9% year-on-year, to ¥3,911 million. Despite a ¥174 million reversal in the loss reserve on insurance policies, FGI booked cost of revenue at ¥1,513 million, owing to cost of sales in the real estate business and cost of materials and cost of outsourcing in the construction business. Nevertheless, gross profit climbed 63.3%, to ¥2,398 million. Selling, general and administrative expenses rose 22.8% year-on-year, to ¥1,842 million, mainly because of higher personnel costs as well as rent and advertising costs, reflecting more subsidiaries under the Group umbrella, and also because provision for allowance for doubtful accounts, while held to ¥34 million fiscal 2014, was ¥258 million higher than a year ago when the Company booked a ¥223 million reversal in allowance for doubtful accounts. Nevertheless, FGI escaped from the red—a ¥31 million operating loss in fiscal 2013—with operating income of ¥555 million in fiscal 2014. Ordinary income skyrocketed 678.0%, to ¥684 million, buoyed by ¥157 million in gain on foreign exchange, and net income soared 405.0%, to ¥923 million, reflecting ¥178 million generated in the acquisition of shares in Okayama Corporation and booked under extraordinary profit as gain on negative goodwill and also reflecting ¥105 million in proceeds on the sale of fixed assets.

A breakdown of performance by business segment is presented under the following four categories. Note that reporting segments have been changed, as outlined below, to reflect wider business content paralleling the addition of subsidiaries in fiscal 2014.

- “Investment Banking Business” and “Asset Management Business” have been combined under “Investment Banking Business”.
- “Portfolio Business” and “Public Finance-related Business” have been eliminated.
- “Real Estate Business” and “Construction Business” have been newly established.

Business segments that do not fall into these reporting segments have been put into “Other Businesses”. The new reporting segments, associated business activities and the companies engaged in these activities are described in the table below.

| **Reporting segment** | **Main business** | **FGI and principal consolidated subsidiaries** |
|---|---|---|
| Investment banking business | Principal investment,<br>Financial advisory services,<br>Financial arrangement services,<br>Public finance-related services (renewable energy projects),<br>Asset management (real estate management, investment fund management, and others) | FGI<br>FinTech Asset Management Incorporated |
| Real estate business | Employee welfare services,<br>real estate sales, brokerage, and agent business | Better Life Support Holdings Co., Ltd.,<br>Better Life Support Co., Ltd. (BELS),<br>Unihouse Co., Ltd.<br>Better Life House Co., Ltd.<br>Jonan Development Co., Ltd.<br>Three Oak Co., Ltd. |
| Construction business | Civil engineering architectural design, and design and construction | Okayama Corporation |
| Other businesses | Public finance–related consulting services, reinsurance business, and others | Public Management Consulting Corporation,<br>Crane Reinsurance Limited * |

*Business wound up as of August 15, 2014.

### a. Investment Banking Business

In the investment banking business, the number of deals to facilitate renewable energy-related projects increased dramatically, taking fee income in a similar direction. These results reflect the application of know-how accumulated in the execution of many arrangements packaged to date and a wider network of interested investors as well as collaboration with a leading engineering, procurement and construction (EPC) provider. This segment also accurately identified regional needs and was rewarded with considerable demand for arrangement transaction services, including those for community funds and requests from regional financial institutions to support capital-enhancement strategies.

In corporate investment activities, efforts led to large investment exits from investment business limited partnerships in which equity stakes had been taken. FGI maintains investment in many growth companies at home and abroad, but in fiscal 2014, the Company pursued new opportunities, including investment in FINTECH GIMV FUND, L.P. (FGF), a venture capital fund, and a stake in Moomin Monogatari, Ltd., overseeing a Moomin theme park project in Japan. Despite the large investment exits made in fiscal 2014, the balance of investment in securities, trade increased ¥702 million over fiscal 2013, to ¥2,319 million.

In asset management services, the balance of assets under management to drop temporarily, as some real estate projects reached the exit stage. But with newly requested services for management of assets, including land for a housing project currently in development and housing for seniors, the balance of assets under management settled at ¥7.3 billion, up ¥1.3 billion from a year ago.

In the end, investment banking business revenue jumped 86.6% year-on-year, to ¥1,776 million. Operating income climbed 89.0%, to ¥1,369 million.

### b. Real Estate Business

In employee welfare services, revenue from the rental and corporate housing division was sluggish but the homeowner services division continued to be a performance driver and offset sluggish, mainly due to improved business conditions at client companies. Homeowner services introduced at the beginning of fiscal 2014 at a major corporate client with some 430,000 employees attracted attention, leading to a higher number of contracts than expected and heralding greater interest in the future.

The real estate brokerage business and real estate sales business are handled by several companies brought under the scope of consolidation in fiscal 2014, and consolidated results reflect their contributions from April 2014 onward. The brokerage business aggressively expanded its advertising budget, and its approach toward employees at corporate clients began to pay off as the contract rate improved. The sales business acquired more land for homes, with some sales contributing to fiscal 2014 results. Property available for sale at year-end stood at ¥221 million and property for sale in progress stood at ¥609 million.

Reflecting the inclusion of newly consolidated subsidiaries, the real estate business posted revenue of ¥1,093 million, soaring 116.3% year-on-year, but suffered an operating loss of ¥32 million, compared with operating income of ¥26 million a year ago.

### c.Construction Business

The construction business is handled by several companies brought under the scope of consolidation in fiscal 2014, and consolidated results reflect their contributions from March 2014 onward. The business enjoyed a favorable shift in order activity, with order value between March and September 2014 reaching ¥986 million. Thorough revenue management underpinned profitability, with revenue of ¥979 million and operating income of ¥17 million. Comparison with the previous fiscal year is omitted because FGI only added this segment to its operations this fiscal year.

### d. Other Business

In the public accounting business, the business environment benefited from direction by the Ministry of Internal Affairs and Communications on development of a public accounting system for local governments and from progress on comprehensive management plans for public facilities. At the same time, however, requests for consultations stalled because many local governments decided to wait for the finalized standard system before making preparations.

In the reinsurance business, arbitration proceedings, which hung over Crane Reinsurance like a cloud, finally wrapped up out-of-court. The company booked negative cost of revenue, due to a reversal in the loss reserve on insurance policies, which led to gross profit of ¥174 million. But the burden of costs related to arbitration was heavy, eroding operating income to ¥18 million. The company was dissolved, as of August 15, 2014.

The other businesses segment showed revenue of ¥74 million, down 50.5% year-on-year, and remained in the red, with an operating loss of ¥28 million, though this is much improved from the ¥224 million recorded in fiscal 2013.

## Fiscal 2015 Forecast

FGI's stated business objective is to be a boutique-style investment bank that helps companies in all industries achieve corporate growth and business expansion, and the Company has built a strong corporate group—the FGI Group—by emphasizing investment banking services, particularly financial arrangements, as well as corporate investment.

In fiscal 2015, the Company will complement these operations with two more—the better life support business, that is, real estate services for individuals, and the construction business—which were launched in fiscal 2014. Thoughts and conditions regarding the fiscal 2015 forecast, by segment, are provided below.

**• Investment Banking Business (including financial arrangements and arrangements to promote projects)**

FGI will continue to spotlight projects that form the foundation of a "community," providing assistance to local governments in their pursuit of healthier financial positions, packaging arrangements for renewable energy businesses, and promoting activities that spur regional revitalization, such as redevelopment of suburban city centers and support for local industry. Arrangements for renewable energy projects are of particular interest, and the Company has been successful in joint efforts with leading EPC (engineering, procurement and construction) providers, pinpointing many excellent local projects. FGI will also use these connections to accelerate segment development by executing principal financing incidental to such projects. Management expects favorable demand for arrangement services to become a key source of revenue.

**• Investment Banking Business (corporate investment)**

FGI will continue to invest in joint ventures with overseas companies as well as various projects, especially those that provide R&D support for new drugs and therapies in the field of life science and the development of leading-edge ITC and electronics technology. Management is expects to make several exits, including large deals, among its life-science investments. Several investment proposals are under consideration at present but revenue from deals with lots of unknowns have not been included in the performance forecast. Only deals with a relatively high level of certainty regarding exit and returns have been included in expected net sales.

**• Real Estate Business (better life support business)**
In the better life support business, which got started in fiscal 2014, the plan is to step up purchases of land for single-family detached homes. Also, by revitalizing sales activities with a push toward employees at excellent corporations to which subsidiary BELS already provides employee welfare services, the real estate brokerage and real estate sales businesses will be able to capitalize on BELS' high contract rate at companies and generate huge increases in revenue and profit.

**• Construction Business**
Although skyrocketing material and labor costs have squeezed profitability, management anticipates stable revenue and profit from the construction business, underpinned by a synergy effect from the construction of homes in the better life support business and interest from existing excellent corporate clients. A review of the income/expense control system should also generate positive results.

**Cautionary Statement Regarding Consolidated Forecasts**

Performance forecasts and other forward-looking statements in these materials are based on reasonable assumptions and information available to management of the Company as of the date of disclosure. A number of factors could cause actual results to differ greatly from stated expectations.

## (2) Consolidated Financial Position

***Assets, Liabilities and Net Assets***

The status of assets, liabilities and net assets, on a consolidated basis, at September 30, 2014, is described below.

### a. Current Assets

Current assets stood at ¥6,591 million on September 30, 2014, up 58.9% from September 30, 2013. This change is mainly due to the following increases: ¥390 million in cash and deposits through the issue of new shares; ¥702 million in investments in securities, trade due to a higher investment balance; and, from the construction and real estate business segments, ¥247 million in completed construction contracts, accounts receivable, ¥221 million in real estate for sale, and ¥609 million in real estate for sale in progress.

### b. Noncurrent Assets

Noncurrent assets stood at ¥860 million, up 38.3% from September 30, 2013. This change is mainly due to an increase of ¥188 million in investment property in the assets of portfolio companies.

### c.Current Liabilities

Current liabilities hit ¥1,459 million, surging 248.1% from September 30, 2013. This large change stems primarily from an increase of ¥227 million in notes and accounts payable, trade—generated by the construction business—and an increase of ¥602 million in short-term loans payable to purchase of land for the real estate business.

### d. Noncurrent Liabilities

Noncurrent liabilities reached ¥457million, down 72.0% from September 30, 2013. This is chiefly due to a ¥1,406 million drop in loss reserve on insurance policies, which offset a ¥226 million rise in long-term loans payable to purchase land for the real estate business.

### e.Net Assets

Net assets stood at ¥5,534 million on September 30, 2014, up 103.8%. This change is largely due to increases of ¥1,039 million in common stock through the exercise of share warrants and ¥916 million in additional paid-in capital, as well as an ¥863 million increase in retained earnings. mainly due to the booking of net income.

To recap, at the end of September 2014, total assets stood at ¥7,452 million, up 56.2% from a year earlier. Total liabilities were ¥1,917 million, down 6.7% year-on-year. Net assets reached ¥5,534 million, up 103.8%. The consolidated equity ratio hit 73.9%

***Cash Flow***

Cash and cash equivalents (hereafter, “cash”) at the end of fiscal 2014 amounted to ¥2,024 million, up ¥380 million from the end of fiscal 2013.

**a. Net Cash from Operating Activities**

In fiscal 2014, net cash used in operating activities came to ¥2,208 million, up from ¥464 million in fiscal 2013. A breakdown of key changes shows that ¥678 million from higher investments in securities, trade, ¥532 million from higher inventories and a decrease of ¥1,406 million from lower loss reserve for insurance policies overshadowed a ¥947 million boost from income before income taxes.

**b.** Net **Cash from Investing Activities**

In fiscal 2014, net cash provided by investing activities reached ¥509 million, up from ¥85 million in fiscal 2013. The change is mainly because proceeds from the acquisition of subsidiary shares following changes in the scope of consolidation overshadowed the use of ¥102 million for short-term loans.

**c.Net Cash from Financing Activities**

In fiscal 2014, net cash provided by financing activities amounted to ¥2,065 million, a reversal from the net cash used position—¥128 million—recorded in fiscal 2013. The main components of this turnaround were ¥131 million from long-term loans, ¥237 million from a net increase in short-term loans, and a ¥1,940 million increase from the issuance of shares through the exercise of share warrants.

**Reference: Indicators of Cash Flow Status**

(Fiscal years ended September 30)

| | Fiscal 2010 | Fiscal 2011 | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 |
|---|---|---|---|---|---|
| Equity ratio (%) | 33.3 | 48.9 | 36.8 | 56.4 | 73.9 |
| Equity ratio (market-value basis) (%) | 41.1 | 47.2 | 45.8 | 84.4 | 126.4 |
| Cash flow to interest-bearing debt (%) | 386.8 | 9.7 | 13.4 | — | — |
| Interest coverage ratio (times) | 40.5 | 12.8 | 187.1 | — | — |

Notes:

1. The indicators in the table above were calculated according to the following formulas using data from the consolidated financial statements.

Equity ratio: Equity capital / Total assets

Equity ratio (market-value basis): Total market value of stocks / Total assets

Cash flow to interest-bearing debt: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

• Operating cash flow refers to Cash Flows from Operating Activities, as listed in the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all liabilities (including zero coupon euro yen convertible bonds with stock acquisition rights issued February 2007) recorded on the consolidated balance sheets and for which interest is paid. Interest payments represent the amount of interest paid and appear on the Consolidated Statements of Cash Flows, under Cash Flows from Operating Activities as “Interest expenses”.

2. Neither cash flow to interest-bearing debt ratios nor interest coverage ratios are provided for the fiscal years ended September 30, 2013 and 2014 because FGI posted negative cash flows from operating activities.

**(3) Basic Policy on Profit Distribution and Dividends for Fiscal 2014 and Fiscal 2015**

While adhering to a dividend policy that emphasizes the return of profits to shareholders, management seeks to maintain sufficient internal reserves to quickly and reliably take advantage of opportunities that reinforce and further expand the Company's business foundation. In determining dividends, management must therefore take a comprehensive view that includes corporate performance and future business development.

After thorough consideration of such factors as fiscal 2014 results, performance forecasts, internal reserve status and future business expansion plans, management has decided to maintain dividends at ¥0.5 per share.

The year-end dividend for fiscal 2015 will likely be ¥0.6 per share as well, because management will return profits to shareholders, while taking care that management seeks to meet capital needs and to maintain sufficient internal reserves to take advantage of industry trends and expanding business opportunities.

**(4) Factors raising significant doubt regarding assumption of a going concern.**

None.

## 2. Management Policy

### (1) Basic Direction

FGI's raison d'être is to make companies in all industries aware of the benefits to be gained through innovative structured finance services. The Company seeks to address the wide-ranging financing needs of its clients with original leading-edge financial products and schemes geared to the changing financial environment, and strives to satisfy all associated stakeholders by achieving the highest level of corporate value and asset value for clients.

### (2) Indicators of Business Performance

Through the implementation of the management strategies in (3) below, management will vigorously promote activities in all business segments and achieve stable revenue growth. The Group will endeavor to generate revenue opportunities by providing solutions fine-tuned to the diversifying financial needs of its clients and thereby improve return-on-equity.

### (3) Medium- to Long-term Management Strategies and Matters Requiring Attention

As a boutique investment bank, FGI has delivered financial solutions utilizing structured financing techniques to support the financial strategies of midsized and growth companies. The Company has also taken an aggressive approach toward corporate investment and has achieved significant results through investment in companies demonstrating outstanding growth and companies undergoing business rehabilitation.

In recent years, this know-how and experience has been utilized in efforts to promote the development of local industry. But going forward, management intends to extend the scope of activities designed to enhance the fiscal health of local governments saddled with asset renewal issues, namely, the cost of repairing and updating aging infrastructure built during periods of high economic growth. Management is also keen to expand the Group's client base beyond organizations, primarily companies, by targeting individuals—the B2C (business to customer) market.

Going forward, efforts will be made to reinforce the Group's ability to provide services—such as management of financial strategies, advice on business realignment, consultations regarding business succession, fund-procurement arrangements and administration for better fiscal health—geared to the needs of the Group's client base of midsized companies, growth companies, local governments and local industries. In addition, management aims to forge an organic connection between Group services and corporate investment and strive for lasting growth as a boutique investment bank with services and know-how that are of essential value to all companies and regional economies.

To realize these objectives, Group companies are pursuing multifaceted projects together with client companies and portfolio companies as well as funds and local governments. Specifically, in the investment banking business, FGI is spotlighting projects that form the foundation of a "community," leading off with assistance to local governments in their pursuit of healthier financial positions and extending to arrangements for renewable energy-related businesses as well as support for redevelopment of suburban city centers and revitalization of local industry. In corporate investment, FGI will be supporting the launch of a joint venture to establish and operate a Moomin theme park and will also support projects, especially those that provide venture-oriented R&D support for new drugs and therapies in the field of life science and the development of leading-edge electronics technology. At the same time, FGI is keen to go after the retail market—individuals—through subsidiary-built corporate client channels used to provide employee welfare programs, and then offer the distinctive products and services of real estate and construction companies recently brought under consolidation as subsidiaries to individuals.

In addition, it is essential that the Group maintain high-level compliance practices that ensure adherence to the Financial Instruments and Exchange Law and other laws and regulations applicable to the business activities undertaken by Group companies. This is a management priority of the greatest importance. The Group must accurately perceive trends in mandatory controls, and through regular review of internal controls at each Group company, FGI will cement a platform for sustainable growth as a provider of financial instruments and exchange products and services.

## 3. Consolidated Financial Statements

***FinTech Global Incorporated and Consolidated Subsidiaries***

***As of and for the year ended September 30, 2014***

### (1) Consolidated Balance Sheets

(Unit: Thousands of yen)

| | **Fiscal Year 2013**<br>(As of September 30, 2013) | **Fiscal Year 2014**<br>(As of September 30, 2014) |
|---|---|---|
| (Assets) | | |
| Current assets | | |
| Cash and time deposits | 1,644,879 | 2,034,917 |
| Accounts receivable, trade | 110,261 | 255,142 |
| Completed construction contracts, accounts receivable | — | 247,275 |
| Investments in securities, trade | 1,617,268 | 2,319,357 |
| Loans receivable, trade | 826,118 | 857,021 |
| Real estate for sale | — | 221,332 |
| Real estate for sale in progress | — | 609,460 |
| Costs on uncompleted construction contracts | — | 2,387 |
| Deferred tax assets | 6,113 | 4,176 |
| Other current assets | 143,464 | 324,956 |
| Allowance for doubtful accounts | (199,533) | (284,028) |
| Total current assets | 4,148,573 | 6,591,999 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings | 149,856 | 152,049 |
| Accumulated depreciation | (81,111) | (92,082) |
| Buildings, net | 68,745 | 59,967 |
| Tools, furniture and fixtures | 195,950 | 200,356 |
| Accumulated depreciation | (134,529) | (141,455) |
| Tools, furniture and fixtures, net | 61,421 | 58,901 |
| Land | — | 2,505 |
| Total property, plant and equipment | 130,167 | 121,373 |
| Intangible fixed assets | | |
| Goodwill | 195,111 | 151,714 |
| Other intangible fixed assets | 6,753 | 12,617 |
| Total intangible fixed assets | 201,864 | 164,331 |
| Investments and other assets | | |
| Investments in securities, trade | 97,135 | 128,614 |
| Others | 192,998 | 445,927 |
| Total investments and other assets | 290,133 | 574,541 |
| Total fixed assets | 622,164 | 860,247 |
| Total assets | 4,770,738 | 7,452,246 |

(Unit: Thousands of yen)

| | **Fiscal Year 2013** (As of September 30, 2013) | **Fiscal Year 2014** (As of September 30, 2014) |
|---|---|---|
| (Liabilities) | | |
| Current liabilities | | |
| Accounts payable, trade | 26,945 | 254,826 |
| Accounts payable for construction contracts | — | 65,396 |
| Short-term loans payable | 26,000 | 628,100 |
| Current portion of bonds | 16,000 | 16,000 |
| Current portion of long-term loans payable | — | 13,068 |
| Income taxes payable | 11,747 | 31,466 |
| Advances received on uncompleted construction contracts | — | 55,867 |
| Accrued employee bonuses | 24,376 | 32,083 |
| Other current liabilities | 314,226 | 362,717 |
| Total current liabilities | 419,295 | 1,459,524 |
| Long-term liabilities | | |
| Bonds payable | 40,000 | 24,000 |
| Long-term loans payable | — | 226,591 |
| Deferred tax liabilities | 64,919 | 45,797 |
| Net defined benefit liability | 109,966 | 148,926 |
| Loss reserve for insurance policy | 1,406,936 | — |
| Other long-term liabilities | 13,384 | 12,562 |
| Total long-term liabilities | 1,635,207 | 457,877 |
| Total liabilities | 2,054,502 | 1,917,402 |
| (Net assets) | | |
| Shareholders’ equity | | |
| Common stock | 2,312,517 | 3,351,561 |
| Additional paid-in capital | 12,490 | 929,373 |
| Retained earnings | 363,446 | 1,226,803 |
| Treasury stock | (92) | — |
| Total shareholders’ equity | 2,688,361 | 5,507,738 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | — | (573) |
| Total accumulated other comprehensive income | — | (573) |
| Stock acquisition rights | 2,050 | 4,168 |
| Minority interests | 25,824 | 23,510 |
| Total net assets | 2,716,236 | 5,534,844 |
| Total liabilities and net assets | 4,770,738 | 7,452,246 |

## (2) Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

### Consolidated Statements of Income

(Unit: Thousands of yen)

| | **Fiscal Year 2013** (From October 1, 2012 to September 30, 2013) | **Fiscal Year 2014** (From October 1, 2013 to September 30, 2014) |
|---|---|---|
| Revenues | 1,603,491 | 3,911,305 |
| Cost of revenues | 135,152 | 1,513,286 |
| Gross profit | 1,468,338 | 2,398,018 |
| Selling, general and administrative expenses | 1,500,070 | 1,842,451 |
| Operating income/(loss) | (31,732) | 555,567 |
| Other income | | |
| Interest income | 971 | 992 |
| Foreign exchange gains | 125,504 | 157,418 |
| Others | 8,298 | 7,197 |
| Total other income | 134,774 | 165,607 |
| Other expenses | | |
| Interest expense | 531 | 7,397 |
| Provision of allowance for doubtful accounts | 615 | 20,578 |
| Miscellaneous losses | 710 | 4,775 |
| Office transfer expenses | 12,532 | — |
| Others | 617 | 3,544 |
| Total other expenses | 15,007 | 36,296 |
| Ordinary profit/(loss) | 88,035 | 684,878 |
| Extraordinary profit | | |
| Gain on sales of fixed assets | — | 105,860 |
| Gain on sales of subsidiaries and affiliates' stocks | 25,434 | — |
| Gain on transfer of business | 64,712 | — |
| Gain on sales of investment securities | 5,280 | — |
| Gain on bargain purchase | — | 178,062 |
| Gain on reversal of subscription rights to shares | 16,627 | 164 |
| Others | 1,707 | — |
| Total extraordinary profit | 113,762 | 284,087 |

(Unit: Thousands of yen)

| | Fiscal Year 2013 (From October 1, 2012 to September 30, 2013) | Fiscal Year 2014 (From October 1, 2013 to September 30, 2014) |
|---|---|---|
| Extraordinary loss | | |
| Provision for loss on liquidation of subsidiaries and affiliates | — | 3,650 |
| Loss on valuation of stocks of subsidiaries and affiliates | 14,796 | 12,206 |
| Loss on disposition of fixed assets | 923 | — |
| Special retirement expenses | — | 4,033 |
| Others | 587 | 1,100 |
| Total extraordinary loss | 16,307 | 20,990 |
| Income/(Loss) before income taxes | 185,490 | 947,975 |
| Income taxes | 23,525 | 32,127 |
| Income tax adjustment | (17,440) | (17,185) |
| Total income taxes | 6,084 | 14,942 |
| Income before minority interests | 179,405 | 933,033 |
| Minority interests | (3,514) | 9,213 |
| Net income/(loss) | 182,920 | 923,819 |

## Consolidated Statement of Comprehensive Income

(Unit: Thousands of yen)

| | **Fiscal Year 2013** (From October 1, 2012 to September 30, 2013) | **Fiscal Year 2014** (From October 1, 2013 to September 30, 2014) |
|---|---|---|
| Income/(loss) before minority interests | 179,405 | 933,033 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | — | (573) |
| Total other comprehensive income | — | (573) |
| Comprehensive income | 179,405 | 932,459 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 182,920 | 923,245 |
| Comprehensive income attributable to minority interests | (3,514) | 9,213 |

### (3) Consolidated Statements of Changes in Net Assets

Fiscal 2013 (From October 1, 2012 to September 30, 2013)

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the end of last period | 2,312,517 | 5,183 | 277,772 | (52,412) | 2,543,061 |
| Change during the period | | | | | |
| Issuance of new shares | | | | | — |
| Dividends from surplus | | | (119,637) | | (119,637) |
| Net income/(loss) | | | 182,920 | | 182,920 |
| Change of scope of consolidation | | | 22,390 | | 22,390 |
| Disposal of treasury stock | | 7,307 | | 39,732 | 47,039 |
| Change in equity in consolidated subsidiaries – treasury stock | | | | 12,587 | 12,587 |
| Net changes of items other than shareholders` equity | | | | | |
| Total changes during this period | — | 7,307 | 85,673 | 52,319 | 145,300 |
| Balance at the end of this period | 2,312,517 | 12,490 | 363,446 | (92) | 2,688,361 |

| | Accumulated other comprehensive income | | | Stock acquisition rights | Minority interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at the end of last period | (2,333) | (178,416) | (180,749) | 18,005 | 1,252,344 | 3,632,661 |
| Change during the period | | | | | | |
| Issuance of new shares | | | | | | — |
| Dividends from surplus | | | | | | (119,637) |
| Net income/(loss) | | | | | | 182,920 |
| Change of scope of consolidation | | | | | | 22,390 |
| Disposal of treasury stock | | | | | | 47,039 |
| Change in equity in consolidated subsidiaries – treasury stock | | | | | | 12,587 |
| Net changes of items other than shareholders` equity | 2,333 | 178,416 | 180,749 | (15,954) | (1,226,520) | (1,061,725) |
| Total changes during this period | 2,333 | 178,416 | 180,749 | (15,954) | (1,226,520) | (916,425) |
| Balance at the end of this period | — | — | — | 2,050 | 25,824 | 2,716,236 |

Fiscal 2014 (From October 1, 2013 to September 30, 2014)

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the end of last period | 2,312,517 | 12,490 | 363,446 | (92) | 2,688,361 |
| Change during the period | | | | | |
| Issuance of new shares | 1,039,043 | 916,769 | | | 1,955,813 |
| Dividends from surplus | | | (60,462) | | (60,462) |
| Net income/(loss) | | | 923,819 | | 923,819 |
| Change of scope of consolidation | | | | | – |
| Disposal of treasury stock | | 114 | | 92 | 207 |
| Change in equity in consolidated subsidiaries – treasury stock | | | | | – |
| Net changes of items other than shareholders` equity | | | | | |
| Total changes during this period | 1,039,043 | 916,883 | 863,357 | 92 | 2,819,377 |
| Balance at the end of this period | 3,351,561 | 929,373 | 1,226,803 | – | 5,507,738 |

| | Accumulated other comprehensive income | | | Stock acquisition rights | Minority interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at the end of last period | – | – | – | 2,050 | 25,824 | 2,716,236 |
| Change during the period | | | | | | |
| Issuance of new shares | | | | | | 1,955,813 |
| Dividends from surplus | | | | | | (60,462) |
| Net income/(loss) | | | | | | 923,819 |
| Change of scope of consolidation | | | | | | – |
| Disposal of treasury stock | | | | | | 207 |
| Change in equity in consolidated subsidiaries – treasury stock | | | | | | – |
| Net changes of items other than shareholders` equity | (573) | – | (573) | 2,117 | (2,313) | (769) |
| Total changes during this period | (573) | – | (573) | 2,117 | (2,313) | 2,818,607 |
| Balance at the end of this period | (573) | – | (573) | 4,168 | 23,510 | 5,534,844 |

## (4) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

| | **Fiscal Year 2013** (From October 1, 2012 to September 30, 2013) | **Fiscal Year 2014** (From October 1, 2013 to September 30, 2014) |
|---|---|---|
| Cash flows from operating activities | | |
| Income/(loss) before income taxes | 185,490 | 947,975 |
| Depreciation and amortization | 29,722 | 23,840 |
| Amortization of goodwill | 50,441 | 49,373 |
| Increase/(decrease) in allowance for doubtful accounts | (222,631) | 55,306 |
| Increase/(decrease) in accrued employee bonuses | 873 | 3,730 |
| Increase/(decrease) in net defined benefit liability | 36,467 | 12,196 |
| Interest and dividend income | (983) | (1,377) |
| Foreign exchange losses (gains) | (91,391) | (13,850) |
| Cost of funds and interest expenses | 1,270 | 10,315 |
| Loss (Gain) on sales of fixed assets | — | (105,860) |
| Loss (gain) on sales of stocks of subsidiaries and affiliates | (25,434) | — |
| Loss (gain) on transfer of business | (64,712) | — |
| Loss (gain) on sales of investment securities | (4,692) | — |
| Gain on bargain purchase | — | (178,062) |
| Gain on reversal of subscription rights to shares | (16,627) | (164) |
| Loss on valuation of stocks of subsidiaries and affiliates | 14,796 | 12,206 |
| Loss on retirement of fixed assets | 923 | — |
| (Increase)/decrease in trade receivable | 6,188 | (154,138) |
| (Increase)/decrease in investments in securities, trade | (158,946) | (678,806) |
| (Increase)/decrease in loans receivable, trade | 45,625 | (30,903) |
| (Increase)/decrease in inventory | — | (532,170) |
| Increase/(decrease) in accounts payable, trade | 2,793 | (79,289) |
| Increase/(decrease)in reserve for contract of insurance | (241,512) | (1,406,936) |
| Others | 33,270 | (112,941) |
| Sub-total | (419,071) | (2,179,555) |
| Interest and dividend income received | 1,226 | 1,309 |
| Interest expense paid | (1,285) | (10,266) |
| Income taxes paid | (45,470) | (20,369) |
| Net cash provided by/(used in) operating activities | (464,601) | (2,208,882) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (10,875) | (15,315) |
| Proceeds from sales of property, plant and equipment | — | 172,308 |
| Proceeds from sales of investment securities | 47,690 | — |
| Purchase of stocks of subsidiaries and affiliates | (44,980) | (40,000) |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | — | 533,018 |
| Payments for sales of investments in subsidiaries resulting in change in scope of consolidation | (11,573) | — |
| (Increase)/decrease in short-term loan receivable | (2,649) | (102,966) |
| Proceeds from transfer of business | 100,344 | — |
| Others | 7,919 | (37,692) |
| Net cash provided by/(used in) investing activities | 85,876 | 509,353 |
| Cash flows from financing activities | | |
| Increase/(decrease) in short-term debt | (14,000) | 237,738 |
| Proceeds /(decrease) from long-term debt | — | 131,000 |
| Repayment of long-term debt | (5,157) | (80,432) |
| Redemption of bonds | (16,000) | (94,000) |

(Unit: Thousands of yen)

| | **Fiscal Year 2013** (From October 1, 2012 to September 30, 2013) | **Fiscal Year 2014** (From October 1, 2013 to September 30, 2014) |
|---|---|---|
| Proceeds from issuance of shares resulting from exercise of subscription rights to shares | — | 1,940,213 |
| Proceeds from issuance of subscription rights to shares | — | 15,600 |
| Proceeds from issuance of stocks to minority shareholders | 35,000 | — |
| Payment for capital returned to minority shareholders of subsidiaries | (21,200) | (13,800) |
| Proceeds from sales of treasury stock | 21,801 | 207 |
| Dividends paid | (118,536) | (60,060) |
| Cash dividends paid to minority shareholders | (7,486) | (10,543) |
| Others | (2,877) | (204) |
| Net cash provided by/(used in) financing activities | (128,457) | 2,065,717 |
| Effect of exchange rate changes on cash and cash equivalents | 91,391 | 13,850 |
| Net increase (decrease) in cash and cash equivalents | (415,790) | 380,038 |
| Cash and cash equivalents at beginning of year | 2,522,754 | 1,644,879 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | (462,084) | — |
| Cash and cash equivalents at end of year | 1,644,879 | 2,024,917 |

## 5. Notes to Consolidated Financial Statements

**Assumption of a Going Concern**

Not applicable

**Significant Policies in Preparation of Consolidated Financial Statements**

### 1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 11

Names of major consolidated subsidiaries:

- FinTech Asset Management Incorporated
- Better Life Support Co., Ltd.
- Unihouse Co., Ltd.
- Better Life House Co., Ltd.
- Okayama Corporation

Once subsidiaries, SP&W Asklepius Investment Partnership No. 4, Crane Reinsurance Limited and Tenderness No. 1 LLC (a silent partnership) were dissolved and removed from the scope of consolidation. Meanwhile, through the acquisition of shares in Okayama Corporation, Okayama Corporation Holdings, Ltd. (absorbed through merger with Okayama Corporation on May 15, 2014, and subsequently extinguished), Unihouse Co., Ltd. (name changed to Jonan Development Co., Ltd., on June 30, 2014), Three Oak Co., Ltd., Unihouse Holdings Co., Ltd. (renamed Unihouse Co., Ltd. on June 30), Okayama Holdings Co., Ltd. (renamed Better Life House Co., Ltd., on June 26, 2014) and Better Life Support Holdings Co., Ltd., these companies are included in the scope of consolidation.

(2) Names of major unconsolidated subsidiaries:

- FGI Property Funding Incorporated
- FinTech Global Kantei Co., Ltd.
- FINTECH GLOBAL TRADING Incorporated

Reasons for exclusion of subsidiaries from scope of consolidation

All of the unconsolidated subsidiaries are of a small size, so that aggregate amounts of total assets, revenues, net income/losses (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) and others do not have a significant effect on the consolidated financial statements.

(3) Names of companies which are not regarded as subsidiaries even though the Company holds 50% or more of voting rights in its own account.

- Moomin Monogatari, Ltd.

Reasons for exclusion of subsidiaries from scope of consolidation

An equity stake was taken for investment purposes and not with the intention to bring the company under the Group umbrella through control of operations, personnel, capital or any other transactions.

### 2. Application of the Equity Method

(1) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method:

Number of affiliates accounted for by the equity method: 1

Names of affiliates accounted for by the equity method:

- FGI Capital Partners, Inc.

(2) Names of major unconsolidated subsidiaries and affiliates which are not accounted for by the equity method:

- FGI Property Funding Incorporated
- FinTech Global Kantei Co., Ltd.
- FINTECH GLOBAL TRADING Incorporated

Reasons for not applying the equity method

These companies are not accounted for by the equity method because their effect on net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) is insignificant and immaterial as a whole.

(3) Names of companies which are not regarded as affiliates even though the Company holds voting rights of at least 20% but not more than 50% in its own account.

• Toranomon Ham K.K.

Reasons for not being regarded as affiliates

This company was acquired by a subsidiary of the Company through the normal course of business for investment purposes, not with the objective of control.

**3. Fiscal Year-Ends of Consolidated Subsidiaries**

The fiscal year end of Better Life Support Co., Ltd. is June 30. The fiscal year-end of FinTech Capital Risk Solutions Incorporated is December 31.

Consolidation of FinTech Capital Risk Solutions is based on preliminary results determined as of the consolidated balance sheet date. Consolidation of Better Life Support is based on the financial statements for its fiscal year-end. Significant transactions occurring during the intervening periods are reflected in the consolidated financial statements.

**4. Summary of Significant Accounting Policies**

(1) Valuation standards and methods for important assets

(i) Trading securities

Other securities with fair market value:

Other securities with fair market value are stated at fair value. Unrealized holding gains and losses, net of the related tax effect, are recorded as an accumulated comprehensive income until realized. Costs are determined by the moving-average method.

Other securities with no fair market value:

Other securities with no fair market value are stated at cost. Costs are determined by the moving-average method. However, fair value of investments in Investment Limited Partnership (Toshi Jigyo Yugen Sekinin Kumiai) and other similar partnerships are determined based on the current financial statements available at the reporting date in conformity with a partnership agreement.

(ii) Inventories

a. Real estate for sale and real estate for sale in progress

Real estate for sale and real estate for sale in progress are stated at cost using the actual cost method (amount is written-down to net selling value if profitability of assets has decreased)

b. Uncompleted construction expenses

Uncompleted construction expenses are stated at cost using the actual cost method.

(2) Depreciation of important assets

(i) Property, plant and equipment (except for leased assets)

Depreciation is computed using the declining balance method. However, for buildings (except for accompanying facilities) acquired since April 1, 1998, the straight-line method is used.

Useful lives for major assets are as follows:

• Buildings: 8-24 years

• Furniture and equipment: 2-20 years

(ii) Intangible fixed assets (except for leased assets)

Stated at cost determined, by using the straight-line method. Software for in-house use is accounted for with the straight-line method over useful life (3 to 5 years).

(iii) Leased assets

Leased assets under finance leases other than those that transfer ownership

Leased assets under finance leases other than those that transfer ownership are depreciated using the straight-line method based on the lease term as the useful life and residual value of zero.

(3) Important allowances

(i) Allowance for doubtful accounts

The Company provides allowances for doubtful accounts by the method that compares the rates of its own historical actual bad debt loss against the balance of total receivables as well as the amount of uncollectible receivables
estimated on an individual basis.

(ii) Provision for bonuses

To earmark funds for employee bonuses, a provision is set aside based on assumed salaries. .

(4) Accounting treatment for retirement benefits

The Company and its consolidated subsidiaries use a simplified method for calculating retirement benefits. In determining liability for retirement benefits and retirement benefit costs, the amount required if employees were to retire as of the end of the fiscal year is treated as retirement benefit obligations.

(5) Accounting standards for key income and expense items

Accounting standards for amount of completed work and cost of completed work

(i) Construction contracts for which progress of construction work is deemed certain to be achieved by fiscal year-end (excludes contracts with extremely short periods of construction work and poor monetary significance)

The percentage-of-completion method is applied to construction contracts if the outcome of construction activity is deemed certain by year-end. Otherwise, the estimated percentage of completion shall be based on the ratio of cost incurred to estimated total cost.

(ii) Other construction contracts

The completed contract method is applied to other construction projects.

(6) Amortization of goodwill

Goodwill is amortized by the straight-line method over 10 years except for ones which have no material impact on financial statements.

(7) Cash and cash equivalents for the purpose of the consolidated statement of cash flows

The Company considers all highly liquid investments with an insignificant risk of changes in value and with original maturities of three months or less to be cash equivalents.

(8) Other significant policies used in the preparation of consolidated financial statements

(i) Accounting for consumption taxes

Consumption tax and local consumption tax are excluded from revenues and expenses accounts which are subject to such taxes.

(ii) Investments in Silent Partnership (Tokumei-Kumiai) included in investments in securities, trade Investments in Investment Limited Partnership (Toshi Jigyo Yugen Sekinin Kumiai) and similar partnerships included in investments in securities, trade are stated at cost, adjusted for equity in earnings and losses of partnership.

The adjustments are recognized as “Operating income” and “Investments in securities, trade”.

(iii) Methods for allocating financing expenses

The financing expenses of the Company providing with lending services are classified into financing expenses associated with operating revenues and other financing expenses. In allocating those expenses, the total assets are allocated between assets for business transactions and other assets, and based on the balance of the allocated assets, the financing expenses for the operating assets are classified as cost of revenues, and the financing expenses for other assets are classified as other expense.

(iv) Adoption of consolidated taxation system

The Company has adopted the consolidated taxation system.

(7) Changes in Accounting Policy

Not applicable

(8) Change in Presentation Methods

Provision of allowance for doubtful accounts and miscellaneous loss, which were included in the other line item under other expenses in the previous fiscal year, are from fiscal 2014 recognized separately because they exceed 10% of total other expenses. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation method.

Consequently, the ¥1,932 thousand shown under other in other expenses in the financial statements for the previous fiscal year has been restated, breaking down into ¥615 thousand for provision of allowance for doubtful accounts, ¥710 thousand for miscellaneous loss, and ¥617 thousand for other.

(Notes to Consolidated Statements of Changes in Net Assets)

**Previous Fiscal Year (From October 1, 2012 to September 30, 2013)**

1. Shares outstanding and number of shares

(Shares)

| Type of stock | Number of shares as of September 30, 2012 | Increases | Decreases | Number of shares as of September 30, 2013 |
|---|---|---|---|---|
| Common stock | 1,209,243 | ― | ― | 1,209,243 |

2. Treasury stock and number of shares

(Shares)

| Type of stock | Number of shares as of September 30, 2012 | Increases | Decreases | Number of shares as of September 30, 2013 |
|---|---|---|---|---|
| Common stock | 17,400 | ― | 12,561 | 4,839 |

(Reason for change)

Details of the decrease are as follows:

Decrease due to sale of consolidated subsidiary with an equity stake in the Company to a company outside the scope of consolidation

12,561 shares

3. Stock acquisition rights

(Shares)

| Name of company | Details | Type of stock to be issued | Number of shares to be issued for stock acquisition rights | | | | Balance as of September 30, 2013 (Thousands of yen) |
|---|---|---|---|---|---|---|---|
| | | | As of September 30, 2012 | Increase | Decrease | As of September 30, 2012 | |
| FinTech Global Incorporated | Stock acquisition rights (stock options) | ― | ― | ― | ― | ― | 2,050 |
| Total | | | ― | ― | ― | ― | 2,050 |

Note: The first day of the exercise period for the part of the ninth Stock acquisition rights and the tenth Stock acquisition rights has not yet arrived.

4. Dividends

(1) Dividends paid

| Resolution | Type of stock | Total amount of dividends (Thousands of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General shareholders' meeting on December 21, 2012 | Common stock | 120,924 | 100 | September 30, 2012 | December 25, 2012 |

(2) Dividends of which the record date falls in the current fiscal year but the effective date falls in the following fiscal year.

| Resolution | Type of stock | Source of dividends | Total amount of dividends (Thousands of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General shareholders' meeting on December 20, 2013 | Common stock | Retained earnings | 60,462 | 50 | September 30, 2013 | December 25, 2013 |

**Current Fiscal Year (From October 1, 2013 to September 30, 2014)**

1. The type of issued stock and the number of shares

(Shares)

| Type of stock | Number of shares as of September 30, 2013 | Increases | Decreases | Number of shares as of September 30, 2014 |
|---|---|---|---|---|
| Issued stock<br>Common stock | 1,209,243 | 145,987,557 | — | 147,196,800 |

(Reason for change)

Issued new shares (exercise of share warrants)

Increase due to exercise of rights to share warrants with option to revise exercise price: 14,961,300 shares

Increase due to exercise of stock option rights: 1,611,675 shares

Stock split

Increase due to stock split at a ratio of 100 shares for one (1) share of common stock: 129,414,582 shares

2. Treasury stock and number of shares

(Shares)

| Type of stock | Number of shares as of September 30, 2013 | Increases | Decreases | Number of shares as of September 30, 2014 |
|---|---|---|---|---|
| Common stock | 4,839 | — | 4,839 | 4,839 |

(Reason for change)

Details of the decrease are as follows:

Decrease due to sale of consolidated subsidiary with an equity stake in the Company to a company outside the scope of consolidation

4,839 shares

3. Stock acquisition rights

(Shares)

| Name of company | Details | Type of stock to be issued | Number of shares to be issued for the stock acquisition rights | | | | Balance as of September 30, 2014 (Thousands of yen) |
|---|---|---|---|---|---|---|---|
| | | | As of September 30, 2013 | Increase | Decrease | As of September 30, 2012 | |
| FinTech Global Incorporated | Stock acquisition rights (stock options) | — | — | — | — | — | 4,168 |
| | Rights to share warrants with option to revise exercise price | Common stock | — | 14,961,300 | 14,961,300 | — | — |
| Total | | | — | — | — | — | 4,168 |

Note: The first day of the exercise period for stock acquisition rights of the 10th series and the 11th series, respectively, has not yet arrived.

4. Dividends

(1) Dividends paid

| Resolution | Type of stock | Total amount of dividends (Thousands of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General shareholders' meeting on December 20, 2013 | Common stock | 60,462 | 50 | September 30, 2013 | December 24, 2013 |

(2) Dividends for which the record date falls in the current fiscal year but the effective date falls in the following fiscal year.

| Resolution | Type of stock | Source of dividends | Total amount of dividends (Thousands of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General shareholders' meeting on December 19, 2014 | Common stock | Retained earnings | 73,598 | 0.5 | September 30, 2014 | December 22, 2014 |

(Segment Information)

**1. Outline of reporting segments**

(1) Reporting segments of the Company are business units of Group companies for which financial information is obtainable separately, and are targets for regular review by the Board of Directors which allocates management resources and evaluates business performance.

The Company has three reporting segments. Subsidiaries handle the real estate business and the construction business. Complementing these segments is the investment banking business, which encompasses principal investment and lending with FGI's own capital, financial advisory services, financial arrangements, public financing, particularly for renewable energy projects, and asset management services, such as real estate investment management and investment fund management. Business activities that do not fall under these reporting segments are grouped under other businesses.

The business activities of each segment are described below.

- Investment Banking Business
  Principal investment and lending with FGI's own capital, financial advisory services, financial arrangements, public financing, particularly for renewable energy projects, and asset management services, such as real estate investment management and investment fund management
- Real Estate Business
  Employee welfare services, real estate brokerage, development and sales
- Construction Business
  Civil engineering architectural design, and design and construction
- Other Businesses
  Primarily consulting services on public accounting system implementation, reinsurance business

(2) Notes to changes in reporting segments of the Company

Reporting segments have been changed, as outlined below, to reflect wider business content paralleling the addition of subsidiaries in fiscal 2014.

- "Investment Banking Business" and "Asset Management Business" have been combined under "Investment Banking Business".
- "Portfolio Business" and "Public Finance-related Business" have been eliminated.
- "Real Estate Business" and "Construction Business" have been newly established.

Business segments that do not fall into these reporting segments have been put into "Other Businesses".

**2. Method used to calculate the amount of revenues, profits or losses, assets and other items of each reporting segment**

Accounting treatment for reporting segments is the same as that stated in "Significant Policies in Preparation of Consolidated Financial Statements".

Segment income amounts are based on operating income.

Inter-segment revenues and transfers are based on arm's length price.

### 3. Information about the amount of revenues, profits or losses, assets and other items of each reporting segment

**Previous Fiscal Year (From October 1, 2012 to September 30, 2013)**

(Thousands of yen)

| | Reporting Segments | | | | Other Note 1 | Total | Adjustment Notes 2, 4 | Total |
|---|---|---|---|---|---|---|---|---|
| | Investment Banking Business | Real Estate Business | Construction Business | Total | | | | |
| Revenues | | | | | | | | |
| Revenues to third party | 950,022 | 505,489 | ― | 1,455,511 | 147,979 | 1,603,491 | ― | 1,603,491 |
| Inter-segment revenues and transfers | 2,243 | ― | ― | 2,243 | 3,600 | 5,843 | (5,843) | ― |
| Total | 952,265 | 505,489 | ― | 1,457,755 | 151,579 | 1,609,335 | (5,843) | 1,603,491 |
| Segment income (loss) | 724,226 | 26,138 | ― | 750,365 | (224,663) | 525,701 | (557,433) | (31,732) |
| Segment assets | 2,427,708 | 419,649 | ― | 2,847,357 | 2,084,643 | 4,932,001 | (161,263) | 4,770,738 |
| Other items | | | | | | | | |
| Depreciation | 246 | 6,699 | ― | 6,946 | 1,441 | 8,388 | 21,333 | 29,722 |
| Investment in affiliates accounted for by equity method | 20,599 | ― | ― | 20,599 | ― | 20,599 | ― | 20,599 |
| Increase in tangible fixed assets and intangible fixed assets | ― | 9,347 | ― | 9,347 | 1,527 | 10,875 | ― | 10,875 |

Notes:

1. Other businesses is a segment for businesses that do not fall under reporting segments. This includes the public accounting consulting business and the reinsurance business.
2. Adjustment of segment income (loss), at ¥557,433 thousand, includes elimination of transactions among segments of ¥130,001 thousand and corporate expenses of ¥687,435 thousand which are not allocatable to reporting segments. Corporate expenses are mainly general and administrative expenses which do not belong to any reporting segments.
3. Segment income (loss) is reconciled with operating loss on the Consolidated Statements of Income. The investment banking business, real estate business, and other businesses segments carried expenses of ¥64,690 thousand, ¥21,690 thousand, and ¥18,600 thousand, respectively, as management service fees paid to FGI.
4. Adjustment of segment assets, at ¥161,263 thousand, is the difference between elimination of transactions among segments, at ¥1,118, 997 thousand, and corporate assets, at ¥957,733 thousand, which are not allocatable to any reporting segment.

**Current Year (From October 1, 2013 to September 30, 2014)**

(Thousands of yen)

| | Reporting Segments | | | | Other Note 1 | Total | Adjustment Notes 2, 4 | Total |
|---|---|---|---|---|---|---|---|---|
| | Investment Banking Business | Real Estate Business | Construction Business | Total | | | | |
| Revenues | | | | | | | | |
| Revenues to third party | 1,766,878 | 1,093,159 | 979,881 | 3,839,919 | 71,385 | 3,911,305 | ― | 3,911,305 |
| Inter-segment revenues and transfers | 9,703 | ― | ― | 9,703 | 3,600 | 13,303 | (13,303) | ― |
| Total | 1,776,581 | 1,093,159 | 979,881 | 3,849,622 | 74,985 | 3,924,608 | (13,303) | 3,911,305 |
| Segment income (loss) | 1,369,103 | (32,413) | 17,515 | 1,354,205 | (28,323) | 1,325,882 | (770,315) | 555,567 |
| Segment assets | 3,452,821 | 1,563,072 | 882,727 | 5,898,621 | 136,855 | 6,035,476 | 1,416,770 | 7,452,246 |
| Other items | | | | | | | | |
| Depreciation | 13 | 7,435 | 27 | 7,476 | 42 | 7,519 | 16,321 | 23,840 |
| Investment in affiliates accounted for by equity method | 20,485 | ― | ― | 20,485 | ― | 20,485 | ― | 20,485 |
| Increase on tangible fixed assets and intangible fixed assets | ― | 14,853 | 2,633 | 17,486 | ―- | 17,486 | 3,728 | 21,215 |

Notes:

1. Other businesses is a segment for businesses that do not fall under reporting segments. This includes the public accounting consulting business and the reinsurance business.
2. Adjustment of segment income (loss), at ¥770,315 thousand, includes elimination of transactions among segments of ¥104,691 thousand and corporate expenses of ¥875,007 thousand which are not allocatable to reporting segments. Corporate expenses are mainly general and administrative expenses which do not belong to any reporting segments.
3. Segment income (loss) is reconciled with operating income on the Consolidated Statements of Income. The investment banking business, real estate business, and other businesses segments carried expenses of ¥34,003 thousand, ¥14,730 thousand, and ¥18,601 thousand, respectively, as management service fees paid to FGI.
4. Adjustment of segment assets, at ¥1,416,770 thousand, is the difference between elimination of transactions among segments, at ¥655,955 thousand, and corporate assets, at ¥2,072,725 thousand, which are not allocatable to any reporting segment.

## Subsequent Events

Not applicable

## 4. Change of Board member

This will be disclosed once the details are concluded.