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The official press release is in Japanese.

Company Name: FinTech Global Incorporated  
Representative: Nobumitsu Tamai, President and CEO  
Stock Listing: Tokyo Stock Exchange Mothers Section  
Stock Code: 8789  
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**Notice Regarding Subsidiary's Third-Party Allocation  
of Shares and Change in Subsidiary Status**

June 14, 2019—The Board of Directors at FinTech Global Incorporated (hereafter, “FGI” and “the Company”) resolved today that the Company would execute a third-party allocation of shares (Class A preferred stock issue) for Adacotech Incorporated (hereafter, “Adacotech”), a consolidated subsidiary, and change some Adacotech common shares, including the portion held by FGI, into non-voting stock. Details are provided below. Note that, as a result, Adacotech will be removed from the scope of consolidation and become an affiliate accounted for under the equity method.

**Details**

**1. Reason for subsidiary's third-party allocation of shares**

Adacotech was established in March 2012 through a capital contribution from FGI to commercialize a machine-learning system developed by the National Institute of Advanced Industrial Science and Technology. Drawing on the resources of the FGI Group, the Company has provided capital, personnel, management and business support and watched as orders from major corporations increased in recent years.

At this time, FGI's objective is to supercharge business expansion at Adacotech, which is looking toward an IPO in the future, by inviting external investors with expertise in machine learning—Adacotech's core technology—and also reinforcing the development environment, enhancing human resources and cultivating a network of business partners at home and abroad.

To date, Adacotech's proprietary technology been confirmed in such applications as inspection of products on factory floors and detecting predictive defects, and demand for such technology is sure to become more obvious against a backdrop of increased IT investment into artificial intelligence and other technologies and greater automation of factories worldwide to boost productivity. Adacotech's technology has potential beyond this, however, extending to applications in a diverse range of industry and service sectors, and FGI is keen to raise the corporate value of Adacotech with the support of external investors.

Once FGI has settled on Adacotech's capital policy—which will include external investors—some of the common shares that the Company, Adacotech directors and employees and others hold in Adacotech will be changed into non-voting shares (hereafter, “Special Class Shares”). Due to this change and the third-party allocation of shares, FGI's share of voting rights will fall to 16.7%. (Details are provided below in **3. Shareholding status before and after**

**third-party allocation of shares.**) Note that FGI's shareholding ratio will be 25.0%, based on a combination of Class A preferred shares and Special Class Shares.

This third-party allocation of shares will be offered to several external investors, but for reasons of confidentiality no names are being disclosed at this time. There will be no need to maintain confidentiality once payment for shares is made, and the investors' names will be disclosed. Management can, however, reveal that no capital, personnel or business relationships of note exist between FGI and these external investors, and no individuals are deemed related parties.

## 2. Outline of subsidiary changing status

(1) Name	Adacotech Incorporated		
(2) Address	Meguro Central Square, 15th Floor 3-1, Kamiosaki 1-chome, Shinagawa-ku, Tokyo		
(3) Name and title of representative	Mitsuhiro Ikeda, President		
(4) Business activities	Develops and markets software for pattern recognition and systems to detect anomalies and predict flaws using such data as moving and still images, audio and sensor signals.		
(5) Paid-in capital	¥10,200,000		
(6) Date of establishment	March 12, 2012		
(7) Major shareholders and shareholding ratios	FGI 50.0% Mitsuhiro Ikeda 27.5%		
(8) Relationships with FGI	Capital relationship	<ul style="list-style-type: none"> <li>• FGI holds 50.0% of common shares in Adacotech.</li> </ul>	
	Personnel relationship	<ul style="list-style-type: none"> <li>• One FGI employee serves concurrently as representative director at Adacotech, but this employee plans to retire from FGI.</li> <li>• One FGI employee serves concurrently as a director at Adacotech and one FGI director serves concurrently as a corporate auditor at Adacotech.</li> </ul>	
	Business relationship	<ul style="list-style-type: none"> <li>• FGI signed a revolving credit loan with Adacotech and extended a loan to the company, but Adacotech will apply capital acquired through the third-party allocation of shares to grow the company so FGI will forgive the loan. (Funds for loan already set aside.)</li> <li>• FGI signed a management outsourcing agreement with Adacotech. In addition, FGI sublets part of a building it leases for itself to Adacotech.</li> <li>• FinTech Global Trading Co., Ltd., an FGI subsidiary, signed a management outsourcing agreement and a business development and support agreement with Adacotech but plans to terminate these agreements.</li> </ul>	
(9) Consolidated performance and financial position for the past three years			
Fiscal year	Fiscal 2016 (From October 1, 2015 to September 30, 2016)	Fiscal 2017 (From October 1, 2016 to September 30, 2017)	Fiscal 2018 (From October 1, 2017 to September 30, 2018)
Net assets	(¥32 million)	(¥34 million)	(¥42 million)

Total assets	¥23 million	28 million	¥25 million
Net revenue	¥37 million	33 million	¥37 million
Operating income (loss)	¥6 million	0 million	(¥5 million)
Recurring profit (loss)	¥5 million	(¥1 million)	(¥7 million)
Net income (loss)	¥5 million	(¥2 million)	(¥7 million)

### 3. Shareholding status before and after third-party allocation of shares

(1) Shareholding prior to change	Common shares: 510 (Number of voting rights: 510) (Shareholding ratio: 50.0%)
(2) Shareholding after change	510 shares Common shares: 255 Special Class Shares: 255 (Number of voting rights: 255) (Shareholding ratio: 16.7%) (Note)

Note: Adacotech plans to issue 1,021 shares of Class A preferred stock through this third-party allocation of shares. Therefore, the denominator used in calculating the shareholding ratio is the number of voting rights (1,531) associated with the number Adacotech common shares (510 shares) after some common shares are converted into non-voting shares, as described in **1. Reason for subsidiary's third-party allocation of shares**, and Class A preferred shares (1,021 shares).

### 4. Schedule

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| Resolution by the Board of Directors                                  | June 14, 2019  |
| (1) Resolution at irregular general meeting of Adacotech shareholders |  |
| Signing of share transfer agreement                                   |  |
| Conversion of some common shares into non-voting shares               |  |
| (2) Date of payment (date subsidiary changes status)                  | Sometime between June 18 and June 25, 2019 (planned) |

### 5. Outlook

Owing to the third-party allocation of shares for Adacotech and the conversion of some common shares held by FGI and people closely involved with FGI, Adacotech will no longer be a consolidated subsidiary and instead become an affiliate accounted for by the equity method. FGI expects to generate a gain on change in equity, which will be booked as extraordinary profit. The exact amount will be disclosed when it is actually known.

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