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Summary of Financial Statements for the First Three Quarters of Fiscal 2020 <under Japanese GAAP>

August 12, 2020

Company Name: FinTech Global Incorporated (Code Number: 8789 TSE Mothers)

(URL: http://www.fgi.co.jp/english/) TEL: +81-50-5864-3978

Representative: President and Chief Executive Officer Name: Nobumitsu Tamai

Contact: Member of the Board, Senior Executive Officer Name: Seigo Washimoto

Scheduled date for filing of securities report: August 14, 2020

Scheduled date of commencement of dividend payment: ―

Preparation of explanatory materials for quarterly financial results: Yes

Information meetings arranged related to quarterly financial results: None

(Rounded down to the nearest million)

1. Consolidated results for the first three quarters of fiscal 2020
(October 1, 2019 –June 30, 2020)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Revenues		Operating income/(loss)		Ordinary profit/(loss)		Profit/(loss) attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three quarters of fiscal 2020	5,196	(22.3)	(893)	–	(989)	–	(1,045)	–
First three quarters of fiscal 2019	6,689	192.5	(1,307)	–	(1,445)	–	(1,210)	–

(For reference) Comprehensive income: (1,340) million yen for the first three quarters of fiscal 2020 (－)%
(1,378) million yen for the first three quarters of fiscal 2019 (－)%

	Net income/(loss) per share	Net income/(loss) per share (diluted)
	Yen	Yen
First three quarters of fiscal 2020	(5.20)	–
First three quarters of fiscal 2019	(6.22)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First three quarters of fiscal 2020	16,922	7,480	37.8
Fiscal 2019	19,025	8,873	39.1

(For reference) Shareholders' equity: 6,390 million yen for the first three quarters of fiscal 2020
7,446 million yen for fiscal 2019

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	0.00	—	0.00	0.00
Fiscal 2020	—	0.00			
Fiscal 2020 (Forecast)			—	0.00	0.00

(Note) Change from the latest dividend forecast: Yes

3. Full-year performance forecasts for fiscal 2020 (October 1, 2019 – September 30, 2020)

The Japanese government lifted the nationwide state of emergency prompted by COVID-19 on May 21, 2020, and Moominvalley Park resumed operations on June 4, 2020. However, the number of infections grew rapidly from July to August 2020, and the situation remains unpredictable. Also, the investment banking segment is working to close several deals by the end of fiscal 2020, but it is difficult to predict the exact timing. Since it is impossible to calculate a realistic forecast at this point in time, management has decided not to provide a consolidated performance outlook for fiscal 2020. An update will be provided when a realistic projection becomes possible.

4. Notes

(1) Changes in significant subsidiaries during the period: None
(2) Adoption of specific accounting policies for quarterly consolidated financial statements: None
(3) Changes in accounting policies, changes in accounting estimates, and restatements:
- (a). Changes in accounting policies required by accounting standard: None
- (b). Changes other than those in (a) above: None
- (c). Changes in accounting estimates: None
- (d). Restatements: None

(4) Number of shares issued (common shares)
1. Number of shares issued (including treasury stock): 201,114,600 shares in the first three quarters of fiscal 2020
   201,109,600 shares in fiscal 2019
2. Number of shares of treasury stock: — shares for the first three quarters of fiscal 2020
   — shares for fiscal 2019
3. Average number of shares issued during the first three quarters:
   201,113,629 shares in the first three quarters of fiscal 2020
   194,751,237 shares in the first three quarters of fiscal 2019

* This summary of financial statements is exempt from the review procedures.

* Explanation of the appropriate use of performance forecasts and other related items.
Forward-looking statements included in this summary of financial statements are based on the assumptions, forecasts, and plans of the Company as of the date on which this document is made public. The Company’s actual results may differ substantially from such statements due to various risks and uncertainties.

1. Qualitative Information on Quarterly Consolidated Performance

(1) Consolidated business results

In the first three quarters—October 1, 2019 to June 30, 2020—of the fiscal 2020 consolidated accounting period for FinTech Global Incorporated (FGI) ending September 30, 2020, Metsä revenues decreased despite several measures from October 2019. In the first quarter of fiscal 2020, the number of guests climbed 19.8% over the fourth quarter of fiscal 2019, to 314,000 people, indicating an upward trend. But from the second quarter, the spread of COVID-19—the illness caused by the novel coronavirus—prompted temporary closure of Moominvalley Park and Metsä Village. During the March through June quarter, Moominvalley Park was closed for 80 days while Metsä Village was closed for 44 days. This held the aggregate guest count for the first three quarters of fiscal 2020 to 596,000 people, which limited revenue potential. In the investment banking business, several real estate-related deals were closed, pushing revenues from arrangements, including asset management, higher, and aircraft asset management services moved in a favorable direction. This progress was, however, overshadowed by delayed exit activity, which eroded segment revenues. Meanwhile, the public management consulting business showed lower revenues, reflecting the exclusion of a subsidiary from the scope of consolidation in the fourth quarter of fiscal 2019.

Given these results, consolidated revenues fell 22.3% year on year, to ¥5,196 million. Cost of revenues dropped 20.1%, to ¥3,526 million, leaving gross profit of ¥1,670 million, down 26.6%. Selling, general and administrative expenses shrank 28.4%, to ¥2,563 million, since Metsä pre-opening expenses booked as of the third quarter of the previous fiscal year were no longer a factor nor were there any other one-time expenses, and personnel expenses were also down. The consolidated operating loss was thus a much lighter shade of red, at ¥893 million, compared with ¥1,307 million a year earlier, and the ordinary loss followed a similar path, amounting to ¥989 million, compared with ¥1,445 million over the first three quarters of fiscal 2019. FGI reported a loss attributable to owners of the parent, at ¥1,045 million, compared with ¥1,210 million a year earlier, reflecting the booking of ¥292 million in fixed expenses (including personnel expenses and depreciation expenses) under extraordinary loss that were incurred during the temporary closure of Moominvalley Park and ¥279 million in quarterly loss attributable to non-controlling interests.

(Unit: Millions of yen)

	First Three Quarters of Fiscal 2019	First Three Quarters of Fiscal 2020	YOY Change
Revenues	6,689	5,196	(1,492)
Investment banking business	2,611	1,901	(709)
Public management consulting business	593	170	(423)
Entertainment service business	3,685	3,298	(387)
Other	24	—	(24)
Elimination	(226)	(173)	53
Gross profit	2,275	1,670	(605)
Investment banking business	846	1,045	198
Public management consulting business	316	93	(222)
Entertainment service business	1,168	617	(551)
Other	24	—	(24)
Elimination	(80)	(86)	(5)
Operating income/ (loss) [Segment income/ (loss)]	(1,307)	(893)	413
Investment banking business	(378)	(8)	369
Public management consulting business	72	(25)	(98)
Entertainment service business	(345)	(414)	(68)

Other	(12)	—	12
Elimination or corporate expenses	(644)	(445)	199
Ordinary income/ (loss)	(1,445)	(989)	456
Income (Loss) before income taxes	(1,295)	(1,278)	16
Income/ (Loss) attributable to owners of parent	(1,210)	(1,045)	164

A breakdown of performance by business segment is presented below. Revenues include intersegment revenues and transfers. Note "Other" is no longer required because Adacotech Incorporated, which had been included under Other—a business segment that is not included in reporting segments—was removed from the scope of consolidation, effective from the third quarter of fiscal 2019.

a. Investment Banking Business

The investment banking business posted an increase in revenues through performance fees on asset management connected to several real estate-related deals closed as well as from trust beneficiary rights agency services and arrangement services, including private placements. In addition, aircraft asset management services moved in a positive direction. Unfortunately, a delay in investment exit activity caused segment revenues to slide 27.2% year on year, to ¥1,901 million. While the investment banking business still recorded an impairment loss on corporate investment, the amount dropped from of ¥366 million in the first three quarters of fiscal 2019 to ¥18 million in the corresponding period of fiscal 2020, which translated into a much lighter segment loss, at ¥8 million, compared with ¥378 million a year ago.

Note that FGI had been booking rental income through a master lease agreement for Metsä Village with subsidiary Moomin Monogatari. However, seeking a better system that would support efforts to boost value through facility development and heightened appeal and promote smooth exit of investments at a later date, in April 2020, FGI shifted to a subcontracting system wherein the Company rents Metsä Village space directly to tenants and then outsources asset management responsibilities to FinTech Asset Management and property management responsibilities to Moomin Monogatari.

Also of note, tenants were excused from paying some of their rent during the first three quarters of fiscal 2020 since Japan's COVID-19 response forced Metsä to close for a period of time.

b. Public Management Consulting Business

In the public management consulting business, the public accounting business directed efforts into marketing activities to promote consultations for creating financial documents based on unified standards for local governments as well as contract services, including preparation of financial analysis reports, introduction of public enterprise accounting and the formation of management strategies for public enterprises. The regional revitalization business focused on contract services, including discussions pursuant to the introduction of public-private partnership/public financial initiative techniques to meet anticipated growth in demand.

On July 1, 2019, FGI sold some of the shares the Company held in Geoplan Namtech, which undertakes business related to urban infrastructure maintenance services. As a result, the company became an affiliate accounted for by the equity method and was removed from the scope of consolidation as of the fourth quarter of fiscal 2019.

The segment saw revenues tumble 71.3%, to ¥170 million, and posted a loss of ¥25 million, reversing from ¥72 million in income in the first three quarters of fiscal 2019.

c. Entertainment Service Business

At Metsä, a variety of approaches were implemented, beginning in November 2019, to provide a richer array of services and content that would give visitors a feeling of greater satisfaction from their site experience. These approaches included free parking on weekdays, the debut of a one-day pass, a more appealing schedule of events, the distribution of Story Guide pamphlets and the installation of Story Door stations where guests watch a short video introduction to Moomin stories. The visitor count trended upward. Backed by improved visitor satisfaction, Moominvalley Park revised the content and price of admission tickets, effective March 14, 2020, in a bid to increase revenues. Unfortunately, factors, notably, the declaration of a state of emergency due to the spread of COVID-19, led to the temporary closure of Moominvalley Park and Metsä Village, for 80 days and 44 days, respectively. With comprehensive policies to prevent the spread of COVID-19, operations resumed, with Metsä Village reopening first, on May 22, 2020, and then Moominvalley Park on June 4, 2020. But restrictions on movement continued even after the state of emergency was lifted, pushing the visitor count below the levels marked prior to temporary closure. As a result, Metsä-related revenues for the first three quarters of fiscal 2020 decreased 17.3% year on year, to ¥2,232 million.

Preparing for a prolonged impact from the COVID-19 pandemic, FGI subsidiary Moomin Monogatari implemented cost-reduction measures to ensure sufficient capital for running Metsä. In parallel, the company procured capital through institutional loans. For such loans provided to Moomin Monogatari as well as another FGI subsidiary, Hanno Local Resource Utilization, which owns and manages Moominvalley Park property, the financial institutions involved agreed that the June 2020 repayment amount would be treated as deferred principal on condition that cost-reduction measures are executed. A flexible approach must be maintained going forward as well, and discussions will continue toward this end. For non-financial institution access to capital, FGI will support Moomin Monogatari through loans and rent payment relief and also intends to offer its full cooperation to keep Moomin Characters Oy Ltd., which owns and manages Moomin copyrights and trademarks, a going concern. The local government of Hanno—the jurisdiction where Metsä is located—has extended and enhanced acceptance of products supplied by Moomin Monogatari under Japan’s *furusato nozei* system—the “hometown tax” donation system—which grants tax breaks to people who make donations to their hometowns or other municipalities. In this way, Moomin Monogatari is taking a thorough approach to prevent the spread of COVID-19 and to streamline costs and, with the support of stakeholders, including financial institutions, will shape a framework for continued business activity and stable financial management.

In the licensing business, efforts were focused on expanding sublicensing services to provide exclusive access to Moomin characters in Japan. Licensing revenues steadily increased, fueled by “Moomin: the Art and the Story,” a selection of original Moomin artwork that began traveling around Japan April 2019 and has attracted about 240,000 people across four venues—Tokyo, Oita, Ishikawa and Nagoya—so far, as well as a higher profile for Moomin characters thanks to coinciding news stories about the opening of Moominvalley Park. However, from the third quarter, many events, including the Iwate stop in the traveling artwork exhibit that was planned for April-May 2020, were forced to cancel due to the COVID-19 pandemic. Other factors, such as the closure of large commercial facilities, which are a key sales channel for licensees to market their merchandise, dulled growth prospects. In response, efforts were directed into approaches designed to strengthen product categories and sales routes with future demand potential, such as online channels, and toward this end, an emphasis was placed on developing robust promotions on the official Moomin website. Meanwhile, the new anime series “Moominvalley”, facilitated through anime broadcasting rights, premiered on NHK BS4K, a channel operated by Japan’s national broadcaster using an ultra-high definition 4K image system, in April 2019 and continues to air, including reruns of previously aired episodes. Episode streaming and sales and rental of the series on Blue-ray Disc and DVD have been well-received as well. These various activities, along with TV exposure, fueled interest in access to Moomin characters, leading to the capture of 23 new contracts since October 2019 and pushing licensing revenues up 13.8% year on year, to ¥1,065 million.

The first three quarters of fiscal 2020 saw a full three-quarter contribution of revenues from operations at Moominvalley Park—whereas the opening of the park on March 16, 2019, meant only results from the second quarter onward were included in the books—and an increase in revenues from the licensing business.

But this was not enough to offset lost revenue opportunities due to the temporary closure of Metsä, and the entertainment service business showed a 10.5% drop in revenues year on year, to ¥3,298 million. The segment loss grew, hitting ¥414 million, compared with ¥345 million in the corresponding period a year ago, despite the absence of costs incurred ahead of the opening of Metsä a year ago.

(2) Consolidated Financial Position

Assets

Total assets at the end of the third quarter, on June 30, 2020, stood at ¥16,922 million, down 11.1% from the end of fiscal 2019 on September 30, 2019. The change reflects decreases of ¥511 million in cash and time deposits, ¥91 million in investments in securities, trade due to progress on the sale of real estate beneficiary rights as well as allocation to new investments, ¥214 million in real estate for sale due to exit (that is, sale) of real estate development projects, ¥624 million in accrued consumption tax included in other current assets following a refund of consumption tax, and ¥100 million in buildings and structures, net due to depreciation and amortization of buildings and interior and exterior fixtures at Moominvalley Park.

Liabilities

Total liabilities at the end of the third quarter on June 30, 2020, amounted to ¥9,441 million, down 7.0% from the end of fiscal 2019 on September 30, 2019. The change is mainly due to decreases of ¥252 million in short-term loans payable following exits on real estate development projects, ¥88 million in long-term loans payable and ¥167 million in long-term lease obligations included in other noncurrent liabilities.

Net assets

Net assets reached ¥7,480 million at the end of the third quarter on June 30, 2020, down 15.7% from the end of fiscal 2019 on September 30, 2019. This change is largely due to decreases of ¥1,045 million in retained earnings due to the booking of a quarterly loss attributable to owners of parent and ¥333 million in non-controlling interests.

(3) Information on Forward-Looking Statements, including Consolidated Performance Forecasts

Management believes that the spread of COVID-19—the illness caused by the novel coronavirus—will impact the business activities and results of the FGI Group, but the current situation carries many uncertainties that make it difficult to form a realistic forecast of consolidated results for fiscal 2020, ending September 30, 2020. Consequently, the fiscal 2020 forecast has yet to be determined.

With regard to Metsä, Japan lifted the nationwide state of emergency on May 25, 2020, and Moominvalley Park resumed operations on June 4, 2020. But between July and August, there was a resurgence of COVID-19 cases. The current situation makes it impossible to predict business results from activities at Metsä. Uncertainly also affects the investment exit environment in the investment banking business. FGI had tapped certain investments to exit in fiscal 2020 and was working toward this even before COVID-19 emerged, but at the present time, it is unclear whether or not exit plans will go forward.

Given these factors, management has not determined a forecast for the consolidated fiscal year ending September 30, 2020. An update on anticipated results will be announced as soon as the situation allows a better picture of performance direction.

As of and for the nine months ended June 30, 2020

(1) Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

	Fiscal 2019 (As of September 30, 2019)	**First Three Quarters of Fiscal 2020** (As of June 30, 2020)
Assets		
Current assets		
Cash and time deposits	2,533,187	2,022,051
Accounts receivable, trade	727,499	497,819
Investments in securities, trade	1,359,941	1,268,465
Loans receivable, trade	548,625	518,287
Real estate for sale	4,211,988	3,997,927
Merchandise	208,577	300,816
Other	948,410	349,185
Allowance for doubtful accounts	(99,641)	(93,091)
Total current assets	10,438,589	8,861,461
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	5,328,377	5,369,894
Accumulated depreciation	(137,112)	(279,277)
Buildings and structures, net	5,191,265	5,090,616
Other	2,092,587	1,782,806
Total property, plant and equipment	7,283,853	6,873,423
Intangible fixed assets		
Goodwill	180,388	141,076
Other	544,540	515,539
Total intangible fixed assets	724,929	656,616
Investments and other assets		
Investment securities	211,068	195,842
Other	366,683	335,066
Allowance for doubtful accounts	(110)	(231)
Total investments and other assets	577,641	530,677
Total noncurrent assets	8,586,424	8,060,716
Total assets	19,025,014	16,922,178

(Unit: Thousands of yen)

	Fiscal 2019 (As of September 30, 2019)	**First Three Quarters of Fiscal 2020** (As of June 30, 2020)
Liabilities		
Current liabilities		
Accounts payable, trade	213,256	138,422
Short-term loans payable	373,904	121,459
Current portion of long-term loans payable	752,968	762,968
Income taxes payable	98,999	54,502
Accrued employee bonuses	157,244	134,885
Other	1,413,720	1,355,773
Total current liabilities	3,010,093	2,568,011
Noncurrent liabilities		
Long-term loans payable	6,086,260	5,998,254
Net defined benefit liability	94,633	105,000
Other	960,856	770,191
Total noncurrent liabilities	7,141,750	6,873,446
Total liabilities	10,151,843	9,441,457
Net assets		
Shareholders' equity		
Common stock	6,461,911	6,462,062
Additional paid-in capital	5,015,924	5,016,132
Retained earnings	(3,997,770)	(5,043,494)
Total shareholders' equity	7,480,064	6,434,700
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3,935)	(7,576)
Foreign currency translation adjustment	(29,558)	(37,067)
Total accumulated other comprehensive income	(33,493)	(44,643)
Stock acquisition rights	65,837	63,104
Non-controlling interests	1,360,762	1,027,560
Total net assets	8,873,170	7,480,720
Total liabilities and net assets	19,025,014	16,922,178

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(Unit: Thousands of yen)

	First Three Quarters of Fiscal 2019 (From October 1, 2018 to June 30, 2019)	**First Three Quarters of Fiscal 2020** (From October 1, 2019 to June 30, 2020)
Revenues	6,689,057	5,196,677
Cost of revenues	4,413,854	3,526,593
Gross profit	2,275,203	1,670,084
Selling, general and administrative expenses	3,582,887	2,563,881
Operating income/(loss)	(1,307,684)	(893,796)
Non-operating income		
Interest income	3,042	770
Subsidy income	500	21,508
Settlement received	5,821	―
Other	1,488	2,171
Total non-operating income	10,852	24,449
Non-operating expenses		
Interest expense	105,492	102,742
Share of loss of entities accounted for using equity method	―	15,279
Commission paid	31,334	1,500
Other	12,121	364
Total non-operating expenses	148,947	119,886
Ordinary profit/(loss)	(1,445,779)	(989,233)
Extraordinary income		
Gain on change in equity	120,722	―
Gain on sales of non-current assets	―	1,185
Gain on sales of subsidiaries and associates	58,845	―
Gain on reversal of stock acquisition rights	2,988	4,486
Total extraordinary income	182,556	5,672
Extraordinary losses		
Loss on sales of non-current assets	891	―
Loss on retirement of non-current assets	28,807	899
Loss on valuation of investments in capital	―	2,140
Loss on temporary closure	―	292,322
Other	2,377	24
Total extraordinary loss	32,076	295,386
Income/(Loss) before income taxes	(1,295,300)	(1,278,947)
Income taxes (current)	87,795	67,857
Income taxes (deferred)	(31,242)	(21,103)
Total income taxes	56,552	46,753
Profit/(Loss)	(1,351,852)	(1,325,701)
Profit (Loss) attributable to non-controlling interests	(141,430)	(279,977)
Profit (Loss) attributable to owners of the parent	(1,210,422)	(1,045,723)

Quarterly Consolidated Statements of Comprehensive Income

(Unit: Thousands of yen)

	First Three Quarters of Fiscal 2019 (From October 1, 2018 to June 30, 2019)	**First Three Quarters of Fiscal 2020** (From October 1, 2019 to June 30, 2020)
Profit/(Loss)	(1,351,852)	(1,325,701)
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,828)	(3,641)
Foreign currency translation adjustment	(11,090)	(11,254)
Total other comprehensive income	(26,919)	(14,895)
Comprehensive income	(1,378,771)	(1,340,596)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,234,082)	(1,056,873)
Comprehensive income attributable to non-controlling interests	(144,689)	(283,722)

(3) Notes to Quarterly Consolidated Financial Statements

(Assumption of Going Concern)

Not applicable.

(Material Change in Shareholders' Equity)

I. Nine months ended June 30, 2019 (October 1, 2018 to June 30, 2019)

During the first three quarters of fiscal 2019, the exercise of stock acquisition rights pushed common stock as well as additional paid-in capital up ¥910,492 thousand, respectively. Due to this and other changes, common stock reached ¥6,461,911 thousand and additional paid-in capital reached ¥4,997,873 thousand, as of June 30, 2019.

II. Nine months ended June 30, 2020 (October 1, 2019 to June 30, 2020)

Not applicable.

(Additional Information)

(Accounting estimates related to impact from spread of COVID-19)

The Japanese government lifted the nationwide state of emergency prompted by COVID-19 on May 21, 2020, and Metsä resumed full operations, including activities at Moominvalley Park, on June 4, 2020. However, the number of visitors to Metsä trended below the level recorded before the spread of COVID-19. Although it is difficult to predict the direction that conditions will take, including a possible end to the pandemic, management performed an accounting estimate for fixed assets impairment that assumes the number of visitors to Metsâ will continue for a certain period going forward.

(Segment Information)

I. Nine months ended June 30, 2019 (October 1, 2018 to June 30, 2019)

1. Information about the amount of revenues, profits or losses pursuant to each reporting segment

（Unit: Thousands of yen）

	Reporting Segments				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Investment Banking Business	Public Management Consulting Business	Entertainment Service Business	Total				
Revenues								
Revenues to third party	2,400,483	584,795	3,679,049	6,664,328	24,729	6,689,057	－	6,689,057
Inter-segment revenues and transfers (Note 4)	211,055	9,000	6,713	226,769	－	226,769	(226,769)	－
Total	2.611,539	593,795	3,685,763	6,891,098	24,729	6,915,827	(226,769)	6,689,057
Segment income (loss)	(378,172)	72,719	(345,434)	(650,886)	(12,130)	(663,017)	(644,666)	(1,307,684)

Notes:

1. Other is a segment for businesses that do not fall under reporting segments. This includes software development and sales business and other businesses.
2. Adjustment of segment income (loss), at ¥ (644,666) thousand, includes elimination of transactions among segments of ¥182,773 thousand and corporate expenses of ¥ (827,439) 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 in the quarterly consolidated statements.
4. Intersegment revenues and transfers in the investment banking business include Metsä Village rental income of ¥186,190 thousand that FGI, under the investment banking business, receives from Moomin Monogatari, a consolidated subsidiary under the entertainment service business.

2. Information related to goodwill and impairment loss on fixed assets by reporting segment

Significant impairment loss on fixed assets

Not applicable.

Significant change in amount of goodwill

In the entertainment service business, bringing Rights and Brands Japan Co., Ltd., under consolidation generated goodwill of ¥43,121 thousand.

Significant gain on negative goodwill

Content has been omitted because significance is negligible.

II. Nine months ended June 30, 2020 (October 1, 2019 to June 30, 2020)

1. Information about the amount of revenues, profits or losses pursuant to each reporting segment

(Unit: Thousands of yen)

	Reporting Segments				Adjustment (Note 1)	Consolidated (Note 2)
	Investment Banking Business	Public Management Consulting Business	Entertainment Service Business	Total		
Revenues						
Revenues to third party	1,754,409	161,131	3,281,136	5,196,677	−	5,196,677
Inter-segment revenues and transfers (Note 3)	147,563	9,000	17,144	173,708	(173,708)	−
Total	1,901,972	170,131	3,298,281	5,370,385	(173,708)	5,196,677
Segment income (loss)	(8,399)	(25,936)	(414,192)	(448,528)	(445,268)	(893,796)

Notes:

1. Adjustment of segment income (loss), at ¥ (445,268) thousand, includes elimination of transactions among segments of ¥174,312 thousand and corporate expenses of ¥ (619,581) thousand, which are not allocatable to reporting segments. Corporate expenses are mainly general and administrative expenses, which do not belong to any reporting segments.
2. Segment income (loss) is reconciled with operating loss in the quarterly consolidated statements.
3. Intersegment revenues and transfers in the investment banking business include Metsä Village rental income of ¥117,211 thousand that FGI, under the investment banking business, receives from Moomin Monogatari, a consolidated subsidiary under the entertainment service business.

2. Changes in reporting segments

Adacotech Incorporated which was indicated under the “Other” segment executed mainly a third-party allocation of shares in June 2019. Because FGI’s ratio of voting rights declined, Adacotech has been removed from the scope of consolidation and is now accounted for by the equity method. As such, the “Other” segment is no longer indicated as a reporting segment in fiscal 2020.

3. Information related to goodwill and impairment loss on fixed assets by reporting segment

<u>Significant impairment loss on fixed assets</u>

Not applicable.

<u>Significant change in amount of goodwill</u>

Not applicable.

<u>Significant gain on negative goodwill</u>

Not applicable.