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Summary of Financial Statements for the First Two Quarters of Fiscal 2023 <under Japanese GAAP>

May 10, 2023

Company Name: FinTech Global Incorporated

(Code Number: 8789 Tokyo Stock Exchange)

(URL: <https://www.fgi.co.jp/en/>)

TEL: +81-3-6456-4600

Representative: President and Chief Executive Officer

Name: Nobumitsu Tamai

Contact: Director, Senior Executive Officer

Name: Takashi Senda

Scheduled date for filing of securities report: May 12, 2023

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 two quarters of fiscal 2023
(October 1, 2022 – March 31, 2023)

(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 two quarters of fiscal 2023	4,530	2.5	645	—	628	—	477	—
First two quarters of fiscal 2022	4,421	(9.3)	(39)	—	(51)	—	(203)	—

(For reference) Comprehensive income: 654 million yen for the first two quarters of fiscal 2023 (—%)
(84) million yen for the first two quarters of fiscal 2022 (—%)

	Net income/(loss) per share	Net income per share (diluted)
	Yen	Yen
First two quarters of fiscal 2023	2.37	2.36
First two quarters of fiscal 2022	(1.01)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First two quarters of fiscal 2023	18,341	8,251	38.6
Fiscal 2022	17,933	7,842	36.7

(For reference) Shareholders' equity: 7,080 million yen for the first two quarters of fiscal 2023
6,585 million yen for fiscal 2022

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
Fiscal 2022	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal 2023	—	0.00			
Fiscal 2023 (Forecast)			—	—	—

(Notes)

1. Change from the latest dividend forecast: None
2. Year-end dividend forecast for the fiscal year ending September 30, 2023 has not been made.

3. Consolidated financial forecasts for fiscal 2023 (October 1, 2022 – September 30, 2023)

(Percentages indicate year-on-year changes.)

	Revenues		Operating income		Ordinary profit		Profit attributable to owners of the parent		E.P.S.
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2023	10,100	8.6	1,400	138.2	1,400	158.8	1,000	467.8	4.97

(Note) Change from the latest consolidated financial forecasts: None

*Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries accompanying change in scope of consolidation): 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: Yes
- (b). Changes other than those in (a) above: None
- (c). Changes in accounting estimates: None
- (d). Restatements: None

Note: For details, please refer to “Consolidated Financial Statements and Primary Notes (3) Notes to Quarterly Consolidated Financial Statements (Change in accounting policies)”.

(4) Number of shares issued (common shares)

1. Number of shares issued (including treasury stock):
201,305,200 shares for the first two quarters of fiscal 2023
201,295,200 shares for fiscal 2022
2. Number of shares of treasury stock:
20 shares for the first two quarters of fiscal 2023
20 shares for fiscal 2022
3. Average number of shares issued during the first two quarters:
201,301,966 shares for the first two quarters of fiscal 2023
201,213,740 shares for the first two quarters of fiscal 2022

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

* Explanation of the appropriate use of performance forecasts and other related items.

The 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 Business Results and Financial Position

(1) Business Results

In the first two quarters—October 1, 2022 to March 31, 2023—of the fiscal 2023 consolidated accounting period for FinTech Global Incorporated (FGI) ending September 30, 2023, the investment banking business promoted private equity services providing various solutions, including investment, to companies with business succession issues on their hands.

Business results for the first two quarters of fiscal 2023 reflect progress on several business succession projects and the booking of investment income and income on arrangement transaction services, which offset the exclusion of Rights and Brands Japan Co., Ltd. (RBJ), from the scope of consolidation in the first quarter and its change in status to equity-method affiliate. Revenues increased 2.5% year on year, to ¥4,530 million, and gross profit jumped 48.0%, to ¥2,381 million. Selling, general and administrative expenses rose 5.2%, compared with the first two quarters of fiscal 2022, to ¥1,735 million, mainly owing to an increase in staffing and wider use of outsourcing in some segments to support business expansion. Nevertheless, FGI achieved operating income of ¥645 million, reversing from an operating loss of ¥39 million in the corresponding period a year ago, and ordinary income of ¥628 million, rebounding from an ordinary loss of ¥51 million a year ago, underpinned by higher gross profit. The Company recorded ¥477 million in profit attributable to owners of the parent for the first two quarters of fiscal 2023, compared with a ¥203 million loss position for the first two quarters of fiscal 2022. The turnaround stems from the booking of ¥190 million in gain on negative goodwill under extraordinary income from turning Trinity Japan co., Ltd., into a consolidated subsidiary.

(Unit: Millions of yen)

	First Two Quarters of Fiscal 2022	First Two Quarters of Fiscal 2023	YOY Change
Revenues	4,421	4,530	109
Investment banking business	2,193	3,284	1,091
Public management consulting business	201	182	(18)
Entertainment service business	2,179	1,211	(967)
Elimination	(153)	(148)	4
Gross profit	1,609	2,381	772
Investment banking business	1,081	2,200	1,118
Public management consulting business	103	95	(7)
Entertainment service business	489	148	(340)
Elimination	(64)	(62)	1
Operating income/ (loss) [Segment income/ (loss)]	(39)	645	685
Investment banking business	310	1,193	882
Public management consulting business	12	(17)	(30)
Entertainment service business	(25)	(158)	(132)
Elimination or corporate expenses	(337)	(371)	(33)
Ordinary profit/ (loss)	(51)	628	680
Income/ (Loss) before income taxes	(37)	786	823
Income/ (Loss) attributable to owners of parent	(203)	477	680

A breakdown of performance by business segment is presented below. Revenues include intersegment revenues and transfers.

a. Investment Banking Business

In the investment banking business, private equity operations provided broad-based solutions, with an emphasis on investment, for several business succession projects in major urban areas across Japan. Investment income and income on arrangement transaction services related to these services increased. The segment also marked favorable progress on new investments through funds set up with capital contributed by FGI to acquire target companies in business succession projects. In asset management activities, operations were newly entrusted by overseas investors to manage assets for residences and logistics facility investment, and booked income. Consequently, the balance of assets under management climbed 15.9% over the balance recorded at the end of September 2022, to ¥65.1 billion, and the foundation for stock-type earnings—that is, recurring fee revenues—was reinforced. In aircraft asset management services, requests for aircraft inspections and technical services, such as those that accompany the return of aircraft, slowed, as the pandemic transitioned into an endemic state and catalysts of demand changed. Nevertheless, revenues remained at a high level. Aircraft asset management services moved in a favorable direction, thanks to an increase in aircraft registrations and fresh pursuits, including aircraft remarketing.

As a result, segment revenues jumped 49.8% year on year, to ¥3,284 million, and segment income surged 283.7%, to ¥1,193 million.

b. Public Management Consulting Business

In the public management consulting business, which hinges on Public Management Consulting Corporation, marketing efforts to promote consultations on the preparation of financial documents targeted large local governments. Demand has firmed up, with the number of requests for contract services from prefectures to prepare financial documents for the fiscal year running from April 2022 through March 2023 rising by one, year on year, to eight, and from ordinance-designated cities and special zones, up two, to 11. In addition, in regard to reviews of general management plans for public facilities, the Ministry of Internal Affairs and Communications gave local public entities that had not finished their reviews until March 31, 2024, to do so, and PMC vigorously pushed ahead on marketing activities related to services that would help these entities execute such reviews.

Segment revenues stalled at ¥182 million, tumbling 9.2% compared with the first two quarters of fiscal 2022, when PMC generated revenue from the sale of software from business partners paralleling the end of support for accounting software distributed to local governments by the national government. Reversing from segment profit of ¥12 million a year ago, a segment loss was recorded, at ¥17 million, for these first two quarters, reflecting an increase in expenses related to prior investment to address expanding requests for services.

c. Entertainment Service Business

Metsä, encompassing Metsä Village and Moominvalley Park, saw an 8.1% year-on-year drop in the site-wide guest count, to around 350,000 people. This reflects the many bad-weather weekends and statutory holidays in November and March, months that typically bring good crowds to Metsä. Revenues from Metsä-related activities inched up 1.7% year on year, to ¥1,211 million, underpinned by revenue from “Illumori no Oto,” an event running from October 2022 through January 2023 at Moominvalley Park and revenue from Moomin-character merchandise sold through an official online shop that went live in March 2022.

In licensing-related operations, FGI booked ¥988 million from RBJ in the first two quarters of fiscal 2022. But RBJ was excluded from the scope of consolidation, effective from the first quarter of fiscal 2023, and is now an affiliate accounted for by the equity method. Consequently, RBJ business results from licensing-related operations are no longer booked under this segment—

entertainment service business—but rather reported as investment income based on equity stake.

Given the above, Metsä-related operations posted higher revenues and a year-on-year drop in fixed expenses due to remodeling working at Moominvalley Park in December 2022. But with the exclusion of RBJ from the scope of consolidation, segment revenues tumbled 44.4% year on year, to ¥1,211 million, and the loss position deepened, hitting ¥158 million, compared with ¥25 million for the first two quarters of fiscal 2022.

(2) Consolidated Financial Position

Assets

Total assets at the end of the second quarter of fiscal 2023 stood at ¥18,341 million, up 2.3% from the end of fiscal 2022 on September 30, 2022. This is largely because, despite decreases of ¥628 million in cash and time deposits, ¥173 million in noncurrent assets, mainly depreciation and amortization on Moominvalley Park buildings and interior and exterior fixtures, and ¥333 million in trademark rights included in other intangible fixed assets due to the exclusion of RBJ from the scope of consolidation, operational investment securities increased ¥820 million, due to new investments and improved value of funds associated with business succession projects reaching exit stage, and investment securities increased ¥717 million, mainly due to a change in the status of RBJ, which was removed from the scope of consolidation and is now accounted for as an equity-method affiliate.

Liabilities

Total liabilities at the end of the second quarter of fiscal 2023 settled at ¥10,089 million, largely unchanged from the end of fiscal 2022 on September 30, 2022. This primarily reflects the fact that increases of ¥200 million in accounts payable, trade and ¥226 million in current portion of long-term loans payable neutralized decreases of ¥334 million in long-term debt and ¥84 million in lease obligations on noncurrent assets.

Net assets

Net assets at the end of the second quarter of fiscal 2023 came to ¥8,251 million, up 5.2% from the end of fiscal 2022 on September 30, 2022. This is mainly because an increase in retained earnings on the booking of quarterly profit attributable to owners of the parent offset a decrease of ¥103 million in non-controlling interests.

Note that, with approval granted by shareholders at the General Meeting of Shareholders on December 22, 2022, FGI reduced common stock and legal capital surplus by ¥1,098 million and ¥4,036 million, respectively, with these amounts transferred to other capital surplus. In conjunction with this, legal retained earnings were reduced by ¥47 million and transferred to retained earnings brought forward and, along with the increased other capital surplus, appropriated to cover a deficit in retained earnings brought forward.

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

(Unit: Millions of yen)

	Fiscal 2023 First Two Quarters (Actual)	Fiscal 2023 Full Year (Forecast)	Progress toward goal
Revenues	4,530	10,100	44.9 %
Operating income	645	1,400	46.1 %
Ordinary profit	628	1,400	44.9 %
Profit attributable to owners of the parent	477	1,000	47.7 %

The consolidated performance forecast for fiscal 2023, ending September 30, 2023, is as presented in the table above. It is unchanged from the outlook presented in the summary of financial statements for fiscal 2022 released on November 8, 2022.

FGI continues to receive inquiries for solutions that utilize private equity to address business succession issues, and management expects this to translate into brisk project formation going forward as well. Taking a comprehensive view that includes anticipated investment exits on projects formed through to the end of the second quarter of fiscal 2023, management sees steady progress toward achievement of full-year performance targets. Therefore, no changes will be made to the existing performance forecast.

Note that the consolidated performance forecast is based on information currently available to management and certain assumptions deemed reasonable. Actual results may differ substantially from expectations for a variety of reasons.

2. Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

	(Unit: Thousands of yen)	
	Fiscal 2022	First Two Quarters
	(As of September 30, 2022)	of Fiscal 2023
		(As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	2,375,927	1,747,229
Accounts receivable - trade, and contract assets	1,113,702	1,073,142
Operational investment securities	2,482,469	3,303,117
Loans receivable, trade	371,665	353,265
Real estate for sale	4,057,167	4,057,167
Merchandise	133,602	134,539
Other	593,045	677,494
Allowance for doubtful accounts	(104,772)	(104,969)
Total current assets	11,022,806	11,240,986
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	5,390,285	5,374,165
Accumulated depreciation	(717,453)	(804,788)
Buildings and structures, net	4,672,832	4,569,377
Other	1,205,951	1,135,429
Total property, plant and equipment	5,878,784	5,704,807
Intangible fixed assets		
Goodwill	117,736	105,619
Other	514,765	41,434
Total intangible fixed assets	632,501	147,054
Investments and other assets		
Investments in securities	105,581	822,972
Long-term loans receivable	35,004	30,838
Deferred tax assets	11,364	98,679
Other	257,016	306,185
Allowance for doubtful accounts	(10,047)	(10,037)
Total investments and other assets	398,918	1,248,638
Total noncurrent assets	6,910,204	7,100,500
Total assets	17,933,011	18,341,487

(Unit: Thousands of yen)

	Fiscal 2022 (As of September 30, 2022)	First Two Quarters of Fiscal 2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable, trade	248,274	448,887
Short-term loans payable	—	52,500
Current portion of long-term loans payable	529,252	756,067
Income taxes payable	133,150	116,079
Lease obligations	260,095	256,075
Provision for bonuses	191,888	179,888
Other	1,225,164	831,423
Total current liabilities	2,587,825	2,640,922
Noncurrent liabilities		
Long-term loans payable	7,184,342	6,849,561
Lease obligations	158,022	73,555
Deferred tax liabilities	19,737	106,460
Retirement benefit liability	110,067	119,370
Other	30,322	300,062
Total noncurrent liabilities	7,502,492	7,449,010
Total liabilities	10,090,317	10,089,932
Net assets		
Shareholders' equity		
Common stock	6,471,266	5,372,574
Capital surplus	4,996,716	960,465
Retained earnings	(4,943,941)	668,910
Treasury shares	(0)	(0)
Total shareholders' equity	6,524,040	7,001,949
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,680	55,439
Foreign currency translation adjustment	26,158	23,060
Total accumulated other comprehensive income	61,839	78,499
Stock acquisition rights	56,359	74,387
Non-controlling interests	1,200,454	1,096,717
Total net assets	7,842,693	8,251,554
Total liabilities and net assets	17,933,011	18,341,487

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

(Unit: Thousands of yen)

	First Two Quarters of Fiscal 2022 (From October 1, 2021 to March 31, 2022)	First Two Quarters of Fiscal 2023 (From October 1, 2022 to March 31, 2023)
Revenues	4,421,191	4,530,710
Cost of revenues	2,811,670	2,149,152
Gross profit	1,609,521	2,381,557
Selling, general and administrative expenses	1,649,476	1,735,569
Operating income/(loss)	(39,955)	645,988
Non-operating income		
Interest income	516	1,915
Foreign exchange gains	11,629	—
Share of profit of entities accounted for using equity method	9,563	41,510
Subsidy income	34,051	26,769
Other	3,196	1,656
Total non-operating income	58,957	71,852
Non-operating expenses		
Interest expense	59,120	64,973
Foreign exchange losses	—	18,133
Provision of allowance for doubtful accounts	9,627	1,438
Other	2,055	4,914
Total non-operating expenses	70,804	89,460
Ordinary profit/(loss)	(51,802)	628,380
Extraordinary income		
Gain on bargain purchase	—	190,025
Gain on reversal of stock acquisition rights	15,691	273
Other	—	96
Total extraordinary income	15,691	190,394
Extraordinary losses		
Loss on valuation of investments in capital of subsidiaries and associates	999	—
Loss on retirement of noncurrent assets	—	32,369
Loss on liquidation of subsidiaries and associates	362	—
Total extraordinary loss	1,362	32,369
Income/(Loss) before income taxes	(37,473)	786,406
Income taxes (current)	89,868	146,439
Income taxes (deferred)	(46,958)	—
Total income taxes	42,909	146,439
Profit/(Loss)	(80,383)	639,967
Profit attributable to non-controlling interests	122,724	162,534
Profit/(Loss) attributable to owners of the parent	(203,107)	477,432

Quarterly Consolidated Statements of Comprehensive Income

(Unit: Thousands of yen)

	First Two Quarters of Fiscal 2022 (From October 1, 2021 to March 31, 2022)	First Two Quarters of Fiscal 2023 (From October 1, 2022 to March 31, 2023)
Profit/(Loss)	(80,383)	639,967
Other comprehensive income		
Valuation difference on available-for-sale securities	3,058	19,758
Foreign currency translation adjustment	(7,372)	(5,528)
Total other comprehensive income	(4,313)	14,230
Comprehensive income	(84,696)	654,197
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(204,072)	494,092
Comprehensive income attributable to non-controlling interests	119,375	160,104

(3) Notes to Quarterly Consolidated Financial Statements
(Assumption of Going Concern)
Not applicable.

(Significant Change in Shareholders' Equity)

For the six months ended March 31, 2022 (From October 1, 2021 to March 31, 2022)

1. Cash dividends paid

Not applicable.

2. Significant changes in shareholders' equity

Not applicable.

For the six months ended March 31, 2023 (From October 1, 2022 to March 31, 2023)

1. Cash dividends paid

Not applicable.

2. Significant changes in shareholders' equity

Pursuant to a resolution of the 28th Ordinary General Meeting of Shareholders held on December 22, 2022, the Company reduced common stock, legal capital surplus and legal retained earnings, as well as appropriated surplus on January 27, 2023.

As a result, common stock decreased by ¥1,098,930 thousand, legal capital surplus decreased by ¥4,036,488 thousand, with these amounts transferred to other capital surplus. The ¥47,303 thousand decrease in legal retained earnings was transferred to retained earnings brought forward.

The ¥5,135,419 thousand in other capital surplus generated through by decreasing common stock and legal capital surplus was transferred to retained earnings brought forward and used to compensate for current deficit.

As a result, common stock stood at ¥5,372,574 thousand, capital surplus stood at ¥960,465 thousand and retained earnings stood at ¥668,910 thousand as of March 31, 2023.

These changes have no effect on the total amount of shareholders' equity.

(Change in accounting policies)

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereafter, "Fair Value Measurement Implementation Guidance") effective from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Fair Value Measurement Implementation Guidance prospectively in accordance with the transitional measures provided for in paragraph 27(2) of the Fair Value Measurement Implementation Guidance. The application of the Fair Value Measurement Implementation Guidance had no impact on the quarterly consolidated financial statements for the first two quarters of the current fiscal year.

(Additional Information)

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

There is no material change concerning the assumption, and the accounting estimates based on it, about how COVID-19, the disease caused by the new coronavirus, will spread further and influence economic and corporate activities, when it will subside, etc., which were stated in the Annual Securities Report for the previous fiscal year.

(Adoption of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries have made the transition from the consolidated corporate tax system to the group tax sharing system from the first quarter of the current fiscal year. Accordingly, the Company disclose corporate tax, local corporate tax and tax effect accounting with applying “the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No.42 issued August 12, 2021) which set forth the accounting treatment. In addition, based on PITF No.42 Paragraph 32 Item (1), the company consider that there is no impact on the quarterly consolidated financial statements.

(Segment Information)

I. Six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)

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

(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	2,078,743	195,453	2,146,994	4,421,191	—	4,421,191
Inter-segment revenues and transfers	114,800	6,000	32,228	153,029	(153,029)	—
Total	2,193,543	201,453	2,179,223	4,574,220	(153,029)	4,421,191
Segment income (loss)	310,961	12,404	(25,897)	297,468	(337,423)	(39,955)

Notes:

1. Adjustment of segment income (loss), at ¥ (337,423) thousand, includes elimination of transactions among segments of ¥96,170 thousand and corporate expenses of ¥ (433,594) 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.

2. Information about impairment loss on noncurrent assets or goodwill, etc. pursuant to each reporting segment

Not applicable.

II. Six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)

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

(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	3,175,480	176,952	1,178,277	4,530,710	—	4,530,710
Inter-segment revenues and transfers	109,360	6,000	33,528	148,888	(148,888)	—
Total	3,284,840	182,952	1,211,805	4,679,599	(148,888)	4,530,710
Segment income (loss)	1,193,065	(17,640)	(158,339)	1,017,085	(371,097)	645,988

Notes:

1. Adjustment of segment income (loss), at ¥ (371,097) thousand, includes elimination of transactions among segments of ¥114,028 thousand and corporate expenses of ¥ (485,126) 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 income in the quarterly consolidated statements.

2. Information about impairment loss on noncurrent assets or goodwill, etc. pursuant to each reporting segment

(Significant gain on bargain purchase)

Gain on bargain purchase was recognized in the Investment Banking Business segment as the Company acquired shares of Trinity Japan co., Ltd. and consolidated it as a subsidiary company from the second quarter of the current fiscal year. The recorded amount of gain on bargain purchase resulting from this event is ¥190,025 thousand. Note that gain on bargain purchase is not included in segment income as it is extraordinary income.