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The official press release is in Japanese.

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Differences between Expected and Actual Full-Year Consolidated Results for Fiscal 2012

Tokyo, November 14, 2012—Differences have appeared between actual consolidated results for the fiscal year ended September 30, 2012, and the consolidated performance forecast announced on November 14, 2011. Details are provided below.

Particulars

1. Differences between expected and actual full-year consolidated results for fiscal 2012

(Millions of yen, %)

	Net revenue	**Operating income (loss)**	**Ordinary profit (loss)**	**Net income (loss)**	**Net income (loss) per share (Yen)**
Previously announced (A)	3,560	80	150	280	234.59
Actual (B)	2,038	(974)	(915)	(1,274)	(1,069.83)
Change (B-A)	(1,521)	(1,054)	(1,065)	(1,554)	—
Increase/(Decrease) (%)	(44.2)	—	—	—	—
Reference: Fiscal 2011, ended September 30, 2011	6,988	1,276	1,220	1,404	1,168.69

2. Reasons

During fiscal 2012, FGI emphasized development of the Group’s investment banking business, particularly the principal investment business which contributes capital to promising companies to support improved performances at portfolio companies, as well as financial arrangement and financial advisory services. Efforts were also directed toward promoting asset management services, which provide optimum investment strategies to investors.

FGI continued to record a certain level of revenue from financial advisory and asset management services, complemented by recovery of real estate investments through measures executed in the previous fiscal year and by exit proceeds on the sale of shares in a company in the investment portfolio of FinTech GIMV Fund, L.P. However, several large deals that were expected to close by the end of fiscal 2012, including the sale of equity in a portfolio company and the completion of financial arrangements for business rehabilitation and to procure funds for construction and development through securitization of real estate, were pushed back to fiscal 2013. The delays kept anticipated revenue off the books. The asset management business was also affected by a drop in the balance of assets under management, reflecting the cancellation of discretionary investment agreements on global macro funds, which severely hindered performance improvement.

Crane Reinsurance Limited (“Crane Re”), which is involved in the reinsurance business, booked premium receipts and payments on existing policies only, because the company has not concluded any new reinsurance agreements since January 2012 when its ceding company, Hardy (Underwriting Agencies) Limited, ended the business relationship. Out of the blue in fiscal 2012, Crane Re received claims from the ceding company for premium returns and payments of a considerable amount, and when Crane Re undertook a content review of these claims and requested verification data from Hardy, the ceding company replied that the significant amounts claimed were primarily the result of adjustments to correct errors in the calculation of premiums and payments by itself or associated parties. Despite requests from Crane Re, the ceding company still, at this point in time, has not provided any explanations or data enough to support the validity of the aforementioned claims. Crane Re finds this unacceptable and will be expediting measures to get to the facts of the case by collecting and analyzing relevant data and pursuing discussions at all levels with the ceding company and the other parties involved.

It has taken time to collect and go through all the data received so far on the situation outlined above, and discussions are still in progress to resolve aspects that Crane Re finds unacceptable. Given the circumstances, management has reluctantly decided not to book revenue from this business—the forecast had been for ¥823 million—and will book only the estimated loss from the recent claims. This decision led to an operating loss of ¥430 million.

Due to the aforementioned pressures on the revenue front, full-year consolidated net revenue amounted to ¥2,038 million, or ¥1,521 million under target. Cost of revenue was ¥320 million less than anticipated because, as described above, no revenue was booked for the reinsurance business and the corresponding cost of revenue was excluded from the total. Selling, general and administrative expenses were ¥146 million lower than expected, as a reduction in commissions paid and negative allowance for doubtful accounts through the recovery of loans receivable that were already written off. This led to an operating loss of ¥974 million, and the booking of ¥52 million in gain on bad debts recovered led to an ordinary loss of ¥915 million. FGI recorded a consolidated net loss of ¥1,274 million, reflecting ¥126 million in amortization of goodwill booked in the second quarter under extraordinary loss, as well as ¥121 million in minority interests.

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