May 10, 2013

To Our Valued Shareholders and Investors

I would like to describe some of the events that characterized the first two quarters of fiscal 2013, our 19th business year.

On a consolidated basis, FGI showed a sizable year-on-year decrease in net revenue. However, the Company took concrete steps to realign Group businesses, worked to dispose of unprofitable operations, and promoted a revitalized corporate structure primed for growth. These efforts underpinned a return to the black for the second quarter, but the level was not high enough to offset the losses booked in the first quarter.

Let me update you on the status of our core operations.

In the investment banking business, corporate investment activities continued to deliver favorable results. Several small and medium-sized investments reached a good point for exit, contributing to business results. Although the companies in which we had invested have been removed from our investment portfolio, our relationship with them continues, and we are promoting new business development. Meanwhile, large investments have been maintained in view of brisk business results by portfolio companies and the potential for higher returns by delaying exits to capitalize on further improvement in corporate values.

In investment banking services, the number of arrangements closed in the second quarter grew only slightly, but new arrangement activity was steady. In the third and fourth quarters, we will prioritize client needs and take the appropriate measures to close transactions more expeditiously. Also in this area, regional urban development projects that entrusted assets to FGI or its subsidiaries in the previous term have become gateways to new business relationships, substantiated by numerous inquiries from nearby local governments, financial institutions and business operators with an interest in similar undertakings. This kind of activity will help revitalize regional cities, a process that we are extremely keen to promote. We will draw on close relationships with local governments, cultivated through the public finance–related business, to provide access to investment banking services throughout Japan.

In the asset management business, profitability returned, thanks to favorable results by FinTech Asset Management Incorporated (FAM) and drastic business restructuring through the sale of some equity in FGI Capital Partners, Ltd. (FGICP). Next, we will focus on expanding the size and enriching content of the FGI Strategic Fund handled by FAM and derive better results through new services offered by FGICP.

Public Management Consulting Corporation (PMC)—the core of our public finance–related business—sold some operations to SystemD, Inc., a JASDAQ-listed company, and a formed a business alliance with the company. These actions led to a significant reduction in expenses and presented an opportunity for new business development, leading PMC steadily toward a return to profitability.

Overall, these are not phenomenal results, but they certainly set the stage for future activities that will underpin further revitalization of the Group and reinforce its business pursuits. This will lead to improved business results. I ask for the continued support of you, our valued shareholders and investors.

Nobumitsu Tamai
President & CEO, FinTech Global Incorporated