

FGI

FinTech Global Incorporated

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The firm of innovative financing

BUSINESS REPORT **2012.10.1–2013.9.30**

For the year ended September 30, 2013

TO OUR SHAREHOLDERS

With an emphasis on “corporate investment” and “regional” projects, we will promote investment banking operations uniquely our own to create new value and develop stronger brands along with our clients.

In fiscal 2013, ended September 30, 2013, FGI started to see hoped-for results from the concentration of management resources into core businesses through Group restructuring and from persistent marketing activities.

The investment banking business, asset management business and public finance-related business all charted growth, with particularly noteworthy results from Public Management Consulting Corporation (PMC), which handles the public finance-related business. PMC executed a partial transfer of business and redirected its energies into consultation activities for local governments implementing public accounting systems. These efforts were rewarded as the company posted its first profit since joining the FGI Group. Unfortunately, however, FGI posted a consolidated operating loss of ¥31 million, reflecting the erosion of earnings caused by arbitration expenses incurred by Crane Reinsurance Limited (Crane Re).

Looking ahead, consolidated results will surely get a boost in fiscal 2014 from exits on large investments that were postponed in fiscal 2013, and the Group is totally committed to measures aimed at steadily improving consolidated fiscal performance.

FGI's mission is to be a boutique investment bank for all companies in all industries, and the two wheels of the Company's service cart right now are corporate investments and investment banking operations, including financial arrangements. Projects currently being pushed forward with particular interest are support-style corporate investments and those with a regional perspective.

In corporate investments, our emphasis is on joint ventures with overseas companies boasting global brand power, support for drug and medical treatment research in the field of life sciences, and development of leading-edge technology in the field of electronics. On many projects, our involvement does not stop at providing funds but extends to services that reinforce management practices. With a medium- to long-term perspective, we work with companies to create new value and raise brand profiles. This benefits the portfolio company as well as the investor.

Meanwhile, regional projects—those based outside urban areas—invigorate communities. Such projects include support for local governments seeking to enhance their financial health, arrangements for renewable energy businesses, redevelopment of regional city centers, and support for local industries. Regional projects like allow us to deepen our connection to local governments utilizing consultation expertise in the implementation of public accounting systems. We also form stronger bonds with regional financial institutions and organizations that study public accounting systems. In addition, we are able to demonstrate our financial capabilities to a wider range of potential clients.

Through this process of project diversification, we seek to cultivate a larger client base of companies at home and abroad, invite the interest of more local governments and, looking to the future, attract demand from individuals, as well. As a group, our goal is to stabilize revenues and realize a sustainable return to the black on a consolidated basis.

For the fiscal year ending September 30, 2014, we are making every effort to achieve soaring new heights in performance. I ask for the continued support and encouragement of shareholders and investors as we travel this road to success together.

December 2013



Nobumitsu Tamai
President



FGI'S BUSINESS STRATEGIES

**Investment banking and corporate investments
—the two sides of our operating coin—
provide support for business expansion matched to the needs
of all sorts of client companies.**

**Boutique-style investment banking truly vital to companies
Contributing to corporate growth, business expansion**

Investment Banking Business

Provide structured financing and products to meet the fund-procurement needs of companies

Corporate Investments

Invest in companies with latent potential and tremendously promising futures, support growth, and raise the value of portfolio companies.

Business Development in Fiscal 2014

Seek greater diversity in scope of investment targets

Client companies, portfolio companies

Funds and local governments

Promoted Projects

Emphasis on establishment support for companies with brand power and on opportunities to invigorate regional communities

Corporate investment

- Joint ventures with overseas companies
- Life sciences
- Leading-edge technology

Regional development

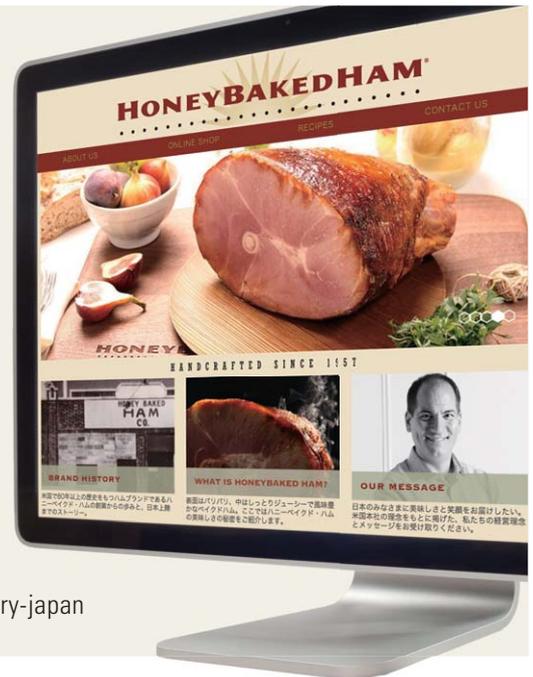
- Financial improvement support
- Renewable energy
- Redevelopment of regional city centers
- Local industry support

New-Business Support

Helping to bring America’s favorite ham brand to Japan

In June 2013, The HoneyBaked Ham Co. granted to Toranomom Ham K.K., a company in FGI’s investment portfolio, an exclusive license to utilize the well-established HoneyBaked® brand in various food categories in Japan. Sales are already well under way. Toranomom Ham is a joint venture established by FGI and Paul Kraft, formerly representative director at CPG International G.K., a consumer packaging goods subsidiary of Starbucks Coffee Company in Japan. FGI’s involvement goes beyond financing and encompasses comprehensive support including suggestions on management methods to facilitate product sales in the Japanese market.

HoneyBaked in Japan story at <http://www.honeybaked.co.jp/en/content/12-history-japan>



Public Finance–related Business

Support for improvement/development of public accounting structures at local government level

Legal preparations for public accounting at the local government level are rapidly moving ahead in Japan. This is sure to promote the use of double-entry bookkeeping and fixed-asset ledgers in fiscal 2014. Against this backdrop, a general incorporated association—Local Public Accounting Research Center Inc.—was established in February 2013 to provide practical support to local governments in the shift toward public accounting and promote further improvement in associated systems. Ryuji Asada, chairman of FGI subsidiary Public Management Consulting (PMC), was appointed president of the new association.

PMC has built good connections with accounting professionals into excellent networking skills that underpin top results in its public accounting consultation business. Going forward, the company will continue to track legal trends and accurately identify the needs of local governments. The company will reinforce its business support and marketing structures, and strive to elevate its profile among local governments.

Supporting higher profile in Japan

Total support for wider presence of world-loved Moomin character in Japan

Moomin characters are loved worldwide, from their homeland of Finland all the way to Japan. In fact, Moomin has experienced a resurgence in popularity in Japan. In November 2013, FGI invested in two companies associated with the Moomin brand.

All Things Commerce Helsinki Oy (Finland-based operator of e-commerce site offering various products, including Moomin-related merchandise; 30% equity held by FGI)

Oy Moomin Characters Ltd., which holds the intellectual property rights to Moomin characters, designated this company to operate its official merchandise site. Operations kicked off in November 2013 with an EU focus but will gradually expand globally. Toward this end, a subsidiary will be set up in Japan as well to run a local e-commerce site.

Moomin Monogatari, Ltd. (Tokyo-based joint venture—50% equity held by FGI—to set up and operate Moomin theme park in Japan)

Moomin Monogatari signed an exclusive licensing agreement with Bulls Presstjänst AB, the exclusive global agent for copyright-holder Oy Moomin Characters Ltd., to facilitate operation of a Moomin theme park in Japan. FGI is supporting Moomin Monogatari with preparations for the establishment and operation of the theme park, with a focus on providing the necessary business infrastructure, expediting fund procurement, and selecting and securing experts to design, construct and operate on-site facilities.

FISCAL 2013 REVIEW OF OPERATIONS

Fiscal 2013 Performance by Business Segment

(Thousands of yen)	Net Revenue	Operating Income (Loss)
Investment banking business	¥ 737,899	¥ 687,778
Asset management business	214,386	35,816
Portfolio business	509,089	(199,427)
Public finance–related business	147,979	902
Total	1,609,355	525,069
Adjustment	(5,863)	(556,801)
Amount booked on the consolidated statements of income	¥1,603,491	¥ (31,732)

Investment Banking Business

- Following the sale of all shares in consolidated subsidiary FinTech Global Securities, Inc. (FGS) to another company, the composition of the investment banking business has changed. From fiscal 2013, this segment covers the investment banking business that had been the responsibility of FGS as well as the Company's own investment banking business—arrangement of equity and debt financing for midsized and growth companies, financial advisory services, and M&A and overseas expansion support—and its principal investment business, through which the Company invests its own funds into meticulously selected investment opportunities.
- In corporate investment activities, that is, principal investment, FGI searched for and then invested in selected companies on its own and also participated in a fund—the FGI Strategic Investment Fund—packaged by FinTech Asset Management Incorporated and maintained investments in the venture fund FINTECH GIMV FUND, L.P. to support companies with latent growth potential. In the investment banking business, FGI provided various financial solutions, such as financial arrangements, geared to the diversifying needs of clients.

Asset Management Business

- FinTech Asset Management (FAM) set up a fund to invite contributions from external sources for investment into promising companies and projects, and expanded asset management operations. The company also supports companies with financing for business succession, assistance in drafting business plans and services to execute administrative tasks. In asset management with a focus on real estate, FAM retained assets under management for development and operation of rental housing for seniors and brought new assets under management for operation of rental housing. But the sale of fund-linked real estate effectively ended management of associated assets and thereby eroded an overall increase in assets under management. This was only slightly above the level a year earlier.

Portfolio Business

- Better Life Support Co., Ltd. (BELS), booked lower revenue and lower income in fiscal 2013, with revenue falling to ¥505 million and operating income dropping to ¥26 million. This reflects a tougher environment for the rental services division

and corporate housing support services division caused by a decrease in the number of employee transfers requiring relocation among principal clients as well as a decrease in administrative outsourcing fees. The homeowner services division benefited from a favorable shift in requests for home purchases in the second half and recently secured a contract with a new client—a company with about 300,000 employees—which will contribute to revenues in fiscal 2014 onward. The future is bright for the homeowner services division.

- Crane Reinsurance Limited (Crane Re) booked earned premiums, claims paid and costs for fiscal 2013 based on bills issued up to the previous term. The company has concluded no new reinsurance agreements since January 2012. Arbitration proceedings with Hardy Underwriting Limited and others revolving around claims paid are still in progress, and legal fees and other expenses led to an operating loss of ¥226 million.

Public Finance-related Business

- Public Management Consulting (PMC) transferred some business activities related mainly to the development and sale of packaged public accounting software for municipal corporations in December 2012. As a result, expenses associated with system development and maintenance decreased significantly over the previous fiscal year. The company redirected its efforts into consultations on the implementation of public accounting by local governments and successfully returned to a profitable position for the first time since joining the FGI Group.

Implement Share Split and Adopt Share Unit System (Effective April 1, 2014)

FGI has decided to split each share of common stock held by shareholders into 100 shares and adopt a share unit system. This decision reflects an approved action plan put forth by stock exchanges throughout Japan to make the trading units of listed companies consistent at 100 shares. FGI's planned stock split and adoption of the share unit system will not cause any material change in the value of investment units.

There was an option to implement a 10-for-1 stock split and adopt the share unit system with 100 shares in each unit. However, had that option been taken, nearly half of the Company's shareholders would have ended up with fractional units, that is, share amounts less than a full unit. This would have robbed shareholders of the right to vote at general shareholders' meetings and would have made it impossible to sell fractional amounts on the market. Many shareholders have supported the Company by holding their investments long term—about 80% of shareholders have maintained their holdings for at least five years—and management feels that taking away such fundamental shareholder rights is simply unacceptable. Therefore, the share split ratio was set at 100-to-1.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2013 (As of September 30, 2013)	Fiscal 2012 (As of September 30, 2012)
(Assets)		
Current assets	¥4,148,573	¥5,722,554
Cash and time deposits	1,644,879	2,522,754
Accounts receivable, trade	110,261	132,127
Investments in securities, trade	1,617,268	2,400,089
Deferred tax assets	6,113	7,089
Loans receivable, trade	826,118	2,480,482
Other current assets	143,464	205,914
Allowance for doubtful accounts	(199,533)	(2,025,903)
Fixed assets	622,164	695,386
Property, plant and equipment	130,167	151,253
Intangible fixed assets	201,864	280,177
Investments and other assets	290,133	263,955
Total assets	¥4,770,738	¥6,417,941
(Liabilities)		
Current liabilities	¥ 419,295	¥ 807,893
Accounts payable, trade	26,945	24,151
Bonds due within one year	16,000	16,000
Short-term loans payable	26,000	40,000
Long-term debt due within one year	—	2,171
Income taxes payable	11,747	27,806
Deposits received	72,192	474,164
Accrued employee bonuses	24,376	26,730
Other current liabilities	242,033	196,868
Long-term liabilities	1,635,207	1,977,386
Bonds payable	40,000	56,000
Long-term loans payable	—	2,986
Deferred tax liabilities	64,919	83,335
Accrued retirement benefits	109,966	99,310
Loss reserve on insurance policies	1,406,936	1,648,449
Other long-term liabilities	13,384	87,304
Total liabilities	2,054,502	¥2,785,279
(Net assets)		
Shareholders' equity	2,688,361	2,543,061
Common stock	2,312,517	2,312,517
Additional paid-in capital	12,490	5,183
Retained earnings	363,446	277,772
Treasury stock	(92)	(52,412)
Total other comprehensive income	—	(180,749)
Valuation difference on available-for-sale securities	—	(2,333)
Foreign currency translation adjustments	—	(178,416)
Stock acquisition rights	2,050	18,005
Minority interests	25,824	1,252,344
Total net assets	2,716,236	3,632,661
Total liabilities and net assets	¥4,770,738	¥6,417,941

Consolidated Statements of Income

(Thousands of yen)

	Fiscal 2013 (From October 1, 2012 to September 30, 2013)	Fiscal 2012 (From October 1, 2011 to September 30, 2012)
Revenues	¥1,603,491	¥ 2,038,093
Cost of revenues	135,152	1,129,200
Gross profit	1,468,338	908,893
Selling, general and administrative expenses	1,500,070	1,883,727
Operating income (loss)	(31,732)	(974,833)
Other income	134,774	68,008
Other expenses	15,007	8,823
Ordinary income (loss)	88,035	(915,648)
Extraordinary income	113,762	3,913
Extraordinary loss	16,307	209,487
Income (loss) before income taxes and minority interests	185,490	(1,121,222)
Income taxes	6,084	31,567
Income (loss) before minority interests	179,405	(1,152,790)
Minority interests	(3,514)	121,773
Net income (loss)	¥ 182,920	¥(1,274,564)

Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2013 (From October 1, 2012 to September 30, 2013)	Fiscal 2012 (From October 1, 2011 to September 30, 2012)
Cash flows from operating activities	¥ (464,601)	¥ 959,522
Cash flows from investing activities	85,876	80,417
Cash flows from financing activities	(128,457)	(233,265)
Effect of exchange rate changes on cash and cash equivalents	91,391	4,733
Net increase (decrease) in cash and cash equivalents	(415,790)	811,408
Cash and cash equivalents at beginning of year	2,522,754	1,711,345
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(462,084)	—
Cash and cash equivalents at end of year	¥1,644,879	¥2,522,754

CONSOLIDATED FINANCIAL STATEMENTS

(FIRST TWO QUARTERS OF FISCAL 2014)

EXECUTIVE TEAM MEMBERS

(AS OF MARCH 31, 2014)

	Fiscal 2014 First Two Quarters (As of March 31, 2014)
Consolidated Balance Sheets	
<i>(Thousands of yen)</i>	
(Assets)	
Current assets	¥5,638,234
Cash and time deposits	2,123,441
Notes and accounts receivable, trade	102,540
Completed construction contracts, accounts receivable	237,251
Real estate for sale in progress	116,324
Investments in securities, trade	2,164,958
Loans receivable, trade	859,382
Other current assets	266,791
Allowance for doubtful assets	(232,456)
Fixed assets	721,316
Total assets	¥6,359,550
(Liabilities and Net assets)	
Current liabilities	¥1,363,861
Notes and accounts payable, trade	206,960
Accounts payable for construction contracts	233,566
Short-term loans payable	398,250
Deposits received	228,012
Other current liabilities	297,070
Long-term liabilities	525,609
Loss reserve on insurance policies	288,000
Other noncurrent liabilities	237,609
Total liabilities	1,889,470
Total net assets	4,470,080
Total liabilities and net assets	¥6,359,550

	Fiscal 2014 First Two Quarters (From October 1, 2013 to March 31, 2014)
Consolidated Statements of Income	
<i>(Thousands of yen)</i>	
Revenues	¥1,670,130
Cost of revenues	4,863
Gross profit	1,665,267
Selling, general and administrative expenses	824,227
Operating income	841,040
Other income	74,889
Other expenses	2,532
Ordinary income	913,396
Extraordinary income	178,200
Extraordinary loss	6,161
Income before income taxes and minority interests	1,085,435
Income taxes	49,729
Income before minority interests	1,035,705
Minority Interests	5,726
Net income	¥1,029,979

Members of the Board

NOBUMITSU TAMAI, *President and CEO*

Mr. Tamai was responsible for structuring and marketing of various structured financial products, including aircraft finance, at ORIX Corporation. He was also involved in developing new businesses relating to insurance, risk finance and project finance involving insurance. Seeking to create a new style of investment banking business, he established FGI in 1994.



ROBERT HIRST, *Chairman*

Mr. Hirst's career includes positions at Bankers Trust Co., International Finance Corporation and Citibank NA (Japan). His professional expertise is in structured finance and financial derivatives. At AIG Financial Products Corp, he established and headed up the company's operations in Japan and Asia. He became a director at FGI in December 2005 and assumed the post of chairman in December 2007.



SEIGO WASHIMOTO, *Executive Officer, Member of the Board Head of Business Management Department*

Mr. Washimoto has overseen finance and accounting operations at FGI as head of the Finance Department within the Treasury & Administration Division since September 2007. Previous to this, he held key positions, including that of branch manager, at the Fuji Bank, Limited (now, Mizuho Bank, Ltd.) and Maruzen Co., Ltd., as executive officer overseeing the finance division. At FGI, he was promoted to executive officer in April 2008. He was appointed to the Board of Directors in December 2009.



TORU MITSUHASHI, *Member of the Board*

Mr. Mitsuhashi brought with him experience gained in marketing activities at Sanwa Bank Ltd. (now, Bank of Tokyo-Mitsubishi UFJ Ltd.), including a posting to the bank's New York Branch. Mr. Mitsuhashi joined FGI in February 2007. In March 2007, he took over Structured Finance Department II within FGI's Investment Banking Division. In April 2009, he became an executive officer and assumed the position as deputy head of the Investment Banking Division. In December 2009, he was appointed to the Board of Directors. In April 2012, he became president and representative director at FinTech Asset Management Incorporated.



HIDEYUKI YAMANAKA, *Member of the Board*

Mr. Yamanaka started his career at ORIX Corporation in the domestic leasing business, mainly in the Kinki region, and then focused on the aircraft leasing business for 18 years. This included experience at the Ireland-based aircraft leasing arm of ORIX Corporation where he was a board member. Also, he held prominent positions, including president of ORIX Aircraft Corporation and managing director of the Aviation Business Group at the Global Business Headquarters. He transformed the aviation business into a key segment of ORIX's overseas business by spearheading new business development, including investment into low-cost carriers. In December 2011, he joined FGI and was appointed Senior Executive Officer and Member of the Board. In May 2013, he became president and representative director at FINTECH GLOBAL TRADING Incorporated.



Executive Officers

KATSUNORI MORIGAMI, *Executive Officer, Head of Group Business Development Division*

WEIJOW LIAW, *Executive Officer, Head of International Business Development, Group Business Development Division*

MOTOKI WATANABE, *Executive Officer, Head of Structured Finance Business Department, Investment Banking Division*

TAKASHI SENDA, *Executive Officer, Head of Business Planning Department*

Corporate Auditors

KOICHI NINOMIYA, *Standing Corporate Auditor*
HIROSHI HAGIHARA, *Outside Corporate Auditor*
TORU OHYAMA, *Outside Corporate Auditor*

CORPORATE DATA, AND SHARE INFORMATION

(As of September 30, 2013)

Company Name	FinTech Global Incorporated	Common Stock (Authorized)	3,084,000 shares
Established	December 7, 1994	Common Stock (Issued)	1,209,243 shares
Paid-in Capital	¥2,312,517,793	Number of Shareholders	10,612
Number of Employees	51 (Consolidated, excluding part-timers)	Fiscal year-end	October 1 to September 30
Number of consolidated subsidiaries	8	Listing	Mothers, Tokyo Stock Exchange (Ticker Code: 8789)

FGI

FinTech Global Incorporated

The firm of innovative financing

Financial Instruments Business Registration
(The Second Financial Instruments Business, Investment advisory and agency Business)
Registration No : Director of Kanto Local Finance Bureau
(Financial Instruments) No.1469

<http://www.fgi.co.jp/english/>

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