FGI FinTech Global Incorporated

The firm of innovative financing

Results for First Quarter of Fiscal 2023, ending September 30, 2023

February 2023

FinTech Global Incorporated
TSE Standard Market Stock Code: 8789
https://www.fgi.co.jp/en/

Index

Summary

Private equity operations took great strides forward, thanks to increase in business succession projects.
Marked considerable increase in revenues and income, despite exclusion of Rights and Brands Japan Co., Ltd., from scope of consolidation.
Anticipate steady progress on business succession projects from the second quarter onward as well.

Multiple business succession projects moved forward using private equity opportunities

- Provided broad-based solutions, with emphasis on investment, for several business succession projects in major urban areas across Japan and posted investment income and income on arrangement transaction services.
- New investment moving favorably ahead using funds into which FGI has contributed capital, to acquire target companies.

Balance of assets under management doubled in a year to ¥60.2 billion (up 7.3% over September 30, 2022)

- Newly entrusted by overseas investor to manage assets for logistics facility investment.

Aircraft asset management remained brisk

Entertainment service business saw higher revenues from Metsä-related operations, but exclusion of Rights and Brands Japan from scope of consolidation caused drop in segment revenues and income.

Consolidated Performance

(Millions of yen)

	Fiscal 2022 First Quarter	Fiscal 2023 First Quarter	YOY Change (Amount)	YOY Change (Percentage)	Fiscal 2023 Full Year (Forecast)	Progress toward goal
Revenues	2,272	2,716	+443	+19.5%	10,100	26.9%
Gross profit	897	1,597	+700	+78.1%	–	–
Operating income	62	720	+657	+1,046.7%	1,400	51.5%
Ordinary profit	39	699	+660	+1,673.7%	1,400	50.0%
Profit attributable to owners of the parent	(47)	503	+550	–	1,000	50.3%
EBITDA	213	836	+622	+291.6%	–	–

Note: EBITDA is calculated by returning depreciation costs and amortization of goodwill included in cost of revenue and selling, general and administrative expenses back to operating income.

Revenues

In private equity operations, investment income and income on arrangement transaction services increased significantly, as business succession projects utilized private equity opportunities.
Aircraft asset management also showed growth. And despite exclusion of Rights and Brands Japan from scope of consolidation, revenues were up.

Gross profit

Huge increase, owing to higher revenues from business succession projects with low cost-to-revenue ratio.

Operating income

Although selling, general and administrative expenses rose 5.1% year on year, paralleling business expansion, operating income increased significantly, thanks to higher gross profit.

Consolidated performance forecast

Management anticipates favorable progress on business succession projects in second quarter onward as well, but will not change performance forecast because capture of new investment deals, formation status and other factors must be watched carefully before revisions might be considered .

Quarterly Changes in Consolidated Performance

(Millions of yen)

	Fiscal 2022					Fiscal 2023	YOY
	Q1	Q2	Q3	Q4	Full year	Q1	¥ change % change
Revenues	2,272	2,148	2,328	2,552	9,301	2,716	+443 +19.5%
Gross profit	897	712	1,071	1,309	3,990	1,597	+700 +78.1%
Operating income(loss)	62	(102)	190	437	587	720	+657 +1,046.7%
Ordinary profit(loss)	39	(91)	165	426	540	699	+660 +1,673.7%
Profit/(loss) attributable to owners of the parent	(47)	(155)	62	316	176	503	+550 —
EBITDA	213	49	313	577	1,153	836	+622 +291.6%

Note: EBITDA is calculated by returning depreciation costs and amortization of goodwill included in cost of revenue and selling, general and administrative expenses back to segment income/(loss).

Business Summary by Segment (1)

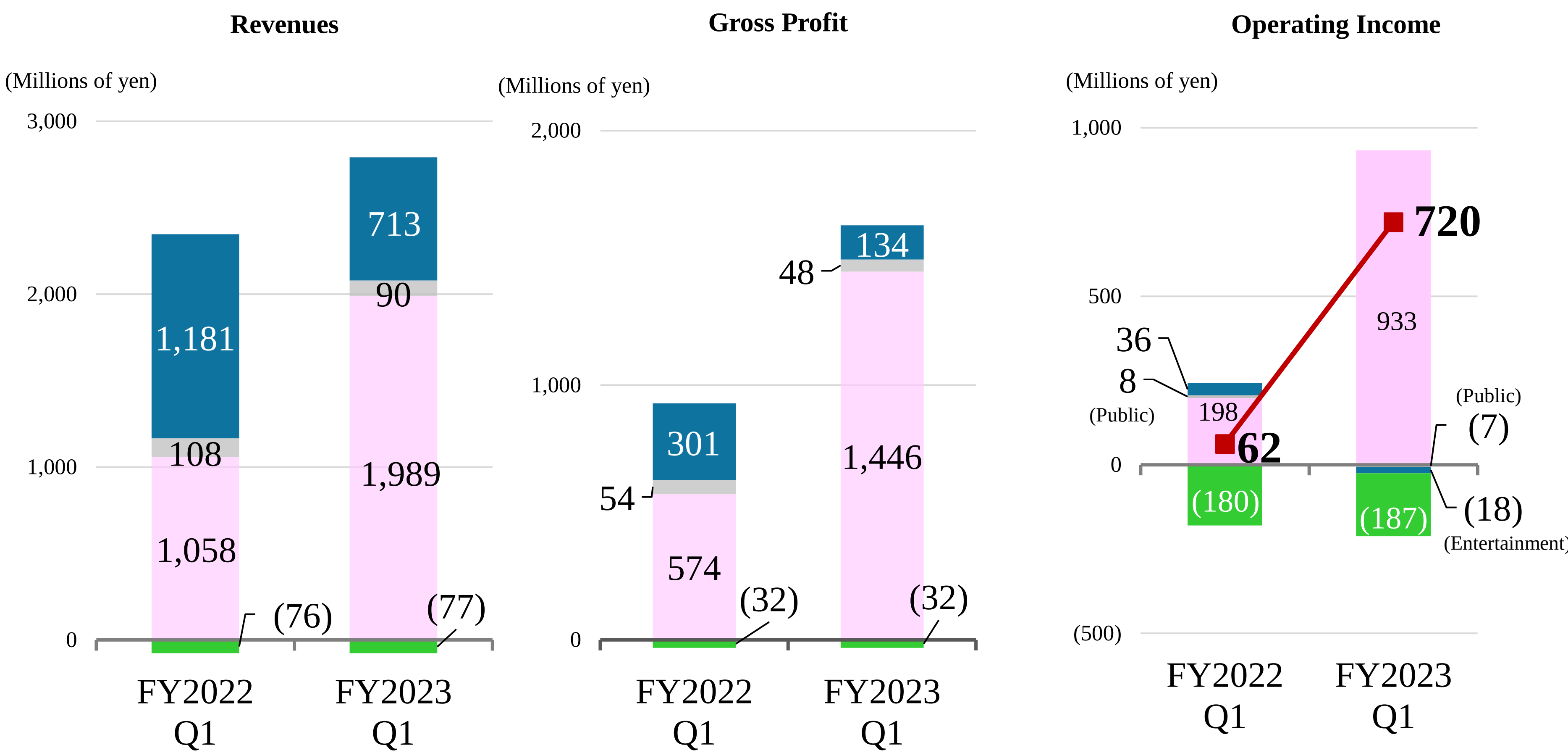
- Investment banking business delivered higher revenue and income, reflecting steady progress on several business succession projects.
- Public management consulting business saw solid demand for services to support preparation of financial documents for large local governments, but revenue and income declined, due to a reactionary drop related to the sale of software in the first quarter of the previous fiscal year when support for accounting software distributed to local governments by the national government ended.
- Entertainment service business posted a decrease in revenue and income, reflecting the exclusion of Rights and Brands Japan from scope of consolidation.

(Millions of yen)

Reporting Segments		Fiscal 2022					Fiscal 2023	YOY Q1 change
		Q1	Q2	Q3	Q4	Full year	Q1	
Investment Banking Business	Revenue	1,058	1,135	1,267	1,512	4,973	1,989	931
	Gross Profit	574	507	773	1,095	2,951	1,446	872
	Segment income	198	112	259	610	1,180	933	734
Public Management Consulting Business	Revenue	108	92	62	82	346	90	(18)
	Gross Profit	54	49	40	46	189	48	(5)
	Segment income	8	3	(13)	(13)	(14)	(7)	(16)
Entertainment Service Business	Revenue	1,181	997	1,073	1,033	4,285	713	(468)
	Gross Profit	301	187	287	198	975	134	(166)
	Segment income	36	(61)	31	(40)	(34)	(18)	(54)
Adjustment （Elimination of transactions among segments and corporate expenses）	Revenue	(76)	(76)	(75)	(75)	(303)	(77)	(1)
	Gross Profit	(32)	(32)	(30)	(31)	(126)	(32)	0
	Segment income	(180)	(156)	(87)	(118)	(543)	(187)	(6)
Amount Booked on Consolidated Statement of Income	Revenue	2,272	2,148	2,328	2,552	9,301	2,716	443
	Gross Profit	897	712	1,071	1,309	3,990	1,597	700
	Operating income	62	(102)	190	437	587	720	657
Related issues			Application of priority measures to prevent spread of COVID-19 (From Jan. 2021 to Mar. 2021, in Tokyo and three prefectures)		Seventh wave of COVID-19		Eighth wave of COVID-19	

1. Revenue for each segment includes intersegment revenue and transfers.
2. The ¥(187) million operating income for the first quarter of fiscal 2023 , under adjustment, includes intersegment elimination (¥54 million in the first quarter of fiscal 2023) as well as corporate expenses (¥(241) million in the same period) that are not allocated to any reporting segment. Corporate expenses are general and administrative expenses not associated with any reporting segment, mainly because it is difficult to justifiably allocate such expenses to any particular reporting segment.

Business Summary by Segment (2)



2,272	2,716	897	1,597	
Up ¥443 million, or 19.5%		Up ¥700 million, or 78.1%		Up ¥657 million, or 1,046.7%

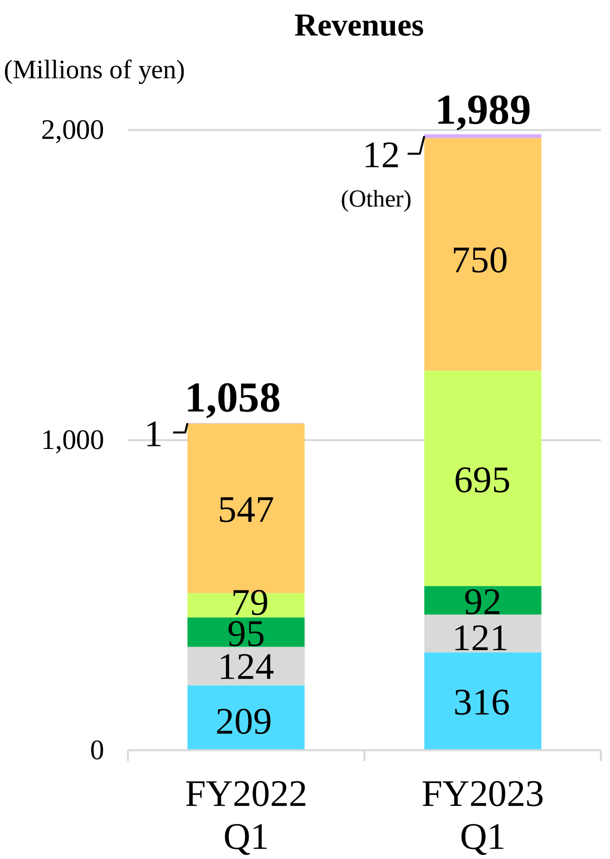
Note: Segment breakdown uses non-eliminated values.

Investment Banking Business | Public Management Consulting Business | Entertainment Service Business | Corporate expenses and eliminated transactions

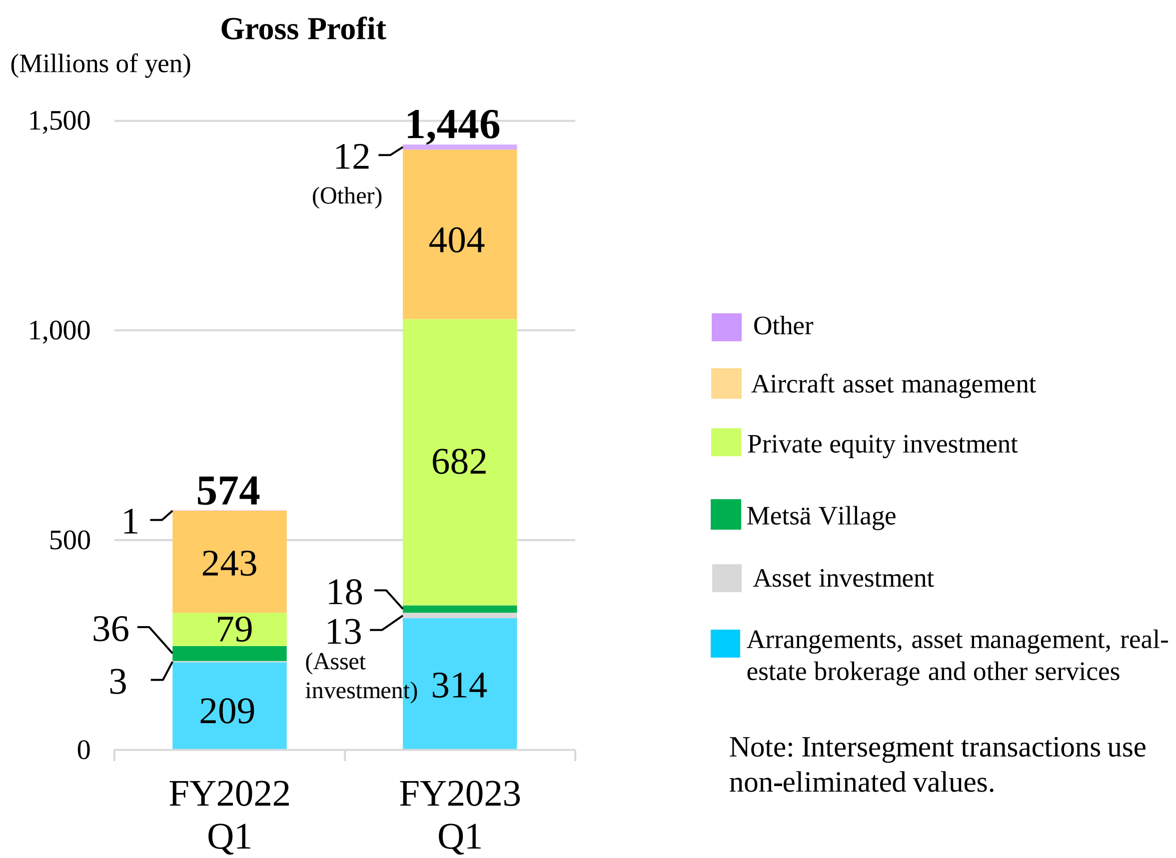
Investment Banking Business—Revenues and gross profit by service

Huge increase, owing to higher earnings from private equity operations connected to business succession projects. Favorable results continue in aircraft asset management business.

- **Arrangement services, private equity investment:** Posted investment income and income on arrangement transaction services related to business succession projects. Favorable progress on formation of new deals and implementation of investments.
- **Aircraft asset management:** Technical services, required in aircraft inspections and aircraft returns, remained favorable due to heightened demand in with-COVID times.



Up ¥931 million, or 88.0%



Up ¥872 million, or 152.0%

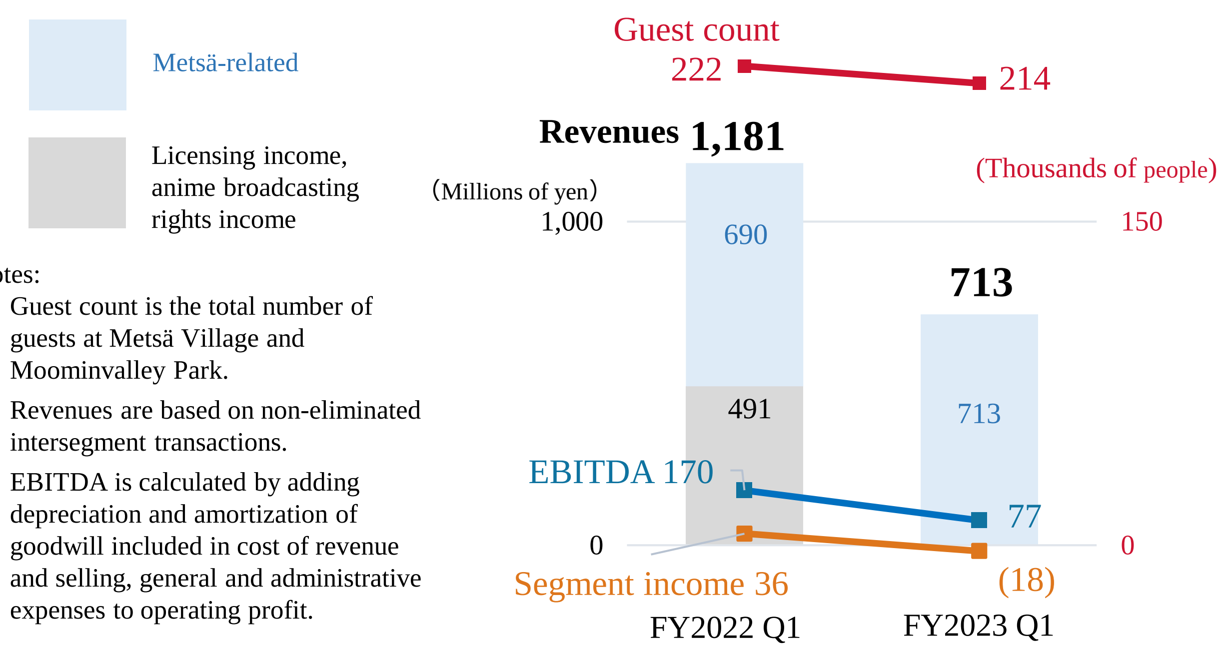
Note: Intersegment transactions use non-eliminated values.

Entertainment Service Business Results

Despite higher revenues from Metsä operations, segment posted lower revenues and lower income due to exclusion of Rights and Brands Japan from scope of consolidation.

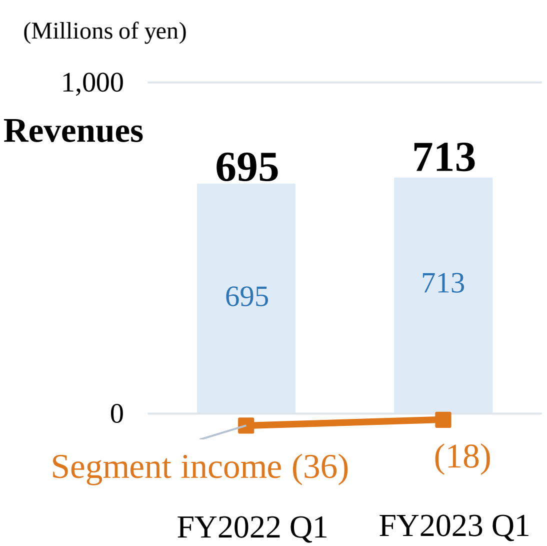
- No licensing-related revenue recorded by segment due to exclusion of Rights and Brands Japan from scope of consolidation (changed to equity-method affiliate), with investment income based on equity stake booked under non-operating income.
- Guest count at Metsä site (comprising Metsä Village and Moominvalley Park) slipped 3.8% year on year, as weekends and statutory holidays in November – the month of the year that records the most guests – tended to see precipitation.
- Thanks to night-time event "Moominvalley's Night Walk-Illumori no Oto," guest count at Moominvalley Park was a solid 10% higher than in corresponding quarter a year ago when park was closed for 11 days to facilitate remodeling work. Through this event and merchandise sales on e-commerce site, Metsä-related operations delivered higher revenues.
- Metsä-related expenses decreased year-on-year, thanks to reduced fixed expenses following remodeling work in December 2022.

Revenues



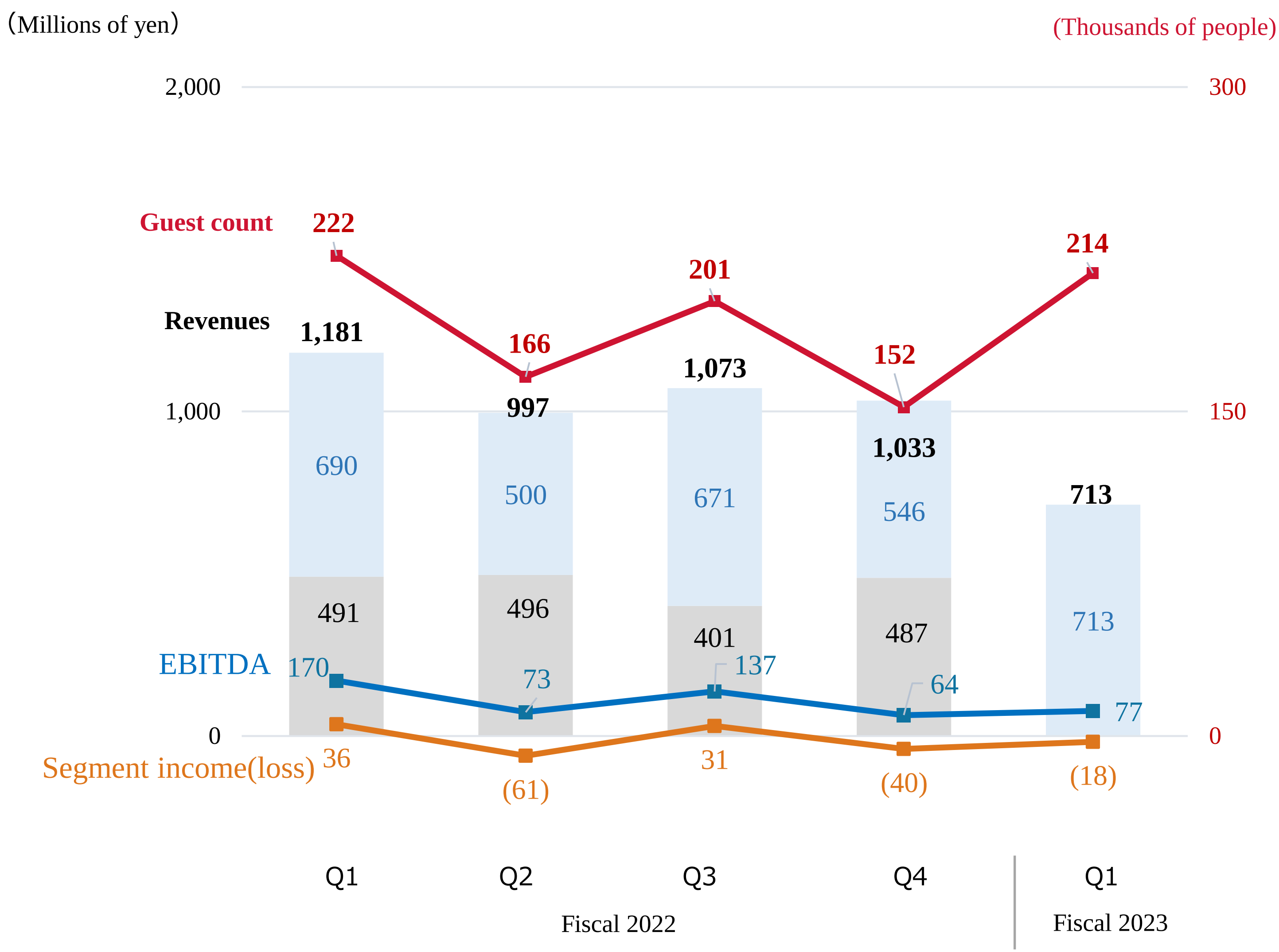
Notes:
1. Guest count is the total number of guests at Metsä Village and Moominvalley Park.
2. Revenues are based on non-eliminated intersegment transactions.
3. EBITDA is calculated by adding depreciation and amortization of goodwill included in cost of revenue and selling, general and administrative expenses to operating profit.

Reference: Revenue status if Rights and Brands Japan contribution excluded from revenues in first quarter of previous fiscal year



Changes in Entertainment Service Business Results (Quarterly)

Revenues



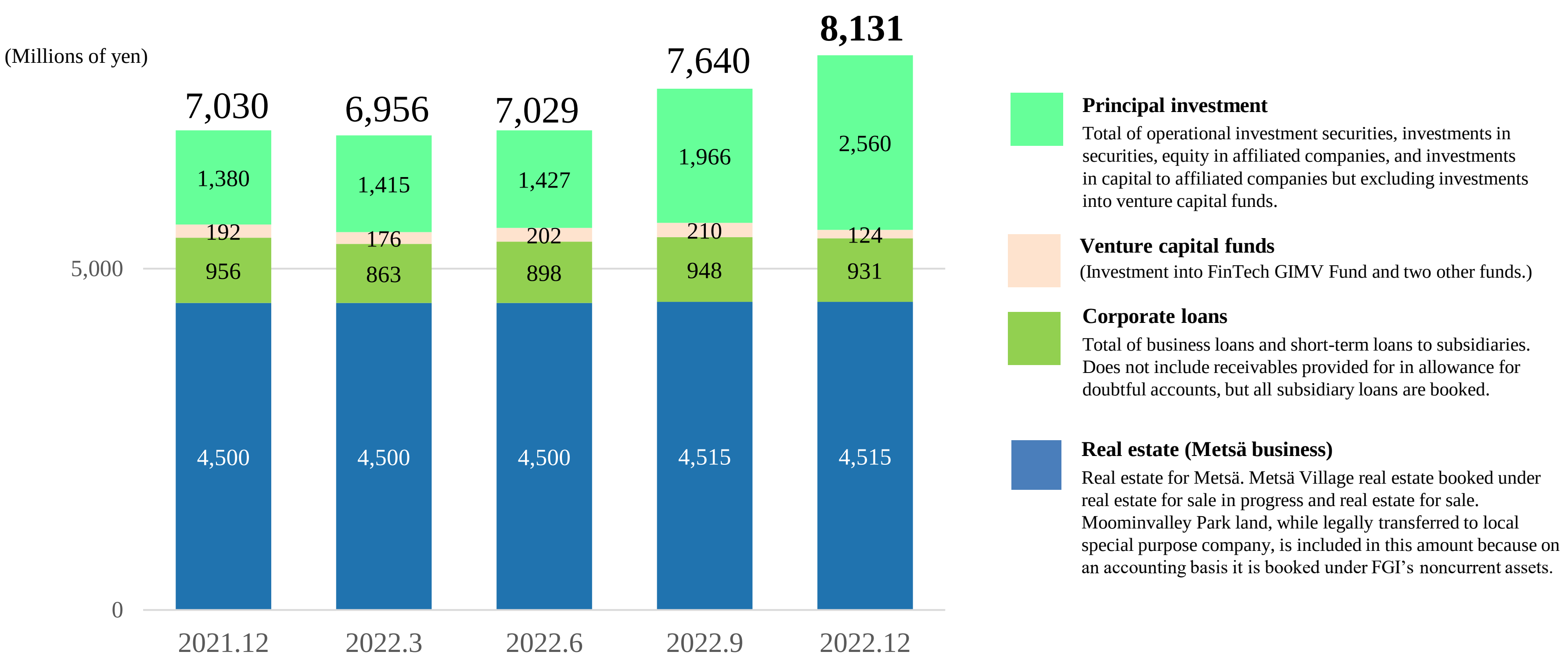
Notes:
1. Guest count is the total of Metsä Village and Moominvalley Park.
2. Revenues are based on non-eliminated intersegment transactions.
3. EBITDA is calculated by adding depreciation and amortization of goodwill included in cost of revenue and selling, general and administrative expenses to operating profit.

Trends in Balance of Investments and Loans

Some business succession funds moved to investment exit stage, and value of funds improved through resulting returns.
With new investment contributions, balance of investment and loans reached ¥8.1 billion, up 6.4% from the end of September 2022.

Notes: 1. Total investments and loans comprise amounts for FGI and aviner (formerly, SGI Investment).
2. Does not include contribution or loans between FGI, aviner

Total Investments and Loans (including investments in subsidiaries)



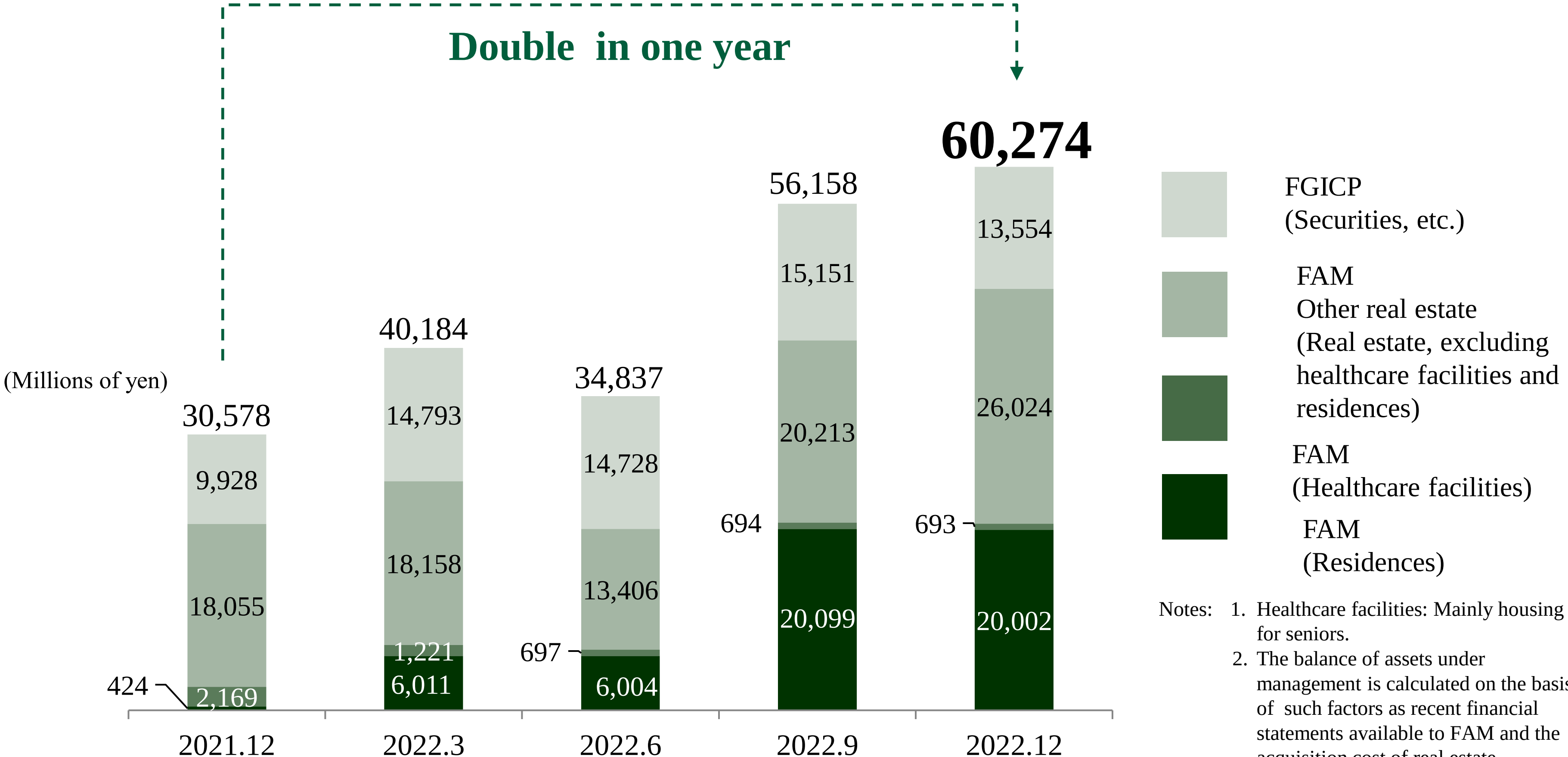
Changes in Assets under Management

Entrusted by overseas investor with asset management for investment into logistics facility

Balance of assets under management reached ¥60.2 billion, up 7.3% over September 30, 2022.

Separate from above, client assets under investment advisory contracts amounted to ¥99.9 billion (for FGICP, up ¥8.1 billion from September 30, 2022).

(Assets of clients primarily solar power generation systems.)



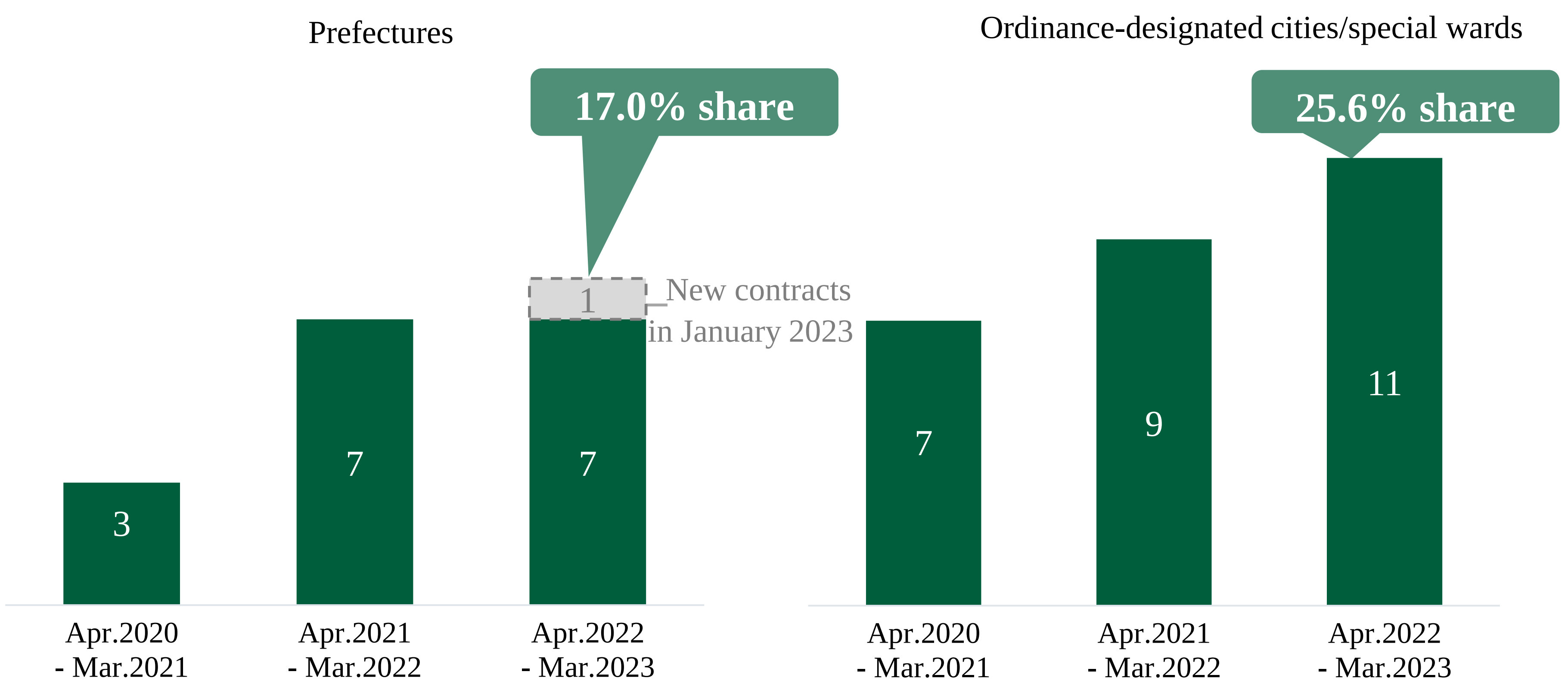
Notes: 1. Healthcare facilities: Mainly housing for seniors.
2. The balance of assets under management is calculated on the basis of such factors as recent financial statements available to FAM and the acquisition cost of real estate.

Public Management Consulting Business

Expanded services to support preparation of financial documents for large local governments

With knowledge about preparing financial documents and expertise in information technology and large-volume data processing, PMC attracted more inquiries from large local governments with big-volume financial information.

Services to support preparation of financial documents
Number of entities entrusting PMC with preparation



Consolidated Balance Sheets

(Thousands of yen)

Assets	Fiscal 2022	Fiscal 2023 First Quarter	Change
Current assets	11,022,806	10,775,394	(247,412)
Cash and time deposits	2,375,927	1,813,984	(561,942)
1 Accounts receivable, trade, and contract assets	1,113,702	1,117,632	3,929
2 Operational investment securities	2,482,469	2,850,721	368,252
Loans receivable, trade	371,665	356,715	(14,950)
Real estate for sale	4,057,167	4,057,167	–
Merchandise	133,602	151,060	17,458
Other	593,045	535,425	(57,619)
Allowance for doubtful accounts	(104,772)	(107,313)	(2,540)
Noncurrent assets	6,910,204	6,756,158	(154,046)
Property, plant and equipment	5,878,784	5,789,018	(89,765)
3 Intangible fixed assets	632,501	156,866	(475,634)
4 Investments and other assets	398,918	810,273	411,354
Total assets	17,933,011	17,531,553	(401,458)

1 Despite absence of accounts receivable from licensing income due to exclusion of Rights and Brands Japan (RBJ) from scope of consolidation, amount from aircraft asset management and public management consulting business was up, keeping accounts receivable, trade, and contract assets around fiscal 2022 level.

2 Funds for business succession projects reached investment exit stage, with fund value improving. New investments led to higher total.

3 Decreased because RBJ, which holds anime broadcasting rights, excluded from scope of consolidation.

4 Increased, mainly due to exclusion of RBJ from scope of consolidation

5 Increased due to outsourcing of aircraft asset management services and purchase of Moominvalley Park merchandise and e-commerce site.

6 Decreased due to exclusion of RBJ from scope of consolidation.

7 Decreased due to repayment of borrowings by SPC forming small-lot real estate products.

8 Decreased, mainly due to exclusion of RBJ from scope of consolidation.

Liabilities	Fiscal 2022	Fiscal 2023 First Quarter	Change
Current liabilities	2,587,825	2,298,151	(289,673)
5 Accounts payable, trade	248,274	531,049	282,775
6 Current portion of long-term loans payable	529,252	444,663	(84,589)
Income taxes payable	133,150	92,891	(40,259)
Lease obligations	260,095	262,506	2,410
Accrued employee bonuses	191,888	168,711	(23,177)
Other	1,225,164	798,330	(426,834)
Noncurrent liabilities	7,502,492	7,328,271	(174,221)
7 Long-term loans payable	7,184,342	7,065,123	(119,219)
Lease obligations	158,022	97,848	(60,174)
Deferred tax liabilities	19,737	17,657	(2,080)
Net defined benefit liability	110,067	112,987	2,919
Other	30,322	34,655	4,332
Total liabilities	10,090,317	9,626,422	(463,894)

Net Assets			
Shareholders' equity	6,524,040	7,027,941	503,900
Common stock	6,471,266	6,471,504	238
Additional paid-in capital	4,996,716	4,996,954	238
Retained earnings	(4,943,941)	(4,440,516)	503,424
Treasury shares	(0)	(0)	–
Accumulated other comprehensive income	61,839	36,428	(25,410)
Stock acquisition rights	56,359	57,220	860
8 Non-controlling interests	1,200,454	783,540	(416,914)
Total net assets	7,842,693	7,905,130	62,436
Total liabilities and net assets	17,933,011	17,531,553	(401,458)

Consolidated Statement of Income

(Thousands of yen)

	Fiscal 2022 First Quarter	Ratio to Revenues	Fiscal 2023 First Quarter	Ratio to Revenues	YoY Change Amount	YoY Change Percentage
Revenues 1	2,272,272	100.0%	2,716,112	100.0%	443,839	19.5%
Cost of revenues 2	1,375,010	60.5%	1,118,382	41.2%	(256,628)	(18.7)%
Gross profit	897,261	39.5%	1,597,730	58.8%	700,468	78.1%
Selling, general and administrative expenses 3	834,437	36.7%	877,310	32.3%	42,873	5.1%
Operating income	62,824	2.8%	720,419	26.5%	657,594	1,046.7%
Other income	8,055	0.4%	4 12,986	0.5%	4,930	61.2%
Other expenses	31,422	1.4%	33,545	1.2%	2,122	6.8%
Ordinary profit	39,457	1.7%	699,860	25.8%	660,402	1,673.7%
Extraordinary profit	91	0.0%	369	0.0%	278	305.1%
Extraordinary loss	999	0.0%	15,673	0.6%	14,673	1,467.3%
Income before income taxes	38,548	1.7%	684,556	25.2%	646,007	1,675.8%
Income taxes	25,378	1.1%	103,338	3.8%	77,960	307.2%
Profit	13,170	0.6%	581,217	21.4%	568,047	4,313.0%
Profit attributable to non-controlling interests	60,691	2.7%	77,793	2.9%	17,101	28.2%
Profit /(loss) attributable to owners of parent	(47,521)	(2.1)%	503,424	18.5%	550,945	—

1 Despite exclusion of RBJ from scope of consolidation, revenues increase reflects contributions from business succession projects in private equity business and aircraft asset management services.

2 Decreased, mainly due to exclusion of RBJ from scope of consolidation.

3 Although RBJ was excluded from scope of consolidation and Metsä-related expenses were down, staffing increase and wider use of outsourcing services to support business expansion in other segments bumped SG&A expenses up 5.1% over corresponding quarter a year ago.

4 Booked investment income of ¥10,440 thousand through equity method.
(FGI’s proportional share of net income posted by RBJ and Geoplan Namtech Inc., both equity-method affiliates.)

Changes in Key Financial Data

		Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	First Quarter Fiscal 2023
Revenues	(millions of yen)	3,689	9,175	6,841	8,107	9,301	2,716
Gross profit	(millions of yen)	2,261	2,944	2,313	3,370	3,990	1,597
Operating income/(loss)	(millions of yen)	(1,072)	(1,664)	(992)	178	587	720
Ordinary profit (loss)	(millions of yen)	(1,227)	(1,850)	(1,135)	115	540	699
Profit /(loss) attributable to owners of parent	(millions of yen)	(820)	(1,586)	(1,186)	130	176	503
Net assets	(millions of yen)	8,551	8,873	7,304	7,439	7,842	7,905
Total assets	(millions of yen)	14,016	19,025	16,583	16,457	17,933	17,531
Net assets per share	(yen)	39.31	37.03	31.12	31.47	32.72	35.09
Net income (loss) per share	(yen)	(4.79)	(8.08)	(5.90)	0.65	0.88	2.50
Diluted net income (loss) per share	(yen)	–	–	–	0.65	0.87	2.49
Equity to total asset ratio	(%)	52.2	39.1	37.7	38.5	36.7	40.3
Equity to net income ratio	(%)	(13.5)	(21.5)	(17.3)	2.1	2.7	–
Price earning ratio (PER)	(times)	–	–	–	86.1	44.6	–
Cash flow from operating activities	(millions of yen)	(2,978)	(2,604)	680	747	(701)	–
Cash flow from investing activities	(millions of yen)	(2,008)	(4,543)	(282)	(173)	(141)	–
Cash flow from financing activities	(millions of yen)	5,771	5,710	(767)	(360)	802	–
Cash and cash equivalents at the end of the fiscal year	(millions of yen)	3,847	2,513	2,142	2,379	2,375	–
Number of employees(consolidated) (part-time employees)	(employees)	156(42)	167(262)	156(224)	149(209)	176(144)	151(168)
Number of employees(non-consolidated)(part-time employees)	(employees)	38(5)	39(5)	28(6)	28(4)	30(4)	31(5)

Corporate Data: FinTech Global Incorporated

Head office	Meguro Central Square 15th Floor, 3-1-1, Kamiosaki, Shinagawa-ku, Tokyo 141-0021
Establishment	December 7, 1994
Representative	Nobumitsu Tamai, President and Chief Executive Officer
Data of listing	June 8, 2005
Securities Code	8789 (TSE Standard Market)
Fiscal year-end	September 30
Main business	I. Investment banking II. Investment III. Asset management IV. Local issue solutions
Number of issued shares	201,305,200 shares (As of December 31, 2022)
Minimum trading unit	100
Capital stock	¥6,471 million (As of December 31, 2022) * Owing to a decrease in common stock, approved at Ordinary General Meeting of Shareholders on December 22, 2022, capital stock stood at ¥5,372 million, as of January 27, 2023.
Net assets (consolidated)	¥7,905 million (As of December 31, 2022)
Number of employees	Consolidated: 151 (As of December 31, 2022, excludes temporary staff)

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Certain statements made in these materials, including some management targets, may contain forward-looking statements which reflect management's views and assumptions. Management targets represent goals that management will strive to achieve through the successful implementation of business strategies for the FGI Group. The Group may not be successful in implementing its business strategies, and management may fail to achieve its targets. Management targets and other forward-looking statements involve current assumptions of future events as well as risks and uncertainties that could significantly affect expected results, including adverse economic conditions in Japan, the United States or other countries; declining real estate and/or stock prices; additional corporate bankruptcies or additional problems in business sectors to which Group companies lend; difficulties or delays in integrating businesses and achieving desired cost savings; increased competitive pressures; changes in laws and regulations applicable to the Group's businesses; and adverse changes in Japanese economic policies.

To the extent materials containing forward-looking statements remain in available documents, we have no obligation nor the intent to update such forward-looking statements.