FGI FinTech Global Incorporated

The firm of innovative financing

Results for First Quarter of Fiscal 2024, ending September 30, 2024

February 2024

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

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Summary

Investment banking business continued to grow, and revenue and income steadily increased. At Moominvalley Park, spending per guest was up. Made progress on measures to cut unnecessary expenses in shift toward profit structure.

Business succession solution services maintained high growth

- Favorable progress on project formation using private equity investment associated with business succession solution services where FGI buys a business struggling with succession issues to solve the situation.
- Investment into business succession project acquisition funds reached ¥23.6 billion in first quarter. At 176% of fiscal 2023 full-year amount.
- Pushed ahead on exits from acquisition funds. Performance fees on asset management services and other income drove consolidated results higher.

Assets under management up 20% over end of fiscal 2023, hitting ¥134.1 billion

- Marked increase in assets entrusted by overseas institutional investors for residence investment.

Aircraft asset management remained favorable, showing revenue growth of 39.7%

At Moominvalley Park, spending per guest was up. Working to reduce unnecessary expenses in shift toward profit structure.

- Change in operating format encouraged guests to stay longer at the park, leading to higher spending per guest on merchandise and food and beverages.
- Cost ratio for entertainment service business improved 10.6 points year on year, to 70.6%. Will make further efforts to cut unnecessary expenses and achieve greater efficiency.

The Board of Directors' decision on repurchase of own shares (maximum ¥150 million total, 2.5 million shares, or 1.24% of aggregate number of issued shares)

- Will take flexible approach to repurchase of own shares while maintaining sufficient capital for growth investment.

Consolidated Performance

(Millions of yen)

	Fiscal 2023 First Quarter	Fiscal 2024 First Quarter	YOY Change (Amount)	YOY Change (Percentage)	Fiscal 2024 Full Year (Forecast)	Progress toward goal
Revenues	2,716	3,434	+718	+26.5%	10,000	+34.3%
Gross profit	1,597	2,102	+505	+31.6%	—	—
Operating income	720	976	+255	+35.5%	1,800	+54.2%
Ordinary profit	699	953	+254	+36.3%	1,600	+59.6%
Profit attributable to owners of the parent	503	589	+85	+17.0%	1,200	+49.1%
EBITDA	836	1,095	+258	+31.0%		
EPS (yen)	2.50	2.93	+0.43	—		
ROE	29.5%	27.5%	- 2.0 pt	—		

EBITDA: Operating income + Depreciation costs and amortization of goodwill included in cost of revenue and selling, general and administrative expenses

ROE (annualized): Calculated by multiplying quarterly profit attributable to owners of the parent by four

Revenues

Solid increase in revenues, reflecting favorable demand for business succession solution services. Aircraft asset management also showed revenue growth.

Gross profit

Significant increase, fueled by higher revenues, especially from high-margin business succession solution services.

Operating income

Despite 28.4% year-on-year increase in selling, general and administrative expenses, mainly due to higher personnel costs and payment fees, a rise in gross profit buoyed operating income, ordinary profit and profit attributable to owners of the parent.

Consolidated performance forecast

Anticipating steady progress on business succession projects in second quarter onward, but will not adjust performance forecast because certain factors, such as capture of new projects, conditions affecting investment exits and Metsä revenue status, require careful watch as situations may change and impact progress.

Quarterly Changes in Consolidated Performance

(Millions of yen)

	Fiscal 2023					Fiscal 2024	YOY
	Q1	Q2	Q3	Q4	Full year	Q1	¥ change % change
Revenues	2,716	1,814	2,380	2,391	9,302	3,434	718 26.5%
Gross profit	1,597	783	1,457	1,272	5,111	2,102	505 31.6%
Operating income(loss)	720	(74)	496	201	1,343	976	255 35.5%
Ordinary profit(loss)	699	(71)	456	192	1,277	953	254 36.3%
Profit/(loss) attributable to owners of the parent	503	(25)	304	821	1,603	589	85 17.0%
EBITDA	836	44	612	318	1,811	1,095	258 31.0%

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)

- Favorable trend in demand for business succession solution services drove investment banking business revenue to ¥2,673 million, up 34.4% year on year. Segment income jumped 27.7%, to ¥1,191 million, despite 29.6% rise in selling, general and administrative expenses to ¥665 million.
- In public management consulting business, solid demand for services, particularly support for review of general management plans for public facilities, underpinned higher revenue and helped the segment return to the black.
- In entertainment service business, progress on shift toward profit structure based on cost reduction, leading to improvement in gross profit.

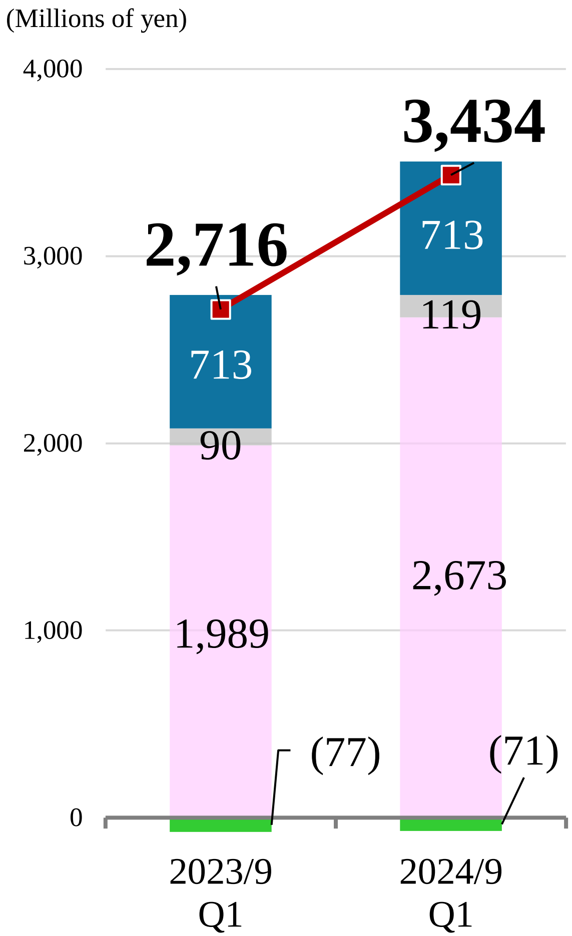
(Millions of yen)

Reporting Segments		Fiscal 2023					Fiscal 2024	YOY Q1 change
		Q1	Q2	Q3	Q4	Full year	Q1	
Investment Banking Business	Revenues	1,989	1,295	1,796	1,837	6,919	✓ 2,673	✓ 684
	Gross Profit	1,446	753	1,340	1,200	4,742	✓ 1,857	✓ 410
	Segment income	933	259	755	555	2,504	✓ 1,191	✓ 258
Public Management Consulting Business	Revenues	90	92	65	119	367	✓ 119	✓ 28
	Gross Profit	48	46	41	74	211	73	24
	Segment income/(loss)	(7)	(10)	(24)	7	(34)	5	13
Entertainment Service Business	Revenue	713	498	584	515	2,311	713	0
	Gross Profit	134	13	110	46	305	✓ 210	✓ 75
	Segment income/(loss)	(18)	(140)	(66)	(139)	(364)	1	19
Adjustment (Elimination of transactions among segments and corporate expenses)	Revenues	(77)	(71)	(65)	(81)	(296)	(71)	5
	Gross Profit	(32)	(30)	(35)	(49)	(147)	(37)	(5)
	Segment income/(loss)	(187)	(183)	(168)	(223)	(762)	(222)	(35)
Amount Booked on Consolidated Statement of Income	Revenues	2,716	1,814	2,380	2,391	9,302	3,434	718
	Gross Profit	1,597	783	1,457	1,272	5,111	2,102	505
	Operating income/(loss)	720	(74)	496	201	1,343	976	255
Related issues		Eighth wave of COVID-19 RBJ excluded from scope of consolidation						

1. Revenue for each segment includes intersegment revenue and transfers.
2. The ¥(222) million operating income for the first quarter of fiscal 2024, under adjustment, includes intersegment elimination (¥62 million in the first quarter of fiscal 2024) as well as corporate expenses (¥(285) 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.

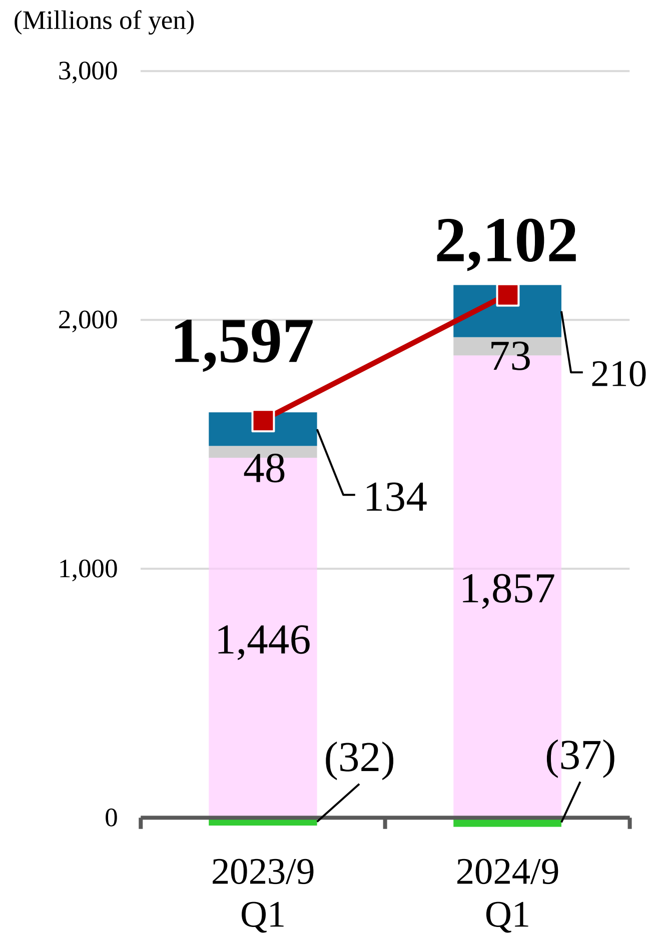
Business Summary by Segment (2)

Revenues



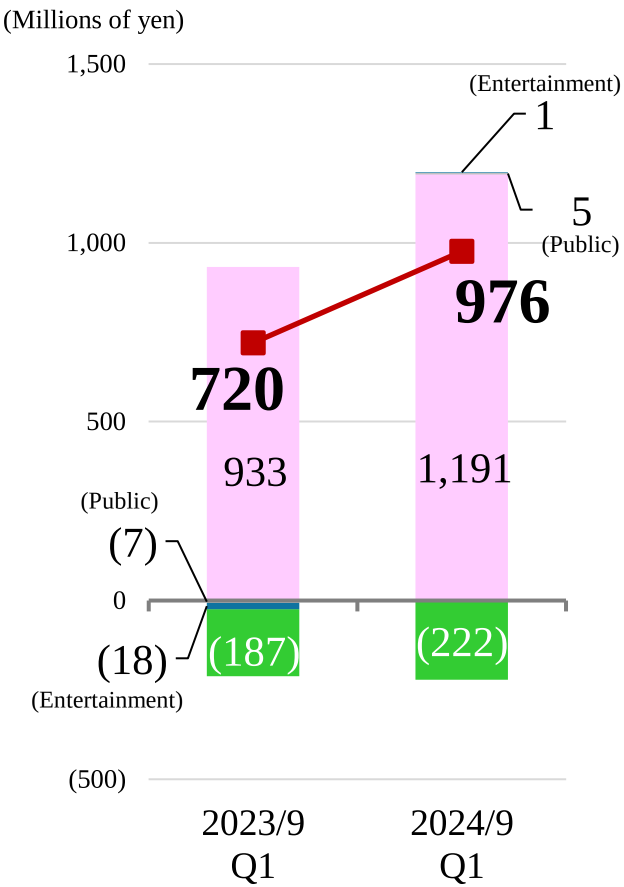
Up ¥718 million, or 26.5%

Gross Profit



Up ¥505 million, or 31.6%

Operating Income



Up ¥255 million, or 35.5%

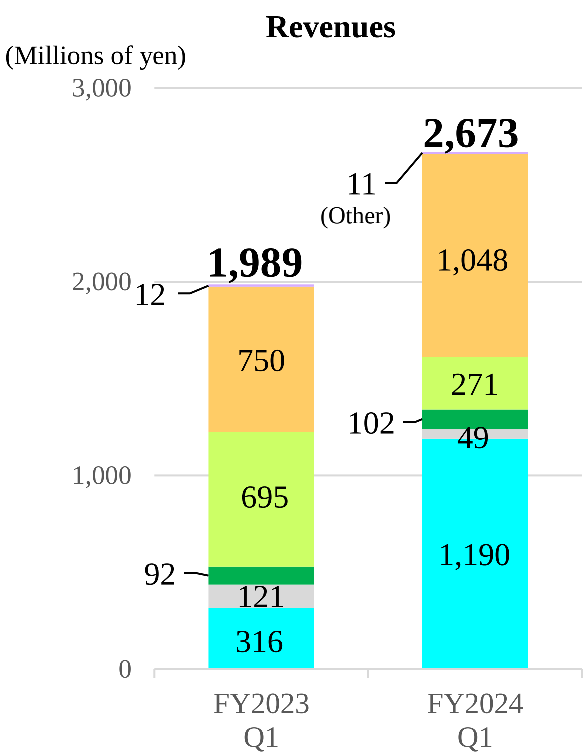
Note: Segment breakdown uses non-eliminated values.

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

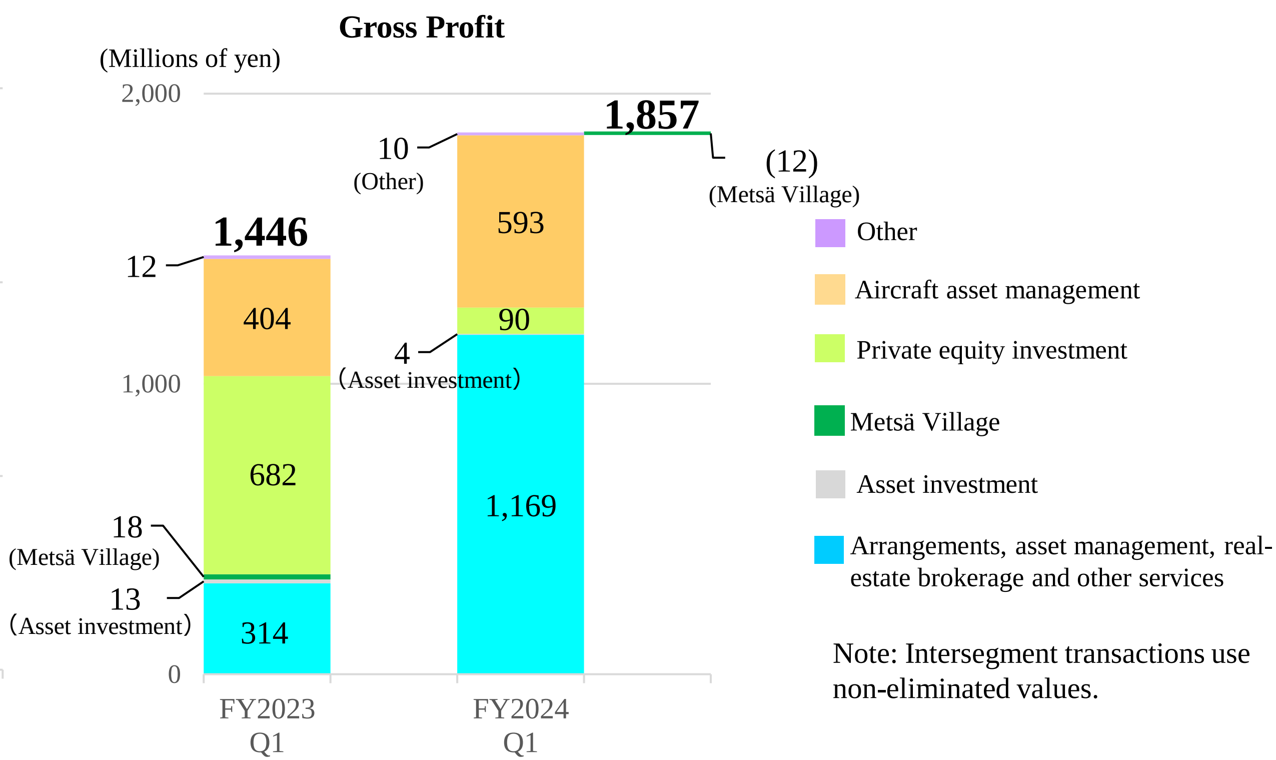
Investment Banking Business—Revenues and gross profit by service

Brisk formation of business succession projects
Aircraft asset management services remaining favorable, with revenues climbing 34.4% and gross profit rising 28.4% year on year

- **Arrangement transaction services:** Higher revenues largely due to upfront fees as well as management fees during contract period and performance fees on asset management services for acquisition funds.
- **Private equity investment:** Marked progress in investment exit activity, but existence of projects for which FGI will not recognize exit amounts as revenue until second quarter or after caused year-on-year revenue decrease. Gross profit dropped due to impairment losses on start-up investment and other investment categories.
- **Aircraft asset management:** Greater demand for technical services, such as aircraft inspections, and aircraft registration services. Complemented by aircraft remarketing contracts. Achieved higher revenues and profit.



Up ¥684 million, or 34.4%



Up ¥410 million, or 28.4%

Note: Intersegment transactions use non-eliminated values.

Trends in Balance of Investments and Loans

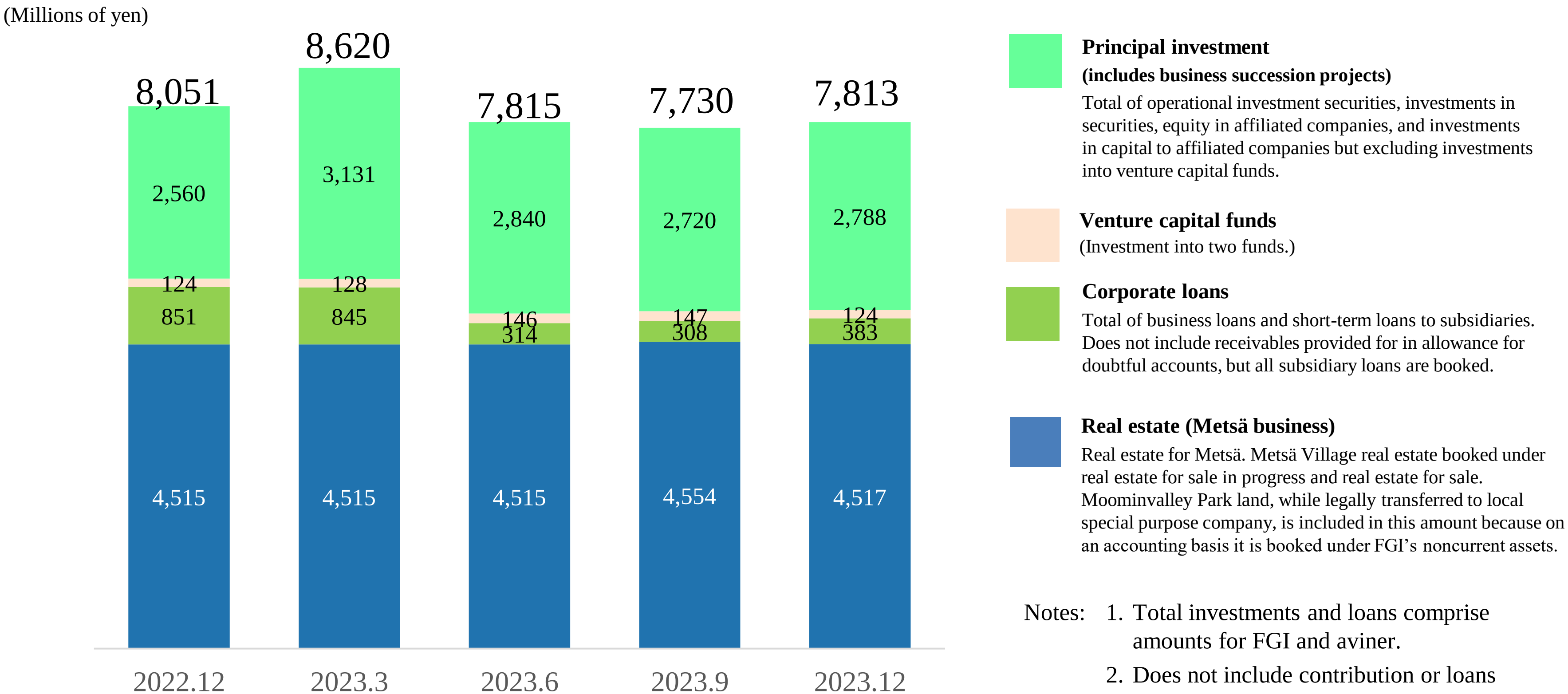
Greater investment execution targeting business succession projects as well exits from such investments. Balance of investments and loans held to 1.1% increase from fiscal 2023 year-end.

(Factors of change in first quarter of fiscal 2024)

- Principal investment: Steady exit activity offset additional allocation to acquisition funds, keeping first-quarter balance only slightly above fiscal 2023 year-end level.

  *Balance of investments and loans in acquisition funds increases if FGI executes additional investment or funds take in profit from business activities of companies in such funds. Decreases if funds execute cash distribution.

Total Investments and Loans (including investments in subsidiaries)

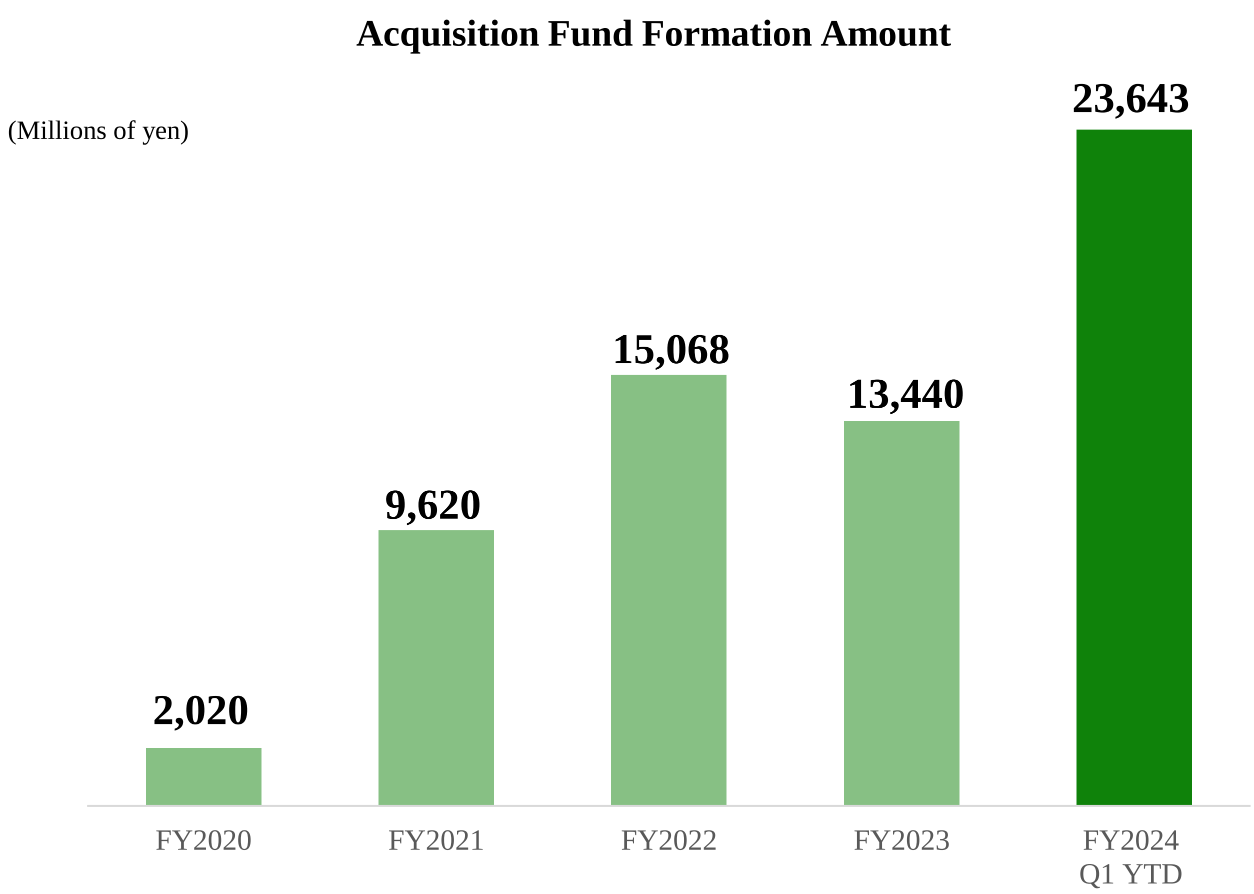


Notes:
1. Total investments and loans comprise amounts for FGI and aviner.
2. Does not include contribution or loans between FGI, aviner

Financing for Acquisition Funds to Facilitate Business Succession Projects

Acquisition fund formation amount (≒ investment amount) in first quarter stood at ¥23.6 billion, surging to 176% of fiscal 2023 full-year amount.

Marked progress in cultivating network of financial institutions for acquiring loans for funds, helping to reduce fund-procurement costs. Contributed to better profit margin.



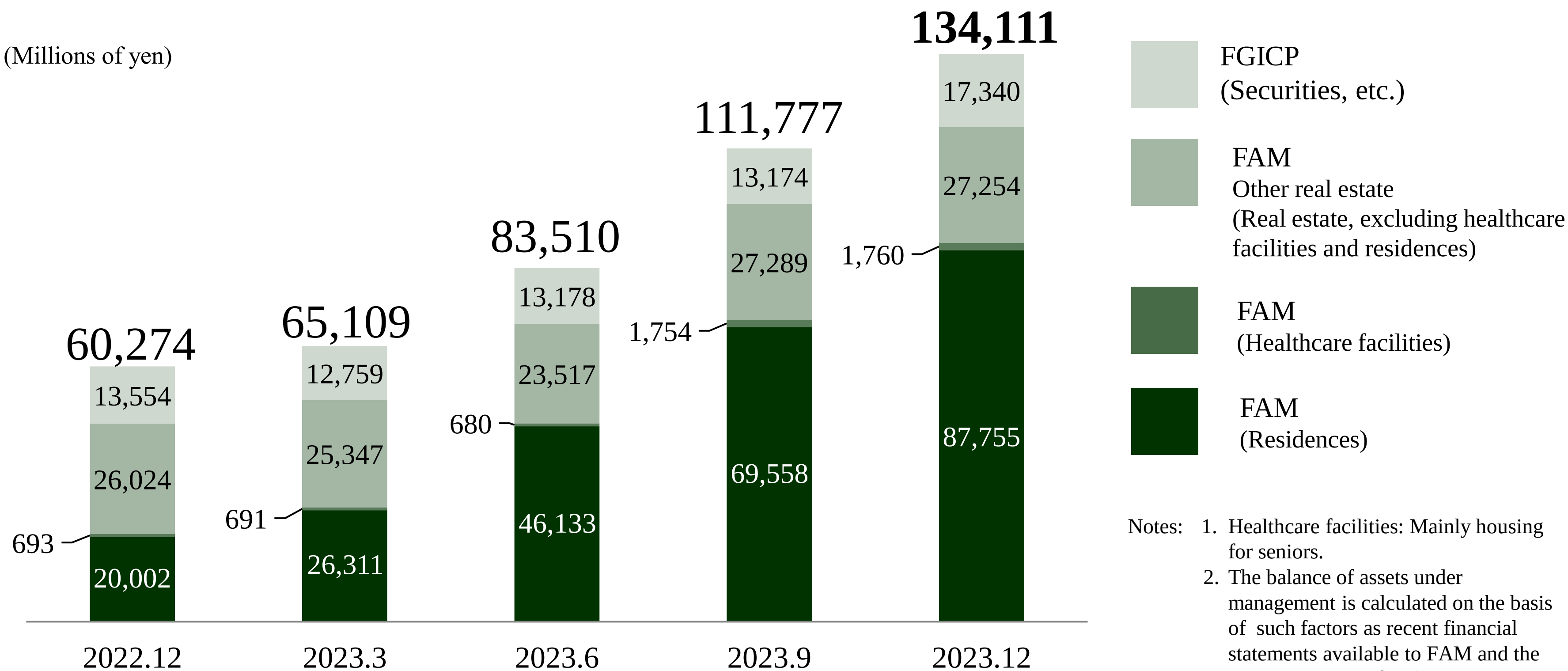
Changes in Assets under Management

Balance of assets entrusted for real estate investment topped ¥100 billion, settling at ¥116.7 billion. Aggregate amount under investment management by members of FGI Group hit ¥134.1 billion*, rising 20.0% over fiscal 2023 year-end.

Higher balance of assets for investment into residences by overseas institutional investors.

*The above balance is an aggregate amount comprising assets under investment management and investment advisory contracts with FAM and investment management contracts with FGICP.

Client assets under investment advisory contracts amounted to ¥108.3 billion (for FGICP, up ¥1.6 billion from September 30, 2023).
(Client assets, primarily solar power generation systems)



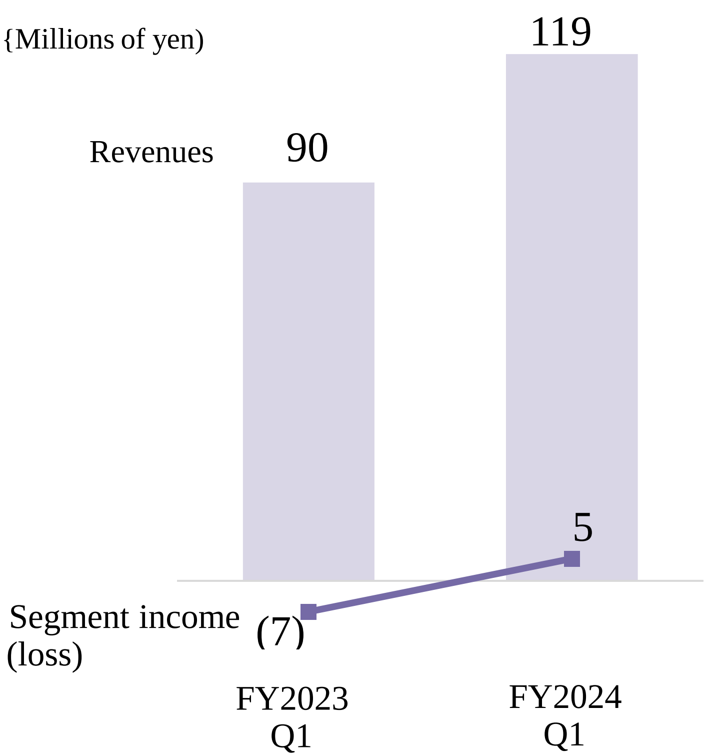
Notes: 1. Healthcare facilities: Mainly housing for seniors.
2. The balance of assets under management is calculated on the basis of such factors as recent financial statements available to FAM and the acquisition cost of real estate.

Public Management Consulting Business

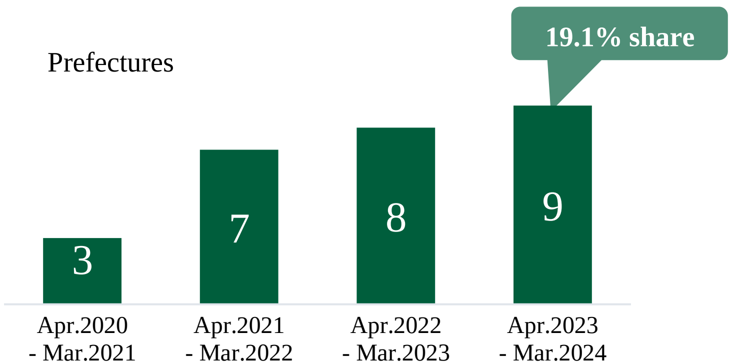
Increase in inquiries on support for reviews of general management plans for public facilities, with particular interest from large local governments looking to implement progressive initiatives. Also saw greater interest in advisory services to expedite effective use of public facilities and in services to support preparation of financial documents. Helped segment turn a profit.

- Against backdrop of shrinking population and pressure on government finances, need for consulting expertise on preparing plans to extend service life of facilities and make effective use of such facilities is growing as local governments seek to manage issues related to aging public facilities.
- With knowledge about preparing financial documents and expertise in information technology and large-volume data processing, PMC continued to attract inquiries from large local governments with big-volume financial information for support in preparing such documents. In first quarter, PMC received a request for services from one additional client, an ordinance-designated city.

Segment Information



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

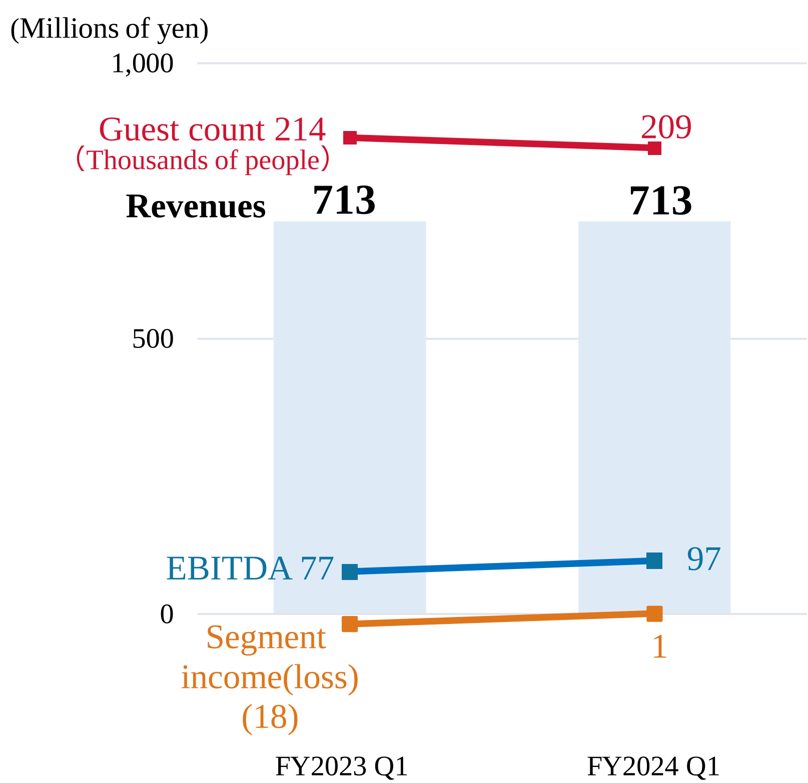


Entertainment Service Business

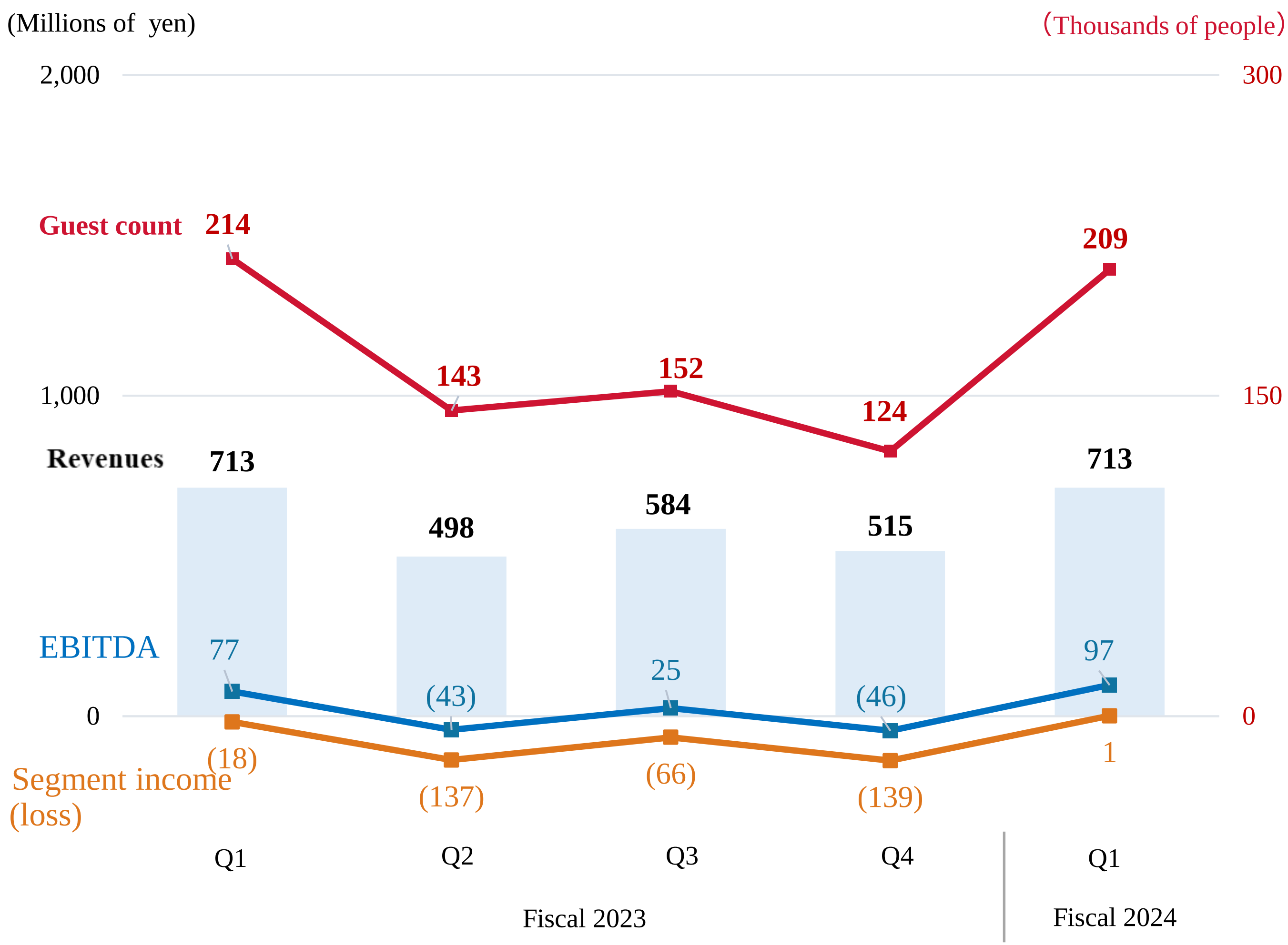
Higher spending per guest at Moominvalley Park. Improvement in segment profitability, thanks to reduction in unnecessary expenses. Progress toward profit-generating structure.

- Held events “Winter Wonderland in Moominvalley Park 2023” and “Winter Fireworks in Moominvalley”. Change operating format related to tickets, which had been split into daytime and evening in the previous year, to enable guests to enjoy their time at Moominvalley Park from daytime through evening.
- Number of visitors to Metsä dropped 2.1% year on year, but with the change in operating format, visitors spend more time at Moominvalley Park, leading to higher spending per guest on merchandise and food and beverages. Revenues held to year-on-year par, at ¥713 million.
- Reflecting the results of a review that included outsourcing of office work and temporary staffing, segment cost ratio improved by 10.6 points, to 70.6%. Will make further efforts to cut unnecessary expenses and achieve greater efficiency.

Notes:
1. Guest count is 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 income.



Changes in Entertainment Service Business Results (Quarterly)



Notes:
1. Guest count is 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 income.

Initiatives at Moominvalley Park

Evening events helped draw guests to the site. Visitors spent more time enjoying everything the site has to offer, leading to higher sales of merchandise and food and beverages. Promoting capital investment to raise crowd-attracting appeal of Moominvalley Park on occasion of fifth anniversary.

Winter Wonderland in Moominvalley Park 2023
(November 2, 2023 – January 8, 2024)

Projection mapping illuminates Moominhouse

Winter Fireworks in Moominvalley
Held on weekends and holidays from November through January. Dazzling fireworks display colors the night sky and reflects on the lake surface.

Positive reviews of winter fireworks prompting follow-up events from February onward

Consolidated Balance Sheets

(Thousands of yen)

Assets	Fiscal 2023	Fiscal 2024 First Quarter	Change
Current assets	12,477,247	13,357,169	879,922
1 Cash and time deposits	2,918,561	3,207,644	289,083
2 Accounts receivable, trade, and contract assets	1,355,231	1,624,600	269,369
3 Operational investment securities	2,848,142	2,873,523	25,380
Loans receivable, trade	346,365	342,915	(3,450)
Real estate for sale	4,095,967	4,106,745	10,777
Merchandise	160,768	156,944	(3,823)
Other	883,381	1,190,703	307,321
Allowance for doubtful accounts	(131,170)	(145,906)	(14,736)
Noncurrent assets	6,646,706	6,564,215	(82,491)
4 Property, plant and equipment	5,530,068	5,455,524	(74,543)
Intangible fixed assets	131,260	122,393	(8,866)
Investments and other assets	985,377	986,296	919
Total assets	19,123,953	19,921,384	797,431

1 Increased, as distribution of dividends offset temporary drop because of investment into acquisition funds.

2 Business succession solution services, aircraft asset management services and public management consulting services fueled increase in accounts receivable, trade.

3 New investment into acquisition funds up but exit activity also up. Showed decrease from sale of trust beneficiary rights on small-lot real estate products. Overall, balance thus held to only slight increase.

4 Decreased, due to depreciation of buildings and interior and exterior fixtures.

5 Increased due to outsourcing, mainly for aircraft asset management operations.

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

Liabilities	Fiscal 2023	Fiscal 2024 First Quarter	Change
Current liabilities	7,880,663	8,212,345	331,682
Accounts payable, trade	308,710	533,485	224,775
5 Short-term loans payable	77,954	143,500	65,546
Current portion of long-term loans payable	6,082,038	6,051,616	(30,422)
Income taxes payable	125,884	171,902	46,017
Lease obligations	149,086	88,444	(60,642)
Accrued employee bonuses	257,626	235,964	(21,661)
Other	879,363	987,431	108,068
Noncurrent liabilities	1,849,970	1,776,501	(73,469)
Long-term loans payable	1,290,817	1,217,480	(73,337)
6 Lease obligations	50,723	43,592	(7,130)
Deferred tax liabilities	97,175	97,727	551
Net defined benefit liability	126,297	132,745	6,447
Other	284,955	284,955	―
Total liabilities	9,730,633	9,988,846	258,212

Net Assets			
Shareholders’ equity	8,141,924	8,732,619	590,694
Common stock	5,372,574	5,373,336	761
Additional paid-in capital	974,443	975,205	761
Retained earnings	1,794,907	2,384,078	589,170
Treasury shares	(0)	(0)	―
Accumulated other comprehensive income	150,683	113,879	(36,804)
Stock acquisition rights	77,299	77,593	294
Non-controlling interests	1,023,412	1,008,445	(14,966)
Total net assets	9,393,319	9,932,538	539,218
Total liabilities and net assets	19,123,953	19,921,384	797,431

Consolidated Statement of Income

(Thousands of yen)

		Fiscal 2023 First Quarter	Ratio to Revenues		Fiscal 2024 First Quarter	Ratio to Revenues	YoY Change Amount	YoY Change Ratio
Revenues	1	2,716,112	100.0%		3,434,905	100.0%	718,793	26.5%
Cost of revenues	2	1,118,382	41.2%		1,332,007	38.8%	213,625	19.1%
Gross profit		1,597,730	58.8%		2,102,897	61.2%	505,167	31.6%
Selling, general and administrative expenses	3	877,310	32.3%		1,126,658	32.8%	249,347	28.4%
Operating income		720,419	26.5%		976,239	28.4%	255,820	35.5%
Other income		12,986	0.5%		24,925	0.7%	11,939	91.9%
Other expenses		33,545	1.2%	4	47,285	1.4%	13,740	41.0%
Ordinary profit		699,860	25.8%		953,879	27.8%	254,019	36.3%
Extraordinary profit		369	0.0%		511	0.0%	142	38.5%
Extraordinary loss		15,673	0.6%		0	0.0%	(15,673)	(100.0)%
Income before income taxes		684,556	25.2%		954,391	27.8%	269,834	39.4%
Income taxes		103,338	3.8%		219,779	6.4%	116,441	112.7%
Profit		581,217	21.4%		734,611	21.4%	153,393	26.4%
Profit attributable to non-controlling interests		77,793	2.9%		145,440	4.2%	67,647	87.0%
Profit attributable to owners of parent		503,424	18.5%		589,170	17.2%	85,746	17.0%

1 Primarily due to increase in revenues from business succession solution services and aircraft asset management services.

2 Despite low Metsä-related costs, higher outsourcing costs paralleling increase in SGI revenues as well as impairment losses on investments, mainly into start-ups, led to increase in cost of revenues.

3 FGI and FinTech Asset Management revised respective personnel evaluation and compensation system. Will review base salary and various allowances starting with December 2024 allocation. Other Group companies also engaged in changes, including efforts to reinforce human resources, leading to higher personnel costs. Payment fees and other expenses up paralleling business expansion, driving SG&A up 28.4% year on year.

4 Booked ¥16 million in gain on foreign exchange.

Repurchase of Own Shares

While FGI is moving to exit investments in business succession projects and strives to maintain sufficient capital to facilitate future growth investment, the Company seeks to return profits to shareholders and improve capital efficiency, including ROE. At the same time, the Company will undertake treasury stock repurchase for such purposes as ensuring a flexible execution of capital policy (including use in M&As) geared to the business environment and supporting incentive plans for the executive team.

Details of the Repurchase

Type of shares to be repurchased	Common stock of FinTech Global
Total number of shares to be repurchased	2,500,000 shares (maximum) (Proportion of the total number of shares issued excluding treasury stock: approximately 1.24%)
Total amount	150,000,000 yen (maximum)
Period	From February 19, 2024 to September 30, 2024
Methods of repurchase	Purchases on the Tokyo Stock Exchange

Changes in Key Financial Data

		Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	First Quarter Fiscal 2024
Revenues	(millions of yen)	9,175	6,841	8,107	9,301	9,302	3,434
Gross profit	(millions of yen)	2,944	2,313	3,370	3,990	5,111	2,102
Operating income/(loss)	(millions of yen)	(1,664)	(992)	178	587	1,343	976
Ordinary profit (loss)	(millions of yen)	(1,850)	(1,135)	115	540	1,277	953
Profit /(loss) attributable to owners of parent	(millions of yen)	(1,586)	(1,186)	130	176	1,603	589
Net assets	(millions of yen)	8,873	7,304	7,439	7,842	9,393	9,932
Total assets	(millions of yen)	19,025	16,583	16,457	17,933	19,123	19,921
Net assets per share	(yen)	37.03	31.12	31.47	32.72	41.19	43.94
Net income (loss) per share	(yen)	(8.08)	(5.90)	0.65	0.88	7.97	2.93
Diluted net income (loss) per share	(yen)	–	–	0.65	0.87	7.94	2.92
Equity to total asset ratio	(%)	39.1	37.7	38.5	36.7	43.4	44.4
Equity to net income ratio	(%)	(21.5)	(17.3)	2.1	2.7	21.6	–
Price earning ratio (PER)	(times)	–	–	86.1	44.6	7.7	–
Cash flow from operating activities	(millions of yen)	(2,604)	680	747	(701)	615	–
Cash flow from investing activities	(millions of yen)	(4,543)	(282)	(173)	(141)	766	–
Cash flow from financing activities	(millions of yen)	5,710	(767)	(360)	802	(538)	–
Cash and cash equivalents at the end of the fiscal year	(millions of yen)	2,513	2,142	2,379	2,375	2,868	–
Number of employees(consolidated) (part-time employees)	(employees)	167(262)	156(224)	149(209)	176(144)	153(169)	156(193)
Number of employees(non-consolidated)(part-time employees)	(employees)	39(5)	28(6)	28(4)	30(4)	26(6)	37(8)

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	201,321,700 shares (As of December 31, 2023)
Minimum trading unit	100
Capital stock	¥5,373 million (As of December 31, 2023)
Net assets (consolidated)	¥9,932 million (As of December 31, 2023)
Number of employees	Consolidated: 156 (As of December 31, 2023, excludes temporary staff)

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Disclaimer

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.