

Action to Implement Management That is Conscious of Cost of Capital and Stock Price

(Updated on December 16, 2024)

FinTech Global Incorporated

TSE Standard Market Stock Code: 8789

<https://www.fgi.co.jp/en/>

Introduction	2
Analysis of Current Situation	
Profitability (ROE)	3
Cost of capital	5
Market valuation	6
Activities and Targets	
ROE target and initiatives	10
Reducing cost of shareholders' equity	11

Following its initial announcement on our website “**Action to Implement Management that is Conscious of Cost of Capital and Stock Price**”, on November 8, 2023, FGI received comments from many directions, including institutional investors.

Using these comments as reference points, along with analytical methods and improvement measures applied by other companies, FGI assessed the current situation regarding cost of capital and return on capital. After consideration at the executive level and subsequent discussion by the Board of Directors, FGI put together an updated version, which is described in these materials.

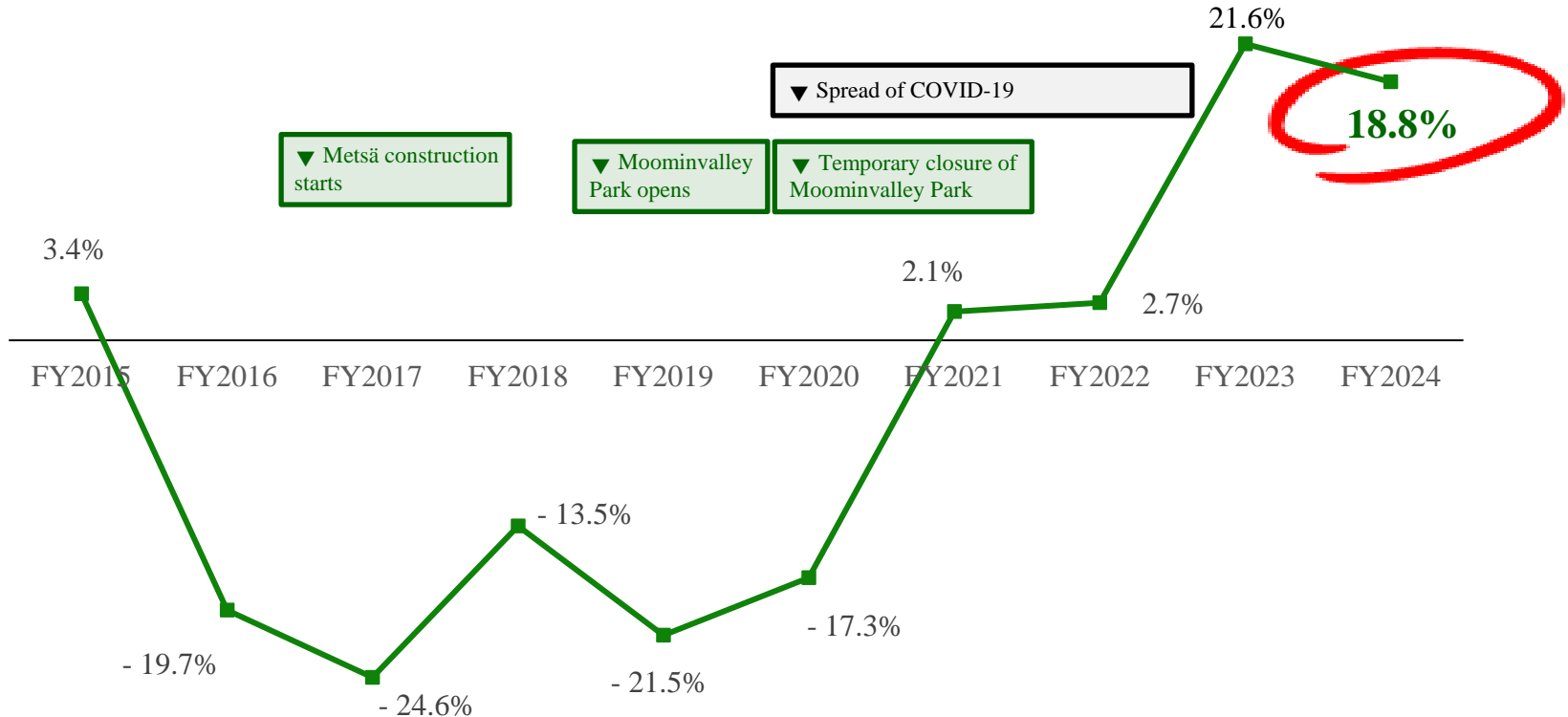
These materials, including past measures, are posted to our corporate website.

<https://www.fgi.co.jp/en/ir/library/action/>

Analysis of Current Situation — Profitability (ROE)

Changes in ROE

- Between fiscal 2016 and fiscal 2020, ROE remained in negative territory due to costs associated with preparations for the opening of Metsä as well as losses caused by pandemic-related factors. But from fiscal 2021, ROE improved considerably, paralleling favorable demand for services, particularly private equity investment and arrangements.
- In fiscal 2024, ROE did not reach target of 20% but still remained at high level.



Analysis of Current Situation — Profitability (ROE)

ROE breakdown

Fiscal 2023 marked start of major improvement in net profit margin, driven by high ROE.

Fiscal 2024 (Year-on-year analysis)

Net profit margin narrowed, as returns on high cost ratio asset investments buoyed revenues, but total asset turnover improved. Financial leverage ratio declined because increase in total assets, stalling at 8.1%, was overshadowed by 15% increase in shareholders' equity due to higher retained earnings.

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
ROE	-13.5%	-21.5%	-17.3%	2.1%	2.7%	21.6%	18.8%
Net profit margin	-22.2%	-17.3%	-17.3%	1.6%	1.9%	17.2%	12.1%
Total asset turnover	0.27 times	0.56 times	0.38 times	0.49 times	0.54 times	0.50 times	0.69 times
Financial leverage	2.23 times	2.24 times	2.60 times	2.63 times	2.66 times	2.49 times	2.23 times

$$\text{ROE} = \frac{\text{Net income}}{\text{Revenues}} \times \frac{\text{Revenues}}{\text{Total assets}^*} \times \frac{\text{Total assets}^*}{\text{Shareholders' equity}^*}$$

【Profitability】
【Asset efficiency】
【Financial leverage】

Net profit margin
Total asset turnover
Financial leverage ratio

*Average of amount at beginning and end of fiscal year

Analysis of Current Situation — Cost of Capital

- ROE greatly exceeds cost of shareholders' equity, and return on invested capital (ROIC) greatly exceeds weighted average cost of capital (WACC).
- Cost of shareholders' equity is calculated using capital asset pricing model (CAPM) applied in previous year as well as stock yield. Confirmed increase over previous fiscal year.
- CAPM parameters: Year-on-year increase in equity risk premium and beta value.
- Equity spread narrowed year on year, but generated value between 8.8% and 9.8%.

	Fiscal 2023	Fiscal 2024
ROE	21.6%	18.8%
Cost of shareholders' equity *1	7.8%	9–10%
Equity spread	13.8%	8.8–9.8%

	Fiscal 2023	Fiscal 2024
ROIC *2	12.3%	13.1%
WACC	5.2%	6.8–7.5%
ROIC–WACC spread	7.1%	5.6–6.3%

- Notes: 1. To determine cost of shareholders' equity, FGI first examined results based on capital asset pricing model (CAPM).
 Beta used in CAPM calculation estimated through regression analysis of weekly (52 or 104 weeks) or monthly (36 or 60 months) price-earnings ratios (PER) and is median value of common duration of each period.
 CAPM generated beta of 8.8%.
 (In 2023, we made effort to use beta values of companies in same industry and of similar companies, but for 2024, we shelved that approach because of finding similarities between our businesses and other companies is difficult.)
 Since coefficient of determination in CAPM regression analysis was often below 0.3, FGI took into account such factors as stock yield (inverse of PER; 10.6%, based on average closing price of ¥95, based on period from November 7 to December 13, 2024, the day after announcement of financial results, and anticipated EPS of ¥10.21 for fiscal year ending September 30, 2025) and stock price trends in December, to estimate cost of shareholders' equity, which management sees falling in 9%–10% range.
2. ROIC (return on invested capital) = Net operating profit after taxes / (Average interest-bearing debt for period + Average total net assets for period – Average cash and deposits for period)
 (Average for period is based on average at beginning of period and at end of each quarter.)

Analysis of Current Situation — Market valuation (market capitalization)

Business results have been on recovery path since fiscal 2021, and FGI has realized high return on capital since fiscal 2023. But to date, such achievements have not been fully reflected in our stock price. Following our announcement of fiscal 2024 results on November 6, 2024, a positive trend emerged with results appearing to be factoring into stock price.



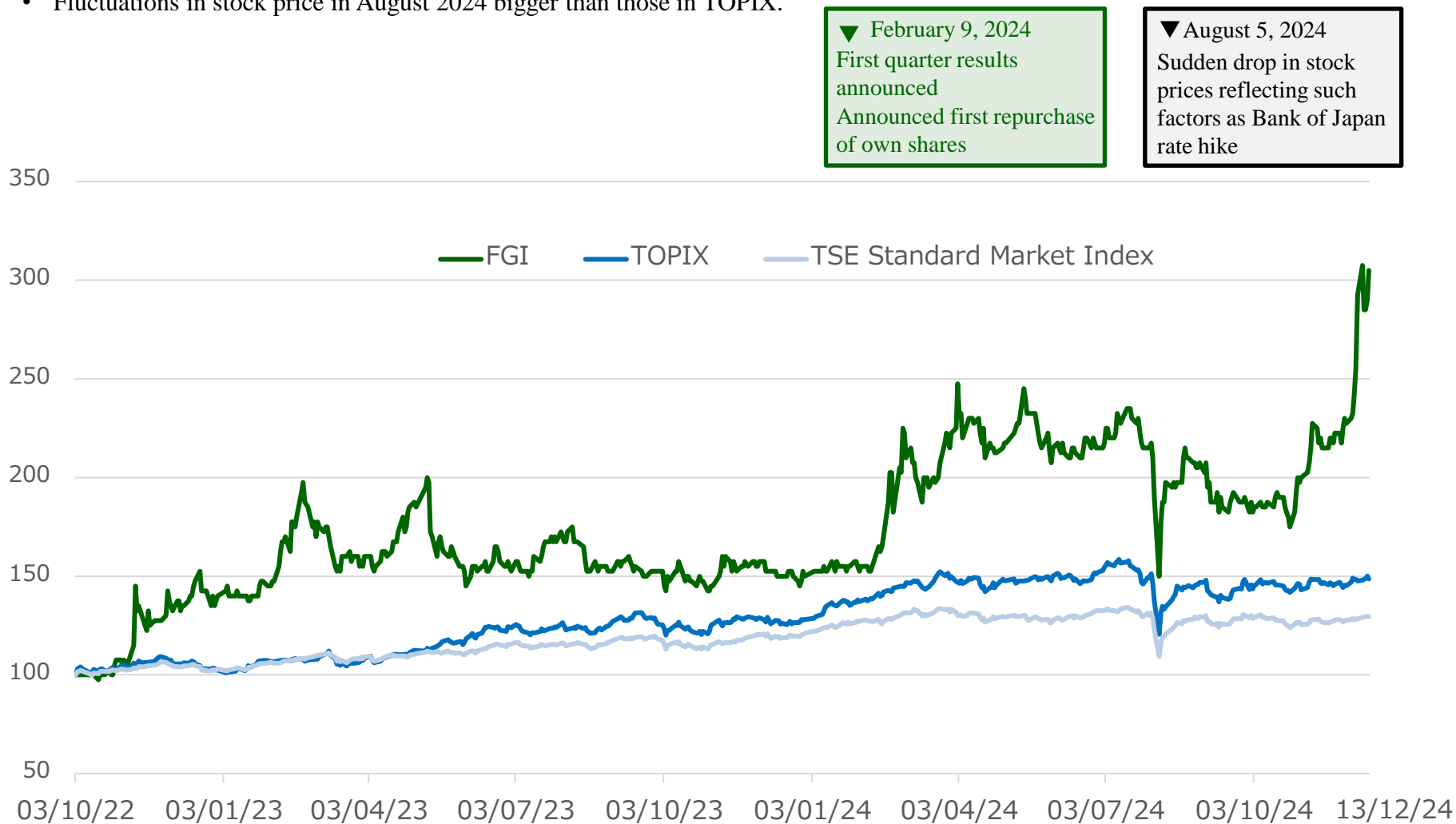
Note: Market capitalization = Stock price at end of fiscal year x Number of shares issued (after excluding treasury stock)

Analysis of Current Situation — Market valuation

(Comparing indexes, including TOPIX) (October 2022 – December 13, 2024)

Comparing FGI's stock price with indexes, such as TOPIX, over past two years, with October 3, 2022 set 100 (daily closing price)

- FGI stock price outperformed indexes. February 2024 evaluation of first quarter results and announcement regarding first repurchase of own shares had significant impact.
- Fluctuations in stock price in August 2024 bigger than those in TOPIX.

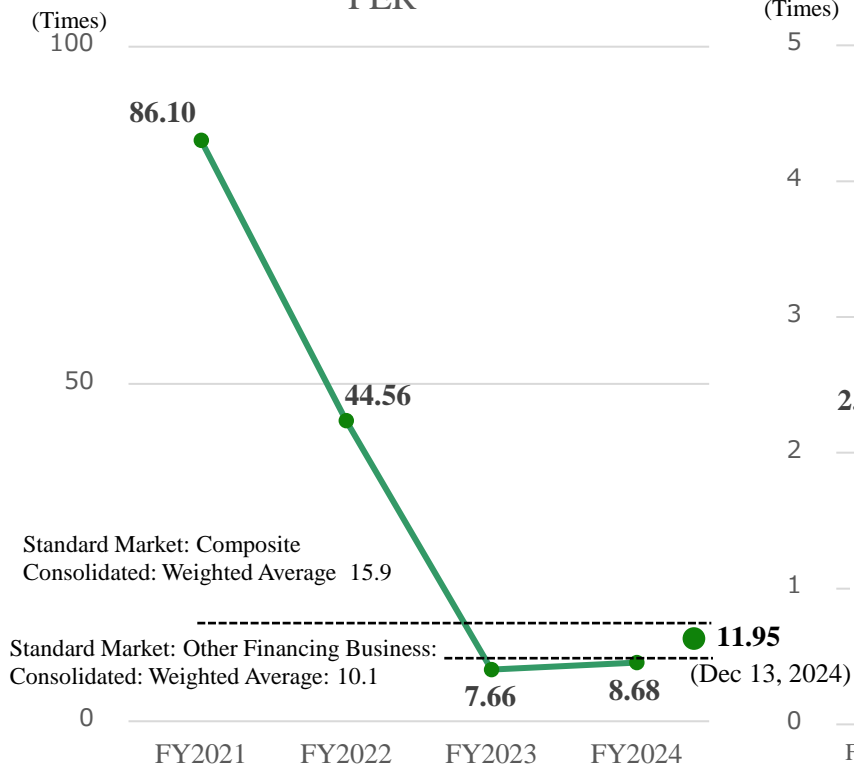


Analysis of Current Situation — Market valuation (PER, PBR)

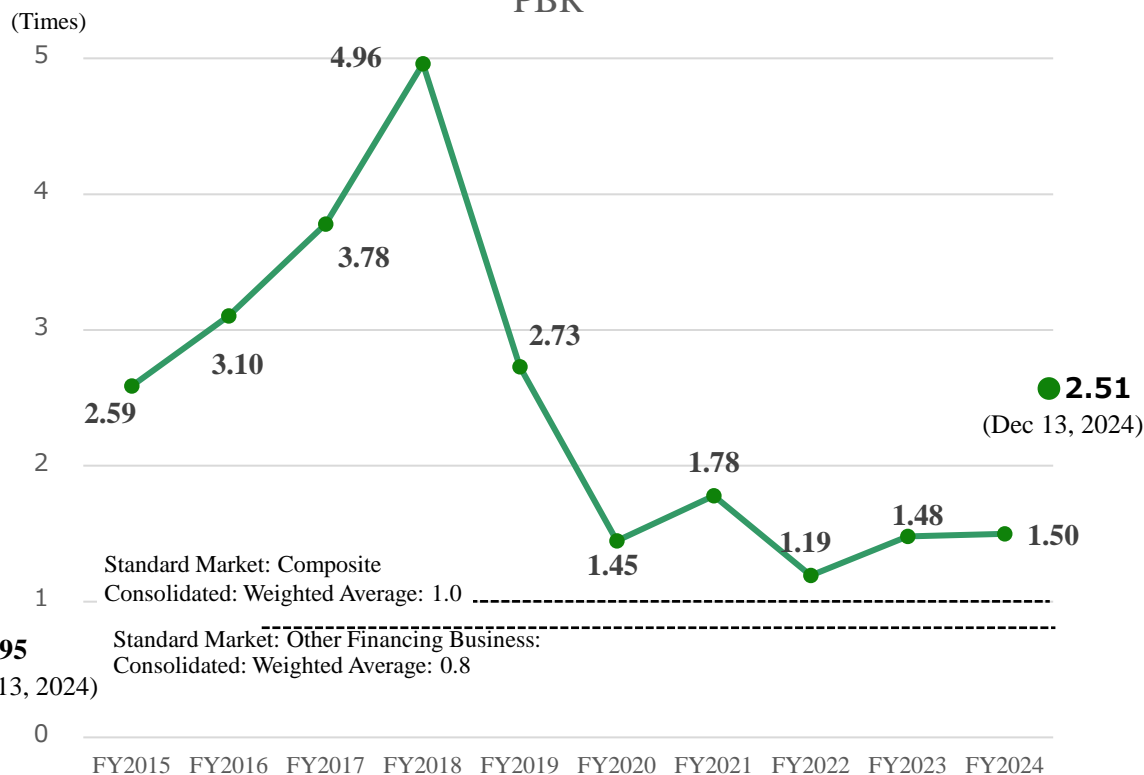
PER dropped below market average but has been showing signs of improvement.

Price-to-book ratio (PBR) consistently maintained above 1. Saw gradual improvement and then big improvement in December 2024.

PER



PBR



*Calculation based on closing price on final trading day of each fiscal year and net income per share (actual). Value for December 13, 2024 based on closing price on that day and net income per share (forecast).

*Data for fiscal 2020 and earlier not presented because, except for fiscal 2015, FGI booked loss attributable to owners of the parent.

*Weighted averages for Standard Market as of November 30, 2024 (from Tokyo Stock Exchange Average PER and PBR by Size and Type of Industry)

*Calculation based on closing price on final trading day of each fiscal year and net assets per share (actual). Value for December 13, 2024 based on closing price on that day and net assets per share at the end of the previous fiscal year.

*Weighted averages for Standard Market as of November 30, 2024 (from Tokyo Stock Exchange Average PER and PBR by Size and Type of Industry).

Analysis of Current Situation — Market valuation

(Issues to consider from analysis results)

Although profitability is high, market valuation is not increasing. Must understand why.

Long-term corporate value not adequately communicated

- Profits are high but long-term corporate value not adequately communicated to investors. Future business results difficult to predict, cost of shareholders' equity rising

High performance volatility

- Private equity investment income is flow-based and fluctuates depending size of deal, leading to high performance volatility.
- Very difficult to predict future investment returns (timing of exits), causing potential discrepancies between forecasts and actual results. Upwardly revised three times in fiscal 2024.

Business not really well understood

- Stock market has shallow understanding of business pursuits, such as private equity investment.
- Investment banking business is unfamiliar to individual investors who account for more than 80% of shareholding base. Meanwhile, easy-to-understand entertainment service business has been slow to recover in a performance sense.



Given the above challenges, we will promote various policy initiatives to boost market valuation.

(Described on pages 10–11)

Activities and Targets — ROE target and initiatives

Promote initiatives emphasizing enhanced profitability on steady path toward ROE exceeding 20%

Maintain profitability and ensure stable growth

Maintain high-profit structure, built on such activities as private equity investment, and ensure stable growth

- Measures in each business area are described in Forecasts by segment are described on the Forecast by Segment page in “[Results for Fiscal 2024, Ended September 30, 2024](#),” disclosed on November 6, 2024.
- Will reemphasize efforts to cultivate business domains that contribute to stable growth.

Strengthen human capital by attracting, developing and retaining top talent

- Recognize shortage of human resources as biggest challenge, and promote bold and powerful measures to address situation.
- Plan to grant restricted stock to directors and core personnel, such as executive officers, while maintaining stock options for employees.

Medium- to long-term perspective on cost control

- Continue to promote measures to reduce Metsä operating costs.
- Installed solar power generation equipment on grounds of Metsä Village in July 2024 for on-site use.
- Implement measures that help reduce electricity bills over medium to long term.

Improve asset efficiency

Regularly conduct review of investment portfolio and allocate capital accordingly

Improve Metsä Village profitability toward securitization

Utilize debt and optimize capital levels

Expand debt procurement

- Increase borrowing to grow investment banking business.

Returning profit to shareholders

- Resumed payment of dividends in fiscal 2024. Plan to raise dividend in fiscal 2025. Will continue to pay dividends going forward.
- First repurchase of own stock executed in fiscal 2024. Will maintain flexible attitude toward additional buybacks matched to market conditions.
- Will retain cash for reinvestment by high-profit investment banking business while implementing shareholder returns conscious of appropriate capital levels.

Activities and Targets — Reducing cost of shareholders' equity

Reduce performance volatility by expanding stable sources of income.

Communicate long-term corporate value to investors through IR activities and information disclosure.

Reduce performance volatility	<p>Reduce performance volatility by expanding stable sources of income Promote expansion of stable sources of income by building up balance of assets under management. Actively develop other businesses as well, stabilize and diversify income, and cut cost of shareholders' equity.</p>
IR activities	<p>Promote dialogue with institutional investors Engage in constructive dialogue to help investors properly evaluate FGI's circumstances, and prevent huge fluctuations in stock price. Cut cost of shareholders' equity. Number of meetings in fiscal 2024 higher than in fiscal 2023 but still low, so we will actively seek dialogue with interested investors through securities companies as well as direct contact and also apply to be included in TSE's list of companies that wish to be contacted by institutional investors.</p> <p>Run information meetings for individual investors Held meeting on December 7, 2024. Presentation uploaded to website. Given that FGI's shareholder base is heavily weighted in favor of individuals, such meetings will be organized on regular basis.</p>
Information disclosure	<p>Appropriate information disclosure Control huge stock price fluctuations by adequately explaining business opportunities and inherent risks to stock market and thereby minimizing surprises. Reduce cost of shareholders' equity. Strive to improve accuracy of performance forecasts by working to secure stable sources of income. Consider creation of medium- to long-term plans and other approaches to communicate long-term corporate value to investors and realize sustainable improvement in stock price.</p>

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.