Information Meeting Materials for First Quarter (October 2015 - December 2015) of the Fiscal Year Ending September 30, 2016 Consolidated Results

Financial Products Group Co., Ltd.

Tokyo Stock Exchange First Section
(Code: 7148)

JPX
TSE LISTED

January 2016

Table of Contents

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Performance Highlights	P3
Review	P4
Topics	P5～6
Status of the Tax Leasing Arrangement Business	P8～9
Commission Fees from Equity Sales	P10
Statement of Income	P12
Balance Sheet	P13
Consolidated Performance Forecast	P15
FY2016 Dividend Forecast	P16
Enhancement of Tax Leasing Arrangement Business	P18
Efforts to Diversify Profit Structure	P19
Diversification of Revenue Structure	P20

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FY2016 : First Quarter Summary



Performance Highlights

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◆ Achieved record consolidated net sales and profits by expansion of the Tax Leasing Arrangement Business

- Win-lose polarization has advanced in a variety of industries throughout Japan, with demand from winners (profitable investors/clients: mainly small & medium enterprises; hereinafter "SMEs") to invest in Japanese Operating Leases ("JOL") being strong. In addition, the needs of clients for the purpose of business succession have increased. As a result, we posted 21.7% increase in the total amount of equity sales to ¥ 27.68 billion.
- In addition, due to contributions from net sales and profits in the other businesses, the consolidated net sales and profits significantly increased compared with the same period of the previous year.

(Billions of yen)	FY2015 1Q	FY2016 1Q	Year-on- Year Change	Year-on- Year Change (%)	Full-year forecast (Revised)	Progress	First half forecast (Revised)	Progress
Net sales	4.28	5.79	1.51	35.2%	18.27	31.7%	10.06	57.6%
Operating income	3.20	4.09	0.89	27.8%	12.13	33.7%	6.90	59.3%
Ordinary income	3.11	4.19	1.07	34.4%	12.38	33.8%	6.93	60.5%
Profit attributable to owners of parent	1.99	2.75	0.75	38.0%	7.91	34.8%	4.48	61.3%
Total amount of leased assets	62.17	130.86	68.68	110.5%	360.00	36.4%	—	—
Total amount of equity sales	22.74	27.68	4.94	21.7%	101.00	27.4%	—	—

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Review

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Topics

November	(– Dec.) Held the company briefings for individual investors throughout Japan (in Tokyo, Osaka, Nagoya, Hiroshima and Fukuoka)
December	• Started Agency for Trust Agreements for FPG Trust Co., Ltd. • Established the Information Systems Department to support efficient sales activity and corporate management • Completed sales of two small-lot real estate products • Dividend ¥24.50 (FY2015, annual) Consolidated dividend payout ratio:36.3% (FY2015, annual) • Completed 4.5 millions shares buyback

Topics – Tax Leasing Arrangement Business

Arrangements / Originations

- ◆ Structured aircraft and container JOL transactions for new lessee clients, together with overseas affiliates
- ◆ Expanded the fund -procurement capacity to ¥74.65 billion

(→Refer to page 5 “Stronger fund procurement capacity”)

Sales / Placement

- ◆ Expanded of distribution network, increasing alliance by adding 131 accounting firms and 1 financial institution in the first quarter of FY2016.

(→Refer to page 6 “ Expansion of distribution network ”)

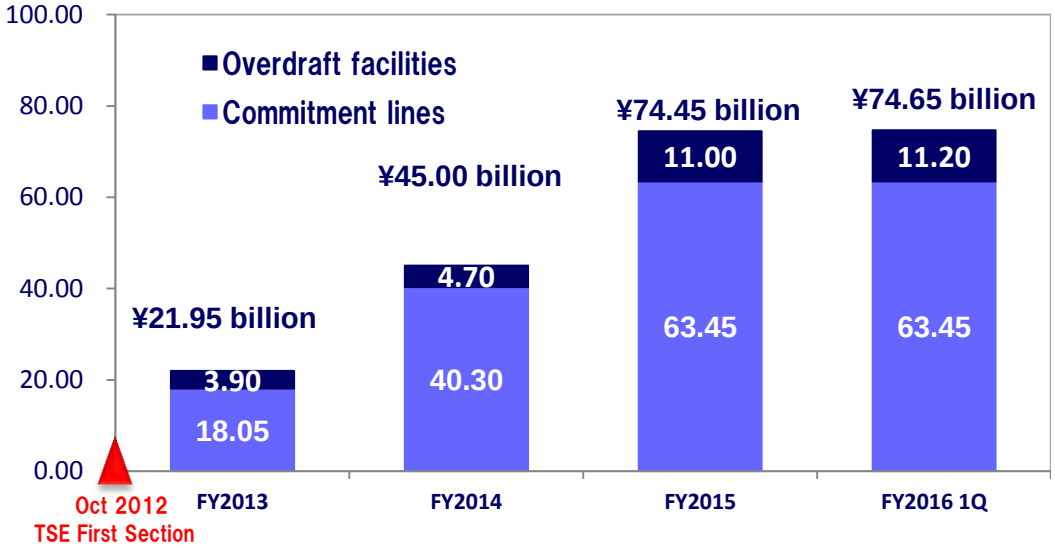
- ◆ Increased the number of sales staff to enhance the sales force

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Topics – Stronger fund-procurement capacity

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Fund-procurement capacity continued to expand to ¥74.6 billion



Fund-procurement capacity was less than ¥10 billion before we were listed on the TSE First Section, but our listing on the TSE First Section has dramatically enhanced our credibility among lenders. The number of lenders was 27 before Listing on the TSE First Section, but has now increased to 58.

Diversify and stabilize fund raising sources by obtaining a credit rating

Credit rating from JCR

Long-term Issuer Rating	Short-term Issuer Rating	CP
BBB-	J-2	J-2 Maximum : ¥5.0 billion
CP issue outstanding As of end of Dec. 2015		¥4.0 billion

By obtaining a credit rating from an independent agency, we purport to enhance transparency of management, financial soundness and diversify and stabilize fund raising sources

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Topics – Expansion of distribution network

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Created more alliances with accounting firms and financial institutions (an increase of 131 accounting firms, 1 regional bank). Enhanced Introduction of large investors from financial institutions, such as securities companies and regional banks

Network of over 8000 accounting firms. Partnership agreements with over 2,400 accounting firms

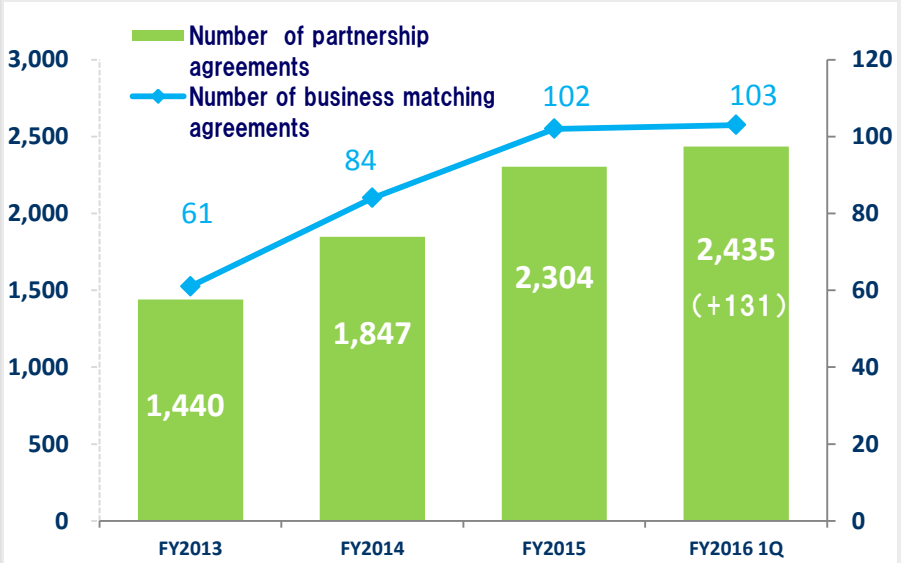
New alliances with 131 accounting firms in FY2016 1Q



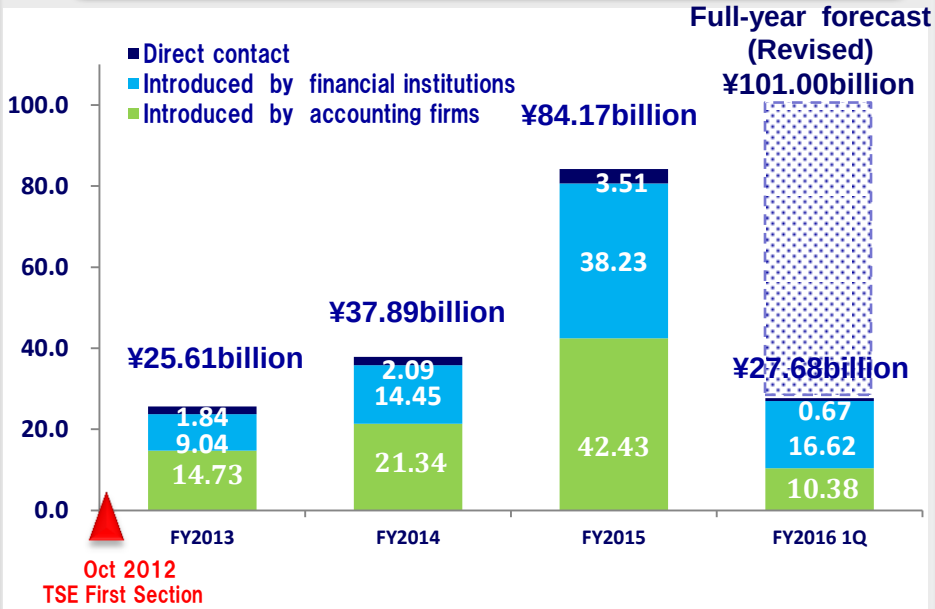
Business alliance with 85regional banks and 18 securities companies

New alliances with 1 regional bank in FY2016 1Q

Number of partnership agreement and business matching



Transition of equity sales (through accounting firms and financial institutions)



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FY 2016 : First Quarter
Business Summary



Status of the Tax Leasing Arrangement Business

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◆ By expanded origination capacity and favorable sales environment, total amount of equity sales has increased significantly

Arrangement /Originations

We promoted the alliance with overseas affiliates to support the structuring of cross-border JOLs.
In order to enhance the origination capacity for JOL, we actively expanded lease arrangement underpinned by enhancement of the human resources of the department of origination and by improved fund-procurement capacity. Consequently, total amount of leased assets has increased significantly to ¥130.86 billion (an increase of 110.5% Year-on-Year).

Sales /Placement

Win-lose polarization has advanced in a variety of industries throughout Japan, with demand from winners (profitable investors) to invest in Japanese Operating Leases ("JOL") being strong. In addition, the needs of large-lot investors for the purpose of business succession have increased. We enhanced distribution network to catch those investors nationwide. As a result, the amount of equity sales has reached ¥27.68 billion (an increase of 21.7% Year-on-Year).

(Billions of yen)		FY2015 1Q	FY2016 1Q	Year-on-Year Change	Year-on-Year Change(%)	FY2015 Full-Year
Total amount of leased assets		62.17	130.86	68.68	110.5%	297.34
Total amount of equity sales		22.74	27.68	4.94	21.7%	84.17
	Ships	12.57	16.58	4.01	31.9%	43.95
	Marine containers	6.38	2.85	(3.52)	(55.2%)	16.71
	Aircraft	3.78	8.23	4.45	117.6%	23.50
Number of companies (number of deals)		398	516	118	29.6%	1,653
Tax leasing arrangement business net sales		4.05	5.40	1.34	33.1%	14.12
Commission fees from equity sales, excluding full-equity deals		17.8%	19.5 %	1.7 point		16.8%

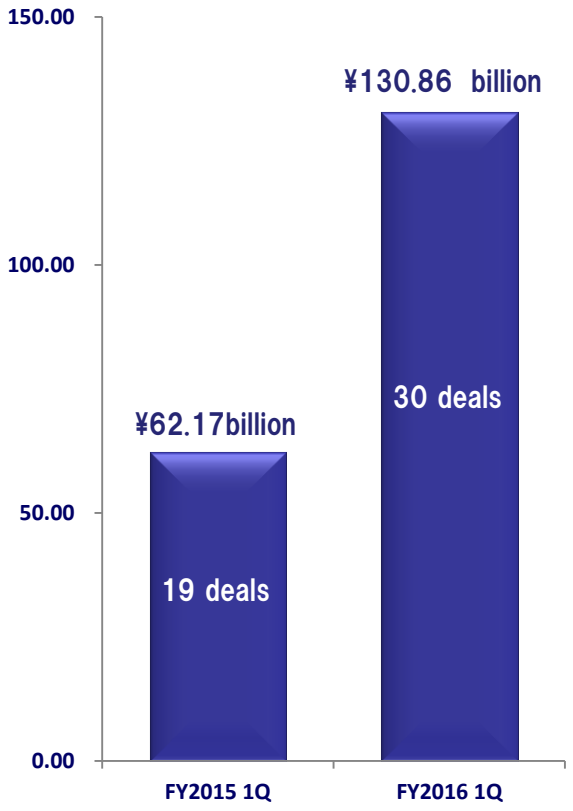
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Status of the Tax Leasing Arrangement Business

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Total amount of leased assets

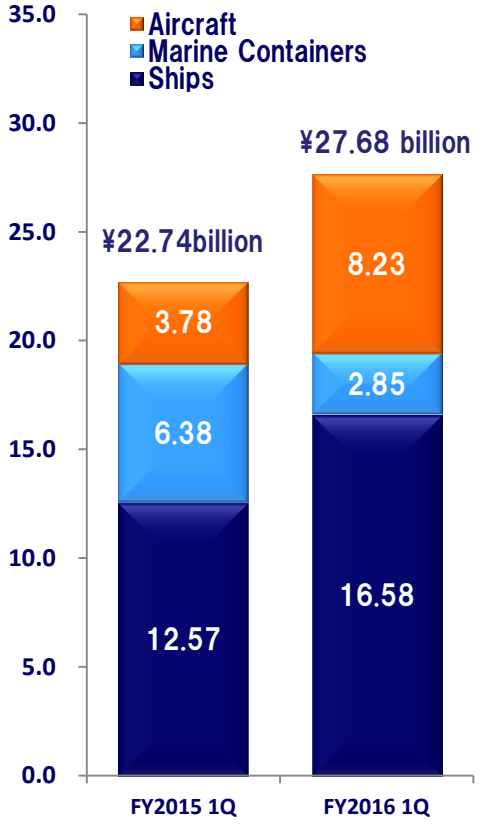
Up 110.5% (Year-on-Year)



＊ Number of deals = Number of SPC

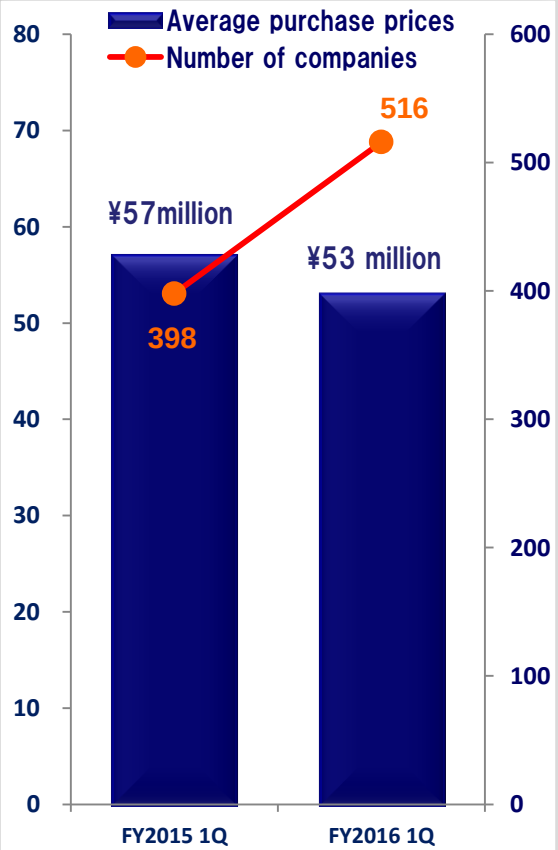
Total amount of Equity sales

Up 21.7% (Year-on-Year)



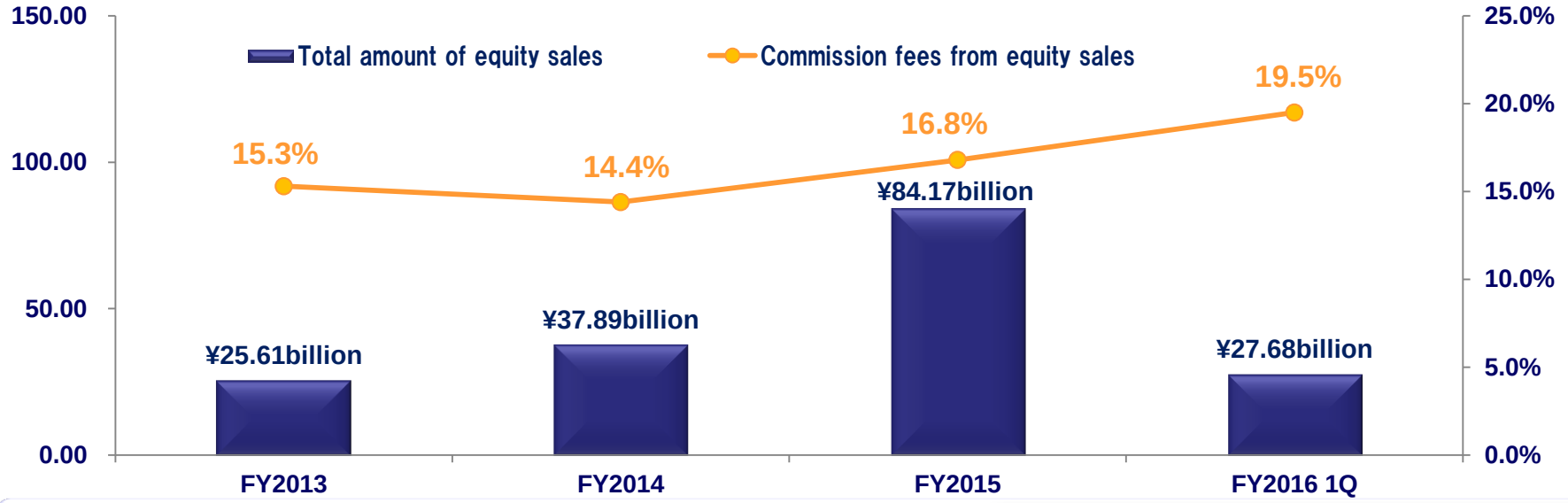
Number of companies (number of deals) /Average purchase prices

Up 118 / Down ¥4 million (Year-on-Year)



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Commission Fees from Equity Sales



(Billions of yen)	FY2013	FY2014	FY2015	FY2016 1Q
Tax leasing arrangement business net sales	3.74	5.44	14.12	5.40
Total amount of equity sales	25.61	37.89	84.17	27.68
Commission fees from equity sales as a percentage of net sales (Net sales/Total amount of equity sales)	15.3%	14.4%	16.8%	19.5%

Changes in Commission Fees from Equity Sales

We successfully arranged deals to meet robust investor demand. Commission fees from equity sales were settling into the 14% to 15% range in previous years, with this level considered high compared with that of other financial products. We secured high-profit products in FY2015 and in 1Q of FY2016, and, through our arrangements and sales, commission fees increased in 1Q to 19.5%. The fee levels are however expected to return to the regular level in 2Q and in subsequent periods.

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FY 2016 : First Quarter Financial Highlights



Statement of Income

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(Billions of yen)	FY2015 1Q	FY2016 1Q	Change	
Net sales	4.28	5.79	1.51	35.2%
Cost of sales	0.49	0.63	0.14	28.9%
Gross profit	3.79	5.16	1.36	36.0%
Selling, general and administrative expenses	0.59	1.07	0.47	80.0%
Operating income	3.20	4.09	0.89	27.8%
Non-operating income	0. 20	0.23	0.03	16.6%
Non-operating expenses	0. 28	0.13	(0.14)	(52.5%)
Ordinary income	3.11	4.19	1.07	34.4%
Extraordinary gain or loss	(0.00)	(0.01)	(0.00)	–
Income before income taxes	3.11	4.18	1.06	34.2%
Total Income taxes	1.12	1.40	0.28	25.5%
Profit attributable to owners of parent	1.99	2.75	0.75	38.0%

1 Net sales ¥5.79 billion (up¥1.51 billion)

(Millions of yen)

Tax Leasing Arrangement Business	5,400	(up	1,343)
Real Estate Business	132	(up	65)
Insurance Brokerage Business	32	(down	21)
Securities Business	58	(down	11)
Aircraft Investment Management Service	155	(	–)

2 Cost of sales ¥0.63 billion (up¥0.14 billion)

Arrangement costs	89	(up	25)	(Millions of yen)
Commission fee for client referrals	539	(up	121)	

→This was primarily due to the increase of commission fees paid for client introductions along with the increase of the net sales in Tax Leasing Arrangement Business.

3 SGA Expenses ¥1.07 billion (up¥0.47 billion)

In line with our business expansion, personnel expenses and various expenses have increased as we have hired more staff and consolidated subsidiaries.

Number of employees 110 (FY2015 1Q)→ 167 (FY2016 1Q)

Personnel expenses	524	(up	253)	(Millions of yen)
Amortization of goodwill	34	(up	22)	

4 Non-operating income ¥0.23 billion (up¥0.03 billion)

We temporarily underwrite the equity portion of the operating lease products and sell down to investors as small lot investment products. Interest for the period of the equity underwriting is charged to investors and is added to other operating income after the sale to investors. With the expansion of the JOL arranging business, interest receivable for the period of underwriting has increased, as has equity in earnings of affiliates.

5 Non-operating expenses ¥0.13 billion (down¥0.14 billion)

Procurement yield was reduced though funding amount was increased.

The renewal of certain large commitment lines occurred in 4Q FY2015, as opposed to 1Q FY2016, resulting in a lower renewal expense in 1Q.

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Balance Sheet

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Assets (Billions of yen)	FY2015 Sep.30,2015	FY2016 Dec.31,2015	change
Current assets	66.03	76.09	10.05
Cash and deposits	7.38	8.11	0.73
Equity underwritten	46.52	59.60	13.08
Real estate for arrangement	1.57	—	(1.57)
Other current assets	10.55	8.36	(2.18)
Non-current assets	2.99	2.90	(0.08)
Total assets	69.08	79.04	9.96

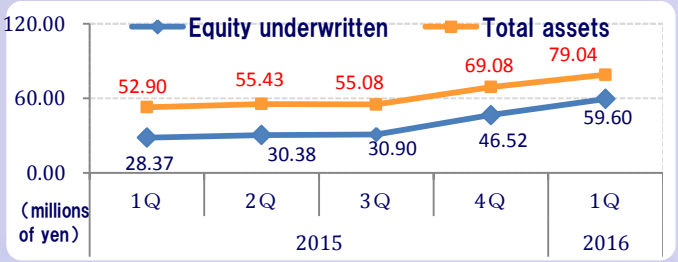
Liabilities (Billions of yen)	FY2015 Sep.30,2015	FY2016 Dec.31,2015	change
Current liabilities	50.03	62.43	12.40
Short-term debts・bonds	29.42	45.90	16.48
Advances received	7.38	8.33	0.94
Other current liabilities	13.22	8.19	(5.03)
Non-current liabilities	2.88	3.51	0.63
Long-term debt・bonds	2.66	3.30	0.64
Other fixed liabilities	0.21	0.21	(0.00)
Total liabilities	52.91	65.95	13.03

Net assets (Billions of yen)	FY2015 Sep.30,2015	FY2016 Dec.31,2016	change
Common stock	3.08	3.08	—
Additional paid-in capital	3.03	3.03	—
Retained earnings	9.95	10.39	0.44
Treasury stock	(0.00)	(3.52)	(3.52)
Foreign currency translation adjustment	0.01	(0.00)	(0.01)
Total net assets	16.17	13.09	(3.07)
Total liabilities and net assets	69.08	79.04	9.96

1 Equity underwritten ¥59.60 billion (up ¥13.08 billion)

Due to robust investor demand in the first quarter, we accelerated our sales of the equity of some leased assets. We were however able to increase the equity underwritten balance to a higher level than the previous year-end balance due to the successful structuring of new deals.

Use short-term loans, mainly commitment lines, to secure advances on total equity underwritten (The temporary advanced paid)



2 Real estate for arrangement

Completion of sales of two sub-divided real estate products.
Developing new real estate-related products.

3 Other current assets ¥8.36 billion (down ¥2.18 billion)
Other current liabilities ¥8.19 billion (down ¥5.03 billion)

Our securities business division provides currency-related OTC derivative transactions by back to back trade with financial institutions. Each derivative transaction is accounted as an asset or a liability depending on the result of the mark-to-market. In addition, the division receives and pledges guarantee deposits which are determined by market value. Amounts in each account was decreased due to the fluctuation of market value.
In other current liability, income taxes payable decreased ¥2.06 billion.

4 Advances received ¥8.33 billion (up ¥0.94 billion)

Since the equity underwritten balance increased, the advances received balance also increased to a higher level

5 Long-and short-term・bonds ¥49.21 billion (up ¥17.12 billion)

The funding increased due to procuring more funds for equity underwriting (JOL).

6 Total net assets ¥13.09 billion (down ¥3.07 billion)

Dividend payments were ¥2.31 billion, while profit attributable to owners of parent were ¥2.75 billion. Acquired treasury stock of ¥3.52 billion.

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FY 2016
Consolidated Performance Forecast



Consolidated Performance Forecast (announced on January 29, 2016)

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(Billions of yen)	FY 2016 1Q Actual	First half forecast (Revised)	Progress	Full-year forecast (Revised)	Progress
Net sales	5.79	10.06	57.6%	18.27	31.7%
Tax Leasing Arrangement Business	5.40	9.23	58.5%	16.25	33.2%
Other Business	0.39	0.82	48.1%	2.02	19.7%
Operating income	4.09	6.90	59.3%	12.13	33.7%
Ordinary income	4.19	6.93	60.5%	12.38	33.8%
Profit attributable to owners of parent	2.75	4.48	61.3%	7.91	34.8%
Total amount of leased assets	130.86	—	—	360.00	36.4%
Total amount of equity sales	27.68	—	—	101.00	27.4%

In the first quarter of FY2016, equity sales were higher than the initial plan because of strong demand among investors. As a result, net sales, operating income, ordinary income and net income were all higher than the forecast announced on October 30, 2015.

Due to the strong first quarter performance, the full-year earnings forecast has been revised as shown above (announced on January 29, 2016).

Also, progress toward the first half and the full-year forecast are better than initially predicted. To meet robust demand from investors in the first quarter, we have accelerated the sales of equity that had been originally scheduled to launch after the second quarter.

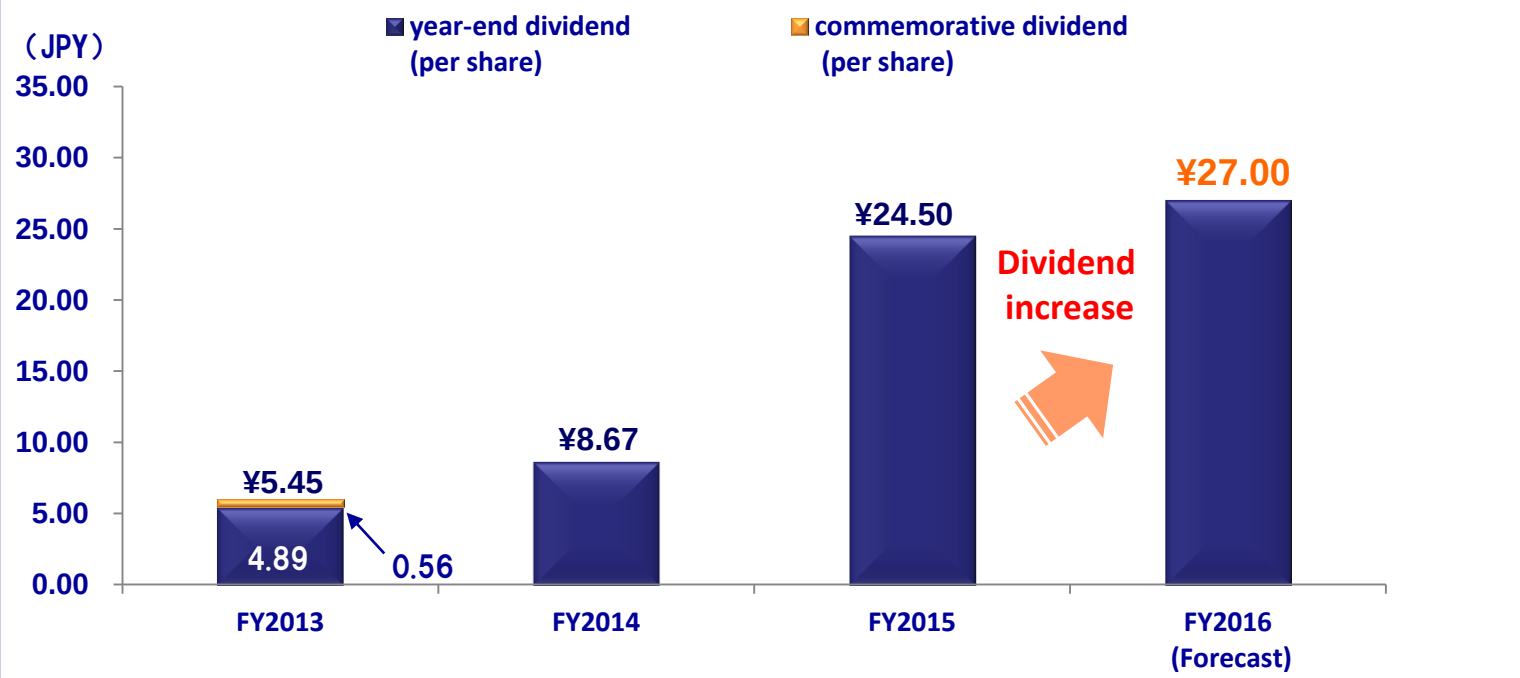
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FY2016 Dividend Forecast

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◆ Increased year-end dividend forecast in accordance with our dividend policy

Returning adequate profit to shareholders is one of our top priorities. Our policy is to distribute dividends in line with profit improvement while retaining sufficient funds to ensure FPG's sustainable business expansion. Our dividend policy is a payout ratio of greater than 30%. In light of our consolidated forecast for FY2016, the year-end dividend forecast is ¥27.00 per share.



Note1:Amounts take into account the impact of the upcoming stock split and reflect retroactive adjustment.
Note2:Interim dividends for FY2013 was a commemorative dividend for listing on TSE first section.

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Medium-term Management Strategies



Enhancement of Tax Leasing Arrangement Business

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Continued to develop an even closer connection with overseas affiliated companies

Active cooperation with overseas origination-supporting affiliates has enabled the strong expansion of the tax leasing arrangement business

FPG Amentum Limited

Providing management and advisory services covering the range from aircraft management to aircraft sales. Consolidated in May 2015.

■ Role

・Supporting the origination of aircraft leasing projects which are expected to obtain not only tax deferral benefits but also potential capital gains

Location	Dublin City, Ireland
Representative	Jan Melgaard, Executive Chairman Martin Bouzaima, CEO Mitchel Simpson, CFO
Main business	Aircraft lease management
Stated capital	€500,000
Establishment	November 29, 2005

FPG Asset & Investment Management B.V.

Affiliated company accounted for by the equity-method with two consolidated subsidiaries in Singapore and the U.A.E.. Contributed to FPG's excellent expansion of leasing arrangements for ships.

■ Role

・Introducing exclusively to FPG attractive leasing projects for ships, containers, etc. with market-leading international shipping and container companies

Location	Rotterdam, Netherlands
Representative	Marcus Jung, Partner
Main business	Origination Supporting of Tax Leasing Arrangement Business
Stated capital	€33,000
Establishment	February 10, 2012

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Efforts to Diversify Profit Structure

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Real Estate-Related Business

December, 2015 Commenced the development of new real estate products with overseas properties
Completed sales of two small-lot real estate products

- Real estate related business is the second source of earning
- Aim to originate and sell small-lot real estate products continuously
  - ・Develop products of the trust beneficiary right by using trust function capability of FPG Trust Co., Ltd.
  - ・Develop overseas real estate products that meet the needs of wealthy individuals

Trust Business

December, 2015 Started Agency for Trust Agreements

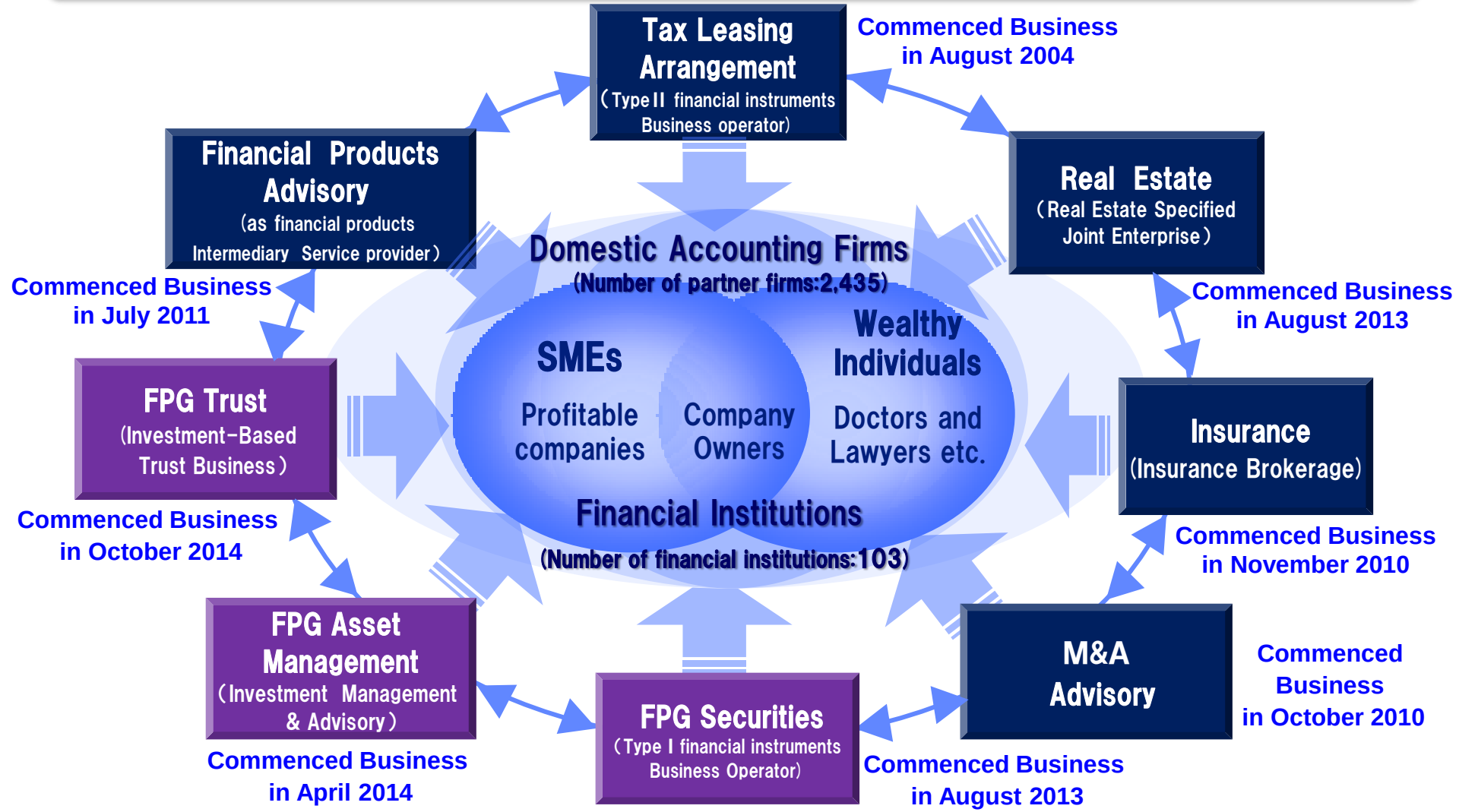
- Products
  - Company Ownership Succession Trusts
  - Principal Separation Structured Trusts
  - Specified Donor Trusts
  - Specific Money Trusts

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Diversification of Revenue Structure

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FPG will continue striving to provide one-stop financial services for profitable SMEs and Wealthy Individuals.



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*We may reply to you in writing, and it may take some time to respond to your inquiries. Please note that we will respond on or after the following business day if your inquiries are received on weekends, holidays, or the year-end and New Year holidays.

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