Information Meeting Materials for Second Quarter (October 2015 - March 2016) 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

April 2016

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FY2016 : Second Quarter Summary



Performance Highlights

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◆ Continued to achieve strong sales in the Tax Leasing Arrangement Business, other businesses also contributed to consolidated net sales growth

- Demand for Japanese Operating Leases ("JOL") from profitable investors (clients) trended robustly upwards. We maintained relationships with repeat clients and enhanced distribution network to attract new clients. Therefore, we posted 19.2% increase in the total amount of equity sales to ¥ 56.58 billion.
- Sales in the insurance business and Securities business grew steadily through the introduction of competitive products and services. As a result, due to the contribution of the other businesses, the consolidated net sales and profits significantly increased compared with the same period of the previous year.

(Billions of yen)	FY2015 2Q	FY2016 2Q	Year-on- Year Change	Year-on- Year Change (%)	Full-year forecast (Revised on April 28)	Progress	FY2015 Full-Year
Net sales	8.24	10.59	2.35	28.5%	19.38	54.7%	15.31
Operating income	5.87	7.10	1.22	20.9%	12.54	56.6%	10.08
Ordinary income	5.84	7.12	1.27	21.9%	12.66	56.3%	10.05
Profit attributable to owners of parent	3.70	4.54	0.84	22.8%	8.04	56.5%	6.34
Total amount of leased assets	133.08	181.99	48.91	36.8%	360.00	50.6%	297.34
Total amount of equity sales	47.46	56.58	9.11	19.2%	111.58	50.7%	84.17

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Review

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Topics

Jan.	•Announced upward revision of consolidated performance forecast
Feb.	•Held the company briefings for individual investors •Acquired a building in front of Shibuya station to structure new small-lot real estate products by using trust function of FPG Trust Co., Ltd.
Mar.	•Participated in two international IR conferences for institutional investors which were organized by securities companies •Entered into a new commitment line contract for expansion of aircraft transactions

Topics - Tax Leasing Arrangement Business

Arrangements / Originations

◆ Expanded lease arrangement due to developing an even closer connection with overseas affiliates

•FPG AIM ⇒ Introduced to FPG 90% of all JOL transactions for ships and marine containers . Structured ship JOL transactions for a new lessee client with FPG. Developing leasing projects for aircraft to introduce to FPG.

•FPG Amentum ⇒ FPG has dispatched a director to FPG Amentum in Ireland to further strengthen successful partnership. Supported the origination of one aircraft leasing project for a large-lot investor.

Sales / Placement

◆ Increased the number of clients who were introduced from financial institutions such as regional banks and securities companies which has expanded the fee business.
（→Refer to page 6 “ Expansion of distribution network ” ）

◆ Preparing to open new branches in Sapporo, Kanazawa and Okayama to promote community-based sales Performance of three branches opened in April 2015 has been favorable.

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Topics – Stronger fund-procurement capacity

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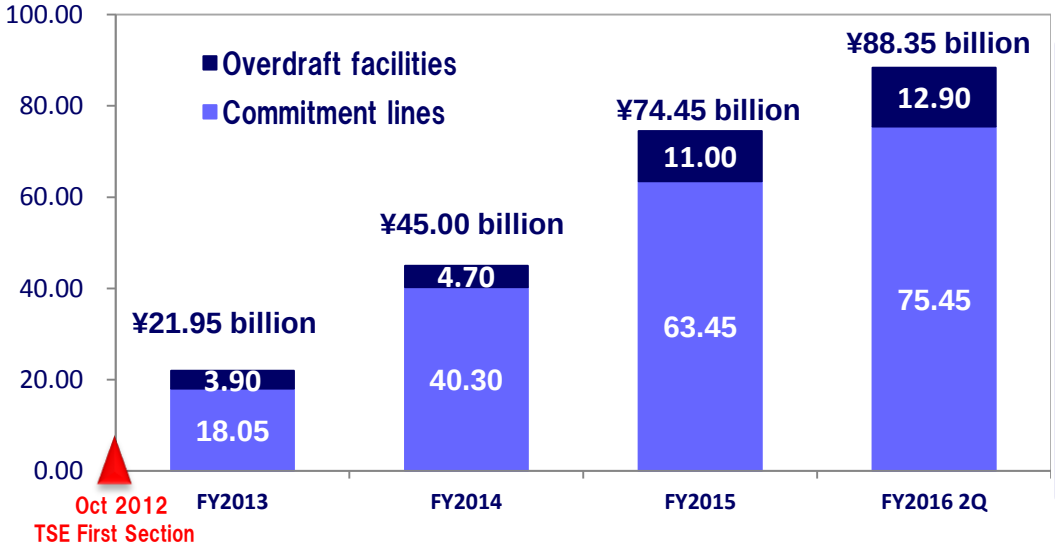
Fund-procurement capacity continued to expand to ¥88.35 billion



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. Increased fund-procurement capacity to meet demand for expansion of aircraft transactions and for real estate related business.

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 Mar. 2016		¥4.5 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 218 accounting firms, 3 regional banks)
Enhanced Introduction of investors from financial institutions

Network of over 8,000 accounting firms. Partnership agreements with over 2,500 accounting firms

New alliances with 87 accounting firms in FY2016 2Q

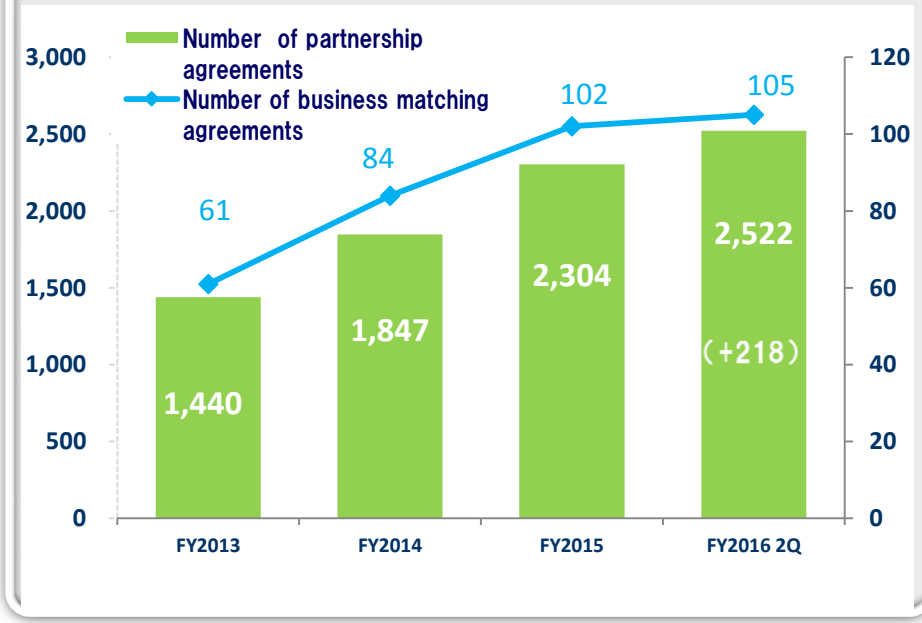


Business alliance with 87regional banks and 18 securities companies

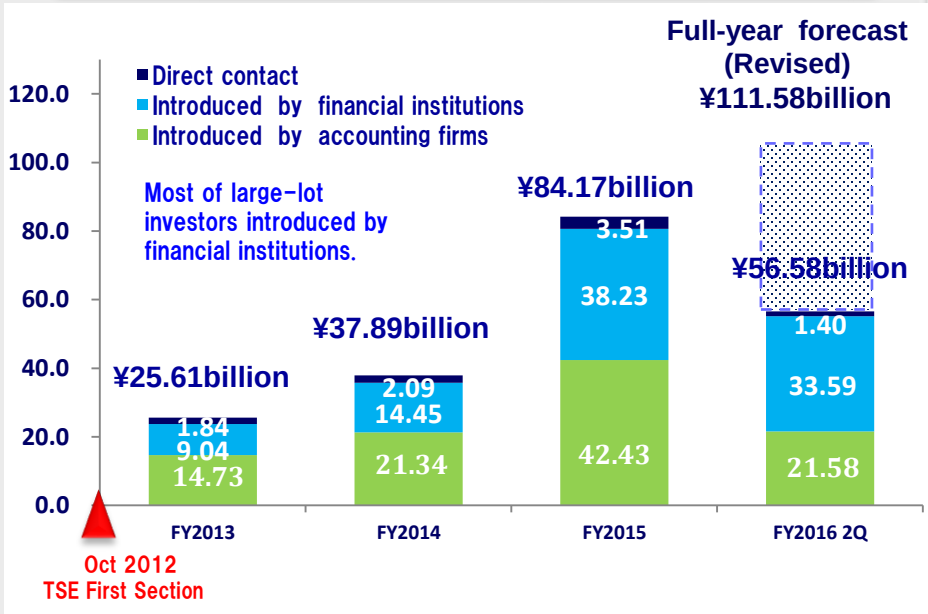
New alliances with 2 regional banks

Companies in FY2016 2Q

Number of partnership agreement and business matching



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



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FY 2016 : Second 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

Arrangements /Originations

We promoted the alliance with overseas affiliates to be exclusively introduced attractive leasing projects. Therefore we actively expanded lease arrangement and structured several JOL transactions for the same lessees at the same time underpinned by improved fund-procurement capacity. Consequently, total amount of leased assets has increased to ¥181.99 billion (an increase of 36.8% Year-on-Year).

Sales /Placement

Demand for JOL from clients trended robustly upwards. In addition, the needs of large-lot investors for the purpose of business succession have existed. We have maintained relationships with repeat clients and attracted new clients by enhancing distribution network and increasing the number of sales personnel. As a result, the amount of equity sales has reached ¥56.58 billion (an increase of 19.2% Year-on-Year).

(Billions of yen)		FY2014 2Q	FY2015 2Q	Year-on-Year Change	Year-on-Year Change (%)	Full-year forecast (Revised on April 28)	Progress (%)	FY2014 Full-Year
Total amount of leased assets		133.08	181.99	48.91	36.8%	360.00	50.6%	297.34
Total amount of equity sales		47.46	56.58	9.11	19.2%	111.58	50.7%	84.17
	Ships	22.10	23.55	1.45	6.6%			43.95
	Marine containers	9.90	12.51	2.60	26.3%			16.71
	Aircraft	15.45	20.50	5.05	32.7%			23.50
Number of companies (number of deals)		786	1,082	296	37.7%			1,653
Tax leasing arrangement business net sales		7.82	9.75	1.92	24.7%	17.53	55.6%	14.12
Commission fees from equity sales, excluding full-equity deals		16.5%	17.2%	0.7 point	—			16.8%

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Status of the Tax Leasing Arrangement Business

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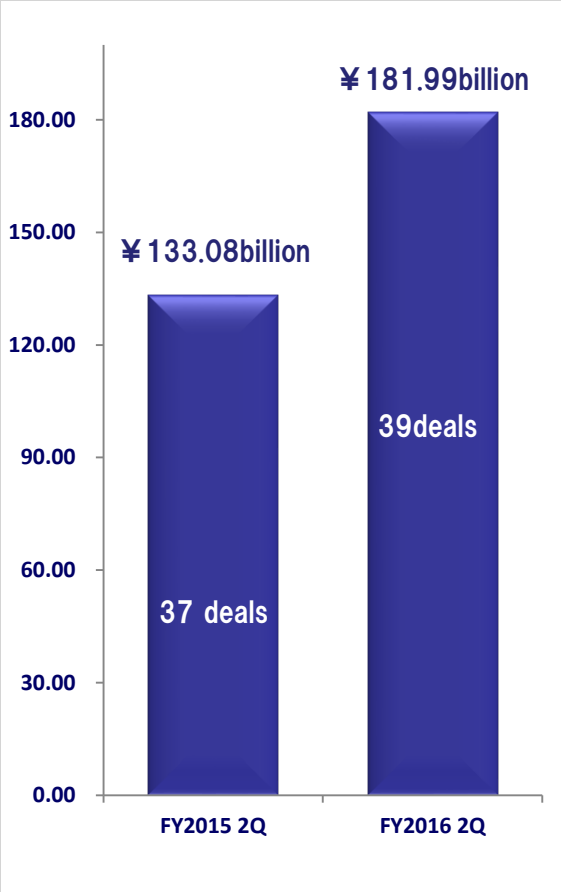
Total amount of leased assets

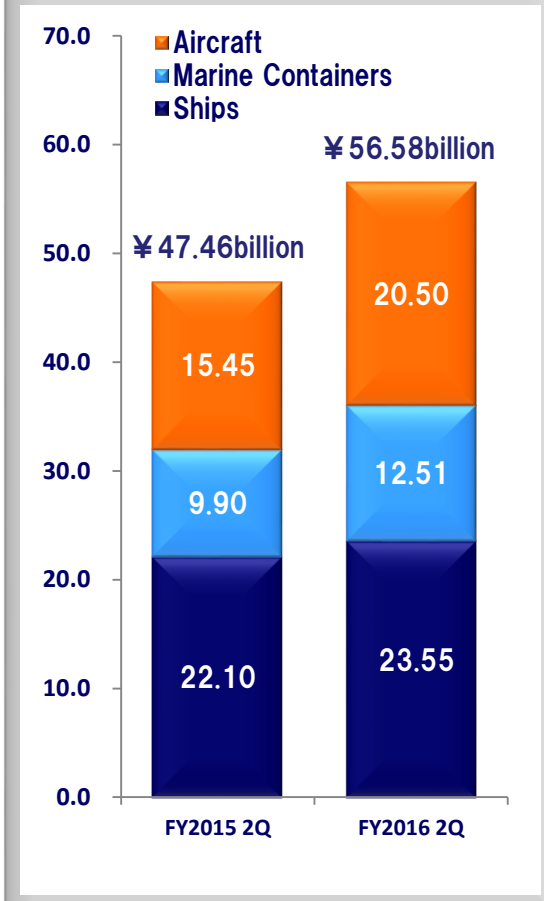
Up 36.8% (Year-on-Year)



＊ Number of deals = Number of SPC

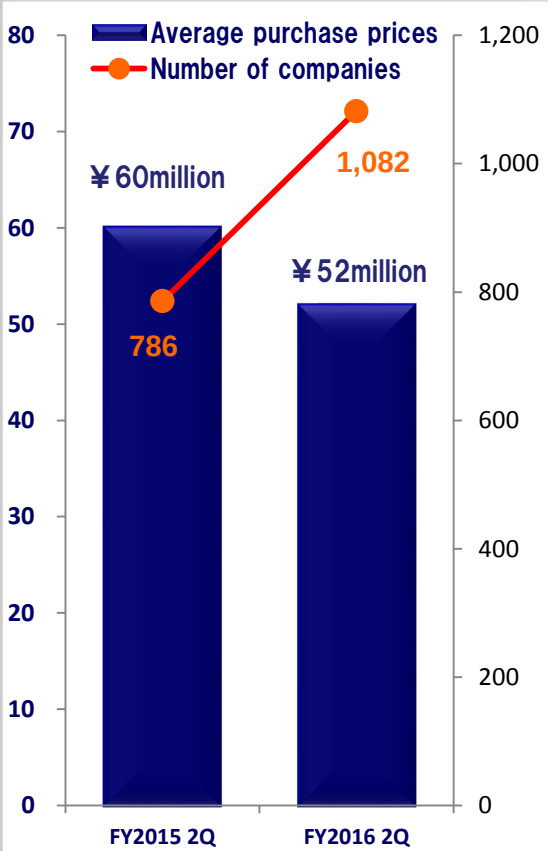
Total amount of Equity sales

Up 19.2% (Year-on-Year)



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

Up 296 / Down ¥8million (Year-on-Year)



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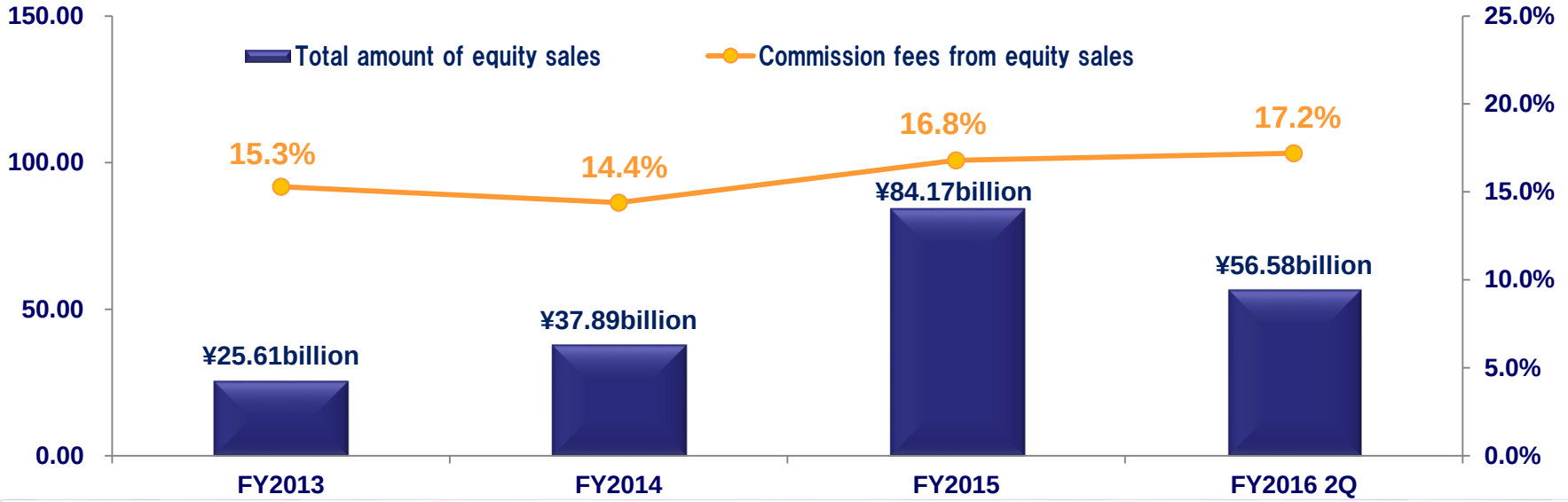
Commission Fees from Equity Sales



(Billions of yen)	FY2013	FY2014	FY2015	FY2016 2Q
Tax leasing arrangement business net sales	3.74	5.44	14.12	9.75
Total amount of equity sales	25.61	37.89	84.17	56.58
Commission fees from equity sales as a percentage of net sales (Net sales/Total amount of equity sales)	15.3%	14.4%	16.8%	17.2%

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 resulted in 17.2% in 2Q of FY2016. The fee levels are however expected to return to the regular level in 3Q and in subsequent periods.

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FY 2016 : Second Quarter
Financial Highlights



Statements of Income

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(Billions of yen)	FY2015 2Q	FY2016 2Q	Change
Net sales	8.24	10.59	2.35
Cost of sales	1.07	1.30	0.22
Gross profit	7.16	9.29	2.12
Selling, general and administrative expenses	1.29	2.19	0.89
Operating income	5.87	7.10	1.22
Non-operating income	0.41	0.51	0.10
Non-operating expenses	0.43	0.49	0.05
Ordinary income	5.84	7.12	1.27
Extraordinary loss	0.00	0.15	0.15
Income before income taxes	5.84	6.97	1.12
Total Income taxes	2.14	2.40	0.26
Profit attributable to owners of parent	3.70	4.54	0.84

1 Net sales ¥10.59 billion (up¥2.35 billion)

(Millions of yen)

Tax Leasing Arrangement Business	9,752 (up	1,929)
Real Estate Business	142 (up	45)
Insurance Brokerage Business	223 (up	52)
Securities Business	103 (up	18)
Aircraft Investment Management Business (Amentum)	315 (	—)

2 Cost of sales ¥1.30 billion (up¥0.22 billion)

(Millions of yen)

Arrangement costs	172 (up	27)
Commission fee for client referrals	1,123 (up	195)

→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 ¥2.19 billion (up¥0.89 billion)

Personnel expenses and various expenses have increased as we have hired more staff, and consolidated subsidiaries.

Number of employees 118 (FY2015 2Q) → 175 (FY2016 2Q)

(Millions of yen)

Personnel expenses	1,146 (up	505)

4 Non-operating income ¥0.51 billion (up¥0.1 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 arrangements in leasing operations, interest receivable for the period of underwriting and equity in earnings of affiliates had increased.

5 Extraordinary Loss ¥0.15 billion (up¥0.15 billion)

Impaired goodwill of FPG Asset Management considering its business plan.

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Balance Sheet

Assets (Billions of yen)	FY2015 Sep.30,2015	FY2016 Mar.31,2016	change
Current assets	66.03	66.66	0.63
Cash and deposits	7.38	9.66	2.28
Equity underwritten	46.52	45.53	(0.99)
Real estate for arrangement	1.57	3.84	2.27
Other current assets	10.55	7.61	(2.93)
Non-current assets	2.99	2.84	(0.15)
Total assets	69.08	69.54	0.45

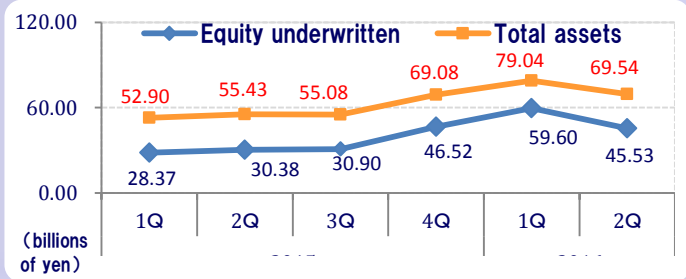
Liabilities (Billions of yen)	FY2015 Sep.30,2015	FY2016 Mar.31,2016	change
Current liabilities	50.03	51.27	1.24
Short-term debts・bonds	29.42	37.36	7.94
Advances received	7.38	5.98	(1.39)
Other current liabilities	13.22	7.91	(5.30)
Non-current liabilities	2.88	3.42	0.54
Long-term debt・bonds	2.66	3.20	0.54
Other fixed liabilities	0.21	0.21	(0.00)
Total liabilities	52.91	54.69	1.78

Net assets (Billions of yen)	FY2015 Sep.30,2015	FY2016 Mar.31,2016	change
Common stock	3.08	3.08	0.00
Additional paid-in capital	3.03	3.03	0.00
Retained earnings	9.95	12.18	2.23
Treasury stock	(0.00)	(3.52)	(3.52)
Foreign currency translation adjustment	0.01	(0.04)	(0.05)
Total net assets	16.17	14.84	(1.32)
Total liabilities and net assets	69.08	69.54	0.45

1 Equity underwritten ¥45.53 billion (down ¥0.99 billion)

Due to robust investor demand in the first quarter, we accelerated our sales of the equity of some leased assets. We have kept the equity underwritten balance at a high level 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 ¥3.84 billion (up ¥2.27 billion)

Acquired the real estate to compose a new real estate-related product by using trust function capability of FPG Trust Co., Ltd. Sales started in April.

3 Other current assets ¥7.61 billion (down ¥2.93 billion)
Other current liabilities ¥7.91 billion (down ¥5.30 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. The balance of each of these accounts decreased due to the fluctuation of market value.
In other current liability, income taxes payable decreased ¥1.33 billion.

4 Advances received ¥5.98 billion (down ¥1.39 billion)

The equity underwritten balance stayed at a high level, the advances received however decreased because of the change of the product mix.

5 Long-and short-term・bonds ¥40.57 billion (up ¥8.48 billion)

The funding increased due to procuring more funds for equity underwriting (JOL) and real estate for arrangement.

6 Total net assets ¥14.84 billion (down ¥1.32 billion)

Dividend payments were ¥2.31 billion, while profit attributable to owners of parent were ¥4.54 billion. Acquired treasury stock of ¥3.52 billion in 1Q.

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FY 2016
Consolidated Performance Forecast



Consolidated Performance Forecast (announced on April 28, 2016)

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(Billions of yen)	FY2016 First Half (Actual)	FY2016 Second Half (Forecast)	FY2016 Full-year forecast (Revised on 28 Apr)	Progress (%)
Net sales	10.59	8.78	19.38	54.7%
Tax Leasing Arrangement Business	9.75	7.77	17.53	55.6%
Other Business	0.84	1.01	1.85	45.6%
Operating income	7.10	5.43	12.54	56.6%
Ordinary income	7.12	5.53	12.66	56.3%
Profit attributable to owners of parent	4.54	3.49	8.04	56.5%
Total amount of leased assets	181.99	178.00	360.00	50.6%
Total amount of equity sales	56.58	55.00	111.58	50.7%

Equity sales were higher than the 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. Also, other businesses such as real estate, insurance, securities, and aircraft investment management service contributed to the expansion of net sales though they are slightly behind plan.
Due to the strong second quarter performance, the full-year earnings forecast has been revised as shown above (announced on April 28, 2016).

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FY2016 Dividend Forecast (announced on April 28, 2016)

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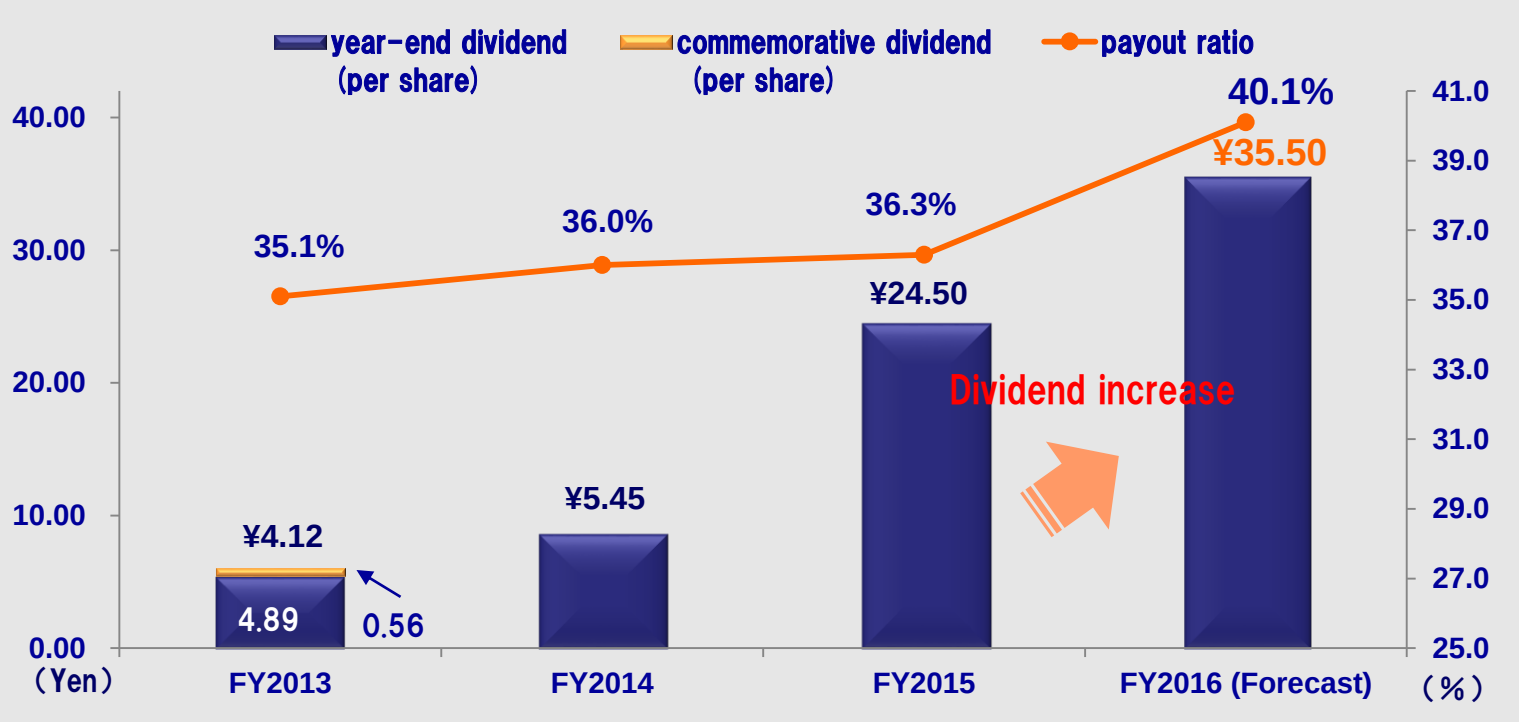
Increased year-end dividend forecast to ¥35.50 per share, which is a payout ratio of 40%

Returning adequate profit to shareholders is one of our top priorities. Our policy is to distribute dividends in line with our profit improvement while retaining sufficient funds to ensure FPG's sustainable business expansion. We have set the target of consolidated dividend payout ratio at greater than 30%.

In light of our consolidated forecast for FY2016, the year-end dividend forecast is ¥35.50 per share to enhance shareholder returns.



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



Medium-term Management Strategies

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Enhancement of Tax Leasing Arrangement Business — Arrangements—

Arrangements / Strategies	Action in 2H
■ Improvement of arrangement capabilities in cooperation with overseas affiliates •FPG Amentum Limited •FPG Asset & Investment Management B.V. (FPG AIM)	■ Expansion of aircraft transaction with FPG Amentum ⇒ Dispatched two executives including a director to Ireland to strengthen successful partnership ■ Enhancing the origination capacity by FPG AIM and its subsidiaries ⇒ Dispatch FPG employees on short-term rotations to share know-how and maximize the synergy effects.
■ Ensuring fund-procurement capacity to match expanding arrangement activities	■ Secure ¥11 billion of commitment facility for financing aircraft acquisitions to increase opportunities of deal ■ Secure fund-procurement capability and minimize funding cost

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Medium-term Management Strategies

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Enhancement of Tax Leasing Arrangement Business – Sales–

Sales Strategies	Action in 2H
■ Expansion of distribution network	■ Planning to make new partnership agreements with around 400 to 500 additional accounting firms per year ⇒ 1H results : 218 firms ■ Deepening relationships with financial institutions ⇒ Supply of our various products and services
■ Expansion of staff in local branches	■ Increase in sales staff numbers
■ Intensifying sales activities for customers	■ Expansion of the business with clients in JOL by providing various products and services that meet clients' needs
■ Considering opening new branches	■ Opening three new branches Sapporo Branch (expected in June) Kanazawa Branch (expected in June) Okayama Branch (expected in September)

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Medium-term Management Strategies

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Expansion of new products and services

Clients (Highly profitable SMEs and wealthy individuals)

Distribution Network (accounting firms and financial institutions) discovers the potential needs of clients and introduces clients to FPG

FPG provides solutions that meet clients' needs

Real estate	Insurance	M&A Advisory	FPG Securities	FPG Trust
◆Provide small-lot real estate products by using trust function capability ◆Develop overseas real estate products	◆Offer the optimal insurance products to clients as an insurance broker ◆Increase the number of dedicated staffs	◆Support smooth business successions of SMEs ◆Hold consultation meetings at each branch	◆Provide forex derivative products ◆Offer made-to order products corresponding to specific investor needs	◆Provide solutions for business succession, asset succession and asset management ◆Collaborate with M&A Advisory Dept.

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Efforts to Diversify Profit Structure

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An increased focus on the real estate business

Acquired a building in front of Shibuya station to create a new small-lot real estate product in February, 2016. Launched as the first part of "Premium Asset Series" in April, 2016.

Property description

Name：FPG Shibuya Miyamsu Building
Location：1-24-15 Shibuya, Shibuya-ku, Tokyo
Use：stores, offices and warehouses
Completion：1995



Benefits of the product

1. It enables investors to invest in a property located in the best district of central Tokyo with a minimum investment of JPY 10 million.
2. Since the company manages and operates the properties comprehensively, the investors do not need to allocate any cumbersome effort for their properties.
3. Such an investment serves as an inheritance and gift tax measure.

Scheme

Originating and selling the small-lot real estate products of the trust beneficiary rights by using trust function capability of FPG Trust Co., Ltd.

- FPG acquires the property and entrusts it to FPG Trust, and gains 416 beneficiary right. FPG sells each of them at ¥10 million per unit.
- After selling, FPG Trust manages the property as the trust asset and distributes profit to investors.
- After a certain period has passed, FPG Trust sells the property, and distributes the proceeds to investors at the end.

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Diversification of Revenue Structure

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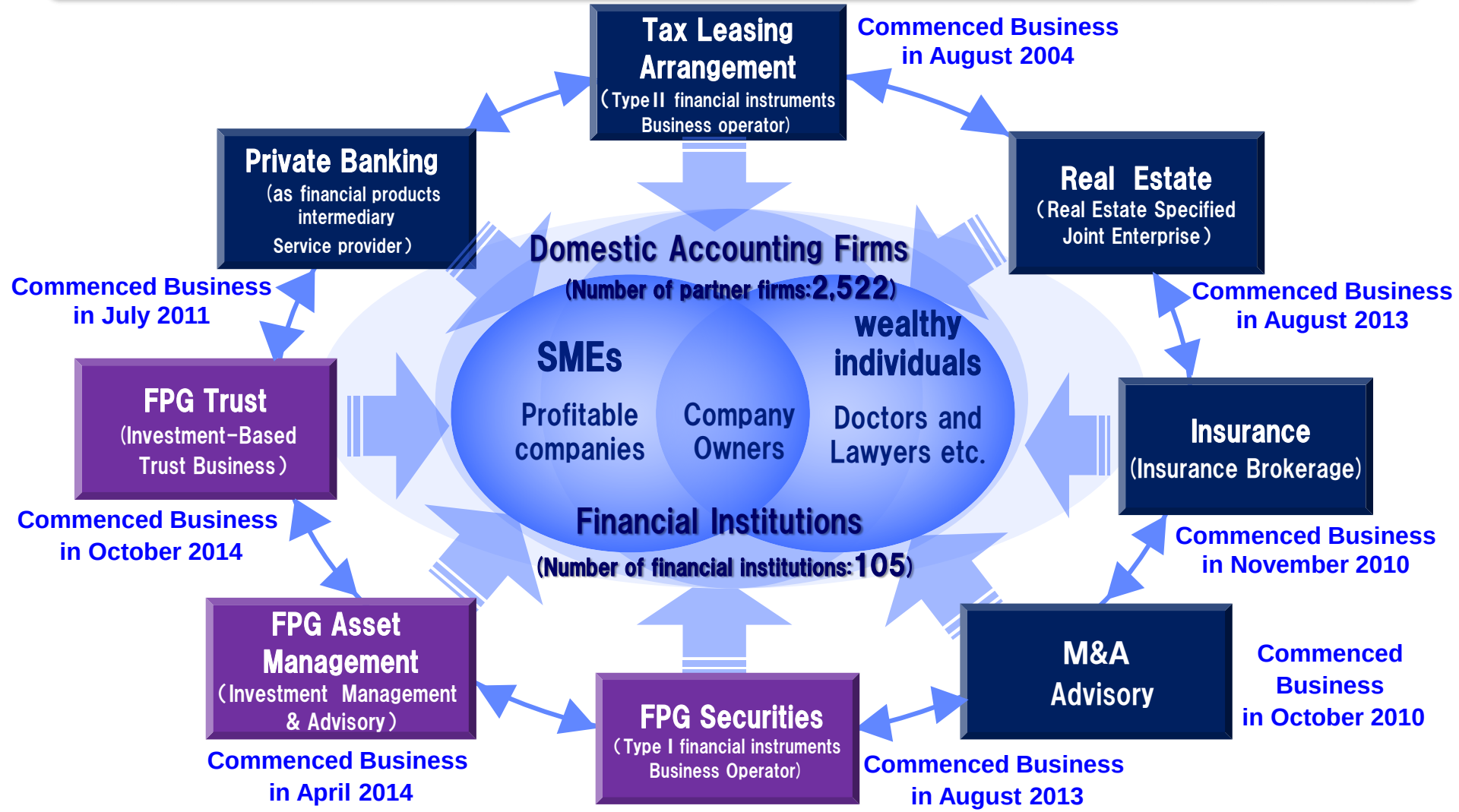
FPG will continue striving to provide one-stop financial services for profitable SMEs and Wealthy Individuals.



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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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