Information Meeting Materials for Third Quarter (October 2015 – June 2016) of the Fiscal Year Ending September 30, 2016 Consolidated Results

Financial Products Group Co., Ltd.

Tokyo Stock Exchange First Section
(Code: 7148)



July 2016

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FY2016 : Third 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 16.9% increase in the total amount of equity sales to ¥ 81.55 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 3Q	FY2016 3Q	Year-on- Year Change	Year-on- Year Change (%)	Full-year forecast (Revised on April 28)	Progress	FY2015 Full-Year
Net sales	12.14	14.69	2.55	21.0%	19.38	75.8%	15.31
Operating income	8.57	9.47	0.89	10.5%	12.54	75.5%	10.08
Ordinary income	8.66	9.59	0.93	10.8%	12.66	75.7%	10.05
Profit attributable to owners of parent	5.52	6.17	0.65	11.8%	8.04	76.8%	6.34
Total amount of leased assets	205.09	319.16	114.07	55.6%	360.00	88.7%	297.34
Total amount of equity sales	69.79	81.55	11.76	16.9%	111.58	73.1%	84.17

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Review

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Topics

Apr.	•Established Sapporo Branch and Kanazawa Branch •Established The Compliance Department to further emphasise compliance in our corporate activities •Commencement the offering of 100 real estate trusts for Premium Asset Series “Shibuya Miyamasu Building” •Announced upward revision of consolidated performance forecast •Announced upward revision of dividend forecast
May	•100 real estate trusts for “Shibuya Miyamasu Building” have been sold out. In response to the popularity, commenced the offering of another 50. •Held the company briefings for individual investors in Tokyo, Chiba, Nagoya and Osaka (-July)
Jun.	•Participated in a small meeting for institutional investors which was organized by a securities company

Topics - Tax Leasing Arrangement Business

Arrangements / Originations

◆ Enhanced our arrangement capabilities of aircraft leasing projects by alliances with affiliated companies
- FPG AIM, introducing exclusively to FPG leasing projects for ships and containers, expand its activity area to aircraft leasing projects and acquired three new lessees in the aviation industry.
- Arranged “FPG Aircraft Partnership No.1” together with FPG Amentum.

Sales / Placement

◆ Increased alliances with another 119 accounting firms and 2 financial institutions in this quarter. (→Refer to page 6 “ Expansion of distribution network ”) Increased the number of clients who were introduced from financial institutions which focus on fee business under negative interest rate policy.

◆ Reinforced our sales power, establishing new branches in Sapporo and Kanazawa and increasing the number of sales personnel to promote community-based sales by sales offices covering the whole country.

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Topics – Expanding our fundraising capacity to originate leases

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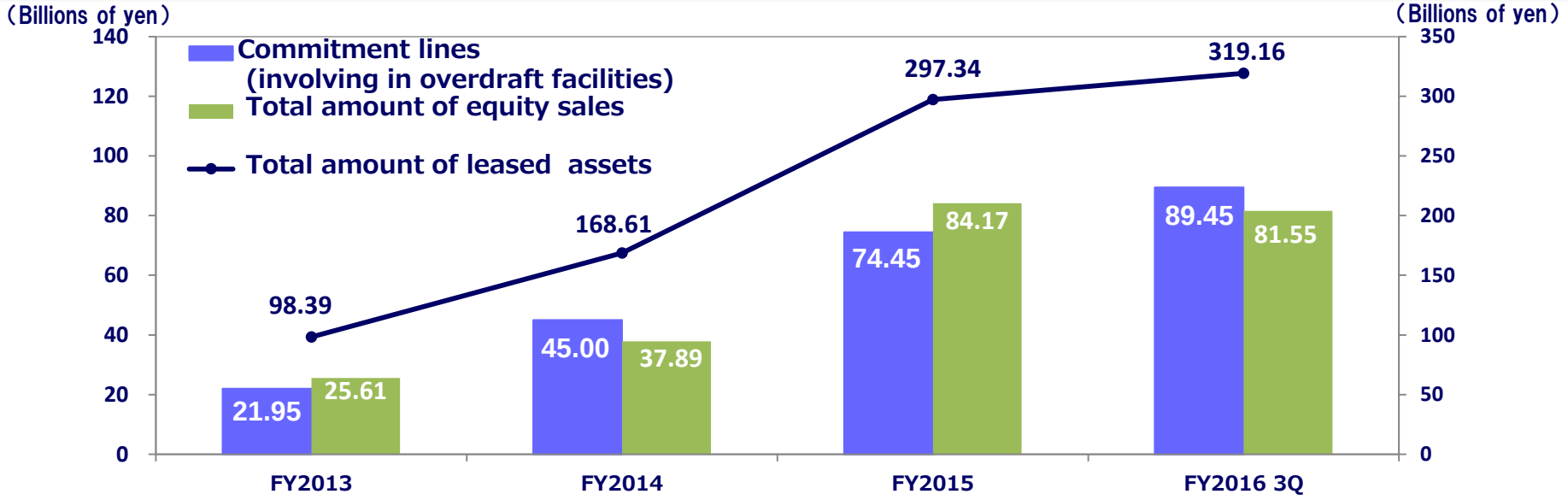
Increased the arrangement of deals by expanding fundraising capacity



When the company arranges an operating lease in the Tax Leasing Arrangement business, it makes a temporary acquisition of equity in operating leases on the assumption that it will eventually be transferred to investors. Funds for these temporary advances come either from the company's own funds or from financial institutions. If the company expands its Fundraising capacity, it is easier to put together several deals simultaneously, and facilitates the arrangement of larger deals, contributing to profit growth. ¥319 billion of total amount of leased assets (an increase of ¥114billion YoY) and ¥81 billion of total amount of equity sales (an increase of ¥11billion YoY) were achieved by utilizing ¥89 billion of commitment lines in 3Q FY09/16.

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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 337 accounting firms and 5 financial institutions)
Enhanced Introduction of investors from financial institutions

Network of over 8,000 accounting firms. Partnership agreements with over 2,600 accounting firms

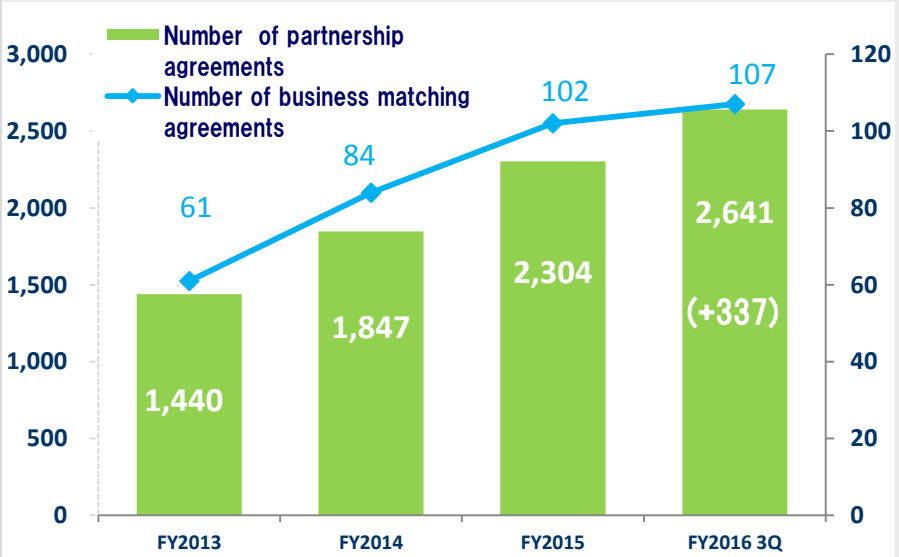
New alliances with 119 accounting firms in FY2016 3Q



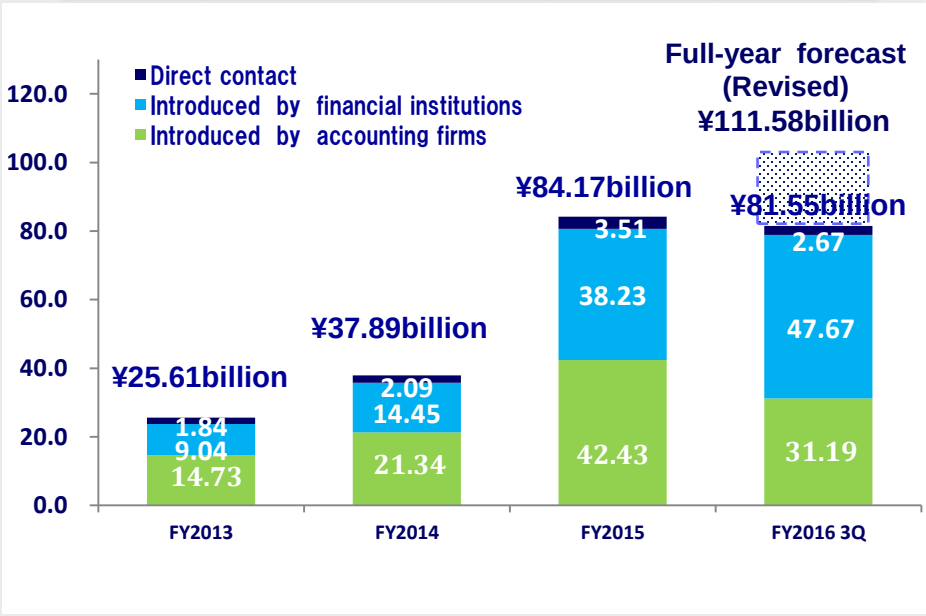
Business alliance with 88 regional banks and 19 securities companies

New alliances with 1 regional bank and 1 securities company in FY2016 3Q

Number of partnership agreement and business matching



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



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FY 2016 : Third 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

Arrangements /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 to achieve ¥319 billion of total amount of leased assets which is a record high result. (an increase of 55.6% Year-on-Year).

Sales /Placement

Following the first half, we have seen firm demand for Japanese operating leases (JOLs) from profitable investors with substantial earnings. In addition, we caught various investor needs from large to small-lot by expanding the nation-wide distribution network. As a result, the amount of equity sales has reached ¥81.5 billion (an increase of 16.9% Year-on-Year).

(Billions of yen)		FY2015 3Q	FY2016 3Q	Year-on-Year Change	Year-on-Year Change (%)	Full-year forecast (Revised on April 28)	Progress (%)	FY2015 Full-Year
Total amount of leased assets		205.09	319.16	114.07	55.6%	360.00	88.7%	297.34
Total amount of equity sales		69.79	81.55	11.76	16.9%	111.58	73.1%	84.17
	Ships	38.34	24.09	△14.25	△37.2%			43.95
	Marine containers	11.74	21.44	9.69	82.5%			16.71
	Aircraft	19.69	36.02	16.32	82.9%			23.50
Number of companies (number of deals)		1,299	1,595	296	22.8%			1,653
Tax leasing arrangement business net sales		11.48	13.27	1.78	15.6%	17.53	75.7%	14.12
Commission fees from equity sales, excluding full-equity deals		16.5%	16.3%	△0.2 point	—			16.8%

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Status of the Tax Leasing Arrangement Business

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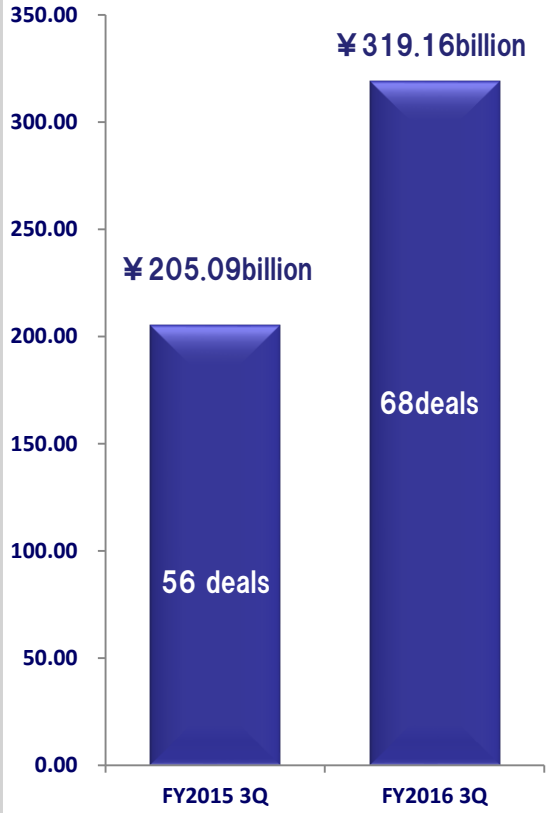
Total amount of leased assets

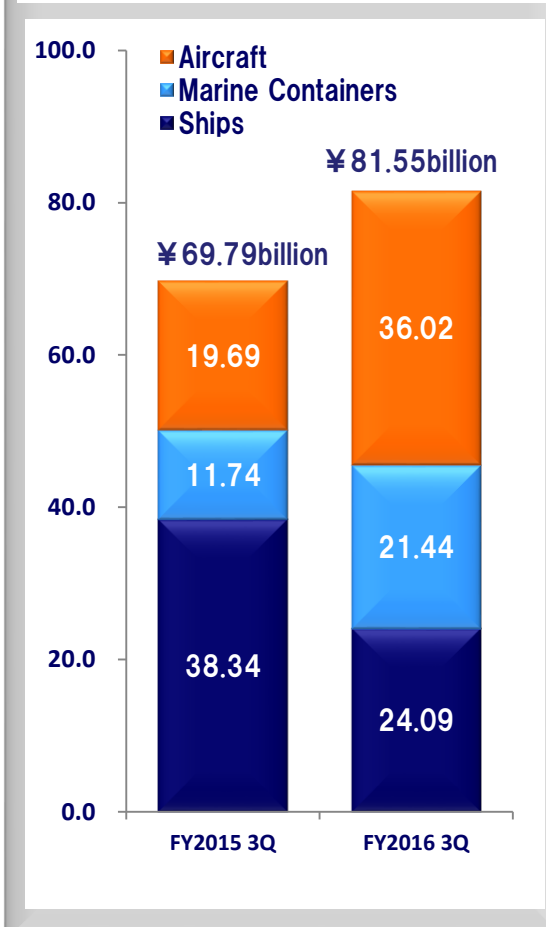
Up 55.6% (Year-on-Year)



＊ Number of deals = Number of SPC

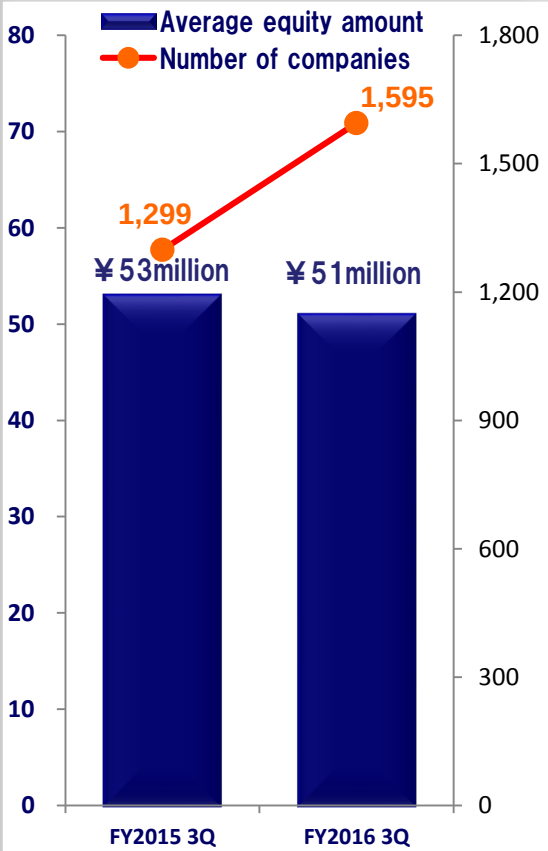
Total amount of Equity sales

Up 16.9% (Year-on-Year)



Number of companies (number of deals) /Average equity amount

Up 296 / Down ¥2million (Year-on-Year)



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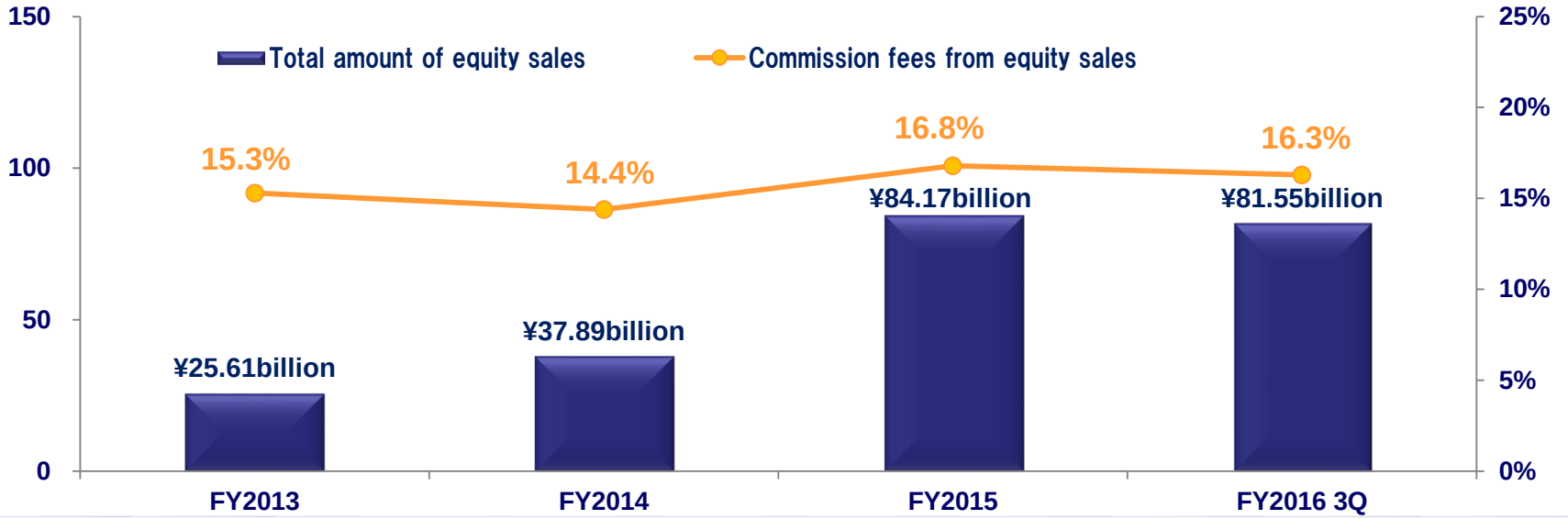
Commission Fees from Equity Sales



(Billions of yen)	FY2013	FY2014	FY2015	FY2016 3Q
Tax leasing arrangement business net sales	3.74	5.44	14.12	13.27
Total amount of equity sales	25.61	37.89	84.17	81.55
Commission fees from equity sales as a percentage of net sales (Net sales/Total amount of equity sales)	15.3%	14.4%	16.8%	16.3%

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 16.3% in 3Q of FY2016. The fee levels are however expected to return to the regular level in 4Q.

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Financial Highlights



Income Statement

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(Billions of yen)	FY2015 3Q	FY2016 3Q	Change
Net sales	12.14	14.69	2.55
Cost of sales	1.57	1.91	0.33
Gross profit	10.56	12.78	2.21
Selling, general and administrative expenses	1.98	3.30	1.31
Operating income	8.57	9.47	0.89
Non-operating income	0.61	0.77	0.16
Non-operating expenses	0.53	0.65	0.12
Ordinary income	8.66	9.59	0.93
Income before income taxes	8.67	9.43	0.76
Total Income taxes	3.15	3.23	0.08
Profit attributable to owners of parent	5.52	6.17	0.65

1 Net sales ¥14.69 billion (up¥2.55 billion)

(Millions of yen)

Tax Leasing Arrangement Business	13,270 (up	1,788)
Real Estate Business	152 (up	49)
Insurance Brokerage Business	382 (up	149)
Securities Business	310 (up	118)
Aircraft Investment Management Business (Amentum)	419 (	—)

2 Cost of sales ¥1.91 billion (up¥0.33 billion)

(Millions of yen)

Arrangement costs	267 (up	66)
Commission fee for client referrals	1,634 (up	264)

→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 ¥3.30 billion (up¥1.31 billion)

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

Number of employees 137 (FY2015 3Q) → 184 (FY2016 3Q)

(Millions of yen)

Personnel expenses	1,727 (up	761)

4 Non-operating income ¥0.77 billion (up¥0.16 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 had increased.

5 Non-operating expenses ¥0.65 billion (up¥0.12 billion)

Interest expenses with the expansion of our financing amounts increased.

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Balance Sheet

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Assets (Billions of yen)	FY2015 Sep.30,2015	FY2016 Jun.30,2016	change
Current assets	66.03	90.52	24.49
Cash and deposits	7.38	8.76	1.38
Equity underwritten	46.52	62.55	16.03
Real estate for arrangement	1.57	3.84	2.27
Other current assets	10.55	15.35	4.80
Non-current assets	2.99	2.78	(0.20)
Total assets	69.08	93.34	24.25

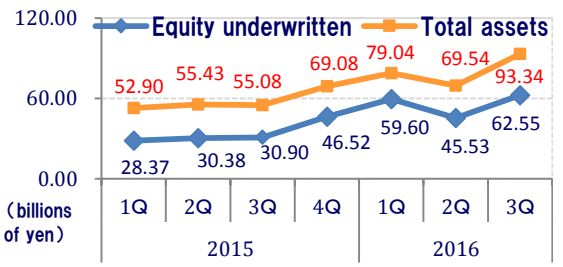
Liabilities (Billions of yen)	FY2015 Sep.30,2015	FY2016 Jun.30,2016	change
Current liabilities	50.03	72.95	22.92
Short-term debts・bonds	29.42	50.64	21.22
Advances received	7.38	11.98	4.60
Other current liabilities	13.22	10.32	(2.89)
Non-current liabilities	2.88	4.04	1.16
Long-term debt・bonds	2.66	3.82	1.15
Other fixed liabilities	0.21	0.22	0.00
Total liabilities	52.91	77.00	24.09

Net assets (Billions of yen)	FY2015 Sep.30,2015	FY2016 Jun.30,2016	change
Common stock	3.08	3.09	0.00
Additional paid-in capital	3.03	3.04	0.00
Retained earnings	9.95	13.82	3.86
Treasury stock	(0.00)	(3.52)	(3.52)
Foreign currency translation adjustment	0.01	(0.18)	(0.19)
Total net assets	16.17	16.34	0.16
Total liabilities and net assets	69.08	93.34	24.25

1 Equity underwritten ¥62.55 billion (up ¥16.03 billion)

Due to robust investor demand in this quarter, we accelerated our sales of the equity of some leased assets. We were however also able to reach the highest ever equity underwritten balance due to the successful structuring of new deals (including equity underwritten which is scheduled for sale in the next term).

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)

The inventory of new small lot real-estate product with trust beneficiary rights. Sales started in April. The sales in the third quarter are recorded on July 1st.

3 Other current assets ¥15.35 billion (up ¥4.80 billion)
Other current liabilities ¥10.32 billion (down ¥2.89 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 changed due to the fluctuation of market value.

In other current assets, temporary loan to the partnership, FPG Aircraft Partnership No.1 increased ¥4.46 billion and deferred tax asset increased ¥0.53 billion.

4 Advances received ¥11.98 billion (up ¥4.60 billion)

Since the equity underwritten balance and commission fees increased, the advances received balance also increased. Advances received also includes the amount of small lot real-estate sales.

5 Long-and short-term・bonds ¥54.47 billion (up ¥22.38 billion)

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

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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	75.8%
Tax Leasing Arrangement Business	9.75	7.77	17.53	75.7%
Other Business	0.84	1.01	1.85	76.8%
Operating income	7.10	5.43	12.54	75.5%
Ordinary income	7.12	5.53	12.66	75.7%
Profit attributable to owners of parent	4.54	3.49	8.04	76.8%
Total amount of leased assets	181.99	178.00	360.00	88.7%
Total amount of equity sales	56.58	55.00	111.58	73.1%

For Tax Leasing Arrangement Business, JOL arrangement activities expanded steadily with support from overseas affiliates. Sales of Tax Leasing Arrangement Business were better than plan because of strong demand among investors. Also, other businesses such as real estate, insurance, securities, and aircraft investment management service contributed to the expansion of net sales. As a result, net sales, operating income, ordinary income and net income were largely in line with forecasts.

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FY2016 Dividend Forecast (announced on April 28, 2016)

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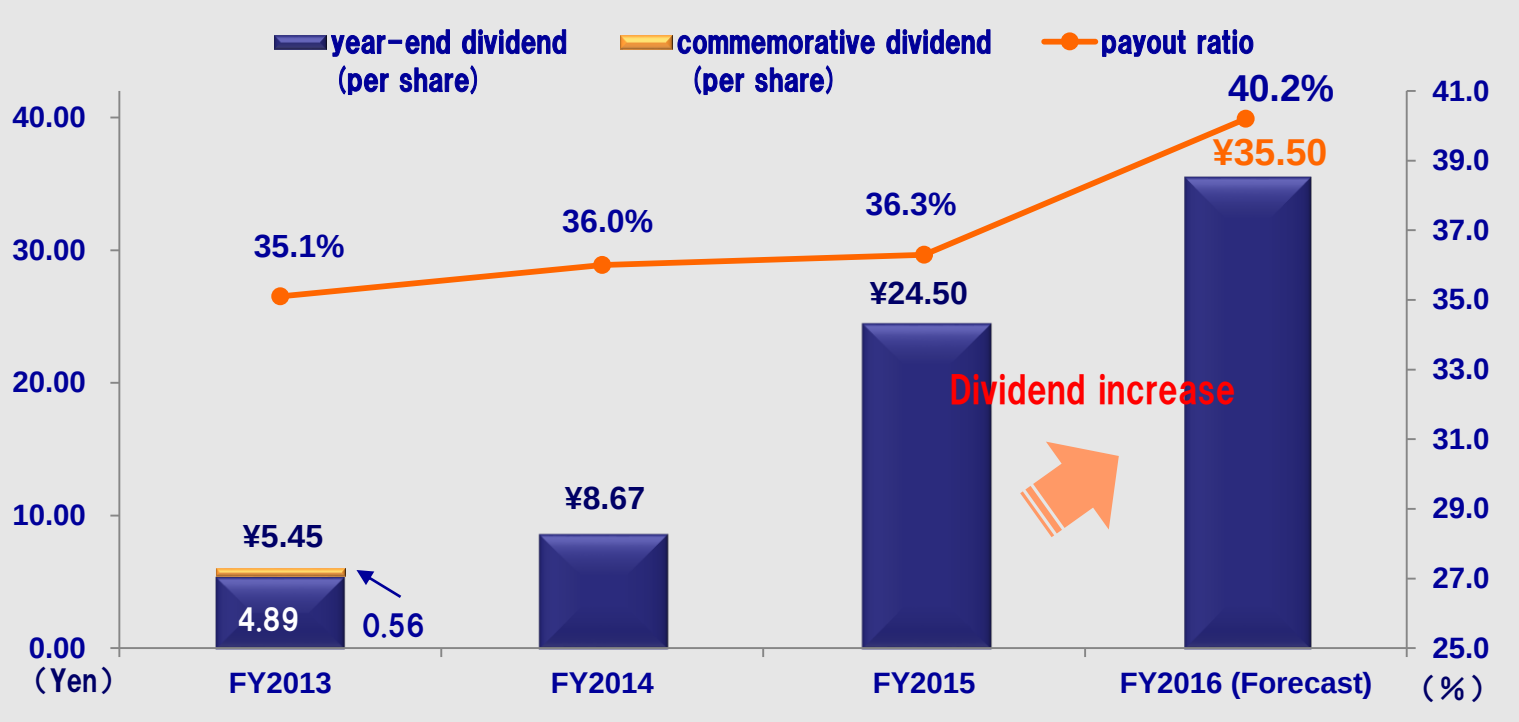
Increased year-end dividend forecast to ¥35.50 per share, which is a payout ratio of 40%

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



Enhancement of Tax Leasing Arrangement Business

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Expansion of aircraft transaction with overseas affiliated companies

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

Arranged partnership-type aircraft leases with FPG Amentum Limited

The FPG Group takes advantage of consolidated subsidiary FPG Amentum Limited's aircraft investment management capabilities to attract investors and arrange partnership-type aircraft leases. A single investor can be the sole decision-maker for all matters, and receive investment benefits which meet its needs and which differ from the standard silent partnership benefits.

FPG Amentum Limited

Location	Dublin, Ireland
Representative	Martin Bouzaima
Main business	Aircraft lease management
Stated capital	€500,000
Establishment	November 29, 2005

Enhancing the origination capacity for aircraft by FPG AIM

FPG AIM is an affiliated company accounted for by the equity-method(FPG holding a 25% stake). It has introduced exclusively to FPG attractive leasing projects for ships, containers, etc. with market-leading international shipping and container companies. But it has started to introduce leasing projects for aircraft since 3Q FY9/2016 . FPG AIM structured aircraft JOL transactions for 3 new lessee clients with FPG in the 3Q.

FPG Asset & Investment Management B.V.

Location	Rotterdam, Netherlands
Subsidiary's location	Singapore, the U.A.E
Representative	Marcus Jung
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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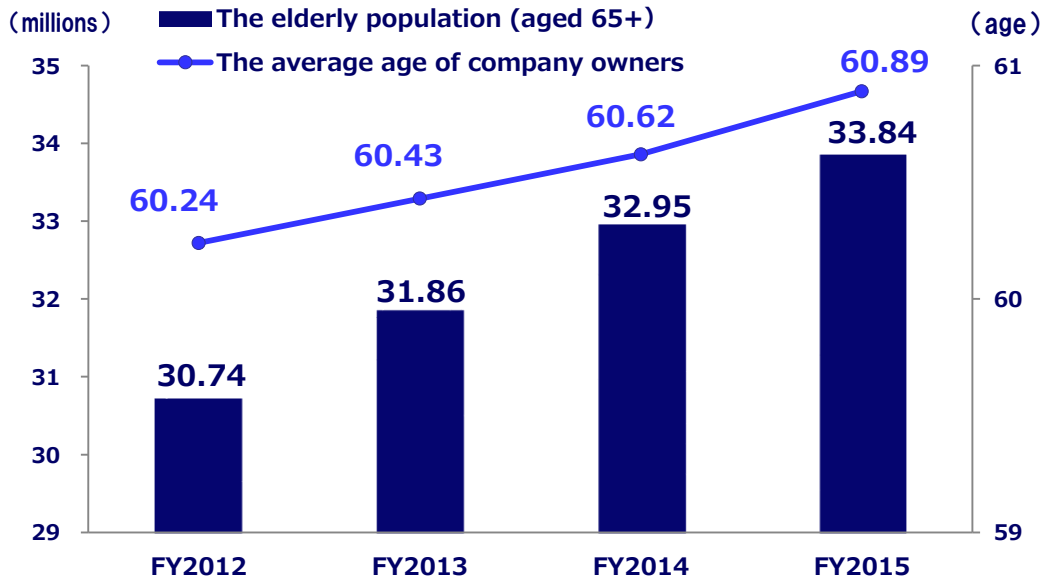
Expansion of new products and services to meet customers' needs along with the aging of the Japanese society

Needs pertaining to the purpose of business succession and asset succession are extensive.

In 2015 the elderly population was 33 million, and its share of the total population was 26.7%. Both the elderly population and its share were the highest ever. The population aged 80 and over exceeded 10 million for the first time. The average age of company owners in Japan is aging from year to year.

Trends in the elderly population & the average age of company owners in Japan

＊Source :Statistics Bureau, MIC. &TOKYO SHOKO RESEARCH, LTD.



FPG group's products and services

JOL — Operating leasing product
- Business succession (Measures for share price)

Real estate — Small lot real-estate product
- Measures for inheritance and gift tax

Insur-ance — Insurance for company owners and executives
- Preparation for retirement benefits

M&A — Appointed advisor of the seller
- Business succession

Trust — "Trust for asset protection" newly released by FPG Trust
- Measures for the elderly person's asset protection and smooth asset succession

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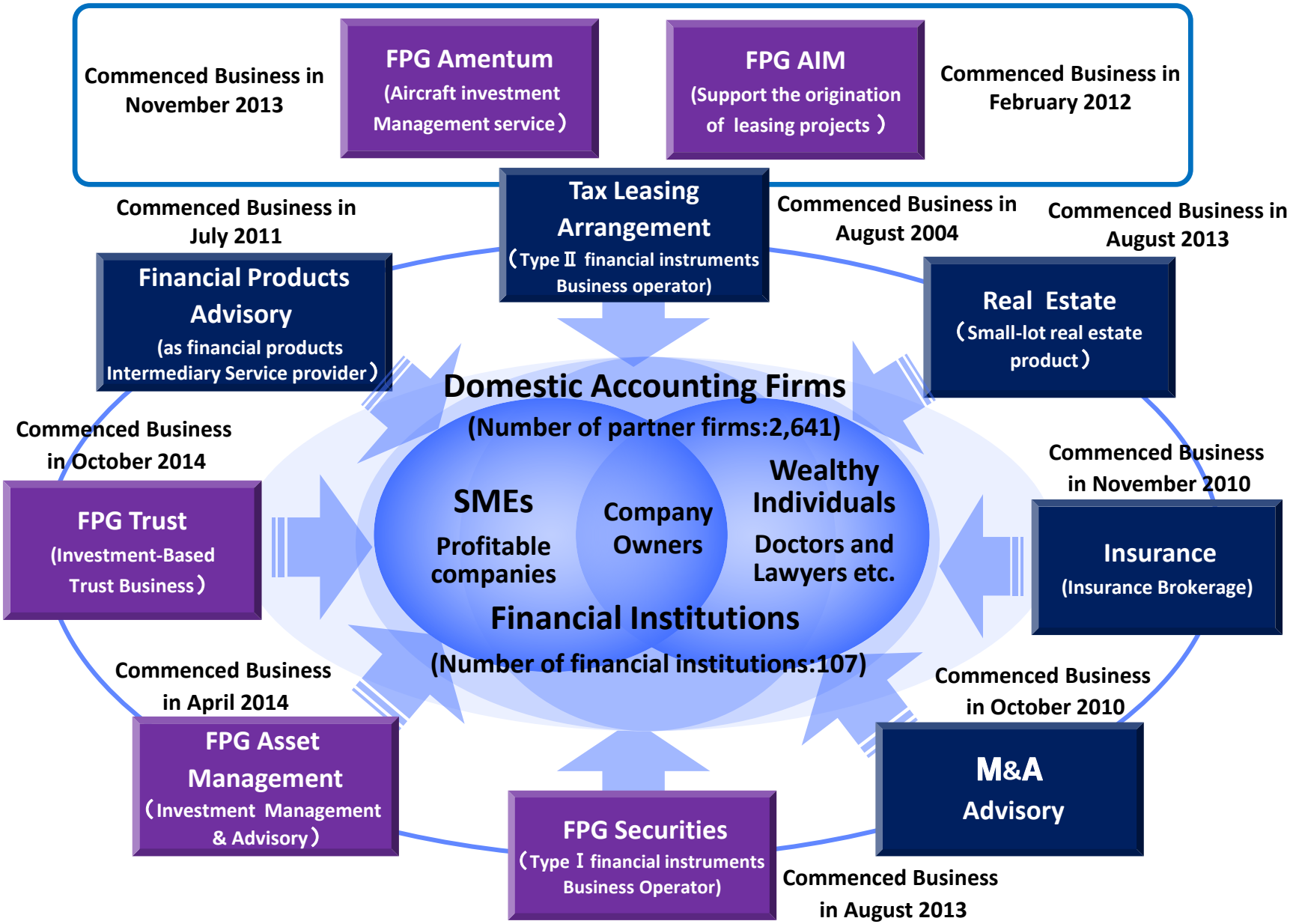
Diversification of revenue structure



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ir@fpg.jp
or call the FPG's IR Desk at +81-3-5288-5691.

*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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