FPG
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Information Meeting Materials
for the Fiscal Year Ending September 30, 2016
Consolidated Results

Financial Products Group Co., Ltd.

Tokyo Stock Exchange First Section
(Code: 7148)

JPX
TSE LISTED

October 2016

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Summary



■ Performance highlights

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◆ Achieved highest-ever sales and profits, growing for the seventh consecutive year

- Achieved sales growth of 23.4%, ordinary income growth of 18.4%, and net income growth of 20.5%
- Achieved 30% yoy growth of total amount of Tax leasing arrangement and equity sales in Tax Leasing Arrangement Business. Surpassed 100 billion yen equity sales, strengthening No.1 position in Tax Leasing Arrangement Business
- Achieved ROE of over 40% for the second consecutive year

(Billions of yen)

	FY2015	FY2016	Change from FY2015
Net sales	15.31	18.89	23.4%
Operating income	10.08	11.85	17.6%
Ordinary income	10.05	11.90	18.4%
Profit attributable to owners of parent	6.34	7.64	20.5%
Total amount of equity sales	84.17	109.41	30.0%
Total amount of leased assets	297.34	378.80	27.4%
R O E	47.6%	45.2%	–

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FY2016 Business environment

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Business environment	Positive effects on FPG's business
CapEX needs of international airlines and shipping companies remains firm	Origination of tax leasing business stayed solid
Business conditions surrounding SMEs remains solid	CapEx needs of SMEs for investments expanded
Regional banks increasingly focusing on fee business, facing negative interest rate environment	Customer referrals from financial institutions increased
Further aging of the population and increase in inheritance tax	Businesses in relation to business succession and inheritance/gift tax expanded

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Business Overview



■ Business results

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◆ Tax leasing business led expansion of consolidated sales growth

- Yoy sales growth of 23.4%, to 18.89 billion yen, as a result of the expansion of the tax leasing business, while ordinary income and net income reached 11.90 billion yen and 7.64 billion yen respectively.
- Other business increased by 55.2% yoy, contributing to group sales growth
- Kept a high operating margin of over 60%

(Billions of yen)

	FY2014	FY2015		FY2016		
			/Net sales		/Net sales	Change from FY2015
Net sales	6.25	15.31	100.0%	18.89	100.0%	23.4%
Tax leasing arrangement business	5.44	14.12	92.3%	17.05	90.3%	20.7%
Other business	0.81	1.18	7.7%	1.83	9.7%	55.2%
Gross profit	5.38	13.37	87.3%	16.35	86.6%	22.3%
SG&A expenses	1.92	3.29	21.5%	4.50	23.8%	36.8%
Operating income	3.46	10.08	65.8%	11.85	62.7%	17.6%
Non-operating income	0.34	0.76	5.0%	1.02	5.4%	33.2%
Non-operating expenses	0.54	0.79	5.2%	0.96	5.1%	21.6%
Ordinary income	3.26	10.05	65.6%	11.90	63.0%	18.4%
Extraordinary profit	0	0.03	0.2%	-	-	-
Extraordinary loss	0	0.01	0.1%	0.17	0.9%	-
Profit attributable to owners of parent	1.98	6.34	41.4%	7.64	40.5%	20.5%

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■ Tax leasing arrangement business

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◆ **Business remained strong by close cooperation with affiliated companies and strengthening of origination capability**

- Originated 378.8 billion yen of leased asset by aggressively seeking opportunities, leveraging close cooperation with overseas affiliated companies. (see P.8)
- Equity sales exceeded 100 billion yen
- Origination of leasing deals based on profitability leads to high commission fee margin of 16.1%

(Billions of yen)

(Billions of yen)		FY2014		FY2015		FY2016		Change from FY2015
Tax leasing arrangement business net sales		5.44		14.12		17.05		20.7%
Total amount of equity sales		37.89	*Proportion*	84.17	*Proportion*	109.41	*Proportion*	30.0%
	Aircraft	20.38	*53.8%*	23.50	*27.9%*	54.89	*50.2%*	133.5%
	Marine containers	12.28	*32.4%*	16.71	*19.9%*	24.47	*22.4%*	46.5%
	Ships	5.22	*13.8%*	43.95	*52.2%*	30.04	*27.5%*	▲31.7%
Commission fees from equity sales		14.4%		16.8%		16.1%※		–
Number of companies (number of deals)		834		1,653		2,089		26.4%
Average equity amount		¥45mm		¥50mm		¥52mm		2.9%
Total amount of leased assets		168.61		297.34		378.80		27.4%
Number of deals		49		82		80		–

※Excluding full equity deals. Full equity deal is structured under the scheme where all necessary money is fully funded by equity investors without deabt.

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■Enhancement of arrangement capabilities

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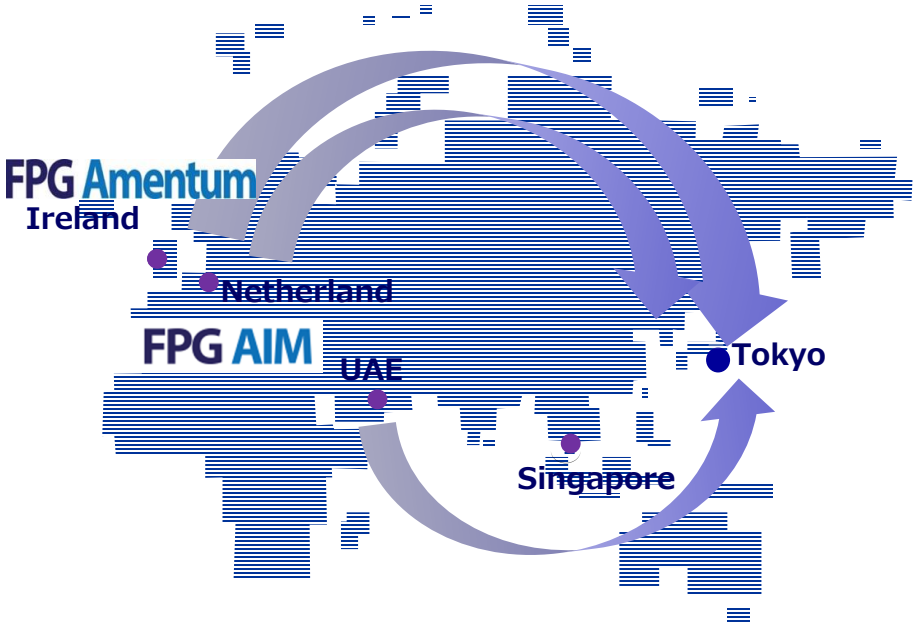
◆Enhanced our sourcing and arrangement capabilities due to alliances with overseas affiliated companies

- New lessees
  - Airlines
    Europe:1, Asia:1,
    Middle East:2
  - Aircraft leasing company
    Europe:2
  - Shipping Company
    Europe:1, Asia:1

- Swift approach to large-scale leasing origination
  - Leasing scheme without call option※ sales of 5 aircraft

    ※leasing scheme without call option means the scheme which is appropriate for investors with high risk tolerance as it entails price volatility depending on the market price at the end of leasing period when aircraft are monetized at the market.
  - Secured credit lines for FPG group to acquire and temporarily own aircraft



FPG Amentum Limited
- ■Headquarters/Ireland
- ■75% owned by FPG (consolidated)
- ■Aircraft investment/maintenance service

FPG Asset & Investment Management B.V
- ■Headquarters/Netherland
  Subsidiaries/Singapore, UAE
- ■25% owned by FPG(Equity-method)
- ■Origination support to operating leasing business

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■ Expansion of distribution network

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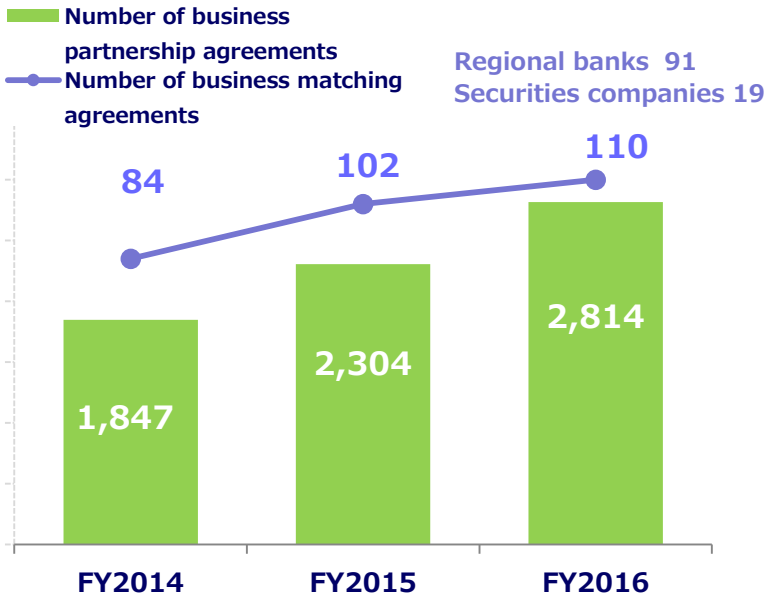
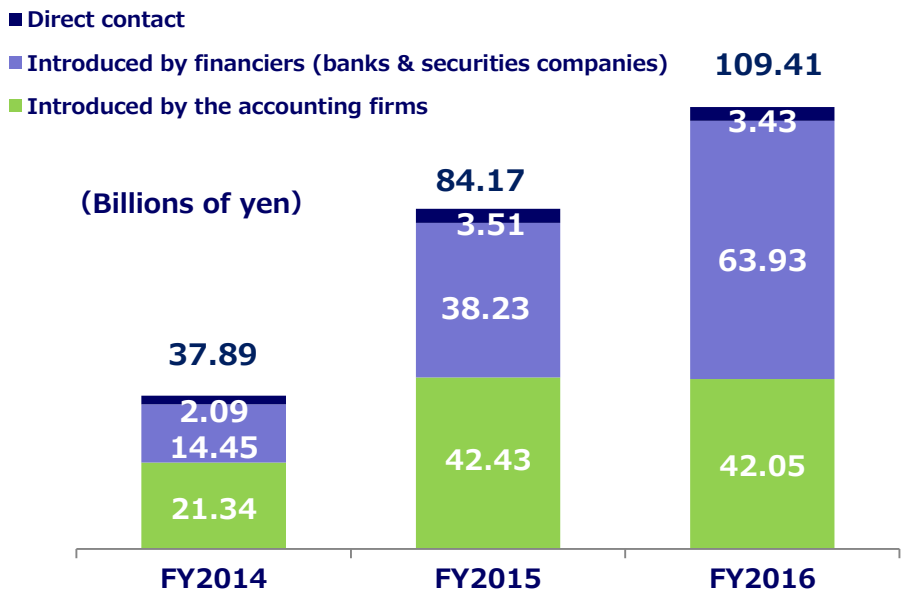
◆Created more alliances with accounting firms and financial institutions

- Sales network expanded steadily. Number of partner accounting firms increased by 510, reaching 2,814 in total, while the number of partner financial institutions increased by 8, reaching 110 in total.
- Customer referrals expanded as financial institutions increasingly focusing on fee businesses due to the negative interest rate policy by BoJ. Equity sales through financial institutions increased by 67.2% yoy, reaching 63.9 billion yen.
- Hosted study groups/ seminars aiming to promote the understanding of our products

Number of partnership agreements and business matching agreements



Transition of equity sales (through accounting firms and financiers)



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■ Expansion of other Businesses

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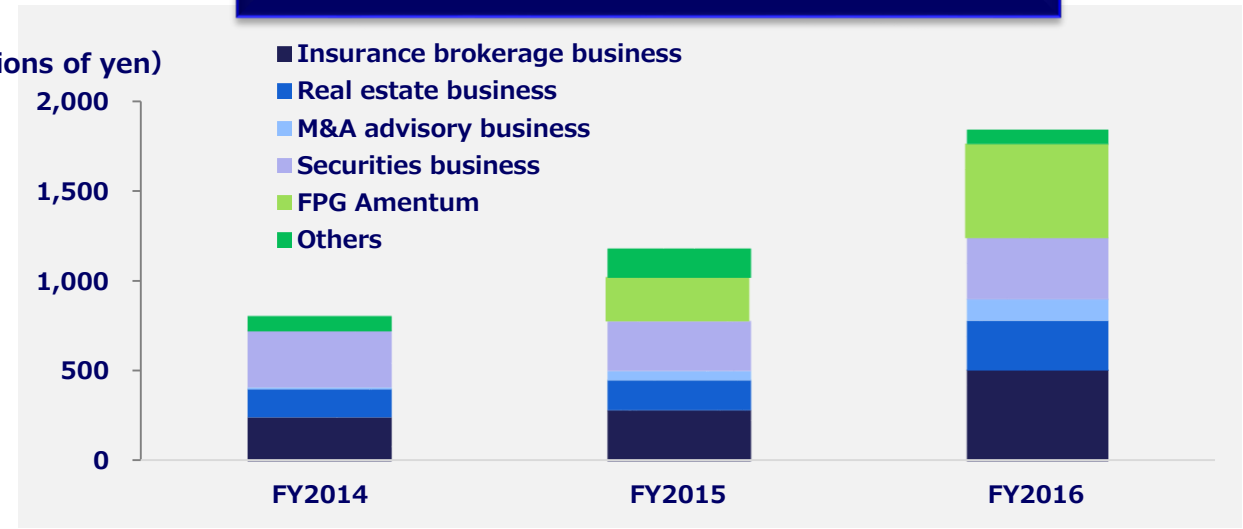
◆ **Using out existing client base and distribution network, active promotion of cross-selling has led to a strong expansion of our other businesses**

Net sales of other businesses



(Millions of yen)

	FY2014	FY2015	FY2016	Change from FY2015
Insurance brokerage business	241	281	499	77.3%
Real estate business	157	167	275	64.1%
M&A advisory business	11	52	121	133.5%
Securities business	316	276	341	23.4%
FPG Amentum※	–	245	522	112.5%

※Aircraft investment management service. Consolidated in the fourth quarter of FY2015.

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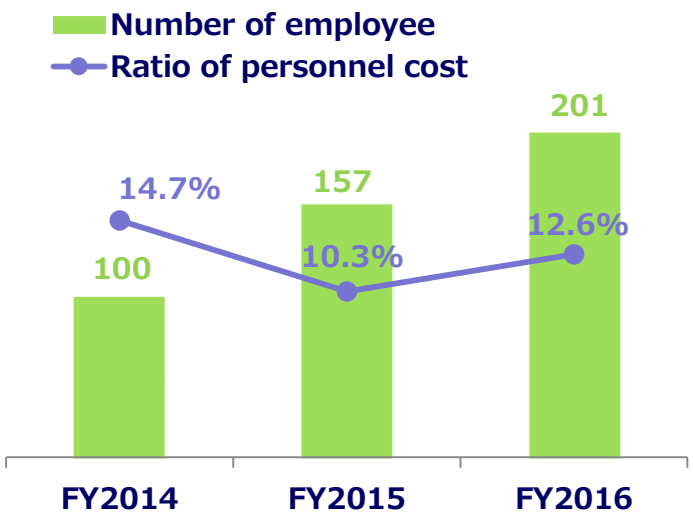
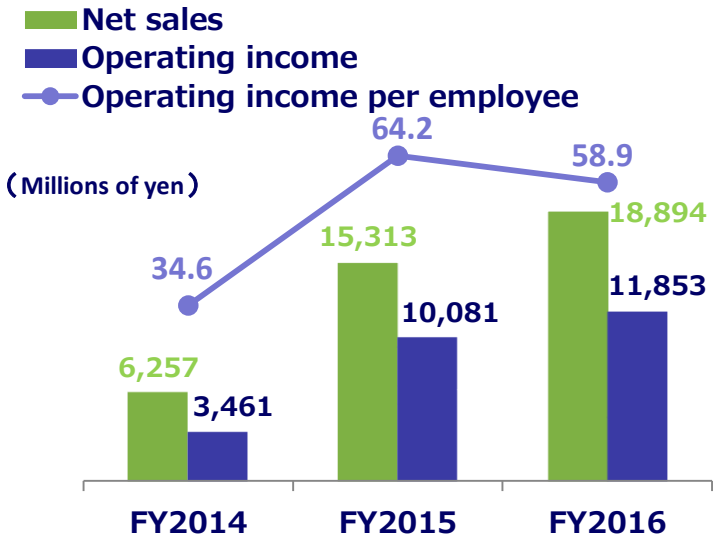
■ Number of employees and Productivity

◆ While hiring more staff in line with our business expansion, we have maintained high productivity.

Number of employees and Ratio of personnel cost



Productivity



	FY2014	FY2015	FY2016
Ratio of personnel cost	14.7%	10.3%	12.6%
Personnel cost	¥919mm	¥1,569mm	¥2,390mm
Number of employees	100	157	201

	FY2014	FY2015	FY2016
Operating income per employee	¥34.6mm	¥64.2mm	¥58.9mm

Note: Number of employees in FY2016 includes employees of FPG Asset Management.

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■ Fund procurement conditions

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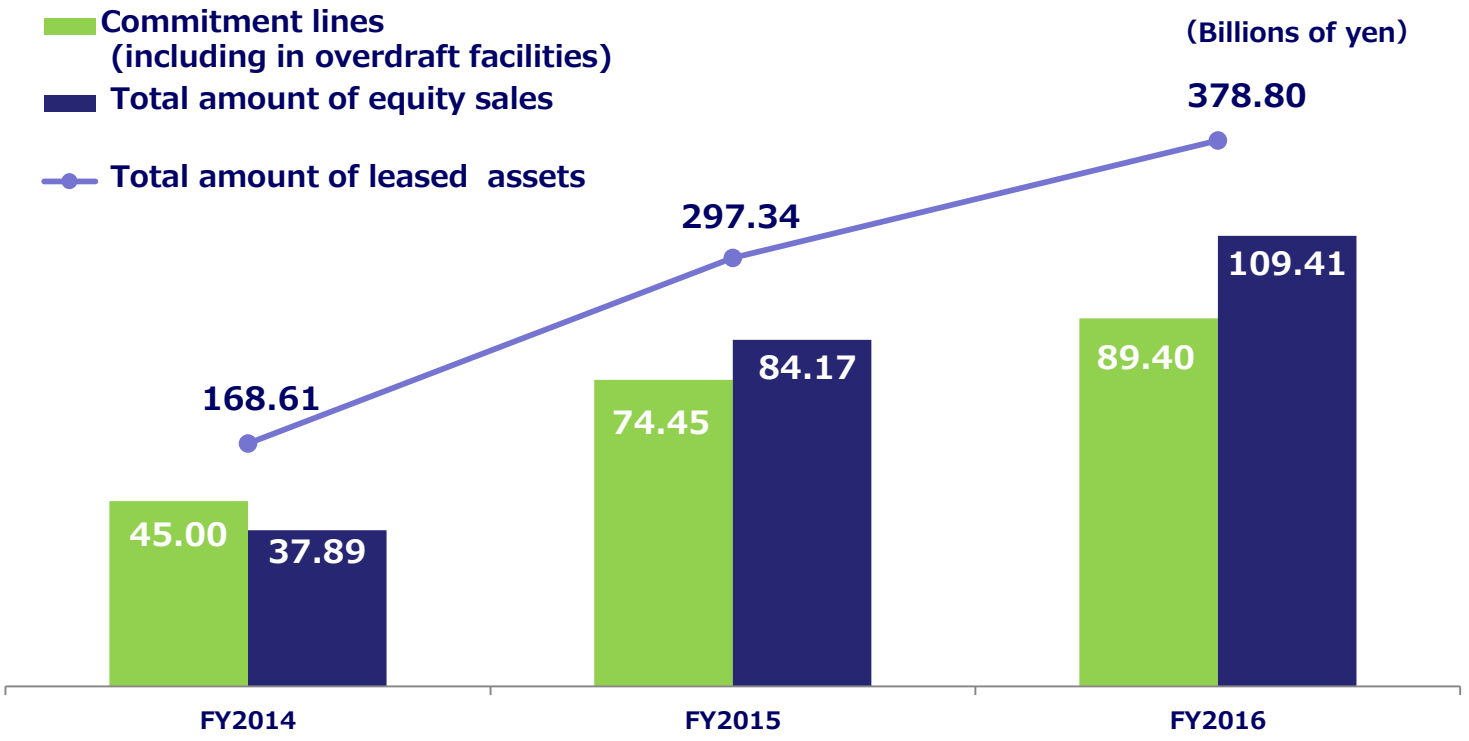
◆ Increased the arrangement of deals by expanding fundraising capacity

- Increased fund procurement capacity to meet demand for expansion of originating leases, for real estate products, and for working capital
- ¥378.8 billion of total amount of leased assets and ¥109.4 billion of total amount of equity sales were achieved by utilizing ¥89.4 billion of commitment lines in the fiscal year.
- Secured adequate commitment lines for fund raising through reducing financing costs and achieving a balance in long and short loan terms



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■ Topics – Selection of “JPX-Nikkei Index 400”

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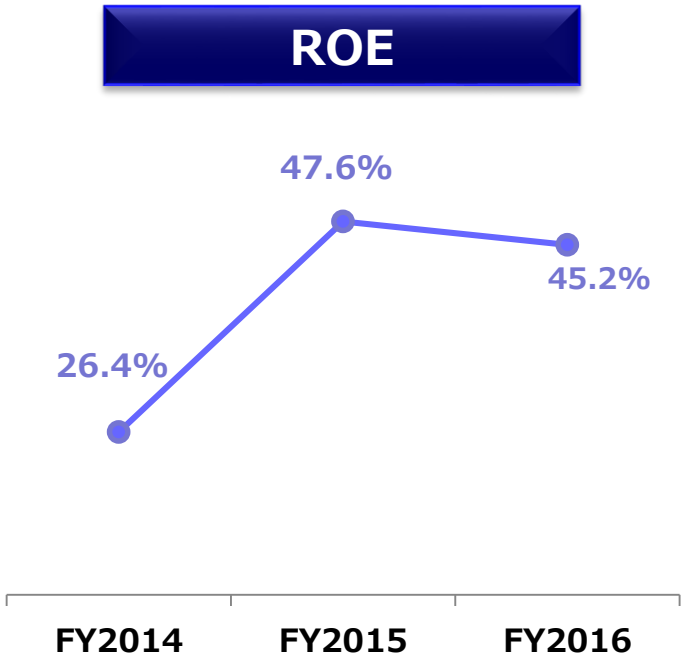
◆ **Selected as one of the issues to compose the index “JPX-Nikkei Index 400”**

JPX-Nikkei Index 400

This index is composed of companies with high appeal for investors, which meet the requirement of global investment standards, such as

- **Efficient use of capital**
- **Investor-focused management perspectives**



- ◆ **High capital efficiency**
  High ROE of more than 40%
- ◆ **Corporate governance system with high transparency**
  - **Three of four directors are outside independent directors**
  - **All three auditors are outside independent auditors**

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FY2016 Dividend forecast

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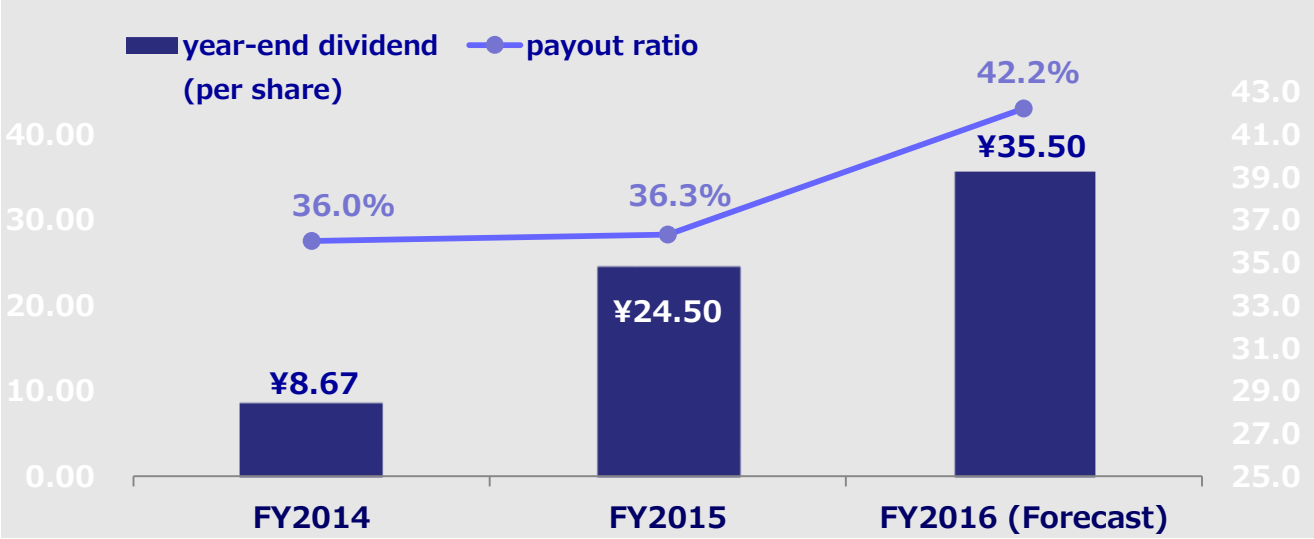
◆ **Increased year-end dividend forecast to ¥35.50 per share**

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.



Note: Amounts take into account the impact of the stock split and reflect retroactive adjustment.

We provide incentives to make investment in our stock more attractive and encourage as many shareholders as possible to maintain their investment loyalty over the medium to long term.

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FY2017 Consolidated Forecast
Medium-term Management Strategies



■FY2017 Consolidated forecast

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◆Endeavoring to increase net sales and profits for the eighth consecutive year

Further expanding other businesses while further strengthening our No.1 position in the Tax leasing arrangement business in FY2017

(Billions of yen)

	FY2016 Actual	FY2017 Forecast	Change from FY2016
Net sales	18.89	21.23	12.4%
Tax leasing arrangement business	17.05	19.01	11.5%
Other business	1.83	2.22	20.9%
Operating income	11.85	12.94	9.2%
Ordinary income	11.90	12.93	8.7%
Profit attributable to owners of parent	7.64	8.35	9.3%
Total amount of equity sales	109.41	124.00	13.3%
Total amount of leased assets	378.80	400.00	5.6%

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■Go to the new growth stage

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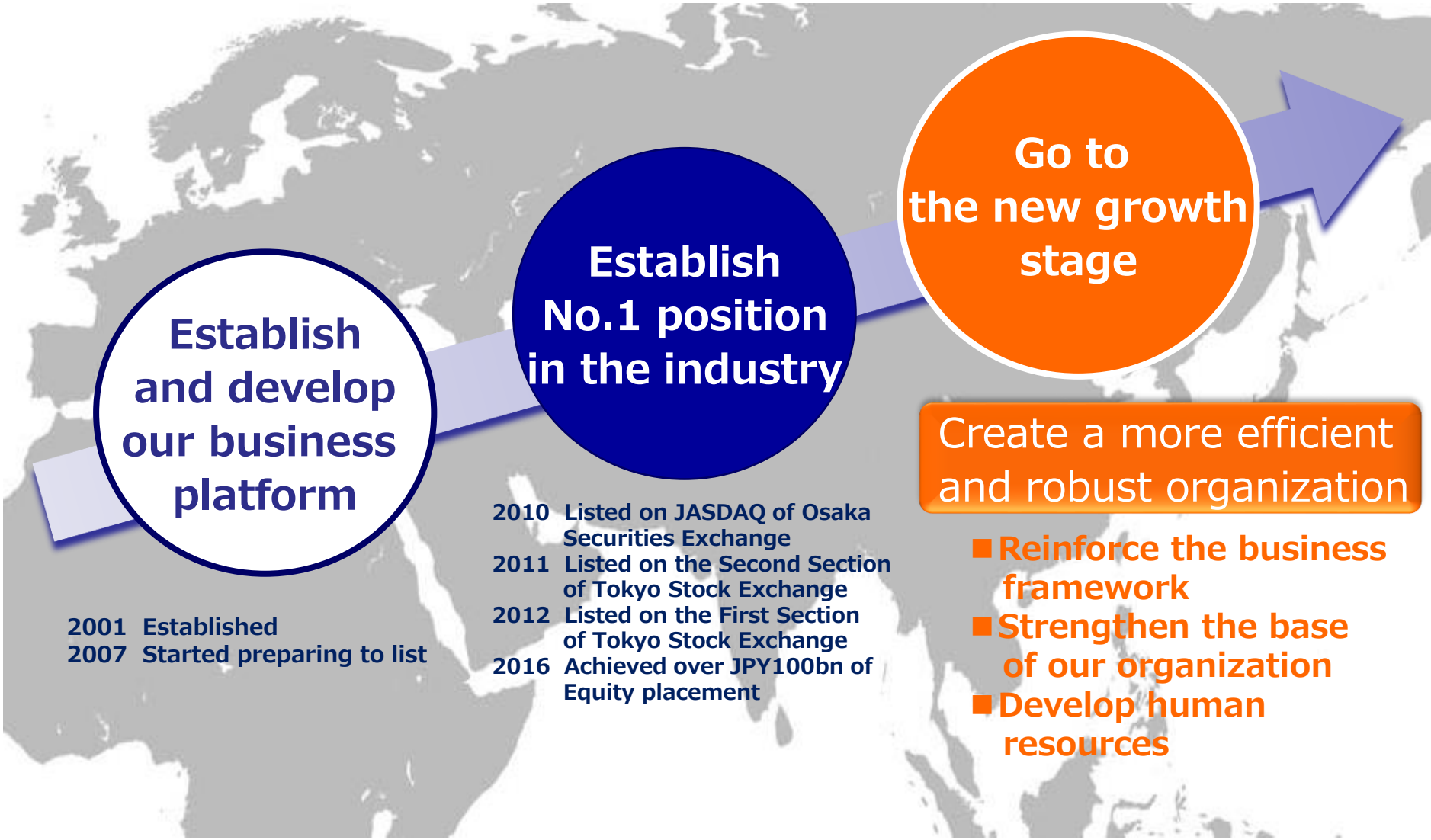
◆ Policies to achieve new growth



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■ Medium-term management strategies

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◆ Basic strategies

Create a more efficient and robust organization for the new growth stage

Reinforce the business framework

- ■ Strengthen existing businesses
- ■ Expand new businesses
- ■ Make full use of strategic M&A

Strengthen the base of our organization

- ■ Formulate and execute the new management strategy
- ■ Prepare risk management systems which matches our businesses and risk profiles
- ■ Improve and reinforce the information infrastructure

Develop human resources

- ■ Create the personnel development programs which enable the continued skills improvement of our staff
- ■ Create the personnel system which brings out motivation, challenge and medium-long term commitment
- ■ Create the payroll system which enhances out recruitment efforts

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References



■ Our business- I

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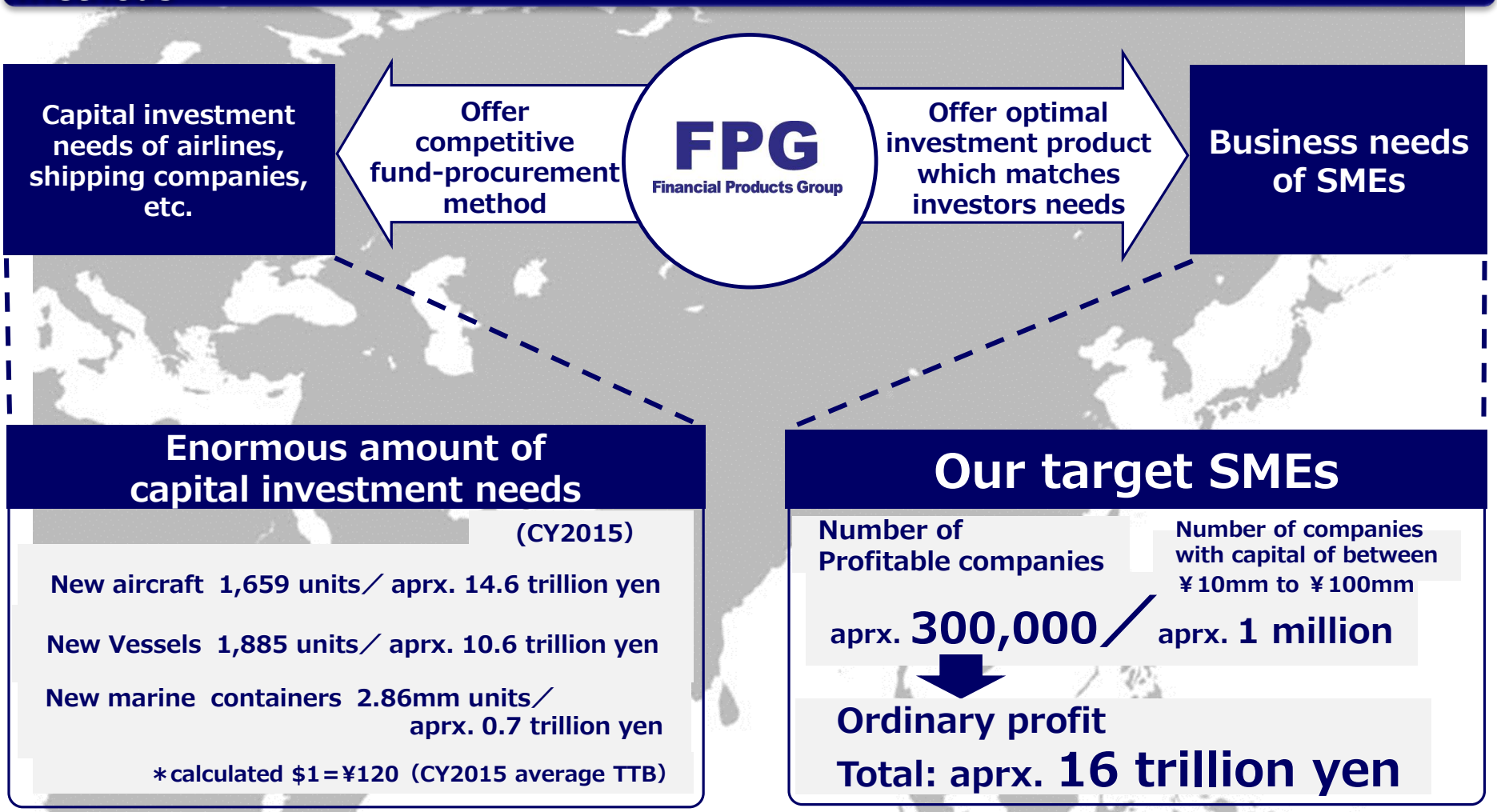
We combine the capital investment needs of airlines and shipping companies and the business needs of SMEs, by offering solutions with advanced financial methods



Enormous amount of capital investment needs

(CY2015)

New aircraft 1,659 units／aprx. 14.6 trillion yen

New Vessels 1,885 units／aprx. 10.6 trillion yen

New marine containers 2.86mm units／aprx. 0.7 trillion yen

＊calculated $1=¥120 (CY2015 average TTB)

＊based on Current Aircraft Finance Market Outlook 2016 by Boeing Capital Corporation, Clarksons and Harrison Consulting

Our target SMEs

Number of Profitable companies

aprx. 300,000／

Number of companies with capital of between ¥10mm to ¥100mm

aprx. 1 million

Ordinary profit

Total: aprx. 16 trillion yen

＊ based on the Financial Statements Statistics of Corporation (FY2015) by Ministry of Finance and the Sample survey by the National Tax Agency

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■ Our Business-Ⅱ

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We offer solutions which satisfy various needs of SMEs and their owners

	Financial strategies	Business succession	Risk management
Needs of SMEs and their owners	◆Leveling profits ◆Appropriate Capital expenditure program ◆Plan to counter future costs etc.	◆Controlling stock price ◆Absence of successor ◆Preparing for directors' retirement allowance ◆Inheritance and gift of company owners' personal assets etc.	◆Controlling foreign exchange fluctuation ◆Preparing for death or illness of company owners and employees ◆Managing assets of company and its owner etc.
Solutions	Tax leasing arrangement Real estate (small-lot real estate product) Insurance (Insurance brokerage) M&A advisory FPG Securities (Hedging exchange rate risk) FPG Trust (Investment-based trust business)		

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Statement of income

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(Billions of yen)

	FY2015	FY2016	Change from FY2015
Net sales	15.31	18.89	23.4%
Cost of sales	1.93	2.53 ①	30.8%
Gross profit	13.37	16.35	22.3%
SG&A cost	3.29	4.50	36.8%
Operating income	10.08	11.85	17.6%
Non-operating income	0.76	1.02 ②	33.2%
Non-operating expenses	0.79	0.96 ③	21.6%
Ordinary income	10.05	11.90	18.4%
Income before income taxes	10.06	11.73	16.5%
Total income taxes	3.70	4.05	9.5%
Profit attributable to owners of parent	6.34	7.64	20.5%

①Cost of sales: Including commission fees paid for client introductions and arrangement costs of tax leasing arrangement business
②Non-operating income: Including interest which we collect from investors when we sell down the equity to them in tax leasing arrangement business
③Non-operating expenses: Including commission fees and interest expenses related to fund-procurement

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■ Balance sheet

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(Billions of yen)

Asset	FY2015	FY2016	Change from FY2015
Current assets	66.03	78.33	12.30
Equity underwritten	46.52	57.12 ①	10.59
Real estate for arrangement	1.57	2.46 ②	0.88
Non-current assets	2.99	2.86	▲0.12
Total assets	69.08	81.22	12.13

Liabilities	FY2015	FY2016	Change from FY2015
Current liabilities	50.03	59.24	9.21
Short-term debts･bonds	29.42	38.09 ④	8.66
Advances received	7.38	10.57 ③	3.19
Non-current liabilities	2.88	4.17	1.29
Long-term debt･bonds	2.66	3.93 ④	1.27
Total liabilities	52.91	63.41	10.50
Total net assets	16.17	17.80	1.63
Total liabilities and net assets	69.08	81.22	12.13

①Equity underwritten: Temporary advances for investors equity placement in tax leasing arrangement business
②Real estate for arrangement: Real estate for small-lot real estate product
③Advances received: Including advances of commission fees of equity underwritten and small-lot real estate product with trust beneficiary rights
④Short-term and long-term debt･bonds: To fund our equity underwritings and the acquisition of assets for our real estate projects

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Key Financial Data

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Accounting term		FY2012	FY2013	FY2014	FY2015	FY2016
Net sales	Billions of yen	2.80	4.01	6.25	15.31	18.89
Ordinary income	Billions of yen	1.39	1.96	3.26	10.05	11.90
Net income	Billions of yen	0.79	1.18	1.98	6.34	7.64
Paid-in capital	Billions of yen	0.33	0.85	3.07	3.08	3.09
Outstanding shares	Thousand of shares	7,501	26,017	31,271	94,299	94,461
Net assets	Billions of yen	2.55	4.48	10.54	16.17	17.80
Total assets	Billions of yen	5.91	20.24	44.01	69.08	81.22
Book value per share	Yen	37.79	57.52	112.46	170.65	196.86
Dividends	Yen	4.12	5.45	8.67	24.50	35.50
Earnings per share	Yen	11.89	15.53	24.07	67.52	84.05
ROE	%	35.2	33.7	26.4	47.6	45.2
Equity ratio	%	43.1	22.2	24.0	23.3	21.8
Payout ratio	%	34.6	35.1	36.0	36.3	42.2
Cash flow from operating activities	Billions of yen	1.84	▲8.95	▲13.02	▲3.25	▲16.9
Cash flow from investing activities	Billions of yen	▲0.07	▲0.42	▲0.73	▲1.45	▲4.1
Cash flow from financing activities	Billions of yen	▲2.01	11.23	14.00	7.88	35.7
Cash and cash equivalents at end of year	Billions of yen	1.98	3.84	4.09	7.38	86.7
Number of employees		55	81	100	157	201

Note: Consolidated results are available from 2013 onward. Nonconsolidated results pre-2013 are provided for reference.
Above figures reflect adjustment for stock spilt. Net income has changed to Profit attributable to owners of parent from FY2016.
Number of employees in FY2016 includes employees of FPG Asset Management.

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The industry trends and analysis, as well as business outlook, strategies and other forward looking statements, described in these materials are based on information available to management of FPG as of the information publication date. The future operating environment could, however, be significantly different than now due to various factors, and next-stage strategies, performance results and other events may therefore differ from the content presented today.

IR Inquiry

If you have questions or comments regarding our stocks and/or investments, please feel free to contact us.

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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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