FPG
Financial Products Group

We're true professionals

Information Meeting Materials for First Quarter (October 2016 – December 2016) of the Fiscal Year Ending September 30, 2017 Consolidated Results

Financial Products Group Co., Ltd.

Tokyo Stock Exchange First Section
(Code: 7148)

JPX
TSE LISTED

January 2017

Table of Contents

FPG
Financial Products Group

Summary P2
- Performance Highlights P3
- Total amount of assets arranged in operating leases P4
- Topics-First Japanese operating lease for aircraft using a trust structure P5
- Topics-“JPX-Nikkei Mid and Small Cap Index” P6

Business Overview P7
- Tax leasing arrangement business P8
- Distribution network P9
- Business diversification P10
- FY2017 Dividend forecast P11

Additional Information P12

Disclaimer P15

Copyright Financial Products Group Co., Ltd. All Rights Reserved.

FPG
Financial Products Group

Summary



■ Performance highlights

FPG
Financial Products Group

◆ Progress in line with the consolidated financial result forecast

- The amount of equity placement reached a record quarterly high of ¥29.3bn
- Profit attributable to owners of the parent reached 26.7% of the full-year forecast in 1Q
- Total amount of assets arranged in operating leases in 1Q is at 11.7% of the full-year forecast, with there being quarterly volatility in this figure, and higher lease arrangements are expected from 2Q (see P.4)
- The amount of equity underwritten at the end of 1Q, which has already been originated and is to be sold from 2Q onwards, is ¥43.8bn

(Billions of yen)

	FY2016 1Q		FY2017 1Q			FY2017 Full-year forecast	Progress
		/Net sales		/Net sales	Change		
Net sales	5.79	100.0%	4.74	100.0%	▲18.2%	21.23	22.3%
Tax leasing arrangement business	5.40	93.1%	4.27	90.0%	▲20.9%	19.01	22.5%
Other business	0.39	6.9%	0.47	10.0%	18.6%	2.22	21.2%
Gross profit	5.16	89.1%	4.19	88.4%	▲18.8%		
Operating income	4.09	70.6%	3.02	63.7%	▲26.2%	12.94	23.3%
Ordinary income	4.19	72.3%	3.24	68.3%	▲22.7%	12.93	25.1%
Profit attributable to owners of parent	2.75	47.5%	2.22	47.0%	▲19.1%	8.35	26.7%
Total amount of equity placement in operating leases	27.68		29.35		6.0%	124.00	23.7%
Total amount of assets arranged in operating leases	130.86		46.75		▲64.3%	400.00	11.7%

Copyright Financial Products Group Co., Ltd. All Rights Reserved.

■Total amount of assets arranged in operating leases

FPG
Financial Products Group

◆The progress rate of the total amount of assets arranged in operating leases depends on the timing of CapEx of lessees and can therefore fluctuate significantly on a quarterly basis

Transition of the progress rate of the total amount of assets arranged in operating leases on a quarterly basis

	1Q	2Q	3Q	4Q
FY2014	25.7%	31.3%	52.2%	100.0%
FY2015	20.9%	44.8%	69.0%	100.0%
FY2016	34.5%	48.0%	84.3%	100.0%
FY2017 (Progress to forecast)	11.7%			100.0%

Transition of the total amount of assets arranged in operating leases

(Billions of yen)

	Amount	Change
FY2014	168.61	71.4%
FY2015	297.34	76.3%
FY2016	378.80	27.4%
FY2017 (Forecast)	400.00	5.6%

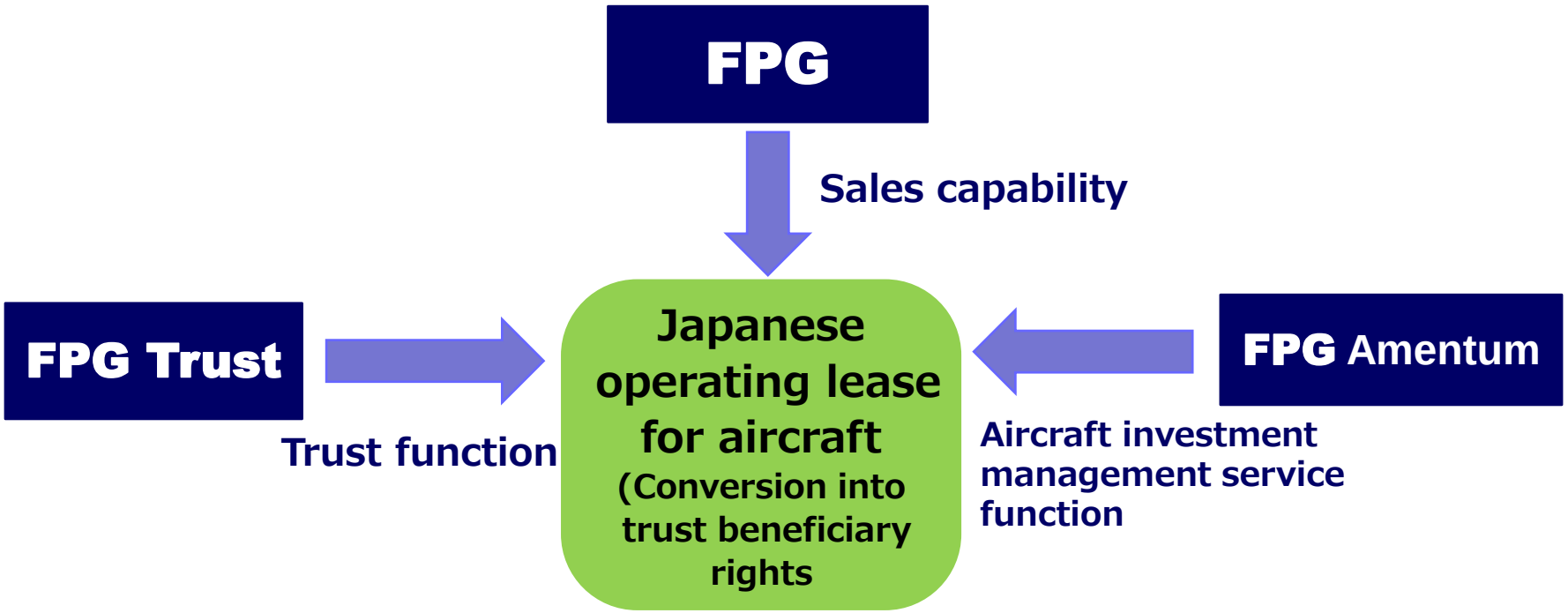
Copyright Financial Products Group Co., Ltd. All Rights Reserved.

■Topics-First Japanese operating lease for aircraft using a trust structure

FPG
Financial Products Group

◆Developed our unique new structure to assist in the continued expansion of our aircraft leasing projects business

- Taking advantage of our unique competitive advantage of having a trust company and an aircraft management service company in the FPG group to do the first Japanese operating lease for aircraft using a trust structure



Copyright Financial Products Group Co., Ltd. All Rights Reserved.

■ Topics – “JPX-Nikkei Mid and Small Cap Index”

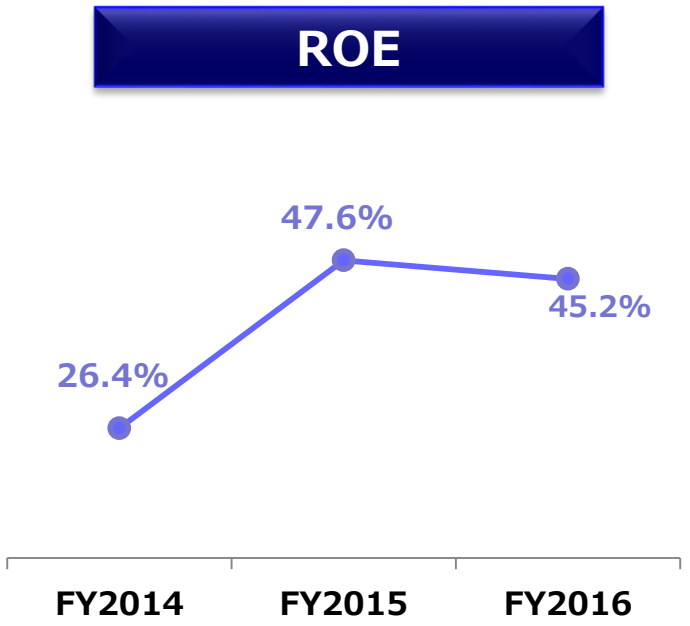
FPG Financial Products Group

◆ Selected as one of the issues to comprise the index “JPX-Nikkei Mid and Small cap Index” following selection into the “JPX-Nikkei Index 400”

JPX-Nikkei Mid and Small Cap Index

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 five directors are outside independent directors
- All three audit & supervisory board member are outside independent auditors

Copyright Financial Products Group Co., Ltd. All Rights Reserved.

FPG
Financial Products Group

Business Overview



■ Tax leasing arrangement business

FPG Financial Products Group

◆Amount of equity placement reached a record quarterly high of ¥29.3bn

- The investment needs of SMEs with strong corporate earnings expanded
- Strengthened sales capability by increasing the number of sales staff
- Won transactions with three new lessees due to alliances with overseas affiliated companies（FPG Amentum and FPG Asset & Investment Management)

(Billions of yen)

(Billions of yen)		FY2016 1Q		FY2017 1Q		Change
Tax leasing arrangement business net sales		5.40		4.27		▲20.9%
Total Amount of equity placement in operating leases		27.68		29.35		6.0%
	Aircraft	8.23	*29.8%*	10.72	*36.5%*	30.2%
	Marine containers	2.85	*10.3%*	9.83	*33.5%*	244.0%
	Ships	16.58	*59.9%*	8.80	*30.0%*	▲46.9%
Commission fees from equity sales		19.5%		15.6% ※		–
Number of companies (number of deals)		516		560		8.5%
Average equity amount		¥53mm		¥52mm		▲2.3%
Total amount of assets arranged in operating leases		130.86		46.75		▲64.3%
Number of deals		30		10		–

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

Copyright Financial Products Group Co., Ltd. All Rights Reserved.

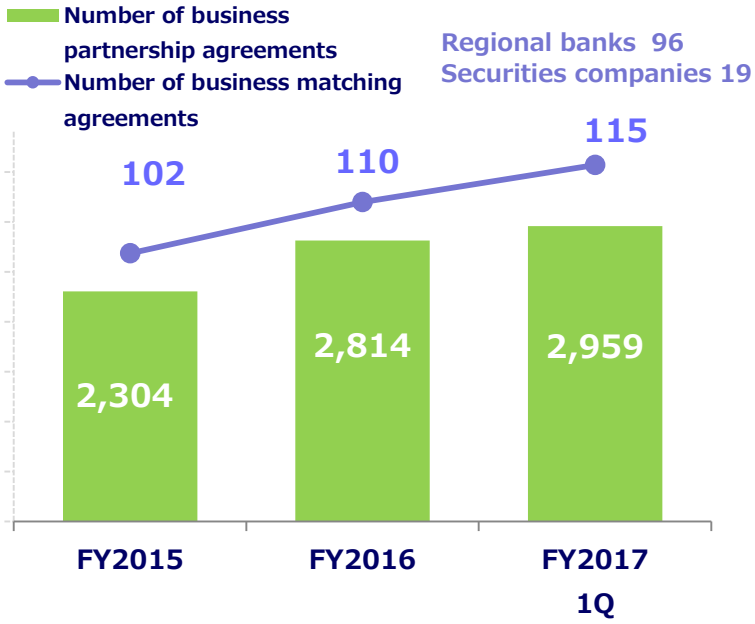
■ Distribution network

FPG
Financial Products Group

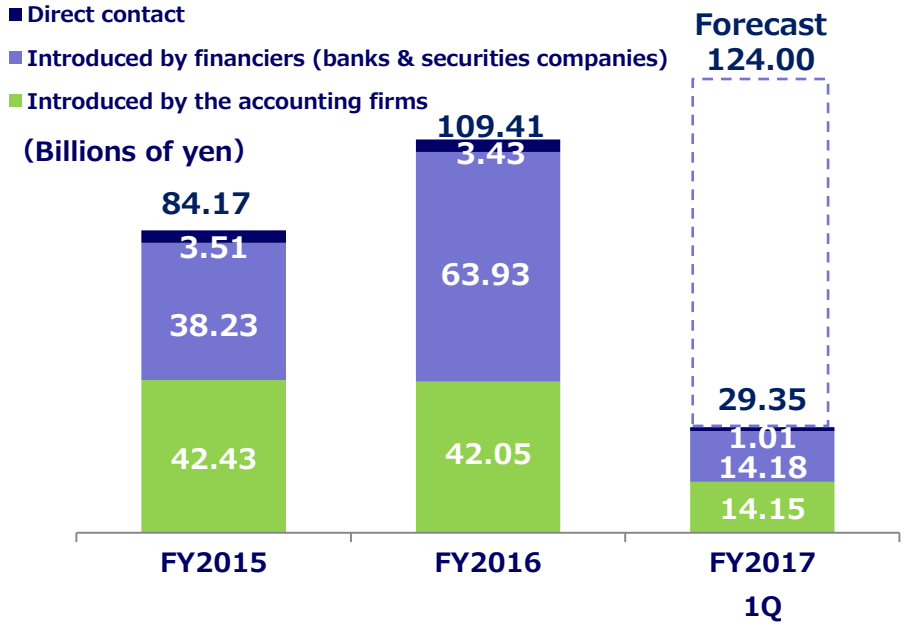
◆Created more alliances with accounting firms and financial institutions

- Sales network expanded steadily. Number of partner accounting firms increased by 145, reaching 2,959 in total, while the number of partner financial institutions increased by 5, reaching 115 in total
- Customer referrals remain solid as financial institutions continue to focus on fee businesses due to the negative interest rate policy by the BOJ
- Concentrated efforts to strengthen and deepen our partnerships with accounting firms

Number of partnership agreements and business matching agreements



Transition of equity sales (through accounting firms and financiers)



Copyright Financial Products Group Co., Ltd. All Rights Reserved.

■ Business diversification

FPG
Financial Products Group

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

(Millions of yen)

	FY2016 1Q	FY2017 1Q	Change
Real estate business	132	140	5.9%
Insurance brokerage business	32	80	150.3%
M&A advisory business	3	1	▲58.4%
Securities business	58	75	28.1%
Aircraft investment management service	155	169	9.1%
Others	4※	5	3.7%
Total	398	472	18.6%

Diversified businesses refers to businesses other than our main business which is the tax leasing arrangement business

※Excluding the Investment advisory business which we sold at the end of FY2016.

Copyright Financial Products Group Co., Ltd. All Rights Reserved.

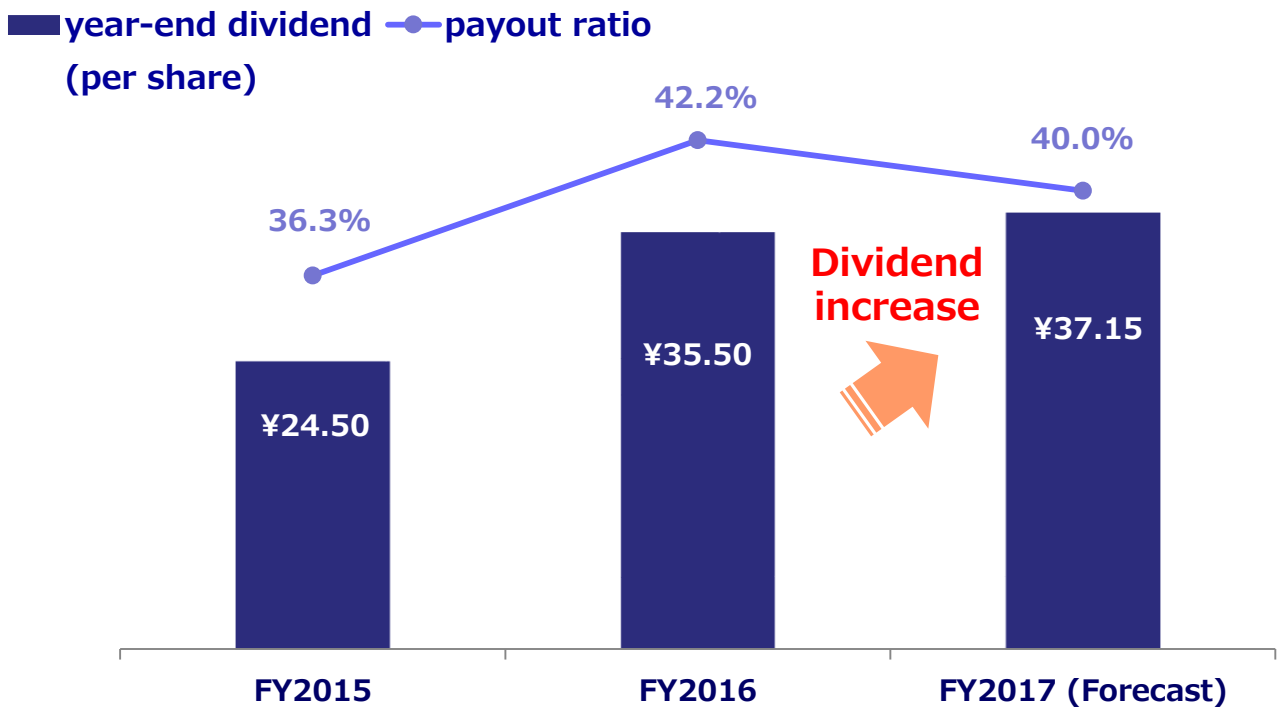
FY2017 Dividend forecast

FPG
Financial Products Group

◆ **Increased year-end dividend forecast to ¥37.15 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 FY2017, the year-end dividend forecast is ¥37.15 per share to enhance shareholder returns.



Copyright Financial Products Group Co., Ltd. All Rights Reserved.

FPG
Financial Products Group

Additional Information



Statement of income

FPG
Financial Products Group

(Billions of yen)

	FY2016 1Q	FY2017 1Q	Change
Net sales	5.79	4.74	▲18.2%
Cost of sales	0.63	0.55 ①	▲12.9%
Gross profit	5.16	4.19	▲18.8%
SG&A cost	1.07	1.17	9.0%
Operating income	4.09	3.02	▲26.2%
Non-operating income	0.23	0.30 ②	31.8%
Non-operating expenses	0.13	0.08 ③	▲33.4%
Ordinary income	4.19	3.24	▲22.7%
Income before income taxes	4.18	3.23	▲22.6%
Total income taxes	1.40	0.99	▲28.9%
Profit attributable to owners of parent	2.75	2.22	▲19.1%

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

Copyright Financial Products Group Co., Ltd. All Rights Reserved.

■ Balance sheet

FPG
Financial Products Group

(Billions of yen)

Asset	FY2016 Sep. 30, 2016	FY2017 Dec.31, 2016	Change
Current assets	78.33	68.02	▲10.30
Equity underwritten	57.12	43.81 ①	▲13.30
Real estate for arrangement	2.46	1.32 ②	▲1.13
Non-current assets	2.86	2.87	0.01
Total assets	81.22	70.91	▲10.30

Liabilities	FY2016 Sep. 30, 2016	FY2017 Dec.31, 2016	Change
Current liabilities	59.24	46.45	▲12.78
Short-term debts･bonds	38.09	30.90 ④	▲7.18
Advances received	10.57	8.95 ③	▲1.61
Non-current liabilities	4.17	7.37	3.20
Long-term debt･bonds	3.93	7.14 ④	3.20
Total liabilities	63.41	53.83	▲9.57
Total net assets	17.80	17.08	▲0.72
Total liabilities and net assets	81.22	70.91	▲10.30

①Equity underwritten: Temporary advances in the tax leasing arrangement business prior to selling to equity investors
②Real estate for arrangement: Real estate acquired for small-lot real estate products
③Advances received: Including advances of commission fees related to equity underwritten and small-lot real estate products 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

Copyright Financial Products Group Co., Ltd. All Rights Reserved.

Disclaimer

FPG
Financial Products Group

- These presentation materials includes statement and data related to our forecast for the results, strategies, business plans, etc., of Financial Products Group Co., Ltd..

- These statements and data related to our forecasts are not actual facts, but are rather forecasts that we have judged to be appropriate based on the information available at the time of presentation.

- These presentation materials contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable, and may be changed without prior notice because of changes in the economic environment and other risks and uncertainties.

【IR Inquiry 】

Financial Products Group Co., Ltd.
Corporate Planning Department
TEL　+81-3-5288-5691
URL　http://www.fpg.jp

Copyright Financial Products Group Co., Ltd. All Right Reserved.