FPG Consolidated Financial Results

First Quarter of the Fiscal Year Ending September 30, 2018
(October 1 ,2017 – December 31 ,2017)

Financial Products Group Co., Ltd.

Tokyo Stock Exchange First Section
(Code: 7148)

JPX
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January 31 2018

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Summary



■ Performance highlights

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◆ Attained 1Q net sales in line with the initial plan for FY2018

- Achieved the highest 1Q total amount of equity placement in operating leases of ¥30.25bn
- Net sales decreased by 7.3% YoY due to sales of large scale, full-equity deals with low commission rates.
- Total amount of assets arranged in operating leases reached ¥107.47bn on a quarterly basis, sharply increased by 129.8% YoY.

(JPY billions)

	FY2017 1Q		FY2018 1Q			FY2018 Full year forecast	Progress rate
		% of Net sales		% of Net sales	Y on Y Change		
Net sales	4.74	100.0%	4.39	100.0%	▲7.3%	23.70	18.5%
Tax leasing arrangement business	4.27	90.0%	3.82	87.1%	▲10.4%	19.85	19.3%
Other business	0.47	10.0%	0.56	12.9%	20.3%	3.85	14.7%
Gross profit	4.19	88.4%	3.67	83.7%	▲12.3%		
SG&A cost	1.17	24.7%	1.40	32.0%	20.1%		
Operating income	3.02	63.7%	2.26	51.6%	▲24.9%	14.75	15.4%
Ordinary income	3.24	68.3%	2.09	47.7%	▲35.4%	14.92	14.0%
Profit attributable to owners of parent	2.22	47.0%	1.43	32.6%	▲35.7%	10.31	13.9%
Total amount of equity placement in operating leases	29.35		30.25		3.0%	157.22	19.2%
Total amount of assets arranged in operating leases	46.75		107.47		129.8%	387.46	27.7%

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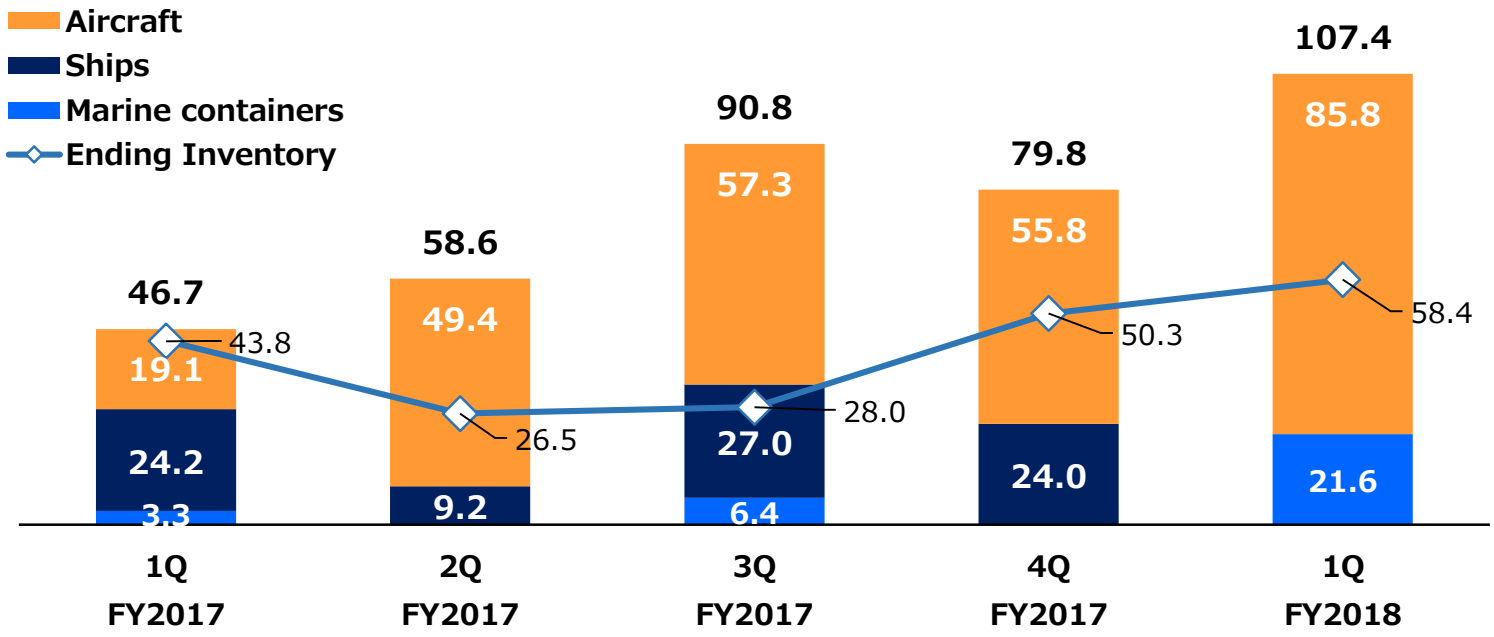
■Total amount of assets arranged in operating leases and the amount of the ending inventory

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◆Total amount of assets arranged in operating leases recovered to 100 billion yen

- As for aircraft, the origination amounts reached a record quarterly high of ¥85.8bn
- Making steady progress toward fulfilling the target of total amount of assets arranged in operating leases of ¥387.4bn for FY2018 with the progress rate of 27.7%
- Ending inventory level significantly recovered due to the effects of favorable origination

Origination Amounts and Ending Inventory (JPY billions)



※Amount of ending inventory means the sum of the ending inventory related to Equity underwritten and Money in trust.

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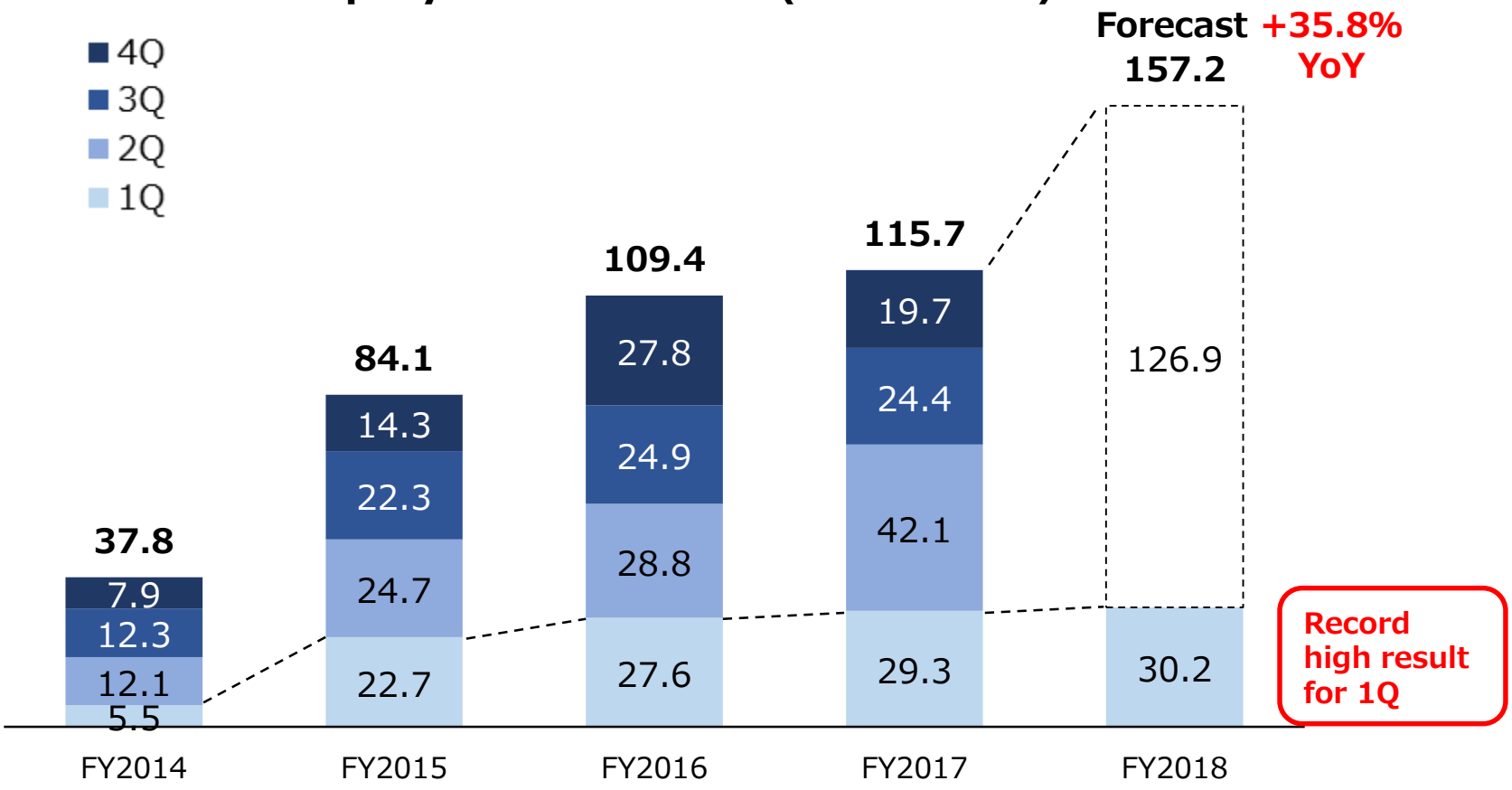
■ Developments in Equity Sales Volume

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◆We expect to increase total amount of equity placement in operating leases from 2Q onward due to strong origination

- **Due to continuous strong sales of JOLCO and expectation of a significant increase in sales of large-scale projects for JOL, total amount of equity placement in operating leases is forecasted ¥157.2bn, up 35.8% YoY**

Equity Sales Volume (JPY billions)



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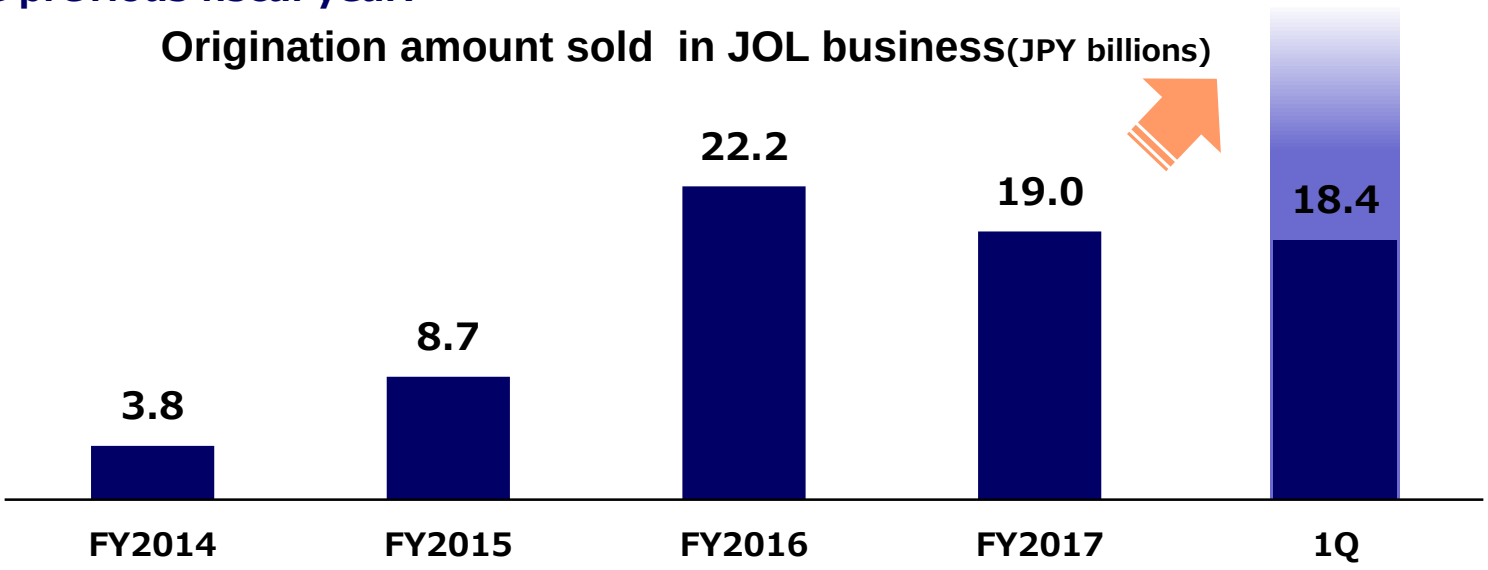
■Topics1 – Expansion of JOL business

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◆ We aim to be the industry's No. 1 player in JOL business as a medium-term management strategy

■ As a result of concentrated efforts on sales activities for large investors, the total amount of equity placement in JOL for 1Q FY2018 reached the level of that for the previous fiscal year.

Origination amount sold in JOL business(JPY billions)



●The sales volume of aircraft and Recent Developments

Fiscal year	FY2014	FY2015	FY2016	FY2017	FY2018
The number of sold aircraft	1	2	5	4	5 (1Q)
Recent Developments	Established a capital alliance with Amentum	Amentum was owned by FPG	Started a warehouse business for JOL	Started trust structure, acquired 11 aircraft	Plan to reach a record total amount of equity placement in JOL

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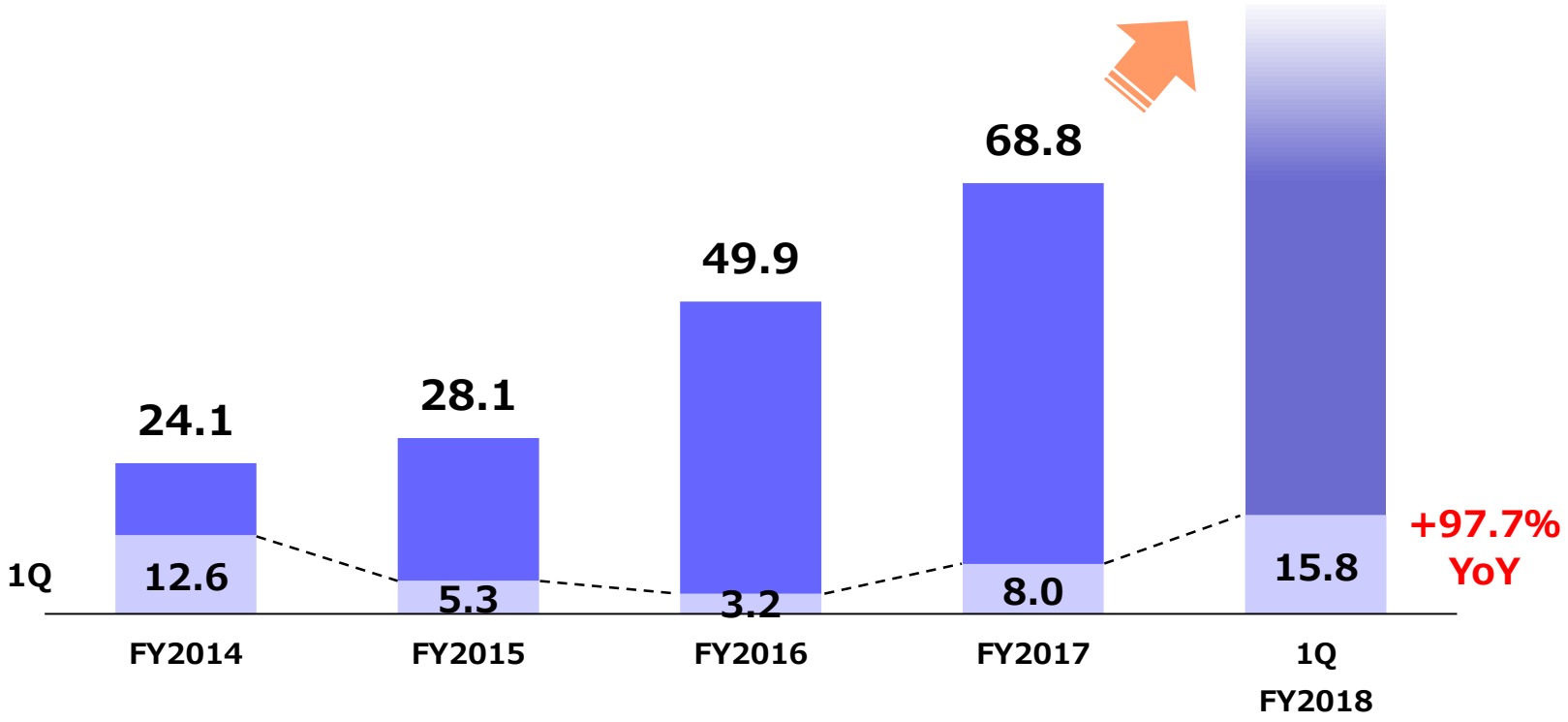
■Topics2 –Developments of Insurance brokerage business

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◆Achieved record sales for the 1Q

- Deployed insurance experts to main branches to strengthen sales.
- In addition to expanding distribution network, actively promoted cross-selling.

Sales of Insurance brokerage business(JPY millions)



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■Topics3 – Developments of Real estate business

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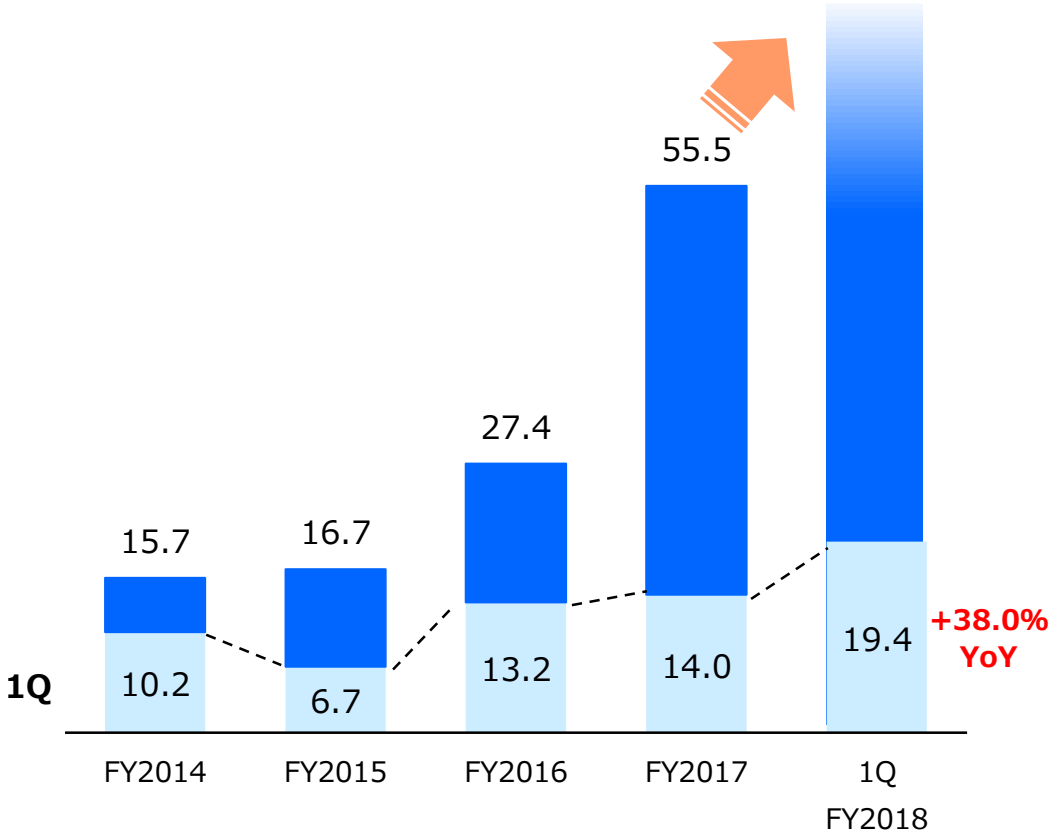
◆Achieved No.1 Performance in 2017 in origination and sales of small-lot real estate products (Compiled by the company based on published data.)

- Acquired real estate in Ginza, which is the most prestigious commercial area in Japan, and started offering investors an opportunity to invest in the products from January.
- Achieved record sales for the 1Q due to continuous strong investors' demand.

Premium Asset Series FPG Links Address



Sales of Real estate business (JPY millions)



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Business Overview



■Tax leasing arrangement business

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◆Total amount of assets arranged in operating leases, especially for aircraft projects, recovered dramatically from the same period of the previous fiscal year

- Total amount of equity placement in operating leases centered on aircraft projects increased favorably owing to sales of JOLs for 5 aircraft.
- Won transactions with three new lessees owing to alliances with overseas affiliated companies

(JPY billions)

		FY2017 1Q		FY2018 1Q		Change
Tax leasing arrangement business net sales		4.27		3.82		▲10.4%
Total amount of equity placement in operating leases		29.35	Component ratio	30.25	Component ratio	3.0%
Investment Sales Amt.	Aircraft	10.72	36.5%	19.21	63.5%	79.2%
	Ships	8.80	30.0%	4.27	14.1%	▲51.4%
	Marine containers	9.83	33.5%	6.76	22.4%	▲31.2%
Commission fees from equity sales (Net sales※/Total amount of equity placement)		15.6%		14.2%		-
Total amount of assets arranged in operating leases		46.75		107.47		129.8%

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

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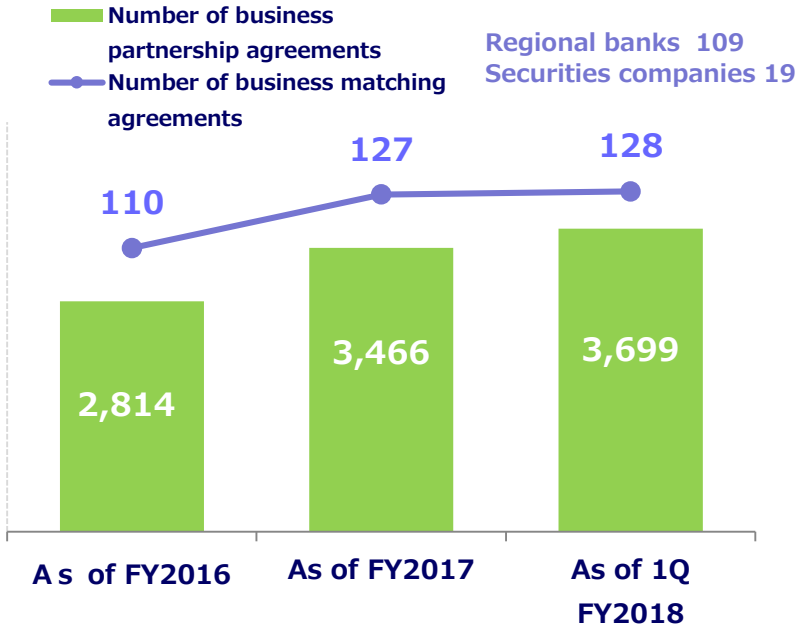
■Distribution network

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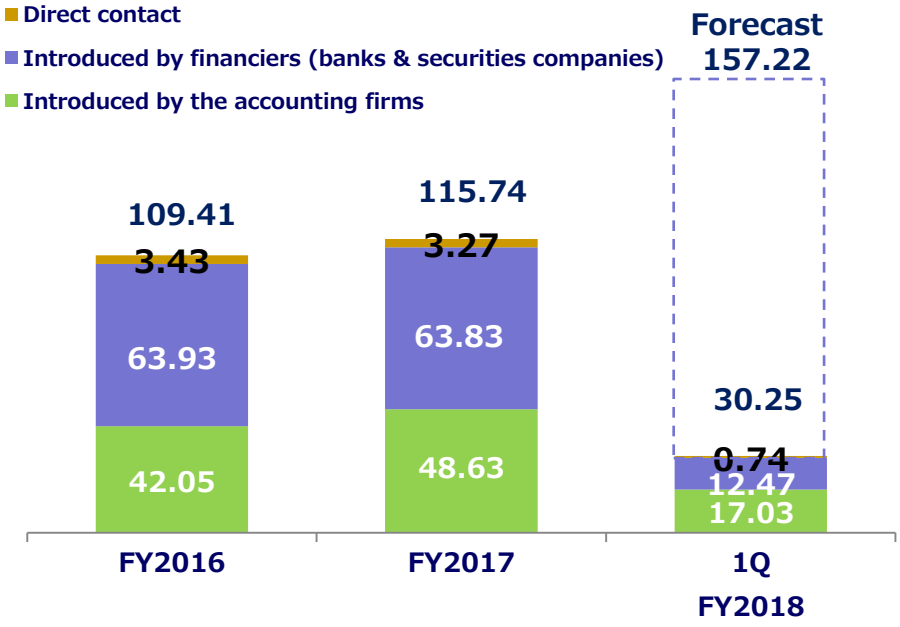
◆Expanded alliances with accounting firms and financial institutions

- Sales network expanded steadily. Number of partner accounting firms increased by 233, reaching 3,699 in total, while the number of partner financial institutions increased by 1, reaching 128 in total.
- Client introductions from accounting firms steadily increased.
- Concentrating on strengthening connections with accounting firms
  (Increase of 233 is a record high on a quarterly basis)

Number of partnership agreements and business matching agreements



Transition of equity sales (through accounting firms and financiers) (JPY billions)



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■ Business diversification

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◆Using our existing customer bases and our distribution network, active promotion of cross-selling led to record net sales for 1Q FY2018 of Insurance, Real estate, and M&A advisory businesses

(JPY millions)

	FY2017 1Q	FY2018 1Q	Change
Insurance brokerage business	80	158	*97.7%*
Real estate business	140	194	*38.0%*
M&A advisory business	1	10	*610.4%*
Securities business	75	54	*▲28.0%*
Others	174	149	*▲13.9%*
Total	472	568	*20.3%*

※ Business diversification refers to businesses other than our main business which is the tax leasing arrangement business.

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■FY2018 Dividend forecast

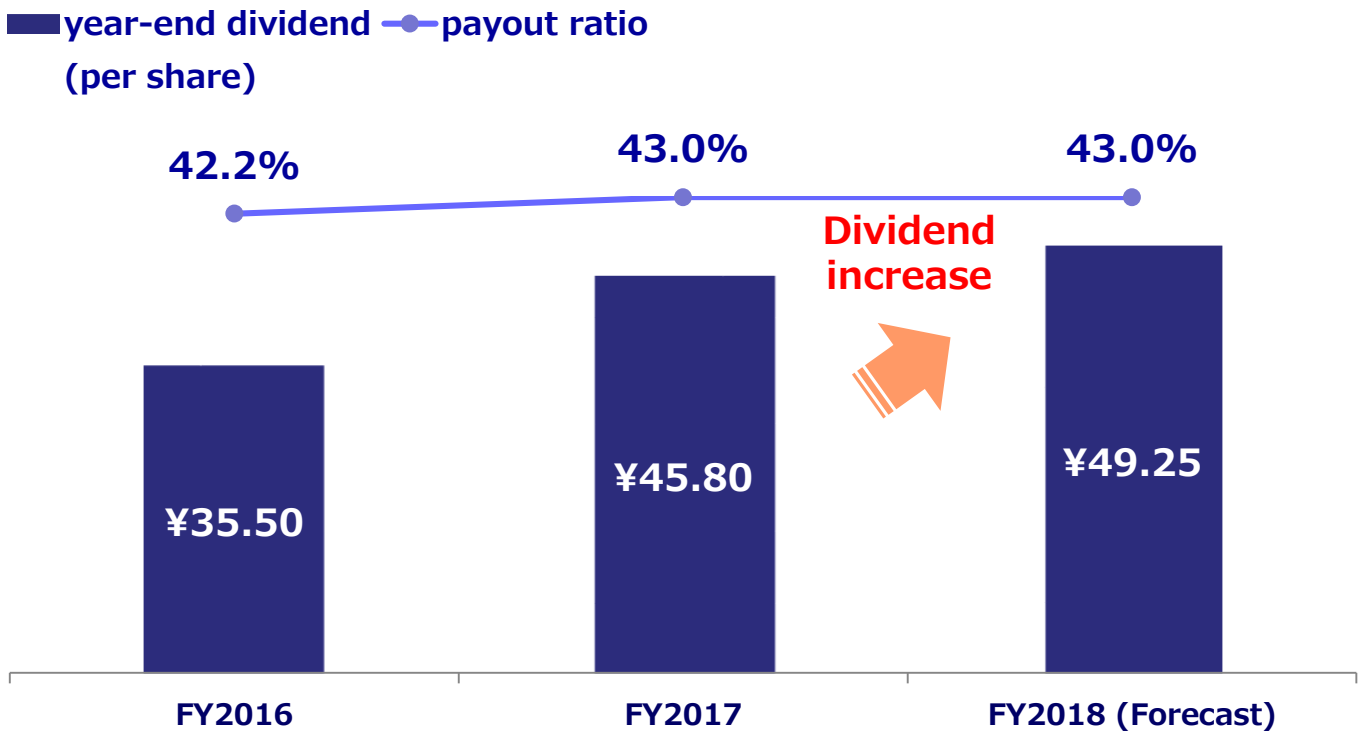
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◆ **Year-end dividend forecast of ¥49.25 per share (Dividend increase)**

Our basic profit distribution policy :

We attach great importance to returns to shareholders and a stable, continuous payment of dividends after guaranteeing internal reserves for future business development and improvements in business quality.

The target consolidated payout ratio: more than about 40%



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Appendix



■ Income statement summary

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(JPY billions)

	FY2017 1Q	FY2018 1Q	Change
Net sales	4.74	4.39	▲7.3%
①Cost of sales	0.55	0.71	30.4%
Gross profit	4.19	3.67	▲12.3%
SG&A cost	1.17	1.40	20.1%
Operating income	3.02	2.26	▲24.9%
②Non-operating income	0.30	0.24	▲21.8%
③Non-operating expenses	0.08	0.41	365.4%
Ordinary income	3.24	2.09	▲35.4%
Income before income taxes	3.23	2.09	▲35.3%
Total income taxes	0.99	0.63	▲36.7%
Profit attributable to owners of parent	2.22	1.43	▲35.7%

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 summary

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(JPY billions)

Asset	FY2017 Sep.30, 2017	FY2018 Dec.31, 2017	Change
Current assets	79.21	91.99	12.78
①Equity underwritten	19.03	27.79	8.76
②Money in trust	31.34	30.64	▲0.70
③Containers for arrangement	2.00	1.89	▲0.10
Real estate for arrangement	9.75	10.38	0.63
Non-current assets	3.58	3.63	0.05
Total assets	82.79	95.63	12.83

Liabilities	FY2017 Sep.30, 2017	FY2018 Dec.31, 2017	Change
Current liabilities	48.34	62.99	14.64
⑤Short-term debt	37.26	50.85	13.58
④Advances received	3.83	5.20	1.36
Non-current liabilities	8.83	9.56	0.73
⑤Long-term debt	8.58	9.32	0.73
Total liabilities	57.17	72.55	15.38
Total net assets	25.62	23.07	▲2.54
Total liabilities and net assets	82.79	95.63	12.83

①Equity underwritten : Temporary advances in the tax leasing arrangement business prior to selling to equity investors
②Money in trust : Temporary stock of trust beneficiary right of operating lease for aircraft using a trust function
③Containers for arrangement : Temporary stock of containers for arrangement
④Advances received : Including advances of commission fees related to Tax leasing arrangement business
⑤Short-term and long-term debts : To fund our equity underwritings and the acquisition of real estates and aircraft for arrangement

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- 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 contain 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 】

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