FPG Consolidated Financial Results

First Quarter of the Fiscal Year Ending September 30, 2019
(October 1 ,2018 – December 31 ,2018)

Financial Products Group Co., Ltd.

(Tokyo Stock Exchange First Section Code: 7148)

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Summary



Performance Highlights

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- ◆Declined revenue and profit due to focus on securing the inventory for selling after 2nd Quarter(see Page 6-7)
- ◆Recorded highest ever of arrangement reaching 197.3bn. Reached progress rate to 47.0%.
- ◆Grew sales from Other Business by 27.1% Year-on-Year led by expansion of Insurance Business

(JPY billions)

	FY2018 1Q		FY2019 1Q			FY2019 Full-year forecast	Progress rate
		% of Net sales		% of Net sales	Y on Y Change		
Net sales	4.39	100.0%	3.37	100.0%	▲23.2%	25.03	13.5%
Lease Arrangement Business	3.82	87.1%	2.65	78.6%	▲30.6%	21.13	12.6%
Other Business	0.56	12.9%	0.72	21.4%	+27.1%	3.90	18.5%
Gross profit	3.67	83.7%	2.82	83.7%	▲23.1%	-	-
SG&A cost	1.40	32.0%	1.53	45.4%	+8.9%	-	-
Operating income	2.26	51.6%	1.29	38.4%	▲42.9%	14.52	8.9%
Ordinary income	2.09	47.7%	1.07	31.8%	▲48.7%	14.45	7.4%
Profit attributable to owners of parent	1.43	32.6%	0.68	20.4%	▲51.9%	10.03	6.9%
Total amount of equity placement in operating leases	30.25	-	21.15	-	▲30.1%	166.50	12.7%
Total amount of assets arranged in operating leases	107.47	-	197.35	-	+83.6%	420.00	47.0%

Lease Arrangement Business (1) Outline

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- Declined revenue and profit due to focus on securing the inventory for selling after 2nd Quarter
- Recorded highest ever of arrangement reaching 197.3bn, up 83.6% Year-on-Year
- Secured highest inventory amount due to strongly increase in amount of arrangements

(JPY billions)

		FY2018 1Q		FY2019 1Q		Y on Y Change
Lease Arrangement Business net sales		3.82		2.65		▲30.6%
Total amount of equity placement in operating leases		30.25	Component Ratio	21.15	Component Ratio	▲30.1%
	Aircraft	19.21	63.5%	12.55	59.3%	▲34.7%
	Ships	4.27	14.1%	6.85	32.4%	+60.3%
	Marine containers	6.76	22.4%	1.75	8.3%	▲74.1%
Fee on Equity (Sales/Equity Placement)		14.6%		14.1%		-
Total amount of assets arranged in operating leases		107.47		197.35		+83.6%
Stock Amount		58.43		97.40		+66.7%

※1 Commission rate: Equity placements for full equity projects converted at 34%

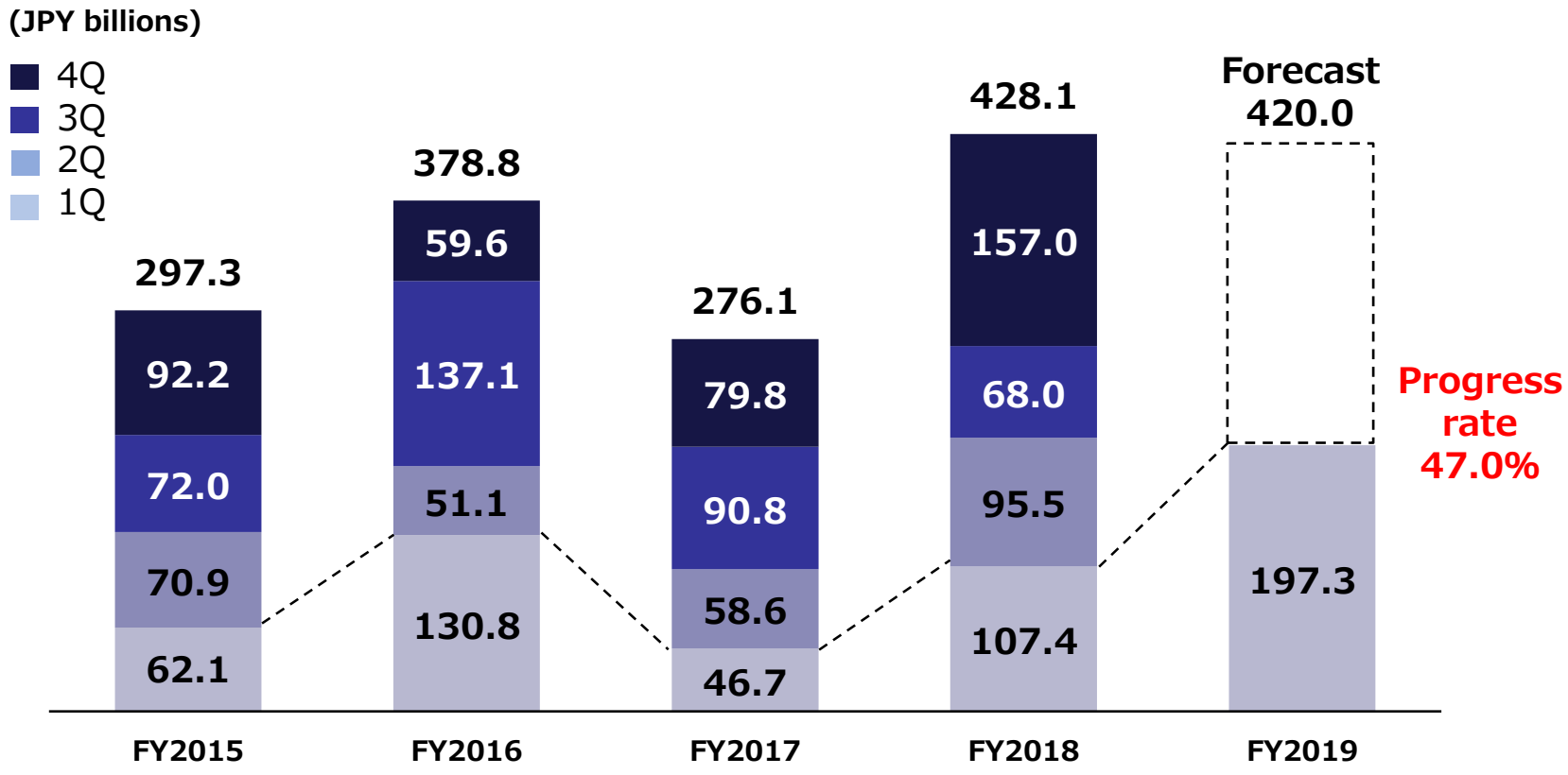
※2 Product inventory: Total for equity underwritten and money in trust (aircraft assets)

Lease Arrangement Business (2)
Amount of Arrangements①

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◆Progress at the highest pace ever against the full-year forecast of 420.0 billion yen

Trends in amount of arrangements by quarter

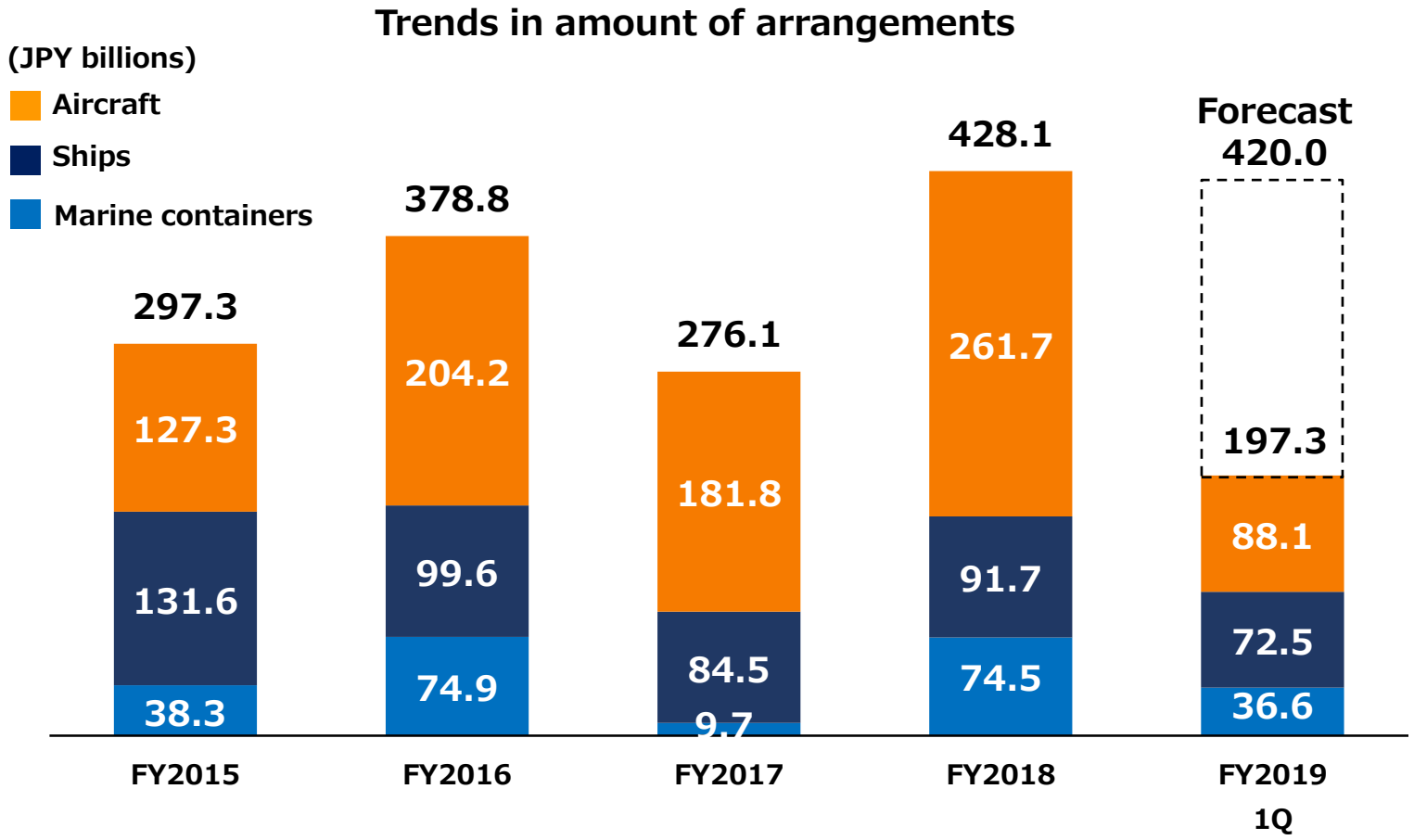


Lease Arrangement Business (2)
Amount of Arrangements②

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◆Recorded highest ever of arrangement

- Aircraft : Gained 3 new lessees, expanded the range of lessees
- Ships : Earned the large ship projects from existing lessees
- Marine containers : In addition to restoring container market conditions, earned repeat projects from multiple lessees



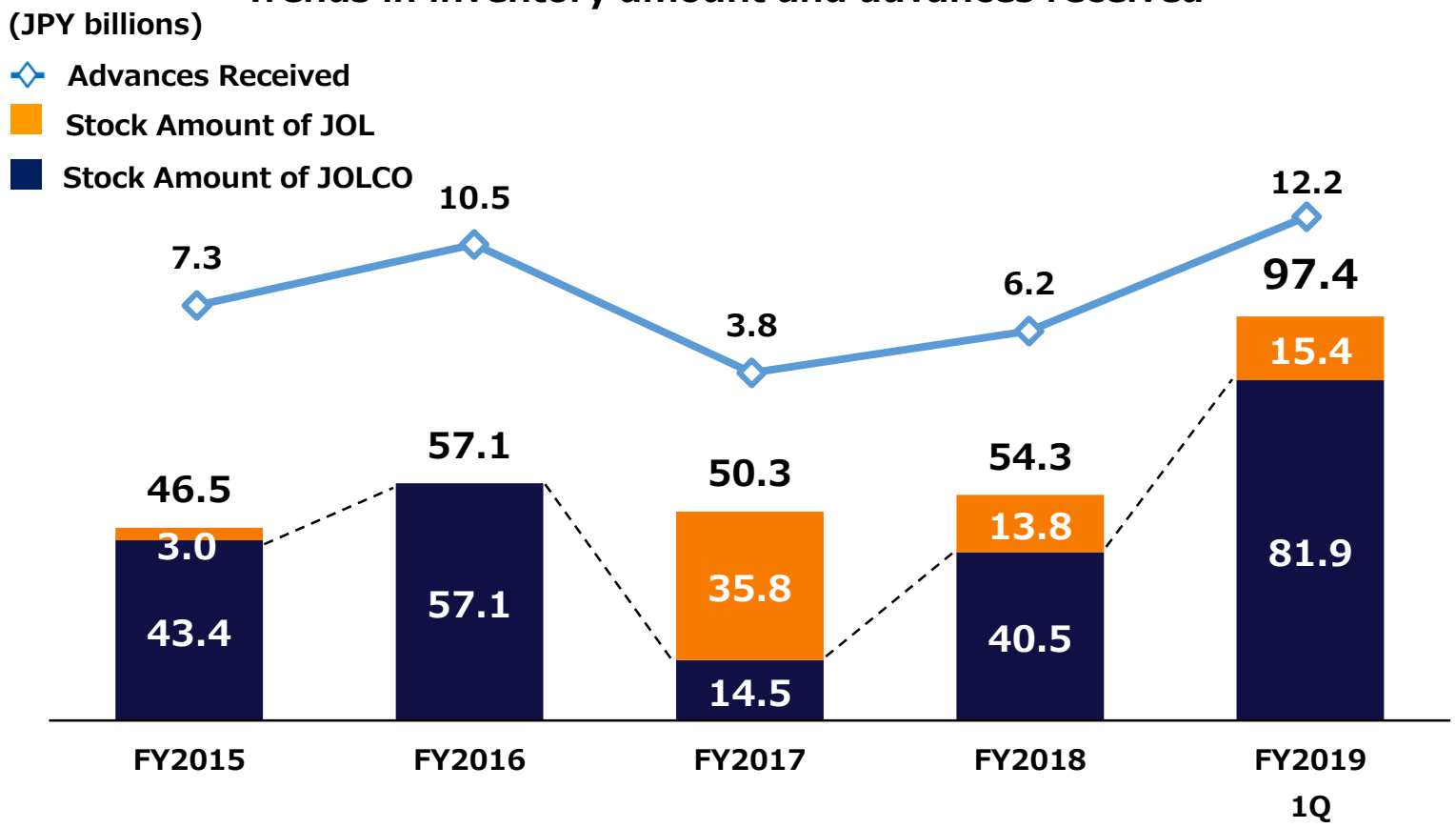
Lease Arrangement Business (3) Product Inventory

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◆Secured highest inventory amount due to increase in amount of arrangements

- Secured the abundant inventory to sell after 2nd Quarter
- Ensuring revenue source after 2nd quarter by increase in advances received to be sold at equity placements due to securing inventory

Trends in inventory amount and advances received

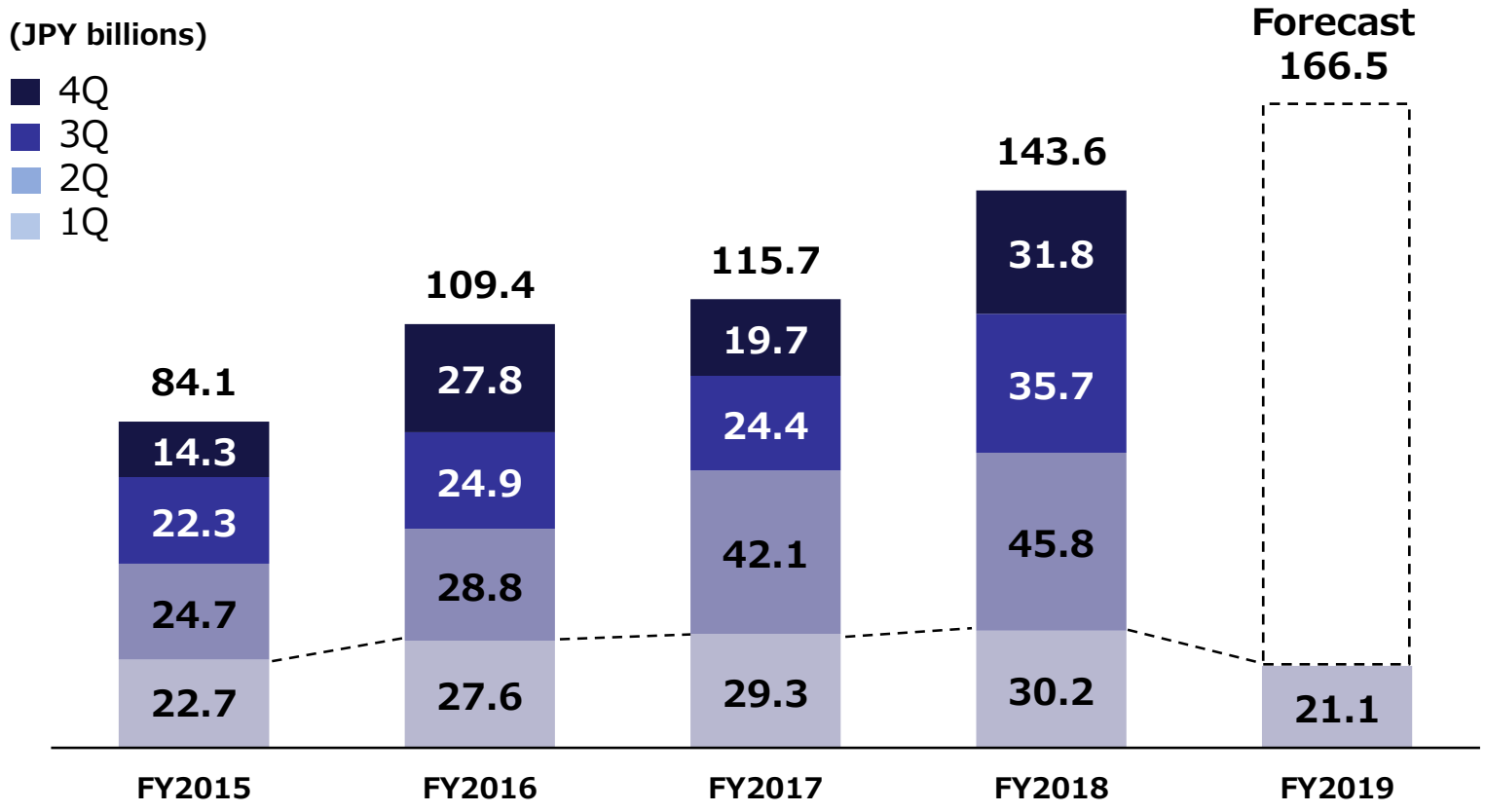


Lease Arrangement Business (4) Equity Placements

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- ◆Focused on securing the inventory in 1st Quarter
- ◆Forecast to increase the equity placement after 2nd Quarter

Trends in equity placements by quarter



Lease Arrangement Business (5) JOL Initiatives

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◆Aim to be the industry's No. 1 player even in JOL business as we are the No. 1 in JOLCO

- Sold 1 aircraft, and arranged 2 aircraft by gained new major lessee
- Plan to quickly develop a new scheme using beneficiary trust rights for new developments in the North American area

● Aircraft sales volume

Fiscal year	FY2015	FY2016	FY2017	FY2018	FY2019 1Q
Number of aircraft sold	2	5	4	12	1
Of which trust beneficiary rights system	-	-	(2)	(7)	(1)

(Reference) JOLCO vs. JOL

JOLCO : Transaction with call option of the Lessee to purchase the leased assets at fixed price at end of lease period

JOL : Transaction without call option to purchase the leased assets at fixed price at end of lease period

Diversified Businesses

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◆Total revenue for 3 businesses grew by 27.1% year-on-year as a result of rapid growth in Insurance Business.

- Insurance Business doubled year-on-year thanks to the enlargement of Insurance Brokerage Business and full-scale operation of Insurance Agents.
- Real Estate engaged in initiatives to increase the business areas including launch of selling the hotel real estate in Kyoto and completion of first development project.
- M&A Business implemented effort to improve name recognition in preparation for increase in M&A market for small to medium-sized businesses.

Sales of Diversified Businesses※1

(JPY millions)

	FY2018 1Q	% of Net Sales	FY2019 1Q	% of Net Sales	Y on Y Change
Consolidated Net Sales	4,394	100.0%	3,377	100.0%	▲23.2%
3 Businesses Total	363	8.3%	540	16.0%	+48.6%
Insurance Business	158		318		+100.9%
Real Estate Business	194		209		+7.6%
M&A Business※2	10		12		+18.5%
Investment and Maintenance Service, etc.※3	204	4.6%	181	5.4%	▲11.3%
Total	568	12.9%	721	21.4%	+27.1%

※1 Diversified Businesses refers to businesses other than our main business, which is Lease Arrangement Business.
※2 Sales of M&A Business refers to commissions and contingency bonuses from M&A Business.
※3 Investment and Maintenance Service, etc. refers to investment and maintenance service of the overseas affiliates and domestic affiliates, include FPG Securities and FPG Trust etc.

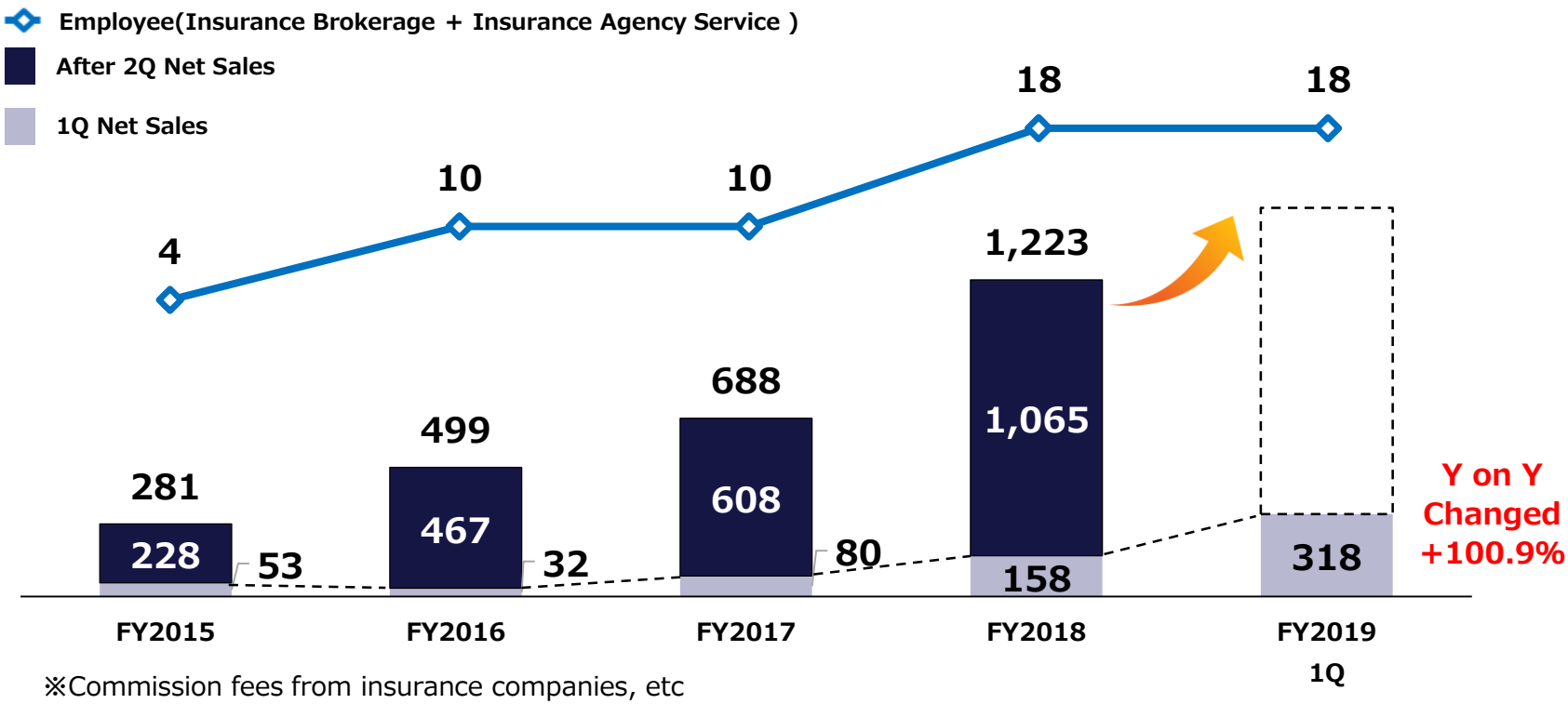
Trend in Insurance Business

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◆Achieved the highest sales in 1st Quarter thanks to expansion of insurance products and personnel investment in previous year

Sales in Insurance Business※

(JPY millions)



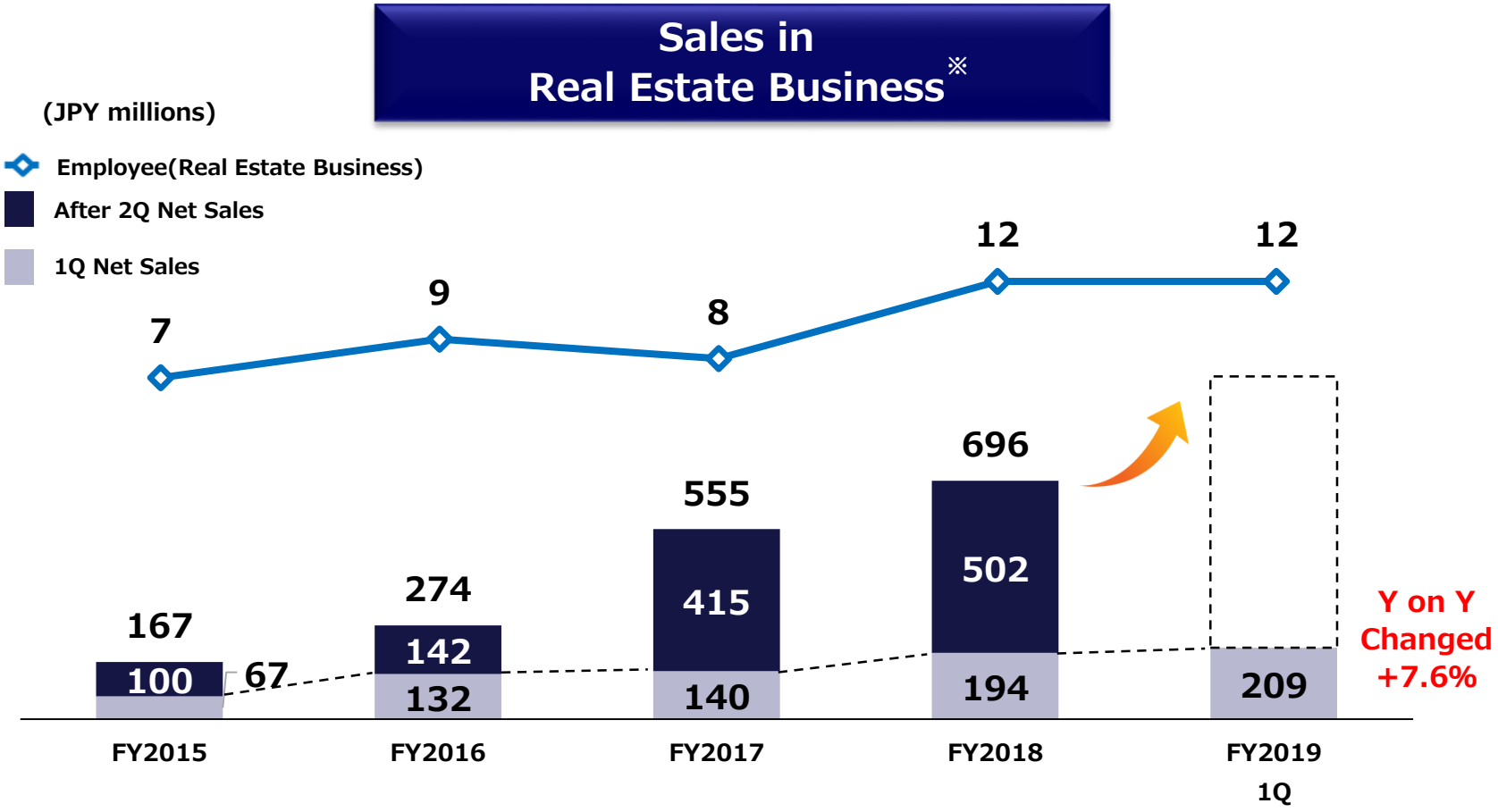
※Commission fees from insurance companies, etc

※Total sales of Insurance Broker and Insurance Agent, based on the business name change in October2018

Trend in Real Estate Business

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- ◆Achieved the highest sales in 1st Quarter by strong sales of hotel real estate in Kyoto
- ◆Expanded the base of investors to West Japan area in small-lot real estate products



※Commission fees etc, from origination and sales of small-lot real estate products

Real Estate Business: Origination Track Record

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- ◆Expanded target real estate from prime districts of central Tokyo to hotel real estate. Performed strongly sales of hotel real estate.
- ◆Completed first development project in November 2018



Completed first development project in November 2018



F P G Links Omotesando

Aim to improve the profit ratio while mitigate risk by being involved in the development of low rise buildings that can be quickly built in prime districts of central Tokyo

Launched sales of first hotel real estate in Kyoto



F P G Hotel Owners Kyoto (THE HEDISTAR HOTEL Kyoto Nijo)

Acquired hotel real estate in Nakagyo-ku, Kyoto City where further increases in inbound demand will be anticipated.

Launched to sell the first “Hotel Owners ” series.

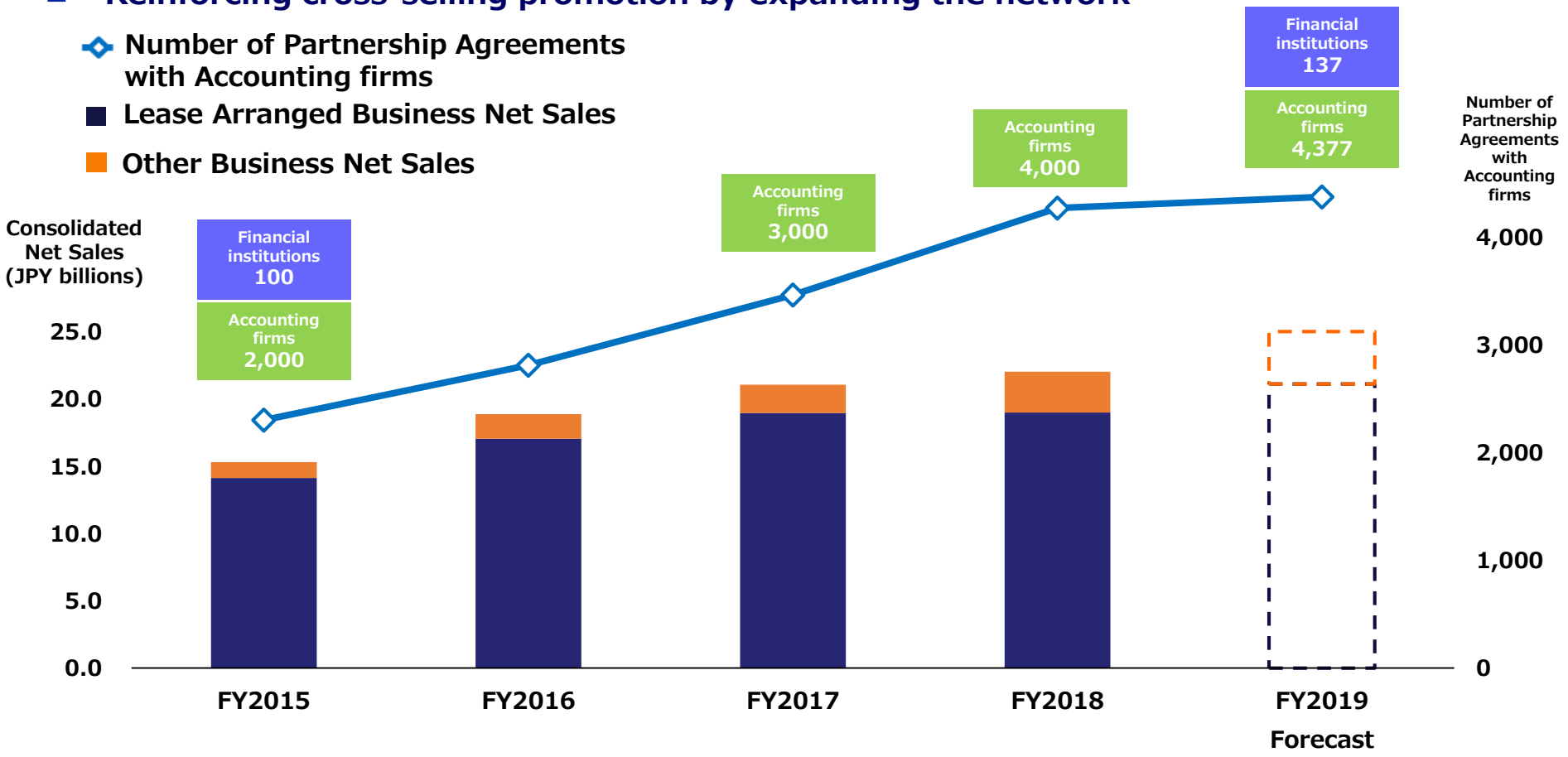
(C)2017ZENRIN(Z05E-146)

Distribution Network

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- The number of partnerships with accounting firms reached 4,377 (increase of 105 year-on-year).
- The number of partnerships with financial institutions has reached 137, covering almost all regional banks around the country and major securities companies.

Reinforcing cross-selling promotion by expanding the network



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Appendix



Income Statement Summary

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(JPY billions)

	FY2018 1Q	FY2019 1Q	Y on Y Change
Net sales	4.39	3.37	▲23.2%
①Cost of sales	0.71	0.54	▲23.6%
Gross profit	3.67	2.82	▲23.1%
SG&A cost	1.40	1.53	+8.9%
Operating income	2.26	1.29	▲42.9%
②Non-operating income	0.24	0.26	+10.9%
③Non-operating expenses	0.41	0.48	+17.5%
Ordinary income	2.09	1.07	▲48.7%
Income before income taxes	2.09	1.04	▲49.9%
Total income taxes	0.63	0.38	▲39.1%
Profit attributable to owners of parent	1.43	0.68	▲51.9%

①Cost of sales: Includes commission fees paid for client introductions and arrangement costs for Lease Arrangement Business
②Non-operating income: Includes interest that we collect from investors when we sell equity to them in Lease Arrangement Business
③Non-operating expenses: Includes interest paid on commission fees and interest expenses related to fund-procurement (USD as well as JPY)

Balance Sheet Summary

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(JPY billions)

Asset	FY2018 Sep.30, 2018	FY2019 Dec.31, 2018	Change
Current assets	80.64	136.39	+55.75
①Equity underwritten	40.50	83.98	+43.48
②Money in trust	13.87	13.41	▲0.46
③Real estate for arrangement	7.22	9.96	+2.74
Non-current assets	4.49	5.19	+0.70
Total assets	85.14	141.59	+56.45

Liabilities	FY2018 Sep.30, 2018	FY2019 Dec.31, 2018	Change
Current liabilities	47.39	110.30	+62.91
Short-term debt	32.72	91.59	+58.86
④Advances received	6.23	12.27	+6.04
Non-current liabilities	7.99	7.60	▲0.39
Long-term debt	7.76	7.37	▲0.38
Total liabilities	55.39	117.91	+62.51
Total net assets	29.74	23.68	▲6.05
Total liabilities and net assets	85.14	141.59	+56.45

①Equity underwritten : Temporary advances in Lease 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
③Real estate for arrangement : Stock of small-lot real estate investment products and development project
④Advances received : Including advances of commission fees related to Lease Arrangement Business

Increasing Corporate Value (1)

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◆ **Aim to increase corporate value through sustainable quality growth strategy and shareholder return policy**

Quality Growth Strategy + **Shareholder return policy**

Growth accompanied by high profitability and efficiency

- Continue self-transformation by utilizing our strengths
- Grow sustainably through 3 engines: Lease Arrangements Business, Diversified Businesses, and New Businesses
- Increase our market share through product value and sales capabilities
- Operate with small assets

Introduce DOE※ (Dividend on Equity ratio) target as a indicator

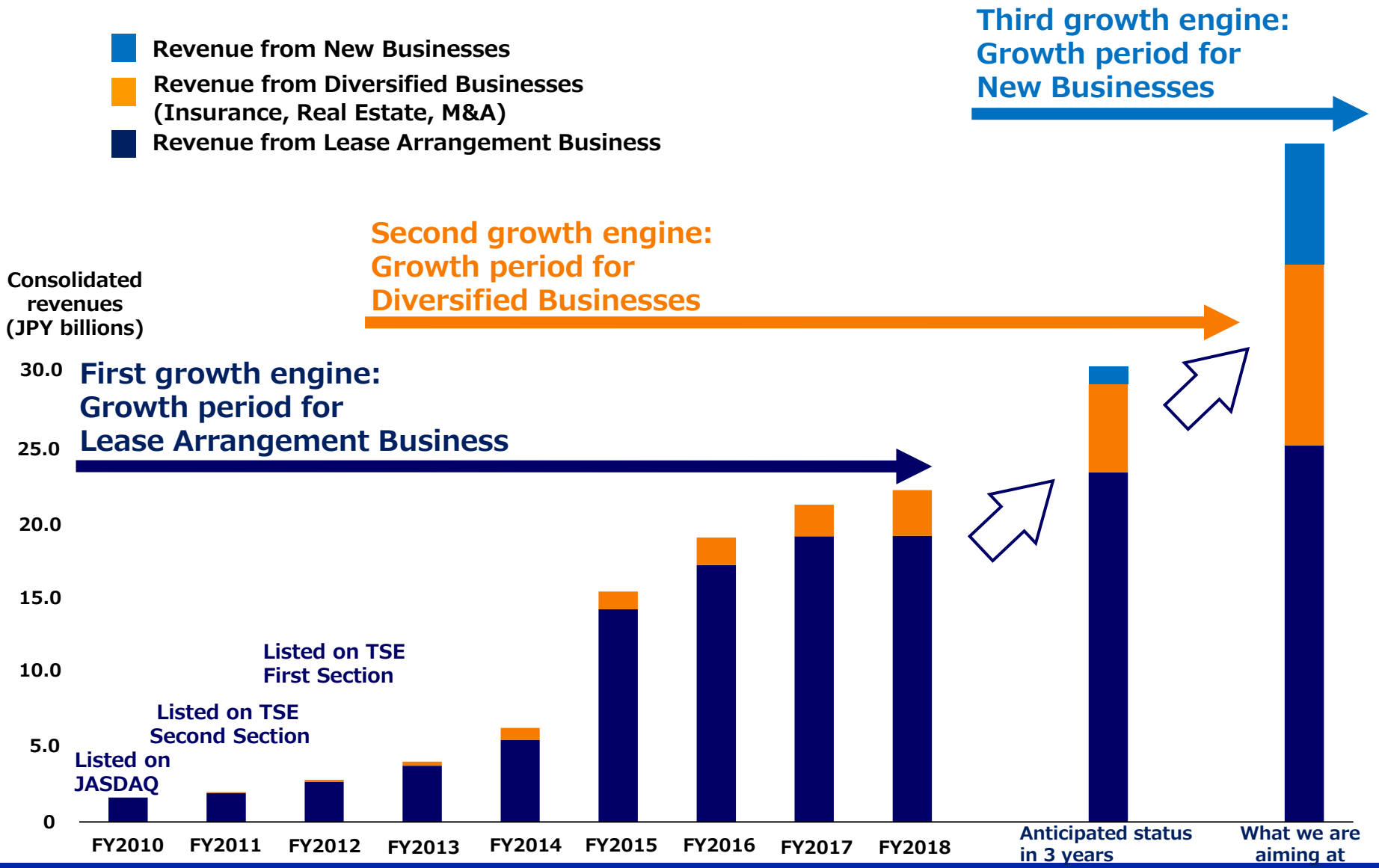
- Aim for DOE of 15% or above by adopting a capital policy including share buybacks, and by a dividend policy
- Maintain ROE of around 30%

※ DOE (Dividend on Equity ratio) = ROE x consolidated dividend payout ratio

Increasing Corporate Value (2)Quality Growth Strategy

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◆ Grow sustainably through 3 engines



Increasing Corporate Value (3)Shareholder Return Policy

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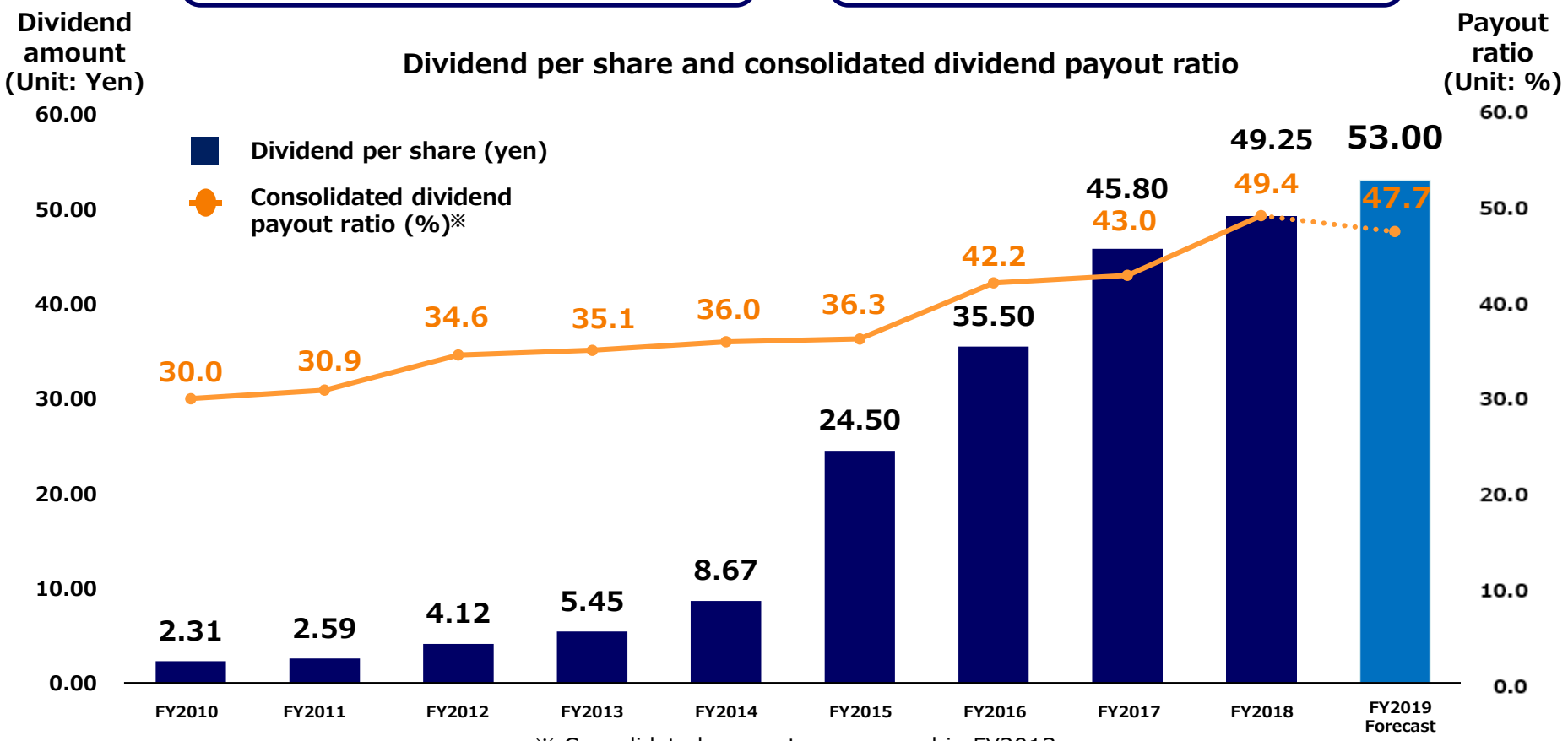
◆ Aim for sustainable increase in dividends in medium term by increasing corporate value through Quality Growth Strategy

FY2018

Dividend per share: 49.25 yen
Consolidated dividend payout ratio: 49.4%

FY2019 Forecast

Dividend per share: 53.00 yen
Consolidated dividend payout ratio: 47.7%



※ Consolidated account commenced in FY2013

Disclaimer

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Projected results described in these presentation slides are based on the information available to the Company at the time of preparing, as well as certain assumptions judged by the Company to be reasonable, and, therefore, actual results could be different from these projections because of various risks and uncertain factors.

【Inquiry】

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