FPG Consolidated Financial Results

Third Quarter of the Fiscal Year Ending September 30, 2019 (October 1, 2018 – June 30, 2019)

Financial Products Group Co., Ltd.

(Tokyo Stock Exchange First Section Code: 7148)

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Summary



Performance Highlights

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◆Will focus on securing profit in the 4Q, the progress rate to the full-year forecast ordinary income at still 68.1% although increased in net sales, operating income, and ordinary income year-on-year

◆Recovered generally the total amount of equity placement in operating leases from the delay in the 1Q

(JPY billions)

	FY2018 3Q(Cumulative)		FY2019 3Q(Cumulative)			FY2019 Full-year forecast	Progress rate
		% of net sales		% of net sales	Y on Y Change		
Net sales	16.46	100.0%	20.04	100.0%	+21.8%	25.03	80.1%
Lease Arrangement Business	14.36	87.2%	14.85	74.1%	+3.4%	21.13	70.3%
Diversified Business	2.10	12.8%	5.19	25.9%	+146.9%	3.90	133.0%
Gross profit ※1	13.97	84.9%	14.93	74.5%	+6.9%	-	-
SG&A cost	4.26	25.9%	4.51	22.5%	+5.8%	-	-
Operating income	9.70	58.9%	10.41	52.0%	+7.4%	14.52	71.7%
Ordinary income	9.42	57.2%	9.84	49.1%	+4.4%	14.45	68.1%
Profit attributable to owners of parent	6.57	40.0%	6.84	34.1%	+4.1%	10.03	68.2%
Total amount of equity placement in operating leases	111.83	-	109.60	-	▲2.0%	166.50	65.8%
Total amount of assets arranged in operating leases ※2	271.06	-	441.06	-	+62.7%	500.00	88.2%

※1 Gross profit: Temporary decline in gross profit margin of this fiscal year because of the impact of one building sale in the Real Estate Business (refer to page 14)

※2 Total amount of assets arranged: Revised upward again the full year forecast total amount of assets arranged by 50 billion yen due to the favorable situation of arrangement (refer to page 5)

Lease Arrangement Business (1) Outline

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- ◆Strong sales from the 2Q continued, and reached net sales at the same level as the previous year
- ◆Achieved already year record high of assets arranged by the 3Q by reaching 441 billion yen
- ◆Secured abundant inventory based on the strong demand of investors (refer to page 7)

(JPY billions)

		FY2018 3Q(Cumulative)		FY2019 3Q(Cumulative)		Y on Y Change
Lease Arrangement Business net sales		14.36		14.85		+3.4%
Total amount of equity placement in operating leases		111.83	Component Ratio	109.60	Component Ratio	▲2.0%
	Aircraft	85.94	76.9%	46.21	42.2%	▲46.2%
	Ships	9.68	8.7%	50.52	46.1%	+421.5%
	Marine containers	16.20	14.5%	12.86	11.7%	▲20.6%
Fee on equity ※1 (Sales/Equity placement)		15.4%		15.3%		-
Total amount of assets arranged in operating leases		271.06		441.06		+62.7%
Inventory amount in operating leases ※2		32.98		110.16		+234.0%

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

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

Lease Arrangement Business (2)
Trends in amount of assets arranged by quarter

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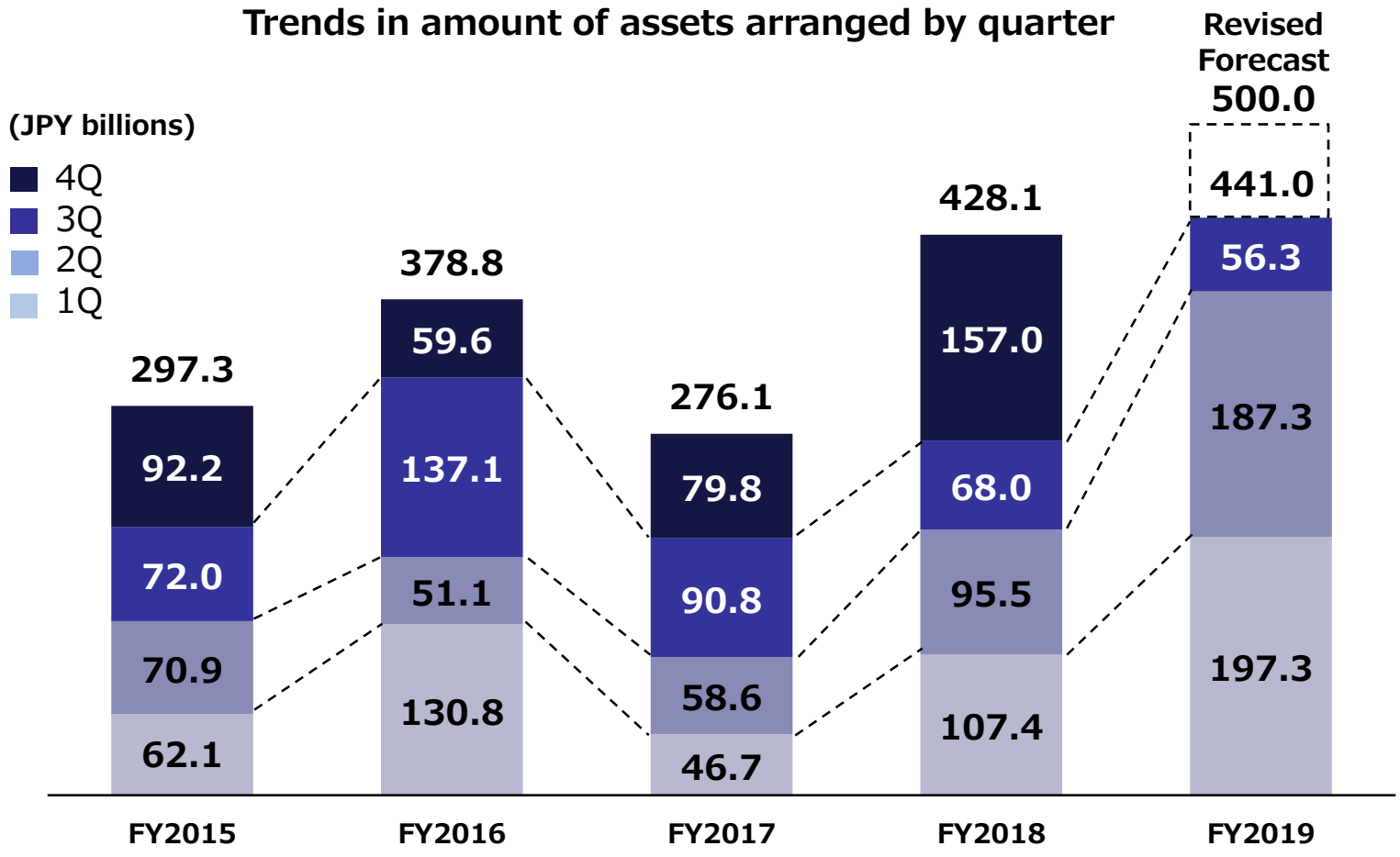
◆Revised upward again the full year forecast total amount of assets arranged from 450 billion yen to 500 billion yen due to the improvement of asset arranged ability



Lease Arrangement Business (3)
Trends in amount of assets arranged by lease asset

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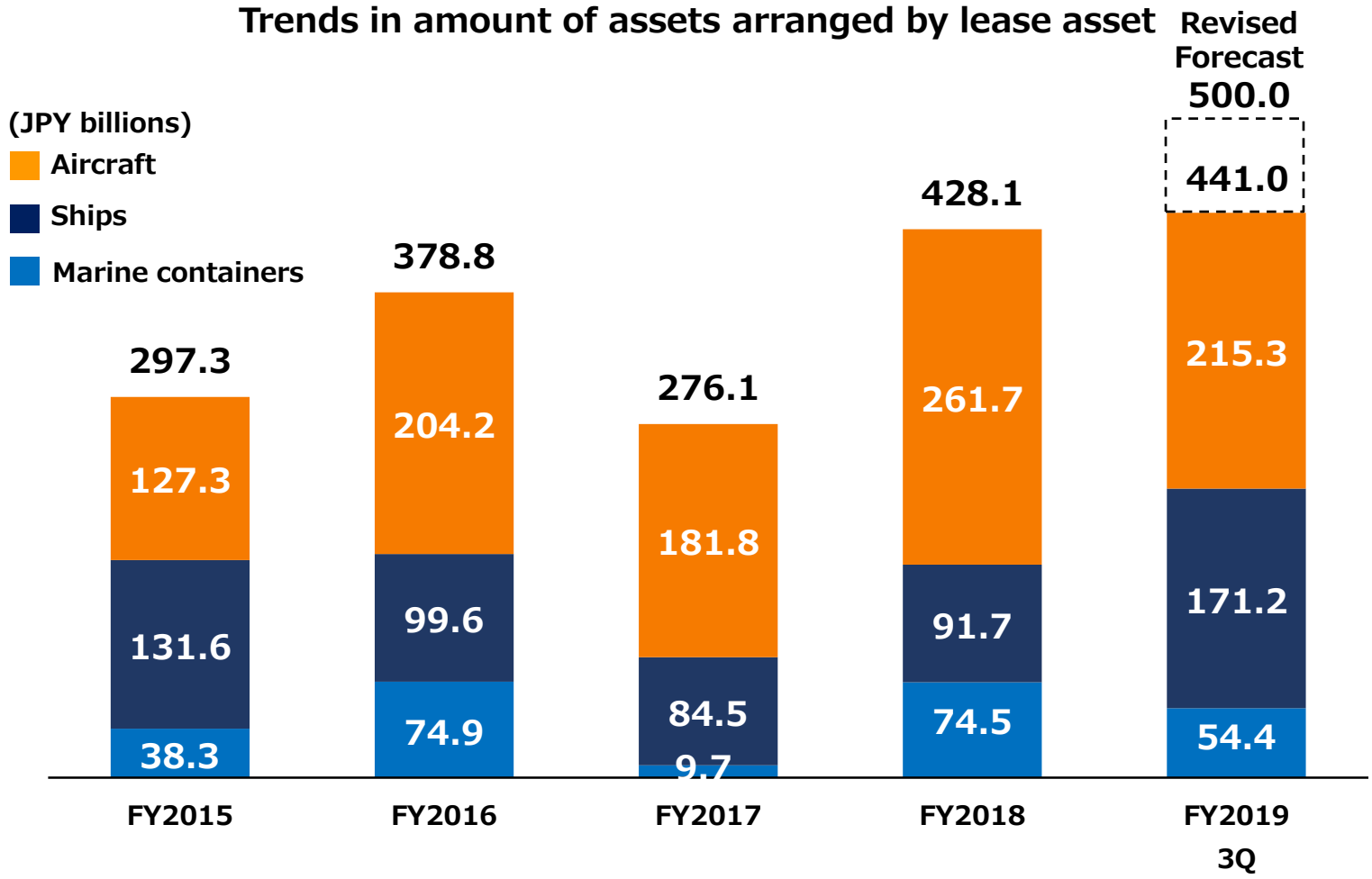
- Aircraft: Favorable situation of assets arranged for airlines and leasing companies continued
- Ships: Already achieved record for amount of assets arranged in one year with the recovery of the shipping market
- Marine containers: Secured repeat deals from existing lessees and gained a new lessee



Lease Arrangement Business (4) Product Inventory

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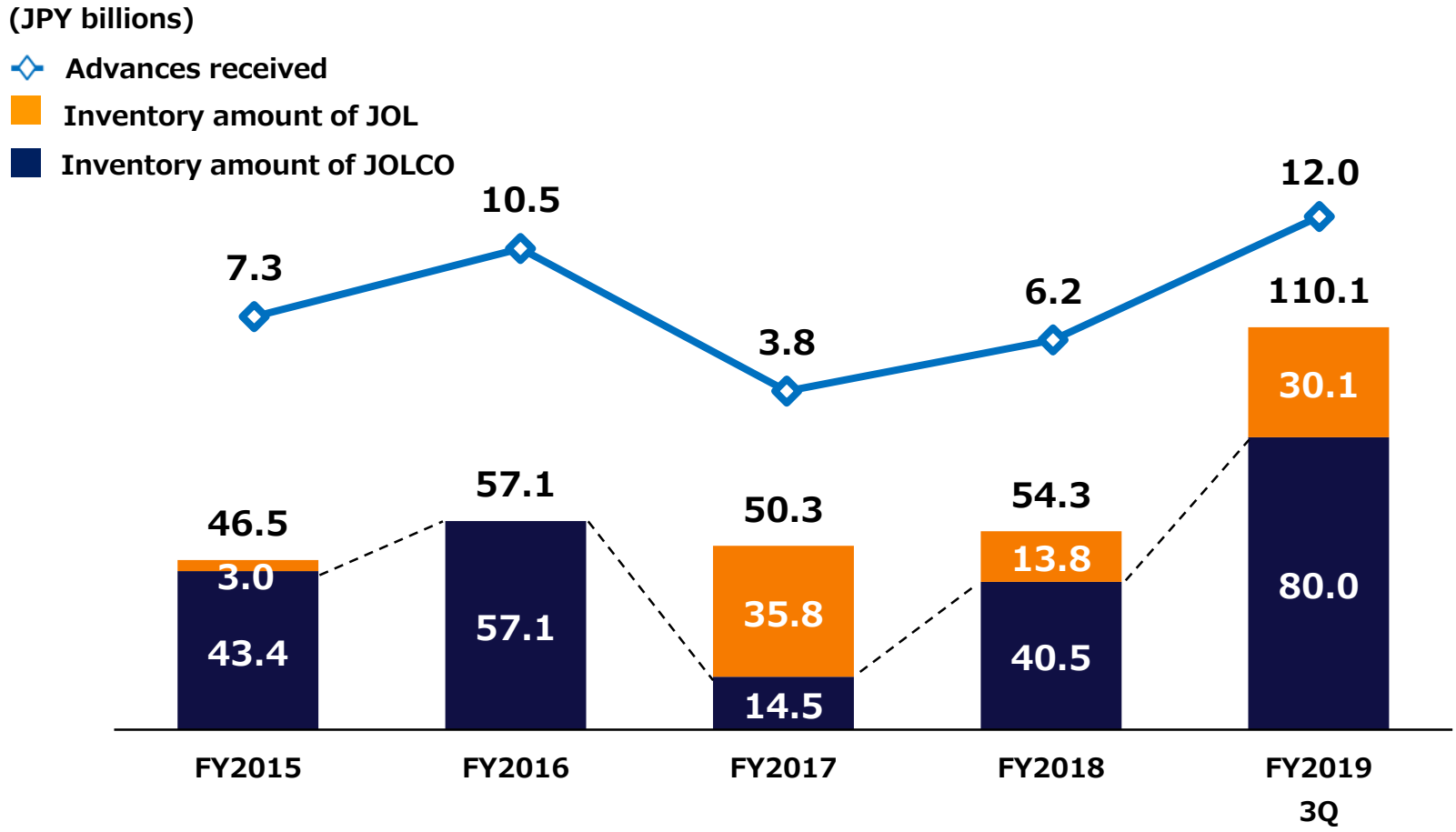
- Maintained the high level of product inventory and advances received (commission fees) which are transferred to net sales in the future
- Secured abundant inventory in both JOLCO and JOL for selling after next fiscal year

Trends in inventory amount and advances received



Lease Arrangement Business (5) Equity Placements

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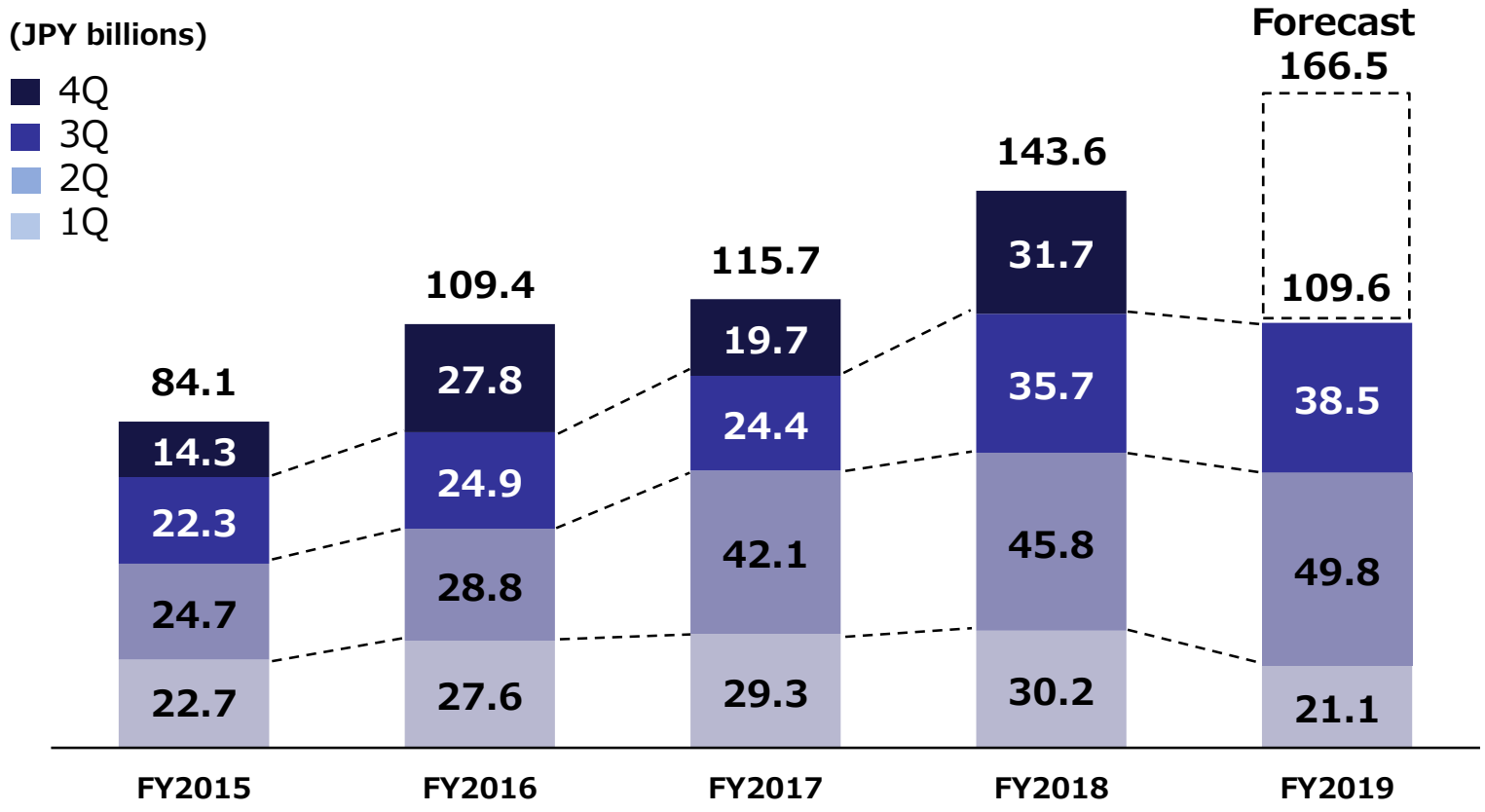
- ◆Achieved highest ever of equity placements in the 3Q on a quarterly basis following the 2Q, and expect to achieve the highest sales ever recorded in the full fiscal year
- ◆Capable of meeting the strong demand of investors by securing abundant inventory compared to the previous fiscal year

Trends in equity placements by quarter



Lease Arrangement Business (6) JOL Results

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

- Sold 3 aircraft in the 3Q, 7 aircraft in total of this fiscal year
- Started operations the subsidiary in Hong Kong established by FPG Amentum for further strengthening activities for lessees in Asia from July 2019

● Arrangement and Sales transition for JOL

Fiscal year	FY2015	FY2016	FY2017	FY2018	FY2019 3Q
Number of aircraft arranged	4	3	15	4	10
Number of aircraft sold	2	5	4	12	7
Of which trust beneficiary rights system	-	-	(2)	(7)	(4)

(Reference) JOLCO vs. JOL

JOLCO
- ·Transaction with call option of the Lessee to purchase the leased assets at a fixed price at end of lease period
- ·Selling equity in the SPC by small lot
- ·JOLCOs account for approximately 80% of equity placement (FY 2018 Act.)

JOL
- ·Transaction without call option to purchase the leased assets at fixed price at end of lease period
- ·JOLs are basically sold to a major single investor

Diversified Businesses

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◆Increased net sales of core three businesses significantly, driven by the Real Estate Business

- Secured net sales of the Insurance Business at the same level as the previous year in spite of the impact on the suspension of some life insurance products for corporate
- Increased net sales of the Real Estate Business due to contribution of the sale of one building developed by FPG
- Increased in net sales of the M&A Business steadily and aim to increase further

Sales of Diversified Businesses※1

(JPY millions)

	FY2018 3Q(Cumulative)	% of net sales	FY2019 3Q(Cumulative)	% of net sales	Y on Y Change
Consolidated net sales	16,464	100.0%	20,049	100.0%	+21.8%
Core 3 Businesses Total	1,399	8.5%	4,829	24.1%	+245.2%
Insurance Business	810		821		+1.4%
Real Estate Business	549		3,867		+603.5%
M&A Business	39		139		+255.5%
Investment and Maintenance Service, etc.	705	4.3%	366	1.8%	▲48.0%
Total	2,104	12.8%	5,196	25.9%	+146.9%

※1 Diversified Businesses refers to businesses other than our main business, which is Lease Arrangement Business
※2 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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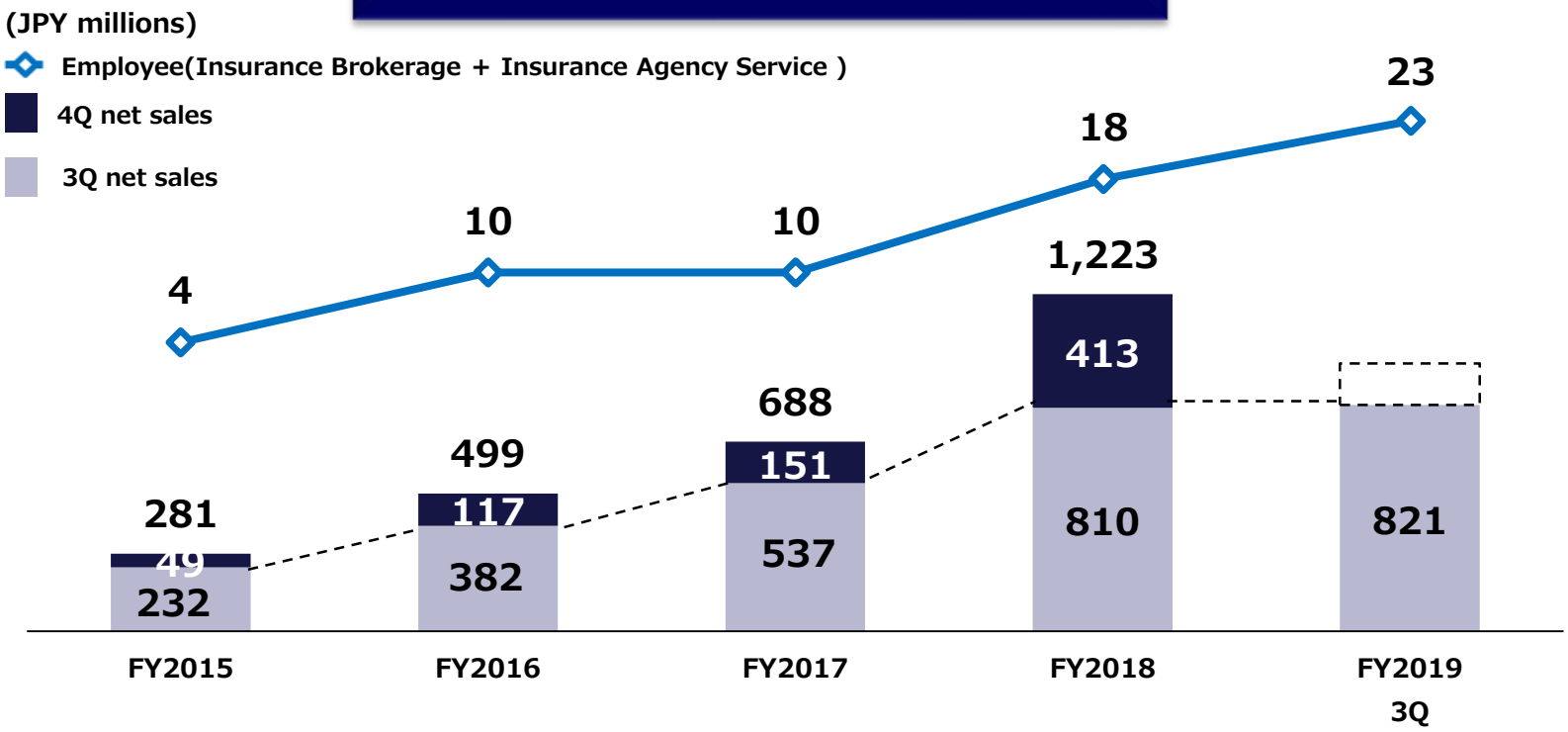
◆Secured cumulative 3Q net sales of the Insurance Business at the same level as the previous year in spite of the impact on the suspension of some life insurance products for corporate since March

Sales and Staff in Insurance Business ※



※Commission fees (Total sales of Insurance Broker and Insurance Agency Service)

Real Estate Business(1): Trend

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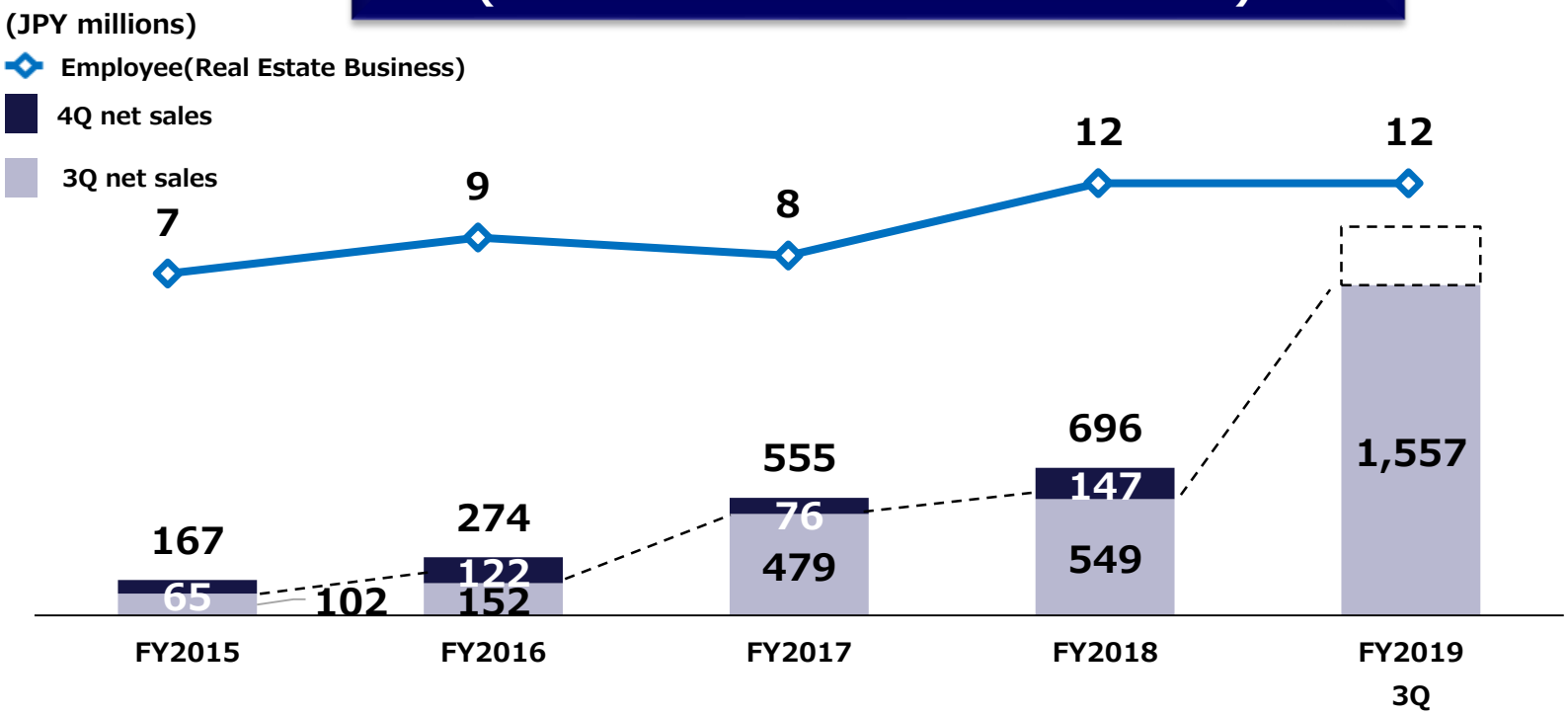
- ◆Increased in sales of small lot real estate products by diversification of products and expansion of sales channels
- ◆Expanded the transaction scale of the Real Estate Business due to the one building sale of self-development real estate

Sales and Staff in Real Estate Business (Commission fee conversion basis)※



※Recording sales in Real Estate Business by adding commission fee conversion basis related one building sale to commission fees from origination and sales of small lot real estate products

Real Estate Business(2): Origination Track Record

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- ◆Recently added hotel that is in short supply as the underlying property for arrangement in addition to offices and commercial buildings
- ◆Expanding target area for arrangement from prime location in central Tokyo to central area of Kyoto with high inbound needs



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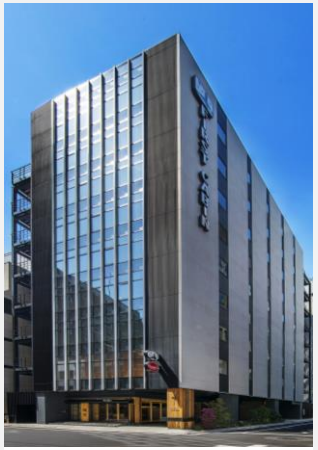
F P G Hotel Owners Series



F P G Hotel Owners Kyoto



F P G Hotel Owners Kyobashi

FPG Links Shibuya
Implemented the first redemption by sale of property

Real Estate Business(3): One building sale

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◆ **Implemented the first one building sale of self-development real estate and recorded to net sales in the 3Q**

■ **Regarding difference in method of recording net sales between Small lot sales and One building sale**

Small lot sales	One building sale
Record sales commission fees to net sales	Record transaction amount value to net sales

FPG Links Omotesando



■ **Regarding profit margin of this fiscal year**

Declines each profit margin of this fiscal year temporarily because one building sale that records the transaction amount value inflates net sales than small lot sales

Time series from development to sales

February 2018	Land acquisition, Development start
November 2018	Completion
May 2019	Sales

Distribution Network

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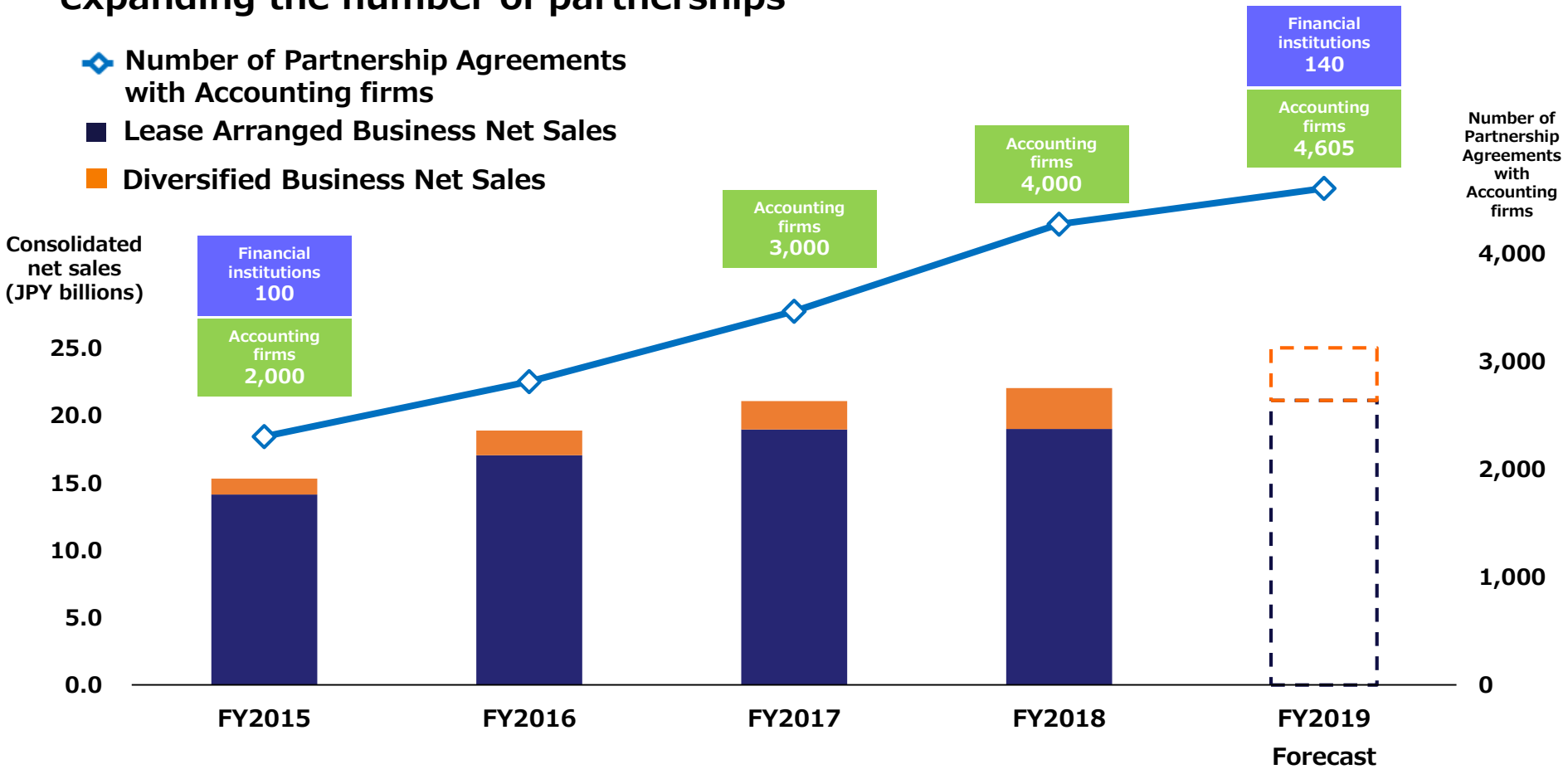
- ◆The number of partnerships with accounting firms reached 4,605 (increase of 333 year-on-year)
- ◆The number of partnerships with financial institutions has reached 140, covering almost all regional banks around the country and major securities companies
- ◆Further strengthening the networks enables cross-selling in addition to expanding the number of partnerships



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Appendix



Income Statement Summary

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(JPY billions)

	FY2018 3Q(Cumulative)	FY2019 3Q(Cumulative)	Y on Y Change
Net sales	16.46	20.04	+21.8%
①Cost of sales	2.49	5.11	+105.0%
Gross profit	13.97	14.93	+6.9%
SG&A cost	4.26	4.51	+5.8%
Operating income	9.70	10.41	+7.4%
②Non-operating income	0.89	1.06	+18.8%
③Non-operating expenses	1.17	1.64	+40.1%
Ordinary income	9.42	9.84	+4.4%
Income before income taxes	9.41	9.79	+4.1%
Total income taxes	2.74	2.95	+7.7%
Profit attributable to owners of parent	6.57	6.84	+4.1%

①Cost of sales: Includes cost of one building sale in the Real Estate Business, 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 June.30, 2019	Change
Current assets	80.64	135.62	+54.97
①Equity underwritten	40.50	86.50	+45.99
②Money in trust	13.87	23.66	+9.78
③Real estate for arrangement	7.22	2.61	▲4.60
Non-current assets	4.49	5.37	+0.87
Total assets	85.14	140.99	+55.85

Liabilities	FY2018 Sep.30, 2018	FY2019 June.30, 2019	Change
Current liabilities	47.39	101.54	+54.14
Short-term debt	32.72	83.06	+50.34
④Advances received	6.23	12.07	+5.84
Non-current liabilities	7.99	9.59	+1.59
Long-term debt	7.76	9.35	+1.59
Total liabilities	55.39	111.13	+55.74
Total net assets	29.74	29.85	+0.10
Total liabilities and net assets	85.14	140.99	+55.85

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
④Advances received : Including advances of commission fees related to Lease Arrangement Business

Regarding the Impact on Change of the Accounting Method of Operating Lease Transactions

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◆In the future, even if the accounting method of operating lease transactions is changed under Japanese accounting standards, the impact on the lessors and the investors will be limited

◆Benefits for lessees of the operating lease remain the same

- Expanded the assets arranged for JOLCO and JOL steadily without particular impact even after January, 2019 when IFRS16 became effective

IFRS Accounting Standard （reference)

	Lessees 【Airlines / Shipping companies】	Lessors 【FPG Group】	Equity Investors 【SMEs】
IFRS 16	■ Lessees are companies subject to IFRS →Lease transaction is recognized on balance sheet	■ No material impact	■ No material impact

Regarding the Impact on the Accident of Boeing 737 MAX series

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◆Our Lease Arrangement Business policies

- Execute only projects for which a lease transaction to a high-quality lessee has been finalized
- Do not execute projects for direct purchase from a maker involving speculative risk which a lease transaction has not been finalized

◆Impact of the suspension

- Regardless of the operating situation of the same type of aircraft, there is no impact on our business as the lessee is obligated to pay

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 Arrangement 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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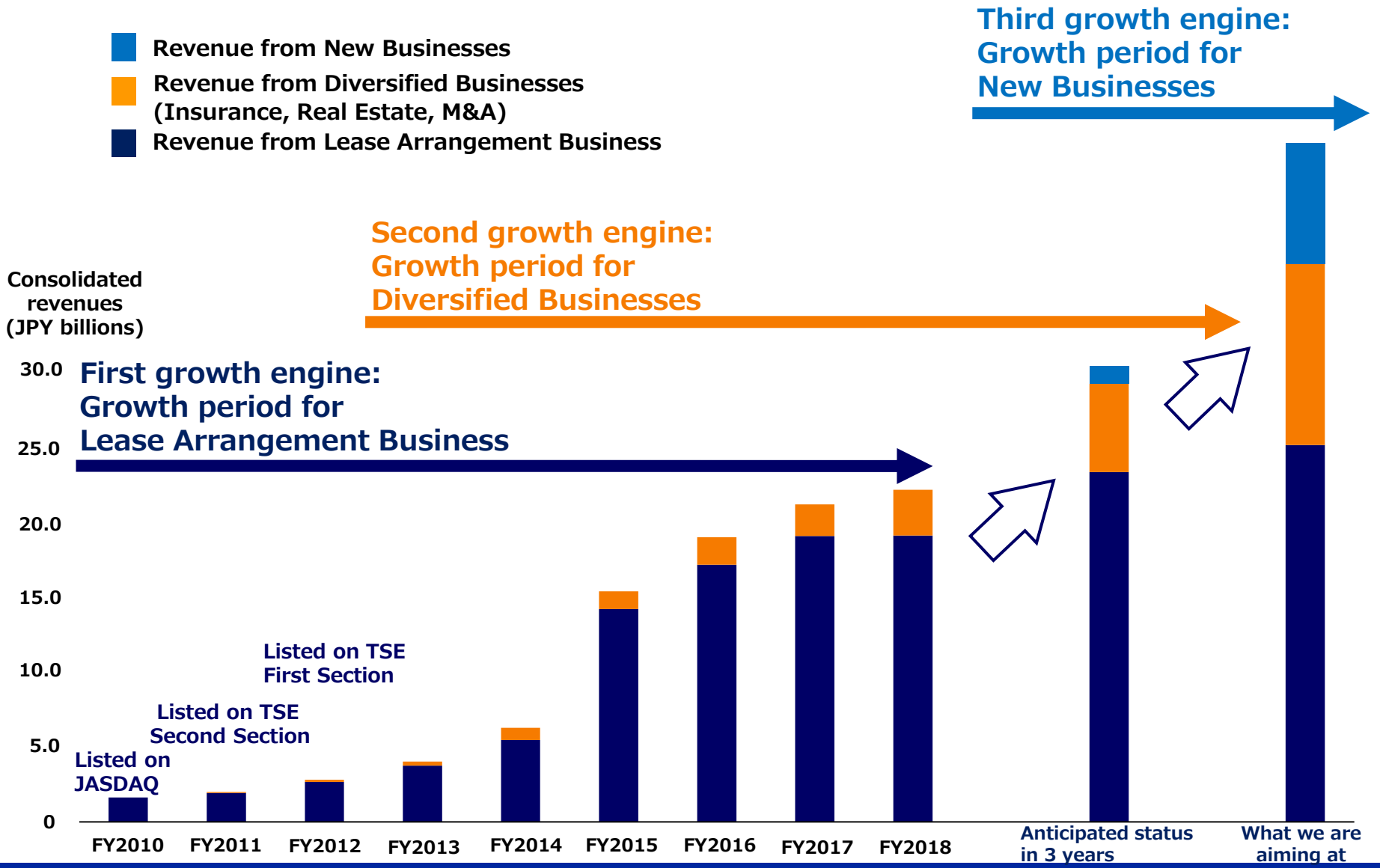
◆ Grow sustainably through 3 engines



Increasing Corporate Value (3)Shareholder Return Policy

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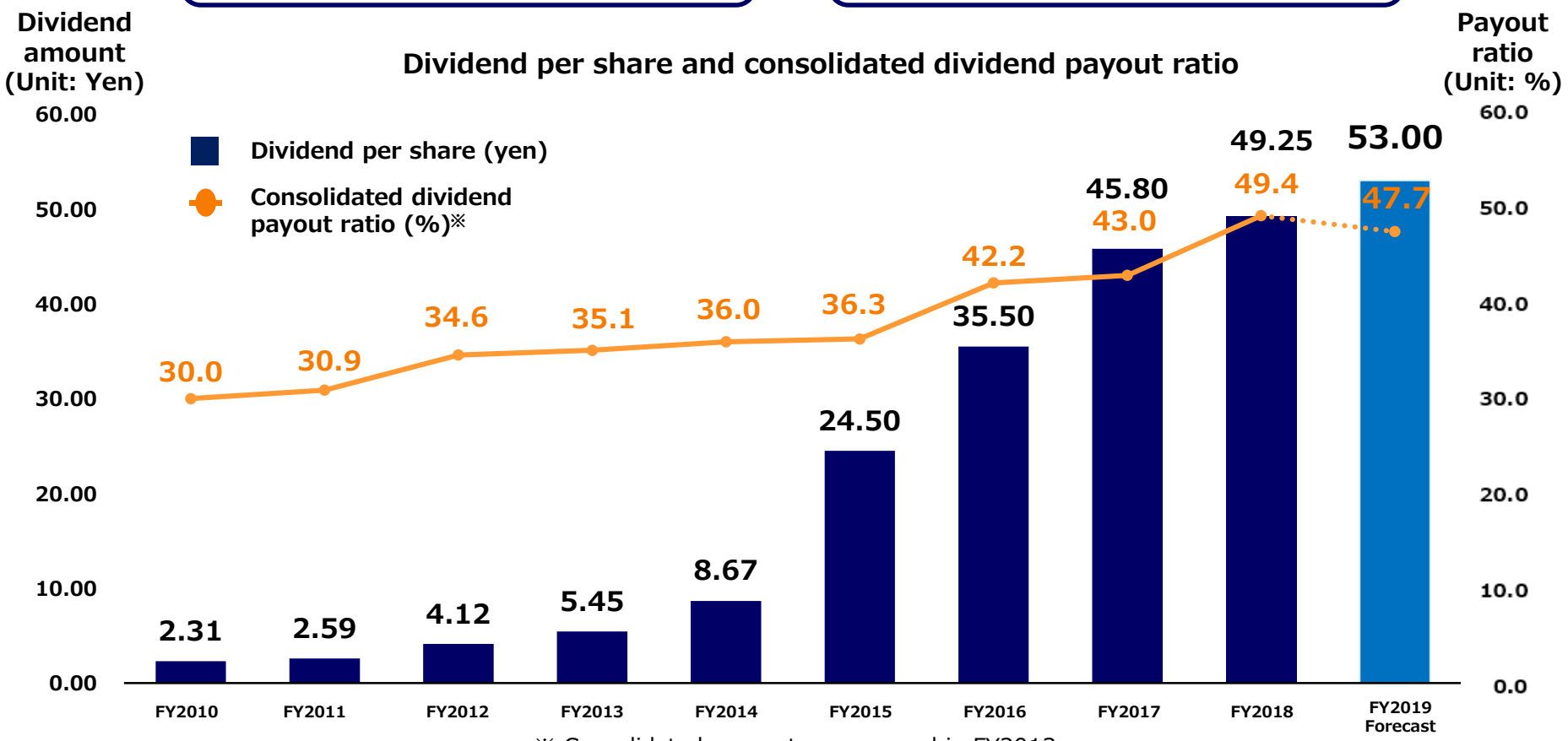
◆ Aim for sustainable increase in dividends in medium term by increasing corporate value through Quality Growth Strategy

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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