FPG Consolidated Financial Results

for the Fiscal Year Ending September 30, 2019

(October 1, 2018 – September 30, 2019)

Financial Products Group Co., Ltd.

(Tokyo Stock Exchange First Section Code: 7148)

JPX
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Information on Financial Results



Highlights for FY2019

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◆Achieved highest ever net sales and profits
◆Net sales and net income exceeded the full-year forecast
◆The annual dividend is expected to be 53.00 yen per share as planned

(JPY billions)

	FY2018		FY2019			FY2019 Full-year forecast	Achivement rate
		% of net sales		% of net sales	Y on Y Change		
Net sales	22.04	100.0%	26.59	100.0%	+20.6%	25.03	106.2%
Lease Arrangement Business	18.99	86.2%	20.80	78.2%	+9.5%	21.13	98.5%
Diversified Business	3.04	13.8%	5.78	21.8%	+90.1%	3.90	148.2%
Gross profit	18.82	85.4%	20.44	76.9%	+8.7%	-	-
SG&A cost	5.75	26.1%	6.01	22.6%	+4.5%	-	-
Operating income	13.06	59.3%	14.43	54.3%	+10.5%	14.52	99.4%
Ordinary income	12.62	57.3%	14.39	54.1%	+14.0%	14.45	99.6%
Profit attributable to owners of parent	8.98	40.8%	10.03	37.7%	+11.6%	10.03	100.0%
Total amount of equity placement in operating leases	143.61	-	156.78	-	+9.2%	166.50	94.2%
Total amount of assets arranged in operating leases	428.11	-	538.17	-	+25.7%	500.00	107.6%
Dividend per share (yen) ※	49.25	-	53.00	-	-	53.00	-

※ Dividend per share for FY2019 performance is to be discussed at the General Shareholder's Meeting to be held on December 20, 2019.

Core Business Leasing Arrangement Business (1) Outline

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- ◆Achieved highest ever net sales, total amount of equity placement, and total amount of assets arranged
- ◆Continued to secure abundant inventory based on the strong demand of investors (see Page 7)

(JPY billions)

		FY2018		FY2019		Y on Y Change
Lease Arrangement Business net sales		18.99		20.80		+9.5%
Total amount of equity placement in operating leases		143.61	Component Ratio	156.78	Component Ratio	+9.2%
	Aircraft	101.76	70.9%	64.03	40.8%	▲37.1%
	Ships	9.68	6.7%	64.29	41.0%	+563.5%
	Marine containers	32.16	22.4%	28.45	18.2%	▲11.5%
Fee on equity ※1 (Sales/Equity placement)		15.5%		15.0%		-
Total amount of assets arranged in operating leases		428.11		538.17		+25.7%
Inventory amount in operating leases ※2		54.38		94.54		+73.8%

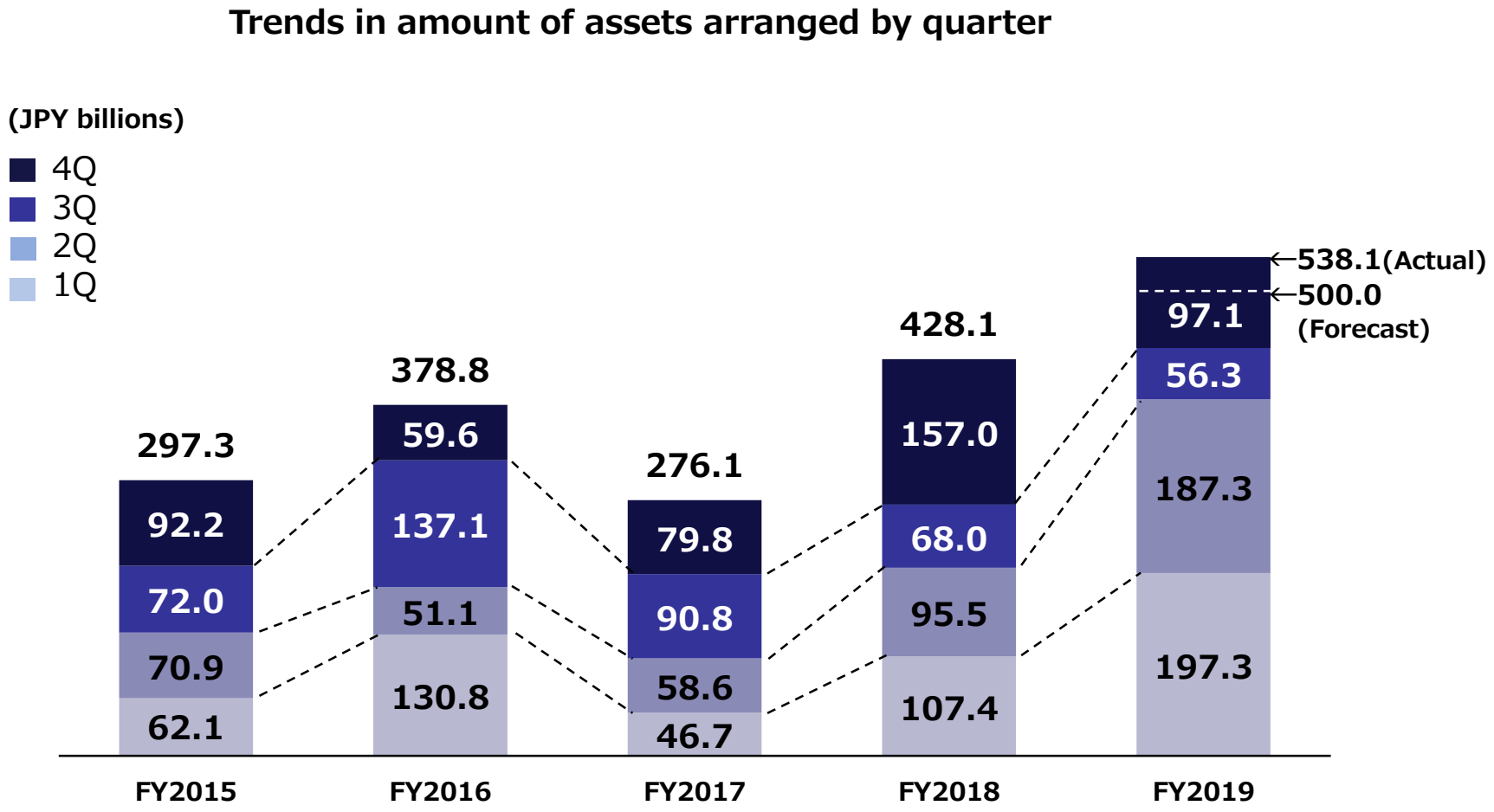
※1 Commission rate: Equity placements for full equity projects converted at 34%

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

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

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◆Total amount of assets arranged reached a record high



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

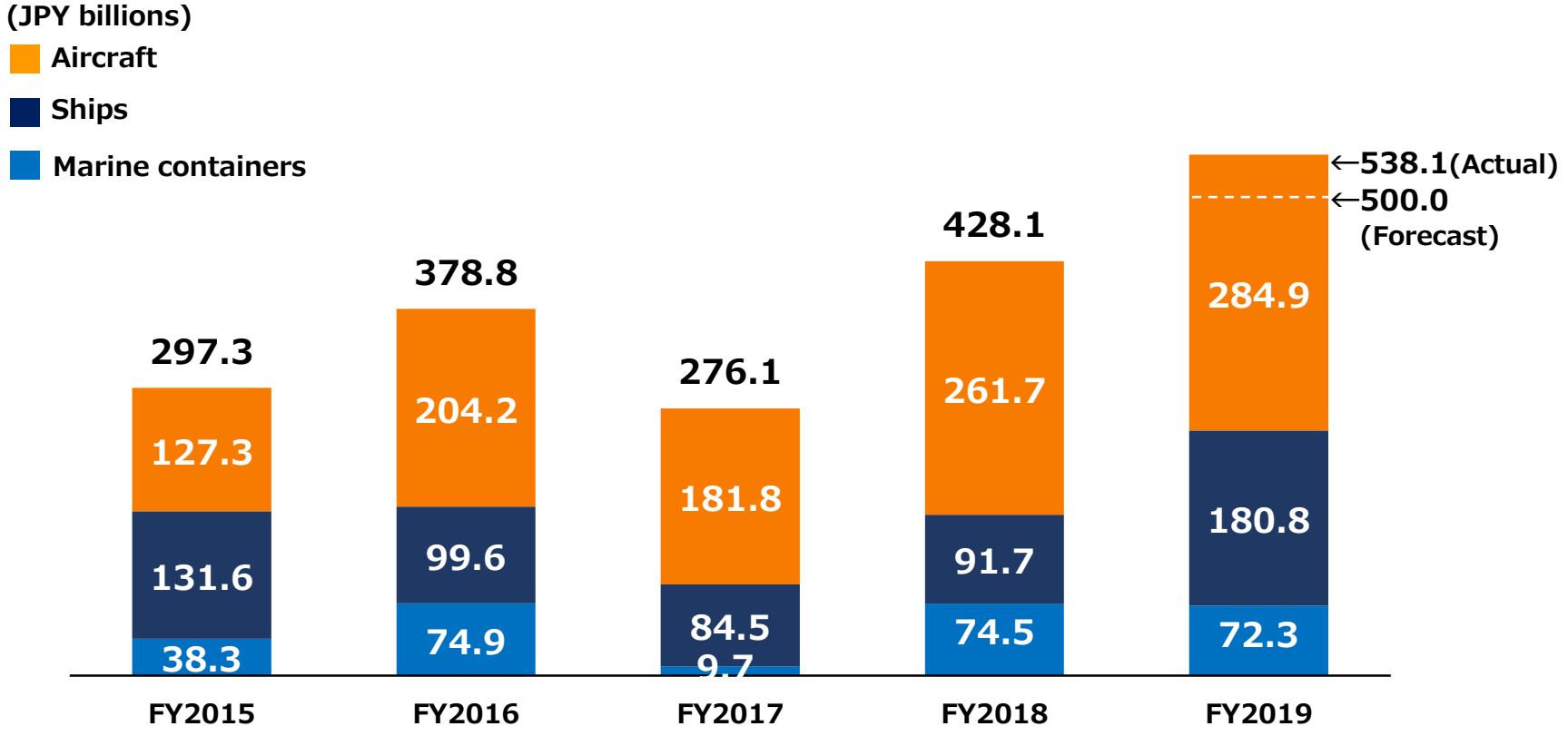
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◆Aircraft: Achieved highest ever assets arranged for aircraft due to strong demand from airlines and leasing companies

◆Ships: Also Achieved highest ever assets arranged for ships with the recovery of the shipping market

◆Marine containers: Secured repeat deals from existing lessees and gained a new lessee, thereby achieving the same amount of assets arranged year-on-year

Trends in amount of assets arranged by lease asset

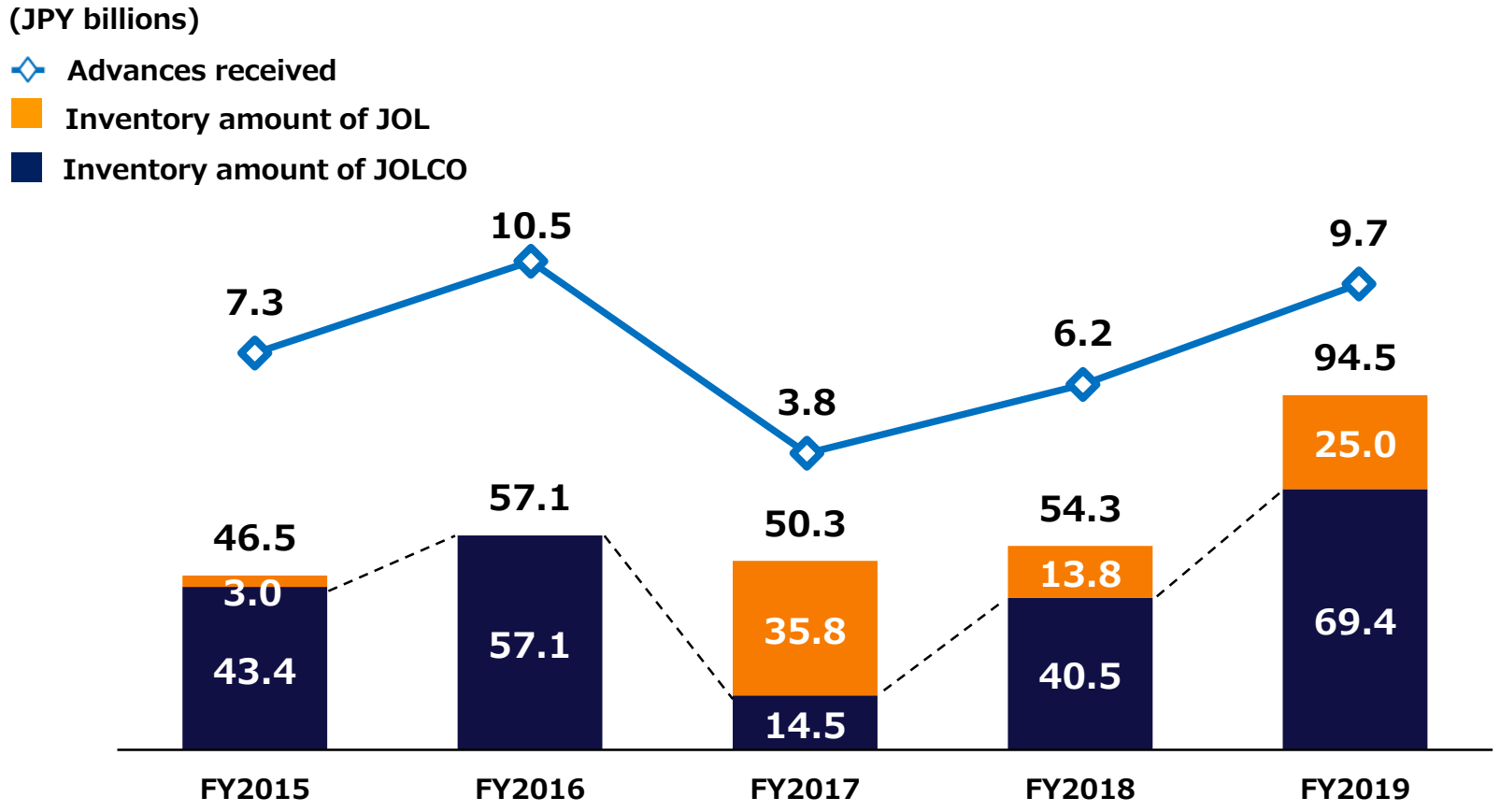


Core Business Lease Arrangement Business (4) Product Inventory

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- ◆Maintained a high level of product inventory and advances received (commission fees), which are transferred to net sales in the future
- ◆Secured record high level end-of-year inventory to meet the strong demand of investors

Trends in inventory amount and advances received

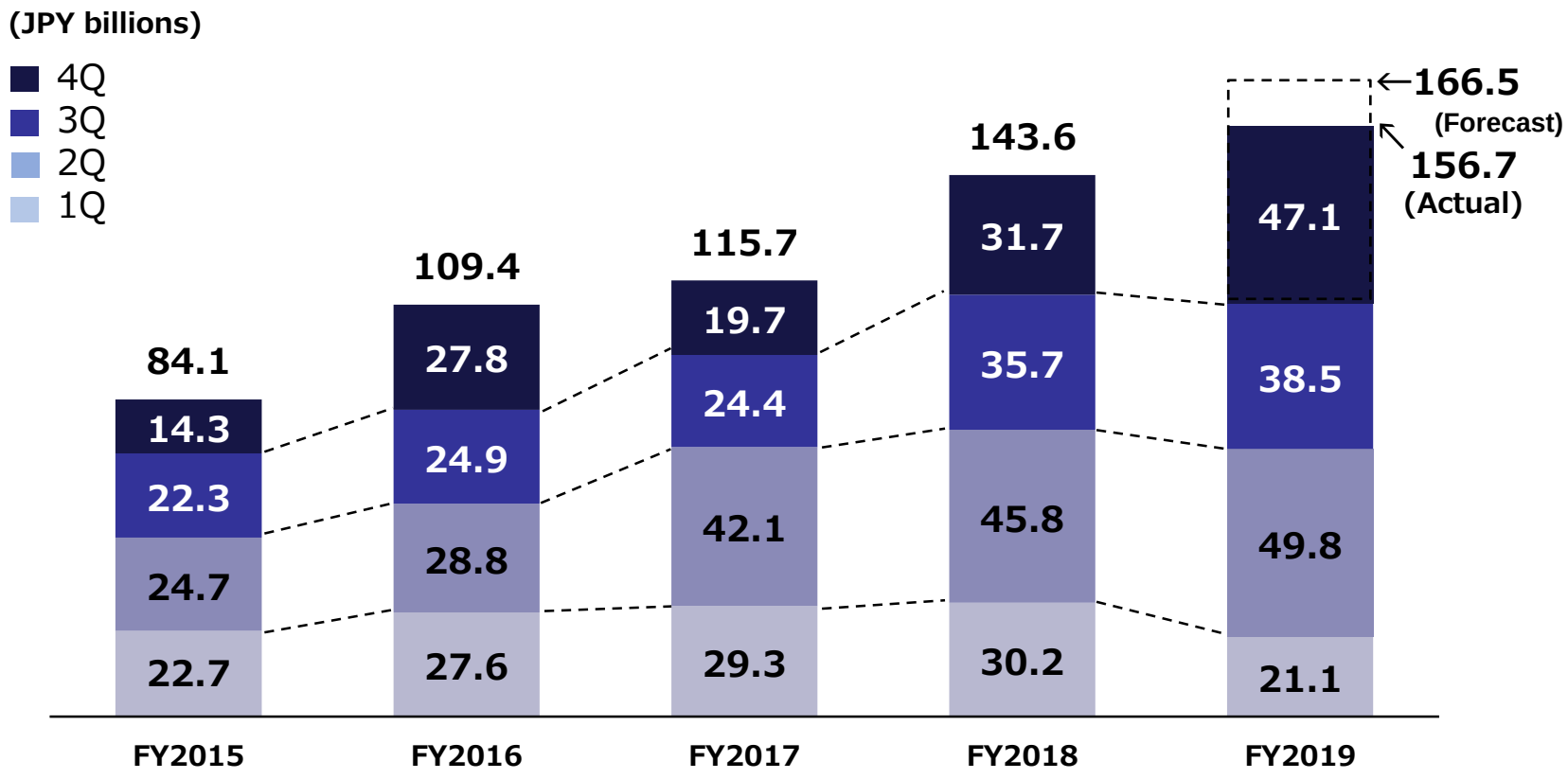


Core Business Lease Arrangement Business (5)
Equity Placements

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- ◆Although sales of equity placement in the 1Q were slow, sales of equity placement by quarter since the 2Q continue to reach record highs
- ◆Achieved highest ever the total amount of equity placement, topping 150 billion yen

Trends in equity placements by quarter



Core Business Lease Arrangement Business (6)
JOL Results

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◆Originated assets arranged for JOL, looking to sales expansion in the next fiscal year

- The sales record is a total of 8 aircraft in the fiscal year ending September 2019

● Arrangement and Sales transition for JOL

Fiscal year	FY2015	FY2016	FY2017	FY2018	FY2019
Number of aircraft arranged	4	3	15	4	11
Number of aircraft sold	2	5	4	12	8
Of which trust beneficiary rights system	-	-	(2)	(7)	(5)

(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 2019 Act.)

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

Diversified Businesses Outline

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◆Increased net sales, driven by the Real Estate Business

- Increase in sales of small lot real estate products in the Real Estate Business, also the sale of one building of development real estate contributed to sales
- Decline in net sales in the Insurance Business due to the suspension of sales of some life insurance products for corporate customers
- Steady increase in net sales in the M&A Business

Sales of Diversified Businesses※1

(JPY millions)

	FY2018	% of net sales	FY2019	% of net sales	Y on Y Change
Consolidated net sales	22,043	100.0%	26,595	100.0%	+20.6%
Diversified Businesses Total	3,044	13.8%	5,789	21.8%	+90.1%
Insurance Business	1,223		916		▲25.1%
Real Estate Business	696		4,254		+511.2%
M&A Business	47		147		+210.4%
Investment and Maintenance Service, etc.※2	1,077		471		▲56.3%

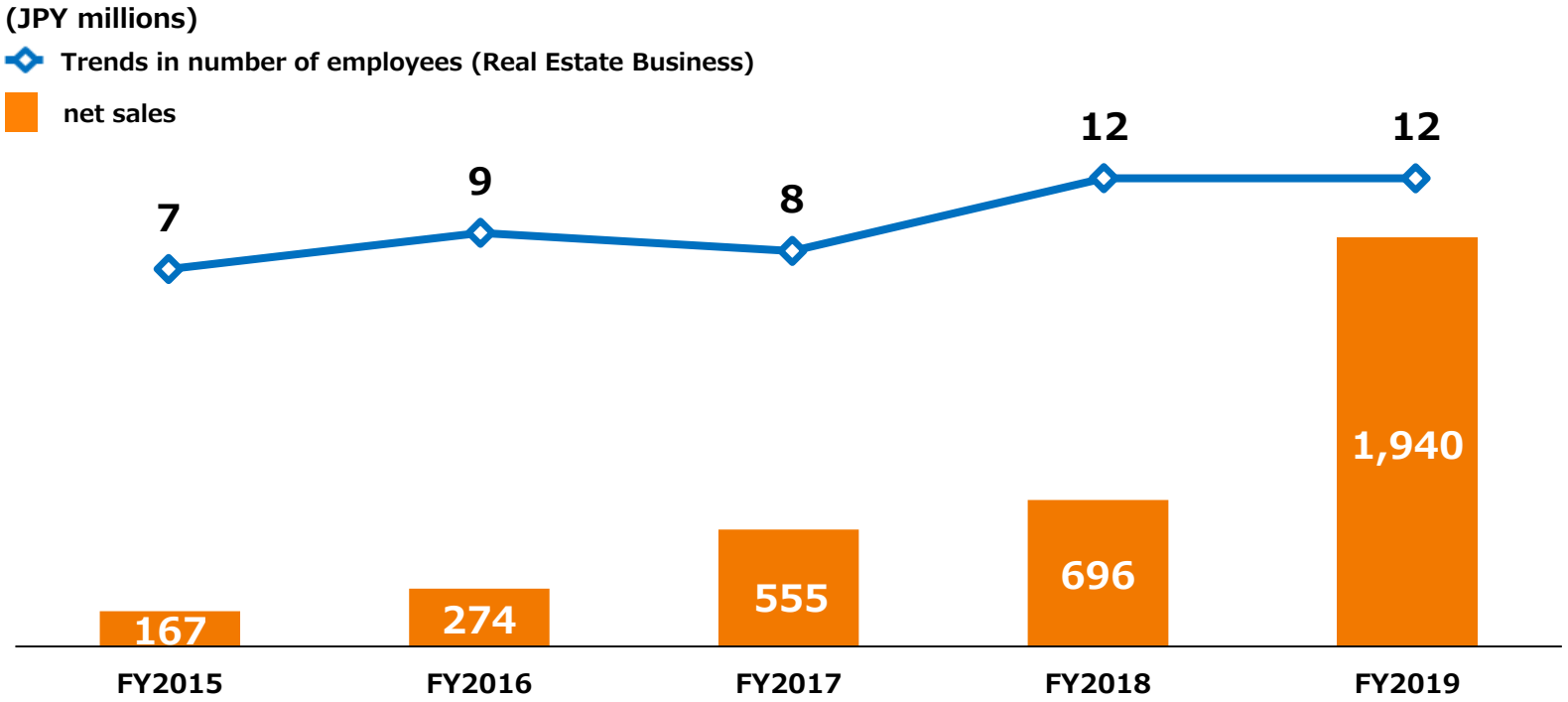
※1 Diversified Businesses refers to businesses other than our main business, which is Lease Arrangement Business
※2 Investment and Maintenance Service, etc. refers to investment and maintenance service of the overseas affiliates and domestic affiliates, include FPG Securities and FPG Trust etc.

Diversified Businesses Real Estate Business(1): Outline

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- ◆Increased sales of small lot real estate products through diversification of products and expansion of sales channels
- ◆Increased net sales in the Real Estate Business temporarily, thanks to the sale of one building in development real estate

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

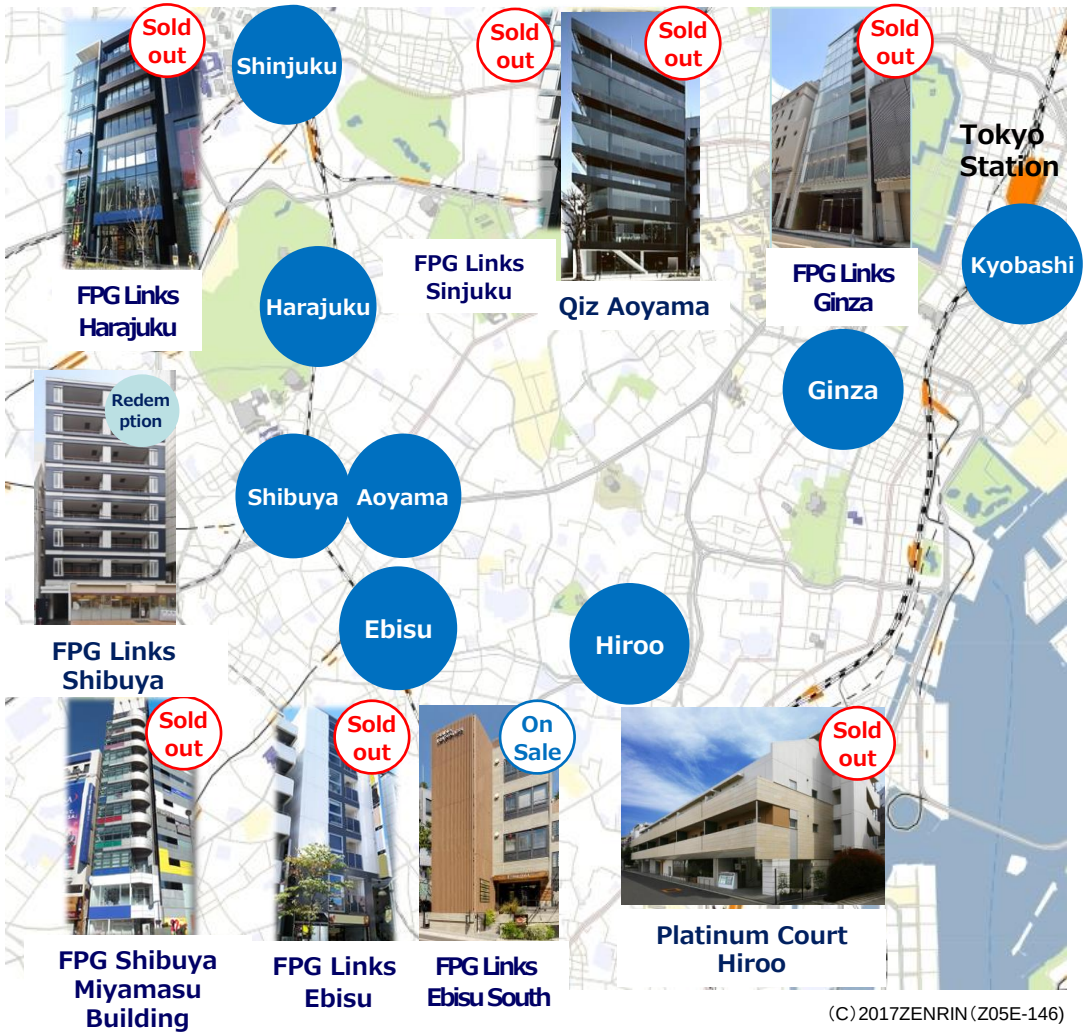


※Recording sales in Real Estate Business by adding commission fee conversion basis related one building sale to commission fees from origination and sales of small lot real estate products

Diversified Businesses Real Estate Business(2): Arrangement Track Record

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- ◆Recently added hotel in addition to offices and commercial buildings for arrangement
- ◆Expanding target area for arrangement from prime location in central Tokyo to Kyoto with high inbound needs

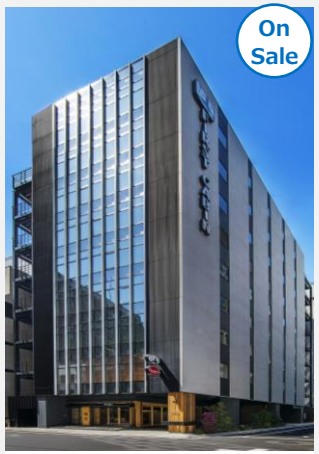


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F P G Hotel Owners Series



F P G Hotel Owners Kyoto



F P G Hotel Owners Kyobashi

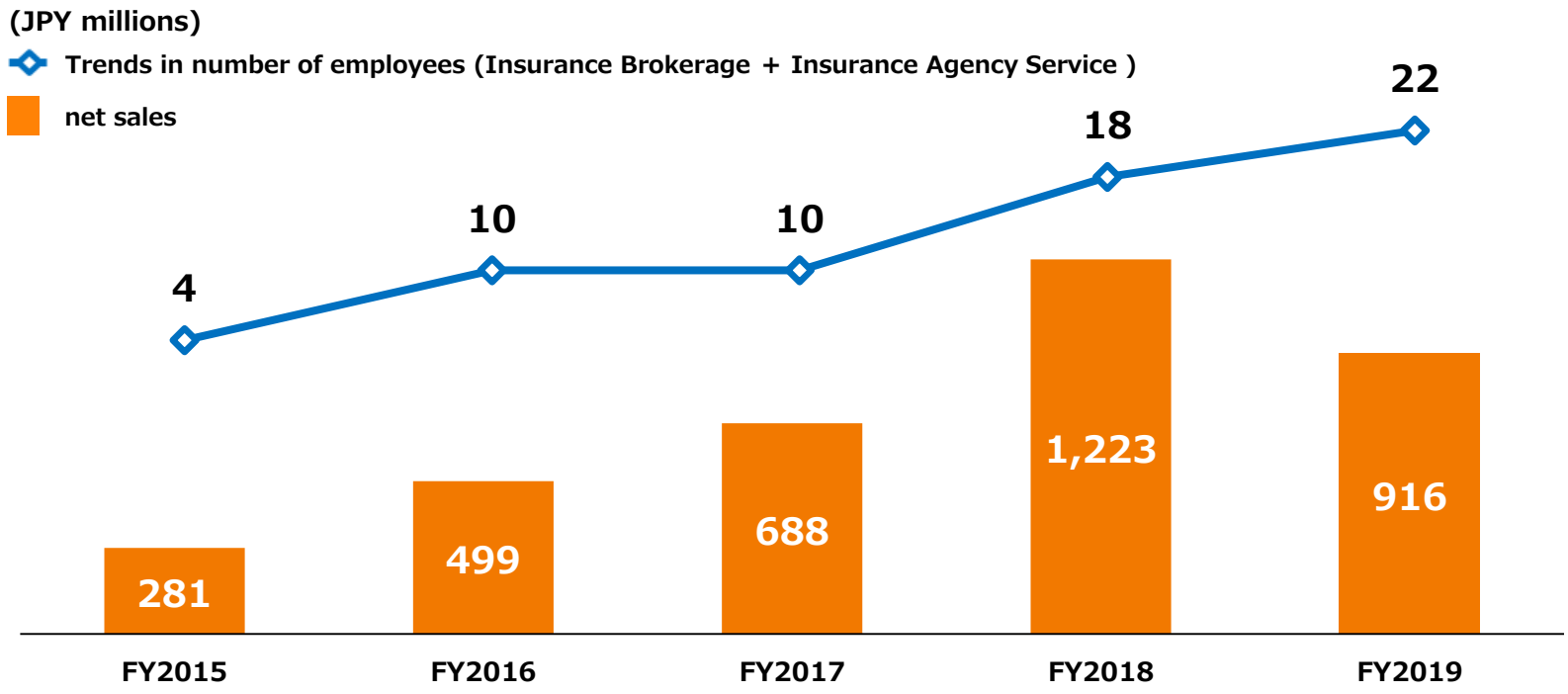
FPG Links Shibuya
Implemented the first redemption by sale of property

Diversified Businesses Insurance Business: Outline

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◆Decline in net sales due to the suspension of sales of some life insurance products for corporate customers from March

Net Sales and Staff in Insurance Business※

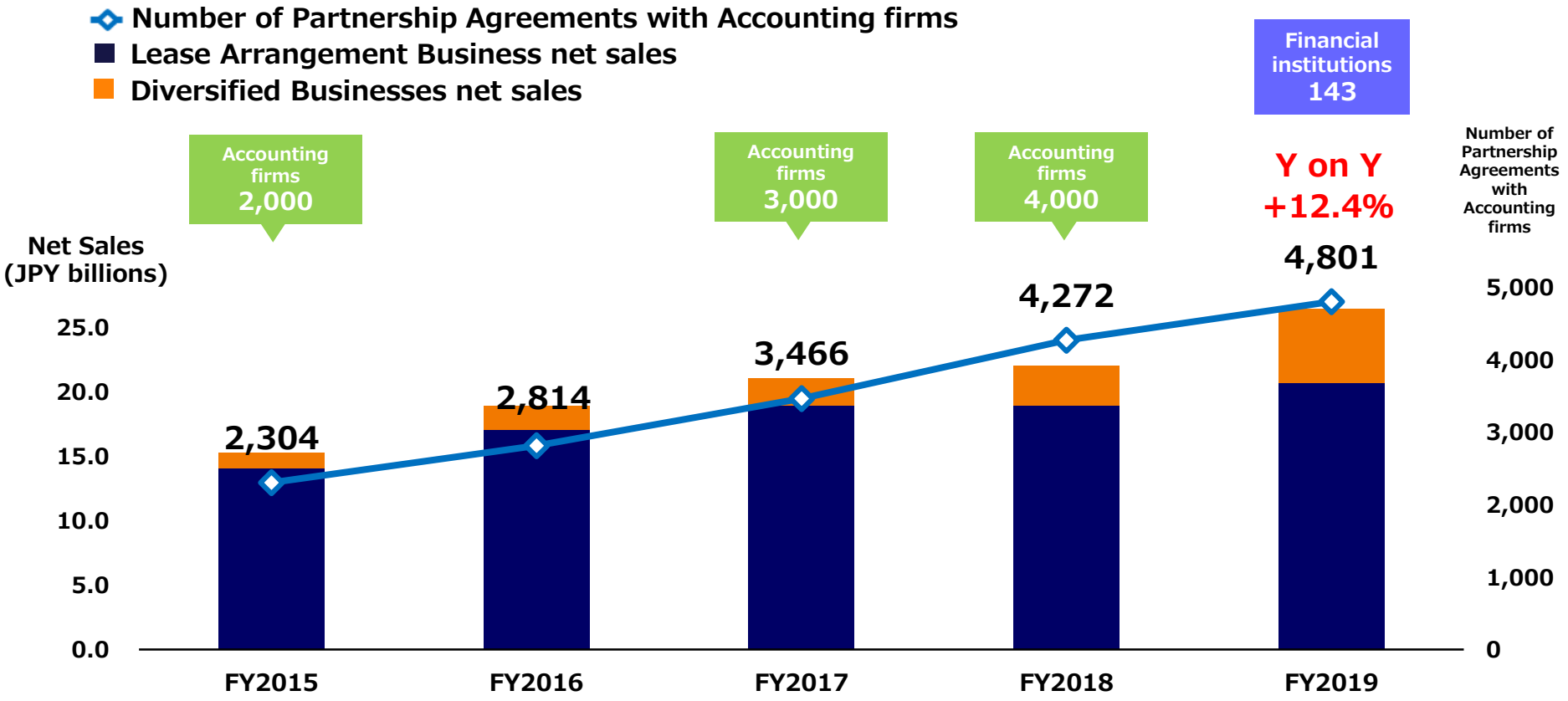


※Commission fees (Total sales of Insurance Broker and Insurance Agency Service)

Distribution Network Status Summary

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- The number of partnerships with accounting firms reached 4,801 (increase of 529 year-on-year)
- The number of partnerships with financial institutions has reached 143, covering almost all regional banks and major securities companies
- Further strengthening the networks enables cross-selling in addition to expanding the number of partnerships

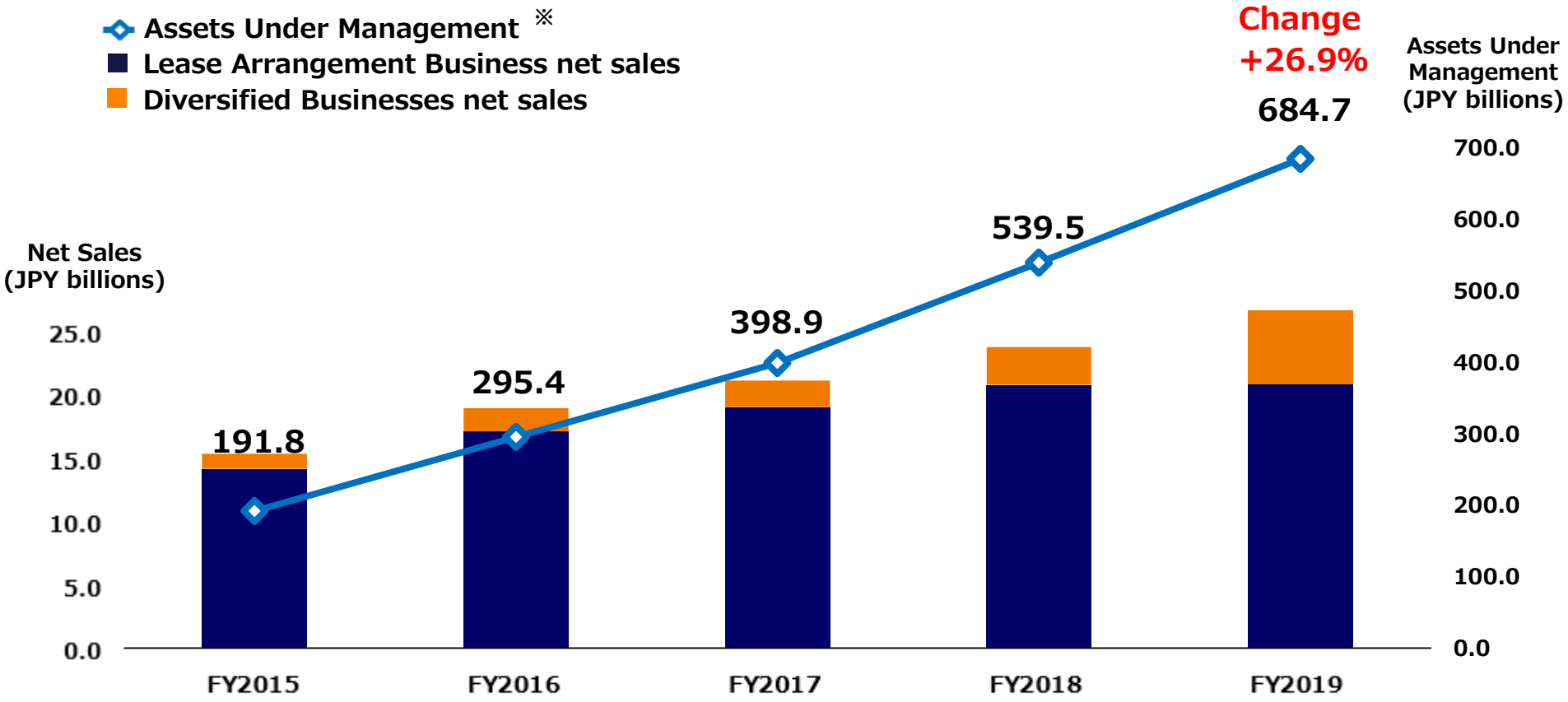


Balance of Assets Under Management

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◆The medium-term management strategy aims to achieve 1 trillion yen in assets under management and expand business

- Increase in assets under management by 26.9% year-on-year, due to the favorable sales result for equity placement in the Lease Arrangement Business
- Increase in net sales linked with the volume of assets under management



※The Assets sold to our investors related to the Lease Arrangement Business and Real Estate Business

Full-year Performance Expectations for FY2020

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- ◆Expect to reach almost the same level as the previous year net sales, excluding the factor for one building sale in the previous period
- ◆Aim to exceed 10 billion yen net profit for the second consecutive year by absorbing SG & A expenses due to increased personnel
- ◆Plan to increase dividend by 7.10 yen to 60.10 yen per share

(JPY billions)

	FY2019	FY2020 Forecast	Y on Y Change
Net sales	26.59	24.31	▲8.6%
Lease Arrangement Business	20.80	21.45	+3.1%
Diversified Business	5.78	2.86	▲50.5%
Operating income	14.43	14.04	▲2.7%
Ordinary income	14.39	14.49	+0.7%
Profit attributable to owners of parent	10.03	10.10	+0.6%
Total amount of equity placement in	156.78	179.39	+14.4%
Total amount of assets arranged in operating leases	538.17	438.22	▲18.6%
Dividend per share (yen)	53.00	60.10	+13.4%

※ Dividend per share for FY2019 performance is to be discussed at the General Shareholder's Meeting to be held on December 20, 2019

Medium- to Long –term Management Strategy

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◆Aim for sustainable growth through the three engines for improving corporate value (see Page25)

The first growth engine: Lease Arrangement Business

◆Further solidify No. 1 position in the industry through continuing stable growth

- ■Strengthen collaboration with sales network by reopening new branches (scheduled to open Yokohama branch)
- ■Increase sales staff with relocation of some specialists in the Insurance Business
- ■Increase repeat rate from existing investors on the back of an increase of assets under management

The second growth engine: Diversified Businesses

◆Realize establishing 20% of sales ratio in the Diversified Businesses

- ■Expand real estate coverage area (considering Osaka, Nagoya and Fukuoka in addition to Tokyo and Kyoto)
- ■Increase in contracts with increase of expatriates in the M&A Business

The third growth engine: New Businesses

◆Promote the Private Equity Business

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Appendix



Income Statement Summary

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(Billions of Yen)

	FY2018	FY2019	Y on Y Change
Net sales	22.04	26.59	+20.6%
①Cost of sales	3.22	6.14	+90.7%
Gross profit	18.82	20.44	+8.7%
SG&A cost	5.75	6.01	+4.5%
Operating income	13.06	14.43	+10.5%
②Non-operating income	1.03	2.03	+96.0%
③Non-operating expenses	1.47	2.07	+40.1%
Ordinary income	12.62	14.39	+14.0%
Income before income taxes	12.76	14.34	+12.4%
Total income taxes	3.64	4.31	+18.3%
Profit attributable to owners of parent	8.98	10.03	+11.6%

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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(Billions of Yen)

Asset	FY2018 Sep.30, 2018	FY2019 Sep.30, 2019	Change
Current assets	80.64	121.09	+40.45
①Equity underwritten	40.50	75.43	+34.92
②Money in trust	13.87	19.10	+5.23
③Real estate for arrangement	7.22	3.37	▲3.84
Non-current assets	4.49	4.74	+0.24
Total assets	85.14	125.83	+40.69

Liabilities	FY2018 Sep.30, 2018	FY2019 Sep.30, 2019	Change
Current liabilities	47.39	82.40	+35.00
Short-term debt	32.72	65.89	+33.16
④Advances received	6.23	9.79	+3.55
Non-current liabilities	7.99	10.45	+2.45
Long-term debt	7.76	10.18	+2.42
Total liabilities	55.39	92.85	+37.46
Total net assets	29.74	32.98	+3.23
Total liabilities and net assets	85.14	125.83	+40.69

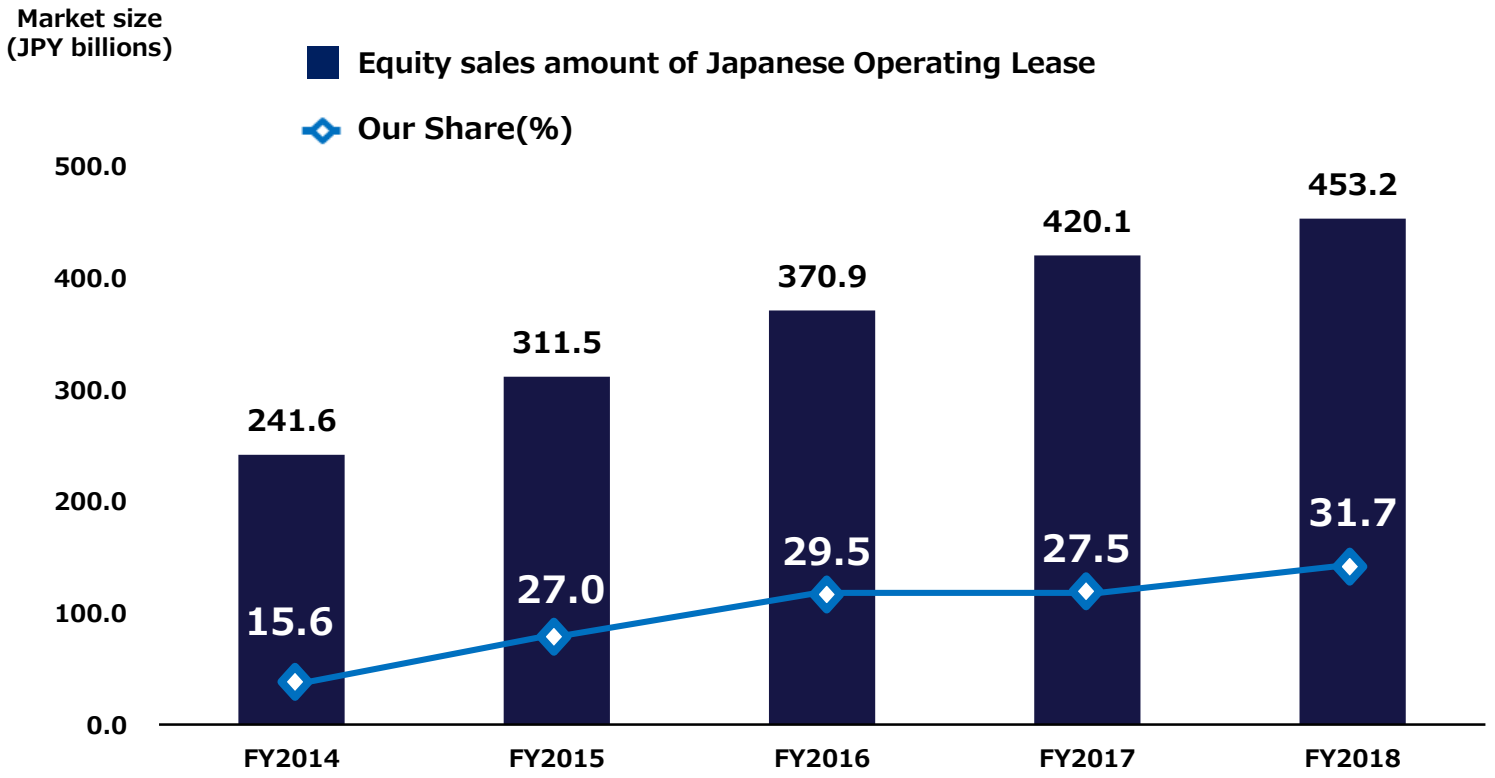
①Equity underwritten : Temporary advances in Lease Arrangement Business prior to selling to equity investors
②Money in trust : Temporary stock of trust beneficiary right of operating lease for aircraft using a trust function
③Real estate for arrangement : Stock of small-lot real estate investment products
④Advances received : Including advances of commission fees related to Lease Arrangement Business

Japanese Operating Lease Market and Our Share

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◆Aim to maintain No.1 share in the Japanese Operating Lease market

Equity sales amount of Japanese Operating Lease and our share※



※Prepared by FPG from a survey of trends in equity placements arranged for JOLCO, which general investors invested in FY2018
Source: Yano Research Institute Ltd.

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

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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 an indicator

- Aim for DOE of 15% or above by adopting a new 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

Quality Growth Strategy

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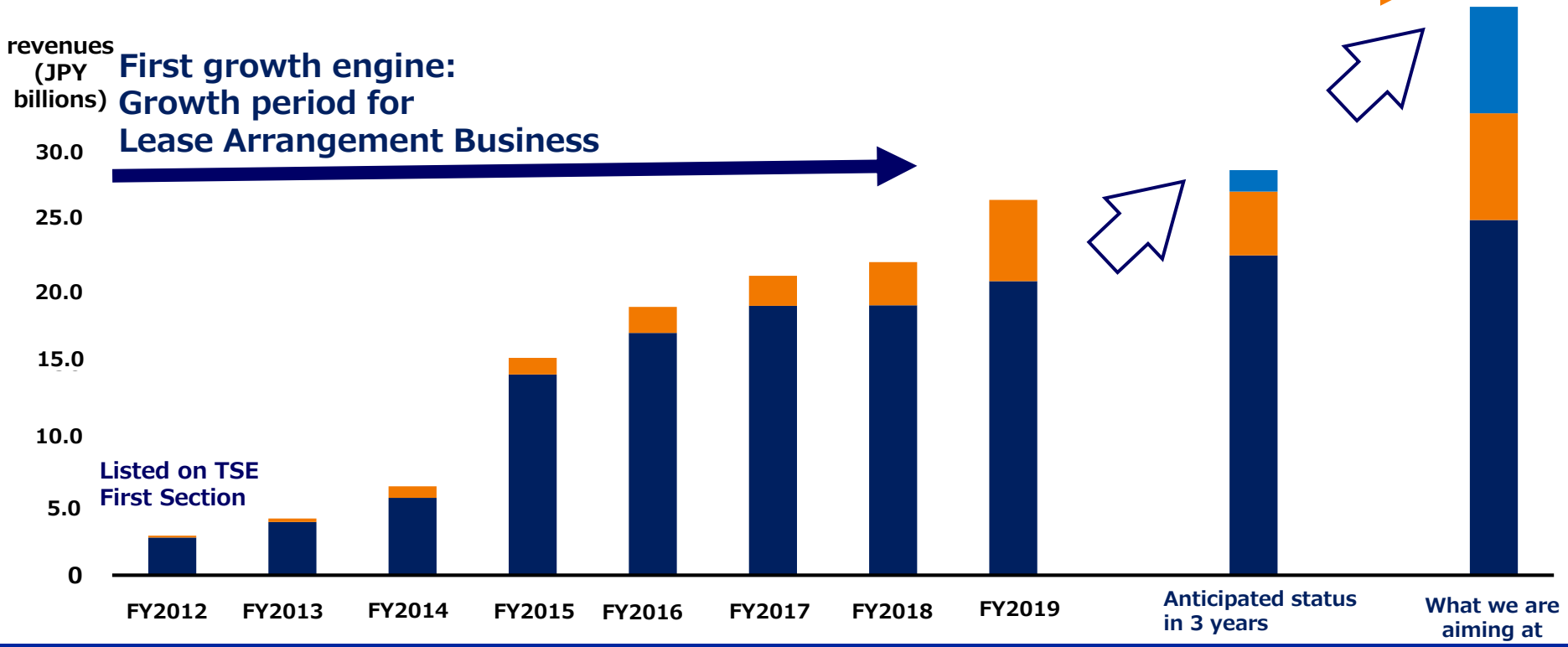
◆Grow sustainably through 3 engines

- Revenue from new businesses
- Revenue from diversified businesses (Insurance, Real Estate, M&A)
- Revenue from Lease Arrangement Business

Third growth engine: Growth period for New Businesses

Second growth engine: Growth period for Diversified Businesses

First growth engine: Growth period for Lease Arrangement Business

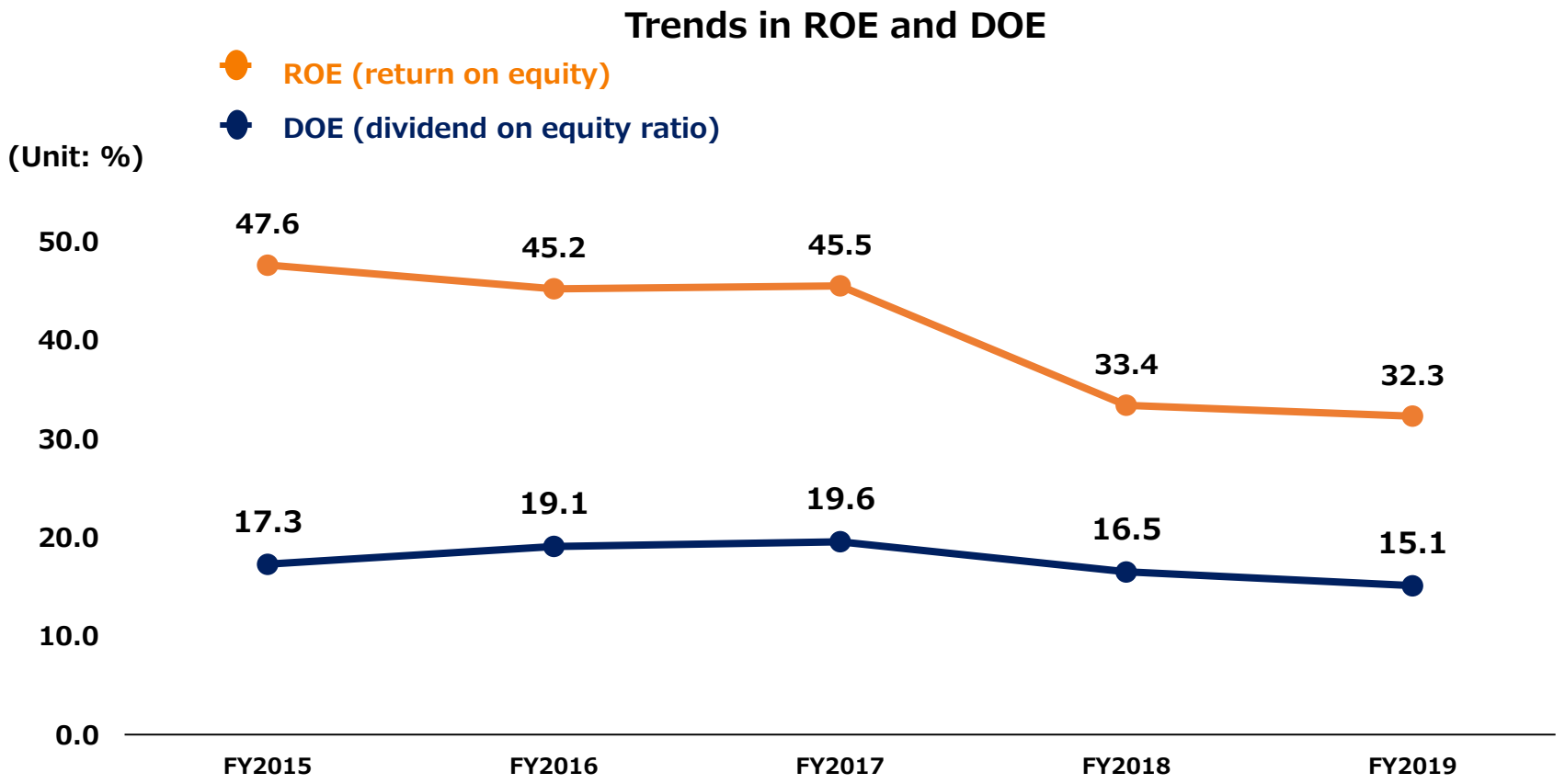


Shareholder Return Policy (1)

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◆Introduce DOE (Dividend on Equity ratio) target , aim to achieve a high level of shareholder return through strong profitability

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



Shareholder Return Policy (2)

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

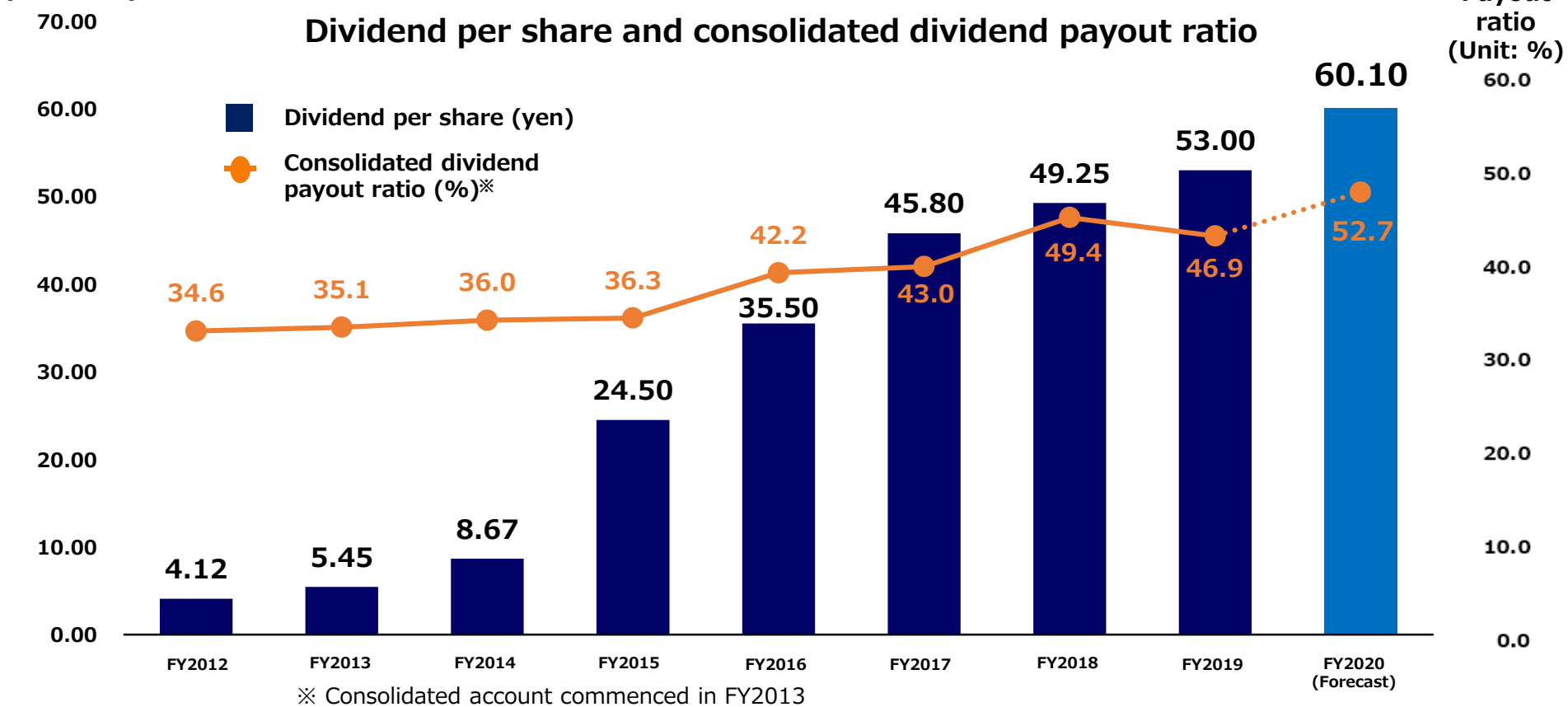
FY2019

Dividend per share: 53.00 yen
Consolidated dividend payout ratio: 46.9%

FY2020 (Forecast)

Dividend per share: 60.10 yen
Consolidated dividend payout ratio: 52.7%

Dividend per share and consolidated dividend payout ratio



※ Consolidated account commenced in FY2013

Key Financial Data

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Accounting term		FY2015	FY2016	FY2017	FY2018	FY2019
Net sales	Billions of yen	15.31	18.89	21.07	22.04	26.59
Ordinary income	Billions of yen	10.05	11.90	13.71	12.62	14.39
Net income	Billions of yen	6.34	7.64	9.58	8.98	10.03
Paid-in capital	Billions of yen	3.08	3.09	3.09	3.09	3.09
Outstanding shares	Thousand of shares	94,299	94,461	94,623	92,373	90,673
Net assets	Billions of yen	16.17	17.80	25.62	29.74	32.98
Total assets	Billions of yen	69.08	81.22	82.79	85.14	125.83
Book value per share	Yen	170.65	196.86	270.60	326.03	369.59
Dividends	Yen	24.50	35.50	45.80	49.25	53.00
Earnings per share	Yen	67.52	84.05	106.44	99.71	113.01
ROE	%	47.6	45.2	45.5	33.4	32.3
Equity ratio	%	23.3	21.8	29.5	34.5	26.0
Payout ratio	%	36.3	42.2	43.0	49.4	46.9
Cash flow from operating activities	Billions of yen	▲3.25	▲1.69	3.03	11.58	▲24.84
Cash flow from investing activities	Billions of yen	▲1.44	▲0.41	▲0.02	▲0.88	▲0.39
Cash flow from financing activities	Billions of yen	7.88	3.57	0.74	▲9.81	28.84
Cash and cash equivalents at end of year	Billions of yen	7.38	8.67	12.60	13.33	16.58
Number of employees		157	196	227	252	262

(Note) Above figures reflect adjustment for stock spilt.

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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