FPG Consolidated Financial Results

First Quarter of the Fiscal Year Ending September 30, 2020

(October 1, 2019 – December 31, 2019)

Financial Products Group Co., Ltd.

(Tokyo Stock Exchange First Section Code: 7148)

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Information on Financial Results



Highlights

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◆Increased Net sales and each profit year-on-year

◆Continuing to secure abundant inventory although decreased in the total amount of assets arranged, compared to the same period of the previous year (refer to page7)

(JPY billions)

	FY2019 1Q		FY2020 1Q			FY2020 Full-year forecast	Progress rate
		% of net sales		% of net sales	Y on Y Change		
Net sales	3.37	100.0%	3.69	100.0%	+9.5%	24.31	15.2%
Lease Arrangement Business	2.65	78.6%	3.10	84.0%	+17.0%	21.45	14.5%
Diversified Business	0.72	21.4%	0.59	16.0%	▲17.8%	2.86	20.7%
Gross profit	2.82	83.7%	3.03	82.1%	+7.3%	-	-
SG&A cost	1.53	45.4%	1.53	41.6%	+0.3%	-	-
Operating income	1.29	38.4%	1.49	40.5%	+15.6%	14.04	10.7%
Ordinary income	1.07	31.8%	1.57	42.7%	+47.0%	14.49	10.9%
Profit attributable to owners of parent	0.68	20.4%	1.06	28.8%	+54.8%	10.10	10.5%
Total amount of equity placement in operating leases	21.15	-	23.72	-	+12.1%	179.39	13.2%
Total amount of assets arranged in operating leases	197.35	-	51.48	-	▲73.9%	438.22	11.7%

Core Business Leasing Arrangement Business (1) Outline

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◆Increased net sales and the total amount of equity placement year-on-year

◆Continued to secure abundant inventory to meet robust demand from investors

(see Page 7)

(JPY billions)

		FY2019 1Q		FY2020 1Q		Y on Y Change
Lease Arrangement Business net sales		2.65		3.10		+17.0%
Total amount of equity placement in operating leases		21.15	Component Ratio	23.72	Component Ratio	+12.1%
	Aircraft	12.55	59.3%	11.97	50.5%	▲4.6%
	Ships	6.85	32.4%	11.13	46.9%	+62.4%
	Marine containers	1.75	8.3%	0.62	2.6%	▲64.6%
Fee on equity (Sales/Equity placement) ※1		14.1%		13.3%		-
Total amount of assets arranged in operating leases		197.35		51.48		▲73.9%
Inventory amount in operating leases ※2		97.40		87.40		▲10.3%

※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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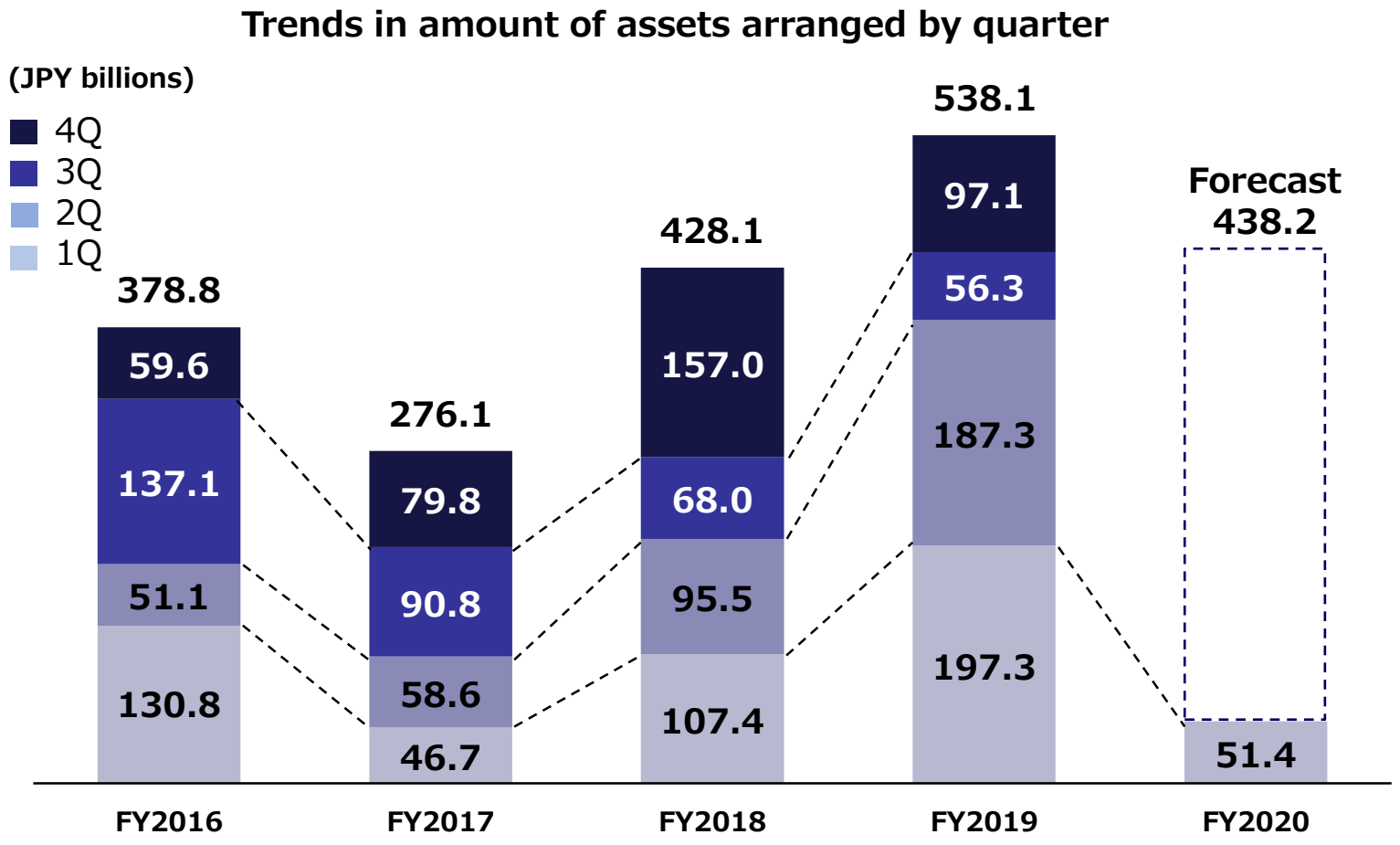
◆Due to strong inquiries from lessees, expecting to increase the amount of assets arranged in the future



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

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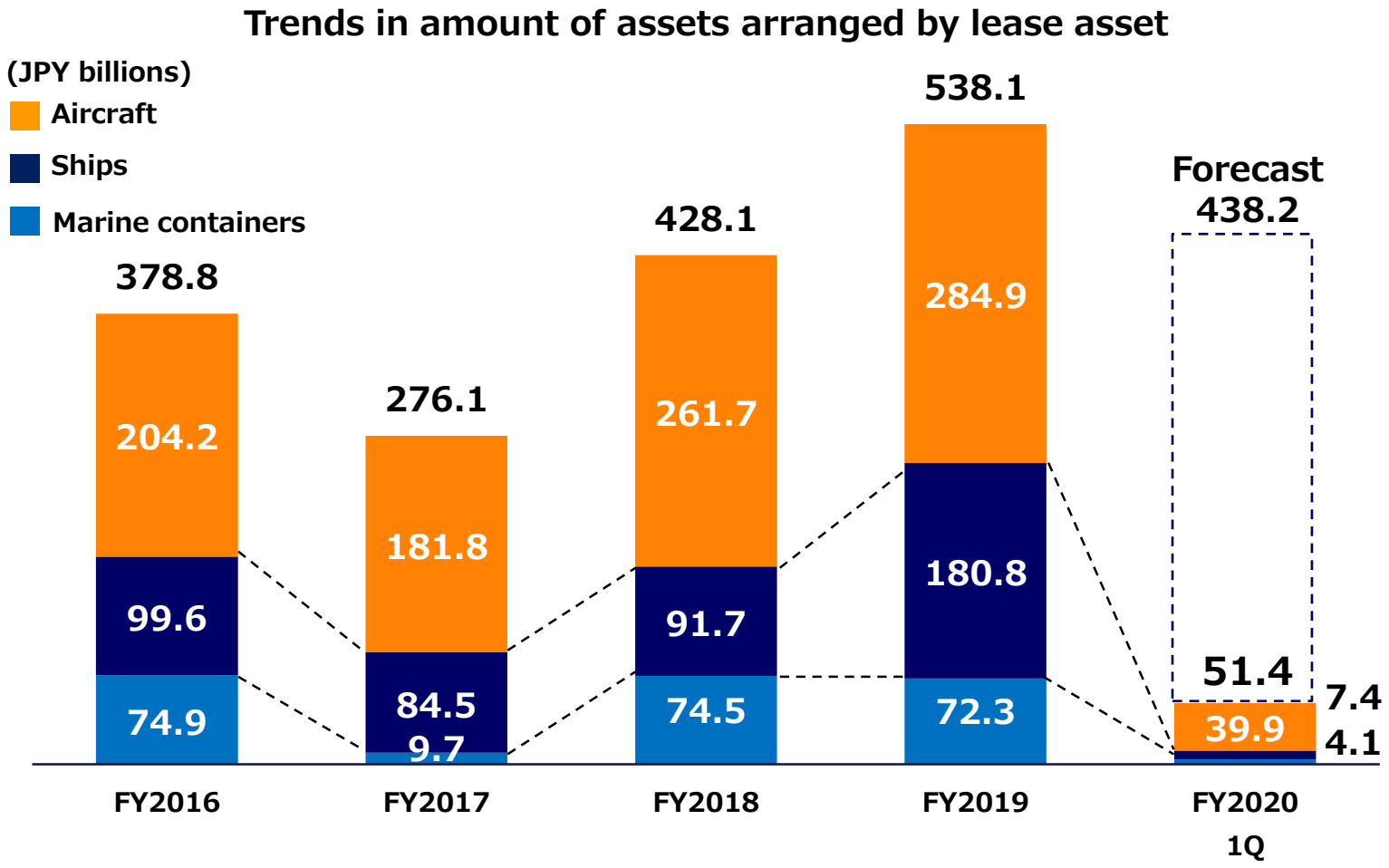
◆Expecting to increase in the amount of assets arranged from the second quarter as the environment of assets arranged has not changed



Core Business Lease Arrangement Business (4) Product Inventory

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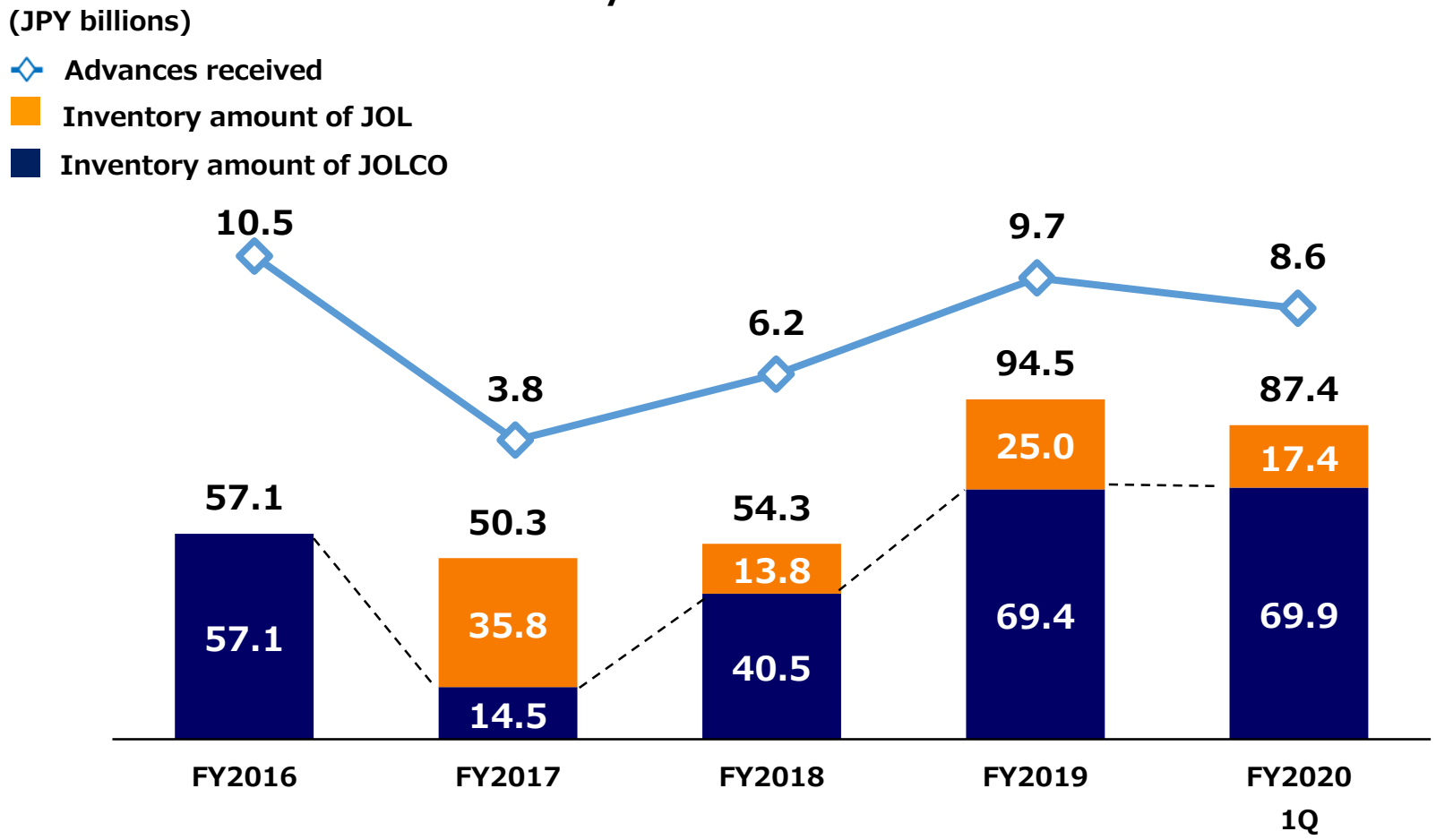
- ◆Maintaining the high level of product inventory and advances received (commission fees) which are transferred to net sales in the future
- ◆Continuing to secure abundant inventory to meet robust demand from investors

Trends in inventory amount and advances received



Core Business Lease Arrangement Business (5)
Equity Placements

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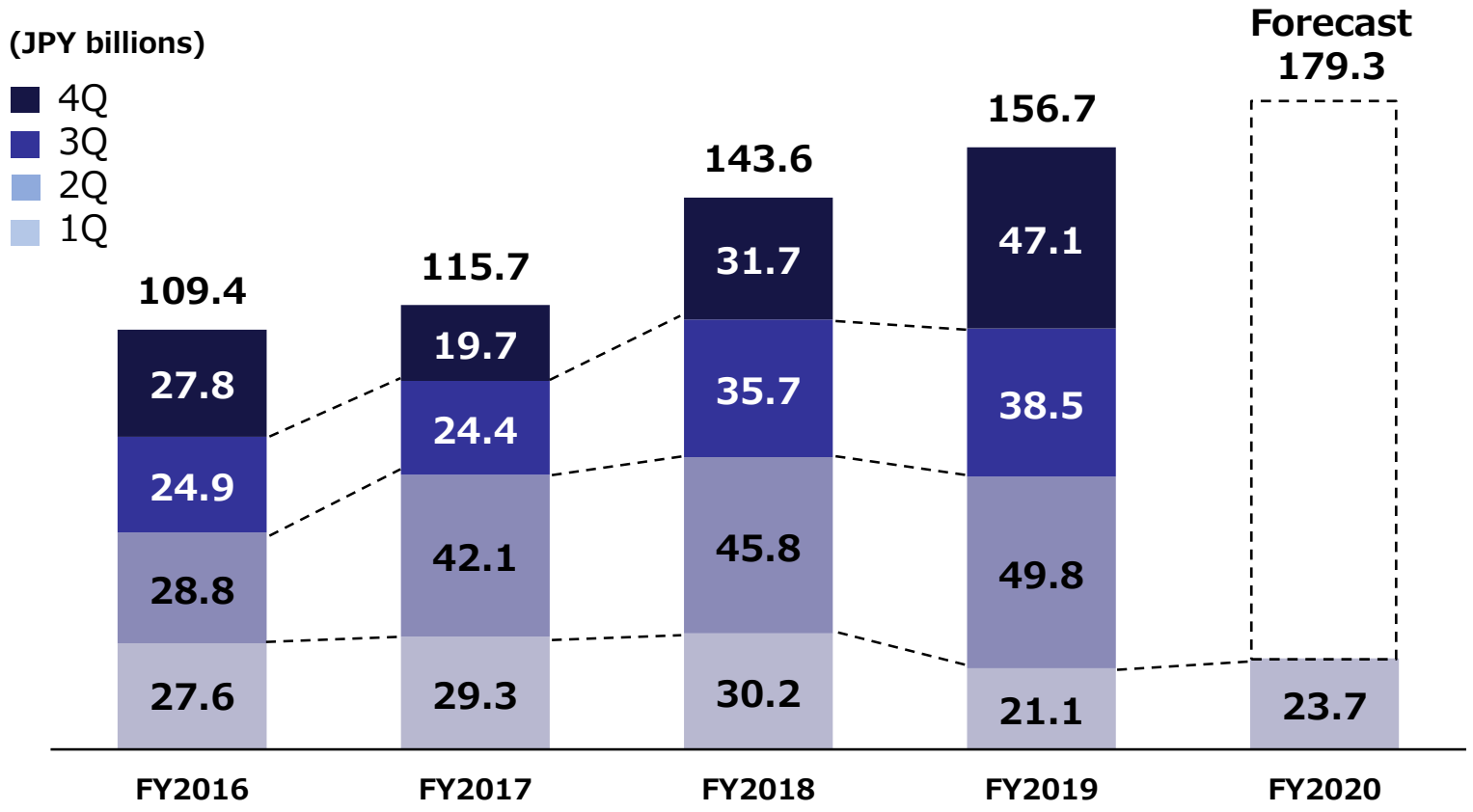
◆Expecting to increase Net sales by utilizing abundant inventory against the background of strong demand of investors from the second quarter

Trends in equity placements by quarter



Core Business Lease Arrangement Business (6)
JOL Results

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◆Expecting to activate assets arranged and sales for JOL from the second quarter

● Arrangement and Sales transition for JOL

Fiscal year	FY2016	FY2017	FY2018	FY2019	FY2019 1Q
Number of aircraft arranged	3	15	4	11	0
Number of aircraft sold	5	4	12	8	1
Of which trust beneficiary rights system	-	(2)	(7)	(5)	(0)

(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 in net sales in the Real Estate Business, on the other hand decreased net sales in the Insurance Business as expected in the forecast for this term

- Sales of small-lot real estate products in the Real Estate Business remained steady
  Achieved highest-ever first-quarter sales
- Sales of life insurance for corporations in the Insurance Business decreased
- Increased net sales in the M&A Business thanks to steady increase in pipeline

Sales of Diversified Businesses※1

(JPY millions)

	FY2019 1Q	% of net sales	FY2020 1Q	% of net sales	Y on Y Change
Consolidated net sales	3,377	100.0%	3,698	100.0%	+9.5%
Diversified Businesses Total	721	21.4%	593	16.0%	▲17.8%
Insurance Business	318		98		▲69.0%
Real Estate Business	209		261		+24.9%
M&A Business	12		41		+220.7%
Investment and Maintenance Service, etc. ※2	181		191		+5.7%

※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: Outline

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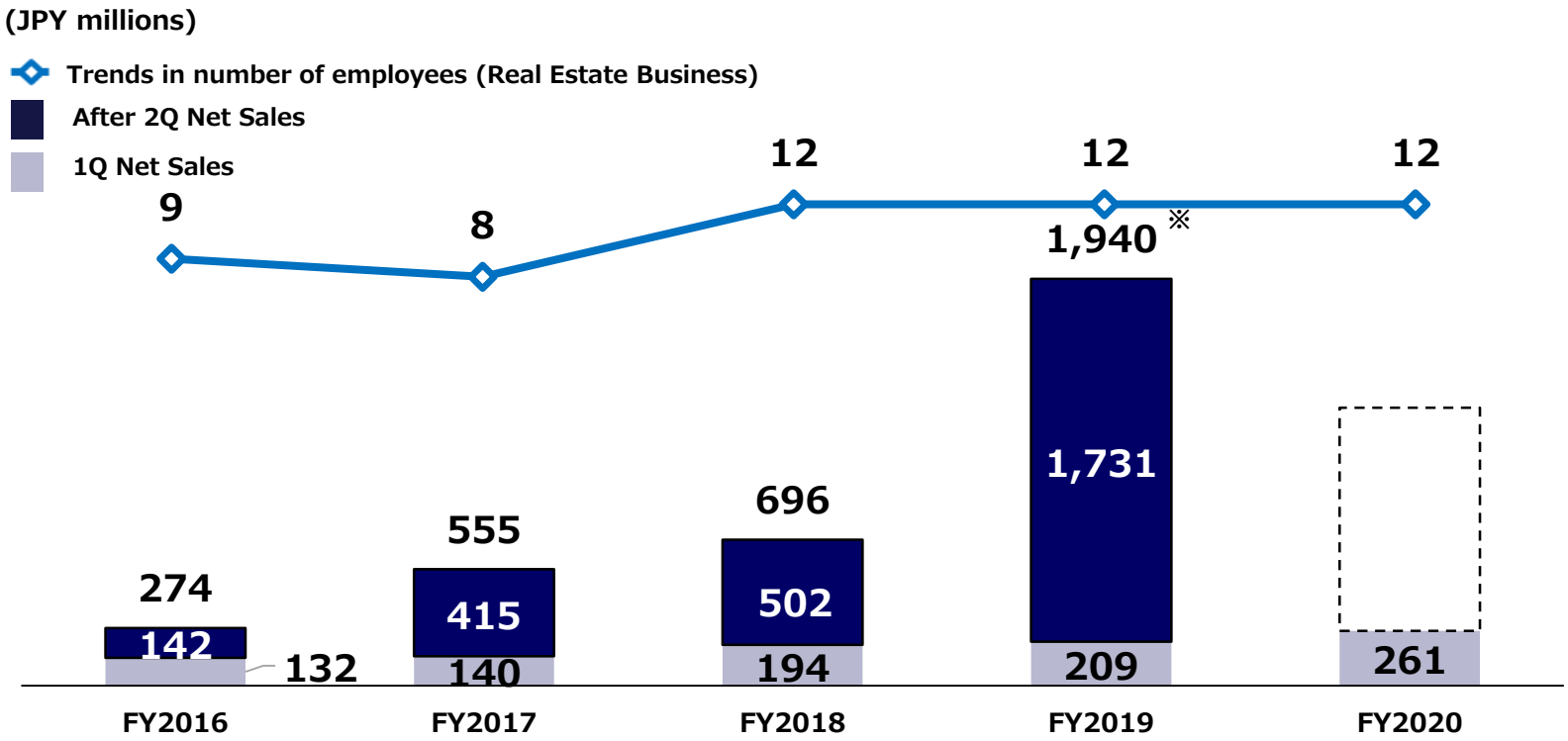
◆Sales of small-lot real estate products remained steady
Achieved highest ever first-quarter sales

Net Sales and Staff in Real Estate Business



※Net sales in FY2019 included commission fee conversion basis related one building sale

Diversified Businesses Insurance Business: Outline

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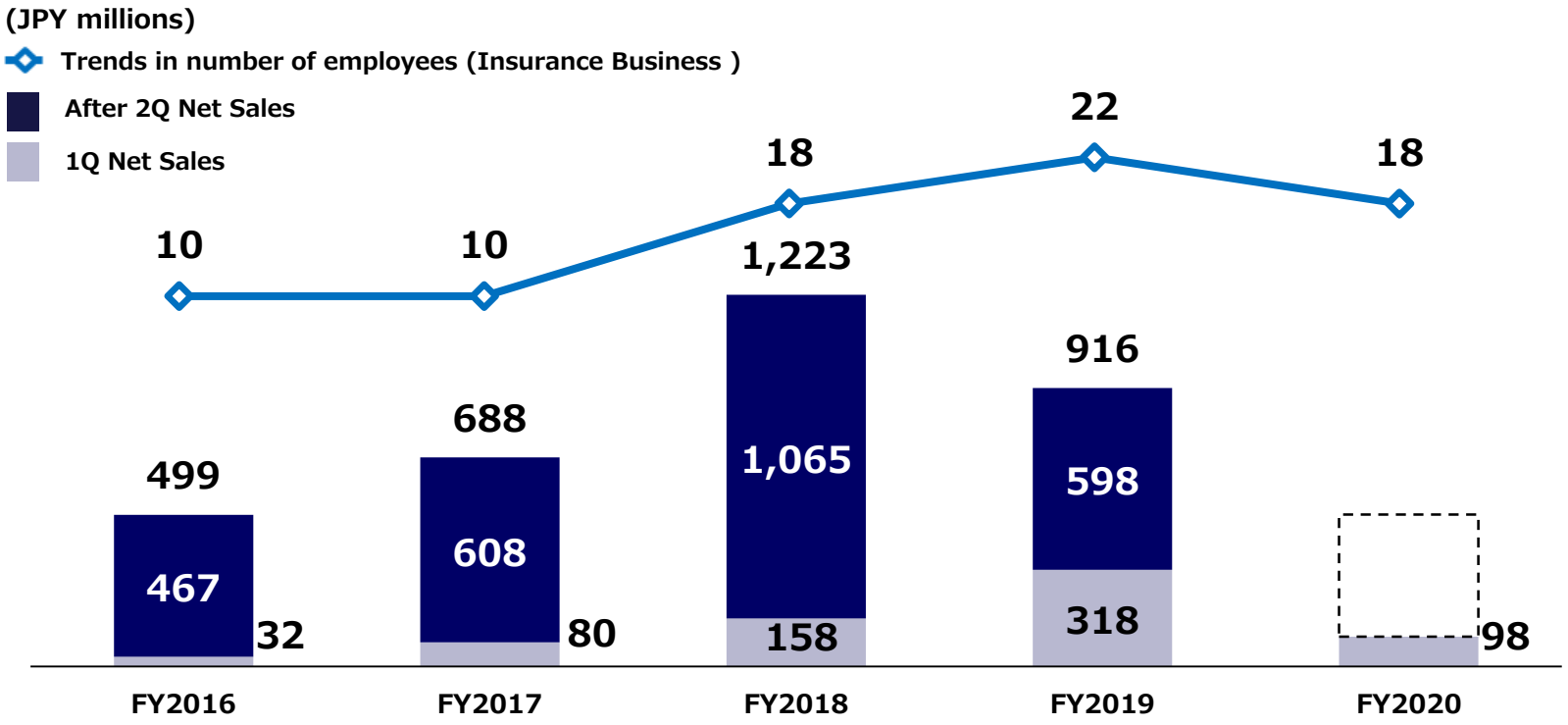
◆Decrease in sales of life insurance for corporations as expected in the forecast for this term
Transferred some insurance professionals to sales personnel in October 2019

Net Sales and Staff in Insurance Business※



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

New Businesses Initiatives (1)

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①Private Equity Business

- ◆Started full-scale Private Equity Business from October 2019
  Invested or committed approximately 1.5 billion yen within maximum investment amount of 3 billion yen
- ◆Invested approximately 500 million yen in Huobi Japan Inc., belonging to the Huobi group which is the world's top-level virtual currency exchange operator holding blockchain technology in October 2019
- ◆Aiming for capital gains by investing directly in companies and investing in funds as our new growth engine

②Aircraft Leasing Fund Business

- ◆ Set an investment quota of approximately 5 billion yen in order to launch a new approximately 30 billion yen scale aircraft leasing fund by utilizing all the major functions of the aircraft leasing business provided by FPG Amentum Limited in January 2020

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New Businesses Initiatives (2)

③ Private Jet Business (under consideration)

◆Made NORTH JAPAN AIRLINES CO., LTD. a wholly owned subsidiary in November 2019

Existing business	Air transport services: Doctor transportation Aerial work services: Aerial photography
New business	Considering to private jet business in the future for domestic and foreign high net worth by utilizing its air transportation business licenses

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Distribution Network Status Summary

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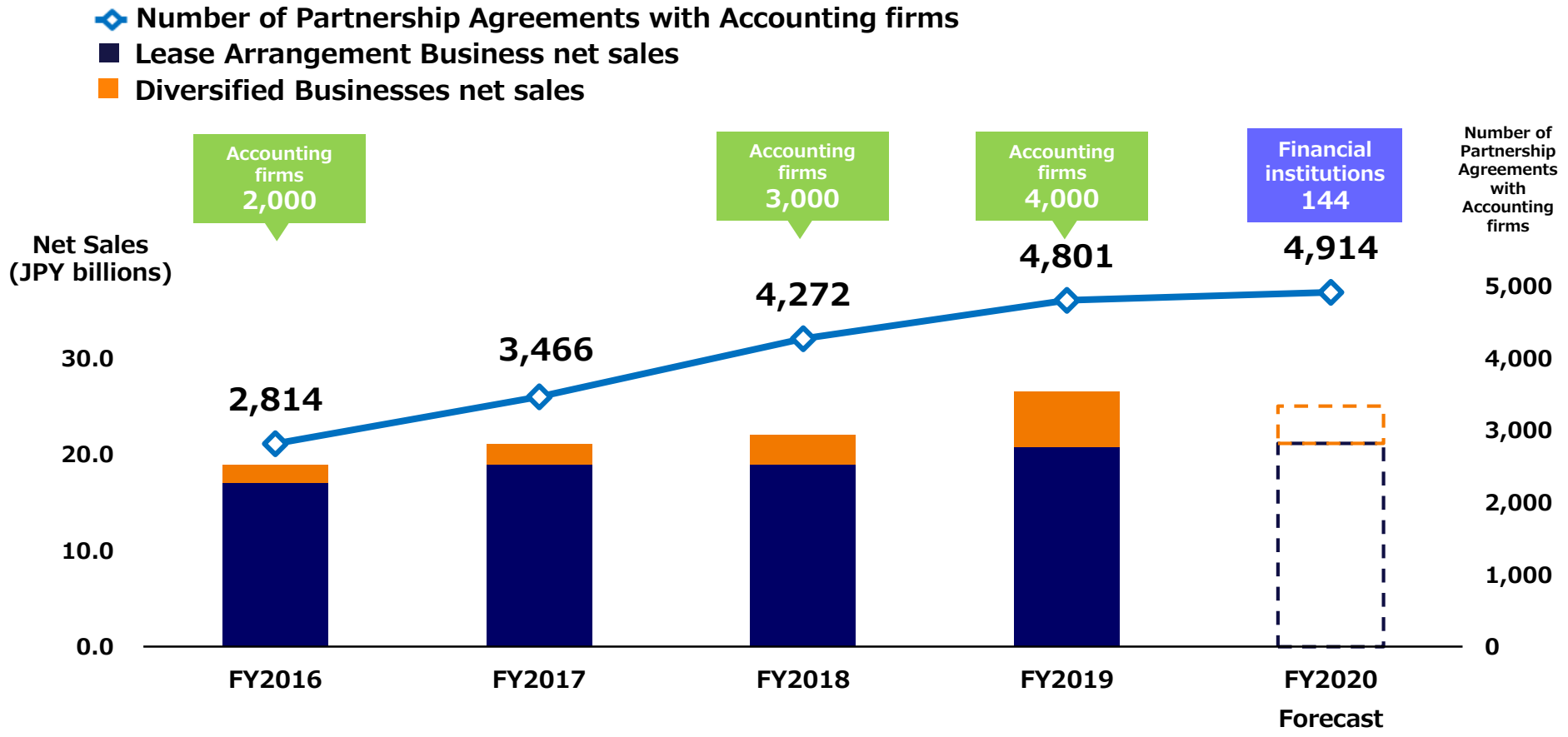
- Number of partnerships with accounting firms reached 4,914 (an increase of 113 year-on-year)
- Number of partnerships with financial institutions has reached 144, covering almost all regional banks around the country and major securities companies
- Further strengthened the networks enables cross-selling in addition to expanding the number of partnerships



Utilizing Unredeemed Balance

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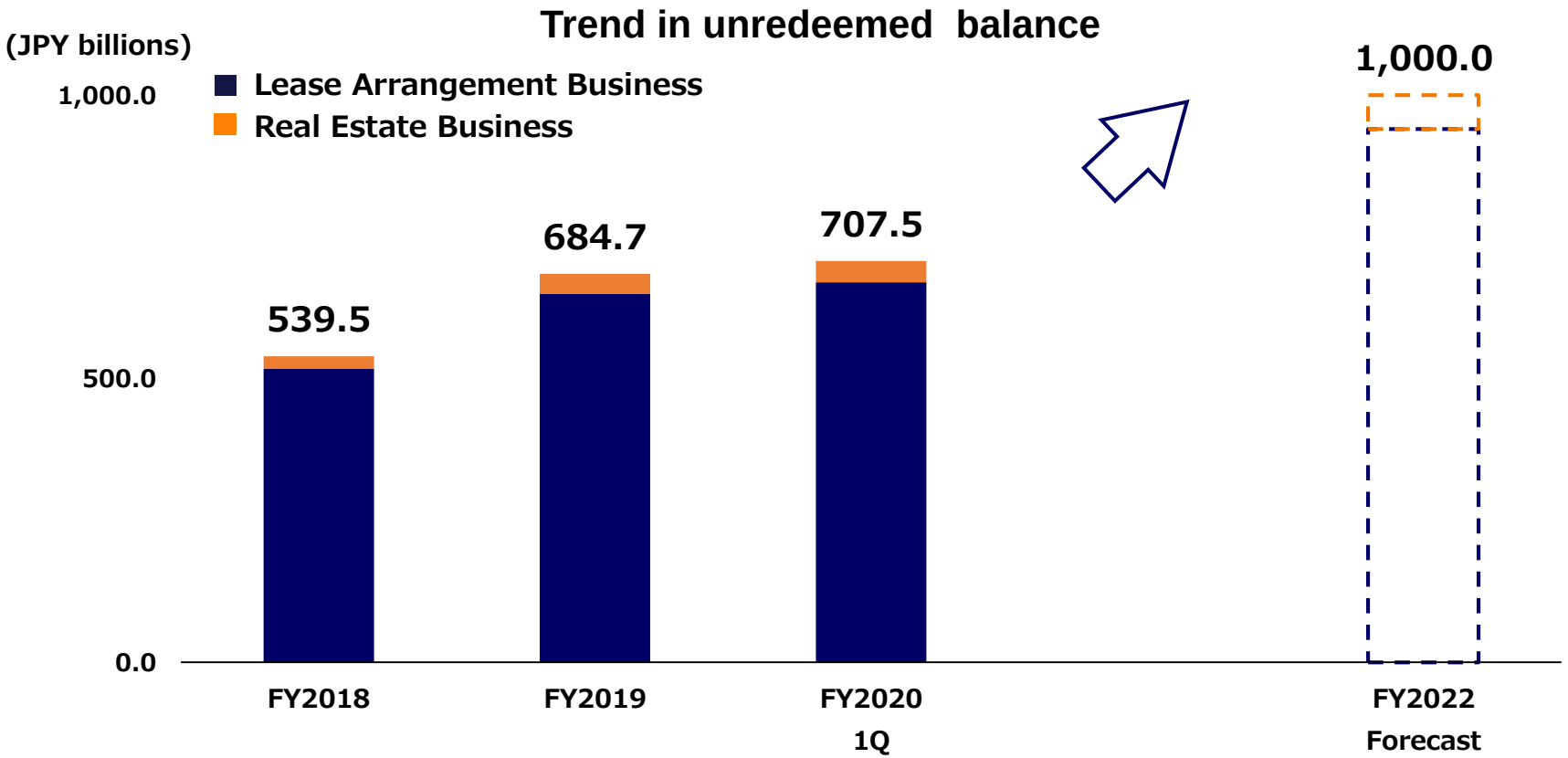
◆Exceed 700 billion yen in unredeemed balance※
Expected to reach 1 trillion yen in FY2022

◆Since the redemption amount over 200 billion yen is expected in five years from FY2020, aim to increase the sales of equity placement by capturing investor demand



※Changed the wording from “asset under management” to “unredeemed balance” for more precise expression

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Appendix



Income Statement Summary

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(Billions of Yen)

	FY2019 1Q	FY2020 1Q	Y on Y Change
Net sales	3.37	3.69	+9.5%
①Cost of sales	0.54	0.66	+20.9%
Gross profit	2.82	3.03	+7.3%
SG&A cost	1.53	1.53	+0.3%
Operating income	1.29	1.49	+15.6%
②Non-operating income	0.26	0.52	+94.8%
③Non-operating expenses	0.48	0.44	▲9.9%
Ordinary income	1.07	1.57	+47.0%
Income before income taxes	1.04	1.57	+50.5%
Total income taxes	0.38	0.49	+28.0%
Profit attributable to owners of parent	0.68	1.06	+54.8%

①Cost of sales: Includes cost of 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	FY2019 Sep.30, 2019	FY2020 Dec.31, 2019	Change
Current assets	121.09	114.20	▲6.89
①Equity underwritten	75.43	71.77	▲3.65
②Money in trust	19.10	15.62	▲3.48
③Real estate for arrangement	3.37	1.05	▲2.32
Non-current assets	4.74	4.60	▲0.13
Total assets	125.83	118.80	▲7.03

Liabilities	FY2019 Sep.30, 2019	FY2020 Dec.31, 2019	Change
Current liabilities	82.40	77.87	▲4.52
Short-term debt	65.89	64.51	▲1.37
④Advances received	9.79	8.66	▲1.12
Non-current liabilities	10.45	11.50	+1.05
Long-term debt	10.18	10.98	+0.79
Total liabilities	92.85	89.38	▲3.47
Total net assets	32.98	29.42	▲3.55
Total liabilities and net assets	125.83	118.80	▲7.03

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 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
- Regardless of Boeing 737 MAX series, 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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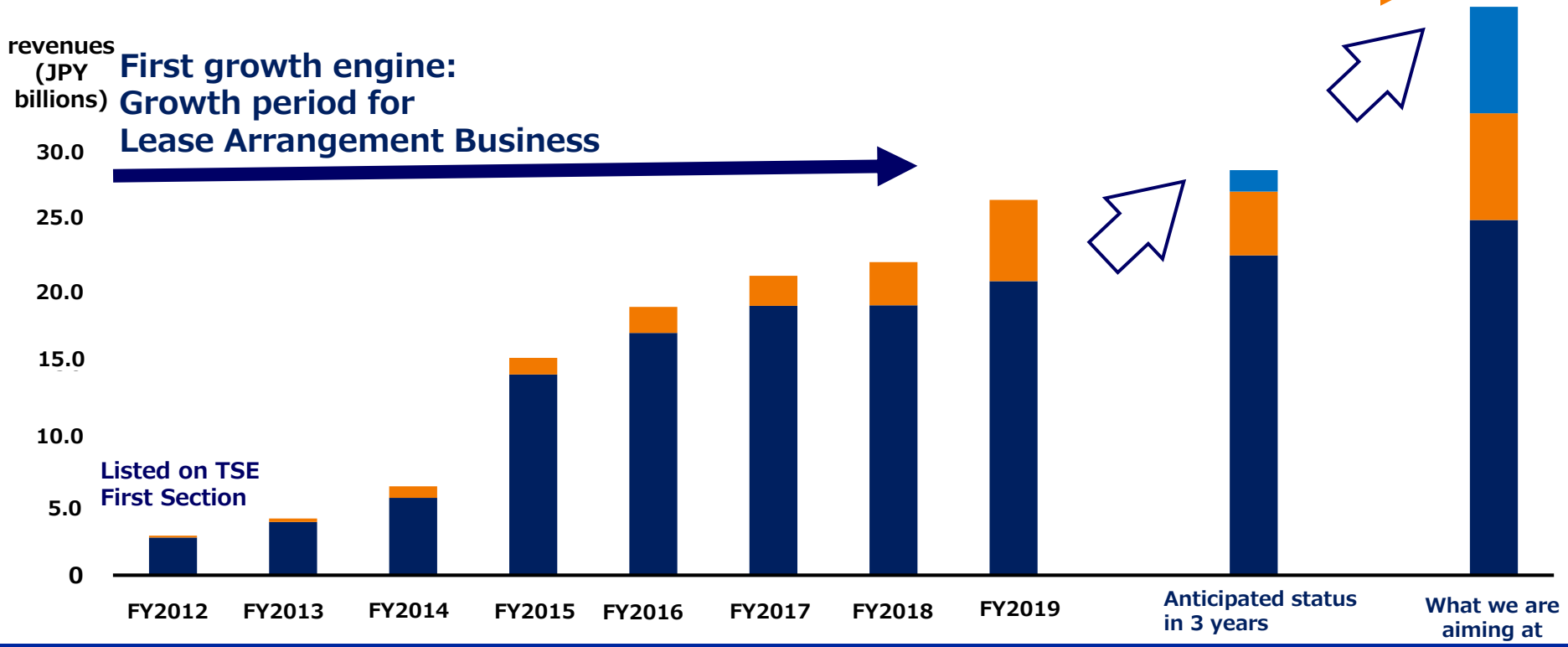
◆Grow sustainably through 3 engines

- 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

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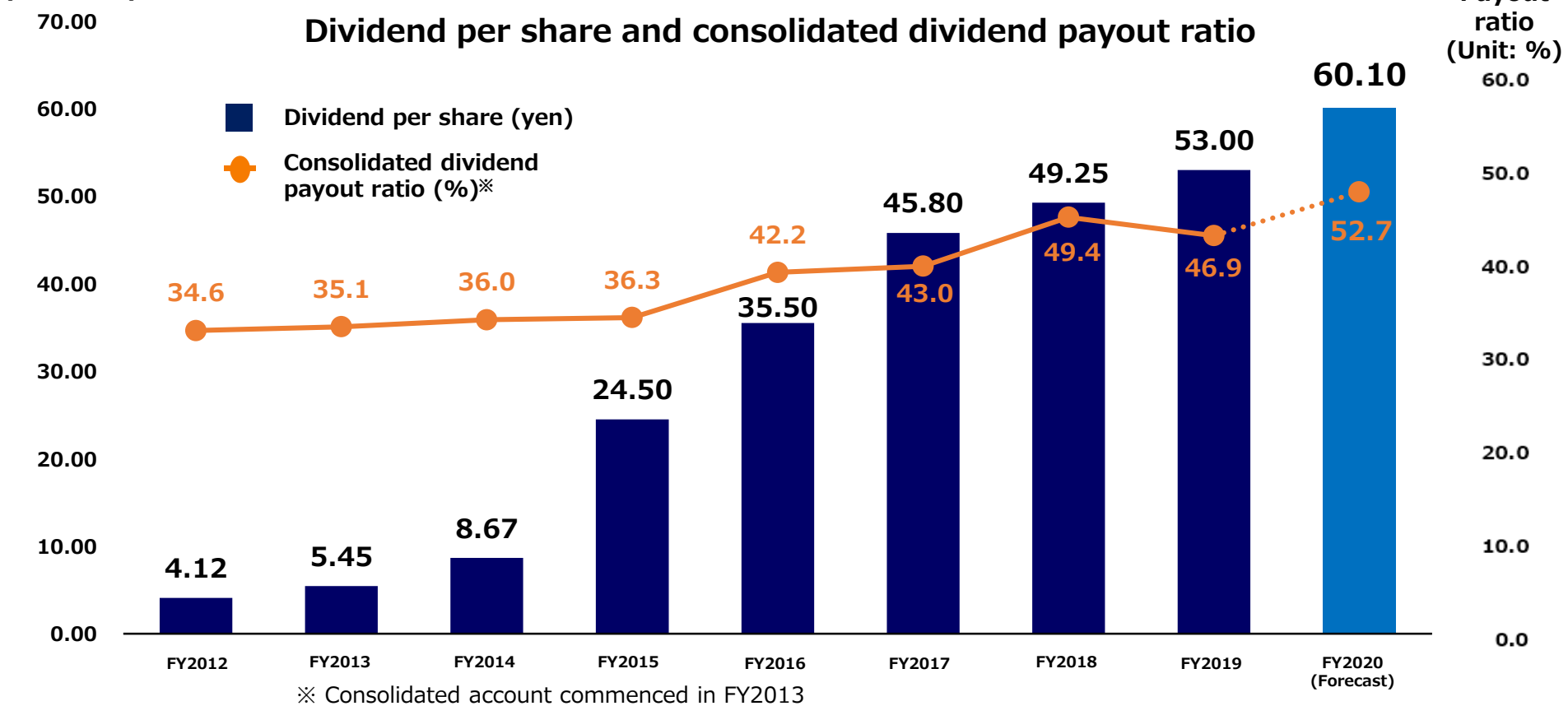
◆Aim for sustainable increase in dividends in medium term by increasing corporate value through Quality Growth Strategy

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%



※ Consolidated account commenced in FY2013

Selected as External Index

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JPX-NIKKEI 400

The JPX-Nikkei Index 400※1

MSCI MSCI Japan ESG Select Leaders Index

The MSCI Japan ESG Select Leaders Index※2
Rating : A

S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient Index

※1 As of Jan.2020

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【Inquiry】

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