FPG Consolidated Financial Results

First Half of the Fiscal Year Ending September 30, 2020

(October 1, 2019 – March 31, 2020)

Financial Products Group Co., Ltd.

(Tokyo Stock Exchange First Section Code: 7148)

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Information on Financial Results



Highlights

- Decreased net sales and profits as customers have been cautious about investment decisions due to the impact of the novel coronavirus, and a downwardly revised financial results forecast, given that this impact is expected to continue for the time being (refer to page 7)
- Reflected accounting treatment for operating lease products related to Air Mauritius Limited applied for voluntary administration in the second quarter of the fiscal year ending September 2020 (refer to page 6)
- Reduced dividend forecast, expected payout ratio of 85.8%※1, and plans to acquire treasury shares of JPY 2 billion (refer to page 8)

(JPY billions)

	FY2019 1H		FY2020 1H			FY2020※2 revised Full-year forecast	Progress rate
		% of net sales		% of net sales	Y on Y Change		
Net sales	11.25	100.0%	8.29	100.0%	▲26.3%	13.20	62.9%
Lease Arrangement Business	9.68	86.1%	7.00	84.5%	▲27.6%	11.00	63.7%
Diversified Business	1.56	13.9%	1.28	15.5%	▲17.9%	2.20	58.5%
Gross profit	9.22	82.0%	6.19	74.6%	▲32.9%	-	-
SG&A cost	3.04	27.0%	3.06	36.9%	+0.7%	-	-
Operating income	6.18	54.9%	3.13	37.7%	▲49.4%	4.00	78.3%
Ordinary income	5.67	50.4%	3.21	38.8%	▲43.3%	4.40	73.1%
Profit attributable to owners of parent	3.93	34.9%	2.21	26.7%	▲43.7%	3.10	71.4%
Total amount of equity placement in operating leases	71.02	-	56.63	-	▲20.3%	95.00	59.6%
Total amount of assets arranged in operating leases	384.73	-	124.58	-	▲67.6%	252.00	49.4%
Dividend per share (yen)	-	-	-	-	-	30.00	-

※1 This expected payout ratio does not reflect the impact of the acquisition of treasury shares based on the "Notice Regarding the Acquisition of Treasury Shares" announced on April 21, 2020.

※2 Revised full-year financial results forecast announced on April 21, 2020.

Response to the Novel Coronavirus

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◆ Carrying out business operation prudently, as it is expected that assets arranged and sales will continue to be affected by the novel coronavirus

Liquidity on Hand

- Holding cash and deposits of over JPY 25 billion on a consolidated basis as of the end of March 2020

Lease Arrangement Business

<Impact on Assets Arranged, and Response>

- Decrease in capital investment in aircraft by lessees due to decline in aviation demand
- Going forward, carefully select assets arranged by further tightening credit management for lessees together with efforts to improve conditions

<Impact on Sales, and Response>

- Promote sales centered on existing customers, although customers' investment decisions may continue to be cautious due to concerns over economic outlook and lessees' credit

Inventory

- Continue to control inventory with prudent originations while monitoring the sales situation in the Lease Arrangement Business
- Deal with new originations prudently for the time being, as there is no inventory in the Real Estate Business, excluding properties for resale

Impact of Airline Bankruptcies(1)

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- **The following six airlines have entered into bankruptcy from March 2020 to the present**
  In case of our lessee, FPG will take the appropriate action by consulting with related parties
- **FPG will promptly release any newly arising information that should be disclosed**

As of May 11, 2020

Not our lessees

Period	Airline name	Headquarters country	Status
March,2020	Flybe	England	Bankruptcy application
April,2020	Virgin Australia	Australia	Entering voluntary administration※
	Braathens Regional Airlines	Sweden	Bankruptcy application
	Luftfahrtgesellschaft Walter	Germany	Entering voluntary administration※

Our lessees

Period	Airline name	Headquarters country	Status	Origination result
April,2020	Air Mauritius	Republic of Mauritius	Entering voluntary administration※	One airplane, holding as inventory
May,2020	Avianca Holdings S.A.	Republic of Colombia	Chapter11 ※ application	One airplane, Sold out

※ “Entering voluntary administration” and “Chapter11” are equivalent to the Civil Rehabilitation Law of Japan, and legal procedures

Impact of Airline Bankruptcies(2)

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◆Suspended inventory sales of operating lease products related to Air Mauritius Limited for the time being, and implemented accounting treatment to make three applicable SPCs (special purpose companies) consolidated subsidiaries in the second quarter of the fiscal year ending September 2020

(1) Impact on Consolidated Balance Sheet

Recorded in Assets and Liabilities by making three SPCs consolidated subsidiaries as below

・Recorded Aircraft for sale of JPY 16.6 billion as Current assets

・Recorded Borrowings (non-recourse loan) of JPY 13.5 billion as Current liabilities

(2) Impact on Consolidated Income Statement

Recorded Cost of sales of JPY 0.52 billion as valuation loss of Aircraft for sale

If there is any newly arising information that should be disclosed in the future through discussion with related parties, it will be released promptly

◆The Application for Chapter 11 by Avianca Holdings S.A. will not directly affect our financial results forecast for FY2020 as inventory has been already sold out. However, FPG will take the appropriate action for investors.

Revision of the Full-Year Financial Results Forecast

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- Sales stagnation in the Lease Arrangement Business due to the impact of the novel coronavirus
- Reduced the full-year sales plan in the Diversified Business in line with the approach of responding prudently to new originations for the time being, as the mainstay Real Estate Business is sold out of inventory, excluding properties for resale

(JPY billions)

	FY2020 initial 1H forecast	FY2020 1H	Change	Change rate	FY2020 initial Full-year forecast	FY2020 revised Full-year forecast※	Change	Change rate
Net sales	12.32	8.29	▲4.03	▲32.7%	24.31	13.20	▲11.11	▲45.7%
Lease Arrangement Business	10.87	7.00	▲3.86	▲35.5%	21.45	11.00	▲10.45	▲48.7%
Diversified Business	1.45	1.28	▲0.16	▲11.6%	2.86	2.20	▲0.66	▲23.1%
Operating income	7.24	3.13	▲4.11	▲56.8%	14.04	4.00	▲10.04	▲71.5%
Ordinary income	7.30	3.21	▲4.09	▲56.0%	14.49	4.40	▲10.09	▲69.6%
Profit attributable to owners of parent	5.05	2.21	▲2.84	▲56.2%	10.10	3.10	▲7.00	▲69.3%
Total amount of equity placement in operating leases	-	-	-	-	179.39	95.00	▲84.39	▲47.0%
Total amount of assets arranged in operating leases	-	-	-	-	438.22	252.00	▲186.22	▲42.5%

※Reflected accounting treatment for operating lease products related to Air Mauritius Limited on full-year financial results forecast announced on April 21, 2020.

Changes to Dividend Policy and Revision of Dividend Forecast

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- **Revised dividend policy and reduced dividend forecast for the fiscal year ending September 30, 2020**
- **Acquire treasury shares of JPY 2 billion with a view to optimizing stock prices**

Changes to the Dividend Policy

ROE of around 30% → around 10%
DOE of 15% or more → 8% or more

Dividend per Share

Initial dividend forecast for FY2020	Revised forecast
JPY 60.1 (consolidated payout ratio 52.7%) →	JPY 30.0 (85.8%)※

Acquisition of Treasury Shares

Acquire treasury shares of JPY 2 billion

※ This expected payout ratio does not reflect the impact of the acquisition of treasury shares based on the "Notice Regarding the Acquisition of Treasury Shares" announced on April 21, 2020

Core Business Lease Arrangement Business (1) Outline

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◆Decreased net sales year-on-year due to the rapid stagnation of sales after February 2020 and the deteriorating commission rate caused by the impact of the novel coronavirus

(JPY billions)

		FY2019 1H		FY2020 1H		Y on Y Change
Lease Arrangement Business net sales		9.68		7.00		▲27.6%
Total amount of equity placement in operating leases		71.02	Component Ratio	56.63	Component Ratio	▲20.3%
	Aircraft	32.56	45.8%	28.41	50.2%	▲12.7%
	Ships	31.51	44.4%	20.75	36.6%	▲34.2%
	Marine containers	6.95	9.8%	7.47	13.2%	+7.4%
Fee on equity (Sales/Equity placement)※1		15.6%		12.9%		-
Total amount of assets arranged in operating leases		384.73		124.58		▲67.6%
Inventory amount in operating leases※2		130.98		87.85		▲32.9%

*1 Commission rate: Equity placements for full equity products in silent partnership and in trust converted at 34%

*2 Inventory: Total of 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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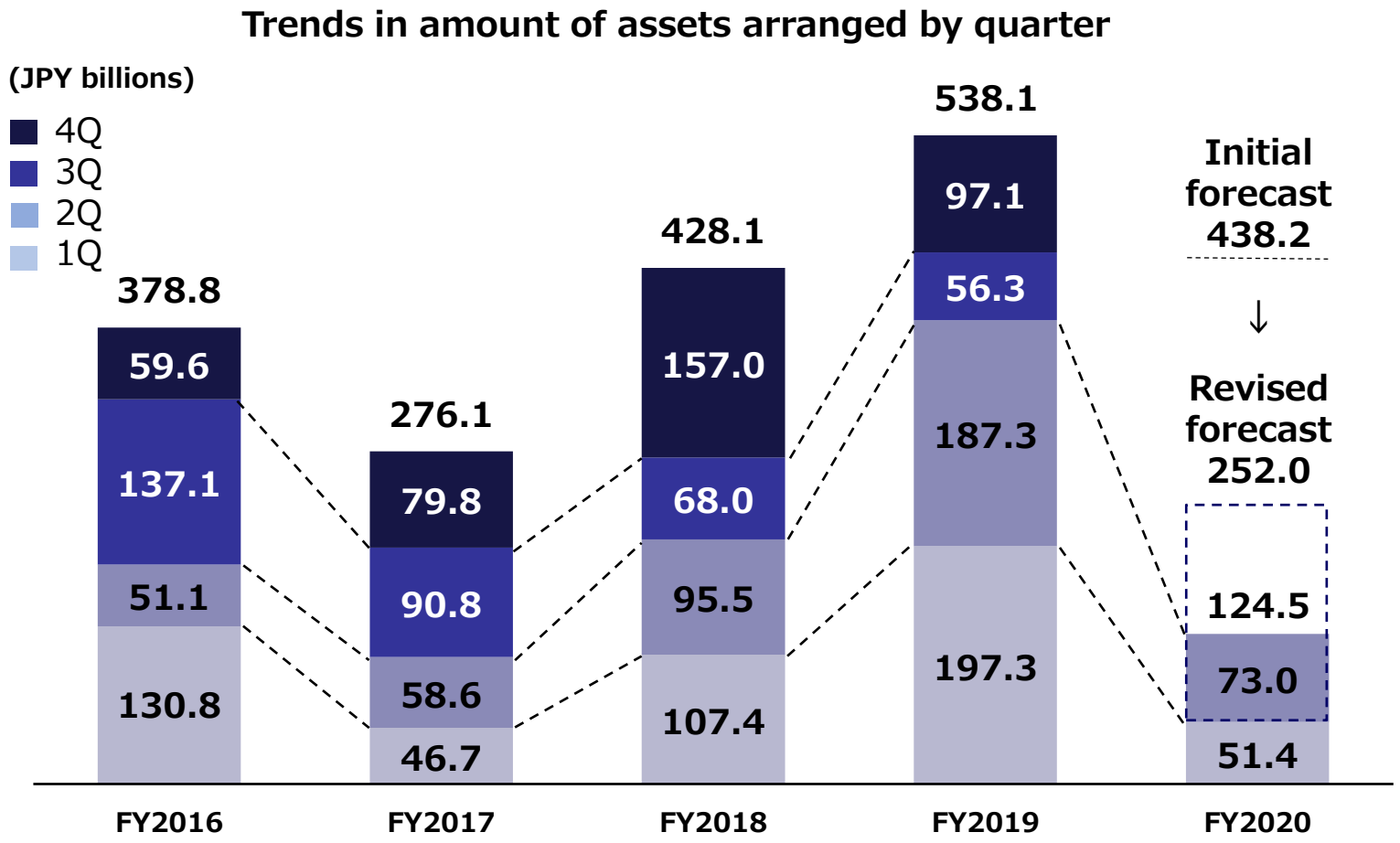
◆Downwardly revised full-year financial results forecast, as it is necessary to arrange assets carefully in light of the drastic changes in the environment surrounding the aviation industry due to the impact of the novel coronavirus



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

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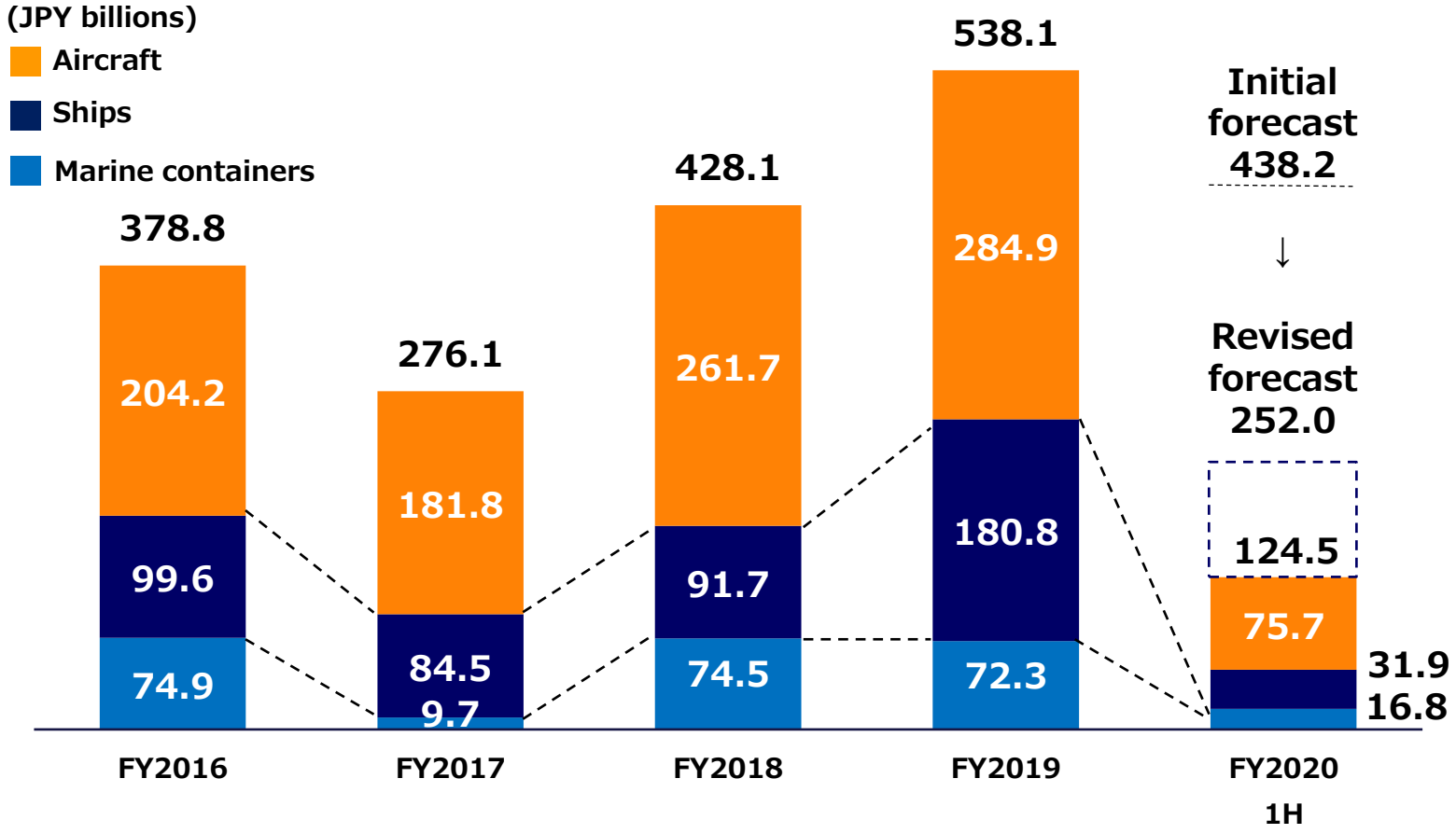
◆Assets arranged have not been overly dependent on aircraft so far, and we will continue with a policy of arranging assets with the balance of lease assets in mind

◆Out of the second quarter's cumulative total amount of assets arranged of JPY 124.5 billion, 60% of them is for aircraft and less than 50% had airlines as lessees

Trends in amount of assets arranged by lease asset



Core Business Lease Arrangement Business (4) Product Inventory

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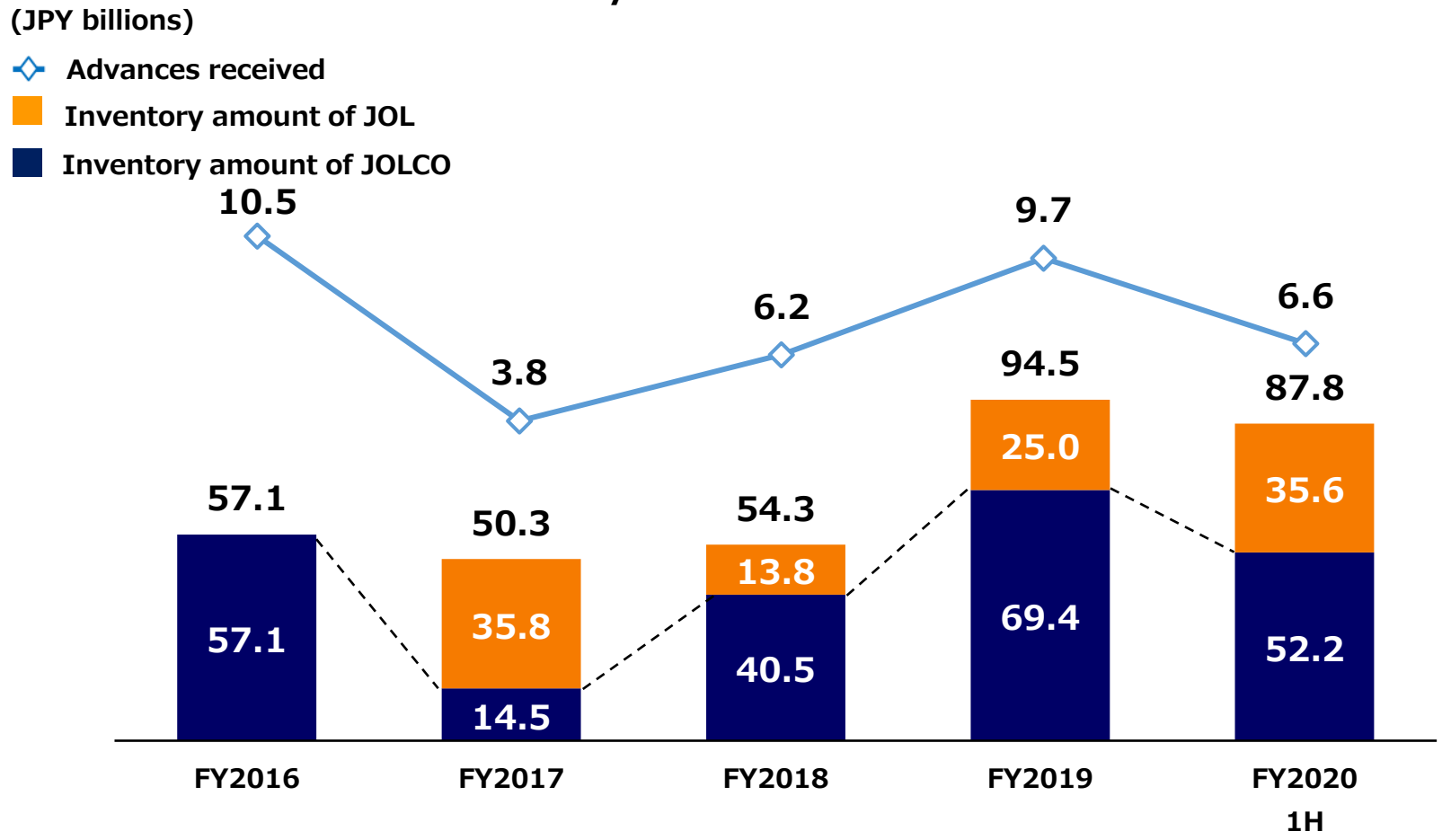
- ◆Control inventory through prudent originations while closely monitoring the sales situation
- ◆Kept the amount of inventory with lessees as airlines down at about 40% of JOLCO's inventory amount as of the end of March 2020※

Trends in inventory amount and advances received



*Excludes inventory that is aircraft for which the lessee is a leasing company

Core Business Lease Arrangement Business (5)
Equity Placements

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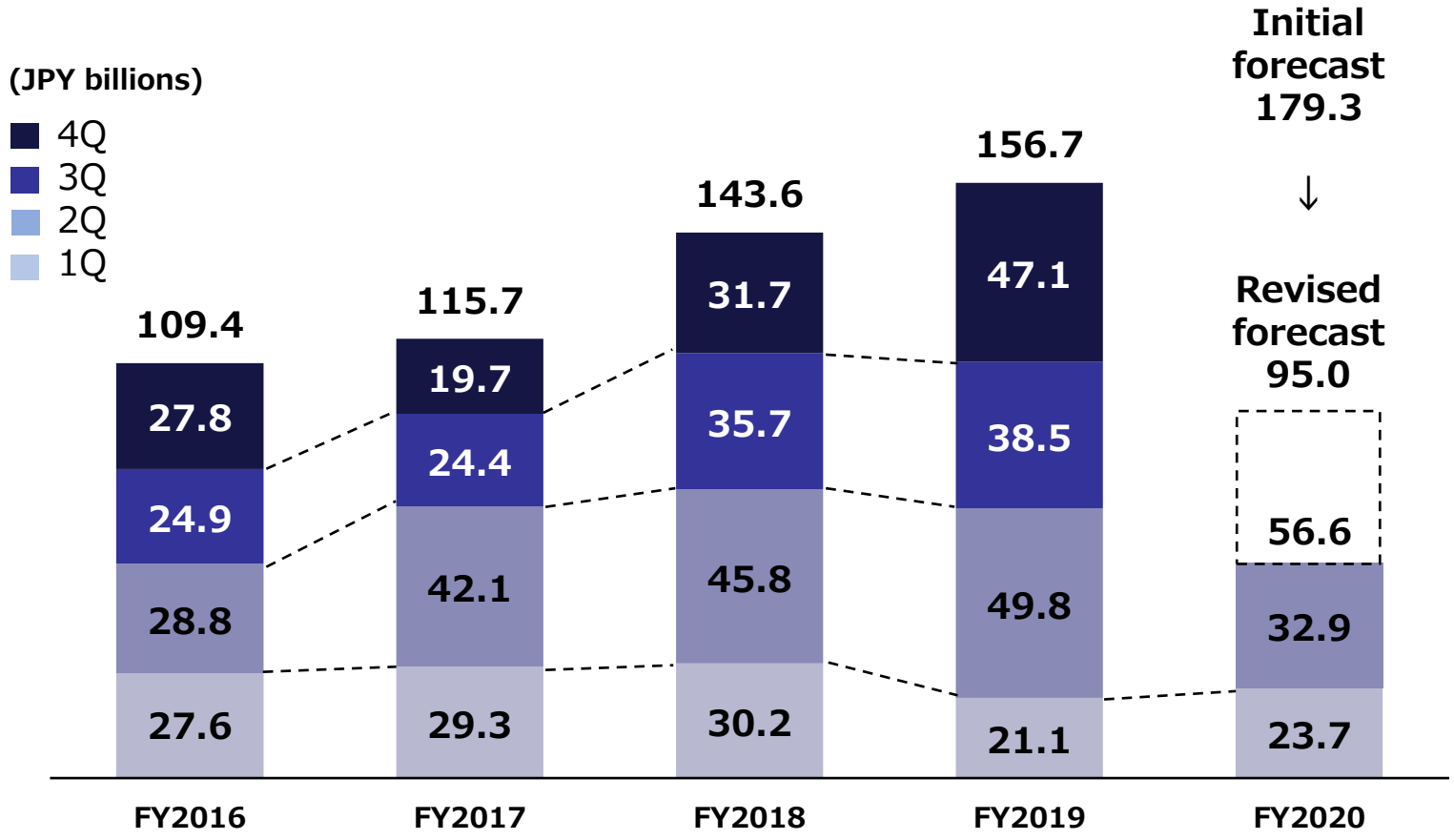
◆Downwardly revised full-year financial results forecast, as equity placements in the second half of the fiscal year are expected to be less than 50% year-on-year as a result of sales stagnation due to the impact of the novel coronavirus

Trends in equity placements by quarter



Core Business Lease Arrangement Business (6)
JOL Results

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◆Continued policy of dealing prudently with assets arranged after the third quarter, as sales for large single investors are expected to stagnate due to the impact of the novel coronavirus

● Arrangement and Sales transition for JOL

Fiscal year	FY2016	FY2017	FY2018	FY2019	FY2019 1H
Number of aircraft arranged	3	15	4	11	3
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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◆Decline in the Diversified Business sales remained at less than 20% despite a significant decline in the Insurance Business, thanks to the increase in sales in the Real Estate business and the investment and maintenance services business

- Steady sales in the Real Estate Business, for example the product in Omotesando launched in February 2020, which sold out immediately
- Decreased sales in the Insurance Business caused by further decrease in demand due to the tax reform last year

Sales of Diversified Businesses※1

(JPY millions)

	FY2019 1H	% of net sales	FY2020 1H	% of net sales	Y on Y Change
Consolidated net sales	11,253	*100.0%*	8,296	*100.0%*	*▲26.3%*
Diversified Businesses Total	1,567	*13.9%*	1,287	*15.5%*	*▲17.9%*
Real Estate Business	499		571		*+14.4%*
Insurance Business	762		177		*▲76.8%*
M&A Business	32		45		*+39.3%*
Investment and Maintenance Service, etc.※2	273		493		*+80.7%*

※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, private equity business, and domestic affiliates, include FPG Securities and FPG Trust etc.

Diversified Businesses Real Estate Business: Outline

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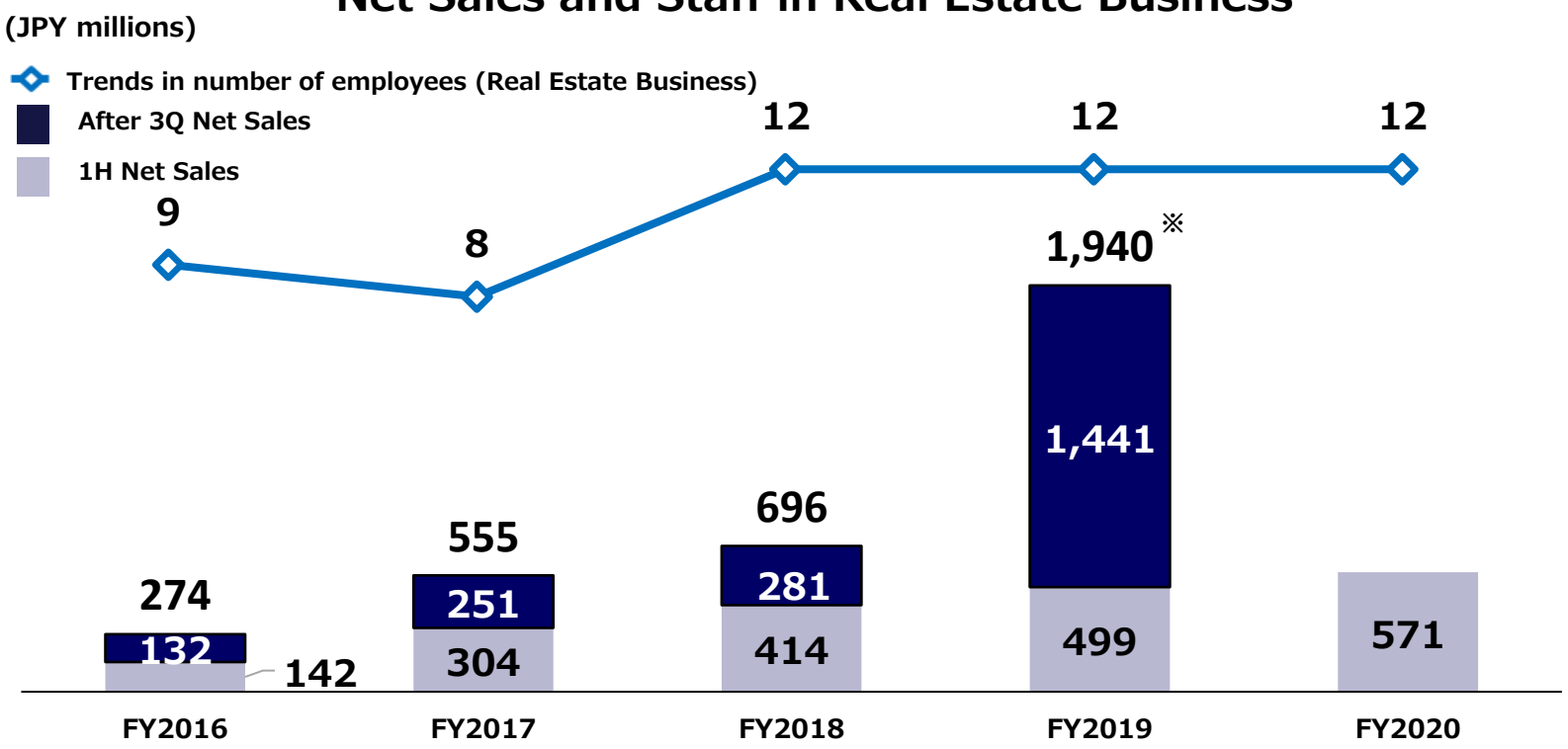
- ◆Sales are strong; achieved highest ever cumulative second-quarter sales of real estate fractional ownership investment
- ◆Responding prudently to new originations for the time being, due to the impact of the novel coronavirus and the fact that there is no inventory in the Real Estate Business, excluding properties for resale
- ◆Minor effect on our business with regard to bankruptcy of FIRST CABIN INC. that was operating FPG Hotel Owners KYOBASHI as it was already sold out, however, FPG will take all possible measures for investors

Net Sales and Staff in Real Estate Business

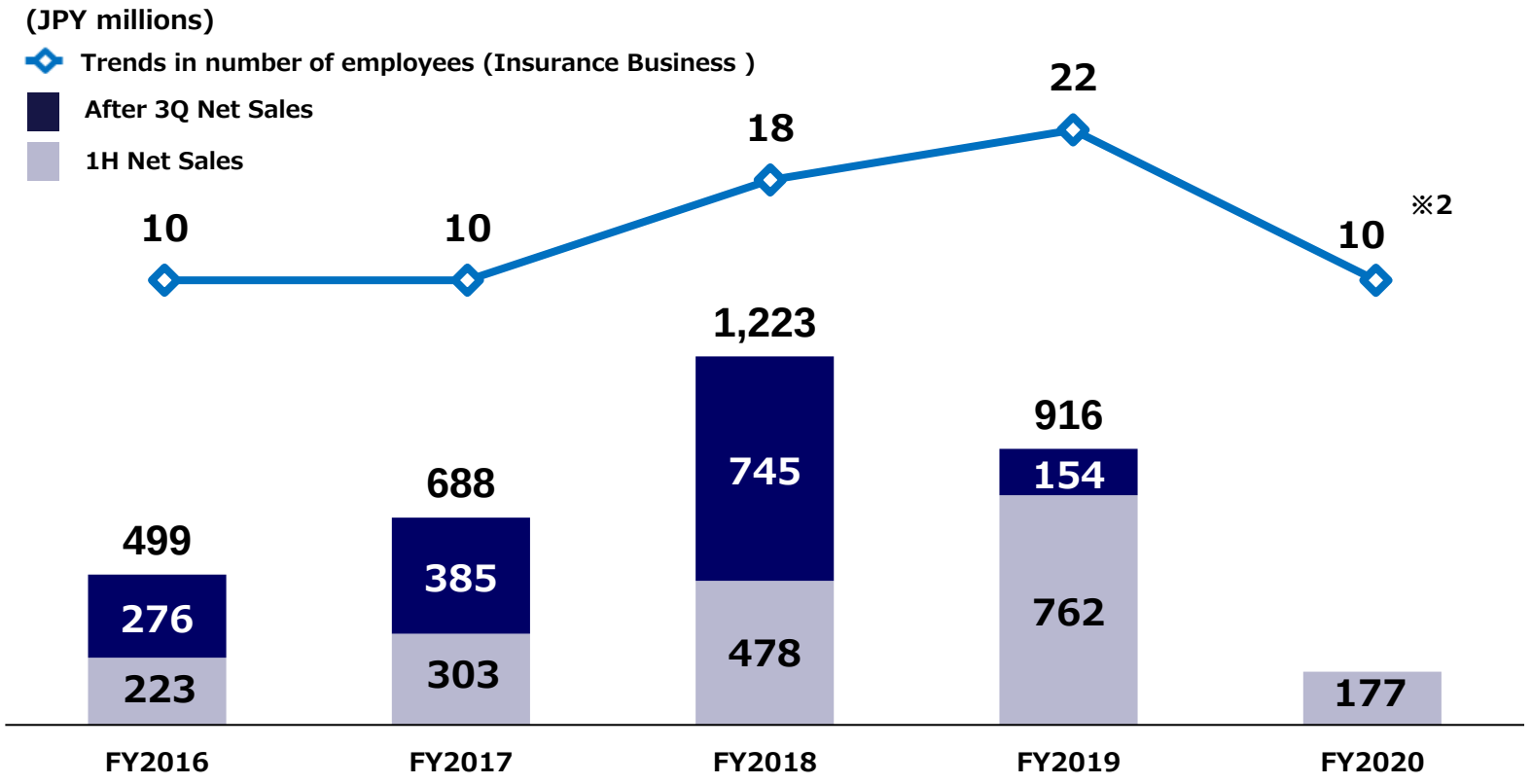


※Net sales in FY2019 included commission fee conversion basis related one building sale

Diversified Businesses Insurance Business: Outline

◆Following on from October 2019, in April 2020 relocate some of the insurance personnel to sales staff in the Lease Arrangement Business in consideration of the further decline in demand due to the tax reform last year

Net Sales※1 and Staff in Insurance Business



※1 Commission fees (Total sales of Insurance Broker and Insurance Agency Service)
※2 Number of employees as of April 1, 2020

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Acquisition of KEN FIRST CO., Ltd.

◆ **Made KEN FIRST CO., Ltd. a consolidated subsidiary in April 2020**
Utilize KEN FIRST's IT technology and proactively invest in management resources in order to advance the fintech business

- **Research and study advanced technology for digitalization of financial products**
- **Promote work digitalization (work efficiency) in the FPG group**
- **Provide sales networks and IT solutions for investors**

Distribution Network Status Summary

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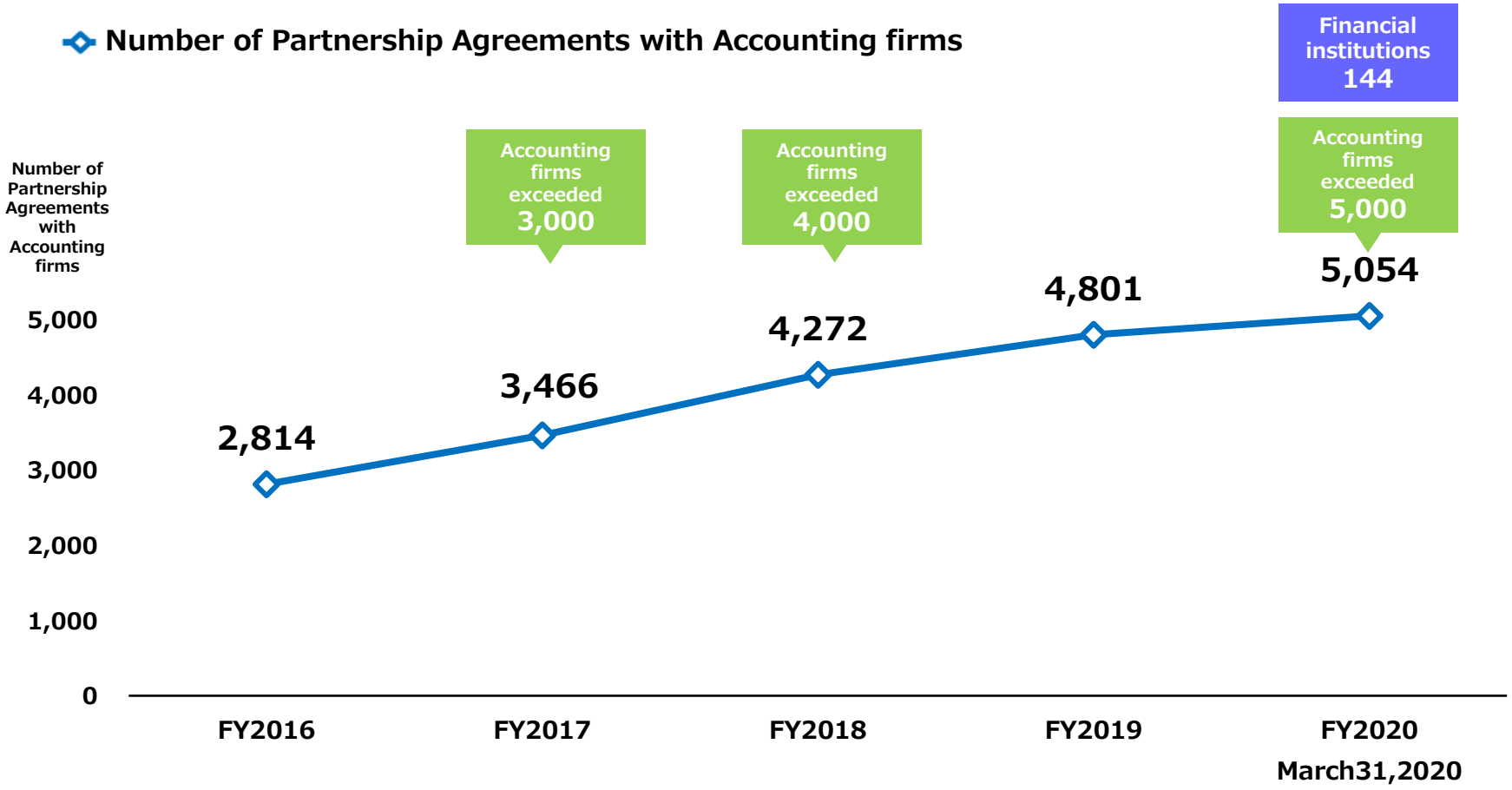
- ◆Number of contracts with accounting firms exceeded 5,000 as of the end of March 2020
- ◆Number of partnerships with financial institutions has reached 144, covering almost all regional banks around the country and major securities companies
- ◆Further strengthened the networks enables cross-selling in addition to expanding the number of partnerships



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Appendix



Income Statement Summary

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(JPY billions)

	FY2019 1H	FY2020 1H	Y on Y Change
Net sales	11.25	8.29	▲26.3%
①Cost of sales	2.02	2.10	+3.7%
Gross profit	9.22	6.19	▲32.9%
SG&A cost	3.04	3.06	+0.7%
Operating income	6.18	3.13	▲49.4%
②Non-operating income	0.66	1.23	+83.9%
③Non-operating expenses	1.17	1.14	▲2.7%
Ordinary income	5.67	3.21	▲43.3%
Income before income taxes	5.63	3.20	▲43.2%
Total income taxes	1.71	0.96	▲43.7%
Profit attributable to owners of parent	3.93	2.21	▲43.7%

①Cost of sales: Includes cost of commission fees paid for client introductions, arrangement costs for Lease Arrangement Business ,and valuation loss of Aircraft for sale
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	FY2019 Sep.30, 2019	FY2020 Mar.31, 2020	Change
Current assets	121.09	136.47	+15.37
①Equity underwritten	75.43	54.06	▲21.37
②Money in trust	19.10	33.78	+14.67
③Aircraft for sales	0.00	16.66	+16.66
④Real estate for arrangement	3.37	0.02	▲3.35
Non-current assets	4.74	5.08	+0.34
Total assets	125.83	141.56	+15.72

Liabilities	FY2019 Sep.30, 2019	FY2020 Mar.31, 2020	Change
Current liabilities	82.40	86.26	+3.86
Short-term debt	65.89	74.75	+8.86
⑤Advances received	9.79	6.68	▲3.10
Non-current liabilities	10.45	24.78	+14.33
Long-term debt	10.18	24.40	+14.21
Total liabilities	92.85	111.04	+18.19
Total net assets	32.98	30.51	▲2.47
Total liabilities and net assets	125.83	141.56	+15.72

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
③Aircraft for sales: Aircraft owned by SPC for operating lease with Air Mauritius Limited as lessee
④Real estate for arrangement : Stock of small-lot real estate investment products
⑤Advances received : Including advances of commission fees related to Lease Arrangement Business

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 May.2020

※2 THE INCLUSION OF Financial Products Group Co., Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Financial Products Group Co., Ltd. BY MSCI OR ANY OF ITS AFFILIATES.
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【Inquiry】

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