FPG Consolidated Financial Results

Third Quarter of the Fiscal Year Ending September 30, 2020

(October 1, 2019 – June 30, 2020)

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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- Improved the business environment in June, although our business activity in April and May was greatly restricted due to the state of emergency declared by the Government in order to prevent the spread of COVID-19
- Aim to achieve the full-year forecast by accelerating the sales activity in the 4th quarter, since net sales progressed generally as forecast
- Recorded a loss of JPY 0.30 billion in the 3rd quarter (JPY 0.83 billion in nine months of FY2020) due to the Air Mauritius bankruptcy

(JPY billions)

	FY2019 3Q(Cumulative)		FY2020 3Q(Cumulative)			FY2020 revised Full-year forecast	Progress rate	FY2020 3Q (Apr.-Jun.)
		% of net sales		% of net sales	Y on Y Change			
Net sales	20.04	100.0%	9.90	100.0%	▲50.6%	13.20	75.0%	1.60
Lease Arrangement Business	14.85	74.1%	8.04	81.2%	▲45.8%	11.00	73.2%	1.03
Diversified Business	5.19	25.9%	1.85	18.8%	▲64.2%	2.20	84.5%	0.57
Gross profit	14.93	74.5%	7.34	74.1%	▲50.8%	-	-	1.14
SG&A cost	4.51	22.5%	4.61	46.5%	+2.0%	-	-	1.54
Operating income	10.41	52.0%	2.73	27.6%	▲73.8%	4.00	68.3%	▲0.39
Ordinary income	9.84	49.1%	2.67	27.0%	▲72.8%	4.40	60.7%	▲0.54
Profit attributable to owners of parent	6.84	34.1%	1.79	18.1%	▲73.7%	3.10	58.0%	▲0.41
Total amount of equity placement in operating leases	109.60	-	68.14	-	▲37.8%	95.00	71.7%	11.50
Total amount of assets arranged in operating leases	441.06	-	142.49	-	▲67.7%	※170.00	83.8%	17.91

※ Re-revised the full-year forecast for the total assets arranged from JPY 252.0 billion to JPY 170.0 billion, due to our policy of carefully selecting asset-arrangement projects (see p.8)

Impact of COVID-19 and Air Mauritius Bankruptcy

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◆ Impact of COVID-19

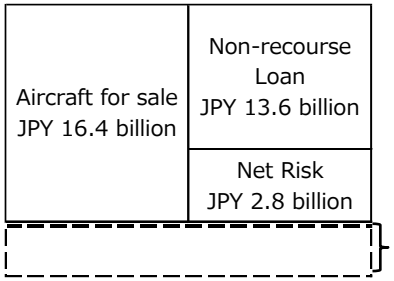
- Aim to achieve the full-year forecast by accelerating the sales activity in the 4th quarter, as equity placement showed signs of recovery in June
- In the Lease Arrangement Business, we will carefully select of assets arranged by further tightening credit management for lessees
- No bankrupt other than Air Mauritius in our inventory(equity placements)

◆ Impact of Air Mauritius Bankruptcy

- Reflected inventory (aircraft for sale) and borrowings(non-recourse loan) related Air Mauritius, which went bankrupt in April 2020, in the consolidated financial result in the 1st half financial results for the fiscal year ending September 2020
- Impact on ordinary income (sales cost and non-operating income and expenses)

  1st half of FY2020: JPY ▲0.52 billion
  3rd quarter of FY2020: JPY ▲0.30 billion
  Total(Nine months of FY2020) : JPY ▲0.83 billion (incl. interest expense etc. JPY ▲0.16 bin)

(Reference)
B/S Summary
as of the end of
June 2020



- Impact on future business performance
  Discussion with related parties is ongoing as of July 2020. Any new information that should be disclosed, will be released promptly

※ Total losses JPY ▲0.83 bin. – Interest expense etc. JPY ▲0.16 bin.

Core Business Lease Arrangement Business (1) Outline

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- Resumed the business activity in full swing from June, reached equity placements in the 3rd quarter of JPY 11.5 billion, almost as forecast, in spite of business activity in April and May being greatly restricted due to the state of emergency
- For aircraft, the commission rate deteriorated due to a large amount of equity placements centered on low-profitability projects

(JPY billions)

		FY2019 3Q(Cumulative)		FY2020 3Q(Cumulative)		Y on Y Change
Lease Arrangement Business net sales		14.85		8.04		▲45.8%
Total amount of equity placement in operating leases		109.60	Component Ratio	68.14	Component Ratio	▲37.8%
	Aircraft	46.21	42.2%	35.64	52.3%	▲22.9%
	Ships	50.52	46.1%	22.94	33.7%	▲54.6%
	Marine containers	12.86	11.7%	9.55	14.0%	▲25.7%
Fee on equity (Sales/Equity placement)※1		15.3%		12.3%		-
Total amount of assets arranged in operating leases		441.06		142.49		▲67.7%
Inventory amount※2 in operating leases		110.16		91.04		▲17.4%

※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)
Equity Placements

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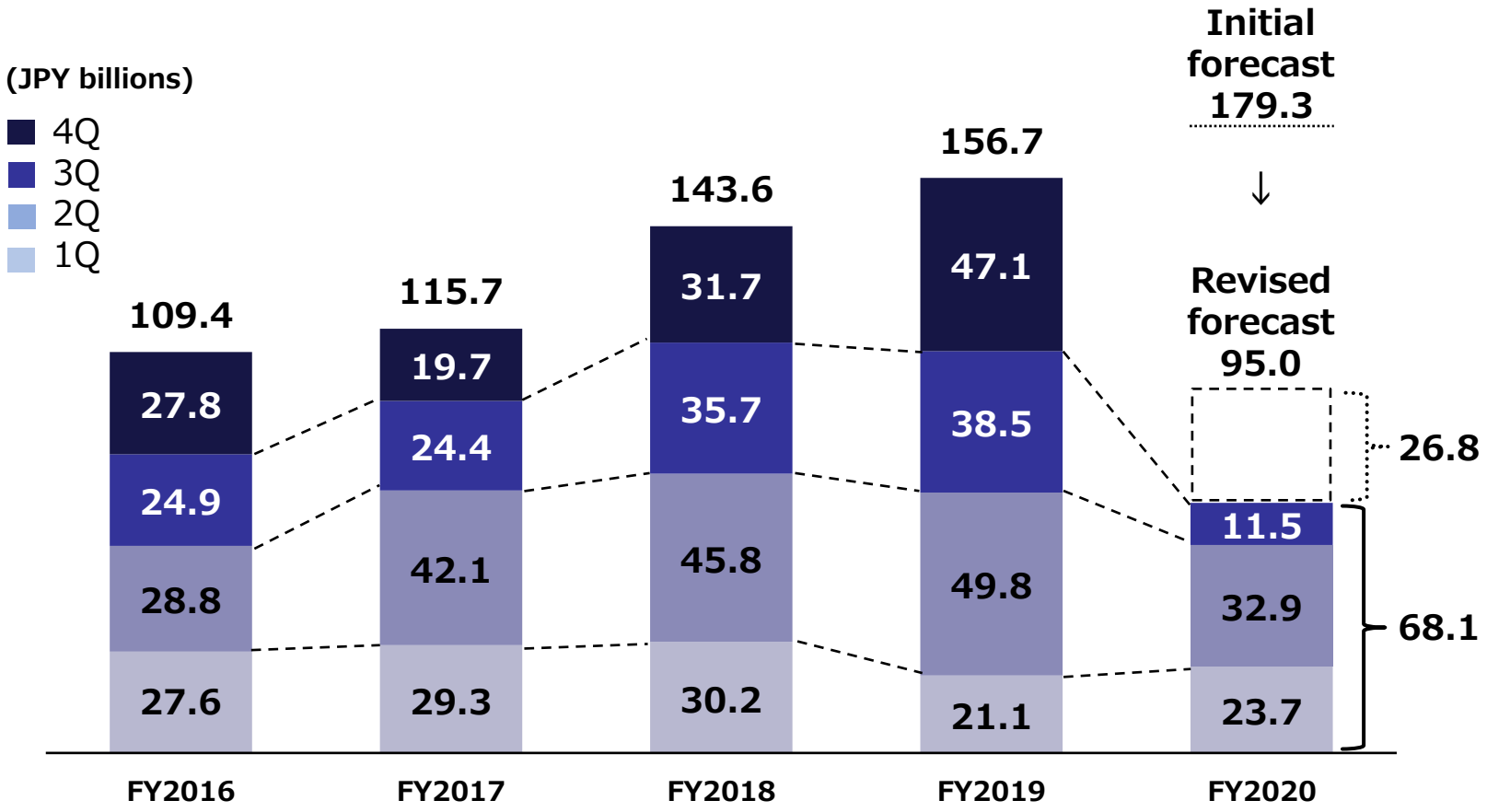
◆ Aim to achieve our full-year forecast of equity placements by accelerating the sales activity in the 4th quarter, since equity placements showed signs of recovery in June in addition to solid demand for Ships, Marine containers and Aircraft for leasing companies

Trends in equity placements by quarter



Core Business Lease Arrangement Business (3) Product Inventory

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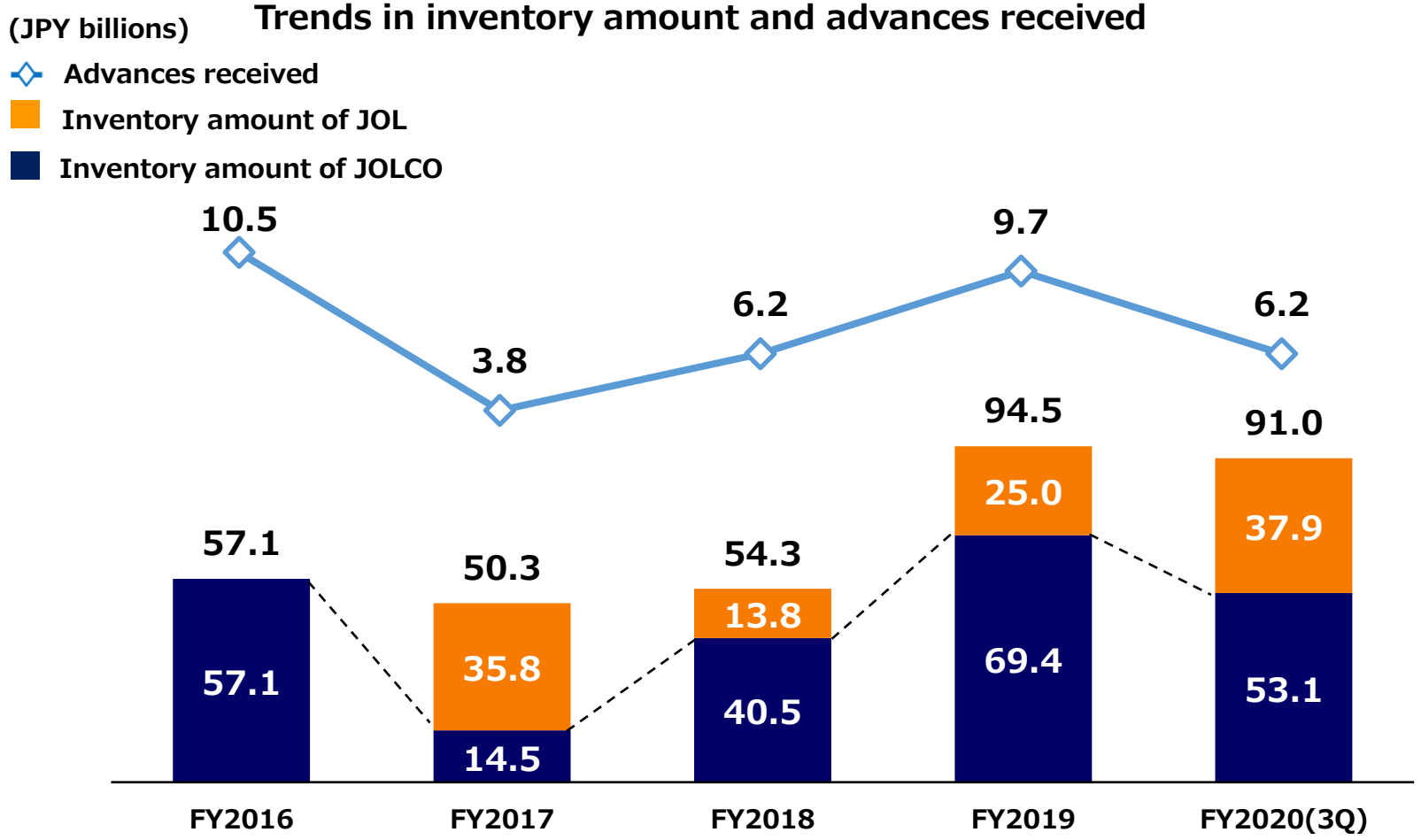
- Keep the appropriate inventory while closely monitoring the influence of COVID-19 and the sales situation
- Kept down inventory with airlines as the lessee at about 30% of JOLCO's inventory as of the end of June 2020※

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 (4)
Trends in amount of assets arranged by quarter

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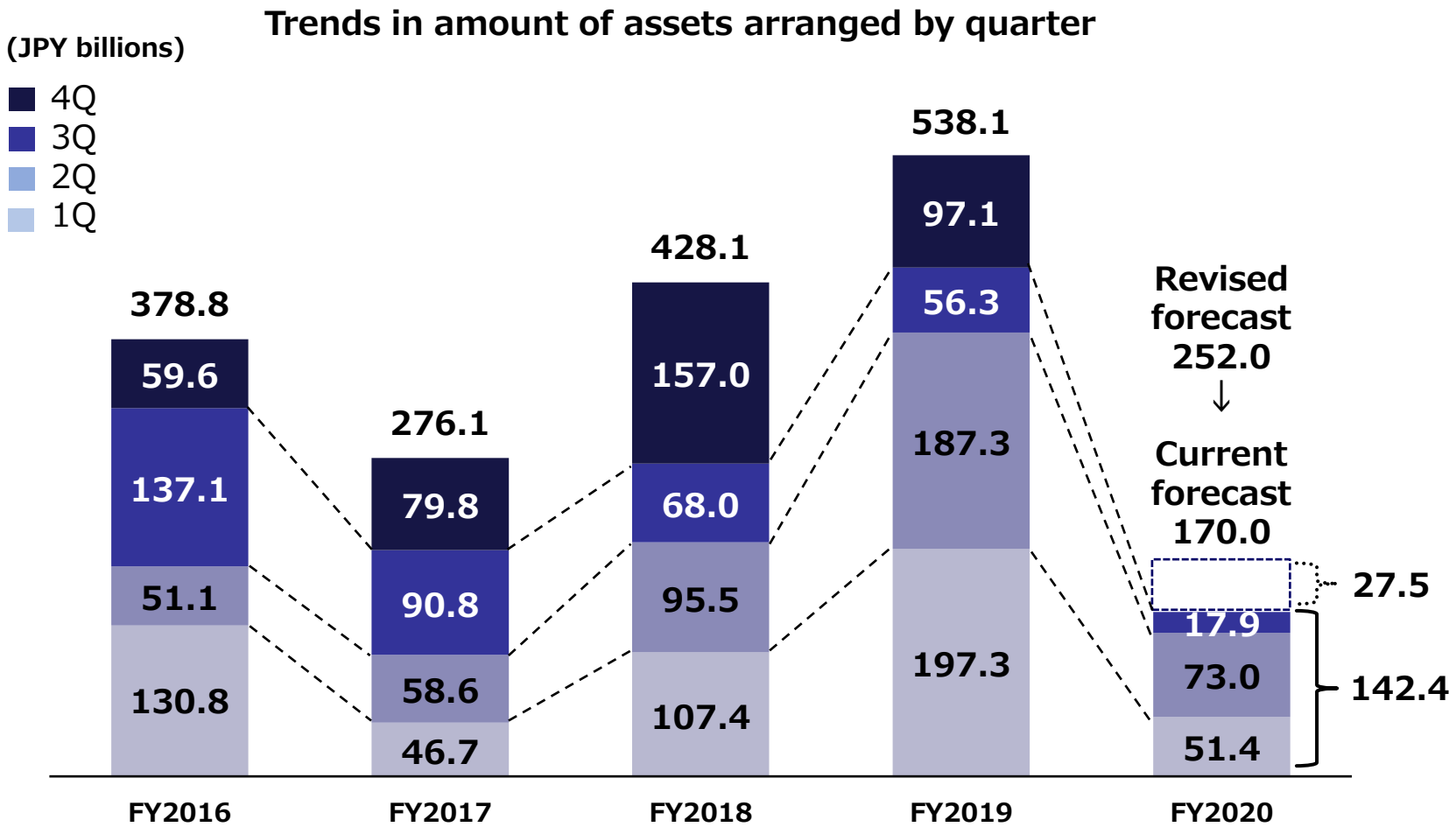
- Careful selection of assets arranged by taking into consideration the influence of COVID-19 to airline
- Re-revised the full-year forecast for the total amount of assets arranged downward from JPY 252.0 billion to JPY 170.0 billion



Core Business Lease Arrangement Business (5)
Trends in amount of assets arranged by lease asset

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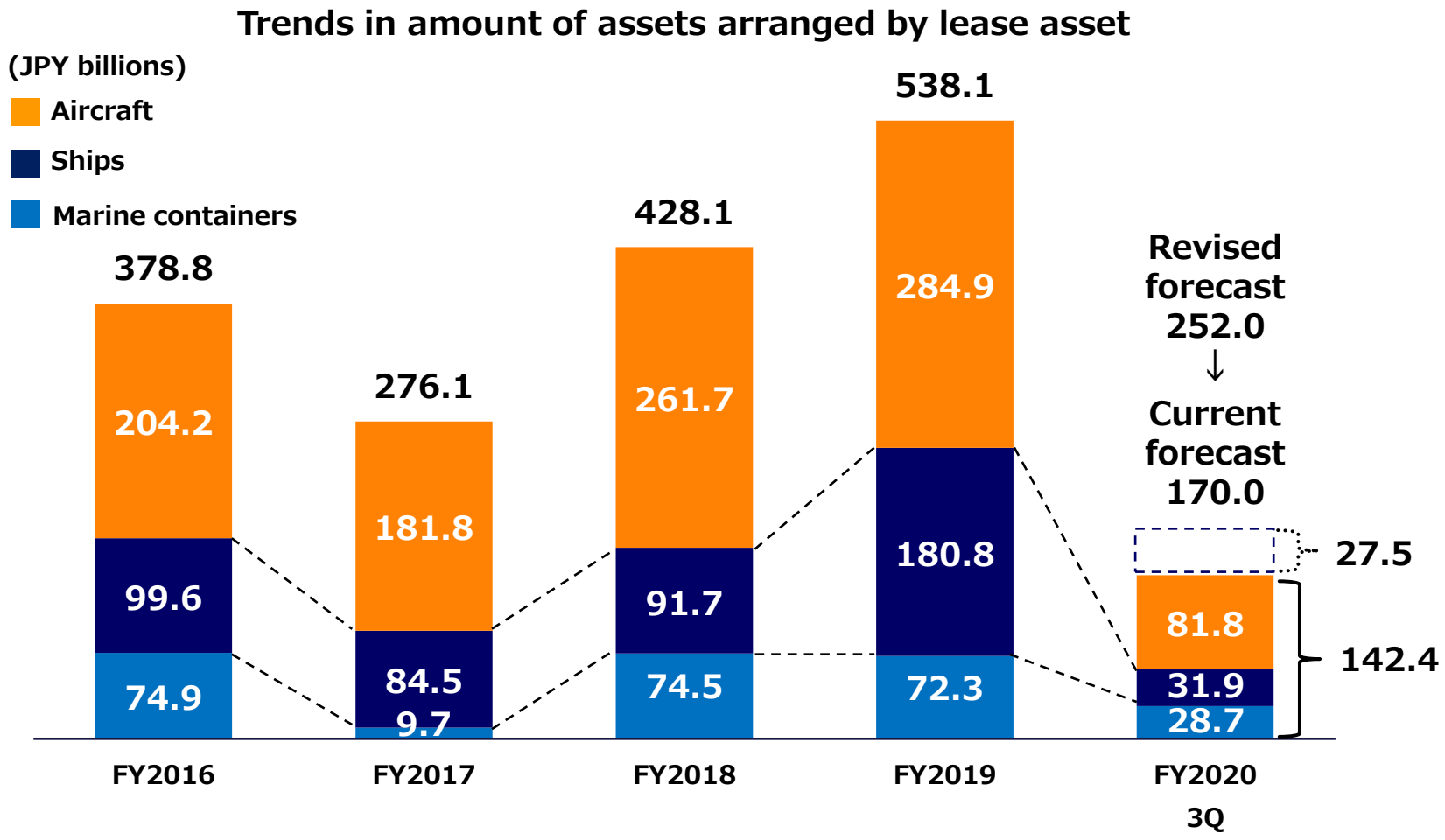
◆ Assets arranged have not been overly dependent on aircraft so far, and we will continue with a policy of arranging assets with the balance of lease assets in mind



Core Business Lease Arrangement Business (6)
JOL Results

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◆ Continued policy of dealing prudently with new assets arranged, as sales for large single investors are expected to stagnate due to the impact of COVID-19

● Arrangement and Sales transition for JOL

Fiscal year	FY2016	FY2017	FY2018	FY2019	FY2020 3Q
Number of aircraft arranged	3	15	4	11	4
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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◆ Saw a decrease in net sales in the Diversified Business※1 compared to the same period last year, due to the whole building sale, which was a special factor of the 3rd quarter last year, had disappeared in this year. But an increase in net sales of the Investment and Maintenance Service, etc.※2 thanks to the contribution of a foreign subsidiary and two new subsidiaries

Sales of Diversified Businesses

(JPY millions)

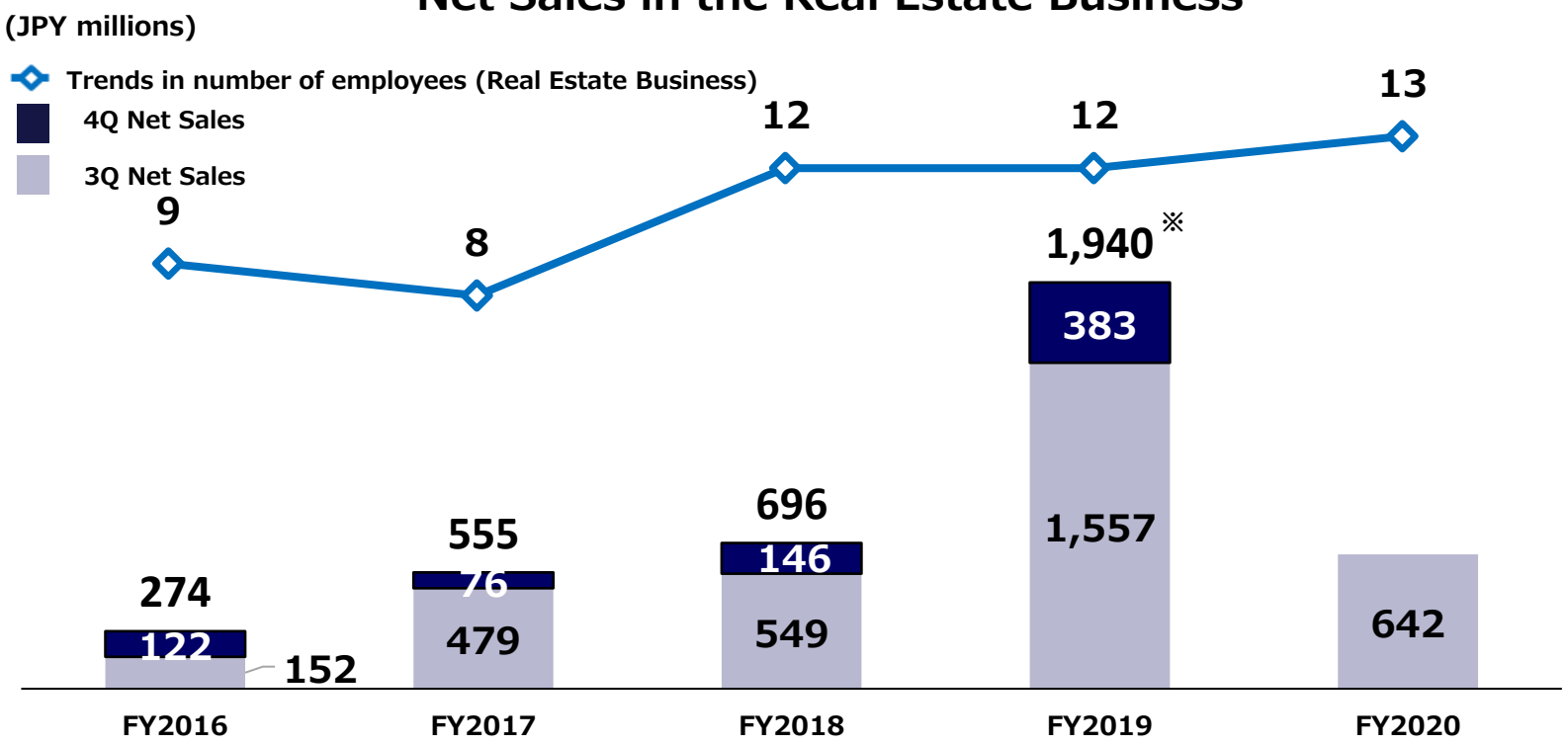
	FY2019 3Q(Cumulative)	% of net sales	FY2020 3Q(Cumulative)	% of net sales	Y on Y Change
Consolidated net sales	20,049	*100.0%*	9,905	*100.0%*	*▲50.6%*
Diversified Businesses Total	5,196	*25.9%*	1,857	*18.8%*	*▲64.2%*
Real Estate Business	3,867		642		*▲83.4%*
Insurance Business	821		234		*▲71.5%*
M&A Business	139		66		*▲52.3%*
Investment and Maintenance Service, etc.	366		913		*+149.1%*

※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, FPG Trust and FPG Technology etc.

Diversified Businesses Real Estate Business: Outline

- Solid demand for small-lot real-estate products, in spite of the fact that the whole building sale, which was a special factor of the last year, had disappeared in this year
- Improved the product marketability of small-lot real-estate products by creating the secondary market by meet to the needs of existing investors selling prematurely
- Promote new origination of real estate products after the 4th quarter, although kept the careful stance to new origination in the 3rd quarter due to the influence of COVID-19

Net Sales in the 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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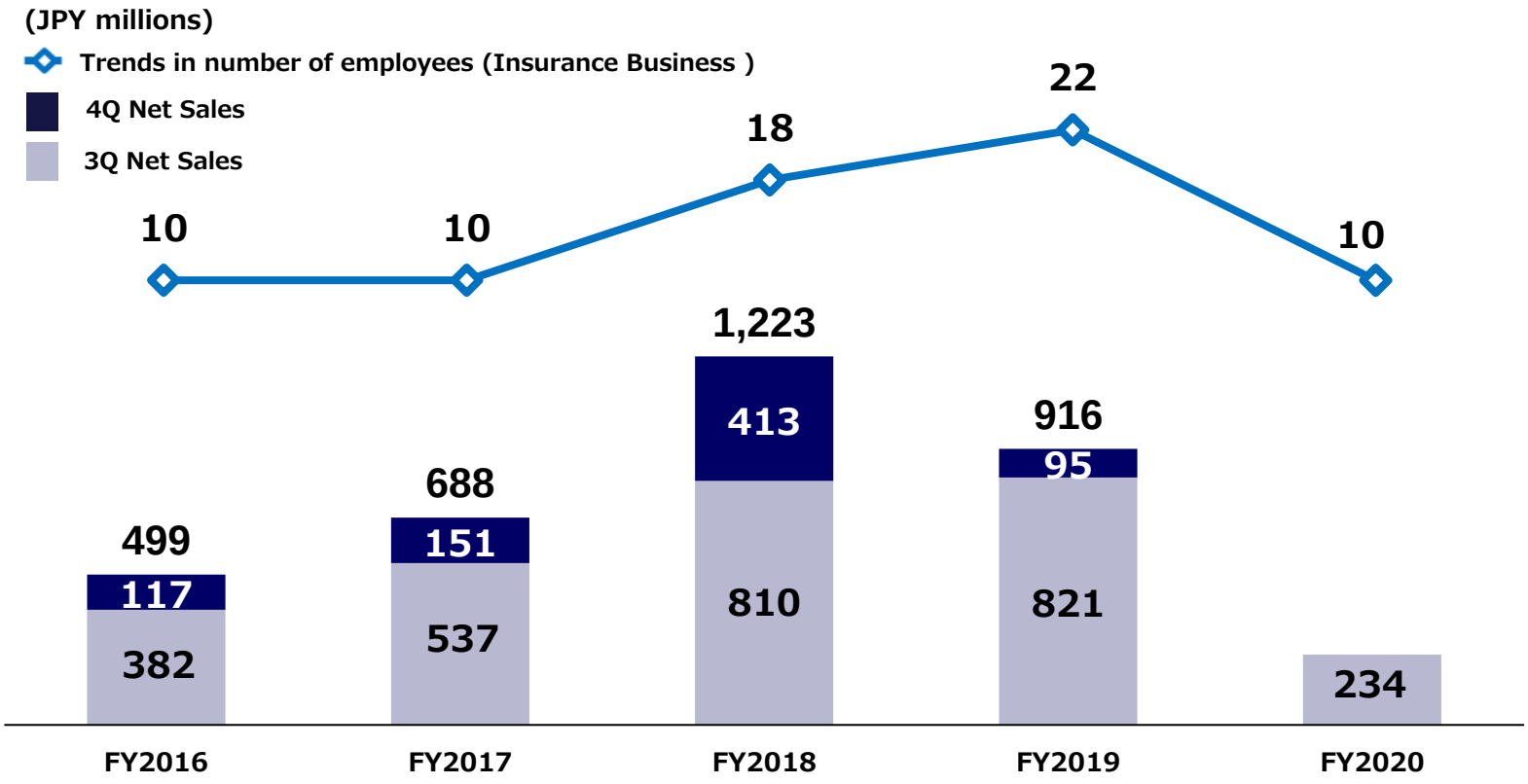
◆ **Relocate the insurance personnel to the Lease Arrangement Business due to decline in demand related to the tax reform last year**

Net Sales in the Insurance Business※1



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

Diversified Businesses
Investment and Maintenance Service, etc. : Outline

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- Saw an increased in net sales in the Aircraft Investment Management Service Business operated by FPG AMENTUM
- Contribution to the increase in net sales of 2 subsidiaries, FPG Technology and NORTH JAPN AIRLINES, which were acquired by FPG in this year

Net sales of Investment and Maintenance Service, etc.

(JPY millions)

Business	Business Operator	FY2019 3Q(Cumulative)	FY2020 3Q(Cumulative)	Y on Y Change
Investment and Maintenance Service, etc.		366	913	*+149.1%*
Aircraft Investment Management Service Business	FPG AMENTUM※	226	616	*+172.3%*
IT Business	FPG Technology	0	123	-
Aviation Business	NORTH JAPAN AIRLINES	0	66	-
Securities,Trust and Investment Business	Others	140	106	*▲24.2%*

※ Net sales of FPG AMENTUM only include sales from Investment and management Service Business

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Distribution Network Status Summary

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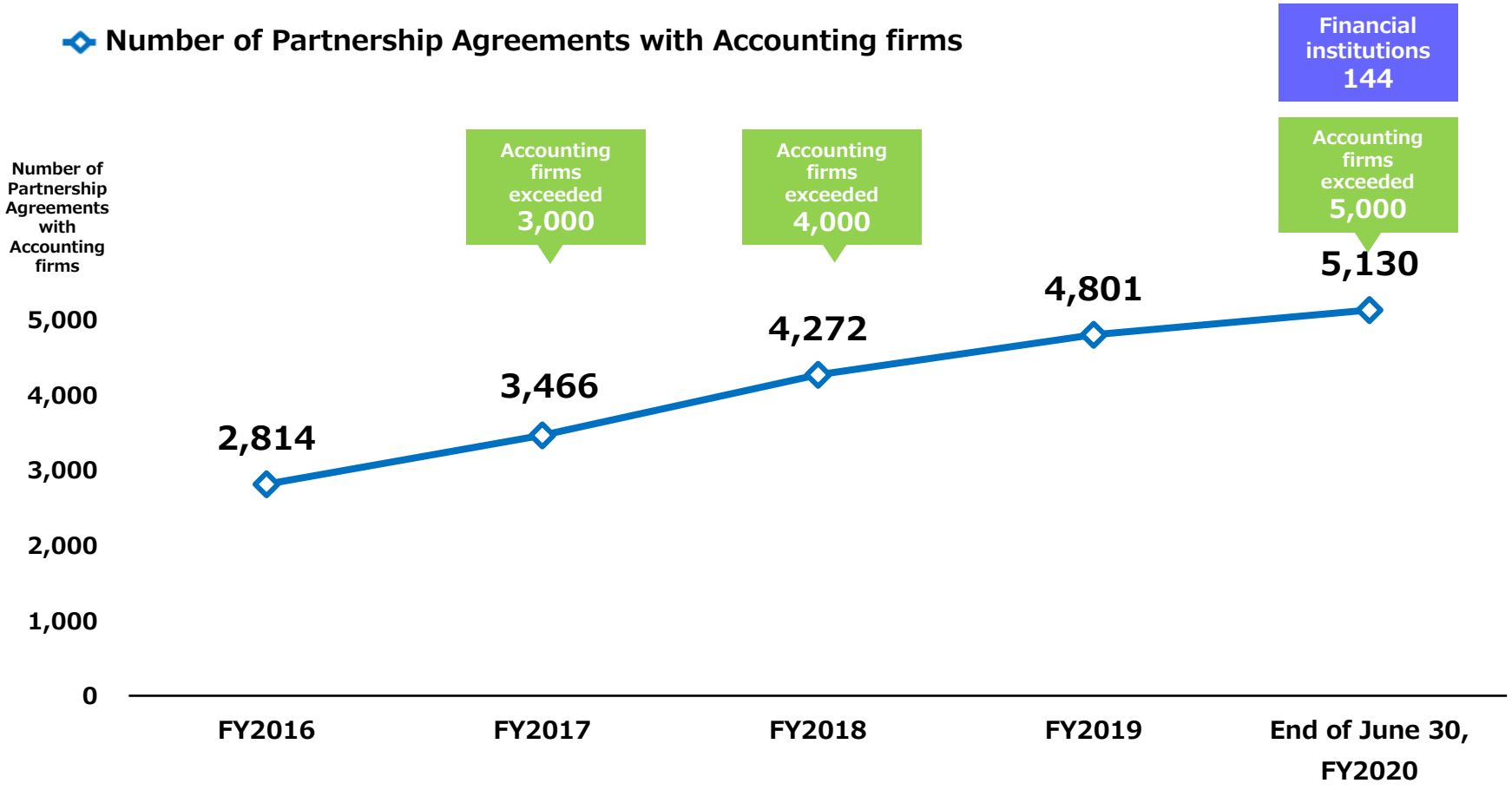
- Number of contracts with accounting firms was 5,130 as of the end of June 2020
- Number of partnerships with financial institutions has reached 144, covering almost all regional banks around the country and major securities companies
- Further strengthened the networks enables cross-selling in addition to expanding the number of partnerships



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Appendix



Income Statement Summary

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(JPY billions)

	FY2019 3Q(Cumulative)	FY2020 3Q(Cumulative)	Y on Y Change
Net sales	20.04	9.90	▲50.6%
①Cost of sales	5.11	2.56	▲49.9%
Gross profit	14.93	7.34	▲50.8%
SG&A cost	4.51	4.61	+2.0%
Operating income	10.41	2.73	▲73.8%
②Non-operating income	1.06	1.77	+66.8%
③Non-operating expenses	1.64	1.83	+11.9%
Ordinary income	9.84	2.67	▲72.8%
Income before income taxes	9.79	2.66	▲72.8%
Total income taxes	2.95	0.83	▲71.7%
Profit attributable to owners of parent	6.84	1.79	▲73.7%

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	Sep.30, 2019	Jun.30, 2020	Change
Current assets	121.09	144.49	+23.39
Cash and deposit	16.58	25.57	+8.99
①Equity underwritten	75.43	57.49	▲17.93
②Money in trust	19.10	33.54	+14.43
③Aircraft for sales	0.00	16.45	+16.45
④Real estate for arrangement	3.37	0.01	▲3.36
Non-current assets	4.74	5.64	+0.90
Total assets	125.83	150.13	+24.29

Liabilities	Sep.30, 2019	Jun.30, 2020	Change
Current liabilities	82.40	98.67	+16.27
Short-term debt	65.89	88.13	+22.24
SPC non-recourse loan (within 1 year)	0.00	1.09	+1.09
⑤Advances received	9.79	6.25	▲3.53
Non-current liabilities	10.45	23.33	+12.87
Long-term debt	10.18	10.43	+0.24
SPC non-recourse loan	0.00	12.50	+12.50
Total liabilities	92.85	122.00	+29.14
Total net assets	32.98	28.13	▲4.84
Total liabilities and net assets	125.83	150.13	+24.29

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

Partial change the shareholder benefit

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◆ **Partially change the qualified shareholder and the amount of benefit in order to strengthen the benefits offered to shareholders who continue to hold a certain number of shares over the medium and long term**

UC gift certificate awarded according to the number of shares held and the period of retention

Held shares	Continuous retention period			Assessed date	Frequency of gifts
	1 year or more, less than 2 years	2 year or more, less than 3 years	3 years or more		
1,000 - 2,999	2,000 JPY	2,500 JPY	3,000 JPY	End of September	Once a year
3,000 - 4,999	6,000 JPY	8,000 JPY	10,000 JPY		
5,000 or greater	12,000 JPY	15,000 JPY	20,000 JPY		

The continuous retention period will be determined based on the number of times continuously recorded under the same shareholder number in the shareholder register as of the end of September and the end of March each year

Continuous retention of 1 year or more is defined as the holder being recorded three consecutive times with the same shareholder number. 2 years or more is defined as being recorded 5 times in a row and 3 years or more is defined as being recorded 7 times in a row

<Timing of change>

- **Applied to shareholders who recorded in FPG's shareholder register as of the end of Sep. 2020**
- **The determination of the continuous retention period under the changed benefits will be made retrospectively from the end of September 2020**
- **The shareholder benefits will be sent at the end of Dec. 2020**

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Awarded Marine Money's "Leasing Deal of the Year2019(East)"

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In April 2020, FPG was awarded Marine Money's "Leasing Deal of the Year 2019(East)"



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Selected as External Index (As of July 31, 2020)

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JPX-NIKKEI 400

The JPX-Nikkei Index 400※

S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient Index

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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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