

FPG Consolidated Financial Results

**For the Fiscal year ended September 30, 2020
(October 1, 2019 – September 30, 2020)**

Financial Products Group Co., Ltd.

(Tokyo Stock Exchange First Section Code : 7148)



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FY2020 Financial Results



Highlights for FY2020

- ◆ Net sales were 96% of the revised full-year forecast, almost in line with the forecast
- ◆ Profits were substantially below the revised forecast due to recording a loss of 2.7 billion yen of the maximum 3.7 billion yen in losses of aircraft for sale related to Air Mauritius bankruptcy
- ◆ The residual risk of 1.0 billion yen related to the Air Mauritius bankruptcy will be fully disposed in the FY2021
- ◆ Annual dividends were revised downward to 11.5 yen per share

(JPY billions)

	FY2019		FY2020			FY2020 revised Full-year forecast
		% of net sales		% of net sales	Y on Y Change	
Net sales	26.59	100.0%	12.70	100.0%	▲52.2%	13.20
Lease Arrangement Business	20.80	78.2%	10.35	81.5%	▲50.2%	11.00
Diversified Business	5.78	21.8%	2.35	18.5%	▲59.4%	2.20
Gross profit	20.44	76.9%	7.93	62.5%	▲61.2%	-
SG&A cost	6.01	22.6%	6.05	47.7%	+0.7%	-
Operating income	14.43	54.3%	1.87	14.8%	▲87.0%	4.00
Ordinary income	14.39	54.1%	1.71	13.5%	▲88.1%	4.40
Profit attributable to owners of parent	10.03	37.7%	1.13	8.9%	▲88.7%	3.10
Total amount of equity placement in operating leases	156.78	-	94.80	-	▲39.5%	95.00
Total amount of assets arranged in operating leases	538.17	-	158.49	-	▲70.5%	170.00*1
Dividend per share (yen)	53.00	-	11.50*2	-	-	30.00

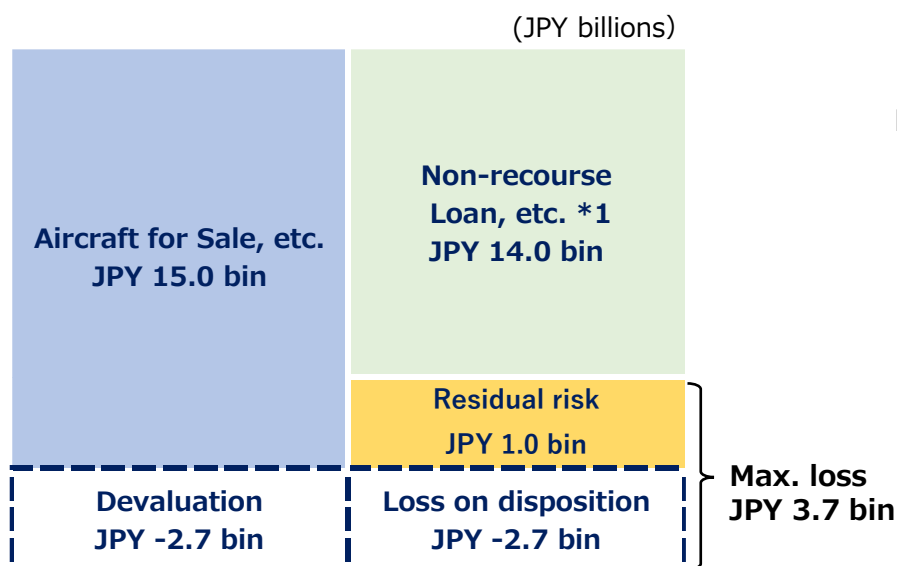
*1: Total assets had been revised to 170.0 billion yen when Financial Results for the 3rd quarter of the fiscal year ending September 2020 were announced on July 31, 2020

*2: Dividend per share for FY2020 is to be discussed at the General Shareholder's Meeting to be held on December 22, 2020

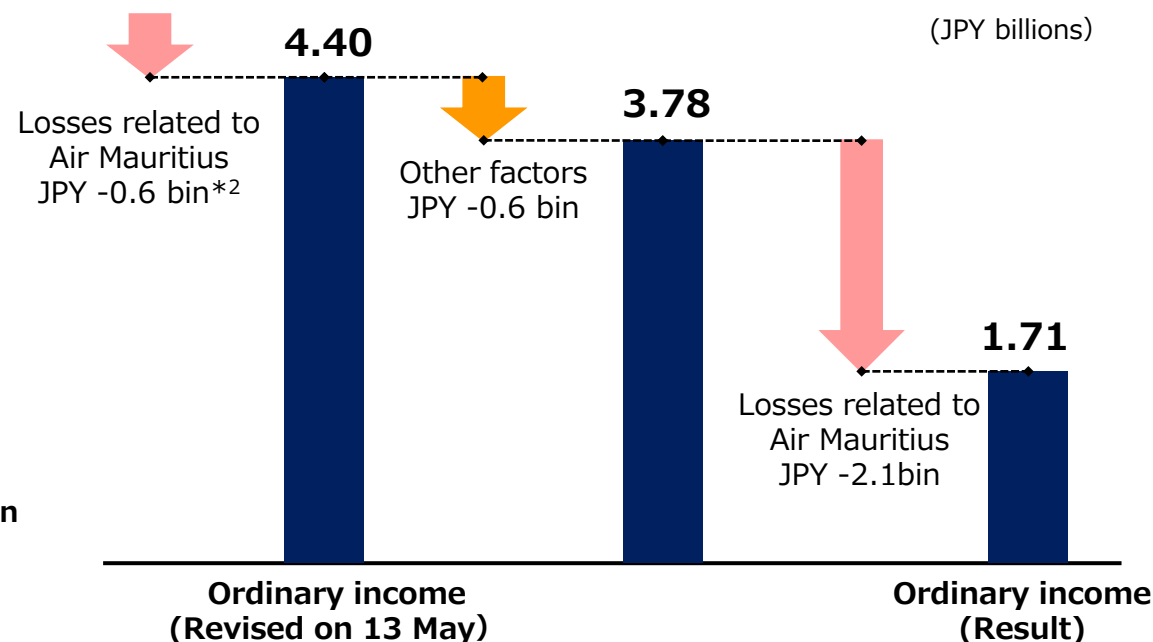
Impact of Air Mauritius bankruptcy

- ◆ Recorded 2.7 billion yen in losses on aircraft for sale, which was capitalized as an asset of FPG, in light of the decline in the value of the aircraft due to the impact of COVID-19 infection. This is due to the fact that it may take some time to conclude negotiations regarding the continued use of the aircraft
- ◆ The residual risk is 1.0 billion yen, as a result of 2.7 billion yen having been written off from the maximum losses of 3.7 billion yen for this matter
- ◆ The residual risk of 1.0 billion yen will be fully disposed in the FY2021
- ◆ No airline bankruptcy in our inventory other than Air Mauritius

<B/S as of the end Sep. 2020>



<Impact of FY2020 Forecast (Revised on 13 May)>



*1 : The only repayment sources of non-recourse loans are the aircraft for sale and the lease payments, received from Air Mauritius. The maximum loss of FPG is 3.7 billion yen

*2 : The amounts incorporated in the revised forecast announced on May 13

Reference : Quarterly Performance

- ◆ Gradually recovered the amount of equity placement and net sales since business activities recovered in June, despite the lingering impacts of COVID-19
- ◆ In the Lease Arrangement Business, selection of assets arranged by further tightening of credit screening for lessees

(JPY billions)

	1st Half of FY2020			2nd Half of FY2020			FY2020
	1Q	2Q		3Q	4Q		
Net sales	3.69	4.59	8.29	1.60	2.80	4.41	12.70
Lease Arrangement Business	3.10	3.90	7.00	1.03	2.30	3.34	10.35
Diversified Business	0.59	0.69	1.28	0.57	0.49	1.06	2.35
Gross profit	3.03	3.15	6.19	1.14	0.59	1.74	7.93
SG&A cost	1.53	1.52	3.06	1.54	1.44	2.99	6.05
Operating income	1.49	1.63	3.13	▲0.39	▲0.85	▲1.25	1.87
Ordinary income	1.57	1.63	3.21	▲0.54	▲0.95	▲1.49	1.71
Profit attributable to owners of parent	1.06	1.14	2.21	▲0.41	▲0.66	▲1.07	1.13
Losses related to Air Mauritius	-	▲0.52	▲0.52	▲0.30	▲1.82	▲2.13	▲2.66
Total amount of equity placement in operating leases	23.72	32.91	56.63	11.50	26.65	38.16	94.80
Total amount of assets arranged in operating leases	51.48	73.09	124.58	17.91	15.99	33.91	158.49

Core Business Lease Arrangement Business (1)

Outline

- ◆ Recovered the amount of equity placement back up to 26.6 billion yen in the 4th quarter, thanks to the successful recovery of sales activities since June
- ◆ Drop in commission rates due to a large number of low-profitability aircraft projects

(JPY billions)

		FY2019		FY2020		Y on Y Change
Lease Arrangement Business net sales		20.80		10.35		▲50.2%
Total amount of equity placement in operating leases		156.78	Component Ratio	94.80	Component Ratio	▲39.5%
	Aircraft	64.03	40.8%	49.71	52.4%	▲22.4%
	Ships	64.29	41.0%	23.70	25.0%	▲63.1%
	Marine containers	28.45	18.2%	21.38	22.6%	▲24.9%
Fee on equity (Sales/Equity placement)		15.0%		12.5%		-
Total amount of assets arranged in operating leases		538.17		158.49		▲70.5%
Inventory amount in operating leases		94.54		73.65		▲22.1%

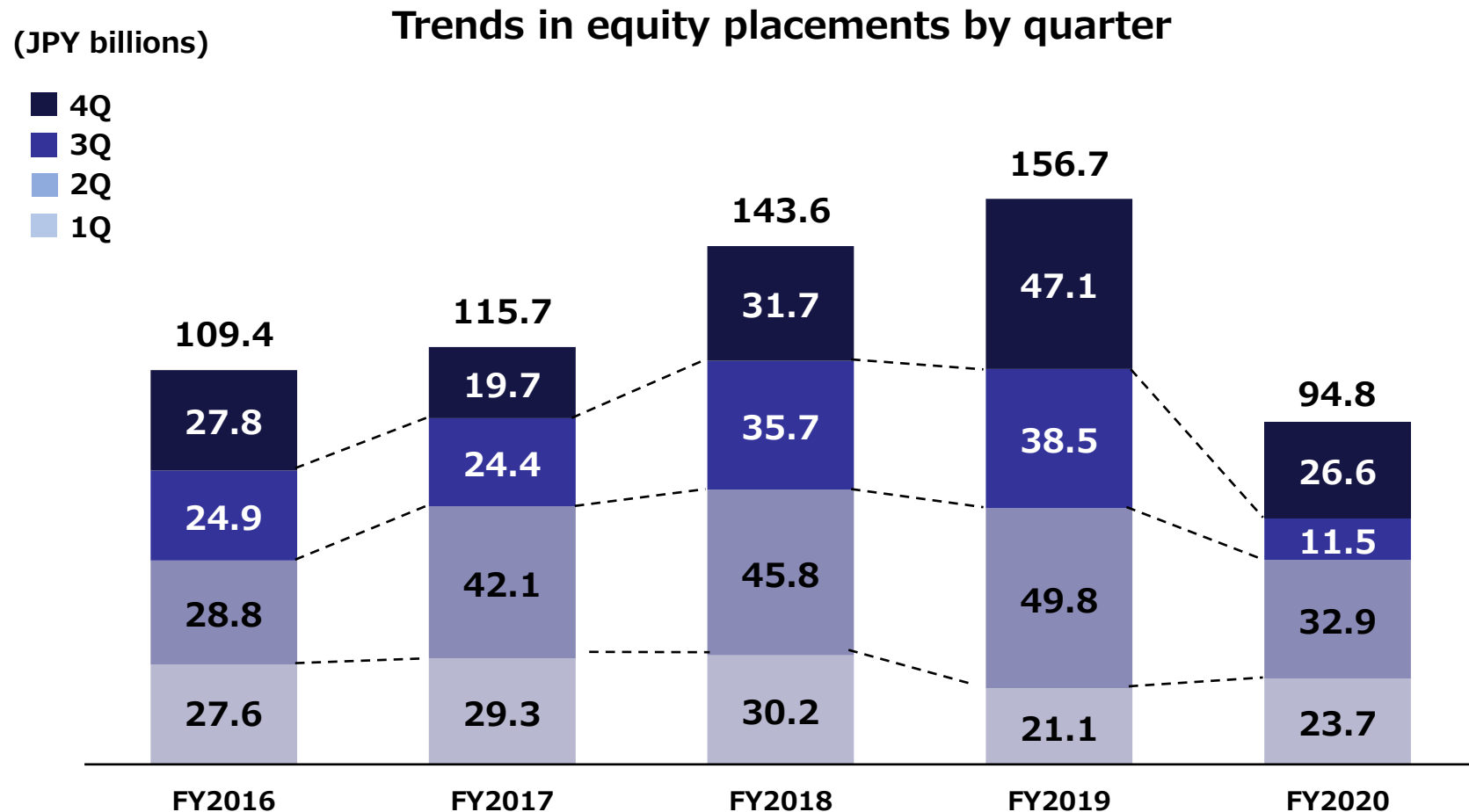
※1 Commission rate: Equity placements for full equity products in silent partnership and in trust converted at 34%

※2 Inventory: Total of equity underwritten and money in trust (aircraft assets)

Core Business Leas Arrangement Business (2)

Equity Placements

- ◆ Turned to a recovery trend in the 4th quarter, although total amount of equity placement for the full year decreased from the previous year due to the spread of COVID-19 infection



Core Business Leas Arrangement Business (3)

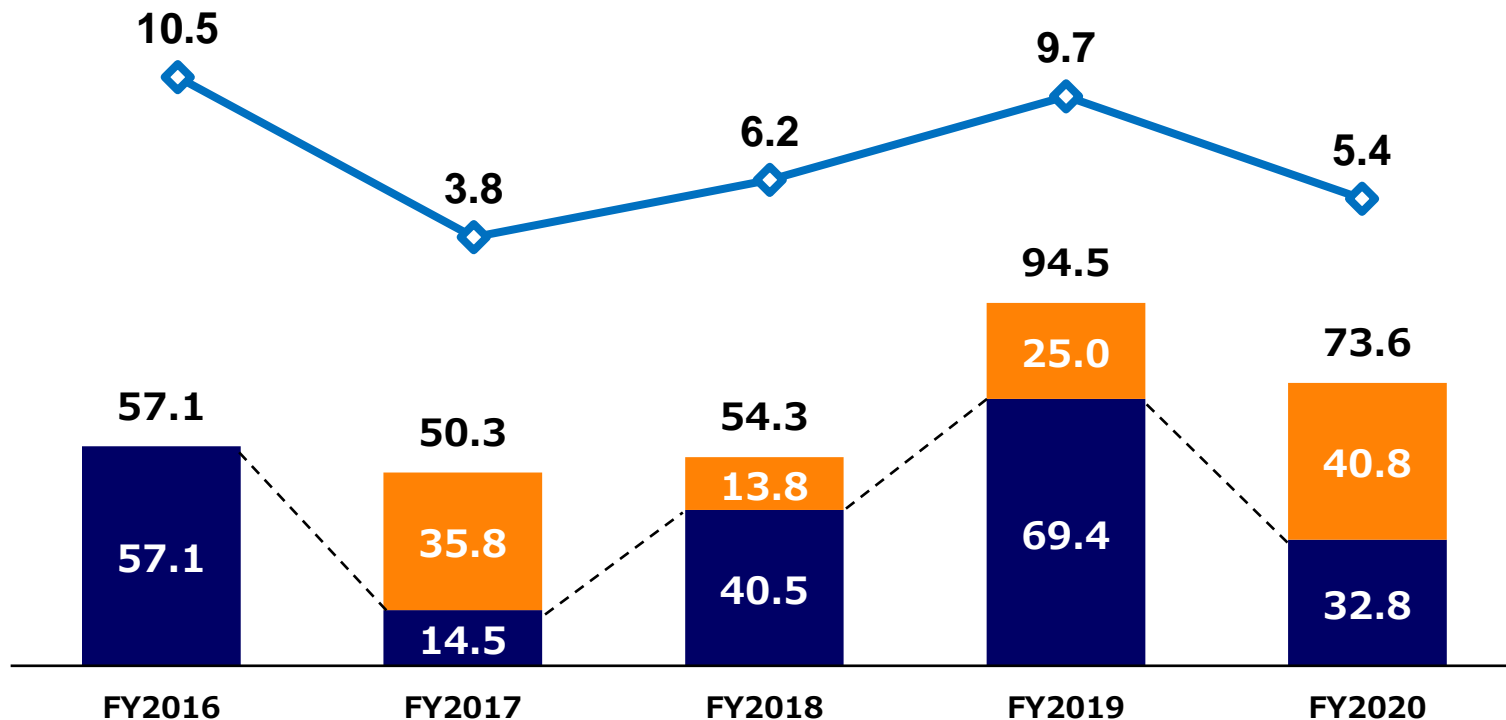
Product Inventory

- ◆ Control the inventory, and maintain an appropriate level of inventory for the equity placement plan for the fiscal year ending September 2021

Trends in inventory amount and advances received

(JPY billions)

- ◆ Advances received
- Inventory amount of JOL
- Inventory amount of JOLCO



Core Business Leas Arrangement Business (4)

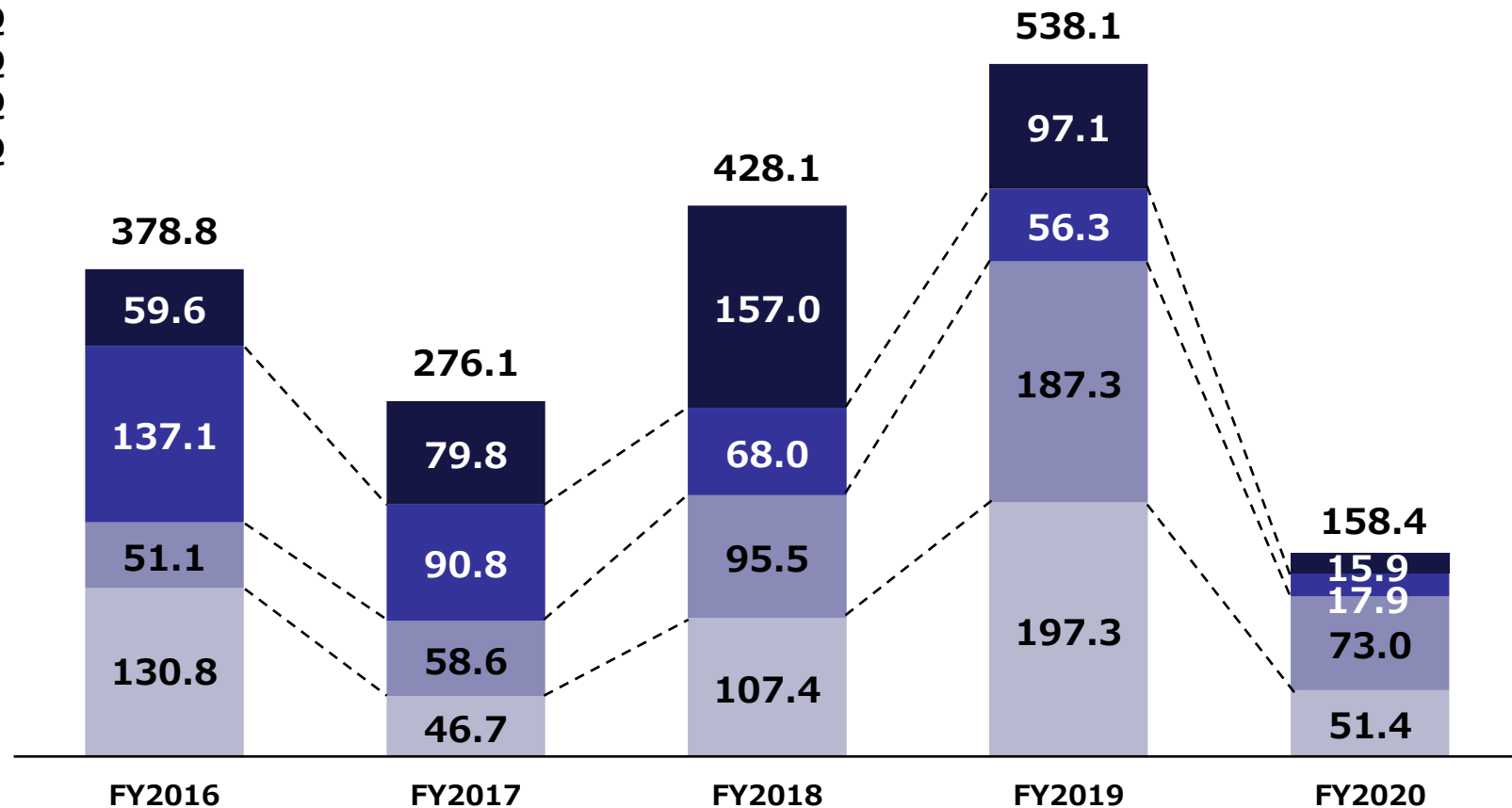
Trends in amount of assets arranged by quarter

- ◆ Careful selection of assets arranged based on a cautious arrangement policy, including stricter credit screening of lessees, by taking into consideration the impact of COVID-19

Trends in amount of assets arranged by quarter

(JPY billions)

■ 4Q
■ 3Q
■ 2Q
■ 1Q

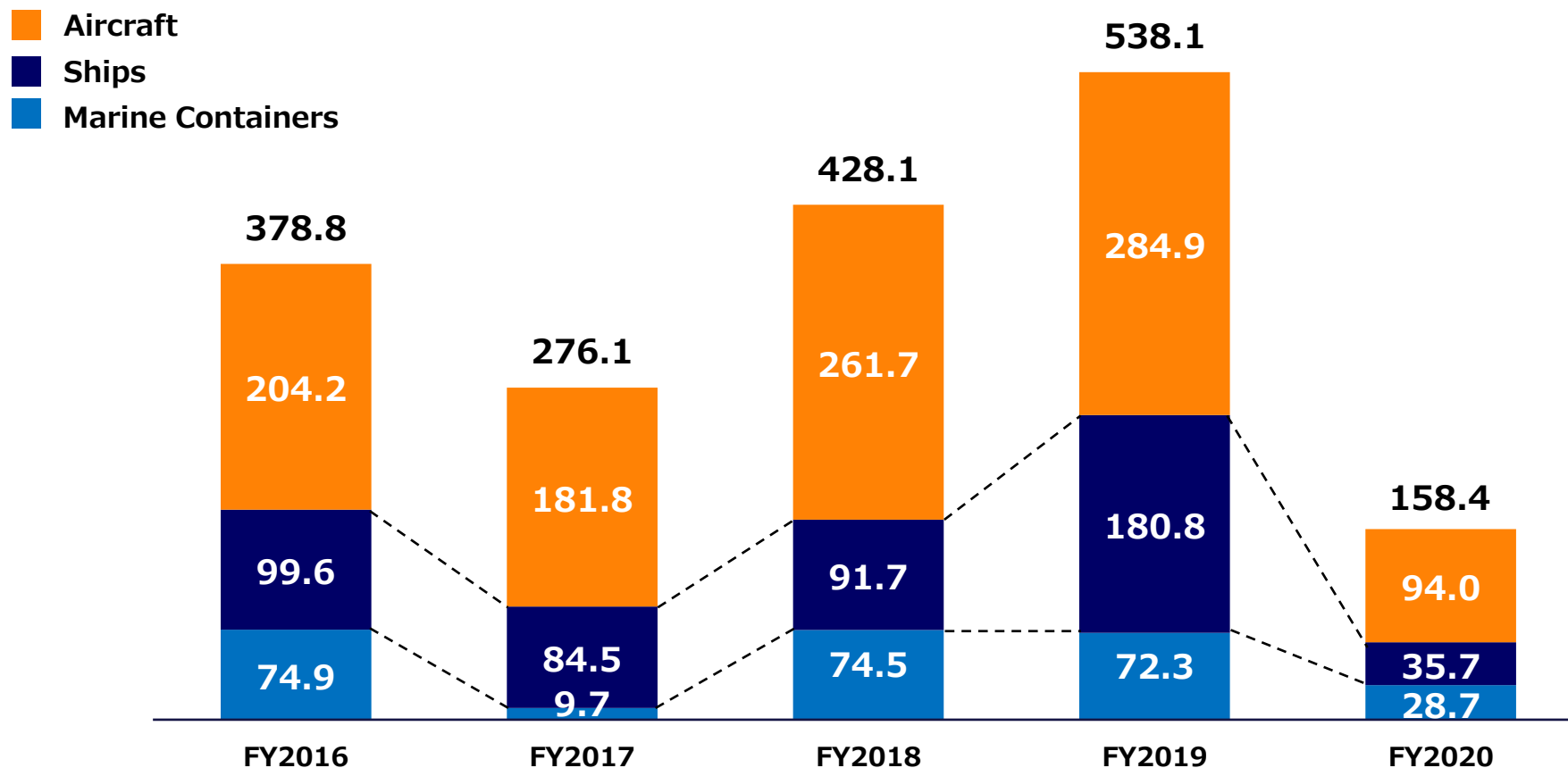


Core Business Leas Arrangement Business (5)

Trends in amount of assets arranged by lease asset

- ◆ Continued to maintain an asset arrangement policy that does not overly rely on aircraft, while keeping the balance of lease assets in mind.
Proactively engaged in the asset arrangement of ships and containers, but carefully selecting the best lessees in the case of aircraft

(JPY billions) Trends in amount of assets arranged by lease asset



Core Business Leas Arrangement Business (6)

JOL Results

◆ In the 4th quarter, two aircraft were arranged, and one aircraft was sold

Arrangement and Sales transition for JOL

Fiscal year	FY2016	FY2017	FY2018	FY2019	FY2020
Number of aircraft arranged	3	15	4	11	6
Number of aircraft sold	5	4	12	8	2
Of which trust beneficiary rights system	-	(2)	(7)	(5)	(1)

(Reference) JOLCO vs. JOL

- | | |
|-------|---|
| JOLCO | <ul style="list-style-type: none"> • 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 90% of equity placement (FY 2020 Act.) |
| JOL | <ul style="list-style-type: none"> • 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

- ◆ Decrease in net sales in the Real Estate Business due to the sale of a whole building in the fiscal year ended September 30, 2019
- ◆ Increase in net sales compared with the previous year in Investment Management Service, etc., due to an increase in sales at foreign subsidiaries

Diversified Businesses ^{*1}

(JPY millions)

	FY2019		FY2020		Y on Y Change
		% of net sales		% of net sales	
Consolidated net sales	26,595	100.0%	12,708	100.0%	▲52.2%
Diversified Businesses Total	5,789	21.8%	2,351	18.5%	▲59.4%
Real Estate Business	4,254		685		▲83.9%
(Fractional Ownership Investment)	1,274		685		▲46.2%
Insurance Business	916		325		▲64.4%
M&A Business	147		107		▲26.8%
Investment and Maintenance Service, etc. ^{*2}	471		1,232		+161.6%

※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.

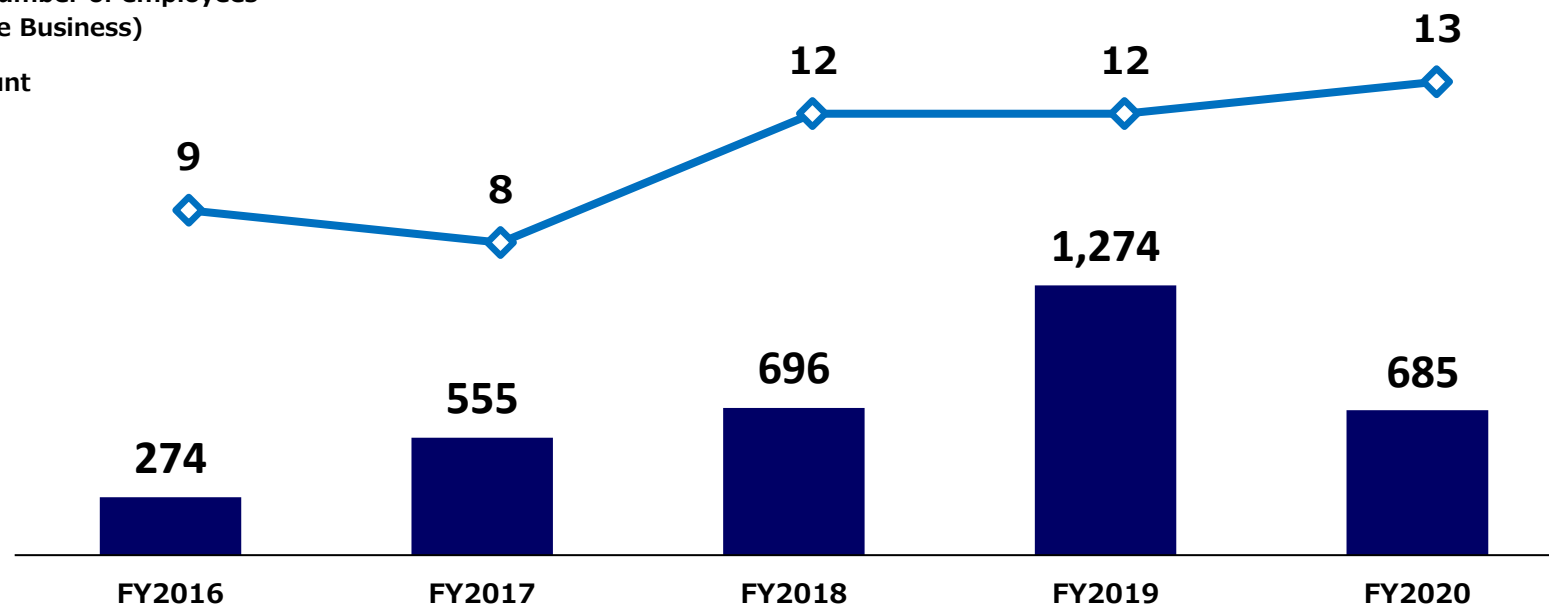
- ◆ Although inventory was exhausted at the end of March 2020, new arrangements were suspended in the 3rd quarter due to the impact of COVID-19.
Subsequently, the solid demand for small-lot real-estate products was confirmed, and the new arrangements were resumed from the 4th quarter
- ◆ “FPG links JINGUMAE”, which was arranged in September 2020, received far more applications than the total number of planned sales.
Sales will be recorded in the fiscal year ending September 2021
- ◆ Plan to acquire the new property in Shinjuku in November 2020

Sales amount of the small-lot real-estate products

(Million yen)

◆ Trends in number of employees
(Real Estate Business)

■ Sales amount



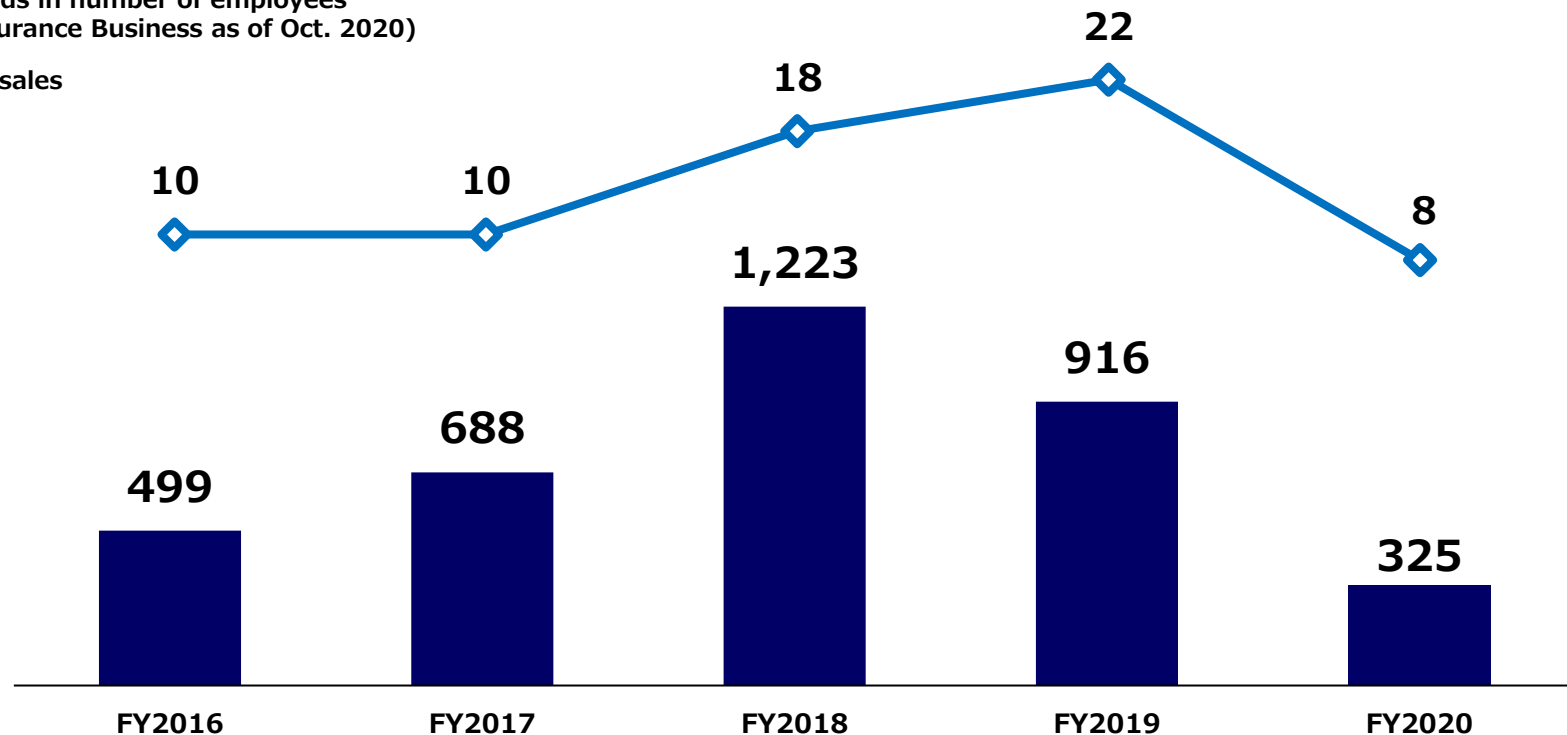
- ◆ Decline in demand in the Insurance Business due to tax reforms in 2019
- ◆ Plan to restructure the Insurance Business

Net sales in the Insurance Business*

(Million yen)

◆ Trends in number of employees
(Insurance Business as of Oct. 2020)

■ Net sales



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

Diversified Businesses

“Investment and Maintenance Service, etc.”

- ◆ Significant increases in net sales in the Aircraft Investment Management Service Business operated by FPG AMENTUM
- ◆ Increase in net sales contributed to by two subsidiaries, FPG Technology and NORTH JAPAN AIRLINES, which were acquired by FPG in the fiscal year ended September 2020

(JPY millions)

Business	Business Operator	FY2019	FY2020	Y on Y Change
Investment and Maintenance Service, etc.		471	1,232	+161.6%
Aircraft Investment Management Service Business	FPG AMENTUM	321	747	+132.6%
IT Business	FPG Technology ^{*1}	-	255	-
Aviation Business	NORTH JAPAN AIRLINES ^{*2}	-	107	-
Securities, Trust and Investment Business	Others	149	121	▲18.7%

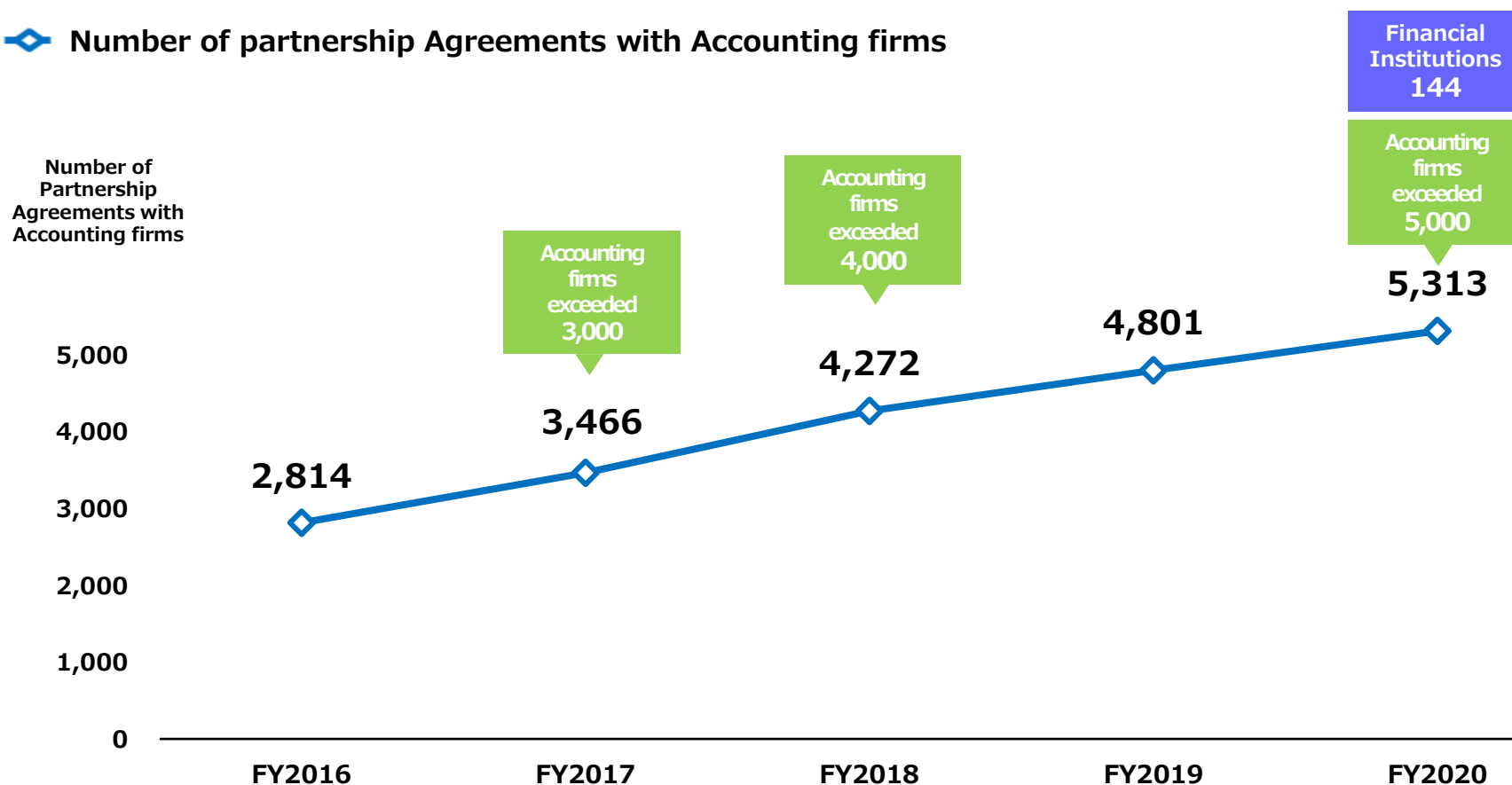
*1: FPG Technology : Consolidated from April 2020, having now contributed six months of sales

*2: NORTH JAPAN AIRLINES: Acquires shares in Nov. 2019, having now contributed nine months of sales from Jan. 2020

Distribution Network Status Summary

- ◆ Number of contracts with accounting firms was 5,313 as of the end of September 2020
- ◆ Number of partnerships with financial institutions has reached 144, covering almost all regional banks around the country and major securities companies
- ◆ Expanded our new products and services in the FinTech Business utilizing our sales network

◆ Number of partnership Agreements with Accounting firms



Medium-term Management Plan (FY2021~FY2023)



Basic 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

Key Initiatives

:

Results

- Increase in the amount of assets arranged due to the cultivation of new lessees in the Lease Arrangement Business※
※ Before the spread of the COVID-19 infection
- Expand our sales network
- Expand the scale of arrangements and sales in the Real Estate Business
- Acquire KEN FIRST CO., LTD. (now FPG Technology) in order to enter the FinTech business
- Acquire NORTH JAPAN AIRLINES CO., LTD. in order to promote further business diversification

Issues

- Need to shift our strategy in anticipation of the “post-pandemic new normal”

Period : **FY2021 – FY2023**

Basic Policy : **A “Period of Business Structural Change” to enhance the sustainability of FPG in the post-pandemic new normal**

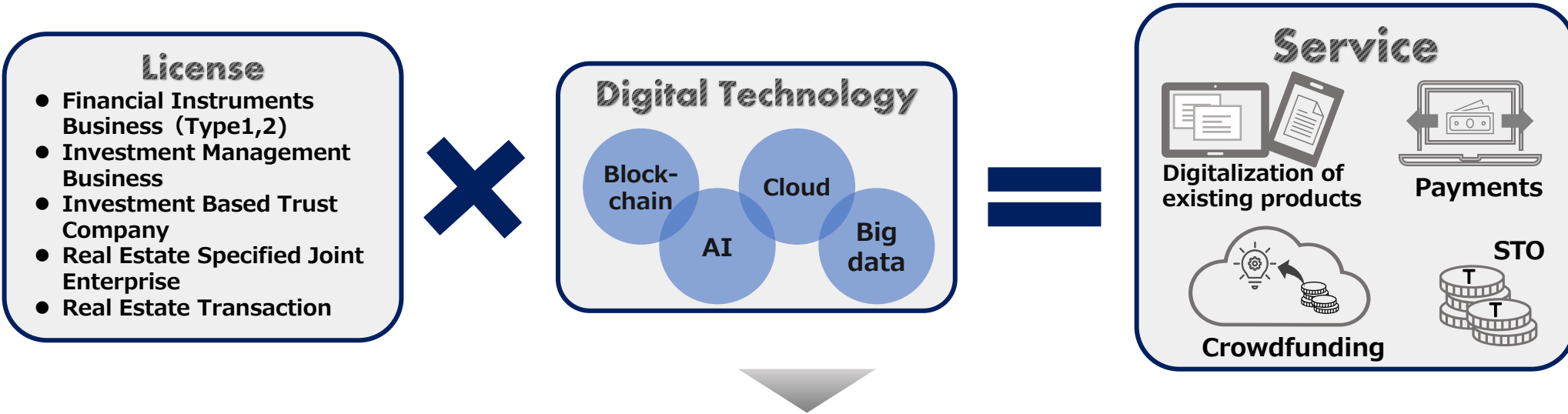
Strategy : **Create new value through the combined use of licenses and the promotion of digitalization**

Shareholder return : **Aim for a consolidated dividend payout ratio of 50%**

Medium-term Management Plan

2.Strategy

- ◆ Promote FPG's unique FinTech business by combining licenses and digital technology



Utilizing our sales network to provide services



Medium-term Management Plan

3. Licenses

- ◆ The licenses held by FPG to compete with those held by major financial groups
- ◆ Leveraging our licenses to promote the FinTech Business. In addition to the licenses already held, several new licenses will be acquired in order to launch new businesses

	Licenses (existing hold)	Businesses		
		Leasing Fund	Real Estate Fund	FinTech
FPG	Type II Financial Instruments Business	✓	✓	✓
	Real Estate Transaction		✓	✓
	Real Estate Specified Joint Enterprise		✓	✓
FPG Securities	Type I Financial Instruments Business	✓	✓	✓
	Investment Management Business	✓		✓
FPG Trust	Investment Based Trust Company	✓	✓	✓

I

Expand the Real Estate Fund Business

- ◆ Expand the arrangement of the real estate fractional ownership investment
- ◆ Aggressive expansion of personnel to strengthen the sales system

II

Launching the FinTech Business

- ◆ Development of services that combine financial licenses and digital technology
- ◆ Promote of the strategic M&A

III

SDG initiatives to increase corporate value

- ◆ Contribute to the SDGs through our businesses
- ◆ Promote diversity

Medium-Term Management Plan

5. The Business Model We Are Aiming For

◆ Leverage the company's strengths to implement radical business structure reform

Strength of FPG Group

Human resources

- ◆ Small elite group of specialists
 - Sales expertise to uncover customers' potential needs
 - Asset arrangement competence using financial know-how
 - In-house lawyers and in-house certified public accountants to support corporate governance

Licenses

- ◆ Licenses held by FPG Group
 - FPG: Type II Financial Instruments Business
 - Real Estate Transaction
 - Real Estate Specified Joint Enterprise
 - FPG Securities:
 - Type I Financial Instruments Business
 - Investment Management Business
 - FPG Trust: Investment Based Trust Company

Regional network

- ◆ Reach out to small and medium-sized businesses across the country through a network that extends to all parts of the country
 - Number of sales office: 13
 - Amount of partnership w/Accounting Firms: More than 5,000
 - Amount of partnership w/Financial Institutions: 144

World network

- ◆ Information network originating from overseas subsidiaries
- ◆ Deals with some of the world's leading airlines and shipping companies
 - Total assets arranged in the Japanese operating leases to exceed 2 trillion yen

Business model

Leasing Fund Business

Incl. Aircraft Management business

Other Financial Service Business

Incl. Insurance, M&A, Securities, Trust and PE

Focus Area

FinTech Business

Real Estate Fund Business

Incl. Small-lot real-estate, Development

Aviation Business

For small and mid-sized enterprises

Financial strategy, Business succession

Payment service

Crowdfunding, STO

Assets management, Property succession

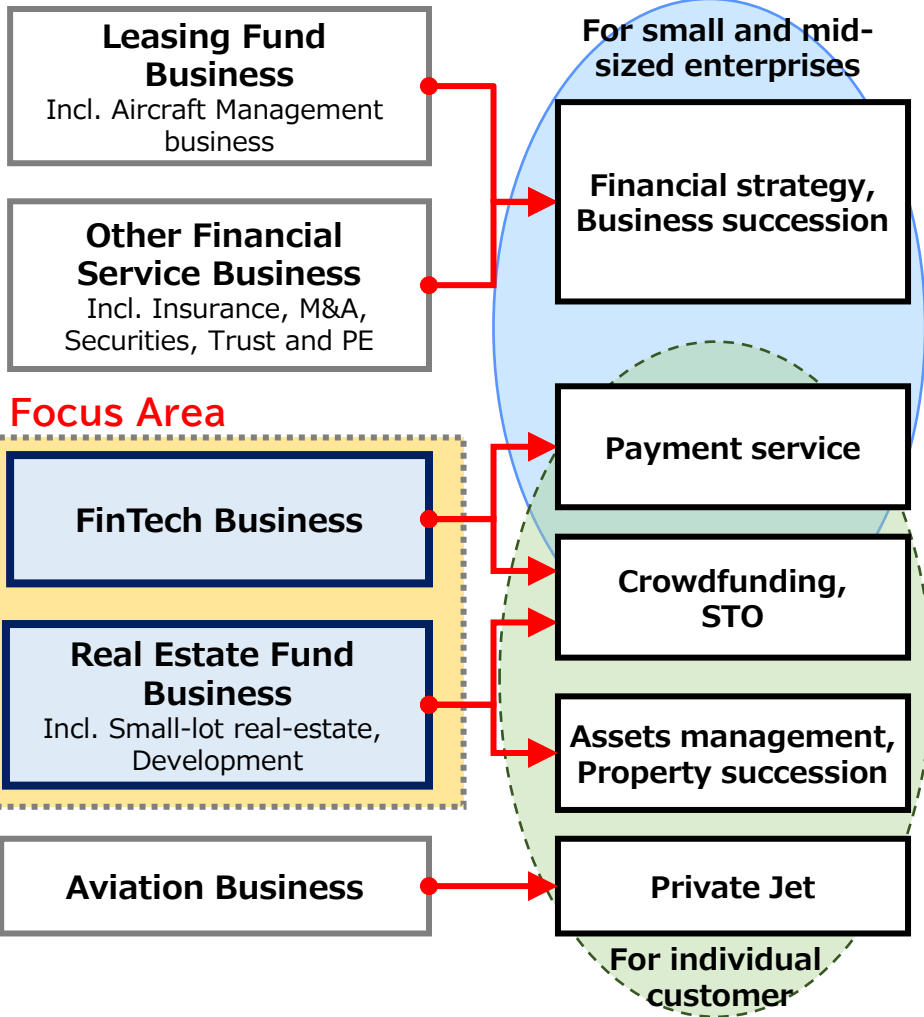
Private Jet

For individual customer

Medium-term Management Plan

6.Our Business and SDGs

Business model



The value provided to society and the associated SDGs

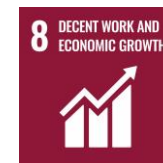
1. Contribute to reducing the environmental impact of the transportation industry through our Leasing Fund Business



2. Contribute to creation of livable cities through the Real Estate Fund Business



3. Contribute to the revitalization of industry and employees' job satisfaction through the provision of FinTech-based service



4. Human resource development, and expansion of systems that allow employees to maximize their skills



Reference: Change the Business names

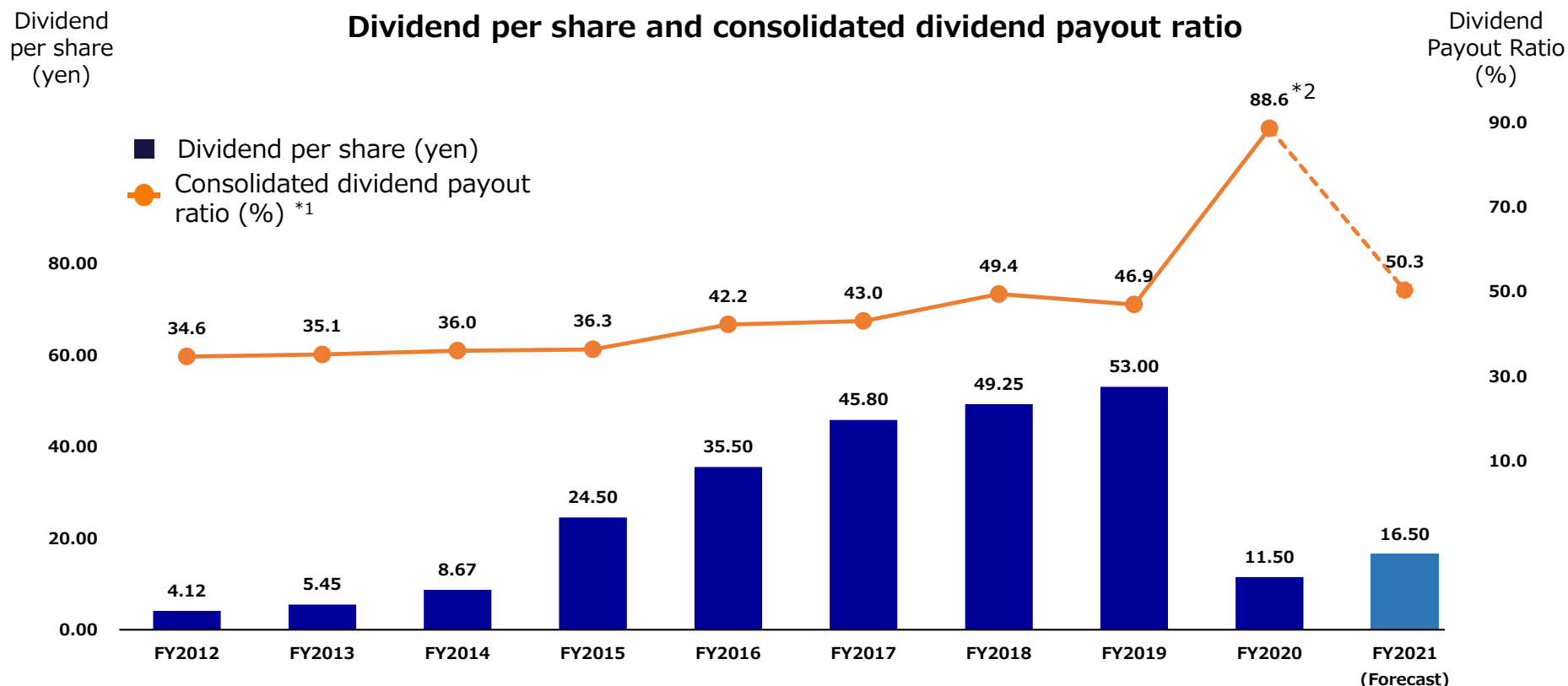
- ◆ In formulating the new medium-term management plan, business names will be changed as follows

New Business Name	Former Business Name (disclose on the Financial Statements)	Reference
Leasing Fund Business	<ul style="list-style-type: none"> ● Lease Arrangement Business ● Aircraft Investment Management Service Business 	Express more clearly the details of the business of structuring, selling, and providing management service the investment products with aircrafts, ships and containers as the assets to be leased.
Real Estate Fund Business	<ul style="list-style-type: none"> ● Real Estate Business 	Clearly express the details of the real-estate fractional ownership investment arrangement business (including development projects), and the provision of sales and management services.
FinTech Business	<ul style="list-style-type: none"> ● IT Business 	Aim to provide new financial products and services by combining the various financial licenses held by the FPG Group with the technology held by the IT Business
Other Financial Services Business*	<ul style="list-style-type: none"> ● Insurance Business ● M&A Business ● Private Equity Business ● Securities and Trust (excluding Leasing Fund and Real Estate) 	"Other Financial Services Business" include Insurance Business, M&A Business, Securities and Trust, and Private Equity Business
Aviation Business*	<ul style="list-style-type: none"> ● Aviation Business 	Plan to develop a private jet business for individuals based on the NORTH JAPAN AIRLINES Co., LTD. business

* In financial statements, "Other Financial Services Business" and "Aviation Business" are disclosed as "Other Businesses"

- ◆ The new medium-term management plan includes the following changes to the shareholder return policy

Basic policy: Continue to pay stable dividends while securing the internal reserves necessary for maintaining growth and increasing corporate value
Dividend payout ratio : Aim for a consolidated dividend payout ratio of 50%



^{*1}: Consolidated account commenced in FY2013

^{*2}: Regarding the dividend for FY2020, the dividend policy for FY2020 was withdrawn and the dividend for FY2020 was set 11.50 yen per share. As the result, the dividend payout ratio of 88.6% is planned

Earnings Forecast for FY2021

- ◆ Aim to increase net sales and profits than the previous year by increasing sales in the Real Estate Fund Business and the FinTech Business, which are the priority areas of the Medium-term Management Plan.
- ◆ The residual risk of 1.0 billion yen related to Air Mauritius bankruptcy will be fully disposed in FY2021, and this is already included in the earnings forecast for FY2021.

(JPY billions)

		FY2020		FY2021		
			% of Net sales		% of Net sales	Y on Y Change
Net sales		12.70	100.0%	13.86	100.0%	+9.1%
Leasing Fund Business		11.10	87.4%	10.54	76.1%	▲5.0%
Real Estate Fund Business		0.68	5.4%	2.00	14.4%	+192.0%
FinTech Business		0.25	2.0%	0.65	4.7%	+154.3%
Other Businesses		0.66	5.2%	0.67	4.8%	+1.0%
Operating income		1.87	14.8%	4.54	32.8%	+141.9%
Ordinary income		1.71	13.5%	4.00	28.9%	+132.6%
Profit attributable to owners of parent		1.13	8.9%	2.80	20.2%	+146.5%
Dividend per share (yen)		11.50	-	16.50	-	+43.5%
Leasing Fund Business	Total amount of equity placement	94.80	-	83.00	-	▲12.5%
	Total amount of assets arranged	158.49	-	230.00	-	+45.1%

Appendix



Income Statement Summary

(JPY billions)

	FY2019	FY2020	Y on Y Change
Net sales	26.59	12.70	▲52.2%
①Cost of sales	6.14	4.77	▲22.4%
Gross profit	20.44	7.93	▲61.2%
SG&A cost	6.01	6.05	+0.7%
Operating income	14.43	1.87	▲87.0%
②Non-operating income	2.03	2.76	+36.2%
③Non-operating expenses	2.07	2.92	+41.4%
Ordinary income	14.39	1.71	▲88.1%
Income before income taxes	14.34	1.69	▲88.2%
Total income taxes	4.31	0.53	▲87.6%
Profit attributable to owners of parent	10.03	1.13	▲88.7%

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

(JPY billions)

Asset	Sep.30, 2019	Sep.30, 2020	Change
Current assets	121.09	126.46	+5.36
Cash and deposit	16.58	25.75	+9.17
①Equity underwritten	75.43	39.61	▲35.81
②Money in trust	19.10	34.03	+14.92
③Aircraft for sales	0.00	14.66	+14.66
④Real estate for arrangement	3.37	2.21	▲1.16
Non-current assets	4.74	6.38	+1.64
Total assets	125.83	132.85	+7.01
Liabilities	Sep.30, 2019	Sep.30, 2020	Change
Current liabilities	82.40	83.21	+0.81
Short-term debt	65.89	72.87	+6.98
SPC non-recourse loan (within 1 year)	0.00	1.40	+1.40
⑤Advances received	9.79	5.45	▲4.33
Non-current liabilities	10.45	22.14	+11.69
Long-term debt	10.18	9.20	▲0.98
SPC non-recourse loan	0.00	12.54	+12.54
Total liabilities	92.85	105.36	+12.50
Total net assets	32.98	27.48	▲5.49
Total liabilities and net assets	125.83	132.85	+7.01

- ① Equity underwritten : Temporary advances in Lease Arrangement Business prior to selling to equity investors
- ② Money in trust : Temporary stock of trust beneficiary right of operating lease for aircraft using a trust function
- ③ Aircraft for sales: Aircraft owned by SPC for operating lease with Air Mauritius Limited as lessee
- ④ Real estate for arrangement : Stock of small-lot real estate investment products
- ⑤ Advances received : Including advances of commission fees related to Lease Arrangement Business

Key Financial Data

Accounting term		FY2016	FY2017	FY2018	FY2019	FY2020
Net sales	Billions of yen	18.89	21.07	22.04	26.59	12.70
Ordinary income	Billions of yen	11.90	13.71	12.62	14.39	1.71
Net income	Billions of yen	7.64	9.58	8.98	10.03	1.13
Paid-in capital	Billions of yen	3.09	3.09	3.09	3.09	3.09
Outstanding shares	Thousand of shares	94,461	94,623	92,373	90,673	89,073
Net assets	Billions of yen	17.80	25.62	29.74	32.98	27.48
Total assets	Billions of yen	81.22	82.79	85.14	125.83	132.85
Book value per share	Yen	196.86	270.60	326.03	369.59	318.90
Dividends	Yen	35.50	45.80	49.25	53.00	11.50
Earnings per share	Yen	84.05	106.44	99.71	113.01	12.98
ROE	%	45.2	45.5	33.4	32.3	3.8
Equity ratio	%	21.8	29.5	34.5	26.0	20.5
Payout ratio	%	42.2	43.0	49.4	46.9	88.6
Cash flow from operating activities	Billions of yen	▲1.69	3.03	11.58	▲24.84	12.19
Cash flow from investing activities	Billions of yen	▲0.41	▲0.02	▲0.88	▲0.39	▲2.17
Cash flow from financing activities	Billions of yen	3.57	0.74	▲9.81	28.84	▲0.89
Cash and cash equivalents at end of year	Billions of yen	8.67	12.60	13.33	16.58	25.75
Number of employees		196	227	252	262	338

(Note) Above figures reflect adjustment for stock split.



The JPX-Nikkei Index 400



**The S&P/JPX
Carbon Efficient Index**

* As of October 2020

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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