

# **FPG Consolidated Financial Results**

**First Quarter of the Fiscal Year Ending September 30, 2021  
(October 1, 2020 – December 31, 2020)**

**Financial Products Group Co., Ltd.**

**(Tokyo Stock Exchange First Section Code: 7148)**



## ■ Business categories and net sales by business

FPG's business is divided into the following 4 categories in this document

### 1. Leasing Fund Business

The Leasing Fund Business provides arrangement and management services for operating leases for aircraft, ships and marine containers. It also sells equity interests in the silent partnership "Tokumei Kumiai," general partnership "Nin-i Kumiai" and trust beneficiary rights for operating leases to investors. The main sources of net sales are arrangement fees for arrangements in the operating lease business, sales commissions received on the sale of silent partnership interests or trust beneficiary rights to investors, and service income from the aircraft investment management service business operated by FPG Amentum, one of FPG's subsidiaries.

### 2. Real Estate Fund Business

The Real Estate Fund Business arranges and sells to investors real estate fractional ownership investments, either under the Act on Specified Joint Real Estate Ventures or using the trust function of FPG Trust. The main source of net sales is commissions received on the sale of real estate fractional ownership investment.

### 3. FinTech Business

The FinTech Business develops IT systems and products and builds network infrastructures. It also promotes the provision of new financial products and services that combine the Group's various financial licenses with information technology. The main sources of net sales are contracted fees for system development and network infrastructure construction, and sales of its own products.

### 4. Other Business

Other Business includes the Insurance Sales Business, M&A Business, Private Equity Business and Aviation Business. The main sources of net sales are commission income in the Insurance Sales Business and M&A Business, proceeds from the sale of private equity funds in the Private Equity Business, and sale of services such as transport and aerial photography in the Aviation Business.

## ■ Notation in the Leasing Fund Business

### 1. Assets Arranged

The total acquisition cost of the leased property in operating leases.

### 2. Equity Placements

The total amount of silent partnership interests and trust beneficiary rights sold to investors in operating leases.

### 3. Products Inventory

The total amount of silent partnership interests, general partnership interests and trust beneficiary rights prior to sale to investors.

2

## Financial results for the 1<sup>st</sup> Quarter of FY2021

- Got off to a good start with continued recovery of sales in the Leasing Fund Business.
- In the Real Estate Fund Business, record high quarter net sales of the real estate fractional ownership investment following increased sales due to the solid demand from customers.
- Recorded in losses JPY 1 billion of residual risk of Air Mauritius, and with this completed the disposition of losses for this project.

## Future Policy and Outlook

- Aim to achieve the full-year forecast and maintain the trend of recovering sales in the Leasing Fund Business.
- Expand the Real Estate Fund Business aggressively.
- Plan to release the new service during this term in the FinTech Business

# Consolidated Financial Results for the 1<sup>st</sup> Quarter of FY2021

- Increase in net sales compared to the same period of the previous year.
- Decrease in profit compared to the same period of the previous year due to the following reasons:
  - Recorded in losses JPY 1 billion of residual risk for Air Mauritius, and with this completed the disposition of losses for this project.
  - Recorded the extraordinary loss of JPY 240 million due to the decision to transfer the currency-related OTC derivative transactions of FPG Securities in order to select and focus on certain businesses.

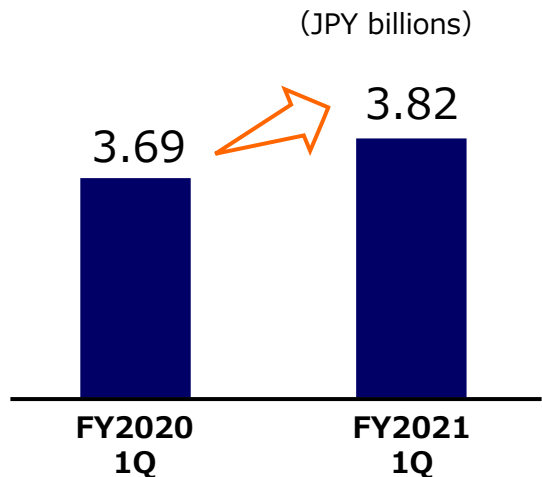
(JPY billions)

	FY2020 1Q	FY2021 1Q	YoY change (Percent change)	FY2021 Full-year forecast	Progress rate
Net sales	3.69	3.82	+0.13 (+3.4%)	13.86	27.6%
Gross profit	3.03	2.67	▲0.36 (▲12.0%)	-	-
SG&A Cost	1.53	1.68	+0.15 (+9.8%)	-	-
Operating income	1.49	0.98	▲0.51 (▲34.3%)	4.54	21.7%
Ordinary income	1.57	0.69	▲0.88 (▲56.1%)	4.00	17.4%
Profit attributable to owners of parent	1.06	0.27	▲0.79 (▲74.4%)	2.80	9.7%
Gross profit margin on sales	82.1%	69.9%	▲12.2pt	-	-
Operating income margin on sales	40.5%	25.7%	▲14.7pt	32.8%	-
Profit margin on sales*	28.8%	7.1%	▲21.7pt	20.2%	-

\*Profit means profit for this term attributable to the owners of the parent company.

# Comparison with the same period of FY2020

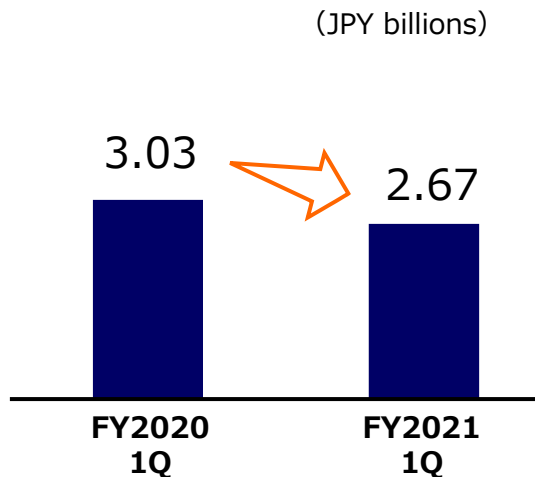
## Net sales



### Increase in net sales +0.13

- Increased net sales due to significant sales growth in the Real Estate Fund Business.

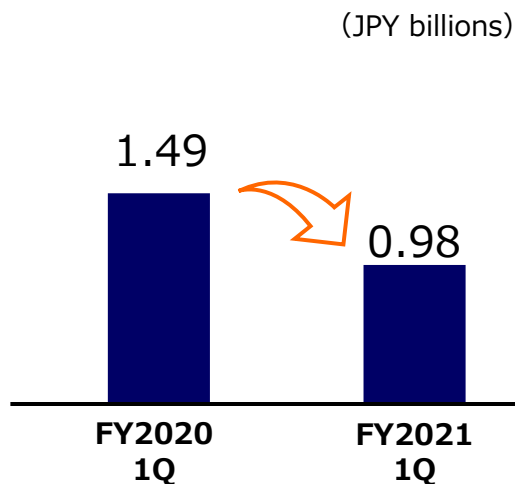
## Gross profit



### Decrease in gross profit ▲0.36

- Recorded a valuation loss of JPY 490 million for the aircraft for sale of Air Mauritius in the cost of sales.

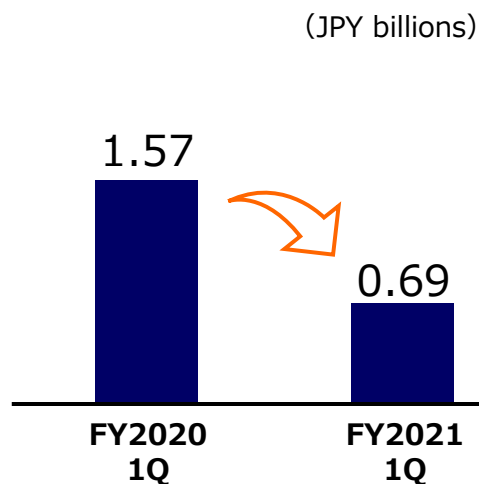
## Operating income



### Decrease in operating income ▲0.51

- Decreased the gross profit and increased SG&A.
- SG&A increased due to higher personnel expenses at FPG and SG&A expenses at FPG Technology and North Japan Airlines, which became consolidated subsidiaries in FY2020.

## Ordinary income

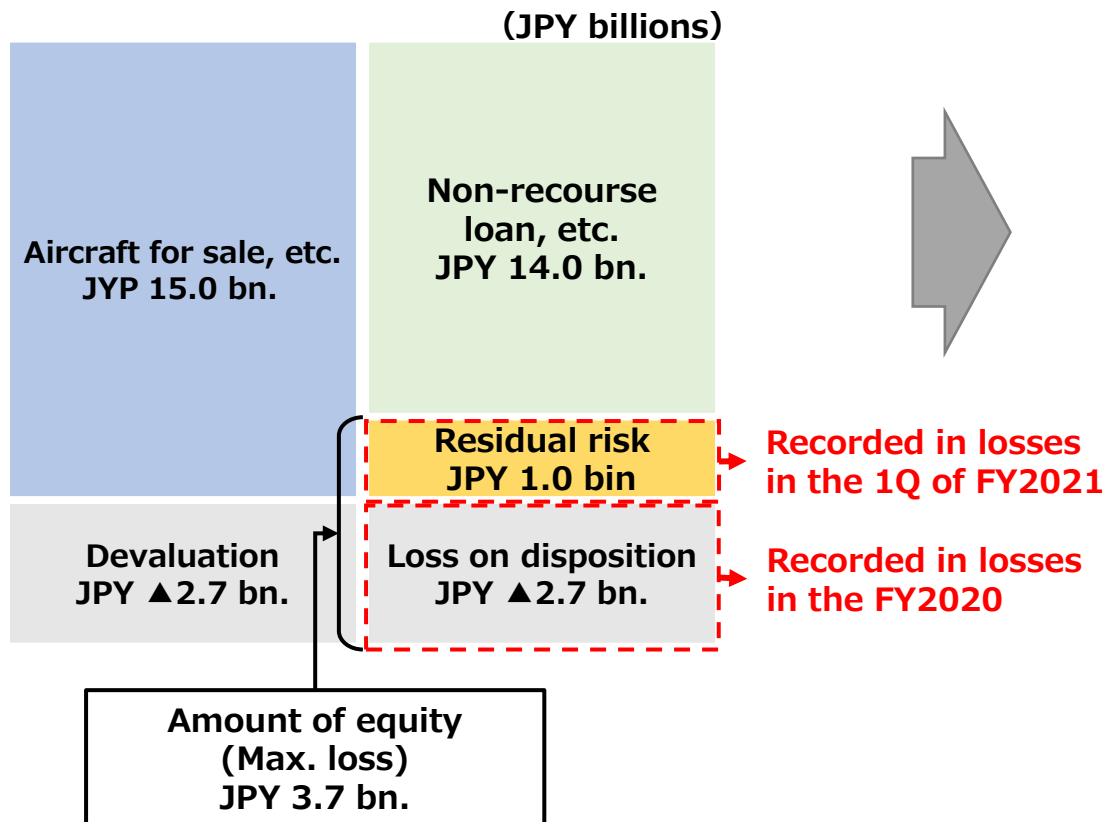


### Decrease in ordinary income ▲0.88

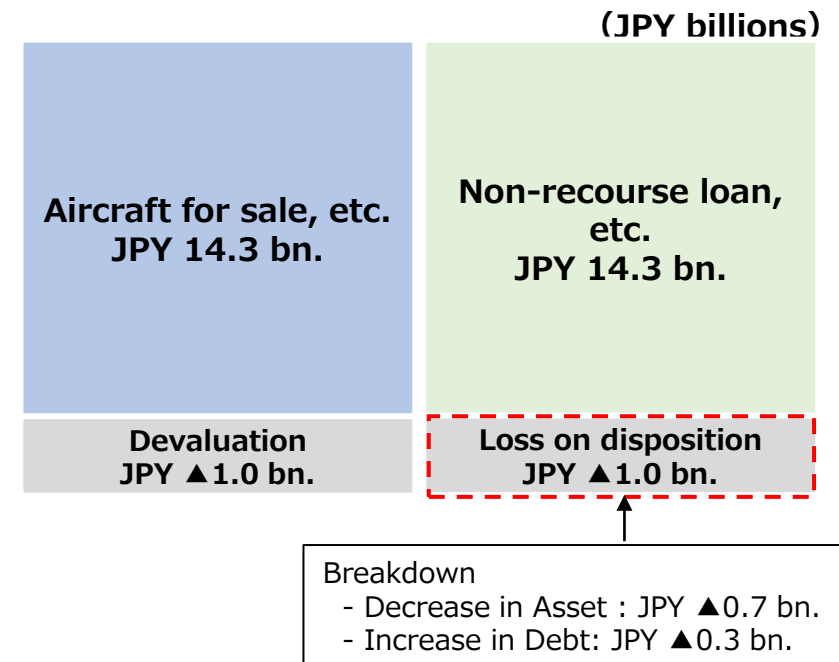
- Recorded the net costs of JPY 507 million related to Air Mauritius in the non-operating expenses in addition to the decrease in operating income.

- The non-recourse loan is repayable only from the lease payments from Air Mauritius and the proceeds from the sale of the aircraft. The maximum loss incurred by FPG is JPY 3.7 billion as equity, as no other repayment obligations.
- Disposition of losses of JPY 2.7 billion from the maximum loss of JPY 3.7 billion in FY2020.
- The residual loss of JPY 1 billion was written off in the 1<sup>st</sup> quarter of FY2021, completing the disposition of losses for this project.
- No lessee bankruptcy in our equity other than Air Mauritius.

## ◆ B/S as of the end of Sep. 2020



## ◆ B/S as of the end of Dec. 2020



# Net sales by Business

- In the Leasing Fund Business, net sales recovered to the same level as in the previous year, and progress toward the full-year forecast is good.
- In the Real Estate Fund Business, net sales increased significantly compared to the previous year, and progress toward the full-year forecast is very good.

	(JPY billions)				
	FY2020 1Q	FY2021 1Q	YoY Change (Percent change)	FY2021 Full-year forecast	Progress rate
Leasing Fund Business	3.28	2.91	▲0.37 (▲11.2%)	10.54	27.6%
Real Estate Fund Business	0.26	0.66	+0.40 (+154.1%)	2.00	33.2%
FinTech Business	-	0.11	+0.11 -	0.65	17.2%
Other Business	0.15	0.13	▲0.02 (▲12.6%)	0.67	20.5%
Total	3.69	3.82	+0.13 (+3.4%)	13.86	27.6%



# Leasing Fund Business (1) Outline

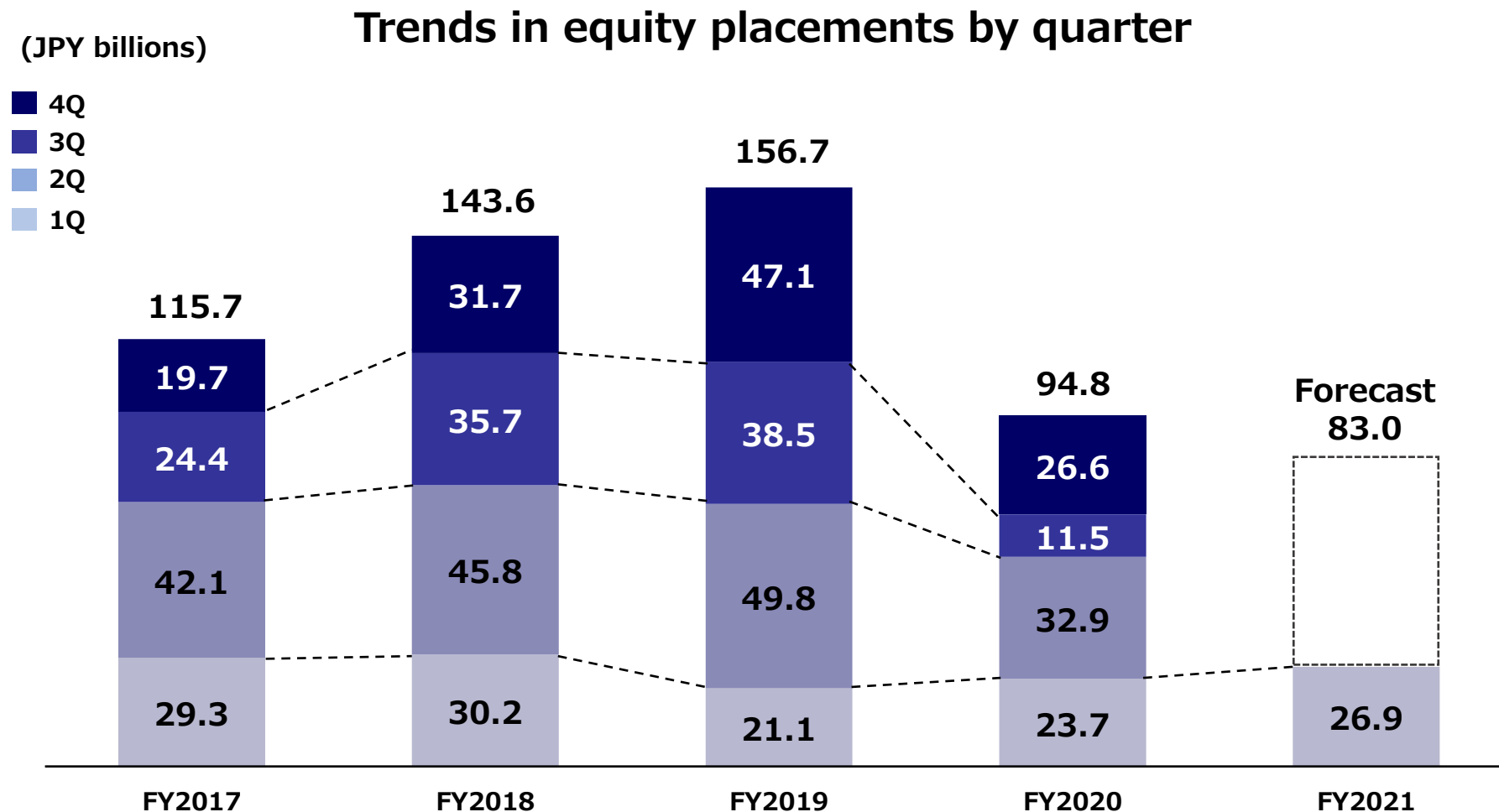
- Increase in equity placement compared to the previous year due to good sales in all categories of aircraft, ships and marine containers.
- Despite a slow start in new assets arranged the pipeline is accumulating steadily, and assets arranged are expected to increase in the future.

(JPY billions)

	FY2020 1Q		FY2021 1Q		YoY change
Net sales of Leasing Fund Business	3.28		2.91		▲11.2%
Total amount of equity placement	23.72	Component Ratio	26.93	Component Ratio	+13.5%
Aircraft	11.97	50.5%	9.36	34.7%	▲21.8%
Ships	11.13	46.9%	10.23	38.0%	▲8.0%
Marine containers	0.62	2.6%	7.34	27.3%	+1,083.9%
Total amount of assets arranged	51.48		20.91		▲59.4%
Inventory amount	87.40		59.38		▲32.0%

# Leasing Fund Business (2) Equity Placement

- In the 1<sup>st</sup> quarter, equity placement rose compared to the same period of the previous year, and good progress is being made toward the full-year forecast of JPY 83.0 billion.



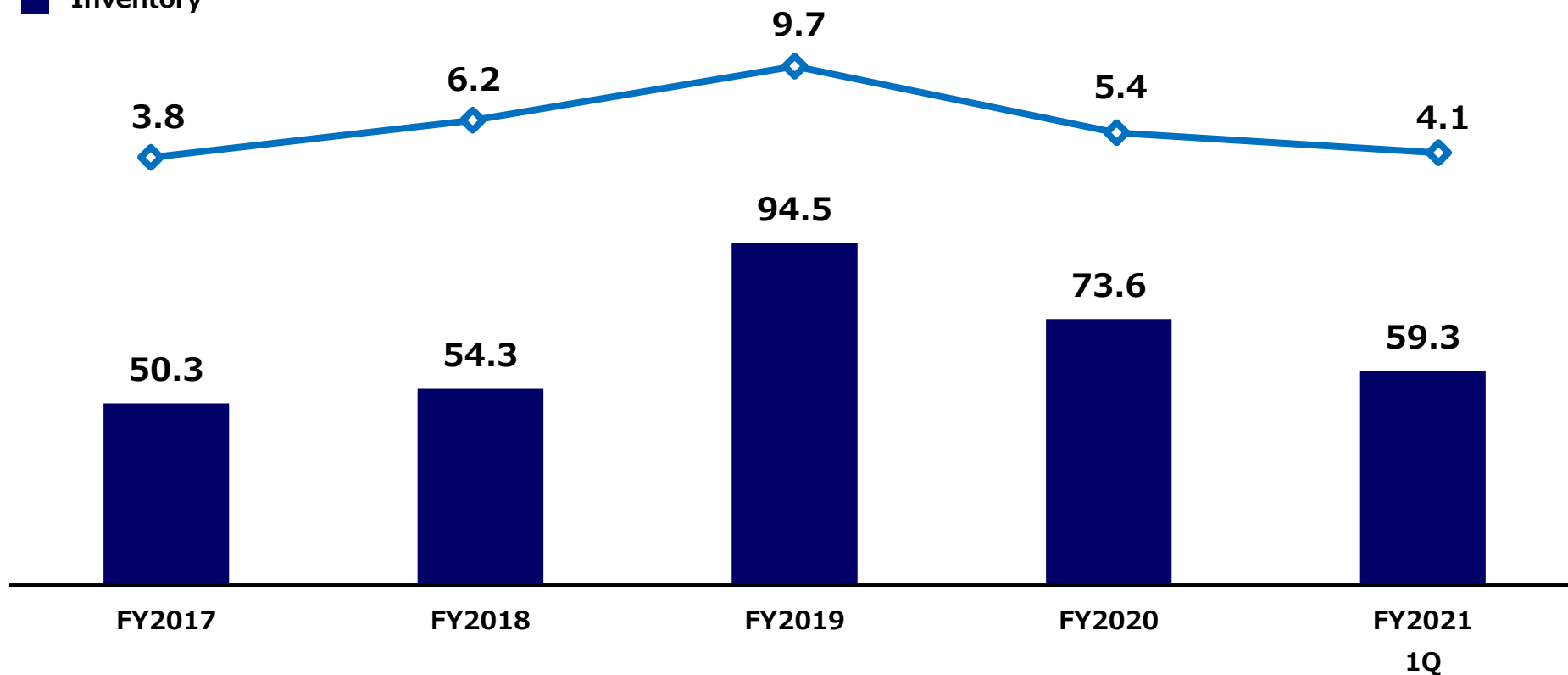
- Decrease in inventory due to the strong sales in the 1<sup>st</sup> quarter.

## Trends in inventory amount and advances received

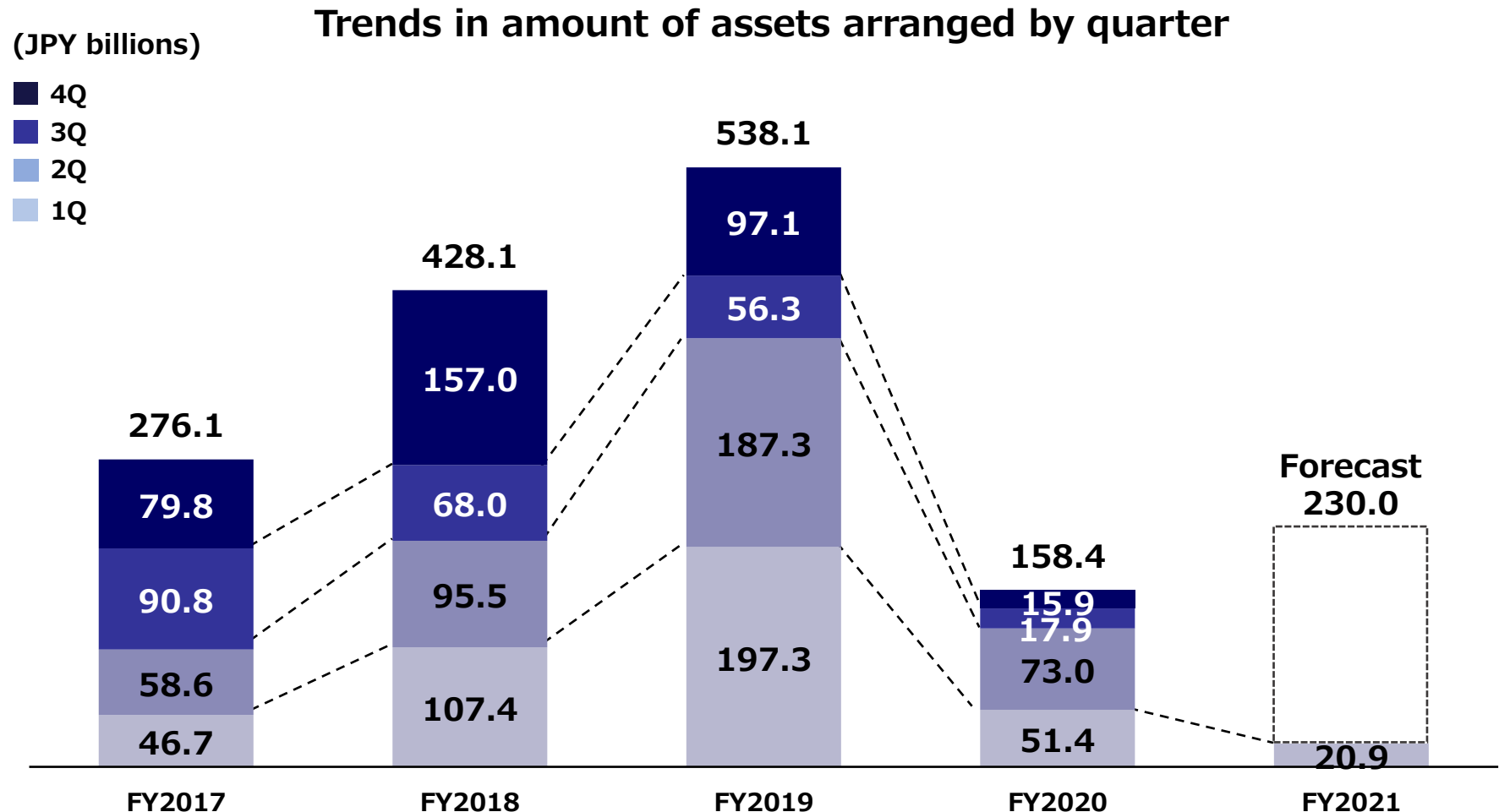
(JPY billions)

◆ Advances received

■ Inventory



- Plan to steadily build up arranged assets by leveraging our relationships with creditworthy airlines and shipping companies, although strict credit screening of lessees will continue.

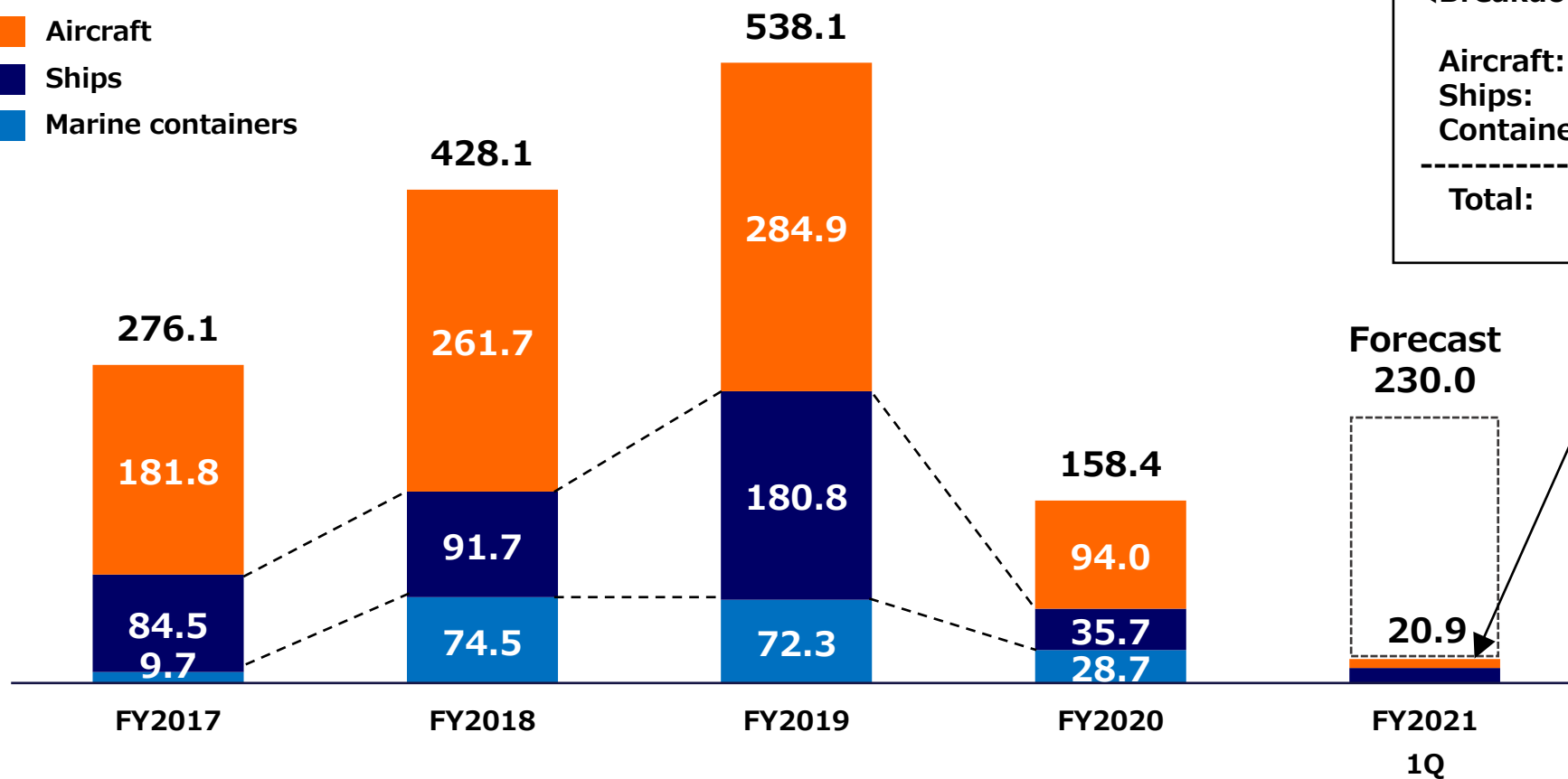


- Proactively engage in the asset arrangement of ships and marine containers, and selectively engage on aircraft projects, from the point of view of securing inventory for future sales.

### Trends in amount of asset arranged by lease asset

(JPY billions)

■ Aircraft  
■ Ships  
■ Marine containers



#### <Breakdown>

Aircraft:	7.8
Ships:	13.0
Containers:	-
<hr/>	
Total:	20.9

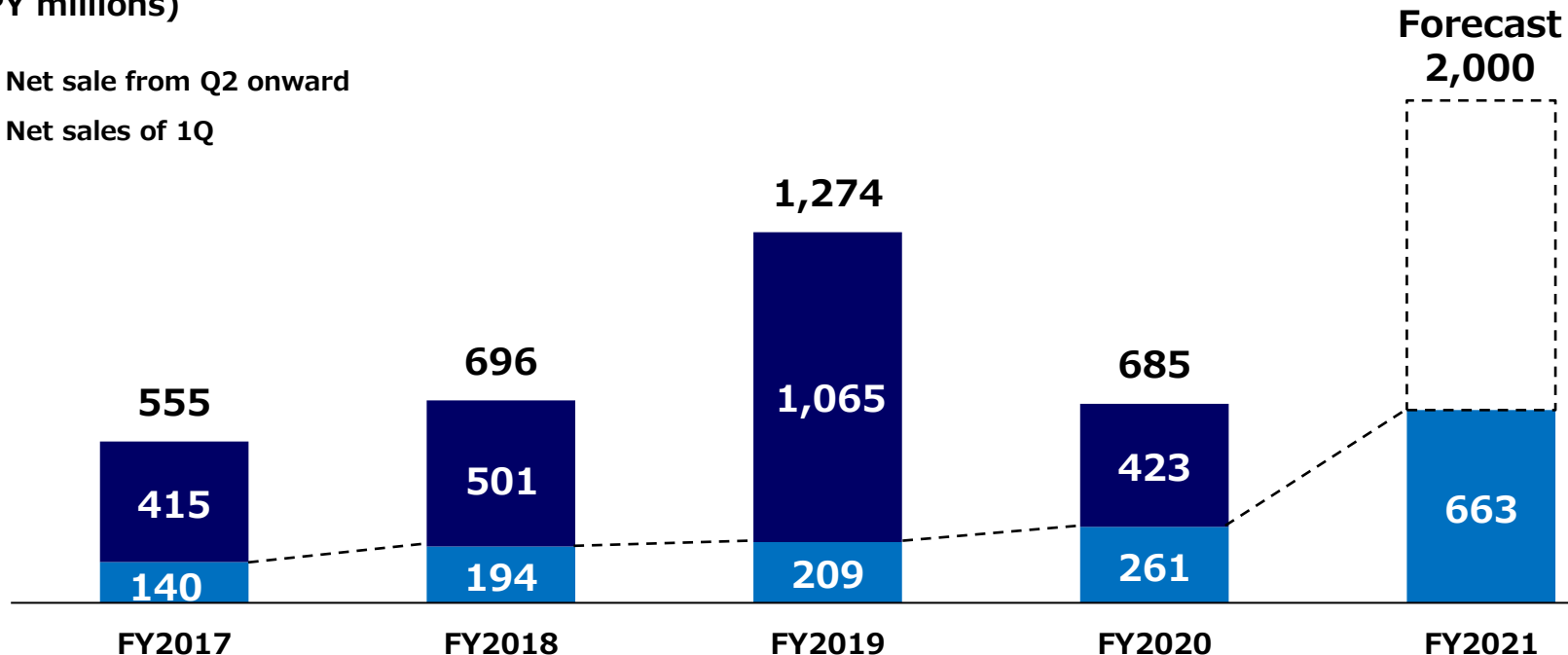
Forecast  
230.0

- Net sales of 1<sup>st</sup> quarter close to the full year results of FY2020 due to strong sales.
- Record high net sales as quarter.
- 33% progress to the full-year forecast for the FY2021, so a good start to achieving the forecast.

## Trends in net sales of the real estate fractional ownership investment

(JPY millions)

- Net sale from Q2 onward
- Net sales of 1Q



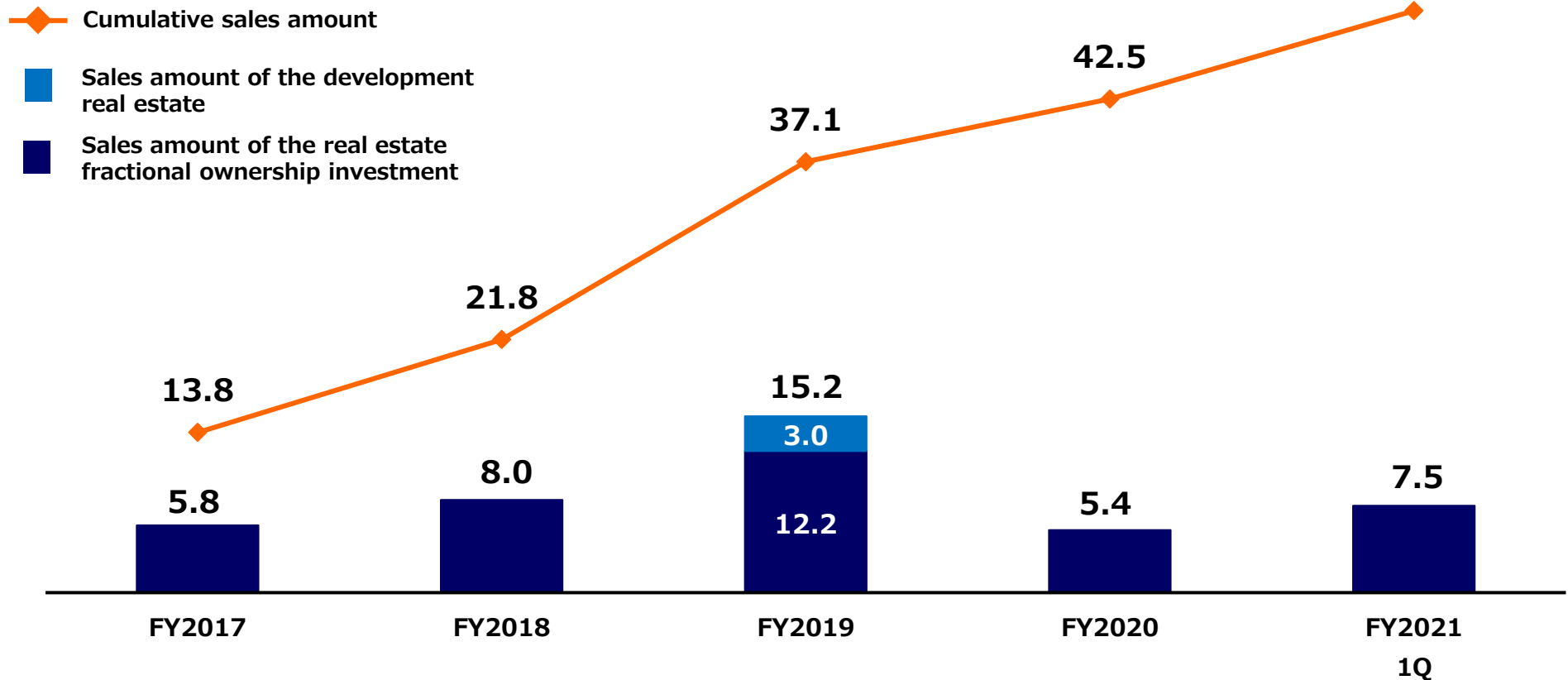
# Real Estate Fund Business (2)

## Trend in amount sales

- The cumulative sales of real estate products exceeded JPY 50 billion as of the end of December 2020.
- Increased sales in response to existing investors selling prematurely.

### Trends in sales amount of the real estate products and cumulative sales amount

(JPY billions)



# Real Estate Fund Business (3)

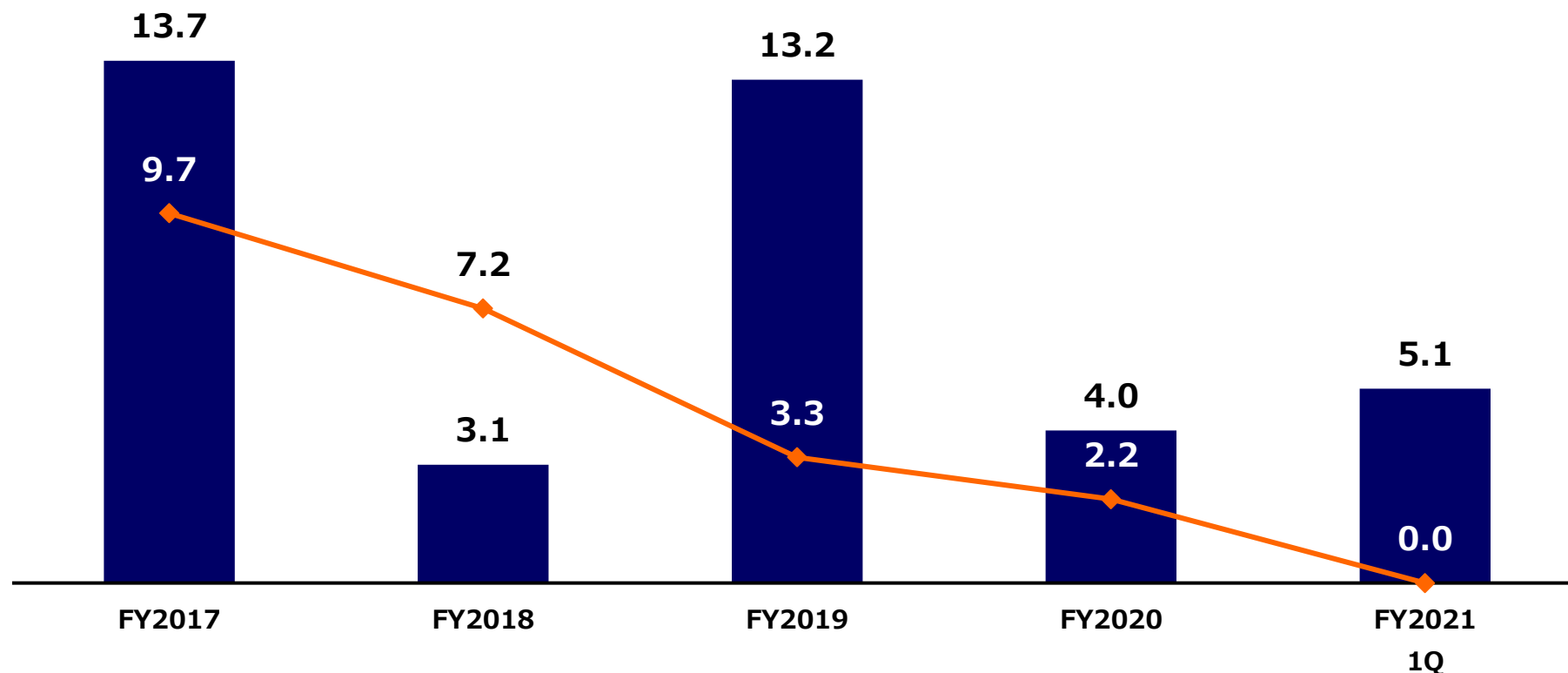
## Trends in arrangement and inventory

- All inventory sold out at the end of December 2020.
- As the sold out immediately after release, continue to actively arrangement.

Trends in amount of the arrangement by each year  
and inventory at the end of each period

(JPY billions)

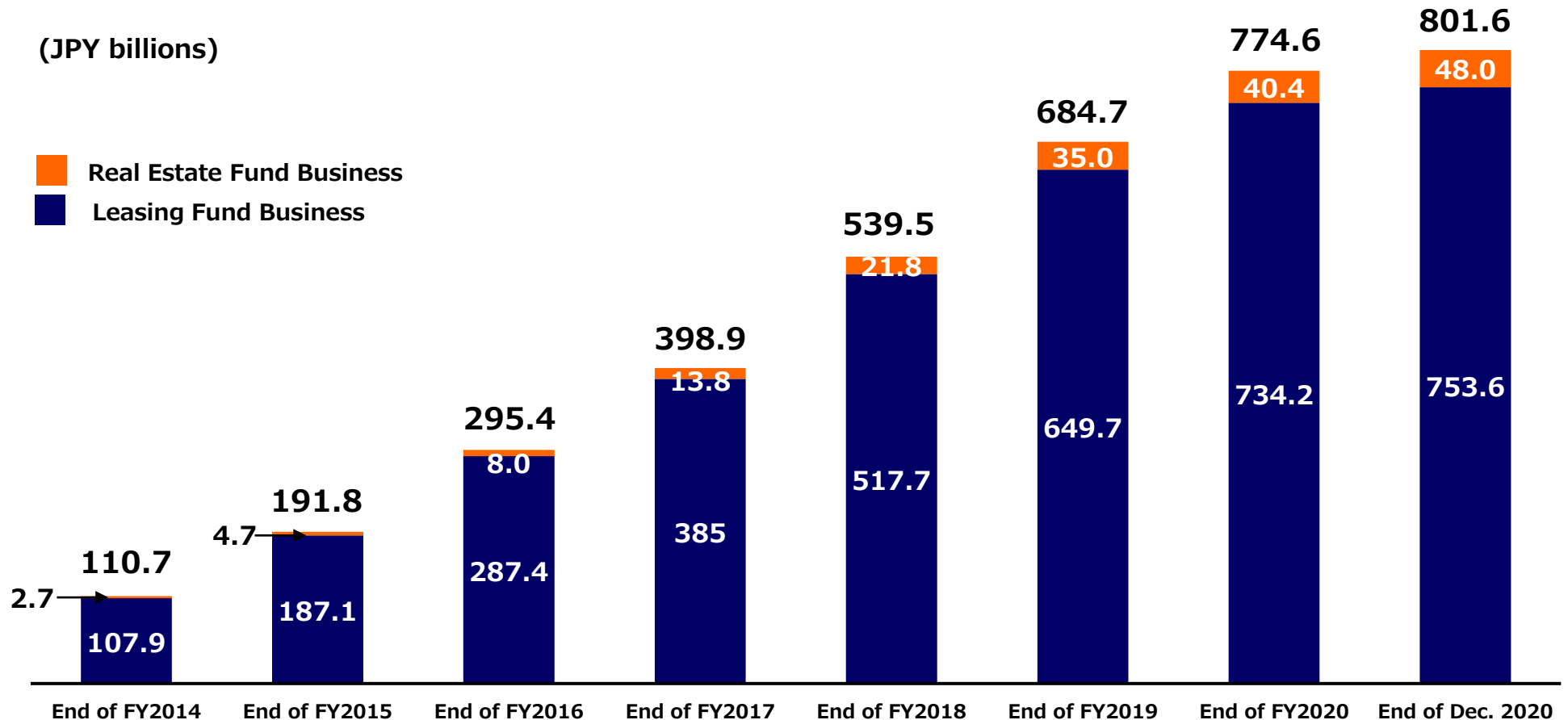
■ Amount of the arrangement  
—◆— Inventory





# Trend in unredeemed balance\*

- Unredeemed balance of JPY 801.6 billion at the end of December 2020, with a target of JPY 1.0 trillion.
- Promote proposals to capture reinvestment demand in projects that will be redeemed in the future.



\*The unredeemed balance is the sum of the amount invested by investors in the Leasing Fund Business and the amount of the real estate fractional ownership investments sold to investors in the Real Estate Fund Business, excluding the amount already redeemed.

# Income statement Summary

	(JPY billions)		
	FY2020 1Q	FY2021 1Q	YoY Change
Net sales	3.69	3.82	+3.4%
① Cost of sales	0.66	1.15	+73.6%
Gross profit	3.03	2.67	▲12.0%
SG&A Cost	1.53	1.68	+9.8%
Operating income	1.49	0.98	▲34.3%
② Non-operating income	0.52	0.66	+26.2%
③ Non-operating expenses	0.44	0.95	+115.6%
Ordinary income	1.57	0.69	▲56.1%
Income before income taxes	1.57	0.44	▲71.7%
Total income taxes	0.49	0.19	▲60.0%
Profit attributable to owners of parent	1.06	0.27	▲74.4%

- ① Cost of sales: Includes cost of commission fees paid for client introductions, arrangement costs for Leasing Fund Business, and valuation loss of Aircraft for sale
- ② Non-operating income: Includes interest that we collect from investors when we sell equity to them and gain on investments in money held in trust in the Leasing Fund Business.
- ③ Non-operating expenses: Includes interest paid on commission fees and interest expenses related to fund-procurement (USD as well as JPY) and the costs related to Air Mauritius

# Balance Sheet Summary

(JPY billions)

Asset	FY2020 Sep.30, 2020	FY2021 Dec. 31, 2020	Change
<b>Current assets</b>	<b>126.46</b>	<b>114.62</b>	<b>▲11.84</b>
Cash and deposit	27.15	34.27	+7.12
① Equity underwritten	39.61	30.57	▲9.04
② Money in trust	34.03	28.81	▲5.22
③ Aircraft for sales	14.66	13.98	▲0.68
④ Real estate for arrangement	2.21	-	▲2.21
<b>Non-current assets</b>	<b>6.38</b>	<b>6.59</b>	<b>+0.21</b>
<b>Total assets</b>	<b>132.85</b>	<b>121.22</b>	<b>▲11.63</b>
Liabilities and Net asstes	FY2020 Sep.30, 2020	FY2021 Dec. 31, 2020	Change
<b>Current liabilities</b>	<b>83.21</b>	<b>73.49</b>	<b>▲9.72</b>
Short-term debt	72.87	63.17	▲9.70
SPC non-recourse loan(within 1 year)	1.40	1.72	+0.32
⑤ Advances received	5.45	4.17	▲1.28
<b>Non-current liabilities</b>	<b>22.14</b>	<b>20.94</b>	<b>▲1.20</b>
Long-term debt	9.20	7.78	▲1.42
SPC non-recourse loan	12.54	12.53	▲0.01
<b>Total liabilities</b>	<b>105.36</b>	<b>94.44</b>	<b>▲10.92</b>
<b>Total net assets</b>	<b>27.48</b>	<b>26.77</b>	<b>▲0.71</b>
<b>Total liabilities and net assets</b>	<b>132.85</b>	<b>121.22</b>	<b>▲11.63</b>

- ① Equity underwritten : Temporary advances in Leasing Fund 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 Leasing Fund Business



**The JPX-Nikkei Index 400**



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

\* As of December 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】**

**Financial Products Group Co., Ltd.  
Corporate Planning Department**

**TEL           +81-3-5288-5691**

**E-mail       ir@fpg.jp**

**URL           <https://www.fpg.jp/en/>**