

FPG Consolidated Financial Results

**Third Quarter of the Fiscal Year Ending September 30, 2018
(October 1 ,2017 – June 30 ,2018)**

Financial Products Group Co., Ltd.

(Tokyo Stock Exchange First Section Code: 7148)



July 31, 2018

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Performance Overview



■ Highlights

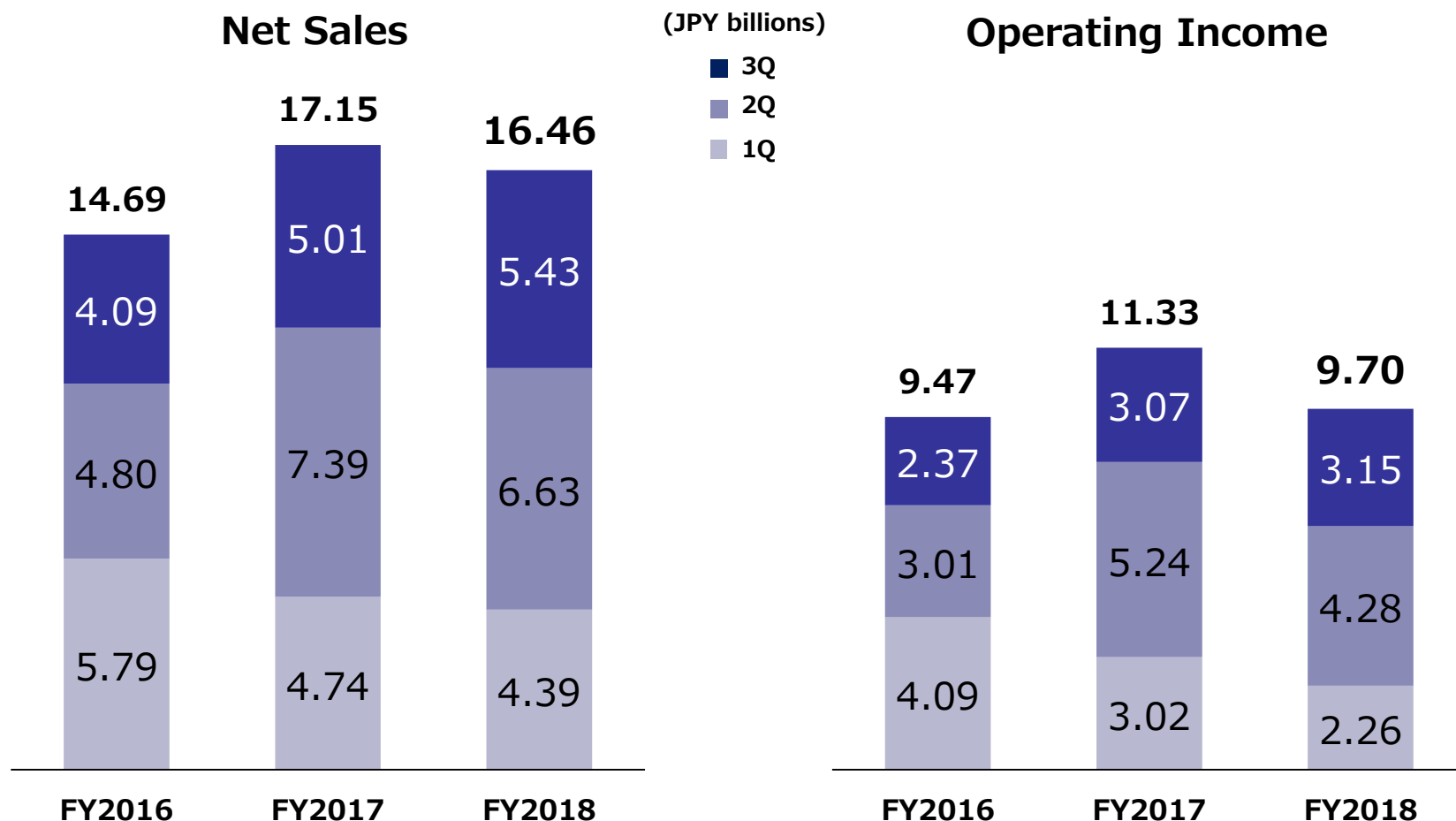
- ◆ Both origination and equity sales showed YoY increases.
Aimed at FY2018 business plan achievement.

- Equity sales achieved a cumulative record high of over 100 billion through 3Q.
Profitability, however, declined due to a temporary cost increase for JOL sales promotion.
- Total amount of assets arranged in operating lease reached to ¥271.0bn, YoY up 38.1%.
- Sales of other businesses increased led by the Insurance Brokerage Business and Real Estate Business.

(JPY billions)

	FY2017 3Q(Cumulative)		FY2018 3Q(Cumulative)			FY2018 Full-year Forecast	Progress rate
		% of Net sales		% of Net sales	Y on Y Change		
Net sales	17.15	100.0%	16.46	100.0%	▲4.0%	23.70	69.5%
Tax leasing arrangement business	15.49	90.3%	14.36	87.2%	▲7.3%	20.72	69.3%
Other business	1.66	9.7%	2.10	12.8%	26.5%	2.97	70.8%
Gross profit	15.02	87.6%	13.97	84.9%	▲7.0%	-	-
SG&A cost	3.68	21.5%	4.26	25.9%	15.7%	-	-
Operating income	11.33	66.1%	9.70	58.9%	▲14.4%	14.75	65.8%
Ordinary income	11.67	68.1%	9.42	57.2%	▲19.3%	14.92	63.1%
Profit attributable to owners of parent	8.07	47.1%	6.57	40.0%	▲18.5%	10.31	63.8%
Total amount of equity placement in operating leases	95.96	-	111.83	-	16.5%	157.22	71.1%
Total amount of assets arranged in operating leases	196.27	-	271.06	-	38.1%	387.46	70.0%

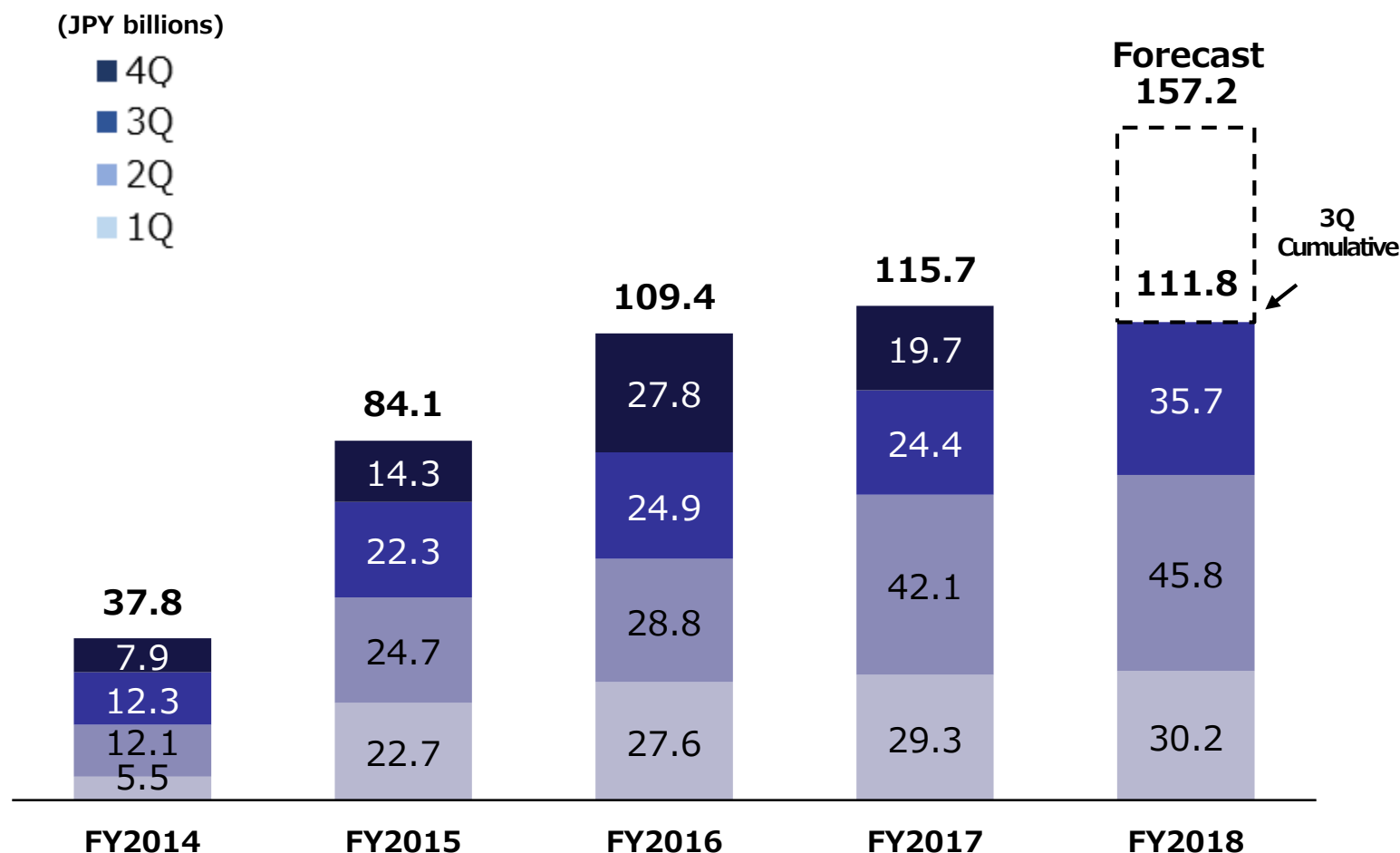
◆ YoY increase in 3Q net sales and operating income



■ Developments in Equity Sales Volume

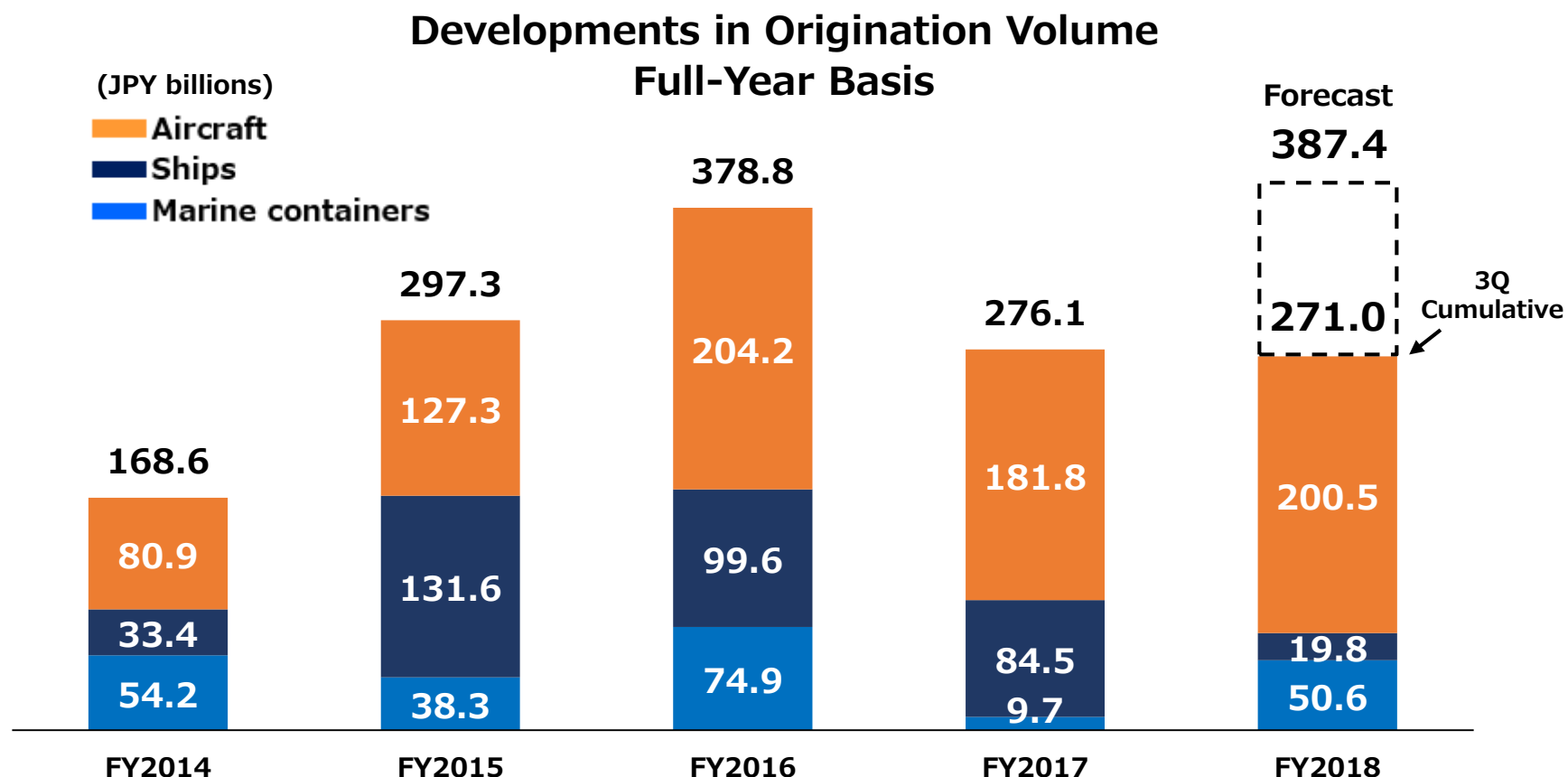
- ◆ Record high cumulative equity sales achieved in 3Q FY2018 supported by the strong demand of investors

Equity Sales Volume



■ Total Amount of Assets Arranged in Operating Leases

- ◆ Total amount of assets arranged in operating leases aimed at another record high in FY2018
- Aircraft assets contributed to the increase in total assets arranged in operating leases, and marine containers recovered



■ Expansion of JOL Business

◆ We aim to be the industry's No. 1 player even in JOL business as we are the No.1 in JOLCO

- As a result of focused sales activities targeting large investors, a cumulative total of 11 aircraft in JOL were sold through 3Q FY2018
- Sales of the trust structure further expanded

● Aircraft sales volume

Fiscal year	FY2014	FY2015	FY2016	FY2017	FY2018 3Q
Number of aircraft sold	1	2	5	4	11
(Of which trust structure)	-	-	-	(2)	(6)

● Reason for strong JOL sales

Evaluated by large investors for its convenience in utilizing the trust function which is FPG proprietary service.

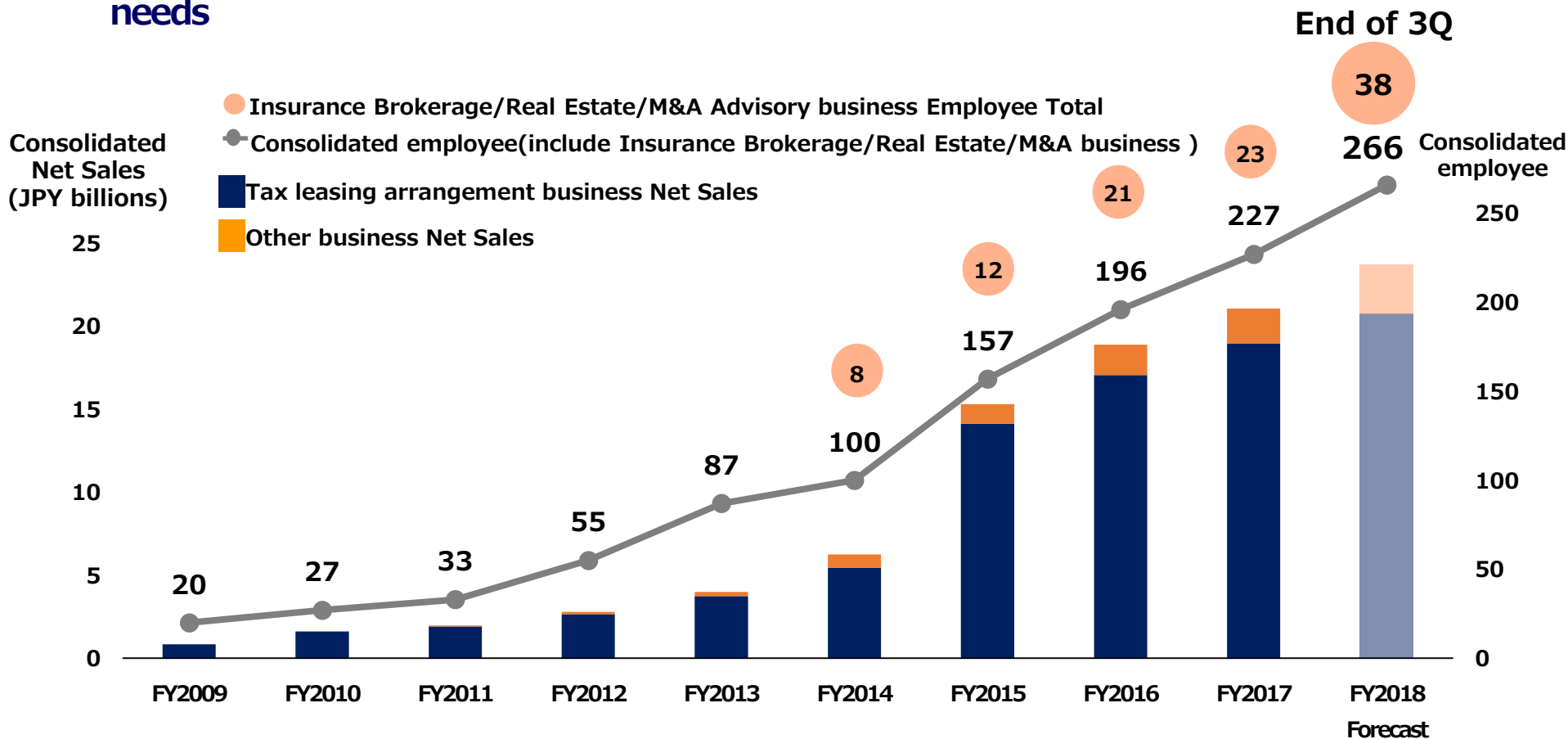
● JOLCO vs. JOL

JOLCO	:Transaction with call option of the Lessee to purchase the leased assets at fixed price at end of lease period
JOL	:Transaction without call option to purchase the leased assets at fixed price at end of lease period

■ The Number of FPG Group Consolidated Employees

◆ Extensive increase of personnel to further expand business

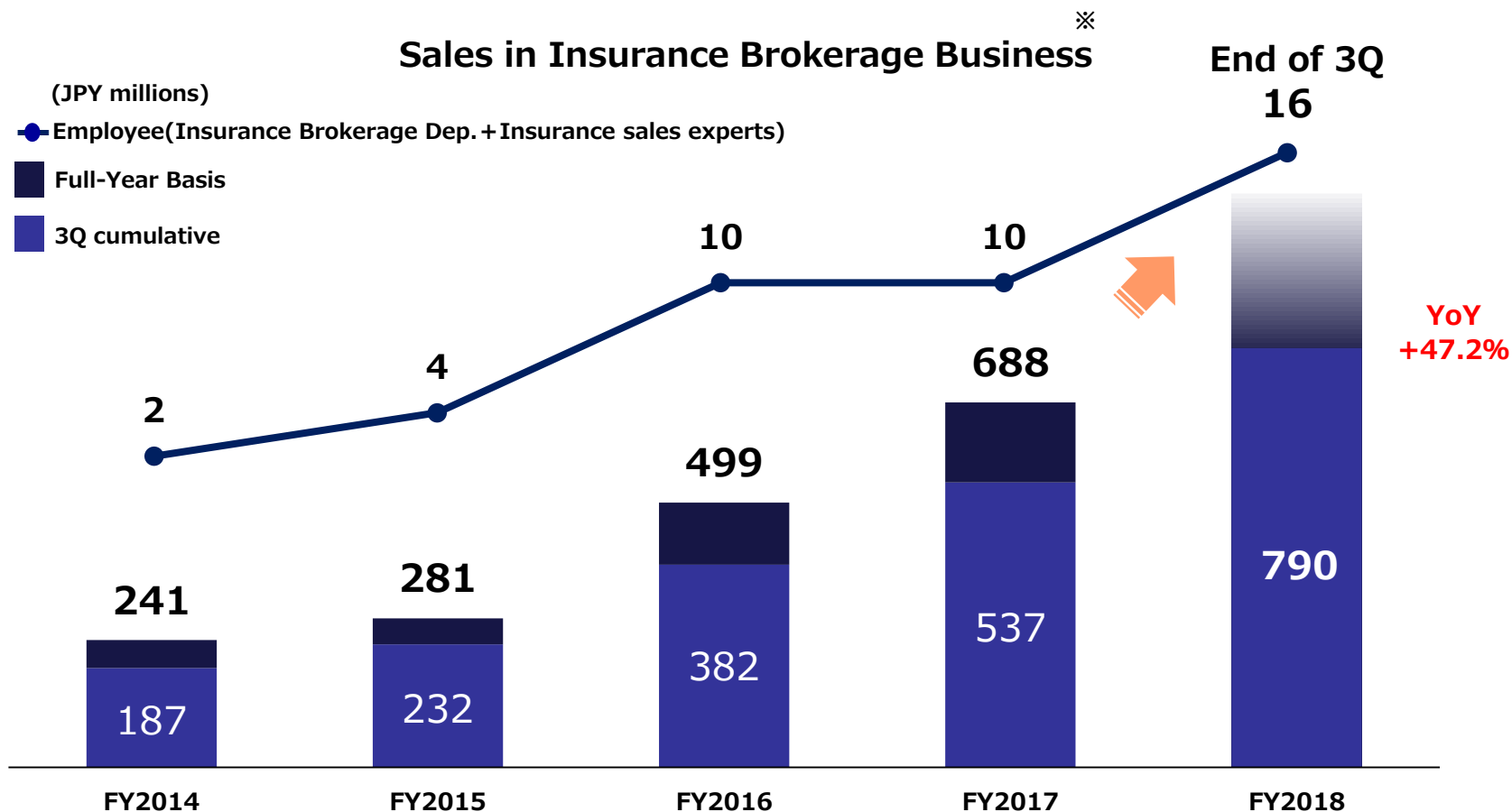
- In 3Q, increased employees focused on Insurance Brokerage/Real Estate/M&A Advisory business
- Retain talented and diversified human resources in response to increased customer needs



■ Developments in Insurance Brokerage Business

◆ Increase in number of insurance sales experts contributed to net sales increase

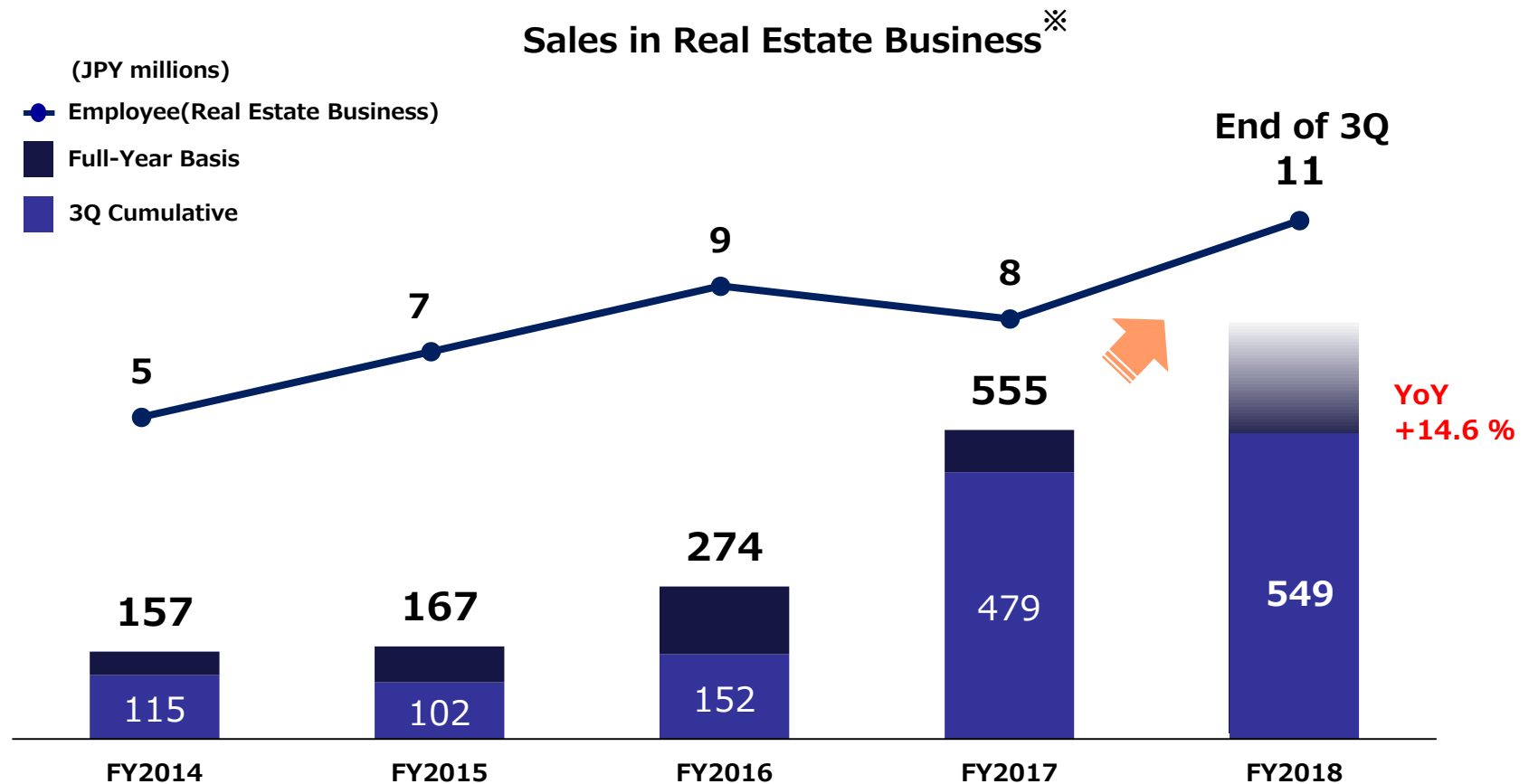
- Further increases in personnel planned
- Insurance Agency Service launched in June to expand the insurance business



※Commission fees from insurance companies, etc.)

■ Developments in Real Estate Business

- ◆ Small-lot real estate products have penetrated the market and sales have grown due to repeat demand and large investments in multiple properties
 - Business to be expanded by further increases in personnel
 - First development project started in Omotesando and expected to be completed in this year

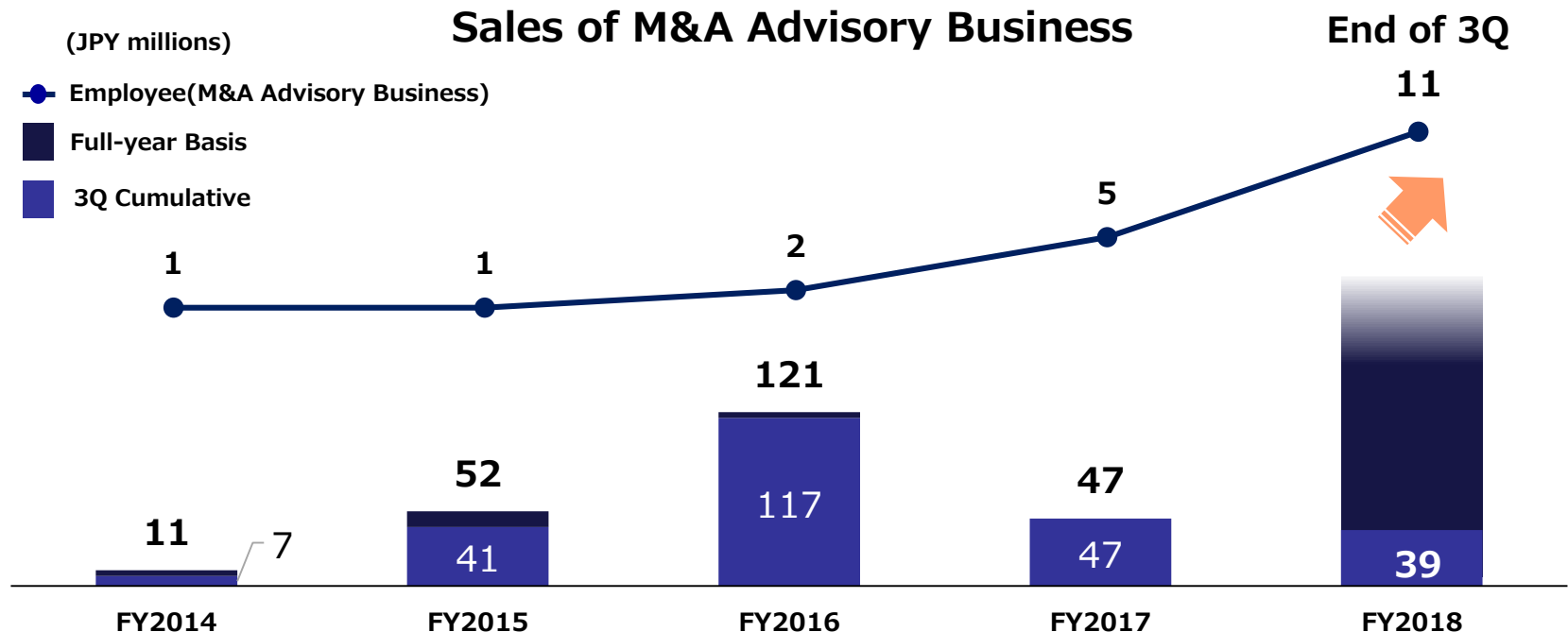


※Commission fees etc, from origination and sales of small-lot real estate products

Expansion of M&A Advisory Business

◆ Full-scale participation in the M&A business will utilize the existing network and increased number of personnel

- Plan to expand the sales by using the competitive fee structure among listed M&A companies
- By leveraging FPG matching capability, FPG can identify the possible candidates throughout Japan



Business Overview



■ Tax Leasing Arrangement Business

- ◆ Total amount of equity placement in operating leases up YoY 16.5% for record high sales
- ◆ Although highly profitable ship transactions decreased, net sales achieved ¥14.36bn covered by Aircraft transactions
- ◆ Total amount of assets arranged in operating lease reached to ¥271.0bn, up 38.1% YoY

- Won transactions with six new lessees in 3Q (cumulative) owing to alliances with overseas affiliates

(JPY billions)

		FY2017 3Q (Cumulative)		FY2018 3Q (Cumulative)		Y on Y Change
Tax leasing arrangement business net sales		15.49		14.36		▲7.3%
Total amount of equity placement in operating leases		95.96	Component Ratio	111.83	Component Ratio	+16.5%
	Aircraft	46.94	48.9%	85.94	76.9%	+83.1%
	Ships	37.86	39.5%	9.68	8.7%	▲74.4%
	Marine containers	11.15	11.6%	16.20	14.5%	+45.2%
Fee on Equity ※ (Sales/Equity Placement)		17.2%		15.4%		-
Total amount of assets arranged in operating leases		196.27		271.06		+38.1%

※JOL Full equity placement calculated as 34% conversion, which is the same profitable measure under JOLCO

■ Diversified Businesses

- ◆ Net sales of Insurance Businesses and Real estate business for 3Q continued to grow rapidly through active promotion of cross-selling using our existing customer bases and our solid distribution network
- Other business increased YoY 26.5%, representing 12.8% of overall sales
- The number of personnel in the M&A Advisory Business significantly increased in response to the SMEs M&A market and will expand the M&A business as of the following fiscal year

Sales of Diversified Businesses^{※1} (JPY millions)

	FY2017 3Q (Cumulative)	FY2018 3Q (Cumulative)	Y on Y Change
3Businesses Total	1,064	1,379	+29.6%
Insurance brokerage business	537	790	+47.2%
Real estate business	479	549	+14.6%
M&A advisory business ^{※2}	47	39	▲16.9%
Investment and maintenance service etc. ^{※3}	600	725	+20.9%
Total	1,664	2,104	+26.5%

※1 Diversified businesses refers to businesses other than our main business, which is the tax leasing arrangement business.

※2 Sales of M&A Advisory Business Business refers to commissions and contingency bonuses from M&A business

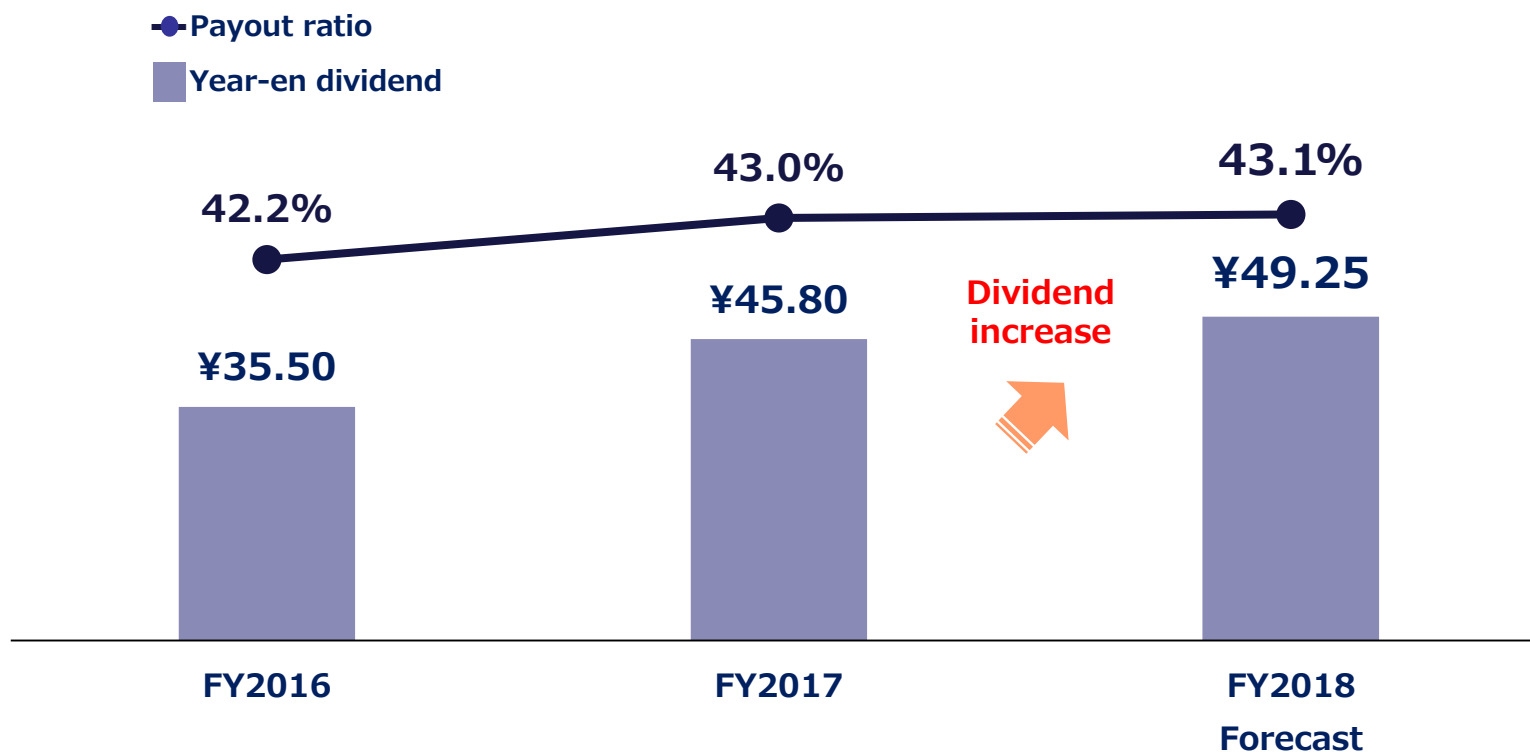
※3 Investment and maintenance service, etc. refers to investment and maintenance service of the overseas affiliates and domestic affiliates, include FPG Securities and FPG Trust etc.

◆ Year-end dividend forecast of ¥49.25 per share (Dividend increase)

■ Our basic profit distribution policy :

We attach great importance to returns to shareholders and a stable, continuous payment of dividends after guaranteeing internal reserves for future business development and improvements in business quality.

■ The target consolidated payout ratio : More than about 40%



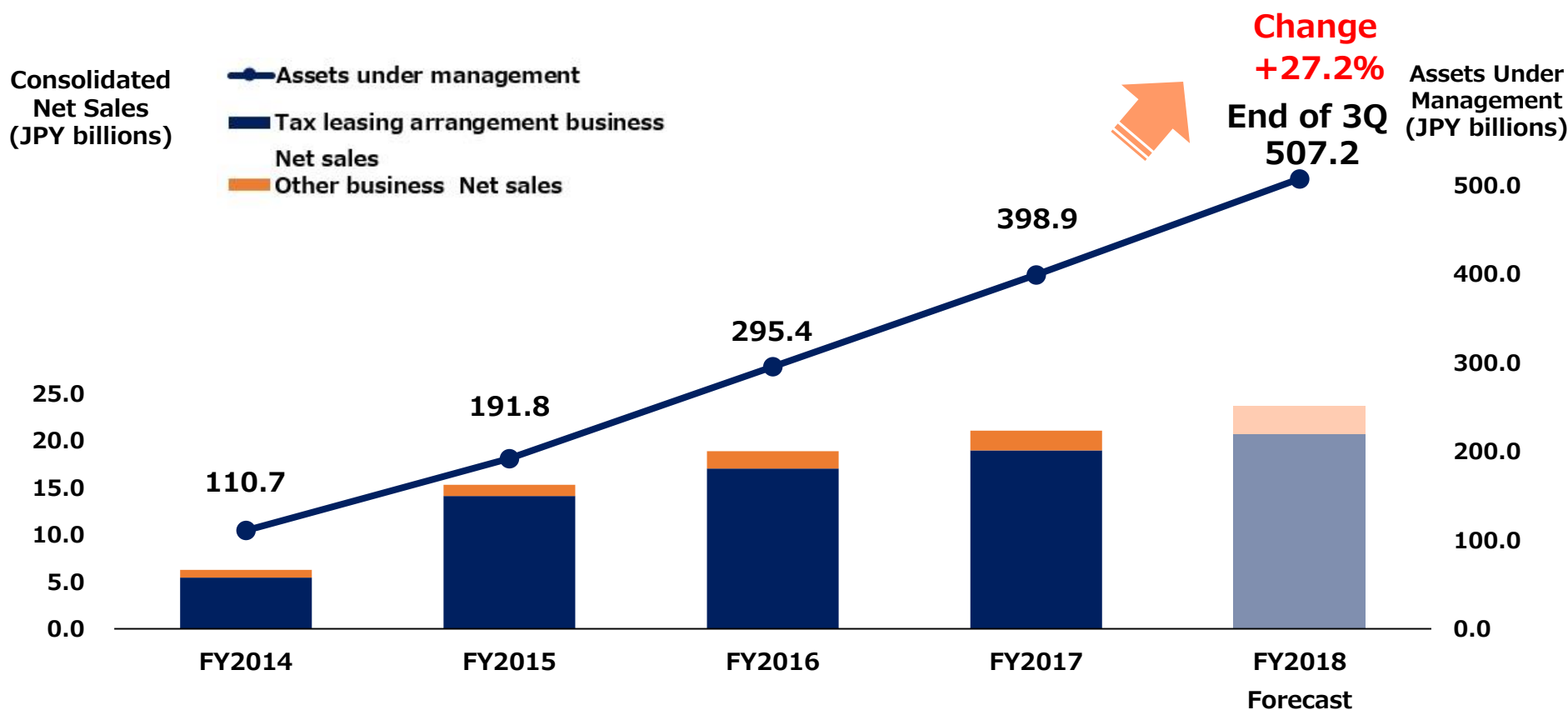
Topics



■ Assets Under Management Exceed 500 Billion Yen

◆ The medium-term management strategy aims to achieve 1 trillion yen

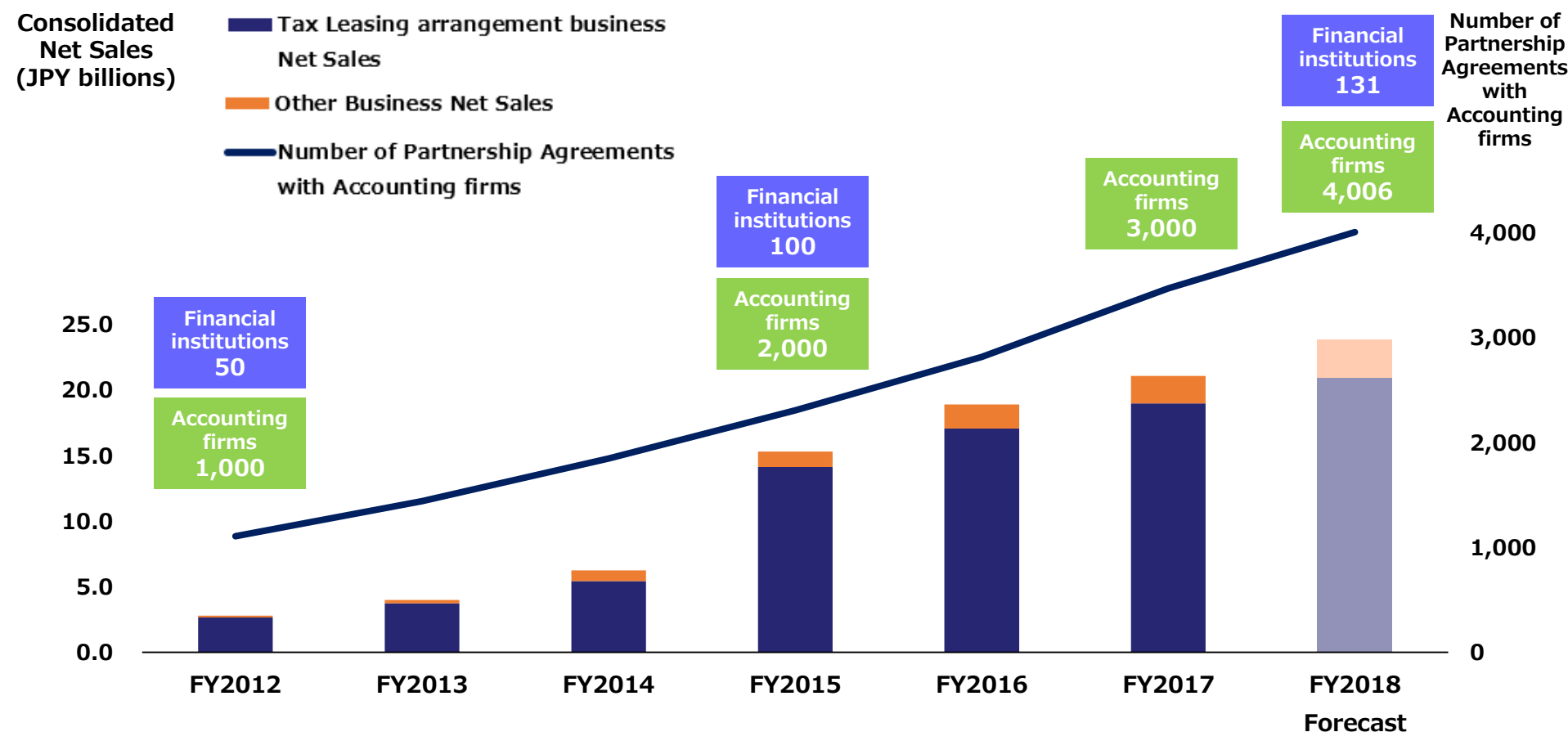
- Favorable equity sales in the Tax Leasing Arrangement Business increased assets under management 27.2% by the end of the third quarter
- Revenue proportionally increased with the volume of the assets under management.
Further increases in business are planned.



※The Assets sold to our investors related to the Tax Lease Arrangement Business and Real Estate Business

◆ The number of FPG Partnership Agreements with accounting firms exceeds 4,000 after a 17-year effort starting with the founding of FPG

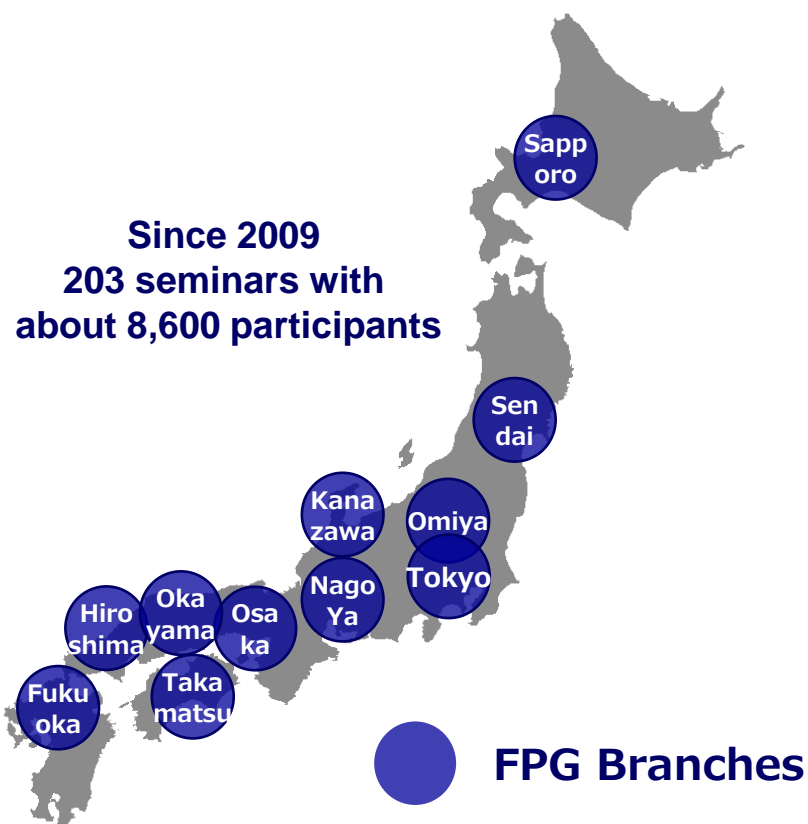
- The number of financial institution partners reached 131, which covers almost all regional banks and major security firms throughout Japan



◆ Events for Business Partners

Seminar for the Accounting Firms (Three times a year)

Seminars for accounting firms were held in July at 11 FPG branches
693 participants



Seminar for Financial Institutions (annual)

The 7th Seminar for financial institutions was held [5th and 6th July]
88 financial institutions for a total 220 participants



Strategy for Financial Institutions

Develop trainee programs and accept trainees from financial institutions

Trainee program (examples)

- ① Operating Lease and other products[1 month course]
- ② M&A business[3 month course]

→Aim to strengthen the relationship with financial institutions through promotion of FPG products and services among employees at the firms

◆ Awarded “Deal of the Year 2017” by AIR FINANCE JOURNAL

At the International Conference sponsored by AIRFINANCIAL JOURNAL in June 2018 JOLCO transaction arranged and placed of its equity by the FPG and its overseas affiliate FPG AIM was awarded the “Asia Finance Editor’s Deal of the Year 2017”

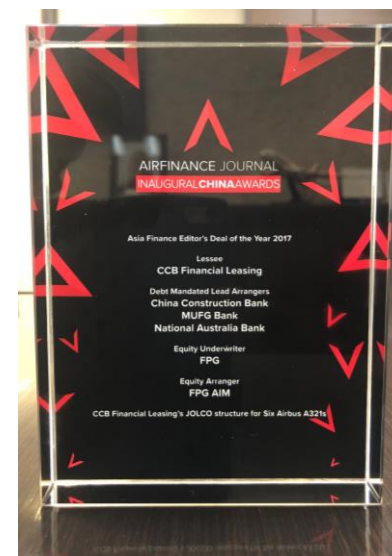
● Transaction summary

Lessee	Major Chinese leasing company
Arranger	FPG AIM (FPG’s equity method affiliate)
Equity underwriter	FPG
# of Aircraft	6

● Reason of the Award

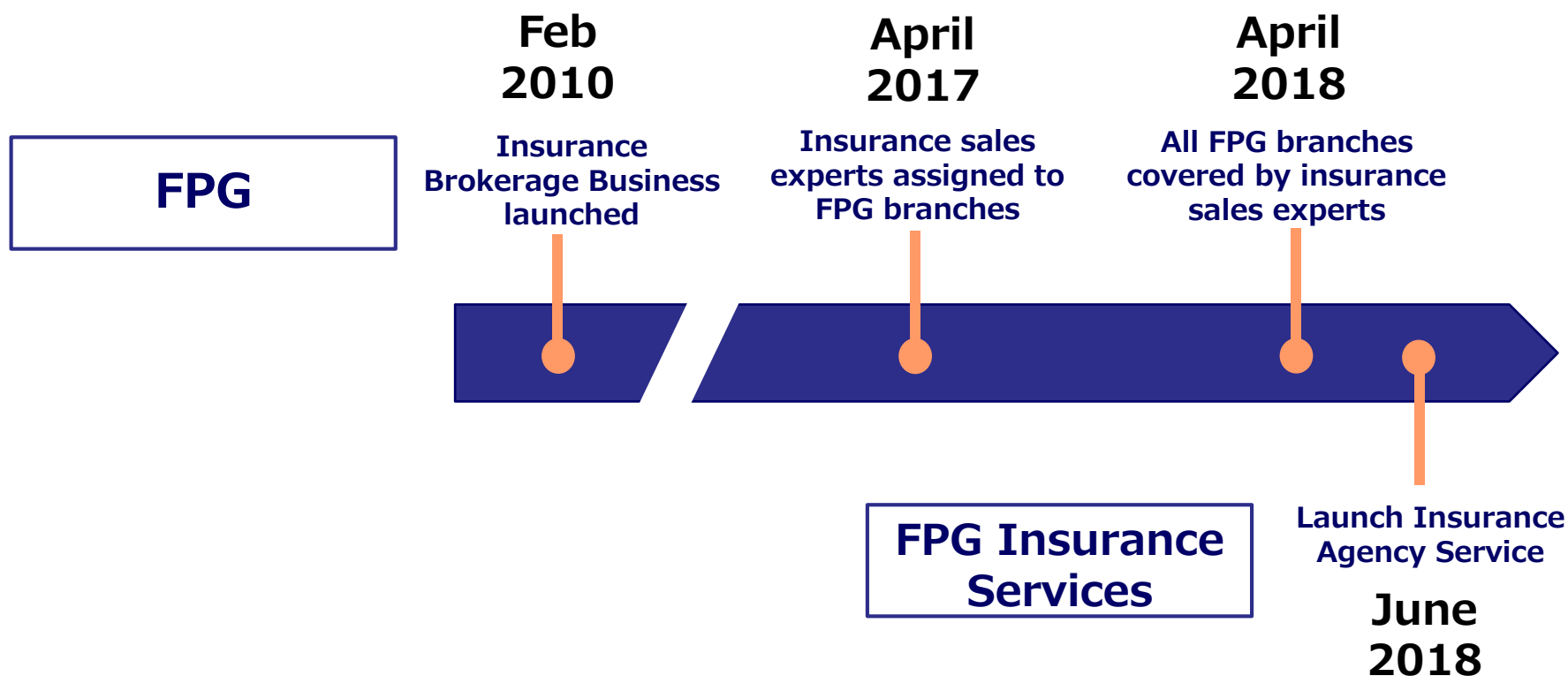
FPG provided the Chinese lessee its first JOLCO.
FPG closed the complicated multinational transaction among Europe, China, and Japan.

AIRFINANCE JOURNAL Deal of the Year 2017



■ Launch of Insurance Agency Service

- ◆ An insurance agency service was started to further strengthen Life Insurance business for corporate clients
 - The Insurance Agency Service was launched to complement the Insurance Brokerage Business
 - Agency contracts with more insurance companies will provide for more customer needs
 - Deals were wrapped up in the short period of time since the Agency Service started



Appendix



■ Income Statement Summary

(JPY billions)

	FY2017 3Q (Cumulative)	FY2018 3Q (Cumulative)	Y on Y Change
Net sales	17.15	16.46	▲4.0%
① Cost of sales	2.12	2.49	+17.2%
Gross profit	15.02	13.97	▲7.0%
SG&A cost	3.68	4.26	+15.7%
Operating income	11.33	9.70	▲14.4%
② Non-operating income	0.94	0.89	▲5.0%
③ Non-operating expenses	0.60	1.17	+94.3%
Ordinary income	11.67	9.42	▲19.3%
Income before income taxes	11.67	9.41	▲19.4%
Total income taxes	3.58	2.74	▲23.4%
Profit attributable to owners of parent	8.07	6.57	▲18.5%

- ①**Cost of sales:** Includes commission fees paid for client introductions and arrangement costs for tax leasing arrangement business
- ②**Non-operating income:** Includes interest that we collect from investors when we sell equity to them in the tax leasing arrangement business
- ③**Non-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	FY2017 Sep.30, 2017	FY2018 Jun.30, 2018	Change
Current assets	79.21	68.49	▲10.72
①Equity underwritten	19.03	15.64	▲3.38
②Money in trust	31.34	17.33	▲14.01
③Containers for arrangement	2.00	1.32	▲0.68
Real estate for arrangement	9.75	8.55	▲1.19
Non-current assets	3.58	3.80	+0.22
Total assets	82.79	72.30	▲10.49
Liabilities	FY2017 Sep.30, 2017	FY2018 Jun.30, 2018	Change
Current liabilities	48.34	33.10	▲15.23
④Short-term debt	37.26	23.72	▲13.54
⑤Advances received	3.83	2.47	▲1.35
Non-current liabilities	8.83	10.93	+2.10
④Long-term debt	8.58	10.67	+2.09
Total liabilities	57.17	44.04	▲13.13
Total net assets	25.62	28.26	+2.63
Total liabilities and net assets	82.79	72.30	▲10.49

- ①Equity underwritten : Temporary advances in the tax leasing 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
- ③Containers for arrangement : Temporary stock of containers for arrangement
- ④Short-term and long-term debts : To fund our equity underwritings and the acquisition of real estates and aircraft for arrangement
- ⑤Advances received : Including advances of commission fees related to Tax leasing arrangement business

◆ No material Impact to FPG Tax Lease Arrangement Business

	Lessees(Borrowers) 【Airlines /Shipping companies】	lessor(Lender) 【FPG・Equity Investors】
Effect of lease accounting principle application※	<ul style="list-style-type: none">■ Listed, IFRS applied companies →Lease transaction is recognized on balance sheet■ Non-IFRS applied companies →No material impact	<ul style="list-style-type: none">■ No material impact

※Effective fiscal year starting January 1, 2019 and after for the companies that have applied IFRS

● Benefits for lessors of the operating lease remain the same

- Companies introducing IFRS need to recognize both borrowings from the bank and operation lease on their balance sheets.
- They enjoy 100% finance with lower cost by using an operating lease

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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