

FPG Consolidated Financial Results

**for the Fiscal Year Ending September 30, 2018
(October 1, 2017 – September 30, 2018)**

Financial Products Group Co., Ltd.

(Tokyo Stock Exchange First Section Code: 7148)



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Part 1 Information on Financial Results

Results for FY2018

and

Full-year Performance Expectations for FY2019



◆ Increased revenue for 9 consecutive terms, but declined profit due to increase in labor cost by additional personnel

- In the tax leasing arrangement business, achieved record high both equity placements and total amount of assets arranged, and also recovered product inventory (see Page 7)
- Grew revenues from other businesses by 44.7% year-on-year thanks to staff increase, contributed to further diversification of business capabilities
- The annual dividend is expected to be 49.25 yen per share as planned.

(JPY billions)

	FY2017		FY2018			FY2018 Full-year Plan	Achievement rate
		% of Net sales		% of Net sales	Y on Y Change		
Net sales	21.07	100.0%	22.04	100.0%	4.6%	23.70	93.0%
Tax leasing arrangement business	18.96	90.0%	18.99	86.2%	0.2%	20.72	91.7%
Other business	2.10	10.0%	3.04	13.8%	44.7%	2.97	102.4%
Gross profit	18.49	87.8%	18.82	85.4%	1.7%	-	-
SG&A cost	5.07	24.1%	5.75	26.1%	13.3%	-	-
Operating income	13.41	63.7%	13.06	59.3%	▲2.6%	14.75	88.6%
Ordinary income	13.71	65.1%	12.62	57.3%	▲7.9%	14.92	84.6%
Profit attributable to owners of parent	9.58	45.5%	8.98	40.8%	▲6.2%	10.31	87.2%
Total amount of equity placement in operating leases	115.74		143.61		24.1%	157.22	91.3%
Total amount of assets arranged in operating leases	276.16		428.11		55.0%	387.46	110.5%
Dividend per share ※ (yen)	45.80		49.25		7.5%	49.25	-

※ Dividend per share for FY2018 performance is to be discussed at the General Shareholder's Meeting to be held on December 21, 2018.

Tax Leasing Arrangement Business (1) Outline

- ◆ Maintained net sales as same as the previous fiscal year level by the increase of aircraft and container deals
- ◆ Grew equity placements by 24.1% year-on-year to 143.6 billion yen, recorded historical high
- ◆ Grew the amount of assets arranged by 55.0% year on year to 428.1 billion yen, achieved historical high
- ◆ Increased product inventory compared to the previous fiscal year-end by the more deals arranged
- ◆ Maintained high level of Fee on Equity , despite of the drop year-on-year

(JPY billions)

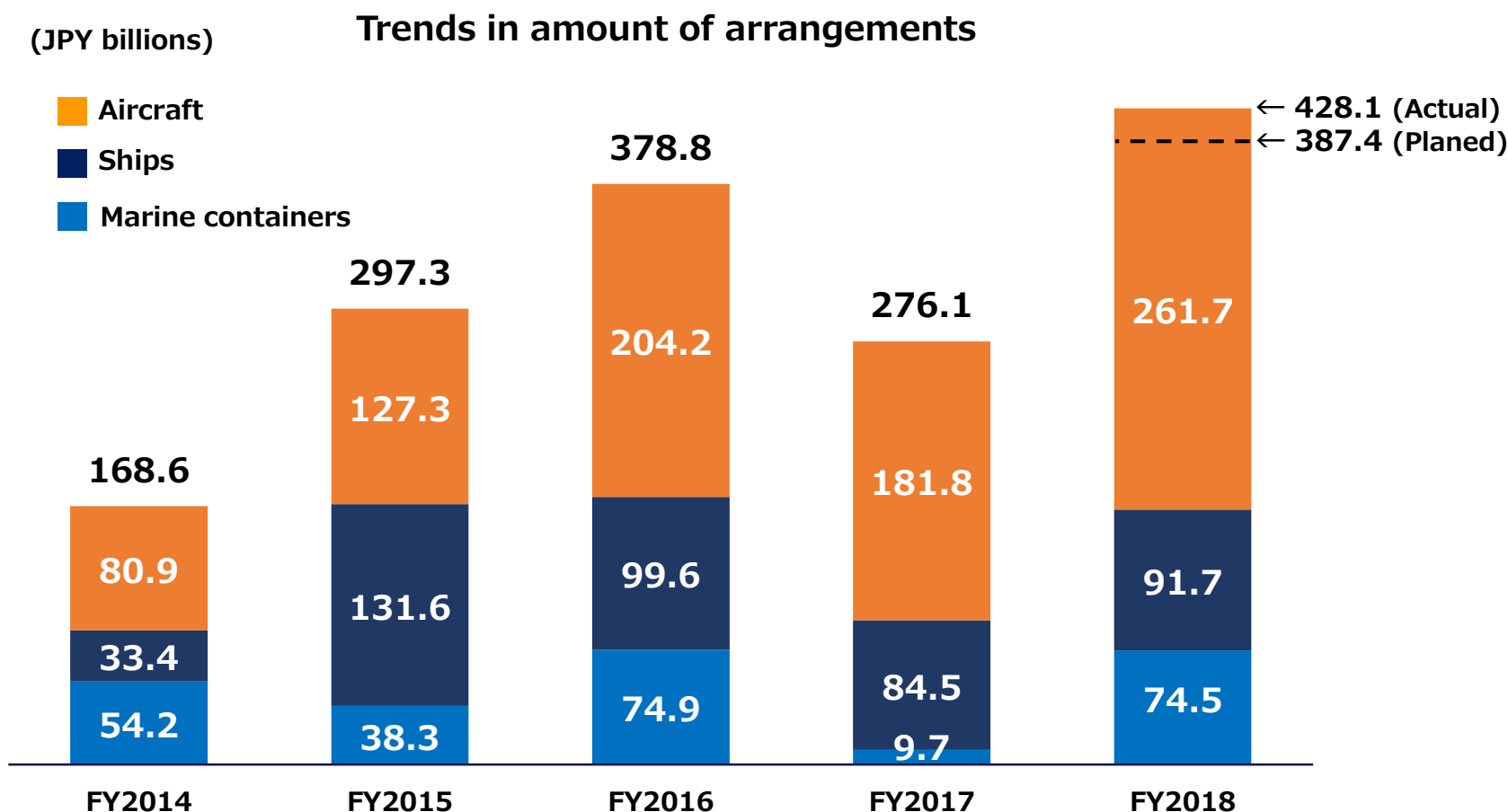
		FY2017		FY2018		Y on Y Change
Tax leasing arrangement business net sales		18.96		18.99		+0.2%
Total amount of equity placement in operating leases		115.74	Component Ratio	143.61	Component Ratio	+24.1%
	Aircraft	59.23	51.2%	101.76	70.9%	+71.8%
	Ships	43.21	37.3%	9.68	6.7%	▲77.6%
	Marine containers	13.29	11.5%	32.16	22.4%	+141.9%
Fee on Equity ※1 (Sales/Equity Placement)		17.3%		15.5%		-
Total amount of assets arranged in operating leases		276.16		428.11		+55.0%
Stock Amount ※2		50.38		54.38		+8.0%

※1 Commission rate: Equity placements for full equity projects converted at 34%

※2 Product inventory: Total for equity underwritten and money in trust (aircraft assets)

Tax Leasing Arrangement Business (2) Amount of Arrangements

- ◆ In amount of assets arranged, exceeded the full-year plan of 428.1 billion yen and made a record high
 - Recorded highest ever of arrangement for aircraft, and also recovered arrangement for containers drastically
 - Gained 8 new lessees during full year (4 for aircraft, 2 for ships, 2 for containers)

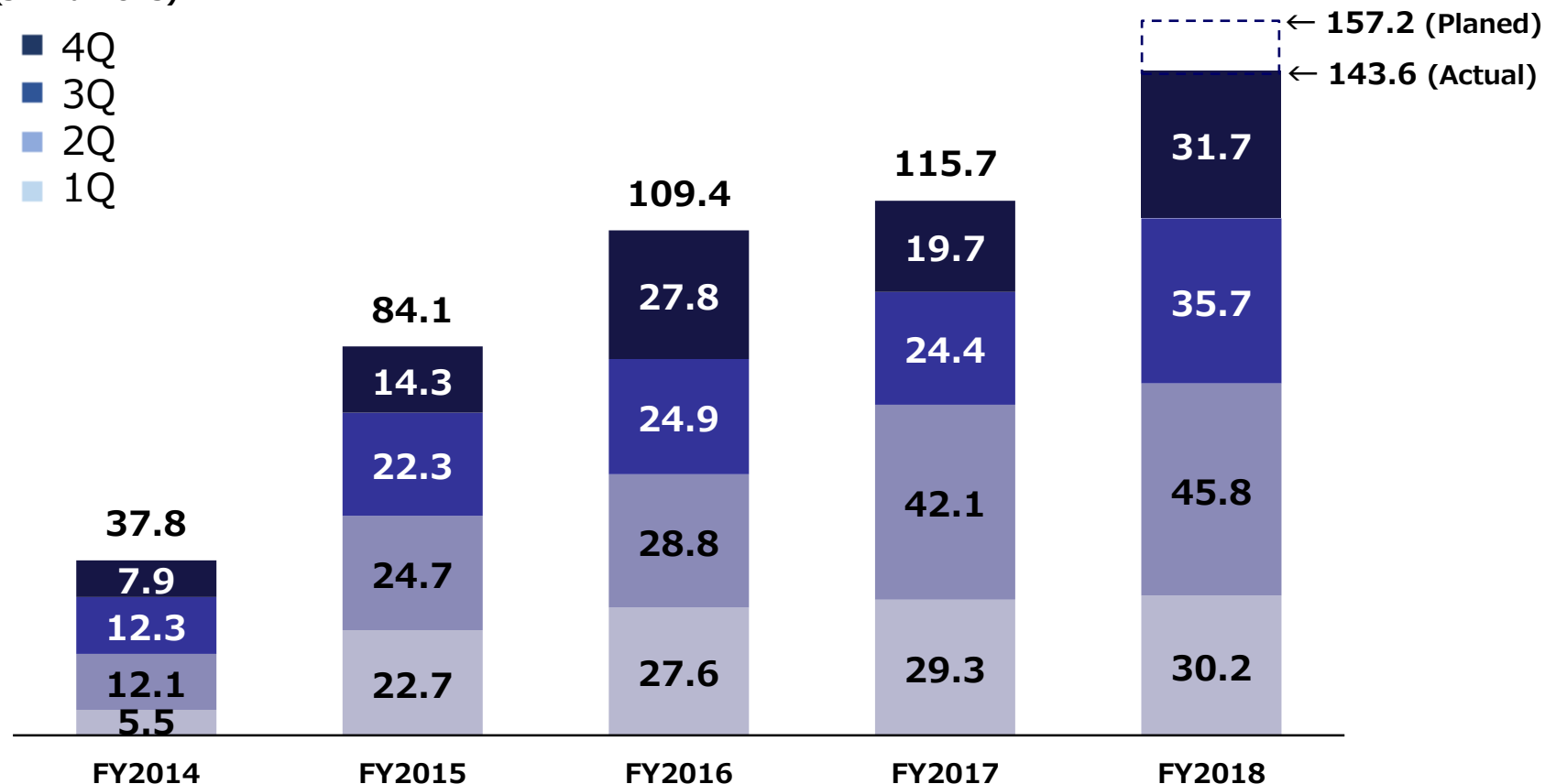


- ◆ JOL sales were strong and we achieved record-high equity placements, but the result fell short of the full-year plan by 8.7%.

Trends in equity placements by quarter

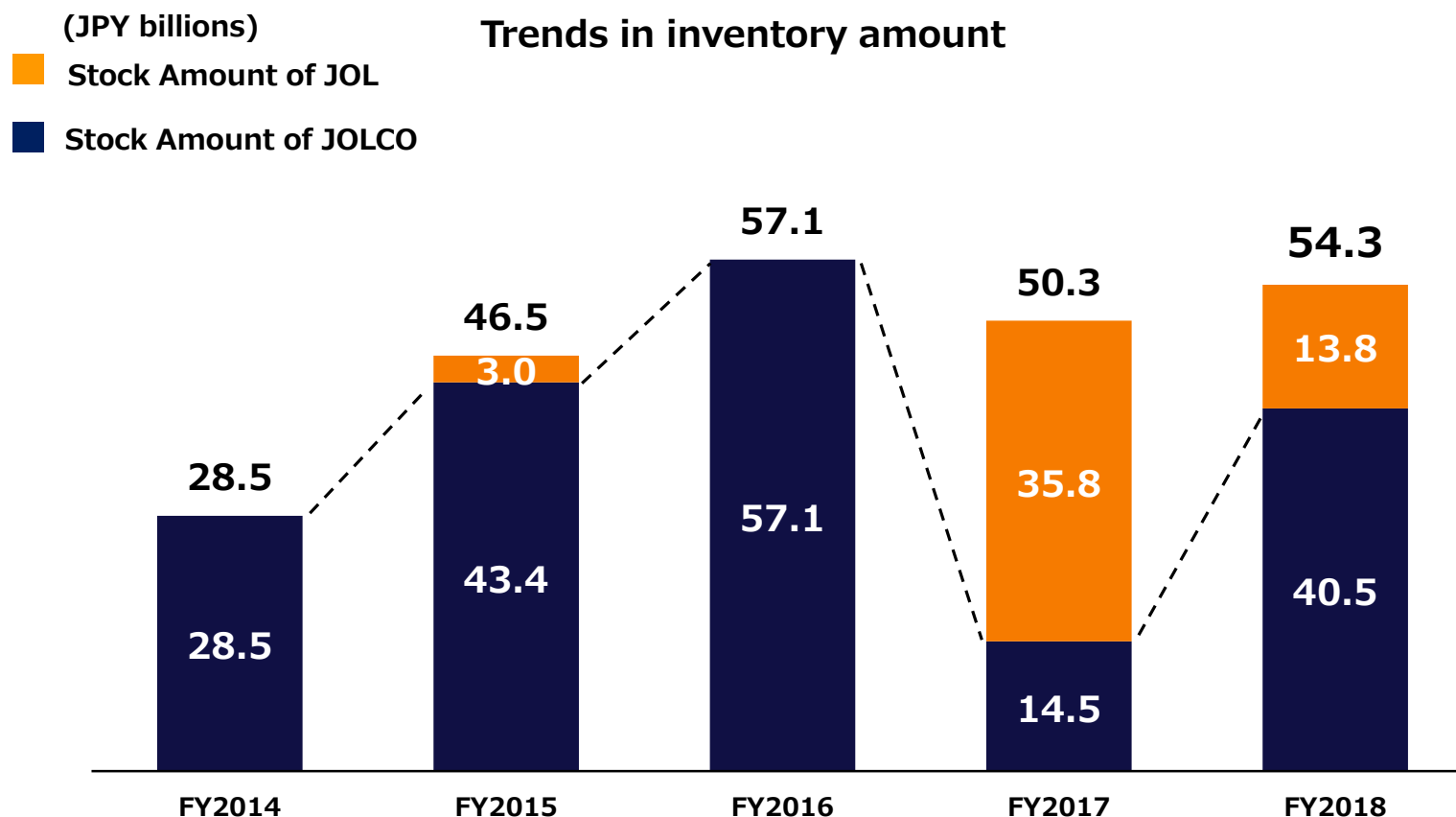
(JPY billions)

- 4Q
- 3Q
- 2Q
- 1Q



◆ Due to Increase in amount of arrangements, resulted in recovery of year-end inventory amount

- JOL : Strong sales resulted in reduced inventory amount.
- JOLCO: Strong new arrangements resulted in an increase in inventory scheduled for sale in FY2019.



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

- Sold 12 aircraft in JOL through FY2018

- Aircraft sales volume

Fiscal year	FY2014	FY2015	FY2016	FY2017	FY2018
Number of aircraft sold	1	2	5	4	12
Of which trust beneficiary rights system	-	-	-	(2)	(7)

- Reason for strong JOL sales

Steady development of introductory channels, along with major investors recognizing the advantages of the trust beneficiary rights system

(Reference) 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

Diversified Businesses (1) Outline

- ◆ Total revenue for 3 businesses grew by 46.8% year-on-year as a result of rapid growth in insurance brokerage business.

Total consolidated revenue for other businesses increased to around 13.8% of total.

- Insurance brokerage business increased substantially by 67.5% year-on-year thanks to increase in number of staff members in insurance sales.
- Real estate business grew steadily, and engaged in initiatives to increase the business areas including development projects.
- M&A advisory business increased staff numbers in preparation for increase in M&A market for small to medium-sized businesses.
- Investment and maintenance service, etc. increased substantially by 41.5% year-on-year, led by the expansion of aircraft investment and maintenance service of overseas affiliate.

Sales of Diversified Businesses^{※1}

(JPY millions)

	FY2017	% of Net Sales	FY2018	% of Net Sales	Y on Y Change
Consolidated Net Sales	21,071	100.0%	22,043	100.0%	+4.6%
3Businesses Total	1,292	6.1%	1,897	8.6%	+46.8%
Insurance brokerage business	688		1,154		+67.5%
Real estate business	555		696		+25.2%
M&A advisory business ^{※2}	47		47		-
Investment and maintenance service etc. ^{※3}	811	3.8%	1,147	5.2%	+41.5%
Total	2,103	10.0%	3,044	13.8%	+44.7%

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

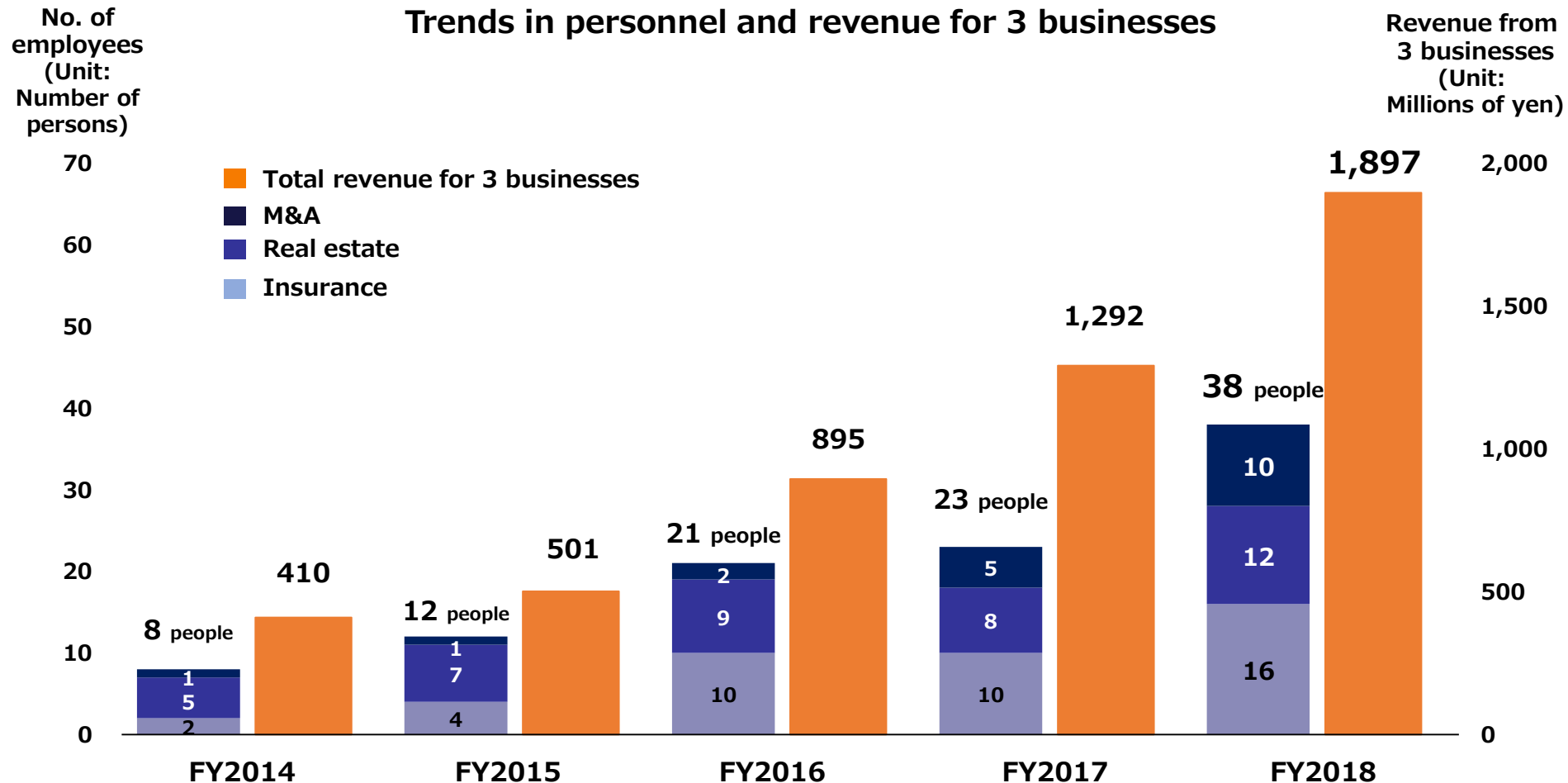
※2 Sales of M&A Advisory Business refers to commissions and contingency bonuses from M&A business

※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.

Diversified Businesses (2) Strengthening 3 Businesses

- ◆ Through use of the sales network, increase in staffing level directly led to increase in sales and to expand business capabilities.
 - Supporting the increase in products and services provided, and hiring and developing a wide variety of personnel

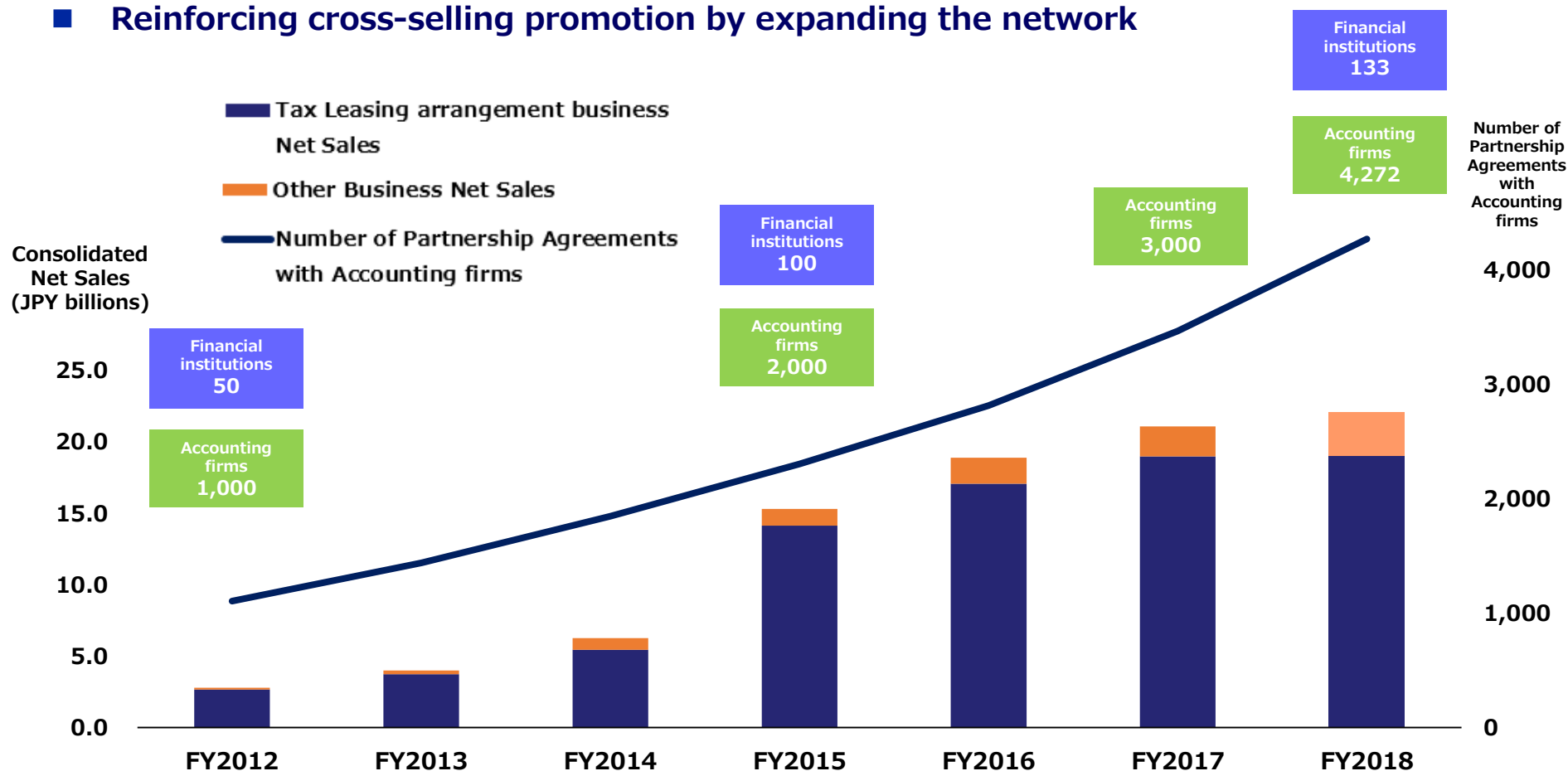
Trends in personnel and revenue for 3 businesses



Distribution Network (1) Status Summary

- ◆ The number of partnerships with accounting firms reached 4,272 (increase of 806 year-on-year).
- ◆ The number of partnerships with financial institutions has reached 133, covering almost all regional banks around the country and major securities companies.

■ Reinforcing cross-selling promotion by expanding the network



◆ Increase in web inquiries and transactions through web marketing that utilizes IT

Web marketing for 3 businesses, utilizing IT

Conduct web marketing towards establishing the third network after accounting firms and financial institutions

Insurance Brokerage Business

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Real Estate Business

1,000万円から始める
一等地ファンド
相続・贈与対策の切り札

FPG
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M&A Advisory Business

強力なマッチング力と上場大手 M&A
専門会社よりも低い報酬体系

M&Aアドバイザー

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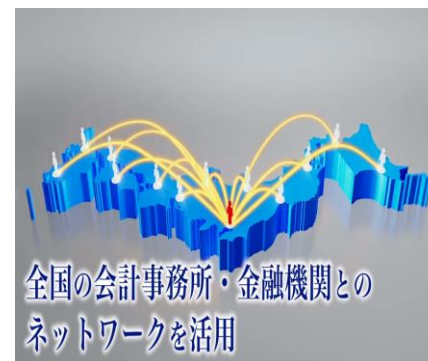
Small-lot real estate investment products Introduction of virtual tours

Attractiveness of the location and internal spaces can
be viewed as if they were actually visiting the site



Production of movies for accounting firms

Promote further partnerships with accounting firms



Full-year Performance Expectations for FY2019

- ◆ Plan to increase revenue for 10 consecutive terms and achieve a record high profit
- ◆ By strong origination in Lease arrangement business and by the continuously enlargement in other businesses, aim for double-digit increase in sales and profit

(JPY billions)

	FY2018	FY2019 Forecast	Y on Y Change
Net sales	22.04	25.03	+13.6%
Lease arrangement business	18.99	21.13	+11.2%
Other business	3.04	3.90	+28.3%
Operating income	13.06	14.52	+11.2%
Ordinary income	12.62	14.45	+14.5%
Profit attributable to owners of parent	8.98	10.03	+11.6%
Dividend per share (yen)	49.25	53.00	+7.6%
Total amount of equity placement in operating leases	143.61	166.50	+15.9%
Total amount of assets arranged in operating leases	428.11	420.00	▲1.9%

※1 Business names are changing in October 2018 (see Page 27)

※2 Dividend per share for FY2018 performance is to be discussed at the General Shareholder's Meeting to be held on December 21, 2018.

Part 2 Increasing Corporate Value



- ◆ Aim to increase corporate value through sustainable quality growth strategy and new shareholder return policy

Quality Growth Strategy



Shareholder return policy

Growth accompanied by high profitability and efficiency

- Continue self-transformation by utilizing our strengths
- Grow sustainably through 3 engines: leasing arrangements business, diversified businesses, and new businesses
- Increase our market share through product value and sales capabilities
- Operate with small assets

Introduce DOE^{※1} (Dividend on Equity ratio) target as a new indicator

- Aim for DOE of 15% or above by adopting a new capital policy including share buybacks, and by a new dividend policy
- Maintain ROE of around 30%

※1 DOE (Dividend on Equity ratio) = ROE x consolidated dividend payout ratio

◆ Continue self-transformation by utilizing our strengths

What to do

- Operate with small assets
- Enter markets with high growth and high profitability
- Continue to refine products, to increase our market share, and to reinforce our management resources

What not to do

- Operate with large assets
- Enter markets with low growth and low profitability
- Make inappropriate business expansion that sacrifices profitability



Potential market size

The number of customers we have accounts for only a few % of the potential market, and there is a substantial room for growth

- Small to medium-size enterprises:^{※1} Approx. 1 million companies^{※2}
- High net worth individuals: Approx. 1.22 million households^{※3}

※ 1 Companies with capital of 10 million or more and less than 100 million yen

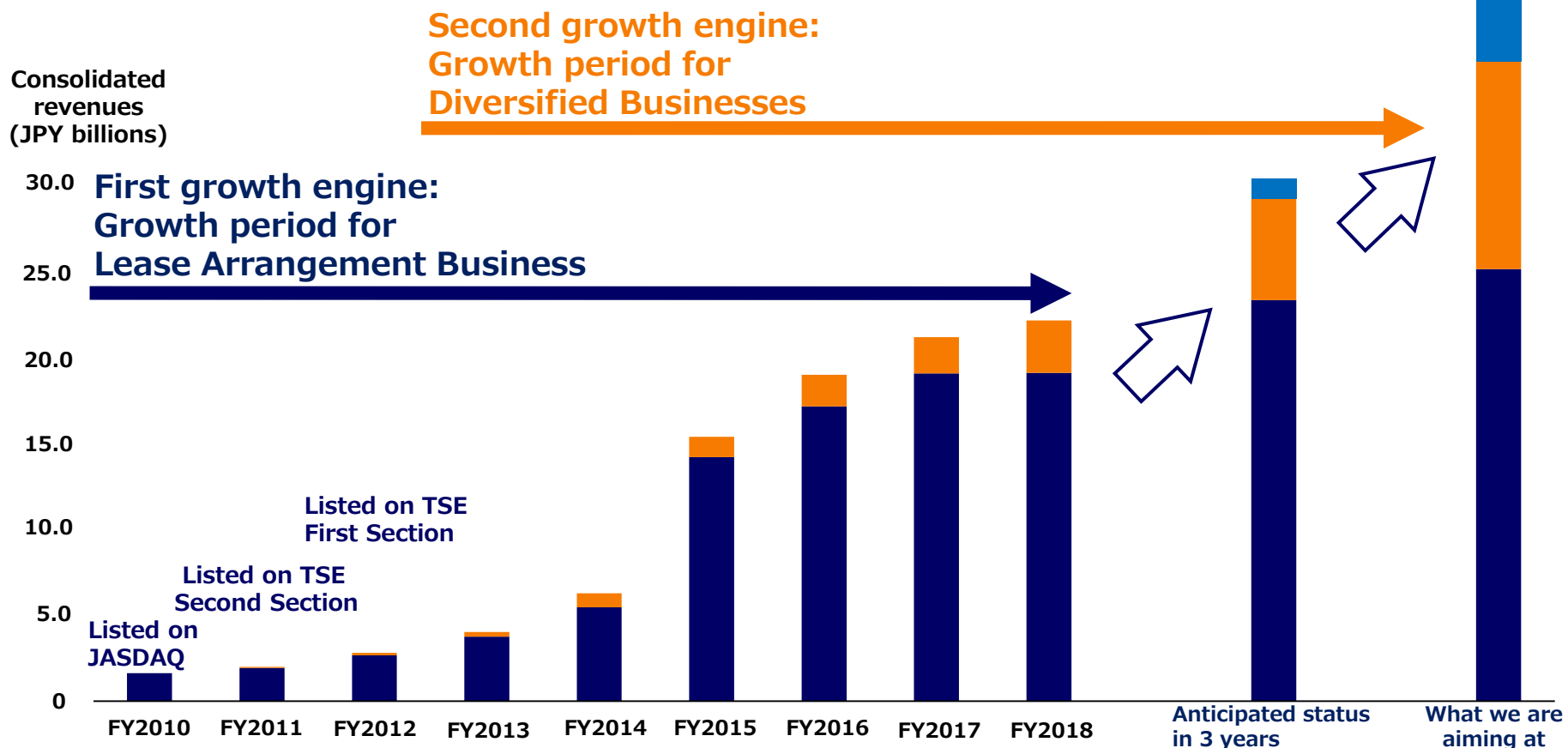
※ 2 Source: Ministry of Finance, 2016 Corporation Statistical Research Results

※ 3 Source: Nomura Research Institute, Number of households by amount of net financial assets and estimated size of assets, 2015

Quality Growth Strategy (2)

◆ Grow sustainably through 3 engines

- Revenue from new businesses
- Revenue from diversified businesses (Insurance, Real Estate, M&A)
- Revenue from Lease Arrangement Business



Quality Growth Strategy (3)

◆ Increase our market share through product value and sales capabilities

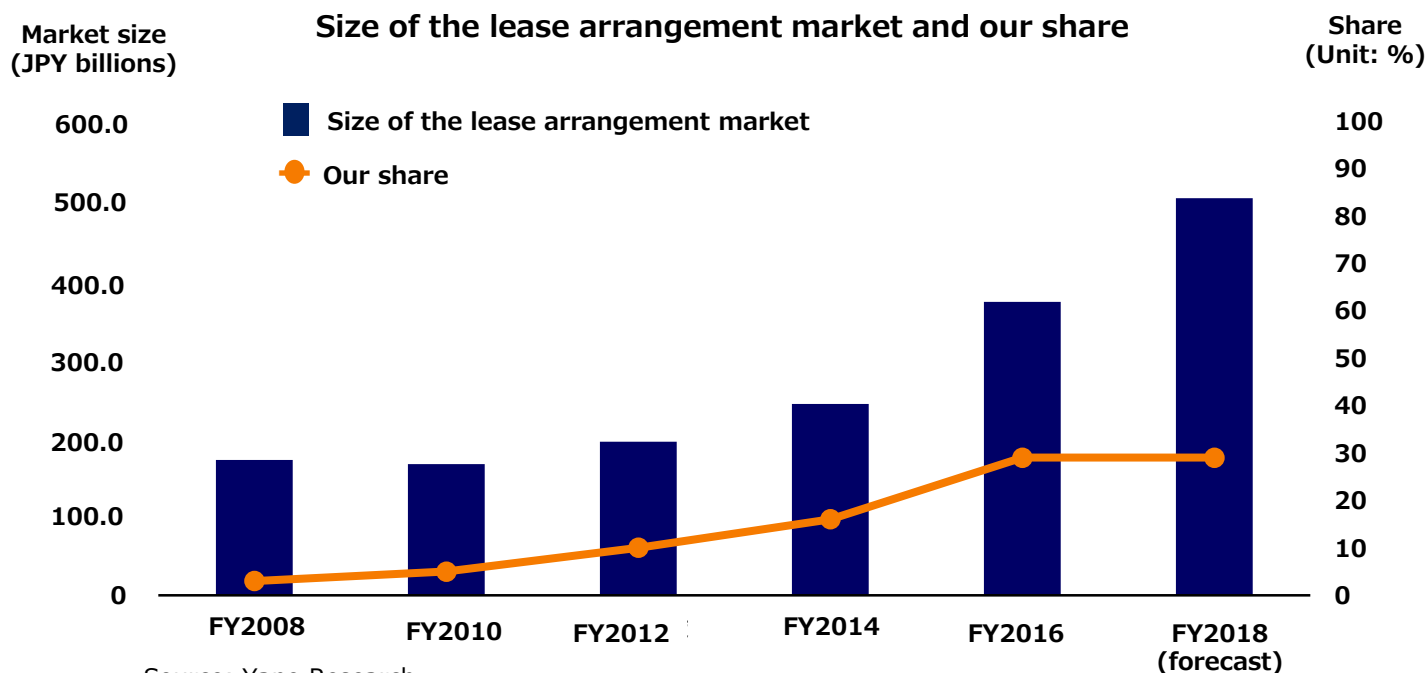
Product value: Develop and arrange own products

Establish a large market share by providing leading products that match the customers' needs and cannot be imitated by other companies and continuously refining product capabilities



Sales capabilities: Robust sales network

In addition to agreements with over 4,000 accounting firms, covering almost all regional banks and major securities companies in Japan

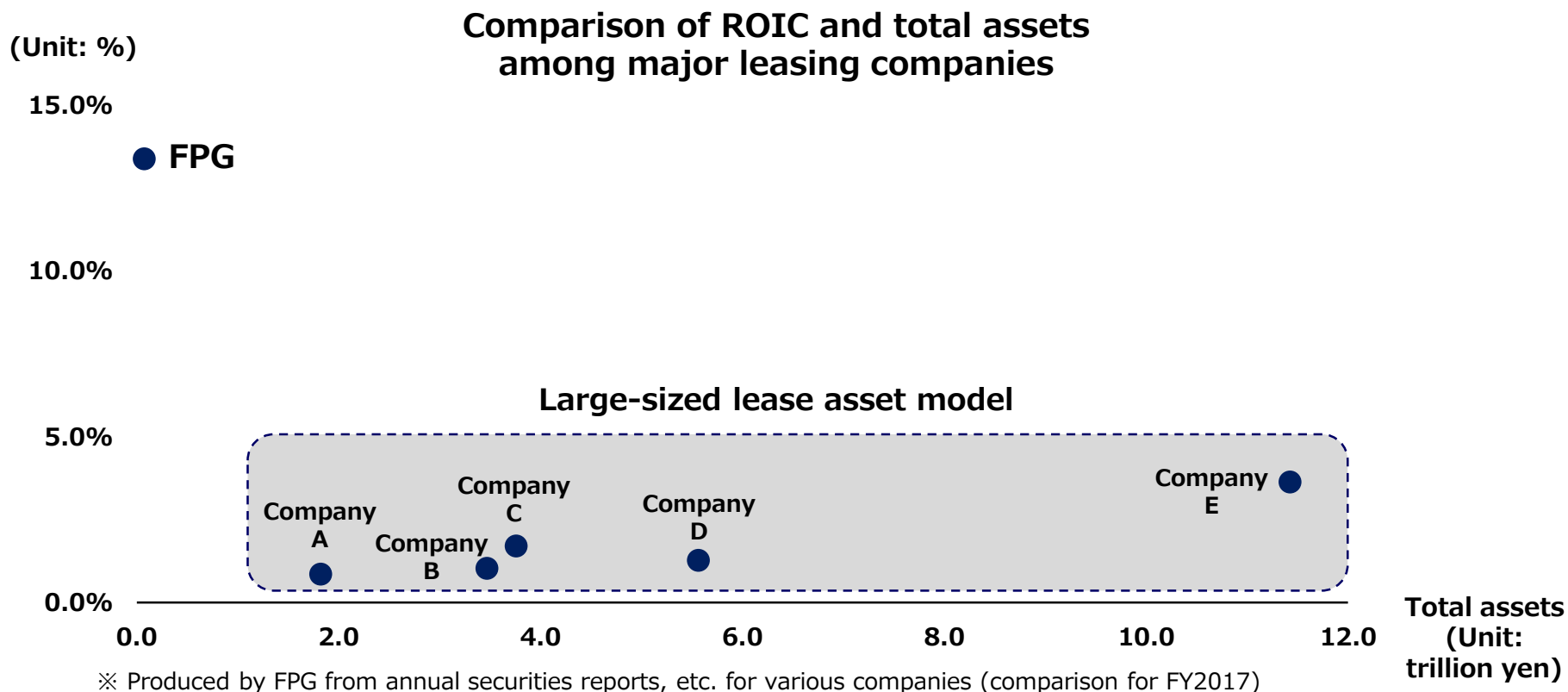


Source: Yano Research

Produced by FPG based on the research on the Japanese style operating lease market trend

◆ Operate with small assets

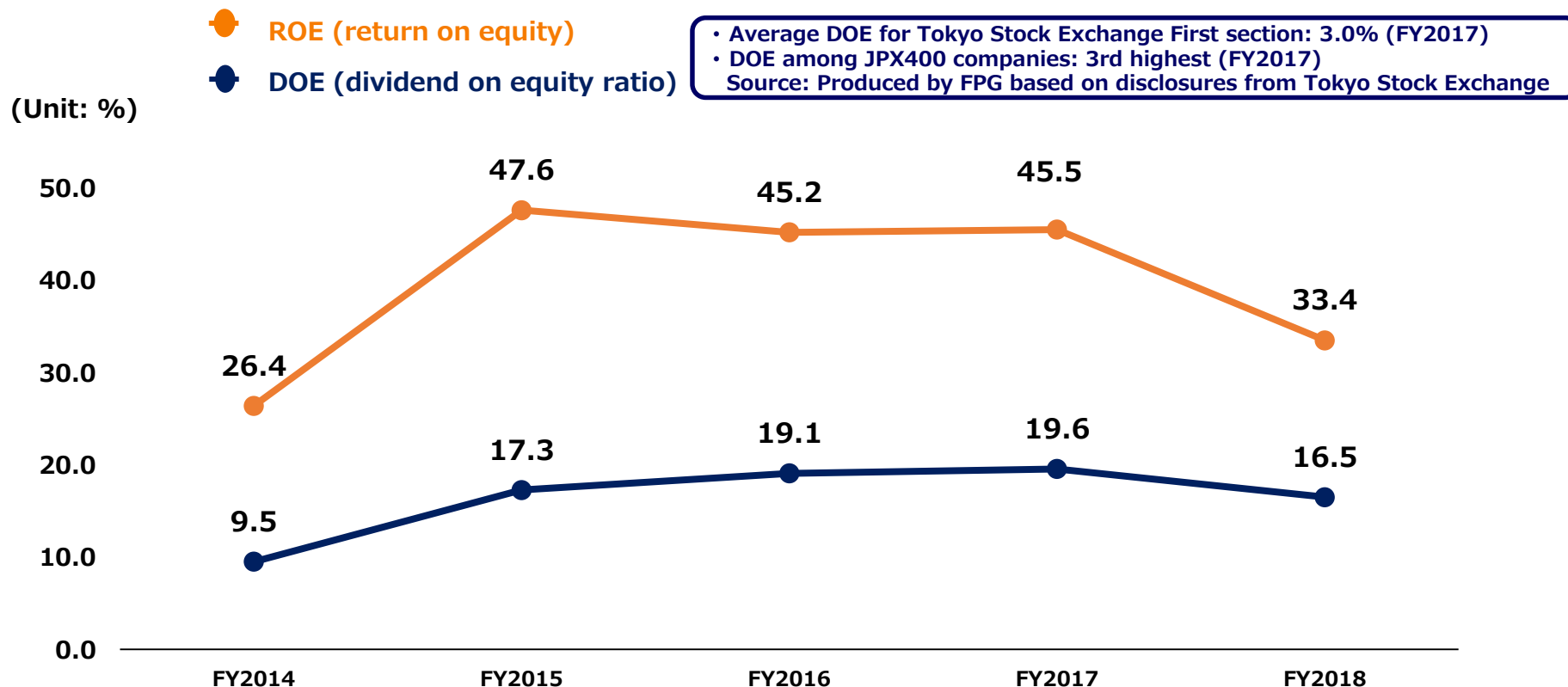
- Lease arrangement business has a different business model from major leasing companies that hold large-sized assets for a long term, and it operates with small assets
- ROIC (return on invested capital) is 13.4%, substantially exceeding our weighted average cost of capital of 5-6% in FY2017, and it shows high level of asset efficiency



Shareholder Return Policy (1)

- ◆ Introduce DOE (Dividend on Equity ratio) target , aim to achieve a high level of shareholder return through strong profitability
 - Aim at DOE of 15% or above by adopting a new capital policy including share buybacks, and a new dividend policy
 - Maintain ROE of around 30%

Trends in ROE and DOE



Shareholder Return Policy (2)

- ◆ Aim for sustainable increase in dividends in medium term by increasing corporate value through Quality Growth Strategy

FY2018

Dividend per share: 49.25 yen
Consolidated dividend payout ratio: 49.4%

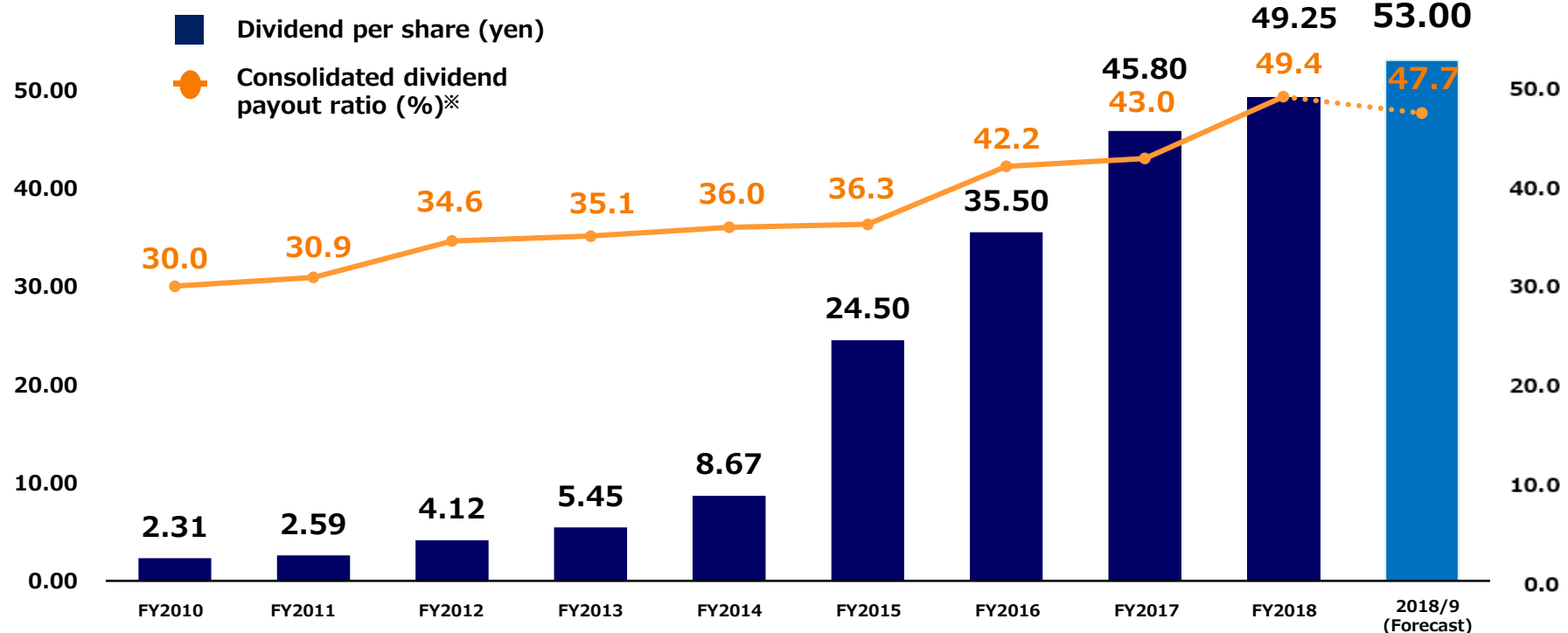
FY2019 (Forecast)

Dividend per share: 53.00 yen
Consolidated dividend payout ratio: 47.7%

Dividend
amount
(Unit: Yen)

Dividend per share and consolidated dividend payout ratio

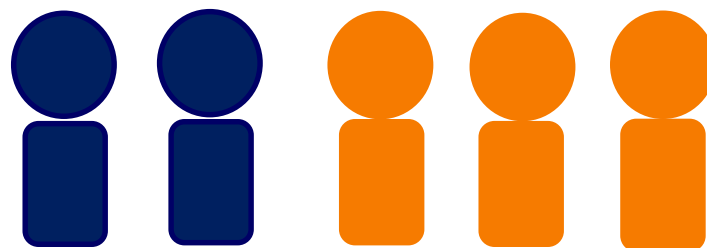
Payout
ratio
(Unit: %)



Corporate Governance Structure with High Level of Independence and Transparency

- ◆ 3 out of 5 directors are independent outside directors, and 3 out of 3 auditors are outside auditors.
Establishing a governance structure with high level of independence and transparency

Composition of directors



Internal Outside/independent

Composition of auditors



Outside/independent

Appendix



Income Statement Summary

	FY2017	FY2018	Y on Y Change
Net sales	21.07	22.04	+4.6%
①Cost of sales	2.57	3.22	+25.2%
Gross profit	18.49	18.82	+1.7%
SG&A cost	5.07	5.75	+13.3%
Operating income	13.41	13.06	▲2.6%
②Non-operating income	1.21	1.03	▲14.8%
③Non-operating expenses	0.92	1.47	+59.9%
Ordinary income	13.71	12.62	▲7.9%
Income before income taxes	13.70	12.76	▲6.9%
Total income taxes	4.12	3.64	▲11.5%
Profit attributable to owners of parent	9.58	8.98	▲6.2%

①Cost of sales: Includes commission fees paid for client introductions and arrangement costs for tax leasing arrangement business

②Non-operating income: Includes interest that we collect from investors when we sell equity to them in the tax leasing 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

(Billions of Yen)

Asset	FY2017 Sep.30, 2017	FY2018 Sep.30, 2018	Change
Current assets	79.21	81.72	+2.51
①Equity underwritten	19.03	40.50	+21.47
②Money in trust	31.34	13.87	▲17.46
③Containers for arrangement	2.00	0	▲2.00
④Real estate for arrangement	9.75	7.22	▲2.53
Non-current assets	3.58	3.41	▲0.17
Total assets	82.79	85.14	+2.34
Liabilities	FY2017 Sep.30, 2017	FY2018 Sep.30, 2018	Change
Current liabilities	48.34	47.39	▲0.94
Short-term debt	37.26	32.72	▲4.53
⑤Advances received	3.83	6.23	+2.40
Non-current liabilities	8.83	7.99	▲0.83
Long-term debt	8.58	7.76	▲0.82
Total liabilities	57.17	55.39	▲1.78
Total net assets	25.62	29.74	+4.12
Total liabilities and net assets	82.79	85.14	+2.34

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

(Ended the origination by the cancellation of investment relationship with FPG Raffles Holdings Pte. Ltd.,)

④Real estate for arrangement : Stock of small-lot real estate investment products and development project

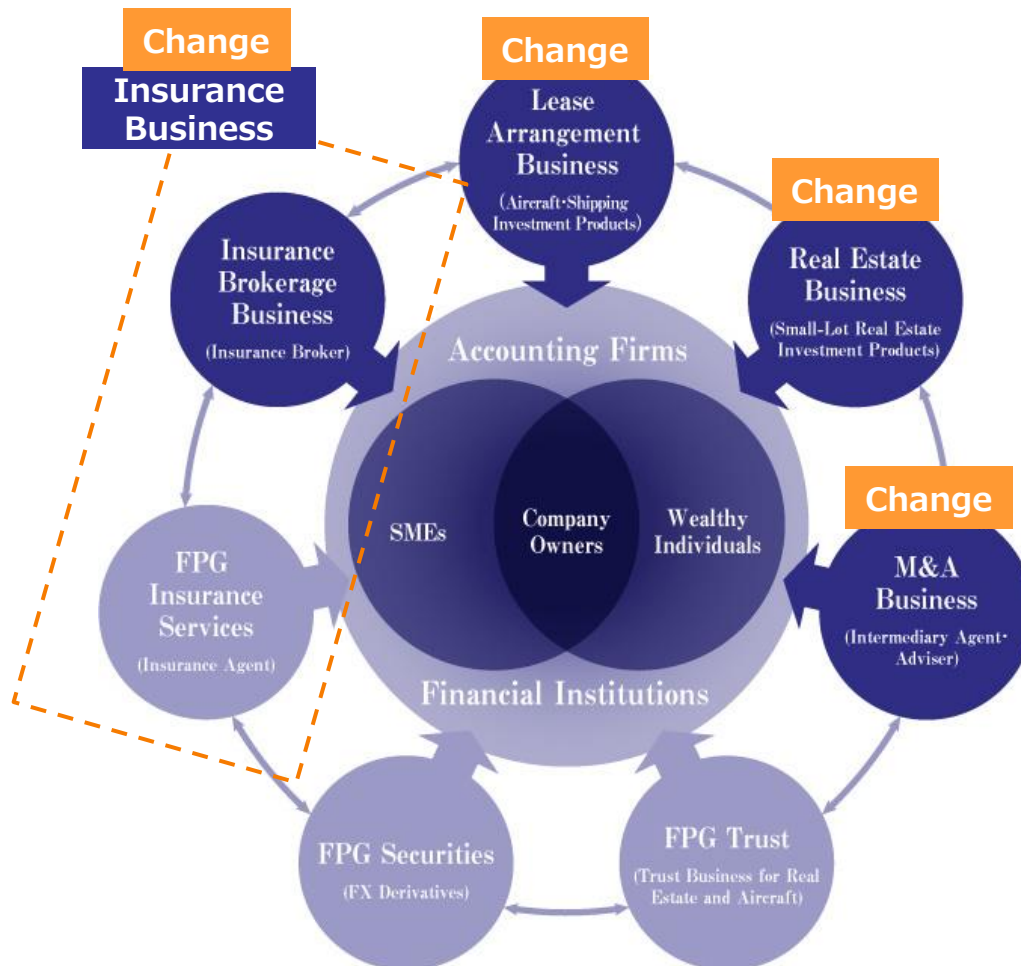
⑤Advances received : Including advances of commission fees related to Tax leasing arrangement business

Key Financial Data

Accounting term		FY2014	FY2015	FY2016	FY2017	FY2018
Net sales	Billions of yen	6.25	15.31	18.89	21.07	22.04
Ordinary income	Billions of yen	3.26	10.05	11.90	13.71	12.62
Net income	Billions of yen	1.98	6.34	7.64	9.58	8.98
Paid-in capital	Billions of yen	3.07	3.08	3.09	3.09	3.09
Outstanding shares	Thousand of shares	31,271	94,299	94,461	94,623	92,373
Net assets	Billions of yen	10.54	16.17	17.80	25.62	29.74
Total assets	Billions of yen	44.01	69.08	81.22	82.79	85.14
Book value per share	Yen	112.46	170.65	196.86	270.60	326.03
Dividends	Yen	8.67	24.50	35.50	45.80	49.25
Earnings per share	Yen	24.07	67.52	84.05	106.44	99.71
ROE	%	26.4	47.6	45.2	45.5	33.4
Equity ratio	%	24.0	23.3	21.8	29.5	34.5
Payout ratio	%	36.0	36.3	42.2	43.0	49.4
Cash flow from operating activities	Billions of yen	▲13.02	▲3.25	▲1.69	3.03	11.58
Cash flow from investing activities	Billions of yen	▲0.73	▲1.44	▲0.41	▲0.02	▲0.88
Cash flow from financing activities	Billions of yen	14.00	7.88	3.57	0.74	▲9.81
Cash and cash equivalents at end of year	Billions of yen	4.09	7.38	8.67	12.60	13.33
Number of employees		100	157	196	227	252

(Note) Above figures reflect adjustment for stock split.

- ◆ Easy-to-understand business names with view to increasing the products for each business for further growth in the future



Lease Arrangement Business

Arrange and sell investment products with aircraft and ships as leasing assets

Insurance Sales Business

Work with insurance from multiple angles by commencing insurance agency business in addition to insurance brokerage

Real Estate Business

Work in development projects as well as small-lot real estate investment products

M&A Business

Business with various angles including business investments as well as M&A advisory

◆ No material Impact to FPG 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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