

FPG Consolidated Financial Results

for the Fiscal Year Ending September 30, 2017

Financial Products Group Co., Ltd.

Tokyo Stock Exchange First Section
(Code: 7148)



October 31, 2017

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Summary



■ Performance highlights

◆ Achieved highest-ever sales and profits, growing for the eight consecutive year

- While the tax leasing arrangement business led the continued expansion of consolidated sales growth, other businesses including the insurance brokerage business, the real estate business, etc. increased by 14.4% yoy and also contributed to the sales growth.
- Operating income ratio increased to 63.7%, maintaining strong profitability.

(Billions of yen)

	FY2015	FY2016			FY2017		
			% of Net sales	YoY Change		% of Net sales	YoY change
Net sales	15.31	18.89	100.0%	23.4%	21.07	100.0%	11.5%
Tax leasing arrangement business	14.12	17.05	90.3%	20.7%	18.96	90.0%	11.2%
Other business	1.18	1.83	9.7%	55.2%	2.10	10.0%	14.4%
Gross profit	13.37	16.35	86.6%	22.3%	18.49	87.8%	13.1%
SG&A cost	3.29	4.50	23.8%	36.8%	5.07	24.1%	12.8%
Operating income	10.08	11.85	62.7%	17.6%	13.41	63.7%	13.2%
Ordinary income	10.05	11.90	63.0%	18.4%	13.71	65.1%	15.2%
Profit attributable to owners of parent	6.34	7.64	40.5%	20.5%	9.58	45.5%	25.3%

Business Overview



■ Tax leasing arrangement business

- ◆ Achieved record Sales and equity placement, continuing to expand
 - Through the strong demand of investors for Japanese Operating Leases, yoy sales increased by 11.2%, to 18.96 billion yen, and yoy equity placement increased by 5.8%, to 115.74 billion yen.
 - Originating and selling high profit products led to a high commission fee margin of 17.1%

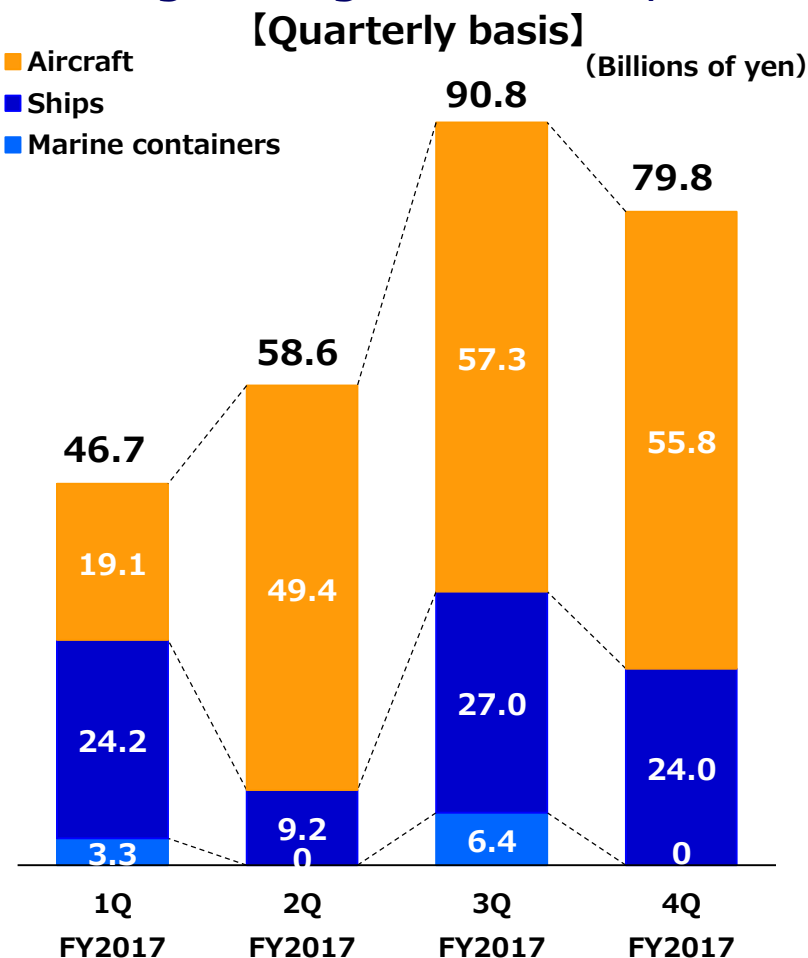
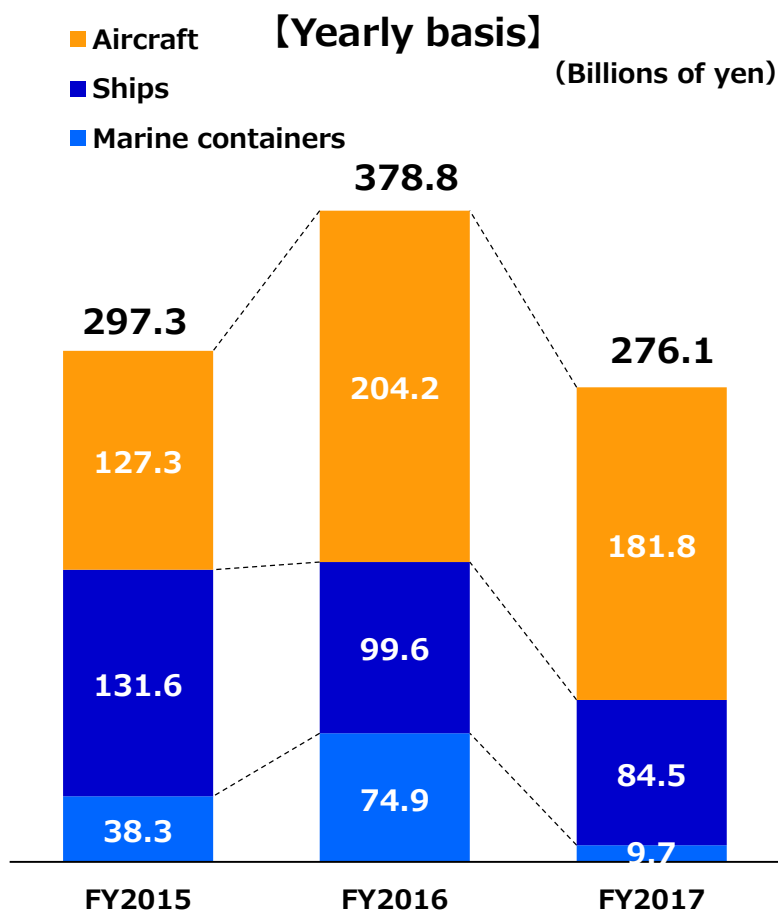
(Billions of yen)

	FY2015		FY2016		FY2017		Change
Tax leasing arrangement business net sales	14.12		17.05		18.96		11.2%
Total amount of equity placement in operating leases	84.17	component ratio	109.41	component ratio	115.74	component ratio	5.8%
Aircraft	23.50	27.9%	54.89	50.2%	59.23	51.2%	7.9%
Ships	43.95	52.2%	30.04	27.5%	43.21	37.3%	43.8%
Marine containers	16.71	19.9%	24.47	22.4%	13.29	11.5%	▲45.7%
Fee on equity ※ (Net sales / Total amount of equity placement)	16.8%		16.1%		17.1%		-
Total amount of assets arranged in operating leases	297.34		378.80		276.16		▲27.1%

※Excluding full equity deals. Full equity deal is structured under the scheme where all necessary money is fully funded by equity investors without debt

■ Developments in Origination Volume

- As for aircraft, the total amount of assets arranged continued to be at a similar level as the previous year by developing new lessees and large-scale deals.
- As for marine containers, the total amount of assets arranged decreased temporarily because of extraordinary factors such as the management teams of container lessors being focused on post-merger integration issues, etc.



■ Japanese Operating Leases

- There are two types of Japanese Operating Leases:
 - (i) JOL (Japanese Operating Leases without Call Option)
 - (ii) JOLCO (Japanese Operating Leases with Call Option)

Type	JOL	JOLCO
Call option	No	Yes
After the expiry of lease period	<p>Sale of the leased asset in the market or extend the term by re-lease</p> <p>→ The sales price depends on the market trends, and remarketing capability is essential for the sale of assets</p>	<p>The Lessee can exercise the call option and purchase the leased asset.</p> <p>→ The purchase price has been fixed at the inception of the lease.</p> <p>⇒ If the Lessee does not exercise the call option, the assets are sold in the market.</p>

■ Topics(1) –Strengthening the origination and sale of JOLs for aircraft

◆ Strengthening the origination and sale of JOLs in partnership with FPG Amentum

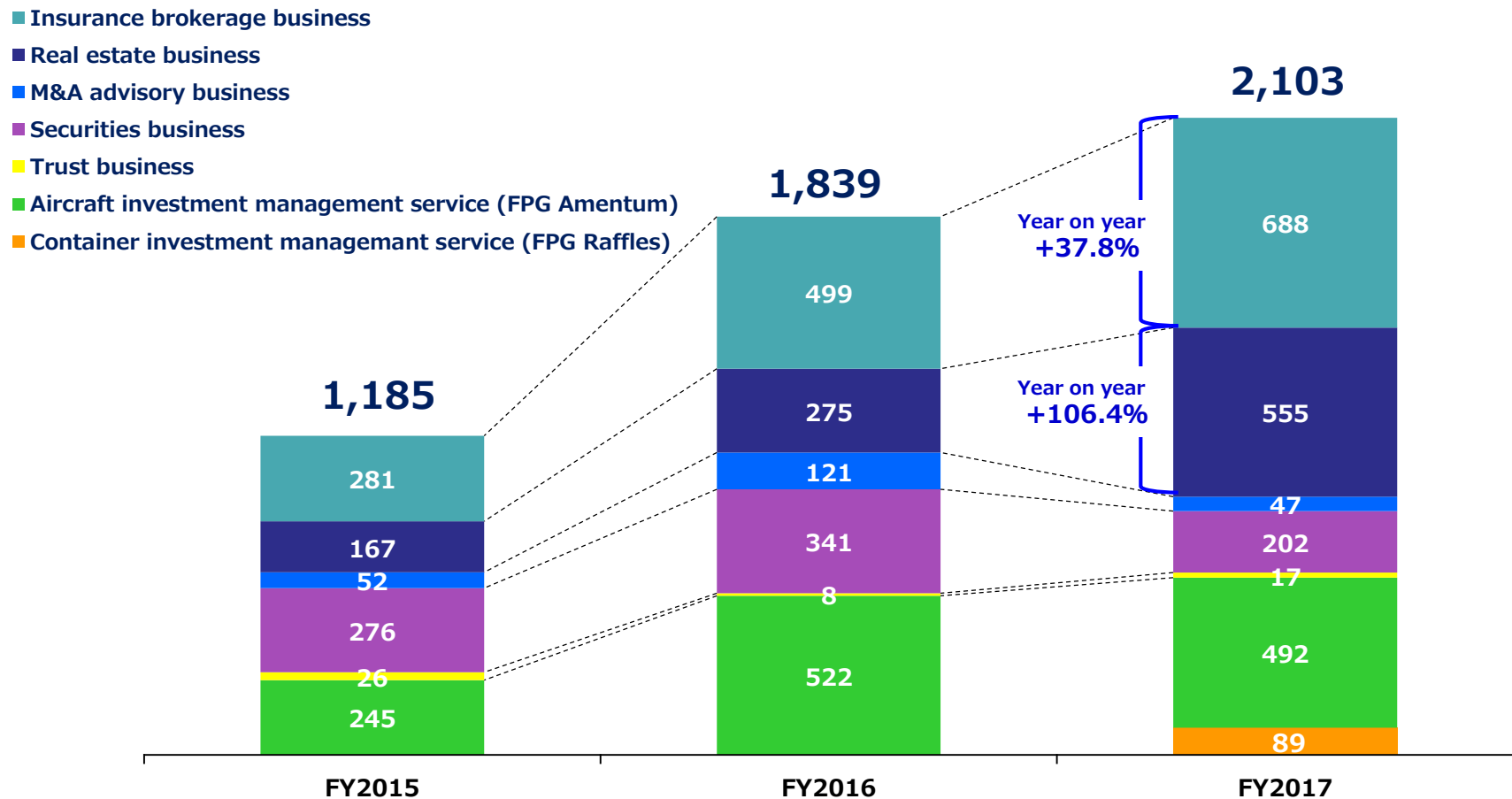
- Most of our projects are JOLCOs. Since we formed a capital and strategic alliance with FPG Amentum, we have been actively structuring pure operating leases (JOLs) for aircraft by making use of FPG Amentum's remarketing capabilities.
- Achievements of JOLs business in FY2017
 1. Began providing JOLs for aircraft using a trust structure
 - Taking advantage of our unique competitive advantage of having a trust company and an aircraft management service company in the FPG group to do the first Japanese operating lease for aircraft using a trust structure
 2. Implemented the origination of large volume JOLs
 - Accepted an order for 11 aircraft at lower prices

Other businesses

- ◆ Insurance brokerage business and Real estate business have developed and driven expansion in net sales of other businesses.

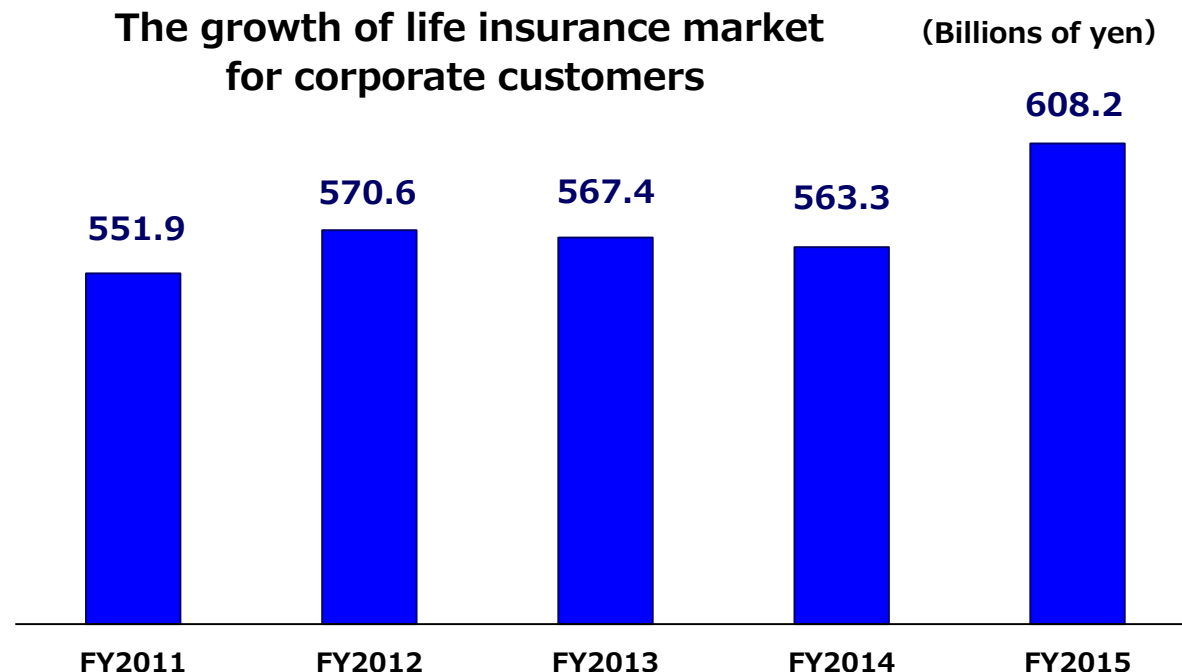
Net sales of other businesses

(Millions of yen)



■ Topics(2) –Achieving steady growth of insurance brokerage businesses

- ◆ Life insurance for corporate customers is a profitable market. Hence, we achieved the increase of sales through investing in the human resources.
- The life insurance market for corporate customers is over ¥600bn, and our company is expected to have room to expand in this market.
- Sales in this business have expanded greatly because of allocating insurance experts to all our branches and tapping into SMEs demands.

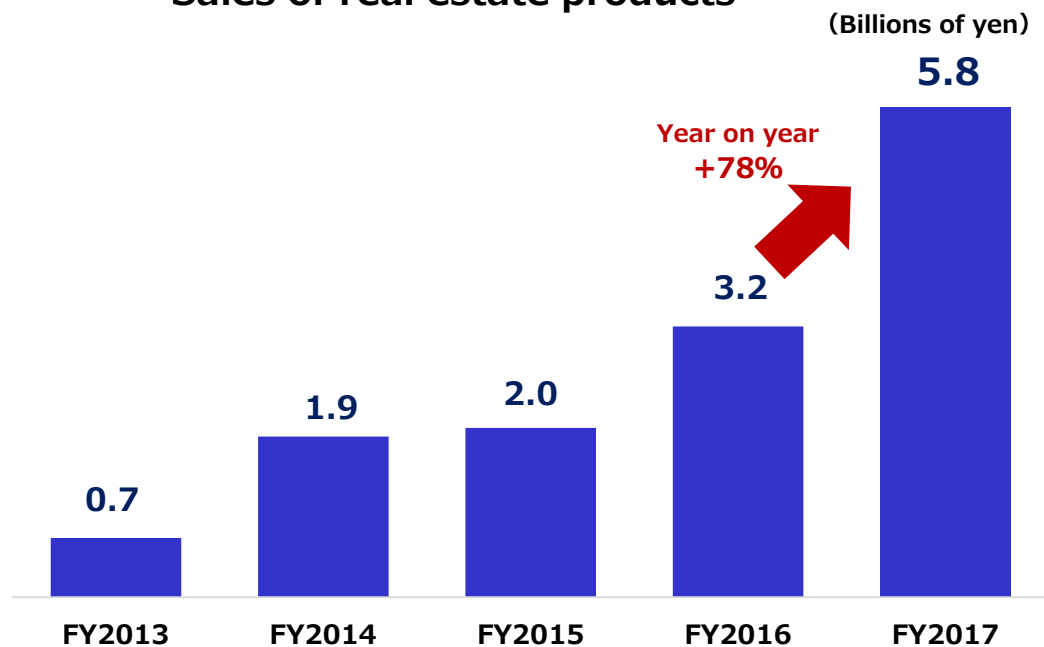


Reference : Report on life insurance market for corporate customers written by Yano Research institute Ltd. It is calculated as annualized new policy net premium.

■ Topics(3) –Expansion of Real estate business

- ◆ Expanded the origination capacity because of successful purchases of property located in the best districts of central Tokyo
- ◆ Increased sales significantly due to expansion of our product lineups
 - Working on developing the third distribution network channel in addition to the distribution network of alliances with accounting firms and financial institutions
 - Launched WEB marketing over the Internet, such as listing ads

Sales of real estate products



The Property's location

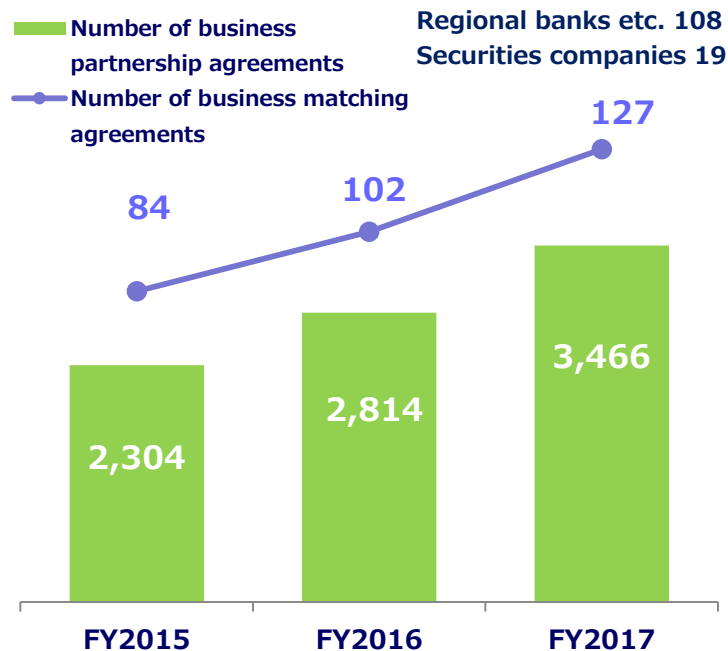


■ Distribution network

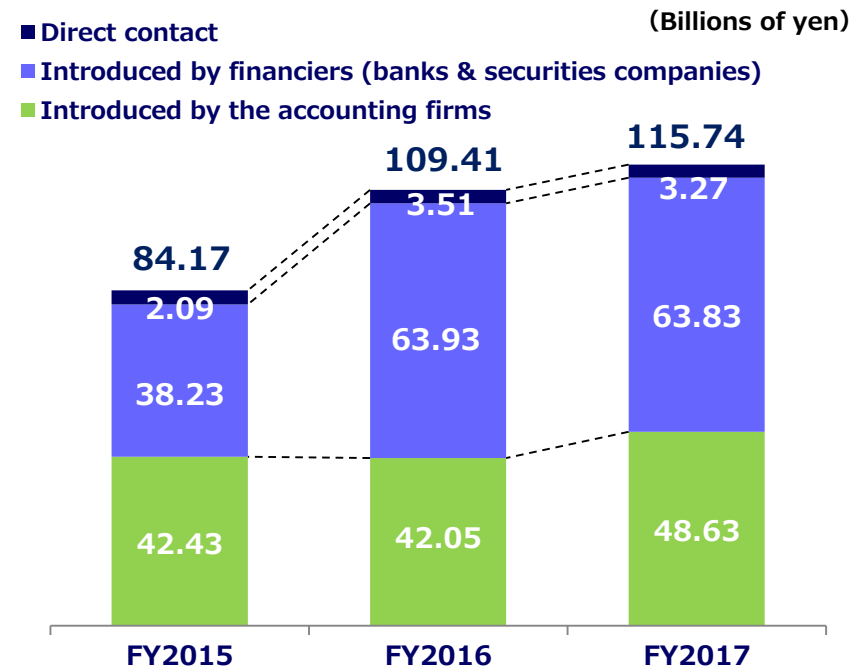
◆ Created more alliances with accounting firms and financial institutions

- Sales network expanded steadily. Number of partner accounting firms increased by 652, reaching 3,466 in total, while the number of partner financial institutions increased by 25, reaching 127 in total.
- Equity sales through accounting firms increased by 15.6% yoy, reaching 48.63 billion yen.

Number of partnership agreements and business matching agreements

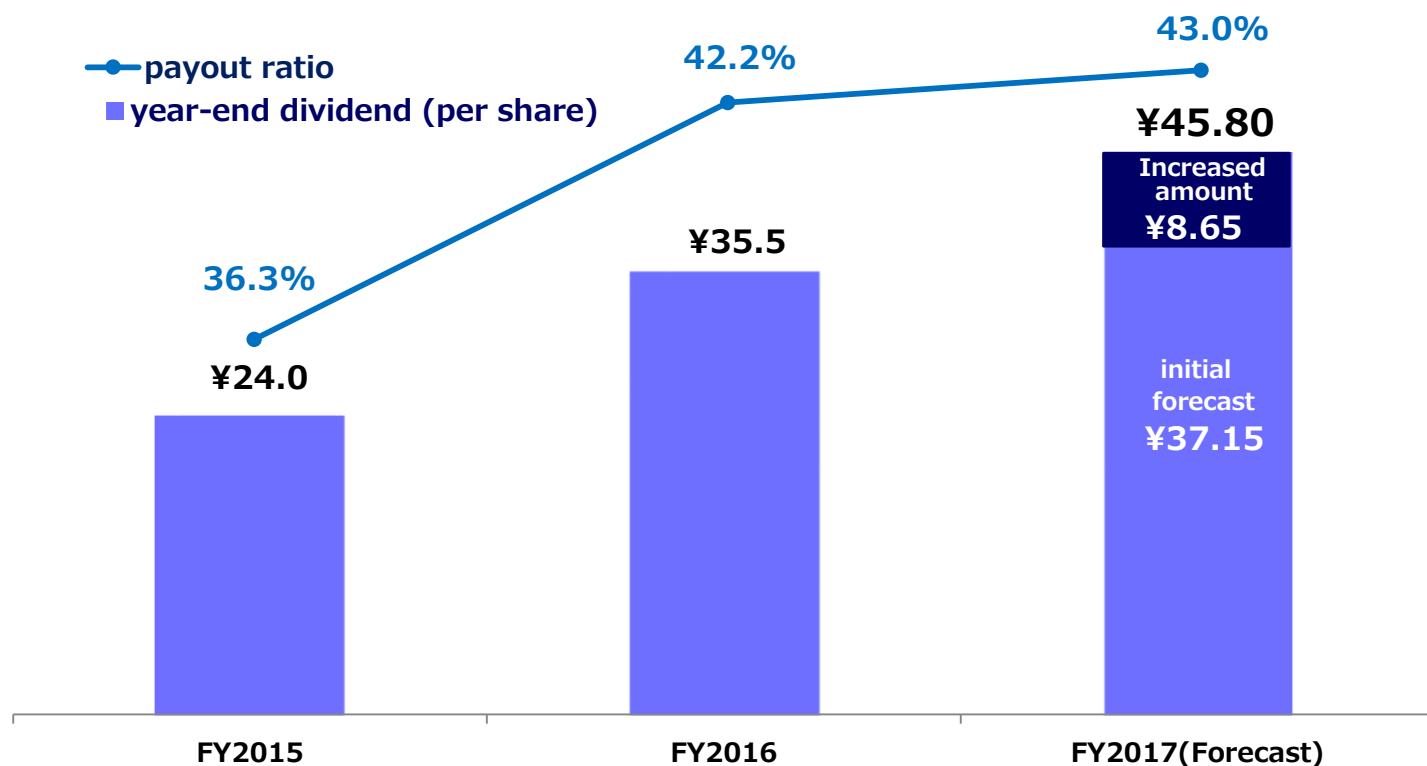


Transition of equity sales (through accounting firms and financiers)



■ FY2017 Dividend forecast

- ◆ Increased year-end dividend forecast from ¥37.15 per share to ¥45.80 per share
 - Our basic profit distribution policy
It attaches great importance to returns to shareholders and the stable, continued payment of dividends, after guaranteeing internal reserves for future business development and improvements in business quality.
 - The year-end dividend forecast was revised upward to ¥45.80 per share from ¥37.15 per share due to the favorable consolidated financial results. The resulting consolidated payout ratio will be therefore 43.0%.
 - We have decided that the target consolidated payout ratio is revised to over 40%, from over 30%, from FY2018, to provide greater clarity to our shareholders.



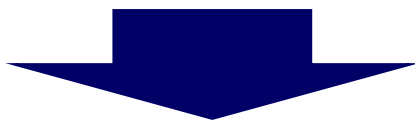
■ Company with high appeal for investors

JPX-Nikkei Index 400

JPX-Nikkei Mid and Small Cap Index

This index is composed of companies with high appeal for investors, which meet the requirement of global investment standards, such as

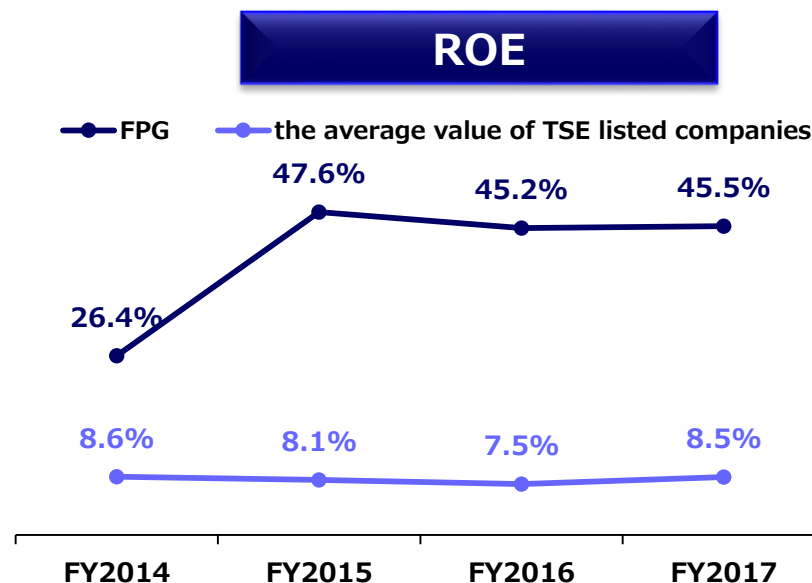
- Efficient use of capital
- Investor-focused management perspectives



- ◆ High capital efficiency
High ROE of more than 40%
- ◆ Corporate governance system with high transparency
 - Three of five directors are outside independent directors
 - All three audit & supervisory board members are outside independent auditors
- ◆ Provision of the financial information in English using "Company Announcements Distribution Service in English" via TDnet

Selected as one of 50 candidates in the 6th Corporate Value Improvement Award

The Corporate Value Improvement Award recognizes listed companies (approx. 3,500 cos.) that adopt management practices aimed at increasing corporate value from the investors' perspectives, such as capital cost.



(Reference) Based on Japan Exchange Group "Summary of Earnings Digests by Listed Companies"

FY2018 Consolidated Forecast Medium-term Management Strategies



FY2018 Consolidated forecast

- ◆ Endeavoring to have a increase in net sales and profits for the ninth consecutive year

Further expanding other businesses while further strengthening our No.1 position in the Tax leasing arrangement business in FY2018

(Billions of yen)

		FY2017 Actual	FY2018 Forecast	Change
Net sales		21.07	23.70	12.5%
	Tax leasing arrangement business	18.96	19.85	4.6%
	Other business	2.10	3.85	83.1%
Operating income		13.41	14.75	10.0%
Ordinary income		13.71	14.92	8.9%
Profit attributable to owners of parent		9.58	10.31	7.6%
Annual dividend per share (yen)		45.80	49.25	7.5%
Total amount of equity sales		115.74	157.22	35.8%
Total amount of leased assets		276.16	387.46	40.3%

Annual dividend per share for FY2017 will be submitted to the ordinary general meeting of shareholders scheduled to be held on December 19, 2017.

- **Industry leader in JOLs business**
 - In line with our JOLCO business, we also aim to be the industry leader in the JOL business
- **Growing Insurance brokerage, Real estate, and M&A into core businesses**
 - We concentrate management resources to accelerate growth of these businesses
- **Business expansion through emphasizing investor's assets under our management**
 - Encourage investors to reinvest their redemption money which is projected to increase in the near future
- **Promotion of our businesses using IT**
 - Expand our Web marketing to develop a third sales network

Appendix



Income statement summary

(Billions of yen)

	FY2016	FY2017	Change
Net sales	18.89	21.07	11.5%
Cost of sales ①	2.53	2.57	1.5%
Gross profit	16.35	18.49	13.1%
SG&A cost	4.50	5.07	12.8%
Operating income	11.85	13.41	13.2%
Non-operating income ②	1.02	1.21	19.2%
Non-operating expenses ③	0.96	0.92	▲4.7 %
Ordinary income	11.90	13.71	15.2%
Income before income taxes	11.73	13.70	16.8%
Total income taxes	4.05	4.12	1.7%
Profit attributable to owners of parent	7.64	9.58	25.3%

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

②Non-operating income: Including interest which we collect from investors when we sell down the equity to them in tax leasing arrangement business

③Non-operating expenses: Including interest expenses related to fund-procurement

■ Balance sheet summary

(Billions of yen)

Asset	FY2016 Sep. 30, 2016	FY2017 Sep.30, 2017	Change
Current assets	78.33	79.21	0.87
Equity underwritten ①	57.12	19.03	▲38.09
Money in trust ②	-	31.34	31.34
Containers for arrangement ③	-	2.00	2.00
Real estate for arrangement	2.46	9.75	7.29
Non-current assets	2.86	3.58	0.72
Total assets	81.22	82.79	1.57
Liabilities	FY2016 Sep. 30, 2016	FY2017 Sep.30, 2017	Change
Current liabilities	59.24	48.34	▲10.89
Short-term debt ⑤	38.09	37.26	▲0.82
Advances received ④	10.57	3.83	▲6.74
Non-current liabilities	4.17	8.83	4.66
Long-term debt ⑤	3.93	8.58	4.64
Total liabilities	63.41	57.17	▲6.23
Total net assets	17.80	25.62	7.81
Total liabilities and net assets	81.22	82.79	1.57

- 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
 ④Advances received : Including advances of commission fees related to equity underwritten
 ⑤Short-term and long-term debts : To fund our equity underwritings and the acquisition of assets for our real estate projects

Key Financial Data

Accounting term		FY2013	FY2014	FY2015	FY2016	FY2017
Net sales	Billions of yen	4.01	6.25	15.31	18.89	21.07
Ordinary income	Billions of yen	1.96	3.26	10.05	11.90	13.71
Net income	Billions of yen	1.18	1.98	6.34	7.64	9.58
Paid-in capital	Billions of yen	0.85	3.07	3.08	3.09	3.09
Outstanding shares	Thousand of shares	26,017	31,271	94,299	94,461	94,623
Net assets	Billions of yen	4.48	10.54	16.17	17.80	25.62
Total assets	Billions of yen	20.24	44.01	69.08	81.22	82.79
Book value per share	Yen	57.52	112.46	170.65	196.86	270.60
Dividends	Yen	5.45	8.67	24.50	35.50	45.80
Earnings per share	Yen	15.53	24.07	67.52	84.05	106.44
ROE	%	33.7	26.4	47.6	45.2	45.5
Equity ratio	%	22.2	24.0	23.3	21.8	29.5
Payout ratio	%	35.1	36.0	36.3	42.2	43.0
Cash flow from operating activities	Billions of yen	▲8.95	▲13.02	▲3.25	▲1.69	3.03
Cash flow from investing activities	Billions of yen	▲0.42	▲0.73	▲1.44	▲0.41	▲0.02
Cash flow from financing activities	Billions of yen	11.23	14.00	7.88	3.57	0.74
Cash and cash equivalents at end of year	Billions of yen	3.84	4.09	7.38	8.67	12.60
Number of employees		81	100	157	196	227

Note: Consolidated results are available from 2013 onward. Nonconsolidated results pre-2013 are provided for reference.

Above figures reflect adjustment for stock split. Net income has changed to Profit attributable to owners of parent from FY2016

- These presentation materials are for the benefit of our investors and include statements and data related to our forecast for the results, strategies, business plans, etc., of Financial Products Group Co., Ltd..
- These statements and data related to our forecasts are not actual facts, but are rather forecasts that we have judged to be appropriate based on the information available at the time of presentation.
- These presentation materials contain projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable, and may be changed without prior notice because of changes in the economic environment and other risks and uncertainties.

【IR Inquiry 】

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