

FPG

Financial Products Group

FPG Consolidated Financial Results

Third Quarter of the Fiscal Year Ending September 30, 2021
(October 1, 2020 - June 30, 2021)

Financial Products Group Co., Ltd.

(Tokyo Stock Exchange First Section Code: 7148)

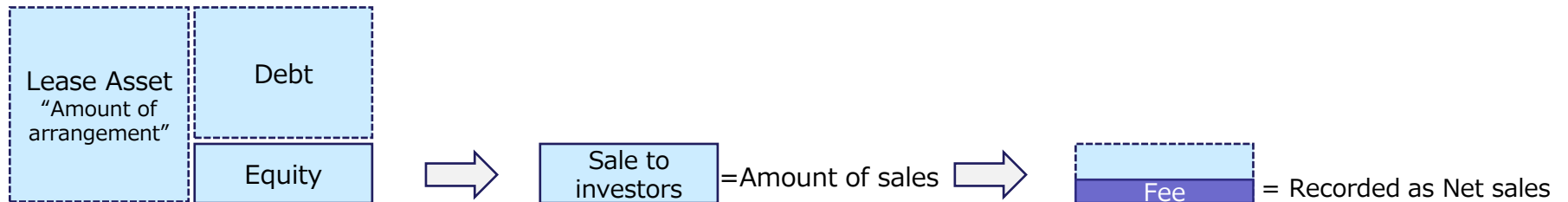


Business categories and Net sales by business

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

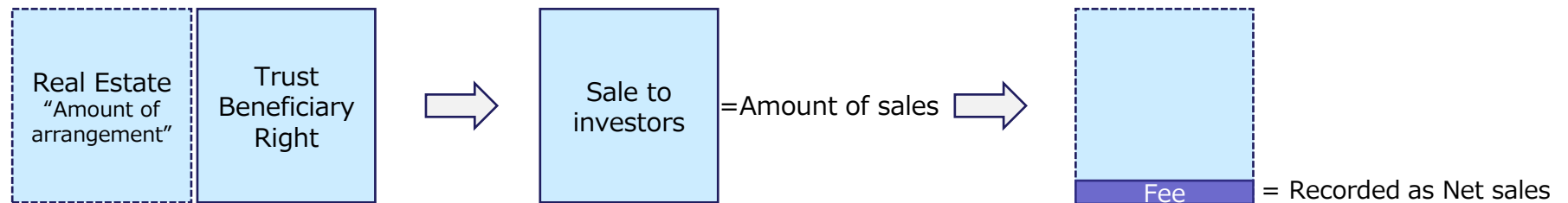
1. Leasing Fund Business

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. Net sales include arrangement fees for arrangement in the operating lease business, sales commissions received on the sale of silent partnership interests to investors, etc. Sales of partnership interests and trust beneficiary rights to investors are not recorded as net sales.



2. Real Estate Fund Business

The Real Estate Fund Business arranges and sells to investors real estate fractional ownership investments, using the trust function of FPG Trust. Net sales include commissions received for the sale of the real estate fractional ownership investment to investors. However, for development projects, the amount sold to investors is recorded as net sales.



3. FinTech Business

The FinTech Business promotes the provision of new financial products and services that combine the Group's various financial and real estate licenses with information technology. In April 2021, we launched the 1st service of FinTech Business, the salary prepayment service "Q-Kyu." And FinTech Business also develops IT system and builds network infrastructures. Net sales include fees for commissioned work related to system development and network infrastructure construction.

4. Other Business

Other Business includes the Insurance Sales Business, M&A Business, Private Equity Business and Aviation Business. Net sales include 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.

Financial Results for the 3rd Quarter of FY2021

- Following on from the first half of the fiscal year, net sales and profits were significantly higher than the same period of the previous fiscal year due to the Leasing Fund Business and Real Estate Fund Business continuing to drive our business in the 3rd quarter (Apr. – Jun.).
- In the Leasing Fund Business, net sales increased significantly year-on-year due to strong sales of equity placements.
- In the Real Estate Fund Business, both origination and sales progressed as expected. Net sales from real estate fractional ownership investments reached a record high.

Management Policy and Outlook

- Revised upward the consolidated financial results forecast for the fiscal year ending September 30, 2021, based on the favorable results for the first nine months of this fiscal year.
- Revised the dividend forecast for the fiscal year ending September 30, 2021, in accordance with the revision of the financial results forecast.
 - Initial forecast: JPY 16.5 per share (Payout ratio of 50.3%)
 - Revised forecast: JPY 18.5 per share (Payout ratio of 51.0%)
- Focus on origination in the Leasing Fund Business and Real Estate Fund Business, and development of new services in the FinTech Business for the next fiscal year.

Consolidated Financial Results for the 3rd Quarter of FY2021

- Both net sales and profits increased significantly compared with the same period of the previous fiscal year. Gross profit margin recovered to the same as level before the COVID-19 pandemic as profitability continued to improve.
Revised upward the consolidated financial results forecast for the fiscal year ending September 30, 2021, based on the favorable results for the first nine months of this fiscal year.
- In the 4th quarter (Jul.–Sep.), a slight operating loss and ordinary loss are expected due to a decrease in the amount of equity placements resulting from a decrease in product inventory in the Leasing Fund Business.

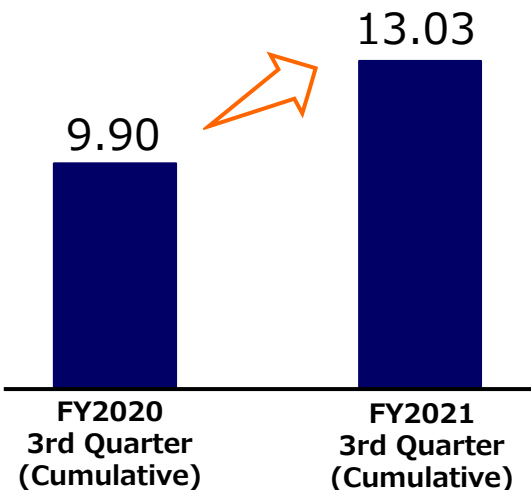
(JPY billion)

	FY2020 3Q (Cumulative)	FY2021 3Q (Cumulative)	YoY change (Percent chg.)	FY2021 Rervised Forecast ^{*1}	Chg. Vs Previous Forecast (Percent chg.)	Progress Rate
Net sales	9.90	13.03	+3.13 (+31.6%)	14.70	+0.84 (+6.0%)	88.7%
Gross profit	7.34	10.45	+3.11 (+42.3%)	n/a	-	-
SG&A Cost	4.61	4.84	+0.23 (+5.2%)	n/a	-	-
Operating income	2.73	5.60	+2.87 (+105.0%)	5.30	+0.76 (+16.6%)	105.7%
Ordinary income	2.67	5.43	+2.76 (+103.2%)	5.00	+1.00 (+25.0%)	108.6%
Profit attributable to owners of parent	1.79	3.42	+1.63 (+90.4%)	3.10	+0.30 (+10.7%)	110.4%
Gross profit margin on sales	74.1%	80.2%	+6.1pt	n/a	-	-
Operating income margin on sales	27.6%	43.0%	+15.4pt	36.1%	+3.3pt	-
Profit margin on sales ^{*2}	18.1%	26.2%	+8.1pt	21.1%	+0.9pt	-

Comparison with the same period of FY2020

Net sales

(JPY billion)

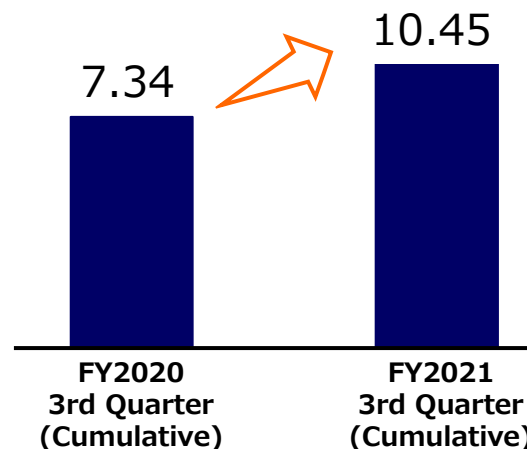


Increase in net sales +3.13

• Driven by the Leasing Fund Business and the Real Estate Fund Business.

Gross profit

(JPY billion)

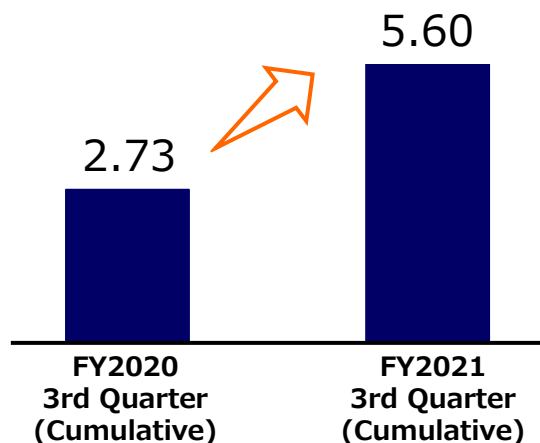


Increase in gross profit +3.11

• Increase in profit due to higher net sales and improvement in gross profit margin.
* Sales increase effect: JPY 2.6 bn
Improvement in GPM: JPY 0.5 bn

Operating income

(JPY billion)

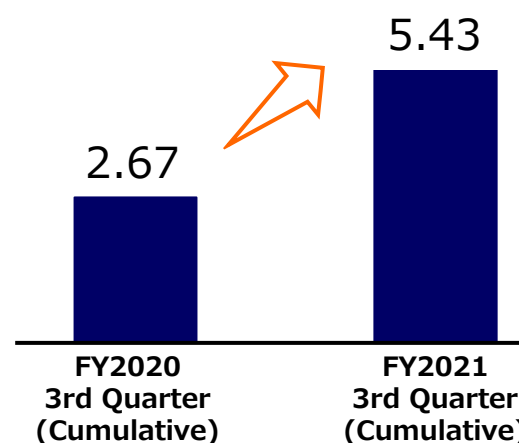


Increase in operating income +2.87

• Increased operating income despite increased SG&A.

Ordinary income

(JPY billion)



Increase in ordinary income +2.76

• Increased ordinary income due to increase in gross profit, despite the net cost of JPY 0.5 bn related to Air Mauritius recorded in the 1st quarter

Reference: Quarterly Performance

- Financial results for the 3rd quarter (Apr.–Jun.)
 - Maintained the trend of increasing net sales and profits.
 - As the impact of the COVID-19 pandemic was largest in the 3rd quarter (Apr.–Jun.) of the previous year, net sales and profits also increased significantly this year.

(JPY billion)

	FY2021 1Q	YoY Change (Percent chg.)	FY2021 2Q	YoY Change (Percent chg.)	FY2021 3Q	YoY Change (Percent chg.)
Net sales	3.82	+0.13 (+3.4%)	4.83	+0.24 (+5.1%)	4.37	+2.77 (+172.0%)
Gross profit	2.67	▲0.36 (▲12.0%)	4.17	+1.02 (+32.2%)	3.60	+2.46 (+213.3%)
SG&A Cost	1.68	+0.15 (+9.8%)	1.54	+0.02 (+1.4%)	1.61	+0.07 (+4.4%)
Operating income	0.98	▲0.51 (▲34.3%)	2.62	+0.99 (+61.1%)	1.98	+2.37 -
Ordinary income	0.69	▲0.88 (▲56.1%)	2.53	+0.90 (+54.8%)	2.20	+2.74 -
Profit attributable to owners of parent	0.27	▲0.79 (▲74.4%)	1.89	+0.75 (+65.3%)	1.25	+1.66 -
Gross profit margin on sales	69.9%	▲12.2pt	86.4%	+17.7pt	82.3%	+10.9pt
Operating income margin on sales	25.7%	▲14.7pt	54.4%	+18.9pt	45.4%	-
Profit margin on sales*	7.1%	▲21.7pt	39.2%	+14.3pt	28.6%	-

* Profit means profit for this term attributable to owners of parent

Net sales by Business

- The Leasing Fund Business continued its recovery, exceeding the same period of the previous fiscal year.
- In the Real Estate Fund Business, net sales continues to grow.
- Revised the full-year forecasts for each business segment based on progress in the first nine months of the fiscal year ending Sep. 30, 2021.
 - The FinTech Business is expected to fall short of the initial forecast due to the reallocation of human resources to focus on the development of new services.
 - In other businesses, the Insurance Sales Business grew more than initially forecast.

(JPY billion)

	FY2020 3Q(Cumulative)	FY2021 3Q(Cumulative)	YoY Change (Percent chg.)	FY2021 Revised Forecast*	Chg. Vs Previous Forecast (Percent chg.)	Progress Rate
Leasing Fund Business	8.66	10.43	+1.77 (+20.5%)	11.31	+0.77 (+7.3%)	92.3%
Real Estate Fund Business	0.64	1.74	+1.10 (+171.7%)	2.20	+0.20 (+10.0%)	79.4%
FinTech Business	0.12	0.32	+0.20 (+162.0%)	0.43	▲0.22 (▲33.8%)	75.5%
Other Business	0.47	0.52	+0.05 (+10.9%)	0.76	+0.09 (+13.4%)	69.2%
Total	9.90	13.03	+3.13 (+31.6%)	14.70	+0.84 (+6.0%)	88.7%

* : Announced on July 30, 2021

Leasing Fund Business (1) Outline

- Equity placements also increased in 3rd quarter (Apr.–Jun.) , exceeding the total amount of the previous year and initial full-year forecast (JPY 83.0 billion). Revised upward the full year forecast to JPY 97.0 billion.
- Revised downward the full year forecast of assets arranged for the fiscal year ending Sep. 30, 2021, based on progress in the first nine months.

(JPY billion)

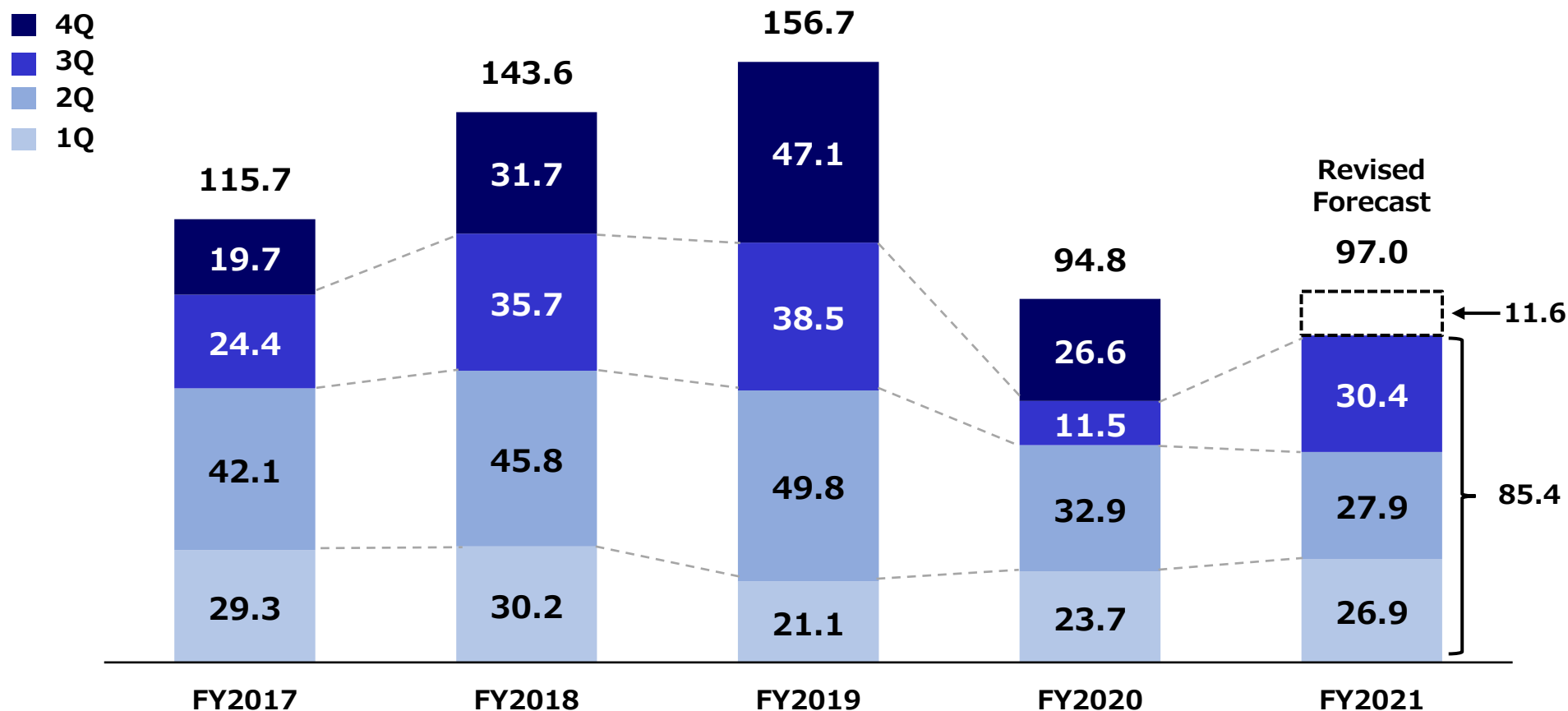
	FY2020 3Q(Cumulative)		FY2021 3Q(Cumulative)		YoY Change	FY2021 Revised Forecast*	Progress rate
	Amount	Composition ratio	Amount	Composition ratio			
Net sales	8.66	-	10.43	-	+20.5%	11.31	92.3%
Total amount of equity placements	68.14	100.0%	85.40	100.0%	+25.3%	97.00	88.0%
Aircraft	35.64	52.3%	44.99	52.7%	+26.2%	n/a	-
Ships	22.94	33.7%	25.31	29.6%	+10.3%	n/a	-
Marine containers	9.55	14.0%	15.10	17.7%	+58.0%	n/a	-
Inventory amount	91.04	-	42.57	-	▲53.2%	n/a	-
Total amount of assets arranged	142.49	-	136.89	-	▲3.9%	150.00	91.3%

* : Announced on July 30, 2021

Leasing Fund Business (2) Equity Placements

- Following on from the first half of the fiscal year, equity placements increased in the 3rd quarter (Apr.–Jun.).
- In the 4th quarter (Jul.–Sep.), equity placements are expected to decrease quarter-on-quarter, due to the lack of product inventories.

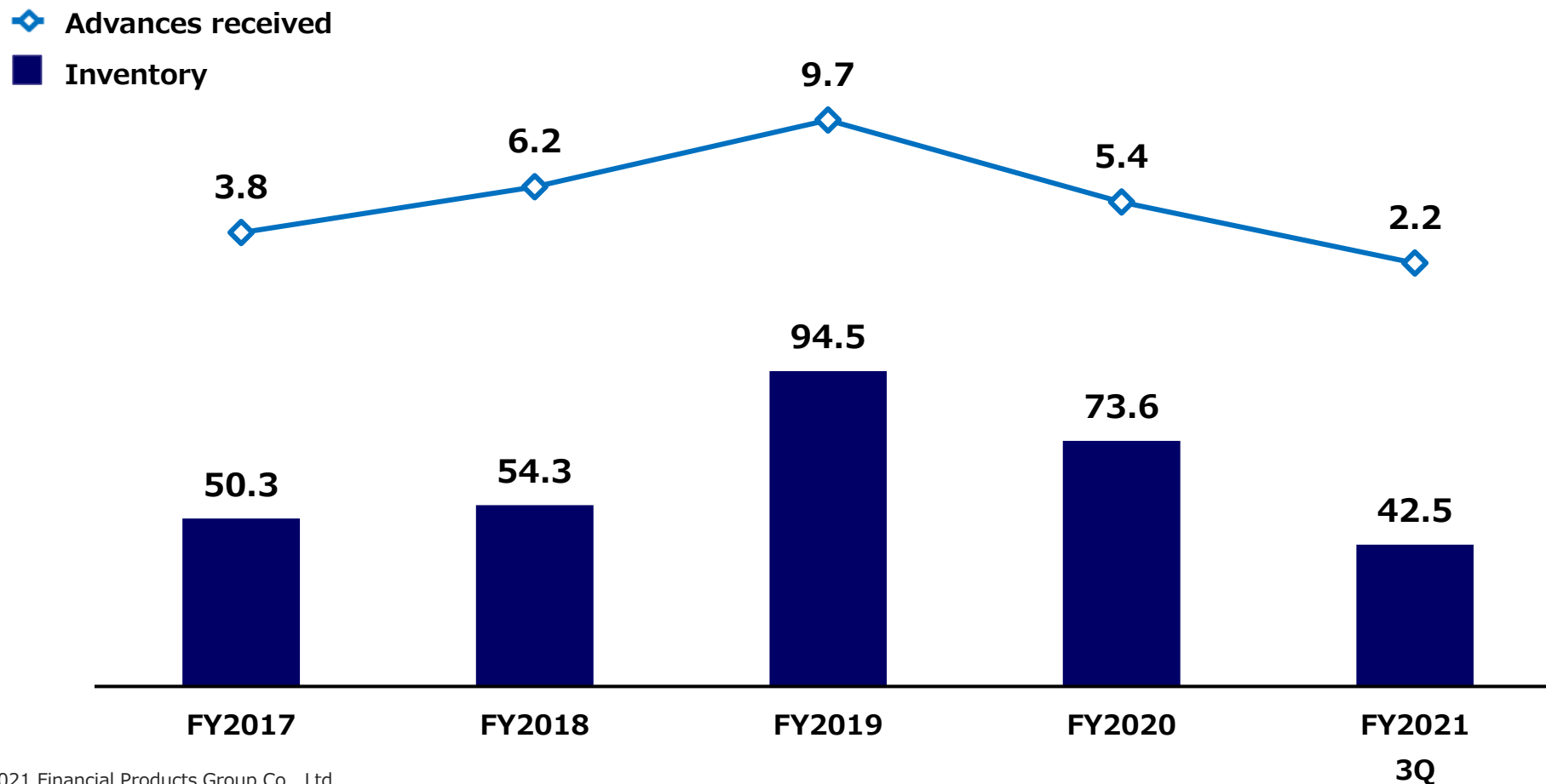
Trends in amount of equity placements by quarter (JPY billion)



Leasing Fund Business (3) Product Inventory

- Inventories decreased due to strong sales.

Trends in inventory amount and advances received (JPY billion)

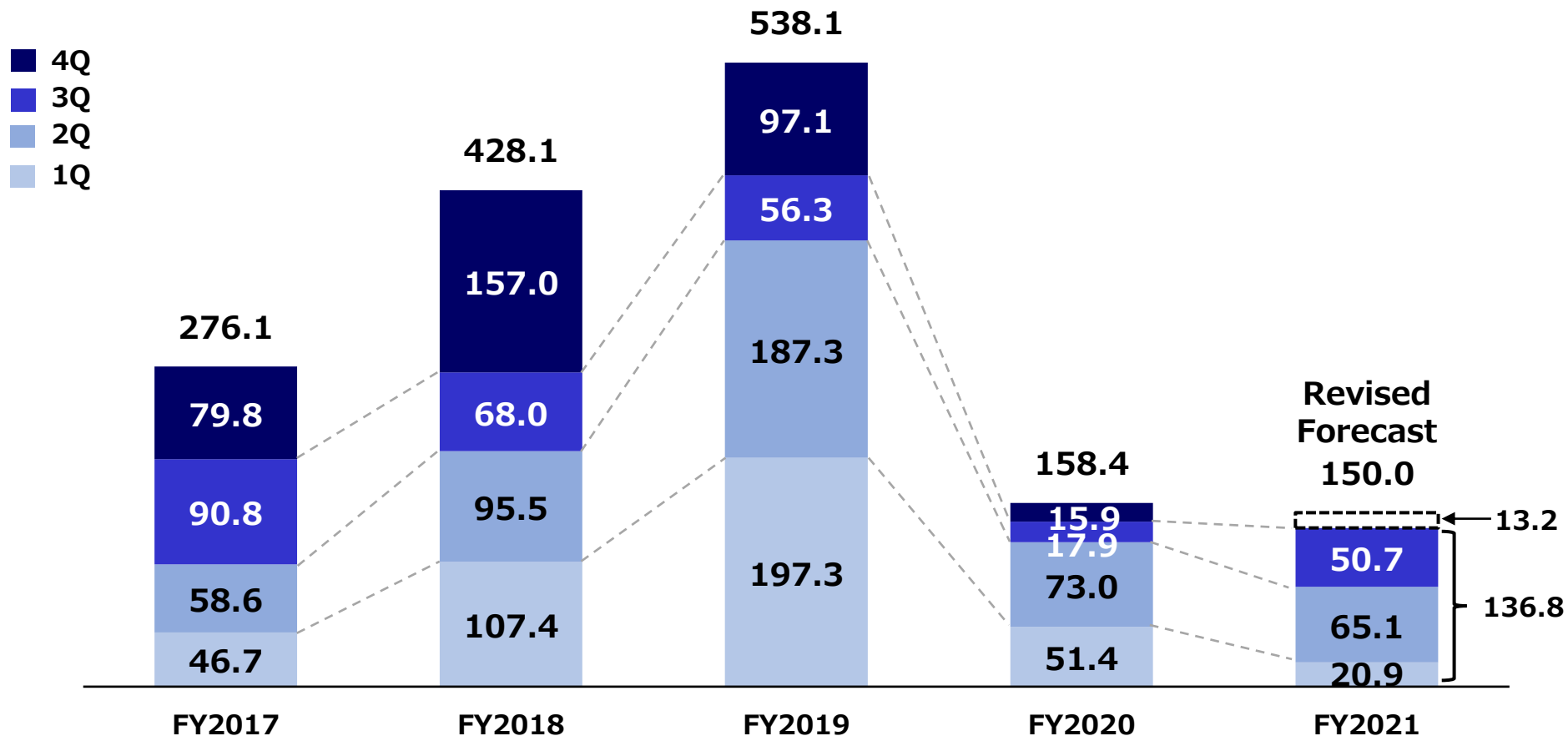


Leasing Fund Business (4)

Trends in amount of assets arranged by quarter

- In the 3rd quarter (Apr.–Jun.), we continued to steadily increase arranged assets by utilizing our relationships with airlines and shipping companies, but revised the full-year forecast from JPY 230 billion to JPY 150 billion.

Trends in amount of assets arranged by quarter (JPY billion)

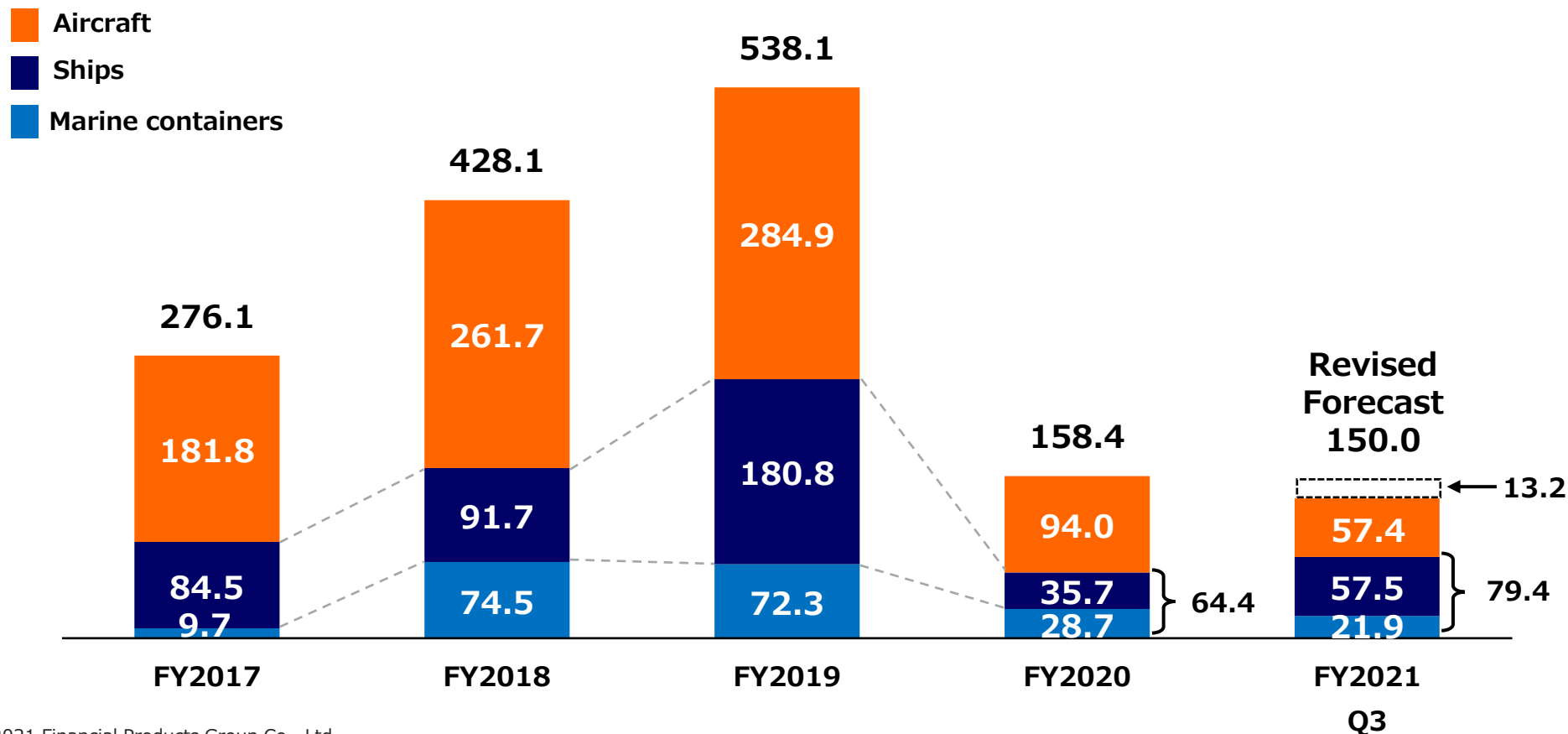


Leasing Fund Business (5)

Trends in amount of assets arranged by lease asset

- Aggressive structuring of ships and marine containers, while continuing our policy of carefully selecting projects for aircraft.
- Set up a large project of marine containers in the 3rd quarter (Apr.–Jun.). The total for the ships and marine containers project amounted to JPY 79.4 billion in the first nine months, an increase of JPY 15.0 billion compared with the previous year.

Trends in amount of asset arranged by lease asset (JPY billion)



Real Estate Fund Business (1) Outline

- Both sales amount of the real estate ownership investment products and net sales of its (excluding the development project) reached a record high.

	(JPY billion)						
	FY2017	FY2018	FY2019	FY2020	FY2020 3Q(Cumulative)	FY2021 3Q(Cumulative)	YoY Change
Net sales	0.55	0.69	4.25	0.68	0.64	1.74	+171.7%
Real estate fractional ownership investment	0.55	0.69	1.27	0.68	0.64	1.74	+171.7%
Development project	-	-	2.98	-	-	-	-
The real esatet fractional ownership investment							
Sales amount	5.80	8.05	12.24	5.41	5.41	14.75	+172.3%
Inventory	9.75	5.32 ^{*1}	3.37	2.21	0.01	4.16 ^{*1}	- ^{*2}
Arrangement	13.79	3.15	10.25	4.08	1.64	12.31	+650.8%

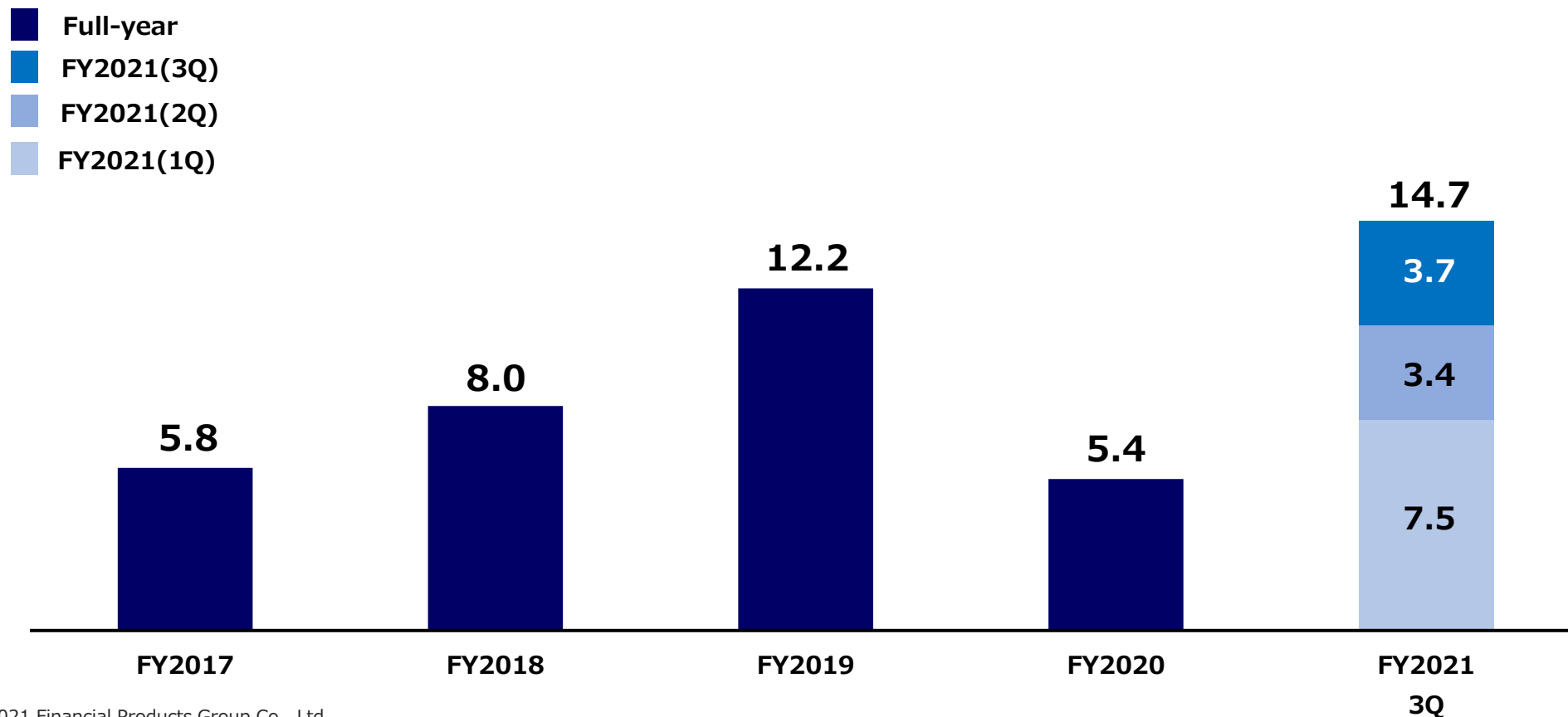
*1 Not including the inventory of development project.

*2 Not shown because it exceeds 1000%.

Real Estate Fund Business (2) Trend in amount sales

- Continued strong sales due to the expansion of sales channels and product characteristics that meet customer needs.

Trends in sales amount of the real estate fractional ownership investment (JPY billion)

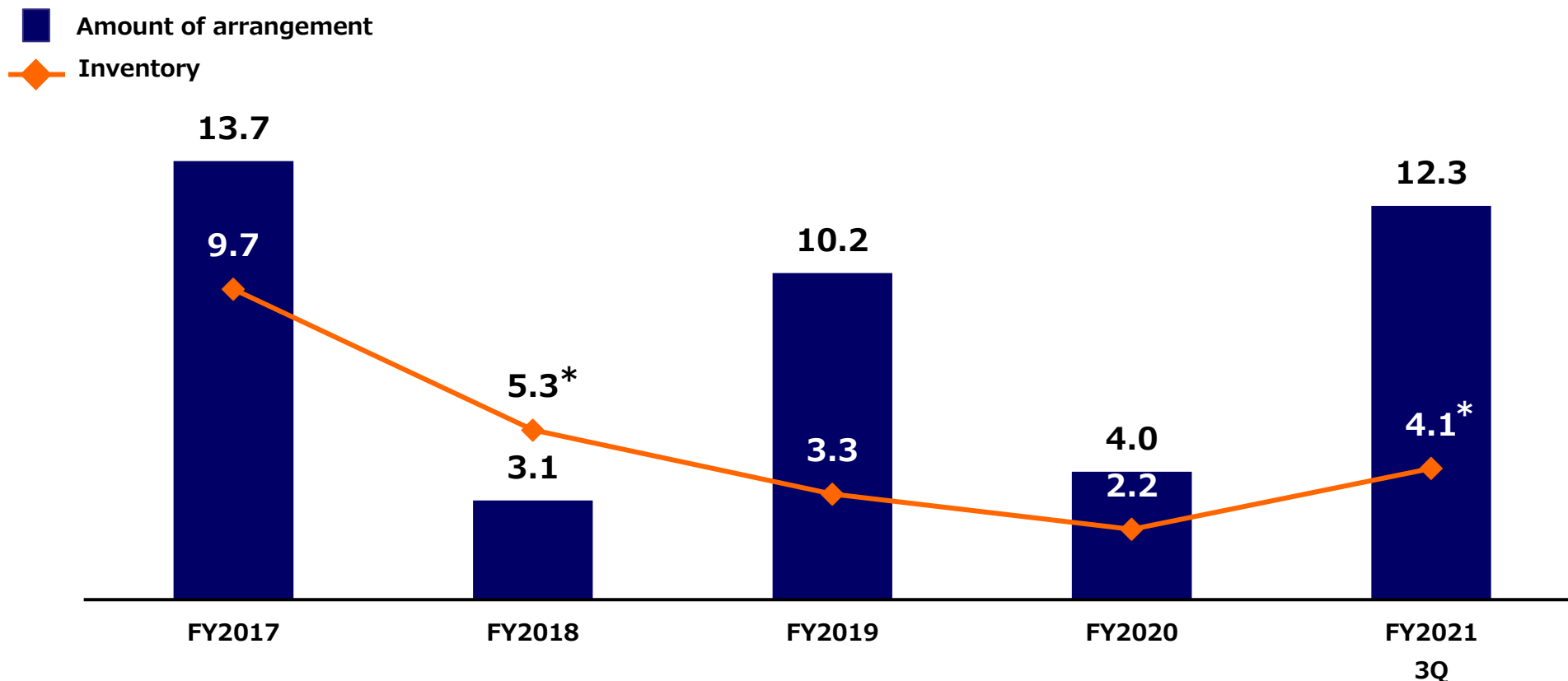


Real Estate Fund Business (3)

Trends in arrangement and inventory

- In the 4th quarter (Jul. – Sep.), we will continue to aggressively arrange the real estate fractional ownership investment and build up inventory to further expand the Real Estate Fund Business.

Trends in amount of the arrangement of the real estate fractional ownership investment and the inventory at the end of each period (JPY billion)



* Not including the inventory of development project.

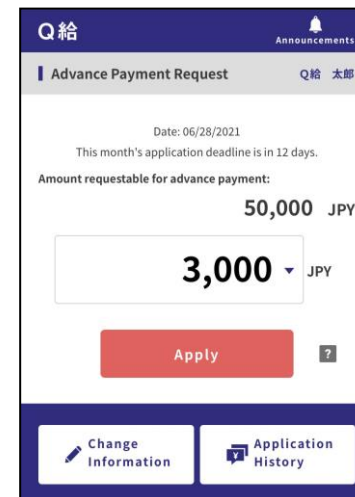
- Launch of the salary prepayment service “Q-Kyu”, the 1st FinTech Business initiative, on April 20.
- To ensure that foreign employees of companies using our service can use it with peace of mind, we made the employee website of Q-Kyu available in seven languages.

-How to use the Salary Prepayment Service “Q-Kyu” -

Multilingual support for the employee website.

English, Chinese (Simplified and Traditional), Korean, Vietnamese, Tagalog, Portuguese, and Spanish are supported.

Sample: Screen of user’s terminal



English

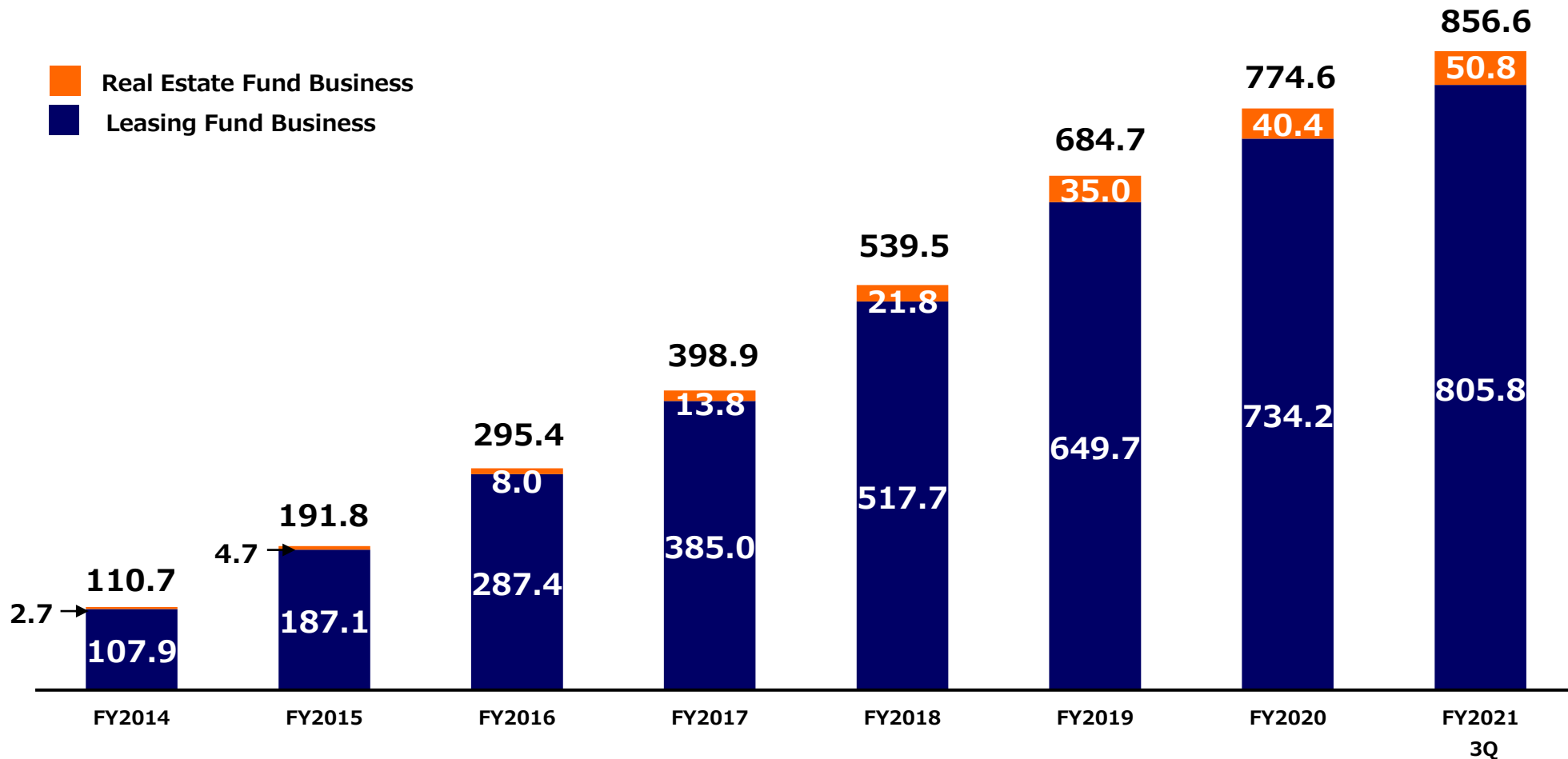
Simplified Chinese

💡 For companies... Helping increase job satisfaction, retention rate and new-recruit applications.

💡 For employees... Allowing to respond to urgent financial needs and arrange their payments to suit their lifestyle.

Trend in unredeemed balance*

- Unredeemed balance of JPY 856.6 billion at the end of June 2021, with a target of JPY 1.0 trillion.
- Focus on capturing reinvestment demand for projects coming up for redemption.



*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.

Consolidated Income Statement Summary

(JPY billion)

	FY2020 3Q(Cumulative)	FY2021 3Q(Cumulative)	YoY Change
Net sales	9.90	13.03	+31.6%
① Cost of sales	2.56	2.58	+0.8%
Gross profit	7.34	10.45	+42.3%
SG&A Cost	4.61	4.84	+5.2%
Operating income	2.73	5.60	+105.0%
② Non-operating income	1.77	2.17	+22.3%
③ Non-operating expenses	1.83	2.34	+27.7%
Ordinary income	2.67	5.43	+103.2%
Income before income taxes	2.66	4.87	+83.3%
Total income taxes	0.83	1.47	+76.3%
Profit attributable to owners of parent	1.79	3.42	+90.4%

① **Cost of sales**
Includes cost of commission fees paid for client introductions, arrangement costs for Leasing Fund Business, and valuation loss related to Air Mauritius.

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.

Consolidated Balance Sheet Summary

(JPY billion)

Asset	FY2020 Sep.30, 2020	FY2021 June. 30, 2021	Change
Current assets	126.46	99.10	▲27.36
Cash and deposit	27.15	29.98	+2.83
① Equity underwritten	39.61	12.50	▲27.11
② Money held in trust	34.03	30.07	▲3.96
③ Aircraft for sales	14.66	-	▲14.66
④ Supplies	0.01	14.52	+14.51
⑤ Real estate for arrangement	2.21	4.84	+2.63
Non-current assets	6.38	6.03	▲0.35
Total assets	132.85	105.13	▲27.72
Liabilities and Net assets	FY2020 Sep.30, 2020	FY2021 June. 30, 2021	Change
Current liabilities	83.21	46.73	▲36.48
Short-term debt	72.87	38.61	▲34.26
SPC non-recourse loan(within 1 year)	1.40	2.39	+0.99
⑥ Advances received	5.45	2.21	▲3.24
Non-current liabilities	22.14	28.42	+6.28
Long-term debt	9.20	15.53	+6.33
SPC non-recourse loan	12.54	12.39	▲0.15
Total liabilities	105.36	75.16	▲30.20
Total net assets	27.48	29.97	+2.49
Total liabilities and net assets	132.85	105.13	▲27.72

- ① Equity underwritten
Temporary advances in Leasing Fund Business prior to selling to equity investors
- ② Money held in trust
Temporary stock of trust beneficiary right of operating lease for aircraft using a trust function
- ③ Aircraft for sales ⇒ ④ Supplies
Aircraft for operating lease with Air Mauritius Limited as lessee (transferred in the 2nd quarter of FY2021).
- ⑤ Real estate for arrangement
Stock of the real estate fractional ownership investment products (incl. JPY 0.68 bn of the real estate for “Jiyugaoka 1-chome plan” under development).
- ⑥ Advances received
Including advances of commission fees related to Leasing Fund Business.

	FY2017	FY2018	FY2019	FY2020	FY2021 3Q
Payout ratio	43.0%	49.4%	46.9%	88.6%	51.0% ^{*1}
ROE	45.5%	33.4%	32.3%	3.8%	16.0% ^{*2}
Equity ratio	29.5%	34.5%	26.0%	20.5%	28.3%
Ordinary income margin	65.1%	57.3%	54.1%	13.5%	41.7%

*1 : Forecast of the payout ratio for the fiscal year ending September 30, 2021, revised on July 30, 2021.

*2 : $ROE = \{ (\text{Profit attributable to owners of parent in the first nine months} / 3) \times 4 \} / \text{Shareholders' equity}^{*3} \times 100$

*3 : Shareholders' equity = Average of beginning and end of the 3rd quarter

■ External Evaluation*¹



<JPX-Nikkei 400>

The JPX-Nikkei 400 is an index of approximately 3,700 companies listed on the Tokyo Stock Exchange that meet various criteria required by global investment standards, such as efficient use of capital and investor-oriented management. FPG has been selected for five consecutive years since 2016.

<S&P/JPX Carbon Efficient Index>

An index that uses TOPIX, a representative stock price index in the Japanese market, as its universe and determines the weight of its constituent stocks by focusing on the disclosure status of environmental information and the level of carbon efficiency.

*1 As of Jun. 2021

■ New market classification of the Tokyo Stock Exchange(TSE)

- FPG received the results of the initial assessment of our compliance with the listing standards in the new market classification from TSE, Inc. on July 9, 2021, and confirmed that we are in compliance with the listing standards to remain listed in the Prime Market.
- The Board of Directors resolved to select the Prime Market at its meeting held on July 30, 2021.
- FPG will apply to the TSE for a new market classification.

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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