



# FPG Review 2020

ANNUAL REPORT

for the year ended September 30, 2020

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# We're true professionals

## Corporate Philosophy

Under the corporate philosophy of “We will work for our customers as true professionals in the finance industry,” FPG strives to improve the corporate value of our business through providing the best possible products to customers.

## The requirements of a true professional

- Must have high-level, specialized techniques.
- Must maintain a strict sense of ethics in using specialized techniques.
- Must apply all techniques with benefit to customers in mind.
- The underlying concept for these requirements parallels the Hippocratic Oath taken by physicians to uphold certain ethical standards.

## Message from the CEO Aim to improve enterprise value through change Business structure to achieve sustainable growth

The environment surrounding FPG during the fiscal year ended September 2020 had changed significantly due to the COVID-19 global pandemic, and our business conditions have been greatly affected. Especially, immigration restrictions implemented around the world as measures to prevent the spread of infection had hit the airline industry hard, and had a significant impact on the origination and sale of deals to airlines of our mainstay business, the Leasing Fund Business\* as well. Therefore, the consolidated financial results for the fiscal year ended September 2020 showed a decline in revenue and profits compared to the previous year.

In this environment, FPG has made a moderate recovery through appropriate inventory control and flexible sales strategies. In addition to these efforts to break through this situation and return to a growth path, we have formulated a three-year medium-term management plan starting with the fiscal year ending September 2021 and have started new initiatives. FPG has defined these three years as a period of transition in our business structure, and we aim to achieve sustainable growth by creating new value through the combined use of various licenses and digital technology held by the FPG Group.

The impact of the COVID-19 infection on the economy may be long-lasting. However, we believe that this is an opportune time for transformation, and the entire company will work together to transform FPG's business structure. We appreciate your ongoing support of the business of the FPG Group.

Note: We changed the name of the Lease Arrangement Business to the Leasing Fund Business.



**Hisanaga Tanimura**  
CEO and Founder,  
Representative Executive Officer

## Striving to be true professionals providing customer-centric products and services

FPG was established in November 2001 with the objective of analyzing the various risks that investments entail and offering products that are optimal from the customer's perspective. Since then, as an independent financial services company, FPG has expanded its business activities around its core business, the Leasing Fund Business.

Listing the Company on JASDAQ in 2010 enhanced its credit worthiness and expanded its lease structuring capabilities, sales capabilities and fund-raising capacity. In the fiscal year ended September 2015, FPG enhanced cooperation with its overseas affiliates, FPG AIM Group (FPG Asset & Investment Management B.V. and its subsidiaries) and FPG Amentum Limited. The

cooperation with these companies enables FPG to proactively originate new leases, and this, coupled with initiatives to meet strong investor demand as well as by expanding the distribution network, brought about dramatic progress.

We have promoted a variety of financial service businesses including the Real Estate Fund Business and the Insurance Sales Business. Recently, in order to meet the diversified needs of our customers, we have expanded beyond the financial services sector and into the Private Equity Business, Aviation Business and FinTech Business. FPG will continue striving to provide a one-stop financial service business that satisfies customers' needs.

## Company History

<b>2001</b>	<b>11</b>	Established as Financial Products Group Co., Ltd.	<b>2014</b>	<b>10</b>	Entered the Trust Business by acquiring the entire share capital of Bernina Trust Co., Ltd. (now FPG Trust Co., Ltd.).
<b>2004</b>	<b>8</b>	Commenced JOLs for marine containers.	<b>2015</b>	<b>5</b>	Acquired additional share capital of consolidated equity-method affiliate Amentum Capital Ltd. (now FPG Amentum Limited) which was integrated as a consolidated subsidiary.
<b>2008</b>	<b>5</b>	Registration for Type II Financial Instruments Business completed.	<b>2016</b>	<b>8</b>	Selected as a composite stock of JPX-Nikkei Index 400.
<b>2009</b>	<b>7</b>	Commenced JOLs for ships.	<b>12</b>	Selected as a composition stock of the JPX-Nikkei Mid Small.	
<b>2010</b>	<b>9</b>	Listed on JASDAQ, the Osaka Securities Exchange (currently the Tokyo Stock Exchange)	<b>2018</b>	<b>6</b>	FPG Insurance Services Co., Ltd. started insurance agency business.
	<b>10</b>	Commenced M&A Business.	<b>2019</b>	<b>11</b>	Acquisition of 100% of the shares of NORTH JAPAN AIRLINES CO., LTD.
	<b>11</b>	Commenced Insurance Sales Business.	<b>2020</b>	<b>4</b>	Acquisition of 100% of the shares of KEN FIRST CO., Ltd.
<b>2011</b>	<b>4</b>	Commenced JOLs for aircraft.	<b>2020</b>	<b>7</b>	KEN FIRST CO., Ltd. was renamed FPG Technology Co., Ltd.
	<b>10</b>	Listed on Tokyo Stock Exchange, Second Section.			
<b>2012</b>	<b>2</b>	Established a joint venture in Europe, FPG Asset & Investment Management B.V., specializing in sourcing and arrangement for JOLs.			
	<b>10</b>	Listed on Tokyo Stock Exchange, First Section.			
<b>2013</b>	<b>3</b>	Entered the Securities Business by acquiring the entire share capital of FinTech Global Securities Inc. (now FPG Securities Co., Ltd.).			
	<b>8</b>	Commenced Real Estate Fund Business.			
	<b>11</b>	Formed a capital and strategic alliance with Amentum Capital Ltd. (now FPG Amentum Limited), an independently managed leading aircraft lease management company headquartered in Ireland, and integrated as an equity-method affiliate.			

## Business Portfolio

We provide one-stop financial products and various services that meet our customers' needs, leveraging our position as an independent financial services company and our strong distribution network.

### Strengths of the FPG Group

Excellent human resources

Various licenses

Strong regional distribution network

Overseas network in collaboration with overseas subsidiaries



Promoting business diversification, the FPG Group aims to improve its performance with the expansion of new products and services that meet clients' needs.

Existing and new clients (highly profitable SMEs and wealthy individuals)

We have the capability to develop unique products and provide solutions that meet clients' needs.

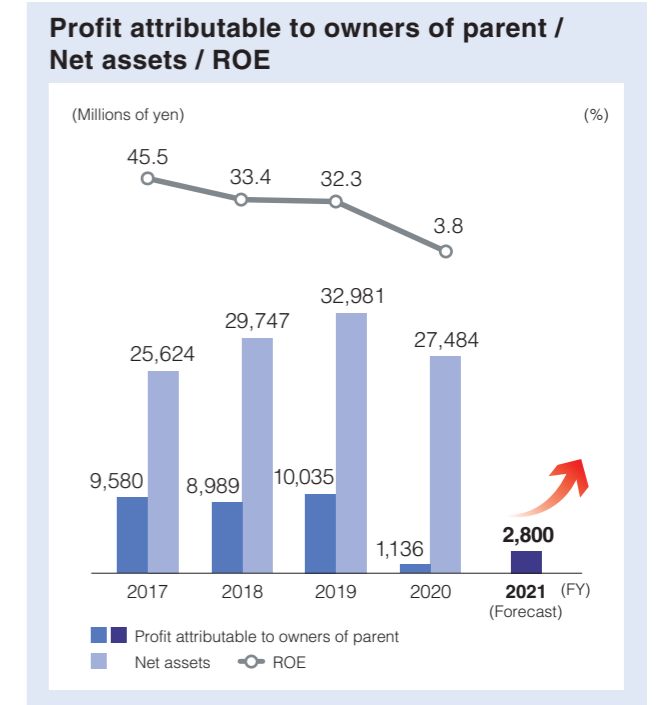
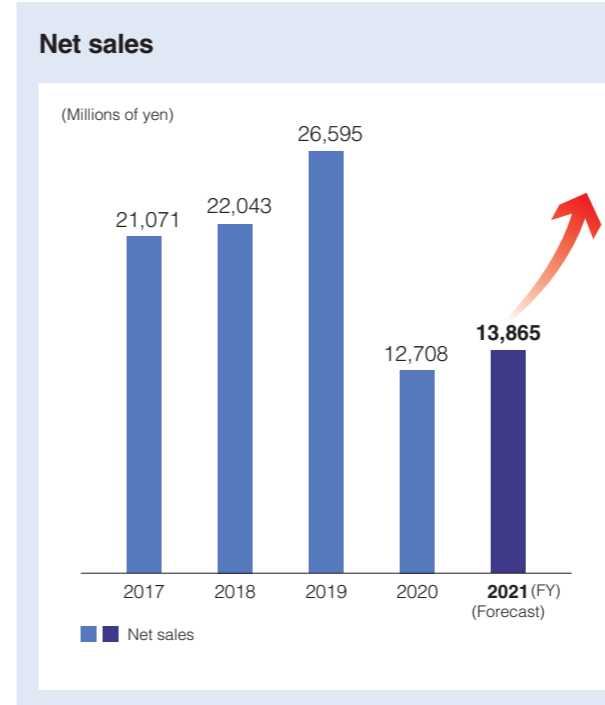
Leasing Fund	Real Estate Fund	FinTech	M&A	Private Equity	FPG Trust
Through the deferred effect on taxable income, clients are able to build the ideal capital investment plans and formulate stable profit plans and ensure favorable tax management practices.  (Overseas affiliates) FPG Amentum FPG AIM	Selling a real estate fractional ownership investment for responding to asset management and asset succession needs of individual high net worth individuals	Developing new financial services beyond IT products and services	Dealing with the successor absence problem of SMEs and supporting smooth business succession	Solving client needs flexibly by our investment in prime SMEs	Issuing trust beneficiary rights and manage trust properties, etc. in the Leasing Fund Business and the Real Estate Fund Business
		<b>Aviation</b> Operating doctor transportation and aerial photography business	<b>Insurance Sales</b> Offering the various products to customers as the insurance agency		<b>FPG Securities</b> Aiming to contribute to aircraft leasing business and to develop underwriting business and investment management business

# 01 Profile Financial Highlights

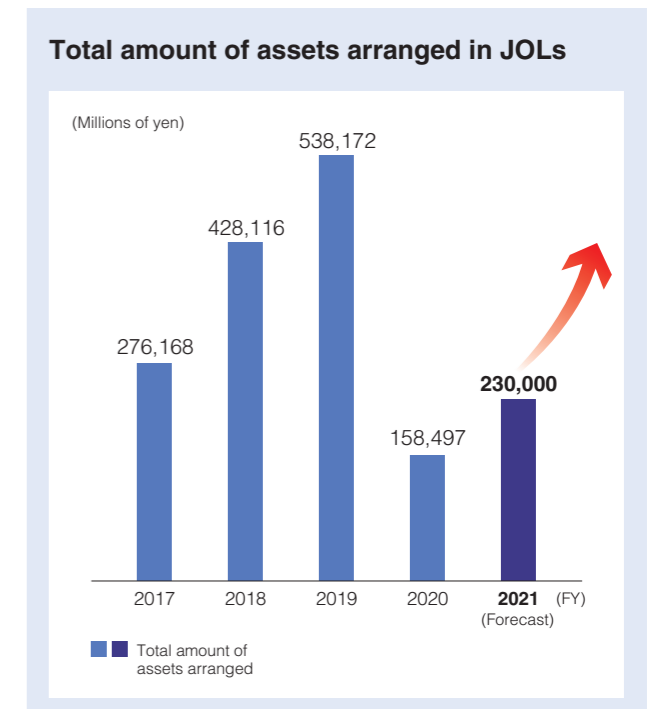
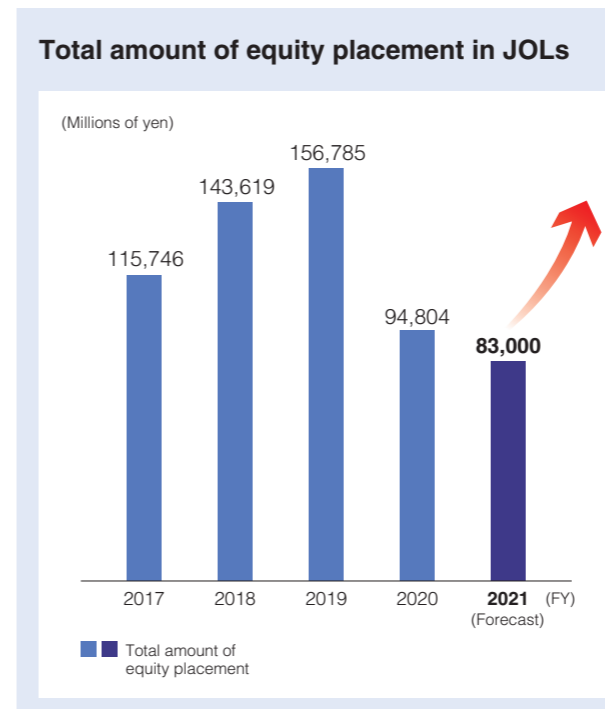
Fiscal years ended September 30

					Millions of yen	Thousands of U.S. dollars
	2016	2017	2018	2019	2020	2020
Net sales (fee income)	¥ 18,894	¥ 21,071	¥ 22,043	¥ 26,595	¥ 12,708	\$ 120,538
Operating Income	11,853	13,417	13,064	14,432	1,879	17,825
Ordinary Income	11,906	13,711	12,624	14,394	1,719	16,310
Profit attributable to owners of parent	7,644	9,580	8,989	10,035	1,136	10,776
Net assets	17,809	25,624	29,747	32,981	27,484	260,691
Total assets	81,222	82,799	85,141	125,839	132,850	1,260,083
					Yen	U.S. dollars
Earnings per share	¥ 84.05	¥ 106.44	¥ 99.71	¥ 113.01	¥ 12.98	\$ 0.12
Book value per share	196.86	270.60	326.03	369.59	318.90	3.02
Operating income margin (%)	62.7	63.7	59.3	54.3	14.8	—
Profit margin (%)	40.5	45.5	40.8	37.7	8.9	—
ROE (%)	45.2	45.5	33.4	32.3	3.8	—
Equity ratio (%)	21.8	29.5	34.5	26.0	20.5	—
					Millions of yen	Thousands of U.S. dollars
<b>Leasing Fund Business</b>						
Total amount of equity placement in operating leases	¥109,417	¥115,746	¥143,619	¥156,785	¥ 94,804	\$ 899,221
Total amount of assets arranged in operating leases	378,808	276,168	428,116	538,172	158,497	1,503,341

Note: 1. The U.S. dollar amounts represent the translations in Japanese yen at the approximate exchange rate of ¥105.43 = \$1 as of September 30, 2020, solely for the convenience of readers, and are unaudited.  
 2. Profit means profit attributable to owners of parent.



## Leasing Fund Business



Total amount of assets arranged in the Leasing Fund Business is an indicator which shows supply capacity of products.

FPG has formulated a three-year medium-term management plan to enhance the sustainability of FPG

## Outline

**Period:** FY2021–FY2023

**Basic Policy:** Set this medium-term management plan as a period of Business Structural Change to enhance the sustainability of FPG in the post-pandemic new normal

**Strategy:** Create new value by the combining the use of licenses and the promotion of digitalization

**Shareholder return:** Aim for a consolidated dividend payout ratio of 50%

## Measures

### I Launching the FinTech Business

- ◆ Development of services that combine financial licenses and digital technology
- ◆ Promote strategic M&A

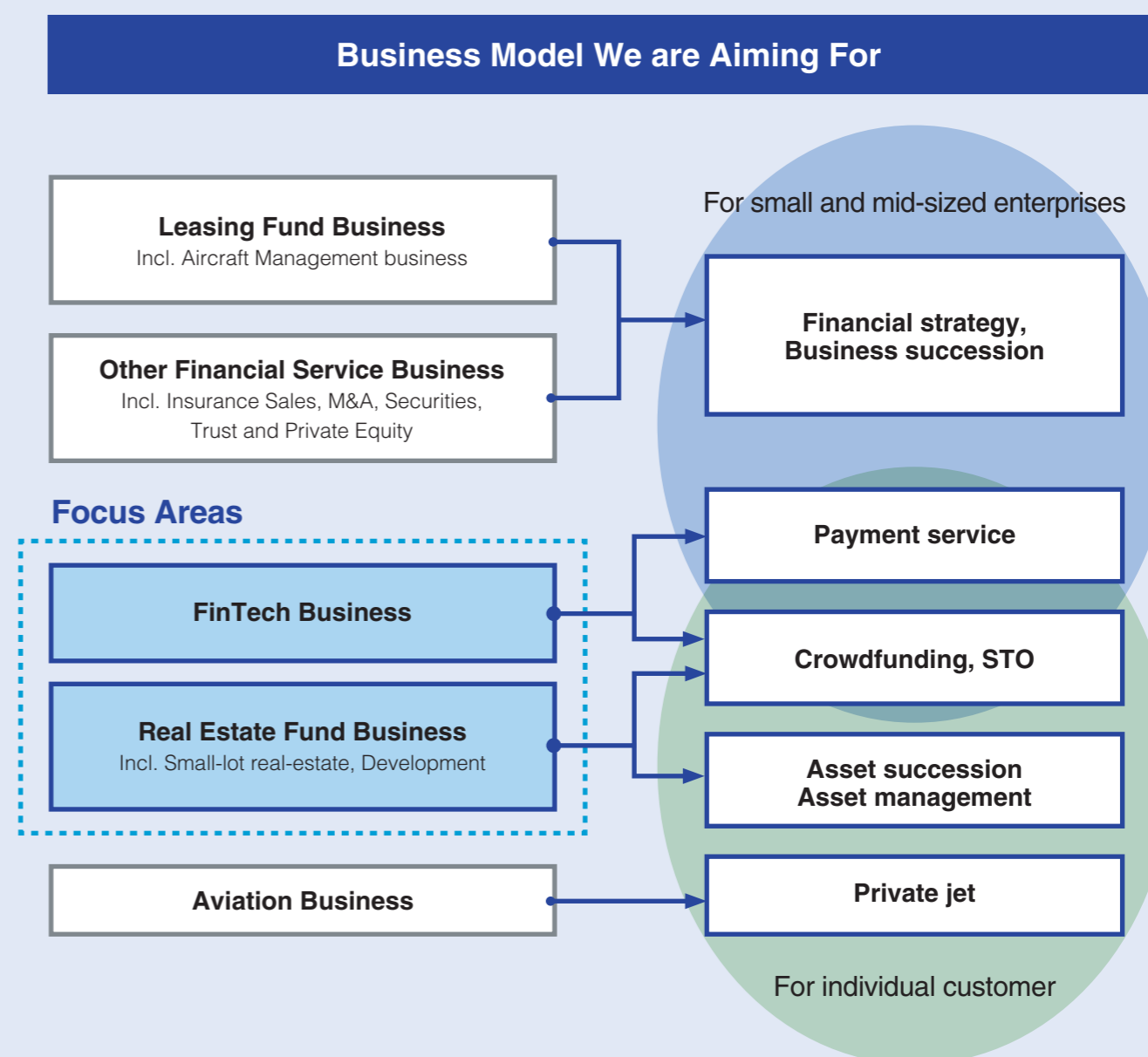
### II Expand the Real Estate Fund Business

- ◆ Expand the arrangement of real estate fractional ownership investment
- ◆ Aggressive expansion of personnel to strengthen the sales system

### III SDGs initiatives to increase corporate value

- ◆ Contribute to the SDGs through our businesses
- ◆ Promote diversity

## Leverage the Company's strengths to implement radical business structure reform



## Features of Our Operating Leasing

### The Leading Company of Japanese Operating Leases

#### 1 FPG Result Track Record (FY2009–FY2020)

**1. Accumulated amount of assets arranged in JOLs: Over 2.5 trillion yen**

Aircraft: Over 1.3 trillion yen  
 Ships: Over 0.7 trillion yen  
 Marine Containers: Over 0.7 trillion yen

**2. Accumulated amount of equity placements in JOLs: Over 800 billion yen**

**3. Unredeemed balance: Over 700 billion yen**

**4. Number of investors: Over 8,000 companies**

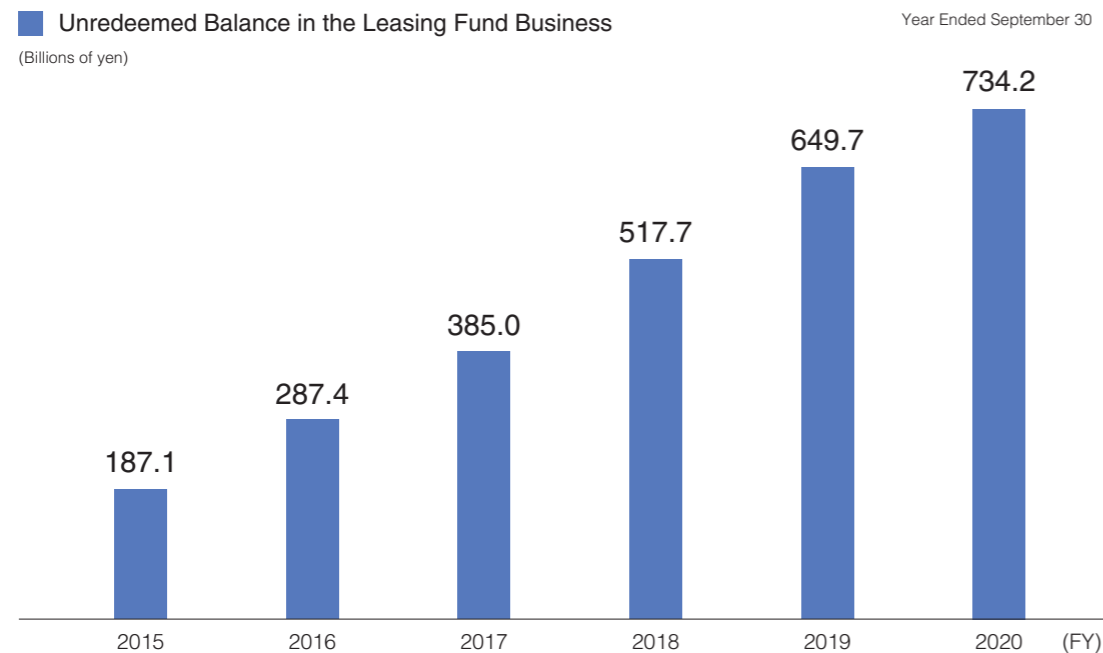
#### 2 Providing abundant products throughout the year to meet customer needs

#### 3 Strengths in composition and sales in the shipping market (ships, marine containers)

Maintaining a network with the world's leading shipping companies

#### Unredeemed Balance in the Leasing Fund Business

■ Unredeemed Balance in the Leasing Fund Business  
 (Billions of yen)



## Leasing Fund Business

The Leasing Fund Business provides integrated services covering the structuring, origination, equity placement and administration of JOLs for large transport equipment, primarily marine containers, ships and aircraft.

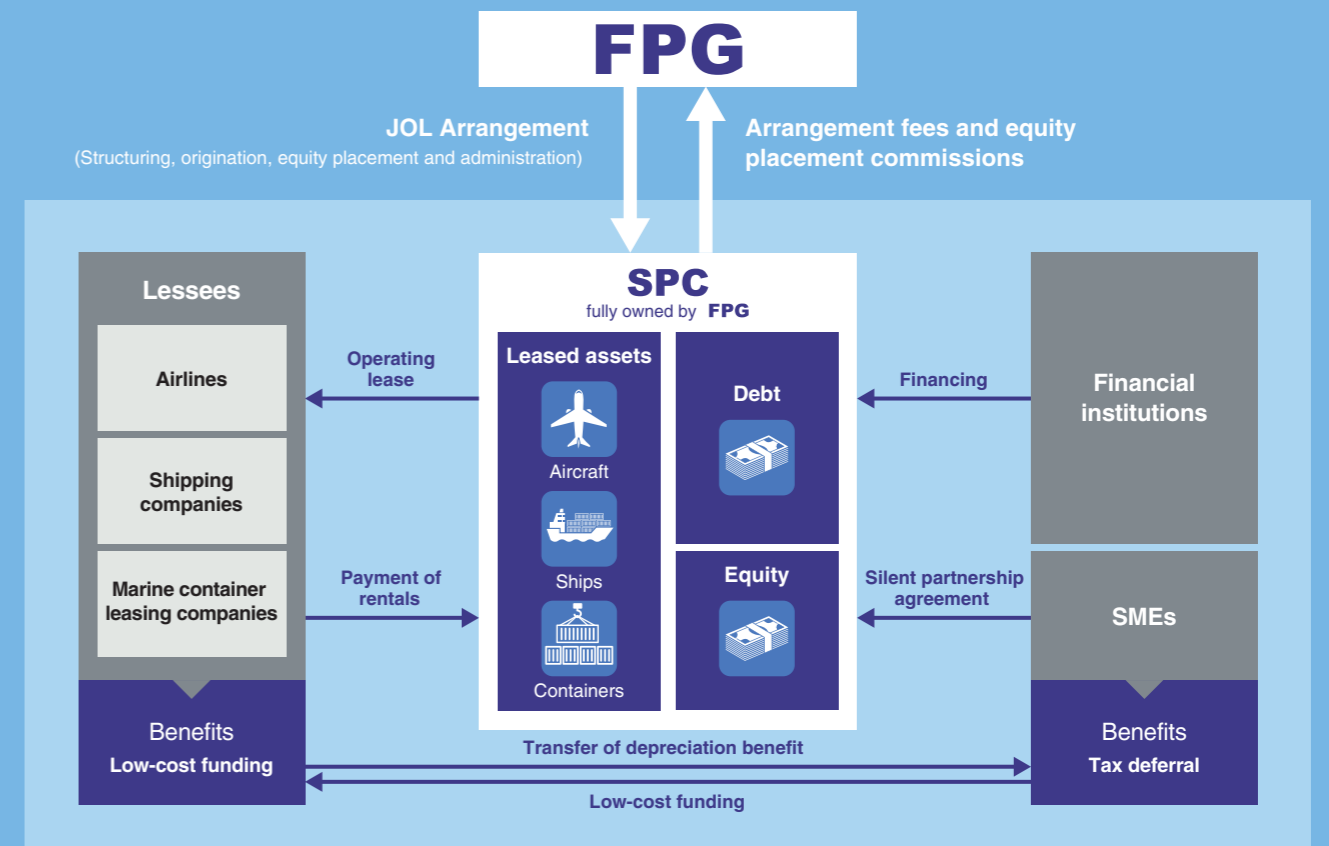
The JOL business involves operating leases structures, based on the Japanese tax system. JOLs are funded by debt from financial institutions as well as by equity contributions to FPG's subsidiary (Special Purpose Company (SPC)) by way of silent partnerships from profitable non-listed small- and medium-sized enterprises (SMEs).

The SPC, as the lessor, acquires an aircraft or a ship, etc., and then leases it out to lessees such as airlines or shipping companies. Under JOLs, the lessor tends to show losses during the first half of the lease term because expenses, such as depreciation expenses calculated by the declining-balance method, exceed income during

this period. The loss is usually replaced by profits in the second half of the lease term, as expenses decline.

Profits and losses related to JOLs are distributed to investors commensurate with their relative equity contributions in accordance with the silent partnership agreement. By offsetting losses that arise in the first half of the lease term against profits in their main businesses, investors can reduce stated profit and defer their tax liabilities. Lessees including airlines and shipping companies, etc., meanwhile, are able to procure low-cost funds from investors through JOLs to be used in purchasing their assets, such as aircraft and ships. FPG thus matches the needs of investors seeking tax deferral benefits with the needs of lessees seeking low-cost funds and, in return, earns fees for arranging the JOLs. FPG continues to achieve strong growth as a leading company in the Leasing Fund Business in Japan.

#### Business Model of the Leasing Fund Business



## Outlook for the Leasing Fund Business

In the Leasing Fund Business, we use advanced financial solutions to match the equipment investment needs of airlines and shipping companies and the business management issues

faced by SMEs. An important factor in the expansion of this business is to expand lease origination and equity placement in a balanced fashion.

### Providing an attractive finance method for lessees

At the end of the fiscal year ended September 2020, the business environment for the aviation industry deteriorated rapidly due to the impact of measures to prevent the spread of COVID-19 around the world, and as a result, the equipment investment declined. But we expect that the business environment will settle down due to the economic effects of measures including activities to prevent the spread of the COVID-19 global

pandemic, support for airlines by governments and financial institutions, and the efforts of airlines to help themselves. By the end of the fiscal year ending September 2023, we expect that the situation will be resolved and conditions will have returned to pre-pandemic levels. If the market will recover, the JOL business becomes a more attractive financing method for airlines and shipping companies that need to introduce large-

scale transport-related equipment, as it allows them to procure funds at low cost. We will continue to strengthen our ties with our overseas affiliates, FPG Asset & Investment Management B.V. and

FPG Amentum Limited, and further expand marketing efforts for our JOL business offerings as an internationally competitive method for procuring funds.

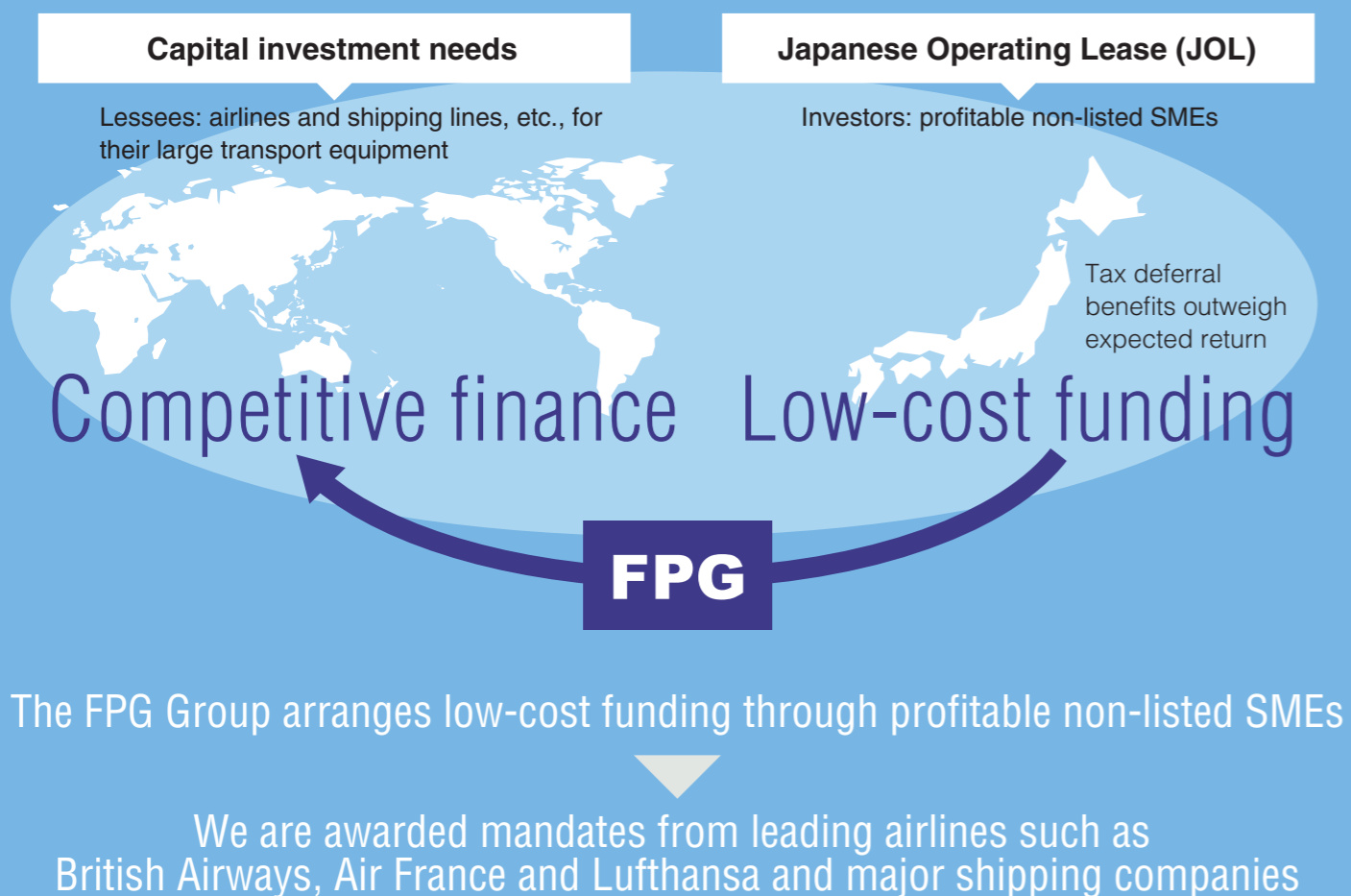
### Establishing a robust distribution network

Our distribution network, which can be accessed efficiently by SMEs and wealthy individuals throughout Japan, is one of our distinguishing features, and one that supports rapid growth.

FPG has established a system that facilitates customer introductions from business partners (accounting firms and financial institutions throughout Japan) that serve SMEs and wealthy individuals. In comparison to our competitors that

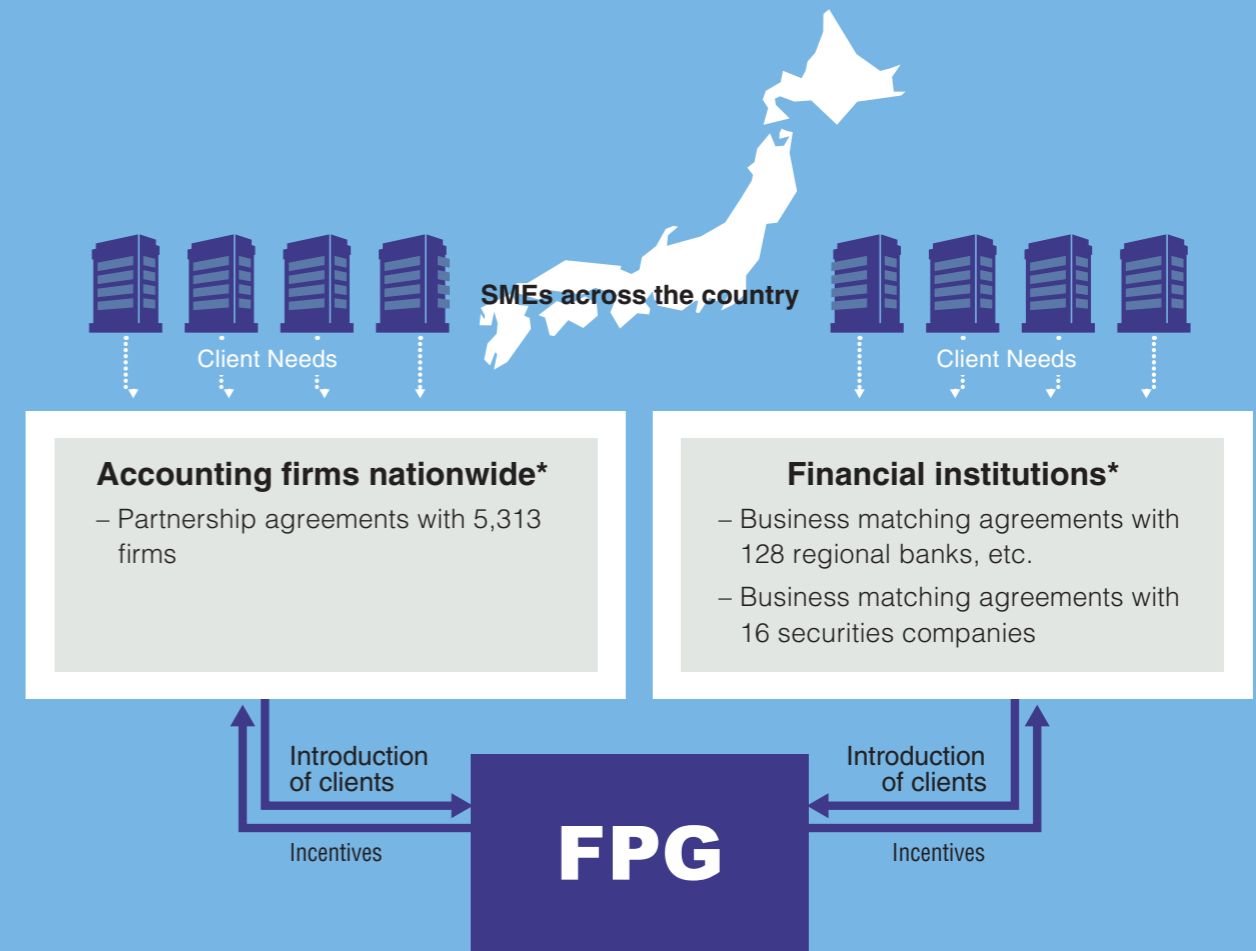
are part of a major banking group, thanks to FPG's neutrality and independency, FPG has been able to expand our relationship with financial institutions (regional banks, securities companies). Our distribution network continues to grow, with over 500 new business partners added to our portfolio in the fiscal year ended September 2020. We now have business partnerships with over 5,300 accounting firms and 144 financial institutions.

### The reason why foreign lessees award mandates to FPG



### FPG's distribution network

Building a distribution network that can approach investors effectively



\*Figures above as of end of September 2020



## Real Estate Fund Business

Since August 2013, we have provided real estate fractional ownership investment to both individual and corporate customers under the Real Estate Specified Joint Enterprise Act. Building on that, in April 2016 we began providing new real estate fractional ownership investment (fractional real-estate trust beneficiary rights) making use of our

subsidiary FPG Trust's capabilities. The product allows investors to invest in small lots of real estate in prime locations that are expected to show stable returns. Sales are growing driven by the fact that our products offer tax benefits as donated assets or inheritance properties, in addition to the expected stable investment income.

## FinTech Business

In addition to providing IT products and services, we are working to create new services that

combine various financial licenses held by the Group and digital technologies.

## Other Businesses

### M&A Business

In light of the increase in business succession issues due to the aging of SME owners, we act as the intermediary agent or adviser.

### Insurance Sales Business

We deal mainly with corporate insurance products, such as preparation of retirement packages and inheritance and business succession plan, among others. We provide optimal insurance products for corporate customers.

### Private Equity Business

We invest in prime SMEs by utilizing the relations and platforms that we have cultivated to date in developing financial services for SMEs. Taking advantage of being an independent company, we can solve issues and meet client needs in a flexible way.

### Aviation Business







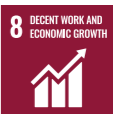


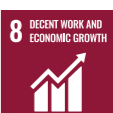
We provide doctor transportation and aerial photography services by utilizing the aviation business license owned by NORTH JAPAN AIRLINES CO., LTD. We plan to develop a private jet charter business for wealthy people in Japan and overseas by utilizing the license of the air transportation business.

### Securities Business, Trust Business

We are aiming to expand the Leasing Fund Business and the Real Estate Fund Business by utilizing investment management and trust functions.

## Through Our Business Activities

### SDGs related to the value provided to society

<b>Leasing Fund</b>	Contribution to reducing the environmental burden of the transportation industry			
<b>Real Estate Fund</b>	Contribution to creating a comfortable city to live in			
<b>FinTech</b>	Contribution to revitalization of industry and improvement of job satisfaction by FinTech service			
<b>Human Resources</b>	Expansion of systems that can maximize the abilities of employees			

## Through Social Contribution Activities

### Official Sponsor of Paralymp Art

Paralymp Art is a social contribution business that promotes the independence of artists with handicaps through art. FPG became a sponsor of Paralymp Art in November 2020, and we will contribute to the realization of a world where people with handicaps can fulfill their dreams through art.



Paralymp Art®

**GOLD PARTNERS**

障がい者アートを応援しています





### Supporting Tomokazu Harimoto and Miwa Harimoto in table tennis

We support the Japanese national table tennis team member Tomokazu Harimoto and his younger sister Miwa in order to promote sports by assisting young amateur athletes. The FPG Group will support them to become the top table tennis athletes in the world.



Tomokazu Harimoto | World ranking: 4\*



Miwa Harimoto | World ranking U-15: 2\*



\*As of December 2020  
Photos provided by THE TABLE TENNIS REPORT / BUTTERFLY

Basic Policy

FPG has been working to improve the performance and efficiency of our business based on our mission to conduct management that respects the interests of all the stakeholders, including shareholders, customers, employees and business partners. We have also been working to ensure thorough compliance by employees as well as directors. In addition, based on the recognition that the mechanism that ensures such effectiveness is corporate governance, we have been working to fulfill our responsibilities in this area. Our objective is to achieve sustainable growth by improving and strengthening corporate governance in accordance with our growth strategies –a critical managerial challenge for the future. Our management philosophy states that we must adhere to a strict sense of ethics in utilizing our expertise; that we are aware that compliance constitutes the core of corporate governance; and that we will ensure its thorough implementation. Moreover, we are also aware that the fundamental purpose of corporate governance is to establish transparent and sound management by increasing and maximizing company value through an improvement in stakeholder satisfaction. We aim to be “a real professional” in the financial industry and to maintain, construct and operate the most suitable management organization.

System

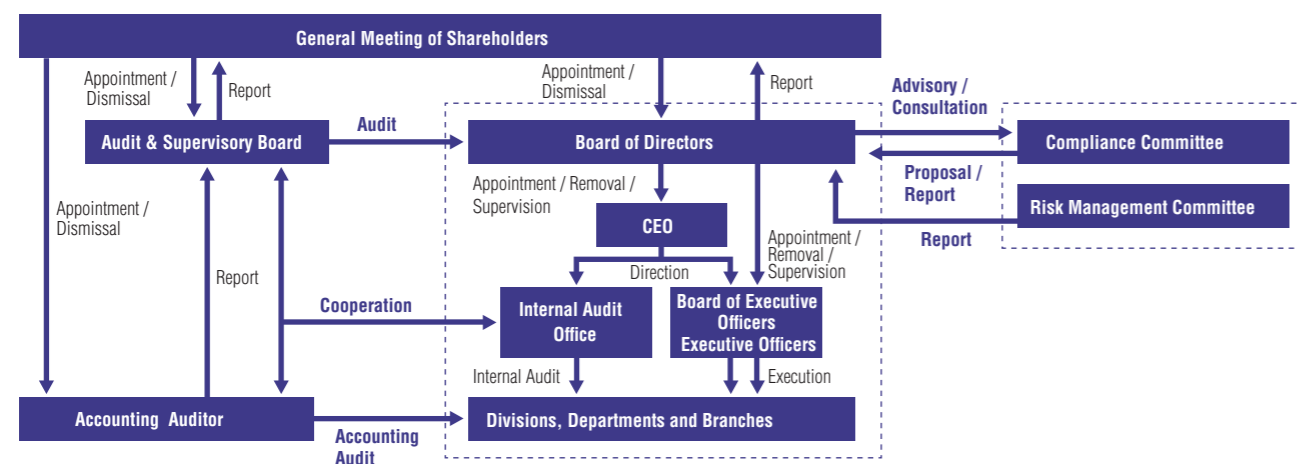
FPG has introduced the executive officer management system. The Board of Directors concentrates on important management decisions and the implementation of oversight functions, while executive officers, selected and appointed by the Board of Directors, are responsible for business operations in each individual field. This encourages fast decision-making and efficient operational implementation, which enhances execution. The Board of Directors is composed of five directors. They hold meetings once a month or on an as-needed basis. In addition, in order to ensure the transparency and fairness of management and to achieve growth in the financial industry where advanced expertise is required, the Company has appointed two outside directors who are familiar with international corporate legal affairs and financial accounting. Each of the eleven executive officers appointed by the Board of Directors carries out business operations in his/her responsible field. In addition, the executive officers hold Executive Board meetings chaired by a representative

executive officer who concurrently serves as the President and CEO. Executive Board meetings are held once a month and on an as-needed basis for the purpose of determining and reporting on business operations and deliberating matters to be submitted to the Board of Directors. The Audit & Supervisory Board is composed of three auditors, among which there is one full-time auditor. The Audit & Supervisory Board holds meetings once a month and on an as-needed basis. Each auditor spends time auditing and monitors the business execution of the directors by carrying out specific auditing procedures delineated in the audit plan adopted by the Audit & Supervisory Board. In addition, in order to further strengthen the audit function, the Company has appointed three outside auditors who have abundant knowledge and experience. The Internal Audit Office is independent from the other organizations, which the President and CEO controls directly. Two dedicated staff are appointed to the Internal Audit Office. They evaluate the effectiveness of internal controls with respect to the Company’s general business activities and mission. FPG has appointed Ernst & Young ShinNihon LLC as the accounting auditor. The Compliance Committee chaired by the President and CEO is held on a regular and on an as-needed basis to ensure thorough compliance. In addition, in order to strengthen the risk management and crisis management systems, the Company holds regular meetings of the Risk Management Committee chaired by the President and CEO.

Election of Outside Directors

With the aim of establishing a strong corporate governance system and ensuring fairness and transparency, we have elected as outside directors Keiko Ohara and Eiji Sakomoto who are academics with abundant knowledge, experience and broad expertise in international corporate legal affairs, as well as in financial accounting. For brief biographies of Keiko Ohara and Eiji Sakomoto, please refer to page 18 and 19. We have judged that there are no special interests between each of the two outside directors above and the Company, nor is there the possibility of conflicts of interest with general shareholders. In addition, we have designated two outside directors and three auditors as an independent executive as stipulated in the provision of Tokyo Stock Exchange (TSE) Inc.

Overview of the Corporate Governance System



The new medium-term management plan includes the following changes to the shareholder return policy.

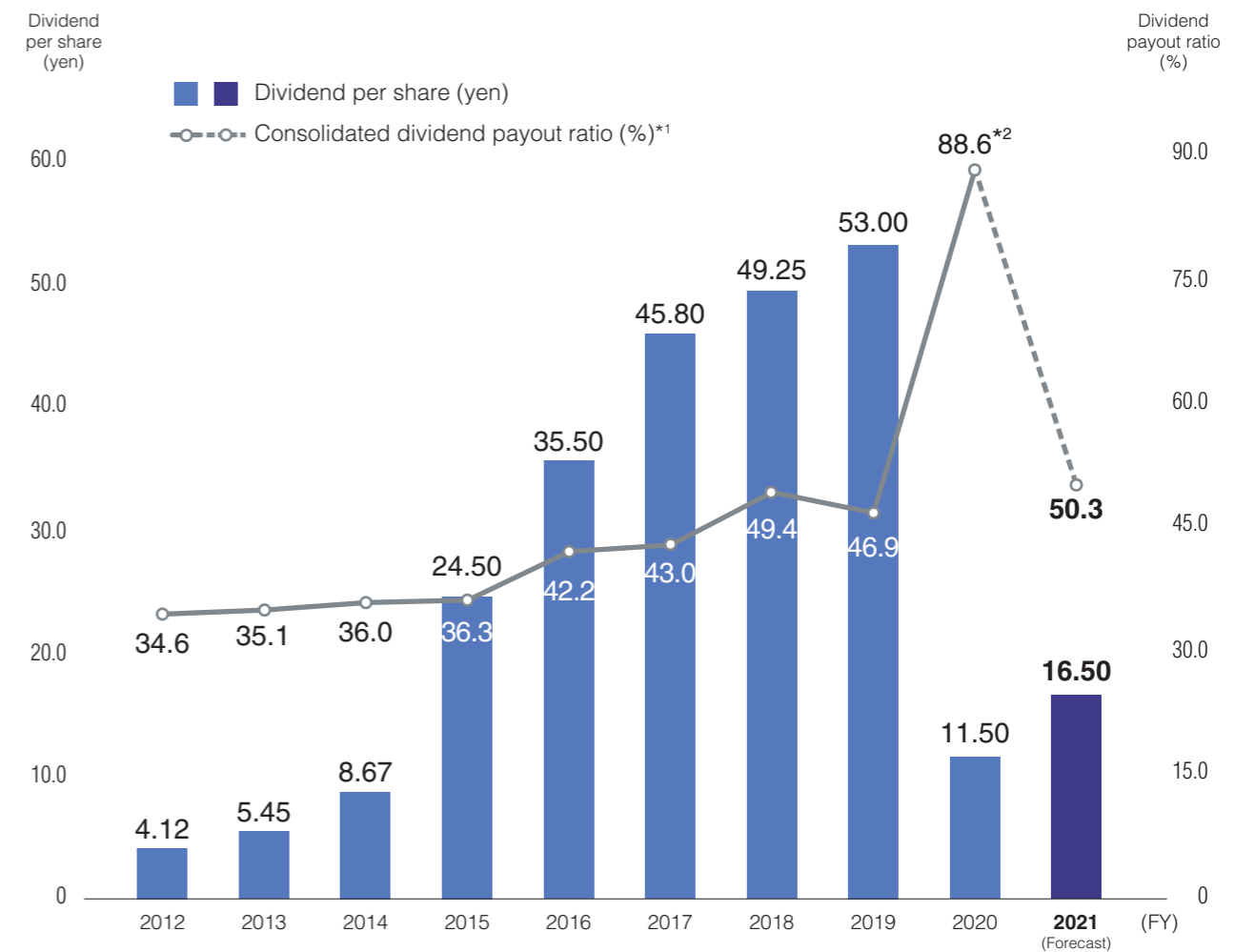
Basic policy

Continue to pay stable dividends while securing the internal reserves necessary for maintaining growth and increasing corporate value

Dividend payout ratio

Aim for a consolidated dividend payout ratio of 50%

Dividend per share and consolidated dividend payout ratio



\*1: Consolidated account commenced in FY2013

\*2: Regarding the dividend for FY2020, the dividend policy for FY2020 was withdrawn and the dividend for FY2020 was set at 11.50 yen per share. As a result, the dividend payout ratio of 88.6% is planned.

### Members of the Board



**Hisanaga Tanimura**  
CEO and Founder,  
Representative Executive Officer

Mr. Tanimura established Financial Products Group Co., Ltd. in November 2001. He has more than 20 years of experience in the field of Japanese Operating Lease arrangements. Prior to establishing FPG, he was the representative of ING Lease Japan N.V., Tokyo Branch. He also held several positions in Sumisho Lease Co., Ltd. (currently Sumitomo Mitsui Finance & Leasing Company, Limited). He now concurrently serves as the representative director and chairman of FPG Securities Co., Ltd., the representative director and chairman of FPG Trust Co., Ltd., the director of Amentum Capital Ltd. (currently FPG Amentum Limited), the representative director and chairman of FPG Technology Co., Ltd. and the director of NORTH JAPAN AIRLINES CO., LTD.



**Tadashi Ishiguro**  
Director, Member of the Board,  
Senior Managing Executive Officer

Mr. Ishiguro has been a senior managing executive officer at FPG since 2016. He joined FPG Trust in 2015 as CEO and president after serving as senior managing director at The Nomura Trust & Banking Co., Ltd and senior advisor at Nomura Holdings, Inc. Prior to almost a decade of serving at Nomura group, he spent over 25 years with the Long-Term Credit Bank of Japan, Limited (currently Shinsei Bank, Limited). During his time there, he served as managing director of the corporate affairs group. He now concurrently serves as the director of FPG Trust Co., Ltd., the director of FPG Technology and the director of NORTH JAPAN AIRLINES CO., LTD.



**Kazuki Takahashi**  
Director, Member of the Board,  
Senior Managing Executive Officer

Mr. Takahashi has been a senior managing executive officer since 2018 and is in charge of the Osaka branch, Okayama branch, Hiroshima branch, Takamatsu branch and Fukuoka branch. He joined the Company in 2008, attaining the position of member of the board in 2009. Prior to that, he was engaged mainly in the arrangement of operating leases at Sumisho Lease Co., Ltd. (currently Sumitomo Mitsui Finance & Leasing Company, Limited).



**Keiko Ohara**  
Director, Member of the Board  
(Independent)

Ms. Ohara is an independent director. She joined the Company in 2018. She is a practicing attorney qualified in Japan (admitted, 1988) and New York (admitted, 1993) and is a partner of Kamiyacho International Law Office, which she cofounded in 2000. She was formerly a partner at Komatsu & Koma, a Tokyo based law firm, and also worked at the New York Office of Weil, Gotshal & Manges LLP. In addition to her legal practice, she is an auditor of Save the Children Japan, the director of FUJI KYUKO CO., LTD and the auditor of TAISEI CORPORATION.



**Eiji Sakomoto**  
Director, Member of the Board  
(Independent)

Mr. Sakomoto is an independent director who joined the Company in 2020. He is a certified accountant and tax accountant with abundant experience in finance and accounting. He currently serves as representative director, Ginza K.T.C Consulting Inc., representative director of Shochikueigagekijo Co., Ltd. and senior partner of Ginza K.T.C. Tax Corporation. He also has auditor of several companies, including SEIBU HOLDINGS INC. and PRINCE HOTELS, INC.

### Audit & Supervisory Board Members



**Masatoshi Yasuda**  
Member of the Audit &  
Supervisory Board  
(Independent)

Mr. Yasuda has been a member of the Audit & Supervisory Board since he joined the Company in 2012. Mr. Yasuda held several positions at Hitachi, Ltd., where he was in charge of macro-economic analysis and forecasting, development of long-term business management plans and business strategy consulting for business units. Before becoming independent in 2001, he served as head of the derivatives department at Citibank, N.A. Tokyo Branch (from January 1983) and Manager of the Tokyo Branch, CitiCorp Scrimgeour Vickers Securities Ltd. and the Japan representative at Cantor Fitzgerald. In 2006, he assumed the position of vice president at MM Research Institute, Ltd. Mr. Yasuda currently serves as auditor of FPG Securities Co., Ltd. in addition to being representative director of the Institute of Corporate Governance, Japan.



**Tomokatsu Yoshitoshi**  
Member of the Audit &  
Supervisory Board  
(Independent)

Mr. Yoshitoshi has been working as a member of the Audit & Supervisory Board since joining the Company in 2012. Prior to that, Mr. Yoshitoshi worked at the Long-Term Credit Bank of Japan, Ltd. (now Shinsei Bank, Limited) where he was assigned to the Merchant Banking Group, and also served as Deputy Manager of the London Branch. He then moved to Daiichi Hotel Co., Ltd. as treasurer. In 1999, Mr. Yoshitoshi moved to the ING Group and held several positions there, including head of the LDA sales and mutual fund department at ING Life Insurance Co., Ltd. and as president and representative director of ING Mutual Funds Management Co. (Japan), Ltd. Mr. Yoshitoshi currently serves as auditor of FPG Trust Co., Ltd.



**Hitoshi Tsunemine**  
Member of the Audit &  
Supervisory Board  
(Independent)

Mr. Tsunemine has been working as a member of the Audit & Supervisory Board since joining the Company in 2013. Prior to that, Mr. Tsunemine worked at the Long-Term Credit Bank of Japan, Ltd. (now Shinsei Bank, Limited.), serving as branch manager of the Osaka Branch. In 2004, he moved to SHINKI Co., Ltd. and served as an adviser and in June 2005, he assumed the position of president and chief executive officer. In May 2009, he moved to APLUS FINANCIAL Co., Ltd. (the former APLUS Co., Ltd.), serving as an adviser and then president and chief executive officer. In April 2011, he assumed the position of chairman and representative director. Mr. Tsunemine currently serves as auditor of NORTH JAPAN AIRLINES CO., LTD and auditor of FPG Technology.

**Executive Officer**



**Takahiro Matsumoto**  
Managing Executive Officer

Mr. Matsumoto has been a managing executive officer since 2018. He is a head of Structured Finance Department and in charge of the Structured Finance Department 1. Mr. Matsumoto joined the Company in 2009 as head of the Structured Finance Department. After joining Showa Leasing Co., Ltd. in 1985, Mr. Matsumoto built up more than 16 years of experience in the field of arranging structured finance, including aircraft leases, at Nomura Babcock & Brown and Macquarie Group Limited.



**Tomomichi Suzuki**  
Executive Officer

Mr. Suzuki has been an executive officer since 2016 and is in charge of Tokyo Sales Department, the Omiya Branch and Takasaki Branch. He has expertise with over 20 years of experience in selling Japanese leveraged and operating leases at Sumisho Lease Co., Ltd. (currently Sumitomo Mitsui Finance and Leasing Co., Ltd.). Mr. Suzuki joined the Company in 2010, later acting as manager of the Nagoya Branch from 2012.



**Hirotoshi Kitsuka**  
Executive Officer

Mr. Kitsuka has been an executive officer since 2016 and is in charge of the Business Promotion Department, Sales Support Department, Sapporo Branch, Yokohama Branch, Kanazawa Branch, Nagoya Branch and Insurance Sales Department. Mr. Kitsuka joined the Company in 2009 as manager of the Nagoya Branch. Prior to that, Mr. Kitsuka amassed many years of experience in sales of financial products to corporate entities, mainly at ORIX Life Insurance Corporation.



**Keiichi Nakamura**  
Executive Officer

Mr. Nakamura has been an executive officer since 2018 and is in charge of the Structured Finance Department 2 and Loan Department. Mr. Nakamura joined the Company in 2016 as general manager of the Structured Finance Department 3. After joining The Sanwa Bank, Limited (currently MUFG Bank, Ltd.) in 1986, Mr. Nakamura was engaged mainly in arranging structured finance at WestLB AG and Aviation Lease Advisers.



**Ayako Kaneko**  
Executive Officer

Ms. Kaneko has been an executive officer since 2019 and is in charge of the Legal Department and Compliance Department. She joined the Company in 2013 as its first in-house counsel to assume the head of the newly created Legal Department. Prior to that, she was engaged in private practice at two law firms which mainly handle both domestic and cross-border corporate transactions and commercial litigation matters. She is admitted to practice law in Japan (2000) and New York (2008).



**Tomoyuki Oshima**  
Executive Officer

Mr. Oshima has been an executive officer since 2019 and is in charge of Sendai Branch and West Tokyo Sales Department. He joined the Company in 2019 as deputy Executive Officer of the Sales Department. Prior to that, he engaged in many years of experience in sales of financial products at ORIX Corporation.



**Osamu Kurata**  
Executive Officer

Mr. Kurata has been an executive officer since 2020 and is in charge of Structured Finance Credit Supervision, Risk Management Department, and Structured Finance Operations and Settlement Department. He is also a director of FPG Amentum Limited. He joined FPG in 2018. Prior to that, his main experience was in arranging structured finance transactions and in managing overseas financial subsidiaries, including as Managing Director of Hong Kong subsidiary at Sumitomo Trust and Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited).



**Hiroshi Sakurai**  
Executive Officer

Mr. Sakurai has been an executive officer since 2020 and is in charge of Corporate Planning Department and Accounting Department 1, 2. He joined the FPG Securities in 2013. Prior to that, he engaged many years of experience in planning for financial products at various banks and securities firms. He now serves as a director of FPG Securities, FPG Technology and as the representative of FPG Insurance Services Co., Ltd.

**CEOs of FPG Group Companies**



Mr. Nomoto, the CEO of FPG Securities Co., Ltd. since 2020, joined the Company in 2016. Prior to that, He has 40 years of experience in trust business with Sumitomo Trust and Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited), including as president of its U.S. subsidiary, and a succession of senior positions with Japan Trustee Services Bank, Ltd.

**Takahiro Nomoto**  
FPG Securities Co., Ltd.



Dr. Bouzaima has been with FPG Amentum Ltd. since 2010. Dr. Bouzaima joined from HSH Nordbank where he worked in the Structuring & Analysis Unit of the Aviation Finance Group and also the Corporate Development Department. Previously, Dr. Bouzaima was engaged in academic research and teaching, working and publishing on topics in portfolio theory and microeconomics while working as the Chair of Finance at the University of Koblenz. Dr. Bouzaima has a master's in economics from the University of Bonn and a Ph.D. in finance and economics from the University of Koblenz, Germany.

**Dr. Martin Bouzaima**  
FPG Amentum Ltd.



Mr. Aoki, the CEO of FPG Trust Co., Ltd. since 2020, joined the Company in 2015. Prior to that, he spent over 18 years with The Long-Term Credit Bank of Japan (currently Shinsei Bank) and he served as deputy general manager of the Singapore and New York Branch there. Subsequently, he held positions as director at Aozora Securities and vice president at State Street Group in Tokyo.

**Kotaro Aoki**  
FPG Trust Co., Ltd.

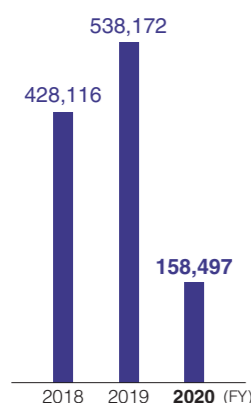
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## Analysis of Financial Situation, Operating Results and Cash Flow

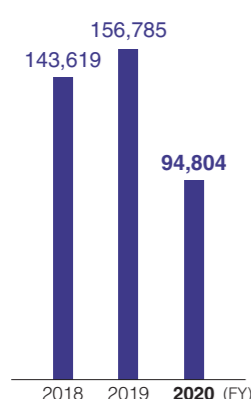
### Total amount of assets arranged in operating leases

(Millions of yen)



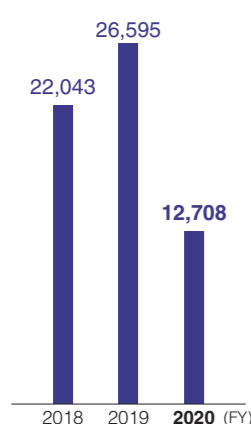
### Total amount of equity placement in operating leases

(Millions of yen)



### Net sales

(Millions of yen)



The environment surrounding FPG during the fiscal year ended September 2020 had changed significantly due to the COVID-19 global pandemic, and our business conditions have been greatly affected. Especially, immigration restrictions implemented around the world as measures to prevent the spread of infection had hit the airline industry hard, and had a significant impact on the origination and sale of deals to airlines of our mainstay business, the Leasing Fund Business, as well. Therefore, the consolidated financial results for the fiscal year ended September 2020 showed a decline in net sales and profits compared to the previous fiscal year.

## 1. Analysis of Operating Results

In the fiscal year under review, the global economic environment deteriorated rapidly due to the COVID-19 pandemic. In Japan, the economy was sluggish as a result of the government's state of emergency declaration and stagnation of other economic activities, making for an extremely difficult state of affairs. In addition, the business environment for the aviation industry deteriorated rapidly due to the impact of measures to prevent the spread of COVID-19 around the world. Our Leasing Fund Business was also greatly affected by the decrease in the total amount of assets arranged in operating leases and the total amount of equity placement in operating leases compared to the previous year. In addition, due to the decision to have Air Mauritius Limited (a lessee in the operating lease business in which the Company holds an equity interest in a silent partnership) enter voluntary administration, the three subsidiaries of the Company that were the operators of the lease business silent partnership were included in the scope of consolidated holdings, and a total of ¥2,661 million was recorded in valuation loss and net expenses.

As a result, consolidated net sales decreased to ¥12,708 million (-52.2% year-on-year), operating income decreased to ¥1,879 million (-87.0% year-on-year), ordinary income decreased to ¥1,719 million (-88.1% year-on-year) and profit attributable to owners of parent decreased to ¥1,136 million (-88.7% year-on-year).

### Net Sales

#### [ Leasing Fund Business ]\*1

Revenues in Leasing Fund Businesses totaled ¥10,356 million (-50.2% year-on-year). This is because the commission rate dropped because there were many low-margin deals in aircraft projects. The total amount of equity placement in operating leases totaled ¥94,804 million (-39.5% year-on-year) because the COVID-19 pandemic caused investors to become more cautious with their investment decisions, and as marketing activities were greatly restricted by the Japanese government's declaration of a state of emergency.

The total amount of assets arranged in operating leases also totaled to ¥158,497 million (-70.5% year-on-year) as the Company adopted a cautious stance on its origination activities such as implementing stricter credit checks on lessees.

Note 1: We changed the name of the Lease Arrangement Business to the Leasing Fund Business from the fiscal year ended September 2020.

### [ Diversified Businesses ]

Revenues in Diversified Businesses totaled ¥2,351 million (-59.4% year-on-year). Of this, revenues in the Real Estate Fund Business decreased to ¥685 million (-83.9% year-on-year) due to the absence of a gain on property sale (for an entire building). In the Real Estate Fund Business, the Company sold out its inventory (excluding inventory for the secondary market) in March 2020, but refrained from new origination thereafter, in part due to the impact of the COVID-19 pandemic. However, subsequent demand for real estate fractional ownership investment products remained strong, and FPG resumed new origination of it. Also, revenues in the Insurance Sales Business decreased to ¥325 million (-64.4% year-on-year), while revenues in the M&A Business decreased to ¥107 million (-26.8% year-on-year). In addition, revenues in Investment and Maintenance Service, etc.\* increased to ¥1,232 million (+161.6% year-on-year) due to revenue growth at overseas subsidiaries.

Note 2: Investment and Maintenance Service, etc. comprises the Private Equity Business, investment and maintenance services for overseas subsidiaries, businesses of domestic subsidiaries in the Securities, Trust, FinTech and Aviation domains.

### Cost of Sales

Cost of sales decreased to ¥4,770 million (-22.4% year-on-year) due to valuation loss of ¥527 million on equity underwritten and a valuation loss on aircraft for sale of ¥1,574 million in relation to its Air Mauritius Limited deal and absence of the sale of a property (entire building) developed by FPG in previous fiscal year.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses were to ¥6,058 million (+0.7% year-on-year). This was because that personnel expenses<sup>(Note)</sup> increased to ¥3,432 million (+3.8% year-on-year), but other expenses decreased to ¥2,625 million (-3.1% year-on-year).

Note: Personnel expenses include salaries, bonuses (including provisioning of reserve), welfare expenses, retirement benefit costs and recruitment costs.

### Operating Income

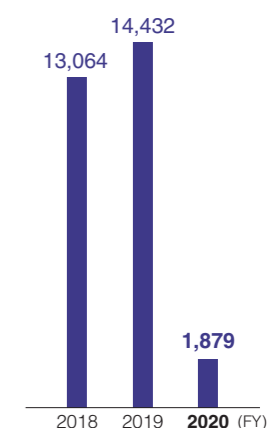
As a result of the above, operating income totaled ¥1,879 million (-87.0% year-on-year).

### Non-operating Income and Non-operating Expenses

Non-operating income totaled ¥2,769 million (+36.2% year-on-year). The main factor was interest income of ¥687 million (-2.5% year-on-year) reflecting decreased advance interest income on equity underwritten and money in trust. Other factors were ¥1,213 million (+131.6% year-on-year) in gain on investments in money held in trust, ¥319 million (-33.2% year-on-year) in share of profit of entities accounted for using equity method and leasing fee income on aircraft for sale was ¥441 million.

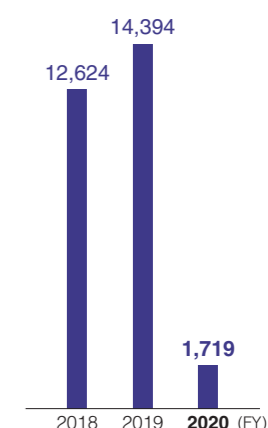
### Operating income

(Millions of yen)



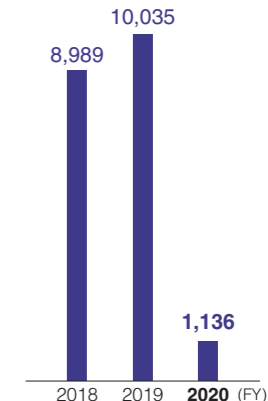
### Ordinary income

(Millions of yen)



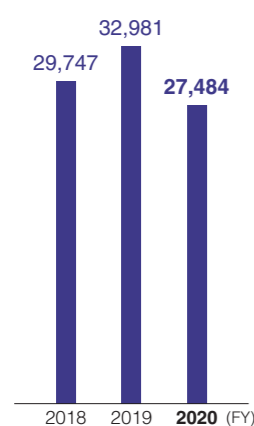
### Profit attributable to owners of parent

(Millions of yen)



Analysis of Financial Situation, Operating Results and Cash Flow

**Net assets**  
(Millions of yen)



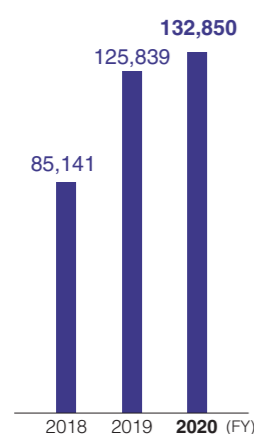
Non-operating expenses rose to ¥2,928 million (+41.4% year-on-year). The main factors were interest expenses of ¥938 million (-13.2% year-on-year) and commission fees of ¥775 million (+2.0% year-on-year). Also, foreign exchange losses including translation adjustments on non-recourse loans booked in consolidated accounts were ¥725 million (+446.1% year-on-year), and depreciation on aircraft for sale was ¥425 million.

**Ordinary Income, Extraordinary Income and Losses, and Profit Attributable to Owners of Parent**

As a result of the factors above, ordinary income totaled ¥1,719 million (-88.1% year-on-year).

Furthermore, FPG recorded extraordinary losses of ¥28 million and after deduction of income taxes, profit attributable to owners of parent finished at ¥1,136 million (-88.7% year-on-year).

**Total assets**  
(Millions of yen)



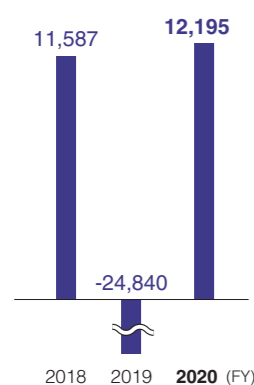
**2. Analysis of Financial Condition**

Consolidated total assets at the end of the fiscal year under review totaled ¥132,850 million (+¥7,011 million year-on-year).

Of this total, current assets increased to ¥126,464 million (+¥5,368 million year-on-year).

- Cash and deposits increased to ¥27,158 million (+¥10,577 million year-on-year) due to securing liquidity on hand.
- Arranged assets were ¥75,867 million (-¥22,055 million year-on-year) Equity underwritten decreased from the previous fiscal year due to the restraint of arrangement and promotion of sales. Money held in trust (aircraft assets) increased from the end of the previous fiscal year due to the arrangement of assets increased while sales progress went steady in the fourth quarter. In addition, real estate for arrangement decreased from the end of the previous fiscal year because the properties owned in the previous fiscal year were sold out, despite the acquisition of new real estate.
- Aircraft for sale related to the Air Mauritius Limited deal totaled ¥14,665 million.
- Current assets other than those listed above increased to ¥8,772 million (+¥2,180 million year-on-year).

**Cash flows from operating activities**  
(Millions of yen)



Non-current assets increased to ¥6,386 million (+¥1,643 million year-on-year).

- Property, plant and equipment increased to ¥462 million (+¥145 million year-on-year).
- Intangible assets increased to ¥1,444 million (+¥500 million year-on-year), due in part to goodwill recorded as a result of making North Japan Airlines Company and KEN FIRST CO., LTD. (renamed FPG Technology Co., Ltd. in July 2020) consolidated subsidiaries.
- Investments and other assets increased to ¥4,478 million (+¥996 million year-on-year).

Consolidated total liabilities at the end of the fiscal year under review totaled ¥105,365 million (+¥12,508 million year-on-year).

Of this total, current liabilities increased to ¥83,218 million (+¥816 million year-on-year).

- Debts and bonds increased to ¥74,285 million (+¥8,389 million year-on-year) due to securing cash on hand and recording a long-term non-recourse loan that is scheduled to be repaid within one year of Air Mauritius Limited deal.
- Advances received including commission fees related to equity underwritten that is scheduled to be sold in the next fiscal year decreased to ¥5,458 million (-¥4,332 million year-on-year).
- Current liabilities other than those stated above were ¥3,473 million (-¥3,240 million year-on-year).
- Commitment line agreements and overdraft agreements, etc., which enable our strong fund procurement capability, totaled ¥134,911 million (-¥5,763 million year-on-year) at the end of the fiscal year under review.

Non-current liabilities totaled ¥22,147 million (+¥11,691 million year-on-year). The main factor was the increase in debt and bonds to ¥21,746 million (+¥11,557 million year-on-year) due to recording a long-term non-recourse loan for Air Mauritius Limited deal.

Total net assets were ¥27,484 million (-¥5,496 million year-on-year). This was mainly due to the year-end dividend for the previous fiscal year was 4,696 million yen and the acquisition of treasury stock was 1,999 million yen, despite of the profit attributable to owners of the parent was 1,136 million yen were recorded. The shareholders' equity ratio at the end of the period under review was 20.5% (compared with 26.0% at the end of the previous fiscal year).

**3. Cash Flow**

Cash and cash equivalents at the end of the period under review (“funds”) totaled ¥25,758 million, which was ¥9,177 million higher than at the end of the previous fiscal year. Cash flows and their principal influencing factors were as follows.

**[ Cash flows from Operating Activities ]**

Net funds provided by operating activities totaled ¥12,195 million (¥24,840 million used in the previous fiscal year) resulting from steady progress of sales of equity underwritten.

**[ Cash flows from Investing Activities ]**

Net funds used in investment activities totaled ¥2,170 million (¥391 million used in the previous year) due to payments into time deposits and acquisition of new consolidated subsidiaries.

**[ Cash flows from Financing Activities ]**

Net funds used in financing activities totaled ¥891 million (net funds provided by financing activities of ¥28,849 million in the previous fiscal year) because of increased borrowing, while dividends were paid and treasury stock was acquired.

#### 4. Impact of Consolidated Financial Statements Resulting from Voluntary Administration by Air Mauritius Limited

FPG recorded as the cost of sales ¥527 million in valuation losses on underwritten equity (losses on the applicable lease business and aircraft valuation loss incurred up to the start of consolidation at the end of March 2020). In terms of business profit/loss related to the Air Mauritius Limited deal after consolidation, a loss of ¥1,574 million on the valuation of aircraft for sale was recorded as the cost of sales, and the net expenses as profit/loss generated from the leasing business was ¥559 million, including foreign exchange loss of non-recourse loans, and this was recorded as non-operating income/loss.

#### 5. Outlook for the Next Fiscal Year

Consolidated results projections for the fiscal year ending September 30, 2021 are as follows.

In the fiscal year ending September 30, 2021, we aim to increase sales and profits year-on-year by increasing sales in the Real Estate Fund Business and FinTech Business, which are the priority areas of the medium-term management plan.

	(Millions of yen)		
	Fiscal Year 2020 October 1, 2019– September 30, 2020	Fiscal Year 2021 (forecast) October 1, 2020– September 30, 2021	
			Year-on-year
Net sales	12,708	13,865	9.1%
Leasing Fund Business	11,104	10,545	-5.0%
Real Estate Fund Business	685	2,000	192.0%
FinTech Business	255	650	154.3%
Other	663	670	1.0%
Operating income	1,879	4,545	141.9%
Ordinary income	1,719	4,000	132.6%
Profit attributable to owners of parent	1,136	2,800	146.5%
Total amount of assets arranged in operating leases	158,497	230,000	45.1%
Total amount of equity placement in operating leases	94,804	83,000	-12.5%

## Business Risks

Regarding the business and accounting information listed in this statement, the information indicated below could have a strong influence on investor decisions. The information provided below regarding future events of the FPG Group is as of the date of Securities Report FY2020.

### 1. Inherent Risks of the Leasing Fund Business

#### 1 - Operating lease business

The majority of the FPG Group's revenues derive from fees and commissions for the arrangement and management of operating leases in our Leasing Fund Business, and the sale (to investors) of trust beneficiary rights and shares of silent partnerships.

FPG does business in operating leases mainly in the form of silent partnerships and through money trusts. We set up special purpose companies (SPCs) that operate the silent partnerships on our behalf. FPG Trust operates the money trusts. These affiliates acquire properties for lease and manage the operating lease business. Proceeds from this operating lease business are distributed to investors in the form of shares of silent partnerships or trust beneficiary rights. The proceeds distributed to investors may be less than our initial projections, or even negative, causing investors to restrain investment. This could impact the future earnings of the FPG Group by causing a decline in sales of equity placements, which would result in a decline in revenues from fees and commissions.

The main reasons why revenues in the operating lease business might be less than the Company's projections include: (1) currency risks, (2) risks that the leaseholder fails to pay the lease fees due, and (3) risk of price volatility in the value of the leased property. Regarding (1), investors may suffer losses if the future sale of lease properties or the return of funds to investors is to be made in a non-yen currency, and if the yen has appreciated since the time the lease was arranged, which will have negative consequences for the proceeds of the operating lease when converted to yen. Regarding (2), if the lease fees are not paid as contracted to our SPCs or to the beneficiary due to the legal bankruptcy of the lessee or for other reasons, then this may cause a decline in the earnings of the operating lease business and investors may suffer losses. Regarding (3), if at the end of the lease agreement the lessee does not purchase the leased property, compelling our subsidiary SPCs or the trust beneficiary to sell the leased property on the market at a price that is less than the original estimate, or to re-lease the property at unfavorable terms, then this may cause a decline in the earnings of the operating lease business, and investors may suffer losses.

The FPG Group provides investors with a full explanation of the risks of the operating lease business. To reduce the risk of lessee non-payment, the FPG Group selects lessees who are major global players in their industry with a strong credit rating. These include marine transport companies, airlines and aircraft leasing companies. Also, to handle the risk of price volatility in the value of the leased property, the FPG Group strives to increase its ability to remarket the leased property. In addition, depending on the case, the FPG Group takes measures to ensure the resale price of the leased property achieves a certain minimum amount by using a company that provides a guarantee of residual value. Sometimes, despite such measures, operating lease business revenues



and profits may fall, causing investors to restrain investment. This could impact future earnings of the FPG Group by causing a decline in sales of equity placements, which would result in a decline in revenues from fees and commissions.

## 2 - The Company's temporary holdings of stakes in silent investment partnerships, and trust beneficiary rights

When assets are arranged in the operating lease business, FPG sometimes temporarily acquires shares of silent partnerships with the intention of reselling them to investors. These shares are recorded on the (consolidated) balance sheet as Equity underwritten. In the case of money trusts, unsold portions of trust beneficiary rights are recorded on the (consolidated) balance sheet as money held in trust (Aircraft for arrangement).

Until such time as these shares in silent investment partnerships and trust beneficiary rights are transferred to investors, any decline in their value due to a drop in prices of the lease asset, deterioration of the creditworthiness of the lessee strengthening of the yen effectively generate a loss. In this event, the Company may mark down the value of the asset and record the loss, which may have a negative impact on the FPG Group's earnings results.

When FPG sells yen-denominated shares of silent partnerships to investors, the selling price reflects the exchange rates prevailing at the time the operating lease deal is arranged. For this reason, if the value of the yen rises sharply after the silent partnership deal is underwritten, the selling price of the shares may be overvalued, relative to the exchange rates prevailing at the time the securities are sold. This may dampen investor interest, reducing the number of investors interested in purchasing the shares of silent partnerships. This may cause delays relative to the initial sales plan, with possible negative consequences for the FPG Group's earnings results.

Also, if shares of silent partnerships, or trust beneficiary rights, are sold to investors denominated in non-yen currencies, this will subject the Company to foreign-exchange risk.

If not enough investors can be found, FPG itself may step in, participating in the operating lease business as an investor. If the value of the lease property declines, this may have negative consequences for the FPG Group's earnings results.

The FPG Group selects lessees who are major marine companies, airlines and leasing companies with a strong credit rating in the world for the silent investment partnership and trust beneficiary rights held. Also, we strive to arrange of projects that can be transferred to investors in a short period of time.

## 3 - Assets arranged for operating leases

To arrange deals in the operating lease business, the FPG Group at times acquires aircraft or marine transport containers, which it then records on its (consolidated) balance sheet. Following these acquisitions, it is anticipated that such assets will be sold to investors within a short time, but there may be sudden changes in the economic environment, or the Company may not be able to sell the assets as originally planned. In such instances, the value of the assets may change, and valuation losses are a possibility, with possible consequences for the FPG Group's earnings results.

## 4 - Reliance on specific businesses

Lease properties in the operating lease business are aircraft, marine transport containers and ships. The status of deals in the operating lease business may be affected by capital investment trends in the aircraft and marine transportation industries, and there may be consequences for the FPG Group's earnings results.

Depending on earnings in the marine transportation and aircraft sectors, investors may lose faith in the lessee, or the value of the lease asset may be lower at the end of the lease period. This may lessen investors' appetite for investment, lowering the value of equity placements. This may reduce FPG's revenues, with consequences for the earnings results of the FPG Group.

## 5 - Aircraft for sale

The FPG Group records aircraft owned for sale as aircraft for sale on the (consolidated) balance sheet. If the real value of the aircraft for sale was changed, it may affect the FPG Group's earnings results by recording a valuation loss.

## 2. Business Risk for Businesses Other Than the Leasing Fund Business

### 1 - Real Estate Fund Business

The FPG Group acquires real estate (including the trust beneficiary rights in the property) for the purpose of selling small-lot real estate products to investors. The Company records such real estate assets on its (consolidated) balance sheet as real estate for arrangement. We have established an investment policy for real estate to be invested, and we are striving to formulate projects that can be sold to investors within a short period of time. But there may be sudden changes in the economic environment, or the Company may not be able to sell the assets as originally planned. In such instances, the value of the assets may change, and valuation losses are a possibility, with possible consequences for the FPG Group's earnings results.

### 2 - Securities Business

The FPG Group provides currency-related OTC derivatives utilizing OTC derivative transactions, such as currency options, in the course of its Securities Business. OTC derivative transactions contain various risks, including market risk and credit risk stemming from counterparties.

The FPG Group mitigates the burden of market risk related to derivative transactions with customers by entering into off-setting derivative transactions with other counterparties. The FPG Group also strives to avoid the burden of credit risk originating from counterparties by careful credit management and by receiving cash collateral as necessary. Despite these efforts, in the event of unforeseen circumstances in which the FPG Group must bear the risk of derivatives, the performance of the FPG Group may be affected.

### 3 - Private Equity Business

Private equity businesses have been investing in unlisted companies, but because these unlisted companies, etc., are still growing and therefore have risk factors such as unstable earnings and financial bases, or limited management resources, the amounts

invested in them are generally somewhat limited. However, as everything from investment to share listing, or even sales to third parties, typically takes a long time, not only do such companies also represent the risk of corporate value dropping below initial estimates, it is also possible that investee companies will underperform compared to our initial forecasts, resulting in the need to aggregate evaluation losses for our trade investment securities, thereby affecting our Group's performance as well.

#### 4 - Aviation Business

Our consolidated subsidiary, NORTH JAPAN AIRLINES CO., LTD., is an air carrier and aircraft user that operates chartered flights specifically meant for transporting doctors working at hospitals located on remote islands, sightseeing flights and aerial photography. As for aircraft operation, although this subsidiary works to ensure safe flights by conducting thorough aircraft inspection and maintenance in accordance with applicable laws and regulations, if a major aircraft-related accident occurs that leads to loss of, or damage to, aircraft, and insurance cannot appropriately cover such losses, our Group's performance may be affected.

### 3. Legal Regulations

#### 1 - Laws and regulations regarding business performance

The silent partnerships and trust beneficiary rights handled by FPG are designated as marketable securities under Article 2-2 of the Financial Instruments and Exchange Law. They are sold to investors through private placements and trades. In order to do this, FPG must abide by the Financial Instruments and Exchange Law and the Financial Instruments Sales Law, and also register its Type II Financial Instruments Services under Article 29 of the Financial Instruments and Exchange Law. Article 52 of the Financial Instruments and Exchange Law specifies conditions for the cancellation of registrations and the cessation of operations, etc. If these conditions apply, FPG may be required to cancel registrations and cease operations.

FPG and its subsidiaries do business in the Insurance Brokerage Business, Real Estate Fund Business, Securities Business, Trust Business, Insurance Agency Business and Aviation businesses. To perform these businesses, they have registered as insurance brokers and an insurance agency under the Insurance Business Act; obtained real estate brokerage licenses under the Building Lots and Buildings Transaction Business Act; obtained licenses under the Act on Specified Joint Real Estate Ventures; registered as a vendor of Type I Financial Instruments Services under the Financial Instruments and Exchange Law; obtained licenses under the Trust Business Act; and obtained licenses for air transport services and aerial work services. FPG and its subsidiaries must abide by the Insurance Business Act, the Building Lots and Buildings Transaction Business Act, the Act on Specified Joint Real Estate Ventures, the Financial Instruments and Exchange Law, the Trust Business Act, Aviation law and other relevant laws and regulations.

The FPG Group regularly practices corporate ethics and compliance education for employees in the performance of its business and strives to raise awareness of legal compliance throughout the Group to ensure thorough compliance with each law. As of the date of Securities Report FY2020, it is unaware of any circumstances that would warrant the cancellation of any of its registrations, permits or licenses. However, if the

FPG Group should encounter circumstances that would incur administrative dispositions requiring it to suspend business or cancel its registrations, permits or licenses, for any reason whatsoever, this could have an impact on the FPG Group's earnings results.

Consolidated subsidiary FPG Securities is a vendor of Type I Financial Instruments Services, and, based on the Financial Instruments and Exchange Law, needs to maintain a capital adequacy ratio of at least 120% as stipulated in that law. As of the date of Securities Report FY2020, the capital adequacy ratio is at least 120%. However, should it not be possible to maintain this ratio in the future, for whatever reason, then this may result in an order to cease business, or the cancellation of licenses, or other administrative measures, which may have consequences for the FPG Group's earnings results.

#### 2 - Laws and regulations on taxes

Operating Leasing Fund deals and other products and services the FPG Group provides in the Leasing Fund Business are designed in accordance with current laws and regulations regarding taxes, accounting and other aspects of such products and services. When necessary, FPG obtains statements of opinion from tax specialists, lawyers and others to examine the details of relevant laws and regulations, and legal interpretations as necessary. In the future, however, these laws and regulations may be revised, or new laws may be passed. This may cause changes in taxation, which may reduce investors' appetite for purchasing and investing in the products and services the FPG Group provides, and this could have consequences for the FPG Group's earnings results.

Regarding profits and losses distributed to investors by vendors of silent partnerships, in the past, in the tax system reform of 2005, under Article 67-12 of the Act on Special Measures Concerning Taxation (Special Provisions for Losses Incurred by Investment Partnerships), tax authorities strengthened the regulations, limiting the amount of losses that investors may record to the amount they invested.

As a countermeasure against this risk, the FPG Group will endeavor to diversify its business and products, collect and analyze information on trends in related laws and regulations as appropriate, and take appropriate measures centered on related departments.

### 4. Handling of Personal/Confidential Information

In the performance of its various businesses, the FPG Group receives and stores personal and confidential information concerning its customers and others it does business with.

The FPG Group takes measures to prevent outside access or viruses, with strong internal controls. However, in the unlikely event that personal and confidential information managed by the FPG Group leaks, the resulting administrative penalties, compensation payments and decrease in confidence in the FPG Group may have an impact on performance.

### 5. Influence of Unrest in Financial and Capital Markets or Economies

Previously, the 2008 global financial crisis created confusion in worldwide financial systems, decreasing confidence in the financial industry and systems and negatively

affecting the global economy in various ways.

The FPG Group is making efforts to minimize the impact of the deterioration of the global economy and the instability of the financial system, such as establishing a risk monitoring system. If the situation exceeds the assumption, the performance of the FPG Group would be affected as these situations could make the arrangement or sales of the operating lease business difficult. Due to the further spread and prolongation of the COVID-19 global pandemic, the economic environment of each country in the world will deteriorate, the business performance of the aviation industry will further deteriorate, and the willingness of investors to invest will further decline, which may affect the FPG Group's earnings results.

## 6. Fund Procurement Risks

In the Leasing Fund Business and Real Estate Fund Business, the FPG Group may procure some of the funds it requires for the arrangement of leases and for other operations through loans from financial institutions, or by issuing corporate bonds or commercial papers.

To continue its flexible procurement of funds, particularly for the arrangement of leases, FPG may conclude agreements with financial institutions for committed lines of credit or overdrafts. For the most part, these are one-year agreements.

If there is some impediment to the timely procurement of funds, whether because individual borrowings become impossible, or it becomes impossible to conclude agreements for committed lines of credit or account overdrafts due to a downturn in the global economy or for other reasons, this could have consequences for the FPG Group's earnings results.

Some agreements for committed lines of credit and for overdrafts include financial restrictions. If the FPG Group's earnings results should deteriorate, this might trigger these restrictions, which could limit borrowing and cause FPG to have its loan deadlines accelerated. If deadlines are accelerated, and lump-sum repayment is demanded, this could have major consequences for the FPG Group's business operations.

## 7. Determining Scope of Consolidation

### Consolidated accounting treatment of SPC

Any subsidiaries that FPG uses as silent partnership operators in the operating lease business are excluded from the scope of consolidation as their inclusion is deemed to significantly mislead stakeholders' decisions as per Article 5-1 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976).

In addition, in the real estate-related business, discretionary partnerships used in specified real estate joint ventures under Paragraph 7-2 of the Accounting Standards for Consolidated Financial Statements (Corporate Accounting Standard No. 22) are excluded from the group of consolidated subsidiaries.

Based on the accounting standards discussed above, in due consideration of the role played by subsidiaries used in the operation of silent investment partnerships and

discretionary partnerships, FPG excludes them from its scope of consolidation. Going forward, however, new standards may be established, new practical guidelines may be published and new decisions may be made about the inclusion of special purpose companies (SPC) in the consolidated group. These changes may be widely divergent from the guidelines FPG uses, and this may have a tangible impact on the contribution made by these subsidiaries to the business of the FPG Group. FPG may have to change its own guidelines regarding the scope of the consolidated group, and this may have consequences for the FPG Group's earnings results or its financial situation.

## 8. Major Lawsuit Risks

The FPG Group engages in the Leasing Fund Business using operating leases, and in other diversified businesses; and with respect to these it may be served with legal proceedings by investors or others with whom it does business. Although it is difficult to predict lawsuits the FPG Group may become involved in, should they occur, their results could be undesirable for the FPG Group, as it could affect the business operations of the FPG Group.

## 9. Dependence on CEO and Business Structure of Company

Hisanaga Tanimura, the President and Representative Director of FPG, founded the Company and has been Chief Executive Officer ever since. As the date of securities report FY2020, he is a FPG's leading shareholder, holding 29.75% of the Company's issued shares: 2.47% directly and 27.28% through HT Holdings, an investment management company of which he is also Representative Director. Mr. Tanimura has a broad range of experience and knowledge in arrangement and sales for the operating lease business, and has many connections in different areas for business partners and investors. At the same time, owing to his involvement in proposing and determining management policies and business strategies, his work fulfills a central role in handling business in the FPG Group. These factors demonstrate the significant degree of dependence the FPG Group has on Mr. Tanimura.

Due to these factors, the FPG Group has been building a management structure to avoid excessive dependence on Mr. Tanimura. The FPG Group has improved management organization and information sharing between executives through Board of Director meetings and internal company meetings. However, if at this current point in time Mr. Tanimura becomes unable to manage the FPG Group for any reason, it could influence the performance of the FPG Group.

We expect that the business environment will settle down due to the economic effects of measures including activities to prevent the spread of the COVID-19 global pandemic, support for airlines by governments and financial institutions, and the efforts of airlines to help themselves. By the end of the fiscal year ending September 2023, we expect that the situation will be resolved and conditions will have returned to pre-pandemic levels.

If these expectations prove inaccurate, it may affect the FPG Group's business performance and financial statements, such as through the recording of valuation losses or the consolidation of the silent partnership operators as subsidiaries.

## Consolidated Balance Sheet

Fiscal years ended September 30

(Thousands of yen)

	2020 September 30, 2020	2019 September 30, 2019	2018 September 30, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	27,158,454	16,581,080	13,338,190
Accounts receivable - trade	490,535	329,460	631,594
Supplies	16,987	10,990	8,686
Equity underwritten	39,616,233	75,434,926	40,508,516
Money held in trust (Aircraft for arrangement)	34,038,201	19,109,675	13,879,470
Real estate for arrangement	2,213,422	3,378,278	—
Aircraft for sales	14,665,370	—	7,222,721
Operational investment securities	626,553	—	1,085,540
Guarantee deposits	212,700	326,700	1,809,503
Other	7,425,987	5,925,167	3,245,224
<b>Total current assets</b>	<b>126,464,446</b>	<b>121,096,278</b>	<b>80,643,907</b>
<b>Non-current assets</b>			
Property, plant and equipment			
Buildings, net	295,681	143,296	168,088
Tools, furniture and fixtures, net	124,850	137,645	162,016
Land	26,283	35,927	35,927
Other	16,045	—	—
<b>Total property, plant and equipment</b>	<b>462,861</b>	<b>316,869</b>	<b>366,031</b>
Intangible assets			
Goodwill	1,403,568	896,584	1,054,553
Other	41,217	47,473	63,122
<b>Total intangible assets</b>	<b>1,444,786</b>	<b>944,058</b>	<b>1,117,676</b>
Investments and other assets			
Investment securities	30,023	205,257	183,917
Shares of subsidiaries and associates	1,460,798	1,082,486	1,236,932
Deferred tax assets	2,481,187	1,691,683	6,897
Leasehold and guarantee deposits	452,962	421,520	407,459
Other	53,515	80,999	93,119
<b>Total investments and other assets</b>	<b>4,478,486</b>	<b>3,481,947</b>	<b>1,928,326</b>
<b>Total non-current assets</b>	<b>6,386,134</b>	<b>4,742,875</b>	<b>3,412,034</b>
<b>Total assets</b>	<b>132,850,581</b>	<b>125,839,153</b>	<b>85,141,481</b>

(Thousands of yen)

	2020 September 30, 2020	2019 September 30, 2019	2018 September 30, 2018
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable - trade	218,402	351,586	601,874
Short-term borrowings	62,913,672	57,417,133	27,765,147
Current portion of long-term borrowings	5,466,270	5,629,172	4,763,312
Current portion of long-term nonrecourse loans payable	1,405,861	—	—
Commercial papers	4,500,000	2,500,000	—
Current portion of bonds payable	—	350,000	200,000
Income taxes payable	314,704	2,853,602	2,939,194
Advances received	5,458,555	9,790,970	6,233,986
Provision for bonuses	365,663	443,182	350,252
Guarantee deposits received	749,000	1,210,843	2,024,459
Other	1,825,874	1,855,032	2,517,845
<b>Total current liabilities</b>	<b>83,218,003</b>	<b>82,401,522</b>	<b>47,396,073</b>
<b>Non-current liabilities</b>			
Bonds payable	1,000,000	—	350,000
Long-term borrowings	8,202,950	10,189,220	7,410,052
Long-term nonrecourse loans payable	12,543,279	—	—
Asset retirement obligations	107,523	104,951	104,410
Retirement benefit liability	24,449	—	—
Other	269,659	161,811	133,650
<b>Total non-current liabilities</b>	<b>22,147,861</b>	<b>10,455,983</b>	<b>7,998,113</b>
<b>Total liabilities</b>	<b>105,365,865</b>	<b>92,857,505</b>	<b>55,394,186</b>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Share capital	3,095,874	3,095,874	3,095,874
Capital surplus	3,045,874	3,045,874	3,095,543
Retained earnings	23,686,052	28,979,730	24,830,157
Treasury shares	(2,498,720)	(2,231,117)	(1,708,570)
<b>Total shareholders' equity</b>	<b>27,329,079</b>	<b>32,890,361</b>	<b>29,313,004</b>
<b>Accumulated other comprehensive income</b>			
Foreign currency translation adjustment	(109,010)	(153,582)	9,358
Valuation difference on available-for-sale securities	(767)	13,896	81,466
<b>Total accumulated other comprehensive income</b>	<b>(109,777)</b>	<b>(139,686)</b>	<b>90,825</b>
<b>Non-controlling interests</b>	<b>265,414</b>	<b>230,972</b>	<b>343,465</b>
<b>Total net assets</b>	<b>27,484,716</b>	<b>32,981,647</b>	<b>29,747,295</b>
<b>Total liabilities and net assets</b>	<b>132,850,581</b>	<b>125,839,153</b>	<b>85,141,481</b>

## Consolidated Statements of Income

Fiscal years ended September 30

(Thousands of yen)

	2020 Fiscal year ended September 30, 2020	2019 Fiscal year ended September 30, 2019	2018 Fiscal year ended September 30, 2018
<b>Net sales</b>	<b>12,708,322</b>	<b>26,595,611</b>	<b>22,043,831</b>
<b>Cost of sales</b>	<b>4,770,690</b>	<b>6,146,524</b>	<b>3,223,629</b>
<b>Gross profit</b>	<b>7,937,631</b>	<b>20,449,086</b>	<b>18,820,201</b>
<b>Selling, general and administrative expenses</b>	<b>6,058,313</b>	<b>6,016,467</b>	<b>5,755,879</b>
<b>Operating income</b>	<b>1,879,317</b>	<b>14,432,619</b>	<b>13,064,322</b>
<b>Non-operating income</b>			
Interest income	687,224	704,953	243,614
Gain on investments in money held in trust	1,213,101	523,817	—
Rental income from real estate	52,457	249,879	292,916
Aircraft rental income	441,030	—	169,967
Share of profit of entities accounted for using equity method	319,042	477,424	239,138
Other	56,348	76,921	91,829
<b>Total non-operating income</b>	<b>2,769,204</b>	<b>2,032,996</b>	<b>1,037,466</b>
<b>Non-operating expenses</b>			
Interest expenses	938,663	1,082,010	578,898
Bond issuance costs	18,668	—	—
Commission expenses	775,913	760,880	587,348
Foreign exchange losses	725,540	132,858	206,239
Rental expenses on real estate	14,835	62,305	41,049
Depreciation	425,496	—	—
Other	29,806	32,644	63,954
<b>Total non-operating expenses</b>	<b>2,928,923</b>	<b>2,070,700</b>	<b>1,477,491</b>
<b>Ordinary income</b>	<b>1,719,599</b>	<b>14,394,916</b>	<b>12,624,296</b>
<b>Extraordinary income</b>			
Gain on sales of shares of subsidiaries and associates	—	—	158,340
Gain on sales of non-current assets	4,277	—	—
<b>Total extraordinary income</b>	<b>4,277</b>	<b>—</b>	<b>158,340</b>
<b>Extraordinary losses</b>			
Impairment loss	—	32,646	—
Loss on retirement of non-current assets	11,706	1,043	180
Loss on valuation of shares of subsidiaries and associates	16,480	17,657	21,045
<b>Total extraordinary losses</b>	<b>28,187</b>	<b>51,346</b>	<b>21,226</b>
<b>Profit before income taxes</b>	<b>1,695,689</b>	<b>14,343,569</b>	<b>12,761,411</b>
Income taxes - current	1,311,919	4,887,686	4,237,506
Income taxes - deferred	(774,964)	(572,419)	(589,789)
<b>Total income taxes</b>	<b>536,954</b>	<b>4,315,267</b>	<b>3,647,717</b>
<b>Profit</b>	<b>1,158,734</b>	<b>10,028,302</b>	<b>9,113,694</b>
<b>Profit (loss) attributable to non-controlling interests</b>	<b>22,620</b>	<b>(7,037)</b>	<b>124,499</b>
<b>Profit attributable to owners of parent</b>	<b>1,136,114</b>	<b>10,035,340</b>	<b>8,989,194</b>

## Consolidated Statements of Comprehensive Income

Fiscal years ended September 30

(Thousands of yen)

	2020 Fiscal year ended September 30, 2020	2019 Fiscal year ended September 30, 2019	2018 Fiscal year ended September 30, 2018
<b>Profit</b>	<b>1,158,734</b>	<b>10,028,302</b>	<b>9,113,694</b>
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	(14,663)	(67,570)	81,637
Foreign currency translation adjustment	65,056	(171,968)	(45,244)
Share of other comprehensive income of entities accounted for using equity method	(8,662)	(22,434)	8,175
<b>Total other comprehensive income (loss)</b>	<b>41,729</b>	<b>(261,972)</b>	<b>44,568</b>
<b>Comprehensive income</b>	<b>1,200,464</b>	<b>9,766,329</b>	<b>9,158,262</b>
<b>Comprehensive income attributable to</b>			
Comprehensive income attributable to owners of parent	1,166,022	9,804,828	9,039,147
Comprehensive income (loss) attributable to non-controlling interests	34,441	(38,499)	119,115

## Consolidated Statements of Cash Flows

Fiscal years ended September 30

(Thousands of yen)

	2020 Fiscal year ended September 30, 2020	2019 Fiscal year ended September 30, 2019	2018 Fiscal year ended September 30, 2018
<b>Cash flows from operating activities</b>			
Profit before income taxes	1,695,689	14,343,569	12,761,411
Depreciation	116,200	88,328	115,264
Impairment loss	—	32,646	—
Amortization of goodwill	178,298	105,770	151,702
Loss on valuation of shares of subsidiaries and associates	16,480	17,657	21,045
Loss (gain) on sales of shares of subsidiaries and associates	—	—	(158,340)
Loss on retirement of non-current assets	11,706	1,043	180
Loss (gain) on sales of property, plant and equipment	(4,277)	—	—
Increase (decrease) in provision for bonuses	(87,499)	113,264	37,885
Interest and dividend income	(687,227)	(706,233)	(244,766)
Interest expenses	938,663	1,082,010	578,898
Commission expenses	775,913	760,880	587,348
Foreign exchange losses (gains)	(280,954)	(395,769)	(40,213)
Share of loss (profit) of entities accounted for using equity method	(319,042)	(477,424)	(239,138)
Bond issuance costs	18,668	—	—
Decrease (increase) in trade receivables	(84,449)	279,260	(300,787)
Increase (decrease) in equity underwritten	32,050,778	(34,926,410)	(21,476,790)
Increase (decrease) in money held in trust (Aircraft for arrangement)	(14,928,526)	(5,230,204)	17,469,925
Increase (decrease) in aircraft for sales	1,999,917	—	—
Increase (decrease) in real estates for arrangement	1,164,856	3,844,443	2,530,897
Decrease (increase) in investment securities for sale	(447,098)	—	1,965,874
Decrease (increase) in guarantee deposits	114,000	1,482,803	(464,182)
Guarantee deposits received	(461,843)	(813,615)	(39,354)
Decrease (increase) in leasehold and guarantee deposits	—	(20,000)	5,000
Increase (decrease) in trade payables	(157,017)	(248,075)	(549,636)
Increase (decrease) in advances received	(4,055,963)	3,581,065	2,406,850
Other, net	(1,358,380)	(3,546,686)	(579,606)
Subtotal	16,208,892	(20,631,676)	14,539,467
Interest and dividends received	688,507	523,590	523,590
Interest paid	(943,380)	(1,075,392)	(588,307)
Income taxes paid	(3,758,931)	(4,719,714)	(2,887,077)
Other, net	—	55,449	—
<b>Net cash provided by (used in) operating activities</b>	<b>12,195,087</b>	<b>(24,840,659)</b>	<b>11,587,673</b>
<b>Cash flows from investing activities</b>			
Payments into time deposits	(1,400,000)	—	—
Proceeds from withdrawal of time deposits	24,554	—	—
Proceeds from sales of property, plant and equipment	17,087	—	—
Purchase of property, plant and equipment	(57,298)	(28,172)	(66,357)
Purchase of intangible assets	(11,048)	(38,099)	(31,417)
Purchase of shares of subsidiaries and associates	(182,597)	(143,139)	(282,137)
Purchase of investment securities	—	(141,018)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(639,362)	—	(484,200)
Payments of leasehold and guarantee deposits	(24,760)	(2,490)	(610)
Proceeds from refund of leasehold and guarantee deposits	2,408	8,639	1,023
Proceeds from liquidation of subsidiaries	1,000	4,188	—
Other proceeds	110,819	34,721	10,441
Other payments	(11,092)	(86,160)	(30,345)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,170,289)</b>	<b>(391,530)</b>	<b>(883,603)</b>
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	6,290,621	30,279,962	(4,925,051)
Proceeds from long-term borrowings	4,000,000	8,950,000	4,400,000
Repayments of long-term borrowings	(6,344,669)	(5,304,972)	(4,309,152)
Net increase (decrease) in commercial papers	2,000,000	2,500,000	—
Purchase of treasury shares	(1,999,993)	(1,999,921)	—
Purchase of treasury shares of subsidiaries	—	(137,666)	—
Proceeds from issuance of bonds	981,331	—	—
Redemption of bonds	(350,000)	(200,000)	(300,000)
Dividends paid	(4,696,488)	(4,441,750)	(4,127,354)
Commission fee paid	(756,545)	(795,872)	(554,401)
Other payments	(15,294)	—	—
<b>Net cash provided by (used in) financing activities</b>	<b>(891,037)</b>	<b>28,849,780</b>	<b>(9,815,959)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>39,939</b>	<b>(374,700)</b>	<b>(154,199)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,173,700</b>	<b>3,242,889</b>	<b>733,911</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>16,581,080</b>	<b>13,338,190</b>	<b>12,602,763</b>
<b>Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation</b>	<b>3,673</b>	<b>—</b>	<b>1,515</b>
<b>Cash and cash equivalents at end of period</b>	<b>25,758,454</b>	<b>16,581,080</b>	<b>13,338,190</b>

Accounting term		FY2016	FY2017	FY2018	FY2019	FY2020
Net sales	Billions of yen	18.89	21.07	22.04	26.59	12.70
Ordinary income	Billions of yen	11.90	13.71	12.62	14.39	1.71
Profit attributable to owners of parent	Billions of yen	7.64	9.58	8.98	10.03	1.13
Paid-in capital	Billions of yen	3.09	3.09	3.09	3.09	3.09
Outstanding shares	Thousands of shares	94,461	94,623	92,373	90,673	89,073
Net assets	Billions of yen	17.80	25.62	29.74	32.98	27.48
Total assets	Billions of yen	81.22	82.79	85.14	125.83	132.85
Book value per share	Yen	196.86	270.60	326.03	369.59	318.90
Dividends	Yen	35.50	45.80	49.25	53.00	11.50
Earnings per share	Yen	84.05	106.44	99.71	113.01	12.98
ROE	%	45.2	45.5	33.4	32.3	3.8
Equity ratio	%	21.8	29.5	34.5	26.0	20.5
Payout ratio	%	42.2	43.0	49.4	46.9	88.6
Cash flows from operating activities	Billions of yen	(1.69)	3.03	11.58	(24.84)	12.19
Cash flows from investing activities	Billions of yen	(0.41)	(0.02)	(0.88)	(0.39)	(2.17)
Cash flows from financing activities	Billions of yen	3.57	0.74	(9.81)	28.84	(0.89)
Cash and cash equivalents at end of year	Billions of yen	8.67	12.60	13.33	16.58	25.75
Number of employees		196	227	252	262	338

Note: Above figures reflect adjustment for stock split.

**Corporate Data** (As of September 30, 2020)

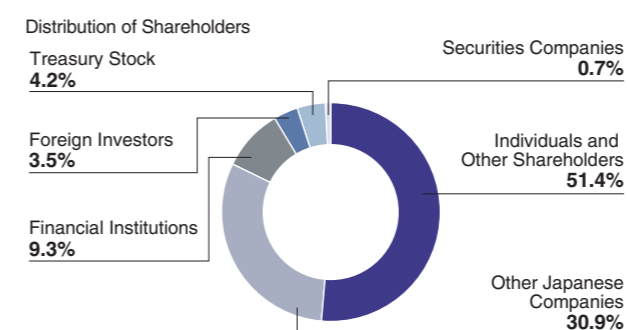
Company Name: Financial Products Group Co., Ltd.  
 Date of Establishment: November 2001  
 Representative: Hisanaga Tanimura, CEO and Founder  
 Main Businesses:  
 Leasing Fund Business, Real Estate Fund Business, Private Equity Business, M&A Business, Insurance Sales Business, Trust Business and Securities Business  
 Paid-in Capital: ¥3,095,874,087  
 Number of Employees (Consolidated): 338

Head Office:  
 JP Tower 29F, 2-7-2, Marunouchi, Chiyoda-ku, Tokyo 100-7029, Japan  
 Phone: +81-3-5288-5691 Fax: +81-3-5288-9300  
 Branches: Sapporo, Sendai, Takasaki, Omiya, Yokohama, Nagoya, Kanazawa, Osaka, Okayama, Hiroshima, Takamatsu, Fukuoka  
 Main Consolidated Subsidiaries:  
 FPG Securities Co., Ltd. FPG Trust Co., Ltd.  
 FPG Technology Co., Ltd. FPG Insurance Services Co., Ltd.  
 NORTH JAPAN AIRLINES CO., LTD. FPG Amentum Limited  
 Audit Corporation: ERNST & YOUNG SHINNIHON LLC

**Stock Information** (As of September 30, 2020)

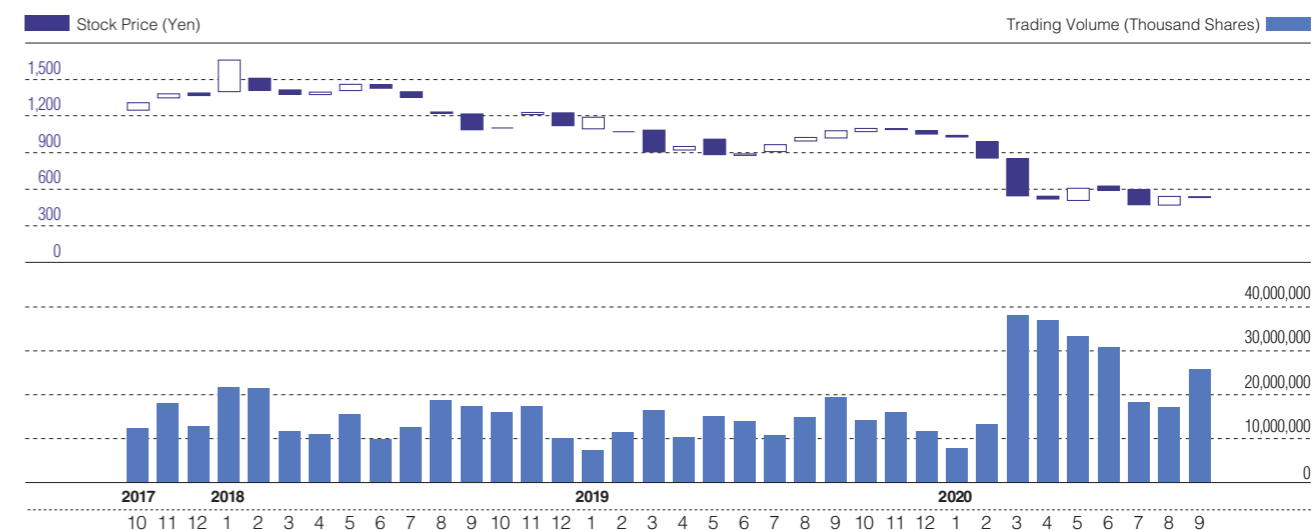
Listed Stock Exchanges: First Section of the Tokyo Stock Exchange  
 Securities Code Number: 7148  
 Number of Shares Authorized: 216,000,000  
 Number of Shares Issued: 89,073,600  
 Number of Shareholders: 39,671

Record Date: September 30, March 31  
 Transfer Agent: Sumitomo Mitsui Trust Bank, Limited



Shareholder	Shares Held (Shares)	Shareholding Ratio (%)
HT Holdings Co., Ltd.	24,300,000	28.47
Hisanaga Tanimura	2,199,600	2.58
The Master Trust Bank of Japan, Ltd. (Trust account)	2,173,800	2.55
Custody Bank of Japan, Ltd. (Trust account 5)	1,293,500	1.52
Custody Bank of Japan, Ltd. (Trust account)	827,200	0.97
Custody Bank of Japan, Ltd. (Trust account 6)	680,800	0.80
Custody Bank of Japan, Ltd. (Trust account 1)	654,900	0.77
Custody Bank of Japan, Ltd. (Trust account 9)	633,400	0.74
Custody Bank of Japan, Ltd. (Trust account 2)	602,500	0.71
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	466,700	0.55

**Stock Price Trend**



**External Evaluation**



Selected S&P/JPX Carbon Efficient Index



Selected JPX-NIKKEI400\*

\* As of Jan. 2020



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

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Tokyo Head Office

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