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On **April 26, 2019**, Financial Products Group Co., Ltd. (FPG) announced earnings results for 1H FY09/19.

Cumulative (JPYmm)	FY09/18				FY09/19				FY09/19		FY09/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Revenues	4,394	11,028	16,464	22,043	3,377	11,253			91.4%	12,306	44.9%	25,035
YoY	-7.3%	-9.1%	-4.0%	4.6%	-23.2%	2.0%				11.6%		13.6%
Gross profit	3,676	9,359	13,970	18,820	2,828	9,223						
YoY	-12.3%	-12.3%	-7.0%	1.7%	-23.1%	-1.4%						
GPM	83.7%	84.9%	84.9%	85.4%	83.7%	82.0%						
SG&A expenses	1,407	2,809	4,269	5,755	1,532	3,041						
YoY	20.1%	16.9%	15.7%	13.3%	8.9%	8.3%						
SG&A ratio	32.0%	25.5%	25.9%	26.1%	45.4%	27.0%						
Operating profit	2,268	6,550	9,700	13,064	1,295	6,182			88.0%	7,023	42.6%	14,524
YoY	-24.9%	-20.7%	-14.4%	-2.6%	-42.9%	-5.6%				7.2%		11.2%
OPM	51.6%	59.4%	58.9%	59.3%	38.4%	54.9%				57.1%		58.0%
Recurring profit	2,094	6,262	9,426	12,624	1,074	5,675			83.1%	6,831	39.3%	14,453
YoY	-35.4%	-26.0%	-19.3%	-7.9%	-48.7%	-9.4%				9.1%		14.5%
RPM	47.7%	56.8%	57.2%	57.3%	31.8%	50.4%				55.5%		57.7%
Net income	1,431	4,355	6,578	8,989	688	3,930			83.0%	4,734	39.2%	10,030
YoY	-35.7%	-25.5%	-18.5%	-6.2%	-51.9%	-9.7%				8.7%		11.6%
Net margin	32.6%	39.5%	40.0%	40.8%	20.4%	34.9%				38.5%		40.1%

  

Quarterly (JPYmm)	FY09/18				FY09/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues	4,394	6,633	5,436	5,578	3,377	7,876		
YoY	-7.3%	-10.3%	8.3%	42.5%	-23.2%	18.7%		
Gross profit	3,676	5,682	4,611	4,849	2,828	6,395		
YoY	-12.3%	-12.2%	5.8%	39.7%	-23.1%	12.6%		
GPM	83.7%	85.7%	84.8%	86.9%	83.7%	81.2%		
SG&A expenses	1,407	1,401	1,460	1,485	1,532	1,508		
YoY	20.1%	13.7%	13.6%	6.9%	8.9%	7.7%		
SG&A ratio	32.0%	21.1%	26.9%	26.6%	45.4%	19.2%		
Operating profit	2,268	4,281	3,150	3,363	1,295	4,887		
YoY	-24.9%	-18.3%	2.5%	61.7%	-42.9%	14.2%		
OPM	51.6%	64.5%	57.9%	60.3%	38.4%	62.1%		
Recurring profit	2,094	4,167	3,163	3,198	1,074	4,601		
YoY	-35.4%	-20.2%	-1.6%	57.3%	-48.7%	10.4%		
RPM	47.7%	62.8%	58.2%	57.3%	31.8%	58.4%		
Net income	1,431	2,924	2,222	2,411	688	3,242		
YoY	-35.7%	-19.1%	-0.3%	59.9%	-51.9%	10.9%		
Net margin	32.6%	44.1%	40.9%	43.2%	20.4%	41.2%		

Source: Shared Research based on company data  
 Note: YoY changes of over 1,000% are shown by “-“

### Lease Arrangement business performance

Cumulative (JPYbn)	FY09/18				FY09/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total amount of assets arranged in operating leases	107.4	203.0	271.0	428.1	197.3	384.7		
YoY	129.8%	92.5%	38.1%	55.0%	83.6%	89.5%		
Total amount of equity placement in operating leases	30.2	76.1	111.8	143.6	21.1	71.0		
YoY	3.0%	6.4%	16.5%	24.1%	-30.1%	-6.7%		
Aircraft	19.2	55.8	85.9	101.7	12.5	32.5		
YoY	79.2%	60.4%	83.1%	71.8%	-34.7%	-41.7%		
% of total	63.5%	73.4%	76.8%	70.9%	59.3%	45.8%		
Shipping vessels	4.2	7.7	9.6	9.6	6.8	31.5		
YoY	-51.4%	-69.8%	-74.4%	-77.6%	60.3%	305.9%		
% of total	14.1%	10.2%	8.7%	6.7%	32.4%	44.4%		
Marine shipping containers	6.7	12.5	16.2	32.1	1.7	6.9		
YoY	-31.2%	13.1%	45.2%	141.9%	-74.1%	-44.3%		
% of total	22.4%	16.4%	14.5%	22.4%	8.3%	9.8%		
Lease Arrangement business revenues	3.8	9.6	14.3	18.9	2.6	9.6		
YoY	-10.4%	-13.0%	-7.3%	0.2%	-30.6%	0.4%		

Source: Shared Research based on company data  
 Note: YoY changes of over 1,000% are shown by “-“

**Total amount of assets arranged in operating leases and total amount of inventory**

Cumulative (JPYbn)	FY09/18				FY09/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total amount of assets arranged in operating leases	107.4	203.0	271.0	428.1	197.3	384.7		
YoY	129.8%	92.5%	38.1%	55.0%	83.6%	89.5%		
Aircraft	85.8	157.1	200.5	261.7	88.1	163.6		
Shipping vessels	-	19.8	19.8	91.7	72.5	171.2		
Marine shipping containers	21.6	25.9	50.6	74.5	36.6	49.7		
Quarterly (JPYbn)	FY09/18				FY09/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total amount of assets arranged in operating leases	107.4	95.5	68.0	157.0	197.3	187.3		
YoY	129.8%	62.8%	-25.1%	96.6%	83.6%	96.1%		
Aircraft	85.8	71.3	43.3	61.2	88.1	75.5		
Shipping vessels	-	19.8	-	71.8	72.5	98.6		
Marine shipping containers	21.6	4.2	24.7	23.8	36.6	13.1		
Total amount of inventory	58.4	39.3	32.9	54.3	97.4	130.9		
YoY	33.4%	48.2%	17.5%	8.0%	66.7%	140.8%		
Equity underwritten	27.7	22.3	15.6	40.5	83.9	101.2		
Money in trust (aircraft for arrangement)	30.6	17.0	17.3	13.8	13.4	29.7		

Source: Shared Research based on company data

Note: Total amount of inventory reflects combination of equity underwritten and money in trust (aircraft for arrangement).

**Revenues from Diversified business segment**

Cumulative (JPYmn)	FY09/18				FY09/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Other businesses	568	1,378	2,104	3,044	721	1,567		
YoY	20.3%	31.3%	26.5%	44.7%	27.1%	13.7%		
Insurance business	158	478	810	1,223	318	762		
YoY	97.7%	57.4%	50.8%	77.6%	100.9%	59.4%		
Real Estate business	194	414	549	696	209	499		
YoY	38.0%	36.1%	14.6%	25.2%	7.6%	20.5%		
M&A business	10	12	39	47	12	32		
YoY	610.4%	-68.4%	-16.9%	-0.8%	18.5%	164.1%		
Securities business	54	102	154	204	100	125		
YoY	-28.0%	-12.9%	4.6%	1.0%	85.8%	22.3%		

Source: Shared Research based on company data

**1H FY09/19 results**

- ▷ Revenues: JPY11.2bn (+2.0% YoY)
- ▷ Operating profit: JPY6.1bn (-5.6%)
- ▷ Recurring profit: JPY5.6bn (-9.4%)
- ▷ Net income\*: JPY3.9bn (-9.7%)

\* Net income attributable to parent company shareholders

Effective Q1 FY09/19, the company changed the name of its Tax Leasing Arrangement business to the Lease Arrangement business; the Insurance Brokerage business and Insurance Agent business became the Insurance business, and the M&A Advisory business became the M&A business. (No change was made to the name of the Real Estate business). These name changes were made with the goal of expanding the product appeal of the company's businesses for further growth while ensuring more clarity regarding what each business entails. Existing business other than the Lease Arrangement business were moved to the Diversified business segment.

**Revenues**

Revenues of JPY11.2bn were up 2.0% YoY.

At the Lease Arrangement business, the total amount of assets arranged in operating leases set a new record high for 1H. The Diversified business segment also saw steady growth.

**Lease Arrangement segment**

Revenues from the Lease Arrangement business of JPY9.6bn were up 0.4% YoY, accounting for 86.1% of total revenues versus 87.5% during the same period in FY09/18.

The total amount of assets arranged in operating leases jumped 89.5% YoY to JPY384.7bn, a new record high for 1H. Citing strong demand for arranging operating leases, the company raised its full-year forecast for the amount of assets expected to be

arranged from JPY420.0bn to JPY450.0bn, and also said that it has secured a certain level of inventory for products slated for sale from FY09/20 onward. The total amount of equity placement in operating leases in Q2 (January–March 2019) was a new quarterly record high at JPY49.8bn, up sharply from JPY21.1bn in Q1 (October–December 2018).

#### Diversified business segment

Revenues from the Diversified business segment of JPY1.5bn were up 13.7% YoY, accounting for 13.9% of total revenues versus 12.5% during the same period in FY09/18.

Within the Diversified business segment, revenues from the real estate business (one of the company's core businesses) of JPY499mn were up 20.5% YoY, revenues from the M&A business jumped 164.1% YoY to JPY32mn, and revenues from the securities business rose 22.3% YoY to JPY125mn. At the aircraft investment management services business operated by subsidiary FPG Amentum Limited, revenues of JPY142mn were down 45.5% YoY.

#### Cost of revenues

At JPY2.0bn, the cost of revenues was up 21.6% YoY, driven in large part by increases in commissions paid for customer referrals.

#### SG&A expenses

SG&A expenses of JPY3.0bn were up 8.3% YoY. Personnel-related spending of JPY1.6bn was up 12.6% YoY, driven by increases in hiring in preparation for expanding the scale and scope of its businesses; other SG&A spending of JPY1.3bn was up 3.5% YoY.

#### Operating profit

Operating profit of JPY6.1bn was down 5.6% YoY.

#### Non-operating income and expenses

Non-operating income of JPY669mn was up 9.0% YoY. Interest income received jumped 100.3% YoY to JPY317mn on the back of increases in the amount collected from investors in connection with equity underwritten and money in trusts (aircraft for arrangement) that is deemed interest income. Equity in earnings of equity-method affiliates declined 37.3% YoY to JPY107mn, and rental income from real estate held for arrangement declined 12.9% YoY to JPY144mn.

Non-operating expenses of JPY1.1bn were up 30.4% YoY, with commissions paid rising 51.0% YoY to JPY550mn, interest paid rising 39.9% YoY to JPY484mn, and forex losses declining 45.1% YoY to JPY82mn.

#### Recurring profit and net income attributable to parent company shareholders

Recurring profit of JPY5.6bn was down 9.4% YoY and net income attributable to parent company shareholders of JPY3.9bn was down 9.7% YoY.

## Full-year company forecasts

(JPYmn)	FY09/18			FY09/19			YoY		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.	1H Act.	2H Est.	FY Est.
<b>Revenues</b>	<b>11,028</b>	<b>11,015</b>	<b>22,043</b>	<b>11,253</b>	<b>13,781</b>	<b>25,035</b>	2.0%	25.1%	13.6%
Lease Arrangement business	9,649	9,349	18,998	9,685	11,444	21,130	0.4%	22.4%	11.2%
Diversified business	1,378	1,665	3,044	1,567	2,087	3,905	13.7%	25.3%	28.3%
Cost of revenues	1,668	1,554	3,223	2,029					
<b>Gross profit</b>	<b>9,359</b>	<b>9,460</b>	<b>18,820</b>	<b>9,223</b>					
GPM	84.9%	85.9%	85.4%	82.0%					
SG&A expenses	2,809	2,946	5,755	3,041					
SG&A ratio	25.5%	26.8%	26.1%	27.0%					
<b>Operating profit</b>	<b>6,550</b>	<b>6,514</b>	<b>13,064</b>	<b>6,182</b>	<b>8,340</b>	<b>14,524</b>	-5.6%	28.0%	11.2%
OPM	59.4%	59.1%	59.3%	54.9%	60.5%	58.0%			
<b>Recurring profit</b>	<b>6,262</b>	<b>6,361</b>	<b>12,624</b>	<b>5,675</b>	<b>7,621</b>	<b>14,453</b>	-9.4%	19.8%	14.5%
RPM	56.8%	57.8%	57.3%	50.4%	55.3%	57.7%			
<b>Net income</b>	<b>4,355</b>	<b>4,633</b>	<b>8,989</b>	<b>3,930</b>	<b>6,099</b>	<b>10,030</b>	-9.7%	31.6%	11.6%
Net margin	39.5%	42.1%	40.8%	34.9%	44.3%	40.1%			

Source: Shared Research based on company data

Note: Net income is net income attributable to owners of parent.

Note: 2H estimates are calculated by subtracting 1H estimates from full-year estimates.

Note: New business names (discussed below) are used above.

### Lease Arrangement business forecasts

(JPYmn)	FY09/18			FY09/19		YoY
	1H Act.	2H Act.	FY Act.	FY Est.	FY Est.	FY Est.
Total amount of assets arranged in operating leases	203,001	225,115	428,116	450,000		5.1%
Total amount of equity placement in operating leases	76,116	67,503	143,619	166,500		15.9%

Source: Shared Research based on company data

For FY09/19, FPG forecasts revenues of JPY25.0bn (+13.6% YoY), operating profit of JPY14.5bn (+11.2%), recurring profit of JPY14.4bn (+14.5%), and net income attributable to owners of parent of JPY10.0bn (+11.6%). For the mainstay Lease Arrangement business, it forecasts revenues of JPY21.1bn (+11.2%) and for other businesses, revenues of JPY3.9bn (+28.3%).

This note is the most recent addition to the [full report](#).

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