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Company: Financial Products Group Co., Ltd.  
Representative: Hisanaga Tanimura, CEO & Founder  
(Code 7148 on the First Section of the Tokyo Stock Exchange)  
Inquiries: Hiroshi Sakurai, Executive Officer and  
General Manager, Corporate Planning Dept.  
(TEL. +81-3-5288-5691)

### **Notice of Recording of Valuation Loss Related to Air Mauritius Limited**

Financial Products Group Co., Ltd. (FPG) announces that the valuation loss related to Air Mauritius Limited has recorded in the financial results for the first quarter of the fiscal year ending September 30, 2021, as follows.

#### **1. Overview of accounting**

In the financial results for the first quarter of the fiscal year ending September 30, 2021 announced today, FPG has recorded a valuation loss of JPY 490 million of the aircraft in the cost of sales due to the decline in the market value of the aircraft in the operating lease business (the lease business) in which Air Mauritius Limited (AML) is the lessee. And the total net cost of JPY 507 million has been recorded in the non-operating income and expenses, including foreign exchange loss of JPY 311 million on non-recourse loan, as profit and loss arising from the lease business. As a result, the value of the equity interest in the silent partnership of the lease business has been reduced to zero, and no further losses are expected to arise in the future.

At the end of March 2020, FPG changed the accounting treatment of the lease business related to Air Mauritius from the recoding the equity interest of the silent partnership as “Equity Underwritten” to the consolidated financial statements to the recording the assets and liabilities such as an aircraft and non-recourse loan, as well as the profit and loss from the lease business to consolidate financial statements respectively, since AML applied for voluntary administration under the Mauritius Insolvency Act in April 2020. The value of the equity interest in the silent partnership, calculated as the difference between the assets and liabilities of the lease business, amounted to JPY 998 million at the end of September 2020 as a result of recording of the valuation loss of the equity underwritten, valuation loss of the aircraft for sale, loss and cost of the profit and loss from the lease business, as well as the deduction of the FPG’s commission. In addition to the above, as a result of the recoding of loss and cost in the first quarter of fiscal year ending September 30, 2021, the value of the equity interest in the silent partnership will be zero. Since FPG owns the equity interest in the silent partnership in the lease business, the assets and liabilities and the profit and loss of the lease business have been recorded on non-consolidated financial statements, and these losses and expenses have also been recorded on non-consolidated financial results.

#### **2. Outlook**

The lease business consists of the leasing of aircraft, which was procured through silent partnership investments and non-recourse loan, to airline. The repayment resources for the non-recourse loan are limited to the disposal value of the aircraft and the lease payments received, and if the sum of theses is insufficient to meet the repayment requirements of the non-recourse loan, the business operator and FPG are not required to make up the shortfall.

Therefore, the value of the equity interests in the silent partnership, calculated as the difference between the assets and liabilities of the lease business, will not be less than zero.

As a result of the accounting treatment of the lease business, as described in section 1, FPG has reduced the value of its equity interest in the silent partnership to zero and does not expect to incur any further losses in respect of losses. Although the losses and costs of the lease business were incurred earlier than expected, the recording losses and costs of the lease business have been factored into the forecast for the fiscal year ending September 30, 2021 and the forecast has not been changed at present. If it becomes necessary to revise the forecast, FPG will inform you promptly. In the consolidated financial results for the first quarter of the fiscal year ending September 30, 2021, the net sales were JPY 3,824 million, operating income was JPY 984 million, ordinary income was JPY 694 million and profit attributable owners of parent was JPY 272 million.