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Notice of Recording of Valuation Loss Related to Air Mauritius Limited

Financial Products Group Co., Ltd. (FPG) announces that the valuation loss of the aircraft for sale related to Air Mauritius Limited has recorded in the financial results for the year ended September 2020, as follows.

1. Overview of accounting

As Announced in the “Notice of Impact on Our Company by Voluntary Administration Application of Air Mauritius Limited (Progress of Disclosure)” released on May 13, FPG had decided to hold the equity interest of the silent partnership for the time being due to the application for voluntary administration under the Mauritius Insolvency Act by Air Mauritius Limited (AML). As a result of accounting for the equity interest of the silent partnership as equity underwritten as of the end of March 2020, the aircraft was recorded as the aircraft for sale in an asset of FPG, and the non-recourse loan was recorded in a liability. Therefore, FPG had recorded a 527 million yen loss on valuation of equity underwritten in cost of sales for the profit and loss of the operating lease business and the loss on valuation of the aircraft as of March 2020. From March 2020, the profit and loss of the operating lease business and its assets and liabilities will be reflected in FPG’s consolidated financial statements. Based on these factors, FPG had revised our full-year forecast, taking into account expenses to be incurred in the 2nd half of the fiscal year ending September 2020, as announced in the “Notice of Differences between Financial Results Forecast and Actual Financial Results for the Second Quarter, and Revision to Full-year Financial Results Forecast” released on May 13. In addition, there are no bankrupt lessees other than AML among the equity underwritten held as inventory. However, FPG has been negotiating for the continued use of the aircraft even after the bankruptcy of AML, but as it may take some time to reach a conclusion, we have judged that it is appropriate to record a loss on the aircraft for sale, which was capitalized as an asset of FPG, in light of the decline in the value of the aircraft due to the impact of the COVID-19 infection. Therefore, FPG has decided to record a valuation loss of 1,574 million yen of the aircraft for sale in cost of sales in the financial results for the fiscal year ended September 2020. As a result, for the fiscal year ended September 2020, FPG has recorded a total of 2,101 million yen of valuation loss in cost of sales, including a 527 million yen loss on valuation of equity underwritten and a 1,574 million loss on valuation of the aircraft for sale, as well as a 559 million yen in non-operating income and expenses, including foreign exchange loss on non-recourse loan, as a result of the relevant operating lease business. Therefore, the total net cost and losses recorded were 2,661 million yen. Since FPG owns the equity interest in the silent partnership in the operating lease business, the profit and loss from the lease business and the assets and liabilities of the silent partnership will be recorded on a non-consolidated basis, and these expenses and losses will also be recorded on a non-consolidated basis.

This operating lease business consists of aircraft, lease contracts and non-recourse loans. The source of repayment of the loans is only the aircraft and related profit and loss. Therefore, FPG’s maximum loss is only the amount of

the equity interest of the silent partnership*. Due to the recording of net cost and losses in the fiscal year ended September 2020, the amount of the equity interest of the silent partnership of 998 million yen as of the end of September 2020, which will be the maximum loss associated with this matter in the fiscal year ending September 2021 and beyond.

2. Impact on Full-Year Results for the Fiscal Year Ended September 2020

Please refer to the " Notice of Revision to the Consolidated Financial Results Forecast for the Fiscal Year Ended September 2020" released today for the impact on the results for the fiscal year ended September 2020.

*The market value of the equity interest in the silent partnership held by FPG, which is calculated by subtracting the non-recourse loan amount from the appraised value of the aircraft.