

September 30, 2021

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Notice Regarding the Receivable Amount of Possible Uncollectible or Late Collection in respect of Air Mauritius in FPG's Consolidate Subsidiaries (Progress of disclosure)

Financial Products Group Co., Ltd. (FPG) hereby announces the receivable amount of possible uncollectible or late collection in respect of Air Mauritius Limited in FPG's consolidated subsidiaries (FLIP NO. 243 Co., Ltd., FLIP NO. 244 Co., Ltd. and FLIP NO. 245 Co., Ltd.), which were disclosed on February 1, May 6 and August 2, 2021.

1. The receivable amount of possible of uncollectible or late collection

FPG owns the equity interest in the silent partnership of the operating lease business in which Air Mauritius Limited (AML) is the lessee, and FPG's consolidated subsidiaries (FLIP NO. 243, FLIP NO. 244, FLIP NO. 255) are the contracting parties of the operating lease business as the operator.

AML had applied for voluntary administration under the Mauritius Insolvency Act in April 2020 and has been negotiating with parties involved to formulate the business rehabilitation plan. And AML disclosed on September 29, 2021, that AML has exited the voluntary administration upon the approval of the deed of company arrangement at the watershed meeting held on September 28, 2021.

FPG has been negotiating with the administrators of AML and the parties involved in the operating lease business regarding the continuation of the lease contract or the cancellation of it and the return of the aircraft. On this occasion, we have agreed to continue the lease contract with changes in its terms and conditions, which will be subject to the effectiveness of the deed of company arrangement mentioned above.

The unreceivable balance under the lease contract was 1,490 million yen as of July 30, 2021, as released in the timely disclosure dated August 2, 2021. Regarding the above amount, parties have agreed it will be deferred payment by the end of the lease term.

2. Outlook

Due to the application for voluntary administration by AML, at the end of March 2020, FPG changed the accounting treatment of the operating lease business related to AML from the recoding the equity interest of the silent partnership as "equity underwritten" in 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 operating lease business to consolidate financial statements respectively.

For accounting purposes, FPG has not recorded any receivable from AML except for the amount deemed certain to be collected, since the prospects for the continuation of the operating lease contract is unclear, as mentioned earlier. And because of recording of the valuation loss of the aircraft and recoding the foreign exchange losses on non-recourse loans and etc., the value of the equity interest in the silent partnership which was the result of calculation of the difference between the assets and liabilities of the operating lease business was zero.

Even if FPG receives payment for the uncollectible receivables under the contract in the future, the funds will be

used to repay the non-recourse loans. The impact on the net profit and loss of the operating lease business is expected to be minimal since the surplus funds may not accrue until the repayment of the non-recourse loan is completed, and profits and losses will be offset by depreciation and amortization. However, as the lease contract continues and the contract is fulfilled, the expected profitability of the operating lease business may change and the value of the equity interest in the silent partnership may fluctuate.

FPG expects to transfer the equity interest in the silent partnership on and after the fiscal year ending September 30, 2022, based on the implementation of the contract. At the transfer, the difference between the transfer price and the equity interest in the silent partnership, which is currently treated as a loss down to zero, is expected to become profit of FPG, but the transferee, the transfer price, the timing of it, and the specific accounting treatment have not been determined at this time.

The impact of this matter on the financial results forecast for the fiscal year ending September 30, 2021, is expected to be limited, but we will promptly announce any matters that need to be disclosed in the future.

And if there is a material impact on our business performance for the fiscal year ending September 30, 2022, and beyond, we will announce it at the time of the announcement of the financial results forecast for each fiscal year or as soon as necessary.