November 26, 2019

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Notice of Arrangement of Aircraft Operating Leases utilizing Investment Management and Trust Functions

Financial Products Group Co., Ltd. ("FPG") announced today that FPG will begin arranging aircraft operating leases utilizing investment management and trust functions. The details are as follows.

1. The Purpose of Providing New Arrangements

FPG has decided to introduce a new lease arrangement ("New Method") in order to newly target operating leases for US airlines by utilizing the trust function of FPG Trust Co., Ltd ("FPG Trust"), a licensed investment-based trust company.

In this new method, FPG entrusts money with FPG Trust. FPG Trust then purchases US Aircraft Beneficiary Rights (*1) as a trustee under a trust agreement, and manages and operates the aircraft. By transferring the trust beneficiary rights to the investor, any profit or loss, etc. arising from the operation and sale of the aircraft will be attributed to the beneficiary investor. In addition, since this case is an investment in deemed securities known as US Aircraft Beneficiary Rights, FPG Securities Co., Ltd. ("FPG Securities"), which is registered as an investment manager, will provide discretionary investment services to investors. FPG Securities will also act on behalf of investors and direct the sale of US Aircraft Beneficiary Rights, etc. to FPG Trust. Furthermore, since advanced know-how is required to provide the discretionary investment business in this case, FPG Securities will sign an investment advisory agreement related to investment in US Aircraft Beneficiary Rights with FPG Amentum Limited ("FPG Amentum"), a consolidated subsidiary of FPG. FPG Securities will also conclude an agreement for and receive aircraft investment management service from FPG Amentum. Since this service is an advisory service regarding US Aircraft Beneficiary Rights, which are deemed securities, investment advisory services are required under the Financial Instruments and Exchange Act. This registration is not, however, required in case of advice to FPG Securities by FPG Amentum as an investment manager.

FPG will continue to proactively arrange aircraft leases through this new method and further expand its business results.

(*1) US regulations require that aircraft owners leasing to US airlines must be registered in the United States, so FPG Trust will not be the owner of the aircraft, but will be a US trustee. FPG Trust acquires the aircraft trust beneficiary rights and registers a US trust company as the owner of the aircraft.

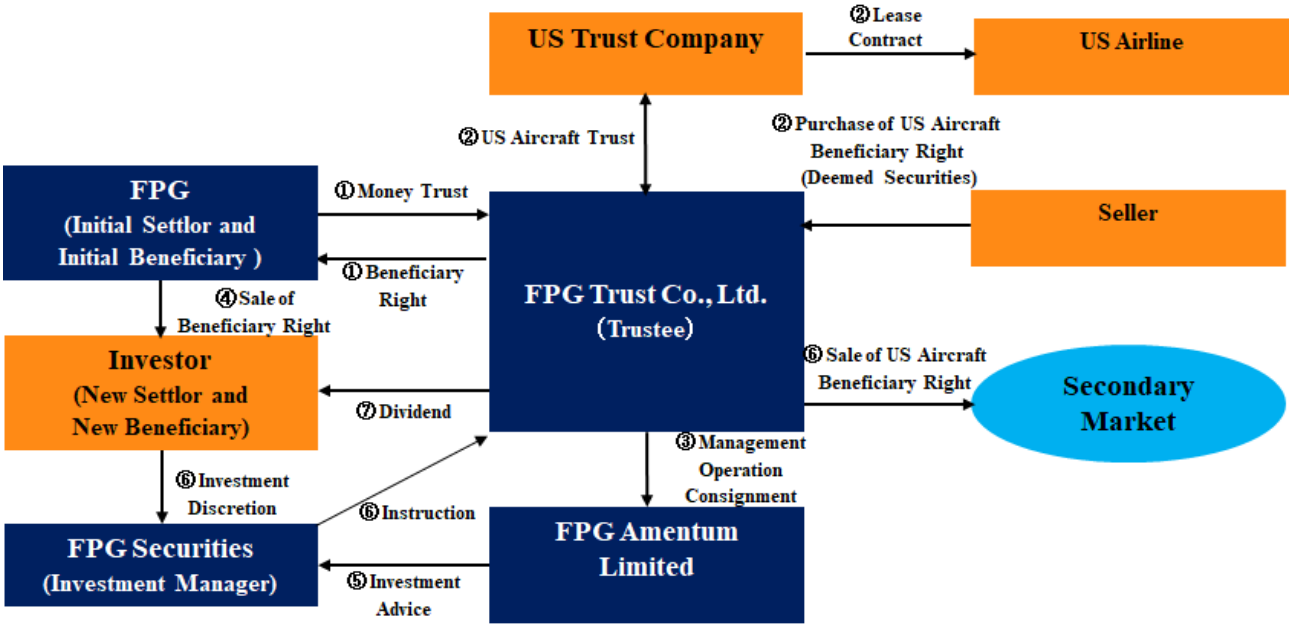
2. Launch Date

November 25, 2019

3. Future Prospects

Although there will be a slight effect on FPG's performance, there is no change in FPG's forecast for the fiscal year ending September 2020 in connection with this matter.

<Scheme of Aircraft Operating Leases utilizing Investment Management and Trust Functions>
(Note) This diagram is an outline for understanding the image and may differ from the actual arrangements.



① As the initial settlor and beneficiary, FPG entrusts money to an FPG trust in order to purchase the US Aircraft Beneficiary Right. FPG acquires the trust beneficiary rights.

② FPG Trust acquires the US Aircraft Beneficiary Right based on the trust agreement and leases aircraft to US airlines through a US trust company.

③ FPG Trust entrusts FPG Amentum with aircraft management and operation.

④ FPG transfers the status of the settlor to the investors together with the trust beneficiary rights acquired in ①.

⑤ FPG Amentum advises FPG Securities on the sale of the US Aircraft Beneficiary Right. Although investment advisory services are required under the Financial Instruments and Exchange Act, this registration is not required in case of advice to FPG Securities by FPG Amentum as an investment manager.

⑥ On behalf of the investors, FPG Securities directs the sale of the US Aircraft Beneficiary Right, etc. to FPG Trust.

⑦ FPG Trust distributes the beneficiary revenues from the rental of the target aircraft and the sale of US Aircraft Beneficiary Right.

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