



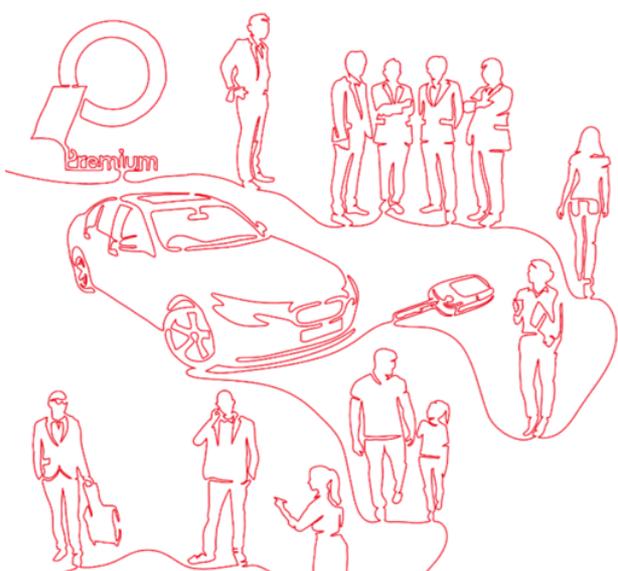
# Financial Results Explanatory Materials

for the First Quarter of  
Fiscal Year Ending March 2020

August 14, 2019

Illustration by Kazuhiko Okushita (FOGHORN)





# 1. Financial Summary of the First Quarter of Fiscal Year Ending March 2020



Illustration by Kazuhiko Okushita (FOGHORN)

# Highlights in the First Quarter of Fiscal Year Ending March 2020

**As planned, the existing Credit Finance and Warranty Businesses recorded considerable growth.**

## FINANCIAL RESULTS

- Both credit finance business and warranty business largely grew. Operating revenue: 3.17 billion JPY (year-on-year change: +24.6%)
- Upward revisions to business results and increased dividends were announced (on August 8).

## KPI

- Credit finance business: Total volume of new loans showed steady growth of +29.6% on a year-on-year basis.
- Warranty business: Total volume of new warranties grew by +49.7% on a year-on-year basis due to factors including acquisition of a subsidiary, EGS Co., Ltd.

## TOPICS

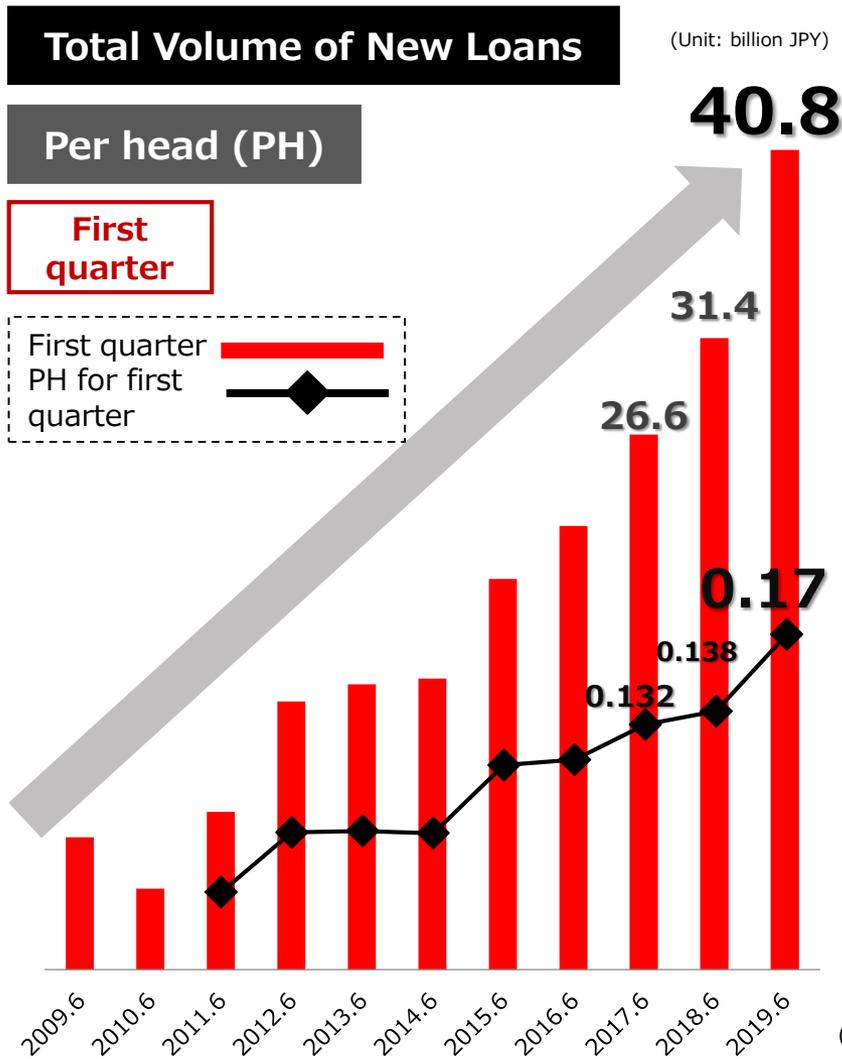
- The acquisition of EGS Co., Ltd., which is involved in the Warranty business, resulted in various synergies, including growth in sales channels and the integration of operations.
- Insurance assets were recorded (changed from accounting estimates) against a backdrop of changes in insurance policies and an expansion of the insurance management structure.

# Consolidated Financial Results in the First Quarter of Fiscal Year Ending March 2020

(million JPY)

	[Consolidated] Q1 FY Ending March 2020	[Consolidated] Q1 FY Ended March 2019	Year-on-Year Change	[Consolidated] FY Ended March 2019
Operating revenue	3,166	2,542	+24.6%	10,699
Operating expense	2,780	2,207	+25.9%	9,992
Pretax profit	2,386	350	+581.3%	2,046
Profit attributable to owners of parent	1,556	234	+566.5%	1,346
Basic earnings per share (JPY)	117.91	19.27	+511.9%	109.66
Equity ratio (%)	13.6	12.5	—	12.4

# Credit Finance Business: Change in Total Volume of New Loans



**Total volume of new loans for the first quarter: 40.8 billion JPY**  
**Increase by +29.6% year on year**

- ✓ We leaped to third place in the industry in terms of auto loans (used cars). ※An internal investigation
- ✓ Nine consecutive years of growth, also in PH

## Growth Drivers

- 1) **Last-minute demand before the consumption tax hike**
- 2) **The IPO increased our name recognition**
  - ✓ Leading to increased transaction volumes with major dealers.
- 3) **Sales force enhancement**
  - ✓ Increased the number of sales staff from 76 to 80
  - ✓ Boosting of sales efficiency (combination of on-site sales, business trip sales and contact center sales proved successful)
- 4) **MULTI ACTIVE\***
  - ✓ Deepening relationship with network stores

(\* ) We offer several services to secondhand car dealers. A differentiation strategy toward the construction of continuous business activities with them.

(Note 1) "Total volume of new loans" refers to the total amount of the amount of credit contracts newly signed in the period. The figures are inclusive of the total volume of new loans also of products other than automotive credit financing (Ecology Credit, etc.) and are the actual results of PFS.

(Note 2) "PH" refers to the average monthly total volume of new loans or warranties per automotive sales staff. The monthly total volume of new loans or warranties refers to the total amount of the amount of credit contracts or amount of warranty contracts newly signed in a month. The amount of credit contracts refers to the total amount of the remaining amount of charges for the product and the split commission.

# Credit Finance Business: Change in Credit Receivables Balance

## Credit Receivables Balance

(Unit: billion JPY)

268.3

## Delinquency Rate (3 months or more in arrears)

First  
quarter

First quarter  
Delinquency rate

216.5

182.0

1.04%

0.98%

0.97%

**Credit receivables balance for the first quarter: 268.3 billion JPY**  
**Increase by +23.9% year on year**

- ✓ Surpassed 260 billion JPY.
- ✓ Maintaining double-digit growth since foundation.
- ✓ Delinquency rate remained low.

## Characteristics of credit receivables

- ✓ Superior credit with low risk.
  - Automotive credit debt amount (average balance per debtor: 1.55 million JPY)
- ✓ Minimizing default through more efficient debt collection activities.
  - Early action and utilization of SMS

(Note 1) "Credit receivables balance" refers to the total amount of the amount that has not been repaid or for which the warranty period has not elapsed at the end of the period out of the cumulative total volume of new loans from the commencement of operations to the end of the period. The figures are inclusive of the total volume of new loans of also products other than automotive credit financing (Ecology Credit, etc.) and are the actual results of PFS.

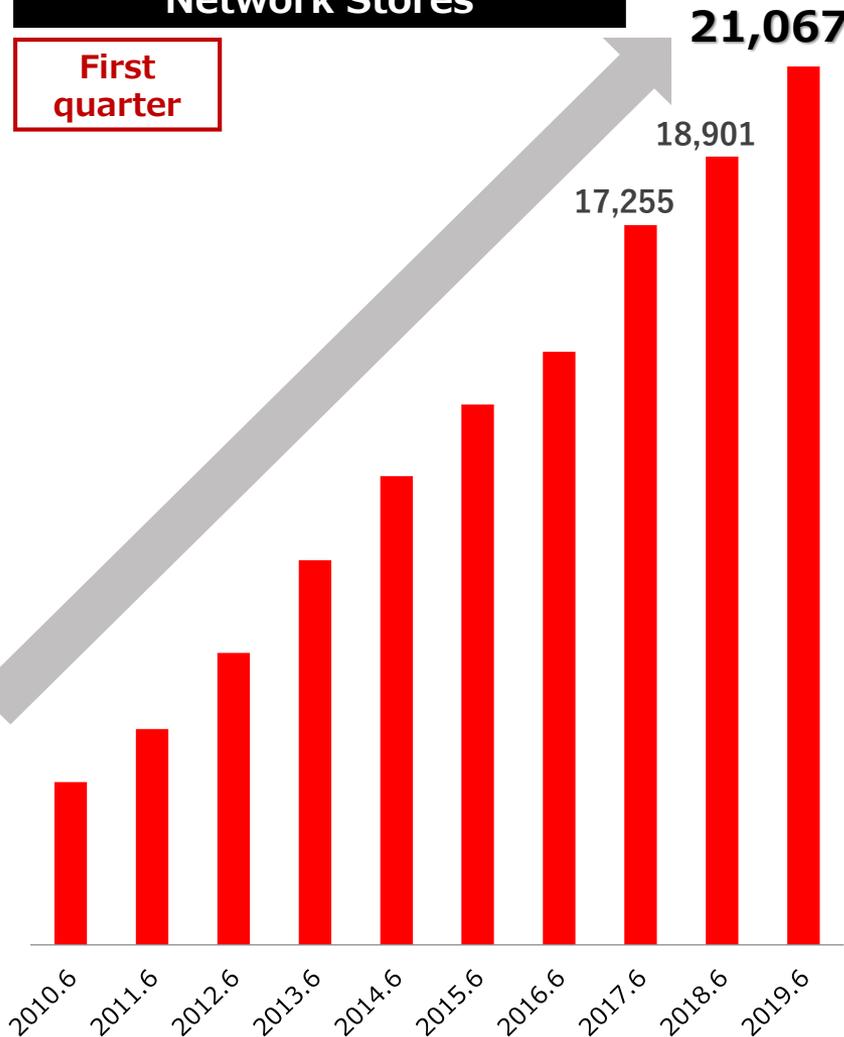
(Note 2) "Delinquency rate" refers to the total of the amount of receivables that are 3 months or more in arrears and special receivables (receivables with judicial intervention), expressed as a percentage of the credit receivables balance at the end of the period. The figures are the actual results for the periods subsequent to when the receivables collection index definition was revised in the fiscal year ended March 31, 2013, and are the actual results of PFS.

# Credit Finance Business: Number of Network Stores

## Number of Credit Network Stores

(Unit: Number of companies)

First quarter



**Number of credit network stores for the first quarter: 21,067**

**Increase by +11.5% year on year**

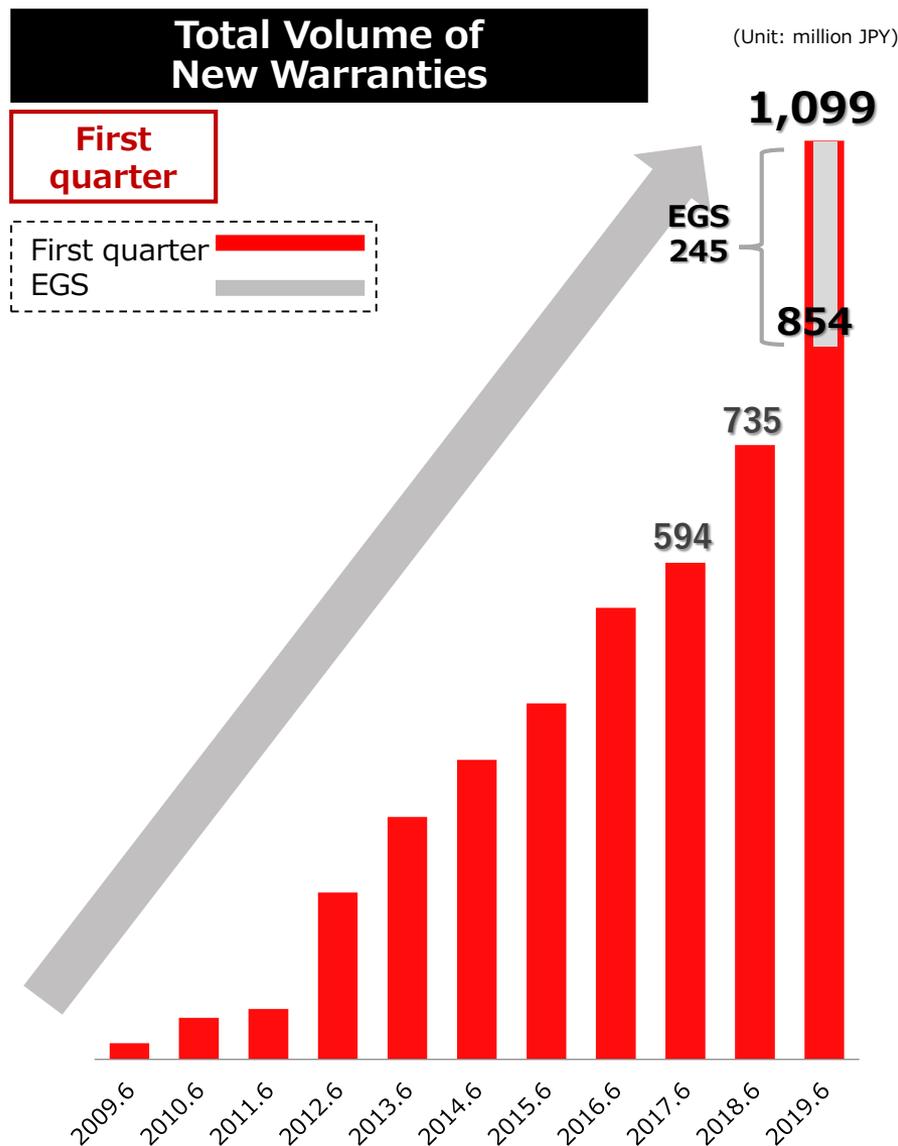
- ✓ Exceeded 21,000 stores.
- ✓ Number of credit network stores is steadily increasing since establishment.
- ✓ Also continued to focus on increasing the operation rate.

**Initiatives for network stores to increase in number and be in operation**

- ✓ Strengthen MULTI ACTIVE.
  - Expansion of cross-selling product lineup.
- ✓ Listing on TSE increased transactions with major companies.
- ✓ Calling out for dormant stores at the same time.
  - Utilization and additional establishment of contact centers.

(Note) "Number of network stores" refers to the number of business operators that have signed a network store contract, counting one business operator as one network store even if that business operator has several stores.  
The figures are the actual results for the periods subsequent to when our group's enterprise system was renewed in the fiscal year ended March 31, 2010, and are the actual results of PFS.

# Warranty Business: Change in Total Volume of New Warranties



**Total volume of new warranties for the first quarter: 1.1 billion JPY**  
Increase by **+49.7%** year on year

**Total volume of new warranties for the first quarter of PFS: 0.85 billion JPY**  
(Increase by **+16.2%** year on year)

- ✓ Maintaining double-digit growth since foundation.
- ✓ Surpassed 1 billion JPY (all-time high in a quarter).
- ✓ Growth also large for our company brand products.  
(year-on-year change: +36.2%)

## Growth Drivers

- 1) **Acquisition of EGS Co., Ltd.**  
(Increase of 245 million JPY)
- 2) **Sales force enhancement**
- 3) **MULTI ACTIVE**
  - ✓ Cross-selling with credit proved successful.
  - ✓ Steady transaction growth of OEM products.

(Note 1) "EGS" refers to EGS, Inc. (a warranty company acquired in April 2019).

(Note 2) "Total volume of new warranties" refers to the total amount of warranty contracts newly signed in the period. From April 2019, the figures are the actual results of PFS combined with those of EGS.

- ✓ Operating revenue was 3.17 billion JPY (year-on-year increase: +24.6%).
- ✓ Profit before tax increased by +581.3% on a year-on-year basis due to a change in an accounting estimate.

## Operating revenue

(Unit: million JPY)

Year-on-year  
change:  
+24.6%

3,166

2,542

Q1 FY2019

Q1 FY2020

## Pretax profit

(Unit: million JPY)

Year-on-year  
change:  
+581.3%

2,386

350

Q1 FY2019

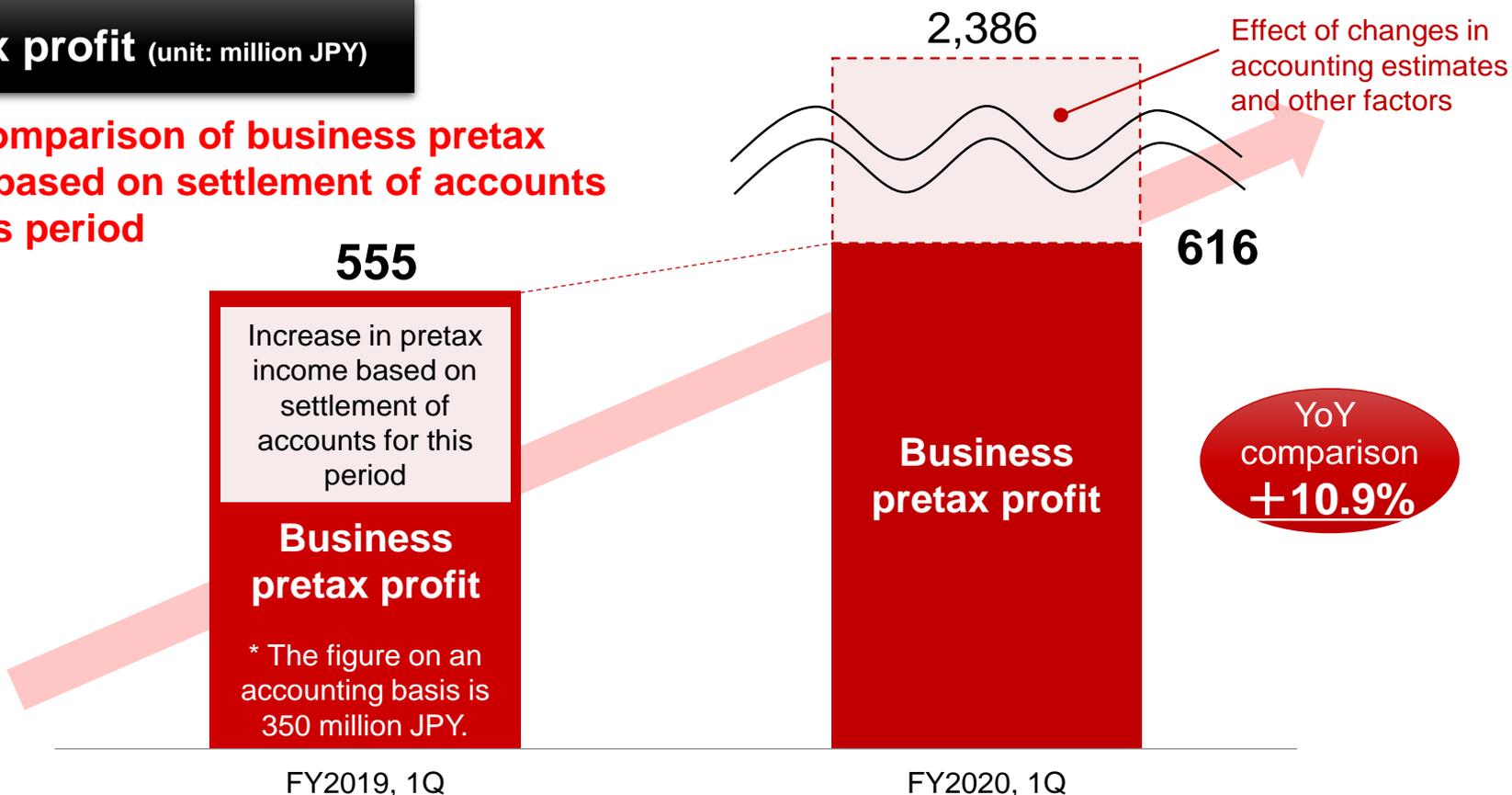
Q1 FY2020

# 1Q Financial highlights (YoY basis): Business pretax income

- ✓ 1Q pretax income on an accounting basis was 2,386 million JPY. This figure includes the effects of changes in accounting estimates and other factors.
- ✓ Business pretax income, representing pretax income on an accounting basis after subtracting temporary factors, was 616 million JPY (+10.9% YoY).

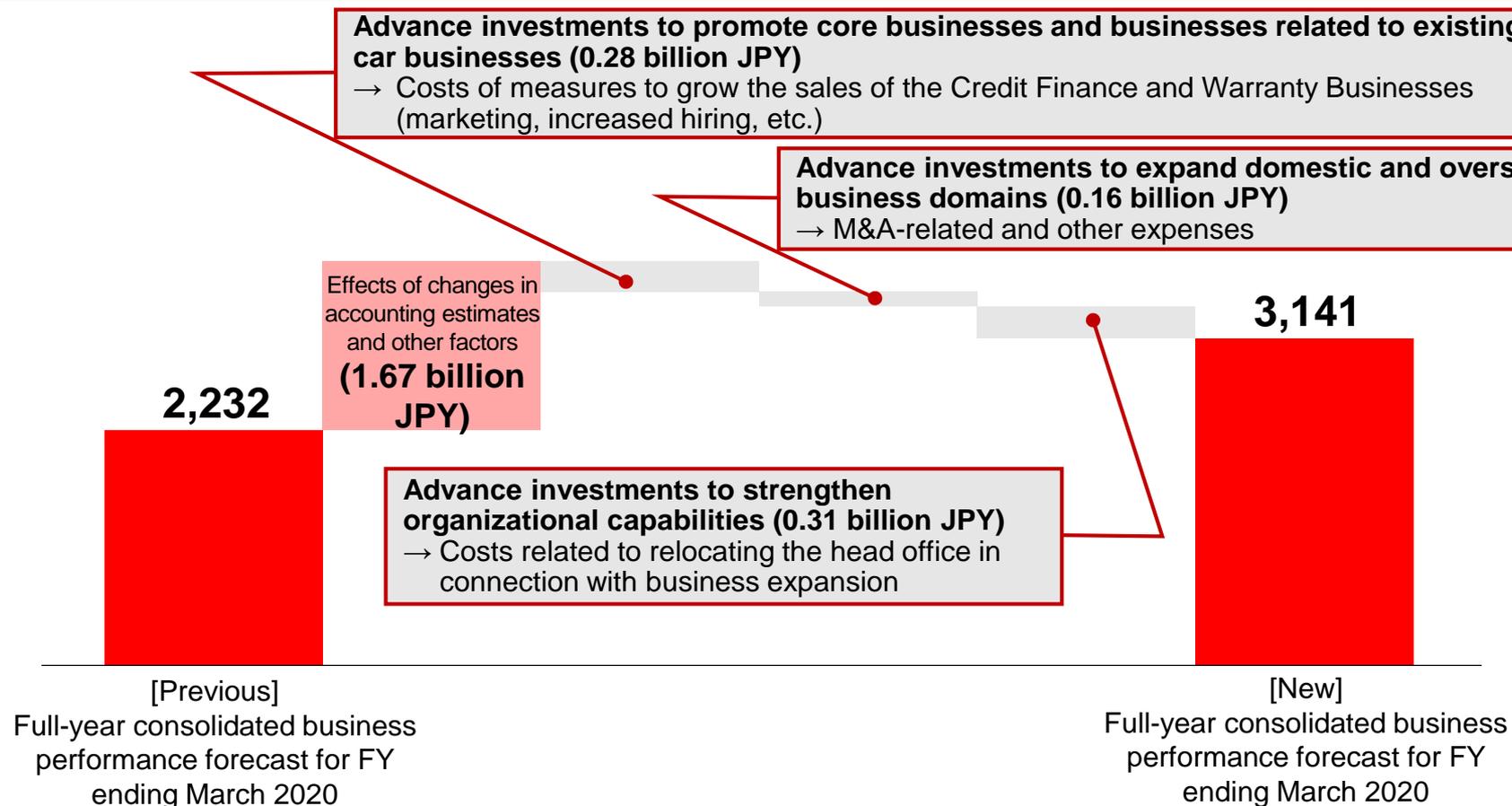
## Pretax profit (unit: million JPY)

- \* YoY comparison of business pretax profit based on settlement of accounts for this period



# Revisions of full-year business performance forecasts

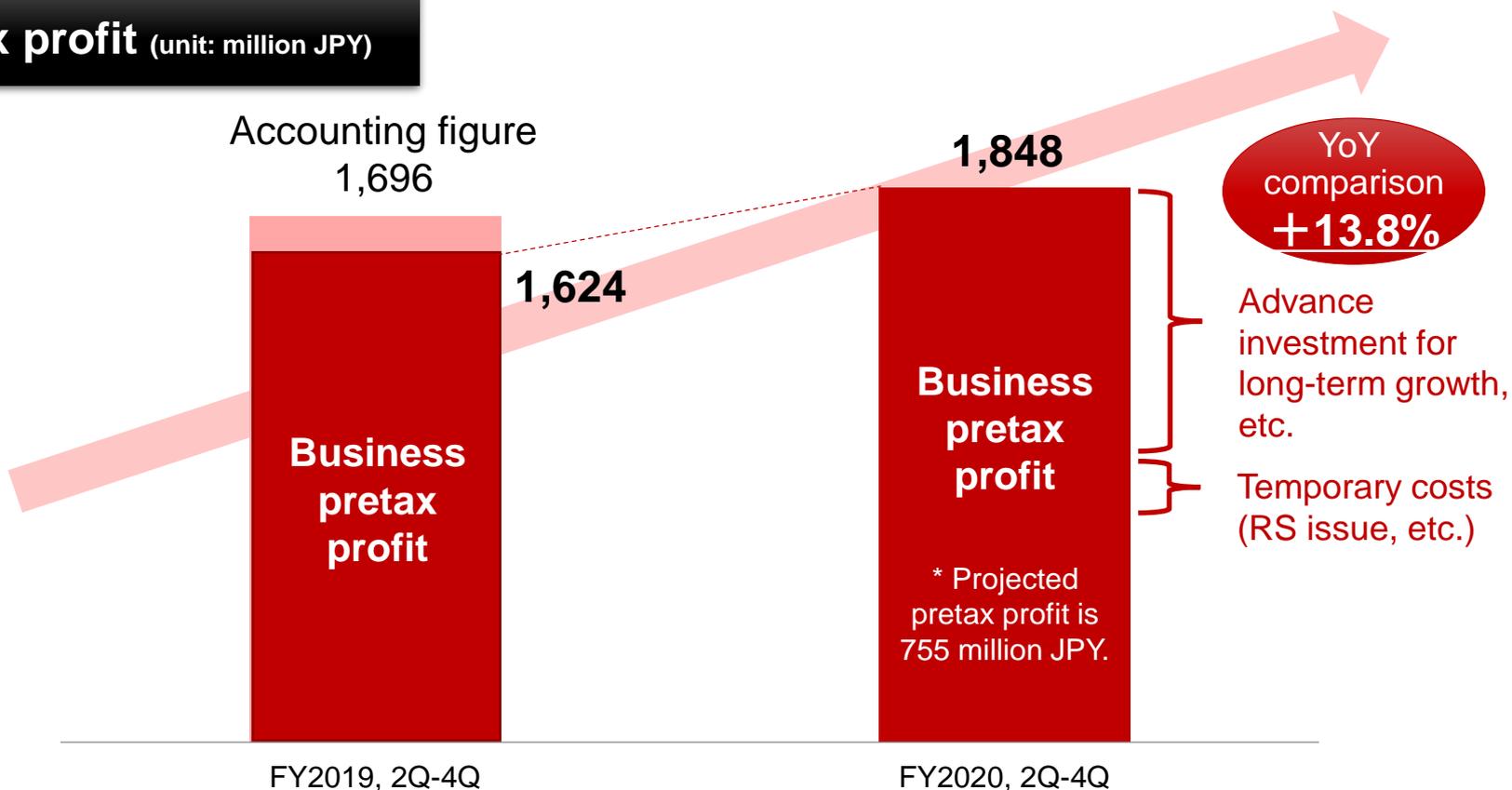
- ✓ Due to the upward revisions announced on August 8, we project full-year pretax profit of 3.14 billion JPY.
- ✓ We project the full-year effect of changes in accounting estimates and other factors to be 1.67 billion JPY.
- ✓ We plan to implement advance investments for long-term growth according to plans (see below).



# Reference: 2Q-4Q pretax income

- ✓ Projected 2Q-4Q pretax income is 755 million JPY
- ✓ After incorporating advance investment for long-term growth, we project YoY growth of +13.8% in income.

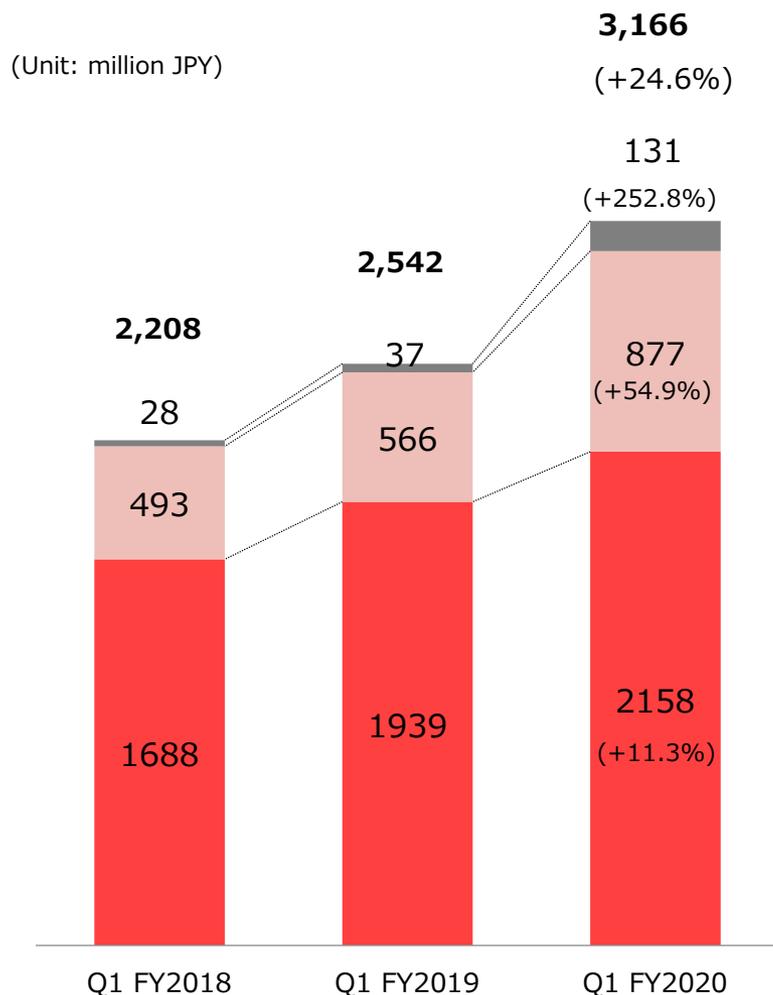
## Pretax profit (unit: million JPY)



# Breakdown of Operating Revenue by Business (PL)

First quarter

IFRS



Breakdown of operating revenue by business for the first quarter was **3.17 billion JPY** increased by **+24.6%** on a year-on-year basis.

\*Our group has a single segment.

## Characteristics of the core businesses

- ✓ Upside potential toward revenue growth is high.
- ✓ Stock business by accumulating the balance.
  - 1) Stable revenue
  - 2) Little seasonality in earnings

Stock up 22.73 billion JPY of future revenue in balance sheet

(Credit: 18.34 billion JPY, Warranty and others: 4.39 billion JPY)

■ Credit Finance Business
 ■ Warranty Business
 ■ Other Business (car maintenance/overseas business/software business)

\*From Q3 FY ended March 2019

\*Year-on-year change is shown in parenthesis.

# Operating expense (PL) (YoY basis)

First quarter

IFRS

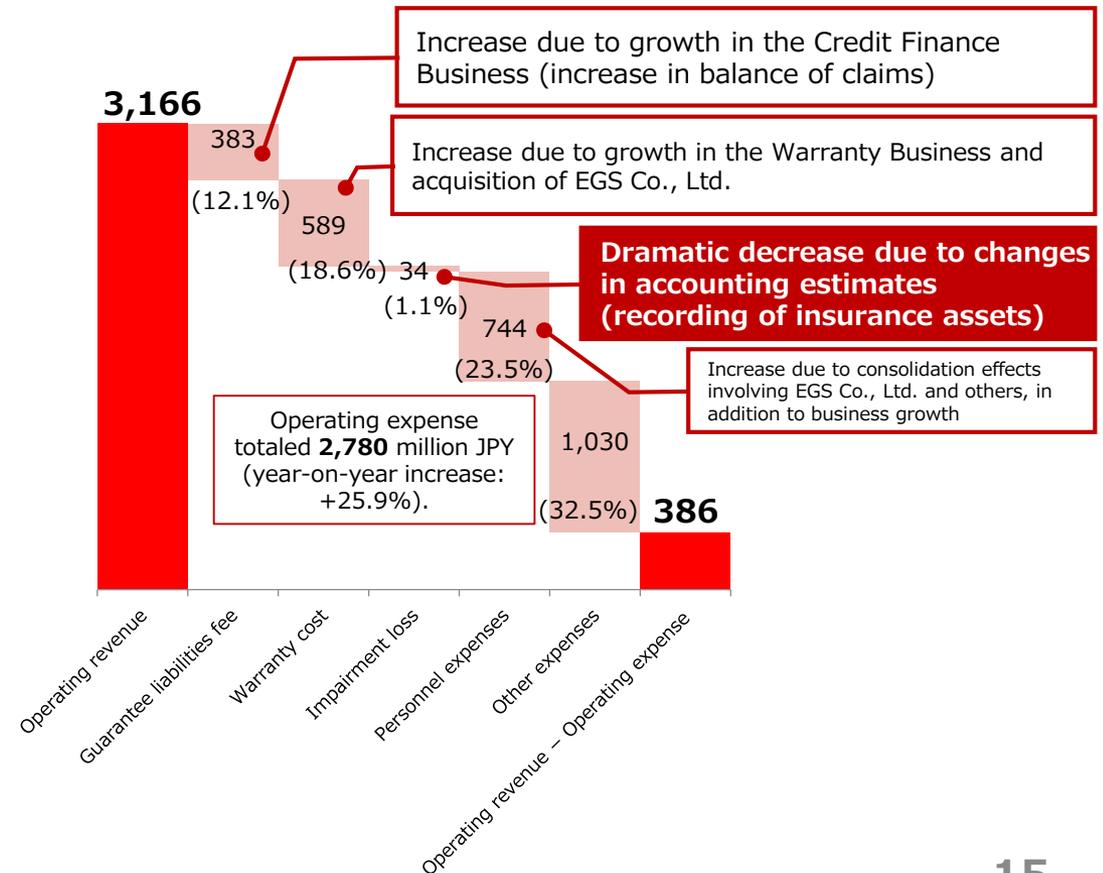
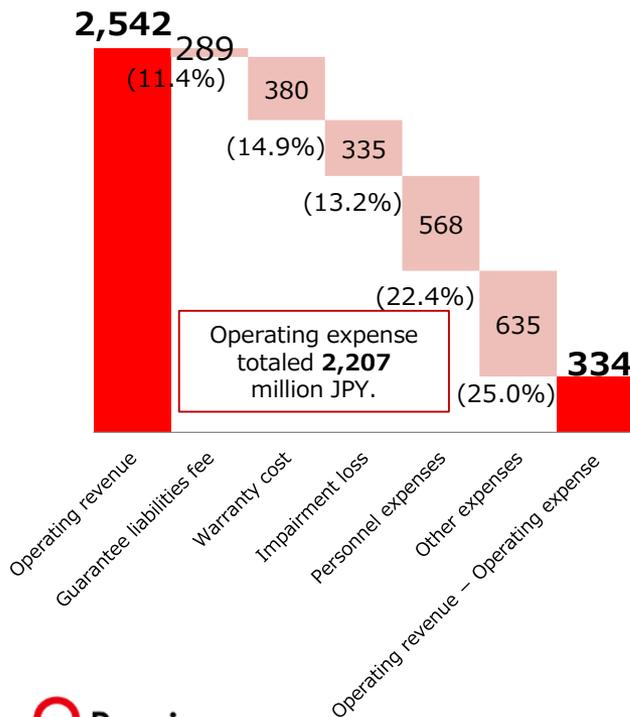
- ✓ Operating expense totaled 2.78 billion JPY (year-on-year increase: +25.9%)
- ✓ SG&A expenses increased overall due to the acquisition of EGS Co., Ltd.
- ✓ Excluding temporary expenses, the increase in operating expenses was less than growth in operating income.

[Q1 FY2019]

[Q1 FY2020]

(Unit: million JPY)

(Amount expressed as percentage of operating revenue is shown in parentheses.)





# Summary of Upward Revision of Consolidated Earnings Forecast

(million JPY)

	<b>After revision [Consolidated] FY Ending March 2020</b>	<b>Before revision [Consolidated] FY Ending March 2020</b>	<b>Increase/ decrease ratio</b>	<b>(Reference) [Consolidated] FY Ended March 2019</b>
Operating revenue	13,668	12,548	8.9%	10,699
Pretax profit	3,141	2,232	40.7%	2,046
Profit attributable to owners of parent	2,048	1,484	39.3%	1,346
Basic earnings per share	155.12	111.58	-	109.66

Due to a change in accounting estimates regarding insurance assets in the credit finance business, disclosure related to upward revision of earnings forecast was made on August 8, 2019. See the next page for a description of the change in accounting estimates.

# Changes in accounting estimates

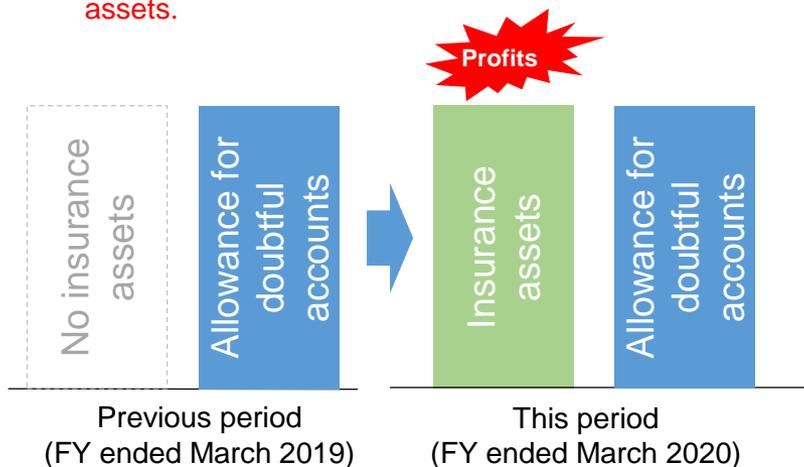
Against a backdrop including **improvements in the insurance management** structure in connection with insurance transactions in our main Credit Finance Business, it has become possible to make reasonable projections for future insurance receipts. Thus, we began **recording insurance assets\*** this period.

**The negative impact on the Statement of Profits and Losses (PL) has decreased considerably because the timing of recording insurance assets and allowance for doubtful accounts matches.**

\* Insurance assets: Total amount of insurance claims projected to be receivable in the future, recorded as assets on the Balance Sheet (BS)

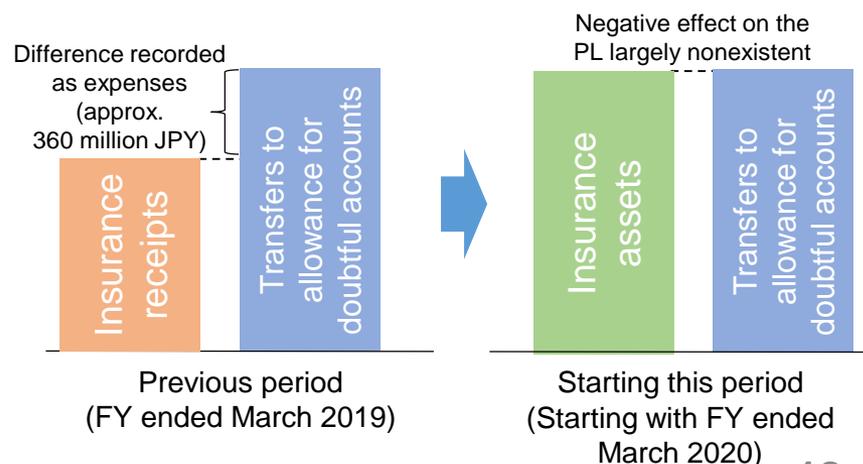
## Insurance assets on claims through the previous period

- ① No insurance assets were recorded in the previous period.
- ② Insurance assets on claims through the previous period were recorded in one lump sum this period  
→ Profits were generated from the recording of insurance assets.



## Insurance assets on claims for this period and beyond

- ① In the previous period, insurance receipts and allowance for doubtful accounts were both recorded to the PL.
- ② Starting this period, the difference between insurance assets and allowance for doubtful accounts (largely nonexistent) is recorded to the PL.



# Other Topics in the First Quarter

---

## Investments accounted for using equity method

Although investments accounted for using the equity method fell into the negative this quarter, such was attribute to adjustment of gains and losses in past fiscal years. Our business in Thailand is showing steady progress.

## Preparation of medium-term management plan

The medium-term management plan is being prepared and will be announced during the current fiscal year.

## Relocation of head office

In anticipation of future expansion of business scale, at the board meeting held on August 14, 2019, relocation of the head office was resolved. Relocation is scheduled for May 2020.

New head office : The Okura Prestage Tower 19F, 2-10-4 Toranomom, Minato-ku, Tokyo  
Relocation due date : May, 2019



# Summary of Measures Taken in the Fiscal Year Ending March 2020

## Deepening of core businesses

- ✓ Enhancement of the credit finance business by establishing new branch offices and improving sales efficiency
- ✓ Promotion of expansion of market volume jointly with the warranty subsidiary whose shares the Group acquired

## Development of peripheral business

- ✓ Promotion of development of network of maintenance and repair facilities with an aim to enable service sharing with the existing network of network stores (auto stores)
- ✓ Enhancement of the auto leasing business for individuals and for-auto-industry packaged software business by increasing the number of stores handling them

## Growth of overseas business

- ✓ Implementation of in-house development, collaboration and M&A to enhance all-round support for “life with a car”
- ✓ Staying profitable and expanding revenues in countries where the Group had rolled out (Thailand and Indonesia)
- ✓ Advance to new countries mainly in the ASEAN region

Aim to offer “Total Support for Life with a Car” in Japan and abroad

# Company Profile

<b>Company Name</b>	Premium Group Co., Ltd.
<b>TSE code / TSE market</b>	7199 / Tokyo Stock Exchange First Section
<b>Established</b>	May 25, 2015 (Note) In 2007, Premium Financial Services Co., Ltd. (then G-ONE Credit Services Co., Ltd.) was established.
<b>Head Office</b>	Roppongi First Bldg., 1-9-9 Roppongi, Minato-ku, Tokyo
<b>President and CEO</b>	Yohichi Shibata
<b>Total number of issued shares</b>	13,201,500 as of June 30, 2019 (Note) 2-for-1 stock split was implemented on April 1, 2019.
<b>Capital</b>	2,002,702 thousand JPY as of June 30, 2019 (Note) Including capital reserves
<b>Number of Employees</b>	457 employees (Number of employees of the Group as of June 30, 2019, excluding temporary staff)
<b>Major Shareholders</b>	Directors and employees_10.98% (as of Mar 31,2019) Coupland Cardiff Asset Management_8.10% Sumitomo Mitsui Trust Asset Management Co., Ltd._5.76% BNY Mellon Asset Management Japan_5.39% BlackRock Japan Co., Ltd. _5.34% Mitsubishi UFJ Financial Group, Inc._5.29% (as of Aug 14,2019) (Note) Reference from reports on large shareholders
<b>Group's Business</b>	Primary businesses include automotive credit finance business, development and sales of warranty products, and operation of automobile maintenance facilities in Japan. Our overseas businesses include consulting/warranty businesses in Thailand and other countries.

	Q1 FY2019 (June 30, 2018)	FY2019 (March 31, 2019)	Q1 FY2020 (June 30, 2019)	Year-on-Year Change	(Thousand JPY) Compared with the previous quarter
<b>Assets</b>					
Cash and cash equivalents	6,093,961	6,186,088	5,420,578	-11.1%	-12.4%
Financial receivables	10,483,811	14,746,300	16,415,151	+56.6%	+11.3%
Other financial assets	2,350,584	3,293,278	4,238,787	+80.3%	+28.7%
Property, plant and equipment	389,999	480,968	918,613	+135.5%	+91.0%
Intangible assets	5,603,225	5,744,012	5,765,828	+2.9%	+0.4%
Goodwill	2,462,697	2,951,863	4,119,494	+67.3%	+39.6%
Investments accounted for using equity method	2,068,171	2,194,920	2,138,260	+3.4%	-2.6%
Deferred tax assets	690,046	608,681	-	-	-
Other Assets	4,983,347	7,423,774	8,018,238	+60.9%	+8.0%
Insurance assets	-	-	2,471,483	-	-
<b>Total Assets</b>	<b>35,125,841</b>	<b>43,629,883</b>	<b>49,506,431</b>	<b>+40.9%</b>	<b>+13.5%</b>
<b>Liabilities</b>					
Financial guarantee contracts	14,566,457	17,086,049	183,430,523	+25.9%	+7.4%
Borrowings	8,443,633	10,636,788	139,644,033	+65.4%	+31.3%
Other financial liabilities	2,291,555	3,140,363	30,604,622	+33.6%	-2.5%
Provisions	57,746	69,804	818,870	+41.8%	+17.3%
Income taxes payable	177,312	642,852	2,595,240	+46.4%	-59.6
Deferred tax liabilities	1,645,871	1,539,217	16,179,314	-1.7%	+5.1%
Other liabilities	3,702,236	5,039,731	53,909,352	+45.6%	+7.0%
<b>Total liabilities</b>	<b>30,884,809</b>	<b>38,154,803</b>	<b>427,181,954</b>	<b>+38.3%</b>	<b>+12.0%</b>
<b>Equity</b>					
Equity attributable to owners of parent					
Capital	115,424	226,792	1,422,671	+1132.6%	+527.3%
Share premium	2,500,070	2,412,157	1,247,305	-50.1%	-48.3%
Treasury shares	-130	-590	-590	+352.2%	+0.0%
Retained earnings	1,538,803	2,650,806	3,926,765	+155.2%	+48.1%
Other components of equity	81,257	132,549	136,372	+67.8%	+2.9%
<b>Total equity attributable to owners of the parent</b>	<b>4,235,424</b>	<b>5,421,714</b>	<b>6,732,524</b>	<b>+59.0%</b>	<b>+24.2%</b>
Non-controlling interests	5,608	53,366	55,712	+893.4%	+4.4%
<b>Total equity</b>	<b>4,241,032</b>	<b>5,475,080</b>	<b>6,788,236</b>	<b>+60.1%</b>	<b>+24.0%</b>
<b>Total liabilities and equity</b>	<b>35,125,841</b>	<b>43,629,883</b>	<b>49,506,431</b>	<b>+40.9%</b>	<b>+13.5%</b>

	Q1 FY2019 (June 30, 2018)	Q4 FY2019 (January 1, 2019 March 31, 2019)	Q1 FY2020 (June 30, 2019)	Year-on-Year Change	Compared with the previous quarter
Operating revenue	2,541,589	2,841,100	3,165,940	+24.6%	11.4%
Other finance income	712	144,628	6,789	+853.9%	-95.3%
Share of profit of investments accounted for using equity method	24,831	△ 39,988	-	-100.0%	-
Other income	1,425	616,585	2,064,527	+144806.9%	234.8%
Total income	2,568,556	3,562,325	5,237,256	+103.9%	47.0%
Operating expense	2,207,155	2,729,895	2,779,520	+25.9%	1.8%
Other finance cost	11,222	6,901	9,165	-18.3%	32.8%
Share of loss of investments accounted for using equity method	-	-	61,783	-	-
Other expense	2	1,879	864	+50114.2%	-54.0%
Total expenses	2,218,378	2,738,675	2,851,333	+28.5%	4.1%
Profit for the term before tax	350,178	823,650	2,385,923	+581.3%	189.7%
Income tax expense	116,313	303,260	827,111	+611.1%	172.7%
Profit for the term	233,865	520,390	1,558,812	+566.5%	199.5%
Allocation of profit for the term	-	-	-	-	-
Attributed to owners of parent	233,547	531,021	1,556,484	+566.5%	193.1%
Attributed to non-controlling interests	318	△ 10,632	2,328	+632.2%	-121.9%

	Q1 FY2019 (June 30, 2018)	Q4 FY2019 (January 1, 2019 March 31, 2019)	Q1 FY2020 (June 30, 2019)	Year-on-Year Change	Compared with the previous quarter
Operating revenue					
Financial income	1,683,455	1,840,029	1,877,895	+11.6%	2.1%
Warranty revenue	565,799	630,652	876,684	+54.9%	39.0%
Revenue from handling fee	255,078	307,788	279,934	+9.7%	-9.0%
Software sales	37,256	37,774	86,060	+131.0%	127.8%
Others	-	24,856	45,367	-	82.5%
Total	2,541,589	2,841,100	3,165,940	+24.6%	11.4%

	Q1 FY2019 (June 30, 2018)	Q4 FY2019 (January 1, 2019 March 31, 2019)	Q1 FY2020 (June 30, 2019)	Year-on-Year Change	Compared with the previous quarter
Operating expense					
Finance cost	11,159	15,007	27,888	+149.9%	85.8%
Guarantee liabilities fee	289,204	334,233	383,379	+32.6%	14.7%
Impairment loss (provision for loss allowance)	334,767	489,343	34,206	-89.8%	-93.0%
Payroll	568,412	685,870	743,577	+30.8%	8.4%
Warranty cost	392,388	379,156	588,678	+50.0%	55.3%
System operation cost	117,066	43,126	48,869	-58.3%	13.3%
Depreciation	29,632	31,212	22,675	-23.5%	-27.4%
Amortization	55,403	70,109	151,297	+173.1%	115.8%
Tax and dues	91,343	105,073	112,290	+22.9%	6.9%
Commission paid	70,082	169,927	178,516	+154.7%	5.1%
Rent	68,878	73,555	8,274	-88.0%	-88.8%
Agent service fee	43,646	130,011	150,637	+245.1%	15.9%
Other operating expenses	135,175	203,274	329,234	+143.6%	62.0%
Total	2,207,155	2,729,895	2,779,520	+25.9%	1.8%