

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018 [IFRS]

February 14, 2018

Company Name Premium Group Co., Ltd. Listed Tokyo Stock Exchange
 Stock Code 7199 URL <http://www.premium-group.co.jp>
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Scheduled date of quarterly report submission: February 14, 2018

Scheduled date of commencement of dividend payment: —

Preparation of supplementary material for quarterly financial results: No

Holding of quarterly financial results meeting: No

(Figures are rounded off to the nearest million yen.)

1. Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2018 (April 1, 2017 to December 31, 2017)

(1) Consolidated Operating Results (cumulative) (% change from the same period of the previous fiscal year)

	Operating income		Profit before tax		Profit		Profit attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of fiscal year ending March 31, 2018	6,663	13.6	1,483	63.2	1,024	73.6	1,024	73.9	1,089	69.0
Third quarter of fiscal year ended March 31, 2017	5,868	—	909	—	590	—	589	—	644	—

	Basic profit per share		Diluted profit per share	
	Yen		Yen	
Third quarter of fiscal year ending March 31, 2018	170.58		152.91	
Third quarter of fiscal year ended March 31, 2017	98.12		97.98	

(Note) The Company conducted a 100-for-1 stock split of its common stock on August 1, 2017 based on a resolution by the Board of Directors in a meeting held on June 28, 2017. Basic profit per share and diluted profit per share have been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2017.

(2) Consolidated Financial Position

	Total assets		Total equity		Equity attributable to owners of the parent		Equity attributable to owners of the parent ratio	
	Million yen		Million yen		Million yen		%	
As of December 31, 2017	33,334		5,476		5,471		16.4	
As of March 31, 2017	29,517		4,284		4,280		14.5	

2. Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Year end	Total
	Yen				
Fiscal year ended March 31, 2017	—	—	—	—	—
Fiscal year ending March 31, 2018	—	—	—	—	—
Fiscal year ending March 31, 2018 (Forecast)	—	—	—	85.00	85.00

(Notes) 1. Revisions to dividends forecast most recently announced: Yes

2. Breakdown of dividend forecast for the fiscal year ending March 31, 2018:

Ordinary dividend 42.50 yen Commemorative dividend 42.50 yen

The dividends for the fiscal year ending March 31, 2018 will be paid partly from the capital surplus. Please refer to “Breakdown of dividends paid from the capital surplus” described below for further information.

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% change from the same period of the previous fiscal year)

	Operating income		Profit before tax		Profit		Profit attributable to owners of the parent		Basic profit per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full-year	9,122	15.5	1,938	49.4	1,282	51.1	1,282	51.4	213.03	

(Note) Revisions to financial forecast most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None

(3) The number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury shares)	As of December 31, 2017	6,060,000 shares	As of March 31, 2017	6,000,000 shares
2) Number of treasury shares at the end of the period	As of December 31, 2017	- shares	As of March 31, 2017	- shares
3) Average number of shares during the period (cumulative from the beginning of the year)	April 1, 2017 to December 31, 2017	6,002,400 shares	April 1, 2016 to December 31, 2016	6,000,000 shares

(Note) The Company conducted a 100-for-1 stock split of its common stock on August 1, 2017 based on a resolution by the Board of Directors in a meeting held on June 28, 2017. The number of shares has been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2017.

* The quarterly financial statements are not subject to quarterly reviews.

* Note to ensure appropriate use of forecasts, and other comments in particular

- (1) The Company has applied IFRS since its establishment on May 25, 2015.
- (2) Forecasts and other forward-looking statements included in this report are based on information currently available. Actual performance may differ significantly due to various factors.

Breakdown of dividends paid from the capital surplus

A breakdown of the portion of the dividends for the fiscal year ending March 31, 2018 that will be paid from the capital surplus is as follows.

Record date	Year-end	Total
Dividend per share	85.00 yen	85.00 yen
Total dividends	515 million yen	515 million yen

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1. Qualitative Information

(1) Operating Results

During the nine months under review (from April 1, 2017 to December 31, 2017), the Japanese economy remained in an expansion phase, with solid growth in domestic and foreign demand pushing up stock prices against a backdrop of continued global synchronous growth. Employment continued to grow as corporate earnings expanded, leading to improvement in the employment and income situation, and consumer spending in Japan is also starting to show signs of recovery. However, given downside risks for global economic growth such as the political maneuvering of the US administration and geopolitical risks in Asia and Middle East, there is still lingering uncertainty about the outlook.

The used car market, which is the Premium Group's target market, remained relatively flat, with the number of used automobiles registered in Japan from April 2017 to December 2017 reaching 2,428,573 (up 3.2% year on year). (Source: Japan Automobile Dealers Association).

In this operating environment, the Premium Group continued to work toward the realization of its mission to “(1) contribute to the construction of a prosperous society by providing top level financing and services to the world, and (2) foster employees who are broadminded, have a positive outlook, and assiduously work their way towards creating results.” In line with its Corporate Vision summed up as “(1) New Finance & Service Company, (2) Break Through and (3) With Us,” the Group accelerated the promotion of sustainable growth in business operations and earnings by implementing its “MULTI ACTIVE” strategy aimed at expanding contact points for transactions with dealers, who are its main customers, by providing them other services besides credit and warranties such as vehicle maintenance and mediation in the sale of new vehicles. The Group also tried out various initiatives for the realization of a new growth model.

In the credit business, the Group focused on maintaining a positive financing environment and also on improving the utilization rate of affiliated stores by attentively building relations with affiliated stores through expansion in sales staff and continued implementation of measures to improve sales skills. In the warranty business, the Group continued to pursue expansion of business operations in collaboration with leading dealers and cross-selling with credit. The maintenance business, which comes under other business, is now in its second year and the business operation structure is heading in the right direction. In international business, which also comes under other business, Eastern Commercial Leasing p.l.c in Thailand performed strongly.

As a result of these initiatives, operating revenue was 6,663,193 thousand yen (up 13.6% year on year, operating revenue less operating expenses was 1,094,254 thousand yen (up 11.8% year on year), profit before income taxes was 1,483,237 thousand yen (up 63.2% year on year), profit attributable to owners of the parent was 1,023,898 thousand yen (up 73.9%).

(2) Financial Position

(Assets)

Total assets as of December 31, 2017 were 33,334,401 thousand yen, an increase of 3,817,124 thousand yen compared to the end of the previous fiscal year. This increase was due to an increase of 2,429,419 thousand yen in finance receivables and an increase of 1,525,935 thousand yen in cash or cash equivalents.

(Liabilities)

Total liabilities as of December 31, 2017 were 27,858,197 thousand yen, an increase of 2,625,233 thousand yen compared to the end of the previous fiscal year. This increase was mainly due to an increase of 1,565,090 thousand yen in financial guarantee contracts and an increase of 1,069,957 thousand yen in loans payable.

(Equity)

Total equity as of December 31, 2017 was 5,476,203 thousand yen, an increase of 1,191,891 thousand yen compared to the end of the previous fiscal year. This increase was mainly due to an increase of 1,023,898 thousand yen in the capital surplus. Total equity attributable to owners of the parent was 5,470,803 thousand yen, an increase of 1,191,269 thousand yen compared to the end of the previous fiscal year.

(Cash Flows)

Net cash provided by operating activities during the nine months under review was 1,129,354 thousand yen (compared with 2,619,438 thousand yen in the same period a year ago). Net cash used in investing activities was 739,892 thousand yen (compared with 1,361,675 thousand yen in the same period a year ago). Net cash provided by financing activities was 1,136,187 thousand yen (compared with net cash used of 1,715,346 thousand yen in the same period a year ago). As a result, cash and cash equivalents as of December 31, 2017 were 6,019,824 thousand yen. Cash flows by category and factors relating to each cash flow category are as described below.

a. Cash Flows from Operating Activities

Net cash provided by operating activities during the nine months under review was 1,129,354 thousand yen. The main cash inflows were 1,483,237 thousand yen in profit before income taxes, an increase of 1,565,090 thousand yen in financial guarantee contracts, and a decrease of 1,255,787 thousand yen in other assets. Main cash outflows were an increase of 2,429,419 million yen in financial receivables and a decrease of 139,419 thousand yen in other financial liabilities.

b. Cash Flows from Investing Activities

Net cash used in investing activities during the nine months under review was 739,892 thousand yen. The main cash outflow was expenditure of 568,426 thousand yen for the purchase of investment securities.

c. Cash Flows from Financing Activities

Net cash provided by financing activities during the nine months under review was 1,136,187 thousand yen. The main cash inflow was proceeds of 7,337,650 thousand yen from short-term loans payable. The main cash outflows were repayments of short-term loans payable of 5,036,000 thousand yen and repayments of long-term loans payable of 1,243,303 thousand yen.

(3) Future Forecast Information including Consolidated Earnings Forecast

There are no changes to the consolidated forecast for the fiscal year ending March 31, 2018 announced on December 21, 2017. Forecasts and other forward-looking statements included in this report are based on information currently available. Actual performance may differ significantly due to various factors.

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousands of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Cash and cash equivalents	4,493,889	6,019,824
Financial receivables	7,315,455	9,744,873
Other financial assets	2,215,494	2,311,442
Property, plant and equipment	475,783	439,041
Intangible assets	5,607,080	5,580,606
Goodwill	2,462,697	2,462,697
Investments accounted for using equity method	1,093,179	2,132,590
Deferred tax assets	255,758	301,181
Other assets	5,597,943	4,342,146
Total assets	29,517,276	33,334,401
Liabilities		
Financial guarantee contracts	11,188,210	12,753,300
Borrowings	6,608,005	7,677,962
Other financial liabilities	2,326,878	2,176,830
Non-current provisions	54,042	57,357
Income taxes payable	498,200	238,019
Deferred tax liabilities	1,579,691	1,679,391
Other liabilities	2,977,939	3,275,339
Total liabilities	25,232,965	27,858,197
Equity		
Equity attributable to owners of the parent		
Capital	50,000	115,424
Share premium	2,950,000	3,015,170
Retained earnings	1,177,360	2,201,257
Other components of equity	102,174	138,952
Total equity attributable to owners of the parent	4,279,534	5,470,803
Non-controlling interests	4,778	5,400
Total equity	4,284,312	5,476,203
Total liabilities and equity	29,517,276	33,334,401

(2) Condensed Quarterly Consolidated Statement of Income

(Thousands of yen)

	From April 1, 2016 to December 31, 2016	From April 1, 2017 to December 31, 2017
Operating income (expense)	5,867,752	6,663,193
Other finance income	1,769	319,345
Share of profit of entities accounted for using equity method	34,134	97,673
Other income	940	7,742
Total operating income	5,904,595	7,087,953
Operating expense	4,888,617	5,568,939
Other finance cost	103,464	34,645
Other expense	3,826	1,132
Total expense	4,995,907	5,604,716
Profit before income taxes	908,688	1,483,237
Income tax expense	318,769	458,914
Profit	589,920	1,024,323
Attributable to:		
Owners of the parent	588,717	1,023,898
Non-controlling interests	1,203	426
Profit	589,920	1,024,323
Attributable to owners of the parent		
Profit per share		
Basic profit per share (yen)	98.12	170.58
Diluted profit per share (yen)	97.98	152.91

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	From April 1, 2016 to December 31, 2016	From April 1, 2017 to December 31, 2017
Profit for the period	589,920	1,024,323
Other comprehensive income		
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Exchange differences on translation of foreign operations	452	566
Share of other comprehensive income of investments accounted for using the equity method		
Share of other comprehensive income of investments accounted for using the equity method	53,755	63,785
Other comprehensive income after income taxes	54,208	64,351
Comprehensive income	644,128	1,088,674
Attributable to:		
Owners of parent	642,690	1,087,960
Non-controlling interests	1,438	714
Comprehensive income	644,128	1,088,674

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

(Thousands of yen)

	Equity attributable to owners of the parent				Other components of equity
	Capital	Share premium	Retained earnings	Exercise of warrants	Share of other comprehensive income of investments accounted for using the equity method
Balance as of April 1, 2016	50,000	2,950,000	330,659	1,446	–
Comprehensive income					
Profit for the period	–	–	588,717	–	–
Other comprehensive income	–	–	–	–	53,755
Total comprehensive income	–	–	588,717	–	53,755
Transactions with owners, etc.					
Issuance of new shares	–	–	–	–	–
Payments associated with establishment of subsidiary	–	–	–	–	–
Equity transactions with non-controlling shareholders	–	–	–	–	–
Share-based payment transactions	–	–	–	44,193	–
Total transactions with owners, etc.	–	–	–	44,193	–
Balance as of December 31, 2016	50,000	2,950,000	919,376	45,639	53,755

	Equity attributable to owners of the parent				Total equity
	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	
Balance as of April 1, 2016	–	1,446	3,332,105	–	3,332,105
Comprehensive income					
Profit for the period	–	–	588,717	1,203	589,920
Other comprehensive income	217	53,973	53,973	235	54,208
Total comprehensive income	217	53,973	642,690	1,438	644,128
Transactions with owners, etc.					
Issuance of new shares	–	–	–	–	–
Payments associated with establishment of subsidiary	–	–	–	3,222	3,222
Equity transactions with non-controlling shareholders	–	–	–	–	–
Share-based payment transactions	–	44,193	44,193	–	44,193
Total transactions with owners, etc.	–	44,193	44,193	3,222	47,415
Balance as of December 31, 2016	217	99,612	4,018,987	4,660	4,023,647

(Thousands of yen)

	Equity attributable to owners of the parent				Other components of equity
	Capital	Share premium	Retained earnings	Exercise of warrants	Share of other comprehensive income of investments accounted for using the equity method
Balance as of April 1, 2017	50,000	2,950,000	1,177,360	60,102	41,846
Comprehensive income					
Profit for the period	–	–	1,023,898	–	–
Other comprehensive income	–	–	–	–	63,785
Total comprehensive income	–	–	1,023,898	–	63,785
Transactions with owners, etc.					
Issuance of new shares	65,424	65,143	–	–	–
Payments associated with establishment of subsidiary	–	–	–	–	–
Equity transactions with non-controlling shareholders	–	27	–	–	–
Share-based payment transactions	–	–	–	-27,285	–
Total transactions with owners, etc.	65,424	65,170	–	-27,285	–
Balance as of December 31, 2017	115,424	3,015,170	2,201,257	32,817	105,631

	Equity attributable to owners of the parent				Total equity
	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	
Balance as of April 1, 2017	226	102,174	4,279,534	4,778	4,284,312
Comprehensive income					
Profit for the period	–	–	1,023,898	426	1,024,323
Other comprehensive income	277	64,063	64,063	288	64,351
Total comprehensive income	277	64,063	1,087,960	714	1,088,674
Transactions with owners, etc.					
Issuance of new shares	–	–	130,567	–	130,567
Payments associated with establishment of subsidiary	–	–	–	–	–
Equity transactions with non-controlling shareholders	–	–	27	-92	-65
Share-based payment transactions	–	-27,285	-27,285	–	-27,285
Total transactions with owners, etc.	–	-27,285	103,309	-92	103,217
Balance as of December 31, 2017	503	138,952	5,470,803	5,400	5,476,203

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	From April 1, 2016 to December 31, 2016	From April 1, 2017 to December 31, 2017
Cash flows from operations		
Profit before taxes	908,688	1,483,237
Depreciation and amortisation expense	247,975	249,846
Other financial revenue and financial expenses	72,928	-266,159
Decrease -increase) in financial receivables	-77,067	-2,429,419
Increase -decrease) in financial guarantee contracts	1,095,780	1,565,090
Decrease -increase)in other financial assets	-341,658	-65,670
Increase -decrease) in other financial liabilities	-268,756	-139,419
Decrease -increase) in other assets	1,091,182	1,255,787
Increase -decrease) in other liabilities	210,223	292,162
Share of -profit) loss of entities accounted for using equity method	-34,134	-97,673
Other	137,939	-35,993
Subtotal	3,043,101	1,811,788
Interest and dividends received	183	33,094
Interest paid	-72,178	-39,976
Income taxes paid	-351,668	-675,553
Cash flows from operations	2,619,438	1,129,354
Cash flows from investing activities		
Purchase of investment securities	-1,003,667	-568,426
Purchase of property, plant and equipment	-75,969	-43,339
Purchase of intangible assets	-188,585	-95,590
Payments of loans receivable	-14,220	-6,350
Collection of loans receivable	826	4,103
Payments for guarantee deposits	-105,276	-50,121
Proceeds from collection of guarantee deposits	25,217	19,840
Payments for investments in capital	-	-10
Cash flows from investing activities	-1,361,675	-739,892
Cash flows from financing activities		
Proceeds from short-term loans payable	791,716	7,337,650
Repayments of short-term loans payable	-658,000	-5,036,000
Repayments of long-term loans payable	-1,788,079	-1,243,303
Repayments of lease obligations	-64,356	-52,662
Proceeds from issuance of shares	-	130,567
Proceeds from share issuance to non-controlling shareholders	3,374	-
Purchase of subsidiary equity interests from non-controlling interests	-	-65
Cash flows from financing activities	-1,715,346	1,136,187
Net increase -decrease) in cash and cash equivalent)	-457,582	1,525,648
Cash and cash equivalents at beginning of period	5,340,130	4,493,889
Effects of currency translation on cash and cash equivalents	84	287
Cash and cash equivalents at end of period	4,882,632	6,019,824

(6) Notes to the Condensed Quarterly Consolidated Financial Statements

(Notes concerning going concern)

Not applicable

(Changes to accounting policies)

Not applicable

(Changes to accounting estimates)

Not applicable

(Segment information)

Segment profit or loss and performance

Segment information is omitted as the Company only has one reportable segment -credit-related business).

Information about geographic areas

Information about geographic areas is omitted since operating revenue from external customers in Japan makes up most of operating revenue recorded in the consolidated statement of income.

The carrying amount of non-current assets by geographic areas is omitted since the carrying amount of non-current assets located in Japan makes up most of non-current assets recorded in the consolidated statement of financial position.

Information about major customers

Information about major customers is omitted since the Group conducts business for general consumers and there is no single external customer -Group) that accounts for at least 10% of the Group's operating revenue