



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020 [IFRS]

August 14, 2019

Company Name Premium Group Co., Ltd. Listed on the Tokyo Stock Exchange
 Stock Code 7199 URL <https://www.premium-group.co.jp/>
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Scheduled date of quarterly report submission: August 14, 2019 Scheduled date of commencement of dividend payment: -

Preparation of supplementary material for quarterly financial results: Yes

Holding of quarterly financial results meeting: No

(Amounts are rounded to the nearest million yen.)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to June 30, 2019)

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

	Operating income		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of fiscal year ending March 31, 2020	3,166	24.6	2,386	581.3	1,559	566.5	1,556	566.5	1,562	672.9
First quarter of fiscal year ending March 31, 2019	2,542	15.1	350	(56.5)	234	(57.7)	234	(57.8)	202	(63.9)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First quarter of fiscal year ending March 31, 2020	117.91	115.80
First quarter of fiscal year ending March 31, 2019	19.27	17.88

Note: The Company conducted a two-for-one stock split of its common stock on April 1, 2019 based on a resolution by the Board of Directors at a meeting held December 17, 2018. Basic earnings per share and diluted earnings per share are calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2019.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent ratio
	Million yen	Million yen	Million yen	%
First quarter of fiscal year ending March 31, 2020	49,506	6,788	6,733	13.6
Fiscal year ending March 31, 2019	43,630	5,475	5,422	12.4

2 Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ending March 31, 2019	-	42.50	-	42.50	85.00
Fiscal year ending March 31, 2020	-				
Fiscal year ending March 31, 2020 (forecast)		22.00	-	22.00	44.00

Notes:

- Revisions to dividends forecast most recently announced: None
- The Company conducted a two-for-one stock split of its common stock on April 1, 2019 based on a resolution by the Board of Directors at a meeting held December 17, 2018. For dividends on and before the end of the fiscal year ending March 31, 2019, the actual amounts prior to this stock split are shown above.
- Sources of dividends for the second quarter of the fiscal year ending March 31, 2019 include the share premium. For more information, see "Breakdown of dividends funded from the share premium" below.

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020
(April 1, 2019 to March 31, 2020)

(% change from the previous fiscal year for full-year figures; % change from the same period of the previous fiscal year for quarterly figures)

	Operating income		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	13,668	27.8	3,141	53.5	2,052	53.5	2,048	52.2	155.12

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 accounting estimates

1) Changes in accounting policies required by IFRS : Yes

2) Changes in accounting policies for other reasons : None

3) Changes in accounting estimates : Yes

Note: For more information, see “1. Summary Quarterly Consolidated Financial Statements and Major Notes: (6) Notes on the Summary Quarterly Consolidated Financial Statements: (Changes in accounting policies) and (Changes in accounting estimates)” below.

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at end of period (including treasury shares)	First quarter of fiscal year ending March 31, 2020	13,201,500 shares	Fiscal year ending March 31, 2019	13,201,500 shares
2) Number of treasury shares at end of period	First quarter of fiscal year ending March 31, 2020	664 shares	Fiscal year ending March 31, 2019	302 shares
3) Average number of shares during period (fiscal year to date)	First quarter of fiscal year ending March 31, 2020	13,201,075 shares	First quarter of fiscal year ending March 31, 2019	12,119,946 shares

Note: The Company conducted a two-for-one stock split of its common stock on April 1, 2019 based on a resolution by the Board of Directors at a meeting held December 17, 2018. Numbers of shares have been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2019.

* Quarterly financial statements are not subject to quarterly review by a certified public accountant or auditing firm.

* Note to ensure appropriate use of forecasts and other remarks

1. For additional information on financial results, also refer to the explanatory materials on financial results and quarterly securities report released today.

Financial results explanatory materials: <http://ir.premium-group.co.jp/ja/library/presentation.html>

Quarterly securities report: <http://ir.premium-group.co.jp/ja/library/securities.html>

2. The forecasts above are based on information currently available and certain assumptions deemed reasonable by the Company as of the date of release of this document. Actual future results may differ from forecasts figures due to various factors.

3. Breakdown of dividends funded from the share premium

Shown below is a breakdown of dividends funded from the share premium for the second quarter of the fiscal year ending March 31, 2019.

Basis date	End of second quarter	Total
Dividends per share	42.50 yen	42.50 yen
Total dividends	258 million yen	258 million yen

Notes:

1. The Company conducted a two-for-one stock split of its common stock on April 1, 2019 based on a resolution by the Board of Directors at a meeting held December 17, 2018. For dividends for the second quarter of the fiscal year ending March 31, 2019, the actual amounts prior to this stock split are shown above.

2. Ratio of decrease to net assets: 0.122

3. Year-end dividends for the fiscal year ending March 31, 2019 were funded from retained earnings.

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1. Summary Quarterly Consolidated Financial Statements and Major Notes
 (1) Summary Quarterly Consolidated Statement of Financial Position

(Thousands of yen)

	Previous consolidated fiscal year (March 31, 2019)	First quarter of this consolidated fiscal year (June 30, 2019)
Assets		
Cash and cash equivalents	6,186,088	5,420,578
Financial receivables	14,746,300	16,415,151
Other financial assets	3,293,278	4,238,787
Property, plant, and equipment	480,968	918,613
Intangible assets	5,744,012	5,765,828
Goodwill	2,951,863	4,119,494
Investments accounted for using equity method	2,194,920	2,138,260
Deferred tax assets	608,681	-
Other assets	7,423,774	8,018,238
Insurance assets	-	2,471,483
Total assets	43,629,883	49,506,431
Liabilities		
Financial guarantee contracts	17,086,049	18,343,052
Borrowings	10,636,788	13,964,403
Other financial liabilities	3,140,363	3,060,462
Provisions	69,804	81,887
Income taxes payable	642,852	259,524
Deferred tax liabilities	1,539,217	1,617,931
Other liabilities	5,039,731	5,390,935
Total liabilities	38,154,803	42,718,195
Equity		
Equity attributable to owners of parent		
Capital	226,792	1,422,671
Share premium	2,412,157	1,247,305
Treasury shares	(590)	(590)
Retained earnings	2,650,806	3,926,765
Other components of equity	132,549	136,372
Total equity attributable to owners of parent	5,421,714	6,732,524
Non-controlling interests	53,366	55,712
Total equity	5,475,080	6,788,236
Total liabilities and equity	43,629,883	49,506,431

(2) Summary Quarterly Consolidated Statement of Profit and Loss

(Thousands of yen)

	Cumulative first quarter of the previous consolidated fiscal year (From April 1, 2018 to June 30, 2018)	Cumulative first quarter of this consolidated fiscal year (From April 1, 2019 to June 30, 2019)
Operating income	2,541,589	3,165,940
Other finance income	712	6,789
Share of profit of investments accounted for using equity method	24,831	-
Other income	1,425	2,064,527
Total income	2,568,556	5,237,256
Operating expense	2,207,155	2,779,520
Other finance cost	11,222	9,165
Share of loss of investments accounted for using equity method	-	61,783
Other expense	2	864
Total expense	2,218,378	2,851,333
Profit for the term before tax	350,178	2,385,923
Income tax expense	116,313	827,111
Profit for the term	233,865	1,558,812
Attributable to		
Owners of parent	233,547	1,556,484
Non-controlling interests	318	2,328
Profit	233,865	1,558,812
Attributable to owners of parent		
Earnings per share		
Basic earnings per share (yen)	19.27	117.91
Diluted earnings per share (yen)	17.88	115.80

(3) Summary Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Cumulative first quarter of the previous consolidated fiscal year (From April 1, 2018 to June 30, 2018)	Cumulative first quarter of this consolidated fiscal year (From April 1, 2019 to June 30, 2019)
Profit for the term	233,865	1,558,812
Other comprehensive income		
Items that may be reclassified to net profit or loss		
Exchange differences on translation of foreign operations	(229)	36
Share of other comprehensive income of investments accounted for using equity method	(31,481)	3,554
Other comprehensive income (net of tax)	(31,710)	3,591
Comprehensive income	202,154	1,562,403
Attributable to:		
Owners of parent	201,953	1,560,057
Non-controlling interests	201	2,346
Comprehensive income	202,154	1,562,403

(4) Summary Quarterly Consolidated Statement of Changes in Equity

(Thousands of yen)

	Equity attributable to owners of parent					
	Capital	Share premium	Treasury shares	Retained earnings	Other components of equity	
					Exercise of warrants	Share of other comprehensive income of investments accounted for using equity method
Balance as of April 1, 2018	115,424	3,015,170	-	2,470,246	26,439	82,731
Cumulative effect of changes in accounting policies	-	-	-	(1,164,989)	-	-
April 1, 2018 balance reflecting changes in accounting policies	115,424	3,015,170	-	1,305,256	26,439	82,731
Comprehensive income						
Profit	-	-	-	233,547	-	-
Other comprehensive income	-	-	-	-	-	(31,481)
Total comprehensive income	-	-	-	233,547	-	(31,481)
Transactions with owners, etc.						
Purchase of treasury shares	-	-	(130)	-	-	-
Dividends	-	(515,100)	-	-	-	-
Share-based payment transactions	-	-	-	-	3,256	-
Total transactions with owners, etc.	-	(515,100)	(130)	-	3,256	-
Balance as of June 30, 2018	115,424	2,500,070	(130)	1,538,803	29,694	51,250

	Equity attributable to owners of parent				
	Other components of equity		Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance as of April 1, 2018	425	109,595	5,710,435	5,407	5,715,842
Cumulative effect of changes in accounting policies	-	-	(1,164,989)	-	(1,164,989)
April 1, 2018 balance reflecting changes in accounting policies	425	109,595	4,545,445	5,407	4,550,853
Comprehensive income					
Profit	-	-	233,547	318	233,865
Other comprehensive income	(112)	(31,594)	(31,594)	(117)	(31,710)
Total comprehensive income	(112)	(31,594)	201,953	201	202,154
Transactions with owners, etc.					
Purchase of treasury shares	-	-	(130)	-	(130)
Dividends	-	-	(515,100)	-	(515,100)
Share-based payment transactions	-	3,256	3,256	-	3,256
Total transactions with owners, etc.	-	3,256	(511,975)	-	(511,975)
Balance as of June 30, 2018	313	81,257	4,235,424	5,608	4,241,032

(Thousands of yen)

	Equity attributable to owners of parent					
	Capital	Share premium	Treasury shares	Retained earnings	Other components of equity	
					Exercise of warrants	Share of other comprehensive income of investments accounted for using equity method
Balance as of April 1, 2019	226,792	2,412,157	(590)	2,650,806	9,231	122,762
Comprehensive income						
Profit	-	-	-	1,556,484	-	-
Other comprehensive income	-	-	-	-	-	3,554
Total comprehensive income	-	-	-	1,556,484	-	3,554
Transactions with owners, etc.						
Dividends	-	-	-	(280,525)	-	-
Share-based payment transactions	31,028	-	-	-	251	-
Transfers from share premium to capital	1,164,852	(1,164,852)	-	-	-	-
Total transactions with owners, etc.	1,195,880	(1,164,852)	-	(280,525)	251	-
Balance as of June 30, 2019	1,422,671	1,247,305	(590)	3,926,765	9,482	126,316

	Equity attributable to owners of parent				
	Other components of equity		Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance as of April 1, 2019	557	132,549	5,421,714	53,366	5,475,080
Comprehensive income					
Profit	-	-	1,556,484	2,328	1,558,812
Other comprehensive income	18	3,572	3,572	18	3,591
Total comprehensive income	18	3,572	1,560,057	2,346	1,562,403
Transactions with owners, etc.					
Dividends	-	-	(280,525)	-	(280,525)
Share-based payment transactions	-	251	31,278	-	31,278
Transfers from share premium to capital	-	-	-	-	-
Total transactions with owners, etc.	-	251	(249,247)	-	(249,247)
Balance as of June 30, 2019	574	136,372	6,732,524	55,712	6,788,236

(5) Summary Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Cumulative first quarter of the previous consolidated fiscal year (From April 1, 2018 to June 30, 2018)	Cumulative first quarter of this consolidated fiscal year (From April 1, 2019 to June 30, 2019)
Cash flow from operating activities		
Profit for the term before tax	350,178	2,385,923
Depreciation and amortization expense	85,035	173,972
Other finance income and finance costs	19,689	30,518
Decrease (increase) in financial receivables	(1,174,785)	(1,670,683)
Increase (decrease) in financial guarantee contracts	814,667	1,257,004
Decrease (increase) in other financial assets	(170,285)	(503,010)
Increase (decrease) in other financial liabilities	(273,962)	(460,514)
Decrease (increase) in other assets	752,939	(2,982,876)
Increase (decrease) in other liabilities	20,681	(498,300)
Share of loss (profit) of investments accounted for using equity method	(24,831)	61,783
Other	28,961	(48,307)
Subtotal	428,287	(2,254,489)
Interest and dividends received	35,942	539
Interest paid	(15,914)	(21,122)
Income taxes paid	(328,659)	(477,649)
Cash flow from (used in) operating activities	119,656	(2,752,722)
Cash flow from investing activities		
Purchase of property, plant, and equipment	(6,083)	(87,267)
Purchase of intangible assets	(88,519)	(121,018)
Payments for loans receivable	(2,139)	-
Collection of loans receivable	2,855	3,308
Payments for guarantee deposits	(23,481)	(331,317)
Proceeds from collection of guarantee deposits	16,065	14,345
Cash flow from acquisition of subsidiary (After deducting proceeds in cash upon acquisition)	-	(201,277)
Cash flow from (used in) investing activities	(101,301)	(723,226)
Cash flow from financing activities		
Proceeds from short-term loans	1,029,561	16,012,929
Repayments of short-term loans	(100,000)	(12,337,623)
Proceeds from long-term loans	-	276,515
Repayments of long-term loans	(807,741)	(904,989)
Repayments of lease obligations	(17,918)	(81,830)
Payments for purchase of treasury shares	(130)	-
Dividends paid	(502,783)	(266,739)
Other	15,210	12,106
Cash flow from financing activities	(383,802)	2,710,369
Net increase (decrease) in cash and cash equivalents	(365,447)	(765,579)
Cash and cash equivalents at beginning of period	6,343,582	6,186,088
Effect of exchange rate changes on cash and cash equivalents	47	69
Cash and cash equivalents at end of period	5,978,182	5,420,578

(6) Notes on the Summary Quarterly Consolidated Financial Statements

(Notes concerning the going-concern assumption)

Not applicable

(Changes in accounting policies)

Except for the following items, the significant accounting policies applied in the Group's summary quarterly consolidated financial statements are consistent with the accounting policies applied in the consolidated financial statements for the previous fiscal year:

Application of IFRS 16

The Group has applied IFRS 16 "Leases" ("IFRS 16" hereinafter) effective from the first quarter of this consolidated fiscal year.

(1) Application of IFRS 16

IFRS 16, "Leases," is a standard that establishes new principles related to recognition, measurement, statement, and disclosure in lease accounting. It replaces IAS 17, "Leases" and related interpretation guidelines.

For lessees, IFRS 16 abolishes categorization into finance leases and operating leases, applying instead the right-of-use model, under which all leases, with the exception of those subject to the exceptional provisions on recognition established for short-term leases and leases in small amounts, are recognized as right-of-use assets and lease liabilities. At the same time, for lessors, this approach is essentially equivalent to account processing as finance leases and operating leases, as stipulated in IAS 17.

In accordance with the following interim measures under IFRS 16, the Group applies this new standard retroactively, recognizing the cumulative effect of its application as of April 1, 2019. Figures shown for comparison from the previous consolidated fiscal year have not been revised.

• For leases categorized in the past as operating leases:

1) Lease liabilities are measured at their present value after discounting total remaining lease charges as of the date on which IFRS 16 is first applied using the interest rate charged the borrower on additional borrowings as of that date.

2) Right-of-use assets are measured and recognized using the following method:

Recognized as the measured amount of lease liabilities adjusted for prepaid lease charges or accrued lease charges payable

3) IAS 36, "Impairment of Assets," applies to right-of-use assets as of the date on which IFRS 16 is first applied.

In migrating to IFRS 16, the Group has chosen to apply the practical expedient of continuing to apply the previous judgment as to whether or not a transaction qualifies as a lease.

In addition, in applying IFRS 16 to leases categorized as operating leases under IAS 17, the Group will apply the following practical expedient:

• Initial direct costs will be excluded from measurement of right-of-use assets as of the date on which IFRS 16 is first applied.

In connection with migration to IFRS 16, as of the date on which IFRS 16 is first applied, the Group has recognized additional right-of-use assets of 430,495 thousand yen (included under property, plant, and equipment on the Consolidated Statement of Financial Position) and lease liabilities of 430,495 thousand yen (included under other financial liabilities on the Consolidated Statement of Financial Position). These have had no effect on retained earnings.

The weighted average of the interest rate on additional borrowings applicable to lease liabilities as of the date on which IFRS 16 is first applied is 0.62%.

The difference in amounts between total minimum future lease charges on operating leases not cancellable as of the ending date of the fiscal year immediately preceding the date on which IFRS 16 is first applied and lease liabilities recognized on the Consolidated Statement of Financial Position as of the date on which IFRS 16 is first applied is as shown below.

(a) As of March 31, 2019

Total minimum future lease charges on operating leases not cancellable: 432,663 thousand yen

Discounted present value of (a): 430,495 thousand yen

Finance lease obligations as of March 31, 2019: 95,840 thousand yen

(b) Lease liabilities recognized on the Consolidated Statement of Financial Position as of the date on which IFRS 16 is first applied: 526,335 thousand yen

(2) Important accounting policies

Under IFRS 16, a lease is defined as a "contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." A transaction is determined to be a contracted lease based on the following steps:

Step 1. Is the asset specified?

- Step 2. Does the lessee have the right to enjoy nearly all economic benefits arising from use of the asset over the period of its use?
- Step 3. Does the lessee have the right to instruct use of the asset over the period of its use?

At the starting date of a lease, a lease is recognized as lease liabilities and right-of-use assets. The bulk of the Group's lease contracts consist of lease contracts for server equipment used at the head office and lease contracts for individual sales facilities and in operation of individual computer systems.

1) Lease liabilities

Lease liabilities are recognized initially at the present value of total lease charges remaining unpaid as of the starting date of the lease discounted by the interest rate calculated for the lease.

If the lease interest rate is not readily calculated, the interest rate on additional borrowings by the Group is applied. In general, the Group applies the discount rate as the interest rate on additional borrowings. Lease liabilities are measured after the fact, by increasing book value to reflect the interest rate on lease liabilities and decreasing book value to reflect lease charges paid. In calculations for the Consolidated Statement of Financial Position, they appear under other financial liabilities.

2) Right-of-use assets

Right-of-use assets are measured initially at the acquisition cost. The components of an acquisition cost include the initial measured amount of lease liabilities; initial direct costs; and initial estimates of dismantling costs, removal costs, and costs of restoration to their original condition for the underlying assets.

The cost model is employed for measurements after recognition of right-of-use assets. Right-of-use assets are shown at the price after deducting from the acquisition cost cumulative depreciation and impairment losses, included under the item on the Consolidated Statement of Financial Position under which the underlying asset would appear if it were owned by the Company.

After initial recognition, if ownership of the underlying asset is transferred by the end of the lease period or it is reasonably certain that an option to purchase will be exercised at the acquisition cost of the right-of-use assets, depreciation takes place based on the estimated useful life of the underlying asset as its useful life. In other cases, the shorter of the term of the lease and the estimated useful life of the underlying asset is used.

Depreciation is by the straight-line method. Lease period estimates are based on the contractual lease period. Extension options reasonably certain to be exercised are omitted here because no such options apply/exist.

Changes in presentation methods

(1) Summary Quarterly Consolidated Statement of Financial Position

Other deposits, included under cash and cash equivalents in the previous consolidated fiscal year, have been included under other financial assets beginning with this first quarter of this consolidated fiscal year, due to an increase in their monetary importance. The Consolidated Statement of Financial Position for the previous consolidated fiscal year has been revised to reflect this change in presentation methods.

As a result, 213,188 thousand yen included under cash and cash equivalents in the Consolidated Statement of Financial Position for the previous consolidated fiscal year has been transferred to other financial assets.

(2) Summary Quarterly Consolidated Statement of Cash Flows

In light of the change in presentation methods in the Summary Quarterly Consolidated Statement of Financial Position described above, the amount of cash and cash equivalents as of the end of the first quarter of the previous consolidated fiscal year decreased by 115,779 thousand yen, while cash and cash equivalents as of the start of the first quarter of the previous consolidated fiscal year decreased 130,989 thousand yen. The decrease of 15,210 thousand yen in other deposits that occurred from the start to the finish of the first quarter of the previous consolidated fiscal year is included under "Other" under cash flow from financing activities.

(Changes in accounting estimates)

In preparation of Summary Quarterly Consolidated Financial Statements conforming to IFRS, management is obligated to make judgments, estimates, and assumptions with potential impact on the application of accounting policies and amounts reported of assets, liabilities, revenues, and expenses. Actual business performance may differ from these estimates.

Estimates and the assumptions on which they are based are reviewed continuously. Effects of revisions of accounting estimates are recognized in the fiscal period in which they were revised and in future fiscal periods.

Aside from the following items, estimates and assumptions with material impacts on the amounts recognized by the Group in these Summary Quarterly Consolidated Financial Statements are the same as those for consolidated financial statements for the previous consolidated fiscal year.

Recording of insurance assets due to changes in estimates

As a hedge against the risk of doubtful accounts in the Credit Finance Business (advance payments and partner loans), the Group has concluded transaction credit insurance and guarantee organization credit insurance policies with multiple casualty insurers to complement credit receivables.

Previously, supplementation under credit insurance was not recorded as individual assets due to the difficulty of identifying reliable projections of the supplementation received from such insurance.

As a result of measures including revision of credit insurance policies and enhancements of internal administration structures, beginning with this first quarter of this consolidated fiscal year, reliable projections for the supplementation received from credit insurance are recorded as insurance assets.

As the amount of insurance assets recorded as a result, 2,058,191 thousand yen corresponding to allowance for doubtful accounts recorded at the end of March 2019 has been recorded as revaluation gains/losses on insurance assets. The portion corresponding to fluctuations in the allowance for doubtful accounts in this first quarter (390,642 thousand yen) has been offset against amortization losses on financial assets under operating expenses.

* Revaluation gains/losses on insurance assets are included under other earnings on the Summary Quarterly Consolidated Statement of Profit and Loss.

(Segment information)

Segment profit or loss and performance

Segment information is omitted because the Company has only one reporting segment (the Credit Finance Business).