



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

February 14, 2020

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: February 14, 2020 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 Third Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to December 31, 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	%
Third quarter of fiscal year ending March 31, 2020	10,173	29.0	3,242	159.6	1,966	135.7	1,971	136.8	2,027	141.6
Third quarter of fiscal year ended March 31, 2019	7,885	(0.2)	1,249	(3.7)	834	(1.7)	832	(1.7)	839	(1.3)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third quarter of fiscal year ending March 31, 2020	149.77	147.08
Third quarter of fiscal year ended March 31, 2019	68.68	64.33

Notes: 1. For accounts affected by the October 15, 2018 business combination with Softplanner Co., Ltd., accounts processing remained tentative during the previous consolidated fiscal year and the first quarter of this consolidated fiscal year but was finalized during the second quarter of this consolidated fiscal year. In connection with this finalization of the tentative accounts processing, consolidated financial results through the third quarter reflect the finalized details.

2. 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	%
Third quarter of fiscal year ending March 31, 2020	53,076	6,050	5,971	11.3
Fiscal year ended March 31, 2019	43,540	5,529	5,464	12.5

Note: For accounts affected by the October 15, 2018 business combination with Softplanner Co., Ltd., accounts processing remained tentative during the previous consolidated fiscal year and the first quarter of this consolidated fiscal year but was finalized during the second quarter of this consolidated fiscal year. In connection with this finalization of the tentative accounts processing, consolidated financial position for the previous consolidated fiscal year reflects the finalized details.

2 Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Year end	Total
Fiscal year ended March 31, 2019	Yen -	Yen 42.50	Yen -	Yen 42.50	Yen 85.00
Fiscal year ending March 31, 2020	-	22.00	-		
Fiscal year ending March 31, 2020 (forecast)				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 ended March 31, 2019, the actual amounts prior to this stock split are shown above.

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)

	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

- Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): None
- Changes in accounting policies and accounting estimates
 - Changes in accounting policies required by IFRS : Yes
 - Changes in accounting policies for other reasons : None
 - Changes in accounting estimates : Yes
- Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at end of period (including treasury shares)	Third quarter of fiscal year ending March 31, 2020	13,217,100 shares	Fiscal year ended March 31, 2019	13,201,500 shares
2) Number of treasury shares at end of period	Third quarter of fiscal year ending March 31, 2020	459,717 shares	Fiscal year ended March 31, 2019	302 shares
3) Average number of shares during period (fiscal year to date)	Third quarter of fiscal year ending March 31, 2020	13,157,423 shares	Third quarter of fiscal year ended March 31, 2019	12,119,888 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

- 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>
- 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.

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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)	Third quarter of this consolidated fiscal year (December 31, 2019)
Assets		
Cash and cash equivalents	6,186,088	6,848,356
Financial receivables	14,746,300	18,901,201
Other financial assets	3,293,278	5,967,375
Property, plant, and equipment	480,968	1,021,813
Intangible assets	5,913,048	5,892,225
Goodwill	2,692,807	3,873,701
Investments accounted for using equity method	2,194,920	2,240,735
Deferred tax assets	608,681	-
Other assets	7,423,774	5,570,841
Insurance assets	-	2,759,465
Total assets	43,539,864	53,075,712
Liabilities		
Financial guarantee contracts	17,086,049	20,697,173
Borrowings	10,636,788	15,394,652
Other financial liabilities	3,140,363	3,252,593
Provisions	69,804	101,952
Income taxes payable	642,852	295,307
Deferred tax liabilities	1,598,776	1,752,721
Other liabilities	4,836,139	5,531,322
Total liabilities	38,010,770	47,025,720
Equity		
Equity attributable to owners of parent		
Capital	226,792	1,495,392
Share premium	2,412,157	1,246,744
Treasury shares	(590)	(1,058,425)
Retained earnings	2,692,763	4,092,140
Other components of equity	132,549	195,633
Total equity attributable to owners of parent	5,463,671	5,971,484
Non-controlling interests	65,423	78,508
Total equity	5,529,094	6,049,992
Total liabilities and equity	43,539,864	53,075,712

(2) Summary Quarterly Consolidated Statement of Profit and Loss

(Thousands of yen)

	Cumulative third quarter of the previous consolidated fiscal year (From April 1, 2018 to December 31, 2018)	Cumulative third quarter of this consolidated fiscal year (From April 1, 2019 to December 31, 2019)
Operating income	7,884,513	10,172,656
Other finance income	1,779	9,190
Share of profit of investments accounted for using equity method	88,496	-
Other income	563,651	2,099,389
Total income	8,538,438	12,281,235
Operating expense	7,262,522	8,954,298
Other finance cost	27,136	34,119
Share of loss of investments accounted for using equity method	-	15,148
Other expense	4	35,348
Total expense	7,289,663	9,038,913
Profit for the term before tax	1,248,775	3,242,322
Income tax expense	414,786	1,276,635
Profit for the term	833,989	1,965,687
Attributable to		
Owners of parent	832,334	1,970,579
Non-controlling interests	1,655	(4,892)
Profit	833,989	1,965,687
Attributable to owners of parent		
Earnings per share		
Basic earnings per share (yen)	68.68	149.77
Diluted earnings per share (yen)	64.33	147.08

(3) Summary Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Cumulative third quarter of the previous consolidated fiscal year (From April 1, 2018 to December 31, 2018)	Cumulative third quarter of this consolidated fiscal year (From April 1, 2019 to December 31, 2019)
Profit for the term	833,989	1,965,687
Other comprehensive income		
Items that may be reclassified to net profit or loss		
Exchange differences on translation of foreign operations	31	597
Share of other comprehensive income of investments accounted for using equity method	4,772	60,303
Other comprehensive income (net of tax)	4,803	60,900
Comprehensive income	838,792	2,026,587
Attributable to:		
Owners of parent	837,121	2,031,473
Non-controlling interests	1,671	(4,887)
Comprehensive income	838,792	2,026,587

(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	-	-	-	832,334	-	-
Other comprehensive income	-	-	-	-	-	4,772
Total comprehensive income	-	-	-	832,334	-	4,772
Transactions with owners, etc.						
Issuance of new shares	23,650	36,397	-	-	(12,747)	-
Purchase of treasury shares	-	-	(459)	-	-	-
Dividends	-	(772,648)	-	-	-	-
Investments accompanying establishment of subsidiaries	-	-	-	-	-	-
Capital transactions with non-controlling interests	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	16,707	-
Total transactions with owners, etc.	23,650	(736,251)	(459)	-	3,961	-
Balance as of December 31, 2018	139,074	2,278,919	(459)	2,137,590	30,399	87,503

	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	-	-	832,334	1,655	833,989
Other comprehensive income	15	4,787	4,787	16	4,803
Total comprehensive income	15	4,787	837,121	1,671	838,792
Transactions with owners, etc.					
Issuance of new shares	-	(12,747)	47,300	-	47,300
Purchase of treasury shares	-	-	(459)	-	(459)
Dividends	-	-	(772,648)	-	(772,648)
Investments accompanying establishment of subsidiaries	-	-	-	6,600	6,600
Capital transactions with non-controlling interests	-	-	-	50,199	50,199
Share-based payment transactions	-	16,707	16,707	-	16,707
Total transactions with owners, etc.	-	3,961	(709,100)	56,799	(652,301)
Balance as of December 31, 2018	441	118,343	4,673,467	63,877	4,737,344

(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)	2,692,763	9,231	122,762
Comprehensive income						
Profit	-	-	-	1,970,579	-	-
Other comprehensive income	-	-	-	-	-	60,303
Total comprehensive income	-	-	-	1,970,579	-	60,303
Transactions with owners, etc.						
Purchase of treasury shares	-	(106)	(1,057,835)	-	-	-
Dividends	-	-	-	(571,202)	-	-
Capital transactions with non-controlling interests	-	(956)	-	-	-	-
Share-based payment transactions	103,749	500	-	-	2,190	-
Transfers from share premium to capital	1,164,852	(1,164,852)	-	-	-	-
Total transactions with owners, etc.	1,268,601	(1,165,413)	(1,057,835)	(571,202)	2,190	-
Balance as of December 31, 2019	1,495,392	1,246,744	(1,058,425)	4,092,140	11,420	183,064

	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	5,463,671	65,423	5,529,094
Comprehensive income					
Profit	-	-	1,970,579	(4,892)	1,965,687
Other comprehensive income	592	60,895	60,895	6	60,900
Total comprehensive income	592	60,895	2,031,473	(4,887)	2,026,587
Transactions with owners, etc.					
Purchase of treasury shares	-	-	(1,057,941)	-	(1,057,941)
Dividends	-	-	(571,202)	-	(571,202)
Capital transactions with non-controlling interests	-	-	(956)	17,971	17,015
Share-based payment transactions	-	2,190	106,438	-	106,438
Transfers from share premium to capital	-	-	-	-	-
Total transactions with owners, etc.	-	2,190	(1,523,660)	17,971	(1,505,689)
Balance as of December 31, 2019	1,149	195,633	5,971,484	78,508	6,049,992

(5) Summary Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Cumulative third quarter of the previous consolidated fiscal year (From April 1, 2018 to December 31, 2018)	Cumulative third quarter of this consolidated fiscal year (From April 1, 2019 to December 31, 2019)
Cash flow from operating activities		
Profit for the term before tax	1,248,775	3,242,322
Depreciation and amortization expense	221,596	591,131
Other finance income and finance costs	61,966	104,755
Decrease (increase) in financial receivables	(3,621,199)	(4,156,732)
Increase (decrease) in financial guarantee contracts	2,218,051	3,611,124
Decrease (increase) in other financial assets	(623,245)	(2,142,501)
Increase (decrease) in other financial liabilities	(202,624)	(216,120)
Decrease (increase) in other assets	865,190	(1,121,484)
Increase (decrease) in other liabilities	268,636	(126,110)
)Share of loss (profit) of investments accounted for using equity method	(88,496)	15,148
Other	70,814	(2,669)
Subtotal	419,464	(201,133)
Interest and dividends received	39,619	1,748
Interest paid	(49,037)	(95,050)
)Income taxes paid	(631,403)	(889,613)
Income taxes refunded	-	412,678
Cash flow from (used in) operating activities	(221,357)	(771,371)
Cash flow from investing activities		
Purchase of investment securities	(6,956)	(12,450)
Purchase of property, plant, and equipment	(133,873)	(322,907)
Purchase of intangible assets	(165,848)	(250,662)
Payments for loans receivable	(23,155)	(5,000)
Collection of loans receivable	13,273	14,305
Payments for guarantee deposits	(64,924)	(462,942)
Proceeds from collection of guarantee deposits	41,707	50,177
Cash flow from acquisition of subsidiary (After deducting proceeds in cash upon acquisition)	(226,685)	(220,693)
Cash flow from (used in) investing activities	(566,462)	(1,210,173)
Cash flow from financing activities		
Proceeds from short-term loans	6,937,422	44,444,506
Repayments of short-term loans	(2,193,500)	(42,098,593)
Proceeds from long-term loans	-	4,595,217
Repayments of long-term loans	(2,242,267)	(2,457,327)
Repayments of lease obligations	(55,553)	(248,754)
Proceeds from issue of stock	47,300	8,148
Proceeds from investment by non-controlling interests	6,600	-
Payments for purchase of treasury shares	(459)	(1,057,835)
Dividends paid	(769,945)	(569,555)
Other	23,398	27,675
Cash flow from financing activities	1,752,997	2,643,483
Net increase (decrease) in cash and cash equivalents	965,177	661,939
Cash and cash equivalents at beginning of period	6,343,582	6,186,088
Effect of exchange rate changes on cash and cash equivalents	178	328
Cash and cash equivalents at end of period	7,308,938	6,848,356

(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 the 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 third quarter of the previous consolidated fiscal year decreased by 107,590 thousand yen, while cash and cash equivalents as of the start of the third quarter of the previous consolidated fiscal year decreased 130,989 thousand yen. The decrease of 23,398 thousand yen in other deposits that occurred from the start to the finish of the third 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 second 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, 2,080,841 thousand yen, corresponding to the allowance for doubtful accounts recorded at the end of March 2019, has been recorded as revaluation gains on insurance assets. The amount of 1,196,466 thousand yen from the portion corresponding to cumulative fluctuations in the allowance for doubtful accounts through this third quarter of this consolidated fiscal year has been offset against amortization losses on financial assets under operating expenses, resulting in a reduction of 517,842 thousand yen in insurance assets accompanying the exercise of insurance policies.

Funds received from insurance claims previously appeared under insurance income under other income. However, based on measures to enhance internal administration structures related to credit insurance policies, the scope of operating income was reviewed so that a series of processes ranging from the issue, collection, and repayment of credit to supplementation under credit insurance were regarded as part of sales activities. As a result, earnings arising from the receipt of funds in excess of the amount of insurance assets are recorded under operating income as revenue from the exercise of insurance policies.

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

(Segment information)

(1) Overview of reporting segments

The Group's reporting segments consist of the Company's constituent units for which separate financial information is available and subject to periodic review by the Board of Directors for decisions related to allocation management resources and evaluating business performance.

The Group develops comprehensive strategies and implements business activities for all services at the head office. The Credit Finance Business is the Group's reporting segment.

In addition to the Group's main services (Credit Business and Automobile Warranty Business), the Credit Finance Business segment also includes the peripheral Maintenance Business and Other Businesses.

(2) Operating income and profit for reporting segment

Information on operating income and profit for reporting segment is omitted because the Group has only one reporting segment (the Credit Finance Business).

(Important subsequent events)

1. SAE REMAX, Inc.

(1) Overview of corporate merger

On January 16, 2020, the Company acquired all shares in SAE REMAX, Inc.

SAE REMAX, Inc. is an auto-parts wholesaler that procures auto parts from numerous suppliers and sells them to auto dealers, leasing firms, garages, and other customers. Its strength lies in that it handles auto parts for all makes and models, with an emphasis on both quality and price.

We believe this stock acquisition will enable the Group to realize the following two goals:

1. Cut costs and improve quality in the warranty business by bringing the procurement of repair parts needed for vehicle repairs in house.
2. Expand transaction contact points and deepen ties to customers by supplying auto parts to auto dealers and garages.

Detailed notes are omitted in light of the financial significance of this acquisition.

2. SAINT PARTS Co., Ltd.

(1) Overview of corporate merger

On January 16, 2020, the Company acquired all shares in SAINT PARTS Co., Ltd.

The businesses of SAINT PARTS Co., Ltd. include automotive recycling and sales of used auto parts. Its international customer base is among its strengths.

We believe this stock acquisition will enable the Group to realize the following three goals:

1. Through in-house sourcing of used auto parts, achieve cost savings for parts required for vehicle repairs in the warranty business.
2. Establish a starting point for used parts transactions for overseas markets and create opportunities to link these to the warranty business.
3. Provide value-added services on behalf of participating Group retailers and others by offering an international sales platform and through the purchase of older vehicles, including scrap vehicles.

Detailed notes are omitted in light of the financial significance of this acquisition.