

**Financial Results Presentation
for 1H of FY Ending
March 31, 2020**

November 14, 2019

Premium Group Co., Ltd.

Illustration by Kazuhiko Okushita (POGHORN)

Contents

- **Summary of Financial Results for 1H of FY Ending March 31, 2020**
- **Appendix**

Summary of Financial Results for 1H of FY Ending March 31, 2020



Highlights from 1H of FY Ending March 31, 2020

- ✓ Existing businesses of credit finance and automobile warranty enjoyed strong growth as expected

Performance

- Credit finance and automobile warranty both enjoyed strong growth, as **operating income hit ¥6,659 million (up 28.5% YoY)**
- **Future revenue of ¥24,034 million** stocked on B/S
(¥19,880 million from credit finance and ¥4,160 million from automobile warranty)
- Total volume of new loans in our credit finance business grew steadily at **41.6% YoY**
- Loan receivables in our credit finance business **increased 28.5%** over the previous 1H, nearly breaking through the **¥300 billion** mark
- Total volume of new warranties in the automobile warranty business grew **55.8% YoY**, including a net increase from the **acquisition of EGS** in the same industry
- September new loan volume in credit finance business:
¥18,920 million
⇒ **Record high!**

KPIs

Topics

Consolidated Performance for 1H of FY Ending March 31, 2020

	[Consolidated] Q2 FY ending March 31, 2020	[Consolidated] Q2 FY ended March 31, 2019	YoY change	(Millions of yen) [Consolidated] FY ended March 31, 2019 *
Operating income	6,659	5,183	+28.5%	10,759
Operating expenses	5,742	4,741	+21.1%	10,001
Profit before tax	3,052	1,043	+192.8%	2,097
Profit attributable to owners of parent	1,845	694	+165.9%	1,388
Basic earnings per share (yen)	139.77	57.27	+144.1%	113.06
Equity ratio (%)	13.09	12.86	-	12.55

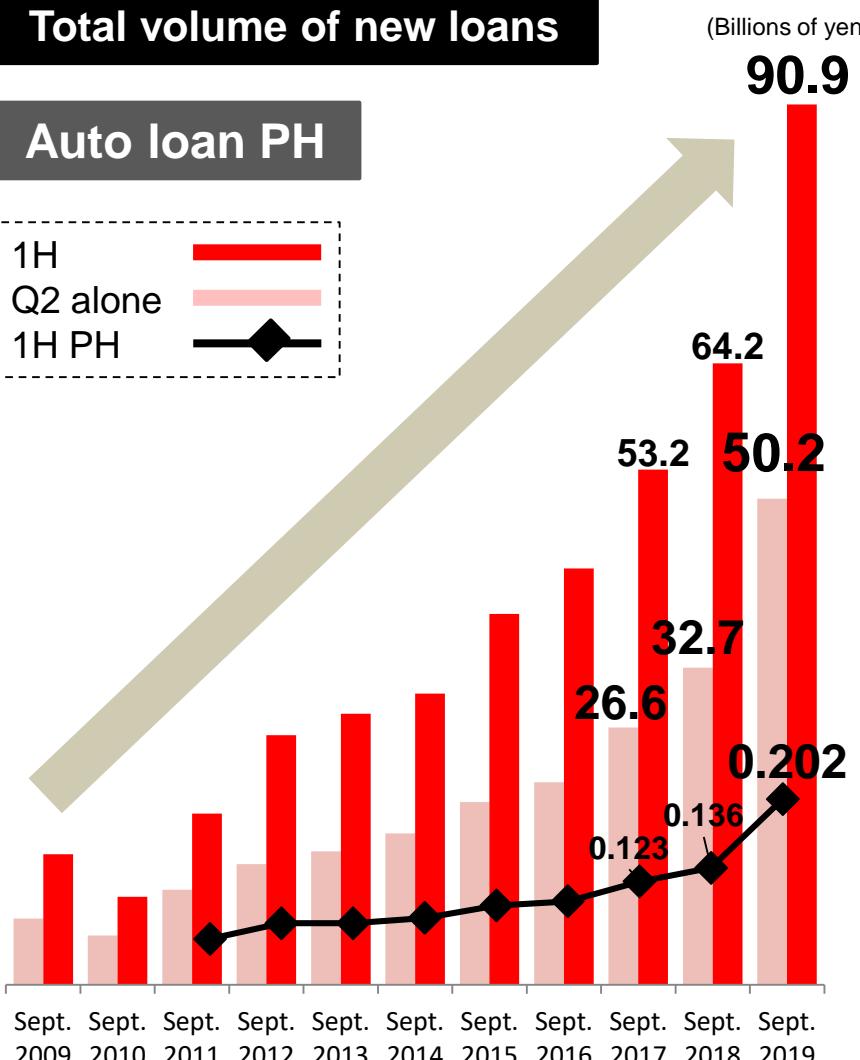
* Provisional accounting treatment was carried out in the fiscal year ended March 31, 2019 and 1Q of the fiscal year ending March 31, 2020 for the business combination with SOFTPLANNER CO., LTD. executed on October 15, 2018. This accounting treatment was finalized in 2Q of the fiscal year ending March 31, 2020.

Credit Finance Business—Total Volume of New Loans

Total volume of new loans

Auto loan PH

1H
Q2 alone
1H PH



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

2. "PH" stands for "Per Head," which refers to the average monthly total volume of new loans or warranties per sales staff. The monthly total volume of new loans or warranties refers to the total 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 balance of charges for the product and the split commission. Furthermore, PH represents the actual results for PFS.

Q2 cumulative total volume increased 41.6%

YoY to ¥90.92 billion

- ✓ **¥50.2 billion** in Q2 alone (up 53.2% YoY)
- ✓ Soaring growth for **9 straight years**
- ✓ PH in 1H increased (¥136 million to ¥202 million)

Factors driving increase

(1) Increased visibility from IPO

- ✓ Increased transactions with network stores

(2) Rush of demand ahead of consumption tax hike

(3) Enhancement to marketing strengths

- ✓ Increased salesforce (78 overall to 84 YoY)
(Auto: 76 to 80; all others: 2 to 4)
- ✓ Increased sales volume PH
(Success from combination of on-site, business trip, and contact center sales)

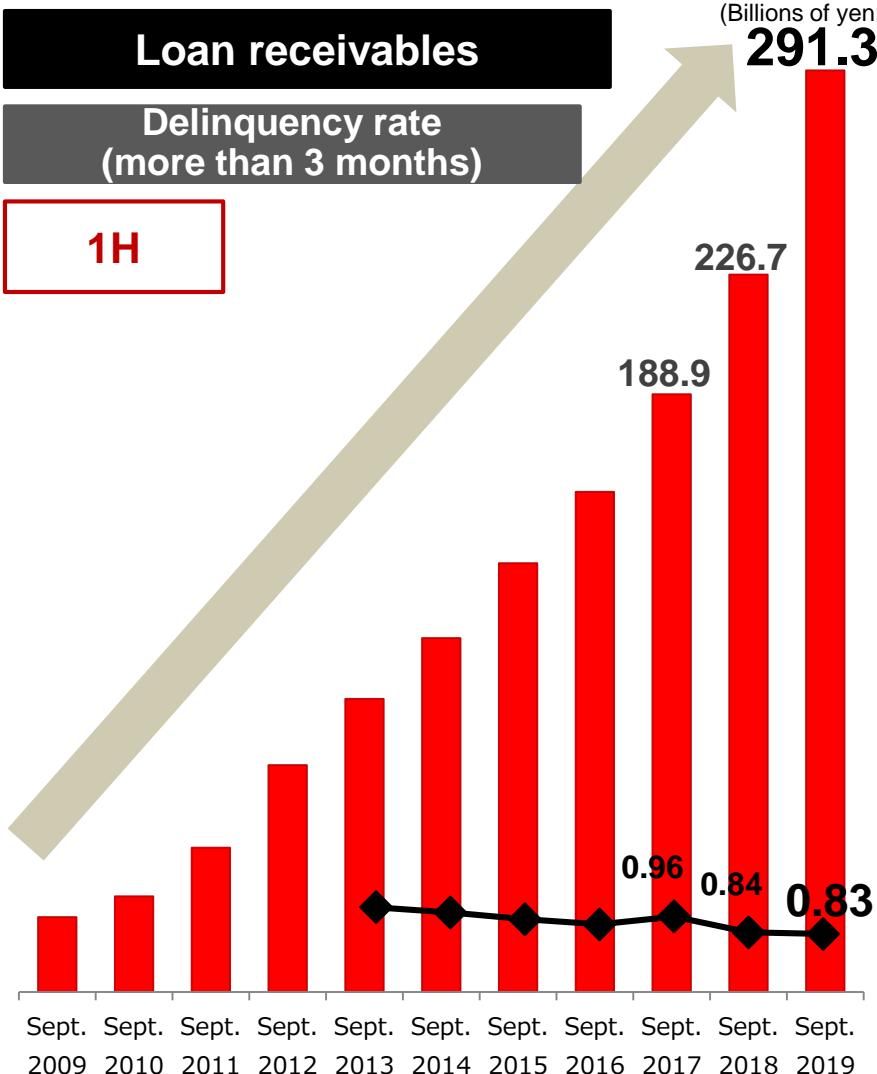
(4) Penetration of MULTI ACTIVE *

- ✓ Deepening relationships with network stores

(5) Contribution of transactions with large network stores

* MULTI ACTIVE represents a key strategy for differentiation where we offer several services mainly to used car dealers aimed at building continuous business dealings.

Credit Finance Business: Loan Receivables



**Loan receivables in 1H is ¥291.3 billion
28.5% increase YoY**

- ✓ Nearly broke through the ¥300 billion mark
- ✓ Double digit growth since foundation
- ✓ Delinquency rate remained low

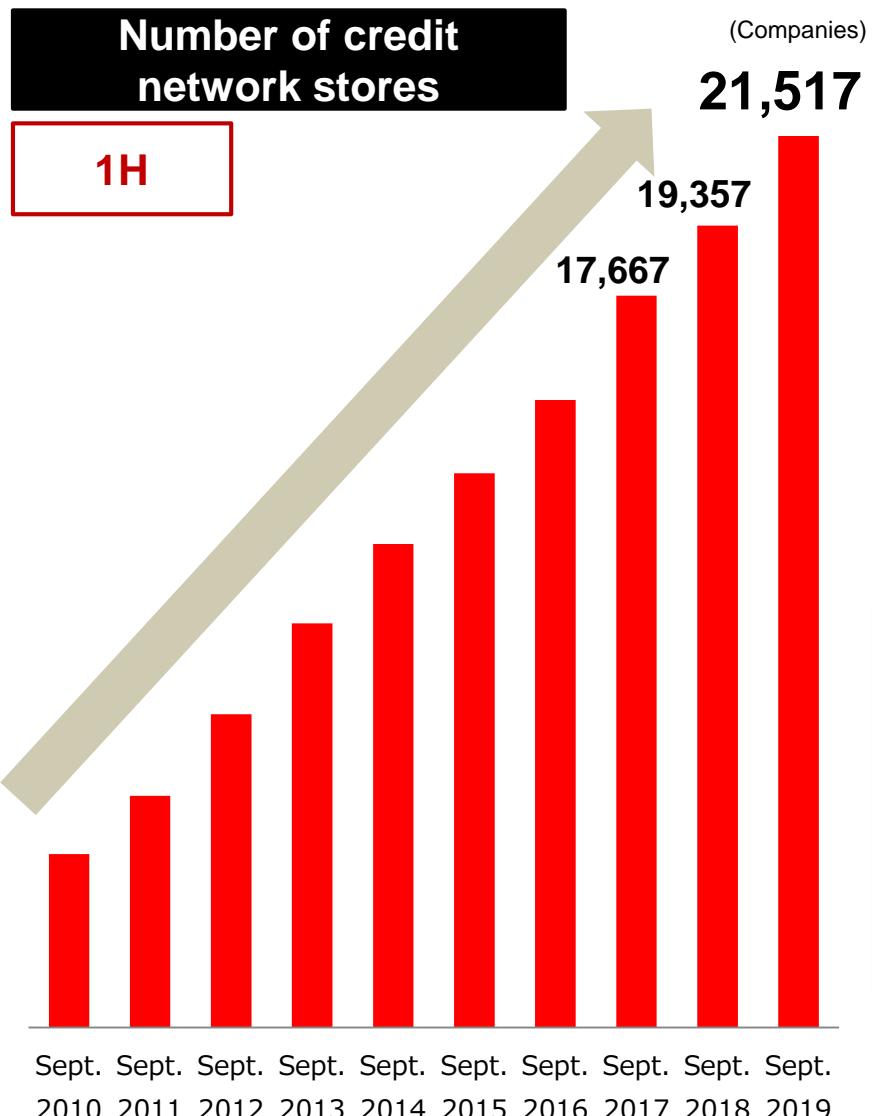
Characteristics of credit receivables

- ✓ Superior credit with highly diversified risk
 - Average debt per borrower: ¥1.1 million
- ✓ Minimizing defaults through efficient debt collection
 - Early action and labor-saving operations using SMS, etc.

Notes: 1. "Loan receivables" refers to the total 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 receivables balance of products other than automotive credit financing (Ecology Credit, etc.), and are the actual results of PFS.

2. "Delinquency rate" refers to the total amount of loan receivables that are more than 3 months in arrears and special loan receivables (with judicial intervention), expressed as a percentage of the loan receivables at the end of the period. Figures are the actual results for the periods subsequent to when the loan 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 network stores in 1H:
21,517 companies**

11.2% increase YoY

- ✓ Increasing steadily since foundation
- ✓ Continuing to focus on operating ratio

Initiatives to increase network stores and operating ratio

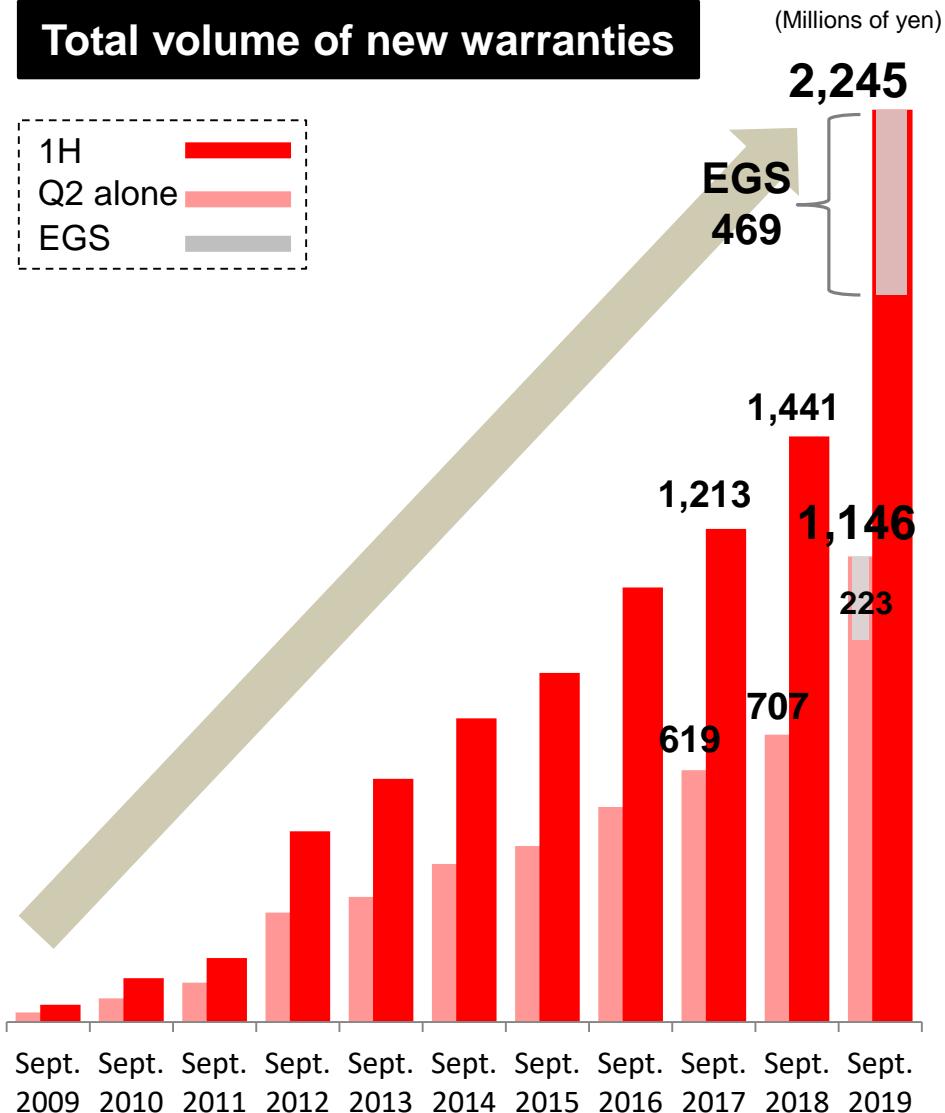
- ✓ Increased visibility/trust from IPO
 - Increasing loan volume per company
- ✓ Simultaneously promoting business from network stores
 - Utilizing contact centers (outbound sales)

Note: "Number of network stores" refers to the number of companies that have signed a network store contract, counting company as one network store even if that company has several stores, and are the actual results of PFS. The figures are the actual results for the periods subsequent to when the Group's ERP system was renewed in the fiscal year ended March 31, 2010.

Automobile Warranty Business: Total Volume of New Warranties

Total volume of new warranties

1H
Q2 alone
EGS



1H total volume was ¥2,245 million
55.8% increase YoY
¥1,146 million in Q2 alone (up 62.1% YoY)

1H total volume was ¥1,780 million for
PFS only
23.3% increase YoY

- ✓ Double digit growth since foundation
- ✓ Significant growth in volume of proprietary brand products (59.0% increase YoY)

Factors driving increase

- (1) Net increase in 1H of ¥470 million from acquisition of EGS
(¥220 million in Q2 alone)
- (2) Enhancement to marketing strengths
- (3) Penetration of MULTI ACTIVE
 - ✓ Successful cross-selling with credit
 - ✓ Steady growth in volume of OEM products

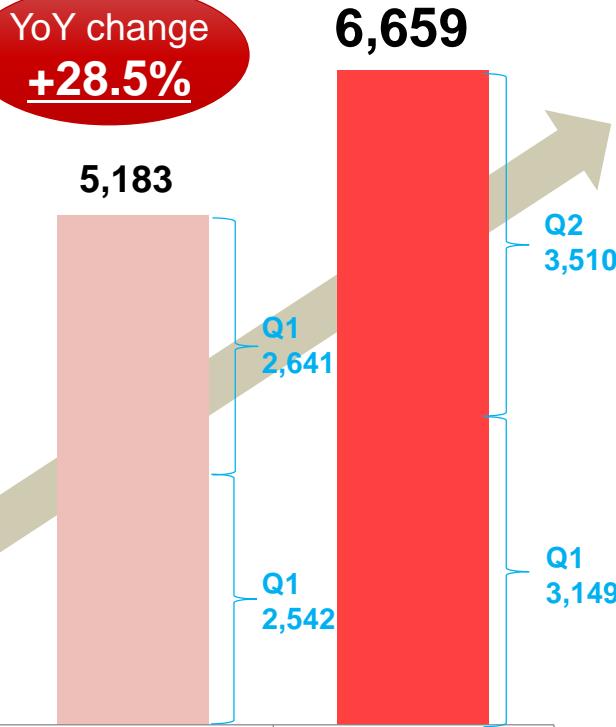
Notes: 1. EGS refers to EGS, Inc. (an automobile warranty company we acquired in April 2019).

2. "Total volume of new warranties" refers to the total amount of warranty contracts newly signed in the period. The actual results of PFS includes EGS.

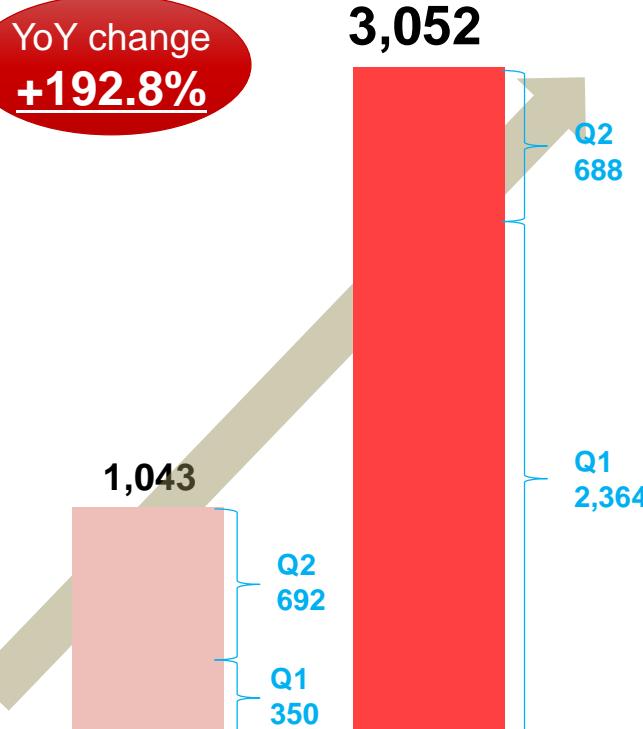
1H Financial Highlights (YoY)

- ✓ Operating income hit ¥6,659 million (up 28.5% YoY)
- ✓ Profit before tax jumped to ¥3,052 million (up 92.8% YoY)

Operating income (millions of yen)



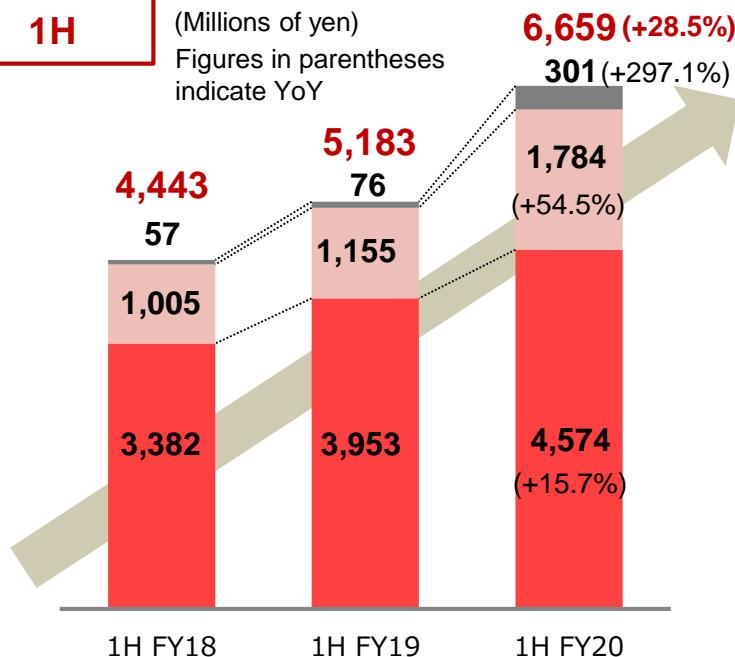
Profit before tax (millions of yen)



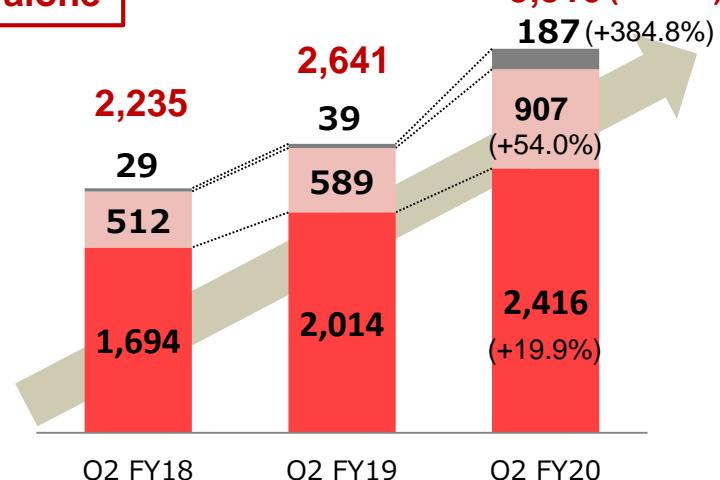
Operating Income (P/L) by Segment

1H

(Millions of yen)
Figures in parentheses indicate YoY



Q2 alone



1H operating income by segment totaled ¥6,659 million

28.5% increase YoY

- ✓ ¥3,510 million in Q2 alone (up 32.9% YoY)
- ✓ Steady growth seen in all 3 segments

Profit characteristics of core businesses

- ✓ Room for further profit growth
- ✓ Asset business building balances
 - (1) Stable revenue
 - (2) Little seasonality in performance

Future revenue of **¥24,030 million** stocked on B/S
(¥19,880 million from credit finance and ¥4,160 million from automobile warranty)

Credit finance Automobile warranty
 Other (Maintenance, Overseas, Software*)

*From Q3 of FY Ended March 31, 2019

Operating Expenses (PL) (YoY Comparison)

- ✓ Operating expenses totaled ¥5,742 million (up 21.1% YoY)
- ✓ SG&A expenses increased overall due to the acquisition of EGS

[1H FY19]

(Millions of yen)

Percentage of operating income is shown in parentheses

5,183

594

(11.5%)

806

(15.6%)

777

(15.0%)

1,239

(23.9%)

442

(25.6%)

Total operating expenses
¥4,741 million

Operating income

Guarantee commission

Warranty cost

Impairment losses

Personnel expenses

Other expenses

Operating income - Operating expenses

[1H FY20]

6,659

853

(12.8%)

1,222

(18.4%)

23

(0.3%)

Increase attributed to growth in credit finance business (increase in total volume of new loans), etc.

Increase attributed to growth in automobile warranty business and acquisition of EGS

Significant drop due to changes in accounting estimates (recording of insurance assets)

Increased by 127 employees compared to the end of previous 1H (464 employees as of September 30, 2019)

Increase attributed to business growth and consolidation of EGS

Total operating expenses
¥5,742 million
(Up 21.1% YoY)

916

(31.3%)

Operating income - Operating expenses

Operating income

Guarantee commission

Warranty cost

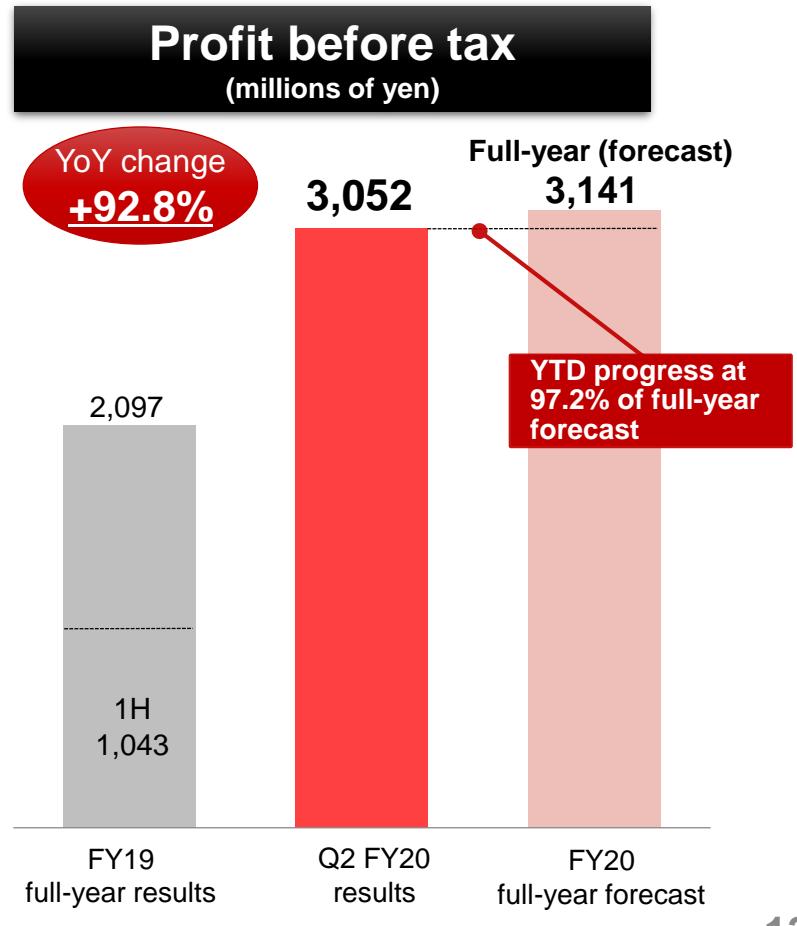
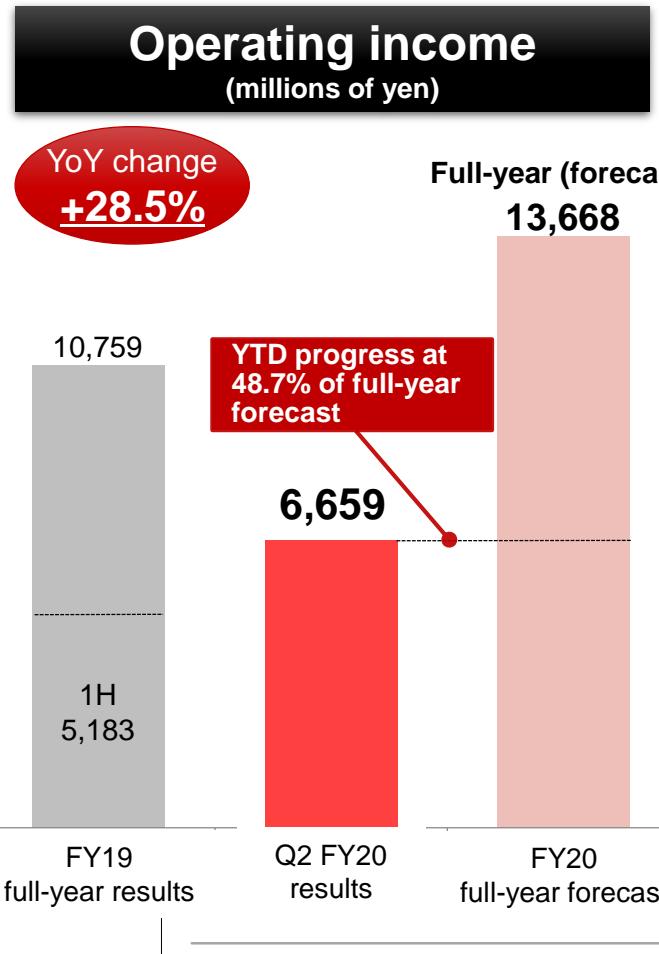
Impairment losses

Personnel expenses

Other expenses

Full-Year Earnings Forecast

- ✓ YTD operating income stands at 48.7% of full-year forecast
- ✓ YTD profit before tax stands at 97.2% of full-year forecast
- Steady progress being made toward full-year earnings forecast announced on Aug. 8



Other Topics

Decision concerning acquisition of treasury shares

A resolution was passed on the acquisition of treasury shares at the meeting of the Board of Directors held on November 14, 2019. These shares will be utilized for share exchanges in future M&A deals, etc.

Warranty product revisions

In October 2019, we made revisions to the Group's original product in the mainstay automobile warranty business segment, launching a new product called Premium Warranty. The main revisions include extending the period of coverage up to 10 years and establishing a warranty plan focused on automobiles susceptible to breakdowns.

Opened Shizuoka Branch Office

In October 2019, we opened the Shizuoka Branch Office, the Group's first office in Shizuoka Prefecture. This new branch office will work with the Nagoya Branch Office to further focus on marketing promotion in the Tokai area.

Opened sheet metal repair shop at FIX MAN maintenance facility

In November 2019, we opened a new sheet metal repair shop at our company-owned and operated FIX MAN maintenance facility in Sapporo City. With this addition, FIX MAN is now an integrated facility that can provide not only vehicle inspections and repairs, but also sheet metal and paint work, making it possible to deliver better services to customers.

Note: Typhoon Hagibis (Typhoon No. 19), which struck Japan in October 2019, had a minimal impact on earning.

Appendix



Changes in Accounting Estimates

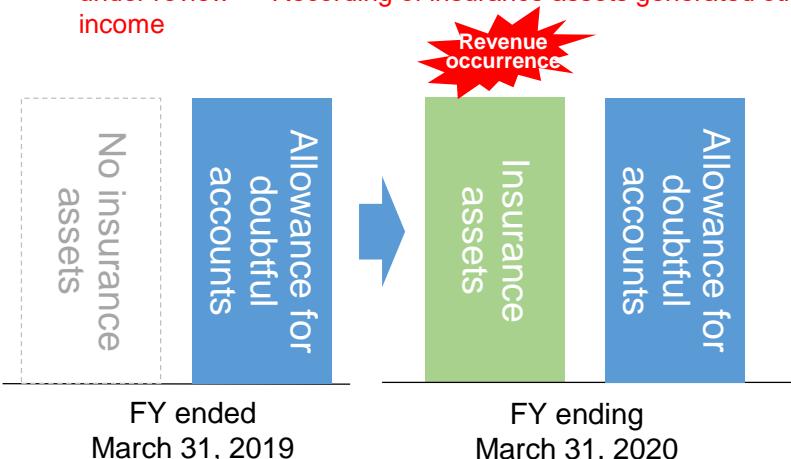
Insurance assets* will be booked from the fiscal year ending March 31, 2020 because it is now possible to make reasonable forecasts of future insurance income related to insurance transactions in the mainstay credit finance business based on the insurance management structure now in place.

The timing of recording insurance assets and allowance for doubtful accounts is the same, which significantly reduces the negative effects on P/L.

* Insurance assets: An item on the balance sheet (B/S) indicating the total of insurance proceeds expected to be received in the future

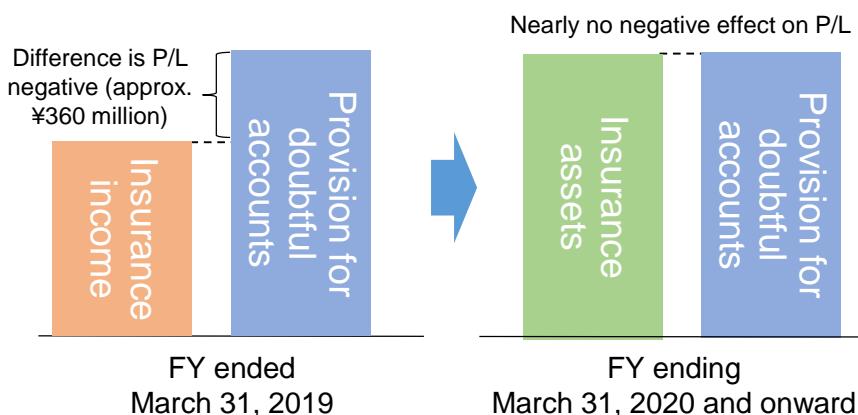
Insurance assets versus receivables in FY ended March 31, 2019 and prior

- (1) Insurance assets were not recorded in the previous fiscal year
- (2) Insurance assets versus receivables in the previous fiscal year and prior were booked as a one-off in Q1 of the fiscal year under review → Recording of insurance assets generated other income



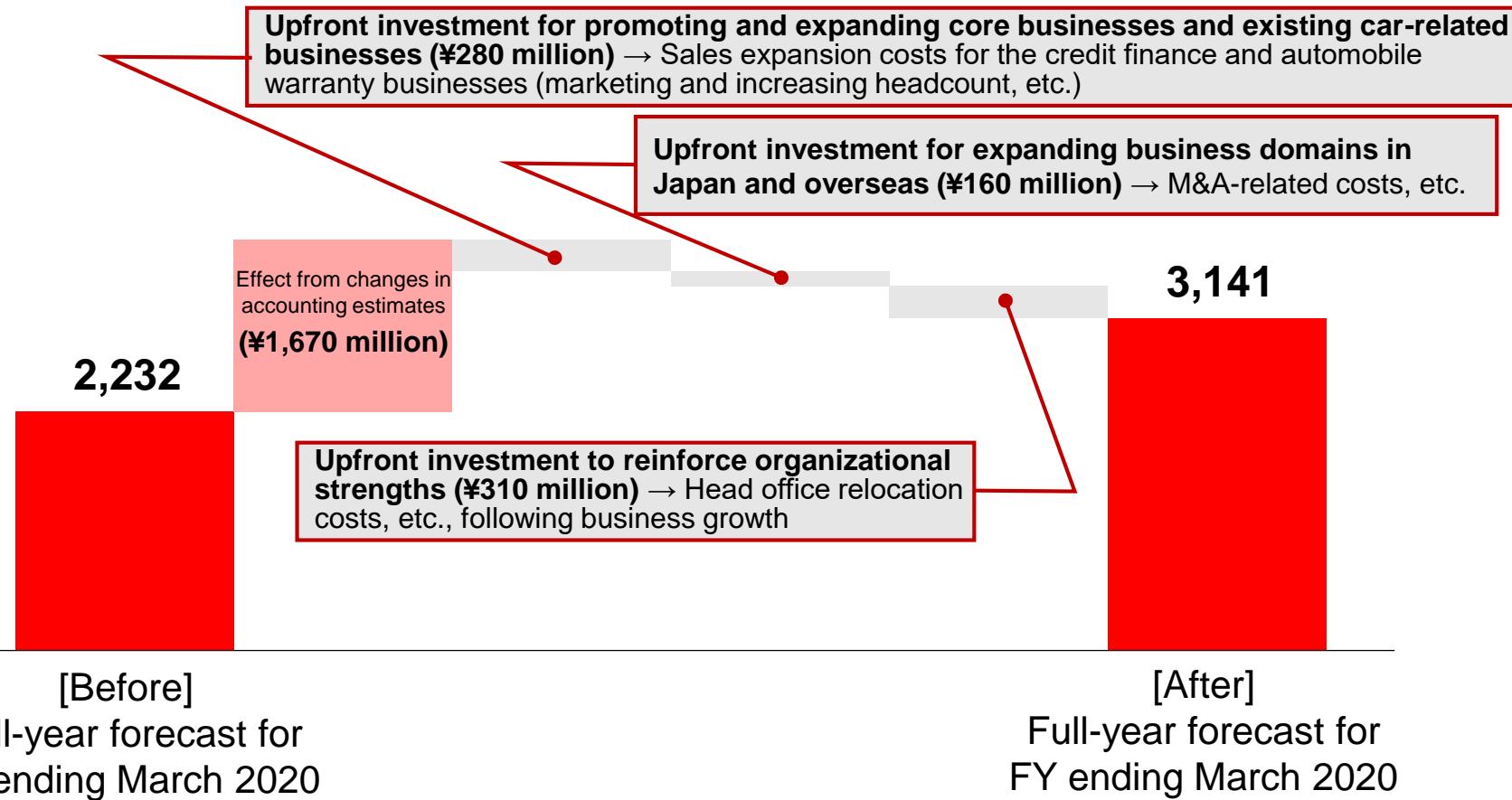
Insurance assets versus receivables in FY ending March 31, 2020 and later

- (1) In the previous fiscal year, insurance income and provision for doubtful accounts were individually recorded in P/L
- (2) From this fiscal year, the difference between insurance assets and allowance for doubtful accounts (nearly zero) is recorded in P/L



Revisions to Full-Year Earnings Forecast

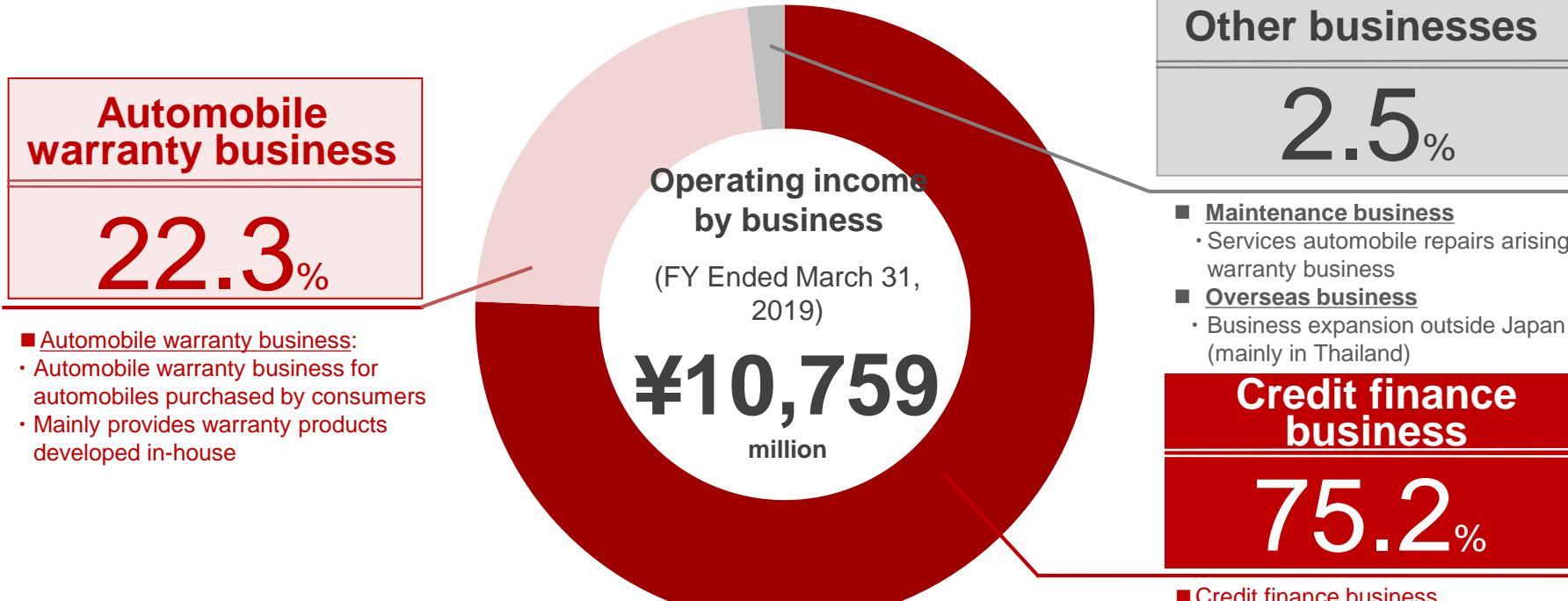
- ✓ Full-year profit before tax forecast revised upward to ¥3,141 million (announced Aug. 8)
- ✓ Effect from changes in accounting estimates expected to be ¥1,670 million for the full-year
- ✓ Upfront investment aimed at long-term growth will be executed as planned (see below)



Company Profile

Name	Premium Group Co., Ltd.
Securities Code / Exchange	7199 / First Section of Tokyo Stock Exchange
Established	May 25, 2015 Note: G-ONE Credit Services Co., Ltd. (currently, Premium Financial Services, Co., Ltd.) was established in 2007.
Head Office	Roppongi First Building, 1-9-9 Roppongi, Minato-ku, Tokyo
President and Representative Director	Yohichi Shibata
Number of Issued Shares	13,214,700 (as of September 30, 2019) Note: The Company executed a 1-for-2 share split on April 1, 2019.
Capital	¥1,615,363,000 (as of September 30, 2019)
Number of Employees	464 (as of September 30, 2019) Note: Total Group employees excluding temporary employees
Main Shareholders	Coupland Cardiff Asset Management LLP: 8.10% BNY Mellon Asset Management Japan Limited: 6.56% Mitsubishi UFJ Financial Group, Inc.: 6.49% Sumitomo Mitsui Trust Asset Management Co., Ltd.: 6.14% Blackrock Japan Co., Ltd.: 5.34% (As of October 21, 2019; referencing the report on changes in large volume holdings, etc.)
Description of Business	Auto credit finance business, development and marketing of warranty products, operation of automobile maintenance facilities in Japan, and consulting business as well as warranty business outside Japan (Thailand, etc.)

Overview of Premium Group



Stock-type business

Stock-type profit structure for both credit finance and warranty businesses where profit is deferred

Business model expected to see consistent growth

Cash rich

Stable cash position for both credit finance and automobile warranty businesses underpinned by “lump-sum advance” of funds and guarantee commission payments

Business model with robust cash flows

	FY18 (As of March 31, 2018)	FY19 (As of March 31, 2019)	Q1 FY20 (As of June 30, 2019)	Q2 FY20 (As of September 30, 2019)	Compared to previous quarter	QoQ
Assets						
Cash and cash equivalents	6,343,582	6,186,088	5,420,578	6,787,439	109.7%	125.2%
Financing receivables	10,793,237	14,746,300	16,415,151	17,956,554	121.8%	109.4%
Other financial assets	2,170,988	3,293,278	4,238,787	5,054,855	153.5%	119.3%
Property, plant and equipment	416,140	480,968	918,613	900,183	187.2%	98.0%
Intangible assets	5,614,169	5,913,048	5,930,345	5,917,585	100.1%	99.8%
Goodwill	2,462,697	2,692,807	3,860,438	3,873,701	143.9%	100.3%
Investments accounted for using equity method	2,127,470	2,194,920	2,138,260	2,149,280	97.9%	100.5%
Deferred tax assets	181,245	608,681	—	—	—	—
Other assets	5,822,195	7,423,774	8,018,238	9,313,238	125.5%	116.2%
Insurance assets	—	—	2,471,483	2,390,524	—	96.7%
Total assets	35,931,722	43,539,864	49,411,893	54,343,358	124.8%	110.0%
Liabilities						
Financial guarantee contracts	13,509,763	17,086,049	18,343,052	19,876,558	116.3%	108.4%
Borrowings	8,317,310	10,636,788	13,964,403	15,760,597	148.2%	112.9%
Other financial liabilities	2,626,285	3,140,363	3,060,462	3,458,595	110.1%	113.0%
Provisions	57,550	69,804	81,887	82,052	117.5%	100.2%
Income taxes payable	382,204	642,852	259,524	546,882	85.1%	210.7%
Deferred tax liabilities	1,649,442	1,598,776	1,669,900	1,794,445	112.2%	107.5%
Other liabilities	3,673,326	4,836,139	5,204,720	5,631,037	116.4%	108.2%
Total liabilities	30,215,880	38,010,770	42,583,949	47,150,166	124.0%	110.7%
Equity						
Equity attributable to owners of parent						
Share capital	115,424	226,792	1,422,671	1,457,644	642.7%	102.5%
Capital surplus	3,015,170	2,412,157	1,247,305	1,247,344	51.7%	100.0%
Treasury shares	—	△ 590	△ 590	△ 590	100.0%	100.0%
Retained earnings	2,470,246	2,692,763	3,957,900	4,257,654	158.1%	107.6%
Other components of equity	109,595	132,549	136,372	149,235	112.6%	109.4%
Total equity attributable to owners of parent	5,710,435	5,463,671	6,763,659	7,111,286	130.2%	105.1%
Non-controlling interests	5,407	65,423	64,285	81,906	125.2%	127.4%
Total equity	5,715,842	5,529,094	6,827,944	7,193,192	130.1%	105.3%
Total liabilities and equity	35,931,722	43,539,864	49,411,893	54,343,358	124.8%	110.0%

P/L (April 1 - September 30)

(Thousand yen)

	Q2 FY19 (April 1, 2018 - September 30, 2018)	FY19 (April 1, 2018 - March 31, 2019)	Q2 FY20 (April 1, 2019 - September 30, 2019)	YoY	Compared to previous quarter
Operating income	5,182,994	10,759,236	6,658,562	128.5%	61.9%
Other finance income	2,066	146,407	105,145	5088.2%	71.8%
Share of profit of investments accounted for using equity method	55,918	48,508	-	-	-
Other income	561,008	1,180,235	2,095,231	373.5%	177.5%
Total income	5,801,987	12,134,386	8,858,938	152.7%	73.0%
Operating expenses	4,741,027	10,001,457	5,742,197	121.1%	57.4%
Other finance costs	18,344	34,037	19,674	107.3%	57.8%
Share of loss of investments accounted for using equity method	-	-	43,202	-	-
Other expenses	95	1,883	1,694	1786.6%	90.0%
Total expenses	4,759,466	10,037,377	5,806,767	122.0%	57.9%
Profit before tax	1,042,521	2,097,009	3,052,170	292.8%	145.5%
Income tax expense	346,278	706,423	1,201,765	347.1%	170.1%
Profit	696,243	1,390,587	1,850,405	265.8%	133.1%
Profit attributable to:					
Owners of parent	694,151	1,387,507	1,845,417	265.9%	133.0%
Non-controlling interests	2,092	3,080	4,989	238.5%	162.0%

	Q2 FY19 (April 1, 2018 - September 30, 2018)	FY19 (April 1, 2018 - March 31, 2019)	Q2 FY20 (April 1, 2019 - September 30, 2019)	YoY	Compared to previous quarter
Operating income					
Finance income	3,443,277	7,017,034	3,860,194	112.1%	55.0%
Warranty revenue	1,154,551	2,395,276	1,783,602	154.5%	74.5%
Other commission sales	509,276	1,077,833	611,689	120.1%	56.8%
Software sales	-	132,115	193,254	-	146.3%
Revenue from the exercise of insurance policies	-	-	101,732	-	-
Other	75,891	136,978	108,092	142.4%	78.9%
Total	5,182,994	10,759,236	6,658,562	128.5%	61.9%

	Q2 FY19 (April 1, 2018 - September 30, 2018)	FY19 (April 1, 2018 - March 31, 2019)	Q2 FY20 (April 1, 2019 - September 30, 2019)	YoY	Compared to previous quarter
Operating expenses					
Finance costs	24,225	52,454	46,872	193.5%	89.4%
Guarantee commission	593,913	1,247,469	853,193	143.7%	68.4%
Impairment losses (provision for doubtful accounts)	776,592	1,581,067	23,028	3.0%	1.5%
Employee benefit expenses	1,238,864	2,601,884	1,561,338	126.0%	60.0%
Warranty cost	806,038	1,590,125	1,221,776	151.6%	76.8%
System operation costs	214,619	299,036	322,364	150.2%	107.8%
Depreciation	31,525	114,520	55,924	177.4%	48.8%
Amortization	101,274	217,437	128,518	126.9%	59.1%
Right-of-use asset depreciation	-	-	186,221	-	-
Taxes and dues	187,315	388,975	235,185	125.6%	60.5%
Commission expenses	226,914	548,717	367,341	161.9%	66.9%
Rent expenses on land and buildings	139,745	287,947	19,460	13.9%	6.8%
Outsourcing expenses	111,926	372,867	110,773	99.0%	29.7%
Other operating expenses	288,078	698,961	610,204	211.8%	87.3%
Total	4,741,027	10,001,457	5,742,197	121.1%	57.4%

P/L (July 1 - September 30)

(Thousand yen)

	Q2 FY19 (July 1, 2018 - September 30, 2018)	Q1 FY20 (April 1, 2019 - June 30, 2019)	Q2 FY20 (July 1, 2019 - September 30, 2019)	YoY	QoQ
Operating income	2,641,405	3,148,563	3,509,999	132.9%	111.5%
Other finance income	1,355	6,789	98,356	7260.0%	1448.8%
Share of profit of investments accounted for using equity method	31,088	0	18,581	-	-
Other income	559,583	2,064,527	30,703	5.5%	1.5%
Total income	3,233,431	5,219,879	3,657,640	113.1%	0.0%
Operating expenses	2,533,872	2,784,040	2,958,158	116.7%	106.3%
Other finance costs	7,122	9,165	10,509	147.6%	114.7%
Share of loss of investments accounted for using equity method	-	61,783	-	-	-
Other expenses	93	864	830	891.6%	96.1%
Total expenses	2,541,087	2,855,852	2,969,497	116.9%	0.0%
Profit before tax	692,343	2,364,027	688,143	99.4%	29.1%
Income tax expense	229,965	819,521	382,244	166.2%	46.6%
Profit	462,379	1,544,507	305,899	66.2%	19.8%
Profit attributable to:					
Owners of parent	460,604	1,545,663	299,754	65.1%	19.4%
Non-controlling interests	1,774	△ 1,156	6,143	346.4%	△531.5%

	Q2 FY19 (July 1, 2018 - September 30, 2018)	Q1 FY20 (April 1, 2019 - June 30, 2019)	Q2 FY20 (July 1, 2019 - September 30, 2019)	YoY	QoQ
Operating income					
Finance income	1,759,821	1,877,895	1,982,299	112.6%	105.6%
Warranty revenue	588,752	876,684	906,918	154.0%	103.4%
Other commission sales	254,198	279,934	331,755	130.5%	118.5%
Software sales	-	68,683	124,571	-	181.4%
Revenue from the exercise of insurance policies	-	-	101,732	-	-
Other	38,635	45,367	62,725	162.4%	138.3%
Total	2,641,405	3,148,563	3,509,999	132.9%	111.5%

	Q2 FY19 (July 1, 2018 - September 30, 2018)	Q1 FY20 (April 1, 2019 - June 30, 2019)	Q2 FY20 (July 1, 2019 - September 30, 2019)	YoY	QoQ
Operating expenses					
Finance costs	13,066	27,888	18,984	145.3%	68.1%
Guarantee commission	304,709	383,379	469,814	154.2%	122.5%
Impairment losses (provision for doubtful accounts)	441,825	34,206	△ 11,178	△2.5%	△32.7%
Employee benefit expenses	670,451	743,577	817,761	122.0%	110.0%
Warranty cost	413,650	588,678	633,098	153.1%	107.5%
System operation costs	97,553	152,499	169,865	174.1%	111.4%
Depreciation	1,892	22,675	33,249	1757.0%	146.6%
Amortization	45,872	64,051	64,467	140.5%	100.6%
Right-of-use asset depreciation	-	91,765	94,456	-	102.9%
Taxes and dues	95,972	112,290	122,896	128.1%	109.4%
Commission expenses	156,832	178,516	188,826	120.4%	105.8%
Rent expenses on land and buildings	70,867	8,274	11,185	15.8%	135.2%
Outsourcing expenses	68,280	47,007	63,766	93.4%	135.7%
Other operating expenses	152,902	329,234	280,970	183.8%	85.3%
Total	2,533,872	2,784,040	2,958,158	116.7%	106.3%