

Financial Results Presentation for Q3 of FY Ending March 31, 2020

February 14, 2020

Premium Group Co., Ltd.

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Summary of Financial Results for Q3 of FY Ending March 31, 2020



Highlights from Q3 of FY Ending March 31, 2020

- ✓ Existing businesses of credit finance and automobile warranty enjoyed strong growth as expected, despite the recoil from the consumption tax hike

Performance

- Credit finance and automobile warranty both enjoyed strong growth, as **operating income hit ¥10,172 million (up 29% YoY)**
- **Future revenue of ¥24,880 million** stocked on B/S (¥20,697 million from credit finance and ¥4,184 million from automobile warranty and others)
- Total volume of new loans in our credit finance business grew steadily at **35.4% YoY**
- Total volume of new warranties in the automobile warranty business grew **49.6% YoY**, including a net increase from **making EGS a subsidiary** in the same industry
- New loan receivables in credit finance business increased **28.6% YoY**, breaking through **¥300 billion!**
- Progress of **treasury shares acquisition**
 - ✓ Acquired 457,000 shares as of December 31, 2019
 - ✓ In January cumulative total reached 520,000 shares acquired for ¥1,199,928,700; completing the acquisitions

KPIs

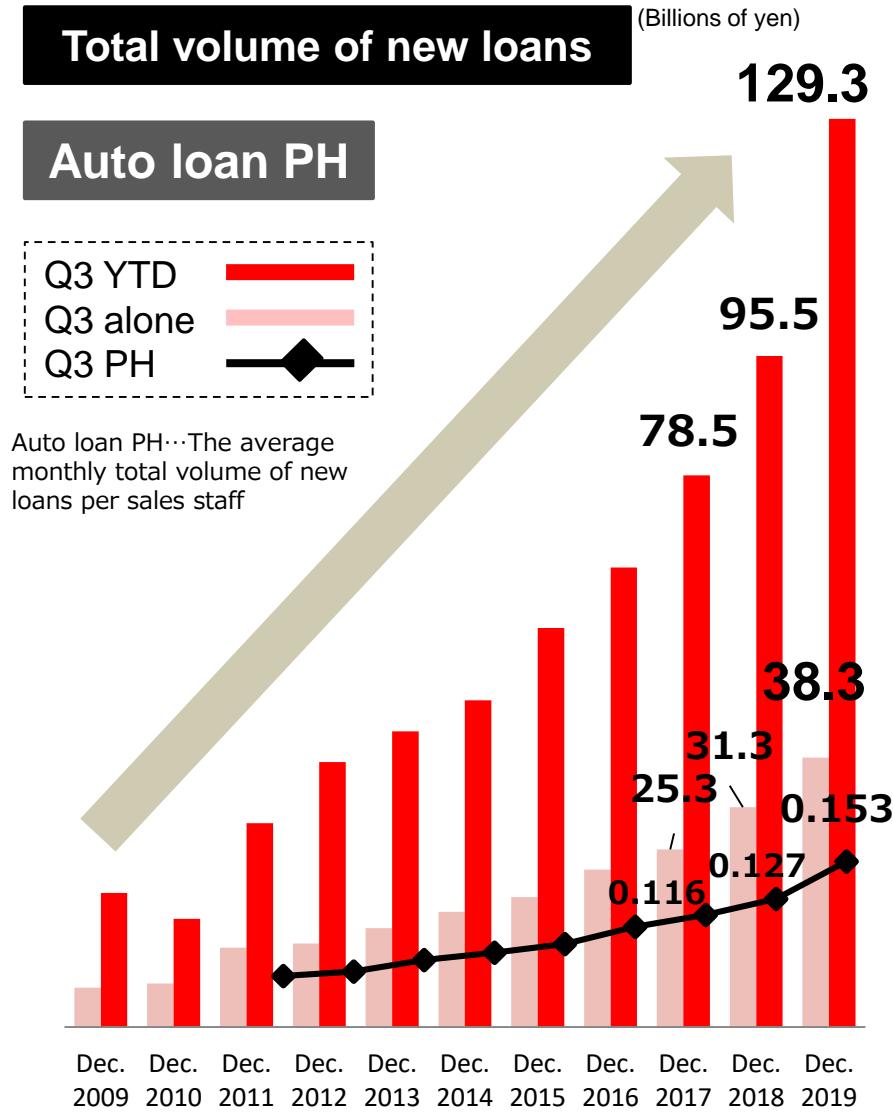
Topics

Consolidated Performance for Q3 of FY Ending March 31, 2020

	[Consolidated] Q3 FY ending March 31, 2020	[Consolidated] Q3 FY ended March 31, 2019	YoY change	(Millions of yen) [Consolidated] FY ended March 31, 2019 *
Operating income	10,173	7,885	+29.0%	10,759
Operating expenses	8,954	7,263	+23.3%	10,001
Profit before tax	3,242	1,249	+159.6%	2,097
Profit attributable to owners of parent	1,971	832	+136.8%	1,388
Basic earnings per share (yen)	149.77	68.68	+118.1%	113.06
Equity ratio (%)	11.25	11.67	-	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. Figures are retroactively adjusted in conjunction with the finalization of this provisional accounting treatment.

Credit Finance Business: Total Volume of New Loans



**Q3 cumulative total volume was
¥129.27 billion
35.4% increase YoY**

- ✓ **¥38.3 billion** in Q3 alone (up 22.6% YoY)
- ✓ Soaring growth for **9 straight years**
- ✓ PH in Q3 increased (**¥127 million** to **¥153 million**)

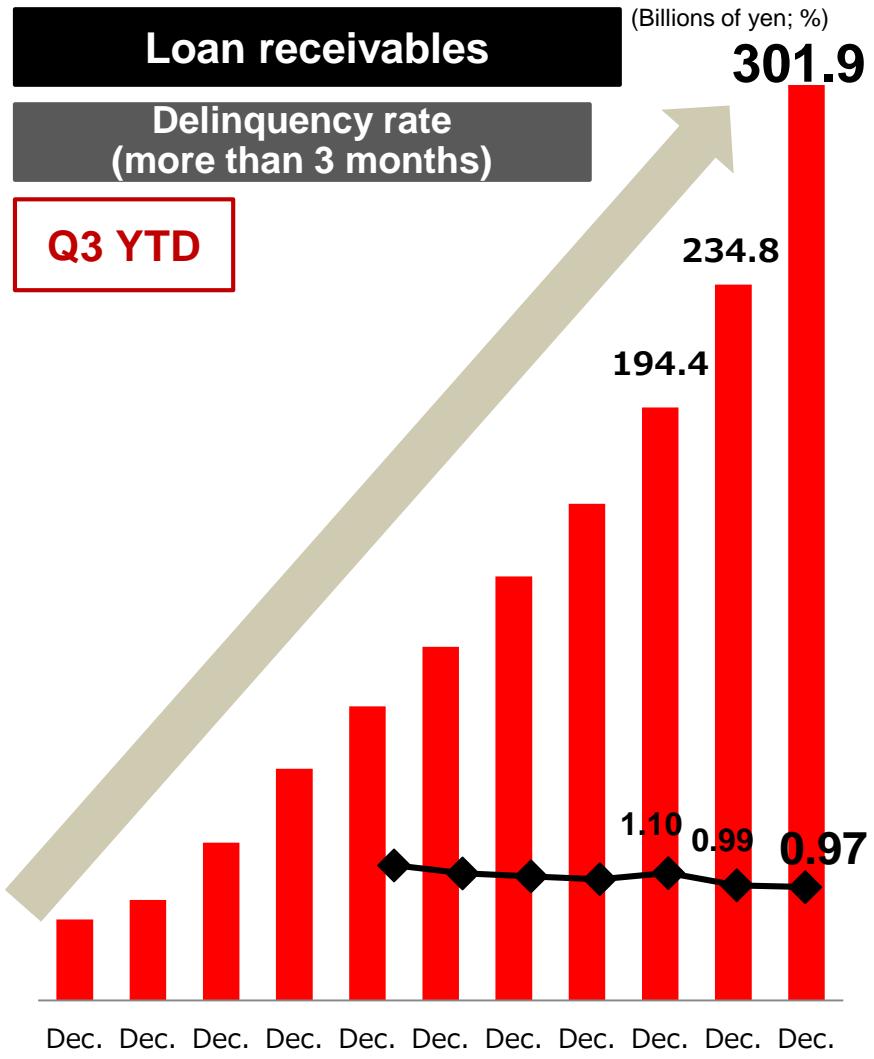
Factors driving increase

- (1) Increased visibility from IPO**
 - ✓ Increased transactions with network stores
- (2) Enhancement to marketing strengths**
 - ✓ Increased salesforce (77 overall to 85 YoY)
(Auto: 78 to 81; all others: 2 to 4)
 - ✓ Increased sales volume PH
(Success from combination of on-site, business trip, and contact center sales)
- (3) Deployment of complex services for network stores**
 - ✓ Deepening relationships with network stores
- (4) Contribution of transactions with large network stores**

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.

Credit Finance Business: Loan Receivables



**Q3 cumulative loan receivables totaled
¥301.9 billion**

28.6% increase YoY

- ✓ Broke through **¥300 billion!**
(Broke through ¥200 billion in Q4 of FY ended March 31, 2018)
- ✓ **Double digit** growth since foundation
- ✓ Delinquency rate remained low

Characteristics of loan 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.
- Plan to strengthen receivables collection by acquiring servicer (Plan to acquire shares of servicer company in April 2020)

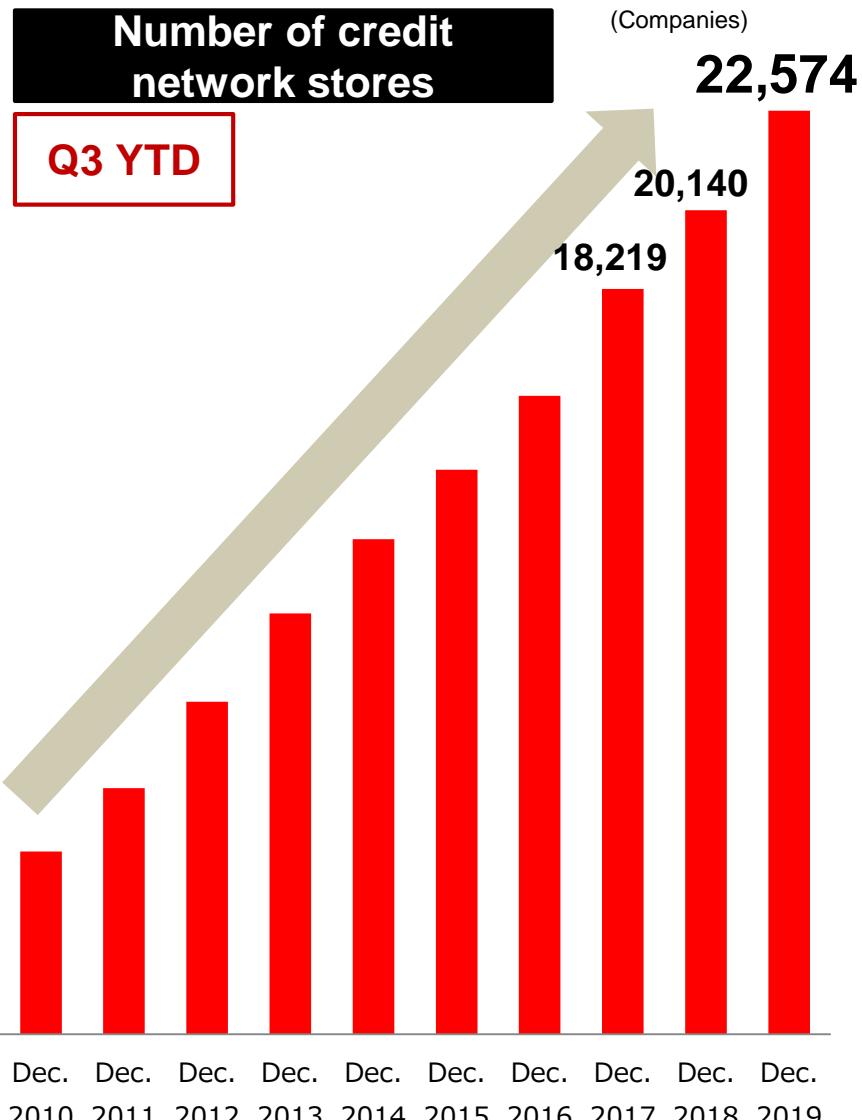
Dec. Dec. Dec. Dec. Dec. Dec. Dec. Dec. Dec. Dec.

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

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 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 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 Q3 YTD is 22,574

12.1% increase YoY

- ✓ Broke through 22,000
- ✓ Increasing steadily since foundation
- ✓ Continuing to focus on operating ratio

Initiatives to increase network stores and operating ratio

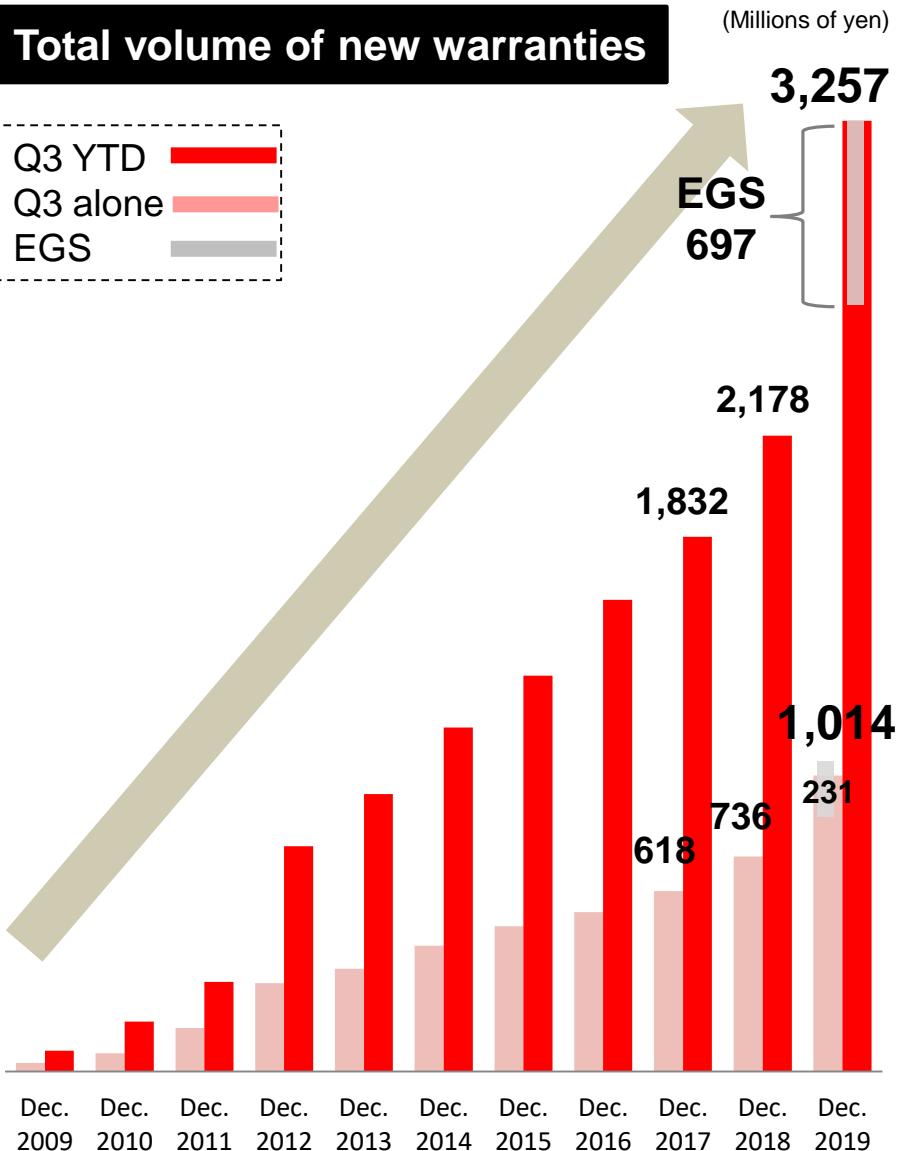
- ✓ Increased visibility/trust from IPO
 - Increasing loan volume per company
- ✓ Simultaneously promoting business from network stores
 - Utilizing contact centers (outbound sales)
- ✓ Increasing sales staff over the next 3 years
 - Aim for sales staff team of 85→130
- ✓ Expanding sales offices over the next 3 years
 - Aim to increase sales offices 15→25

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

Q3 YTD
Q3 alone
EGS



(Millions of yen)

3,257

EGS

697

2,178

1,832

1,014

736

231

Q3 YTD

Q3 alone

EGS

Q3 cumulative total volume was
¥3,257 million

49.6% increase YoY

¥1,014 million in Q3 alone (up 37.7% YoY)

Q3 cumulative total volume was
¥2,560 million for PFS only
17.5% increase YoY

- ✓ Double digit growth since foundation
- ✓ Significant growth in volume of proprietary brand products (21.5% increase YoY)

Factors driving increase

- (1) Net increase of ¥697 million Q3 YTD from acquisition of ESG (¥230 million in Q3 alone)
- (2) Enhancement to marketing strengths
- (3) Deployment of complex services for network stores
 - ✓ Successful cross-selling with credit
 - ✓ Steady growth in volume of OEM products
- (4) Revision of proprietary products for warranties (October 2019)
Revision of products for Car Sensor After Warranty in January 2020

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.

Q3 Financial Highlights (YoY)

- ✓ Operating income hit ¥10,173 million (up 29.0% YoY)
- ✓ Profit before tax jumped to ¥3,242 million (up 159.6% YoY)

Operating income
(millions of yen)

YoY change
+29.0%

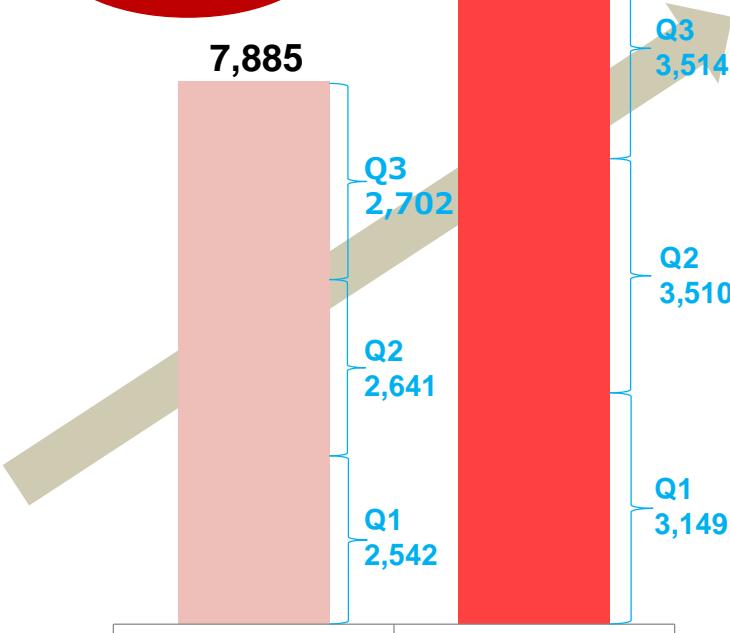
7,885

10,173

Q3
3,514

Q2
3,510

Q1
3,149



Profit before tax
(millions of yen)

YoY change
+159.6%

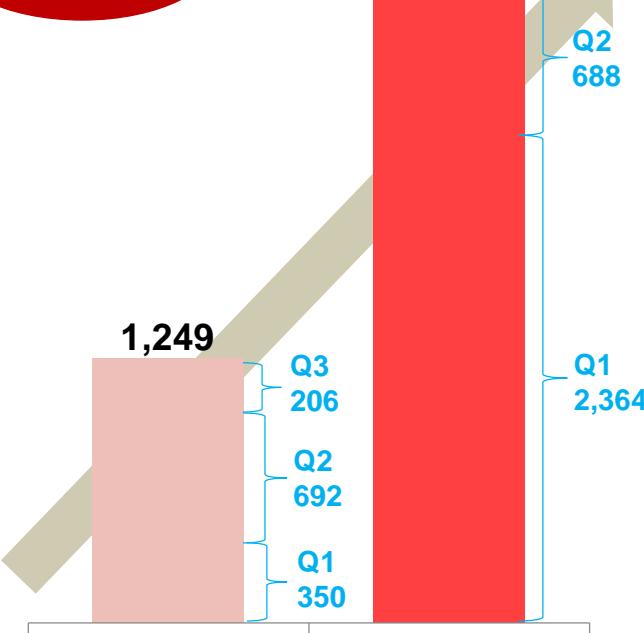
1,249

3,242

Q3
190

Q2
688

Q1
2,364

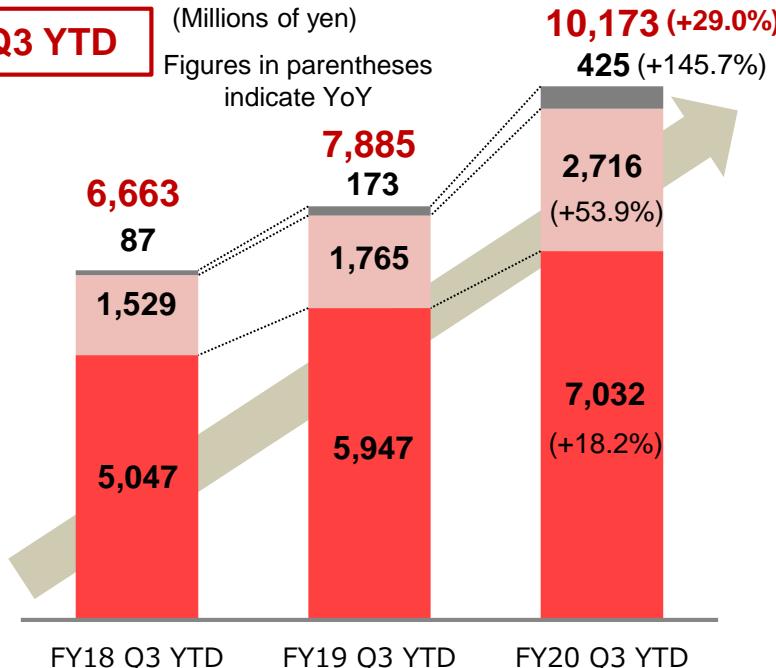


Operating Income (P/L) by Segment

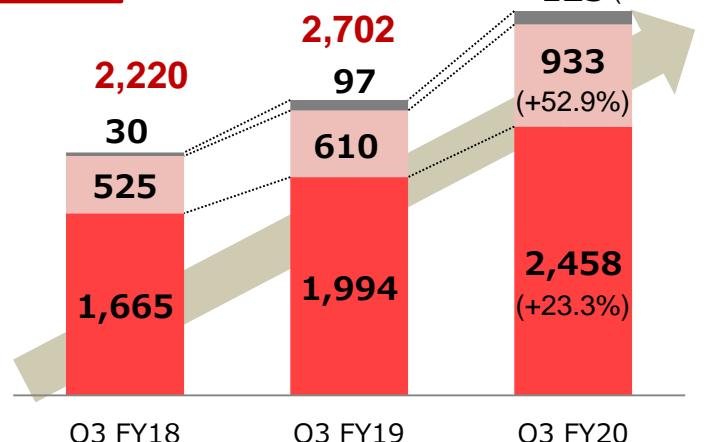
Q3 YTD

(Millions of yen)

Figures in parentheses indicate YoY



Q3 alone



Q3 cumulative operating income by segment totaled ¥10,173 million
29.0% increase YoY

- ✓ ¥3,514 million in Q3 alone (up 30.1% 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 ¥24,880 million stocked on B/S

(¥20,697 million from credit finance and ¥4,184 million from automobile warranty and others)

Credit finance

Automobile warranty

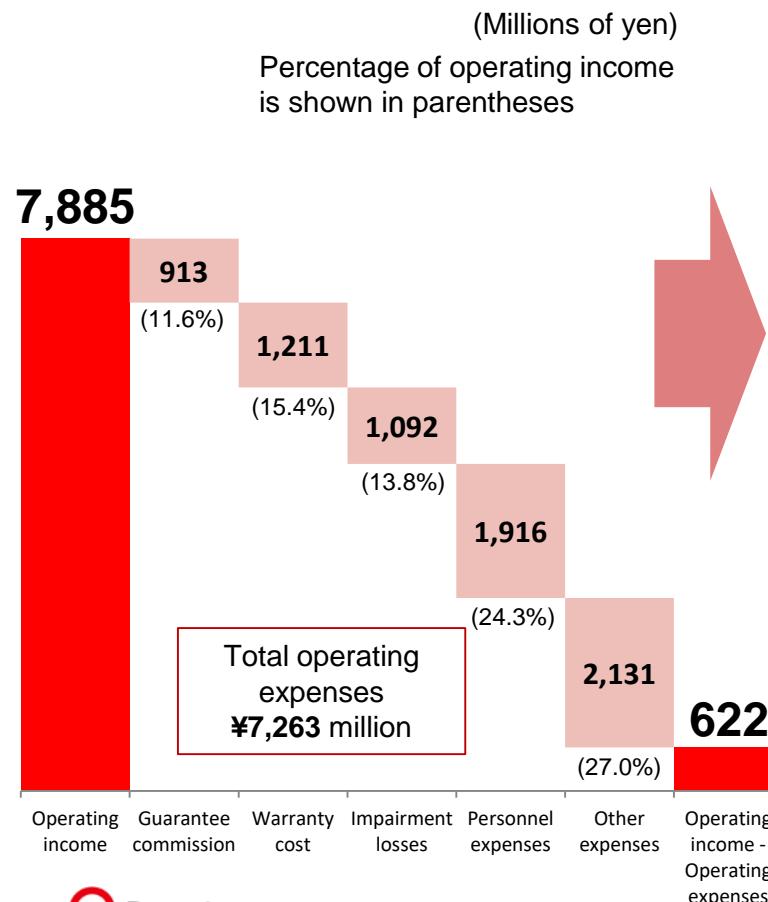
Other (Maintenance, Overseas, Software*)

*From Q3 of FY Ended March 31, 2019

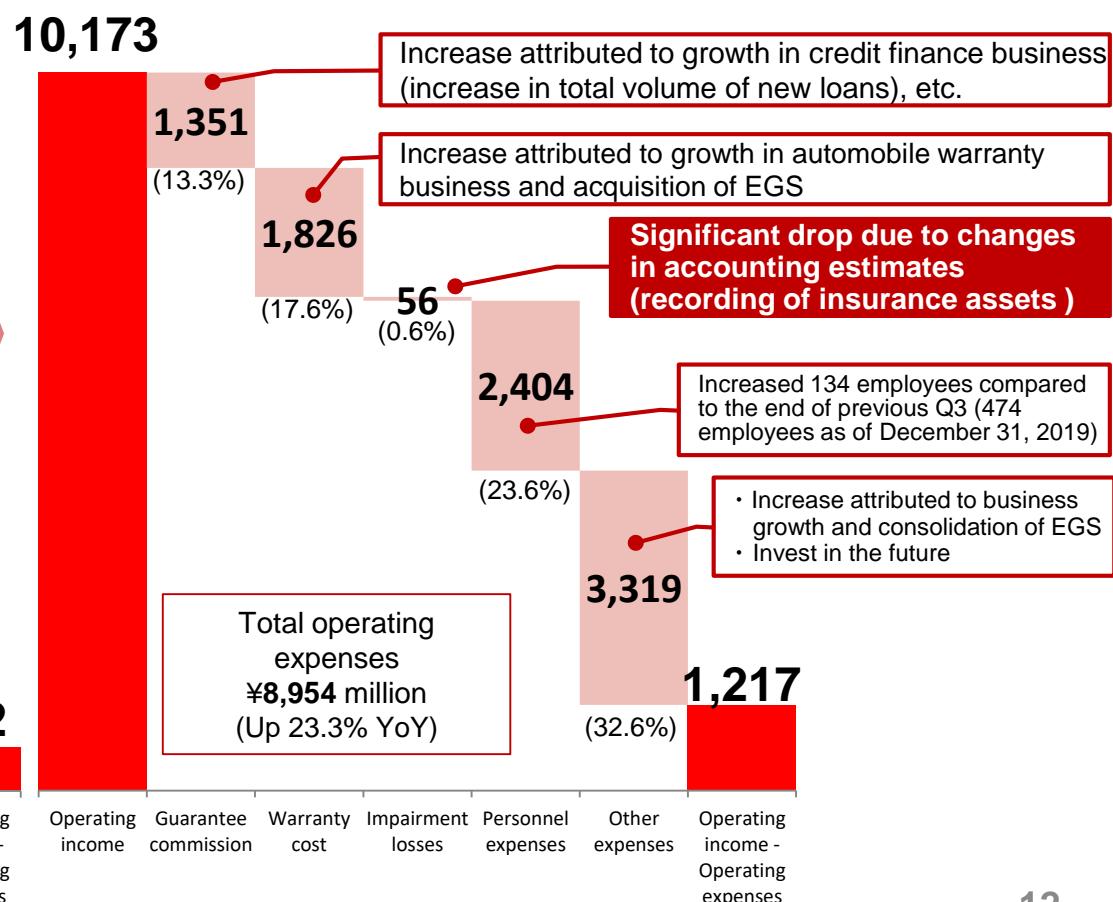
Operating Expenses (PL) (YoY Comparison)

- ✓ Operating expenses totaled ¥8,954 million (up 23.3% YoY)
- ✓ SG&A expenses increased overall due to the acquisition of EGS

FY19 Q3 YTD



FY20 Q3 YTD



Full-Year Earnings Forecast

✓ YTD operating income stands at 74.4% of full-year forecast

✓ YTD profit before tax stands at 103.2% of full-year forecast

→ Surpassed full-year forecast released on August 8, 2019

→ Despite strong results being seen in Q4, earnings forecast left unchanged due to uncertainty over the impacts of the consumption tax hike and world economy

Operating income

(millions of yen)

YoY change
+29.0%

Full-year (forecast)
13,668

10,759

Q3 YTD
7,885

10,173

YTD progress at
74.4% of full-year
forecast

FY19 full-
year results

Q3 FY20
results

FY20 full-
year forecast

Profit before tax

(millions of yen)

YoY change
+159.6%

Full-year (forecast)
3,141

101

2,097

Q3 YTD
1,248

3,242

YTD progress at
103.2% of full-year
forecast

FY19 full-
year results

Q3 FY20
results

FY20 full-
year forecast

Other Topics

Announcement of Medium-Term Management Plan

On February 14, 2020, we released our **new Medium-Term Management Plan** that concludes in the fiscal year ending March 31, 2023.

The plan cites a future vision of “Transform from an auto credit company into an auto mobility service company.” We are now working on initiatives in each segment toward this goal.

Initiatives for ESG and SDGs

We were **selected for an excellence award at the Woman's Value Award 2019**, for actively hiring women and offering a workplace environment where women can play an active role. In addition, we established **VALUE Co., Ltd., a human resources development company**, in January 2020. Looking ahead, we are committed to broadly contributing to society based on the philosophy of ESG and the SDGs.

Selection as Loan Margin Trading Issue

We were newly **selected as a loan margin trading issue** in December 2019. This selection will improve the liquidity and increase net buying of our shares, as well as lead to increased trading activity and the formation of a fair share price.

Name Change of Premium Financial Service Co., Ltd.

On February 16, 2020, our core subsidiary Premium Financial Service Co., Ltd. **will change its name to Premium Co., Ltd.** The name will be shortened to ensure better penetration and visibility and to signify the company will in the future expand into other business domains outside financial services.

Appendix



Changes in Accounting Estimates

※disclosed in Q1

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

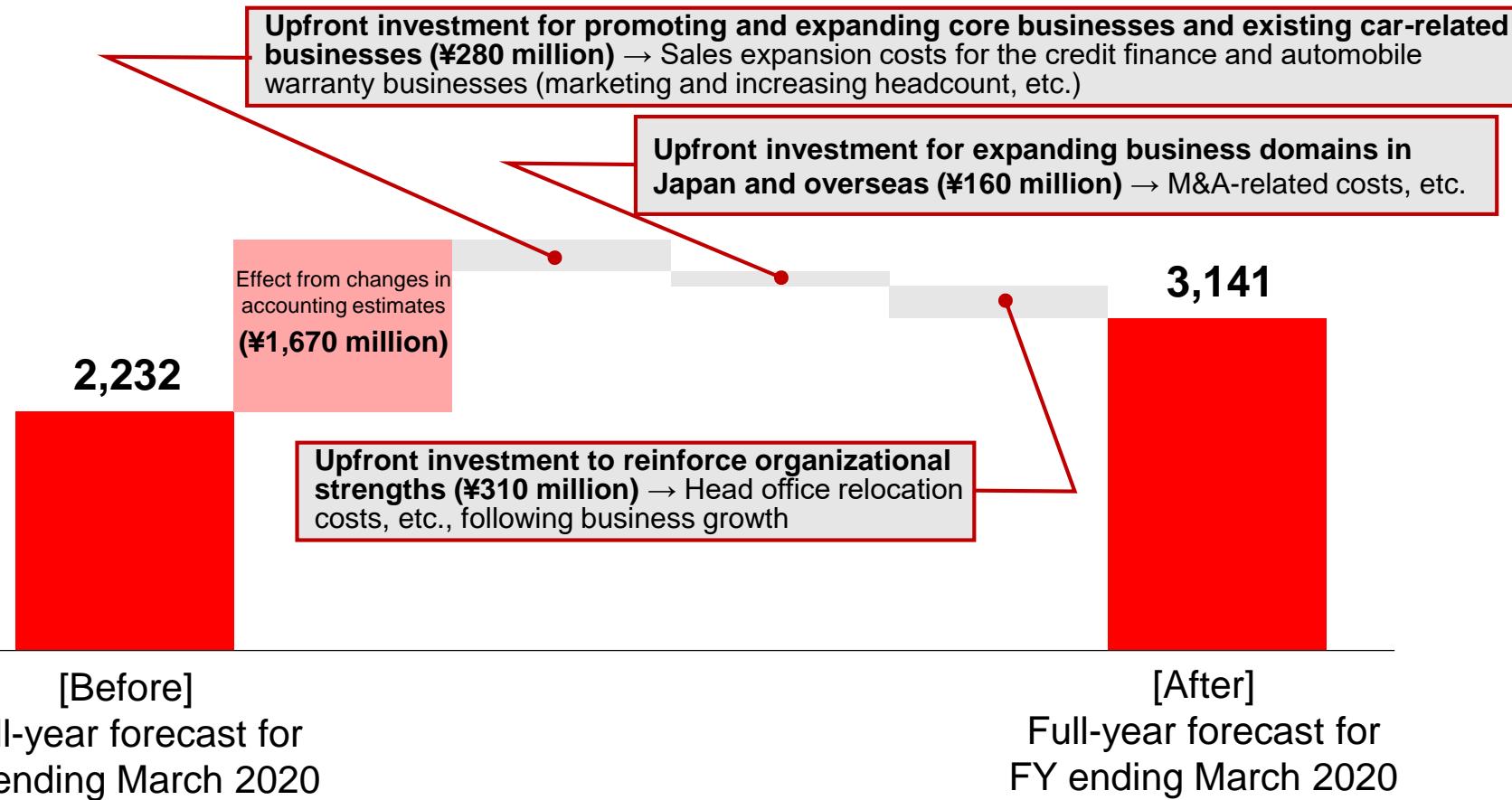
- (1) In the previous fiscal year, insurance income and provision for doubtful accounts were individually recorded in P/L
- (2) From this fiscal year, the difference between insurance assets and allowance for doubtful accounts (nearly zero) is recorded in P/L



Revisions to Full-Year Earnings Forecast

※disclosed in Q1

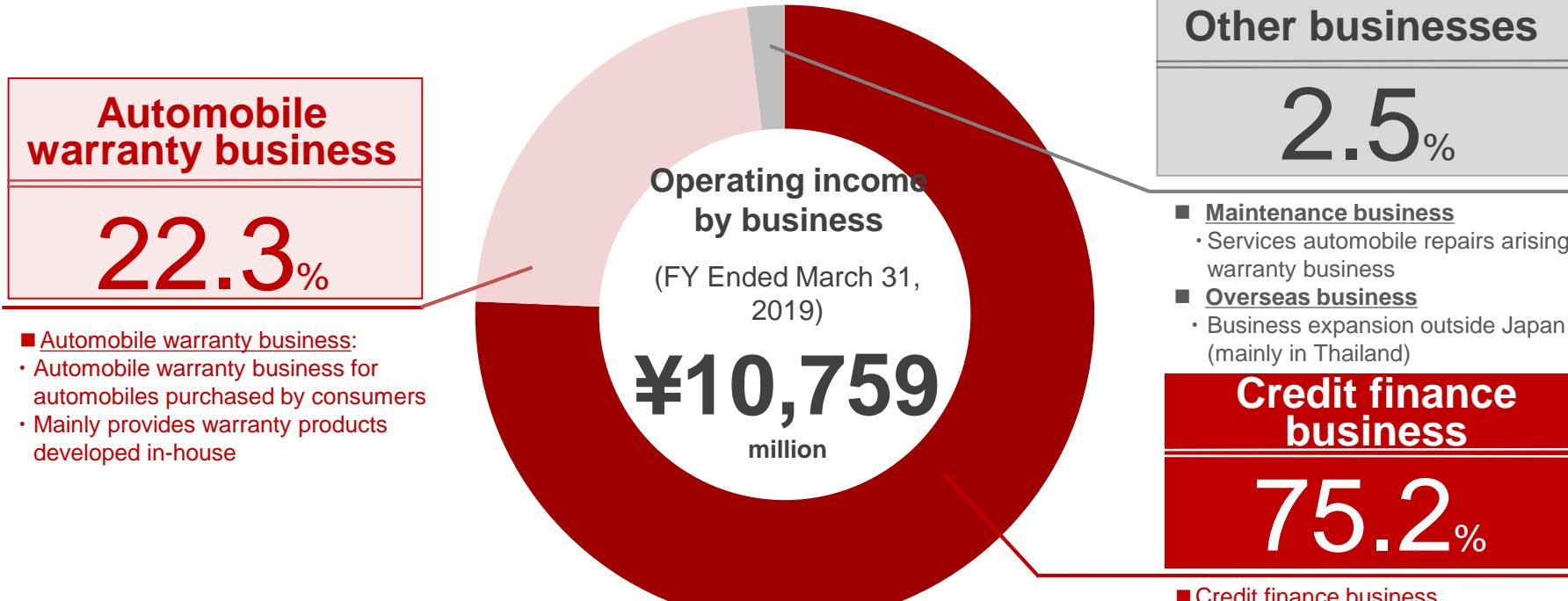
- ✓ Full-year profit before tax forecast revised upward to ¥3,141 million (announced Aug. 8)
- ✓ Effect from changes in accounting estimates expected to be ¥1,670 million for the full-year
- ✓ Upfront investment aimed at long-term growth will be executed as planned (see below)



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	13,217,100 (as of December 31, 2019) Note: The Company executed a 1-for-2 share split on April 1, 2019.
Capital	¥1,615,663,000 (as of December 31, 2019)
Number of Employees	474 (as of December 31, 2019) Note: Total Group employees excluding temporary employees
Main Shareholders	Coupland Cardiff Asset Management LLP_8.10% BNY Mellon Asset Management Japan_6.56% RUSSELL INVESTMENTS IMPLEMENTATION SERVICES, LLC_5.90% Mitsubishi UFJ Financial Group, Inc._5.24% (as of February 7, 2020) (Note) Reference from reports on large shareholders
Description of Business	<ul style="list-style-type: none">Primary businesses include automobile credit finance in JapanDevelopment and sales of warranty productsExpanding auto-mobility servicesOur overseas businesses include consulting/warranty

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

	FY19 (As of March 31, 2019)	Q1 FY20 (As of June 30, 2019)	Q2 FY20 (As of September 30, 2019)	Q3 FY20 (As of December 31, 2020)	Compared to previous quarter	QoQ
Assets						
Cash and cash equivalents	6,186,088	5,420,578	6,787,439	6,848,356	110.7%	100.9%
Financing receivables	14,746,300	16,415,151	17,956,554	18,901,201	128.2%	105.3%
Other financial assets	3,293,278	4,238,787	5,054,855	5,967,375	181.2%	118.1%
Property, plant and equipment	480,968	918,613	900,183	1,021,813	212.4%	113.5%
Intangible assets	5,913,048	5,930,345	5,917,585	5,892,225	99.6%	99.6%
Goodwill	2,692,807	3,860,438	3,873,701	3,873,701	143.9%	100.0%
Investments accounted for using equity method	2,194,920	2,138,260	2,149,280	2,240,735	102.1%	104.3%
Deferred tax assets	608,681	-	-	-	-	-
Other assets	7,423,774	8,018,238	9,313,238	5,570,841	75.0%	59.8%
Insurance assets	-	2,471,483	2,390,524	2,759,465	-	115.4%
Total assets	43,539,864	49,411,893	54,343,358	53,075,712	121.9%	97.7%
Liabilities						
Financial guarantee contracts	17,086,049	18,343,052	19,876,558	20,697,173	121.1%	104.1%
Borrowings	10,636,788	13,964,403	15,760,597	15,394,652	144.7%	97.7%
Other financial liabilities	3,140,363	3,060,462	3,458,595	3,252,593	103.6%	94.0%
Provisions	69,804	81,887	82,052	101,952	146.1%	124.3%
Income taxes payable	642,852	259,524	546,882	295,307	45.9%	54.0%
Deferred tax liabilities	1,598,776	1,669,900	1,794,445	1,752,721	109.6%	97.7%
Other liabilities	4,836,139	5,204,720	5,631,037	5,531,322	114.4%	98.2%
Total liabilities	38,010,770	42,583,949	47,150,166	47,025,720	123.7%	99.7%
Equity						
Equity attributable to owners of parent						
Share capital	226,792	1,422,671	1,457,644	1,495,392	659.4%	102.6%
Capital surplus	2,412,157	1,247,305	1,247,344	1,246,744	51.7%	100.0%
Treasury shares	△ 590	△ 590	△ 590	△ 1,058,425	179488.3%	179488.3%
Retained earnings	2,692,763	3,957,900	4,257,654	4,092,140	152.0%	96.1%
Other components of equity	132,549	136,372	149,235	195,633	147.6%	131.1%
Total equity attributable to owners of parent	5,463,671	6,763,659	7,111,286	5,971,484	109.3%	84.0%
Non-controlling interests	65,423	64,285	81,906	78,508	120.0%	95.9%
Total equity	5,529,094	6,827,944	7,193,192	6,049,992	109.4%	84.1%
Total liabilities and equity	43,539,864	49,411,893	54,343,358	53,075,712	121.9%	97.7%

P/L (April 1 - December 31)

	Q3 FY19 (April 1, 2018 - December 31, 2018)	FY19 (April 1, 2018 - March 31, 2019)	Q3 FY20 (April 1, 2019 - December 31, 2019)	YoY	Compared to previous quarter
Operating income	7,884,513	10,759,236	10,172,656	129.0%	94.5%
Other finance income	1,779	146,407	9,190	516.7%	6.3%
Share of profit of investments	88,496	48,508	-	-	0.0%
Other income	563,651	1,180,235	2,099,389	372.5%	177.9%
Total income	8,538,438	12,134,386	12,281,235	143.8%	101.2%
Operating expenses	7,262,522	10,001,457	8,954,298	123.3%	89.5%
Other finance costs	27,136	34,037	-	125.7%	100.2%
Share of loss of investments	-	-	15,148	-	-
Other expenses	4	1,883,21	35,348	828214.0%	1877.0%
Total expenses	7,289,663	10,037,377	9,038,913	124.0%	90.1%
Profit before tax	1,248,775	2,097,009	-	259.6%	154.6%
Income tax expense	414,786	706,423	1,276,635	307.8%	180.7%
Profit	833,989	1,390,586.55	1,965,687	235.7%	141.4%
Profit attributable to:					
Owners of parent	832,334	1,387,507	-	236.8%	142.0%
Non-controlling interests	1,655	3,080	△ 4,892	△295.6%	△158.8%
	Q3 FY19 (April 1, 2018 - December 31, 2018)	FY19 (April 1, 2018 - March 31, 2019)	Q3 FY20 (April 1, 2019 - December 31, 2019)	YoY	Compared to previous quarter
Operating income	5,177,004	7,017,034	5,994,412	115.8%	85.4%
Finance income	1,764,624	2,395,276	2,716,160	153.9%	113.4%
Warranty revenue	770,045	1,077,833	935,778	121.5%	86.8%
Other commission sales	60,718	132,115	262,170	431.8%	198.4%
Software sales	-	-	101,732	-	-
Revenue from the exercise of insurance policies	112,122	136,978	162,405	144.8%	118.6%
Other	7,884,513	10,759,236	10,172,656	129.0%	94.5%
	Q3 FY19 (April 1, 2018 - December 31, 2018)	FY19 (April 1, 2018 - March 31, 2019)	Q3 FY20 (April 1, 2019 - December 31, 2019)	YoY	Compared to previous quarter
Operating expenses	37,447	52,454	74,226	198.2%	141.5%
Finance costs	913,235	1,247,469	1,350,663	147.9%	108.3%
Guarantee commission	1,091,723	1,581,067	55,529	5.1%	3.5%
Impairment losses	1,916,014	2,601,884	2,403,563	125.4%	92.4%
Employee benefit expenses	1,210,969	1,590,125	1,826,004	150.8%	114.8%
Warranty cost	255,910	299,036	450,891	176.2%	150.8%
System operation costs	54,338	114,520	110,244	202.9%	96.3%
Depreciation	167,258	217,437	195,414	116.8%	89.9%
Amortization	-	-	285,474	-	-
Right-of-use asset depreciation	283,902	388,975	379,081	133.5%	97.5%
Taxes and dues	378,790	548,717	593,620	156.7%	108.2%
Commission expenses	214,392	287,947	35,046	16.3%	12.2%
Rent expenses on land and buildings	242,856	372,867	228,705	94.2%	61.3%
Outsourcing expenses	495,687	698,961	965,839	194.8%	138.2%
Total	7,262,522	10,001,457	8,954,298	123.3%	89.5%

P/L (October 1 - December 31)

	Q3 FY19 (October 1, 2018 - December 31, 2018)	Q1 FY20 (April 1, 2019 - June 30, 2019)	Q2 FY20 (July 1, 2019 - September 30, 2019)	Q3 FY20 (October 1, 2019 - December 31, 2019)	YoY	QoQ
Operating income	2,701,519	3,148,563	3,509,999	3,514,094	130.1%	100.1%
Other finance income	712	6,789	98,356	5,100	716.3%	5.2%
Share of profit of investments	32,577	0	18,581	28,053	86.1%	151.0%
Other income	2,733	2,064,527	30,703	4,159	152.2%	13.5%
Total income	2,737,541	5,219,879	3,657,640	3,551,406	129.7%	97.1%
Operating expenses	2,521,495	2,784,040	2,958,158	3,212,100	127.4%	108.6%
Other finance costs	9,792	9,165	10,509	115,500	1179.5%	1099.1%
Share of loss of investments accounted for using equity method	-	61,783	-	-	-	-
Other expenses	-	864	830	33,654	-	4053.2%
Total expenses	2,531,287	2,855,852	2,969,497	3,361,254	132.8%	113.2%
Profit before tax	206,253	2,364,027	688,143	190,152	92.2%	27.6%
Income tax expense	68,508	819,521	382,244	74,871	109.3%	19.6%
Profit	137,745	1,544,507	305,899	115,281	83.7%	37.7%
Profit attributable to:						
Owners of parent	138,183	1,545,663	299,754	125,162	90.6%	41.8%
Non-controlling interests	△ 437	△ 1,156	6,145	△ 9,881	2261.1%	160.8%
Q3 FY19 (October 1, 2018 - December 31, 2018)	Q1 FY20 (April 1, 2019 - June 30, 2019)	Q2 FY20 (July 1, 2019 - September 30, 2019)	Q3 FY20 (October 1, 2019 - December 31, 2019)	YoY	QoQ	
Operating income						
Finance income	1,733,728	1,877,895	1,982,299	2,134,219	123.1%	105.6%
Warranty revenue	610,073	876,684	906,918	932,558	152.9%	103.4%
Other commission sales	260,769	279,934	331,755	324,089	124.3%	118.5%
Software sales	60,718	68,683	124,571	68,916	113.5%	181.4%
Revenue from the exercise of insurance policies	-	-	101,732	-	-	-
Other	36,232	45,367	62,725	54,313	149.9%	138.3%
Total	2,701,519	3,148,563	3,509,999	3,514,094	130.1%	111.5%
Q3 FY19 (October 1, 2018 - December 31, 2018)	Q1 FY20 (April 1, 2019 - June 30, 2019)	Q2 FY20 (July 1, 2019 - September 30, 2019)	Q3 FY20 (October 1, 2019 - December 31, 2019)	YoY	QoQ	
Operating expenses						
Finance costs	13,222	27,888	18,984	27,358	206.9%	68.1%
Guarantee commission	319,322	383,379	469,814	497,470	155.8%	122.5%
Impairment losses (provision for doubtful accounts)	315,131	34,206	△ 11,178	32,501	10.3%	△32.7%
Employee benefit expenses	677,150	743,577	817,761	842,226	124.4%	110.0%
Warranty cost	404,931	588,678	633,098	604,227	149.2%	107.5%
System operation costs	41,291	152,499	169,865	128,527	311.3%	111.4%
Depreciation	32,814	22,675	33,249	54,320	165.5%	146.6%
Amortization	55,983	64,051	64,467	66,896	119.5%	100.6%
Right-of-use asset depreciation	-	91,765	94,456	99,253	-	102.9%
Taxes and dues	96,587	112,290	122,896	143,896	149.0%	109.4%
Commission expenses	151,877	178,516	188,826	226,279	149.0%	105.8%
Rent expenses on land and buildings	74,648	8,274	11,185	15,586	20.9%	135.2%
Outsourcing expenses	130,930	47,007	63,766	117,932	90.1%	135.7%
Other operating expenses	207,610	329,234	280,970	355,633	171.3%	85.3%
Total	2,521,495	2,784,040	2,958,158	3,212,100	127.4%	106.3%