



Premium

**Premium Group Co., Ltd.**

Q1 Financial Results Briefing for the Fiscal Year Ending March 2022

August 6, 2021

## Event Summary

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<b>[Company Name]</b>	Premium Group Co., Ltd.
<b>[Company ID]</b>	7199-QCODE
<b>[Event Language]</b>	JPN
<b>[Event Type]</b>	Earnings Announcement
<b>[Event Name]</b>	Q1 Financial Results Briefing for the Fiscal Year Ending March 2022
<b>[Fiscal Period]</b>	FY2021 Q1
<b>[Date]</b>	August 6, 2021
<b>[Number of Pages]</b>	14
<b>[Time]</b>	15:00 – 15:26 (Total: 26 minutes, Presentation: 26 minutes)
<b>[Venue]</b>	Webcast
<b>[Venue Size]</b>	
<b>[Participants]</b>	
<b>[Number of Speakers]</b>	1 Yohichi Shibata                      President and CEO

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# Presentation

**Shibata:** I will now explain our financial results for the first quarter of the fiscal year ending March 31, 2022.

I will begin with an overview of our financial results, followed by a segment overview and other topics.

## Highlights from Q1 of FY Ending March 31, 2022 (FY22)



- ✓ Both credit finance and automobile warranty businesses recorded **growth in volumes that exceeded the market and previous results**
- ✓ Core business performance saw revenue and profit increase on strong sales from the three core businesses

<b>Market</b>	<ul style="list-style-type: none"> <li>■ Number of new passenger vehicles registered Full-year: Up 21.4% YoY</li> <li>■ Number of used passenger vehicles registered Full-year: Up 6.7% YoY</li> </ul> <small>(Statistical data from the Japan Automobile Dealers Association)</small>
<b>KPIs</b>	<ul style="list-style-type: none"> <li>■ Total volume of new loans: <b>Up 31.9% YoY</b></li> <li>■ Total volume of new warranties: <b>Up 24.6% YoY</b></li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>■ Operating income: <b>¥4.9 billion (up 21.6% YoY)</b></li> <li>■ Profit before tax of core business excluding one-off factors totaled <b>¥832 million (up 38.3% YoY)</b></li> <li>■ Future expected earnings (deferred profit): <b>¥31,570 million stocked on B/S (up 16.1% YoY)</b></li> </ul> <small>Credit finance business: ¥26,240 million, Automobile warranty business: ¥5,060 million. Other businesses: ¥270 million</small>
<b>Topics</b>	<ul style="list-style-type: none"> <li>■ Confirmed <b>conformance</b> with listing criteria of new market category <b>Prime Market</b></li> <li>■ <b>Changed reporting segment classification</b> from FY ending March 31, 2022 (FY22) because earnings outside of credit increased, raising the materiality of other segments</li> </ul> <p>(Prior to change) Credit finance segment ▽ (After change) Finance segment, automobile warranty segment, and auto mobility segment</p> <small>See p.9 for details</small>

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First, I would like to provide an overview of the financial results for the first quarter.

Both the Credit Finance business and the Automobile Warranty business got off to a very good start in the first quarter, with transaction volume growth exceeding that of the past, including our own performance in the market.

All 3 of our major businesses have been performing well, and our core business has effectively increased in both sales and profits.

As for the market, the number of new car registrations increased by 121.4% YoY, which is much higher than the number of used car registrations. It is very good compared to the same period of the previous year, but the year before last was actually about 83%, which is a sluggish figure. We believe that this was due to the new coronavirus infection, which delayed the supply chain for new cars and the shortage of semiconductors.

On the other hand, the number of used car registrations increased by about 107% YoY, and this number had been growing steadily without much influence from COVID-19. Since the mainstay of our business is used cars, we believe that the market has not been affected by the COVID-19.

As for our KPIs, total volume of new loan was approximately 132% YoY, and for automobile warranty, it was approximately 125% YoY. We are in a situation where our sales are significantly higher than the previous year.

In terms of business performance, operating revenue was JPY4.89 billion, also 121.6% YoY, which is in good order.

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Income before income taxes was JPY0.83 billion, which is 138.3% excluding one-time factors, resulting in an increase in both sales and income in real term.

We had about JPY0.6 billion in negative goodwill in the first quarter of the previous fiscal year due to the impact of M&A. So if we consider that as a one-off factor, the business performance related to the core business is going well.

In addition, since we are deferring profits, we are able to post earnings of JPY31.57 billion in the future, which is 116% YoY, and we have a solid reserve of future earnings.

As for the topics announced in the first quarter, we confirmed compliance with the listing maintenance standards for the Prime Market, the new market segmentation that will be introduced by the TSE in April next year.

Since the current fiscal year, earnings other than Credit Finance business have been growing steadily. Due to the increased importance of this business, we have changed the classification of our reporting segments from Finance business, Automobile Warranty business, and Auto-mobility Service business.

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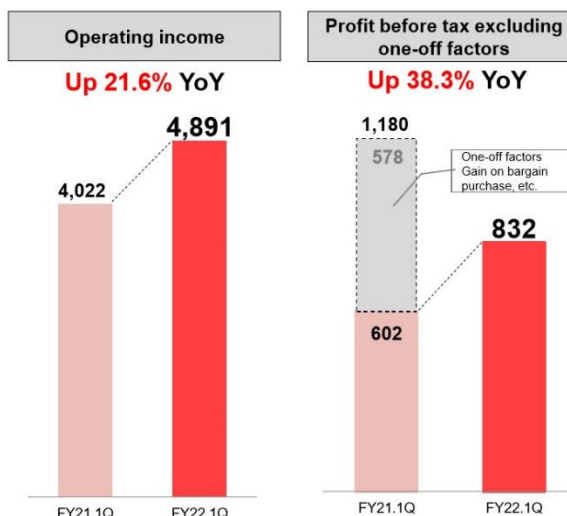
# Consolidated Performance

(Graph/table unit: millions of yen)



- ✓ Operating income totaled ¥4,891 million (up 21.6% YoY) on generation of stock (deferred profit) from business growth
- ✓ Profit before tax of core business excluding one-off factors totaled ¥832 million (up 38.3% YoY)

	FY21 Q1	FY22 Q1	YoY change
Operating income	4,022	4,891	+21.6%
Other income	613 <small>*Includes ¥594 million in gain on bargain purchase</small>	4	-99.4%
Operating expenses	3,484	4,085	+17.2%
Profit before tax	1,180	832	-29.4%
Profit before tax of core business	602	832	+38.3%
Profit attributable to owners of parent	784	608	-22.4%
Basic earnings per share (yen)	61.46	47.45	-22.8%



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In terms of business growth, operating revenue was JPY4.89 billion, 121.6% YoY, thanks to an increase in stock, and this is growing steadily as planned. The first quarter of the previous fiscal year was JPY44 billion, so we have been able to achieve a solid growth.

This fiscal year's profit will be JPY0.832 billion, which is a decrease, but of the JPY1.18 billion of the previous fiscal year, JPY0.578 billion was one-time income due to negative goodwill, et cetera, so the profit in our business went from JPY0.6 billion to JPY0.832 billion.

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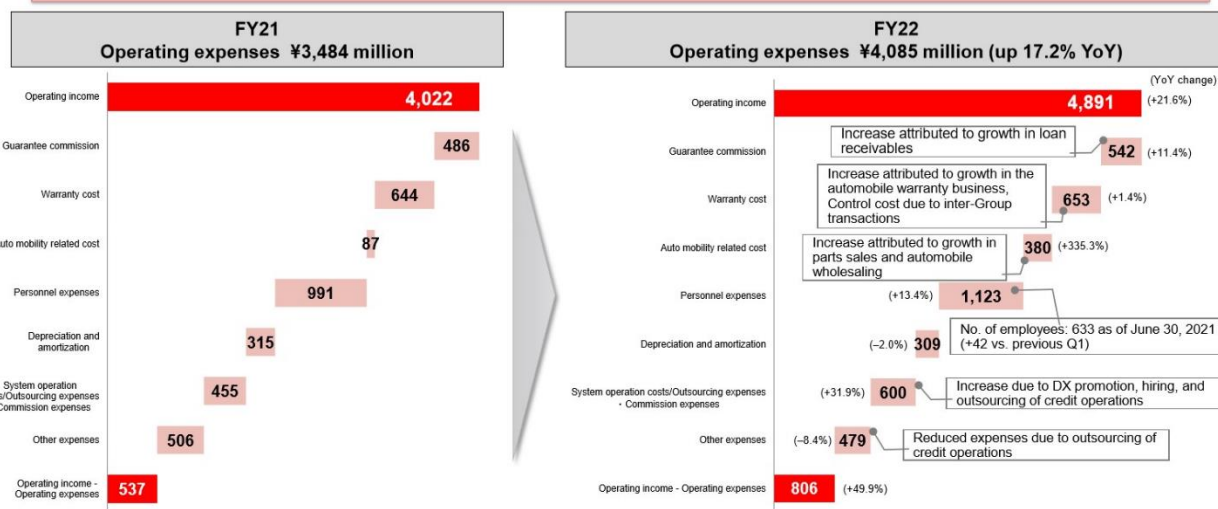
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# Operating expenses (consolidated)

(Graph unit: millions of yen)



- ✓ Operating expenses totaled ¥4,085 million (up 17.2% YoY)
- ✓ Cost increased due to the growth of the auto mobility segment, but cost cutting measures, such as promoting inter-Group transactions and paperless services helped to control growth in operating expenses



Expenses for each item have increased. Most of them have increased in line with the increase in operating revenue, due to the solid growth in business performance.

In particular, in the area of automobile warranty, the growth of the cost of sales was relatively small compared to the growth of operating revenue, which was actually 101% YoY.

This is due to the fact that we have been able to greatly reduce our cost of sales by providing a solid maintenance network and automobile parts through our group-wide transactions and auto-mobility service business, so the growth in operating expenses was very low. I think this is one of the main features of this fiscal year's results.

In addition, there was a large increase in the system operation, outsourcing, and payment commission items, but this increase was due to DX-related development and hiring, so we judged that we were making solid investments in line with our future strategy.

In terms of other expenses, we have been able to reduce expenses by outsourcing credit processing, etc. COVID-19 reduced travel expenses. Also, we have been able to promote DX in some areas, and to reduce postage costs by going paperless. As a result, other SGA expenses have been reduced by about 10%.

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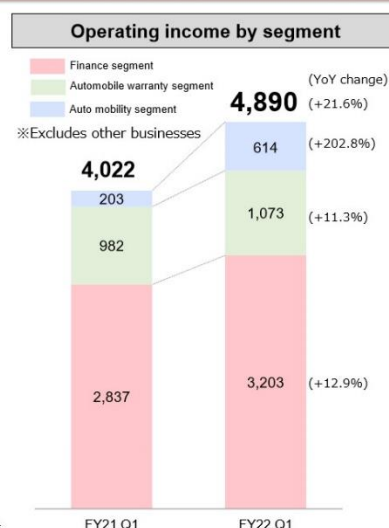
# Performance by segment

(Graph/table unit: millions of yen)



- ✓ Each business steadily setting **new record highs for revenue and profits**
- ✓ The new auto mobility segment experienced revenue growth driven by sales of parts and automobile wholesaling

	FY22 Q1	
	Operating income	Profit before tax
<b>Finance segment</b> -Composition- Credit, lease, servicer	<b>3,203</b> Up 12.9% YoY Growth of loan receivables and performance of servicer contributed to revenue	<b>657</b>
<b>Automobile warranty segment</b> -Composition- Automobile warranty services	<b>1,073</b> Up 11.3% YoY Warranty growth and control of cost due to inter-Group synergies contributed	<b>197</b>
<b>Auto mobility segment</b> -Composition- Parts sales, software sales, automobile wholesaling, automobile maintenance, etc.	<b>614</b> Up 202.8% YoY Despite the business investment phase, losses improving from last year	<b>(11)</b>
<b>Other businesses</b>	<b>0.5</b>	<b>15</b>
<b>Total</b>	<b>4,891</b>	<b>832</b>



Notes: 1. Includes profits and losses from other businesses not included in reporting segments, netting of inter-Group transactions and company-wide profits and losses.  
2. Segment classification was changed from FY22. Profits and losses for each segment in FY21 is reflected only to the extent practicable.

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The second item I would like to explain is the overview of the segment.

From the current fiscal year, we have started to present figures for operating revenue and income before income taxes for each of the 3 businesses: the Finance business, the Automobile Warranty business, and the Auto-mobility Service business.

First of all, the Finance business grew by 112.2% YoY, which is also a significant increase. Operating revenue was JPY3.2 billion and income before income taxes was JPY0.657 billion. The balance of loans has been growing steadily, and at the same time, the performance of the servicers has been contributing to earnings, and this has been the driving force.

The automobile warranty business also grew by more than 110% YoY, with operating revenue of JPY1 billion and income before income taxes of JPY0.17 billion.

In the Auto-mobility Service business, operating revenue has tripled, which is also a significant growth. However, as for pre-tax income, we are currently in the business investment phase, and we are also engaged in R&D, so pre-tax income will still be negative as a stand-alone business. Compared to the same period of the previous year, the negative margin has decreased significantly, so we would like to make this business profitable as soon as possible and improve our performance.

In terms of our operating revenue portfolio, the auto-mobility portfolio accounts for about 13% of our total revenue, and the percentage of this portfolio is growing significantly, which we believe is in line with our plan.

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# Credit Finance Segment: Total Volume of New Loans

(Graph unit: billions of yen)

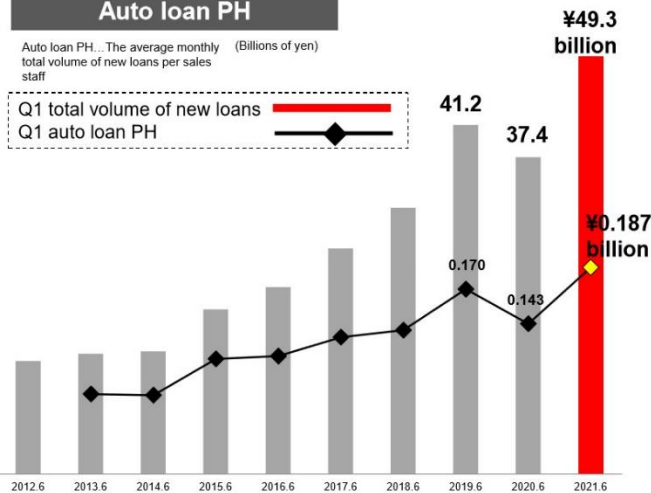


## Total volume of new loans

### Auto loan PH

Auto loan PH... The average monthly total volume of new loans per sales staff (Billions of yen)

Q1 total volume of new loans  
Q1 auto loan PH



Notes: 1. "Total volume of new loans" refers to the total amount of credit and lease 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 Premium Co., Ltd.  
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 refers to the total of the amount of credit 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 of Premium Co., Ltd.

Total volume of new loans:

**+31.9% YoY**

Auto loan PH:

**+30.8% YoY**

### Factors driving change

- Achieved efficient sales operations through the promotion of **paperless credit contracts as part of our DX Strategy**  
Paperless rate among total volume (as of end of Q1): 74%  
Planned paperless rate at end of FY22: 100%
- Focus on sales combining face-to-face and non-face-to-face services (online meetings and telephone calls) and soliciting new members

### Strategy

- Build a sales staff of 100 persons  
Auto sales staff at Q1-end: 82 (+1 vs. previous Q1)  
Increase in auto sales staff in August: +14 (mid-career and new graduates)
- Solicit new members for PFS Premium Club membership service  
Seek to enhance loyalty and increase loan receivables

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Total volume of new loan in the first quarter was JPY49.3 billion, a significant increase of 132% YoY.

Unfortunately, we lost the top line a little bit in the previous first quarter due to the effects of COVID-19, but we were able to increase it significantly this first quarter.

One of the reasons for the increase or decrease is that since April, we have been very conscious of DX, and for example, we have been able to realize very efficient sales activities by going paperless for credit contracts.

Since nearly 75% of the orders handled are without paper, we no longer have to go out of our way to collect documents from merchants, which means that we are now able to conduct our original sales promotion activities. In this way, we are focusing on recruiting for membership services by face-to-face and non-face-to-face to promote the operation of the system.

In the previous fiscal year, we talked about increasing the number of sales staff to 100 from this fiscal year. As for the first quarter, we have 82 staff. As of August 1, we have 96 employees, an increase of 14 from the previous quarter. So, we are almost ready to start the second quarter with 100 employees.

We also have a membership service, which I will explain in detail later, called the PFS, Premium Club, which is a paid service to promote membership among our loan customers and partners.

With the increase in loyalty, and the expansion of transaction volume, we are also performing well as planned.

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# Finance Segment: Loan Receivables

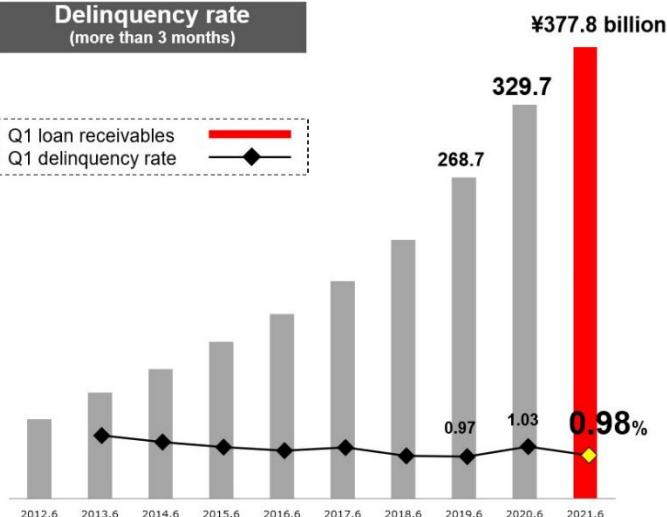
(Graph unit: billions of yen)



**Loan receivables**

**Delinquency rate**  
(more than 3 months)

Q1 loan receivables  
Q1 delinquency rate



Notes: 1. "Loan receivables" refers to the total amount of credit and lease contracts that has not been repaid or for which the warranty period has not elapsed from 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 Premium Co., Ltd.  
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 Premium Co., Ltd.

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Loan receivables:  
**+14.6% YoY**

Delinquency rate:  
**0.98%**

### Factors driving change in delinquency rate

- Efficiently reduced initial arrears using IVR (auto calling system) introduced in Q1 and **achieved operational innovation using DX**. Collections of initial arrears broke the previous record
- Worked with **Central Servicer Corporation**, which joined the Group in FY21, to continue collections of medium- to long-term delinquencies

### Strategy for Loan Receivables Management

- Thoroughly control initial arrears
- Control medium- to long-term delinquencies through synergies with Central Servicer Corporation

Loan receivables was JPY377.8 billion, 114.6% YoY, also a double-digit increase. The outstanding balance also increased steadily.

The ratio of delinquent loans to total loans outstanding was slightly above 1% in the previous fiscal quarter. But this fiscal quarter it is 0.98%, which means that we have been able to make up a solid balance of quality loans.

In the first quarter, as part of our DX efforts, we also used the auto-call system for reminders and the resolution of so-called delinquent accounts, which has greatly improved efficiency. In addition to the current functions, we have been able to achieve business innovation through the use of DX, and this is also showing up in the figures.

In addition, CENTRAL SERVICER CORPORATION, which we merged with in April of last year, will continue to collect medium- to long-term receivables and contribute to profits through group synergy. Cooperation with CENTRAL SERVICER CORPORATION is making a steady progress.

In this sense, we would like to continue our current strategy to build up the top-line balance and to build up the content of our loans with high-quality bonds.

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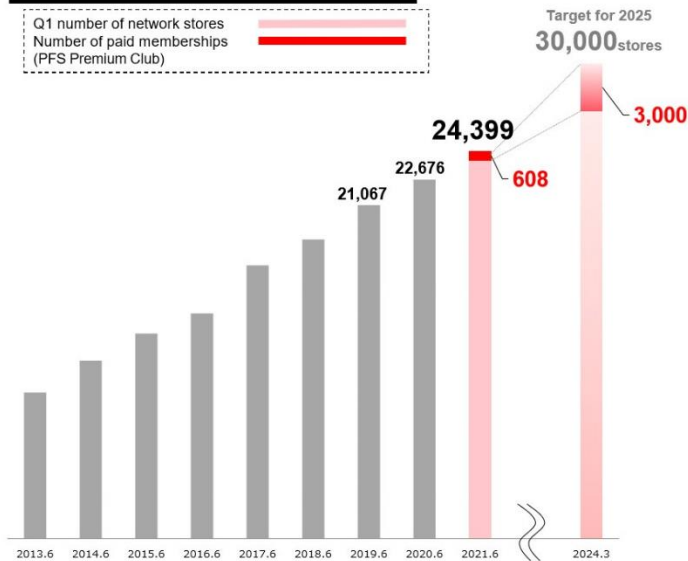


# Finance Segment: Number of Network Stores



## Number of credit network stores

Q1 number of network stores  
Number of paid memberships  
(PFS Premium Club)



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 Premium Co., Ltd.

Number of credit network stores:  
**+7.6% YoY**

### Factors driving change

- Increased share among existing network stores and promoted the utilization of newly tapped network stores

### Strategy

- Focus on promoting utilization and soliciting new members for PFS Premium Club membership service while continuing to tap into new network stores  
Diamond members: 70 companies (+8 companies vs. previous Q)  
Gold members: 538 companies (+185 companies vs. previous Q)
- Simultaneously promote utilization of non-operating network stores using contact centers (outbound sales)

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In terms of the number of member stores, it was 107.6% compared to the same period of the last year, slightly short of double-digit growth. In the membership program, which I mentioned earlier, we are focusing a little more on cultivating new members by providing them with special content while charging fees to existing membership.

Our plan is to increase the number of members to about 3,000 by 2025. In contrast, the number of companies in the first quarter was 608, which is also an increase of about 200 companies compared to the previous quarter.

In this sense, we believe that our membership service is doing well and will probably exceed 1,000 companies by the end of this fiscal year, and we are now working to achieve the figure of 3,000 companies without waiting for 2025.

In addition to real sales from our sales offices, we have also established a contact center for outbound sales, and since the number of inactive customers is gradually increasing, we are promoting outbound activities.

In the past, there were only 2 contact centers in Fukuoka and Sapporo. But from the second quarter, we have established a contact center in Osaka, and we are currently conducting outbound sales from 3 centers nationwide by promoting face-to-face and non-face-to-face sales.

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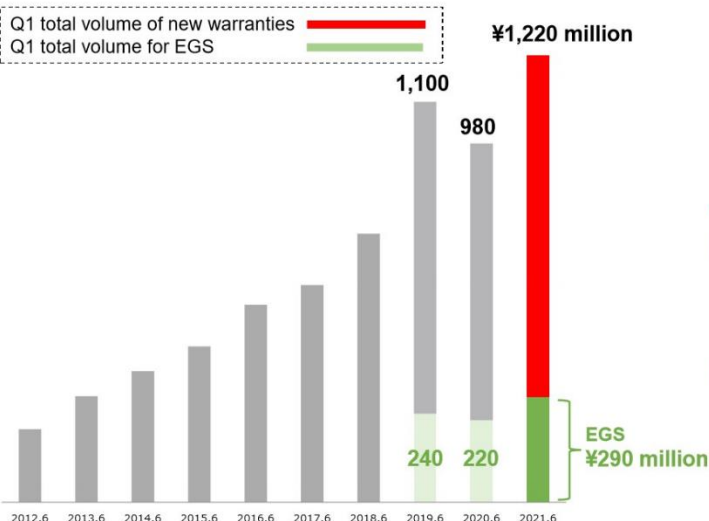


# Automobile Warranty Segment: Total Volume of New Warranties

(Graph unit: millions of yen)



## Total volume of new warranties



Notes: 1. "Total volume of new warranties" refers to the total amount of warranty contracts newly signed in the period. The actual results of Premium Co., Ltd. includes EGS from April 2019.  
 2. "Total volume of Premium" refers to the total volume of proper products by Premium co., Ltd.  
 3. "Total volume of EGS" refers to the total volume of proper products by EGS co., Ltd.

Automobile warranty: total volume of new warranties

**+24.6% YoY**

Total volume of Premium: +38.9% YoY  
 Total volume of EGS: +41.1% YoY

### Factors driving change

- Introduced BIZ site format, **restructured organization** by subdividing departments, and strengthened the sales department structure
- Launched nationwide **campaign** aimed at expanding sales

### Strategy

- Tap into new OEMs while promoting sales of existing product lines
- Open new automobile warranty business site in Kawaguchi City, Saitama Prefecture
- Subdivide back-office departments** to strengthen management system and improve efficiency
- Currently developing paperless application system**, which will be rolled out in FY22

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In the Automobile Warranty business, the transaction volume was JPY1.22 billion, and we were able to achieve significant growth this fiscal year as well.

Last year, we had a slight decline in the first quarter due to the effects of COVID-19, but this quarter, we have been able to significantly expand our business again, and the transaction volume of our 2 brands: Premium and EGS, are both growing at a rate of nearly 130% each.

As for our future strategy, in parallel with the sales promotion of our existing product line, we would like to develop new OEM business as well. We would like to strengthen our management system and improve our efficiency as the number of back office increases and the office in Kawaguchi opens.

We are also promoting DX in automobile warranty business. By the end of this fiscal year, we will switch to paperless applications, so that all products can be applied for paperless. This will reduce the workload on the backyard and also lead to the expansion of sales.

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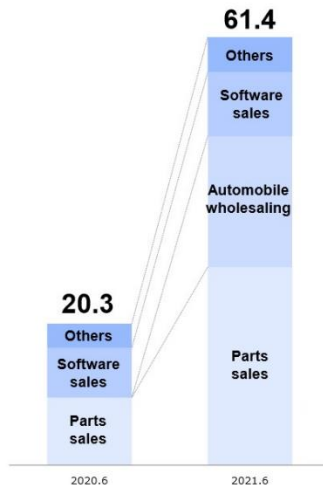
# Performance in the Auto Mobility Segment

(Graph unit: billions of yen)



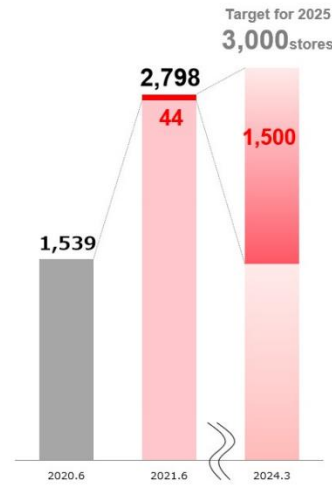
## Operating income

Others: Directly managed maintenance facilities and membership organizations, etc.



## Number of maintenance network companies

Q1 number of network stores  
Number of paid memberships (FIXMAN Club)



Operating income:

**+202.8% YoY**

Number of maintenance network companies:

**+81.8% YoY**

## Factors driving change

- The volume of each service is increasing following growth in the number of credit network stores, automobile maintenance network stores, and paid membership organizations
- Tapping into maintenance network using dedicated sales team with specializing in automobiles; Sales staff of automobile maintenance network at Q1-end: 13

## Strategy

- Focus on soliciting new members for FIXMAN Club membership service while continuing to tap into new network stores  
FIXMAN Club members: 44 companies (+6 companies vs. previous Q)
- Aim to acquire new members by expanding content for members
  - Auto lease product "Choisuma": Launched in April 2021
  - Online parts estimates: Launched in April 2021
  - Used car subscriptions "ChoiCar": Launched in June 2021
  - Support for driving customer traffic "Premium—the place for cars and financing": Plan to launch in FY23

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The third is the performance of the Auto-mobility Service business. We were able to significantly increase our operating revenue by about 3 times.

The JPY0.614 billion in operation revenue was the result of a significant growth in parts sales, which have almost doubled, and we have also started wholesale sales of vehicles from this fiscal year, and this is where we have seen a large increase.

We were able to establish a nationwide maintenance network of approximately 2,800 companies at the end of the first quarter.

Our goal was to have 3,000 companies by 2025, and we expect to reach 3,000 by the end of this fiscal year. In addition, we are also focusing on recruiting members for the FIXMAN Club, which is a membership organization.

Unfortunately, we still have 44 companies, so the number of companies we have cultivated is still small, but we are currently working on various forms of content, although we have been a little slow in releasing them here.

We've already announced a new auto lease product called "Choisuma", and we've also started an online parts quotation service and subscription service called "Choi Car" in June as a test. Using these services, we would like to have a network of 1,500 FIXMAN Club members by 2025.

In order to achieve this, we also need sales people who specialize in automotive know-how, so we are hiring such people at a rapid pace.

At the end of the first quarter, the maintenance network had 13 sales representatives, and we hope to achieve this number by increasing the sales force here as well.

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# Progress of DX Strategy



- ✓ Transaction value of finance, automobile warranty and auto mobility services achieved through DX was set as KGI
- ✓ The introduction rate of paperless contracts, which were launched in FY21, grew to 70%

## Finance Segment: Total Volume of Paperless Applications

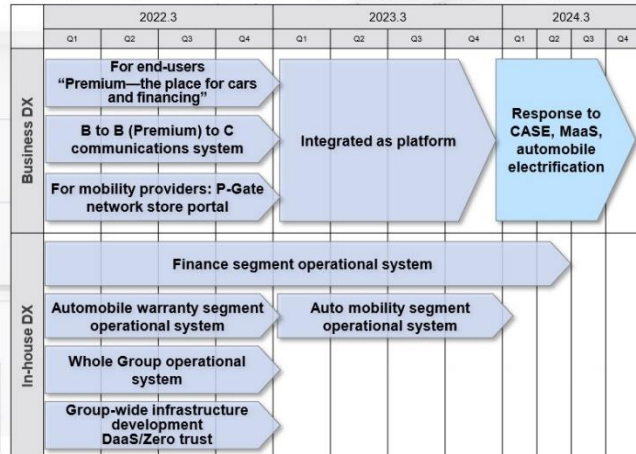
The introduction rate of paperless contracts, which were launched in FY21, grew to 70%



Managing total volume of each business online as KPI of DX Strategy *System currently under development		
Finance segment	Automobile warranty segment	Auto mobility segment
Total volume of new auto credit	Total volume of new warranties*	Total volume of each transaction through platforms*
Total volume of auto leases*		

## Timeline of DX Strategy

FY22/FY23 positioned as development phase; each development



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There are other topics.

First of all, as we have already announced our DX strategy, we would like to set and announce KGIs for financing, automobile warranty, and auto-mobility services.

The adoption rate of paperless credit contracts is now over 70%. JPY31.3 billion is for paperless applications, and we would like to make sure that this figure goes to 100%. 1 year ago, the number of applications was almost zero, but in the past year, we have received more than JPY30 billion in paperless applications, so we believe that it has made a significant contribution to improving efficiency.

As for the timeline of the strategy, we will promote DX in our business operations and also in the area of business innovation, and over the next 3 years, 2022, 2023, and 2024, we will work together with project teams and departments in various ways as planned.

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## Other Topics



April 2021		May 2021	
<p><b>Introduced IVR aiming to strengthen collections capability (IVR: Auto calling system)</b> <span style="float: right;">DX</span></p> <p>Introduced a system that further streamlines customer contact operations compared to before, enabling us to provide automated voice instructions and automated calling</p>	<p><b>Announced Digital Transformation (DX) Strategy and revised Medium-Term Management Plan (MTP)</b> <span style="float: right;">DX</span></p> <p>Under our DX Strategy and MTP, we will seek to build a platform with DX that provides seamless services required when using used automobiles.</p>  <p style="font-size: small;">DX Strategy and MTP announcement</p>	<p><b>Publication of ESG Report</b></p>  <p>We published a report detailing the Group's management and business activities from an ESG perspective. We will expand into the used automobile related business and contribute to the formation of a recycling-oriented society.</p>	
June 2021		July 2021	
<p><b>¥10,000 range all-in Launched used automobile subscription service "Choicar"</b></p> <p>We launched the industry's lowest-cost used automobile subscription service, which are available in some regions of Japan. Going forward, we will seek to expand this service to 100 stores nationwide.</p> 	<p><b>Introduced Next-Gen Onboard Telematics Device</b></p> <p>We installed this onboard device on our nationwide fleet of sales vehicles to increase efficiency of sales activities and improve the fleet's fuel economy. In addition, part of the lease fee for this device will be donated to an NPO called KIDSDOOR.</p>	<p><b>Began Accepting Online Estimates via "Premium—the place for cars and financing" a Website Supporting the Automobile Purchase Process</b> <span style="float: right;">DX</span></p> <p>With total price labeling now the norm when looking for used automobiles, we launched a service that allows searches based on monthly budget.</p> 	<p><b>Confirmed Conformance with Listing Criteria of New Market Category "Prime Market"</b></p> <p>The finalization of this new market category will take place in 2022. We will continue efforts to earn the support of our shareholders and continue striving to contribute to environmental issues and society and strengthen governance.</p>

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In the first quarter of this fiscal year, we would like to announce the direction we are going to take. We would like to launch subscription service called Choi Car, or to provide a specific coefficient for decarbonization in the future by issuing ESG report.

We have also confirmed that we meet the criteria for maintaining our listing on the Prime Market, so we will be announcing all kinds of content based on the medium-term plan and DX strategy that we announced in May, as we start various new projects in the future.

I look forward to working with you.

These are the financial results for the first quarter of the fiscal year ending March 31, 2022.

Thank you very much for your attention.

[END]

### Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].
2. Portions of the document where the audio is obscured by technical difficulty are marked with [TD].
3. This document has been translated by SCRIPTS Asia.

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