Premium Group Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2022

November 5, 2021

Event Summary

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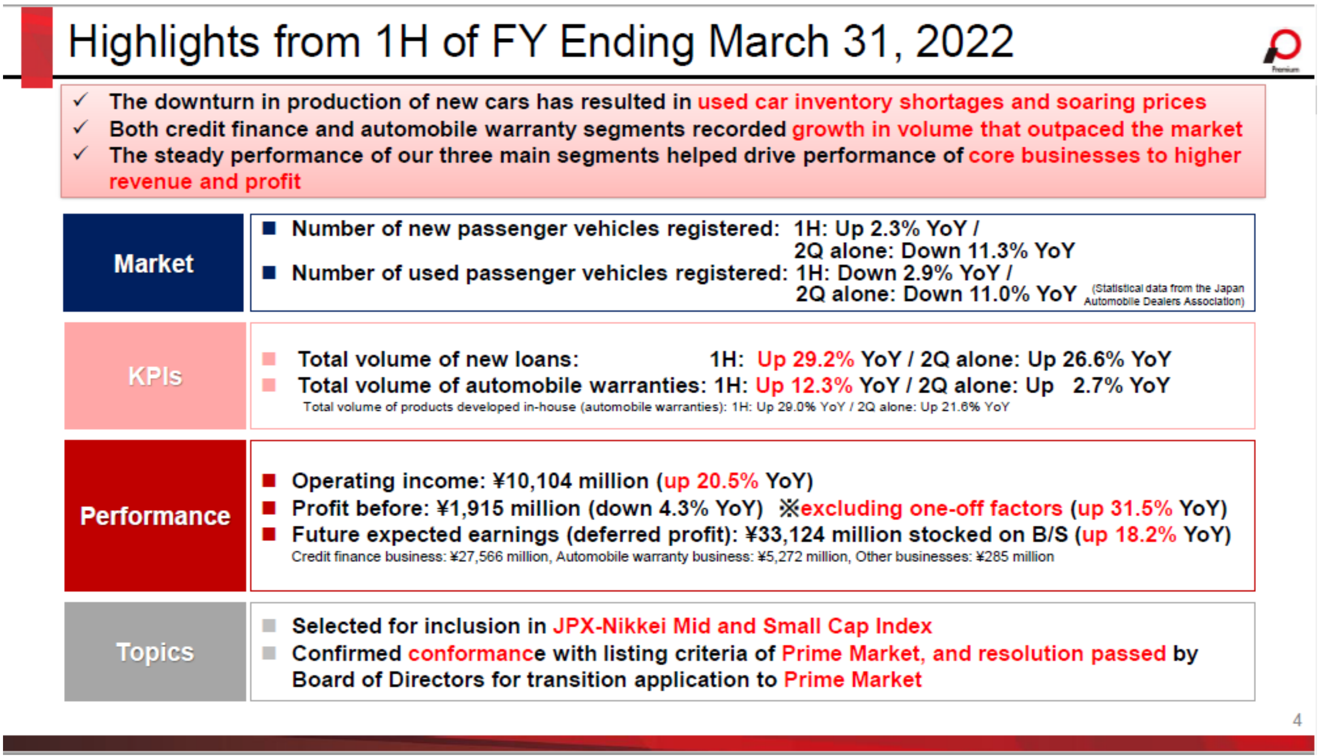
[Participants]	
[Number of Speakers]	1 Yohichi Shibata President and CEO



These are the important points for the second quarter.

First, in terms of market environment, production of new cars is at a standstill because of the shortage of semiconductors. Since there are fewer new cars on the market, trade-in cars are less available for sale, resulting in shortages and skyrocketing prices for used cars. This is now very noticeable in the automobile market.

New car registrations in the first half of the fiscal year represented 102.3% of the first half of the previous fiscal year, so we are barely above the previous year's level. For the second quarter only, it was 88.7% of the same period last year, so below 90%. The market environment for used cars is quite harsh as well, with sales for the second quarter representing 89% of sales for the same period last year.

In these circumstances, we have been able to record above-market growth in both our finance and automobile warranty businesses.

In terms of KPIs, total volume of new loans for the first half of the year was 129.2% of the first half of last year and, in the second quarter alone, it represented 126.6% of last year's second quarter, which is high.

In terms of automobile warranty, we have a very high market share, so we are slightly affected by the market, but despite that, volume for the first half of the year was 112.3% of last year's first half, and for the second quarter alone, volume represented 102.7% of the previous year's second quarter. In terms of total volume of products developed in-house (automobile warranties) , total transaction volume for the first 2 quarters reached 129% of the same period last year and stayed above 120% for the second quarter alone.

In terms of business performance, sales revenue reached a record high of JPY10.1 billion, surpassing the JPY10 billion mark for a half period. Profit before taxes was JPY1.92 billion, a slight decrease from the same period last year, but we recorded about JPY600 million in 1-time earnings last year, profit before taxes was 130% of the same period last year if we exclude this exceptional item. Profits for our core business are growing steadily.

Our business is a stock business, and we have JPY33.1 billion of future income, or deferred income, in our B/S. This represents an 18% increase, so our revenue base is solid.

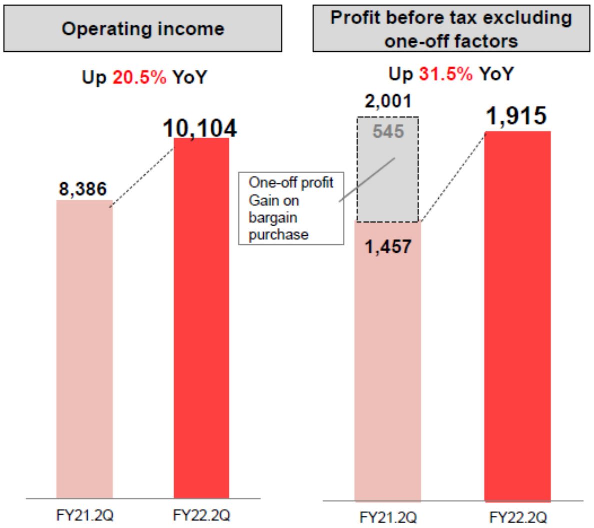
As for topics of interest regarding the first half of this fiscal year, we have been designated as a stock in the JPX-Nikkei Mid and Small Cap Index. Since we comply with the listing standards, our Board of Directors has voted to apply for the transition to the Prime Market.

Consolidated Performance

(Graph/table unit: millions of yen)

- ✓ Expansion of the three main businesses drove operating income higher by 20.5% YoY
- ✓ Even when factoring in one-off profit (gain on bargain purchase, etc.) in FY2020, profit attributable to owners of parent increased

	FY21 1H	FY22 1H	YoY change
Operating income	8,386	10,104	+20.5%
Other income	625 Includes gain on bargain purchase of ¥594 million	16	–97.5%
Operating expenses	6,944	8,216	+18.3%
Profit before tax	2,001	1,915	–4.3%
Profit before tax of core business	1,457	1,915	+31.5%
Profit attributable to owners of parent	1,313	1,358	+3.4%
Basic earnings per share (yen)	102.89	106.02	+3.0%



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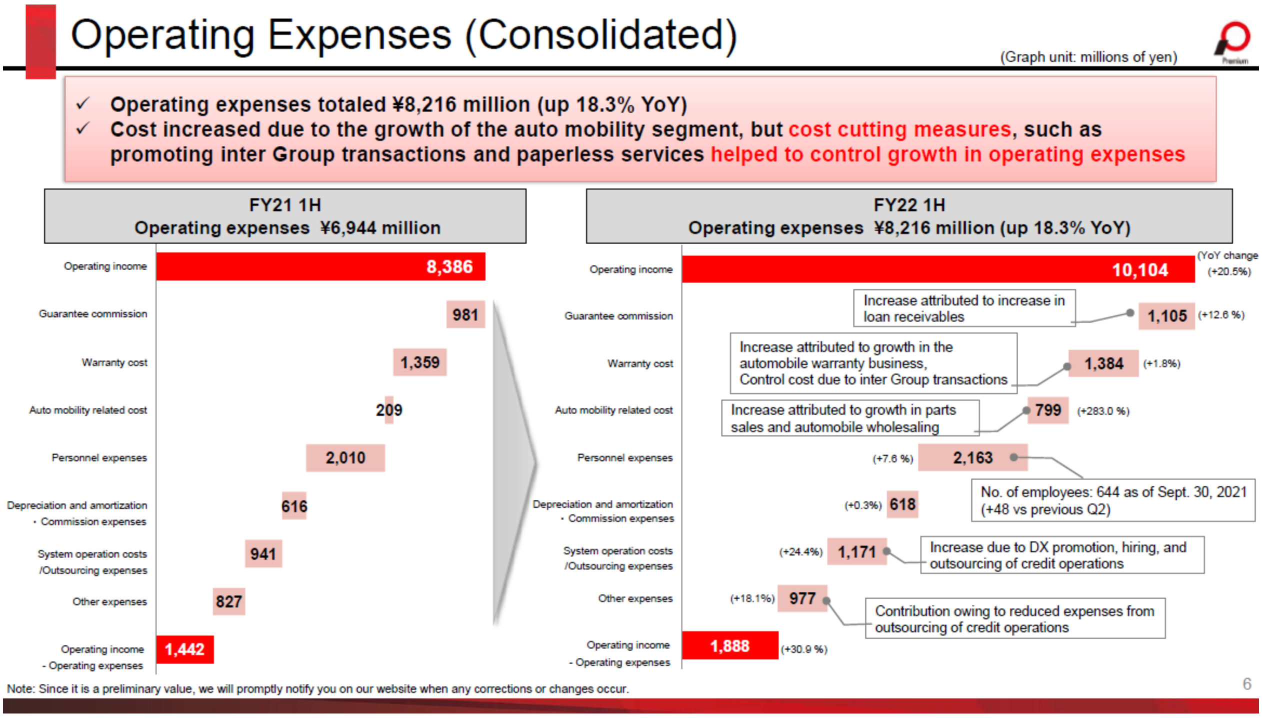
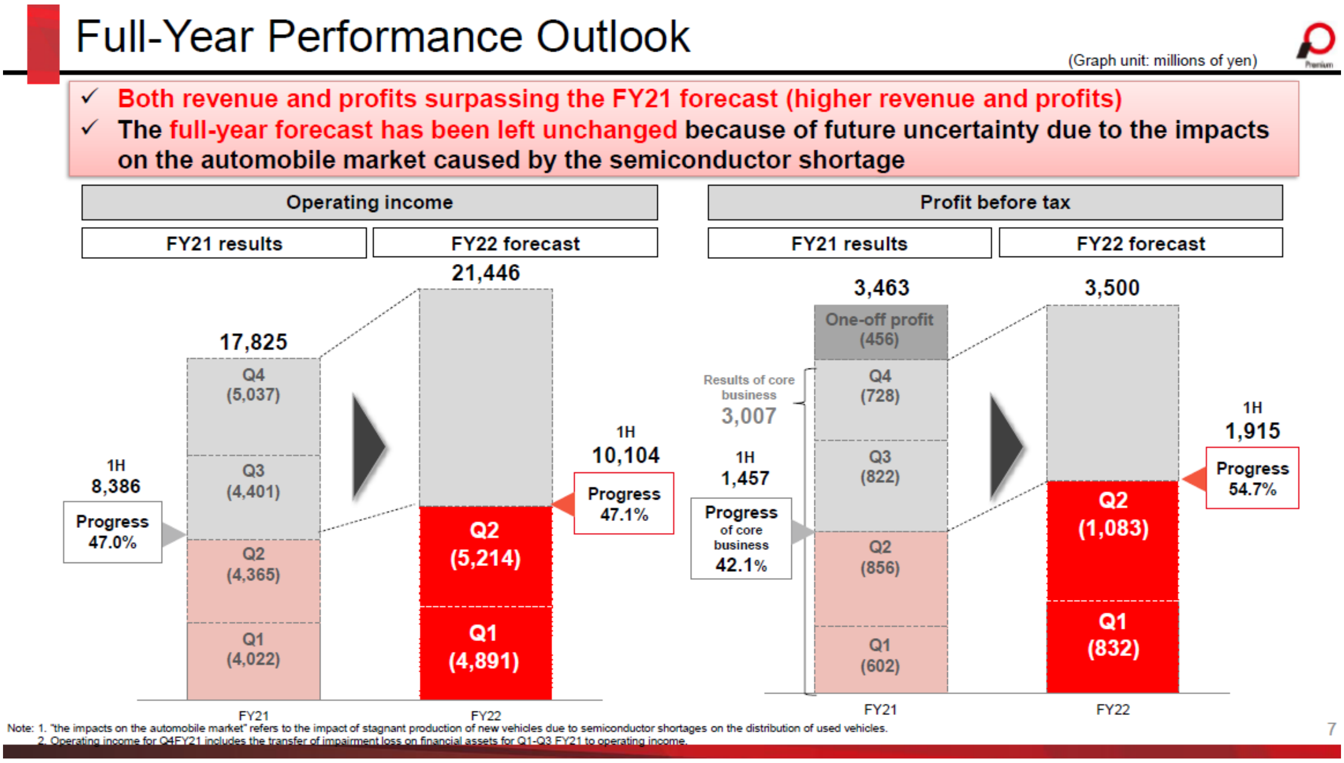
As for the consolidated business results, all 3 major businesses have recorded significant growth, with sales revenues up 20% YoY, thanks to the solid contribution of business expansion. I will detail each segment later.

As I explained earlier, because of 1-time gains, pre-tax profit was slightly negative, but net profit exceeded the previous year's, reaching JPY1.358 billion.



Operating expenses were JPY8.22 billion, representing 118.3% of operating expenses for the same period last year. This was due to the solid expansion of the Mobility Services business, which resulted in an increase in variable costs.

On the other hand, in terms of fixed costs, we've made strides regarding intra-group transactions and the promotion of paperless office. Our fixed cost reduction measures were able to firmly curtail the growth of operating expenses.



For the full fiscal year, we are forecasting sales revenue of JPY21.4 billion and a pretax profit of JPY3.5 billion.

As of now, at the end of the first half of this fiscal year, we have slightly exceeded our forecast. However, the shortage of semiconductors in the automobile market will continue to be an issue, the number of new car registrations has decreased by 30% in October. Because of these uncertainties, we have left our full year forecast unchanged.

Performance by Segment

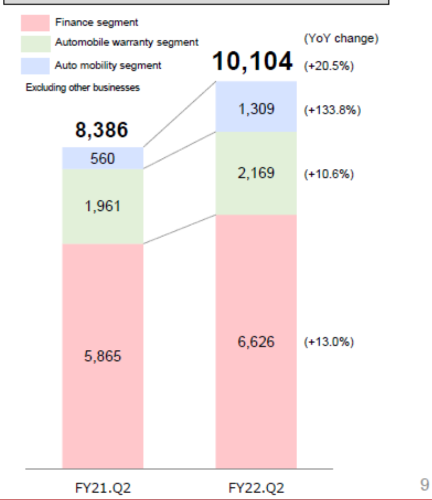
(Graph/table unit: millions of yen)

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

	FY22 1H	
	Operating income	Profit before tax
Finance segment –Composition– Credit, lease, servicer	**6,626** Up 13.0% YoY Growth of loan receivables and performance of servicer contributed to revenue	**1,533**
Automobile warranty segment –Composition– Automobile warranty services	**2,169** Up 10.6% YoY Warranty growth and control of cost due to inter-Group synergies contributed	**236**
Auto mobility segment –Composition– Parts sales, software sales, automobile wholesaling, automobile maintenance, etc.	**1,309** Up 133.8% YoY Turned profit despite being in business investment phase. Contribution of parts business.	**16** (Q1 FY21: –11)
Other businesses	**0.5**	**130**
Total	**10,104**	**1,915**

Notes: 1. Other businesses include 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.

Operating Income by Segment



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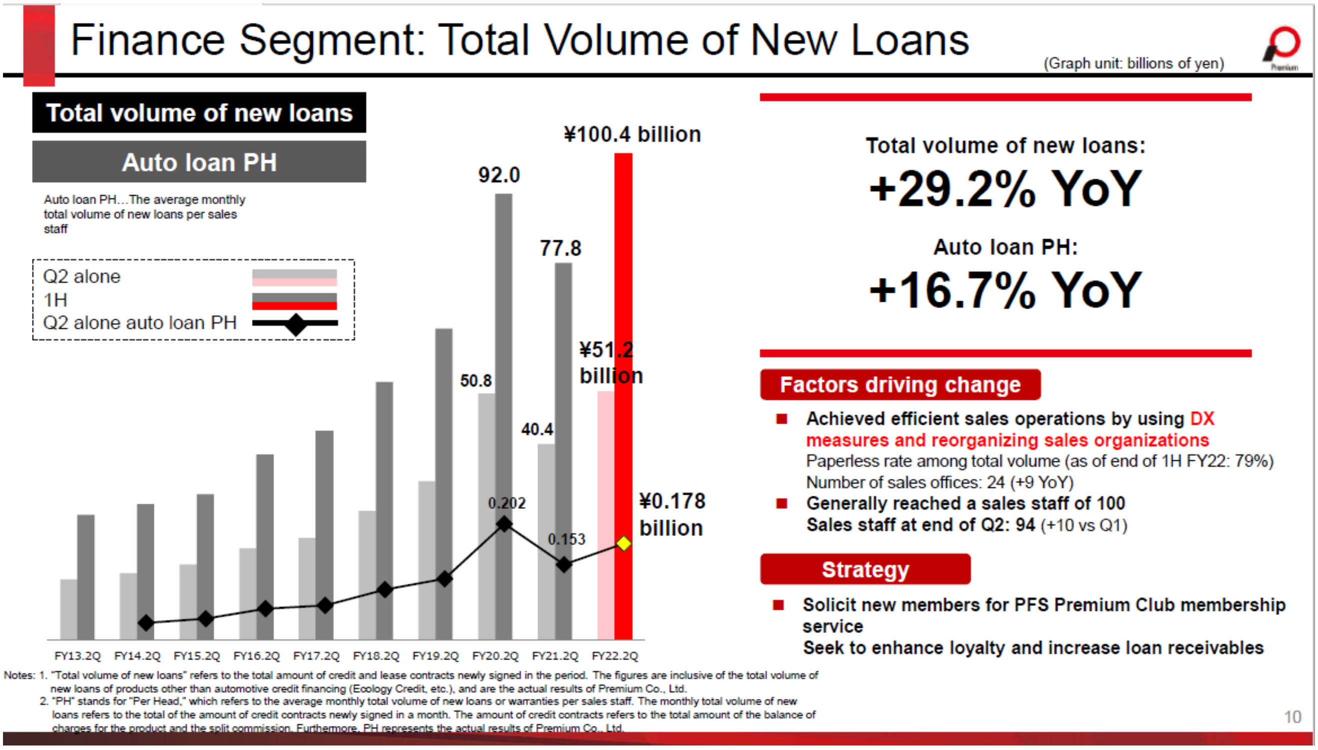
This is an explanation of the segment overview.

First, each segment has seen an increase in profit and revenue.

In the Finance business, the growth in the balance of loan receivables and the performance of Central Servicer have been very strong and have contributed to sales revenue, which have grown by more than 10%.

In the Warranty business, our top-line, volume growth, has contributed to sales revenue, as well as intra-group synergies since we have started to control the cost of repairs by enhancing our maintenance network.

The Mobility Services business has recorded massive growth of over 100%, 133.8% precisely. This is because we're in the investment phase. In the first quarter, we had a deficit of JPY11 million, but at the end of the second quarter, we turned a cumulative profit of JPY16 million. This is 1 of the big takeaways in my opinion.

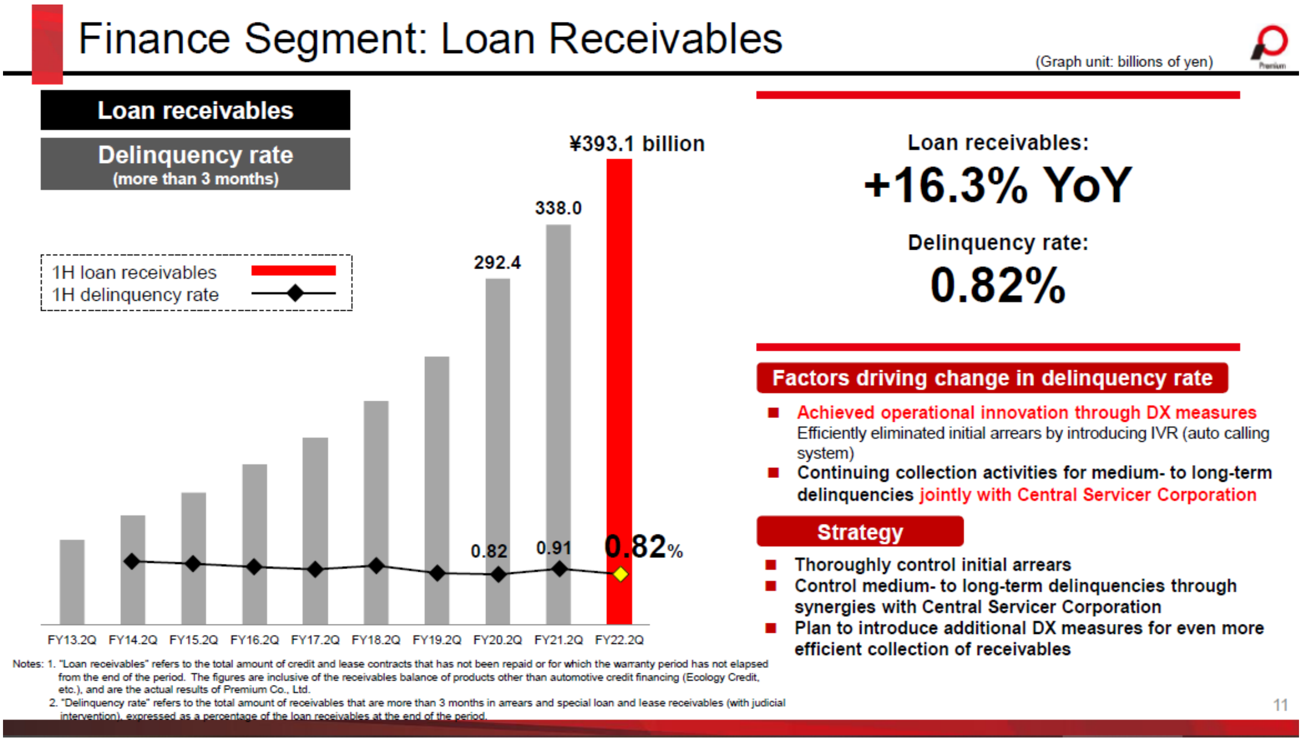


Now I'd like to go more in detail for each segment.

In the Finance business, total volume of new loans represented 129.2%, so nearly 130% of the same period in the previous fiscal year. Sales per head also represented 116% of last year's results, so an increase of 16%, and if you look at the comparison with 2 years ago, we were able to catch up well. In the last fiscal year, total volume of new loans dropped considerably because of the COVID-19 disaster but, fortunately, we are now back on track.

We have been able to achieve efficient sales activities by implementing DX measures and reorganizing our sales operation. With 94 people, we've pretty much achieved the 100-person sales force that we talked about last year, so we have a solid structure in place. I think this is a major success factor.

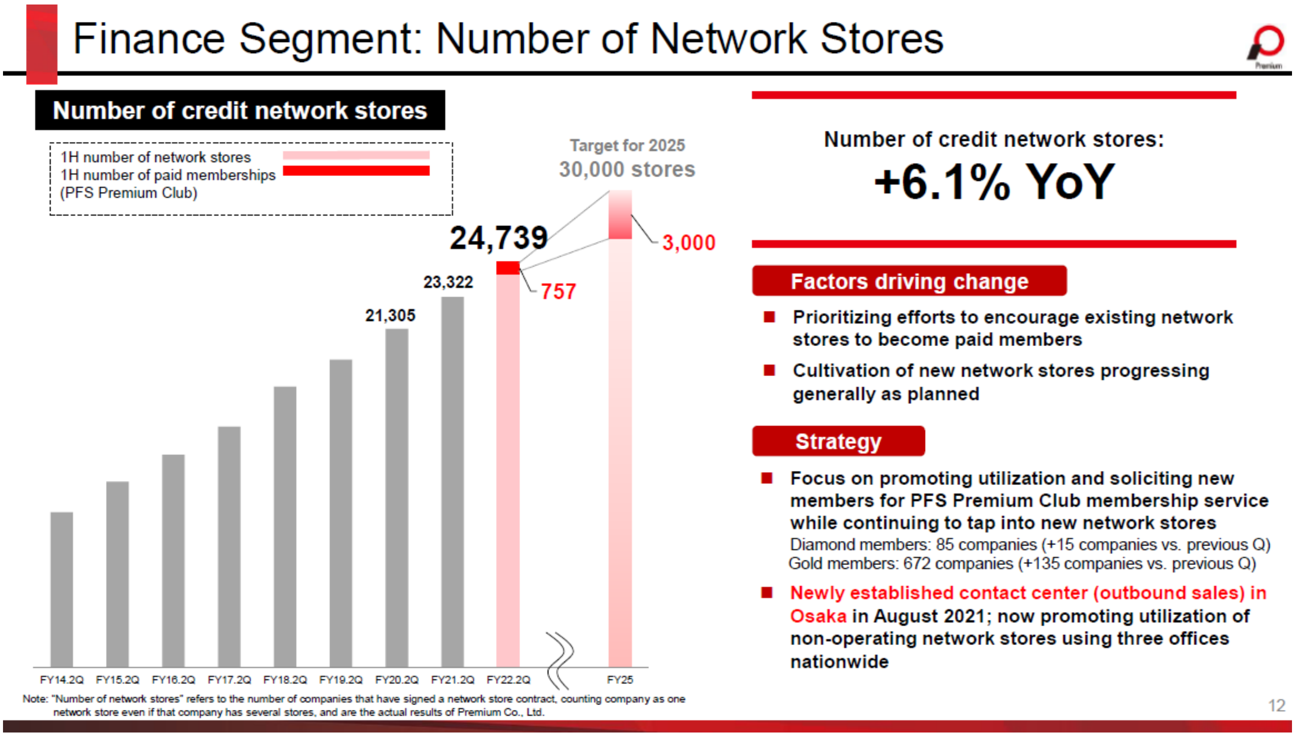
As in the previous fiscal year, we will continue to promote the PFS Premium Club, a membership service, to improve loyalty and increase transaction volume.



Loan receivables was close to JPY400 billion for the first half of the year. Our delinquency rate was 0.82%, which means that we continue to have a solid balance of good quality loans.

Regarding delinquency rate, the debt collection division has promoted DX, has introduced an auto-call system, and is pursuing more operational innovations. We've also had solid partnership with Central Servicer to increase collection for medium- to long-term loans.

In the future, we will continue to push for more DX initiatives to thoroughly curb delinquency early as well as medium- to long-term loans and ensure efficient debt collection.



The number of network stores represent 106% of the same period last year, so a 6% increase, slightly less than 10%. Of course, our strategy still includes increasing the number of our partners, but we are more focused on converting existing members into paying members through our PFS Premium Club. I think this is what stands out regarding our relationship with network stores.

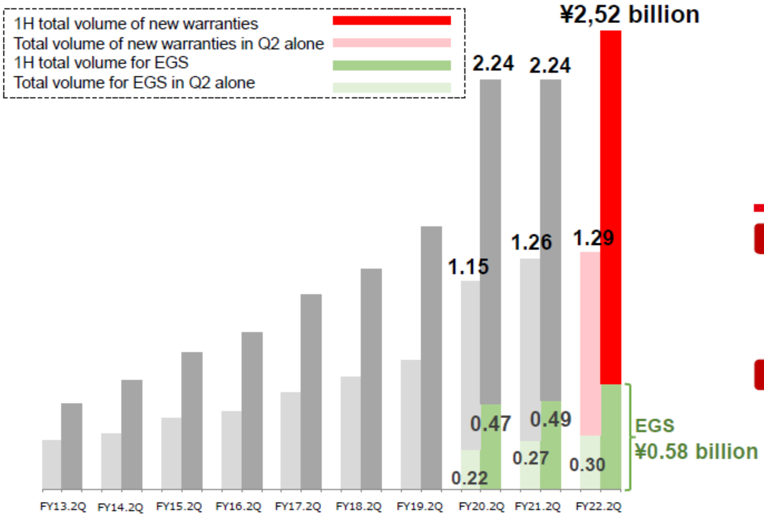
We are well on our way to reaching our target of 30,000 companies in 2025, and I think we will be able to achieve this network of 3,000 paying members well ahead of schedule, about 1 year ahead of schedule if we continue at our current pace. As of the end of the second quarter in September, we have secured a network of 757 paying members. We are thinking that by the end of this fiscal year, we will reach 1,000 companies.

In addition to real sales, we will also provide solid support to these increasing member stores through our contact centers, and we are expanding this network as well by opening a third outbound sales contact center in Osaka, following Fukuoka and Sapporo.

Automobile Warranty Segment: Total Volume of New Warranties

(Graph unit: billions 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.
2. "Total volume of Premium" refers to the total volume of Premium warranties among total automobile warranty volume. "Total volume of EGS" refers to the total volume of EGS warranties among total automobile warranty volume.
3. BIZ site is an abbreviation for "business site" and refers to sales offices without a physical office.

Automobile warranty: total volume of new warranties

Up 12. 3% YoY

Total volume of products developed in-house: +29.0% YoY

Factors driving change

- Focused on growing sales of products developed in-house leading to growth as planned
- Affiliated products saw weaker growth amid the market downturn

Strategy

- Increase sales staff specializing in affiliated products
- Strengthen new products (step up sales promotion of extended warranties and warranties attached to maintained services)
- Promote use of maintenance network and used parts procurement in-house aimed at further cost reductions
- Plan to release new system using DX measures in FY22

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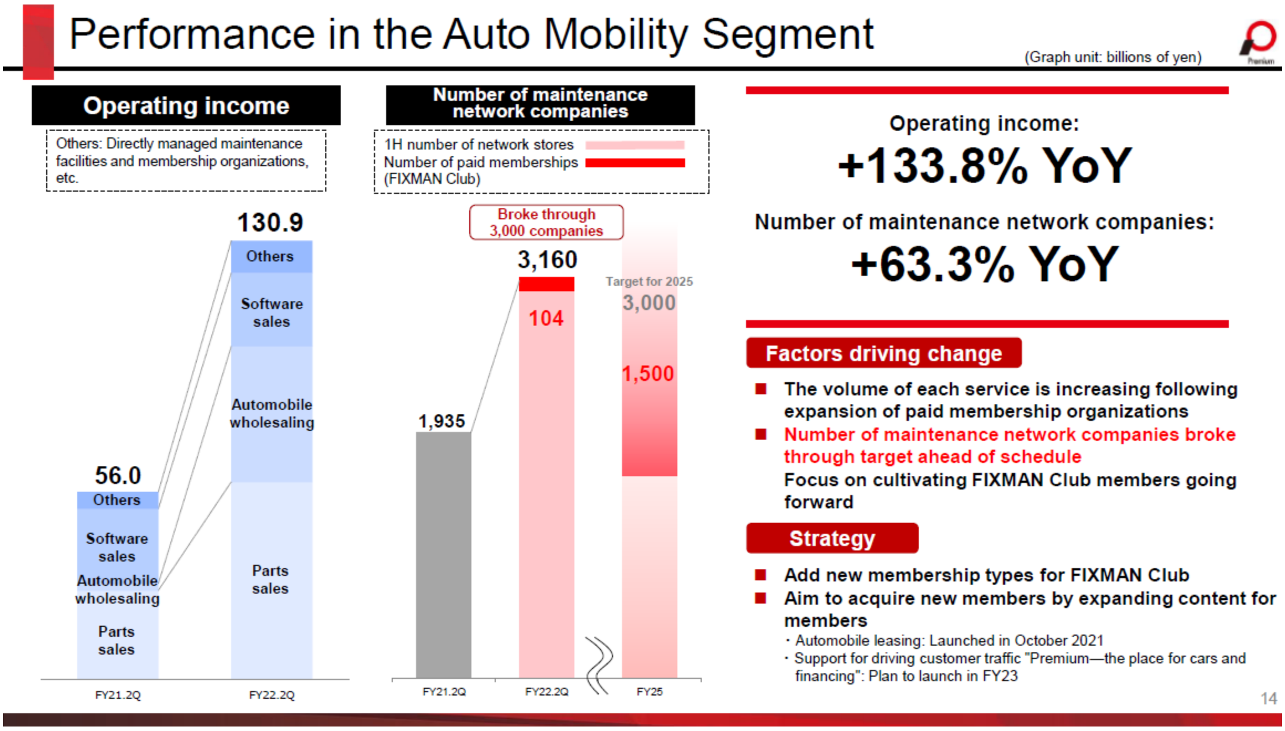
The Warranty business, our second segment, saw a significant increase in transaction volume this fiscal year, representing 112.3% of the same period last fiscal year, and 130% for our own products. In the case of OEM products, growth is slowing down because of a dull market and the evolution of used car registrations, but we were able to expand sales of our own products, which I think is quite remarkable.

In order to further increase sales of OEM products, we aim to increase sales personnel and expand the market. That is why we are pursuing a strategy of promotion of new products, use of group synergies, and cost reduction, for repairs especially.

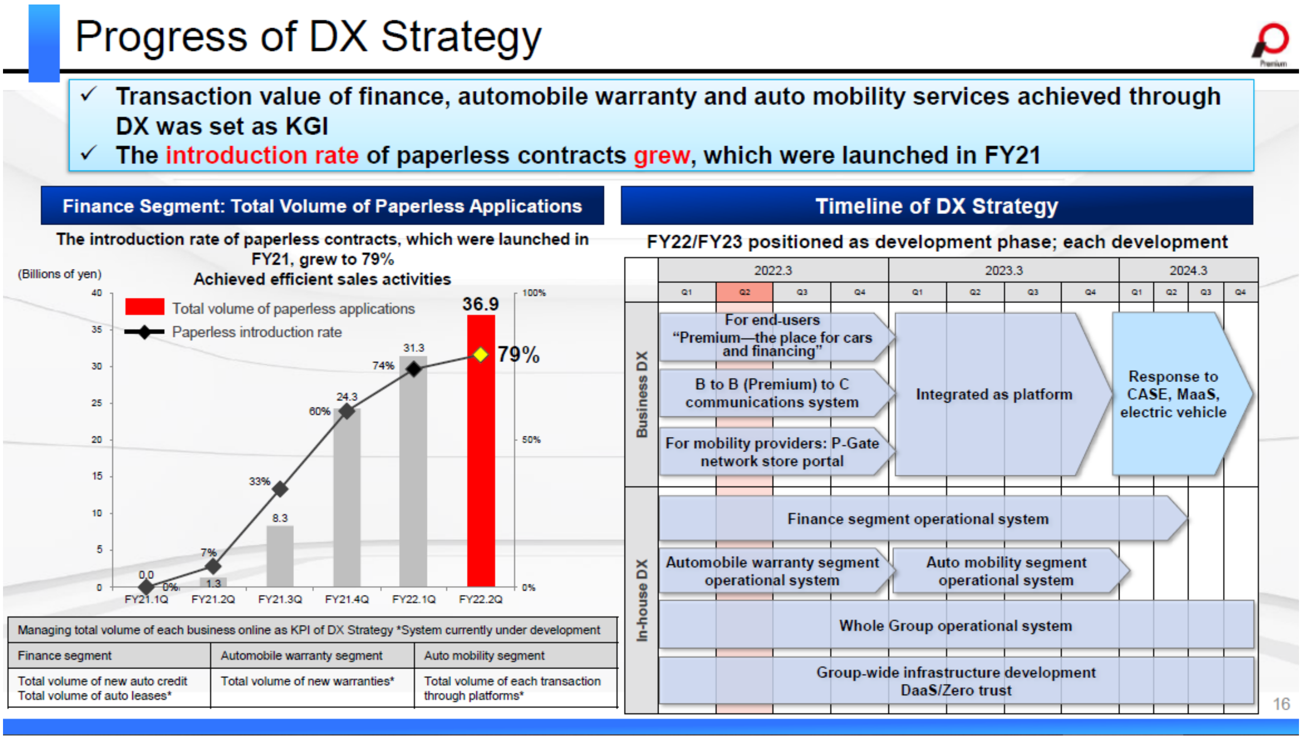
In the Warranty business, we hope to release a new system by the end of this fiscal year thanks to implementation of DX measures. We would also like to make the warranty application process paperless.



Finally, the Mobility Services segment, which we started on a full-scale last year, is growing very strongly.

As for sales revenue, it grew by 133.8% from the same period last year, meaning that we went from sales of JPY560 million to JPY1.3 billion. Along with this Mobility Services business, we had set a target of building a maintenance network of 3,000 companies for the time being, but we have already reached this goal with a total of 3,160 companies. This means our initial target of building a nationwide network of 3,000 maintenance shops has been surpassed.

We'd like to include 1,500 of these 3,000 companies into our FIXMAN Club paying membership network. We aim to secure reach this target as early as possible by expanding contents for members. Now that we have secured a foundation of 3,000 companies, I think we will be able to gain momentum in the future.

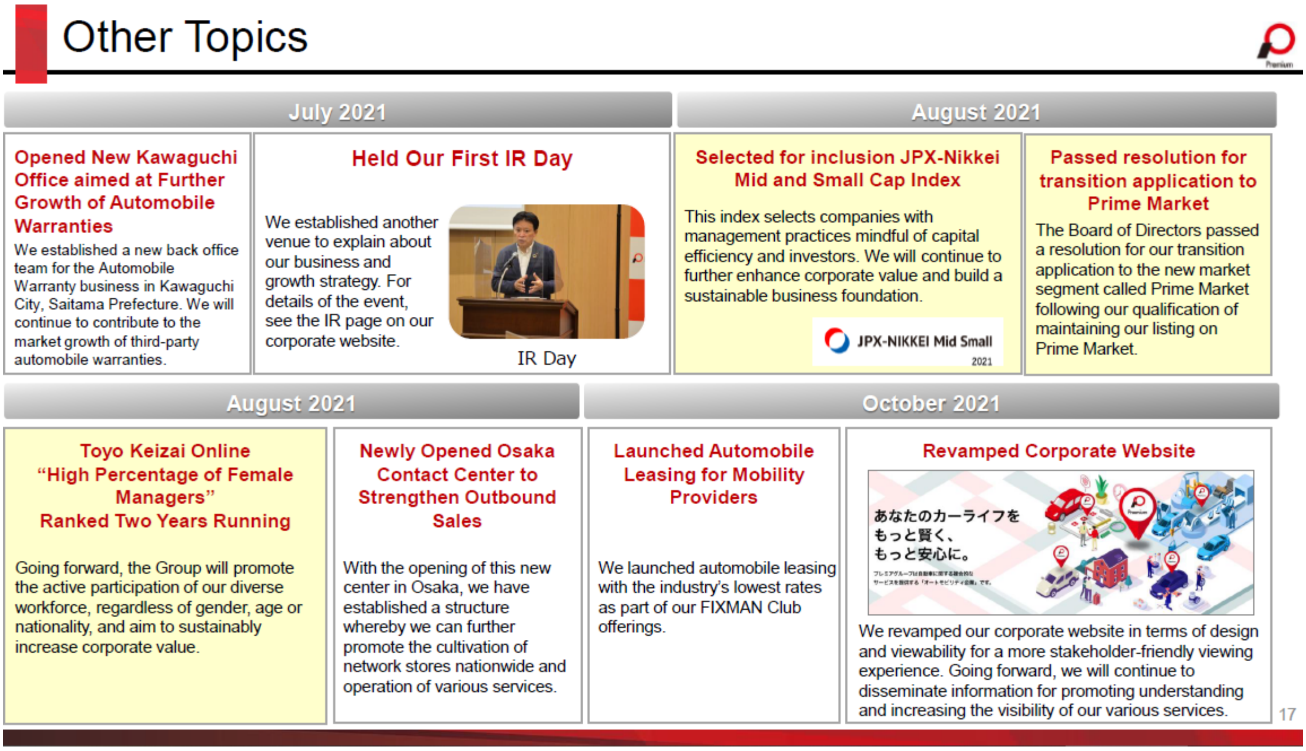


We are promoting DX in all our businesses and in all of our operations. We would like to set a KGI for the number of transactions achieved thanks to digital transformation in our 3 business lines: Finance, Warranty, and Mobility Services.

The adoption rate of paperless finance contracts, which were implemented in the previous fiscal year, has been growing steadily. Now, almost 80% of applications are paperless. This obviously improves sales efficiency but also contributes to decarbonization by reducing paper consumption.

In addition, as you can see in above, our strategy for DX includes a strategy for end users, those who own cars and those who buy cars. Since we have many merchants, we can use DX as a B-to-B communication tool as well. In addition, the Mobility Services business does not target merchants only but also repair shops and other mobility businesses we collaborate with. We would like to create a next-generation platform that will be able to handle subscriptions and have it completed by March 2023.

In conjunction with this, we would like to develop our own Group-wide operational system and a Group-wide infrastructure during this period.



Other topics for the first half of this fiscal year include the expansion of our Warranty business with the establishment of a new warranty back-up office in July, as well as our first-ever IR Day, where we held a Company information session.

In August, we were selected for the JPX-Nikkei Mid and Small Cap Index and we were also notified that our stock met the criteria for listing on the Prime Market. We have agreed internally to submit our application for a transition. In August, Toyo Keizai Online ranked us among the companies with the highest percentage of female managers for the second year in a row. We are also expanding our contact center in Osaka.

In addition, in October, we will be offering low-cost leases of loading vehicles to mobility businesses. We have also renewed our corporate website, so I hope you will look at it.

This concludes our explanation of the financial results for the second quarter of the fiscal year.

If there are any points that were not covered in today's presentation, or if you require more detailed explanations, we are happy to meet with institutional investors and analysts individually, so please contact us through the IR Contact section of our website.

Last, we are making steady progress toward the realization of our medium-term management plan for 2023. As a Company in the auto-mobility sector, we aim to further expand, and we hope that you will continue to have high expectations for us.

Thank you very much for your attention today.

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