Premium Group Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2022

May 6, 2022

Event Summary

[Company Name]	Premium Group Co., Ltd.
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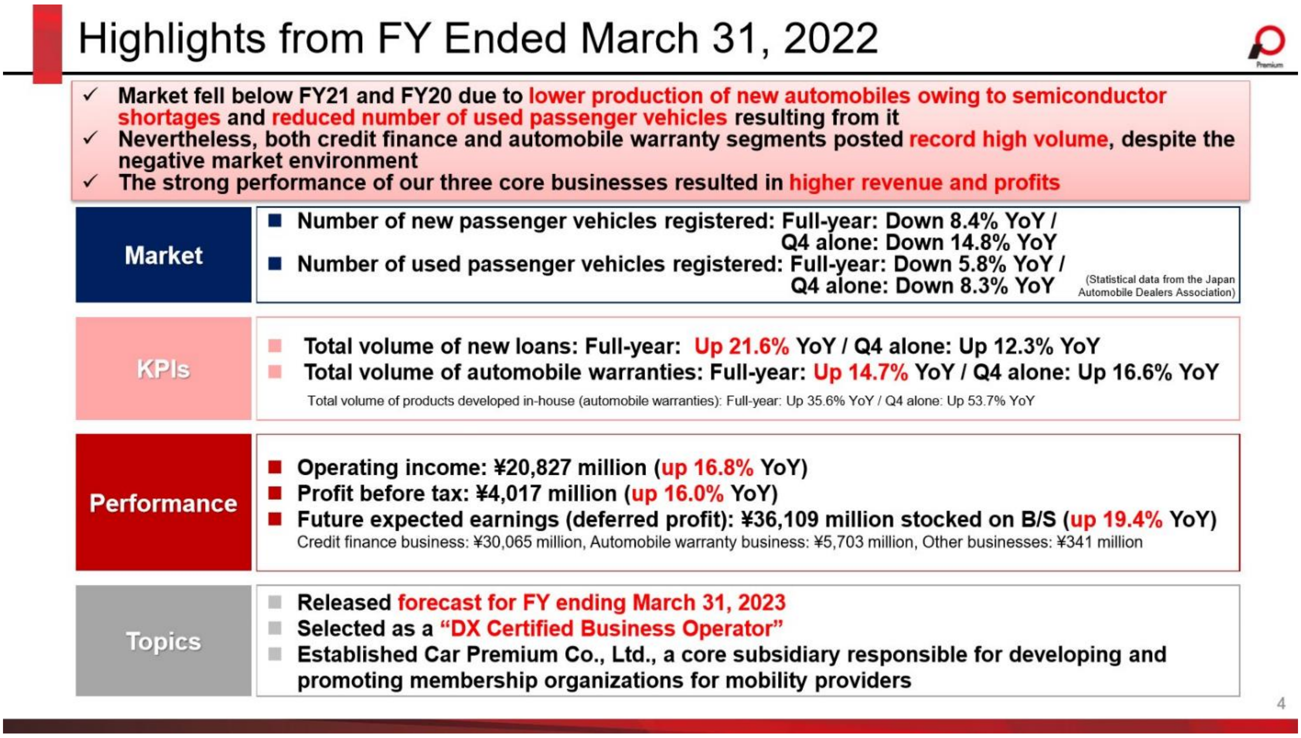
[Participants]	
[Number of Speakers]	1 Yohichi Shibata President and CEO

Presentation

For today's agenda, I will explain an overview of the financial results for the fiscal year ended March 31, 2022, and dividend forecast for the current fiscal year ending March 31, 2023.



This is a summary of the highlights.

First, the car industry, especially the production of new cars, has been very sluggish due to the ongoing shortage of semiconductors. The used cars market itself is trending significantly lower than the previous year, and two years ago as well, due to a shortage of used cars in circulation.

On the other hand, despite these adverse market conditions, both our credit and automobile warranty segments posted record high transaction volumes. As a result, the three main businesses are performing well, ending the year with increased revenues and profits.

As I have just explained to you about the market, new car registrations for the full year were 91.6% compared to the previous year, and 85.2% for Q4 alone. In Q3 and Q4, the production is still not keeping up with the number of registrations for new cars.

We have been able to maintain double-digit growth in the market, with the top-line credit transaction volume at 121.6% YoY, and the automobile warranty volume at 114.7% YoY for the full year.

Regarding business performance, operating income was JPY20.83 billion, 116.8% of the previous year's level. As for income before income taxes, the Company closed at JPY4.02 billion, 116% of the previous year's level.

The future expected earnings are JPY36.11 billion, approximately 120% of the previous year’s level, and we are in a situation where we have a solid stock of deferred earnings.

As for topics, we release our full-year earnings forecast for the current fiscal year, ending March 31, 2023, in this earnings release.

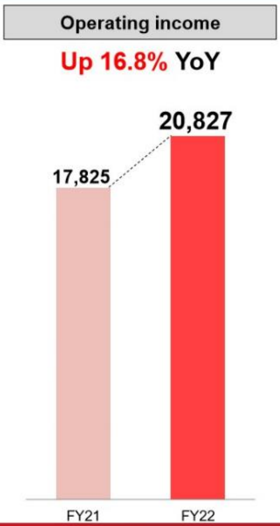
In addition, we were selected as a DX Certified Business Operator on May. We also established a subsidiary, Car Premium Co., Ltd., whose core business is to develop and promote membership organizations for mobility providers. We hope to explain this area in detail later in the topics section.

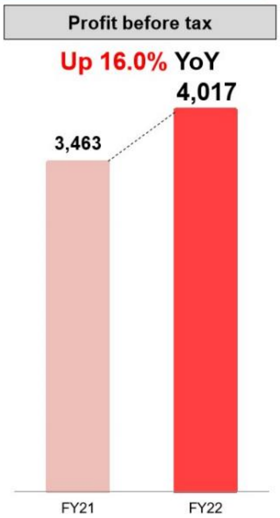
Consolidated Performance

(Graph/table unit: millions of yen)

- ✓ **Expansion of the three core businesses drove operating income higher by 16.8% YoY to ¥20,827 million**
- ✓ **Profit before tax totaled ¥4,017 million (up 16.0% YoY) due to lower operating expenses from DX and Group synergies**

	FY21	FY22	YoY change
Operating income	17,825	20,827	+16.8%
Other income	694	47	–93.2%
Operating expenses	14,891	16,992	+14.1%
Profit before tax	3,463	4,017	+16.0%
Profit attributable to owners of parent	2,383	2,941	+23.4%
Basic earnings per share (yen)	186.74	229.39	+22.8%





Note: Part of other financial expenses for FY21 were transferred to operating expenses.

5

These are consolidated results.

The cores main businesses have expanded their operations steadily, contributing to an operating income of JPY20.8 billion, an increase of approximately 17% from the previous year.

We have been able to reduce operating expenses significantly by exercising DX and group synergies. Thanks to these efforts, income before income taxes was JPY4.02 billion, slightly higher than the upwardly revised figure made in Q3. Net income was JPY2,941 million, and earnings per share was JPY229.39, also an increase of more than 20%.

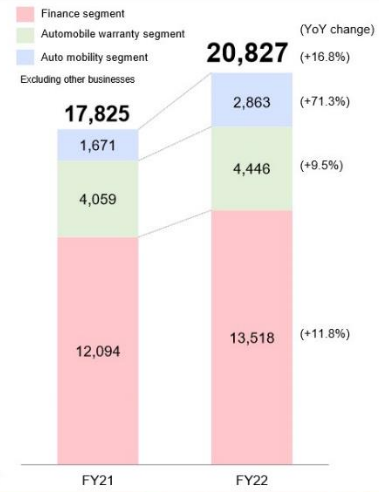
Performance by Segment

(Graph/table unit: millions of yen)

- ✓ Each segment posting steady **growth in operating income**
- ✓ Profit growth of new auto mobility segment results driven by sales of parts and automobile wholesaling

	FY22	
	Operating income	Profit before tax
Finance segment –Composition– Credit, lease, servicer	**13,518** Up 11.8% YoY	**3,099**
	Growth of loan receivables and performance of servicer contributed to performance	
Automobile warranty segment –Composition– Automobile warranty services	**4,446** Up 9.5% YoY	**637**
	Warranty growth and control of cost due to inter-Group synergies contributed	
Auto mobility segment –Composition– Parts sales, software sales, automobile wholesaling, automobile maintenance, etc.	**2,863** Up 71.3% YoY	**26**
	Gross profit grew despite being in business investment phase.	
Other businesses	**0.7**	**255**
Total	**20,827**	**4,017**

Operating Income by Segment



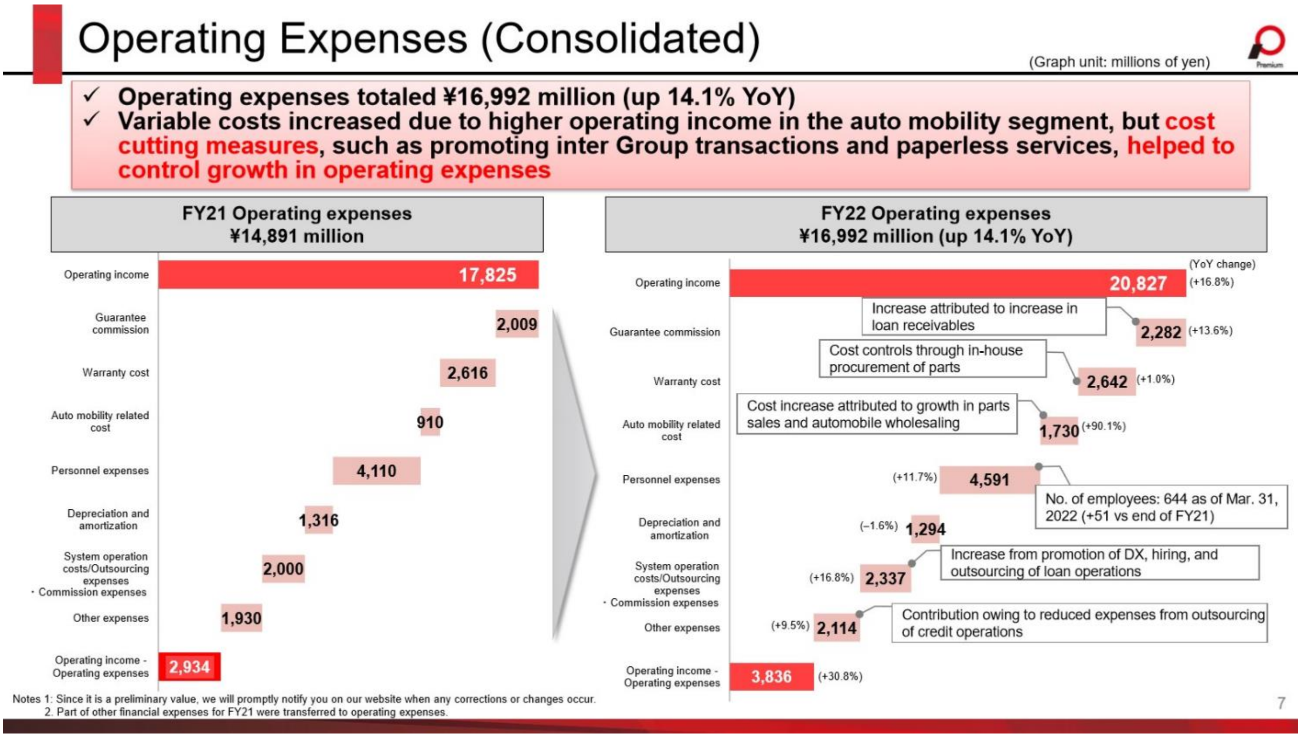
Notes: 1. Includes profits and losses from other businesses not included in reporting segments, netting of inter Group transactions and company wide profits and losses.
2. Segment classification was changed from FY22. Profits and losses for each segment in FY21 is reflected only to the extent practicable.

6

The following are the results by segment.

We are currently promoting three core businesses: finance segment, automobile warranty segment, and auto mobility segment. Operating income is steadily increasing in all three segments.

Particularly in the new segment, auto mobility services, sales of parts and wholesale sales of vehicles are driving revenue growth.



Next, here is how operating expenses are shifting.

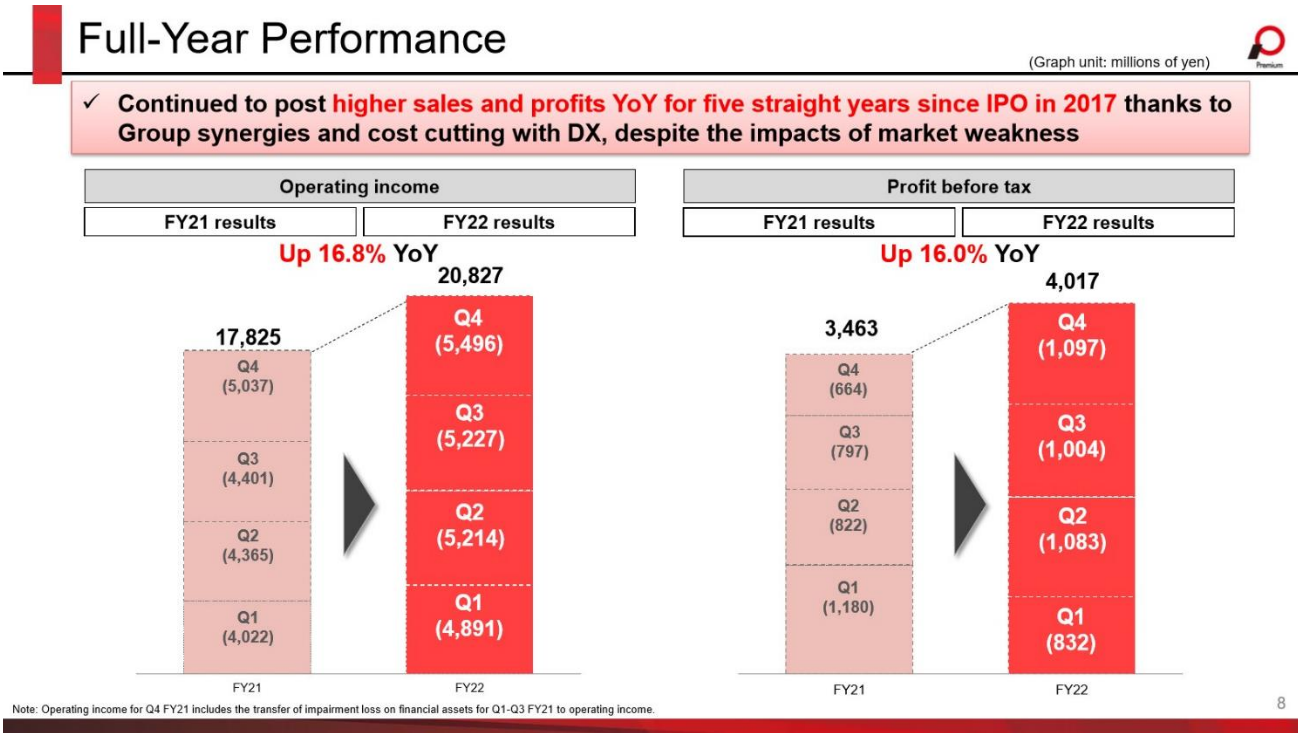
Operating expenses were JPY17 billion, 114% of the previous year's level, slightly lower than the ratio of operating revenues.

As I mentioned earlier, the promotion of intergroup transactions and the paperless system associated with DX are growing steadily, and cost-cutting measures are holding down the increase of operating expenses.

The cost of automobile warranty, at JPY2,642 million, was significantly reduced by procuring parts in-house and utilizing our own network of garages

In addition, each system operation, outsourcing, payment fees, and such are also kept at a low growth rate, as shown in the other expenses section.

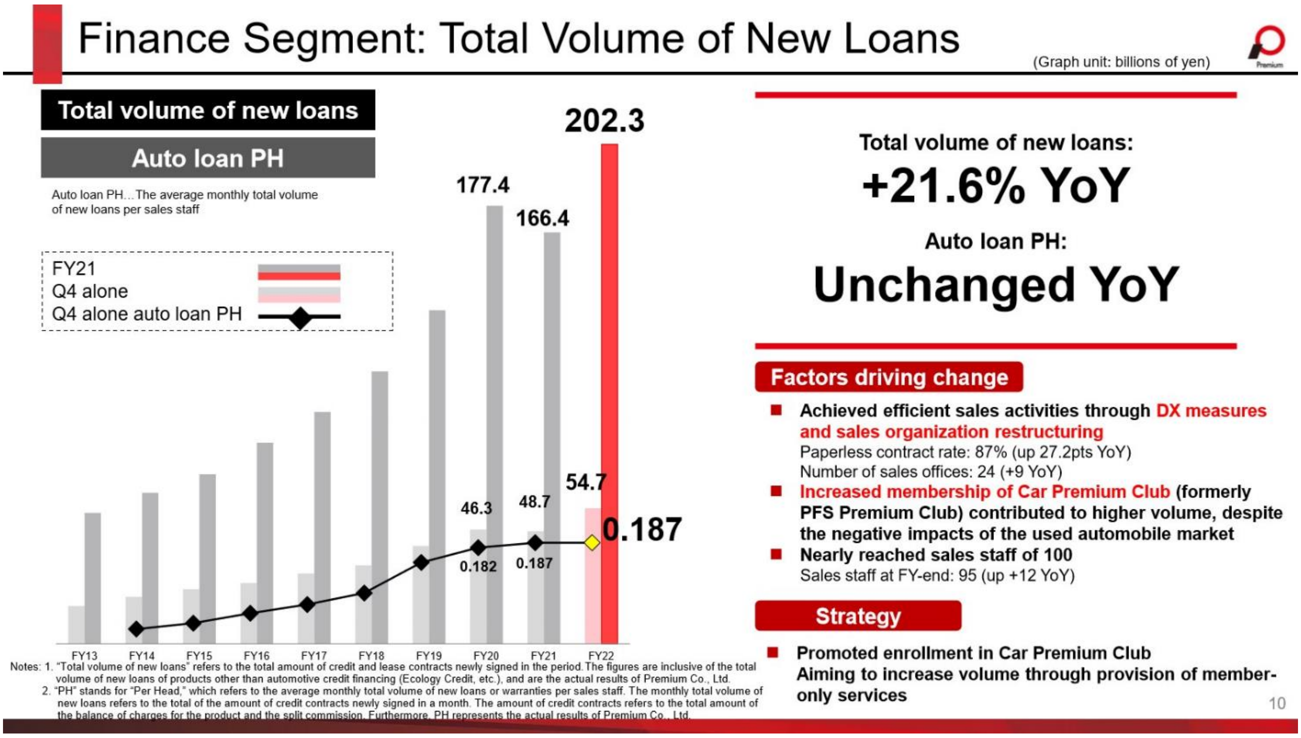
As for the cost of parts and auto mobility-related costs, since there has been an increase in operating revenue, these costs have increased accordingly. I think it’s okay to consider this as an increase in variable cost.



This is the full-year results.

The following chart compares quarter-by-quarter changes in operating income and income before income taxes.

Even though we were slightly negative in Q1, we were able to catch up in the second half and finally achieved a double-digit YoY increase, up 16% over the previous year. We have been listed on the stock exchange since 2017. Since our listing, we have had five consecutive quarters of increased sales and profits.



I will then present an overview of each of the three business segments. First, I would like to explain our finance segment .

For FY22 under review, it was JPY202.3 billion, surpassing JPY200 billion for the first time, 120% of the previous year's figure. Although there was a slight drop in the previous fiscal year due to COVID-19, this fiscal year, we are firmly on track to surpass the previous year, as well as two years ago.

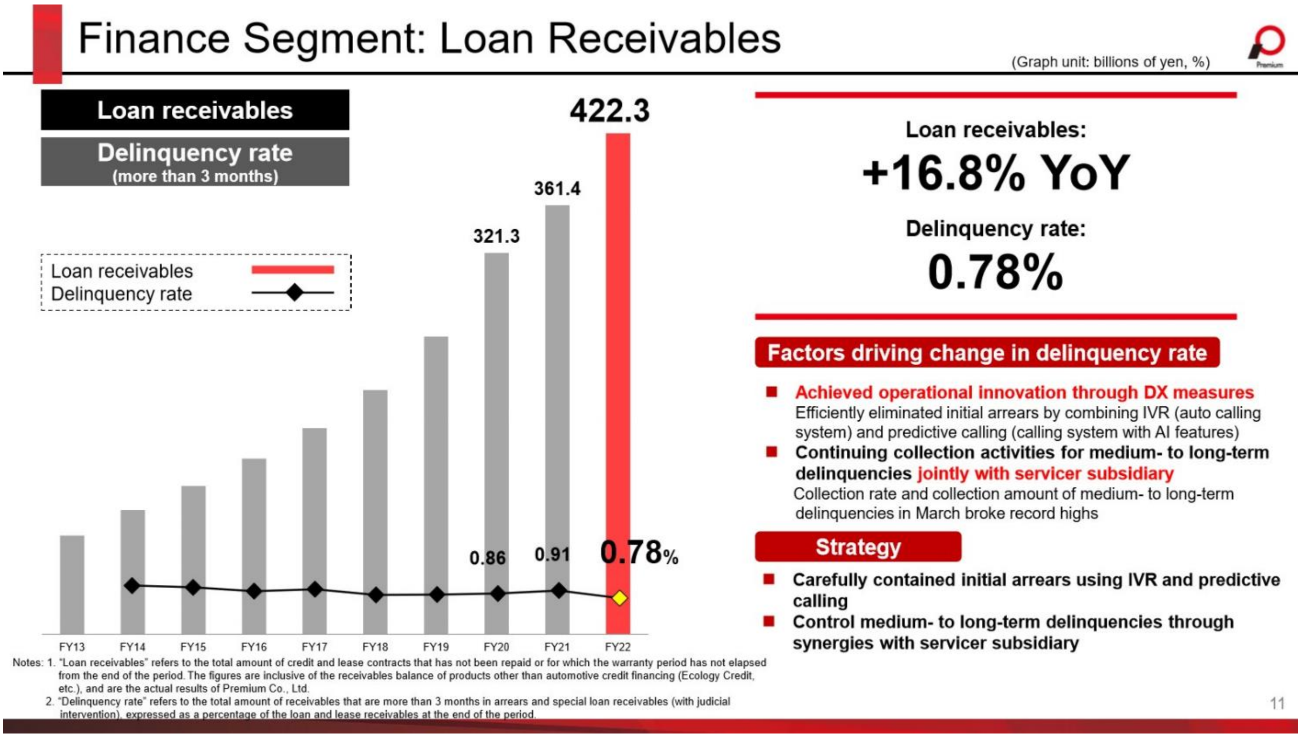
The first factor behind this change is that efficient sales activities were achieved through DX measures. By firmly reorganizing our sales organization accordingly, we have been able to turn around efficiently.

Despite the negative impact of the used car market, we were able to dramatically increase the number of members of the Car Premium Club, a membership organization which also contributed to the increase in transaction volume.

The sales force of 100 staff has been generally achieved. Auto loan PH was JPY187 million, almost the same level as the previous year.

However, we are making a slight change in our sales structure this year in line with DX promotion, and we believe that we will be able to increase PH in the future by firmly including this turnover.

As for future strategies, we will continue to promote the Car Premium Club network, as we did in the previous fiscal year, and aim to increase transaction volume through the provision of exclusive services.



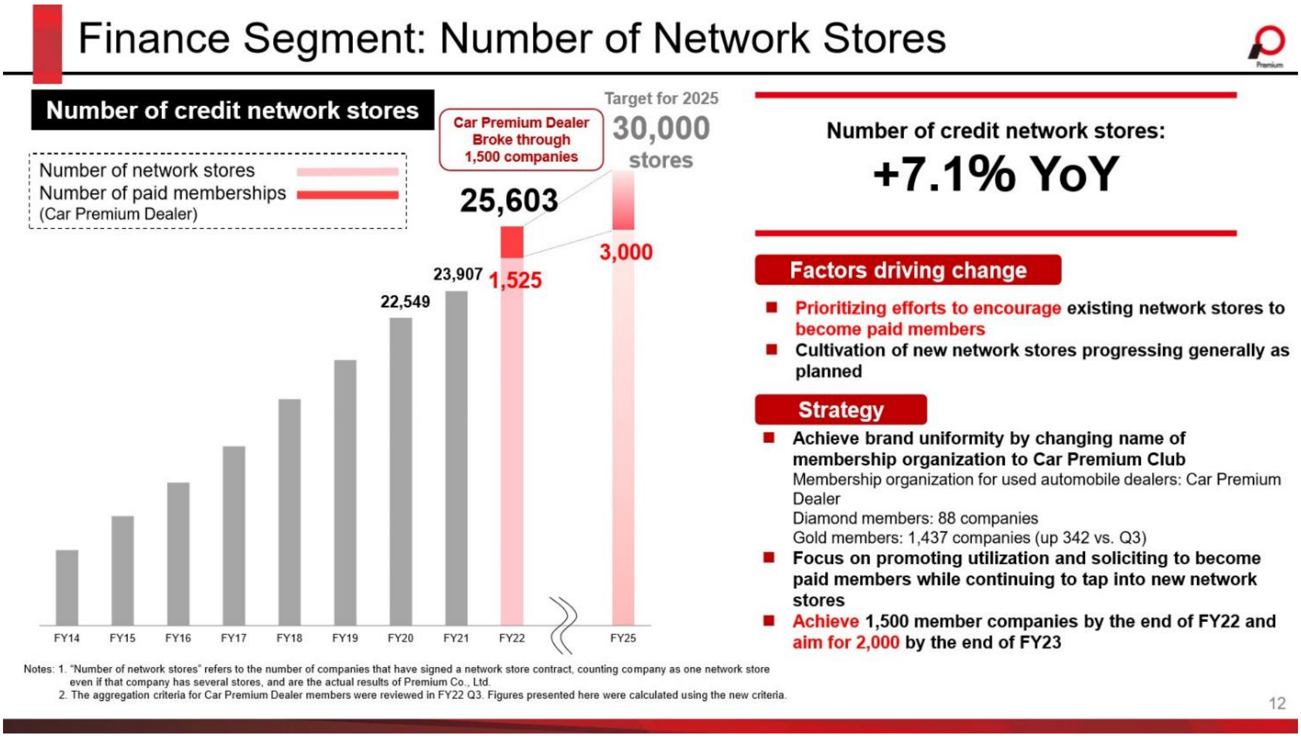
The balance of loan receivables also exceeded JPY400 billion. The balance has also increased solidly at 116.8% of the previous year. For the fiscal year under review, we were able to keep the delinquent rate at an all-time low.

The ratio was 0.91% in the previous fiscal year, but 0.78% this fiscal year, and we are making solid progress in accumulating quality loans.

One reason for this change is that in the credit management division, as in the sales division, we are promoting DX to achieve operational innovation.

We believe that the low number of delinquent loans is due to our efforts to efficiently resolve initial delinquencies by using IVR and AI-based call systems in combination.

In addition, we continue collection activities in cooperation with servicer subsidiaries, working closely with them on medium- to long-term delinquent loans. We intend to continue this strategy regarding debt collection to further achieve operational innovation with greater efficiency.



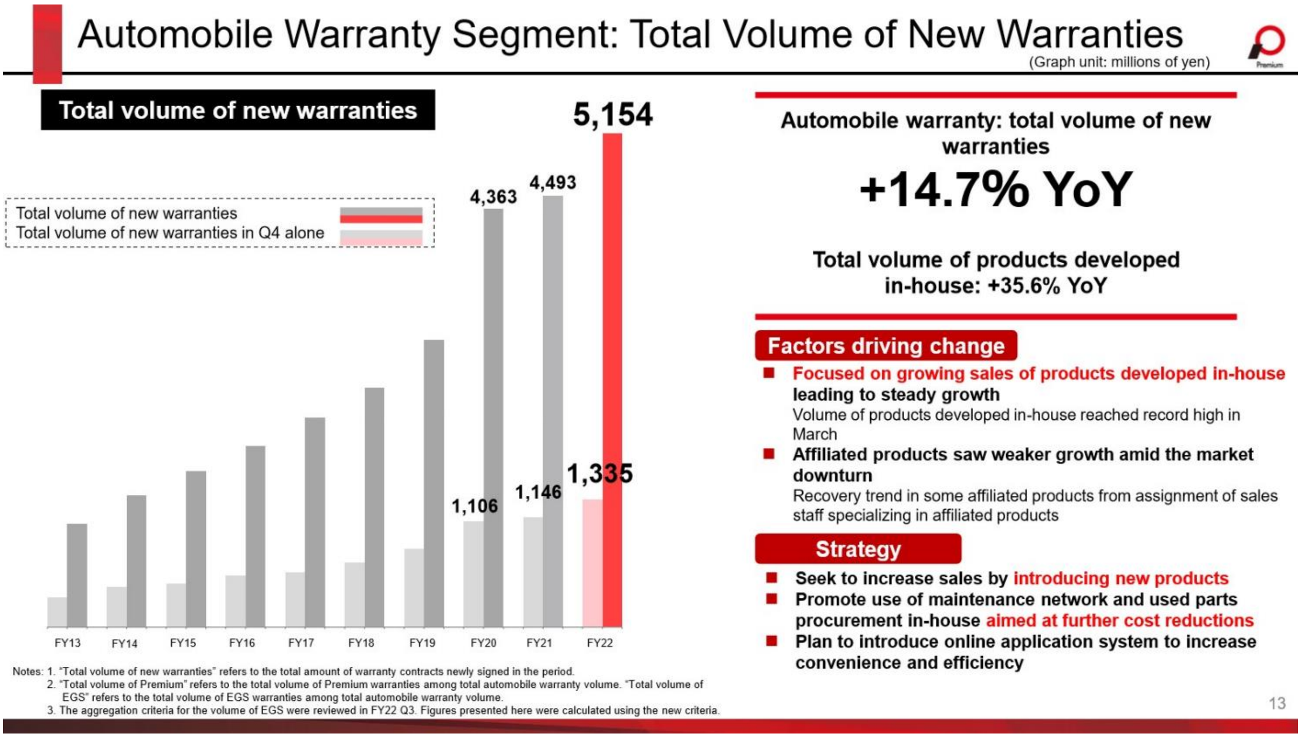
This is the number of network stores.

It was 23,907 companies in the previous fiscal year and 25,603 companies in this fiscal year, and the growth rate was slightly less than 10%.

As I mentioned earlier, we prioritized the conversion of existing member agencies into paying members, and the number of paying members exceeded 1,500 in this fiscal year.

The number of new network stores is progressing as planned.

We will continue to unify our branding of this paid membership in the form of the Car Premium Club, and we hope to surpass the 2,000-company mark by the end of current fiscal year.



The next section shows the transaction volume of the automobile warranty segment.

In the previous fiscal year, the transaction volume was approximately JPY4.5 billion, but this fiscal year, we achieved JPY5.15 billion, up 14.7% over the previous year.

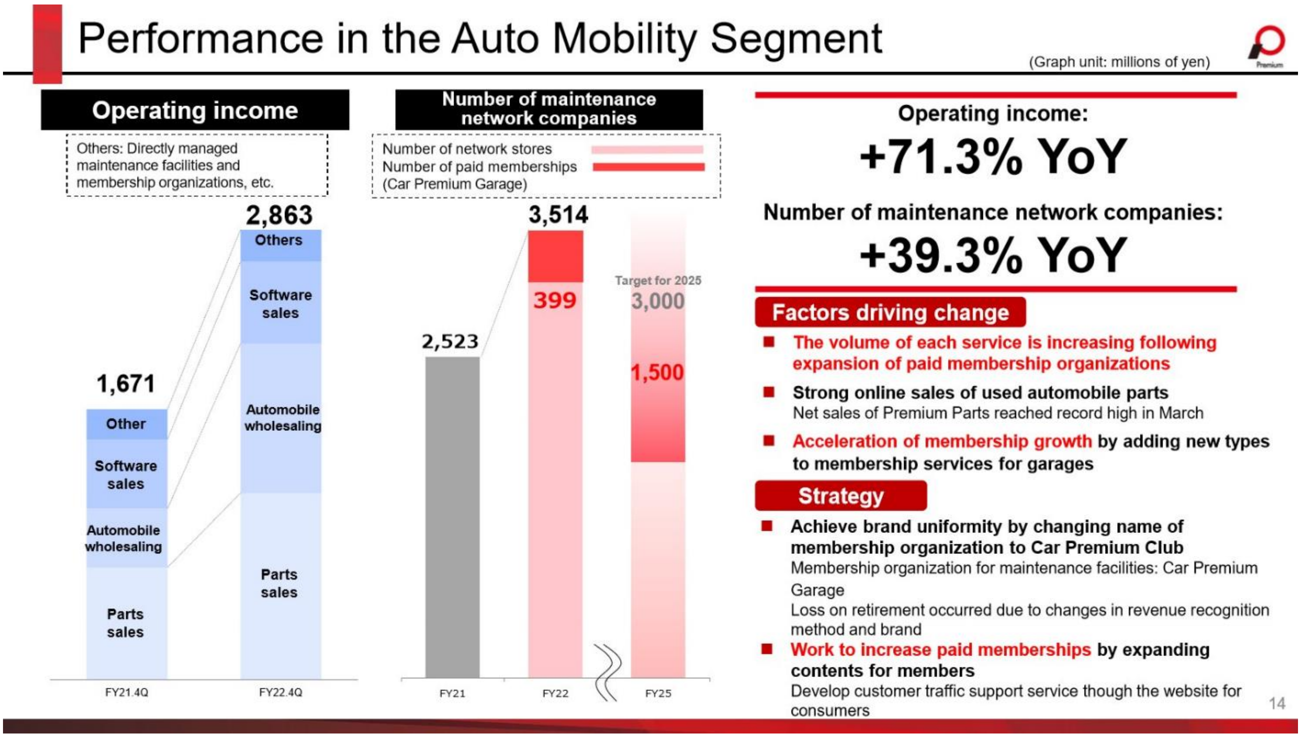
In an extremely difficult market environment, we have a market share of more than 70% for this automobile warranty, so we are very susceptible to market influences. Under this situation, we have been able to record significant growth in this area, with solid double-digit growth, and also 135.6% with respect to the volume of in-house products handled.

We will continue to pay close attention to expanding sales of these in-house products to ensure steady growth.

We will aim for sales expansion by introducing new products.

In addition, as I explained in the section on operating expenses, we would like to further reduce costs by using our own maintenance network for incoming vehicles, and by using used vehicle parts that we provide ourselves.

We also intend to start online applications for automobile warranty in the current fiscal year as part of DX.



Next, I would like to discuss the performance trends of the auto mobility segment.

First, operating revenues significantly increased by 71.3% YoY. The number of used cars registered in the market is decreasing. This has had an impact on our operating revenue, but we have achieved significant growth in wholesale sales of vehicles and parts sales.

I mentioned earlier with the Car Premium Club, we are also building a maintenance network in our auto mobility segment. We have now a network of 3,514 premium maintenance shops (free membership organization) nationwide.

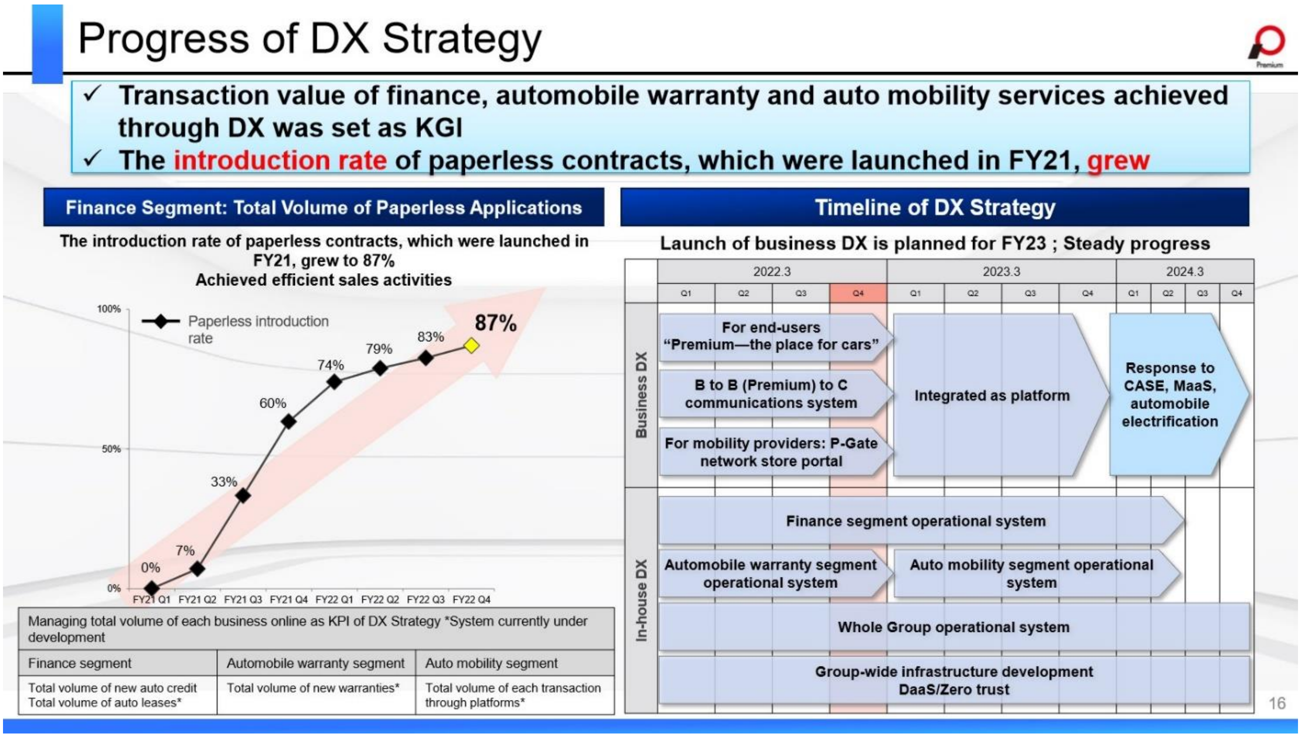
In addition, among them, we have been able to convert the higher quality areas into paid memberships, and in the fiscal year under review, approximately 400 paid memberships have been created.

In the area of used auto parts, web-based sales have been strong, and we intend to expand our memberships.

Although we have been using the name FIXMAN Club for the maintenance network, we would like to unify the branding of the sales network in the same way as the Car Premium Club, with Car Premium Dealers for sales and Car Premium Garage for maintenance. In this way, we would like to strengthen the branding strategy of Car Premium.

In the fiscal year under review, there was a slight loss on disposal due to the rebranding, and a change in the accounting method for membership fees, which resulted in a slight decrease in operating revenue. However, the actual profit and gross profit have been solidly increasing, and we are now in the black and profitable.

In addition, by expanding the contents for members of the Car Premium Club, the new company, Car Premium, will also promote the development of paying members.



Next, other topics.

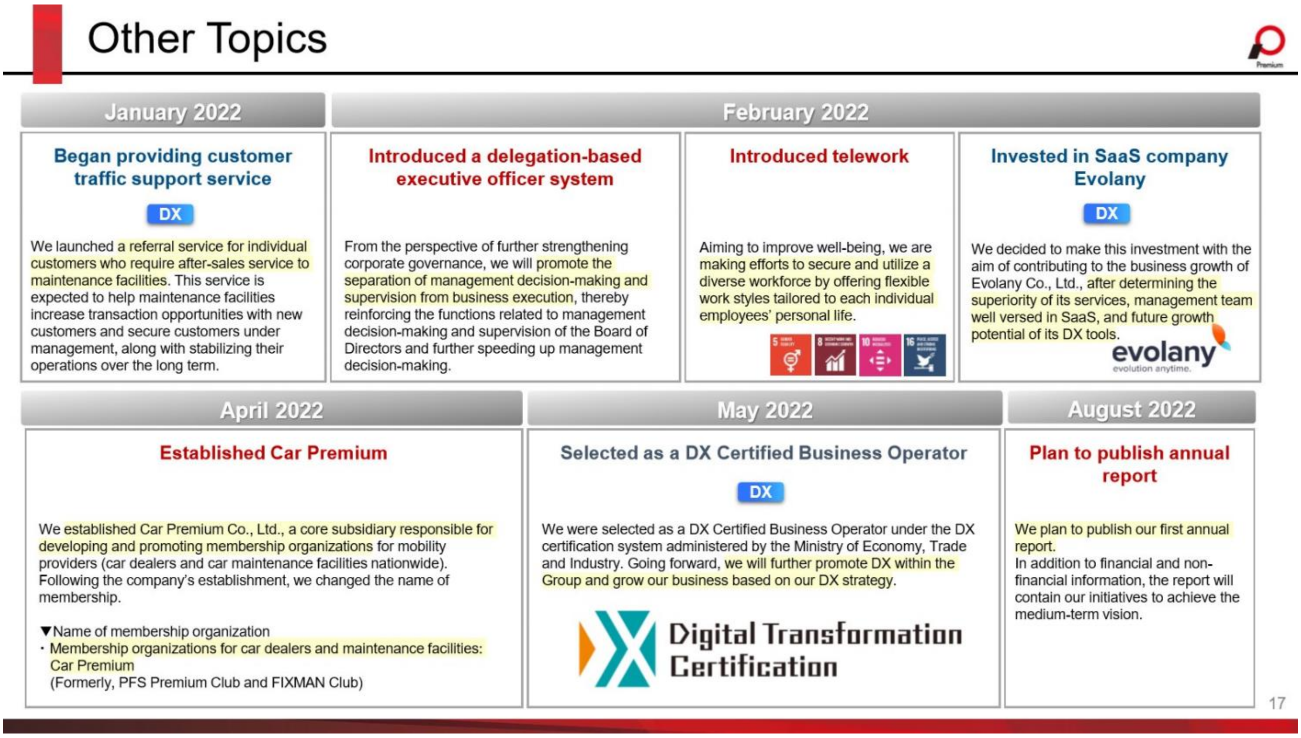
First, we received DX certification from the Ministry of Economy, Trade, and Industry in May.

KGIs have also been set for the number of transactions related to the three businesses. In particular, the introduction of paperless credit contracts, which was started in the previous fiscal year, has increased to nearly 90%, even though it has only been about two years since the introduction rate began in Q1 of 2021.

This is the basis for very efficient sales activities.

We would like to further increase this percentage so that we can achieve 100% as soon as possible.

In addition, as shown in the table below, we are promoting the development of DX for each business and DX for internal use, while drawing a firm timeline and matching it to that timeline.



In terms of personnel, we have introduced a delegation-based executive officer system to separate management and execution. To emphasize management and supervision of business execution, the Board of Directors has raised the ratio of outside directors to 50%, although this is a matter to be resolved at the General Meeting of Shareholders.

In addition, we have introduced a separate telework position to provide a flexible work style that allows employees to work in a variety of ways.

In April, we established a separate subsidiary, Car Premium Co., Ltd., to develop and promote our network membership organization. This company will firmly expand, promote, and manage our network.

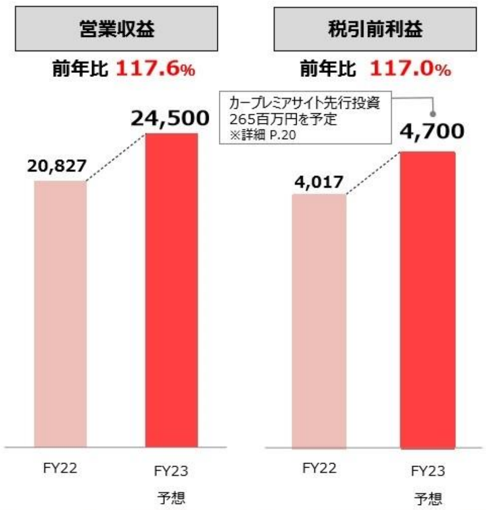
We also plan to publish an annual report in August of this year and are currently in the process of preparing it.

2023年３月期　通期連結業績予想及び配当予想

（表・グラフ単位：百万円）

- ✓ 営業収益は245.0億円、税引前利益は47.0億円、６期連続増収増益を予想
- ✓ 昨今の外部環境を加味し、新車生産と中古車流通はトレンドが継続すると想定
- ✓ 年間配当は通期で９円の増額と予想

	2022年３月期	2023年３月期　予想		
			前年比（増減）	前年比（率）
営業収益	20,827	24,500	3,673	117.6%
税引前利益	4,017	4,700	683	117.0%
親会社の所有者に帰属する当期利益	2,941	3,400	459	115.6%
基本的１株当たり当期利益（円）	229.39	264.59	35.2	115.3%
年間配当額(円)	51	60	9	117.6%



19

Next, I would like to explain our financial results forecast for the current fiscal year, as well as our dividend forecast.

First, for FY23, we forecast operating revenue of JPY24.5 billion and income before income taxes of JPY4.7 billion, both up 17% YoY, representing the sixth consecutive year of growth in both revenue and income.

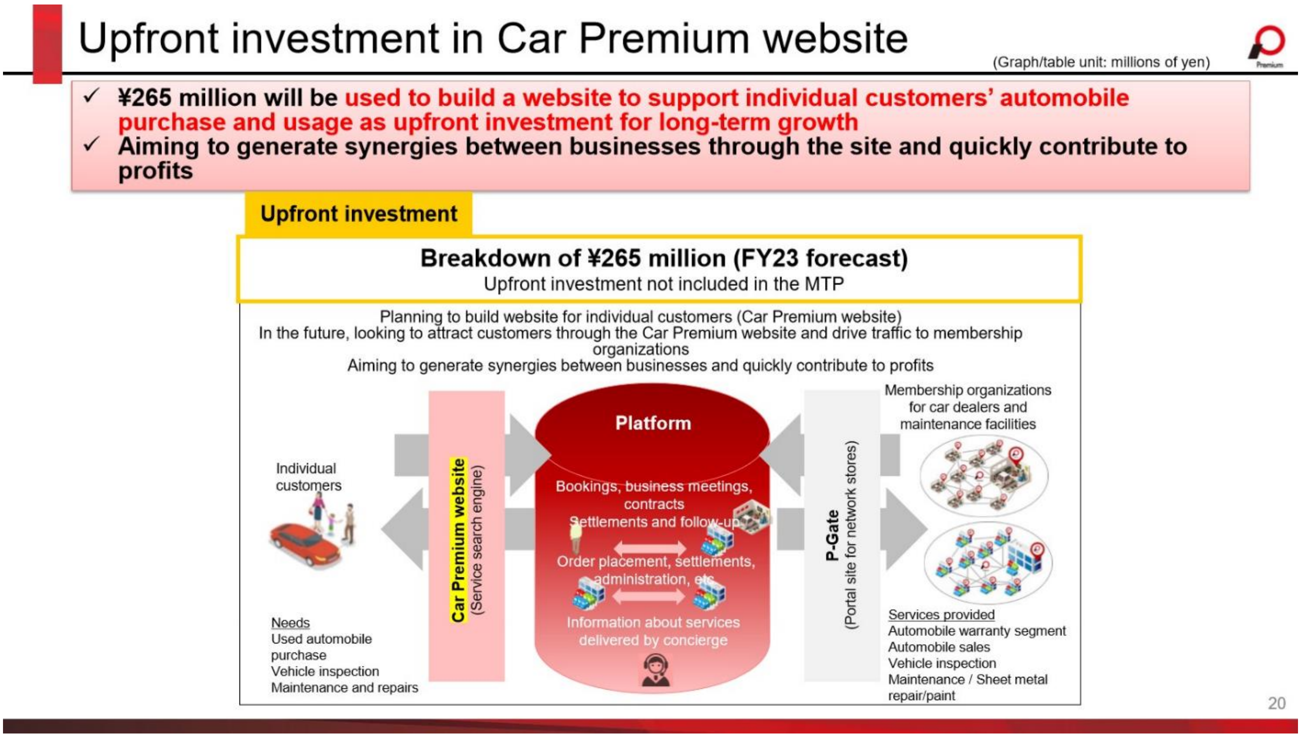
We have created this plan, considering the recent external environment and, the current trends in new car production and used car distribution. We have created these figures based on the assumption that these trends will continue in the next fiscal year.

The annual dividend is expected to increase by JPY9, from JPY51n in the previous fiscal year to JPY60 in the current fiscal year.

In addition, as for pre-tax income, although I have just explained it at JPY4.7 billion, we had projected pre-tax income of JPY4.9 billion in the mid-term plan.

We would like to make an upfront investment of just under JPY270 million for the Car Premium site for our customers this fiscal year. After this upfront investment, we project pre-tax income of JPY4.7 billion.

Net income, considering the effective tax rate, is JPY3.4 billion, which I believe is more than the figure in the mid-term plan.



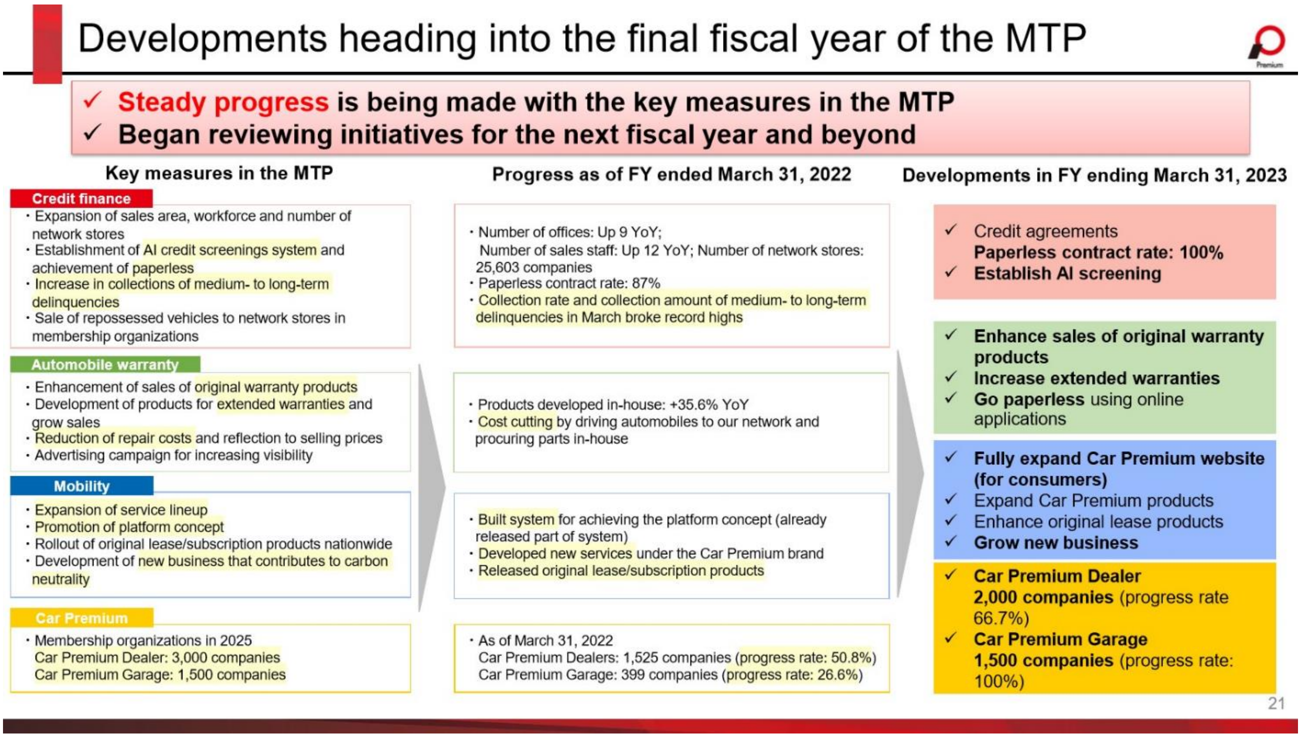
Finally, I would like to explain this upfront investment of approximately JPY270 million in the Car Premium site.

We consider this an upfront investment for our medium- to long-term growth. As an auto-mobility service provider, we plan to use this investment to build a website to support individual customers who want to buy or repair a car.

As you can see in the figure, this platform will be used for the P-Gate portal site for member shops shown on the right side, which has been renewed for some time.

For individual customers, we have the Car Premium site, shown on the left. This is an entrance for customers to enter our platform. By incorporating the Car Premium site and the service search site in upfront investment, we hope to attract and send customers through P-Gate to our network members.

This will allow us to create synergies in each of our businesses, and we hope to contribute to profits as soon as possible.



The priority measures identified in the medium-term management plan are progressing well. This fiscal year is the third term of VALUE UP 2023. The left-hand side of the chart shows the priority measures set forth in the mid-term business plan.

We are operating in four segments; Finance, Automobile Warranty, Mobility, and Car Premium, which started in the current term. The progress made as of the end of the previous fiscal year is listed in the middle of the chart.

InFY23, we intend to further enhance the value of the Company, thereby firmly realizing the medium-term management strategy set forth in this medium-term business plan. We believe that it will lead us to the next medium-term business plan.

This concludes our presentation of financial results for the fiscal year ended March 31, 2022.

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.

Finally, we are accelerating our efforts to realize the mid-term management plan in the final year of the plan, the fiscal year ending March 31, 2023.

As an automobility company, we aim for further expansion, and we hope that you will continue to have high expectations for us.

Thank you very much for your attention today.

[END]

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Document Notes

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