Premium Group Co., Ltd.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2021

February 5, 2021

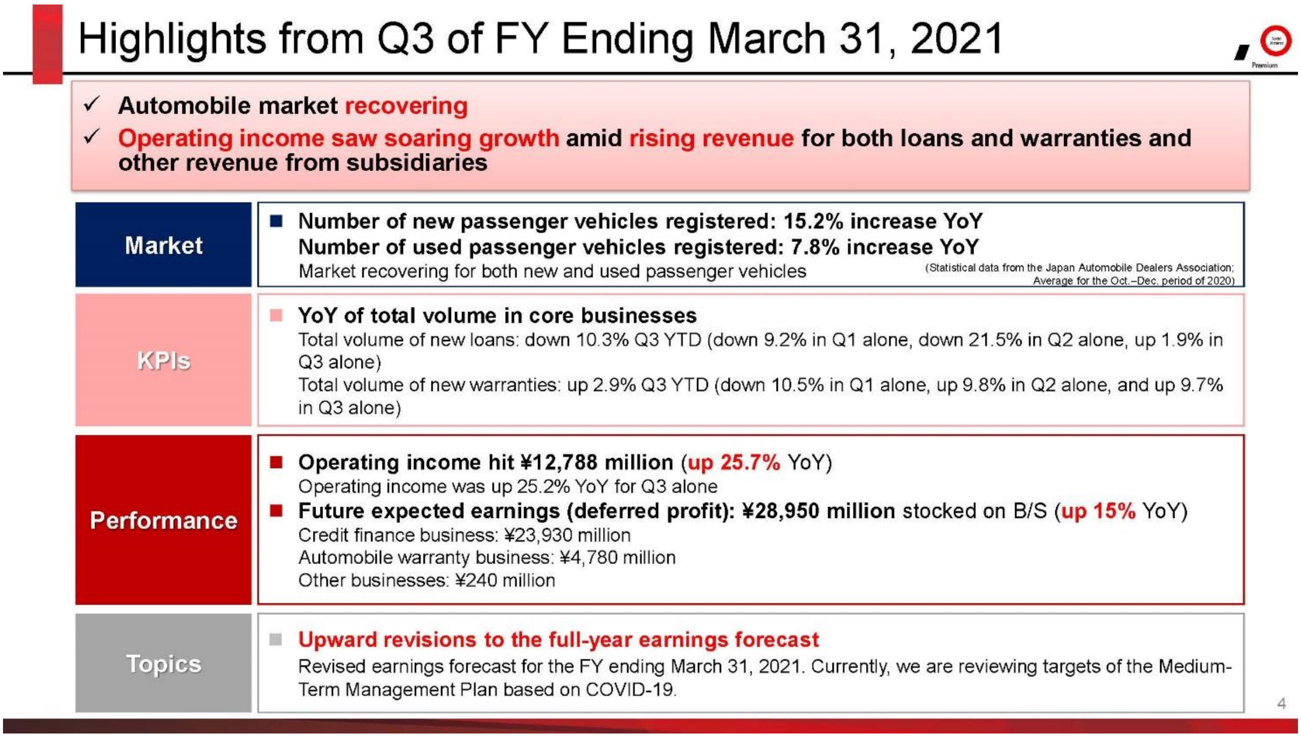
Event Summary

[Company Name]	Premium Group Co., Ltd.
[Company ID]	7199-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending March 2021
[Fiscal Period]	FY2020 Q3
[Date]	February 5, 2021
[Number of Pages]	14
[Time]	15:00 – 15:18 (Total: 18 minutes, Presentation: 18 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	1 Yohichi Shibata President and CEO

Presentation

Shibata: Hello, everyone. I am Shibata, President and CEO of Premium Group Co., Ltd.

I would like to explain the financial results for Q3 of the fiscal year ending March 31, 2021.



First, I would like to provide a summary of the financial results for Q3.

As for the highlights from Q3, the automobile market environment is on a recovery track.

Our core businesses, the Credit Finance Business and the Automobile Warranty Business, both increased in sales. With the addition of earnings from subsidiaries, operating income has been growing steadily.

The market is on a recovery track, and the number of new passenger vehicles registered was 115% YoY. The number of used passenger vehicles registered was also 107.8%.

As for our main business, the Credit Finance Business that I mentioned earlier, the total volume of new loans in the first three quarters was less than 90%. However, the breakdown of this figure was 101.9% for Q3, which was higher than the previous year.

As for the volume of new warranties, the cumulative total for the three quarters was approximately 103%. If we look at Q3 only, it was 109.7%, which is the growth rate of almost 10%.

Operating income was JPY12.79 billion. Operating income for Q3 alone grew 25.7% YoY. Operating income is also growing steadily and significantly.

Future expected earnings or deferred profit will be JPY28.95 billion. The amount is approximately JPY29 billion, stocked on the B/S. This figure is up 15% YoY.

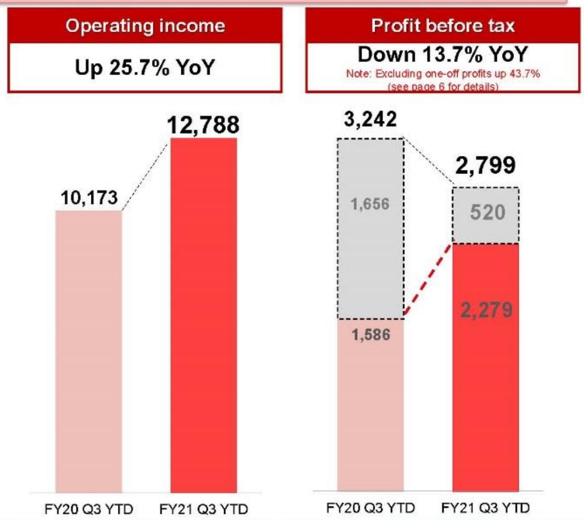
As for topics, we have made an upward revision to our full-year earnings forecast, which will be explained later. In addition, COVID-19 has been prolonged, and the emergency declaration has been extended. Based on this forecast of lengthening, currently we are reviewing targets of the medium-term management plan.

Consolidated Performance for Q3 of FY Ending March 31, 2021

(Graph/table unit: millions of yen)

- ✓ **Operating income totaled ¥12,788 million (up 25.7% YoY) on generation of stock (deferred profit) from business growth**
- ✓ **Profit before tax of core business excluding one-off factors totaled ¥2,279 million (up 43.7% YoY)**

	FY20 Q3 YTD	FY21 Q3 YTD	YoY change
Operating income	10,173	12,788	+25.7%
Other income	2,099 Changes in accounting estimates	653 Gain on bargain purchase from the acquisition of shares	–68.9%
Operating expenses	8,954	10,602	+18.4%
Profit before tax	3,242	2,799	–13.7%
Profit attributable to owners of parent	1,971	1,835	–6.9%
Basic earnings per share (yen)	149.77	143.86	–3.9%



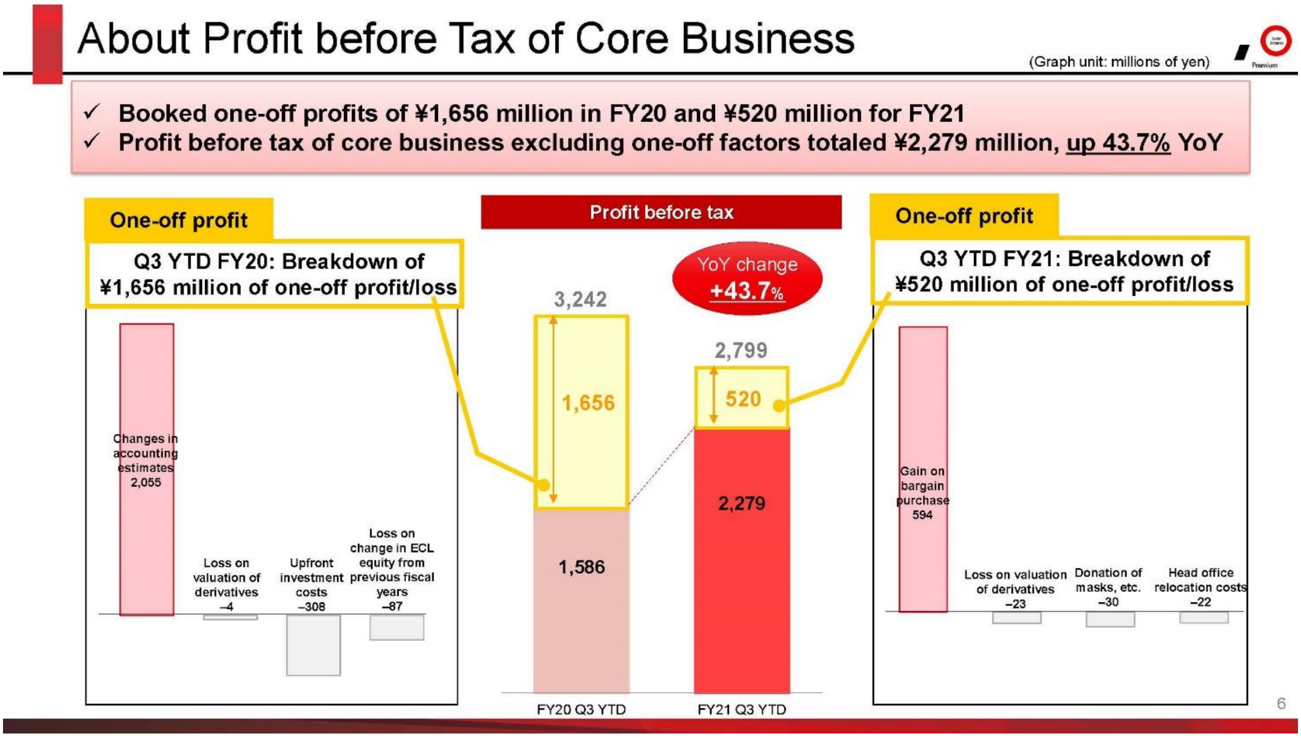
5

First, let's look at the consolidated performance.

Our business model is to realize future earnings from what we call "stock," which means that we are able to record solid past earnings, and even in this environment, we have recorded approximately JPY12.8 billion, a significant growth of 25.7% YoY.

Profit before tax of the core business was JPY2,799 million, which is 86.3% YoY. In the comparison of other income on the left side of this page, there was almost JPY2,100 million of one-off income in the previous fiscal year, but it was JPY653 million in this fiscal year.

Subtracting one-off expenses from this figure, the actual profit in the core business was JPY2,279 million, which is 143.7% excluding one-off profits. This is also a major factor, which will be explained in detail on the next page.

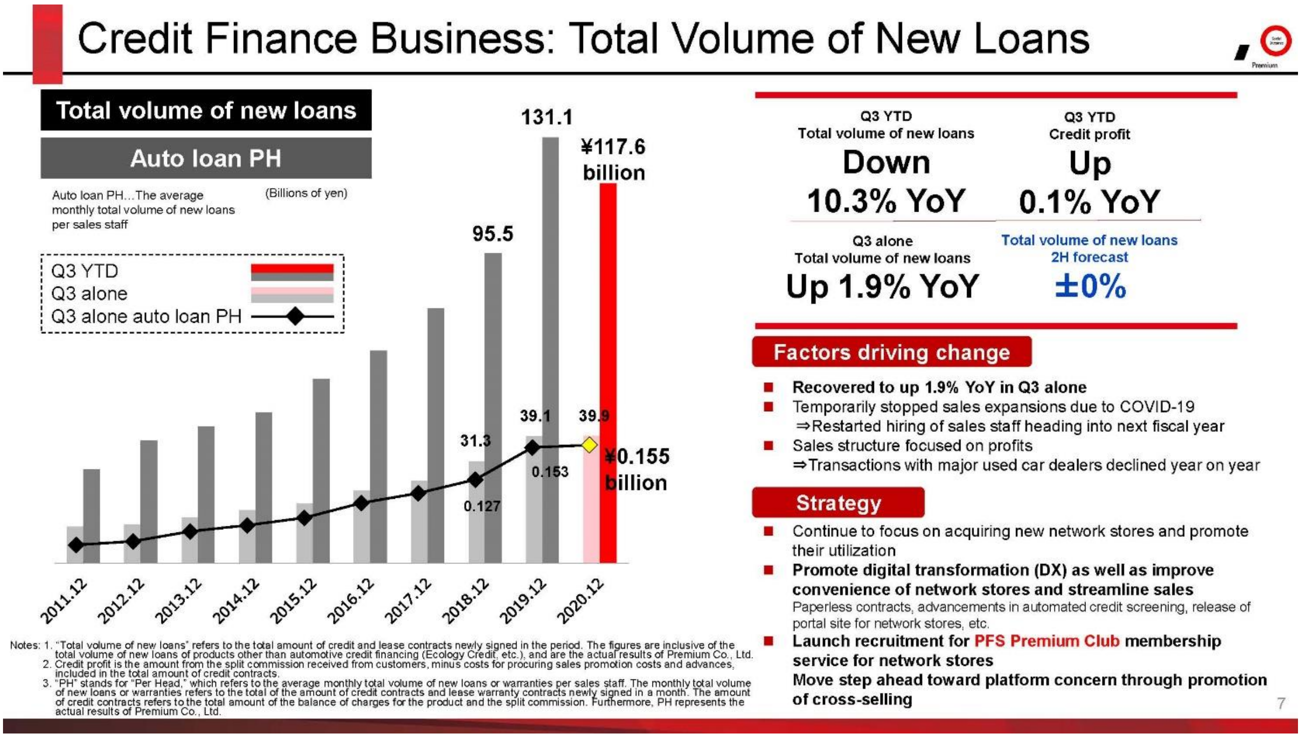


The concept of this profit before tax is shown in the table that compares the one-off profit with the previous period, which I explained earlier.

In the case of the previous fiscal year, the change in accounting estimate occurred at an increase of approximately JPY2,055 million. At the same time, we recorded a one-off decrease in profit of JPY1,656 million in real terms due to valuation gains on derivatives and expenses for prior investments.

On the other hand, for the current fiscal year, negative goodwill has resulted in a gain of JPY594 million.

Meanwhile, if we exclude one-off expenses, the figure is JPY520 million, so if we exclude these one-off gains and losses and compare it to the previous fiscal year, the figure for this fiscal year is JPY2,279 million, compared to JPY1,586 million in the previous fiscal year, which is a significant increase of 43.7% YoY.



Now, let me explain a little about the volume by business segment.

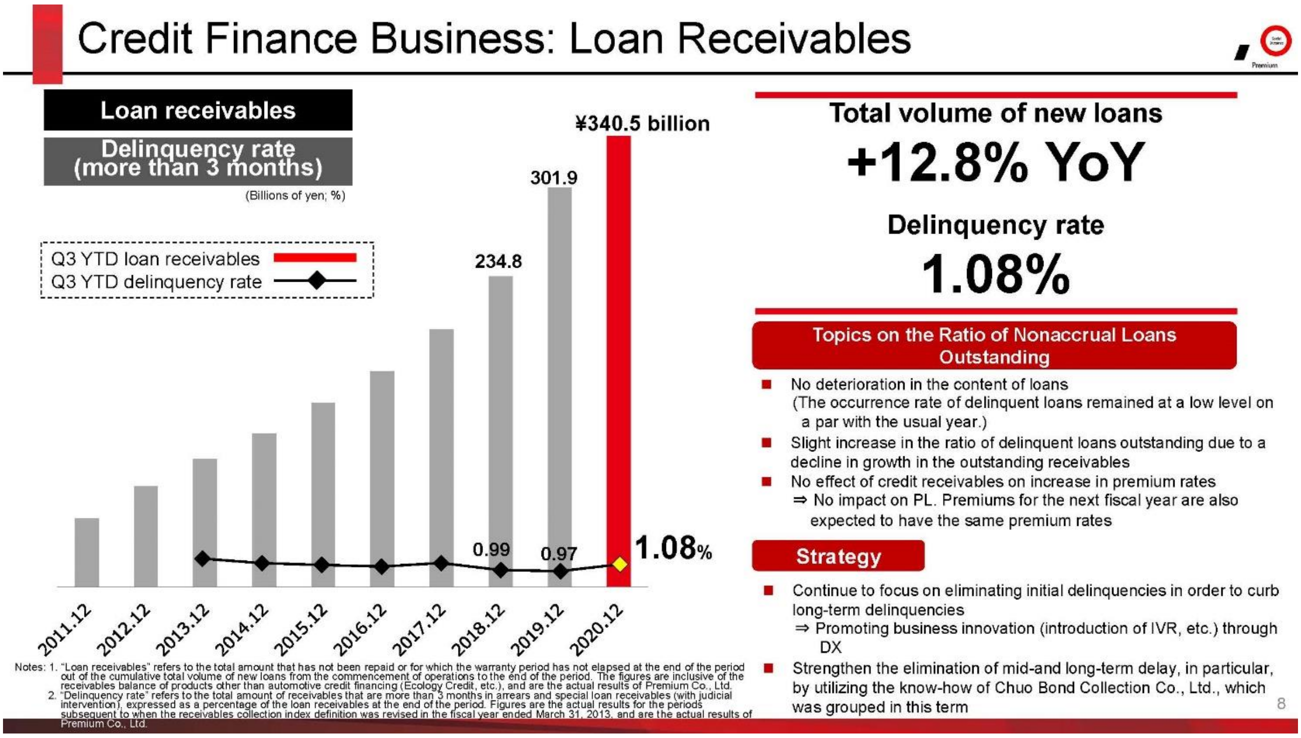
First of all, the volume of new loans, our core business. As I mentioned at the beginning of this report, the cumulative total for the three quarters was about 90% of the previous year's total, a decrease of about 10%. However, if you look at the volume for Q3 only, it is about 102%, which is above 100%, so our volume is also going up.

In terms of profit, which is the basis of our management accounting, the volume was down 10%, but we are maintaining profits at the same level as the previous year and promoting a sales system that emphasizes profitability this fiscal year.

As for the sales personnel, we had to stop some personnel work due to the impact of COVID-19. As a result, while we had 81 sales staff in Q3 of last year, this year we have 79, a decrease of 2. In this sense, the efficiency per person is well maintained.

Finally, I would like to mention that we have resumed hiring sales staff for the next fiscal year. In the future, we will continue to focus on acquiring new network stores and promoting their utilization, and we would like to increase profits and volume while promoting DX to improve convenience for network stores and efficiency of all sorts.

In addition, we have already started accepting applications for PFS Premium Club, a membership service for network stores. We would like to take the first step toward the platform concept through cross-selling and this kind of thing.

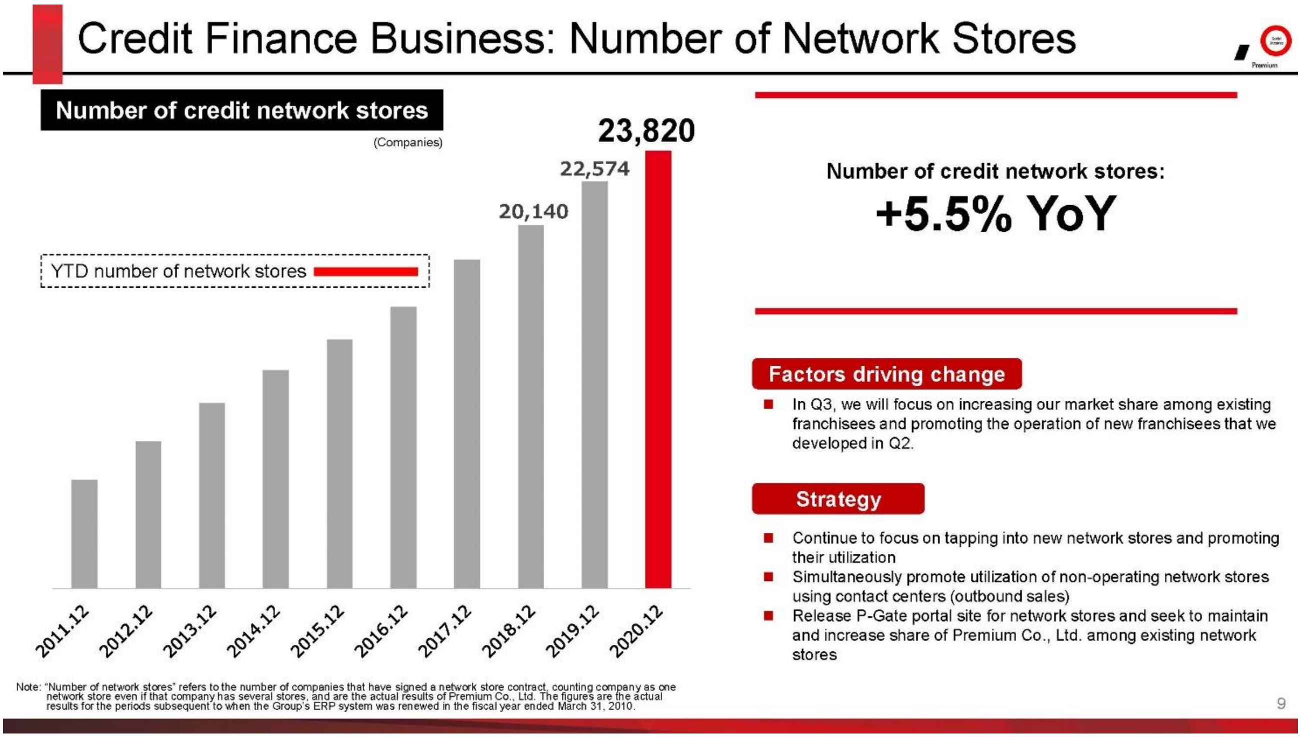


Next, the loan receivables are growing steadily. We saw an increase of 12.8% to JPY340.5 billion.

The delinquent loans outstanding, on the other hand, was 1.08%, up slightly from 0.97% in the same period last year, but there has been no deterioration in the content of the loans recently. Temporarily the sales growth has stopped a little, and in this sense, due to unrealized accumulation in the outstanding receivables, the ratio of delinquent loans outstanding has increased slightly, but we believe that the content has not deteriorated at all and we have been able to secure a solid portfolio of quality loans.

We are hedging this debt itself with insurance, but the increase in the insurance premium rate has no impact on us at all. In this sense, there will be no impact on P&L, and the premium rate for the next fiscal year is expected to be the same.

In the future, we will continue to focus on eliminating initial delinquencies in order to curb long-term delinquencies. In addition, we will continue to strengthen the elimination of mid- and long-term delay, in particular, by making full use of the servicing know-how of Chuo Bond Collection Co., Ltd., which was grouped this fiscal year.

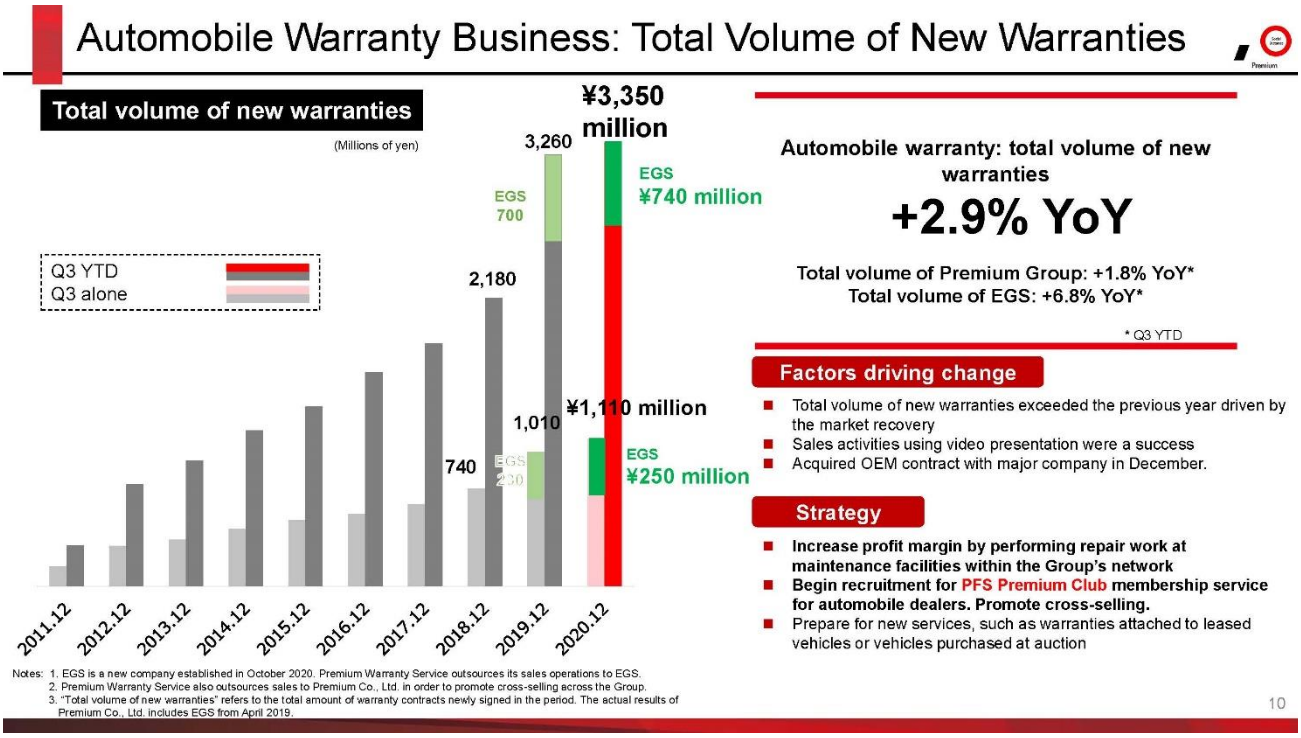


Next, the number of network stores was 105.5%, and the growth has slightly decreased.

As I have already mentioned, our sales policy for this fiscal year is not to increase the number of sales staff. We were trying to keep costs down with the same number of staff, and we focused on promoting utilization rather than developing new network stores, especially in Q2 and Q3, so in that sense, the growth was limited to 5.5%.

However, in the future, we would like to increase the number of network stores by developing network stores, including increasing the number of personnel.

In order to improve convenience by DX of network stores, we have launched a portal site, P-Gate, this fiscal year, and by improving the convenience of existing network stores, we would like to further expand the network of these network stores.



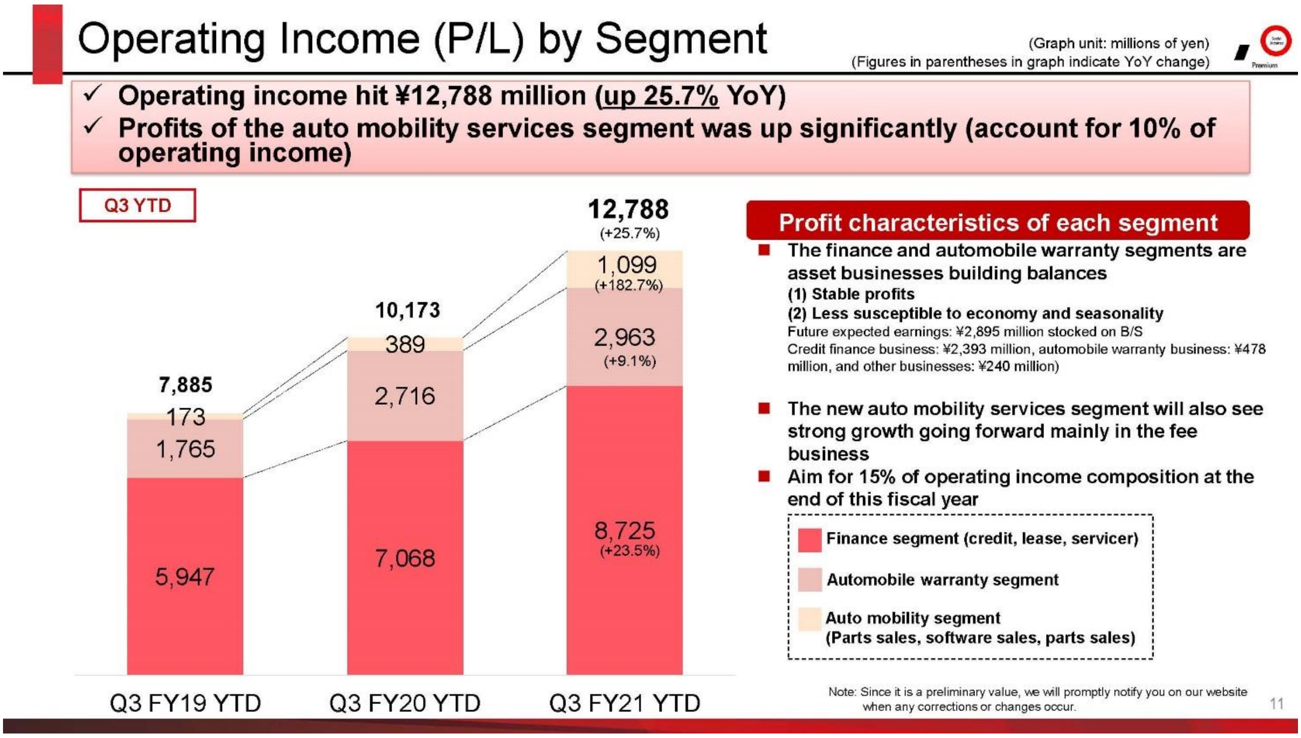
Next, I would like to talk about the trend of Automobile Warranty Business, the second business. The total volume for the full year was 102.9%, which is a solid increase over the previous year.

As I explained at the beginning of this report, the transaction volume has been growing by nearly 10% in Q3, so we are in a situation where the total volume is recovering upward in line with the steady market recovery.

In addition, COVID-19 has severely limited our sales activities, so we have secured an OEM contract with a major company, and we have steadily expanded our business using the Premium brand and the EGS brand. As we announced the other day, we have reached one million accounts for this fiscal year.

In the future, we are firmly building Premium Club, a solid network of network stores, as well as promoting cross-selling. In addition, in terms of profit, since our maintenance network is almost complete, we would like to improve our profit margin by performing repair work through the Group's network.

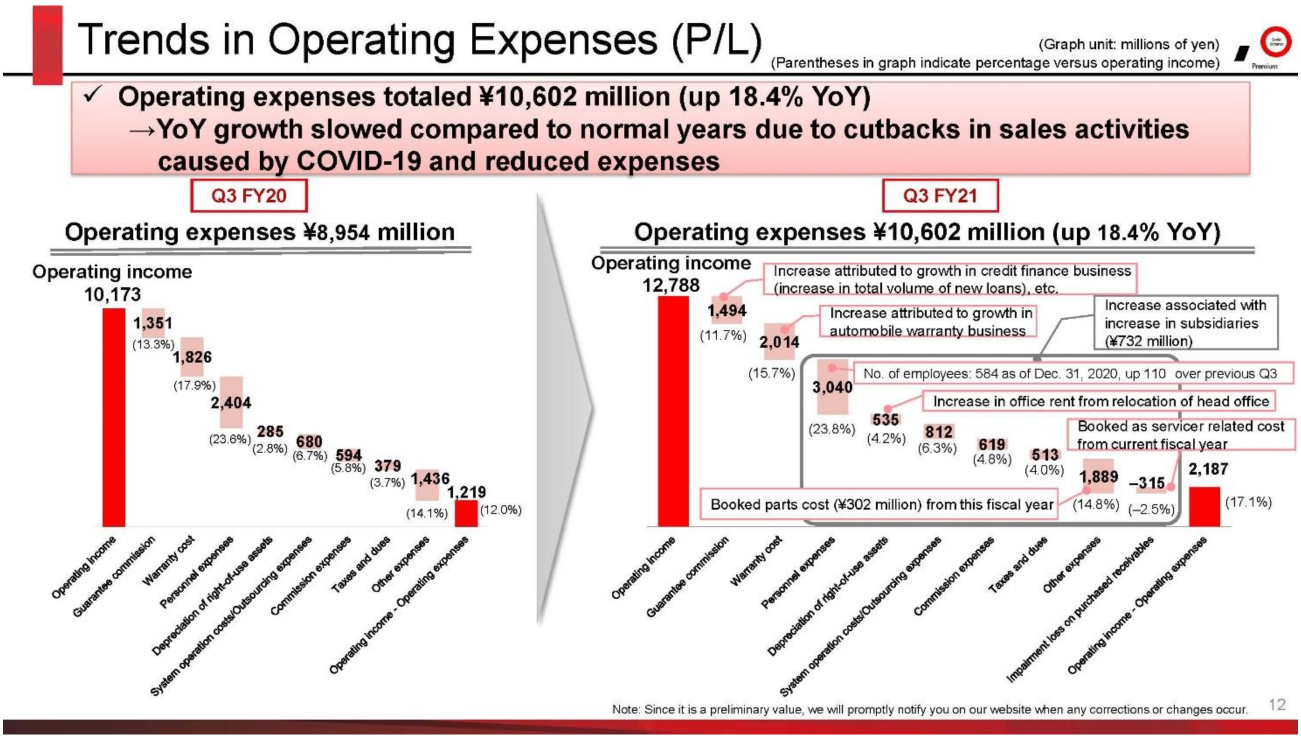
Also, the new fields of leased vehicles and vehicles purchased at auctions. By attaching warranties to these, we hope to expand our market share in the new fields.



Next, we will look at operating income by segment.

This shows the operating income divided into three businesses. We have recorded JPY12.8 billion in operating income for the first three quarters of the current fiscal year. All three businesses showed solid growth, with the Finance Segment increasing 23.5%. The Automobile Warranty Segment increased by about 10%. The Auto Mobility Services Segment has grown by nearly 200%.

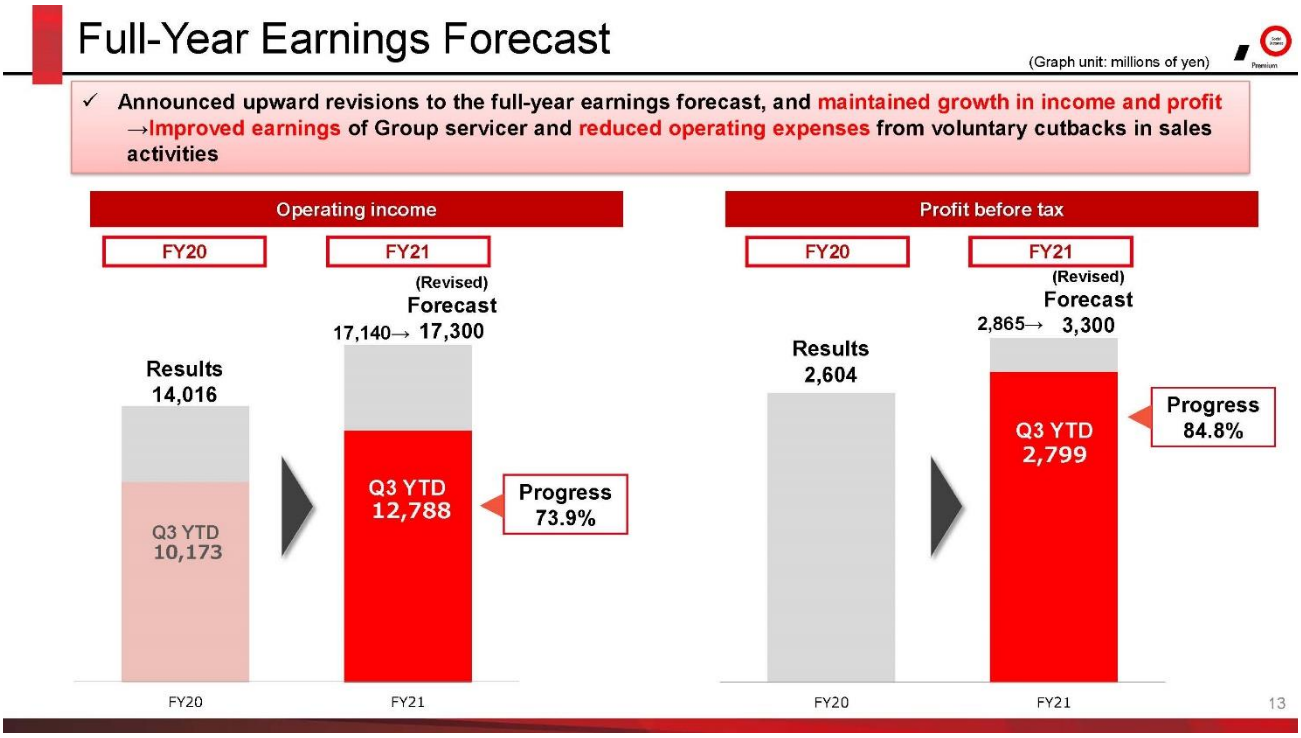
From this point of view, the new business, the Auto Mobility Services Business has been growing steadily, and we would like to achieve a portfolio of 15% of the operating income composition by the end of this fiscal year.



Next, this is a trend in operating expenses.

Total operating expenses were approximately JPY10.6 billion for the three quarters. This is a 18.4% increase. Due to COVID-19, we also refrained from sales activities and cut costs. As a result, YoY growth has been smaller than in previous years.

Of this JPY10.6 billion, approximately JPY700 million is attributable to new subsidiaries added this fiscal year. From this point of view, we were able to curb operating expenses at approximately 110% in terms of SG&A expenses for existing businesses.



As a result, we have revised upward our full-year earnings forecast.

The forecast for operating income was JPY17.1 billion, but we have revised it to JPY17.3 billion. We have also revised our forecast for profit before tax from JPY2,865 million to JPY3,300 million.

Group companies, especially the servicer has performed well. In addition, operating expenses have decreased due to the voluntary restraint of various activities caused by the COVID-19. These factors have affected.

Other Topics

December 2020 — Group company St. Parts Co., Ltd. selected for inclusion in the "Vibrant HABATAKU Small and Medium Enteprise 300"

St. Parts Co., Ltd. was selected as one of 300 excellent companies by the Small and Medium Enterprise Agency of Japan under METI. The company was recognized for its efforts to build a recycling society for environmental conservation through its proper disposal of used passenger vehicles and sales of high quality used parts.

January 2021 — Broke through one million cumulative warranty contracts

The automobile warranty business, one of the Group's mainstay segments, broke through one million cumulative warranty contracts since launching services in 2008.
Looking ahead, we will contribute to further market expansion of third-party warranties as a leading company in the segment.

January 2021 — Opened FIXMAN voluntary chain maintenance facility in Western Japan

We opened a maintenance facility in Western Japan, following Saitama Prefecture, under our original FIXMAN brand using the Brand Provision Service, part of the FIXMAN Club membership service for maintenance facilities.

Feburuary 2021 — Launched FIXMAN Club brand website

We launched a FIXMAN Club brand website in order to convey the philosophy and initiatives of FIXMAN Club, a membership service for maintenance facilities, as well as its maintenance facilities to customers.

14

As for other topics, in December of Q3, our subsidiary, SAINT PARTS Co., LTD., was selected as one of the Small and Medium Enterprises 300. In addition, as I mentioned earlier, the total number of contracts for the automobile warranty has surpassed one million accounts. As for a maintenance network, FIXMAN Club. This is also operating smoothly.

Now, FIX MAN will open in West Japan following the opening in East Japan. The FIX MAN brand website is also now open.

Initiatives for next fiscal year

1	Expand sales force of core businesses to 100 heading into next fiscal year	**Actively recruit sales staff** for loans and warranties in order to regain high growth rate **Aim to eliminate regions not covered by our sales activities and expand market share** using a proprietary BIZ site format*1 without opening new physical sales office
2	Strengthen and expand auto mobility services segment	**Further expand the FIXMAN Club network** by providing contents to our unique network*2 of maintenance facilities Focus on expanding into automobile logistics-related businesses with an eye toward M&A ⇒Through these efforts, **aim to increase share of operating income of 20%** next fiscal year and secure a profit margin of 10%
3	Increase profit contributions by promoting DX (operational innovations)	**Focus on recruiting and developing specialists** in various fields aimed at building a platform **Announce the Group's DX vision** in order to clarify our strategy related to DX and aim for selection as a DX company
4	Expand international business using non-asset approach	Given rising demand for automobile warranties in Thailand and Indonesia, **promote expansion of automobile warranty business mainly in Asia** Also, **expand export business centered on used automobile parts** targeting Africa and Latin America

*1. BIZ site format refers to an approach to expand sales not by establishing branches in each sales area, but instead by setting up headquarters in major cities and assigning staff to sales areas as needed.
*2. Proprietary network refers to locations regularly contracted to perform repair work on automobiles under warranty, which differs from partners that accept spot repair requests.

14

Lastly, I would like to talk about our initiatives for the next fiscal year. There are four.

First of all, in this term we did not know how COVID-19 will turn out to be. However, I believe that this COVID-19 pandemic will continue, but in a sense, the mechanism of infection is becoming clearer. In this regard, we would like to expand our sales force of core businesses to 100 heading into the next fiscal year. We are actively recruiting sales personnel from this Q4.

By doing so, we would like to eliminate white spaces, as there are areas not covered by our sales activities, and to expand our market shares. Also, this is not about opening a base, but rather using a proprietary BIZ site format.

As there is a note below, the term "BIZ site" is used to refer to an approach to expand sales by going to the areas as needed. We would like to adopt a strategy of expanding into white spaces and expanding our workforce while keeping costs low through this method.

The second is the auto mobility services business. Its operating income ratio has finally exceeded 10% of the portfolio. In this sense, we are aiming for 15% this fiscal year, but we would like to increase this income ratio to 20% next fiscal year.

In addition, we would like to secure a 10% gross profit margin in the auto mobility services, and we would like to make full use of M&As and other means to expand this field as well.

The third is to promote DX, which means business innovation. By doing this, we hope to increase our contribution to profits. We have set a platform concept as our mid-term strategy. In order to achieve this goal, we would like to focus on hiring and training specialists in each field.

In addition, we would like to clarify the strategy related to DX and announce the Group's DX Vision this year. By doing so, we will aim to be selected as DX Stocks.

As for overseas business, although it has been halted due to the impact of COVID-19, the need for automobile warranties is increasing in Thailand and Indonesia. In both countries, we have seen a steady increase in sales of our Automobile Warranty Business.

We started from scratch, and now we are finally at a point where zero has changed to one. In this regard, we would like to promote the development of the Automobile Warranty Business, mainly in Asia.

We also believe that we can export used auto parts to Africa and Central and South America. In terms of overseas business, we would like to focus on developing non-asset businesses rather than accumulating assets. In this way, we would like to build a solid base from this Q4 heading for the next fiscal year, and to restart with a firm foot on the gas pedal in the next fiscal year.

This is the explanation of our financial results for Q3 of the fiscal year ending March 31, 2021. If you have any questions, please feel free to contact our PR/IR department.

Thank you very much for your kind attention today.

[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.*

Disclaimer