Premium

Premium Group Co., Ltd.

Q1 Financial Results Briefing for the Fiscal Year Ending March 2024

July 28, 2023

Event Summary

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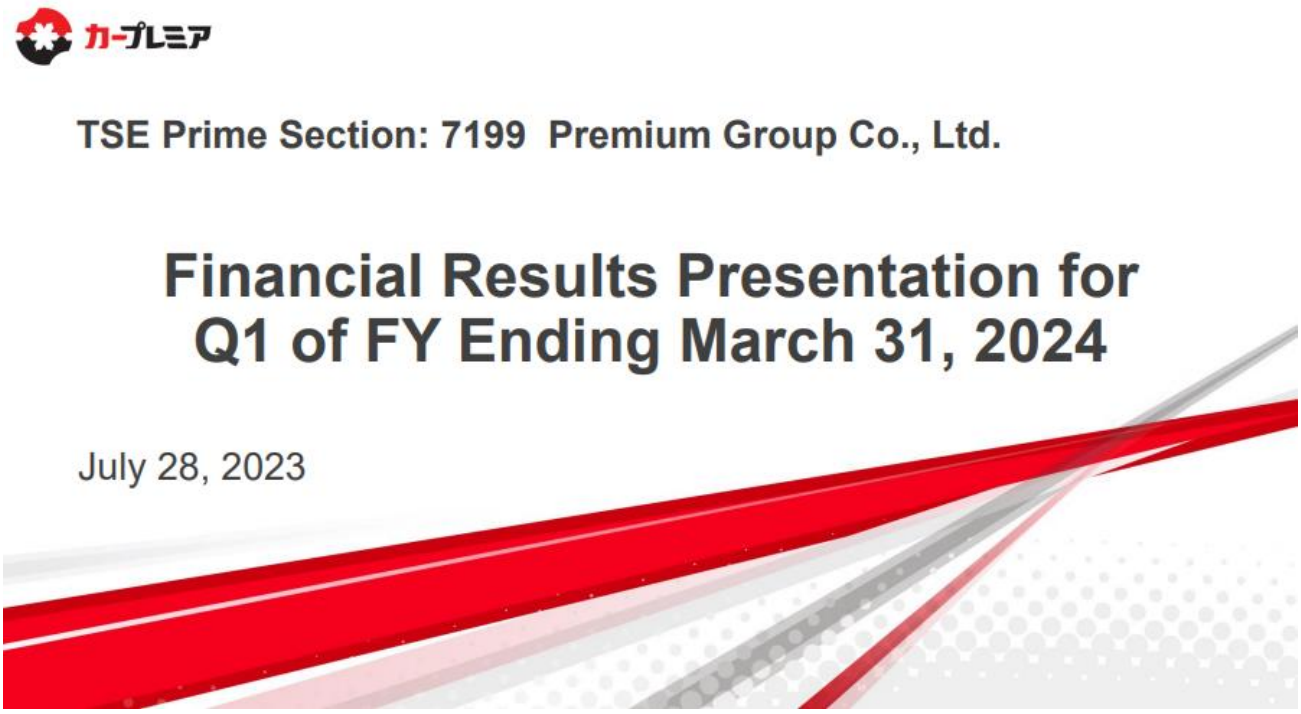
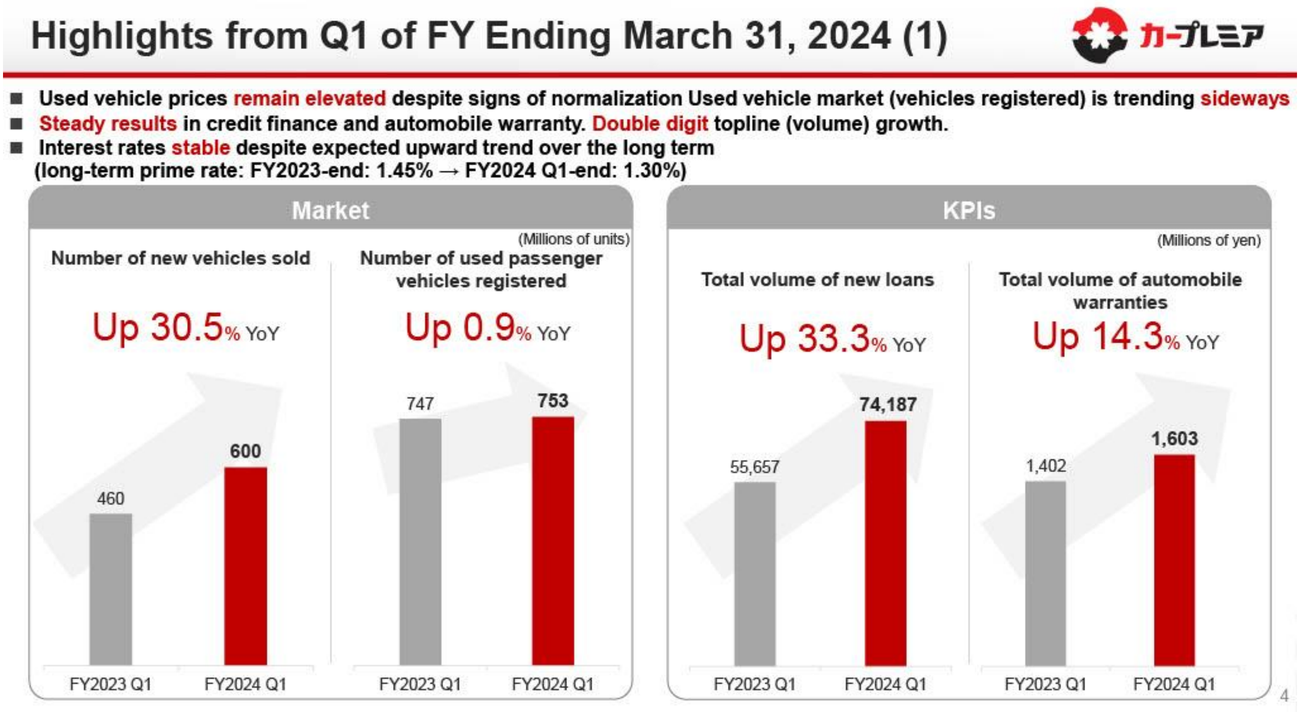
[Participants]	
[Number of Speakers]	1 Tomohiro Kanazawa Director

Presentation





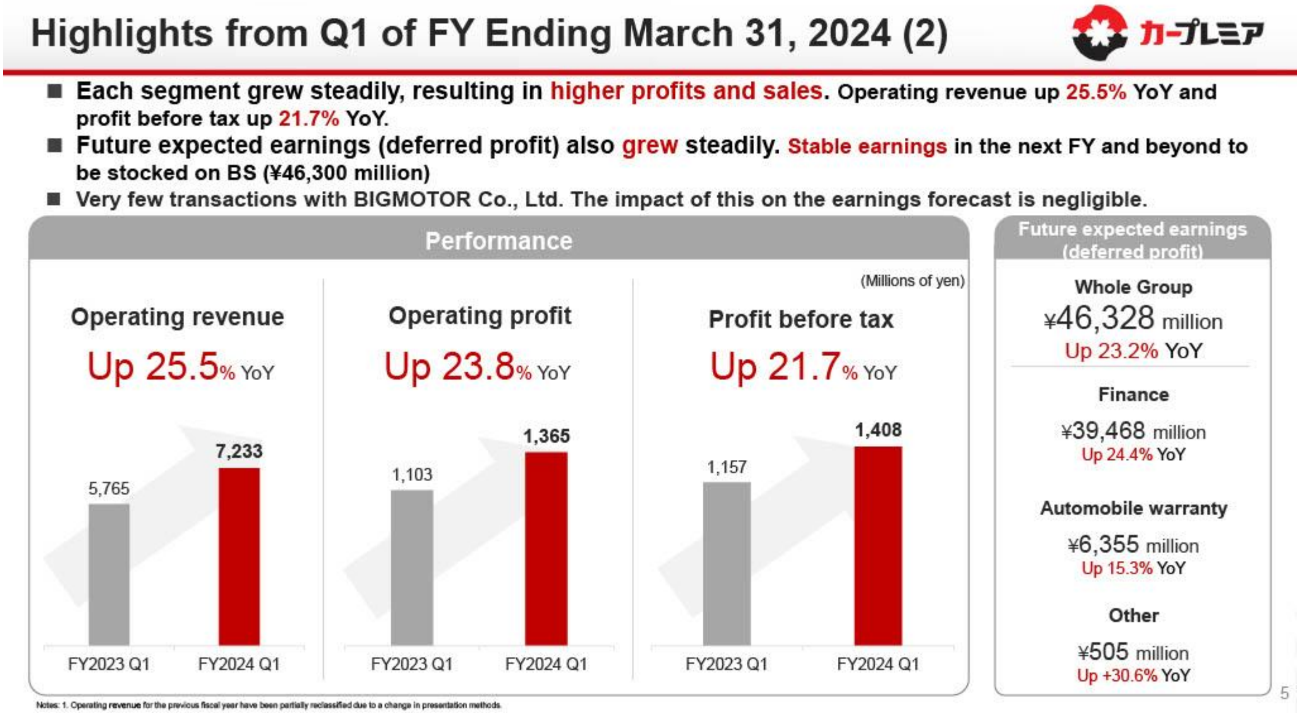
First, here are the financial highlights.

Used vehicle prices remain elevated despite signs of normalization. As you can see on the left graph in the market section, the new vehicle market has recovered and is performing very well YoY, but the number of used passenger vehicles registered grew slightly YoY. Therefore, we expect the used vehicle market to remain flat in terms of volume.

It had been declining these past two years, so we think this stable result is a good sign. Going forward, if the number of the new vehicle market gradually recover, this will have an impact on used vehicles, and we expect the number of used passenger vehicles registered to steadily return to its pre-COVID-19 level.

KPIs are presented on the right graph. We have achieved good results in Q1 in both loans and warranties. They have both increased by double digits, and we believe that Q1 is the quarter where we have really been able to show our Company’s growth.

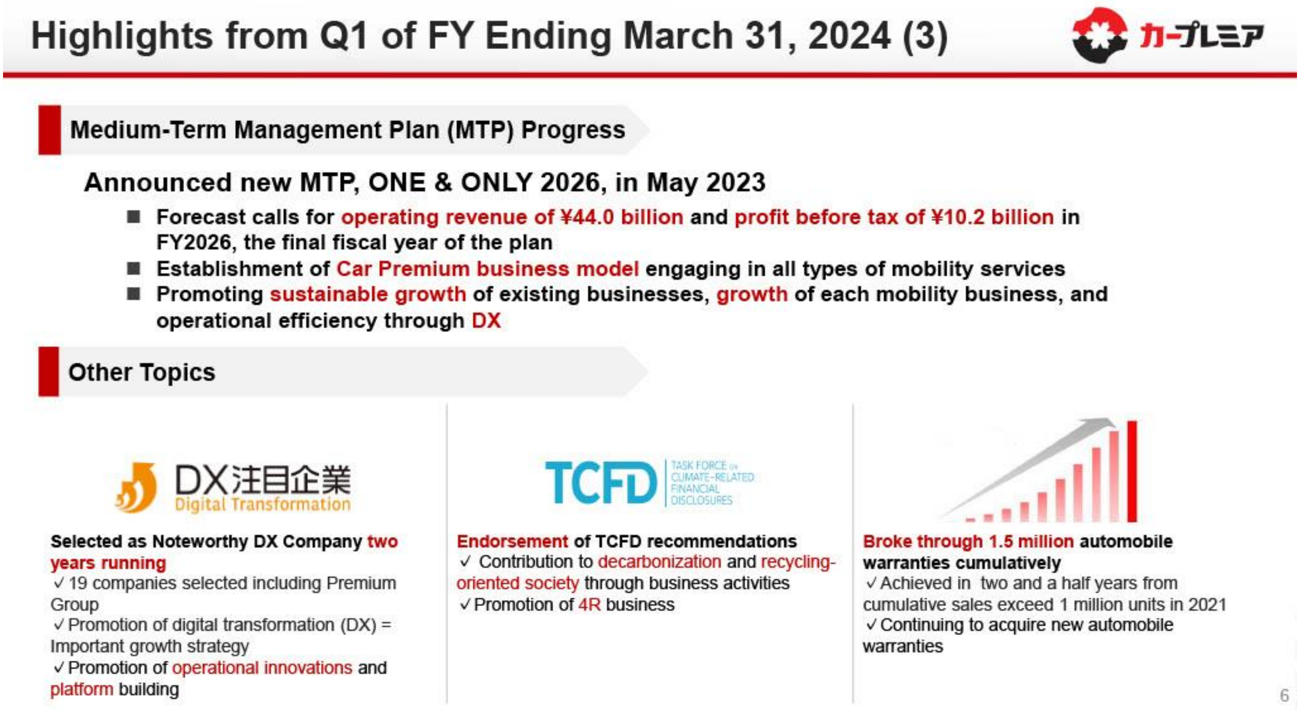
Regarding interest rates, we are aware of the long-term trend, but during Q1, they have remained stable. As noted in the document, the long-term prime rate has fallen from 1.45% to 1.30% since the end of the previous fiscal year, so Q1 as marked by a stabilization of interest rates.



This is the second page of highlights.

Regarding our business performance, thanks to the steady growth of each business segment, both sales and profits in the income statement increased. In addition, future expected earnings also grew steadily. They are a leading indicator of earnings, and they indicate stable earnings in the next fiscal year and beyond are stocked in our income statement, amounting to JPY46.3 billion.

The volume of transactions between our group and BIGMOTOR Co., Ltd. is at a very small level, so there will be almost no impact on the business performance. We have received several questions about this topic from institutional and individual investors, so we have included a few answers in this second page of highlights.



Next is the third page of highlights.

As for the progress of the Medium-Term Management Plan, we just announced it in May, so this is simply an overview.

In the final fiscal year of the three-year period, we expect an operating revenue of JPY44 billion and a profit before tax of JPY10.2 billion. In addition, the main objective of the Medium-Term Management Plan is to firmly establish the Car Premium business model.

The third point relates to the promotion of the sustainable growth of existing businesses, the growth of each mobility business, and then DX. We have announced this mid-term business plan that outlines how we will continue to promote operational efficiency through DX. From Q2 onward, we will report on any progress of this mid-term plan periodically each quarter.

The next section is other topics.

First, we have been selected as a Noteworthy DX Company.

Secondly, we have endorsed the TCFD recommendations. We have disclosed this information on June 16 of this year so please refer to these releases for details. Basically, our company would like to contribute to a sustainable, recycling-oriented society and a decarbonized society through its business activities. We will make every effort to enhance our disclosures in the future.

Finally, automobile warranties are mentioned on the rightmost side. We broke through 1.5 million automobile warranties cumulatively. We achieved this in a short period of two and a half years. However, we still only have a 10% share of the total market share with our private brand warranties, so we will not be satisfied with these current figures and will keep expanding at an accelerating pace.

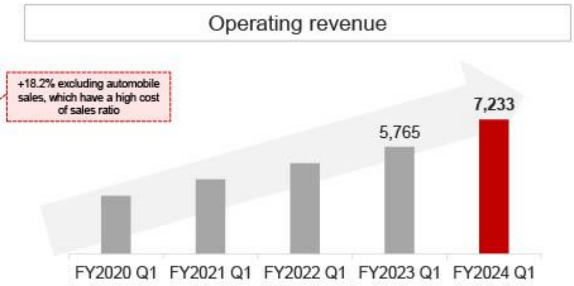
Consolidated Performance

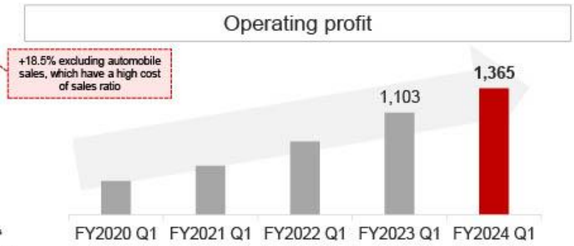
(Millions of yen)

- **Operating revenue rose 25.5%** YoY to **¥7,233 million** owing to the strong growth of each segment
- **Operating profit increased 23.8% YoY to ¥1,365 million and profit before tax rose 21.7% YoY to ¥1,408 million**

	FY2023 Q1	FY2024 Q1	YoY change
Operating revenue	5,765	7,233	+25.5%
Operating expenses	4,662	5,868	+25.9%
Operating profit	1,103	1,365	+23.8%
Profit before tax	1,157	1,408	+21.7%
Profit attributable to owners of parent	841	1,072	+27.5%
Basic earnings per share (yen)	21.77	27.56	+26.6%

Notes: 1. Operating revenue and operating expenses for the previous fiscal year have been partially reclassified due to a change in presentation methods.
2. Gain on valuation of insurance assets (FY2020) and gain on bargain purchase (FY2021) due to a change in accounting estimates are not included in operating profit as they are non-recurring items.
3. The Company conducted a 3-for-1 stock split of common shares effective September 1, 2022, and basic earnings per share for FY2023 Q1 is calculated assuming that the stock split had taken place.





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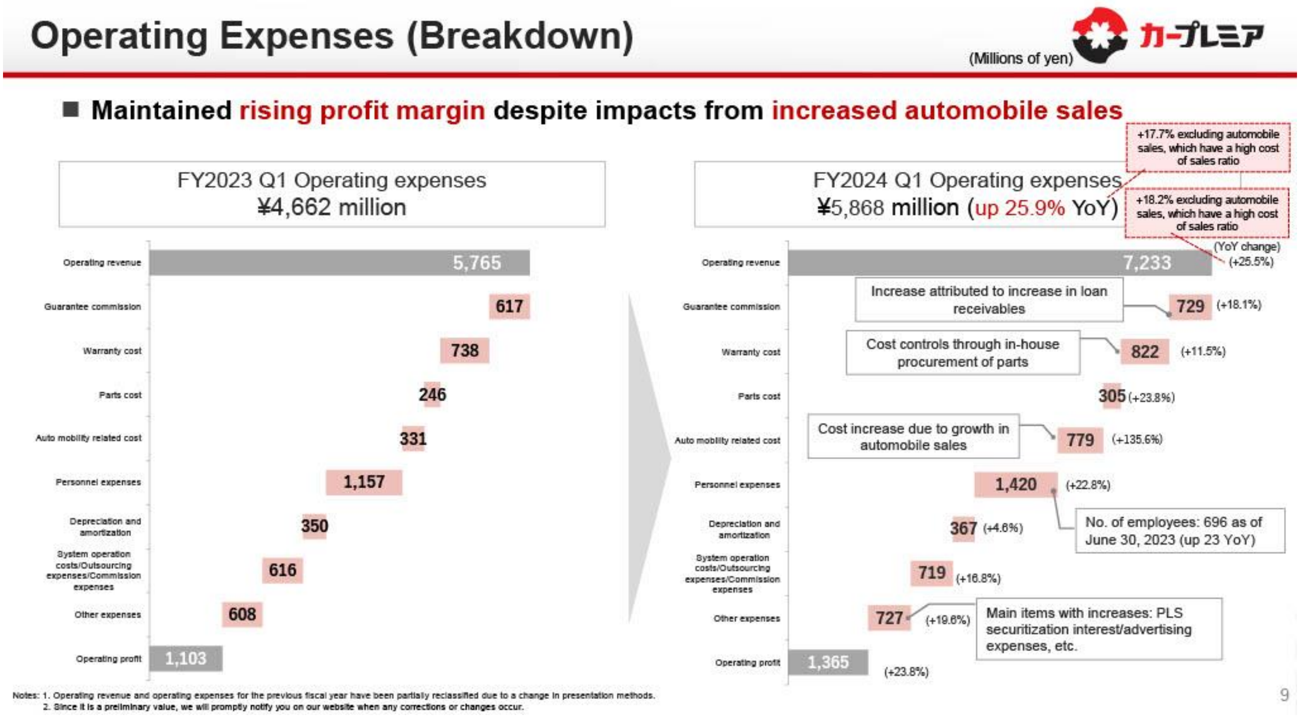
Next is the summary of our financial results.

On a consolidated basis, operating revenue was JPY7.23 billion, up 25.5% YoY, due to strong growth in each segment. Also, for operating profit, it increased by 23.8% YoY to JPY1.37 billion. Profit before tax rose 21.7% YoY to JPY14.1 billion.

In this respect, looking at the YoY comparison alone, profit growth is smaller than operating revenue, but this is because the sales mix has changed due to the business structure, as we explain in the added callouts.

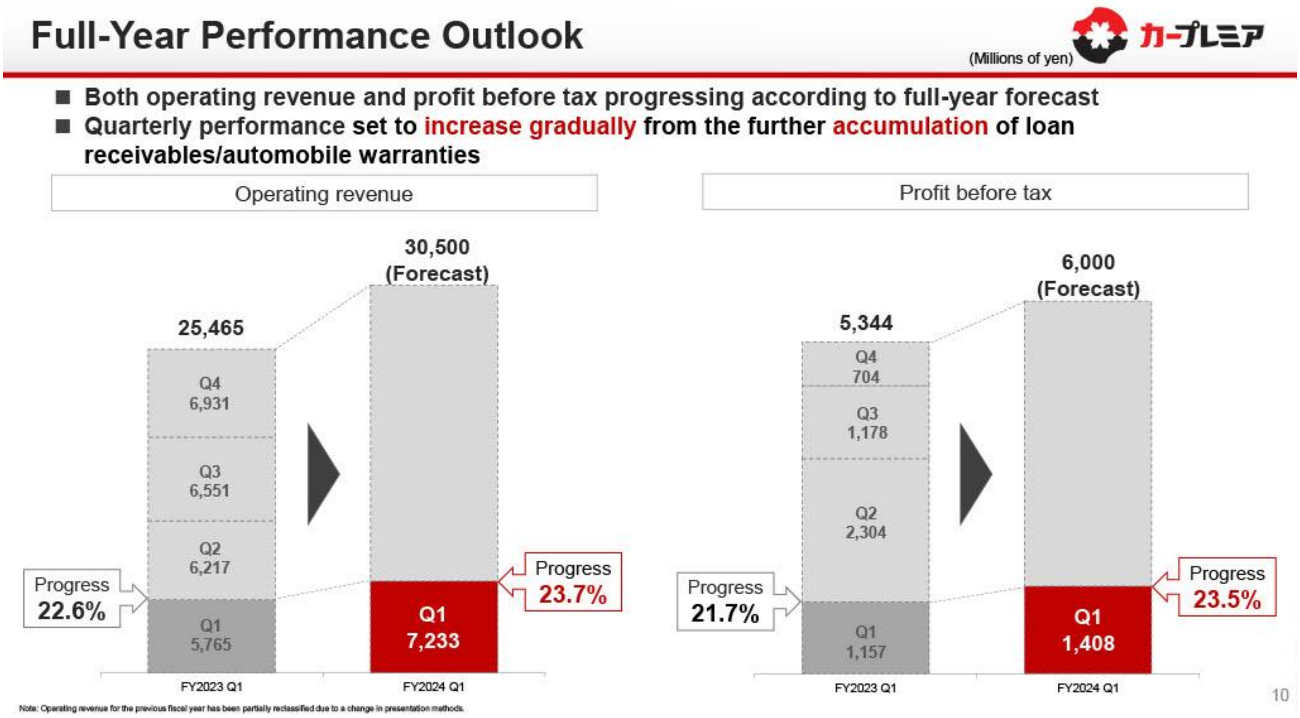
We are aggressively promoting automobile sales, which is basically wholesale, as a new business. However, since this automobile sales business is a service with a high cost ratio, we have added callouts with the results excluding the automobile sales portion. In this case, the growth rate of the profit margin is high, although by a small degree. We will continue to promote the expansion of sales in addition to steadily improving the profit margin.



Next is the breakdown of operating expenses.

First, the callouts show the results excluding automobile sales. We confirmed that operating expenses are being kept well below the growth in operating revenues.

There were some minor topics in operating expenses, but there were no major unexpected events, and Q1 ended on a positive note under control.



The next page shows the full-year performance outlook.

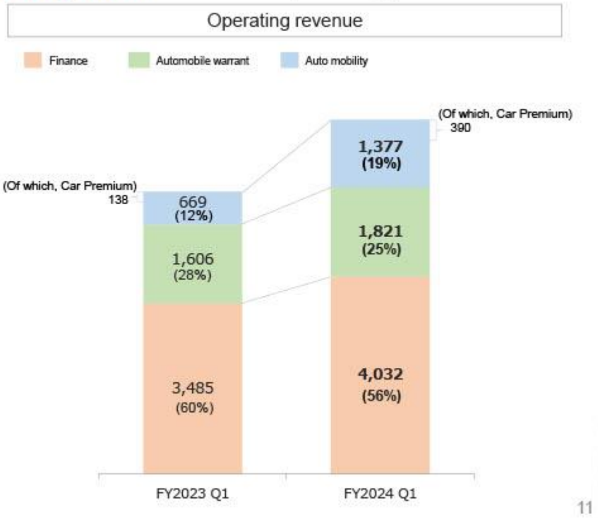
Both operating revenue and profit before tax progressed according to the forecast. Also, the progress rate is less than 25%, but our Company is basically active in the asset business, with loan receivables and automobile warranties. Since sales and profits tend to increase from Q1 to Q2, Q3, and Q4, the progress rate being slightly below 25% at the end of Q1 is not a problem.

Performance by Segment

(Millions of yen)

- **Operating revenue and profit before tax both increased over FY2023 Q1 as a result of the steady growth of each segment**
- **Auto mobility and Car Premium segments provided greater share of operating revenue**

	FY2024 Q1	
	Operating revenue	Profit before tax
Finance segment	4,032 Up 15.7% YoY	1,041 Up 12.7% YoY
Automobile warranty segment	1,821 Up 13.4% YoY	223 Up 1.1% YoY
Auto mobility segment	1,377 Up 105.8% YoY	146 Up 669.7% YoY
(Of which, Car Premium)	390 Up 181.8% YoY	11 Up 44 YoY



Notes: 1. Segment classification was changed from FY2024. Profits and losses for each segment in FY2023 is reflected only to the extent practicable.
2. "Of which, Car Premium" only shows difference in performance with previous fiscal year.
3. Operating revenue for the previous fiscal year have been partially reclassified due to a change in presentation methods.

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The following page shows the results by segment.

Operating revenue and profit before tax both increased over FY2023 Q1 as a result of the steady growth of each segment. Looking at the sales mix, or the percentage of each business, the figures show that the auto mobility segment has grown significantly, which has been the trend since the previous fiscal year.

Let's now look at the segment one by one.

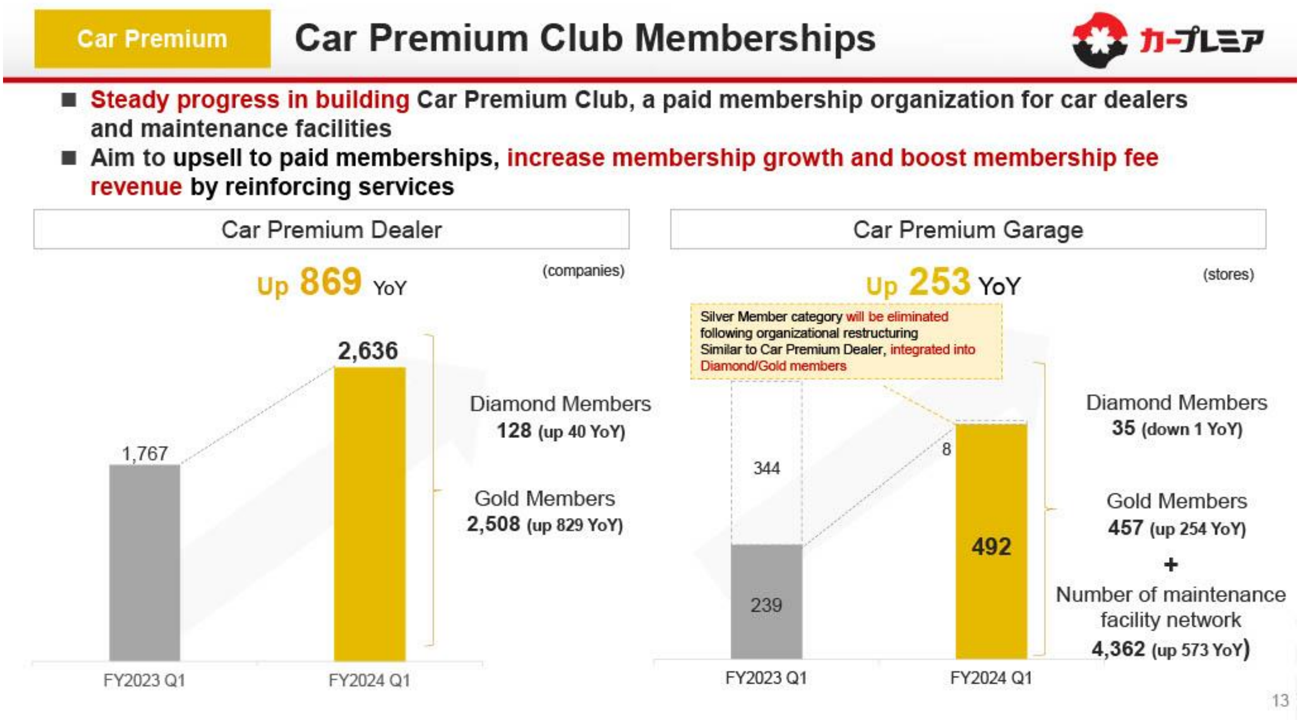
First is the finance segment. The segment is growing steadily. However, we received a small transient profit in the previous fiscal year, although this figure is not shown here as it is low. Therefore, although the YoY comparison shows that operating revenue has increased faster than profit before tax, rest assured that the profit margin is actually increasing.

In the warranty segment, as in the finance segment, there was a small transient profit in the previous year which slightly pushed down the pre-tax profit figure. However, a segment analysis confirms that profit growth was larger than sales as well as finance segment.

However, the automotive parts-related business was sluggish in the previous fiscal year. It should recover in Q2 and beyond, and we hope to restore and grow the automobile warranty segment in Q2 and beyond.

The last segment is the auto mobility segment. As the figures show, this segment has already made great leaps forward. While we used to disclose (Of which, Car Premium) as a fourth segment until the previous fiscal year, we now disclose our activities in the form of three segments, and the Car Premium portion is presented in the breakdown.

Car Premium started the previous fiscal year in the red and grew steadily to a profit in the end. It maintained its momentum by starting this fiscal year in the black in Q1. The YoY for Car Premium is shown in monetary terms only because results for the previous fiscal year were negative.

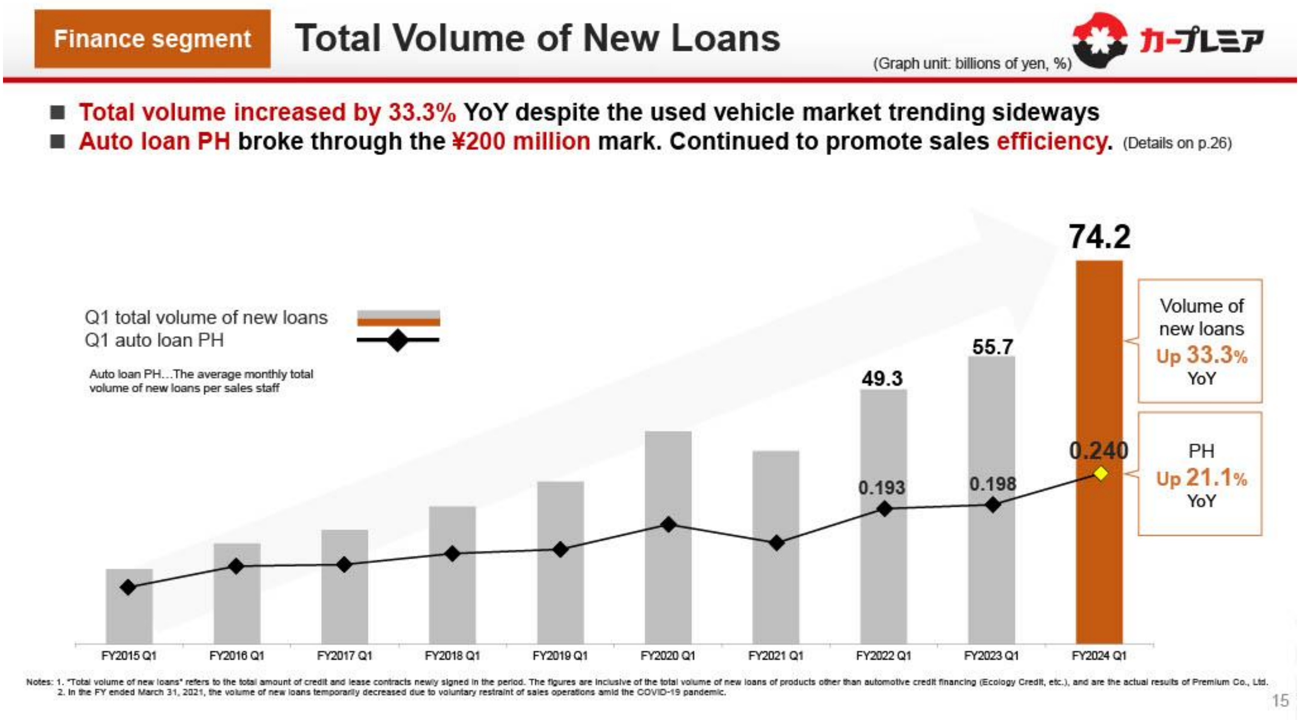


I will now report on the details of each business segment.

First, this page shows the evolution of Car Premium memberships.

I would like to begin with Car Premium, which reflects the broader concept of our business strategy, to explain our overall business. In other words, the Car Premium business encompasses finance, warranty, and auto mobility. For this reason, we are now promoting Car Premium as a broader concept.

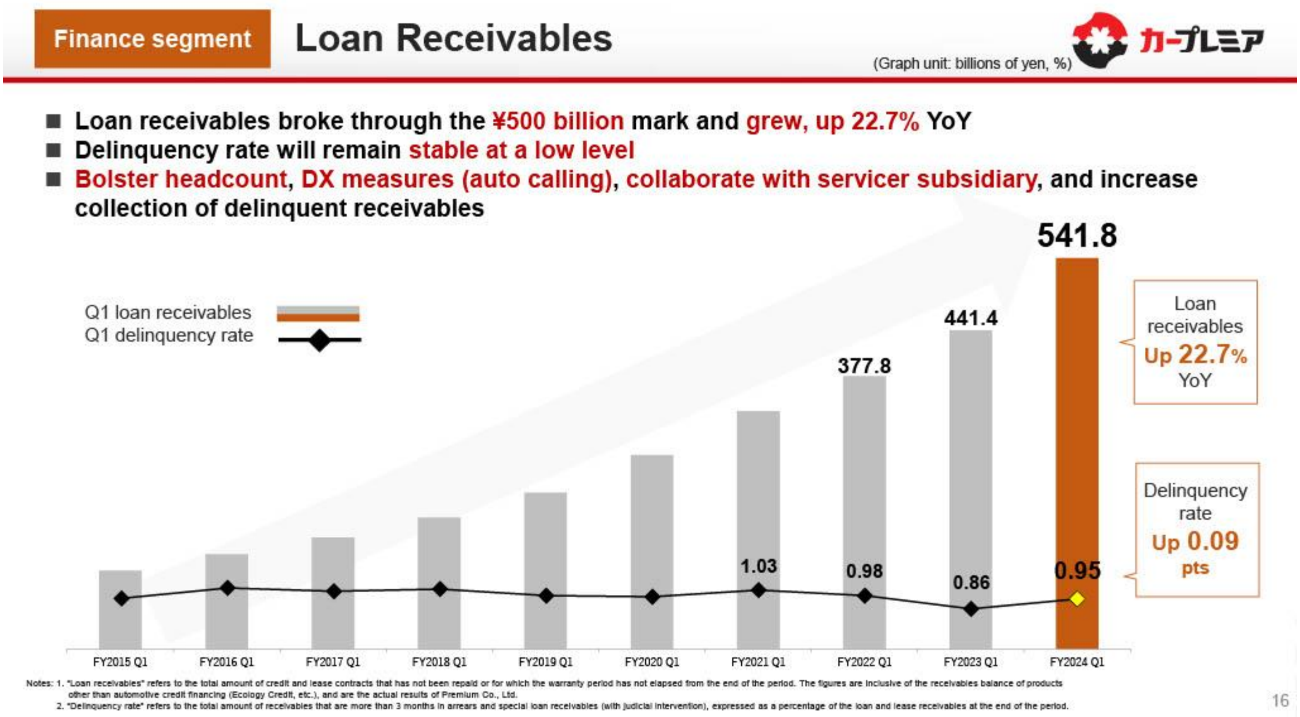
Our business goal is to expand the Car Premium Club, which is a paid membership organization for car dealers and maintenance facilities, and the results show our steady progress in building the Club. We would not like to simply increase our numbers but upsell to paying members by promoting the expansion of services. We were able to increase the quality and quantity of membership fee revenue in Q1 by upselling to paying members, expanding the number of members, and consequently increasing membership fee revenue.



The next segment is the finance segment.

With respect to the volume of new loans, while the used vehicle market trended sideways, the success of the Car Premium strategy resulted in significant growth in KPIs such as transaction volume and auto loan per head.

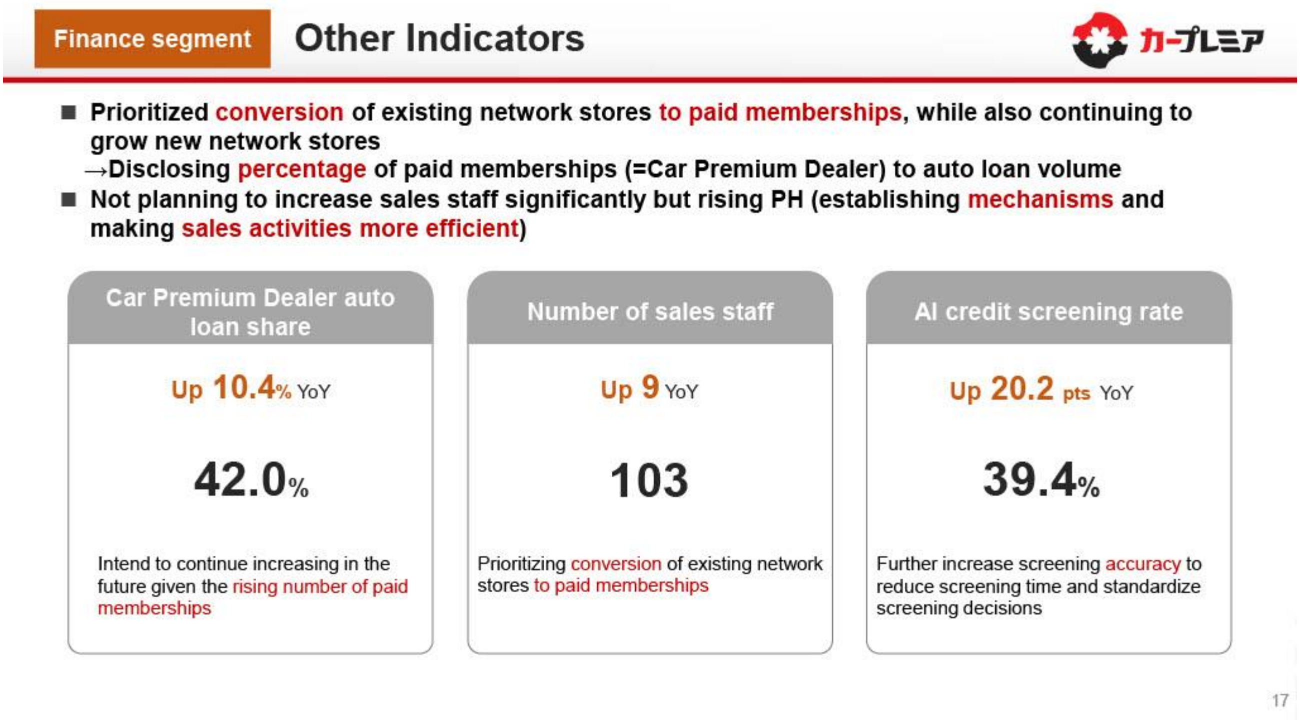
These increases are due in large part to our strategy. Therefore, we would like to continue to promote this Car Premium strategy in order to firmly grow these two KPIs of the finance segment.



The following page lays out the progress of loan receivables.

Loan receivables broke through the JPY500 billion mark and grew by 22.7% YoY. The delinquency rate shown in the line graph also remained stable at a low level.

Nevertheless, it is on an increasing trend, along with the number of receivables, so we will continue to strengthen the collection of delinquent loans by bolstering our headcount, implementing DX measures, collaborating with servicer subsidiaries, and increasing the collection of delinquent loans.



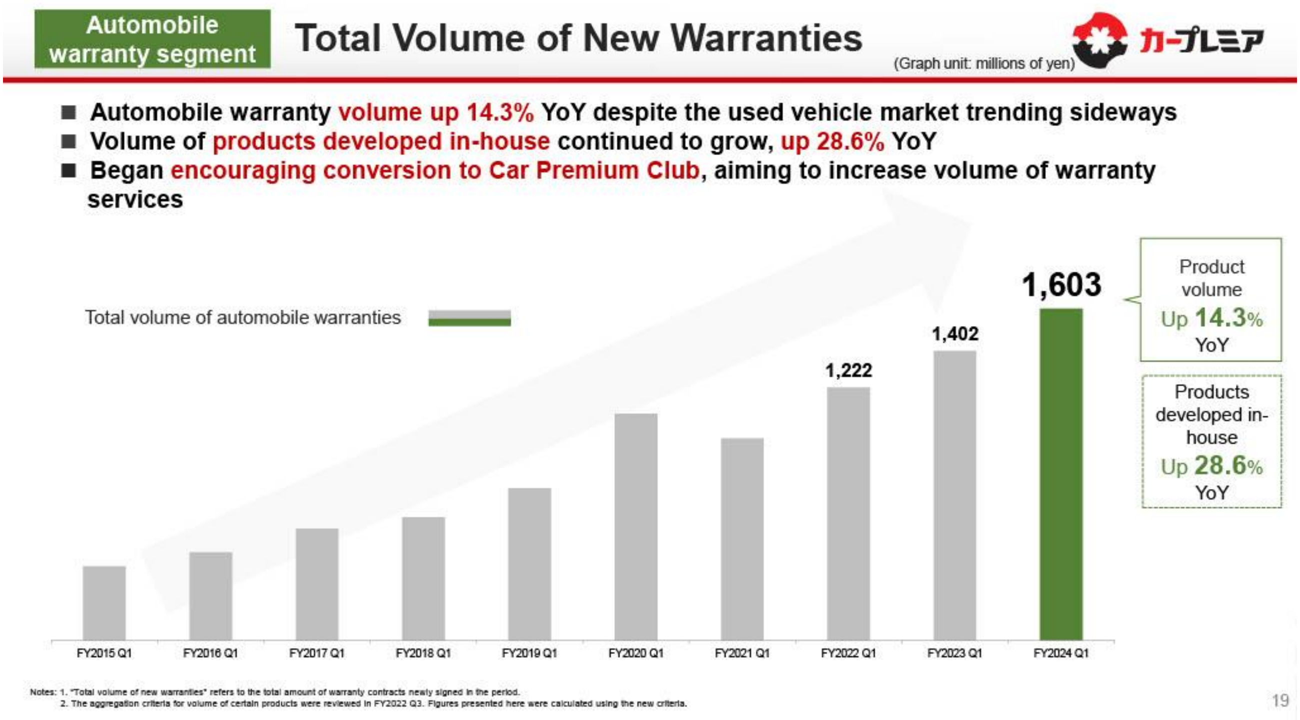
The next page present other indicators.

The first topic that we disclose on the leftmost side is the Car Premium Dealer auto loan share. This is one of the important key KPIs in the promotion of the Car Premium strategy, which is why we begin disclosing it from this quarter.

This is the percentage of paid memberships, or Car Premium Dealers, out of the volume of auto loans. It increased by approximately 10% YoY, so you can quantitatively see that the Car Premium strategy is progressing well through the growth of this indicator from year to year.

The two figures on the right, the number of sales staff and the AI credit screening rate, have been disclosed since the last briefing. We do not plan to increase the number of sales staff significantly and we will let it grow naturally. We will strive to increase accuracy and reduce screening time by increasing the use of AI.

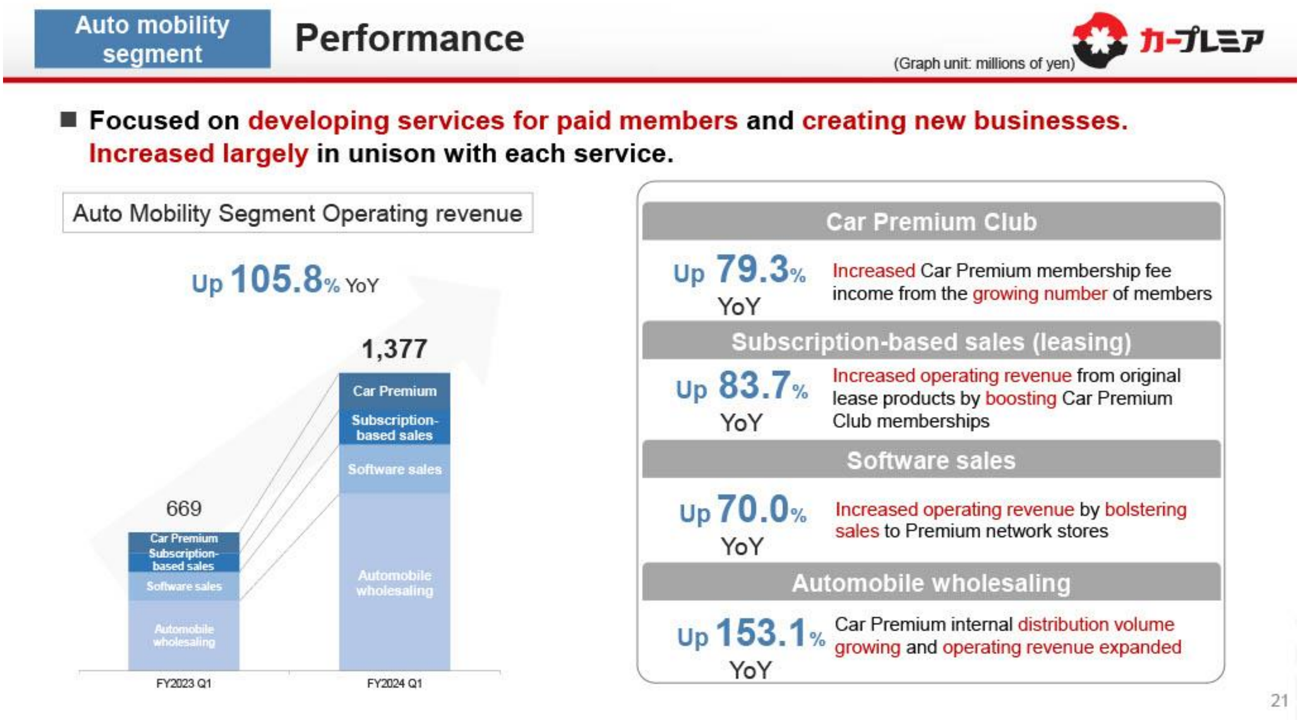
Furthermore, up until the previous period, we disclosed additional information related to auto loans. Regarding the paperless adoption rate, we have removed the disclosure starting from this period, as we have almost reached a 100% rate. We used to disclose the number of loan network stores until the previous fiscal year, but we believe that increasing the number of paid memberships and the use of auto loans by paying members is in substance directly linked to KPIs and to sales and profit. For this reason, we have changed our KPI from the gross KPI of total number of network stores to this KPI of Car Premium Dealer auto loan share.



The following is an overview of the automobile warranty segment. This is the trend in the total volume of new warranties.

We were able to achieve a solid growth of over 10% here as well, despite the used vehicle market trending sideways. We will continue to focus on our own brand warranty with a very strong growth and continue to expand warranties overall.

Naturally, this is also a part of the Car Premium business model, so encouraging the conversion to the Car Premium Club is also related to the growth of this automobile warranty segment. Therefore, we will promote sales in this segment in line with Car Premium, including the launch of Car Premium-exclusive products.



Next is the auto mobility segment. This page shows the progress of our performance.

Several businesses are included in this segment, which is is a new business. Each business and service are growing steadily with a focus on services targeting paying members.

This concludes the Q1 Financial Results Briefing for the Fiscal Year Ending March 2024.

If a particular point was not covered in today's presentation or if you require a more detailed explanation, we are available for individual interviews for institutional investors and analysts. We would be happy to hear from you through inquiries to our IR office.

Thank you very much for your attention today.

[END]

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