**Premium Group Co., Ltd.**

Q1 Financial Results Briefing for the Fiscal Year Ending March 2025

July 26, 2024

# Event Summary

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|---|---|
| **[Company Name]** | Premium Group Co., Ltd. |
| **[Company ID]** | 7199-QCODE |
| **[Event Language]** | JPN |
| **[Event Type]** | Earnings Announcement |
| **[Event Name]** | Q1 Financial Results Briefing for the Fiscal Year Ending March 2025 |
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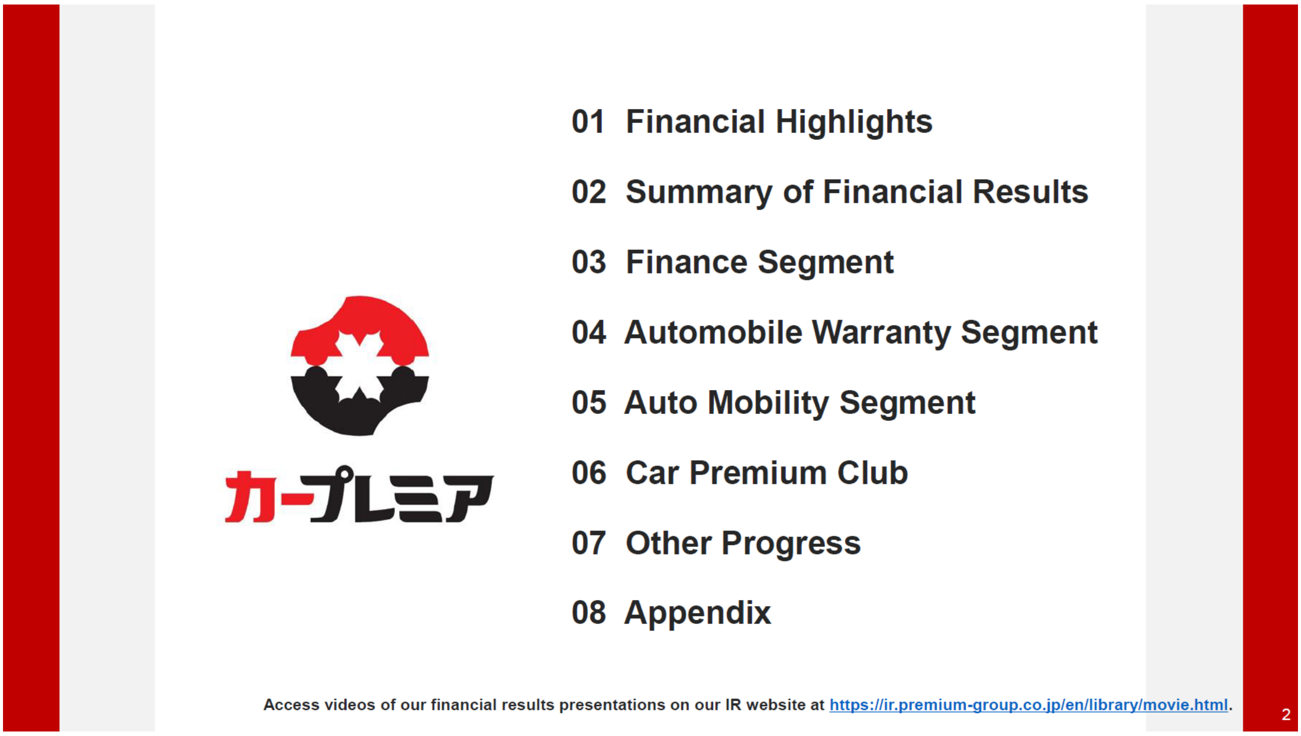
| **[Venue]** | Webcast |
| **[Venue Size]** | |
| **[Participants]** | |
| **[Number of Speakers]** | 1<br>Tomohiro Kanazawa Director and Managing Executive Officer, Group CFO |

## Presentation

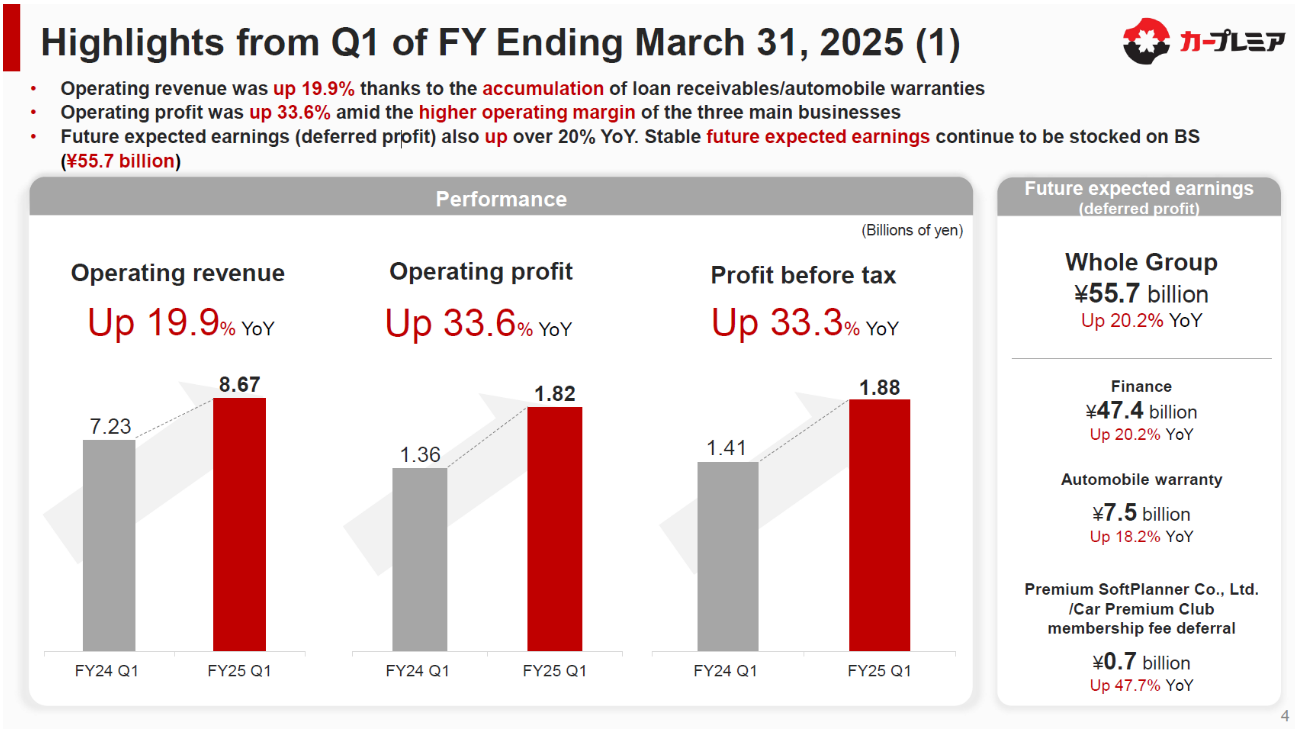



**Kanazawa:** Hello everyone. I am Tomohiro Kanazawa, Director and Managing Executive Officer of Premium Group Co., Ltd.

I will now begin to explain the financial results.

The table of contents is as shown.

From this Q1, some parts of the materials have been revised to make them easier to read, but the overall structure and flow is the same as in the previous materials.

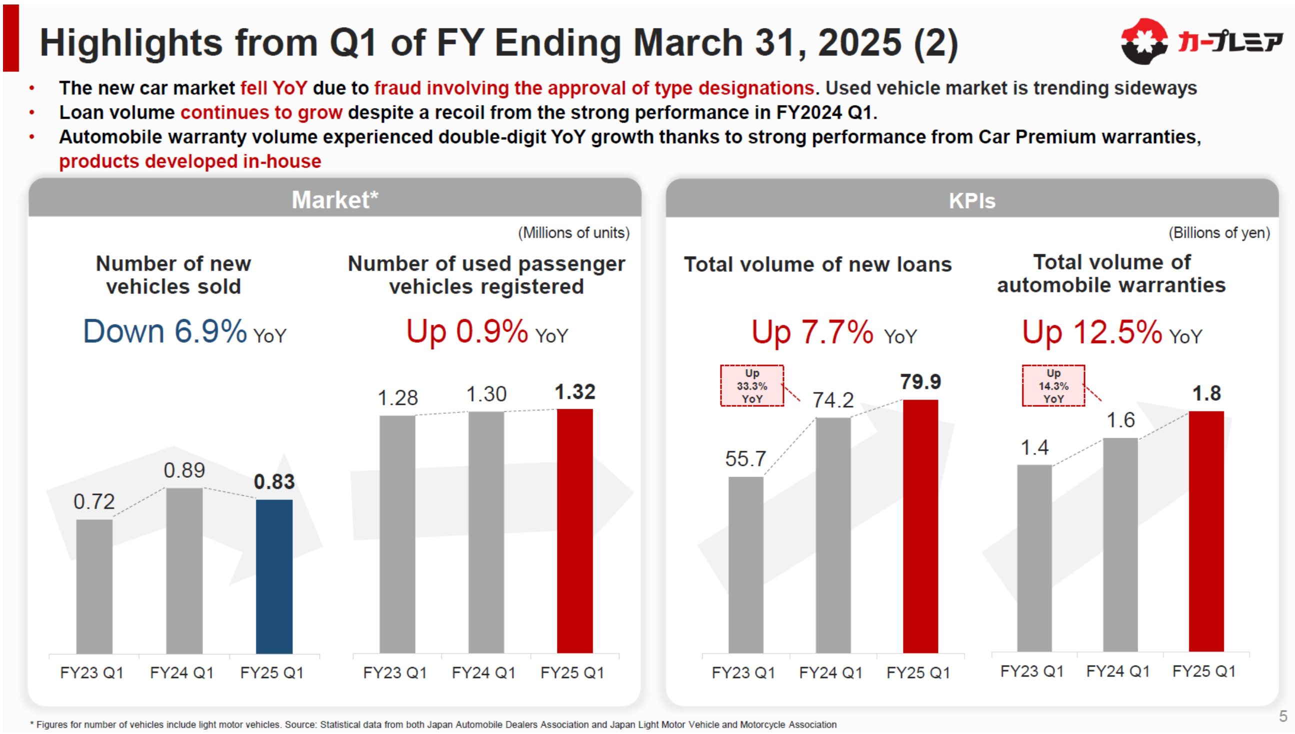



I will begin by explaining the financial highlights. Please see slide four.

As shown in the graph, operating revenue increased 19.9%, or approximately 20%, from the previous year as a result of the solid accumulation of loan receivables/automobile warranties.

Due to improved operating margins of our three main businesses, operating profit increased significantly by 33.6% YoY exceeding operating revenues.

In addition, we have increased future expected earnings also up 20% YoY, so we are stockpiling B/S for solid earnings growth not only this fiscal year but also in the next fiscal year and beyond.




Now, let's continue with the highlights: the market and our KPIs. Please refer to slide five.

First, regarding the market for new vehicles, the number of new vehicles has fallen significantly below YoY due to fraud involving the approval of type designations. As a result, the used vehicle market is trending sideways.

In response to these market conditions, or the market not doing so well, loan volume has continued to grow and our market share has increased, despite a recoil from the very strong performance in FY2024 Q1. However, we are continuing to grow and increase our market share.

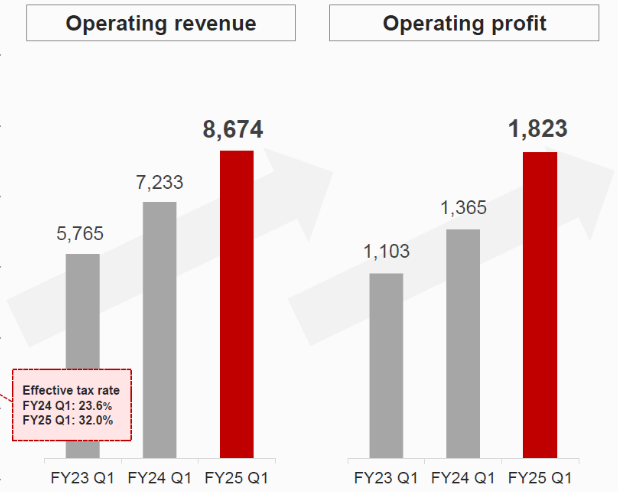
In addition, as for loan volume of automobile warranty, Q1 ended with double-digit YoY growth in the automobile warranty volume, as our product, Car Premium Warranty, continued to perform very well YoY.

## Consolidated Performance

(Millions of yen)

- Operating revenue was up 19.9% YoY to ¥8,674 million due to the accumulation of loan receivables and automobile warranty balances
- Operating profit was up 33.6% YoY to ¥1,823 million and profit before tax was up 33.3% to ¥1,876 million

| | FY24 Q1 | FY25 Q1 | YoY change |
|---|---|---|---|
| Operating revenue | 7,233 | 8,674 | +19.9% |
| Operating expenses | 5,868 | 6,852 | +16.8% |
| Operating profit | 1,365 | 1,823 | +33.6% |
| Profit before tax | 1,408 | 1,876 | +33.3% |
| Profit attributable to owners of parent | 1,072 | 1,274 | +18.9% |
| Basic earnings per share (yen) | 27.56 | 33.62 | +22.0% |




Note: Operating revenue for FY23 has been retroactively revised in part due to the adoption of IFRS 17.

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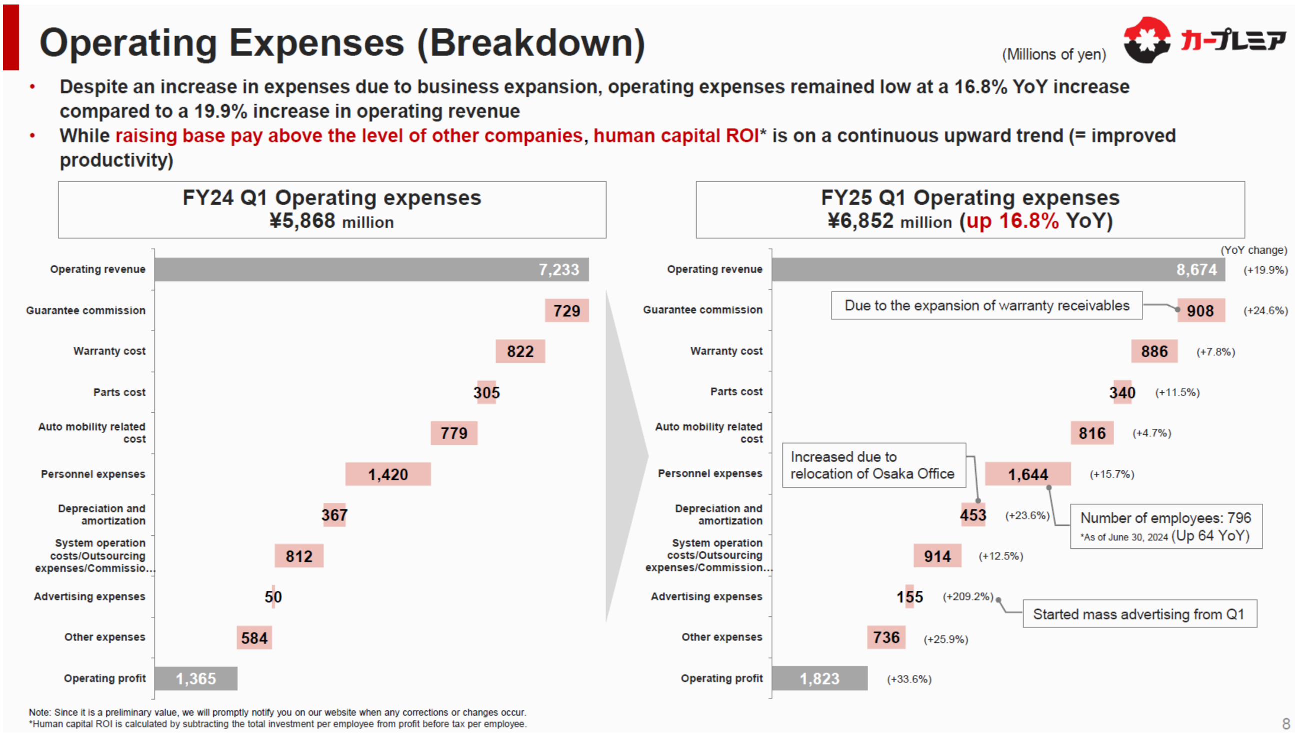
Consolidated performance is as shown.

Operating revenue, operating profit, and profit before taxes increased significantly due to the increase in the balance of loan receivables and automobile warranty. In addition, operating profit and profit before taxes increased more than operating revenue.

As shown in the speech bubble, YoY comparison of after tax(Profit attributable to owners of parent) is slightly lower than that of profit before tax, but this is because the effective tax rate for the previous year was kept low by using tax loss carryforwards. In a sense, the effective tax rate will return to a normal level this fiscal year.

As shown in the graph on the right, our operating revenue and operating profit have been rising steadily.

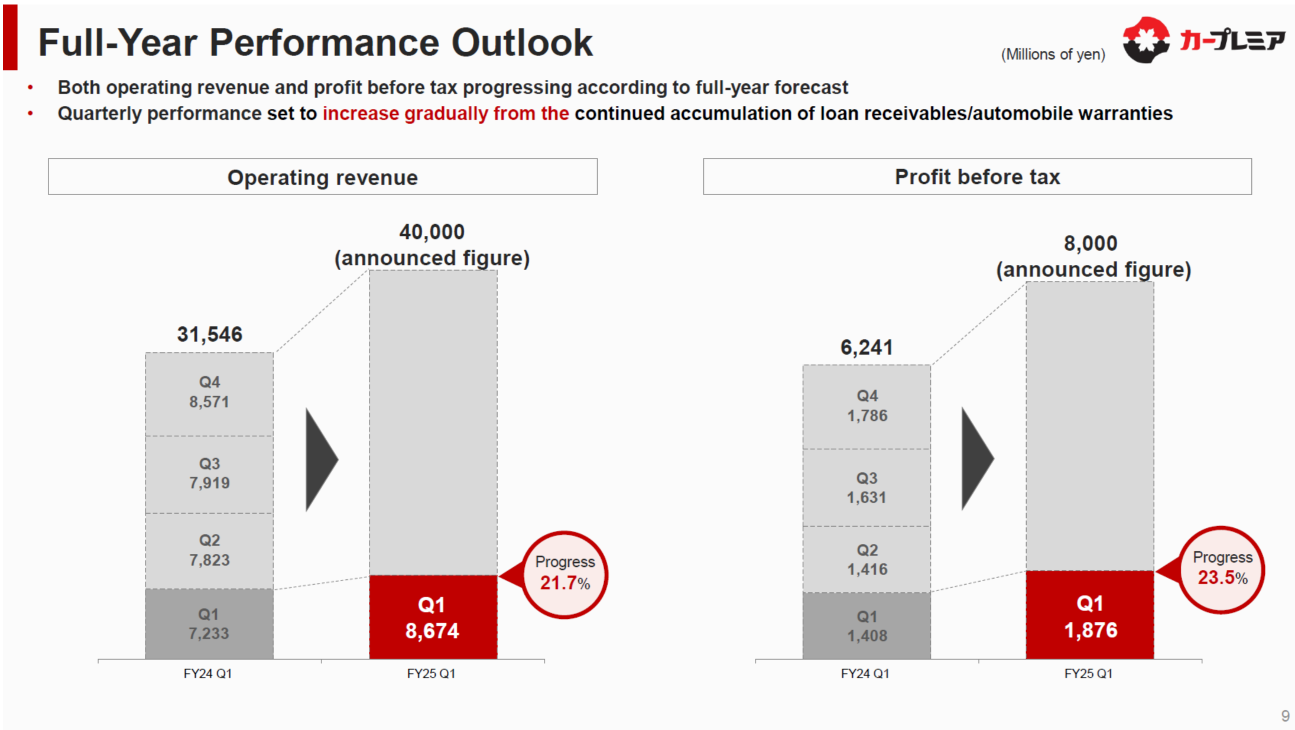



The following is a breakdown of operating expenses.

We are still in the growth stage, so business expansion will of course continue year by year, but of course expenses generally increase as business expands. However, in the case of our company, although expenses will of course increase as we expand our business, we believe it is important to control costs each fiscal period. This means we will expand our business in a way that increases our operating margin while keeping operating expenses in check rather than increasing operating profit.

As a result, operating revenue has increased by 19.9% YoY, while operating expenses has risen by 16.8%, so we are expanding our scale while steadily improving our profit margins. In addition, although personnel expenses are a relatively large expense item for our company, the human capital ROI has been on a continuous upward trend, while base increases in personnel expenses have exceeded the levels of other companies. This is proof that productivity is continuously improving.

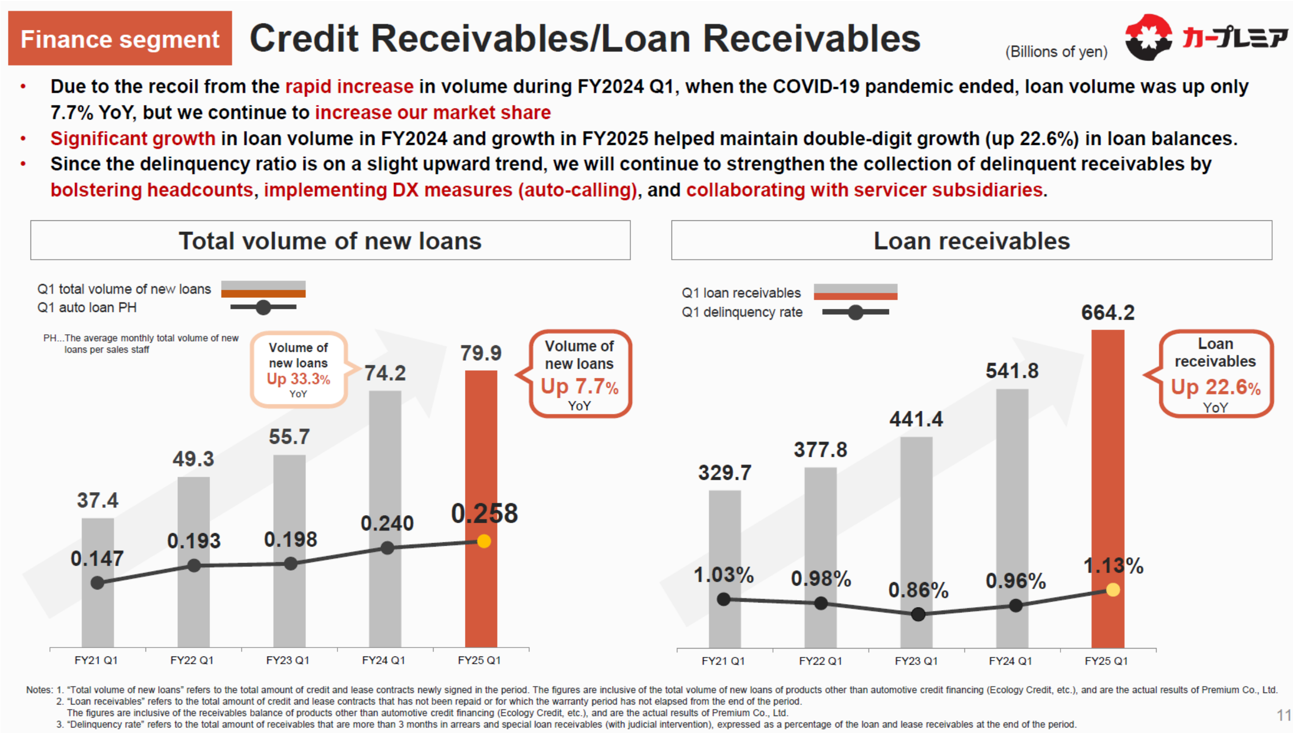
The term “human capital ROI” is used from this year, but as stated in the note, it is calculated by subtracting the total investment per employee from profit before tax per employee.




Now, let me continue with the full-year performance outlook. Please refer to slide nine.

Both operating revenue and profit before taxes are generally in line with this fiscal year's forecast and performing well.

We plan to gradually increase our quarterly results as we continue to build up our loan receivables and automobile warranty balances. Although the progress rate is less than 25%, the progress rate will increase in Q2, Q3, and Q4. It is fair to say that Q1 results have been very favorable.




Next is the finance segment.

Q1 of the previous fiscal year saw an extremely sharp increase in loan volume due to the end of COVID-19 pandemic. Here is the light-colored speech bubble in the left graph. You can confirm that the previous period was +33.3% compared to the previous year.

The balance of loan receivables maintained solid double-digit growth, up 22.6% YoY. As for the balance of delinquent loans, since the delinquency ratio is on a slight upward trend, we will continue to strengthen our ability to collect delinquent loans by bolstering headcounts, implementing DX measures centered on auto-calling, making DX investments, and collaborating with our servicer subsidiaries.

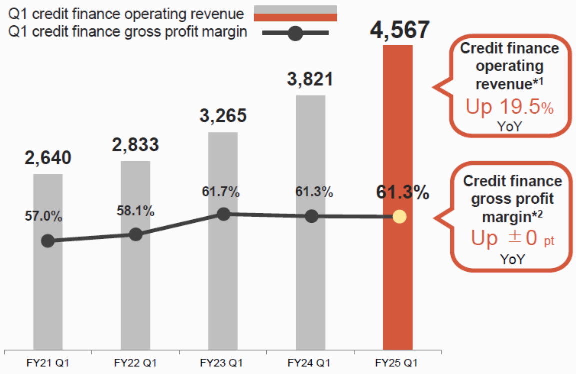
Finance segment

## Segment Performance

(Millions of yen)

- Despite the upward trend in interest rates, the credit gross margin*2 remained at a high level after passing on higher interest rates to customers.
- As a result of loan balances growing 22.6% YoY, operating revenue, operating profit, and profit before income taxes all grew steadily.

| | FY24 Q1 | FY25 Q1 | YoY change |
|---|---|---|---|
| Operating revenue | 4,032 | 4,812 | +19.3% |
| Operating profit | 1,022 | 1,220 | +19.4% |
| Profit before tax | 1,054 | 1,223 | +16.0% |




*1. Credit finance operating revenue represents the total of operating revenue related to credit finance.
*2. Credit finance gross profit margin is calculated by dividing operating profit related to credit finance by operating revenue related to credit finance. Furthermore, operating expenses at the time of calculation of credit finance gross profit margin are comprised of expenses directly incurred in order to acquire loan receivables (interest rates, guarantee fees, personnel costs, rent, etc.).

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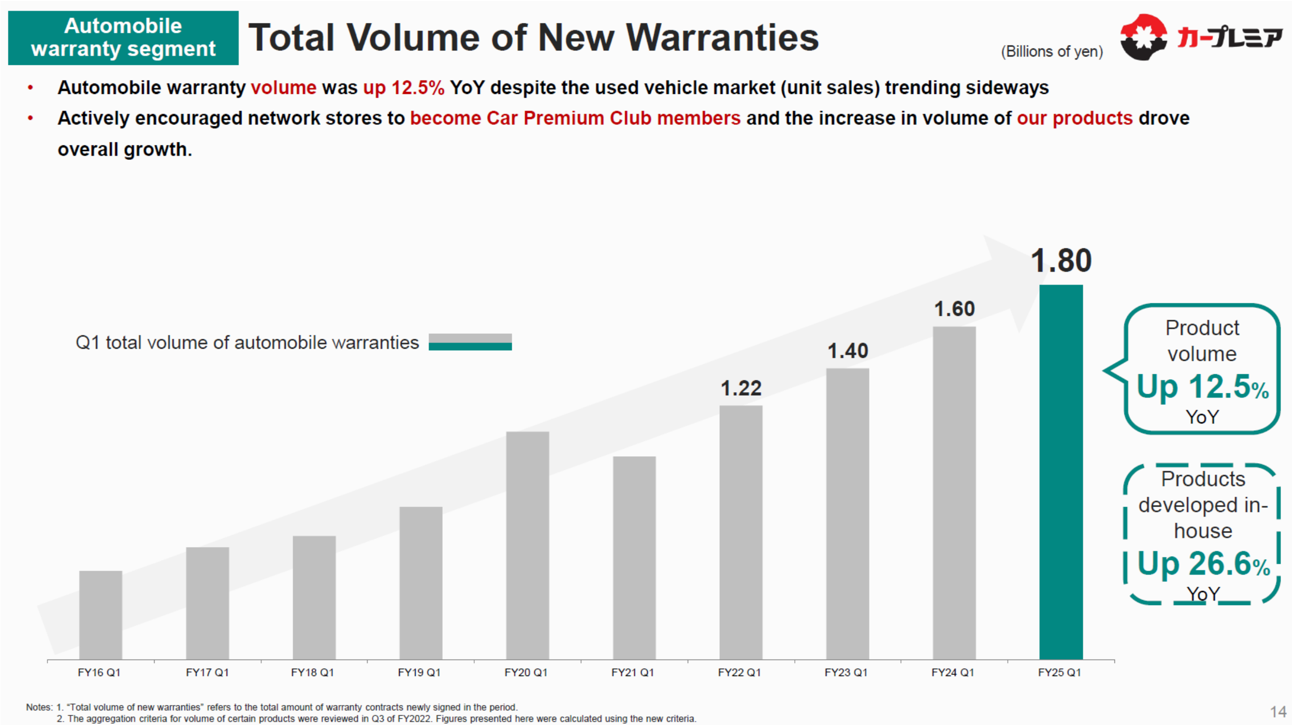
Next is the segment performance of the finance business.

As you can see in the line graph on the right, market interest rates are on an upward trend, but we are firmly promoting the passing of interest rates to customers, and as shown in the line graph, we believe that the gross profit and gross profit margin for credit remain at a high level.

Looking at the profit and loss statement for the finance segment, operating revenue, operating profit, and profit before taxes have all increased significantly due to solid growth in the loan balance, as is the case for the entire consolidated results.




Next, we will continue with the automobile warranty segment.

In automobile warranty segment, the market volume has remained flat, but the overall volume increased by 12.5%, maintaining a solid double-digit growth.

The automobile warranty business is also benefiting from synergies from the Car Premium Club membership, which will be discussed later, so the volume of our products is firmly driving the overall growth of this business segment.

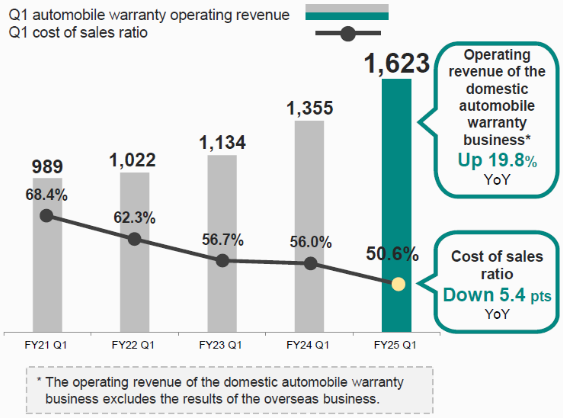
**Automobile warranty segment**

## Segment Performance

(Millions of yen)

- Conversion of network stores to Car Premium Club has led to growth in our high-margin products (Car Premium warranties)
- Continuous cost reduction is achieved by encouraging the use of the company's network garages and increasing the use of used parts
- Overseas automobile warranty businesses (Thailand, Indonesia, and the Philippines) also saw double-digit growth in volume

| | FY24 Q1 | FY25 Q1 | YoY change |
|---|---|---|---|
| Operating revenue | 1,398 | 1,673 | +19.7% |
| Operating profit | 171 | 312 | +82.1% |
| Profit before tax | 187 | 333 | +78.5% |

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These are the results of automobile warranty business segment. This one is also firmly in line with the very strong performance of the KPIs on the previous page, where sales profit and profit before taxes are growing. In particular, if you look at YoY percentages, you will see that operating profit has increased significantly compared to operating revenue. There are two reasons for this. One is our own products. Naturally, since our products are highly profitable products, the growth of profits is naturally greater than that of sales. Second, the part of the cost of automobile warranty business which is the maintenance cost. The important point of this maintenance cost is how to lower the maintenance cost without lowering the quality. We believe that we have been able to further reduce costs this fiscal year by having our customers come to our network of maintenance shops or using high-quality used parts, which are expensive when new parts are used.

As shown in the speech bubble, the cost of sales ratio has decreased by 5.4 percentage points, so we believe that this part of the cost of sales ratio has contributed significantly to the increase in profits.

In addition, automobile warranty segment is expanding not only in Japan but also in Thailand, Indonesia, and the Philippines. Overall, the overseas automobile warranty segment is growing at double-digit rates. We expect that this will contribute to the performance of automobile warranty business in the future.

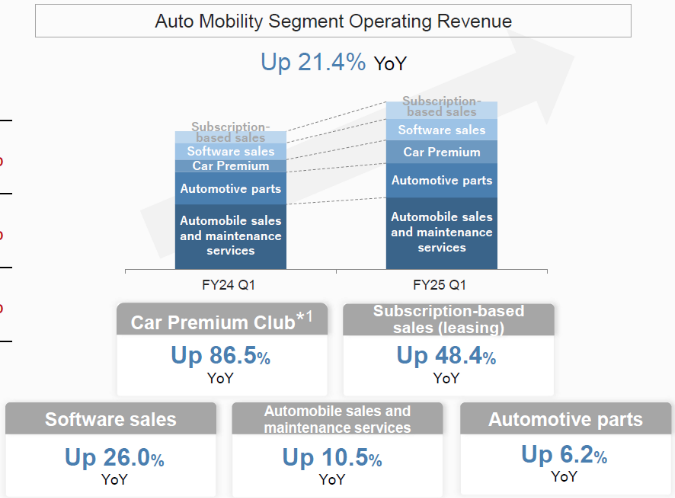
Auto mobility segment

## Segment Performance

(Millions of yen)

- Entering the third fiscal year since the full-scale rollout of Car Premium Club*, each business has grown steadily, and operating profit has been strong, up 69.4% YoY
- Expecting to grow the Auto Mobility segment through expansion of services for Car Premium Club members and greater visibility of the Car Premium brand (mass advertising, etc.)
- The price revision of the Car Premium Club membership fee implemented in FY2023 will continue to secure stable revenue in the future.

| | FY24 Q1 | FY25 Q1 | YoY change |
|---|---|---|---|
| Operating revenue | 1,800 | 2,186 | +21.4% |
| Operating profit | 175 | 297 | +69.4% |
| Profit before tax | 170 | 293 | +72.3% |




*1 A general term for Car Premier Dealer, the Group's membership organization for automobile dealerships and Car Premier Garage, the Group's membership organization for automobile maintenance facilities.

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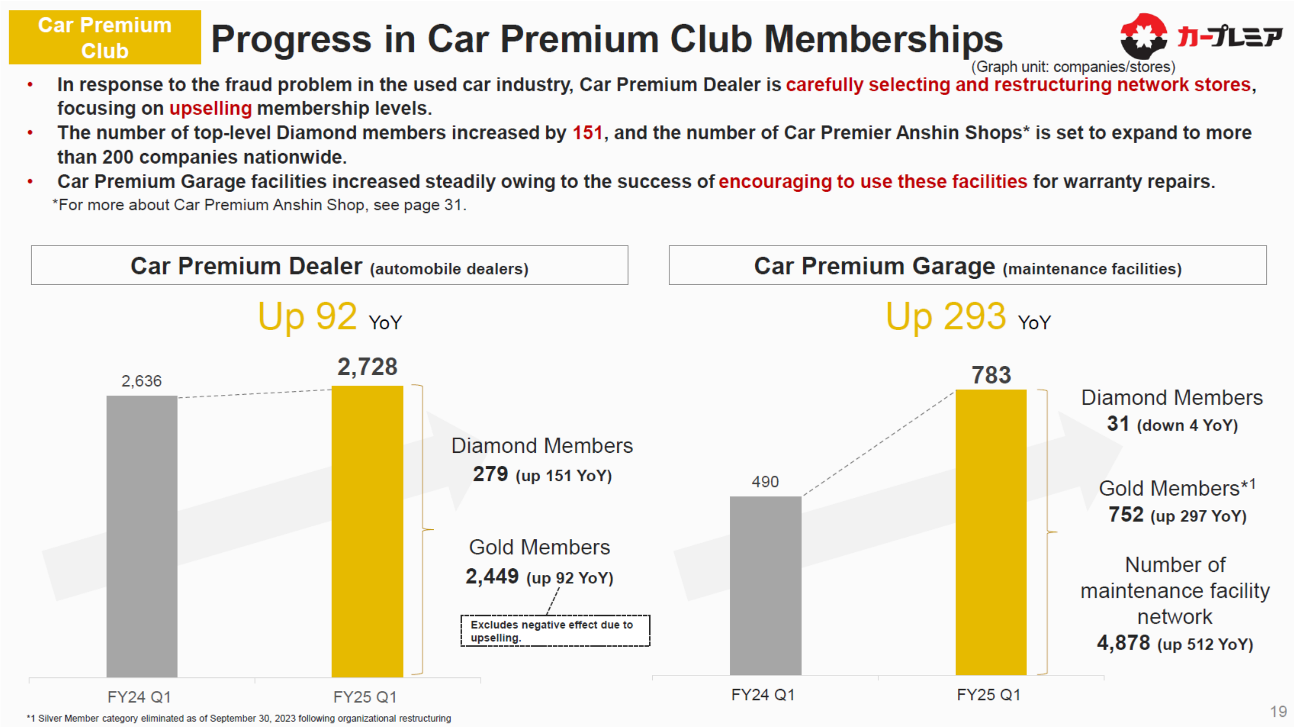
Next is auto mobility service segment.

The Car Premium Club is now in its third year of full-scale rollout, and thanks to this, the number of Car Premium Club members is growing steadily. Moreover, each of the businesses that have emerged one after another within the Car Premium Club is performing well.

In the mobility service segment, various businesses are integrated to form the segment, and in general, each business is growing steadily. The total operating revenue grew by 21.4% and the operating profit grew by 69.4%, reflecting growth and expansion in a very profitable way.

We will continue to expand services for the Car Premium Club, conduct mass advertising to improve brand recognition, and take various steps to firmly expand our market share, not only in mobility services as a segment, but also in anticipation of ripple effects throughout the Group.

In addition, we revised the price of the Car Premium Club membership fee in the previous fiscal year, so in this sense, we expect to secure stable revenues in the future.



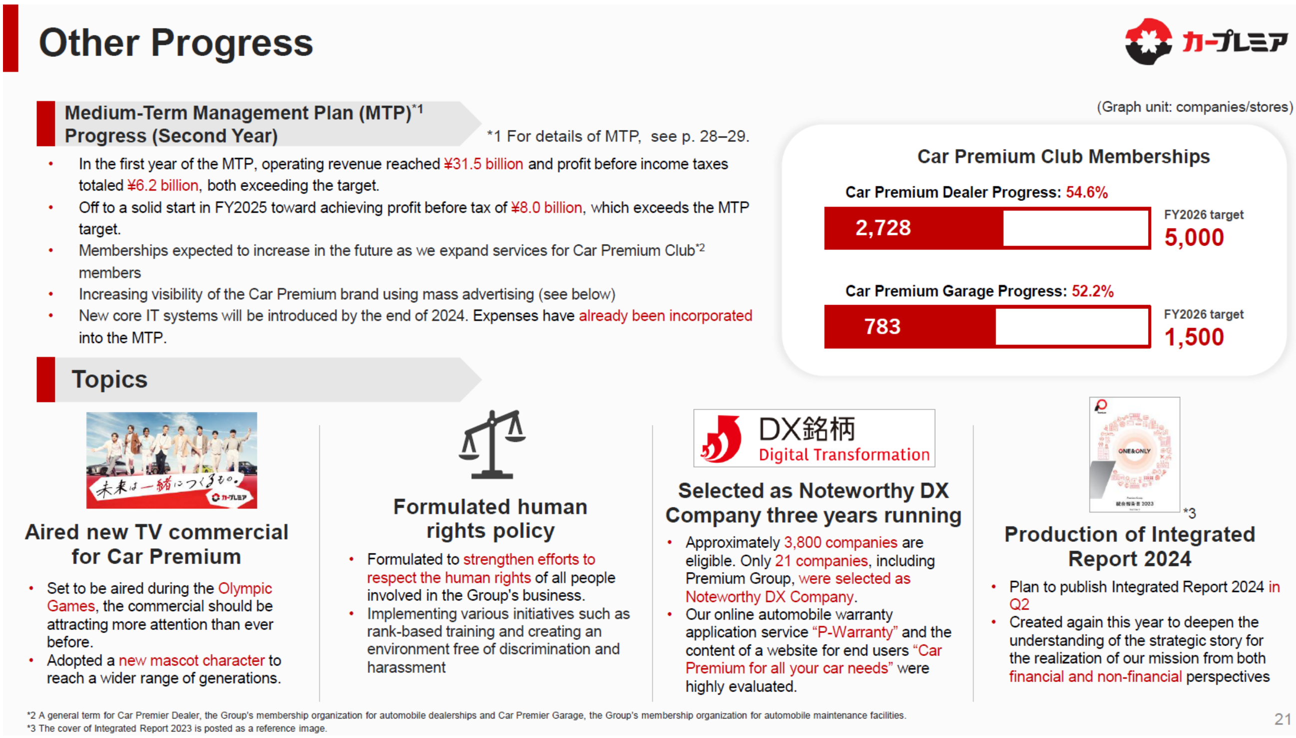

Next, Car Premium Club. Here is a graph showing the progress of the number of the Car Premium Club members. First of all, with regard to Car Premium Dealer, since there have been problems of fraud in the used car industry, it is of course important to not just increase the number of Car Premium Dealers, but we also need to be more selective in terms of the content of the dealerships—where you will be thoroughly vetted and asked to join a Car Premium Dealer. Then, we are also working to restructure the existing member stores that have already joined.

In addition, we are focusing on upselling from Gold members to Diamond members, which is a higher level of membership.

Next is the number of Car Premium Dealers. As you can see, the total number of companies is up 92 YoY, and while there is a solid growth, the number of companies upselling from Gold to Diamond membership has increased by 151, which we believe is very much in line with our sales strategy.

Regarding the fee for Car Premium Dealers, we have revised the prices in the last fiscal year, so we are at the point where the dealers are recording a solid amount of operating revenue over and above the number of companies. As you can see in the first line, we have been very strict and selective in the number of member companies, and I believe that we were able to improve not only the number of companies but also the quality of each company in Q1.

On the other hand, the Car Premium Garage has a great advantage in that it offers an automobile warranty which provides priority entry when repairs are needed—this is the reason why we have been able to obtain the support of member shops that have agreed with our philosophy. This number is also increasing steadily.




Next, other progress.

First, this is the progress of the medium-term management plan. We are now in the second year of a three-year medium-term management plan that began in the previous fiscal year. First, let me look back at the first year of the medium-term management plan, the previous year, which started with operating revenue of JPY31.5 billion and profit before taxes of JPY6.2 billion, firmly exceeding the first year's quantitative targets of the medium-term management plan.

Q1 of this fiscal year is off to a good start, as we continue to achieve more than our medium-term management plan. We will operate our business firmly from Q2 onward, with annual profits for the current fiscal year exceeding the mid-term figures, and with annual plans.

We also plan to expand services for Car Premium Club members, implement mass advertising, and introduce new core credit system—the backbone of our credit segment—by the end of this year. These were planned and have already been incorporated into our medium-term management plan.

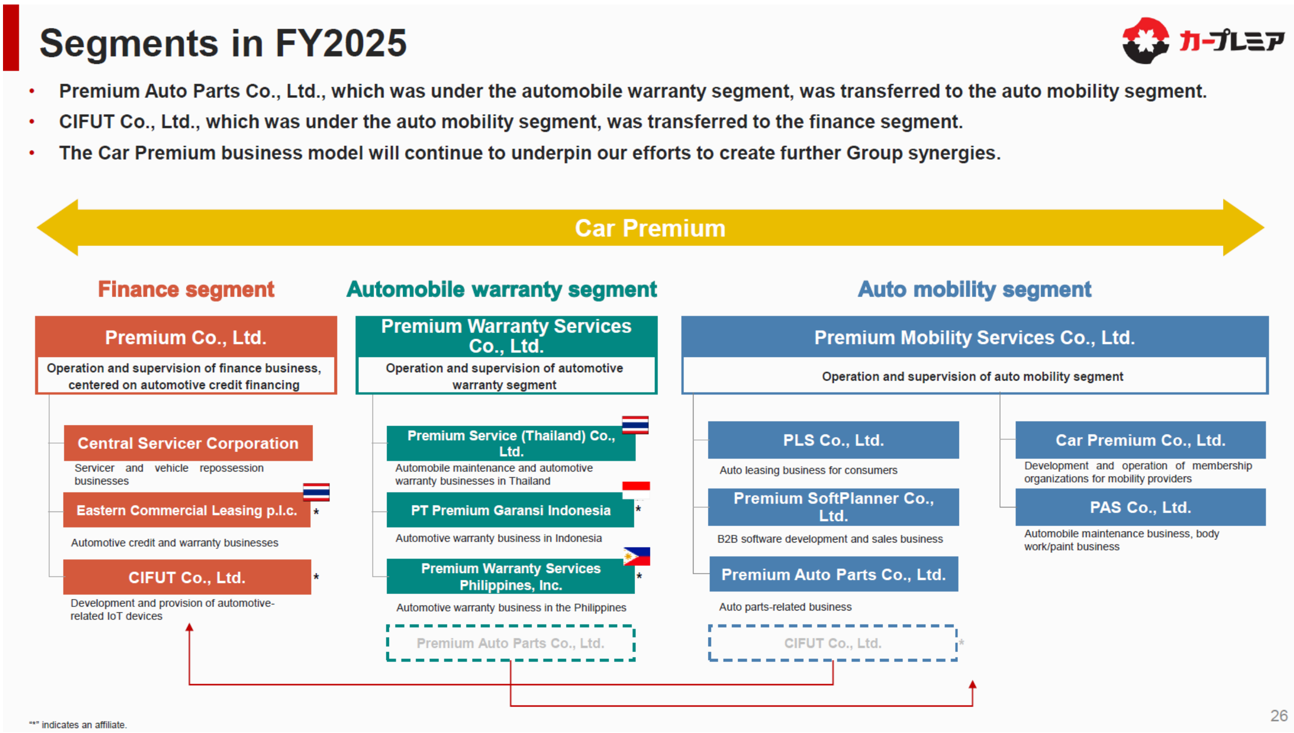
Below that, we have listed four topics, including some that have already been released. First, a new TV commercial for Car Premium is scheduled to be aired. The Olympics will be broadcast soon, so we would like to set to air our commercials during the Olympic broadcast slot.

We also hope to reach out to a wider range of generations with the new mascot character we have adopted.

Now, about the formulated human rights policy. This is something that is naturally required of a company, but we believe it is important to not only formulate the policy, but also to operate and manage the business in accordance with the content of the policy, including a system that enables the Company to trace the policy internally, both in name and in fact, while keeping the human rights policy firmly in mind.

Next, we are selected as Noteworthy DX Company three years running. We believe that DX is still an important item in today's society, and we would like to promote DX in a way that leads to firm sales and profits through further investment and business reforms.

However, we have been working on the Integrated Report since the previous fiscal year, and we are planning to publish it again this year in an enhanced form, so please take a look at it after it is published.




Next is appendix.

This is about the segment for fiscal year ending March 31, 2025. From the previous fiscal year to the current fiscal year, some companies in the segment have been transferred. From the perspective of business synergies, business management, and various other aspects, we would like you to know that the Premium Auto Parts and CIFUT shown in the graph have been transferred as indicated by the arrows.

This concludes the presentation of financial results for Q1 of the fiscal year ending March 31, 2025.

If there are any points that were not covered in today's explanation or if more detailed explanation is required, we will hold individual meetings for institutional investors and analysts. We would be happy to hear from you through our IR contact.

Thank you for your kind attention today.

[END]

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