



Integrity & Sustainability

October 06, 2022

Sector: Other Finance

## Premium Group (7199)

FY2023 First Quarter Result  
April 1, 2022 – June 30, 2022

### GIR Earnings View

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Premium

Year ending March 31,  
2023  
First Quarter Summary

■ The company's consolidated operating revenue for the first quarter of the fiscal year ending March 31, 2023, grew significantly to 5,682 million yen, up 16.2% YoY. The company's consolidated operating revenue grew despite the adverse business environment (external factors) in the domestic automobile market, with new car sales down 15.9% YoY and used car registrations down 5.6% YoY during the same period. Credit transaction volume and automobile warranty transaction volume, which the company uses as KPI, grew +12.9% YoY and +14.8% YoY respectively. Supported by strong revenue growth and cost reduction effect thanks to aggressive DX investments, consolidated pretax profit grew 39.0% YoY to 1,157 million yen, exceeding the growth rate of consolidated operating revenue. Both revenue and income before income taxes reached record highs.

■ The main reason for the company's growth in Q1 FY03/23 is the synergies among group companies and business segments. In addition, the fact that DX investments and their promotion, which have begun to show direct cost reduction effects, have already begun to contribute to this series of synergies. These efforts are proofs that the company's organizational structure is geared to the coming DX era. This is highly commendable from a multifaceted perspective, including the promotion of the SDGs.

■ A prime example is the "Auto Mobility Services Business," which provides several services (auto leasing, wholesale auto sales, software sales, etc.) necessary for operating an auto distribution business, and the "Car Premium Business," which is a new segment independent from the Auto Mobility Services Business and consists of the development and promotion of membership network organizations and the auto maintenance business, among others. Although this business contributes little to overall earnings, it is growing at a remarkable pace. The Auto Mobility Services segment returned to profitability in the previous fiscal year as promised, and the Car Premium business, which posted a loss of -33 million yen in its early stages of operation, is expected to return to profitability for the full year ending March 31, 2023.

Main Factors for Growth  
in Business Performance

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## GIR View (cont.)

- We think over the next five years, the company's three businesses are expected to grow while generating synergies with each other. It is no exaggeration to say that the quality of DX investment currently underway, is the foundation supporting the growth of these businesses and it will determine the speed of profit growth. We will continue to focus on the progress of the company's DX strategy.

### Main Factors for Growth in Business Performance (cont.)

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## Finance Business

- Credit transaction volume in the finance business continued to grow strong in Q1 FY03/23 up 12.9% YoY to 55.7 billion yen, and the balance of credit receivables grew 16.9% from 377.8 billion yen to 441.4 billion yen for the same period. As a result, operating revenue in the finance business increased 11.3% YoY to 3,477 million yen. Income before income taxes increased 21.9% YoY to 791 million yen.
- Revenue growth was driven by a 7.5% YoY increase in the number of network stores, as well as a backdrop of expansion in the Car Premium Club, a fee-based membership organization, which is described separately in the latter part. A significant improvement in calling efficiency due to DX measures resulted in the initial delinquency rate improving by 0.12% point YoY to 0.86%. In addition, the number of sales staff increased by 12 from the last fiscal year-end to 94, but there are no further plans to increase the staff number significantly in the immediate future due to the promotion of DX measures and other efficiency improvement measures.
- The paperless conversion ratio, a KPI for cost structure improvement, improved significantly by 19.1 percentage points from the same period last year to 93.1%, an astounding result proving that the DX strategy is making steady progress.

## GIR View (cont.)

- Operating revenue from the warranty business increased 13.6% YoY to 1,542 million yen, reflecting a 14.8% YoY rise in the volume of automobile warranty transactions. Income before income taxes declined 2.0% YoY to 206 million yen, but excluding the impact of higher headquarter expenses due to upfront investments, which were not designated as divisional cost in the previous fiscal year, income was solid, up 26.0% YoY. Earnings were driven by growth in profitable in-house merchandise. In the first quarter, the company's own product transaction volume grew by a substantial 38.3% YoY. Further, sales of components gained 24.2% for the same period. Intragroup components sales, which indicate cross-selling within grew by 26.0% YoY, demonstrating cost reduction in the warranty business on steady progress.

### Warranty Business

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### Automobility Services Business

- Operating revenue for the automobility business increased 57.1% YoY to 524 million yen. Income before income taxes was up 73 million yen YoY to 52 million yen, and the company was already back in the black. Wholesale vehicle sales and software sales were up 64.5% and 40.7% YoY, respectively. It should be noted that the business of building membership organizations for maintenance shops was transferred to the newly established "Car Premium Business" segment. This has allowed the Auto Mobility Services segment to focus more on services for mobility providers and the development of new businesses.

- Operating revenue in the newly established segment, Car Premium Business, grew sharply by 85.9% YoY to 138 million yen. Although the company posted a 33 million yen loss before income taxes, it is safe to say that the Car Premium Club, a fee-based membership organization for car dealers (Car Premium Dealers) and maintenance shops (Car Premium Garage), is making steady progress, and is sure to return to profitability in FY03/23. In Q1, the number of Car Premium Club members grew dramatically, with Car Premium Dealer members tripling to 1,768 companies and Car Premium Garage members increasing 13-fold to 588 stores, YoY. The company has a network of 3,804 maintenance shops, and its growth potential should be recognized.

### Car Premier Business

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## FAQs from Investor Meetings

Premier Group (7199) has been meeting with international institutional investors on an ongoing basis. The following is a summary of the common concerns of investors that emerged from these meetings and their responses. The responses are based on the company's answers, plus analyst commentary and additional information. The order is based on the questions that seemed to be of particular interest.

**Q1:** Overseas expansion

**A1:** The company's overseas strategy is in its infancy. This is because the secondary market for automobiles in Japan (referring to all automobile-related industries after new car registration) differs from that in Europe and the United States, and it is not easy for the company to transfer the business model it has established in Japan, an advanced automobile market, directly to this market. Therefore, in recent years, the company has been expanding overseas, focusing on developing countries in Southeast Asia, where there is a large distribution of Japanese cars.

Following its entry into Thailand in 2016 for its auto maintenance service business, the company entered Indonesia in 2017 and the Philippines in 2021 to promote its warranty business. In addition to developing the actual business, the company is also conducting feasibility studies to explore new business opportunities.

In the future, the platform to be built in accordance with the company's DX strategy may facilitate the provision of services suited to each country's market environment, and we will keep a close eye on it.

**Q2:** Promotion of women to management positions

**A2:** The ratio of female managers at the company is 17.6% in FY03/21.

The national average is 8% (Teikoku Databank), which means that there are more than twice as many opportunities for women to play active roles in the company group.

The reason behind this is that the company has positioned the provision of employment opportunities and career development for women as an important management strategy, and is making multifaceted efforts to create a workplace environment in which employees can fully demonstrate their abilities while maintaining a good work-life balance. Specifically, the company has created an environment and culture in which a diverse range of human resources can play an active role through the introduction of new working styles such as satellite office work and telework systems for working at home, in addition to a flextime system.

The company also aims to continuously enhance its corporate value by promoting diversifying human resources activities regardless of age, nationality, and other attributes, as well as gender.

## Topics for this term

### Results for the current term

In a domestic market environment of negative growth in both new car sales and used car registrations, the company achieved double-digit growth in all business segments and made a more than adequate start in the first quarter toward achieving its full-year performance goals. This is a clear indication that the various management strategies that the company has implemented to date are beginning to connect more and more horizontally.

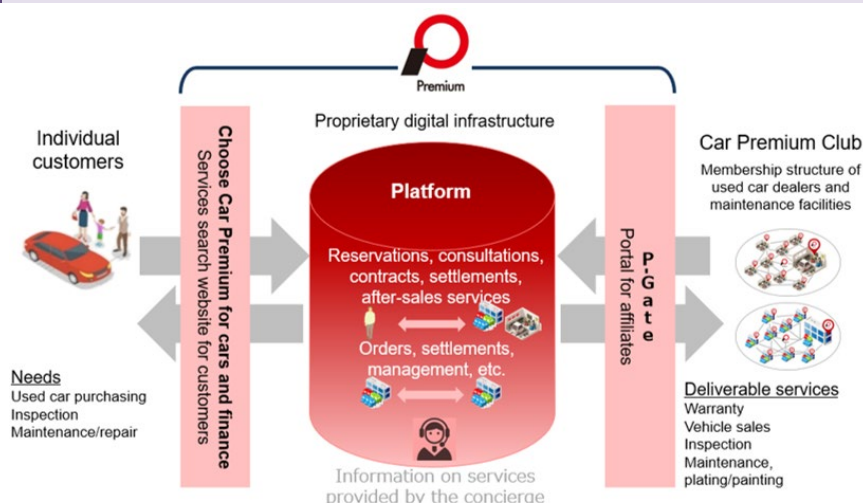
### Approach to individual investors

On August 31, 2022, the company executed a stock split in which three new shares were issued for each old share. This triples the total number of shares outstanding, increasing liquidity and lowering the barrier to entry for individual investors. The company's entry into the B-to-C market is expected to accelerate its recognition in the medium term.

### DX Strategy: "Car Premiere Site"

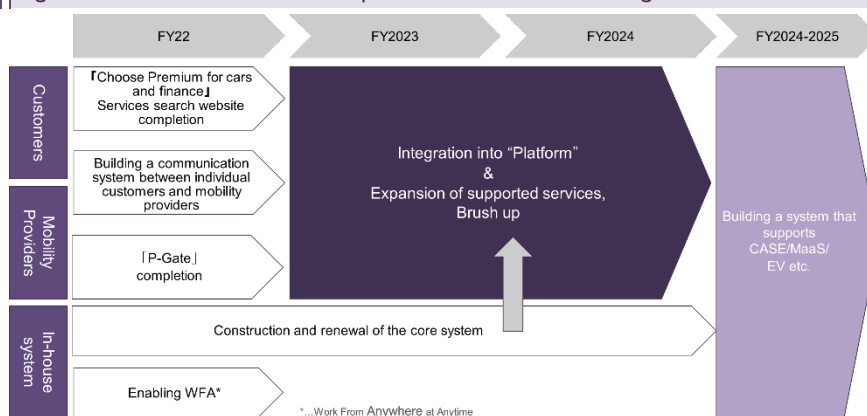
In May 2022, just one year after the DX Promotion Strategy was formulated in May 2021, the company was selected by the Ministry of Economy, Trade and Industry as a "DX Certified Business" and in the following June as a "DX Hot Company 2022". The following July, the company launched the "Car Premier Site" (Figure 3). This marked the start of the operation of a platform connecting consumers (B) and members, and the company's move from B to B, to B to C with the objective of moving forward together with its customers. The automotive industry is in the midst of a major paradigm shift, including CASE, MaaS, and the shift to EVs. In parallel with the paradigm shift in the industry, a social structural change toward a decentralized and autonomous society is also awaiting us. The company's future will depend on how much added value it can provide to customers in an era of major and irreversible changes in people's lifestyles. What is certain is that at this point in time, the company leading the way in automotive secondary market.

Figure 1. Image of "VALUE UP 2023"



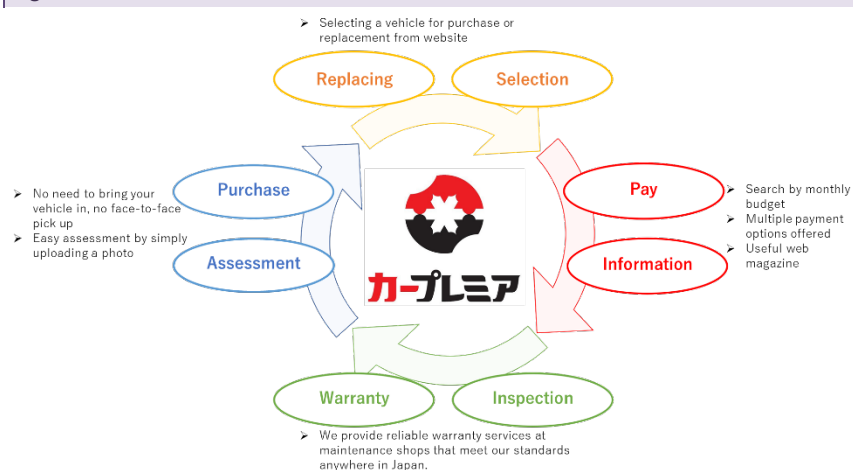
Source: Transcribed from company data

Figure. 2 . DX Promotion Roadmap for Core Business Strategies



Source: Prepared by Global IR, Inc. based on company data..

Figure. 3. Overview of the "Car Premier Site"



Source: Transcribed from company data



Financial Data (Consolidated: Quarterly)														
Statements of Income (Millions of yen)														
Accounting standard	Japanese GAAP													
Year ending	FY03/21						FY03/22						FY03/23	
	1Q	2Q	1H	3Q	4Q	1Q-4Q	1Q	2Q	1H	3Q	4Q	1Q-4Q	1Q	2Q CE
Operating income	4,022	4,365	8,386	4,401	4,722	17,825	4,891	5,214	10,104	5,227	5,496	20,827	5,682	-
YoY (%)	27.7	24.3	26.0	25.2	22.9	27.2	21.6	19.5	20.5	18.8	16.4	16.8	16.2	-
Income before taxes	1,180	822	2,001	797	664	3,463	832	1,083	1,915	1,004	1,097	4,017	1,157	-
YoY (%)	-49.9	19.4	-34.4	319.4	-	33.0	-29.4	31.8	-4.3	25.9	65.2	16.0	39.0	-
Profit before tax ratio (%)	29.3	18.8	23.9	18.1	14.1	19.4	17.0	20.8	19.0	19.2	20.0	19.3	20.4	-
Net income	779	542	1,321	526	546	2,383	608	757	1,358	695	905	2,964	845	-
YoY (%)	-49.6	77.3	-28.6	356.6	-	64.8	-21.9	39.5	3.3	32.0	65.6	23.8	38.9	-
Net profit margin (%)	19.4	12.4	15.7	12.0	11.6	13.4	12.4	14.5	13.5	13.3	16.5	14.2	14.9	-

Source: Prepared by Global IR, Inc. based on company securities reports

Note: Rounded to the nearest million yen, rounded to the nearest decimal place based on the calculation of Global IR, Inc.

FY03/20 Income before income taxes and net income increased in 1Q

FY03/20 due to a one-time gain from a change in accounting estimate and other factors.

In FY03/20 4Q, the share price of Eastern Commercial Leasing p.l.c, an equity-method affiliate in Thailand, temporarily plunged due to the global stock market downturn caused by the new coronavirus infection, resulting in an impairment loss of approximately 870 million yen.

Financial Data (Consolidated: Full Year)							
Per Share Data							
Year ending	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3 CE
Total number of shares issued and outstanding (thousand shares)	60	6,060	6,601	13,275	13,334	13,395	-
EPS	70.6	107.4	113.1	112.3	186.7	229.4	-
EPS Adjusted	70.4	99.5	104.9	110.3	184.6	-	-
BPS	356.6	471.2	413.9	411.2	563.1	754.7	-
DPS	-	42.5	42.5	44.0	46.0	51.0	-

Note: The company conducted a 2-for-1 common stock split on April 1, 2019.

The amounts of EPS, BPS, and DPS prior to the end of the fiscal year ended March 31, 2019, are calculated on the assumption that the stock split was conducted.

Cash flows (Millions of yen)							
Year ending	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3 CE
Depreciation and amortization	335	339	332	855	1,316	1,294	-
Cash flows from operating activities	2,769	1,043	-1,015	-1,246	1,321	1,608	-
Cash flows from investing activities	-1,393	-852	-706	-1,618	-1,172	-1,028	-
Cash flows from financing activities	-2,223	1,790	1,563	2,967	1,617	2,797	-

Financial Data (%)							
Year ending	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3 CE
Return on Assets (ROA)	4.5	6.0	5.3	5.1	5.5	5.4	-
Return on Equity (ROE)	22.3	25.9	24.8	27.4	38.3	34.8	-

Source: Prepared by Global IR, Inc. based on company securities reports

Note: Rounded to the nearest million yen, rounded to the nearest decimal place Calculated by Global IR, Inc.





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