



Premium Group

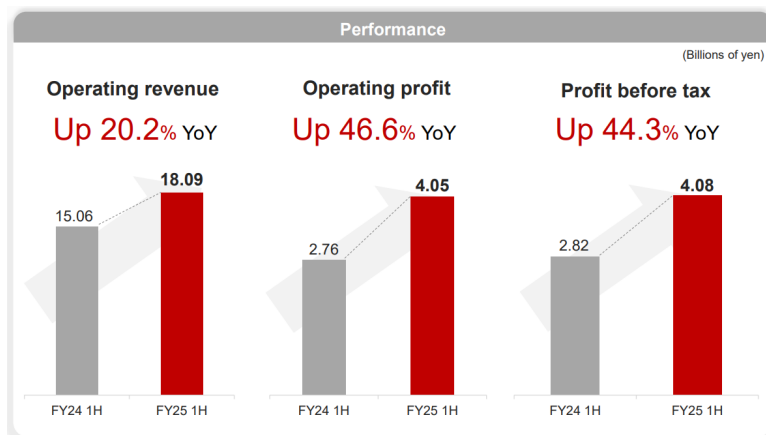
(TSE Code: 7199)

A new period of revenue growth promoting the Car Premium business model and DX

GIR View

Overview

Regarding Q2 results for the FY ending March 31, 2025, operating revenue grew 20.2% YoY, and operating profit increased 46.6% YoY. Quarterly operating profit grew significantly from 2.76 billion yen to 4.05 billion yen YoY, reaching the 4 billion yen level for the first time.



Source: "Financial Results Presentation for 1H of FY Ending March 31, 2025" company materials.

As the growth in operating profit from spot revenues (membership fee increase) will run its course in the first half of 2025, operating profit growth may appear to slow down from Q3 onward. However, as mentioned in our previous report (April 24, 2024), it is safe to say that the company's profit structure has entered a period of major transformation. At the core of the structural change is the growth of the high-margin Car Premium Club*1.

*1. This refers to the Car Premium Club operating revenue of the auto mobility services business. Please see the last page for the disclaimer.

KEY STATISTICS



Key Stock Statistics

Recent Price (Dec. 25, 2024)	¥2,503.00
52 week high/low	¥2,668.00/¥1,570.00
Shares Outstanding	40,470,570 shares
Market Cap	¥109.450 billion
PER	17.69 times
PSR	3.47 times
Dividend (Dividend Yield)	¥40.00 (1.6 %)

Sector Overview

Sector	Other Finance
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Financials (FY03/2025 forecast)

Operating revenue	¥40,000 million
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Management

President	Yohichi Shibata
URL	https://www.premium-group.co.jp/en/



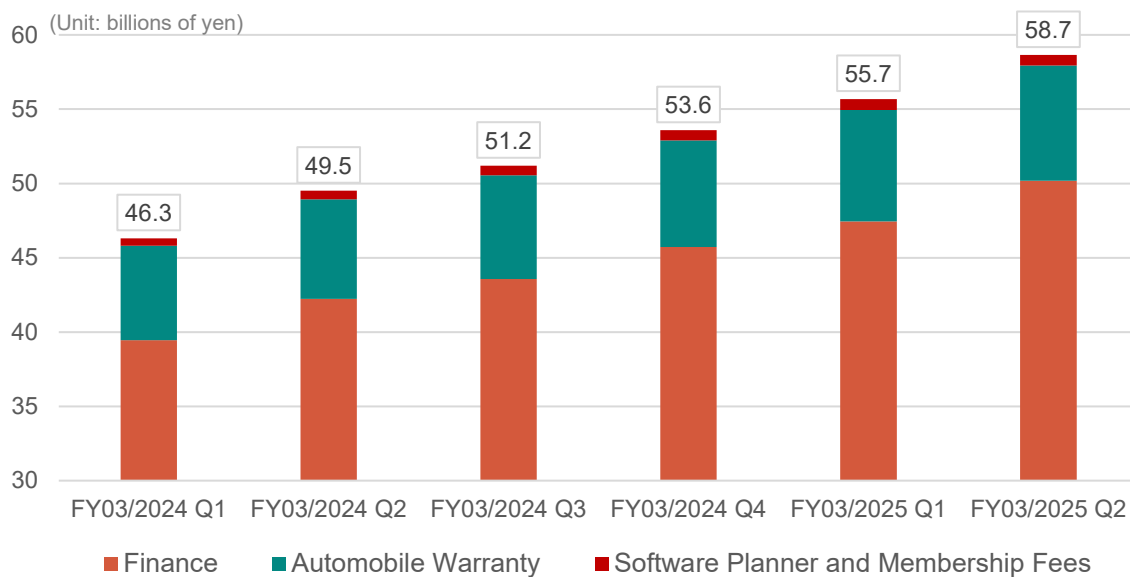
The Q2 results also marked the halfway point in the company's efforts to achieve the goals of its Medium-Term Management Plan, ONE&ONLY 2026, which concludes in the FY ending March 31, 2026. In addition to these changes in the profit structure, the company's existing finance business and the automobile warranty business, which are the company's cash cow businesses, showed no signs of slowing down. This not only makes the achievement of the plan's goals significantly likely but also gives the company hope that the plan will go higher.

KPIs for investors to determine whether this upward trend will continue are the growth of the Car Premium Club and the growth of the total volume handled in the credit finance and automobile warranty businesses.

Whether or not the company can expect further earnings growth in the next Medium-Term Management Plan will depend on whether the DX strategy it is promoting can be turned into an opportunity in the era of Web 3.0 and Society 5.0; in other words, the coming paradigm shift in human society.

On the other hand, the share price reflected only the upward momentum of expectations immediately after the announcement of financial results for the same period, but it was pushed down by short-term investors' selling and does not seem to reflect the upside expectations for future revenue at all. This may be the only opportunity to buy the company's shares at a market capitalization of approximately 100 billion yen, and we view this as a great chance to acquire shares while the price is down. We believe that the current share price only reflects the company's future revenue (deferred assets) of 58.7 billion yen, up 18.4% YoY.

Trends in Future Revenue (Deferred Revenue)



Source: Prepared by Global IR, Inc. based on Company materials.



For more details on these results, please refer to the company's "Financial Results Presentation for 1H of FY Ending March 31, 2025" materials and the English translation of the transcript for the financial results briefing video conducted by the company's President and CEO. Although busy institutional investors may not often refer to the company's Integrated Report 2024, it is so complete that sell-side securities analysts are not needed, and institutional investors considering a long-term investment should definitely refer to it.

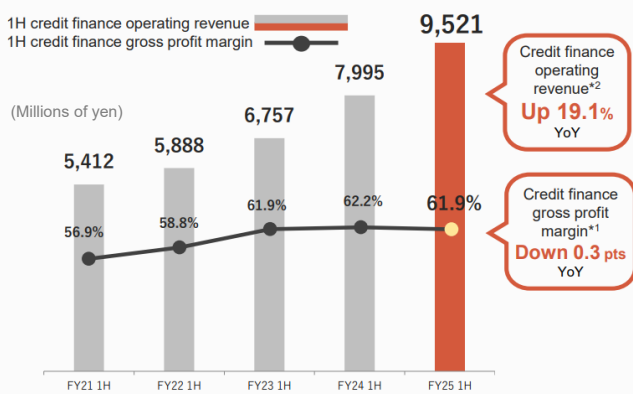
In this report, we would like to emphasize the transformation of the profit structure, which is the key to achieving the same period performance and the Medium-Term Management Plan.



Finance Business and Automobile Warranty Business

Operating profit in the finance business increased 42.2% YoY to 3.02 billion yen, and operating profit in the automobile warranty business increased 85.2% YoY to 475 million yen, representing major growth in both businesses.

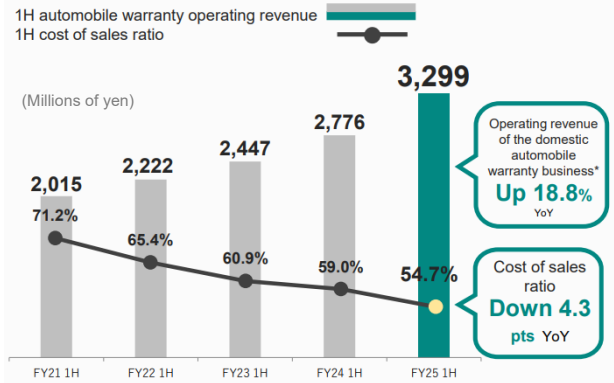
Finance Business



*1. 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, warranty fees, personnel costs, rent, etc.).

*2. Credit finance operating revenue represents the total operating revenue related to credit finance.

Automobile Warranty Business



*The operating revenue of the domestic automobile warranty business excludes the results of the overseas business.

Source: "Financial Results Presentation for 1H of FY Ending March 31, 2025" company materials.

Amid sluggish domestic sales of new cars and slow growth in used car registrations, the company's total volume of new loans, a KPI for finance business earnings, grew by 15.8% in cumulative Q2. On the other hand, while the total volume handled in the automobile warranty business saw relatively low growth (8.6% YoY), high-margin products developed in-house grew sharply (+27.3% YoY), making a significant contribution to operating profit. In fact, the cost-of-sales ratio in this business improved significantly from 59.0% in the same period last year to 54.7% in this fiscal year. In addition, the company's overseas operations in Thailand, Indonesia, and the Philippines, centered on its automobile warranty business, are all reporting double-digit sales growth, and the company has high expectations for the future.

Both businesses are performing well, exceeding the targets of the Medium-Term Management Plan, but neither would have been possible without the growth of the Car Premium Club. The management team's decision to make a major investment in the company's business model to expand from the traditional B-to-B-to-C model and take on the challenge of launching its own brand, Car Premium, a B-to-C value proposition to consumers, is highly commendable. In the future, the company is expected to evolve further into a B-to-C business by deepening its ties with Car Premium Club members, but further decisive action, especially through DX, will be required to make this a reality. We will



keep a close watch on further developments.

Naturally, the marginal profit ratios of in-house brands, which are free of extra costs, are higher than those of traditional businesses, which implies an improved product mix within the business units. This is something we have pointed out in the past and was beautifully demonstrated in the Q2 results of FY ending March 31, 2025, which marked the halfway point of the ONE&ONLY 2026 Medium-Term Management Plan.



■ Auto Mobility Services Business

The company's own Car Premium brand is most prominent in its auto mobility services business. The performance of this business in Q2 of FY ending March 31, 2025 showed a significant increase in operating revenue, which increased by 18.0% YoY to 4,441 million yen, and operating profit, which increased by 49.5% YoY to 582 million yen.

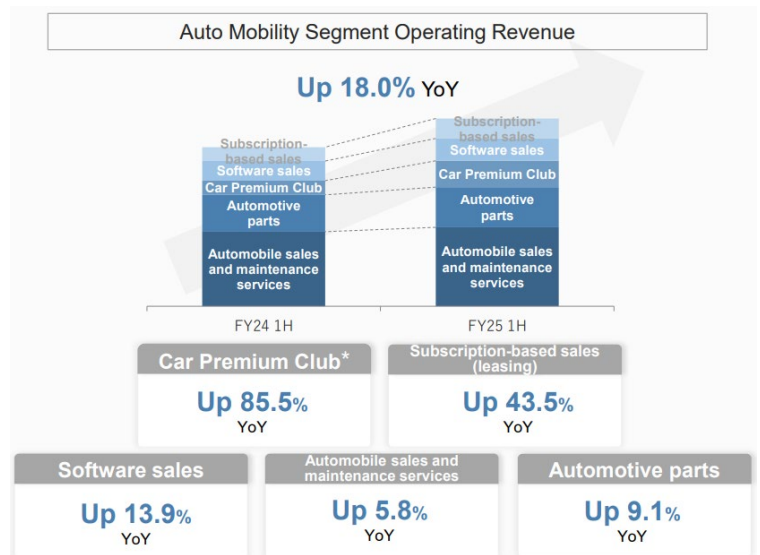
Unit: millions of yen	Q2 FY03/2024	Q2 FY03/2025	YoY
Operating Revenue	3,764	4,441	+18.0%
Operating Profit	389	582	+49.5%
Profit Before Tax	378	574	+51.8%

Source: Based on "Financial Results Presentation for 1H of FY Ending March 31, 2025" company materials.

As some investors may have already realized after reading to this point, the Car Premium strategy in this business, which has grown its performance while driving the aforementioned finance business and automobile warranty business, is the very KPI that is expected to determine the company's future.

The sub-segment information for this business, in order of percentage growth over the same period last year, is detailed below. They are as follows, in order of highest YoY growth rate:

1. Car Premium Club (85.5% increase YoY)
2. Subscription-based sales (leasing) (43.5% increase YoY)
3. Software sales (13.9% increase YoY)
4. Automotive parts (9.1% increase YoY)
5. Automobile sales and maintenance services (5.8% increase YoY)



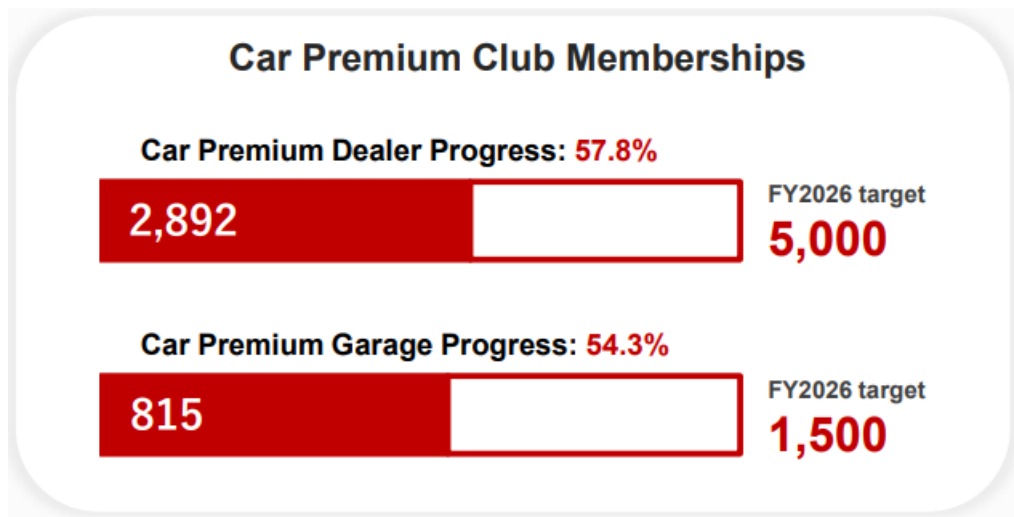
Source: "Financial Results Presentation for 1H of FY Ending March 31, 2025" company materials.

The growth of the Car Premium Club, which has almost doubled in size, means growth in membership fees with a high marginal profit ratio, which has also helped the company raise its prices. In this business, the company has been upfront about its commitment to assuring consumers of high-quality services by carefully selecting Car Premium



Club members in the face of the large companies that have been chasing numbers and causing the industry to sink due to fraud issues. The company's stance, which is rare in the used car market, is clearly supported by its customers and is reflected in the rapid increase in the number of Car Premium Dealers (membership organization for automobile dealerships) and Car Premium Garages (membership organization for automobile maintenance facilities).

The company's Medium-Term Management Plan, ONE&ONLY 2026, targets 5,000 Car Premium Dealers and 1,500 Car Premium Garages. In Q2 of FY ending March 31, 2025, which marks the halfway point of the plan, there were 2,892 Car Premium Dealers, up 575 YoY, and Car Premium Garages on track to reach its target number of network stores, with 815 stores, up 293 stores YoY.



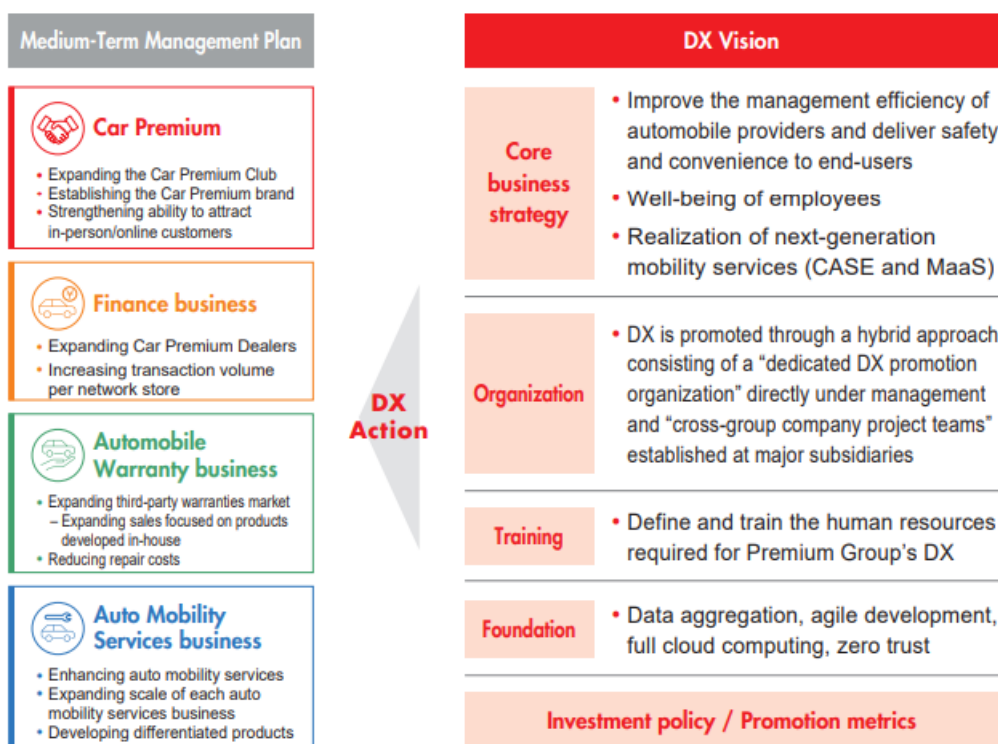
Source: "Financial Results Presentation for 1H of FY Ending March 31, 2025" company materials.

In addition, the number of Gold Members, carefully selected through a rigorous screening process, has increased noticeably in both business lines. In this respect, the company's desire to provide consumers with high-quality services and products is also evident, confirming that it has begun to establish a strategic identity to address structural issues in the industry. In order to solidify and accelerate this trend, the company is steadily investing in DX, which will enable it to increase awareness of the Car Premium brand among consumers and to manage its customers scientifically and holistically (both network stores and consumers). We give one such example below.

DX Investment

One example of the company's DX investments is its participation in AND Financing Corporation in the Philippines. In addition to this joint investment with Marubeni Corporation, the company has also invested in the parent company, AND Global Pte., a fintech company in Mongolia that started the commercial finance business, representing another example of the company's strategic investment. The development is significant as an investment in the digital consumer finance business, also known as the fintech business, in the Philippine market as the population is expected to grow in the future. While some may be concerned about the company's DX literacy, it can be said that the company is actually preparing for paradigm shifts, namely the era of Web 3.0 in human society and Society 5.0 in Japanese society, although this preparation has not yet attracted much attention. We would like to report on the company in-depth through interviews at some point in the future.

Overview of DX and Medium-Term Management Plan



Source: "Integrated Report 2024" company materials.

In addition to the Car Premium strategy, we believe that the company's DX investments, both in general and in detail, are a key KPI for considering an investment in the company. Of course, external investment in what it does not have is not enough; the company is also investing in DX within the company. The company will complete a renewal of its



core system by the end of this year, and it will also need to train DX human resources, build the organization, and prepare for the paradigm shifts in the industry structure, such as for CASE and MaaS. Certainly, there will be more DX investment down the line. We should keep our eyes closely on the company's future DX investments.



Management Indicators

Financial Data (Consolidated: Quarterly)

(Millions of yen)

Accounting Period	FY03/	FY03/	FY03/	FY03/2024						FY03/2025		
	2021	2022	2023	Q1	Q2	H1	Q3	Q4	Q1-Q4	Q1	Q2	H1
Operating Revenue	17,825	20,827	25,456	7,233	7,823	15,056	7,919	8,589	31,564	8,674	9,418	18,092
YoY (%)	127.2	116.8	120.9	127.3	126.8	126.7	121.8	126.2	123.9	119.9	120.4	120.2
Profit Before Tax	3,463	4,017	5,344	1,408	1,416	2,824	1,631	1,786	6,241	1,876	2,200	4,076
YoY (%)	133	116	133	121.7	61.5	81.6	138.5	253.3	116.8	133.2	155.4	144.3
Profit Before Tax Ratio (%)	19.42	19.3	21.2	19.5	18.1	18.8	20.6	20.9	19.8	21.6	23.4	22.5
Net Profit	2,393	2,964	4,003	1,075	995	2,070	1,142	1,405	4,617	1,276	1,496	2,772
YoY (%)	164.8	123.9	137.1	127.2	55.2	78.3	132.8	281.0	115.3	118.7	150.4	133.9
Net Profit Margin (%)	13.4	14.2	15.9	14.9	12.7	13.7	14.4	16.4	14.6	14.7	15.9	15.3

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

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

FY ended March 31, 2022 Q1 figures for "Operating Revenue" and "Operating Expenses" have been partially restated (including historical data) to reflect the new PL operating profit classification.

In Q2 of FY ended March 31, 2023, due to a reversal of approximately 870 million yen of a previous-year impairment loss on Eastern Commercial Leasing p.l.c., an equity-method affiliate in Thailand, profit before taxes and net profit increased.

A change in accounting policy in Q1 of FY ended March 31, 2024 Q1 led to a change in the accounting method for "Operating Profit." (Results before the change are shown for FY ending March 31, 2023 and earlier.)

Per Share Data

(Consolidated)

Accounting period	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	FY 03/2023	FY 03/2024
Total number of shares issued and outstanding (thousand shares)	6,060	13,202	13,275	13,334	13,395	40,328	40,471
EPS	214.89	109.66	112.33	186.74	229.39	103.17	119.39
EPS Adjusted	198.92	101.73	110.29	184.55	227.36	102.50	118.89
BPS	943.23	414.73	400.17	546.78	732.66	332.45	379.31
DPS	84.98	40.75	43.01	44.10	48.90	20.21	26.57

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

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

A stock split was implemented on April 1, 2019 at a ratio of 2 shares for every 1 share of common stock, and on September 1, 2022 at a ratio of 3 shares for every 1 share of common stock.

**Cash Flows** (Millions of yen)

Accounting period	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	FY 03/2023	FY 03/2024
Depreciation and amortization	339	855	332	1316	1,294	1,419	1,640
Cash flow from operating activities	1,043	-1,015	-1,246	1,321	1,608	-449	2,489
Cash flow from investing activities	-852	-706	-1,618	-1,172	-1,028	-2,320	-3,093
Cash flow from financing activities	1,790	1,563	2,967	1,617	2,797	6,181	6,892

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

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

Financial Data (%)

Accounting period	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	FY 03/2023	FY 03/2024
Return on assets (ROA)	3.6%	3.2%	2.5%	3.5%	3.6%	3.9%	3.7%
Return on equity (ROE)	22.6%	25.4%	27.3%	32.8%	30.2%	29.9%	30.0%
Equity capital ratio	15.9%	12.5%	9.1%	10.9%	12.0%	13.1%	12.2%

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

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