



President and CEO Yohichi Shibata

Premium Group Co., Ltd. (7199)



Company Information

Market	TSE 1st Section
Industry	Other financial business (finance and insurance)
President and CEO	Yohichi Shibata
HQ Address	19th Floor, The Okura Prestige Tower, 2-10-4, Toranomom, Minato-ku, Tokyo
Year-end	March
Homepage	https://www.premium-group.co.jp/en/

Financial Information

Operating revenue	Pretax profit	Net profit	Total assets	Net assets	ROA	ROE
17,825 million yen	3,463 million yen	2,383 million yen	68,156 million yen	7,211 million yen	5.5%	38.3%

*Results for the term ended March 2021. IFRS was applied. Net profit means the profit attributable to owners of parent. Net assets mean the equity attributable to owners of parent. ROA is the ratio of pretax profit to total assets. ROE is the ratio of net profit to equity attributable to owners of parent.

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1. Company Overview

Premium Co., Ltd., which is the core enterprise operating the Financial Business, Premium Warranty Services Co., Ltd., the core enterprise conducting the Automobile Warranty Business, Premium Mobility Services Co., Ltd., the core enterprise offering Auto Mobile Services Business, and over 15 group companies inside and outside Japan provide automobile-related services, including Credit Finance services and Automobile Warranty services for the purchase of used cars.

Premium Group Co., Ltd. manages the corporate group and deals with accompanying and related tasks as a holding company.

【1-1. Corporate history】

Mr. Yohichi Shibata used to handle auto loans in a leading financing company, and believed in the high affinity between automobiles and finance and its growth potential.

He joined Gulliver International Corporation (current name: IDOM Inc.), which was his client company, following their request. In 2007, he established G-ONE Credit Services Co., Ltd., which is the predecessor of Premium Co., Ltd., a second-tier subsidiary of Gulliver International Cooperation, and started providing services.

However, the business environment surrounding Gulliver International Cooperation changed, and the business was discontinued, and its shareholders shifted to the SBI Group and the Marubeni Group.

In that situation, a desirable capital policy was actualized while maintaining the forte of “independence” from financial institutions, which is the greatest competitive advantage, based on the negotiation skill of President Shibata, and a holding company system was adopted with Premium Group Co., Ltd. being a holding company in 2016. Their business performance improved steadily with the rich product lineup as an independent corporate group and the advanced knowledge of auto finance, and the company was listed in the second section of Tokyo Stock Exchange (TSE) in 2017 and then in the first section of TSE in 2018.

【1-2. Corporate ethos】

(Missions)

Contribute to the construction of a prosperous society by providing top level financing and services to the world.

By further improving our financing and services, and spreading them across the world, we will create a prosperous society.

We will foster employees who are broadminded, have a positive outlook, and assiduously work their way towards creating results.

We will not give up before we start by thinking we cannot do something, or something is not possible. We will promote innovation with creative ideas and great ambition, and forge ahead to the next step ourselves.

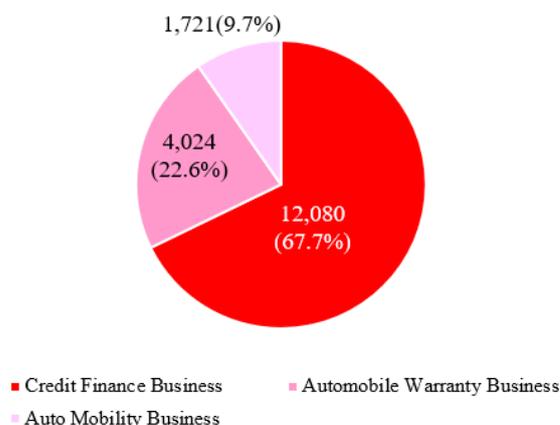
The management policy is to improve corporate value in the medium/long term, by fulfilling the above missions and developing human resources who can take over these missions.

【1-3. Business description】

The corporate group provides clients, including used car dealers and car maintenance shops, with credit finance, automobile warranty, auto mobility services (such as the sale of auto parts and software for task management at maintenance shops, maintenance and sheet-metal work of automobiles), etc. Also, in Thailand, Indonesia, and the Philippines, they offer credit finance, automobile warranty, and so on via overseas affiliates.

The business segment is the Credit-related Business only, but it is classified into the three businesses: Credit Finance, Automobile Warranty, and Auto Mobility, to disclose the revenue status of each business.

Operating revenue composition by business (FY 3/21, unit: million yen)

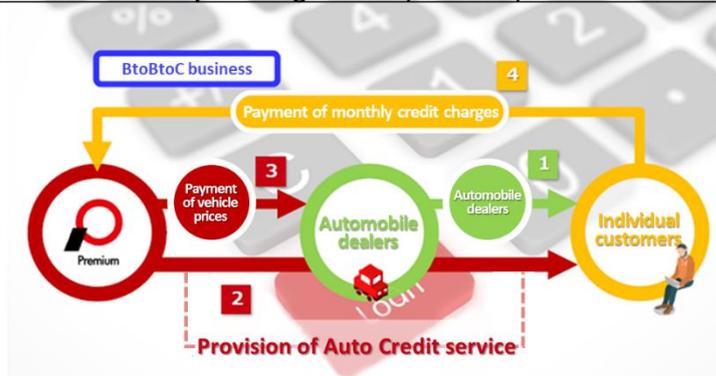


(1) Credit Finance Business

The company handles mainly loans for purchasing automobiles (Auto Credit) and also loans for buying a solar power generation system, etc. (Ecology Credit), shopping credits, and so on. In addition, the company offers auto lease services for individuals and undertakes the collection of receivables.

What is Auto Credit?

Automobile loan for purchasing new cars, used cars, etc. in installments



(Taken from the reference material of the company)

The credit transaction volume in the term ended March 2020 was 177.4 billion yen, up 29.2% year on year. It increased for nine consecutive terms. The factors in this increase are the improvement in the recognition level through listing, the enhancement of marketing capability, the provision of mixed services to affiliated dealers, and transactions with large-sized affiliated dealers. On the other hand, the sales of the term ended March 2021 was 166.4 billion yen, down 6.2% year on year due to the novel coronavirus pandemic. However, it is now showing some recovery in transaction volume as well as the market recovery.

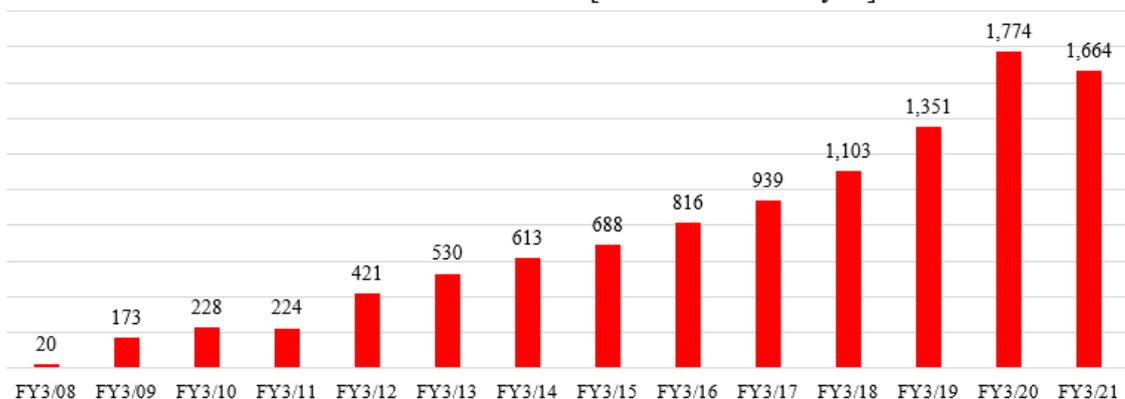
The balance of credit receivables as of the end of the term ended March 2021 was 361.4 billion yen, up 12.5%. It has been growing by double digits since the business start-up. On the other hand, the ratio of delinquent receivables (over three months) as of the end of the term ended March 2021 was as low as 0.91%.

As a characteristic, the average balance of credit receivables for individuals is as small as 1.173 million yen and its risk has been dispersed. For collecting receivables, the company approaches credit users early and utilizes SMS to minimize default cases and streamline the collection process. In April 2020, Central Servicer Corporation joined the Premium Group, boosting its capability of collecting receivables.

The number of affiliated dealers has been increasing steadily, standing at 23,907 as of the end of the term ended March 2021, up 6.0% year on year.

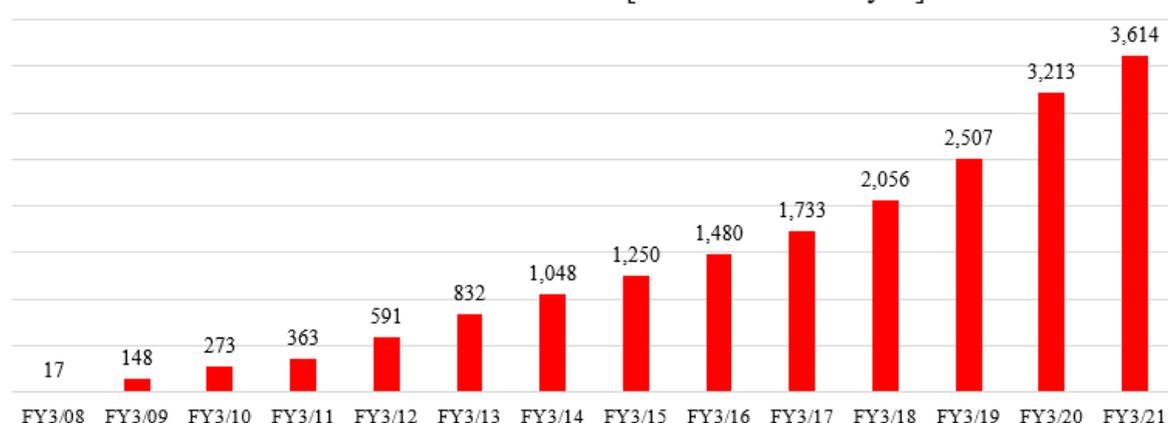
While seeking new affiliated dealers, the company is promoting other services, such as automobile warranty, targeting existing affiliated dealers, and concentrating on the improvement of utilization rate. In addition, the company is promoting dealers that are affiliated but not using their services to use its services by utilizing the contact center (outbound marketing).

Credit transaction volume [unit: 100 million yen]



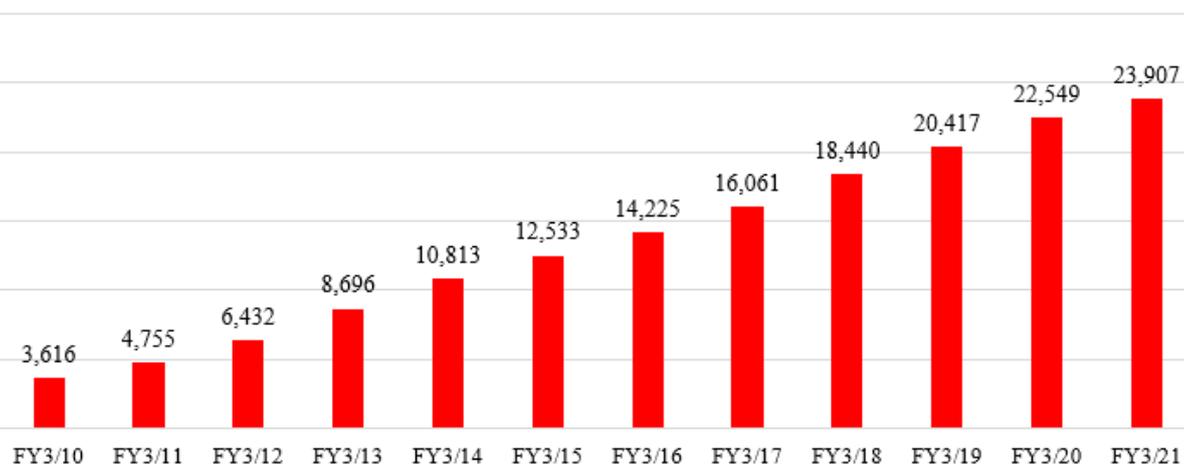
Credit transaction volume means the total amount of credit contracts and lease guarantee contracts concluded in each period. It includes the transaction volume of products other than Auto Credit, such as Ecology Credit.

Balance of credit receivables [unit: 100 million yen]



The balance of credit receivables means the total amount of credit contracts and lease guarantee contracts before repayment or the expiration of the guarantee period out of the cumulative transaction volume between the start of business and the end of the term. It includes the balance of receivables for products other than Auto Credit, such as Ecology Credit.

Number of credit affiliated dealers



The number of credit affiliated dealers means the number of corporations that signed a contract for affiliation with the Premium Group. Even if an affiliated corporation has more than one shop, it is counted as one. This graph shows the results from the term ended March 2010, in which the mission-critical system of the Premium Group was changed.

Most of credit receivables are off-balance-sheet, because they are affiliated loans with banks (which will be described below). For cases that do not satisfy the loan conditions of banks, such as the case in which the representatives of small and medium-sized enterprises purchase automobiles in corporate name and the case in which the total amount of credits exceeds a certain amount, the Premium Group's own funds are used, and they are posted in balance sheets as receivables. Such receivables are from "out-of-pocket funds" differing from those from affiliated loans, but the commissions for installments paid by credit users and profit after deducting procurement costs are at almost the same level.

The financial guarantee contract posted in the credit side of the balance sheet represents future (unrealized) revenues of the credit business, and when credits are repaid, they are posted as operating revenue.

Its partner financial institutions are SBI Sumishin Net Bank, Ltd., ORIX Bank Corporation, Rakuten Bank, Ltd., and GMO Aozora Net Bank, Ltd.

For affiliated loans, Premium Co., Ltd. screens credit users, pays credit charges and sales promotion expenses to affiliated dealers, and receives credit charges from partner banks about 10 days later. The company serves as a co-signer for each credit contract, undertakes the task of collecting credit charges, and receives them as well as installment fees from credit users. As for receivables, trade credit insurance is taken out for most receivables, so even if some receivables become irrecoverable, they will be covered by the insurance, so as not to cause any loss to the company. Accordingly, the company posts insurance premiums as operating costs every term. The insurance premiums vary according to the amount of irrecoverable receivables.

(2) Automobile Warranty Business

In a case where a credit user pays a warranty fee for this service when purchasing an automobile from an affiliated dealer (such as a used car dealer) of the Premium Group, he/she will be able to receive repair services free of charge within the predetermined coverage of the warranty if the purchased automobile breaks down.

What is automobile warranty?



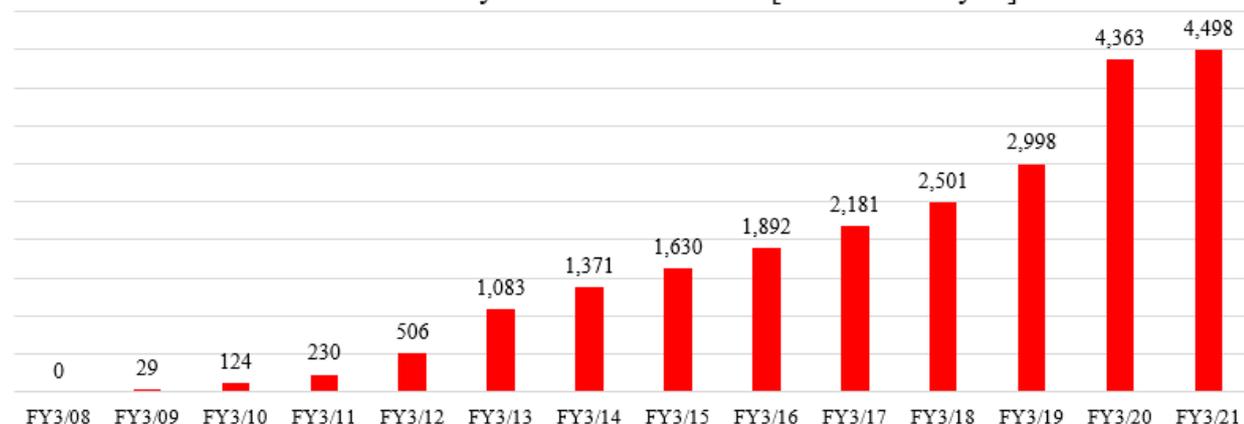
(Taken from the reference material of the company)

The transaction volume of automobile warranty in the term ended March 2020 was 4.36 billion yen, up 45.5% year on year. The reorganization of EGS, Inc. into a subsidiary contributed, and the transaction volume of Premium Co., Ltd. (currently, Premium Warranty Services Co., Ltd.) was 3.42 billion yen, up 14.2% year on year, showing a double-digit growth since the business start-up. In the term ended March 2021, it was affected by the novel coronavirus pandemic, and stood at 4.5 billion yen, up 3.1% year on year.

The growth of transaction volume is also attributable to the provision of mixed services to affiliated dealers, including the cross-selling with credits, and the upgrade of major products, including their original product, Premium Automobile Warranty, and the OEM product, Car Sensor After-sales Warranty, for increasing earning capacity.

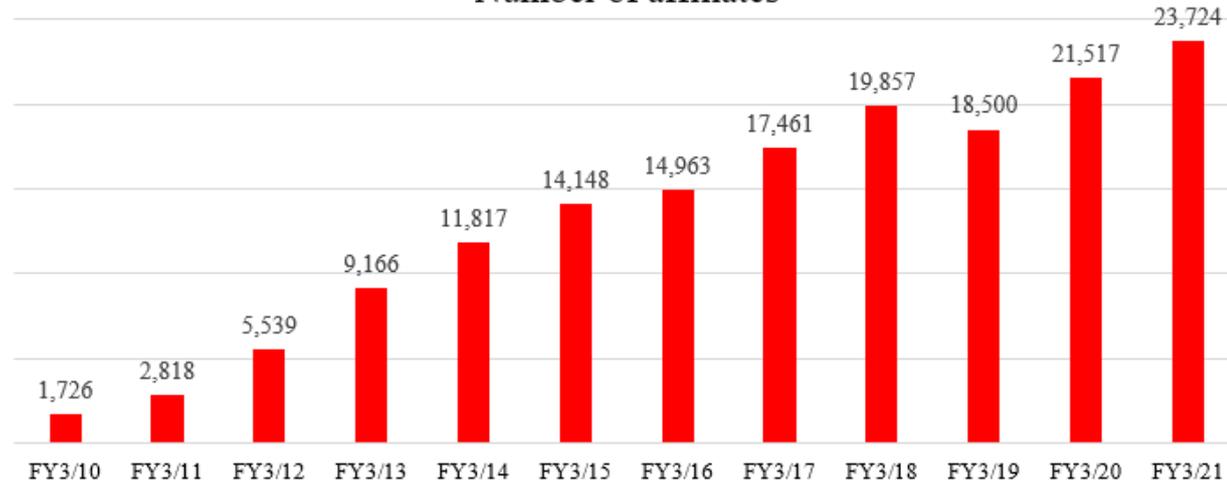
The number of affiliated dealers as of the end of March 2021 exceeds 20,000, reaching 21,517. The company established sales offices in each major city around Japan, to approach automobile dealers, mainly used car ones, to increase affiliated dealers just like Auto Credit affiliated dealers.

Automobile warranty transaction volume [unit: million yen]



Automobile warranty transaction volume means the total amount of automobile warranty contracts signed newly during a certain period of each fiscal year or other set period.

Number of affiliates



The number of affiliates means the number of corporations that signed a contract for business alliance with the Premium Group. Even if an affiliated corporation has more than one shop, it is counted as one. This graph shows the results from the term ended March 2010, in which the mission-critical system of the Premium Group was changed.

Via affiliated dealers, the automobile warranty of Premium Warranty Services Co., Ltd. of the Premium Group is offered to those who have purchased an automobile. By accumulating and analyzing data on the broken-down cars' travel distances, age, and detail of repairs, it is possible to design more appropriate warranties and prices. The Premium Group has designed products and set prices based on the accumulated big data on repairs, including about one million automobile warranty contracts held by Premium Warranty Services Co., Ltd.

While the insurance provided by non-life insurance companies covers accidents, etc., their automobile warranty covers natural breakdowns. Up to 397 parts can be covered by the warranty, and the company offers about 1,000 kinds of warranties with various coverages and periods. The automobile warranty dispels the anxiety over the purchase of used cars, and the company receives the automobile warranty fee in advance in one-time payment based on warranty period.

Automobile warranties are classified into their original brands, Premium Automobile Warranty and EGS Warranty, and their customized version, OEM Warranty.

The OEM Warranty is classified into Car Sensor After-sales Warranty, which is provided by the affiliates using the used car media, Car Sensor, published by Recruit Marketing Partners Co., Ltd., and covers the vehicles listed in Car Sensor, and other OEM Warranty in which target vehicles and coverages are customized for medium and large-sized used car dealers.

To deal with repairs, the company assigns employees who are qualified as auto technicians to call centers for accepting orders for repair, and they directly communicate with warranty beneficiaries and maintenance shops. Accordingly, automobile warranty can be applied accurately and swiftly. Thus, this system brings a sense of reassurance to warranty beneficiaries.

In addition, by appropriately applying automobile warranty, using recycled and rebuilt parts, owning directly managed maintenance shops, browsing FAINES*, and so on, they can reduce repair costs and prevent unnecessary repairs.

*FAINES

Information database on maintenance manuals, repair cases, etc. provided by Japan Automobile Service Promotion Association (JASPA) for car maintenance enterprises.

(3) Auto Mobility Business

In addition to credit finance and automobile warranty, the company operates a broad range of businesses related to the distribution of used cars. Currently, the company operates recycled parts business which distributes parts of used cars, reuse business which distributes repossessed vehicles and uses them inside the Premium Group, and repair business which offers maintenance services for inspecting and repairing automobiles and sheet-metal services for repairing scratches, dents, etc. on automobiles. All of them are environmentally friendly, and the company focuses on these businesses as “new 3Rs.”

In addition, the company established an organization for fee-paying members targeting existing affiliated used car dealers and maintenance shops, and the company has built a growth strategy to become a platform provider by connecting the members to customers in the future and is already taking action for that.

(4) Regarding overseas business operation

The Premium Group applies the knowledge for credits, automobile warranty, maintenance, and sheet-metal work related to the sale of automobiles in Thailand, Indonesia, and the Philippines.

In Thailand, the company gives management and business consulting services to Eastern Commercial Leasing p.l.c., an equity-method affiliate conducting auto finance, and carries out automobile warranty and car maintenance businesses in Premium Services (Thailand) Co., Ltd., which is a joint venture with Eastern Commercial Leasing p.l.c. In Indonesia, PT Premium Garansi Indonesia, which is a joint venture with Sumitomo Corporation and the SinarMas Group, a local industrial conglomerate, offers consulting services about the development and design of automobile warranties. In the Philippines, Premium Warranty Services Philippines, Inc., which is a joint venture with Mitsui & Co., Ltd. and the GT Capital Group, a local industrial conglomerate, offers automobile warranties.

【1-4. Characteristics and strengths】

The competitiveness of the company is attributable to the following three points.

(1) Mixed product lineup achieved by their independency from banks

The services which the competitors under the umbrella of banks can offer are limited to auto credit, auto lease, etc. due to the restrictions of law. Meanwhile, the Premium Group, which is independent from banks, can provide various products and services, including automobile warranty, to meet a broad range of needs from dealers and users.

(2) Expertise in auto finance

Their profound technical knowledge of automobiles and finance makes it possible to offer unique fulfilling services.

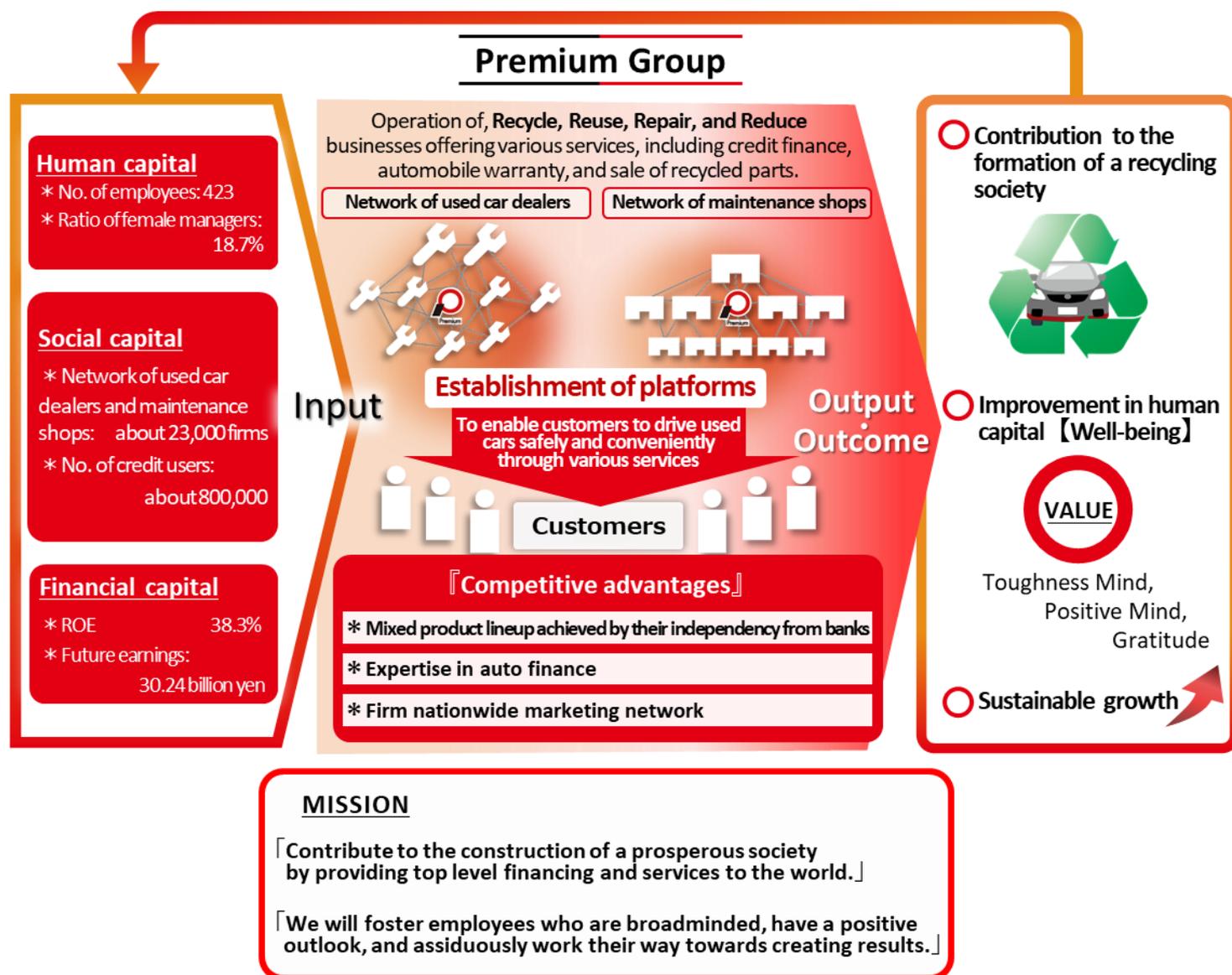
As for automobiles, the company possesses data including the breakdown rate in the used car market, which are required for setting an appropriate warranty fee, and judgment for discerning whether prices of parts and repair charges are appropriate.

As for finance, the company possesses knowledge for checking the credibility of individuals and collecting receivables, and the company is deeply trusted by business partners based on plenty of technical knowledge accumulated through the specialization in auto credit.

(3) Firm marketing network covering the entire area of Japan

The marketing offices in each major city and original contact centers form a strong network with about 20,000 affiliates around Japan.

【1-5. Flowchart of value creation】



*The results for the term ended March 2021 were inputted.
The future earnings are the revenues deferred as financial guarantee contracts posted in the section of liabilities of the balance sheet, because they are divided proportionally and posted.

The Premium Group established a platform connecting used car dealers and maintenance shops based on its competitive advantages, including the expertise in auto finance. It operates four businesses, Recycle, Reuse, Repair, and Reduce businesses, to contribute to the realization of a recycling society, strengthen human capital, and sustainable growth.

2. Interview with President Shibata

• Social responsibility and social significance

Q. As the entire society currently aims for sustainable growth, people put importance on the philosophy, mission, and social significance of each company, which is one of the important players in the society.

First, please tell your thoughts on your company's social responsibility and social significance.

We have two missions.

One is to contribute to the construction of a prosperous society by providing top level financing and services to the world.

The automobile industry itself might be a mature industry in a sense. However, amid this once-in-a-century revolution, there definitely are entirely new markets expanding, such as autonomous driving, the spread of EVs (electric vehicles), and sharing. We will surely capture this wave of change and provide high value-added services that are tailored for globally diverse values and lifestyles, centered on the finance function. By doing so, we will contribute to the development of a prosperous society and a world where people can live feeling joy, happiness, and satisfaction. Also, we will contribute to the formation of a recycling-oriented society.

Of course, since we are a company, we will naturally pursue profits, but that is just a means to realize our mission, not our purpose. We are strongly aware that we must be firmly rooted in society.



(Source: Premium Group)

Our other mission is to foster employees who are broadminded, have a positive outlook, and assiduously work their way towards creating results.

To grow sustainably, it is necessary to develop human resources that will not give up without trying, or saying "No way. I can't do it." We need human resources that would promote innovation with profound ideas and strong aspirations and pave the way to the next stage on their own. Developing such human resources benefits not only our company but also the employees themselves. We believe that providing a place where our employees can achieve personal growth is also our social role and significance.

• The company's recognition of ESG and approach to it

Q. Please tell us about the relationship between your company's responsibilities and significance, and ESG.

All businesses we handle, such as auto credit, automobile warranties, and automobile parts distribution are related to used cars. Thus, our businesses themselves lead to the formation of a recycling-oriented society.

Therefore, thoroughly pursuing businesses focusing on used cars contributes to solving environmental problems such as decarbonization and greenhouse gas reduction. Hence, this leads to us contributing to the development of a prosperous society as set forth in our mission. Our second mission to provide a place for training employees who are important stakeholders is precisely a contribution to the S of the ESG.

So in a way, our mission and businesses itself fulfill the E and the S of the ESG.

The two missions were set up since the company's foundation, and they are firmly rooted in our corporate culture. Thus, we have been conducting corporate management that incorporates ESG elements from the very beginning.

We believe that promoting business activities under these missions will continue to solve environmental and social problems while leading to an increase in corporate value.

• Business model, characteristics, strengths, and competitive advantage

Q. What are your business model, characteristics, strengths, and competitive advantage?

Our strengths are compound product and service lineup unique to our independency, and advanced expertise in auto finance.

Both are the sources of our growth. However, I believe our most powerful forte is our advanced expertise in auto finance, especially our knowledge in consumer finance (a business that consistently handles everything from individual customer credit to receivables collection).

Consumer finance is time-consuming, requires unique knowledge, and is different from bank finance for corporations. We are the few companies that can handle everything from the start (credit) to the end (collection).

In addition, we can provide various high-value-added services, such as automobile warranties unique to our independency, to customers including automobile dealers and maintenance shops.

We are the only company in Japan that can provide both finance and high value-added services.

Our organizational culture is also a strong advantage.

Since our founding, we have pursued the mission of cultivating human resources who can take on challenges, and the organizational culture cultivated in this process is the foundation of our current competitiveness.

● Initiatives in major materiality issues

Q. For the first time, your company has selected nine materiality issues. (See “3. Issues, Materiality, and Measures”) Of these, which materiality do you think is essential for the sustainable growth of your company?

The first is human capital. As you have mentioned earlier, one of your missions is to foster employees who are broadminded, have a positive outlook, and assiduously work their way towards creating results. So, your company views human capital as a highly vital management resource.

How important is enhancing human capital to improve your company’s corporate value, and what kind of initiatives are you taking to achieve it?

For our company to continue to grow sustainably, it is essential to develop human resources, as shown in our mission.

I think that the most critical role of management is to create a place where such human resources can grow, be activated, and always maintain high motivation.



(Source: Premium Group)

Therefore, the keyword for that is well-being, since we aim to maximize employees’ well-being.

The term employee satisfaction has been used for some time, but I didn’t quite like it.

Employee satisfaction varies from employee to employee. Some employees want to increase the performance-based compensation part, while others choose to change jobs because they want to earn more. In most cases, everyone would be happy if their salaries went up. I think that’s natural, but that is not enough to make the company appealing and attract the necessary human resources in the medium to long term.

The more the number of employees who are glad to work at this company increases, the more the company will grow. So, we decided to pursue the well-being rather than the satisfaction of our employees.

To instill well-being, we will take various measures. For that purpose, it is necessary to break down the established concepts.

In other words, we will thoroughly review the work styles, mechanisms, and rules that were taken for granted until now from scratch and steadily achieve a remote working system, a super flex-time system and other systems that allow employees to live and work from wherever they want.

One of the measures we have implemented on April 1 was organizational reforms such as promoting women and young employees to managerial positions and establishing more business sites that do not require a physical sales office to reduce the number of employees who have to transfer away from their homes.

We are planning to take every possible measure to maximize employees' well-being.

Q: What kind of remarkable improvement in human capital has been seen in the last few years?

One is the growth of female employees.

Through organizational reforms I mentioned earlier, we have our first female executive officer. In addition, 71.4% of the employees promoted to managerial positions are now women, and one-third of all managerial positions are women.

I think we have entered a phase where we have many women in managerial positions due to promoting competent employees rather than promoting employees just because they are women.

Furthermore, Premium Co., Ltd. is actively promoting young employees to managerial positions, such as the appointment of a young employee who has been working at the company for five years after graduation as our youngest center director.

Q. Next, please tell us about your company's efforts and innovations to strengthen its competitiveness.

We have picked up the current issues regarding strengthening competitiveness and assigned full-time employees to tackle them. The most important initiative is the promotion of digital transformation.

There are three key points when it comes to promoting digital transformation in the Group.

One is to change business processes for innovation.

Introducing AI and RPA to the parts that burden employees will make it unnecessary to increase the number of personnel even if the caseload increases. If anything, digital transformation can lead to a system that will require fewer employees in the future.

The second is how to improve the management efficiency of our business partners such as automobile sales companies and maintenance shops.

By giving great benefits to our business partners, we can further increase our market share, which will improve our business performance.

The third is the creation of new business models using innovation through digital transformation.

The automobile industry is witnessing a once-in-a-century revolution. We will create new business models as the way of owning and using automobiles and the infrastructure change drastically in addition to the evolution of automobile itself through CASE, MaaS, etc.

As for digital transformation, we have already established a strategy and a blueprint of what kind of AI to introduce and systematize, and we will proceed with it this term.

Q: When you enter a new business model, competition may be different from before. What are your thoughts in that regard?

Of course, we are anticipating various competitive situations.

However, as I said at the beginning, we have a powerful forte, our knowledge of consumer finance (a business that consistently performs from credit of individual customers to receivables collection). Also, our products, such as automobile warranties and our ability to provide work to automobile dealers and maintenance shops that form the value chain, are major strengths that other companies cannot imitate.

We will build a model that can demonstrate these strong competitive advantages when operating new businesses.

Q. What about environmental issues? In particular, how do you plan to link them to create business opportunities?

As I mentioned earlier, thoroughly pursuing business centering on the keyword, used cars, contributes to solving environmental problems. Therefore, we will focus on the recycling parts business, the reuse business, the repair business, and the automobile warranty business (reduce business).

Moreover, it is necessary to take measures to popularize EVs (electric vehicles).

I think there will be business opportunities for handling EVs and expanding charging equipment. Also, the current maintenance shops focus on maintenance for internal combustion engines. However, knowledge and technology for not only machinery but also electricity will be indispensable.

Therefore, to spread EVs on a full scale, one of our important responsibilities is to share advanced maintenance skills and providing support to boost the level of our nationwide network. Our company is a member of the Japan Technical Training Organization (JATTO), and the executive officers of the Group are also directors on its board. So, we are working on establishing a system for spreading and supporting EVs.

Q: Please tell us your thoughts and initiatives regarding corporate governance.

As a listed company, to achieve our mission, we will promote visualization to carry out highly transparent and sound management that meets the expectations of all stakeholders such as shareholders, customers, business partners, employees, and society. We also believe that we must have a governance system that is open to various opinions.

To do that, we have increased the number of female directors from one to two. Also, as our overseas business is expanding, we will consider increasing the appointment of foreign employees.

• The medium-term management plan, VALUE UP 2023

Q. Next, I would like to ask about the ongoing medium-term management plan, VALUE UP 2023. Which part of the plan do you think is particularly significant?

We are aiming to evolve from being an auto credit company that has mainly provided auto credit and warranties, into an auto mobility company that creates synergies for credit finance, automobile warranties, and auto mobility services by building a network of car dealers, maintenance shops, and users.

The medium-term management plan, VALUE UP 2023, builds a foundation for establishing a system that can provide the best finance and best service necessary for that.

We are taking significant measures such as enhancing sales capabilities for auto credit and expanding the market for automobile warranties. However, I think that the promotion of digital transformation, which I mentioned earlier, is the most important point.

• ROE

Q. In VALUE UP 2023, you have set a numerical target of a ROE of 37.1% for the term ending March 2023 (as of the announcement in May 2021, ROE for the term ended March 2020 was 27.4%). ROE currently being high enough, what path will you take to achieve this goal?

We would like to firmly maintain the base that currently achieving a high level of ROE.

However, it may be difficult for our future new businesses to be as profitable as existing businesses. That is why we plan to maintain a ROE of 20% or higher while pursuing an optimal business portfolio and efficiency through digital transformation promotion.

- **Other risks and issues**

Q. I assume that currently, the company lacks some resources and is facing some issues to achieve the future vision outlined in VALUE UP 2023. What are those issues? How will you overcome those risky challenges? And, what are the necessary initiatives for ESG in the future?

As a young company, I think having little experience is one of our issues.

Regarding that issue, we are developing our in-house human resources that can take on various challenges. Also, we are actively conducting mid-career recruitment as we believe that we need human resources with experience in digital transformation and auto-mobility businesses.

As for ESG, we recognize that we face a challenge due to insufficient data acquisition and maintenance on environmental issues such as CO₂ reduction. Regarding governance, I think that developing management, including my own successors, is a critical challenge.

- **Message to stakeholders**

Q. Thank you for sharing your thoughts with us. Finally, do you have a message for stakeholders?

I want to emphasize again that since our credit finance business, recycled parts business, reuse business, repair business, and automobile warranty business (reduce business), all related to used cars will lead to the formation of a recycling-oriented society and contribute to the E of the ESG.

Providing a place for training employees, which is also our mission, is a contribution to the S of the ESG.

In these ways, our mission and businesses are efforts for the E and the S of ESG as itself. So, we will continue to promote business activities under this mission as we believe that it will solve environmental and social problems and at the same time lead to an increase in corporate value. I would like everyone to understand this point.

Recently, as our market capitalization has increased, I feel that the level required by ESG investors has increased day by day, especially regarding environmental issues.

This means that our social significance and value are becoming more significant than ever, and we have renewed our determination to meet these expectations steadily.

However, on the other hand, we think that our actual ESG initiatives and data disclosure are not sufficiently comprehensive enough. Therefore, we regard this as an important challenge and will focus on the development of internal systems.

We will continue to build win-win relationships with all stakeholders through solving social issues and improving revenues and corporate value. So, we appreciate your continuing support.

3. Issues, Materiality, and Measures

The issues and materiality the Premium Group currently recognizes are as follows.
For determining materiality, they interviewed external personnel.

Issues	Materiality
Environment	Contribution to the formation of a recycling society
Social capital	Protection of the customers' privacy and data
	Appropriate processes for transactions and sale
Human capital	Systems for motivating, educating, and training employees
	Health and safety of employees
Business model and innovation	Initiatives and innovation for enhancing competitiveness
	Supply chain management
Risk control and governance	Enrichment of the corporate governance system
	Compliance and risk control (accidents, laws, and regulations)

*Produced with reference to SASB Materiality Map, etc.

【3-1 Materiality in the environmental issues】

(1) Contribution to the formation of a recycling society (utilization of limited resources)

The company promotes the use of used cars in the Credit Finance Business, and operates the Reduce, Recycle, Reuse, and Repair Businesses regarding automobiles as core businesses. The expansion of these businesses contributes to the formation of a recycling society.

Automobile Warranty Business (Reduce)	To reduce the scrapping of automobiles with automobile warranty.
Recycled parts business (Recycle)	To provide used car dealers and maintenance shops with auto parts collected from group companies that own automobile scrapping plants via group companies that deal in auto parts.
Reuse business (Reuse)	To provide used car dealers and maintenance shops in the network with repossessed used cars.
Repair business (Repair)	To repair broken-down used cars at maintenance shops, etc. of the Premium Group and in the network.

① To curtail CO₂ emissions in the recycled parts business (Recycle)

According to the website of Japan Automotive Parts Recyclers Association, by recycling auto parts, it is possible to reduce CO₂ emissions as follows compared with the use of brand-new parts.

*CO₂ reduction amount per engine/transmission

	Reused parts	Rebuilt parts
Engine ASSY	681.3 kg	647.7 kg
Automatic transmission	516.3 kg	368.4 kg

Reference: Website of Japan Automotive Parts Recyclers Association

CO₂ reduction amounts were estimated and tabulated below, by using the above data, based on the sales volumes of engines and transmissions at the subsidiary SAE Remax, Inc., which sells recycled parts.

	2018	2019	2020	Cumulative total
Reuse				
Engines	67,449	88,569	237,774	393,792
Transmissions	81,517	83,641	139,917	305,075
Rebuilt				
Engines	42,352	39,785	259,247	341,384
Transmissions	29,840	29,104	123,046	181,990
Total	221,158	241,099	759,984	1,222,241

*Unit: kg

This indicates that SAE Remax has reduced CO₂ emissions by about 1,200 tons in three years and by about 400 tons per year on average by recycling and rebuilding engines and transmissions.

According to the website of the Forestry Agency, the annual amount of carbon dioxide absorbed by 1 hectare of artificial forest of 36-40-year-old cedar trees is estimated to be about 8.8 tons, so the CO₂ reduction amount of SAE Remax corresponds to about 139 hectares in three years or about 46 hectares per year on average.

This is equivalent to about 10 times the area of Tokyo Dome.

Reference: Website of the Forestry Agency

https://www.rinya.maff.go.jp/j/sin_riyou/ondanka/20141113_topics2_2.html

② Other quantitative information

Credit Finance Business (Reuse)	<p>-The cumulative number of credit users between the business start-up and February 2021 is 789,447.</p> <p>-The cumulative number of credit (Ecology Credit) transactions for purchasing a solar power generation system, etc. was 11,786 as of the end of February 2021.</p>
Automobile Warranty Business (Reduce)	The cumulative number of repairs for automobile warranty as of the end of December 2020 was over 1 million.

As of now, the company cannot quantify the CO₂ reduction volume other than the recycled parts business, such as in the reuse business, the repair business, or the Automobile Warranty Business for reduce business. The company considers this as an issue to be solved.

(2) Other

In addition, the company implements the following initiatives to address environmental issues.

Distribution of renewable energy	<p>The company released the credits for purchasing a solar power generation system (for private/business use), etc.(Ecology Credit) in 2017.</p> <p>The cumulative number of transactions as of the end of February 2021 was 11,786.</p>
Energy management	The subsidiary Saint Parts Co., Ltd. uses equipment for checking electricity consumption and demand-supply status on a real-time basis.
Water and drainage control	In accordance with the Act on Recycling etc. of End-of-life Vehicles, Saint Parts Co., Ltd. has installed multiple tanks for separating oil and water to remove the oil content from the water discharged from factories. The in-house maintenance shop FIXMAN (located in Sapporo) also took the same measure.
Management of waste and harmful	The maintenance shops directly managed by the Premium Group use water-based paints. The company will also distribute water-based paints in FIXMAN club, a members-only

materials	organization for maintenance shops. Saint Parts Co., Ltd. collects CFC for refrigerants for automobiles through recycling activities.
Reduction of waste	The company has reduced the consumption of office paper, and shifted to electronic contracts with general business partners, affiliates, etc. The company also stopped using paper when charging business partners.

In preparation for the full transition from engine automobiles to electric vehicles (EVs), which is a global measure for mitigating global warming, the company is thinking of implementing the following measures for facilitating the distribution of EVs.

*To install recharging equipment in the members-only organization for affiliates

*To sell parts, such as storage batteries

*To acquire the knowledge to repair EVs and share it among affiliates

【3-2 Materiality in social capital issues】

(1) Protection of the customers' privacy and data

◎ Protection of personal information

Through business, the company receives, holds, and uses an enormous volume of personal information, mainly personal credit data. Accordingly, the major subsidiary Premium Co., Ltd. has obtained the certification of Privacy Mark from JIPDEC (registration number: 10670054 (04); last updated on Sep. 4, 2019). The company has also enacted the policy for protecting personal information (Privacy Policy), etc. It identifies personal information handled in each company or section, clarifies risks at the time of acquisition, use, and storage, determines measures for reducing such risks, and prevents accidents such as the leak of personal information. Furthermore, the company strives to secure the effectiveness of measures for protecting personal information by enhancing network security, confirming and evaluating outsources that handle personal information, educating employees, and holding the audit by employees of the internal audit section who are qualified as internal auditors of Privacy Mark.

◎ Protection of data

When conducting tasks, the company follows not only the Act on the Protection of Personal Information and related laws, but also the guidelines of related agencies and other norms, to properly protect and use personal information of customers, employees, and others. In addition, to protect the customers' data thoroughly, the company takes measures for enhancing system security, maintaining the stable operation of systems, increasing the redundancy of systems, duplicating data centers, using multiple carriers for telecommunication networks, etc.

At present, the company is thinking of obtaining the ISMS* certification for fortifying the information security system.

*ISMS (Information Security Management System)

This is a system for managing the information security of an organization. ISO 27001 of International Organization for Standardization (ISO) is the standard.

(2) Appropriate processes for transactions and sale

When handling credits, it is necessary to register the business in accordance with the Installment Sales Act as an Individual Credit Purchase Intermediaries, and the company is updating registration every three years. The company also enacted in-house regulations with reference to the model regulations set by Japan Consumer Credit Association.

The company also takes enough measures to manage dealers and maintenance shops, which receive applications for credits.

Marketing staff visit or contact them to grasp their situations on a daily basis. If any unfavorable situations were found, the section managing affiliates discuss on whether to continue transactions with them. There are certain requirements for joining the members-only organization, so the affiliated dealers and maintenance shops are at high levels.

They also set consumer consultation desks to directly listen to consumers and gather information on their complaints.

In order to prevent damage from antisocial forces, the company declared the Basic Policy for Eliminating Antisocial Forces inside and outside the company, established an in-house system for actualizing that basic policy (establishing a section for managing the response to antisocial forces and managing and accumulating information on antisocial forces in a unified manner), and reports the results to the

management.

Furthermore, the company cooperates with external specialized organizations, such as the Tokyo Center for Removal of Criminal Organizations.

(3) Other initiatives

Social contribution	Amid the novel coronavirus pandemic, the company donated over 200,000 non-woven facemasks to 23 institutions around Japan. As there is concern over the mid/long-term impact on economic activities, the company purchased about 4,000 lunch boxes from 14 restaurants in Tokyo, Saitama, and Osaka, to support restaurants suffering from the decline in sales.
Provision of welfare to consumers	The company decided to adopt AI for screening credit users, expecting that the acceleration of screening will shorten the period from the application for screening to purchase.
	By offering an Engine Start Control Device of the affiliated company CIFUT Co., Ltd., the company is trying to enable users who require an automobile for living but cannot use a credit to use an automobile. It has provided about 1,500 units. The Engine Start Control Device means a system for starting and stopping an automobile engine remotely under certain conditions.

【3-3 Materiality in human capital issues】

(1) Fostering of employees' awareness and motivation

◎ Code of conduct: VALUE

The company enacted the code of conduct, VALUE, for the purpose of fulfilling the mission to foster employees who are broadminded, have a positive outlook, and assiduously work their way towards creating results. The company aims to have all employees share this code.

<Code of conduct: VALUE>

Toughness Mind	We aim to become an enterprise and employees that have great ambition and can take on any challenges.
Positive Mind	We aim to become an enterprise and employees that can work on things with a positive way of thinking and exchange smiles.
Gratitude	We aim to become an enterprise and employees that have altruistic spirits and gratitude.

◎ Pursuing the improvement of Well-being, the sense of happiness

In addition to improving employee satisfaction (ES), the company is seeking to improve the sense of happiness (Well-being). For this purpose, the company has positioned diversity management and work style reforms as part of its growth strategy, and has been striving to introduce various personnel systems that allow diverse human resources to play an active role, and to create a work environment where all employees can fully demonstrate their abilities and feel motivated.

The organizational structure was reformed on April 1, 2021, with the aim of further creating greater value.

Through this organizational reform, the company will build an organizational structure that incorporates new perspectives that are not bound by preconceived notions, and aims to achieve sustainable corporate growth by improving the sense of Well-being of its employees.

【Outline of the organizational reform】

① The appointment of the first female executive officer, and increase in the ratio of women in management positions.

The company's first female executive officer was appointed on April 1, 2021. A woman has already been appointed as an outside director (from June 2017). Of the employees who was promoted to management positions on April 1, 2021, 71.4% was women, resulting in the ratio of women in management positions overall being 33.3%.



(Provided by the company)

② Proactively promoting young employees to management positions

Premium Co., Ltd., a major subsidiary of the company, has appointed a fifth-year employee who had joined the company as a fresh graduate as its youngest base manager. As a result of the same proactive promotion of young employees to management positions throughout the Group, the average age of managers at the company and its core subsidiaries declined from 43.8 to 41.9 years old.

③ Reduction of employment unaccompanied by family

Premium Co., Ltd. will increase the number of its Business Sites, office without physical sales office, from 4 to 11. By increasing Business Sites that enable direct business activities without having to go to the office, employees no longer need to transfer alone and can work from wherever they want to live with their families. Premium Co., Ltd. will actively adopt this policy beyond the sales division, and through this organizational reform, Premium Co., Ltd. will eliminate more than 50% of employees working away from home.

In addition to these efforts, DX promotion will enhance operational efficiency and lead to improvements in the workplace environment. Also, the company promotes the use of paid vacations (a system of taking long vacations twice a year), and conducts various training programs by job level and compliance training to realize a work environment free of discrimination and harassment and to promote business activities.



(Provided by the company)

◎ Established a training company

In January 2020, the company established VALUE Corporation to plan and implement training for the company's group executives and employees.

To achieve the company's mission regarding the development of human resources, the company has been actively implementing various training programs other than OJT since its establishment. The goal of the program is to develop human resources with rich minds who can create a new society by utilizing the knowledge accumulated over the years.

The company improves training programs for executives and employees by utilizing past training experiences and knowledges. The company has also established a training facility that can accommodate overnight stays for the purpose of conducting training for executives and employees, and is conducting training at that facility. In the future, the company would like to provide training services to business partners outside the Group and make a broad contribution to society through the growth of human resources and companies.

(2) Health and safety of employees

The health and safety of employees are also given due consideration.

A safety and health committee has been established, guidelines for ensuring safety have been set up and are being implemented, and a legal number of health managers have been placed according to the number of employees in the office.

In response to the novel coronavirus, the company has established guidelines for risk hedging and are promoting measures for leading a daily life while coping with the novel coronavirus, placing the highest priority on ensuring employee safety and preventing potential casualties from infection.

Specifically, the company has (1) adopted and promoted telecommuting, staggered work hours, work on weekends, and offices that are easily accessible from home (satellite offices), (2) formed an ICT planning team to actively promote the digitization of operations, (3) introduced Stay Home leave (all employees are granted five days of special leave), (4) distributed masks to employees and their families, (5) installed various countermeasure goods such as air purifiers, partitions, disinfectant solutions, and thermometers, (6) provided financial support for PCR testing, and (7) provided a special allowance of up to 90,000 yen to all employees (excluding some managers).

In Saint Parts Co., Ltd., a subsidiary engaged in the proper disposal of end-of-life vehicles (automobile dismantling) and the sale of used parts, the company provides its employees with safety training and has established rules such as the wearing of helmets to ensure safe dismantling work. The company also promotes the acquisition of related qualifications and enrollment in courses.

(3) Other

The company complies with the Labor Standards Act and other laws and regulations. A labor union has not been formed, but labor-management relations are stable.

The company provides employment opportunities by hiring young people such as new graduates and recent graduates throughout the year.

【3-4 Materiality in the business model and innovation issues】

(1) Initiatives and innovations to enhance competitiveness

To further strengthen its competitiveness, the company will promote DX, which is its most important initiative, from the following three angles.

① Innovation through changes in business processes

To thoroughly improve the efficiency of business processes by adopting AI, RPA, etc. Even if the scale of the business expands and the number of cases handled increases, the burden on employees will be reduced without increasing the number of personnel.

② Improving the management efficiency of automobile sales companies and maintenance shops, which are its business partners

The company will provide significant benefits to its business partners and further increase its market share.

③ Create new business models through innovation in DX

In the automotive industry, which is going through a once-in-a-century period of great change, the company will create new business models amidst not only the evolution of the automobile itself such as CASE and MaaS, but also major changes in the way people own and use automobiles and in their infrastructure.

(2) Value chain management

By becoming a platform provider associated with used cars, the company will build a value chain that connects end users, dealers, maintenance shops, and their Group that provides various services.

The Group provides management support to dealers and maintenance shops through the provision of services and also advises them to make sure that end users can receive high-quality services. End users can enjoy the convenience of receiving high-quality services in a one-stop fashion.

To increase the value of this value chain, the promotion of DX mentioned above is an extremely important measure.

【3-5 Materiality in risk management and governance issues】

(1) Corporate governance

To achieve the mission, it is essential to build good relationships with all stakeholders, including shareholders, customers, business partners, employees, and society, and it is indispensable to earn their trust. To do so, the company recognizes that the enhancement of corporate governance is one of the important management issues, and strives for corporate management that ensures transparency and soundness while striving for continuous growth and improvement of profitability.

As for the Corporate Governance Code, three principles have been explained.

The Board of Directors aspires to be diverse, with three of the seven members being outside directors, two of whom are women.

The effectiveness of the Board of Directors is assessed once a year through a five-point evaluation and free-response questionnaire covering areas such as, items related to action plans for issues, and composition, operation, and agenda of the Board of Directors. The following items were selected as the action plan for the term ended March 2021, and approved by the Board of Directors.

- (1) Start of discussions on development of successors in the Nomination and Compensation Committee
- (2) Reviewing the scope of agenda items to be submitted to the Board of Directors and strengthening internal systems

◎ Organizational Structure and Composition of Directors and Corporate Auditors (as of March 31, 2021)

Organizational structure	Company with the Board of Auditors
Directors	7 directors, including 3 from outside the company
Auditors	3 auditors, including 2 from outside the company

An arbitrary Nomination and Compensation Committee has been established.

◎ Corporate Governance Report

Update date: June 29th, 2020

<Basic Approach>

1) Basic approach

The Group's mission is to, (1) contribute to the construction of a prosperous society by providing top level financing and services to the world and (2) foster employees who are broadminded, have a positive outlook, and assiduously work their way towards creating results, and the Group is determined to make every management decision based on achieving these missions.

To achieve the Group's mission, it is essential to build good relationships with and gain the trust of all stakeholders surrounding the Group, including shareholders, customers, business partners, employees, and society. To do this, we recognize that the enhancement of corporate governance is one of the important management issues, and we are striving for corporate management that ensures transparency and soundness while working toward the continuous growth and profitability of the Group.

2) Basic policy

(1) Ensuring the rights and equality of shareholders

To ensure substantive equality for all shareholders, we strive to proactively disclose information and create an environment that allows the smooth exercise of voting rights.

(2) Appropriate collaboration with stakeholders other than shareholders

Based on the premise of thorough compliance with laws, regulations, and the Articles of Incorporation, the Company recognizes that cooperation with all stakeholders, including shareholders, is essential for the sustainable growth of the Group and the enhancement of corporate value over the medium to long term.

In order to collaborate with our stakeholders, we have established the Group's mission and vision, and also hold an annual Management

Policy Announcement, which is an opportunity for the President and CEO, and other members of the management team to explain directly to all employees in their own words, in an effort to foster a corporate culture in which the management team takes the lead in respecting the rights and positions of stakeholders and corporate logic.

(3) Ensure appropriate information disclosure and transparency

In accordance with our disclosure policy, our basic policy is to provide information related to our management policies, business strategies, business performance, and finances in a fair, accurate, prompt, easy-to-understand, and proactive manner to gain the trust and appropriate evaluation from the market. We make appropriate disclosures in accordance with laws and regulations, and proactively disclose information that we believe will help shareholders and investors understand our company, even if it is not required by law and regulations. Moreover, when disclosing information, including non-financial information, we strive to provide accurate, simple, and specific descriptions that are highly useful to users.

(4) Responsibilities of the Board of Directors, etc.

The Company will provide highly effective supervision of the management team and directors, including the President and CEO, create an environment that supports appropriate risk-taking by the management team, and express a major direction for corporate strategy, etc., to achieve sustainable growth of the entire Group, increase corporate value over the medium to long term, and improve profitability and capital efficiency, etc.

(5) Dialogue with shareholders

In order to achieve sustainable growth of the entire Group and enhance corporate value over the medium to long term, the Company recognizes the importance of engaging in active dialogue with shareholders on a regular basis, appropriately reflecting their opinions and requests, and growing the Group together with them. To do this, the Company has established an IR system led by the President and CEO to provide opportunities for dialogue with shareholders and investors to gain their understanding of the Group's management strategies and plans. Furthermore, we will build a system where opinions from shareholders and investors are reported to the Board of Directors when necessary and reflected to the Company's management.

< Main principle and reason that is not implementing (Excerpts)>

Principles	Disclosure content
[Supplementary Principle 4-1 (3): Supervision of the CEO's succession plan] (Updated)	Currently, the Company has not formulated a succession plan for the CEO, etc. However, the Nomination and Compensation Committee is planned to start discussions on the succession plan from the term ended March 2021, based on the recognition that it is an important initiative to ensure that the President and CEO, who plays a central role in the Company's sustainable growth and enhancement of corporate value over the medium to long term, is replaced by an excellent successor at the optimal time. When formulating the plan, we will strive to ensure that sufficient time and resources are spent on the development of successor candidates, and the Board of Directors will appropriately supervise the status and progress of the formulation of the plan conducted by the Nomination and Compensation Committee.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Disclosure content
[Principle 1-4 Strategic shareholding]	The Company has a policy of not holding listed shares strategically in principle and does not hold any such shares. In the event that strategic shareholding is necessary, the Board of Directors will make a rational decision on the exercise of voting rights related to such shares after examining the appropriateness of the shareholding by specifically scrutinizing the content of the proposal, including whether the purpose of the holding is appropriate and whether the benefits and risks associated with the holding are commensurate with the cost of capital, and will disclose such decision appropriately.

<p>[Supplementary Principle 4-11 (1) Approach to the balance, diversity, and size of the Board of Directors as a whole] (Updated)</p>	<p>To achieve sustainable growth of the entire Group and enhance corporate value over the medium to long term, the Company's Board of Directors is composed of members with diverse perspectives, abundant experience, high level of insight, and expertise necessary for important decision-making and supervision of overall management. The Company's Board of Directors is currently composed of four directors who have experience in the Group's main businesses and are well versed in their respective fields, and three outside directors (including two female directors) who have experience as lawyers, certified public accountants, and with corporate management, and can be expected to provide opinions based on their objectivity and highly specialized perspectives. The Company's Board of Directors nominates up to 10 candidates for Directors as stipulated by the Articles of Incorporation.</p>
<p>[Supplementary Principle 4-11 (3) Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole] (Updated)</p>	<p>The Company regularly evaluates and analyzes the effectiveness of the Board of Directors as a whole in accordance with the Regulations Concerning the Evaluation of the Board of Directors. For the term ended March 2020, the Company has implemented the following procedures.</p> <p>(1) Evaluation period From April 1, 2019 to March 31, 2020</p> <p>(2) Evaluation target Activities of the Company's Board of Directors during the evaluation period</p> <p>(3) Evaluators All directors and corporate auditors (nine in total)</p> <p>(4) Implementation period From April 27, 2020 to May 15, 2020</p> <p>(5) Implementation method Respondents answered individual questions on the following five major items using a five-point scale and free-response questionnaire format.</p> <p>A. Matters related to action plans to address issues B. Matters concerning the composition of the Board of Directors C. Matters related to the operation of the Board of Directors D. Matters concerning agenda items for the Board of Directors E. Matters concerning the system supporting the Board of Directors</p> <p>In addition, the following items were selected as the action plan for the term ended March 2021 and resolved by the Board of Directors.</p> <p>(1) Start of discussions on development of successors in the Nomination and Compensation Committee (2) Reviewing the scope of agenda items to be submitted to the Board of Directors and strengthening internal systems</p>
<p>[Principle 5-1 Policy on constructive communication with shareholders]</p>	<p>The Company will respond positively to constructive dialogues with shareholders to a reasonable extent.</p> <p>The Company's overall dialogue with shareholders is led by the President and CEO and is mainly handled by the President and CEO or a director, depending on the number and size of shares held by the shareholders to be interviewed.</p> <p>In addition, to implement effective IR activities, the Company has a</p>

	<p>Public Relations & Investor Relations Department under the supervision of the director in charge. To support dialogue with shareholders, we have established a system in which the Public Relations & Investor Relations Department collaborates with the General Management, Corporate Management, General Affairs, Accounting, and Legal & Compliance Departments when necessary.</p> <p>As part of our efforts to engage in dialogue with our shareholders, we hold financial results briefings, practice information disclosure on our website, and actively engage in IR activities to help shareholders deepen their understanding of the current situation of the Group. Specifically, regarding dialogue with institutional investors and analysts, the Company holds individual meetings for institutional investors and analyst briefings, etc., depending on the situation, where direct dialogue is conducted mainly by the President and CEO or Directors. Furthermore, as a venue for dialogue with individual investors, we actively participate in company information sessions and online seminars for individual investors hosted by securities companies, etc., and provide opportunities for the President and CEO and Directors to explain the current status of the Group, etc., in their own words in front of individual investors. The schedule of IR events for individual investors is disclosed on the Company's website.</p> <p>http://ir.premium-group.co.jp/ja/calendar.html</p> <p>In addition, for overseas investors who have a certain trading volume in the Japanese stock market, we hold individual meetings by phone, prepare English translated materials, and disseminate information through our English version website.</p> <p>In addition, the Public Relations & Investor Relations Department compiles opinions and other information obtained through dialogue with shareholders and reports them to the Board of Directors as necessary, to share information and improve management.</p> <p>In addition to the above, we strictly manage undisclosed information in accordance with the Regulations for the Prevention of Insider Trading to manage insider information during dialogue.</p>
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(2) Compliance and risk management (accidents, laws and regulations)

With regard to compliance, in order to encourage voluntary actions based on the Code of Conduct, the company conducts various training programs such as personal information protection and prevention of insider trading, and has also formulated a basic policy on the elimination of antisocial influences, which is strictly enforced.

The Group Risk Management Committee has been established to analyze and understand the business risks of each group company, including overseas subsidiaries, and to manage these risks in an appropriate manner.

The company has established a business continuity plan (BCP) for the management of major incident risks, including the physical impact of climate change, and is conducting timely maintenance, training, and review of business procedures to minimize damage and enable the continuation or early recovery of core business operations in the event of an emergency.

The company's share of third-party warranties for used car breakdowns is approximately 75%, but in the overall market for breakdowns, third-party warranties account for only a small portion, so they do not currently constitute a monopoly. In anticipation of market expansion through future business growth, the company is also considering establishing a compliance program on Anti-Monopoly Act and declaring compliance with these laws.

4. Outline of the Mid-term Management Plan, VALUE UP 2023

The 3-year mid-term management plan, VALUE UP 2023, which started this term and will end in the term ending March 2023, is ongoing. On May 13, 2021, the company revised and re-announced the plan.

(1) Progress so far

Since the start of the business in 2007, the company has expanded the credit and automobile warranty businesses as the mainstays, and got listed in the first section of Tokyo Stock Exchange in 2018, showing steady growth. As for business performance, sales and profit grew significantly, and ROE and ROA rose steadily.

(2) Regarding the mid-term vision

(Recognition of the business environment)

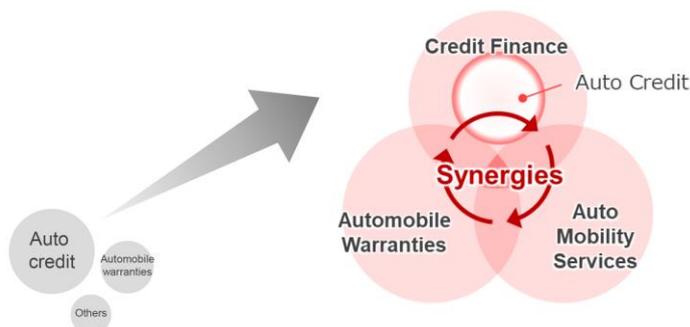
Considering the impact of the novel coronavirus, the company recognizes the business environment as follows.

Target	Situation	Recognition	Necessary measure
Individual customers	During the state of emergency in April 2020, the purchase of used cars was sluggish, but recovered in the second half of the fiscal year.	The firm demand for used cars, which are requisite for living, was reconfirmed.	The growth of the Credit Finance and Automobile Warranty Businesses is essential for corporate growth.
Used car market (dealers and maintenance shops)	Due to the decrease of new cars in circulation, the number of used cars in circulation declined, and procurement costs augmented.	Dealers and maintenance shops lacking the power of capital are struggling. In addition, the contact points for dealers and customers decreased.	It is necessary to support the management of small and medium-sized dealers and maintenance shops.
Social trend	The new normal era in which existing thoughts and methods will become useless.	It is necessary to establish competitive advantages for sustainable growth.	It is important to promote the shift to new business models and industrial innovation. Especially, DX is required.

(Mid-term vision: ideal state)

Recognizing the business environment as mentioned above, the company considers that it is necessary to grow the existing businesses and vitalize the used car market by supporting the management of used car dealers and maintenance shops, which are their direct customers. For this, the company upholds the mid-term vision of evolving from an auto credit company, offering mainly auto credits and warranties, to an auto mobility company that develops networks with automobile dealers, maintenance shops, and customers and creating the synergy among credit finance, automobile warranty, and auto mobility.

Medium-term vision Transform from an Auto Credit Company into an Auto Mobility Service Company



(Taken from the reference material of the company)

(Materiality based on the mid-term vision)

Based on the recognition of the business environment, the company defined the following four as materiality items.

Business environment recognition	Materiality
It is important to expand the existing Credit Finance and Automobile Warranty Businesses to grow the company.	① To improve the Credit Finance Business, which is its forte ② To expand the market of automobile warranty
It is necessary to support the management of small and medium-sized dealers and maintenance shops.	③ To enrich the Auto Mobility Business
It is important to establish new business models and promote industrial innovation through DX.	④ To become a provider of platforms in the used car and car maintenance markets

The company announced digital transformation (DX) strategies, recognizing that it is essential to promote DX to realize sustainable growth and enhance competitiveness.

(2) Initiatives in each business

To realize an ideal state, it is necessary to develop a system to offer the best finance and the best service.

Based on the mid-term vision, VALUE UP 2023, the company will implement the following measures in each field.

① Credit Finance Business

◎ Auto credit and auto lease for individuals

The priority measures are to enhance marketing and to proceed with industrial innovation.

For enhancing marketing, the company will expand the target area with the BIZ site method (which means the marketing method of establishing footholds in major cities rather than establishing branches in respective regions and visiting the target area when necessary), and increase the number of marketing staff members by 50 to 130.

In addition, the company will upgrade outbound contact centers, start operating affiliates that are still not in operation, cultivate uncultivated areas, promote the development of a members-only organization for affiliates, and grow the top line steeply.

For promoting industrial innovation, the company will develop an automatic screening system based on AI, make back-office operations unmanned, and do away with paper to increase business efficiency and profit margin.

◎ Servicer

The priority measures are to collect receivables jointly with other group companies and sell repossessed cars*.

For collecting receivables with other group companies, the company will collect receivables in cooperation with Central Servicer Corporation, which was acquired as a subsidiary in April 2020, and exert synergy to grow revenues further.

For selling repossessed cars*, the company will sell the vehicles repossessed at the time of collection of receivables to affiliates of the members-only organization, to create new earning opportunities.

*Repossessed cars: Vehicles repossessed when the company collects receivables for auto credits.

② Automobile Warranty Business

The company considers that it is indispensable to expand the market itself.

To do so, the company will implement the following measures and reduce the scrapping of cars by maintaining used cars.

Measure	Outline
Development of extended warranties	To increase business opportunities by increasing the contact points with customers through extended warranties.
Improvement in profitability	To curtail repair costs and discount selling prices by putting cars in the maintenance shops of the members-only organization and using recycled auto parts procured within the corporate group.
Advertisement for increasing popularity	To popularize automobile warranty and disseminate its effectiveness through advertisement via TV, the Internet, etc.

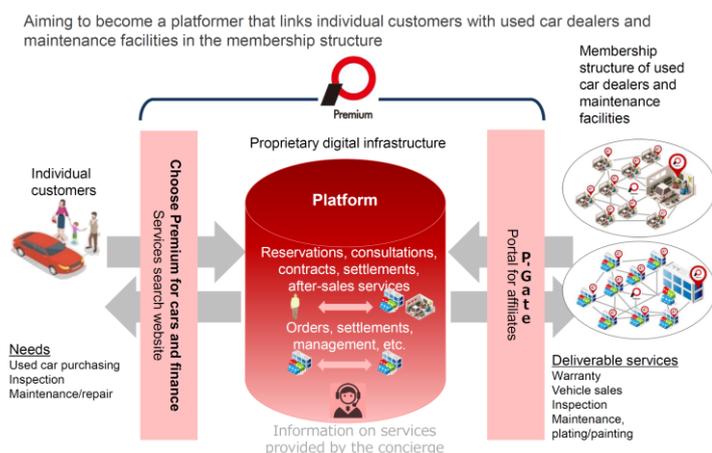
③ Auto Mobility Business

The company will concentrate on the expansion of the “new 3Rs” businesses, which are environmentally friendly. The new 3Rs are Recycle (recycled parts) business, which distributes the parts of used cars, Reuse business, which distributes repossessed vehicles within the corporate group, and Repair business, which offers maintenance services for inspecting and repairing automobiles, sheet-metal services for repairing scratches, dents, etc. on automobiles, and so on. At present, the company offers a broad range of services, including the sale of recycled parts, repossessed vehicles, and task management software for maintenance shops, etc., via subsidiaries acquired through M&A.

The priority measures are to enrich the service lineup, to develop members-only organizations for affiliated used car dealers and maintenance shops, and to proceed with the platform scheme. The company aims to actualize the sustainable growth of the corporate group, by diversifying revenue sources.

Among the network which the company has developed so far (including over 30,000 automobile dealers and over 3,000 maintenance shops), the company will establish members-only organizations with affiliates with an increasing number of transactions: PFS Premium Club for automobile dealers and FIXMAN Club for maintenance shops.

By connecting these members-only organizations and customers, the company aims to become a platform provider for offering a wide array of services.



(Taken from the reference material of the company)

④ Overseas strategy

As indicated in the mission, the company will offer excellent Japanese products and services to people around the world.

While keeping an eye on the situation of the pandemic, etc., the company will strive to exhibit its products and services in more countries, while recognizing Phase I of the mid-term vision as a planting season. The company will make inroads into foreign markets by establishing joint ventures with local capital, etc. instead of establishing a company with its own funds.

Phase II of the mid-term vision will be recognized as the reaping period, and the company will engage in overseas businesses on a full-scale basis while considering the reorganization of joint ventures into consolidated subsidiaries.

(5) Numerical goals

In VALUE UP 2023, they aim to achieve an operating revenue of 25.8 billion yen and a net profit of 3.3 billion yen, in the term ending March 2023. In the term ending March 2025, which is the final fiscal year of the next mid-term vision, they aim to achieve an operating revenue of 41.9 billion yen, a net profit of 6.7 billion yen, and a market cap of 180 to 200 billion yen.

	FY 3/21 Results	FY 3/22 Est.	FY 3/23 Est.	FY 3/24 Est.	FY 3/25 Est.	CAGR
Operating revenue	179	214	258	329	419	+23.9%
Pretax profit	35	35	49	65	100	+30.0%
Net profit	24	24	33	43	65	+28.3%
ROE	38.3%	-	31.7%	-	37.0%	-
Market cap	322	-	900-1,000	-	1,750-2,000	-

*Unit: 100 million yen. Net profit means the profit attributable to owners of parent. Market cap means the closing value on March 31, 2021. CAGR is the average annual growth rate in the four years from FY 3/21 to FY 3/25. Calculated by Investment Bridge Co., Ltd. with reference to the plan of Premium Group.

(6) Initiatives toward ESG and SDGs

The company will focus on the materiality set in this report while keeping their social meanings of existence and social responsibility in mind.

5. Financial and Non-financial Data

(1) Financial data

◎ BS/PL

	FY 3/2016	FY 3/2017	FY 3/2018	FY 3/2019	FY 3/2020	FY 3/2021
Operating revenue	5,297	7,900	9,065	10,759	14,016	17,825
Pretax profit	580	1,297	1,979	2,097	2,604	3,463
Net profit	331	847	1,293	1,388	1,466	2,383
EPS [yen]	27.55	70.56	107.44	113.08	112.33	186.74
ROE [%]	9.92	22.25	25.88	24.8	27.4	38.3
Total assets	28,111	29,517	35,932	43,540	58,203	68,156
Total net assets	3,332	4,280	5,710	5,464	5,242	7,211
Capital-to-asset ratio [%]	11.85	14.50	15.89	12.55	9.01	10.6

*Unit: million yen. Net profit means the profit attributable to owners of parent. Net assets mean the equity attributable to owners of parent.

◎ CF

	FY 3/2016	FY 3/2017	FY 3/2018	FY 3/2019	FY 3/2020	FY 3/2021
Operating CF	2,712	2,769	1,043	-1,015	-1,246	1,321
Investing CF	-4,860	-1,393	-852	-706	-1,618	-1,172
Free CF	-2,149	1,376	191	-1,721	-2,864	149
Financing CF	7,489	-2,223	1,790	1,563	2,967	1,617

Cash and cash equivalents	5,340	4,494	6,475	6,186	6,286	8,054
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*Unit: million yen

(2) Non-financial data

① Related to social capital

	FY 3/2019	FY 3/2020	FY 3/2021
No. of shareholders	4,170	4,313	3,851
No. of affiliates for the credit business	20,417	22,549	23,907

② Related to human capital

	End of 3/2019	End of 3/2020	End of 3/2021
No. of employees	336	391	423
No. of female employees	101	130	140
Ratio of female employees	30.1%	33.2%	33.1%
No. of foreign employees	40	58	62
No. of managers	103	117	150
No. of female managers	8	15	28
Ratio of female managers	7.8%	12.8%	18.7%
No. of directors	6	6	7
No. of female directors	1	1	2
Ratio of employees who took a paid holiday	71.0%	69.6%	66.8%
Turnover rate	3.3%	7.4%	7.4%

*No. of employees means the total number of employees of Premium Group Co., Ltd. and three major subsidiaries. Based on this, the ratios of female employees and managers were calculated. No. of foreign employees means the number of locally hired staff members, which is not included in the number of employees.

*Managers mean those who are at the post of section chief or higher. Turnover rate means the one in each fiscal year. Turnover rate [%] = No. of employees who have resigned during a term / No. of employees at the beginning of the term × 100

<For reference>

For publishing ESG Bridge Report, the company enlisted significant cooperation from Mr. Ryohei Yanagi (PhD. in economics from Kyoto University, Executive Vice President and CFO of Eisai Co., Ltd., and a visiting professor of Graduate School of Accountancy, Waseda University).

This section mentions the purpose of publishing ESG Bridge Report and outlines the “ROESG model” proposed by Mr. Yanagi, while citing a passage from his literature “CFO Policy.”

(1) Regarding ESG Bridge Report

While ESG investment became mainstream, investors demand that Japanese companies disclose ESG information proactively. Accordingly, an increasing number of companies produce integrated reports.

However, the production of integrated reports requires the understanding and involvement of executives, some human resources and some budgets. Accordingly, many companies still cannot produce integrated reports.

Also, for producing integrated reports, it is necessary to take many steps, including the summarization of various data, the identification of materiality, and the setting of indicators and goals. It seems that many companies are not prepared enough, so they are reluctant.

However, Mr. Yanagi mentioned, in “CFO Policy,” that “if Japanese enterprises shed light on their potential ESG value, their PBR will probably be at least the same level (around 2x) as that of companies in the UK” and “by actualizing ROESG, it is possible to double the value of Japanese companies, probably improving investment, employment, and pensions and maximizing national wealth, which have a high probability.” Investment Bridge Co., Ltd. considers that the provision of ESG information of Japanese companies is meaningful for the entire Japan and should be promoted actively.

Under these circumstances, for companies who deeply recognize the necessity to disclose ESG information although they still cannot produce integrated reports, our company cooperatively produces “ESG Bridge Report” based on currently available data and resources, to provide investors with ESG information as needed by investors as much as possible.

Japan Exchange Group actively encourages Japanese companies to disclose ESG information, and published “Practical Handbook for ESG Disclosure.” Page 6 of this handbook mentions “We do not mean that you cannot disclose information unless all of the elements mentioned here are covered. We expect that this handbook will provide you with some clues when you start with what you can do while considering your situation for disclosing ESG information to communicate with investors and proceed with more initiatives.” We believe that “ESG Bridge Report” is a tool for “starting with what you can do for disclosing ESG information.”

Mr. Yanagi mentioned that in order to achieve full-scale ROESG, it is necessary to conduct empirical research indicating positive correlation between ESG and corporate value and disclose concrete cases in which companies’ contribution to society helps increase long-term economic value. Accordingly, the actual hurdle is high, but we would like to explicitly describe how ESG initiatives of each company lead to the improvement in corporate value.

Based on the feedback from many investors who have read our reports, we would like to improve the quality of our reports. We would appreciate your candid opinions.

Kaoru Hosaka
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(2) Regarding “ROESG Model”

(Increasing value of non-financial capital, rapid increase of ESG investment, and production of a conceptual framework for connecting ESG and corporate value)

Recently, many empirical studies have verified the increase of importance of non-financial information in corporate value evaluation, and it can be inferred that invisible value (intangible assets) and non-financial capital value account for about 80% of corporate value.

In addition, it can be considered, from the results of many empirical studies on the relation between non-financial information and corporate value, that ESG may be positively correlated with corporate value.

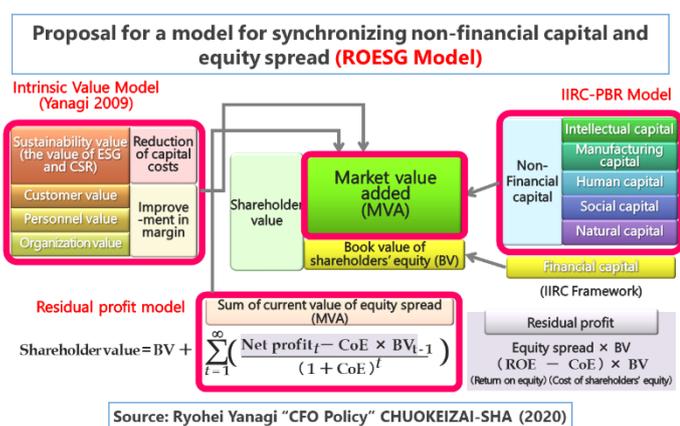
On the other hand, as ESG investment is becoming mainstream globally, Japanese enterprises, whose PBR is less than one or stagnant in many cases although they have latent ESG value, need to transform non-financial capital into future financial capital with the “ROESG model” for raising PBR, or produce and disclose a conceptual framework for connecting ESG and corporate value.

(Overview of the “ROESG Model”)

Out of shareholder value, the book value of shareholders’ equity, which corresponds to “the part where PBR = 1,” is composed of current financial capital and financial value.

On the other hand, out of shareholder value, market value added, which corresponds to “the part where PBR exceeds 1,” is composed of non-financial capital (which can be said to be future financial capital), and the sum of current value of cash flow of equity spread (= ROE – Cost of shareholders’ equity) in the residual profit model.

Therefore, Mr. Yanagi proposed “the synchronization model of non-financial capital and equity spread” = “ROESG Model” as a conceptual framework for synchronizing ESG and corporate value, as a result of non-financial strategy.



In the “ROESG Model,” non-financial capital has a mutually complementary relation with equity spread, which is the sum of current value of residual profit through “market value added.” Namely, the value creation with equity spread is consistent in the long term because of the delay, via the creation of value of non-financial capital, including ESG, and market value added.

Therefore, ESG management can be synchronized with long-term investors, who demand capital efficiency, via marked value added, and cooperation is possible.

According to Mr. Yanagi’s survey on investors for supporting the model, many investors around the world demand that “the relation between ESG and ROE values is explained” and answered that “100% or a significant proportion of the value of ESG is taken into account in PBR.” It can be considered that the “ROESG model” is supported directly or indirectly by most of long-term investors. (For details about his “ROESG Model,” refer to “CFO Policy” authored by Ryohei Yanagi, CHUOKEIZAI-SHA (2020).)

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