

Premium Group's Digital Transformation (DX) Strategy

May 13, 2021

Premium Group Co., Ltd.
TSE First Section: 7199



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1. Correlation to Our Mission and Business Model

Mission & Business model

We will now explain our mission, business model and how it relates to our digital transformation strategy.

1. Correlation to Our Mission and Business Model

Premium Group's Mission

The Group has maintained the same mission as outlined below since its establishment in 2007.

Provide top level financing and services to the world, and help make the world a better place

Further improve credit finance and services to make the world a better place by expanding the reach of both globally

Develop spiritually rich human resources who are always positive and can dedicate themselves to completing processes

Human resources who don't give up before they try simply because they think something is impossible, but rather who think outside the box, and maintain a strong commitment to innovation, and paving the way toward the next stage

Digital Governance Code “1. Vision and business model”

A company must understand its business and IT system as a unit, develop a management vision in consideration of the impacts (risk/opportunities) caused by changes in society and the competitive environment due to digital technologies, design a business model for realizing its management vision, and share this business model with its stakeholders as a value creation story.

1. Correlation to Our Mission and Business Model

About Our Medium-Term Management Plan

In February 2020, we announced our three-year medium-term management plan called VALUE UP¹2023. Today, May 13, 2021, we re-released this plan after reviewing the impacts of the COVID-19 pandemic. As expressed in the vision of “Transform from a auto credit company into an auto mobility service company,” the plan’s key strategies for growth driven by existing businesses and business model shift are outlined below.

Reinforce our strength in the credit finance business

Expand market for automobile warranties

Deploy digital platform utilizing the Group's collective strengths

Expand auto mobility services

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1. Correlation to Our Mission and Business Model

Correlation between Our Medium-Term Management Plan's Key Strategies and DX

The key strategies of our medium-term management plan closely relate to DX.

Reinforce our strength in the Credit Finance business

Expand market for automobile warranties

Deploy digital platform utilizing the Group's collective strengths

Expand auto mobility services

Overview of DX

Use operational innovations to increase productivity and employee happiness

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Overview of DX

**Enhance end-user
convenience and
management
efficiency of mobility
providers**

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1. Correlation to Our Mission and Business Model

Correlation between Our Future Vision and DX

DX closely correlates to next-generation platforms eyeing a shift to CASE, MaaS, and EVs, established as the medium- to long-term vision for 2024.

Reinforce our strength in the Credit Finance business

Expand market for automobile warranties

Deploy digital platform utilizing the Group's collective strengths

Expand auto mobility services

Overview of DX

**Create new
businesses with an
eye on next-
generation auto
mobility services**

Digital Governance Code “1. Vision and business model”

A company must understand its business and IT system as a unit, develop a management vision in consideration of the impacts (risk/opportunities) caused by changes in society and the competitive environment due to digital technologies, design a business model for realizing its management vision, and share this business model with its stakeholders as a value creation story.

2. About Our DX Strategy

Our DX Strategy

We will now explain our digital transformation strategy.

2. About Our DX Strategy

Environment Surrounding Premium Group

The challenges, both internal and external, facing the Group and the industry are as follows.



Main Small- and Medium-sized Automobile Dealer and Maintenance Facility Customers

Smaller capital base and lagging **behind in the development of digital infrastructure**

- Yet to develop digital infrastructure and poor ability to attract customers via online searches
- Only able to target residents living near the dealership, losing out on business opportunities



In-house operations

In addition to operations using **paper and fax, routine tasks** are handled by people

- Making progress with going online, but unable to completely switch over, resulting in the use of large numbers of workers and time



Individual customers looking to purchase a used automobile

Insufficient information at time of used automobile purchase and after-sales support

- For example, in case of a breakdown, customers have many questions such as “Do I go to the dealership or a maintenance facility?” and “Where can I get my car fixed for the right price?,” and it takes time to obtain this information.



Major turning point for the mobility industry

Facing **a major turning point**, marked by the shift to **CASE, MaaS and EVs**

Digital Governance Code “2. Strategy”

A company must develop strategies to utilize digital technologies as a way to realize the target business model in consideration of changes in society and the competitive environment, and convey these strategies to stakeholders.

2. About Our DX Strategy

DX Vision

We will promote DX according to the following vision.

Create a “premium” car life together with end users and mobility providers as a digital platform comprised of teams where every individual shines



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2. About Our DX Strategy

Overall Picture of DX

DX Vision						
Medium-Term Management Plan	Reinforce our strength in the credit finance business	Expand market for automobile warranties	Expand auto mobility services	Deploy platforms utilizing our competitive strengths	Create next-generation mobility services	Future Vision
Core Business Strategy	Enhance management efficiency of mobility providers and provide peace of mind and convenience to end users					
	Increase employee happiness			Address the shift to CASE, MaaS and EVs		
Organization and Foundation	Hybrid approach using specialized organization for promoting DX that reports directly to senior management and Group cross-functional project team					
	Data consolidation, agile development and full cloud adoption					
Investment Policy	Appropriate resource allocation as one of the key management issues					
Key Goal Indicators (KGIs)	Mobility platform gross merchandise value					

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2. About Our DX Strategy

DX: Core Business Strategy

Core Business Strategy

Enhance management efficiency of mobility providers and provide peace of mind and convenience to end users

- Aim to expand business opportunities by matching used automobile dealers and maintenance facilities above a certain threshold (hereafter, “B”) with consumers seeking to purchase a used automobile or use a maintenance facility (hereafter, “C” refers to individual customers) using the same platform.
- Build a mechanism for **carrying out B’s daily operations**, such as inventory management and sales performance management, **on a platform**.
- Build a mechanism for **completing transactions between B and C online**, such as appointment bookings, estimates, contracts, settlements, and follow-up, etc.
- Build a mechanism that can **propose the right services and the warehousing maintenance facility similar to a concierge service** to C when accessing the platform whenever a problem or breakdown occurs after purchase.

Increase employee happiness

- **Assist work styles with individuality** by liberating employees from constraints
- **Promote work-from-anywhere (WFA)** through **digitalization to streamline and automate operations**.
- **Establish a system that provides high-quality and advanced services** that mutually complements people and technology.

Address the shift to CASE, MaaS and EVs

- Aim to **build a next-generation platform** that can address the transformation taking place in the automobile industry.

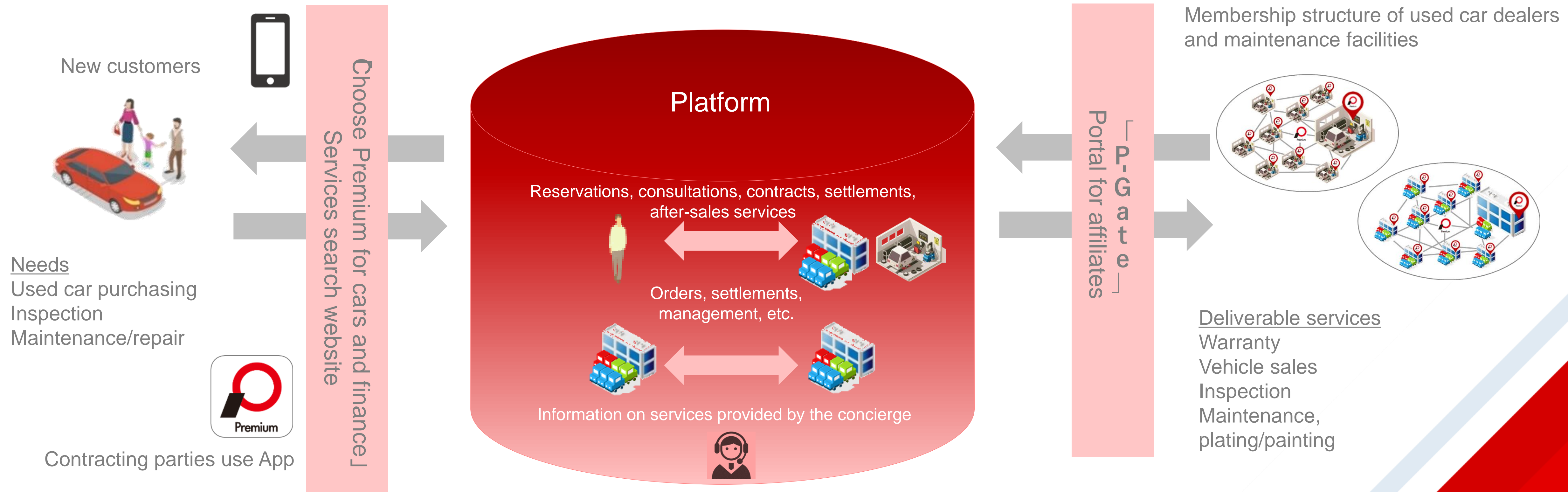
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2. About Our DX Strategy

DX: Core Business Strategy

(Ref.) Conceptual Diagram of Platform



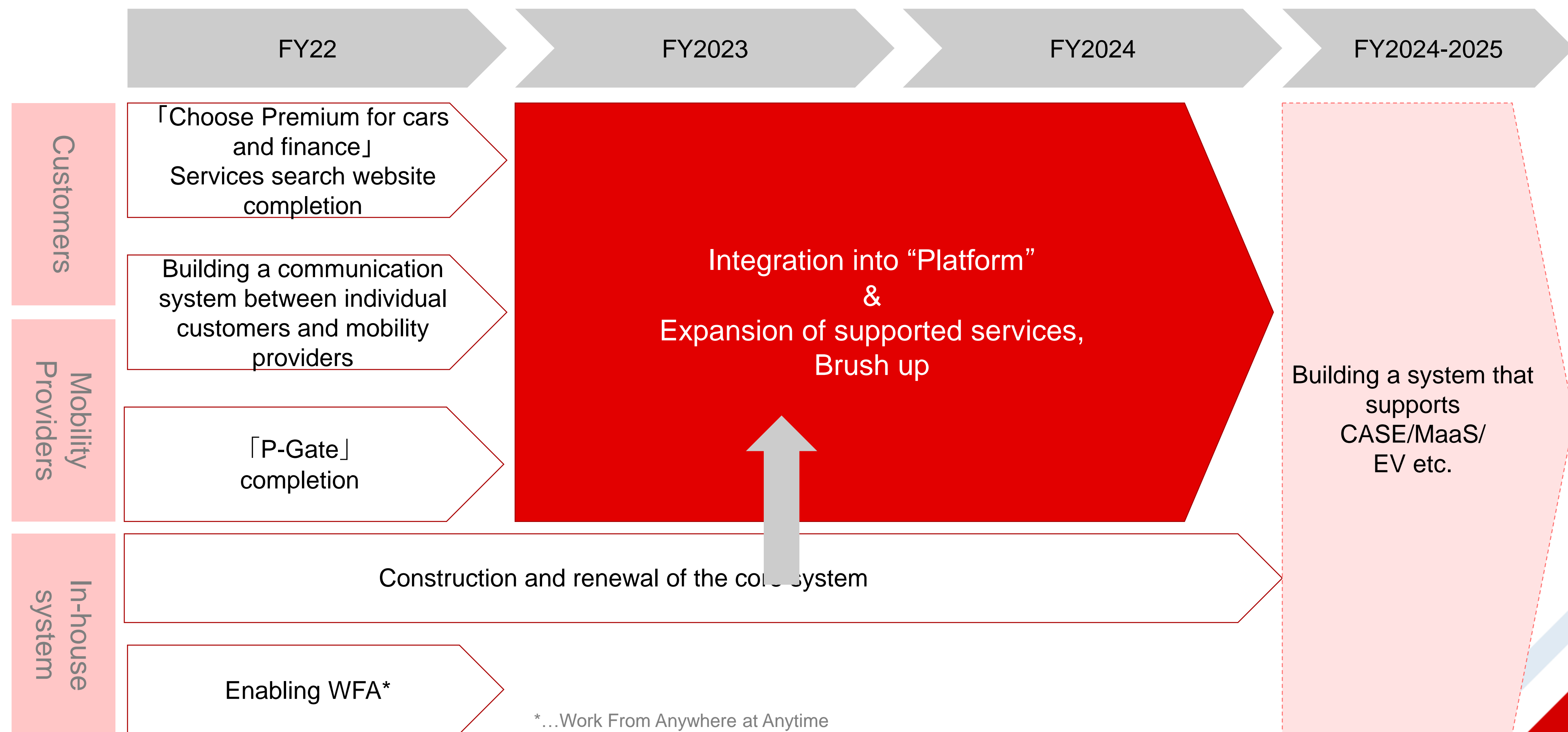
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2. About Our DX Strategy

DX: Core Business Strategy

(Ref.) DX promotion roadmap for core businesses



2. About Our DX Strategy

DX: Organization and Foundation

Digital Governance Code “2-2. Policy for establishment of utilization environment for IT systems/digital technology”

A company must clarify projects, management policies, technologies, standards, architectures, operations, and investment plans aimed at establishing the utilization environment for IT systems/digital technology required to promote strategies for utilizing digital technologies, and convey these to stakeholders.

Digital Governance Code “2-1. Policies for organization establishment, human resources, and corporate culture”

A company must build a framework required for promoting strategies that utilize digital technologies, and convey approaches on organizational design and operation to stakeholders. At that time, a company should also consider securing and training human resources and building relationships and collaboration with external organizations as important factors.

Organization

(1) Establish “**specialized organization for promoting DX**” that reports directly to senior management

- Continue to promote Company-wide reforms considering new perspectives not tied to conventional businesses.

(2) Promote hybrid approach using (1) and establishing a **Group cross-functional project team**

- Mainly promote operational reforms cross-functionally across the Group led by the project team. Strive for continuous operational improvements that are not one-off in nature.

Foundation

(1) Data consolidation

- Speed up business execution by building an environment where the latest data is obtained quickly and a platform that addresses myriad analysis needs

(2) Agile development

- Newly utilize microservices in system development and always incorporate new needs in a short period of time, flexibly and in a high-quality manner without stopping operations

(3) Full cloud adoption

- Provide infrastructure at the right cost and speed based on requirements for business expansion and introduce WFA as a new work style for users

2. About Our DX Strategy

DX: Finance/Investment Strategy and KPI

Digital Governance Code “2-2. Policy for establishment of utilization environment for IT systems/digital technology”

A company must clarify projects, management policies, technologies, standards, architectures, operations, and investment plans aimed at establishing the utilization environment for IT systems/digital technology required to promote strategies for utilizing digital technologies, and convey these to stakeholders.

Digital Governance Code “3. Achievements and key performance indicators”

A company must define indicators for measuring the achievement of strategies for utilizing digital technologies and convey to stakeholders self-assessments of performance based on these indicators.

Investment Policy

Appropriate resource allocation as one of the important management issues

(1) Plan to invest 500 million to 1 billion yen annually over the 5-year period from FY2022 to FY2026

(2) Promote DX in three areas in parallel: for individual customers, for mobility providers, and for internal business reforms, aiming for early full-scale operation of the platform

KGI/CSF

Platform gross merchandise value

- Aim to increase the total transaction value of the finance business, breakdown warranty business, and auto mobility service business* using the platform.

*...Value of vehicles in circulation, value of vehicle inspections in circulation, value of repairs and sheet metal work in circulation, etc.

Establish the following critical success factors (CSFs) to achieve KGIs.

1. Increase the **number of mobility providers** using mobility platform
2. Increase the **number of end users** using mobility platform
3. Increase the **number of transactions online**
4. Improve **operational productivity** in-house forming the foundation for the above

(Ref.) Establish 1 to 3 CSFs for each operation after breaking down workflow (i.e., usage rate of portal site at the time of network store contract)

3. Governance System

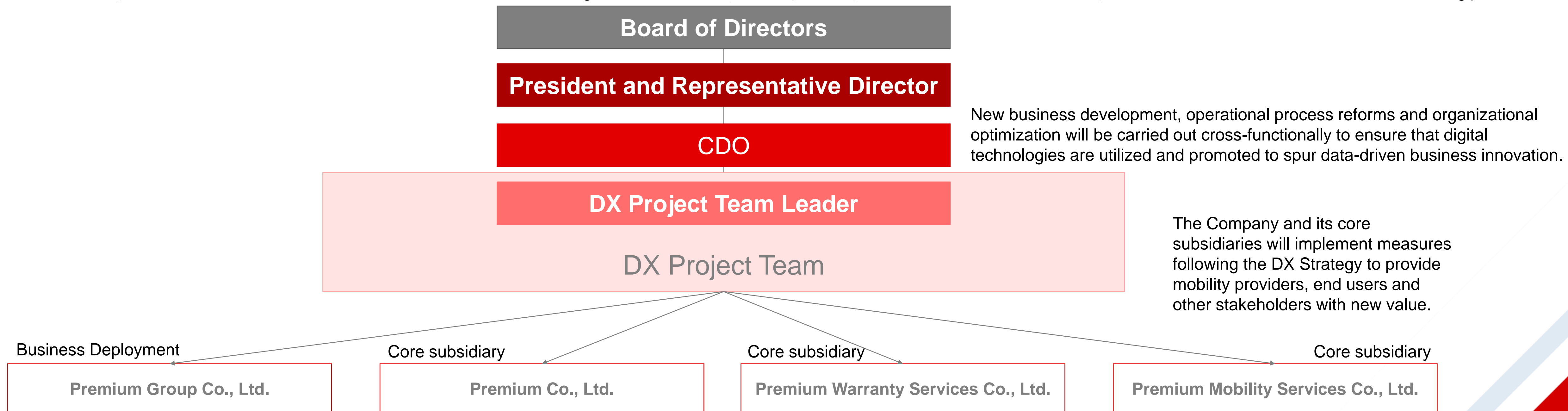
Governance

We will now explain our governance, digital transformation implementation system.

3. Governance System

Governance System in DX Promotion

The Group is building a system where the president and representative director will serve as the person ultimately responsible for execution and the Chief Digital Officer (CDO) will promote and lead implementation of our DX Strategy.



Digital Governance Code “4. Governance system”

- Management must exercise leadership when implementing strategies for utilizing digital technologies, such as providing information to stakeholders.
- Management must cooperate with business divisions (persons in charge) and IT divisions (persons in charge) to understand and analyze issues based on trends in digital technologies and the current conditions of the company’s IT system, and reflect these in the review of strategies. Additionally, management must take appropriate measures against cybersecurity risks, which accompany business execution of .
- The board of directors must properly fulfill its roles and responsibilities to present the management vision and the direction of strategies for utilizing digital technologies, and properly supervise management’s efforts to achieve them.