

Holistic Company Report

Prestige International

4290 TSE First Section

Update Report
December 25, 2015

The Stock Research Center
(General Incorporated Association)



証券リサーチセンター
審査委員会審査済 20151222

Independent BPO company providing outsourcing services. Performance was strong for the first half of the March 2016 term, and record-high profit is expected for the full term, but the securing of staffs will be the issue.

> Summary

Analyst: Jyusaku Matsuo
+81 (0) 3-6858-3216
matsuo@stock-r.org

◆ Independent BPO-Specialized Company

- As an independent BPO-specialized company, Prestige International (the Company, hereafter) has grown by taking in the demand for the business outsourcing of client corporations.

◆ Performance for the First Half of the March 2016 Term Exceeded the Company's Estimates

- For up to the 2Q of the March 2016 term (the first half, hereafter), sales increased by 16.3%, exceeding the 9.7% increase estimated at the beginning of the term, due to the strong performance of the existing businesses including roadside assistance. Recurring profit increased by 13.1%, although it was estimated to stay almost flat at the beginning of the term. This increase reflects the revenue expansion in the warranty business, the streamlining and review of business, and the yen depreciation.

◆ Estimates for the March 2016 Term

- For the March 2016 term, the Company estimates an increase of 9.7% in sales and 14.0% in recurring profit. Although the performance for the first half exceeded the estimates made at the beginning of the term, the original estimates are left unchanged upon consideration of the depreciation costs of new facilities and the increase of upfront investment costs.
- The forecast of the Company's performance for the March 2016 term by The Stock Research Center (the Center, hereafter) remains unchanged at an increase of 9.7% in sales and 15.7% in recurring profit. The Center concludes that the Company's estimates are achievable, as the upfront investment for growth could be fully offset by the benefits from yen depreciation, cost price reduction by IT utilization, full contribution by the contracts newly acquired in the preceding term, and expansion of the existing outsourcing businesses.

◆ Points to Consider in Investment

- Regarding the Company's performance, both sales and profit are expected to continue to increase, due to the cultivation of existing clients and the development of new clients that will be carried out in the medium term. Hiring and training of staffs for the expansion of the Toyama BPO Town will be the key to increasing profit.
- In the new medium-term business plan, the Company clarified its target dividend payout ratio on a consolidated basis as 20%. The Center expects that dividend hike will continue after the March 2016 term, based on the performance forecast.

【Major Indicators】

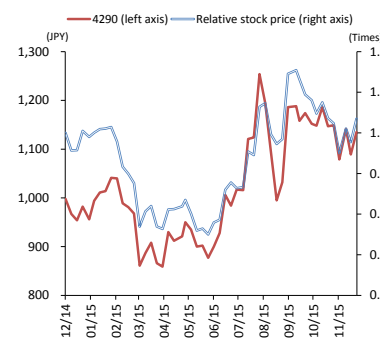
	12/18/2015
Stock price (JPY)	1,185
Shares outstanding	31,361,300
Market capitalization (JPY mil)	37,163

	3/2015	3/2016 E	3/2017 E
P/E	20.8	17.3	15.4
P/B	2.4	2.1	1.9
Dividend Yield (%)	0.9	1.0	1.1

【Stock Price Performance】

	1 month	3 months	12 months
Return (%)	3.8	-0.3	24.2
vs. TOPIX (%)	6.7	-8.4	13.7

【Stock Chart】



(Note) Relative stock price is vs. TOPIX, based on the prices as of December 19, 2015.

【 4290 Prestige International Sector: Services 】

Term	Sales (Y mil)	Change (yoy, %)	O.P. (Y mil)	Change (yoy, %)	R.P. (Y mil)	Change (yoy, %)	N.P. (Y mil)	Change (yoy, %)	EPS (Y)	BPS (Y)	Dividend (Y)
3/2013	24,225	3.6	2,380	-9.2	2,158	-18.6	1,409	-8.7	47.6	376.2	7.5
3/2014	22,223	-8.3	2,809	18.0	2,704	25.3	1,981	40.6	65.6	435.9	10.0
3/2015	24,619	10.8	2,952	5.1	2,983	10.3	1,758	-11.3	57.0	494.8	11.0
3/2016 CE	27,000	9.7	3,250	10.1	3,400	14.0	2,100	19.4	67.1	—	12.0
3/2016 E	27,000	9.7	3,300	11.8	3,450	15.7	2,130	21.2	68.4	572.0	12.0
3/2017 E	30,000	11.1	3,700	12.1	3,900	13.0	2,400	12.7	77.1	637.0	13.0
3/2018 E	33,500	11.7	4,350	17.6	4,600	17.9	2,800	16.7	89.9	714.0	15.0

(Note) CE: the Company's estimate, E: estimate by The Stock Research Center. Numbers for the March 2015 term are adjusted retroactively in accordance with the accounting change in the March 2016 term.

> Business Description

◆ BPO-Specialized Company

Prestige International (the Company, hereafter) is a major provider of BPO (Business Process Outsourcing) that has grown by taking in the outsourcing demand of leading Japanese corporations. The Company provides outsourcing for the non-core businesses of client corporations, offering a wide range of services such as roadside assistance, accident assistance during overseas travel, customer contact, credit card issuance, and property assistance to the end users (general consumers) of the client corporations (Chart 1). The Company is also keen on global business development, having 17 offices in 14 countries worldwide (as of September 30, 2015).

†1 Prime Assistance

A joint company that the Company established with NKSJ Holdings in April 2012, to which a part of the Company's roadside assistance operation was transferred in October 2012.

As of the end of September 2015, the Company has 25 consolidated subsidiaries and one equity method company (Prime Assistance^{†1}). These include subsidiaries specialized in field works that are limited in area and business, such as roadside assistance, and overseas local companies.

【 Chart 1 】 Business Description

Roadside Assistance	Roadside assistance for casualty insurance companies and automakers (Major clients) Casualty insurance companies, insurance agents, automakers, car dealers, etc.
Property Assistance	Various value-added solutions pertaining to real estate (including the troubleshooting of housing and coin-based parking lot problems) (Major clients) Taisei-Yuraku Real Estate, Nomura Real Estate Development, Nihon Housing, parking lot management companies, etc.
Insurance BPO	Overseas travel claim handling, healthcare program, BPO services for small-amount and short-term insurance (Major clients) Casualty insurance companies, insurance agents, Kirin Holdings, Nissan, Nissin Corporation, Fujitsu, etc.
Warranty	Automobile extended warranty, rent guarantee, housing facilities extended warranty (Major clients) Automakers, management companies of rental housing and fee-charging nursing homes, etc.
IT Solutions	Infrastructure construction and system development, SCM (Supply Chain Management) solution, application development, etc. (Major clients) Companies managing contact center operation on their own, casualty insurance companies, automakers, etc.
Customer Support	Contact center outsourcing, issuance and management of foreign currency based credit cards (USA and China) (Major clients) Major airlines, Credit Saison, etc.
Temporary Worker/Other	Temporary staffing and training, nursing care

(Note) SCM (Supply Chain Management) : the management method and the information system for the total optimization of the distribution of raw materials, components, and products by sharing information on orders, inventory, sales, and material flow within a company or with clients

(Source) Prepared by The Stock Research Center based on the financial results presentation materials of Prestige International

> Business Model**◆ Fee-Based Business with High Continuity**

The Company's clients are major corporations including those in casualty insurance, automobile manufacturing, and real estate. In order for BPO companies to meet the outsourcing demand of these corporations, adequate reliability, performance, and continuity are required. The Company has won deep trust from its clients with its know-how accumulated over the years and experience as a BPO provider. It has established a solid business foundation with high contract continuity with its clients.

◆ Development Based on a Solution-Based Business Model

The Company generally does not participate in competitive bids with tough price competition such as those in receiving orders for the outsourcing of simple operations. The Company has instead developed a solution-based business model, in which solutions are offered to clients who value service content, quality, and added value. The Company also has an advantage in that it has its own IT division in its group and develops BPO-related systems on its own or jointly with major system integrators. Thereby, the Company has high profitability (operating profit margin) and good management efficiency.

◆ Labor-Intensive Business Model with Advantage of Scale

The BPO business is labor-intensive, as it requires an adequate number of on-site operators and administrative staffs in accordance with the number of customers, operation volume, and difficulty. At the same time, improvement of profitability and advantage of scale could be expected as the number of clients increases, know-how for contact center management accumulates, and the operation proficiency of operators improves.

> Analysis of Strength/Weakness**◆ SWOT Analysis**

The Company's internal resources (strength/weakness) and external environment (opportunity/threat) are summarized in Chart 2. The Stock Research Center (the Center, hereafter) considers the current issue (weakness) to be the securing of staffs for the BPO contact centers and on-site staffs for the field works. Business internalization by the client companies would be a threat, but this risk is dispersed, as no single client exceeds 5% of the total sales. In addition, the potential (opportunity) for business expansion should be large, both in Japan and overseas.

【 Chart 2 】 SWOT Analysis

Strength	<ul style="list-style-type: none"> ● Client base mainly consisting of market leaders ● Long history in the industry, credibility/name recognition ● Systematically accumulated industry-specific know-how, rich education/training system ● On-site, real service provided by a network of field staffs ● Physical capacity of the facilities used for BPO
Weakness	<ul style="list-style-type: none"> ● High dependency of sales on a specific business (roadside assistance) ● Securing of appropriate number of staffs at the call centers
Opportunity	<ul style="list-style-type: none"> ● BPO's potential to expand in Japan ● Globalization and diversification of business, stimulation of new demand ● Alliance with other companies, JV
Threat	<ul style="list-style-type: none"> ● Internalization of operation by client corporations ● Large-scale natural disasters, epidemic of infectious diseases ● Leakage of information ● Market shrink due to an economic downturn, demand for discount

(Source) Prepared by The Stock Research Center

> Industry Trends

◆ Expanding Trend for the BPO Market Size

Although the growth of the domestic BPO market temporarily slowed down and the price competition was tough in the economic downturn and confusion after the Tohoku Earthquake, the market is now on a steadily expanding trend in the gradually recovering economy. As companies have become strongly focused on the expansion of their core businesses due to the progress of globalization, the use of BPO services supporting the core businesses has been increasing. Similarly, the outsourcing of non-core businesses has also been increasing for the purpose of cost reduction and improving management efficiency.

According to a research conducted by the Yano Research Institute, the BPO market is projected to grow annually by 2.4% on average from FY2013 to FY2019 and reach Y4.0426 tril in FY2019 (based on the sales of business providers). In the future, the dependency of companies on outside resources (BPO) is expected to continue to increase in response to the new social security and tax number system, the entry of foreign companies into the Japanese market, the utilization of big data, and the labor shortage due to an aging population with declining birthrate.

> Analysis of ESG
Activities

◆ **Corporate Governance**

In April 2014, the Company changed its organization and introduced the executive officer system, in an aim to clarify responsibilities and authorities. The Company aims to reinforce its corporate governance, with the board of directors currently consisting of four directors, including one external director (lawyer), and the board of auditors consisting of four auditors, including two external auditors of which one is a lawyer.

◆ **Environment**

The Company continues the saving of electricity in using air-conditioners and PCs, as well as the recycling of PET bottle caps. The Akita BPO Campus is managed with an environmental consideration, such as by using gas in a private electrical power facility instead of buying electricity in an aim toward CO₂ reduction.

◆ **Society**

The Company is engaged in the outsourcing business with an aspiration to “contribute to the society through business creation,” in addition to the concept of “resolving end-user inconveniences.”

The Company helps to revitalize the local communities by creating employment, for instance, by converting 339 fixed-term contract employees to region-limited permanent employees. It also promotes the social participation of women by offering a comfortable working environment for the women employees, such as by supporting the return of women employees to work and enhancing benefit programs in the BPO locations. The Company formed a handball team in Toyama (planned to begin activity in April 2017), in addition to the corporate sport teams at the other two BPO locations (women’s basketball team in Akita and women’s volleyball team in Yamagata). Through the formation of these teams, the Company aims to offer sporting opportunities as well as establishing the corporate brand (the corporate logo was also redesigned).

> Performance Outlook

†2 Warranty

Retrospective restatement is applied to the sales and profit of the March 2015 term due to the change of the accounting policy for the rent guarantee program in the March 2016 term (from a one-time posting to proportional posting by period). All yoy comparisons are based on the modified numbers. For the first half of the March 2016 term, in warranty alone, sales increased by ¥10 mil yoy and operating profit decreased by ¥66 mil yoy based on the pre-modified numbers.

◆ Results for the First Half of the March 2016 Term Exceeding the Estimates

For up to the 2Q of the March 2016 term (the first half, hereafter), sales were ¥13.47 bil (up 16.3% yoy; the Company's estimate at the beginning of the term was ¥12.7 bil), operating profit was ¥1.52 bil (up 4.7% yoy; ¥1.43 bil), recurring profit was ¥1.672 bil (up 13.1% yoy; ¥1.48 bil), and net profit was ¥1.124 bil (up 11.6% yoy; ¥0.9 bil), all exceeding the Company's estimates at the beginning of the term.

Sales in IT solutions decreased in reaction to the orders received in the preceding term, but sales in the other six businesses all increased (Chart 3). The mainstay roadside assistance especially made a contribution with new business acquisition as well as with the expansion of the existing business. In property assistance, insurance BPO, and warranty^{†2}, sales increased due to the growth of the existing business in home assistance (service for real estate owners), the full contribution by the new client acquisitions in the overseas-related business, and the strong performance of the rent guarantee program, respectively.

【 Chart 3 】 Overview of Business Performance for the First Half of the March 2016 Term. (Y mil)

	1H 3/2015	1H 3/2016	Change (yoy)		Composition Ratio for 1H 3/2016	Percent Progress for 1H 3/2016
			Amount	%		
Sales (total)	11,583	13,470	1,887	16.3	100.0	49.9
Roadside Assistance	4,039	5,024	985	24.4	37.3	49.5
Property Assistance	1,328	1,565	237	17.9	11.6	49.8
Insurance BPO	1,371	1,645	274	20.0	12.2	49.2
Warranty	1,550	1,682	132	8.5	12.5	48.6
IT Solutions	469	449	-20	-4.4	3.3	47.8
Customer Support	2,382	2,553	171	7.1	19.0	51.6
Temporary Worker/Other	444	549	105	23.8	4.1	54.2
Operating Profit (total)	1,449	1,520	71	4.7	100.0	46.7
Roadside Assistance	543	479	-64	-11.8	31.5	43.2
Property Assistance	100	106	6	5.8	7.0	50.5
Insurance BPO	213	166	-47	-22.0	10.9	37.1
Warranty	23	366	343	1,478.7	24.1	55.0
IT Solutions	42	23	-19	-44.3	1.5	41.1
Customer Support	467	306	-161	-34.4	20.1	46.2
Temporary Worker/Other	61	70	9	15.2	15.2	71.4

(Source) Prepared by The Stock Research Center based on the financial results presentation materials of Prestige International

Operating profit increased thanks to the improved efficiency and review of business. With the addition of Y41 mil from the foreign exchange gain due to the yen depreciation and Y80 mil from the equity-method investment profit, recurring profit and net profit both increased despite the estimate to decrease. Looking at operating profit by business segment, in roadside assistance and customer support, although the sales increased, profit dropped substantially due to the cost of operation transfer to the Toyama BPO Town. Profit in IT solutions also decreased due to the upfront investment in application development (Chart 3). Meanwhile, in warranty, the continued growth of the rent guarantee program and the improved profit of the extended warranty service for automobile and the maintenance program contributed to a large increase in profit, subsequently resulting in a yoy increase in the Company's overall operating profit.

> Performance Overview

◆ The Company's Forecast for the March 2016 Term Unchanged

For the March 2016 term, the Company maintains the forecast from the beginning of the term, estimating sales at Y27 bil (up 9.7% yoy), operating profit at Y3.25 bil (up 10.1% yoy), recurring profit at Y3.4 bil (up 14.0% yoy), and net profit at Y2.1 bil (up 19.4% yoy) (Chart 4).

Looking at the outlook of performance by business segment, in roadside assistance, the Company revised its estimate for sales for the full term upward from Y9.754 bil to Y10.151 bil, as the clients acquired in the preceding term are expected make a contribution for the full term and the existing business is expected to fare well. However, the estimate for operating profit was revised upward only by Y20 mil from Y1.089 bil to Y1.109 bil, due to the expected increase in the cost of transfer to the Toyama BPO Town.

In property assistance, both sales and operating profit were revised downward, reflecting the review of order acquisition accuracy for new projects in parking assistance and the increase in the upfront investment for network construction.

In insurance BPO, both sales and operating profit were also revised downward, considering the current situation and the increase in the cost of transfer to Toyama.

In warranty, sales and operating profit were both revised upward, reflecting the strong performance of the extended warranty service for automobile and the rent guarantee program.

In customer support, sales were revised upward, reflecting the good performance of the credit card and customer contact services, but profit was revised downward due to the increase in the cost of transfer to the Toyama BPO Town and such.

The Company expects that both sales and profit will continue to increase as they were originally forecasted, even with slightly conservative estimates of costs, expecting the factors for profit decrease to be offset as a whole. The Company assumes the exchange rate for the second half of the March 2016 term to be Y119.96/USD (decided at the beginning of the term based on the TTM as of April 1, 2015).

【 Chart 4 】 Business Performance for the March 2016 Term Estimated by Prestige International. (Y mil)

	Sales			Operating Profit		
	Original Estimate	Revised Estimate	Difference	Original Estimate	Revised Estimate	Difference
Total	27,000	27,000	0	3,250	3,250	0
Roadside Assistance	9,754	10,151	397	1,089	1,109	20
Property Assistance	3,424	3,142	-282	266	210	-56
Insurance BPO	3,670	3,344	-326	507	448	-59
Warranty	3,365	3,462	97	367	665	298
IT Solutions	966	940	-26	64	56	-8
Customer Support	4,844	4,948	104	821	663	-158
Temporary Worker/Other	977	1,013	36	136	98	-38

(Note) Revised estimate is the estimate announced by Prestige International with the 2Q financial results.

(Source) Prepared by The Stock Research Center based on the financial results presentation materials of Prestige International

◆ The Center's Forecast for the March 2016 Term

The Center estimates sales at Y27 bil (up 9.7% yoy), operating profit at Y3.3 bil (up 11.8% yoy), recurring profit at Y3.45 bil (up 15.7% yoy), and net profit at Y2.13 bil (up 21.2% yoy), leaving the previous forecast (made in July 2015) unchanged.

We maintain the same assumed foreign exchange rate (Y122/USD) as our previous estimate. We judge that the Company's forecast does not need to be changed, as we confirmed a currently strong business condition in roadside assistance, warranty, and such, which could offset the upfront investment in insurance and property assistance.

The foreign exchange has recently moved more toward yen depreciation than the Company's estimate (Y119.96/USD estimated at the beginning of the term and also used for the second half). In the past, one yen depreciation against USD presumably pushed up operating profit by approximately Y8-10 mil for the full term.

> Medium-Term Performance Outlook

◆ Aiming at Double-Digit Profit Growth Based on the Medium-Term Business Plan

At the same time as the announcement of the business results for the March 2015 term, and in accordance with the completion of the large-scale capital investment and the stabilization of business, the Company announced the medium-term business plan for the three years ending in the March 2018 term (Chart 5).

In the medium-term business plan, the main goals are to 1) attain sustainable and stable growth, 2) create services that only the Company can provide, 3) create and continue employment in the regional cities, and 4) create job opportunities for women. While following an extension of its former plan, the Company strategically plans to expand its business domain by, for instance, offering value-added services (IT development and service packaging), and thus differentiate itself from others through its uniqueness.

The ROA and the ROE are expected to improve, thanks to the stable operation of the Toyama BPO Town and the Yamagata BPO Garden, the renewal of the Akita BPO Campus, and such, with no more investment in new call centers.

【 Chart 5 】 Medium-Term Business Plan

	3/2015	3/2018 Target	Difference between 3/2015 and 3/2018	3/2016 Estimate by Prestige International
Sales	Y24.2 bil	Y35 bil	Y10.8 bil	Y27 bil
Operating Profit Margin	13.0%	13.0%	0.0%	12.0%
ROA	9.3%	10.0%		
ROE	13.0%	15.0%	2.0%	
Dividend Payout Ratio (Consolidated Basis)	17.3%	20.0%	2.7%	17.8%

(Note) Numbers for the March 2015 term are those announced with the medium-term business plan.

ROA is calculated by (net profit for the year) / (average of the total assets for the two most recent terms) x 100.

(Source) Prepared by The Stock Research Center based on the financial results presentation materials of Prestige International

【 Chart 6 】 Overview of the Major BPO Contact Centers

Name of BPO Center	Maximum Capacity (seats)	Opened Date	Ground Area (tsubo)	Invested Amount (¥100 mil)
Akita BPO Campus (Akita, Akita Prefecture)	1,500		14,000	40
West Building	650	October 2003		
East Building	550	April 2007		
Satellite Building	300	April 2012		
Yamagata BPO Garden (Sakata, Yamagata Prefecture)	500	November 2013	12,000	11.8
Toyama BPO Town (Imizu, Toyama Prefecture)	1,000	April 2015	20,000	30

(Note) Maximum capacity does not mean the number of seats in operation on the opened dates. A tsubo is equivalent to 3.3 square meters.

(Source) Prepared by The Stock Research Center based on various materials and interview

◆ The Center's Medium-Term Performance Outlook for the Company

The Center maintains the same medium-term performance outlook as before. Looking at performance outlook by business segment, we revised roadside assistance and warranty upward and insurance and property assistance downward, considering the current situation, new order acquisitions, and the estimated degree of contribution by the acquisitions.

As the operation in the Yamagata BPO Garden has gotten on track and the building in the Toyama BPO Town (1,000 seats) has been completed, the three-center system including the Akita BPO Campus is becoming established. The maximum number of operable call center seats in the BPO centers was 3,100 as of April 2015. Considering the current hiring speed, the number of call center staffs in operation will be approximately 3,000 by the end of March 2016.

We judge that a stable business expansion is achievable as expected by the Company, since the needs of client corporations for BPO continue to be strong and could be met with increased contract operation capacity if the necessary number of staffs could be secured at the Toyama BPO Town. The mainstay roadside assistance, insurance BPO, and currently focused property assistance are expected to fare well, thanks to new client acquisitions, business expansion, and the end of costs arising from the operation transfer and the upfront investment. Business performance of the joint

corporation, Prime Assistance, is also expected to be strong and make a stable contribution to profit. Our forecast for the medium term also takes into account the improvement of labor productivity due to, for instance, the reduction of man-hours for arrangements realized as a result of IT utilization and automation by systemization.

【 Chart 7 】 Medium-Term Outlook

(Y mil)

	3/2015 (actual)	3/2016 E (original)	3/2016 E	3/2017 E (original)	3/2017 E	3/2018 E (original)	3/2018 E
Sales	24,236	27,000	27,000	30,000	30,000	33,500	33,500
Roadside Assistance	8,587	9,790	10,150	10,800	11,500	12,300	12,300
Property Assistance	2,783	3,425	3,140	4,000	3,550	4,700	4,700
Insurance BPO	2,929	3,670	3,340	4,250	3,800	5,000	5,000
Warranty	2,972	3,350	3,470	3,700	3,900	4,000	4,000
IT Solutions	924	960	940	1,050	1,050	1,050	1,050
Customer Support	5,102	4,825	4,950	5,150	5,150	5,300	5,300
Temporary Worker/Other	935	980	1,010	1,050	1,050	1,150	1,150
Operating Profit	3,151	3,300	3,300	3,700	3,700	4,350	4,350
(% of Sales)	13.0%	12.2%	12.2%	12.3%	12.3%	13.0%	13.0%
Roadside Assistance	1,186	1,110	1,120	1,250	1,300	1,450	1,500
Property Assistance	153	270	220	340	300	420	400
Insurance BPO	398	510	460	580	500	700	600
Warranty	231	370	670	380	700	450	820
IT Solutions	75	70	60	100	80	110	110
Customer Support	968	830	670	900	700	1,050	770
Temporary Worker/Other	146	140	100	150	120	170	150
Recurring Profit	3,182	3,450	3,450	3,900	3,900	4,600	4,600
(% of Sales)	13.1%	12.8%	12.8%	13.0%	13.0%	13.7%	13.7%
Net Profit	1,957	2,130	2,130	2,400	2,400	2,800	2,800
(% of Sales)	8.1%	7.9%	7.9%	8.0%	8.0%	8.4%	8.4%

(Note) "E" stands for the estimates made by The Stock Research Center.

(Source) Prepared by The Stock Research Center

In the future, the Toyama BPO Town, which opened in April 2015, will be reinforced in phases and is expected to become a driving force for the Company's business growth. As the expenses from the depreciation of facilities and the upfront investment have leveled off, the Company seems to have entered a phase in which increased sales are likely to generate increased profit. We expect that the likelihood of the upward trend in profit and sales continuing into the March 2018 term and of hitting an all-time high in profit every term has increased.

Although the targets set forth in the Company's medium-term business plan seem to be generally achievable, the numerical target for sales seems somewhat aggressive, considering the current staff

hiring environment. Meanwhile, the 13% target for the operating profit margin and the 20% target for the dividend payout ratio seem slightly unsatisfactory. We continue to hold the expectation that, in the long term, annual sales will double to ¥40-50 bil and operating profit margin will be maintained at over 13%.

In the medium term, the issues will be the securing of appropriate number of staffs and the improvement of labor productivity by IT utilization, operation standardization, and such.

> Points to Consider in Investment

◆ Higher Likelihood of a Trend for Dividend Hike in the Medium Term

In the new medium-term business plan, the Company clarified 20% as the target for the dividend payout ratio on a consolidated basis. In the future, the completion of upfront investment and an increased demand from the shareholders for a return of profit will lead to increased profit and dividend payout ratio, causing a further dividend hike. Even with a ¥12 dividend per share expected for the March 2016 term and a 20% dividend payout ratio assumed for the March 2018 term, we anticipate that a dividend hike of approximately ¥3-5 is possible. The Company has not introduced a special shareholder benefit program to date.

◆ Consideration of the Staff Hiring Situation, Foreign Exchange, and Client Trend

The Company's performance will be affected by the clients' performance and business strategies, given the nature of the outsourcing business. While the physical bottleneck has been solved through the facilities reinforcement, the supply and demand in the local labor markets around the call centers is getting tight, so that the training and hiring of staffs will be crucial points regarding future business expansion. The Company is a small-cap mainly oriented toward domestic demand, but since the overseas business accounts for approximately 20% of the consolidated profit, yen depreciation has a positive effect on its performance.

◆ Concern over the Supply and Demand of Shares

Mr. Yasuyuki Nambu, the founder of the Company, and Nambu Enterprise, Inc., a company that he manages, have sold a part of their shares in the past. The shares owned by Mr. Nambu are 900.6 thousand as of the end of September 2015, having decreased to 2.87% of the total shares. While he may possibly sell his shares again,

the impact on the supply and demand of the shares has become smaller than before.

◆ **As a Stable Growth Stock, Profit Growth Potential and Change in Profit Ratios Should be Noted**

The Company rests on a fee-based business model based on continuity. As a stable growth stock, a nearly double-digit annual profit growth would likely be expected by the shareholders. In the future, the profit growth potential and the improvement of profit ratios, in addition to the dividend hike, will draw attention.

The Stock Research Center started the issuing of reports on the Company on March 15, 2013.

In accordance with the fact that approximately three years have passed since the issuance of the first report and the Center's objective of foundation is to mainly introduce newly listed companies in the markets for start-ups, this will be the last report issued on the Company.