

Consolidated Results

Second Quarter Fiscal Year 2017

October 28th, 2016



Prestige International Inc.
Security Code: 4290

1. Summary of Financial Results
for Second Quarter of FY2017
2. Revised Earnings Forecast for FY2017
3. Looking Toward Second Half (Major Policies)
4. Topics

Summary of Financial Results for FY2017 Q2



Main businesses steadily grew. Profit increased and the budget for 1H was achieved.

Operating Profit Prior investments for Toyama BPO Town settled down so profit increased. However, we still face a challenge regarding the recruitment of talented individuals. We will continue to invest in human resources and systems, aiming for future growth.

Ordinary Profit It largely increased because of the exchange gain, 393 million yen.

(million yen)

	FY2016 Q2 (Actual)	FY2017 Q2 (Actual)	YoY Change (%)	FY2017 1H (Unrevised Forecast)	Progress Ratio (%)	FY2017 (Revised Forecast)	Progress Ratio (%)
Sales	13,470	14,206	+5.5%	14,000	101.5%	30,000	47.4%
Operating Profit (sales ratio)	1,520 (11.3%)	1,776 (12.5%)	+16.9%	1,650 (11.8%)	107.7%	3,750 (12.5%)	47.4%
Ordinary Profit (sales ratio)	1,672 (12.4%)	2,244 (15.8%)	+34.2%	1,660 (11.9%)	135.2%	3,900 (13.0%)	57.6%
Net Profit Attributable to Owners of The Parent (sales ratio)	1,124 (8.3%)	1,542 (10.9%)	+37.1%	1,150 (8.2%)	134.1%	2,700 (9.0%)	57.1%
Exchange rate (JPY)	119.96	101.12	-	112.35		112.35	-

Consolidated Profit and Loss Statement



Ordinary Profit The exchange gains: +41million → +393million

(million yen)

	FY2016 Q2	FY2017 Q2	YoY	
	Amount	Amount	Difference	Change(%)
Sales	13,470	14,206	+ 735	+ 5.5%
Cost of Sales	10,330	10,811	+ 480	+ 4.7%
(sales ratio)	(76.7%)	(76.1%)		
Gross Profit	3,139	3,394	+ 254	+ 8.1%
(sales ratio)	(23.3%)	(23.9%)		
SG&A Expenses	1,619	1,617	- 1	- 0.1%
(sales ratio)	(12.0%)	(11.4%)		
Operating Profit	1,520	1,776	+ 256	+ 16.9%
(sales ratio)	(11.3%)	(12.5%)		
Ordinary Profit	1,672	2,244	+ 572	+ 34.2%
(sales ratio)	(12.4%)	(15.8%)		
Profit Attributable to Owners of The Parent	1,124	1,542	+ 417	+ 37.1%
(sales ratio)	(8.3%)	(10.9%)		

Consolidated Balance Sheets Summary



(million yen)

	FY2016 Q2	FY2017 Q2	Difference	
Current Assets	15,892	16,240	+ 347	Cash and deposits + 369 Acceptances receivable + 273
Fixed Assets	10,046	10,179	+ 132	Others of property, plant and equipment(Net) + 120
Total Assets	25,939	26,419	+ 480	
Current Liabilities	6,417	6,269	- 148	Income taxes payable + 162 Others - 231
Noncurrent Liabilities	1,679	1,574	- 104	Long-term debt - 87
Net Assets	17,842	18,575	+ 733	Accumulated income + 1,290
Liabilities and Net Assets	25,939	26,419	+ 480	

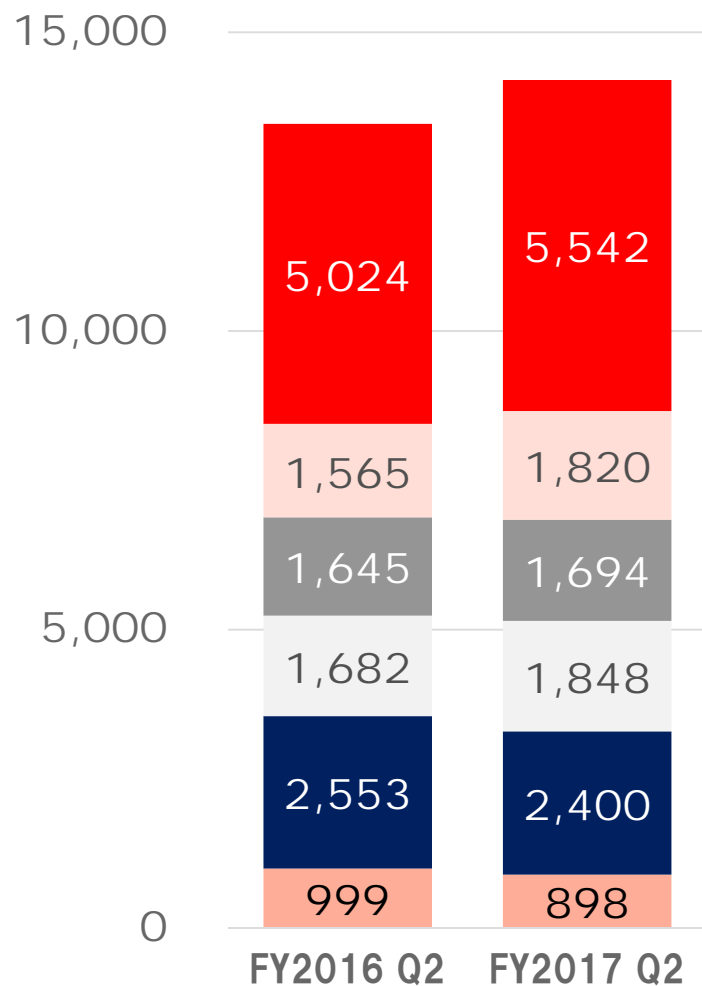
FY2017 Q2 Consolidated Cash Flows Summary

(million yen)

	FY2016 Q2	FY2017 Q2	Change		
Operating Activities	951	1,533	+ 581	Income before income taxes	+ 2,249
Investing Activities	- 922	- 548	+ 373	Purchase of property, plant and equipment and intangible assets	-724
(Free Cash Flow)	+ 29	+ 984	+ 955		-
Financing Activities	87	- 197	- 284	Cash dividends paid	- 251
				Proceeds from exercise of stock option	+ 143
Effect of Exchange Rate Change on Cash and Cash Equivalent	- 25	- 418	- 393		-
Net Increase (Decrease) in Cash and Cash Equivalent	91	369	+ 277		-
Cash and Cash Equivalents	7,244	8,974	+ 1,730		-

FY2017 Q2 Sales (YoY, by Segment)

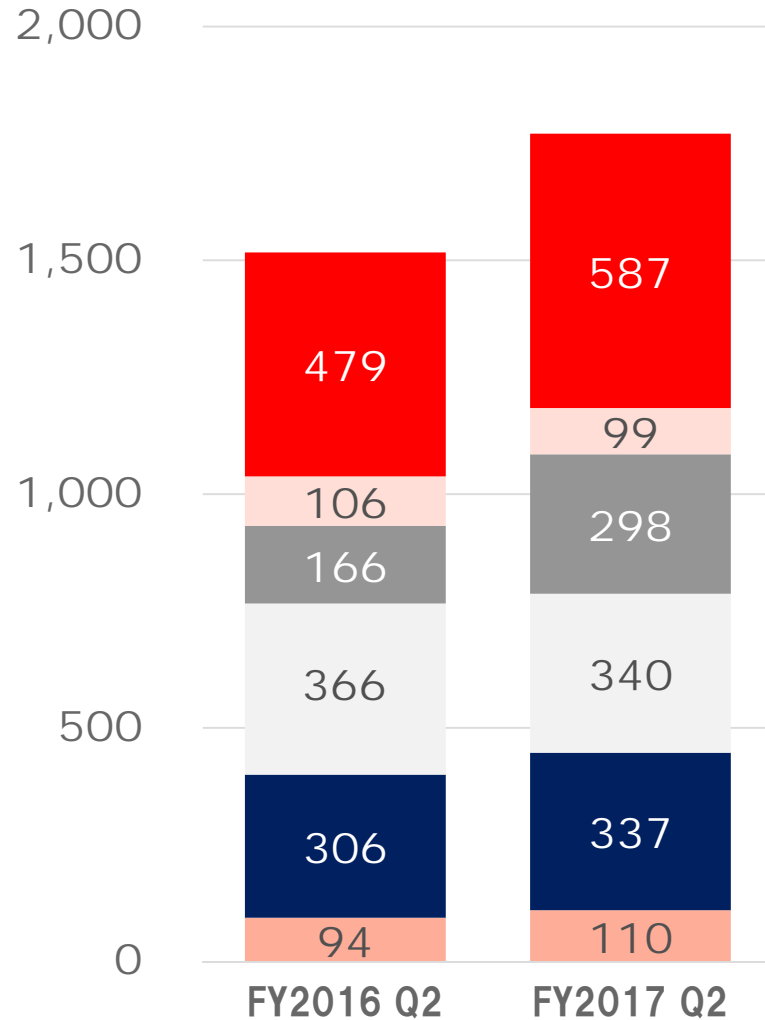
(million yen)



- **Roadside Assistance (YoY +10.3%)**
 Sales steadily increased in the existing business due to an increase in service usage with the growth in the usage rate.
- **Property Assistance (YoY +16.3%)**
 Sales increased due to solid growth of the service for houses (Home Assist) and new clients with retail sales related to the liberalization of energy.
- **Insurance BPO (YoY +3.0%)**
 Sales increased because of solid expansion of overseas businesses. (Claim Handling Services, Healthcare Program)
- **Warranty (YoY +9.9%)**
 Sales increased mainly because of the solid growth in the Rent Guarantee Program.
- **Customer Support (YoY -6.0%)**
 Sales decreased because of a termination of some services in Japan despite a gain from domestic new business and solid growth of credit card services.
- **IT Solution, Temporary Workers/Others (YoY -10.1%)**
 IT Solution Sales increased due to completion of acceptance inspections for newly acquired projects and the growth of IT-related affiliated companies.
 Temporary Worker/ Others Sales decreased mainly due to a change of the worker dispatch contract for an affiliated company accounted for by the equity method.

FY2017 Q2 Operating Profit (YoY, by Segment) PRESTIGE INTERNATIONAL

(million yen)



- **Roadside Assistance (YoY +22.5%)**
 Profit increased because prior investment in Toyama BPO Town settled down, and efficiency and systems were improved.
- **Property Assistance (YoY -6.1%)**
 Profit decreased due to initial costs at new businesses and investments in affiliated companies specialized in field work.
- **Insurance BPO (YoY +79.5%)**
 Profit largely increased due to an improvement in efficiency because backyard operations were concentrated and fixed costs of overseas branches were cut.
- **Warranty (YoY -7.1%)**
 Profit decreased because there was a reactionary response to an income bias in FY2016 due to changes in accounting policies.
- **Customer Support (YoY +10.3%)**
 Profit increased because prior investment in Toyama BPO Town settled down.
- **IT Solution, Temporary Workers/Others (YoY +17.8%)**

IT Solution	Profit increased due to completion of acceptance inspections for newly acquired projects and the growth of IT-related affiliated companies.
Temporary Workers/Others	Profit decreased mainly due to a change of the worker dispatch contract for an affiliated company accounted for by the equity method.

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FY2017 Initial and Revised Forecast (by segment)



Although we recorded a foreign exchange profit of 393 million yen in 2Q, the budget was set at 0 million yen for the whole fiscal year.

(million yen)

	Sales			Comments
	Initial Forecast	Revised Forecast	Difference	
Roadside Assistance	11,318	11,318	-	The forecast was not revised because lease, dealers and others will be playing catch-up in terms of sales, though new businesses will start next fiscal year.
Property Assistance	3,682	3,793	+111	It was revised upward because this segment exceeded the budget.
Insurance BPO	4,472	4,116	-356	It was revised downward due to being behind schedule with getting users of inbound overseas travel insurance.
Warranty	4,068	4,048	-20	It was revised downward due to being behind schedule with acquiring new projects.
IT Solutions	933	1,044	+111	It was revised upward based on the budget excess in the first half.
Customer Support	4,721	4,875	+154	There was hardly any change to the forecast.
Temporary Workers/Others	803	803	-	Prospective sales were transferred to Roadside Assistance because the worker dispatch contract was replaced by an outsourcing contract.
Total	30,000	30,000	-	

FY2017 Initial and Revised Forecast (by segment)



(million yen)

	Operating profit			Comments
	Initial Forecast	Revised Forecast	Difference	
Roadside Assistance	1,258	1,227	-31	It was revised downward considering increases in costs.
Property Assistance	352	317	-35	It was revised downward because this segment expects to restore profit from unprofitable businesses from the next quarter onward.
Insurance BPO	624	624	-	The forecast did not change due to growth in the overseas section, though the start of new businesses was delayed.
Warranty	710	725	+15	It was revised upward because of improving margins for cars and housing equipment.
IT Solutions	52	221	+169	It was revised upward based on a budget excess in the first half.
Customer Support	699	705	+6	There was hardly any change to the forecast.
Temporary Workers/ Others	51	-72	-123	Prospective profits were transferred to Roadside Assistance because the worker dispatch contract was replaced by an outsourcing contract.
Total	3,750	3,750	-	

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NEXT 10

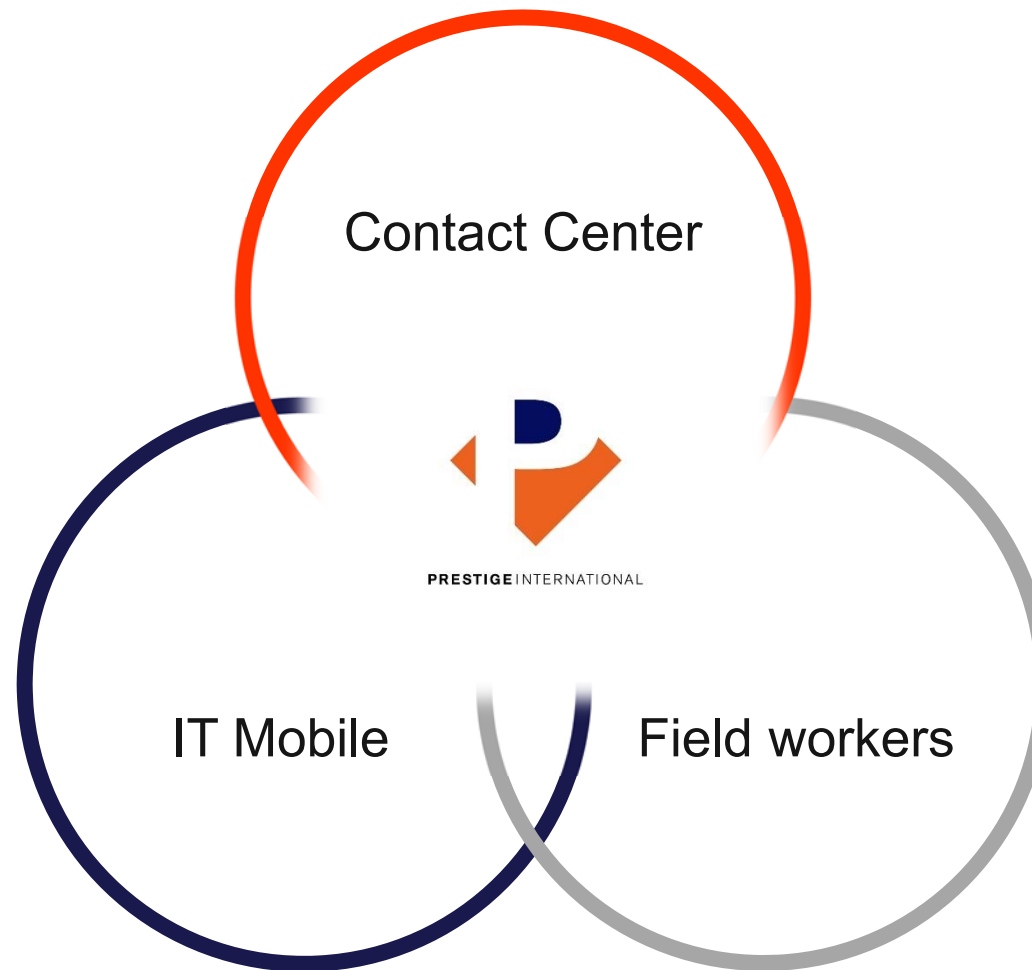
With developments in self-driving vehicles, AI and IoT, NEXT10 is a shared project for each of us to devise and understand how to advance and succeed the DNA (essential qualities) of Prestige International.

Looking back on the past paths we have taken, we will plan for the next 10 years.



Events to mark the 30th anniversary were held in Akita, Yamagata and Toyama.

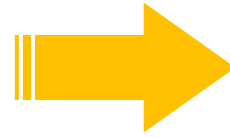
Our strength: Creating business values



Akita

1,700 personnel / 1,700 seats

Akita BPO Campus
Nikaho Branch

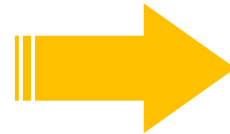


- Enhance BPO function
- First step: add Akita BPO Yokote Campus

Yamagata

400 personnel / 500 seats

Yamagata BPO Garden



- Enhance BPO function as Yamagata BPO Park

Toyama

250 personnel / 1,000 seats

Toyama BPO Town



- Make an attractive work environment
- Enhance form of working, recruit from other regions

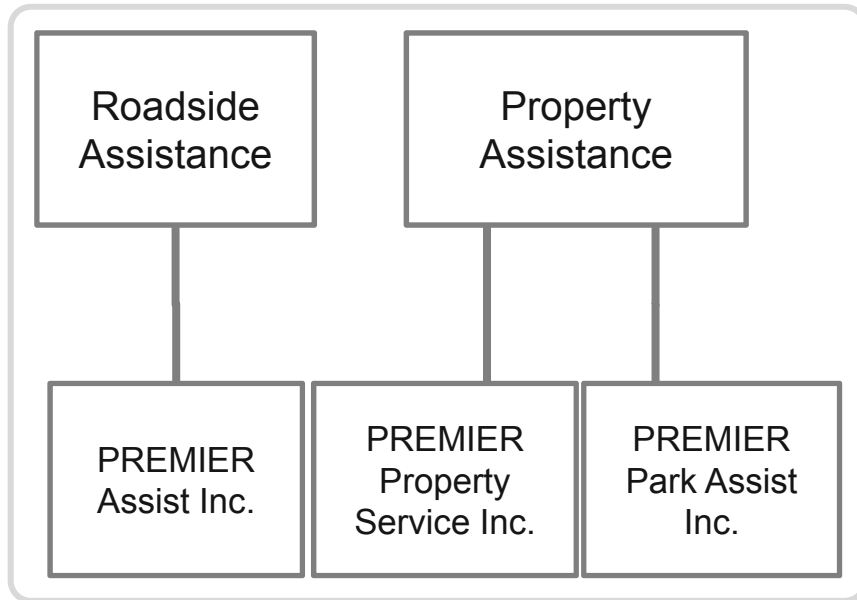
| Establishment of PREMIER Assist Brand-
a service that can only be provided by people

Standardization

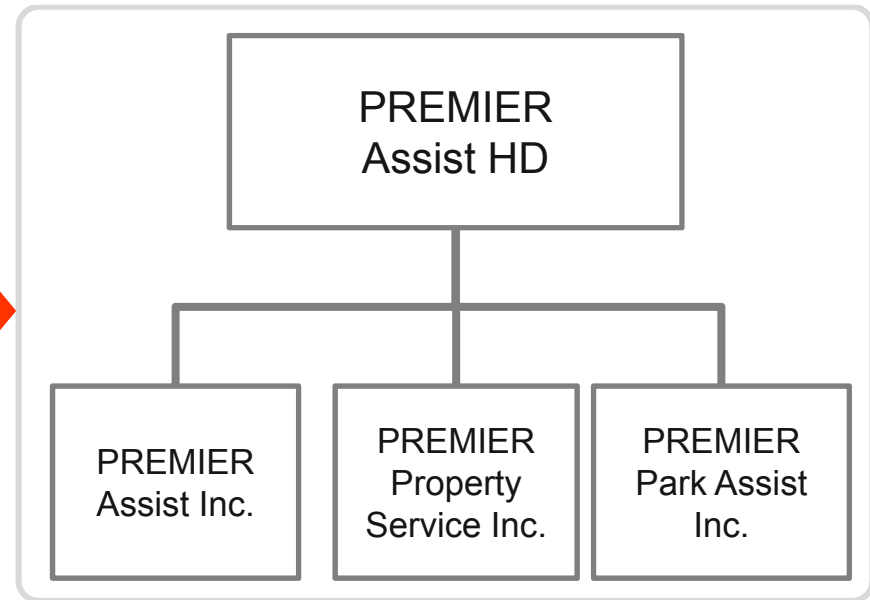
Multi-skilled personnel

Sharing of IT

– 30 Sep.

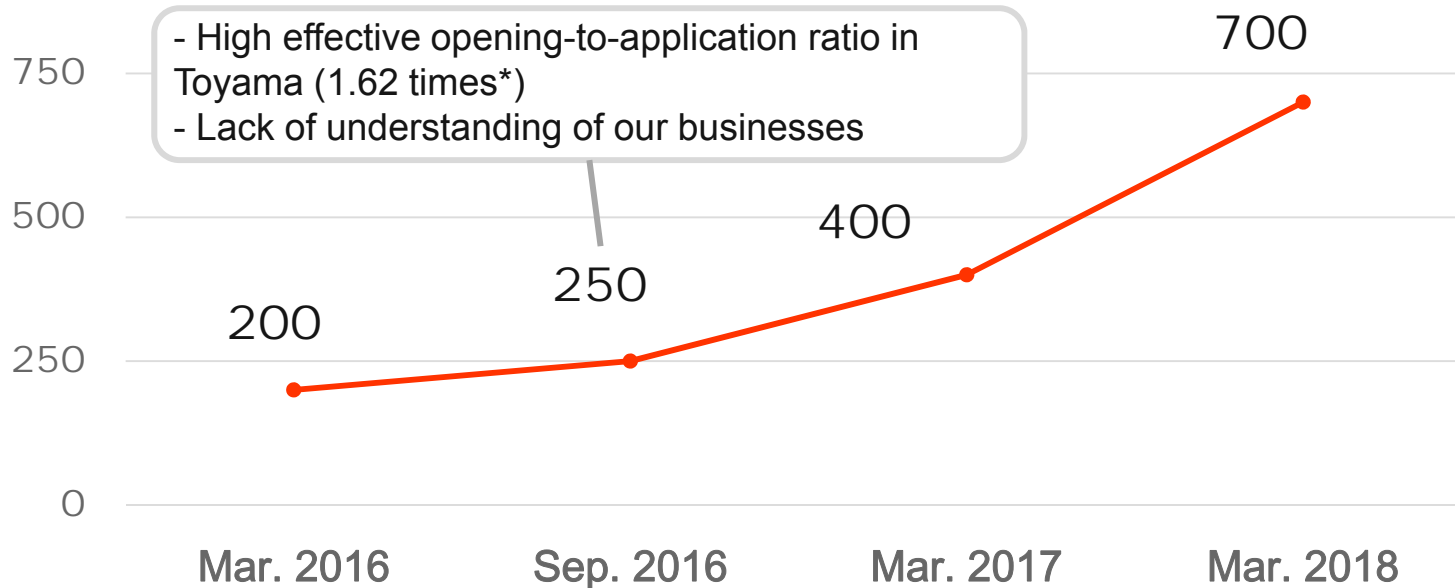


1 Oct. –



The challenge: Vitalizing Toyama BPO Town

■ Making Toyama BPO Town vigorous!



Expansion of recruiting activities

- Constantly hiring 15 people per month

Reinforcement of promotion

- Making the most of **Aranmare** Handball Team

Transfer program from other regions

- Offering chances in a new environment for the young

*Statistics from Jul. 2016 to Sep. 2016 by the Ministry of Health, Labour and Welfare

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■ Entrust Inc. got approval for listing on **Tokyo Stock Exchange Mothers!**

First IPO in Prestige International group

■ The shareholding ratio of PI Group 88.06% ⇒ 70.87% (except OA)

(thousand shares)

Outline of IPO	
Newly issued shares	1,430
OA	339
Offered shares	836
(Of which, PI Group	415)
Scheduled date of listing	7 Dec.

- An independent trust and capital policy is needed to develop into a general guarantee company from a rent guarantee one.
- It is expected to boost the PI Group's growth and value.
- It will be a consolidated company for a while and the parent company will hold over **50%** of its shares.

Dividend Policy

【Dividend Policy】

Passing on profits to our shareholders has been positioned as one of our important management items. Regarding dividends, our basic policy is **to pay dividends continuously and steadily**, while keeping in mind the need to enhance internal reserves for business plans and an expansion of the scale of business as well as taking into account consolidated profit levels for each fiscal year and the status of cash flows.

【Dividend Payout Ratio】

We have set **the consolidated payout ration of 20 % as the numerical target** of the Medium-term Business Plan

	Dividends per share(yen)			Payout ratio(%)	ROE(%)
	Interim	Year end	Annual		
FY2017 (forecast)	7.00	3.50 *1 + 1.00 *2	-	18.7	-
FY2016 (Actual)	6.00	8.00	14.00	16.4	16.1
FY2016 (Actual)	5.00	6.00	11.00	19.3	12.4

*1 One share was split in two at 1st October, 2016.

*2 We plan to distribute dividends for 30 years anniversary.

- 1 Main businesses earned more than the budget during Q2. The budget for the whole fiscal year is not changed because the performance of new businesses are being estimated precisely.
- 2 Regarding recruiting personnel, we will keep tackling the challenge of recruiting 400 people, as set out in the beginning of the year (mainly in Toyama).
- 3 Boost the project “NEXT10”. Regarding the project, we will estimate the investment needed to build a foundation for future businesses.



Efforts to grow steadily for the final year of the medium-term management plan