

Financial Results

for the Third Quarter of FY 2018

January 26th, 2018



Prestige International Inc.
Security Code: **4290**

1. Summary of Financial Results for FY2018 Q3

2. Forecast for FY2018: Progress Update

3. Major Strategies

4. Topics

Maintaining greater than 10% growth rate due to the acquisition of new clients and the steady growth of ongoing business in the main business segments.

- Operating profit Profit increased due to the effect the investment for business growth during the first half.
- Ordinary profit Profit on investments accounted for using the equity method: **Y140 million** (YoY +Y11 million), Foreign exchange gain: **Y70 million** (YoY -Y39 million)
- Net Profit Attributable to Owners of the Parent Public offering was carried out following the listing of the group company Entrust Inc. on the 1st section of the TSE.
Net profit decreased because of profit attributable to non-controlling interests: **Y138 million** (YoY +165 million)

	FY2017 Q3 (actual)	FY2018 Q3 (actual)	YoY Change (%)	FY2018 Full- year (revised forecast)	Progress Rate (%)
Sales	21,880	24,434	+ 11.7 %	33,000	74.0 %
Operating Profit (sales ratio)	2,703 (12.4%)	2,862 (11.7%)	+ 5.9 %	4,300 (13.0%)	66.6 %
Ordinary Profit (sales ratio)	2,976 (13.6%)	3,122 (12.8%)	+ 4.9 %	4,400 (13.3%)	71.0 %
Net Profit Attributable to Owners of the Parent (sales ratio)	2,007 (9.2%)	1,965 (8.0%)	- 2.1 %	2,900 (8.8%)	67.8 %
Exchange Rate (JPY/USD)	116.49	113.00	-	111.27	-

(unit: million yen)

Cost-to-sales ratio increased by **1.6 points** because of costs from preparing operations for new clients and investments for business growth concerning the subsidiaries specialized in on-site work (HR expansion, etc.) and the start-up of Akita BPO's Yokote Campus (provisional).

Although the SG&A ratio decreased due to cost management, operating margin decreased by **0.7 point**.

→ **Aim to quickly recover investments by stabilizing the operation for new clients and realizing benefits from prior investments for business growth**

	FY2017 Q3	FY2018 Q3	YoY	
	Amount	Amount	Change	% Change
Sales	21,880	24,434	+ 2,553	+ 11.7 %
Cost of Sales (sales ratio)	16,671 (76.2%)	19,007 (77.8%)	+ 2,336	+ 14.0 %
Gross Profit (sales ratio)	5,209 (23.8%)	5,426 (22.2%)	+ 217	+ 4.2 %
SG&A Expenses (sales ratio)	2,505 (11.5%)	2,564 (10.5%)	+ 58	+ 2.3 %
Operating Profit (sales ratio)	2,703 (12.4%)	2,862 (11.7%)	+ 158	+ 5.9 %
Ordinary Profit (sales ratio)	2,976 (13.6%)	3,122 (12.8%)	+ 145	+ 4.9 %
Net Profit Attributable to Owners of the Parent (sales ratio)	2,007 (9.2%)	1,965 (8.0%)	- 42	- 2.1 %

(unit: million yen)

Capital ratio: 70.1% (Q3) ← 69.2% (Q2)

Current asset and net asset increased → Net profit increased and 706 million yen was recorded due to the public offering of Entrust Inc.

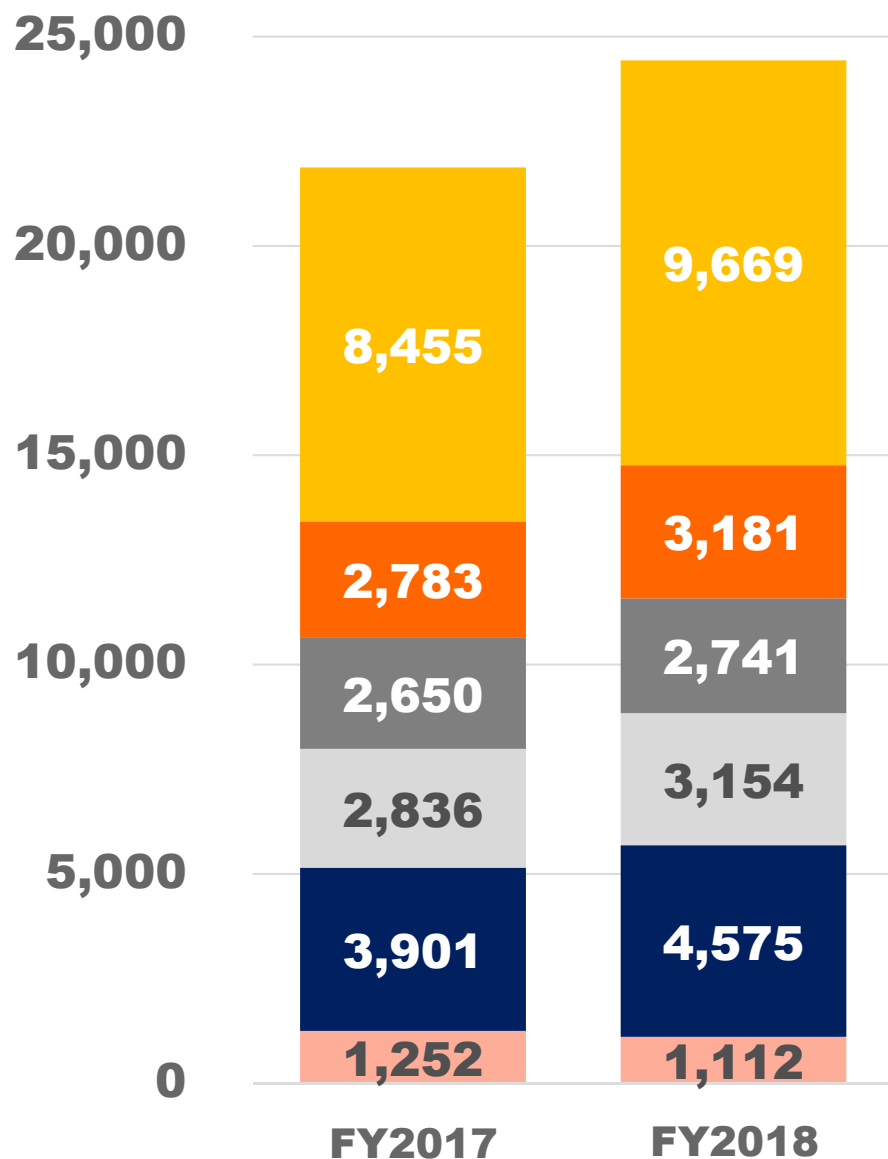
→ For this reason, **cash and deposits** and **capital surplus** increased as well.

(unit: million yen)

	FY2017 Year-end	FY2018 Q3	Change	Main Factors
Current Assets	19,694	22,054	+ 2,360	Cash and deposits + 1,949
Fixed Assets	10,491	11,172	+ 680	Investment securities + 954
Total Assets	30,186	33,226	+ 3,040	
Current Liabilities	6,519	7,272	+ 753	Others + 780
Noncurrent Liabilities	1,580	1,497	− 83	Long-term debt − 175
Net Assets	22,086	24,456	+ 2,369	Accumulated income + 1,287
Liabilities and Net Assets	30,186	33,226	+ 3,040	

Sales by Segment (YoY)

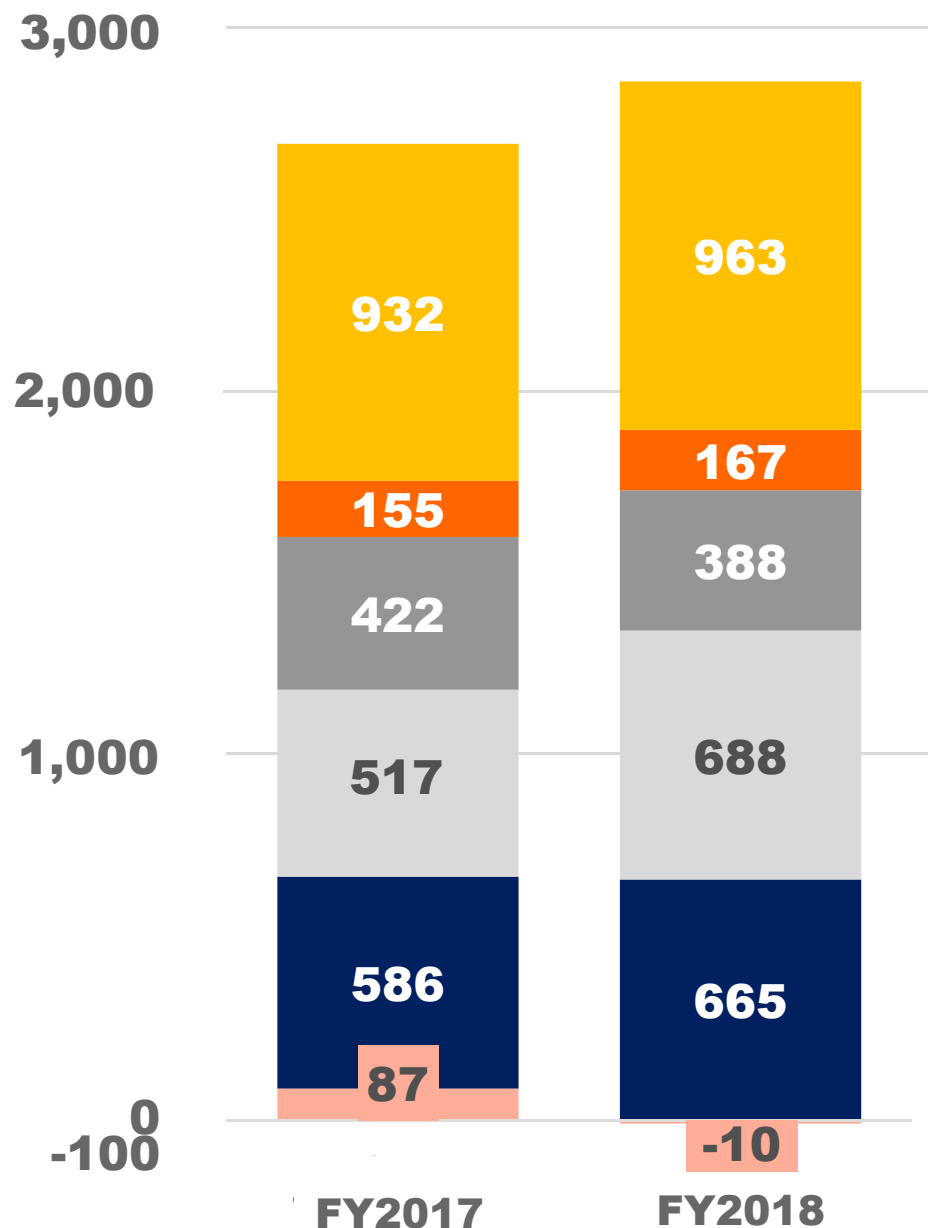
(unit: million yen)



- Roadside Assistance (YoY + 14.4 %)**
 Sales increased because of the steady growth of ongoing businesses with the acquisition of new clients and enhanced market penetration rate of the services.
- Property Assistance (YoY + 14.3 %)**
 Sales increased due to new client acquisition and solid growth of home assistance services (Home Assist).
- Insurance BPO (YoY + 3.4 %)**
 Sales increased owing to steady increase of members in the services for Japanese expatriates (Healthcare Program).
- Warranty (YoY + 11.2 %)**
 Sales increased because of solid growth of rent warranty and automobile extended warranty programs.
- Customer Support (YoY + 17.3 %)**
 Sales increased with acquisitions of new clients and steady expansion of the existing consignment business.
- IT Solutions, Temporary Worker / Other (YoY - 12.6 %)**
 Sales declined in the absence of new business deals as were recorded in FY 2017 Q2.
- Temporary Worker / Other**
 Sales declined due to continued impact from the replacement of a temporary staffing contract with a consignment contract.

Operating Profit by Segment (YoY)

(unit: million yen)



- **Roadside Assistance (YoY + 3.3%)**
 Profit increased due to the effect of the prior investment to enhance subsidiaries specialized in on-site work, etc.
- **Property Assistance (YoY + 8.1%)**
 Profit increased due to the effect of the prior investment to enhance subsidiaries specialized in on-site work, etc.
- **Insurance BPO (YoY - 8.1 %)**
 Profit declined due to the upfront cost associated with system investment, strengthening of organization to streamline operation for the future, etc.
- **Warranty (YoY + 33.1 %)**
 Profit increased mainly because advantage of scale in the rent warranty program contributed to cost saving.
- **Customer Support (YoY + 13.3 %)**
 Profit increased because growth offset a part of cost increase.
- **IT Solutions, Temporary Worker / Other (YoY- 111.5 %)**

IT Solutions Profit declined in the absence of new business deals as were recorded in FY 2017 Q2.

Temporary Worker / Other Profit declined due to continued impact from the replacement of a temporary staffing contract with a consignment contract.

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Forecast for FY2018: Progress Update

- | Sales Progressed in line with the FY2018 full-year forecast
- | Operating profit
 1. Aim to acquire profit-making opportunities during the busy season and recover former investments for business growth in Q4
 2. Staggering recovery of investments in subsidiaries specialized in on-site work during Q3

→ **Aim to build a solid foundation from a long-term perspective while preparing a catch-up plan**

	FY2018 Q3 (actual)	FY2018 Full-year	Difference	Progress Rate(%)
Sales	24,434	33,000	8,565	74.0%
Operating profit (sales ratio)	2,862 (11.7%)	4,300 (13.0%)	1,437	66.6%
Ordinary profit (sales ratio)	3,122 (12.8%)	4,400 (13.3%)	1,277	71.0%
Net Profit Attributable to Owners of the Parent (sales ratio)	1,965 (8.0%)	2,900 (8.8%)	934	67.8%
Exchange Rate (JPY/USD)	113.00	111.27	-	

(unit: million yen)

Forecast for FY2018: Progress Update (by Segment)

(unit: million yen)

	Sales			Operating profit		
	FY2018 Q3	Full-year Forecast (Revised)	Progress Rate(%)	FY2018 Q3	Full-year Forecast (Revised)	Progress Rate(%)
Roadside Assistance	9,669	12,980	74.5 %	963	1,370	70.3 %
Property Assistance	3,181	4,300	74.0 %	167	420	39.8 %
Insurance BPO	2,741	4,070	67.3 %	388	670	57.9 %
Warranty	3,154	4,490	70.2 %	688	1,070	64.3 %
Customer Support	4,575	5,740	79.7 %	665	770	86.4 %
IT Solutions	545	620	87.9 %	51	100	51.0 %
Temporary Worker / Other	566	800	70.8 %	- 62	- 100	-
Amount	24,434	33,000	74.0 %	2,862	4,300	66.6 %

Roadside Assistance

1. Sales progress in line with expectation
2. Solid acquisitions of business opportunities during the busy season
3. Delayed recovery of investment in subsidiaries specialized in on-site work

Insurance BPO

1. Obtaining new clients was behind schedule
2. Delayed recovery of system investment but aiming for streamlining of operation and preparation for the busy season

Property Assistance

1. Sales progress in line with expectation.
2. Delayed recovery of investment in subsidiaries specialized in on-site work

Warranty

1. Solid acquisition of profit-making opportunities during the busy season of the rent warranty program

Customer Support

1. Progress for sales and operating profit in line with expectations.

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Independence of BPO branches

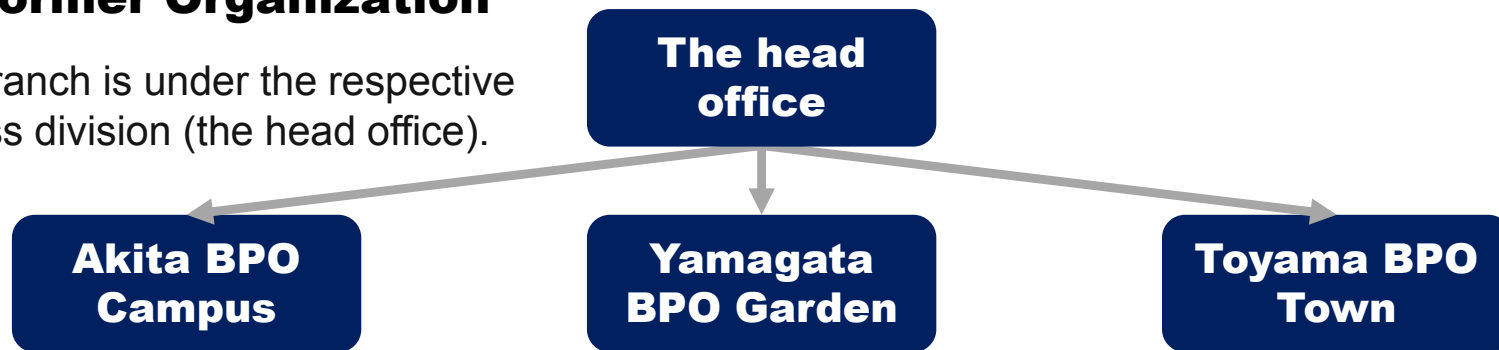
A senior executive officer was assigned to each branch in Akita, Yamagata and Toyama starting in 2018.

→ **A measure to tackle with the HR recruitment issue in each branch**

Strategies matching the characteristics of each region will be carried out by the regional branches themselves, not under top-down orders from the Tokyo head office.

The Former Organization

- Each branch is under the respective business division (the head office).



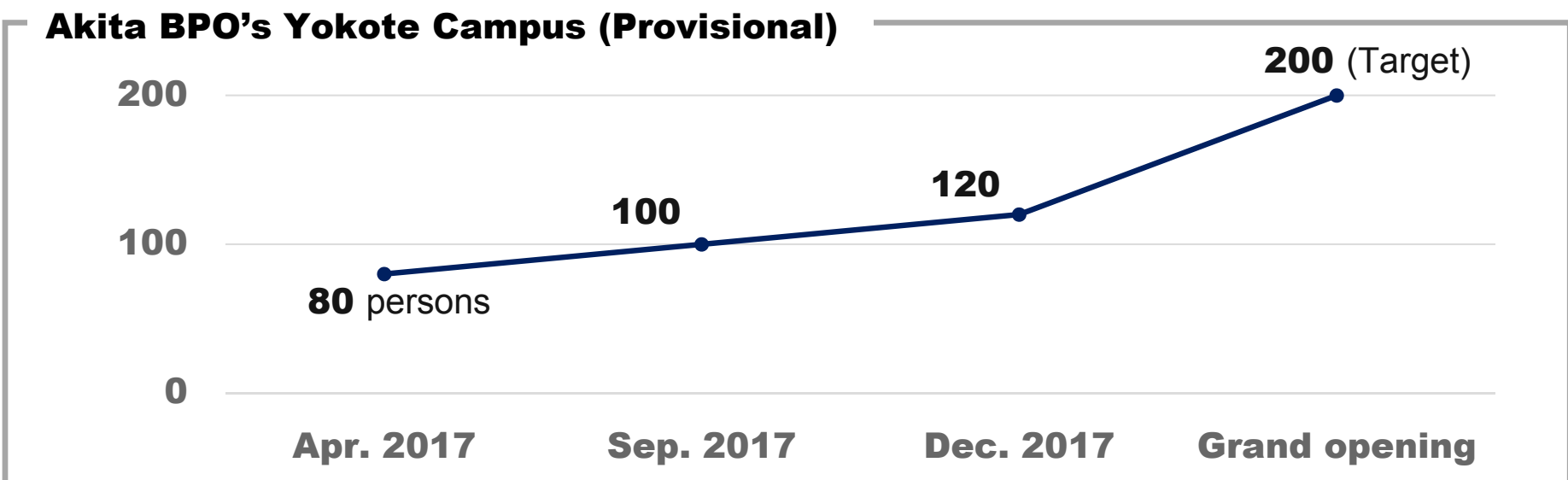
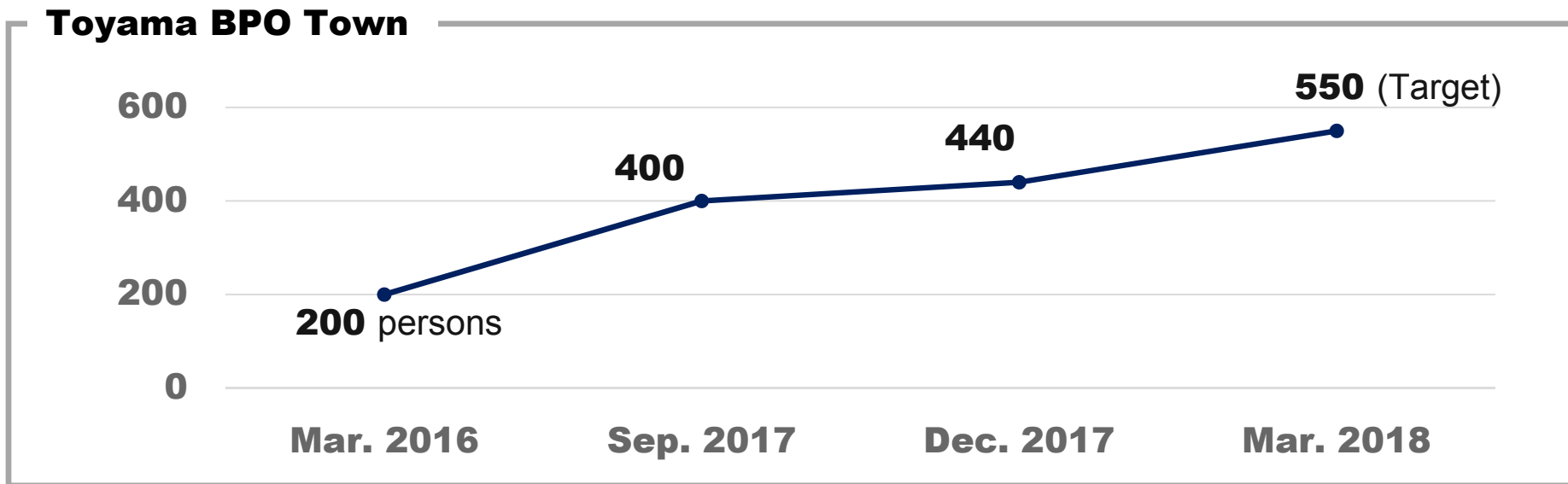
The Organization from Now On

- Each branch becomes independent and authority is transferred from the respective business division.
- Growth strategies (HR, organization, etc.) will be carried out more swiftly than before.



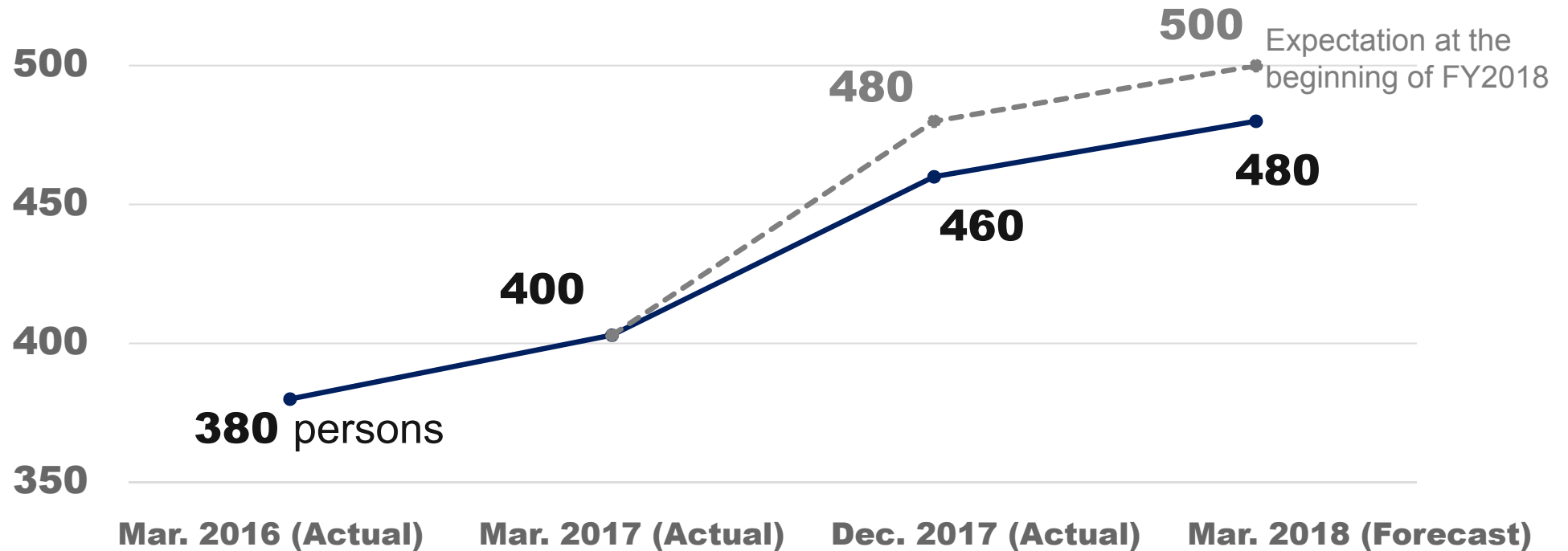
Progress of recruitment in the regional branches

→ Yokote compensated for the delayed recruitment process in Toyama.



Change in the number of on-site team staff

Operation continues to be below expectation in Roadside Assistance and Property Assistance.



Issues

- High employee turnover rate
- Training curriculum (takes too long before a new staff can start actual work)

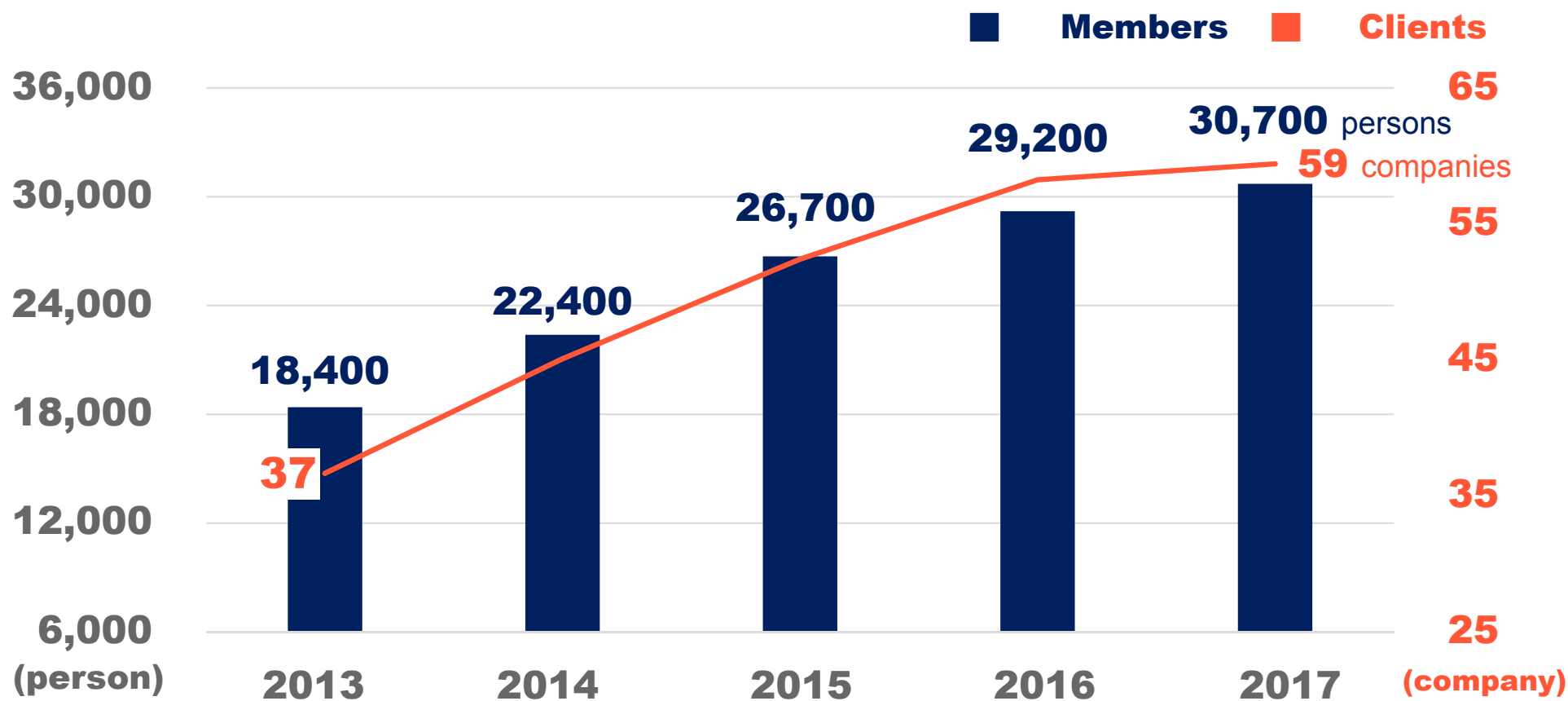
The on-site team is a key function of PI's unique services
→ **will keep enhancing and expanding its function**

Business Strategy: Healthcare Program

Although acquisition of new clients was behind schedule, business growth is steady since services for about five additional companies will begin next fiscal year (beginning in Apr. 2018).

→ **Mexico branch** will open next year to cover more area for the healthcare program.

Number of Clients and Members of the Healthcare Program



*Each year begins on January 1st and ends on December 31st.

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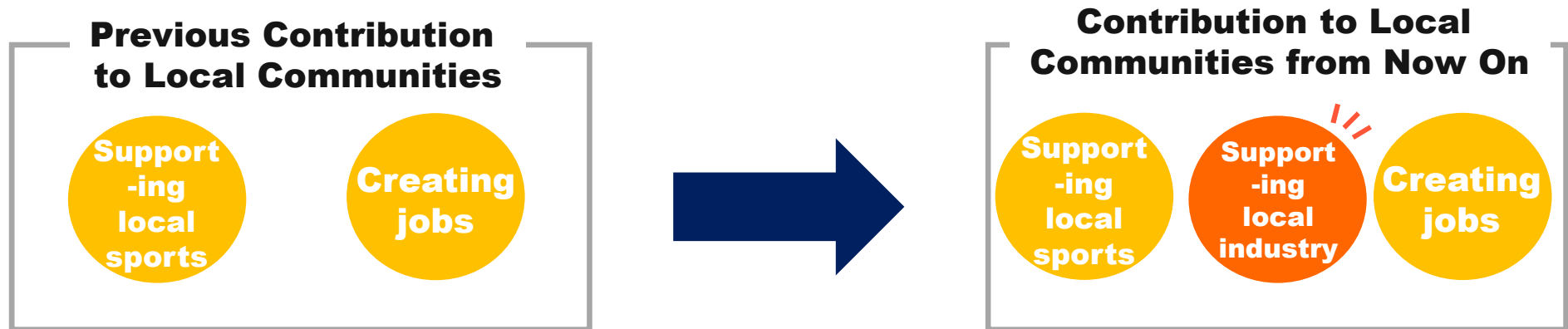
Topic 1

NOUSAKU PRESTIGE Established

A further step to fulfill corporate responsibility to contribute to local communities

NOUSAKU PRESTIGE Inc. was co-founded with NOUSAKU CORPORATION, which makes traditional metal castings in Toyama where Toyama BPO Town is located.

- The first case for PI Re-Turn Fund, a private fund for organizations that support local industries



Division of Roles

能作
NOUSAKU

Developing products, materials and technologies with local manufacturers and craftsperson

The amount of investment (JPY)
3 million in common stock



Marketing support

The amount of investment (JPY)
30 million in classified stock

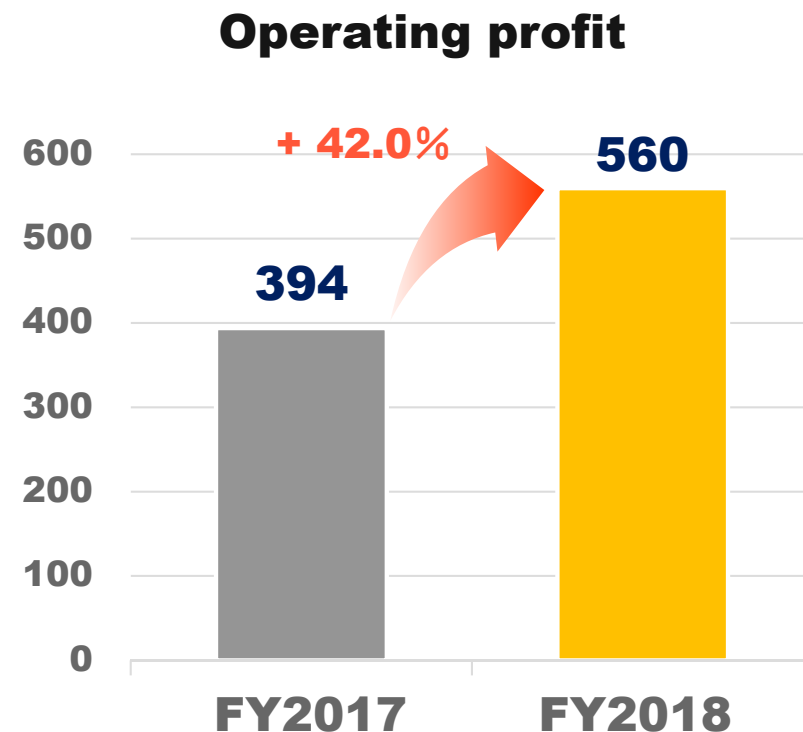
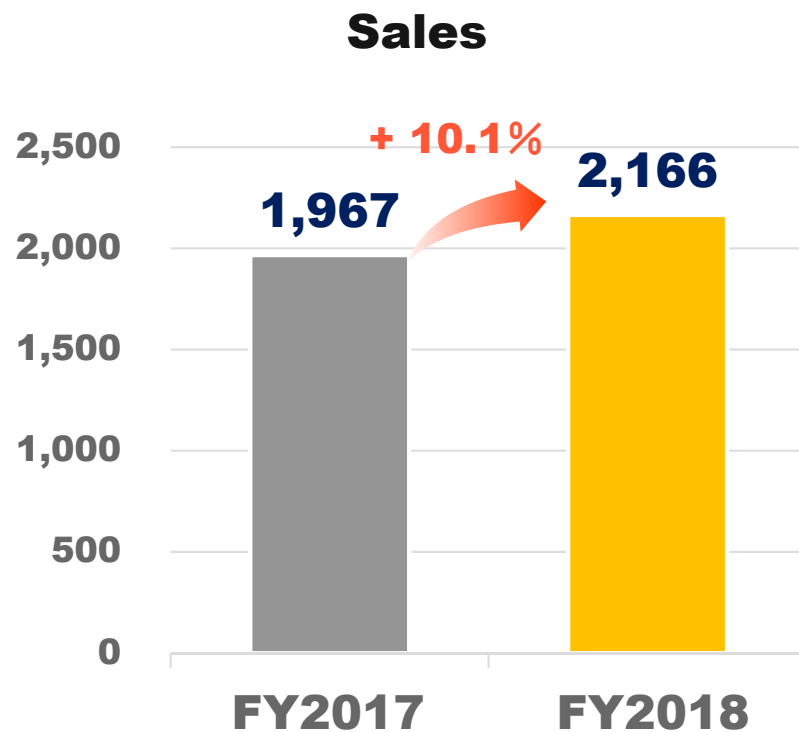
Topic 2 Entrust Inc.

Entrust Inc. was listed on the 1st section of TSE in Dec. 2017

It was listed on Tokyo Stock Exchange's Mothers Market in Dec. 2016, issuing the first IPO for the PI Group.

- The shareholding ratio of the PI Group decreased to **57.53%** (end of Dec. 2017) from **68.44%** (end of Dec. 2016).

Sales and Operating Profit of Entrust Inc. in the Third Quarter



Dividend Plan

[Dividend Policy]

Returning profit to our shareholders is one of our most important management tasks. Regarding dividends, our basic policy is **to make continuous and stable payments** while considering the enhancement of internal reserves for future business plans and expansions, as well as consolidated profit levels and cash flow situations for each accounting period.

[Payout Ratio]

We have set **the consolidated dividend payout ratio of 20% as the numerical target** for FY 2018 in our mid-term business plan and expect to achieve it.

	Dividend Per Stock (yen)			Payout Ratio (%)	ROE(%)
	Mid-Year	Year-End	Total		
FY2018 (forecast)	5.00	5.00	10.00	21.9	-
FY2017 (actual)	3.50	5.50*1	9.00	20.4	14.0
FY2016 (actual)	3.00	4.00	7.00*2	16.4	16.1

*1 Includes Y2 of commemorative dividends for the 30th foundation anniversary and the IPO of a subsidiary

*2 As of October 1, 2016, we performed a two-for-one stock split, with dividends for FY 2016 retrospectively adjusted.

1 Sales made a steady growth due to strong demands.

2 Enhancing subsidiaries specialized in on-site work as a strategic investment

→ Current operation status is below expectation

→ As on-site work is a key factor of the “service unique to PI,” we will keep making efforts to strengthen it.



1. Carry out “selection and focus” for the next mid-term plan

2. Strive for continuous growth with steady preparations

Cautionary Statement

Please note that this presentation material has been prepared to provide information on our Company and is not to be construed as a solicitation of investment. Forward-looking statements in this presentation material are intended as a reference and we do not guarantee that the information will remain accurate in the future. Such forward-looking statements are subject to change without notice due to changes in business conditions including, but not limited to, changes in the economy.

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