

# Financial Results

## For the Second Quarter of FY 2019

November 8, 2018



Prestige International Inc.  
Security Code: 4290

1. Summary of Financial Results for FY 2019 Q2
2. Financial Results Forecast for FY 2019
3. TOPICS
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## Summary of Financial Results for FY 2019 Q2 PRESTIGE INTERNATIONAL

- Budget goals were achieved for sales and each of the profits.
- Although some programs have challenges remaining, their effect was offset by the growth and profitability of the main businesses.  
⇒ We will overcome these challenges and aim for an even greater profit over the medium term.
- Progress is also mostly in line with the full-year forecast.

(unit: million yen, with decimal place omitted)

	FY 2018 Q2 (actual)	FY 2019 Q2 (actual)	YoY Change (%)	FY 2019 H1 (initial forecast)	Progress Rate (H1 forecast, %)	FY 2019 Full- Year (revised forecast)	Progress Rate (full- year forecast, %)
Sales	15,946	17,901	+ 12.3%	17,200	104.0%	36,000	49.7%
Operating Profit (sales ratio)	1,810 ( 11.4%)	2,002 ( 11.2%)	+ 10.6%	2,000 ( 11.6%)	100.1%	4,700 ( 13.1%)	42.5%
Ordinary Profit (sales ratio)	1,972 ( 12.4%)	2,176 ( 12.2%)	+ 10.3%	2,050 ( 11.9%)	106.1%	4,900 ( 13.6%)	44.4%
Net Profit Attributable to Owners of the Parent (sales ratio)	1,249 ( 7.8%)	1,453 ( 8.1%)	+ 16.4%	1,320 ( 7.7%)	110.0%	3,200 ( 8.9%)	45.4%
Exchange Rate (JPY/USD)	112.73	113.57	-	106.30		106.30	-

# Summary of Consolidated P&L Statement

- Achieved a 12.3% increase in sales thanks to the steady growth of the main businesses
- Costs associated with recruiting, adjusting to a new program, and improving efficiency led to a higher cost-to-sales ratio, but we were able to achieve an increase in gross profit.
- SG&A expense to sales ratio decreased and operating profit increased.
- Compared to FY 2018 Q2, non-operating income was about the same and ordinary profit was higher. As a result, Q2 net profit increased.

(unit: million yen, with decimal place omitted)

	FY 2018 Q2	FY 2019 Q2	YoY	
	Amount	Amount	Change	% Change
Sales	15,946	17,901	+ 1,955	+ 12.3%
Cost of Sales (sales ratio)	12,431 ( 78.0%)	14,083 ( 78.7%)	+ 1,651	+ 13.3%
Gross Profit (sales ratio)	3,515 ( 22.0%)	3,818 ( 21.3%)	+ 303	+ 8.6%
SG&A Expense (sales ratio)	1,704 ( 10.7%)	1,815 ( 10.1%)	+ 111	+ 6.5%
Operating Profit (sales ratio)	1,810 ( 11.4%)	2,002 ( 11.2%)	+ 192	+ 10.6%
Ordinary Profit (sales ratio)	1,972 ( 12.4%)	2,176 ( 12.2%)	+ 203	+ 10.3%
Net Profit Attributable to Owners of the Parent (sales ratio)	1,249 ( 7.8%)	1,453 ( 8.1%)	+ 204	+ 16.4%

# Summary of Consolidated Balance Sheet

(unit: million yen, with decimal place omitted)

	FY 2018 Year-End	FY 2019 Q2	Change	Main Reason for Change
Current Assets	22,771	23,076	+ 304	Advances paid + 497
Fixed Assets	11,359	12,436	+ 1,077	Investment securities + 395
<b>Total Assets</b>	<b>34,131</b>	<b>35,513</b>	<b>+ 1,381</b>	
Current Liabilities	7,851	7,859	+ 8	Other + 148
Noncurrent Liabilities	1,201	1,202	+ 1	Asset retirement obligation + 15
Net Assets	25,079	26,451	+ 1,371	Retained earnings + 1,007
<b>Liabilities and Net Assets</b>	<b>34,131</b>	<b>35,513</b>	<b>+ 1,381</b>	

## Summary of Consolidated Cash Flow for FY 2019 Q2

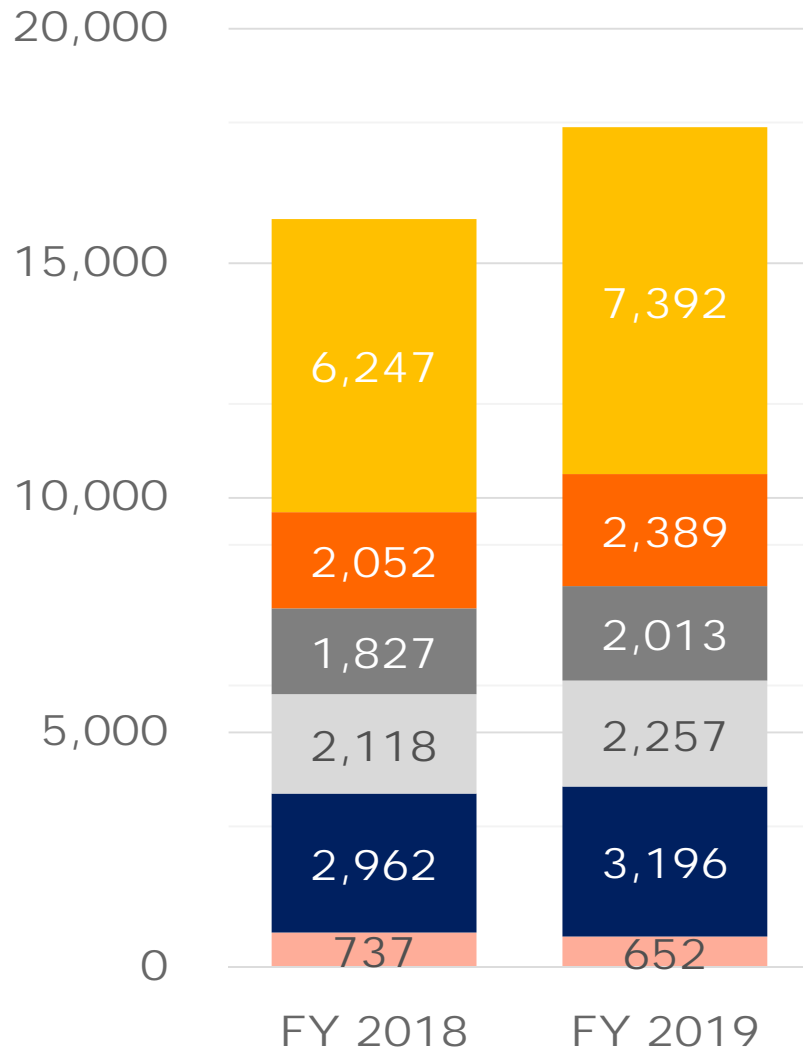


(unit: million yen, with decimal place omitted)

	FY 2018 Q2	FY 2019 Q2	Change	Main Factor
Cash Flow from Operating Activities	1,815	1,244	- 570	Income before income taxes + 2,178
Cash Flow from Investing Activities	- 1,346	- 1,165	+ 181	Expenditures for acquiring tangible/intangible fixed assets - 1,285
(Free Cash Flow)	+ 469	+ 79		
Cash Flow from Financing Activities	- 388	- 556	- 167	Cash dividends paid - 446
Effect of Exchange Rate on Cash and Cash Equivalents	+ 57	+ 554	+ 496	-
Net Increase (Decrease) in Cash and Cash Equivalents	+ 137	+ 76	- 60	-
Cash and Cash Equivalents at End of Quarter	11,879	13,994	+ 2,114	-

# Sales by Segment (YoY Change)

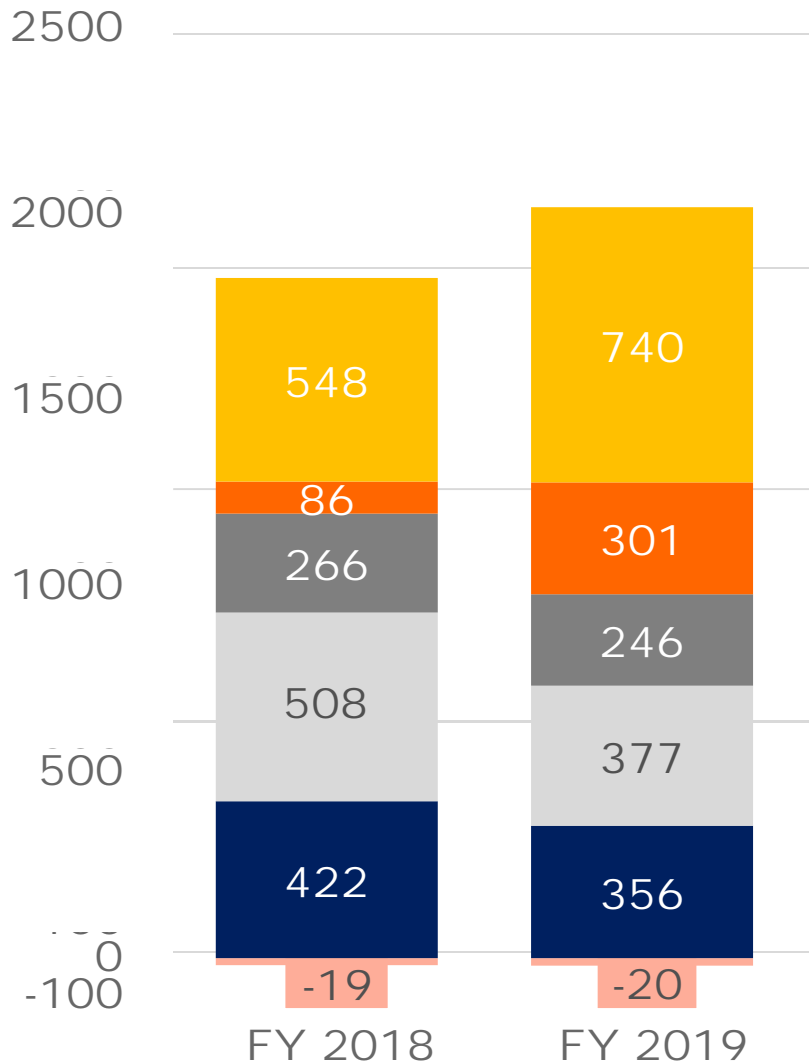
(unit: million yen)



- **Roadside Assistance (YoY + 18.3%)**  
 Increased from steady growth of services for nonlife insurance agencies as well as high demand for services aimed toward manufacturers
- **Property Assistance (YoY + 16.4%)**  
 Increased thanks to steady growth of the current businesses
- **Insurance BPO (YoY + 10.2%)**  
 Greater sales due to steady growth of the services for Japanese expatriates
- **Warranty (YoY + 6.6%)**  
 Increased thanks to growth of the current businesses
- **Customer Support (YoY + 7.9%)**  
 Increased thanks to growth of the current businesses
- **IT Solutions, Temporary Worker / Other (YoY - 11.5%)**  
 IT Solutions      Decreased due to the strategic appropriation of development resources to the Group  
 Temporary Worker / Other      Increased thanks to the new Nursery Operation Program

# Operating Profit by Segment (YoY Change)

(unit: million yen)



- Roadside Assistance (YoY + 35.0%)  
 Increased due to the stabilized operation of the Group's companies specialized in on-site work and the revision of contract terms
- Property Assistance (YoY + 248.5%)  
 Increased thanks to efforts to raise the profitability of the current programs and the stabilized operation of the Group's companies specialized in on-site work
- Insurance BPO (YoY - 7.5%)  
 Decreased due to investment for service quality improvement and reduction of a part of the services offered for overseas travel insurance
- Warranty (YoY - 25.7%)  
 Decreased in response to sales decline of a highly profitable program, preceding investment costs for the development of new services, etc.
- Customer Support (YoY - 15.7%)  
 Dropped due to preceding costs arising from some of the orders that were received last FY
- IT Solutions, Temporary Worker / Other (YoY - 5.3%)
 

IT Solutions	Increased
Temporary Worker / Other	Declined from a delay in making profit from the sports activities



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## FY 2019 Initial vs. Revised Full-Year Forecast (by segment)



- Revised for each segment according to their situations in Q2
- The Group as a whole is expected to make progress in line with the forecast.

(unit: million yen, with decimal place omitted)

	Sales			
	Initial Forecast	Revised Forecast	Diff.	Comments
Roadside Assistance	14,300	14,850	+ 550	Revised to adjust for the steady growth of services for nonlife insurance agencies and higher demand of services for makers
Property Assistance	4,850	4,900	+ 50	Revised to account for the steady build-up in the number of received orders
Insurance BPO	4,000	4,000	0	—
Warranty	5,000	4,600	- 400	Adjusted to mainly reflect the situation with Entrust
IT Solutions	600	550	- 50	—
Customer Support	6,550	6,400	- 150	Adjusted to reflect the reinforcement of efforts to stabilize operation
Temporary Worker / Other	700	700	0	—
<b>Total</b>	<b>36,000</b>	<b>36,000</b>	<b>0</b>	<b>—</b>

# FY 2019 Initial vs. Revised Full-Year Forecast (by segment)



(unit: million yen, with decimal place omitted)

	Operating Profit			
	Initial Forecast	Revised Forecast	Diff.	Comments
Roadside Assistance	1,600	1,800	+ 200	Revised in expectation of acquisition of profit-generating opportunities
Property Assistance	460	660	+ 200	While investments are being made for next FY, revised to reflect the situation in Q2
Insurance BPO	540	500	- 40	Adjusted slightly downward due to the decreased number of contracts for overseas travel insurance
Warranty	1,120	980	- 140	Adjusted to mainly reflect the situation with Entrust
IT Solutions	70	80	+ 10	Revised according to the situation in Q2
Customer Support	980	800	- 140	Revised down in expectation of preceding costs from orders received last FY
Temporary Worker / Other	- 70	- 120	- 50	Revised according to the situation in Q2
<b>Total</b>	<b>4,700</b>	<b>4,700</b>	<b>0</b>	<b>—</b>

# REVISION POINT

## Warranty Business: Entrust

	FY 2019 Q2	Diff. from Forecast	YoY Change
Sales	Y1,506 mill	Δ7.5%	4.3%
O.P.	Y358 mill	Δ15.8%	Δ10.8%
Margin	23.8%	—	—

	FY 2019 Full-Year	Diff. from Initial Forecast	YoY Change
Sales	Y3,150 mill	Δ8.4%	6.7%
O.P.	Y810 mill	Δ12.4%	4.9%
Margin	25.7%	—	—

### Q2 business situation

- The sales goal could not be reached since the number of contracts for the solutions business did not grow as planned and the medical fee guarantee project made a slow start.
- With a lower-than-expected number of received orders, we were able to control the operation cost, but this could not offset the decline in sales.

### Expectation for the full year

- Forecast was revised to reflect the situation in Q2.
- Operation cost was reviewed, but this could not make up for the progress delay in Q2 – the full-year forecast for operating profit was also revised down.

Disseminate the service lineup + Expand the customer base  
⇒ Recover the top-line growth rate

**Reinforcement of group-wide efforts**

## REVISION POINT

### Customer Support Business: Miniature Production Project




- Production of miniatures to be exhibited at *SMALL WORLDS* which will be held at Ariake, Tokyo in 2020

#### Main Purpose of This Business

- Sales support: exhibition of the client's products and ads
- An employment option as a part of the support for children with developmental disorders (Premier Care Inc.)

	Q2 Cumulative		Full Year Cumulative	
	Sales	Profit	Sales	Profit
FY 2018 Actual	Y99 mill	Y27 mill	Y260 mill	Y41 mill
FY 2019 Q2 Actual / Full-Year Forecast	Y113 mill	ΔY78 mill	Y342 mill	ΔY126 mill
Difference	+ 14	Δ105	+ 82	Δ167

- Since cash will be received in a lump sum according to the nature of the business, period-to-period comparisons will be affected.  
 Planning to level out sales starting this FY by proportionally distributing the finalized sum throughout a period and recognizing the divided amount as sales
- Additional projects and invoices will be recognized as sales when their payments become fixed.

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# TOPIC: Mexico Branch Established PRESTIGE INTERNATIONAL

As the 18<sup>th</sup> branch in the 15<sup>th</sup> country, the overseas subsidiary PRESTIGE INTERNACIONAL MÉXICO LTDA was established.

## Background of the establishment

Rapidly increasing number of Japanese companies entering Mexico – a total of **more than 1,100 companies**



⇒ We have heard many concerns from Japanese expatriates and their accompanying family members about being in a non-English country with a medical system different from that of Japan.

In order for our customers to be able to more comfortably receive medical services, we will aim to ensure a stable provision of our services by continuing to build the network of partnered medical institutions, expand the service region, and develop our capability to consistently provide high-quality service.

## TOPIC:

# Orangery 2 in Akita and Toyama Began Operation



- | Orangery 2 began operation in Akita BPO Main Campus on August 1 and in Toyama BPO Town on October 1.
- | Reason for constructing the new additional facilities  
Since the maximum capacity was reached every year and there were no enrollment slots for new children, new additional facilities were created to support female workers as much as possible.



▲ Akita Orangery 2



▲ Toyama Orangery 2

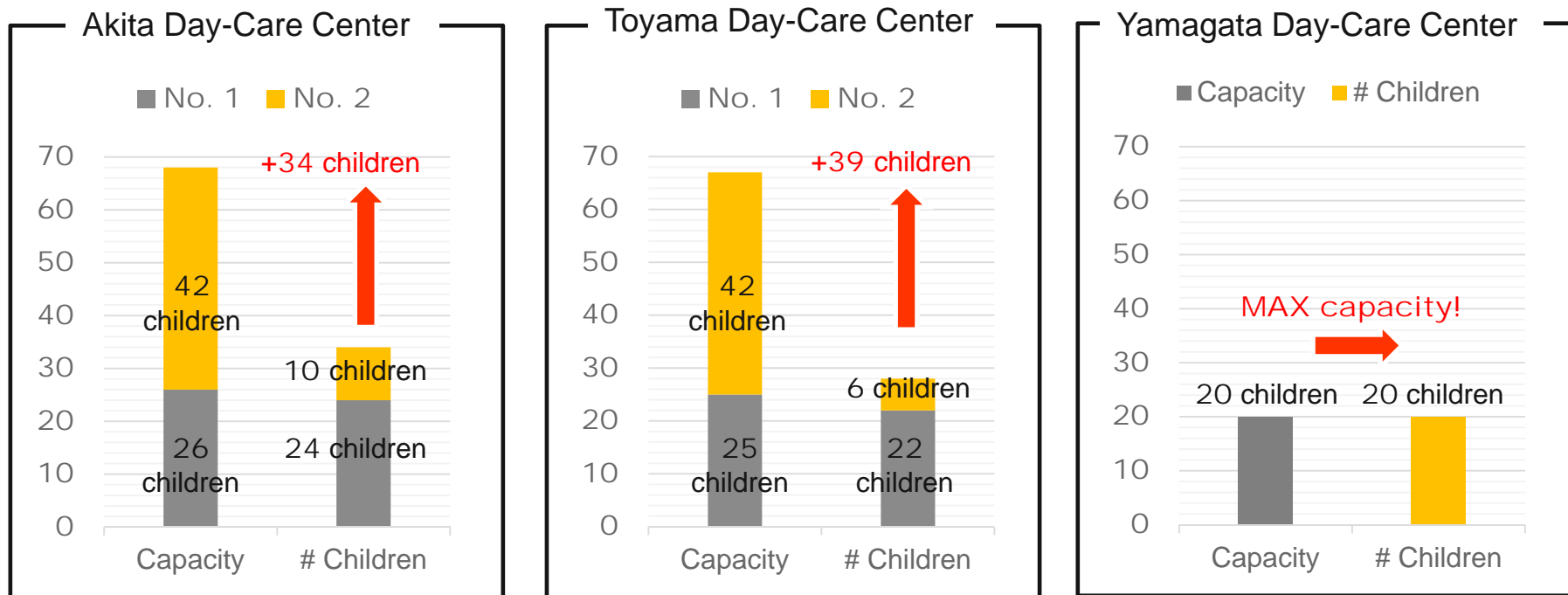
We will actively engage in contributing to the local community by emphasizing the creation of an environment friendly to female workers and welcoming many people of the local community to make use of these facilities as well.



# TOPIC: Day-Care Business Started

**June 2018** The Day-Care Business became stipulated in the articles of incorporation as decided at the annual shareholders meeting

**➔ Open up the welfare program to the local community and turn it into a business**



## Future Plans for the Day-Care Business

- A day-care center is planned to be placed in Akita BPO's Yokote Campus which will open in April 2019.
- A 2<sup>nd</sup> day-care center is planned to be constructed along with the expansion of the Yamagata Branch (42 children max.)

TOPIC:  
Operation Started at Yamagata BPO  
Garden's Tsuruoka Branch



▲ Lounge



▲ Office



▲ Exterior View

- Opened:Oct. 2018
- # of staff (at opening):30
- # of seats: 150
- Business: roadside assistance, home assistance

We aspire to contribute to the local society as a local company supporting various work styles such as those of employees who have come back to their hometown or who must also raise children or take care of the elderly!

# Dividend Plan

[No change from the forecast released in May]

[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]

While taking into account the above dividend policy, we will implement dividend strategies toward the achievement of a total return ratio of 30% in FY 2021 as set forth in the new mid-term business plan beginning in FY 2019.

	Dividend Per Stock (yen)			Payout Ratio (%)	ROE(%)
	Mid-Year	Year-End	Total		
FY2019(forecast)	6.00	6.00	12.00	23.9	-
FY2018(actual)	5.00	7.00※1	12.00	26.0	13.1
FY2017(actual)	3.50	5.50※2	9.00	20.4	14.0

\*1 Includes Y2 of commemorative dividend for the listing of a subsidiary on the 1st section of TSE

\*2 Includes Y2 of commemorative dividends for the 30th foundation anniversary and the IPO of a subsidiary

# Summary for the 2<sup>nd</sup> Quarter of FY 2019

## 1 Budget goals achieved thanks to the steady growth of the main businesses

Roadside assistance and property assistance were the growth drivers for the Group.

Stable operation of the on-site support team also made a significant contribution to revenue.

## 2 Projects with challenges

Warranty: forecast on Entrust's growth was revised down.

Customer Support: greater preceding costs for some of the projects

## 3 Investment projects in progress as planned

Aomori and Tsuruoka are in operation according to plan.

Yokote BPO is being constructed for completion in next year's April.



**Will accomplish stable and continuous growth by making the steady-growth businesses even stronger and resolving the challenges at an early stage**

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# Operation Status of BPO Facilities

【as of Sept. 2018】

Facility Name	Number of Seats	Capacity Rate* <sup>1</sup>	Turnover Rate* <sup>2</sup>	Comments
Akita	1,500	100.5%	4.4%	Full capacity maintained
Nikaho	190	88.9%	3.6%	HR expansion⇒3rd center⇒general center planned
Yokote	150	88.7%	2.0%	Will start operation in April 2019 (500 seats) ⇒Reinforce hiring for a 200 staff operation
Yamagata	500	94.4%	7.4%	Started Tsuruoka's operation in Oct. (30 staff / 150 seats) Preparing for the 2 <sup>nd</sup> facility (+ 500 seats)
Toyama	1,000	48.0%	7.9%	Hired 65 new full-time staff, reducing the percentage of temporary workers ⇒To help stabilize operation
Yokohama	210	92.4%	10.5%	PI + Entrust
Aomori	80	18.8%	0.0%	Started operation in Sept. ⇒HR expansion to prepare for the transfer of operation from Akita
<b>Total</b>	<b>3,630</b>	<b>81.8%</b>	<b>5.7%</b>	Strategic facility development is planned for Nikaho, Yokote, and Yamagata. Challenges remain with the expansion of Toyama. Reduction of turnover rate is also an important issue.

\*1 Employees (including temporary workers) / number of seats

\*2 Employees separated during a period / (directly hired employees at beginning of FY [full-time + contract + part-time staff] + new employees joined during a period)

Period: 4/1/2018 – 9/30/2018

# Situation of On-Site (Field) Support Activities



	FY 2018 Q2	FY 2019 Q2	% Change
# of Dispatches (thou.)	227	311	+ 13.7%
PA's % Share	13.7%	13.2%	—

## ■ Premier Road

Number of dispatches increased along with business expansion.  
 ⇒PA's share slightly decreased.  
 A franchise system is being developed.  
 +42.3% partner companies' share

		FY 2018 Q2	FY 2019 Q2	% Change
# of Dispatches (thou.)		55	60	+ 8.8%
PA's % Share		34.0%	36.6%	—
Of which are condos	# Dispatches (thou.)	31	35	+ 15.4%
	PA's % Share	55.8%	57.5%	—

## ■ Premier Home

Business expanded mainly for condos.  
 ⇒Enhancing operation function in preparation for new services

	FY 2018 Q2	FY 2019 Q2	% Change
# Dispatches (thou.)	126	168	+ 33.1%
PA's % Share	94.4%	90.3%	—

## ■ Premier Park

Number of dispatches largely increased thanks to the expansion of service lineup and service regions.

# Progress of the Main Projects

	FY 2018 Full-Year: Projects with sales greater than or equal to Y100 mill	FY 2019 Q2: Projects with sales greater than or equal to Y50 mill	Difference
Number of Projects	66	71	+ 5
Share of All Projects	19.7%	22.8%	+ 3.1P
Share of Sales (simple sum)	71.4%	69.5%	Δ1.9P

■ The current projects made a steady growth, and projects with sales greater than Y50 million increased in Q2.

⇒ Mainly in roadside assistance and property assistance

■ While the total number of projects have stayed about the same, their shares have increased.

⇒ Business retention, a goal of the mid-term business plan, is steadily becoming accomplished.

■ Share of sales decreased.

⇒ Selection and focus are still an issue. We will use management resources on projects with growth potential.



# Market-Based Segments 【draft concept】

- A theme of the mid-term business plan: retention-accomplisher  
⇒ Provide various services to customers and markets, thus raising service value
- Considering changing from the current disclosure of information by service type to disclosure by market

Segment Name
Roadside Assistance
Property Assistance
Insurance BPO
Warranty
IT
Customer Support
Temporary Worker / Other



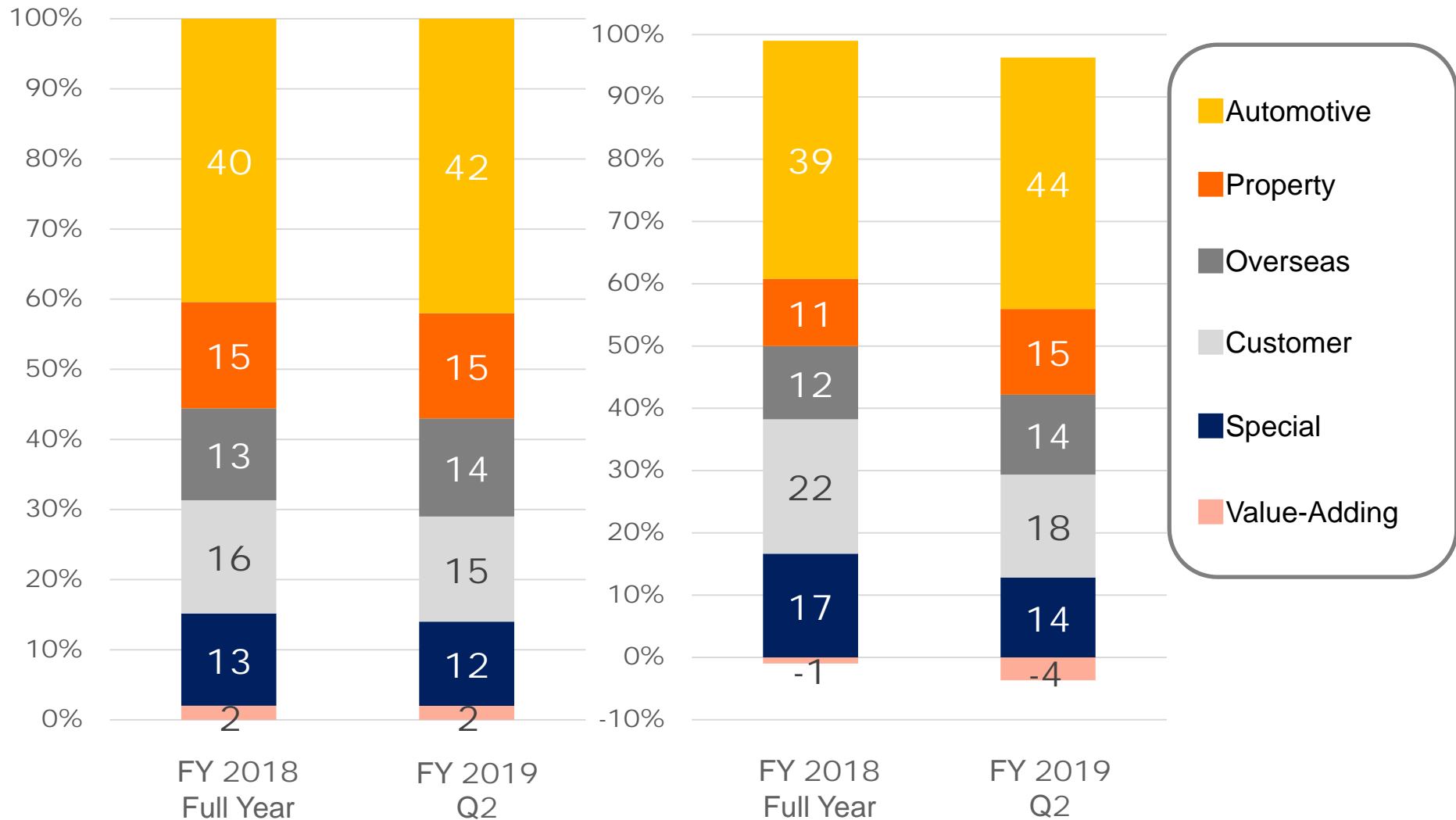
Segment Name	Business Description
Automotive	Automobile-related services: roadside assistance + automobile extended warranty + contact center
Property	Property-related services: property assistance + household equipment extended warranty + contact center
Overseas	Healthcare + overseas travel insurance assistance
Customer	Contact center + cards + product warranty
Special (original)	Specialized services: comprehensive guarantee business (Entrust) + visiting nursing care, etc. + IT
Value-Adding (ancillary)	Ancillary services: temporary worker + sports + day-care operation + regional revitalization

Considering using these as new segments in the future!

# Breakdown by Market-Based Segments (based on a simple sum)

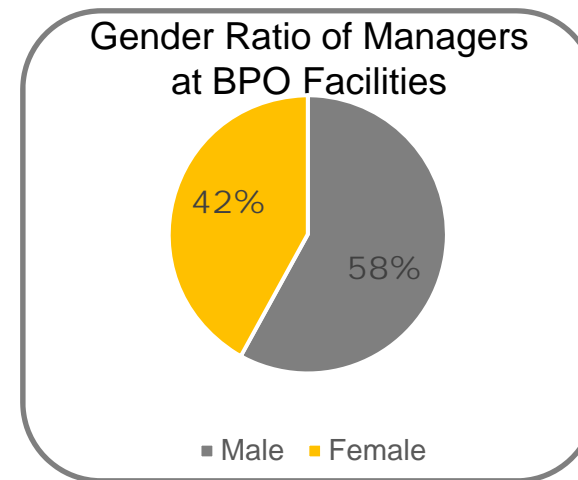
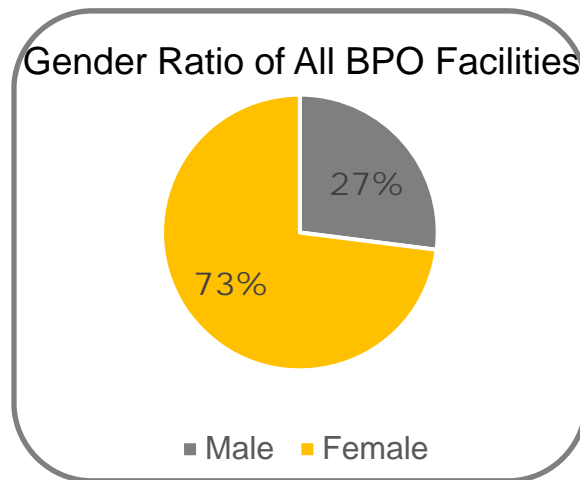
## Sales Breakdown

## Operating Profit Breakdown



# Women's Active Participation Project

- | A major goal of the mid-term business plan: “Creation of Employment Opportunities for Women”
- | June 2018 Ms. Mayumi Suzuki appointed as Director in Charge of Women's Active Participation  
⇒ Her role is to directly make proposals at the board meetings based on her experience of having stepped up in career at Akita BPO Campus as a mother.
- | Sept. 2018 Proposal made at the Q2 general review meeting




⇒ Will work on creating an environment where women too can actively participate in managerial roles, along with work-style reforms

- | Create a workshop of members from each facility  
⇒ Planning to collect opinions through interviews, etc., and make proposals

## ■ Prestige International presents TGC TOYAMA 2018 by TOKYO GIRLS COLLECTION was held on 7/21

- Participation of child models on the runway stage  
Provided a stage for 11 child models, chosen from 800 children who competed in the audition held at Toyama BPO Town, to walk on the runway with models!
- TGC TOYAMA 2018 Gourmet Festival and a fireworks festival were held simultaneously.  
Great turnout – approx. **40,000** people came



 Through this event, we succeeded in communicating the charms of Toyama Prefecture to the youth and women.

### Purpose

1. Promote the active participation of women in the local society
2. Contribute to regional revitalization as a local company
3. Raise our popularity as a local company

## 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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