

Questions and Answers

Date: February 3, 2023 (Fri) 13:00-14:00 (Japan time)

Place: PROTO CORPORATION HEAD OFFICE, Nagoya, Japan (WEB distribution)

Speaker: Mr. Kenji Kamiya, President

Mr. Takehito Suzuki, Executive Officer

Ms. Aoba Mori, Accounting and Finance Department

※The following is the content of the questions and answers at the financial results briefing. Some parts have been added and corrected for making them more understandable.

• **On the increase in the monthly unit price of the platform business
(Financial Results Briefing, page 13,14,15)**

Q. Monthly unit prices have been improving in each area of the platform business (used cars, maintenance, and new cars), but are there any products that you are seeing a particularly strong response to?

A. The Company feels that all new products have been well received. Of course, it is the used car field that has the greatest impact on business performance, and we are receiving strong inquiries about products such as the AI recommendation space that we explained during the financial results briefing. However, we venture to say that we have the impression that the services in the maintenance area are the ones that have received the strongest response from customers.

• **On whether the upturn in the ticket sales business is sustainable**

Q. Ticket sales performance has diverged from the plan in an upward trend, but what are your thoughts on its sustainability and future?

A. For COSMIC RYUTSUU SANGYO CO., LTD. and COSMIC GIFT CARD SYSTEM CO., LTD. which are involved in ticket sales, entry into the Group was in April 2022, during the new coronavirus epidemic period. Considering that the current performance is the result of the transition from that period to the next phase, we believe that the recovery of inbound sales will be a major factor to look forward to in the future. However, we believe that the future outlook will be affected by various economic fluctuations and other factors. There is also the question of how much spending power will be available this year, especially since the world has recently seen repeated price hikes in many products and services. Based on this, and limited to what we can currently see, while there are positive and negative factors, we do not see any major negative factors.

• **Impact of Fluctuations in Used Car Auction Prices on the Number of Listings and Listing Prices on Goo-net**

Q. We would like to know the status of the number of units listed and the listing price on Goo-Net.

A. The number of units listed on Goo-Net was approximately 572,000 as of December 2022, 533,000 as of December 2021, the same period last year, and 515,000 in April 2022, the beginning of this fiscal year, showing a steady increase over the previous year, although there are monthly fluctuations. As for the retail prices listed on Goo-Net, they tend to be slightly higher, depending on the model of the car, basically due to soaring purchase prices.

• **Recruitment of Engineers**

Q. Big Tech layoffs are a hot topic in the U.S. and elsewhere. Under such circumstances, your company's core platform business is performing well, and we hope that you will expand the employment of engineers to lead the company to its next stage of growth. Have there been any recent changes in trends in recruitment?

A. Regarding the hiring of engineers, we see this as an opportunity, including what you mentioned in your question. We believe that for engineers, in addition to the compensation package, the perpasses of what kind of business they can be involved in and how they can contribute to society will be important points for them. In this context, we perceive that we have become a company that can attract interest in the recruitment market, including job changes, for the fact that we provide services that utilize vast amounts of data and AI in the mobility industry. We will continue to actively recruit and create a virtuous cycle of securing excellent human resources and providing output in the form of products and services to society, so please keep your eyes on us.

• **Impact on the Company as a result of soaring used car prices and the elimination of the delay in the supply of new cars**

Q. Soaring used car prices and stagnant new car supply are returning to the situation before the new coronavirus pandemic. How will these changes in the situation affect the used car and new car fields?

A. Although it is unlikely to be a particularly strong tailwind for our business, we see it as a positive factor in the business environment. In the used car domain, the price of used cars has been soaring so far, which has led to a situation for consumers in which "new cars have long delivery times due to the shortage of semiconductors. However, they want to get a car right away, so they buy used cars that are delivered quickly, although they are more expensive," but this situation is improving. In other words, the overall market price of used cars will come down to an affordable level for consumers. In this respect, it is not a negative for our business environment, and of course it is not a negative for our customers, used car dealers. In the new car field, we do not see this as a negative for the Company, since we believe that if the stagnant supply of new cars improves and the environment returns to one in which we can expand sales of our products and services to new car dealers, demand for marketing-related services, which has been struggling in the current fiscal year, will recover.

• **About Tire and Wheel Sales**

Q. What is the future outlook for tire and wheel sales?

A. Aside from the exchange rate problem, prices of goods are generally rising due to the high cost of raw materials. In this context, price increases were also implemented throughout the industry for tires and wheels. The Company's group companies, AUTOWAY Co., Ltd., which sells imported tires and wheels, and TIRE WORLD KAN BEST CO., LTD., which sells domestic tires and wheels, also took the same measures and sold them at reasonable prices. As a result, as we reported in the financial results meeting, we were able to turn the results into a positive one without a significant downturn. In terms of the market environment, there are no particular negative factors, as tires and wheels are consumable products and demand for them occurs regularly. If we had to point out one particular market environment, the recent increase in snowfall due to the cold weather has been a factor, albeit a slight one, in the higher-than-expected growth in demand.
