

Questions and Answers

Date: May 22, 2023 (Mon) 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

Mr. Hideki Kawai, Accounting and Finance Department

Ms. Risa Nakae, 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.

• **Number of dealers and ARPA/Month in the platform business
(Financial Results Briefing, page 13,14,15)**

Q. Is that the overall monthly unit price of the platform segment seems to have increased. Could you tell me the background of this? Also, please tell us about the possibility of a price revision for the service itself and if it is sustainable.

A. First of all, I would like to answer your question regarding the increase in unit costs in the platform segment and whether it is sustainable. For our part, we would, of course say that it is sustainable, and that we also need to continue to increase this unit cost in the future.

If not, I believe that the so-called value of our business will decline relative to the digitization of society as a whole. I believe that the digitization of society will continue to progress, and that our company's digitization and DX policies, in line with the policy we have been pursuing, will have still plenty of potential to be sustainable.

As for the price revision you mentioned, we are aware of the recent price increase due to various changes in the market environment. In addition, we do not believe that indirect costs, such as the cost of servers and security enhancements, will become cheaper in the future, so we will make decisions accordingly.

Q. Please tell us about the background of the sluggish growth in the number of trading locations for both used and new cars in the platform segment. In the medium-term management plan, I think it was assumed that this part of the business would grow, but when the door is opened, I saw that growth is slow, especially in the field of new car. Please tell us what was different from your prediction.

A. As for your question about the sluggish growth in the number of locations in the new car field, we had expected this because of the pandemic, and even though the pandemic did not have a major negative impact on us, the fact that there was no longer a supply of new cars meant that our customers, the dealers, were not able to conduct aggressive sales activities. I think the reality was that we had not yet developed the mindset to introduce our products at that time.

On the other hand, in terms of the defense of existing customers, such as DataLine AI, we are positive that our products were reviewed by existing customers and that we were able to increase transactions with them, resulting in a higher unit price. We expect that sales activities will become more active as the pandemic settling down, and we will expand our business accordingly in order to achieve our goal of the number of customers acquired, as I mentioned earlier.

• **Notice Regarding Partial Amendments to Articles of Incorporation**

Q. You have announced changes to the Articles of Incorporation (business purpose). Please tell us about the background.

A. As for the changes to the Articles of Incorporation, one aspect of this is in line with the growth of each company in the Group and we are adding to it according to the reality of the situation. In addition, as a part of possibilities which I mentioned earlier, we would like to find new possibilities in the future as we take on various new challenges so we have added this to the Articles of Incorporation.

• **Tire and wheel sales**

Q. Your company says that you are conscious of this kind of ROIC, but the tire and wheel business weights heavy on asset and has a low profit margin. Should we continue this business or withdraw from it if you are really conscious about ROIC?

A. Our Goo-net and Goo-net Pit and the automotive businesses, in terms of secure and maintain contact points with consumers and our users and synergies with our existing business, as you pointed out, the profitability is lower than that of the platform segment. However, we do not consider this to be a negative impact on our business itself, taking business synergies into consideration.

If I may answer to the question based on your point, I hope you understand that we would like to bring the business to a more profitable level. As for data linkage, we are also aware of the issue of data linkage, so we hope that you will look forward to it.

• **Ticket sales**

Q. Is the ticket business, which of course has a low profit margin from ROIC point of view, but is this attractive or not a bad business from a ROIC point of view, since it does not have many assets of any kind. Can you tell me if this ticket business also weights heavy on assets and low profitability?

A. We understand that it is a new touch point with new users that is not part of our automotive business. We believe that the Company has a potential to strengthen our existing business, rather than a new business area, and by joining the Group, we will be able to improve our earnings, as well as collect the data I just mentioned, and develop our business in the next phase.

We believe the Company has a function and role to do so. We understand there are concerns here, but we will do our utmost to make things right. We would like to ask for your understanding and continued support.
