

Questions and Answers

Date: February 5, 2024 (Mon) 10:00-11:00 (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 main questions and answers at the financial results briefing.

Some parts have been added and corrected for making them more understandable.

• Goo Inspection and Goo Failure Diagnosis Progress and Impact on Financial Results (Financial Results p.14.15)

Q. What is the status of the percentage of Goo inspection listings and the number of merchants?
Also, please tell us how this is affecting your business performance.

A. The percentage of Goo inspection listings is about 30%, and the number of merchants is increasing at a faster pace than ever before. In addition, 70% to 80% of the suppliers who have indicated their support for the introduction of Goo Failure Diagnosis are suppliers who are already conducting Goo inspections. Although the move is in line with our initial expectations, we hope that if we can also apply Goo Failure Diagnosis to the 30% of our clients who are currently conducting Goo inspections, it will make a positive contribution to our business performance.

Q. If the number of Goo inspection merchants increases and Goo Failure Diagnosis becomes more widespread, how will this affect our business performance?
Please let me know if I can imagine working on a positive monthly unit price.

A. I believe it is simply a positive thing. The most important role of our media is how to create opportunities for business meetings, and the MG Calendar has even made it possible to make reservations for business meetings. By using our services to disclose information leading up to business negotiations, we feel that what we have been explaining in the past in the business negotiation scene has been transformed to a level that almost confirms the information. In the future, I believe that by adding new services and added value that can be used in business negotiations, we will be recognized as a necessary company and partner for everyone in the industry. We also believe that we can make a contribution by creating a safer environment for users to purchase used cars. In this sense, I believe that we can see this not only as a simple positive figure, but also as a new business opportunity for our company. We also believe that this will enhance the possibilities, and we hope that everyone will be excited about it.

• Final demand for used cars

Q. What is the status of consumers' willingness to purchase used cars and access data to Goo-net?
I would also like to know what the current temperature is with regard to dealer demand for DX.

A. Regarding consumers' willingness to purchase used cars, we had the sense that access to used car specialty stores was weak, but looking at the overall picture, we do not see any particularly significant change. The distribution of new cars is recovering, but at the same time, some new cars are becoming more expensive, and we feel that we are at a point where the used car market and the use of used cars will be split into two major parts in the future, so it is unlikely that there will be a significant negative impact on the market needs for used cars. Although there are reports of a decline in public transportation in the future, especially in rural areas, we do not view this negatively because we feel that used cars will be increasingly needed not only by individuals but also by businesses to meet their transportation needs.

With regard to the demand for DX at dealers, cars are becoming increasingly digitalized, and it is inevitable for the vendors who sell them to improve the efficiency of their operations. We also see this as essential in used cars, where our digitized products are increasingly penetrating the market. We see the Sales Guide and other tools that start at the entrance to a business meeting as a part of our efforts to promote operational efficiency to businesses before and after the meeting. The company intends to continue to actively promote the project, including product development.

• **Seasonality of Commerce Business**

Q. In our business, we believe that we have already made fairly high progress against our full-year plan. Again, I would like to know if there is any seasonality in commerce.

A. In terms of tire sales, we are in the transition period from winter tires to summer tires, and we need to take action including purchasing ahead of time in terms of seasonality, but we have no major concerns because we are well prepared.

In terms of ticket sales, when the M&A deal was initially discussed, the impact of the Corona disaster still remained, but as a result, the Corona disaster has ended, and various indicators show that the situation is positive in terms of people movement, industry revitalization, and consumption. In addition, the previous year's numbers were stronger than expected, boosted by inbound sales. Rather than seasonal factors, we believe that we have been able to adapt to the overall market trend, and that our purchasing power, which has been strengthened by joining the group, has circulated well to our sales. As we continue to strengthen our procurement, we intend to strategically move forward with our business so that we can also increase our profitability.

• **Pricing of used cars**

Q. You mentioned that used car prices are also rising in line with new cars, but are there any direct or indirect changes in used car prices? I would especially like to know what the impact will be when it goes up. Is there any possibility of a direct increase in revenue linked to the unit price, or is there a change in mindset, such as dealers actively spending money on advertising, if the price increases indirectly?

A. Regarding the question of whether the Company's performance is affected by changes in used car prices, the market for used cars has temporarily risen quite significantly. This is most likely due to the distribution aspect of new cars rather than the Corona disaster.

Exports also have no small effect on the used car market, which rises and falls throughout the year due to a variety of factors. In the past, and in the current situation, the ups and downs of the market have not had any particular impact on the Company's business performance.

However, user needs are changing due to rising used car prices and other factors, and the more serious things become, including information disclosure, the more serious the business negotiations will become. In this sense, overall, it will become more and more difficult to satisfy consumers only with analog responses as in the past, so our business partners also need to improve their business efficiency. In terms of the fact that business negotiations should also be more digitalized, we do not see any particular impact on our company in terms of price increases or decreases, or market price increases or decreases. In used cars, I believe it is safe to say that there are no negatives, only positives, in the need for more data-driven business.

• **Results for the next fiscal year ending March 31, 2025**

Q. With the next fiscal year ending March 31, 2025 being the final year of the medium-term management plan, we expect that the plan will be to increase profits, but what is the progress toward the operating income target and what will drive the increase in profits next year?

I would also like to know what you see as risks for the next fiscal year.

A. Basically, since sales and profits have increased in the past, we naturally hope to land on the same trend if we do not assume large investments. As for the driving force, the platform business will add services that have never been offered before, such as goo failure diagnosis, as part of the "Aiming for a healthy used car industry" initiative. In addition, in terms of the market, we have been thinking about the plan for the final year of the medium-term three-year period for some time, assuming that OBD vehicle inspections will begin in October 2024 and that the utilization of Goo Failure Diagnosis, in particular, will be a very significant new initiative for the entire automotive industry.

In terms of risk, we assume that anything can happen at any time, but in the current fiscal year in particular, the exchange rate had a considerable negative impact on Group companies, especially on AUTOWAY, which handles imported tires and wheels. Going forward, we do not see any particularly significant risk, as our sense is that there does not seem to be an assumption that the yen will weaken further than it is now. Although there have been other changes in the automotive industry, I do not expect any major changes in the environment over the past two to three years, even if there are major changes in the industry, because I believe that the business will naturally change based on the time axis of purchases by users and consumers and maintenance, including vehicle inspections. We hope that you will keep up with these changes and look forward to building a solid business foundation as we add new services and prepare for the risks that we can always anticipate.