

Questions and Answers

Date: May 20, 2024 (Mon) 10:30-11:30 (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.

• Background of Commerce Business Results for FY03/2024 and Forecast for FY03/2025 (Financial Results p. 8)

Q. Please explain the reasons for the failure of the Commerce Business to achieve operating income compared to plan in the results for the fiscal year ending March 2024.

Also, what are the implications of being conservative in the forecast for the fiscal year ending March 31, 2025, particularly in the ticket business?

A. The main reason for the failure to achieve operating income compared to the plan in FY03/2024 was due to AUTOWAY, which is involved in the purchase and sale of imported tires and wheels. Although the company earned non-operating income from valuation gains on derivatives and foreign exchange gains, the cost of procurement rose by more than 150 yen against the assumed exchange rate of 130 yen due to the weakening of the yen. The company is raising its selling prices little by little, but this has not been able to keep pace with the impact of the yen's depreciation, and has not been able to cover the rising cost of sales, which has caused AUTOWAY to lose profit compared to its plan. The company is proceeding with the rounding up of unit prices so that it can absorb the impact of the yen's depreciation while gradually raising unit prices.

In the ticket business, overseas customers purchased gift certificates due in part to inbound demand in the fiscal year ended March 31, 2024, and we were able to sell more meal tickets and leisure tickets than expected to domestic customers as well. However, the budget plan was a bit conservative because it was difficult to determine the extent to which inbound demand and other factors should be included in the plan.

• Current and Future Used Car Market in Platform Business

Q. In the media business, you mentioned that the used car market in Japan is not bad.

I would also like to know about the assumed business environment for the used car industry for the fiscal year ending March 31, 2025.

A. In the used car market, we believe that used car sales in February and March 2024 were stronger than in previous years. In the past, the used car market has experienced a gradual decline from the beginning of the year, but this year the market has been on a steady rise, which we perceive as a slightly different market trend from the past. Since the auction market is not bad based on last year's trend, we believe that the industry as a whole will continue to perform well in the fiscal year ending March 31, 2025.

• **About Cash Allocation**

Q. Do you plan to utilize existing cash and cash equivalents? If not, please explain why not.

A. We would like to refrain from giving a specific answer at this time. We believe that cash and deposits must be utilized in some cases, and we do not deny the possibility of using them, including through M&A. We are not certain that we will be able to make do with cash flow. We have not yet determined that we will make do with cash flow, so there is a possibility that we will use it flexibly based on the situation.
