

Financial Results for the Six Months Ended September 2024 [April 1,2024 to September 30,2024]

PROTO CORPORATION

Tokyo Stock Exchange Prime Market
Nagoya Stock Exchange Premier Market
Securities Code: 4298

December 20, 2024
[Investor Meeting December 23, 2024]

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Performance Summary

[Q2 FY2025 Results]

Q2/FY March 2025: Overview of company-wide performance

- Sales and operating income kept growing, reaching the forecasts.
- Ordinary income reached the forecast, but declined mainly due to the posting of a gain on revaluation of derivatives for currency options in the business of tires and wheels in the previous fiscal year.
- Net income declined, falling below the forecast, mainly due to the provision for expenses for investigations, etc.

[unit: million yen]	Plan Q2/FY2025 Apr-Sep 2024	Result Q2/FY2025 Apr-Sep 2024	Comparison to Plan	Actual results for the previous period Q2/FY2024 Apr-Sep 2023	YoY
Net sales	55,546	57,218	+3.0%	54,419	+5.1%
Operating Income	3,393	3,818	+12.5%	3,674	+3.9%
Ordinary Income	3,377	3,508	+3.9%	4,207	(16.6%)
Net Income attributable to owners of parent	2,295	2,115	(7.8%)	2,751	(23.1%)

Q2/FY March 2025: Net Sales and Operating Income by Segment

- The sales in all segments grew, reaching the forecasts.
- The operating incomes in the platform and other business segments increased, reaching the forecasts, but the operating income in the commerce segment declined, falling below the forecast, mainly due to the skyrocketing of costs caused by the changes in exchange rates.

[unit: million yen]		Plan Q2/FY2025 Apr-Sep 2024	Result Q2/FY2025 Apr-Sep 2024	Comparison to Plan	Actual results for the previous period Q2/FY2024 Apr-Sep 2023	YoY
Platform	Net sales	16,158	16,416	+1.6%	15,533	+5.7%
	Operating Income	4,394	4,783	+8.9%	4,456	+7.3%
Commerce	Net sales	35,630	36,581	+2.7%	34,974	+4.6%
	Operating Income	99	(59)	-	163	-
Other Business	Net sales	3,756	4,139	+10.2%	3,833	+8.0%
	Operating Income	28	199	+600.4%	90	+121.0%

Q2/FY March 2025: Net Sales and Operating Income by Sub Segment

[unit: million yen]		Plan Q2/FY2025 Apr-Sep 2024	Result Q2/FY2025 Apr-Sep 2024	Comparison to Plan
Platform	Net sales	16,158	16,416	+1.6%
	Operating Income	4,394	4,783	+8.9%
Media	Net sales	13,121	13,250	+1.0%
	Operating Income	3,596	3,921	+9.0%
Services	Net sales	3,036	3,166	+4.3%
	Operating Income	797	861	+8.1%
Commerce	Net sales	35,630	36,581	+2.7%
	Operating Income	99	(59)	-
Sales of goods	Net sales	14,474	16,121	+11.4%
	Operating Income	(15)	(154)	-
Ticket sales	Net sales	21,155	20,459	(3.3%)
	Operating Income	115	94	(17.8%)
Other Business	Net sales	3,756	4,139	+10.2%
	Operating Income	28	199	+600.4%

Performance summary of each segment

Platform

[Media]
Used car field

We enhanced marketing targeted at dealers of automobile made in Japan and imported cars, maintaining or expanding the number of client dealers.

While enhancing marketing targeted at dealers, we increased the number of dealers that have adopted Goo Inspection and Goo Failure Diagnosis. In addition, we promoted "AI Recommend Space," an optional product for supporting used car dealers in receiving orders, "MG Calendar," which promotes DX, and "MG AI."

Platform

[Media]
Maintenance field

We concentrated on the expansion of the network of maintenance shops, maintaining or expanding the number of affiliated maintenance shops.

We strengthened marketing targeted at enterprises entering the car maintenance field, increasing the number of affiliated maintenance shops. Before the adoption of inspection with on-board diagnostics (OBD) in October, we increased the maintenance shops that have adopted Goo Failure Diagnosis, expanding the network of car maintenance shops.

Platform

[Services]
New car field

Optional products were adopted by more clients, increasing the average spending per month.

For "DataLine SalesGuide," we strengthened the system for cooperation with Japanese automobile manufacturers and car importers, increasing clients. Furthermore, we promoted optional products, such as "DataLine AI Assessment," increasing the average spending per month steadily.

Commerce

[Sales of goods]
[Ticket sales]

The sales of products were healthy, but we need to improve profitability.

The business of exporting used cars performed well. Regarding the business of tires and wheels, sales were favorable as selling prices were revised intermittently, although the costs for procurement of imported tires and wheels augmented due to the weakening of the yen. We will keep enhancing initiatives for improving profitability. Regarding the sale of tickets, we will review and revise the lineup of products, and strengthen the initiatives for improving profitability.

Full-year earnings forecast for FY March 2025

Both sales and operating income are expected to hit a record high.

[unit: million yen]	FY March 2024 results	FY March 2025 forecast	YoY
Net sales	115,631	117,178	+1.3%
Operating Income	7,894	8,238	+4.3%
Ordinary Income	8,427	8,227	(2.4%)
Net Income attributable to owners of parent	5,552	5,571	+0.3%
Capital investment	960	1,729	+80.1%
Depreciation expense	1,136	1,417	+24.7%
E P S	137.96yen	138.37yen	+0.3%
D P S	42.50yen	50.00yen	-

Regarding the formulation of measures for preventing recurrence in response to the results of the investigation by the special investigation committee

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We received an investigative report from the special investigation committee. Sincerely accepting the suggestions from the special investigation committee for preventing recurrence and discussing concrete measures for preventing recurrence, we have decided to take the following measures for preventing recurrence. Our company will make efforts to regain trust, by steadily implementing the following measures for preventing recurrence.

- A transaction with a large client will be dealt with by more than one employee (improvement in the process for posting sales)
- Internal Audit Department will regularly check self-approved transactions
- Development and application of rules for handover of duties at the time of replacement
- Separation of the authority to select an outsourcee and place an order in transactions for printed matter, etc. from the division (improvement in the process for recording procurement)
- Sophistication of processes for collecting and analyzing information on risks
- Enhancement of the use of an invoice checklist (monthly inspection)
- Check of the appropriateness of payers at the time of collection of accounts receivable (conducted every quarter)
- Strengthening of the internal audit system
- To continue initiatives for improving our organizational climate

Regarding the formulation of measures for preventing recurrence in response to the results of the investigation by the special investigation committee

(1) Measures for improving the defects in the selling process

① A transaction with a large client will be dealt with by more than one employee (improvement in the process for posting sales)

Every six months, Accounting & Finance Division will extract clients for which transaction amount is not less than a certain amount in the past six months, define said clients as large clients, and assign the existing sales representative and another employee (assistant sales representative) to transactions with the large clients in each division, except some cases, such as the cancellation of the transactions. We will allow the assistant sales representative to grasp the details and situations of contracts for transactions with said clients, and establish an internal check system for the sales representative who directly communicates with clients.

At the time of internal audits, we will interview the sales representative and the assistant sales representative about large clients that have been extracted according to the records and situation of transactions, etc. and check whether they make transactions in a proper manner.

② Internal Audit Department will regularly check self-approved transactions

Accounting & Finance Division will list self-approved transactions (applied for and approved by a sales manager) in each quarter (excluding the product categories in which the actualness of service provision is separately secured, such as products managed by a service provision management system and pay-per-use sales) at the end of said quarter, and Corporate Governance Department, which is in charge of internal audits, will narrow down the transactions in said list according to risk from the viewpoints of transaction periods, continuity, profit margin, charging conditions, and payment status, and then check whether services have been actually offered for the transactions and the appropriateness of the transactions from the aspects of both sales and costs of sales.

(1) Measures for improving the defects in the selling process

③ 【Additional measure】 Development and application of rules for handover of duties at the time of replacement

We will respecify and clearly state the rules for handover of duties at the time of replacement, and make them known to all employees. At the time of internal audits, we will check whether a sales manager has taken over duties from the former sales manager in accordance with the rules. The subjects of internal audits are the former and new sales managers, and we will interview all of the new sales managers who have taken over duties, to check the situation, within 3 months after the date of replacement.

Regarding the formulation of measures for preventing recurrence in response to the results of the investigation by the special investigation committee

(2) Measure for improving the defects in the purchase process – Separation of the authority to select an outsourcee and place an order in transactions for printed matter, etc. from the division (improvement in the process for recording procurement)

We will transfer the authority to select an outsourcee and place an order in transactions for printed matter, etc. from the division to Management Division. Management Division will conduct a series of tasks, including selecting an outsourcee, requesting a price estimation, placing an order, confirming delivery, and checking invoices, based on applications from the division, from a standpoint independent from the division. Like this, we will develop a system for internal check for the division. We will also prohibit the sales representative from delivering products to clients directly. In addition, Management Division will collect and store vouchers for transactions, etc., which prove the provision of services, without fail, in purchase transactions, so that said vouchers will be checked at the time of internal audits.

(3) Measure for improving the defects in the processes of settling accounts and reporting financial results (sophistication of processes for collecting and analyzing information on risks)

We will train management-level employees to deepen their understanding of the processes of settling accounts and reporting financial results, and cement the cooperation with respective departments, to establish a system in which Accounting & Finance Division will be able to swiftly collect every piece of information that would affect financial reports. If a serious extraordinary event is found, Accounting & Finance Division or the like will consult external experts and others immediately, to establish a system for implementing necessary measures timely and appropriately.

(4) Enhancement of the checking system of Accounting & Finance Division

① Enhancement of the use of an invoice checklist (monthly inspection)

Accounting & Finance Division will check whether there is no insufficiency in information on costs related to sales at the time of production of an invoice checklist, and contact the division to check the situation if there are any money-losing transactions. After collecting the information for an invoice checklist and listing the pieces of information, Accounting & Finance Division will check whether there are any transactions that need to be corrected from the aspect of profitability. When inputting costs that are not related to sales, the sales manager shall write that said costs are not related to sales and the reason for it. In addition, Accounting & Finance Division will examine the accuracy of the invoice checklist in an ex-post facto manner every month. In internal audits, we will check the situations of transactions whose profitability is extremely low, money-losing transactions, and unclear expenses not related to sales individually, based on the collected and listed pieces of information of invoice checklists and individual invoice checklists.

② Check of the appropriateness of payers at the time of collection of accounts receivable (conducted every quarter)

Accounting & Finance Division will collect information on payments by wire transfer from clients every quarter, and if there is a suspicious payment, they will check the situation with the client.

Regarding the formulation of measures for preventing recurrence in response to the results of the investigation by the special investigation committee

(5) Strengthening of the internal audit system

Corporate Governance Department, which is in charge of internal audits, increased the number of staff members versed in marketing by 1 to 2 on December 1, 2024, to establish a system for conducting internal audits in a more multifaceted and comprehensive manner. As mentioned in (1), (2), and (4) above, we will add new auditing procedures. Furthermore, we will continuously check the sufficiency of resources and knowledge in Corporate Governance Department.

(6) To continue initiatives for improving our organizational climate

In order to prevent the recurrence of such misconduct thoroughly, we will distribute the message from the top executive to all employees, and continue the already started initiatives, including quarterly sessions for educating management-level employees at the meetings of sales managers and other managers, self-learning sessions about compliance with laws and regulations for all employees (the next session is scheduled to be held from Jan. to Mar. 2025), and risk management training for group companies (the next training is scheduled to be held on Jan. 29, 2025).

Appendix

—Business Overview・Company Overview—

Corporate Goal

Create change by continuing to challenge itself.

CHANGING COMPANY

Corporate Ideology

To turn challenges into future power and contribute to society with dreams, inspirations, and joy.

“To turn challenges into future power”

We, PROTO CORPORATION, think that this means the creation of unprecedented value in the world by recognizing things with new ideas and frameworks.

Accordingly, we hope to take on challenges so as to solve social issues, realize dreams, and inspire people rather than pursuing near-term benefits.

We will pursue “dreams, inspirations, and joy,” to create new value in the world and aim to become a partner for the future society” that will be chosen by society.

President Kenji Kamiya

神谷健司

Business model of our platform

Platform[Media]

* A business model that operates media for users and receives usage fees for the publication management platform of the media

User

- Browsing content
- Inquiries to used car dealers/car maintenance shops
- Visit reservation, online business meeting reservation

Billing system: Free

Platform

MOTOR GATE

Automotive related information platform

Media

G-net

Goo-net

used car search

G-net **ピット**

Goo-net Pit

car maintenance shop search

Client

used car dealers/car maintenance shops

- used car/maintenance information registration
- Responding to user inquiries

Billing system: MOTOR GATE usage fee [fixed monthly fee/inventory linked type] + MOTOR GATE various option fee

Platform[Services]

* A business model that provides new car dealers with tools to support business negotiations, appraisals, etc., and earns fees for their use.

User

- Receipt of information from new car dealers

Platform

DataLine
SalesGuide

- Cost comparison function for new car negotiations
- Transfer simulation function
- Future price prediction function
- Transfer proposal function

DataLine DataLine AI Assessment
AI査定

- Assessment function

Client

new car dealers

- Customer information registration
- Customer vehicle information registration

Billing system: Monthly usage fee [fixed monthly amount] + Various option fees

Segment breakdown by major group companies

	Platform		Commerce		Other Business
	Media	Services	Sales of goods	Ticket sales	—
PROTO	Media: Used cars, Maintenance, Bike	New car negotiation tool	Sale of goods		Agriculture, real estate, food and beverages, Aquaculture/Others
PROTO Solution	Media: Used cars, Maintenance, Bike		Sale of goods		BPO
• CAR CREDO	Appraisal Business				
PROTO RIOS		Maintenance sheet metal software sales			
AUTOWAY 輸入タイヤ通販			Tire and wheel sales		Solar power generation
BEST タイヤワールド館			Tire and wheel sales		
GOONET Exchange	Alliance		Used car export		
smic				Ticket sales	
PROTO Ventures					Investment
kankokeizai.com 観光経済新聞					Media business
ヨツシャ 駒ヶ根					Agriculture

Company Profile

Corporate Name	PROTO CORPORATION
Founded	October 1, 1977
Established	June 1, 1979
Common Stock	1,849 million yen (As of March 31, 2024)
Shares Outstanding	41,925,300 shares (As of March 31, 2024)
Head Offices	1-23-14 Aoi, Naka-ku, Nagoya-shi, Aichi 460-0006 Japan 6-18-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023 Japan
Branch Offices	Sapporo, Sendai, Takasaki, Nagano, Hamamatsu, Nagoya, Kanazawa, Osaka, Hiroshima, Matsuyama, Fukuoka, Kumamoto(36 Sales Outlets Nationwide)
Fiscal Year-end	March 31
Number of Employees	Consolidated: 1,523 (As of March 31, 2024)、 Parent: 536 (As of March 31, 2024)
Stock Exchange	Tokyo Stock Exchange Prime Market, Nagoya Stock Exchange Premier Market
Listing Subsidiary	<div>1. AUTOWAY Co., Ltd.</div> <div>2. TIRE WORLD KAN BEST CO., LTD.</div> <div>3. GOONET EXCHANGE</div> <div>4. PROTO-RIOS INC.</div> <div>5. CAR CREDO Co., Ltd.</div> <div>6. CAR BRICKS Co., Ltd.</div> <div>7. PROTO SOLUTION Co., Ltd.</div> <div>8. OKINAWA CALL STAFF SERVICE Co., LTD</div> <div>9. Associe Co., Ltd</div> <div>10. Onion Inc.</div> <div>11. PROTO Ventures</div> <div>12. PROTO Ventures 2 Investment Limited Partnership</div> <div>13. COSMIC RYUTSUU SANGYO LTD., INC.</div> <div>14. COSMIC GC SYSTEM LTD., INC.</div> <div>15. okinawa basketball inc.</div> <div>16. okinawa arena inc.</div> <div>17. CAR CREDO (Thailand) Co., Ltd.</div> <div>18. Kankokeizai News Corporation</div> <div>19. YOSSYAA KOMAGANE CO., LTD.</div> <div>20. UB Datatech, Inc. (Affiliates accounted for by the equity method)</div>

(As of July 31, 2024)

Future Outlook

The IR information in this document includes a future outlook.

Such information other than the past events may be influenced by the risk and uncertainty due to the competition, market, and systems in the field of our company's business.

As a result, the outlook based on the assumption and estimation with available information may be different from actual results and performance in the future. We would appreciate your understanding.

For Inquiries

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