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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

December 20, 2024

Company name: PROTO CORPORATION

Listing: Tokyo, Nagoya

Securities code: 4298

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President

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Scheduled date to file semi-annual securities report: December 20, 2024

Scheduled date to commence dividend payments: December 30, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (For Institutional Investors & Analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	57,218	5.1	3,818	3.9	3,508	(16.6)	2,115	(23.1)
September 30, 2023	54,419	9.5	3,674	3.8	4,207	18.2	2,751	19.1

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 2,054 million [(27.4)%]
Six months ended September 30, 2023: ¥ 2,827 million [34.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	52.52	-
September 30, 2023	68.40	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	69,737	48,361	68.8
March 31, 2024	66,156	47,244	70.9

(Reference) Equity: As of September 30, 2024: ¥ 47,979 million
As of March 31, 2024: ¥ 46,896 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	17.50	-	25.00	42.50
Fiscal year ending March 31, 2025	-	25.00			
Fiscal year ending March 31, 2025 (Forecast)			-	25.00	50.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	117,178	1.3	8,238	4.3	8,227	(2.4)	5,571	0.3	138.31

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 2 (Company name: Kankokeizai News Corporation and YOSSYAA KOMAGANE CO., LTD.)

Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 41,925,300 shares

March 31, 2024: 41,925,300 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 1,612,367 shares

March 31, 2024: 1,663,807 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 40,284,142 shares

Six months ended September 30, 2023: 40,232,587 shares

(Note) Total number of issued shares at the end of the period includes the number of shares of our company owned by ESOP Trust (110,000 in FY 3/2024, 92,160 in FY 3/2025). In addition, the number of treasury shares to be deducted when calculating the average number of shares outstanding during the period includes the number of shares of our company owned by ESOP Trust (110,000 in FY 3/2024, 92,160 in FY 3/2025).

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to “1. Qualitative information on interim financial results (3) Explanation on prediction information, such as consolidated earnings forecasts” on page 4 for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts.

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1. Qualitative information on interim financial results

(1) Explanation of operating results

① Business Performance Overview for the Current Term

In the current interim consolidated accounting period, trends of recovery have been observed in the economy of Japan owing to the restart of the production and shipment of automobiles, the improvement of real wages as a result of nominal wage growth, etc. While the economic situation is expected to slowly pick up thanks to domestic demand, it will be necessary to keep a close eye on the impact and trends brought about by risks weighing down the Japanese economy, such as the fluctuations on the financial market caused by economic recession in the U.S., etc., increasing uncertainty in policy trends overseas, etc.

Amid such economic environment, the automotive sale industry, which includes the main clients of our corporate group, has been impacted by sluggish growth of profit, improvement of automobile durability and inflation. Consequently, the number of new cars sold fell slightly short of the number in the previous year. Meanwhile, the number of registered used cars slightly exceeded the number in the previous year due to the increase in demand for used cars caused by rising prices of new cars and a growth in demand for replacement by purchase stemming from the recovering trend in the sale of new cars between July and September.

Under such circumstances, the PROTO Group has been working to provide new products and services that contribute to DX in the mobility domain in the platform business by combining the company's master data, AI technology, and data based on the "Medium-Term Management Plan (FY 3/2023–FY 3/2025)" formulated in light of diversifying user needs and the future market environment.

As a result of the aforementioned, sales in the current interim consolidated accounting period stood at 57,218 million yen (up 5.1% year on year). The growth in sales was caused mainly by an increase in sales of goods in the Commerce Business in addition to the steady performance of the Platform Business, which is the mainstay. Operating profit reached 3,818 million yen (up 3.9% year on year) owing to the steady expansion in the provision of products and services for DX in the Platform Business, while ordinary profit was 3,508 million yen (down 16.6% year on year) due to the recording of loss on valuation of derivatives brought about by unrealized loss in currency option transactions performed to avoid foreign exchange risks as a result of currency exchange fluctuations. Net profit attributable to owners of the parent stood at 2,115 million yen (down 23.1% year on year), impacted by the abovementioned recording of loss on valuation of derivatives.

② Overview of each segment

The results of each business segment are as follows.

(Platform)

We have focused on enhancing products and services contributing to DX of the mobility field while striving to expand the market share in each business field and boost the average spending per customer, aiming for the largest platform in the mobility industry.

Regarding the “media” in the Platform Business, we have focused on maximizing the amount of “Goo-net” content, expanding the number of partner shops by providing and improving the functions of “MOTOR GATE,” the background system of “Goo-net,” and supporting the management of used car dealers in the used car field. With regard to the maintenance field, we worked on building a network with partner maintenance shops by providing “MOTOR GATE PIT IN,” a system for managing cars to be serviced, and promoting “Goo Failure Diagnosis,” a diagnostic system utilizing on-board diagnostics (OBD), as well as “Goo Maintenance Pack,” a service pack for regular car maintenance, while expanding the content of “Goo-net Pit.”

Furthermore, regarding “services” in the Platform Business, we worked on expanding the sale of “DataLine SalesGuide,” a tool for negotiations concerning new cars, in the new car field, and of “RacroSIII,” an integration system for sheet metal in the car maintenance business, with regard to maintenance sheet metal software.

As a result of the aforementioned, sales stood at 16,416 million yen (up 5.7% year on year). The increase in sales was caused mainly by steady provision of DX products, such as “AI Recommend Space,” in the Platform Business, which is centered on “MOTOR GATE.” Operating profit reached 4,783 million yen (up 7.3% year on year) owing to the abovementioned growth of the Platform Business.

(Commerce)

Regarding “sales of goods” in the Commerce Business, we strove to increase opportunities for sale by pursuing synergy with our “Goo-net,” “Goo-net Pit,” “MOTOR GATE Shopping,” etc., while working on enhancing the sale of main brands of tires, wheels, etc. Regarding used car export, the number of cars exported to Malaysia, a major export destination, exceeded the forecast.

Moreover, with regard to “ticket sales” in the Commerce Business, we endeavored to extend opportunities for the sale of gift certificates, gift vouchers, etc. by providing our know-how for the Internet business.

As a result of the aforementioned, sales reached 36,581 million yen (up 4.6% year on year). The growth in sales was caused mainly by the abovementioned favorable situation of used car export. On the other hand, an operating loss of 59 million yen (an operating profit of 163 million yen in the same period of the previous fiscal year) was posted due to the soaring cost of sales resulting from the depreciation of yen, etc.

(Other Business)

During the current interim consolidated accounting period, we strove to expand our business by acquiring the shares of Kankokeizai News Corporation and all shares of YOSSYAA KOMAGANE CO., LTD., including both companies in the scope of consolidation.

As a result of the aforementioned, sales stood at 4,220 million yen (up 7.9% year on year) and operating profit reached 199 million yen (up 121.0% year on year).

(2) Explanation on the financial position

① Situation of assets, liabilities and net assets

Total assets at the end of the current interim consolidated accounting period increased 3,581 million yen from the end of the previous consolidated fiscal year to 69,737 million yen. The situation of assets, liabilities and net assets is explained below.

i. Assets

Current assets grew 2,277 million yen from the end of the previous consolidated fiscal year to 46,750 million yen due to an increase in cash and deposits at PROTO SOLUTION Co., Ltd., etc.

Fixed assets stood at 22,987 million yen, up 1,303 million yen from the end of the previous consolidated fiscal year, due to the increase of machinery and equipment in AUTOWAY Co., Ltd.

ii. Liabilities

Current liabilities increased 2,493 million yen from the end of the previous consolidated fiscal year to 20,051 million yen due to an augmentation in short-term borrowings at TIRE WORLD KAN BEST CO., LTD.

Fixed liabilities decreased 29 million yen from the end of the previous consolidated fiscal year to 1,324 million yen due to a decrease in long-term borrowings at AUTOWAY Co., Ltd. and PROTO SOLUTION Co., Ltd.

iii. Net assets

Net assets stood at 48,361 million yen, up 1,117 million yen from the end of the previous consolidated fiscal year due to recording profit attributable to owners of parent of 2,115 million yen, despite a payment of dividends from surplus of 1,009 million yen.

② Situation of cash flows

Cash and cash equivalents in the current interim consolidated accounting period increased 1,364 million yen from the end of the previous consolidated fiscal year to 26,850 million yen. Main reasons for the growth in cash and cash equivalents are as follows.

i Cash flows from operating activities

There was a cash inflow from operating activities of 2,450 million yen, up 898 million yen year on year. The growth was caused mainly by an increase of 799 million yen in contract liabilities.

ii Cash flows from investing activities

There was a cash outflow from investment activities of 1,303 million yen, up 359 million yen year on year. It was affected mainly by the increase of 572 million yen in the expenditure from purchase of property, plant and equipment.

iii Cash flows from financing activities

There was a cash inflow from financial activities of 215 million yen (there was a cash outflow of 17 million yen in the same period of the previous fiscal year). It was impacted mainly by the increase of 574 million yen in short-term borrowings.

(3) Explanation on prediction information, such as consolidated earnings forecasts

Our business performance is currently in line with the initial forecast as a whole, so we have not revised the earnings forecast announced on May 10, 2024, but if we find any fact that should be disclosed through examination according to the progress of business activities, we will announce it immediately.

We forecast business performance based on information the PROTO Group has obtained and some assumptions considered as reasonable, but please note that there is a possibility that actual performance will be significantly different from the forecast according to inherent uncertain factors, changes in the situation of business operation, etc.

2. Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	25,764	27,225
Notes and accounts receivable - trade	6,327	5,888
Inventories	9,134	10,359
Other	3,254	3,283
Allowance for doubtful accounts	(7)	(7)
Total current assets	44,472	46,750
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,497	5,466
Land	5,590	5,724
Other, net	911	1,376
Total property, plant and equipment	12,000	12,567
Intangible assets		
Goodwill	2,146	2,180
Other	2,256	2,356
Total intangible assets	4,402	4,537
Investments and other assets		
Investment securities	2,686	2,810
Other	2,813	3,292
Allowance for doubtful accounts	(218)	(219)
Total investments and other assets	5,280	5,883
Total non-current assets	21,684	22,987
Total assets	66,156	69,737

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,728	1,634
Electronically recorded obligations - operating	1,999	1,587
Short-term borrowings	4,300	5,700
Current portion of long-term borrowings	74	78
Accrued expenses	2,636	2,924
Income taxes payable	1,645	1,584
Contract liabilities	2,428	3,772
Provision for bonuses	238	353
Provision for share awards	22	-
Provision for merchandise warranties	14	13
Provision for special investigation costs, etc.	-	336
Other	2,468	2,064
Total current liabilities	17,557	20,051
Non-current liabilities		
Long-term borrowings	358	315
Provision for retirement benefits for directors (and other officers)	276	283
Retirement benefit liability	158	166
Asset retirement obligations	352	355
Other	208	203
Total non-current liabilities	1,354	1,324
Total liabilities	18,911	21,375
Net assets		
Shareholders' equity		
Share capital	1,849	1,849
Capital surplus	2,149	2,172
Retained earnings	43,783	44,889
Treasury shares	(1,290)	(1,242)
Total shareholders' equity	46,491	47,668
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	428	344
Foreign currency translation adjustment	(23)	(33)
Total accumulated other comprehensive income	405	311
Non-controlling interests	348	382
Total net assets	47,244	48,361
Total liabilities and net assets	66,156	69,737

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	54,419	57,218
Cost of sales	40,275	42,562
Gross profit	14,143	14,656
Selling, general and administrative expenses	10,469	10,837
Operating profit	3,674	3,818
Non-operating income		
Interest and dividend income	5	8
Share of profit of entities accounted for using equity method	1	1
Gain on investments in investment partnerships	-	18
Foreign exchange gains	129	3
Gain on valuation of derivatives	366	-
Insurance claim income	-	24
Other	81	38
Total non-operating income	584	95
Non-operating expenses		
Interest expenses	4	10
Loss on investments in investment partnerships	27	-
Loss on valuation of derivatives	-	381
Provision of allowance for doubtful accounts	10	0
Other	8	13
Total non-operating expenses	50	405
Ordinary profit	4,207	3,508
Extraordinary income		
Gain on sale of non-current assets	4	1
Gain on sale of investment securities	-	39
Total extraordinary income	4	40
Extraordinary losses		
Loss on sale and retirement of non-current assets	22	0
Provision for special survey costs, etc.	-	336
Total extraordinary losses	22	337
Profit before income taxes	4,189	3,211
Income taxes - current	1,687	1,523
Income taxes - deferred	(262)	(460)
Total income taxes	1,425	1,062
Profit	2,763	2,148
Profit attributable to non-controlling interests	12	32
Profit attributable to owners of parent	2,751	2,115

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	2,763	2,148
Other comprehensive income		
Valuation difference on available-for-sale securities	73	(84)
Foreign currency translation adjustment	(9)	(10)
Total other comprehensive income	63	(94)
Comprehensive income	2,827	2,054
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,815	2,021
Comprehensive income attributable to non-controlling interests	12	32

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	4,189	3,211
Depreciation	529	637
Amortization of goodwill	109	113
Increase (decrease) in contract liabilities	544	1,343
Increase (decrease) in allowance for doubtful accounts	12	0
Increase (decrease) in provision for bonuses	120	115
Increase (decrease) in provision for share awards	-	(22)
Increase (decrease) in provision for merchandise warranties	(0)	(0)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	9	6
Increase (decrease) in retirement benefit liability	12	8
Increase (decrease) in provision for special survey costs, etc.	-	336
Interest and dividend income	(5)	(8)
Interest expenses	4	10
Foreign exchange losses (gains)	(0)	0
Share of loss (profit) of entities accounted for using equity method	(1)	(1)
Loss (gain) on investments in investment partnerships	27	(18)
Loss (gain) on valuation of derivatives	(366)	381
Loss (gain) on sale of investment securities	-	(39)
Loss (gain) on sale and retirement of non-current assets	18	(0)
Decrease (increase) in trade receivables	(559)	401
Decrease (increase) in inventories	(1,449)	(1,219)
Increase (decrease) in trade payables	(46)	(508)
Increase (decrease) in accrued expenses	339	200
Other, net	(821)	(1,003)
Subtotal	2,667	3,946
Interest and dividends received	5	8
Interest paid	(4)	(10)
Income taxes refund (paid)	(1,116)	(1,494)
Net cash provided by (used in) operating activities	1,551	2,450

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from investing activities		
Payments into time deposits	(13)	(32)
Purchase of property, plant and equipment	(187)	(759)
Proceeds from sale of property, plant and equipment	4	1
Purchase of intangible assets	(298)	(150)
Purchase of long-term prepaid expenses	(2)	(2)
Purchase of investment securities	(427)	(500)
Proceeds from sale of investment securities	-	200
Payments for investments in capital	-	(38)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(48)
Other, net	(20)	28
Net cash provided by (used in) investing activities	(944)	(1,303)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	800	1,374
Repayments of long-term borrowings	(79)	(153)
Dividends paid	(703)	(1,008)
Proceeds from disposal of treasury shares	-	31
Repayments of lease liabilities	(34)	(24)
Other, net	(0)	(2)
Net cash provided by (used in) financing activities	(17)	215
Effect of exchange rate change on cash and cash equivalents	6	1
Net increase (decrease) in cash and cash equivalents	596	1,364
Cash and cash equivalents at beginning of period	23,494	25,485
Cash and cash equivalents at end of period	24,091	26,850

(4) Notes to interim consolidated financial statements

(Notes on the premise of a going concern)

No applicable.

(Notes about the case where shareholders' equity changes considerably)

Based on a resolution passed at a Board of Directors meeting on July 12th, 2024, our company retired 33,600 treasury shares on August 9th, 2024 to provide transfer-restricted shares as compensation. Consequently, capital surplus increased 23 million yen, while treasury stock decreased 24 million yen in the current interim consolidated accounting period, so capital surplus stood at 2,172 million yen and treasury stock 1,242 million yen as of the end of the current interim consolidated accounting period.

(Segment information, etc.)

I Previous interim consolidated accounting period (April 1, 2023, to September 30, 2023)

1 Information on sales and profit or loss in each segment to be reported, and breakdown of revenues

(Millions of yen)

	Reportable segment			Other Business (Note)1	Total	Adjustment (Note)2	Amount recorded on interim consolidated statements of income (Note)3
	Platform	Commerce	Total				
Net sales							
Media	12,558	—	12,558	—	12,558	—	12,558
Services	2,975	—	2,975	—	2,975	—	2,975
Sales of goods	—	13,831	13,831	—	13,831	—	13,831
Ticket sales	—	21,142	21,142	—	21,142	—	21,142
Other Business	—	—	—	3,833	3,833	—	3,833
Revenue arising out of contracts with customers	15,533	34,974	50,508	3,833	54,341	—	54,341
Other revenues (Note)4	—	—	—	77	77	—	77
Sales to external customers	15,533	34,974	50,508	3,910	54,419	—	54,419
Internal sales or transfer between segments	34	0	34	1,060	1,095	(1,095)	—
Total	15,568	34,975	50,543	4,971	55,514	(1,095)	54,419
Segment profit	4,456	163	4,619	90	4,709	(1,035)	3,674

(Notes) 1 The “Other” category encompasses business segments which are not included in reported segments, mainly the BPO (Business Process Outsourcing) Business.

2 The adjustment of segment profit includes (20) million yen due to the exclusion of transactions between segments and (1,015) million yen due to group-wide expenses, which are composed of mainly general administrative expenses not attributable to the segments to be reported.

3 Segment profit has been adjusted based on operating profit on the interim consolidated profit-and-loss statement.

4 Other revenues mean the revenues from rental, etc. based on the “accounting standards for lease transactions” (Corporate Accounting Standard No. 13).

2 Information on the impairment loss of fixed assets, goodwill, etc. in each segment to be reported

No applicable.

II Current interim consolidated accounting period (April 1, 2024, to September 30, 2024)

1 Information on sales and profit or loss in each segment to be reported, and breakdown of revenues

(Millions of yen)

	Reportable segment			Other Business (Note)1	Total	Adjustment (Note)2	Amount recorded on interim consolidated statements of income (Note)3
	Platform	Commerce	Total				
Net sales							
Media	13,250	—	13,250	—	13,250	—	13,250
Services	3,166	—	3,166	—	3,166	—	3,166
Sales of goods	—	16,121	16,121	—	16,121	—	16,121
Ticket sales	—	20,459	20,459	—	20,459	—	20,459
Other Business	—	—	—	4,139	4,139	—	4,139
Revenue arising out of contracts with customers	16,416	36,581	52,998	4,139	57,138	—	57,138
Other revenues (Note)4	—	—	—	80	80	—	80
Sales to external customers	16,416	36,581	52,998	4,220	57,218	—	57,218
Internal sales or transfer between segments	39	1	41	1,058	1,100	(1,100)	—
Total	16,456	36,583	53,039	5,278	58,318	(1,100)	57,218
Segment profit	4,783	(59)	4,723	199	4,923	(1,104)	3,818

(Notes) 1 The “Other” category encompasses business segments which are not included in reported segments, mainly the BPO (Business Process Outsourcing) Business.

2 The adjustment of segment profit includes (25) million yen due to the exclusion of transactions between segments and (1,079) million yen due to group-wide expenses, which are composed of mainly general administrative expenses not attributable to the segments to be reported.

3 Segment profit has been adjusted based on operating profit on the interim consolidated profit-and-loss statement.

4 Other revenues mean the revenues from rental, etc. based on the “accounting standards for lease transactions” (Corporate Accounting Standard No. 13).

2 Information on the impairment loss of fixed assets, goodwill, etc. in each segment to be reported

(Significant changes in goodwill)

With regard to the “Other” segment, we acquired shares of Kankokeizai News Corporation and all shares of YOSSYAA KOMAGANE CO., LTD., turning both companies into consolidated subsidiaries, during the current interim consolidated accounting period. Goodwill increased 147 million yen as a result of this event.

3 Information on assets in each segment to be reported

Assets in the “Other” segment grew 613 million yen from the end of the previous consolidated fiscal year as a result of acquisition of shares of Kankokeizai News Corporation and all shares of YOSSYAA KOMAGANE CO., LTD., including both companies in the scope of consolidation, during the current interim consolidated accounting period.