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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 5, 2024

Company name: PROTO CORPORATION

Listing: Tokyo, Nagoya

Securities code: 4298

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President

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Scheduled date to commence dividend payments: -

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 Three Months Ended June 30, 2024 (April 1, 2024 to June 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	%
Three months ended June 30, 2024	29,690	9.1	2,277	2.1	2,323	(15.7)	1,595	(11.8)
June 30, 2023	27,220	14.4	2,231	7.2	2,755	31.2	1,808	29.3

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 1,590 million [(27.4) %]
Three months ended June 30, 2023: ¥ 2,192 million [116.5 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	39.61	-
June 30, 2023	44.97	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	66,092	48,270	72.4
March 31, 2024	66,604	47,664	71.0

(Reference) Equity: As of June 30, 2024: ¥ 47,863 million
As of March 31, 2024: ¥ 47,316 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	-				
Fiscal year ending March 31, 2025 (Forecast)		25.00	-	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
Six months ending September 30, 2024	55,546	1.8	3,393	(10.1)	3,377	(21.8)	2,295	(19.1)	56.98
Full year	117,178	1.4	8,238	6.9	8,227	(0.6)	5,571	1.8	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: 1 (Company name: Kankokeizai News Corporation)

Excluded: - (Company name: -)

(2) Adoption of accounting treatment specific to the preparation of quarterly 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):

June 30, 2024: 41,925,300 shares

March 31, 2024: 41,925,300 shares

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

June 30, 2024: 1,646,407 shares

March 31, 2024: 1,663,807 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 40,271,068 shares

Three months ended June 30, 2023: 40,221,033 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, 92,600 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, 92,600 in FY 3/2025).

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes(voluntary)

* 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. Business Performance Overview (3) Future outlook” 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 financial results in the first quarter of the current fiscal year

(1) Explanation on business performance

① Business Performance Overview for the Current Term

In the first quarter of the current consolidated fiscal year, the Japanese economy is expected to grow at a rate exceeding its potential growth rate, because the positive circulation mechanism from income to expenditure will intensify gradually thanks to the loosening of monetary policies, etc.

On the other hand, there remain high uncertainties over the Japanese economy and commodity prices, because of overseas economic trends and commodity price fluctuations, changes in prices of resources, changes in wages and prices by enterprises, etc. Under these circumstances, it is necessary to pay attention to the effects of the trends of financial and exchange markets and the rise in commodity prices.

In this economic environment, the automobile sale industry, including major clients of the PROTO Group, saw a year-on-year decrease in the sales volume of new cars, as the misconduct of automobile manufacturers was revealed. In addition, the number of registered used cars increased slightly from the previous year, as the insufficiency of supply of new cars subsided.

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. Furthermore, in the commerce business, we made efforts to increase our sales share by establishing our brand.

Accordingly, the sales in the first quarter of the current consolidated fiscal year were 29,690 million yen, up 9.1% year on year. The major factors in the sales growth are the steady expansion of the platform business, which is the mainstay, and the expansion of sale of goods in the commerce business and the ticket sale business. Operating income was 2,277 million yen, up 2.1% year on year, as we provided more products and systems for DX in the platform business. Ordinary income was 2,323 million yen, down 15.7% year on year, as gain on revaluation of derivatives decreased due to fluctuations in exchange rates resulting in the emergence of latent profit from currency option trading, which was conducted for avoiding exchange risks. Profit attributable to owners of parent was 1,595 million yen, down 11.8% year on year, due to the above-mentioned decline in gain on revaluation of derivatives.

② Overview of each segment

The results of each business segment are as follows.

(Platform)

Aiming for the establishment of the No. 1 platform in the mobility industry, we strove to enhance our services contributing to DX of the mobility field alongside endeavoring to expand our market share in each business field and increase average spending per customer.

Regarding the “media” in the platform business, we made efforts to maximize the “Goo-net” content, expand the number of affiliated stores and support the management of used car dealers by providing and improving the functions of “MOTOR GATE,” the background system of “Goo-net,” in the used car field. With regard to the maintenance field, we focused on building a network of service shops which work with us by promoting the adoption of “Goo Failure Diagnosis,” an On-Board Diagnostics (OBD) service, as well as “Goo Maintenance Pack,” a regular car maintenance service package, in addition to enhancing the content of “Goo-net Pit.”

Regarding “services” in the platform business, we kept working on the sales promotion of “DataLine SalesGuide” by establishing a system for cooperation with manufacturers in the new car field.

Consequently, sales were 8,145 million yen (up 4.9% year on year). The major factor in the sales growth is the healthy provision of products for DX, such as “AI Recommend Space,” in the platform business, which is represented by “MOTOR GATE.”

Operating income was 2,502 million yen, up 3.0% year on year, thanks to the growth of the service business, which is represented by “DataLinePRO.”

(Commerce)

Regarding the “sale of goods” in the commerce business, we continuously strove to enhance the sale of tires and wheels of major brands we handle and increase sales opportunities by revising selling prices. With regard to export of used cars, the number of cars exported to Malaysia, which is a major destination country for export, exceeded the plan.

Furthermore, with regard to “ticket sales” in the commerce business, we focused on expanding opportunities for both the sale and purchase of gift certificates and gift vouchers by providing our Internet business know-how while cultivating the market by opening new shops.

Consequently, sales stood at 19,382 million yen (up 11.9% year on year). The major factor in the sales growth is the healthy export of used cars. Operating income was 90 million yen, down 44.7% year on year, due to the augmentation of procurement costs caused by the yen depreciation in the business of sale of tires and wheels.

(Other Business)

In the first quarter of the current consolidated fiscal year, we acquired the shares of Kankokeizai News Corporation, including this company in the scope of consolidation. In addition, operating income margin improved, as okinawa basketball inc. decreased expenses for promoting Ryukyu Golden Kings and reduced procurement costs.

Consequently, sales stood at 2,163 million yen (up 1.3% year on year), operating income reached 229 million yen (up 66.8% year on year).

(2) Explanation on the financial standing

The total assets as of the end of the first quarter of the current consolidated fiscal year stood at 66,092 million yen, down 512 million yen from the end of the previous consolidated fiscal year. The situation concerning assets, liabilities and net assets is as described below.

i. Assets

Current assets stood at 43,266 million yen, down 1,273 million yen from the end of the previous consolidated fiscal year, as the accounts receivable of AUTOWAY Co., Ltd. decreased.

Fixed assets stood at 22,826 million yen, up 761 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 stood at 16,492 million yen, down 1,093 million yen from the end of the previous consolidated fiscal year, as accounts payable declined due to the decrease of product procurement in TIRE WORLD KAN BEST CO., LTD.

Fixed liabilities stood at 1,329 million yen, down 24 million yen from the end of the previous consolidated fiscal year, as long-term debt decreased through the repayment of debt by AUTOWAY Co., Ltd. and PROTO SOLUTION Co., Ltd.

iii. Net assets

Net assets stood at 48,270 million yen, up 605 million yen from the end of the previous consolidated fiscal year due to recording profit attributable to owners of parent of 1,595 million yen, despite a payment of dividends from surplus of 1,009 million yen.

(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. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	25,764	24,935
Notes and accounts receivable - trade	6,394	5,571
Inventories	9,134	9,513
Other	3,254	3,251
Allowance for doubtful accounts	(7)	(5)
Total current assets	44,539	43,266
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,497	5,467
Land	5,590	5,657
Other, net	911	1,276
Total property, plant and equipment	12,000	12,402
Intangible assets		
Goodwill	2,146	2,193
Other	2,632	2,759
Total intangible assets	4,778	4,952
Investments and other assets		
Investment securities	2,686	2,804
Other	2,606	2,674
Allowance for doubtful accounts	(6)	(7)
Total investments and other assets	5,286	5,471
Total non-current assets	22,065	22,826
Total assets	66,604	66,092

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,754	1,121
Electronically recorded obligations - operating	1,999	1,893
Short-term borrowings	4,300	4,500
Current portion of long-term borrowings	74	77
Accrued expenses	2,636	2,848
Income taxes payable	1,662	792
Contract liabilities	2,422	2,541
Provision for bonuses	238	273
Provision for share awards	22	0
Provision for merchandise warranties	14	14
Other	2,461	2,429
Total current liabilities	17,586	16,492
Non-current liabilities		
Long-term borrowings	358	337
Provision for retirement benefits for directors (and other officers)	276	278
Retirement benefit liability	158	162
Asset retirement obligations	352	355
Other	207	195
Total non-current liabilities	1,353	1,329
Total liabilities	18,939	17,822
Net assets		
Shareholders' equity		
Share capital	1,849	1,849
Capital surplus	2,149	2,148
Retained earnings	44,203	44,789
Treasury shares	(1,290)	(1,268)
Total shareholders' equity	46,911	47,518
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	428	368
Foreign currency translation adjustment	(23)	(24)
Total accumulated other comprehensive income	405	344
Non-controlling interests	348	407
Total net assets	47,664	48,270
Total liabilities and net assets	66,604	66,092

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	27,220	29,690
Cost of sales	19,902	22,099
Gross profit	7,317	7,591
Selling, general and administrative expenses	5,085	5,314
Operating profit	2,231	2,277
Non-operating income		
Interest and dividend income	2	4
Share of profit of entities accounted for using equity method	0	0
Foreign exchange gains	50	-
Gain on valuation of derivatives	418	34
Other	65	25
Total non-operating income	538	65
Non-operating expenses		
Interest expenses	2	4
Loss on investments in investment partnerships	9	9
Foreign exchange losses	-	0
Other	4	5
Total non-operating expenses	15	19
Ordinary profit	2,755	2,323
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	-	39
Total extraordinary income	0	39
Extraordinary losses		
Loss on sale and retirement of non-current assets	21	0
Total extraordinary losses	21	0
Profit before income taxes	2,734	2,362
Income taxes - current	962	753
Income taxes - deferred	(78)	(43)
Total income taxes	884	710
Profit	1,850	1,652
Profit attributable to non-controlling interests	41	56
Profit attributable to owners of parent	1,808	1,595

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	1,850	1,652
Other comprehensive income		
Valuation difference on available-for-sale securities	345	(59)
Foreign currency translation adjustment	(3)	(1)
Total other comprehensive income	342	(61)
Comprehensive income	2,192	1,590
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,150	1,534
Comprehensive income attributable to non-controlling interests	41	56

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

No applicable items.

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

No applicable items.

(Segment information, etc.)

I The first quarter of the previous consolidated fiscal year (From April 1, 2023, to June 30, 2023)

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

(Millions of yen)

	Segment to be reported				Adjustment (Note)1	Amount posted in the quarterly consolidated profit-and-loss statement (Note)2
	Platform	Commerce	Other Business	Total		
Net sales						
Media	6,309	—	—	6,309	—	6,309
Services	1,457	—	—	1,457	—	1,457
Sales of goods	—	7,166	—	7,166	—	7,166
Ticket sales	—	10,150	—	10,150	—	10,150
Other Business	—	—	2,096	2,096	—	2,096
Revenue arising out of contracts with customers	7,767	17,316	2,096	27,180	—	27,180
Other revenues (Note)3	—	—	39	39	—	39
Sales to external customers	7,767	17,316	2,136	27,220	—	27,220
Internal sales or transfer between segments	16	0	453	469	(469)	—
Total	7,784	17,316	2,589	27,690	(469)	27,220
Segment profit	2,430	163	137	2,731	(499)	2,231

(Notes) 1 The adjustment of segment profit includes -2 million yen due to the exclusion of transactions between segments and -497 million yen due to group-wide expenses, which are composed of mainly general administrative expenses not attributable to the segments to be reported.

2 Segment profit has been adjusted with the operating income recorded in the quarterly consolidated profit-and-loss statement.

3 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 items.

II The first quarter of the current consolidated fiscal year (From April 1, 2024, to June 30, 2024)

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

(Millions of yen)

	Segment to be reported				Adjustment (Note)1	Amount posted in the quarterly consolidated profit-and-loss statement (Note)2
	Platform	Commerce	Other Business	Total		
Net sales						
Media	6,565	—	—	6,565	—	6,565
Services	1,579	—	—	1,579	—	1,579
Sales of goods	—	8,594	—	8,594	—	8,594
Ticket sales	—	10,788	—	10,788	—	10,788
Other Business	—	—	2,122	2,122	—	2,122
Revenue arising out of contracts with customers	8,145	19,382	2,122	29,650	—	29,650
Other revenues (Note)3	—	—	40	40	—	40
Sales to external customers	8,145	19,382	2,163	29,690	—	29,690
Internal sales or transfer between segments	24	0	527	551	(551)	—
Total	8,169	19,383	2,690	30,242	(551)	29,690
Segment profit	2,502	90	229	2,822	(544)	2,277

(Notes) 1 The adjustment of segment profit includes -15 million yen due to the exclusion of transactions between segments and -528 million yen due to group-wide expenses, which are composed of mainly general administrative expenses not attributable to the segments to be reported.

2 Segment profit has been adjusted with the operating income recorded in the quarterly consolidated profit-and-loss statement.

3 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)

In the “Other” segment, we acquired the shares of Kankokeizai News Corporation to make it a consolidated subsidiary in the first quarter of the current consolidated fiscal year. Through said event, goodwill increased 103 million yen.

3 Information on assets in each segment to be reported

In the first quarter of the current consolidated fiscal year, we acquired the shares of Kankokeizai News Corporation to include it in the scope of consolidation, so the assets in the “Other” segment increased 423 million yen from the end of the previous consolidated fiscal year.

(Notes on the cash flow statement)

We have not produced a quarterly consolidated cash flow statement for the first quarter of the current consolidated fiscal year. The depreciation and amortization (including the amortization of intangible fixed assets excluding goodwill) and goodwill amortization in the first quarter of the current consolidated fiscal year are as follows.

	The first quarter of the previous consolidated fiscal year (From April 1, 2023, to June 30, 2023)	The first quarter of the current consolidated fiscal year (From April 1, 2024, to June 30, 2024)
Depreciation	255 million yen	309 million yen
Goodwill amortization	54 million yen	56 million yen