

# **Business Briefing**

**- Efforts towards the achievement of  
the 3-year mid-term plan -**

**PROTO CORPORATION**

**November 7, 2016**



# Corporate goal, Management ethos, Management policy

## Corporate goal: To become a “Wonderful Company”

To create a firm demanded by society, by satisfying customers (with useful information and services), boosting the pride of employees (for their company and work), and winning the trust of shareholders (the future and results).

## Management ethos

The basic policy of our business is to connect our company with people and other firms effectively through wisdom and information rather than selling goods, and contribute to society.

## Management policy

Establishment of corporate and product brands

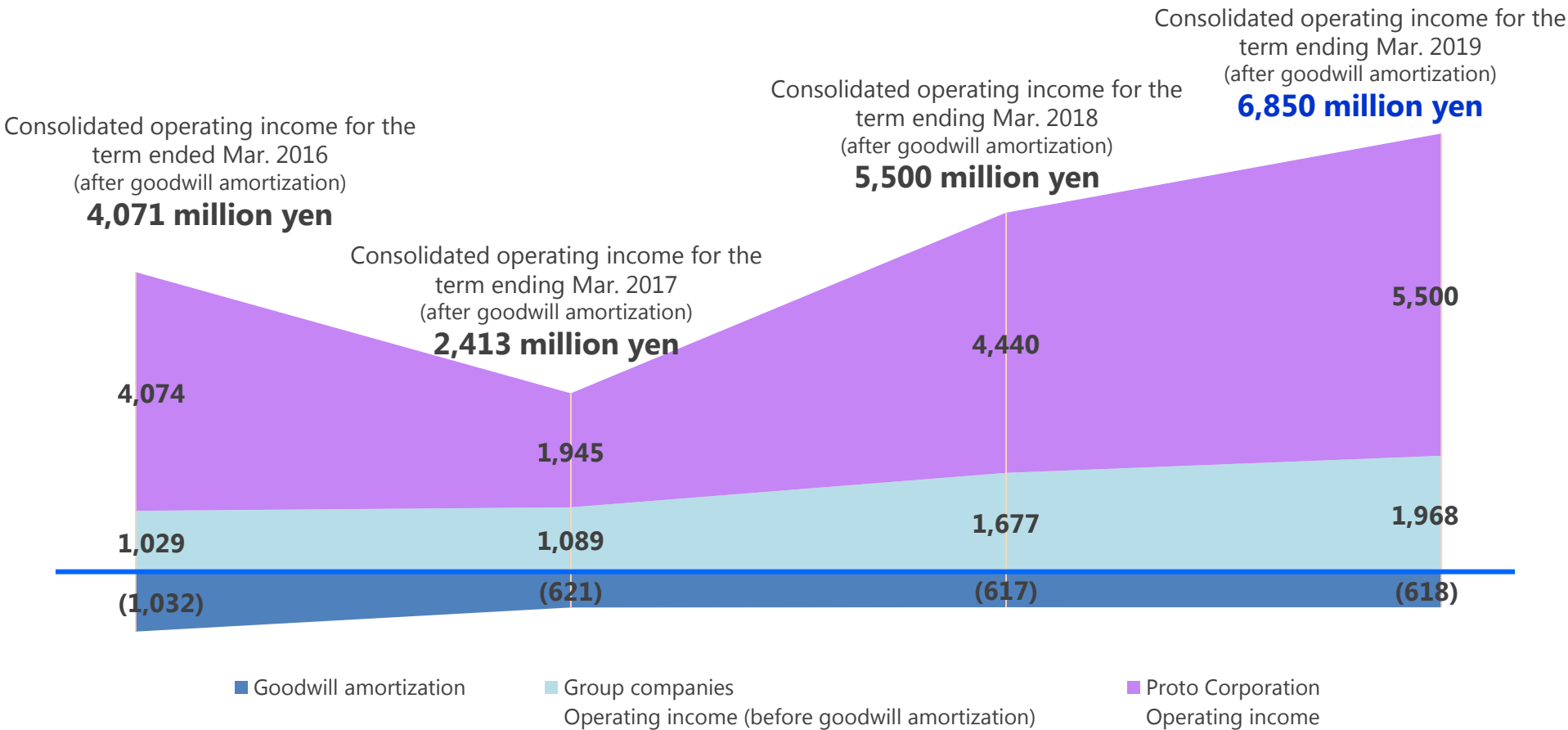
# 3-year mid-term business plan (Profit/loss)

[unit: million yen]	FY March 2016 Results	FY March 2017 Forecast	FY March 2018 Forecast	FY March 2019 Forecast
Net Sales	54,297	58,251	67,690	76,729
Cost of Sales	33,067	34,679	39,702	44,823
Gross Profit	21,229	23,572	27,988	31,906
SG&A Expenses	17,157	21,159	22,488	25,056
Operating Income	4,071	2,413	5,500	6,850
Profit margin(%)	7.5	4.1	8.1	8.9
Ordinary Income	4,190	2,431	5,502	6,848
Net Income	(390)	1,453	3,680	4,620
Net Income per Share(Yen)	(19.28)	72.35	183.46	230.33

\*The planned values of FY March 2017 and later were announced on May 13, 2016.

\*For the "Net Income per Share" of FY March 2017 and later, it reflects the impact of the acquisition of treasury stock, which was carried out in May- June 2016.

# Variation in operating income in the 3-year mid-term plan



**Consolidated operating income for the term ending Mar. 2019:  
6,850 million yen**

# Vision “Comprehensive support for car life”

**Vision**  
**Comprehensive support for car life**

**Business strategy**  
**Creation of Goo Life Time Value**  
To organically combine the activities in the business domains of new and used cars and maintenance

## Current situation

We have increased business partners in each of the business domains of new and used cars and maintenance, and have been offering products and services.

### Products and Services

New Cars	Data Line SalesGuide	3,294 sites
Used Cars	MOTOR GATE 7-ネット	12,621 companies
Maintenance	グーピット GooPit	10,527 shops

To develop a system for comprehensively supporting the car life of each user

# To realize the vision “comprehensive support for car life” (1)

**Point  
Used Cars**

**To improve the value of used cars**

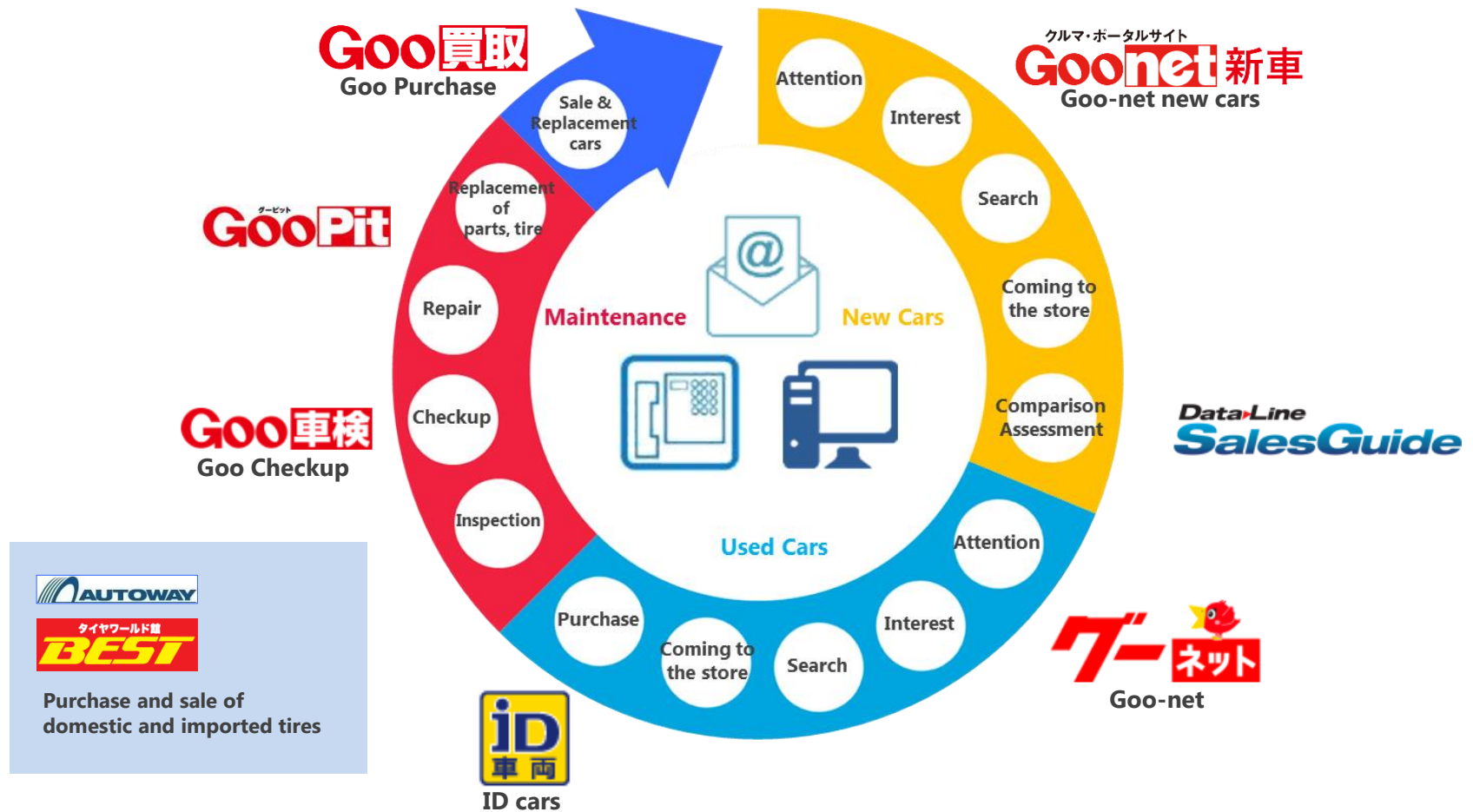
**Point  
Maintenance**

**To improve maintenance services  
—Fusion of the real world and the Internet  
in the car maintenance field**

**We aim to create Goo Life Time Value by strengthening the activities in each business domain.**

# To realize the vision “comprehensive support for car life” (2)

## Business strategy “Creation of Goo Life Time Value”



**Goo Life Time Value (Goo's value for increasing customers)  
We will support the car life of each user with reliable services.**

Efforts for used car dealers

**To improve the value of used cars**

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# Used cars: Trends of the market and competitors, and PROTO's scheme

<b>Trend of market</b>	<p><b>As the needs of users have changed and users now emphasize cost and use automobiles just as tools, the competition for procuring even old-model and over-used vehicles is getting fierce.</b></p> <p>【Future prospects】</p> <ul style="list-style-type: none"><li>• Competitions will get fiercer, because of the downturn in consumer confidence and the enhanced multi-store operation of leading dealers.</li><li>• As the procurement competition in the auction market will get fierce, more used car dealers will intensify their buying activities.</li><li>• It is necessary to introduce services according to the changes in user needs.</li></ul>
<b>Trend of competitors</b>	<p><b>At present, our share of the used car-related media (primary source) is neck and neck with that of a competitor. We need to differentiate our services from them.</b></p>



<b>PROTO's scheme</b>	<p><b>【To develop an environment in which users can purchase a used car without worry!】</b></p> <p>To lead the development of an environment in which users can buy a used car while feeling secure, and "improve the value of each used car."</p>
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**To dispel users' anxiety over used cars, and accelerate the matching with used car dealers.**

# To achieve the largest sales volume



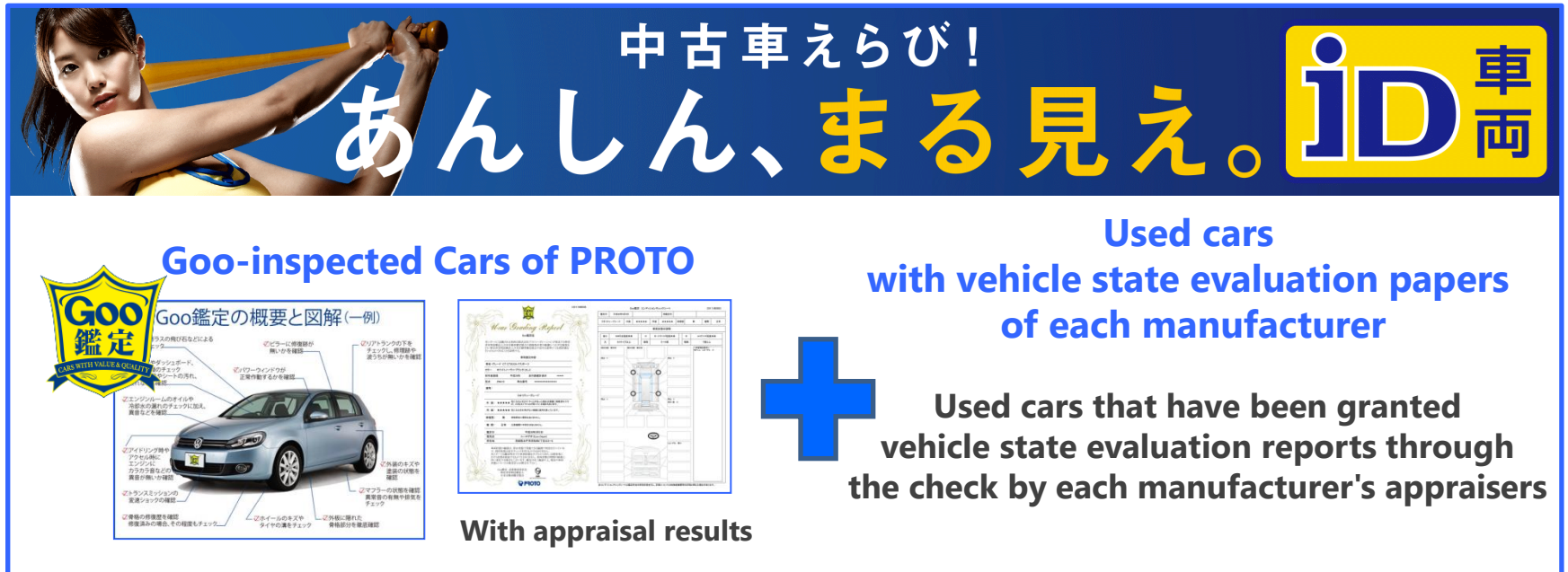
# Efforts for improving the value of used cars

## ■ Large sales volume thanks to the disclosure of vehicle states

→ Launch of the new service “ID cars (Certified Pre-Owned cars:

Goo-inspected cars + manufacturer-certified used cars)” (Aug. 18, 2016)

“ID cars ” mean the pre-owned cars that have undergone accurate professional inspection, which the inspection results are available publicly. “ID cars ,” which are accompanied by “fact sheets”, will become a new standard for selecting a used car with peace of mind.



中古車えらび！  
あんしん、まる見え。 ID 車両

**Goo-inspected Cars of PROTO**

With appraisal results

**Used cars with vehicle state evaluation papers of each manufacturer**

**Used cars that have been granted vehicle state evaluation reports through the check by each manufacturer's appraisers**

The advertisement features a woman in a yellow baseball uniform swinging a bat. Below her is a diagram of a car with various inspection points labeled in Japanese. To the right is a sample of a manufacturer's vehicle state evaluation paper, which includes a detailed checklist and a photo of the car. A large blue plus sign is placed between the Goo-inspected cars and the manufacturer's papers, indicating their combination.

To increase sales volume by “visualizing” used car data

# Efforts for users

## ■ To increase users in cooperation with major websites and media



Lead



Lead



Real media  
"TV commercials, transit ad, etc."

Internet (smartphones and PCs)

Real media  
(information magazines)  
"Convenience stores and bookstores"

**LINE**  
(Sep. 2016)



**MOBY**  
(Aug. 2016)

**BIGLOBE**  
(Dec. 2014)

**Jimoty**  
(Oct. 2014)

**Used Car EX**  
(Jul. 2014)

**Kakaku.com**  
(Jan. 2014)

**goo**  
(Oct. 2004)

**We aim to maximize the contact points with users in cooperation with major websites and media.**

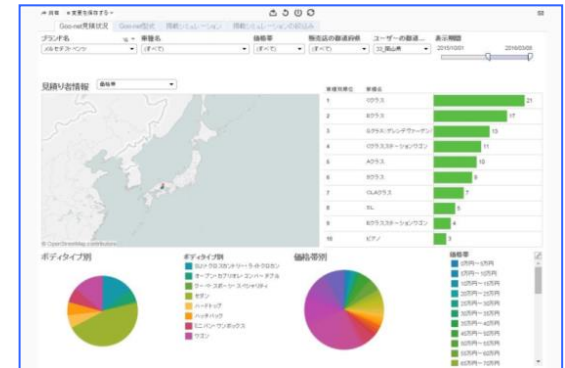
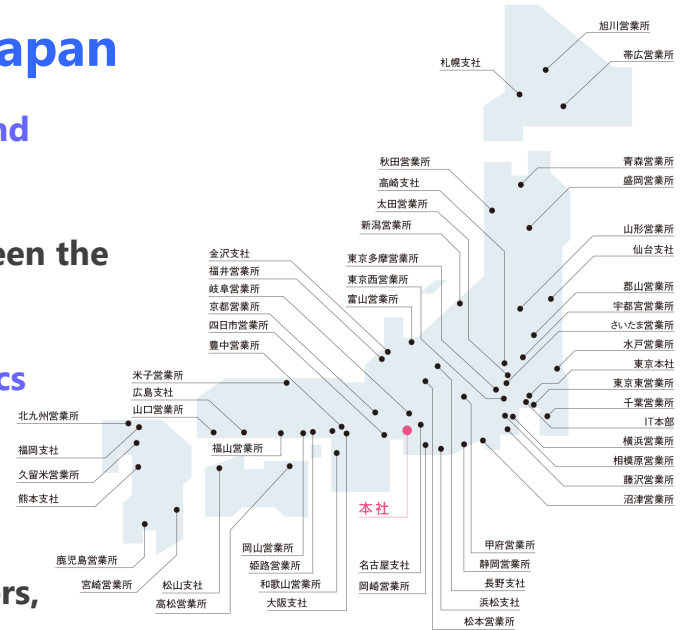
# Efforts for clients

## ■ Utilization of sales infrastructure across Japan

- To concentrate on **follow-up services** with our **support system and proposals**
- To **develop IT services speedily** based on the collaboration between the sales and IT sections
- To offer products and services considering **regional characteristics**

## ■ Improvement in sales efficiency

- To **narrow down targets** with the Business Intelligence tool  
→ To monitor the number of requests for price estimation from users, inventory turnover rate, etc. at each spot
- To **strengthen sales systems**  
→ To manage sales results and man-hours in an integrated manner, and deploy personnel appropriately
- To utilize a **call center for clients** of PROTO SOLUTION Co.,Ltd. (former PROTO DATA CENTER)



We aim to expand our share with respect to the number of clients, by utilizing the nationwide sales infrastructure and giving appropriate proposals based on data analysis.

**Efforts for maintenance shops**

**To improve maintenance services**

**—Fusion of the real world and the Internet in the car maintenance field**

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# Maintenance: trends of the market and competitor, and PROTO's scheme

<b>Trend of market</b>	<p><b>As the entry from other fields is increasing and competitions are getting fierce, maintenance shops are facing difficulty in securing the sufficient number of cars to be repaired. Accordingly, they need to be active for differentiating their maintenance services, operating related businesses, etc.</b></p> <p>【Future prospects】</p> <ul style="list-style-type: none"><li>• It is necessary to break out of their “passive” stance, depending on statutory checkup.</li><li>• It is necessary to get new users in order to improve the operating rate of the core business.</li><li>• As unit maintenance fee is dropping, it is necessary to secure revenue from other businesses.</li></ul>
<b>Trend of competitors</b>	<p><b>As of now, there are not overwhelming contents regarding maintenance shops, but there exist the contents for each FC group and online services for reeling in customers.</b></p>



<b>PROTO's scheme</b>	<p><b>【Improvement of maintenance services】</b></p> <ul style="list-style-type: none"><li>• To vitalize the maintenance market in cooperation with local maintenance shops</li><li>• To develop an optimal maintenance environment for car users: “easy, convenient, and explicit”</li><li>• To create new kinds of business</li><li>• To create new kinds of business by utilizing the network of 10,000 maintenance shops</li></ul>
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**To develop an optimal maintenance environment for car users, by fusing real and online media.**

# Outline of the car maintenance market

## ■ No. of maintenance shops (end of Mar. 2016)

**No. of accredited shops: 92,156**  
**(No. of GooPit member shops: 10,408)**

(Source: MLIT)

▶ More abundant than used car dealers

## ■ No. of owned automobiles (end of Mar. 2016)

**About 77 million**

(Source: Automobile Inspection & Registration Association)

▶ Stable business base

## ■ Sales of car maintenance: 5.5 trillion yen (as of the end of Jun. 2015)

- **Car checkup: 2.1 trillion yen (@65,000 yen)**
- **Repair, etc. after accidents: 3.4 trillion yen**

(Source: Japan Automobile Service Promotion Association)

▶ Market scale comparable to the used car retail market

## ■ No. of cars checked up per year: about 32.3 million (end of Mar. 2016)

(Source: MLIT, Light Motor Vehicle Inspection Organization)

- **For reference: Ratio of undecided car owners: about 20%**

**(Those who have not yet determined where they should bring their cars for the next checkup)**

- **For reference: No. of cars checked up at major car parts shops per year: about 600,000 (share: about 2%)**

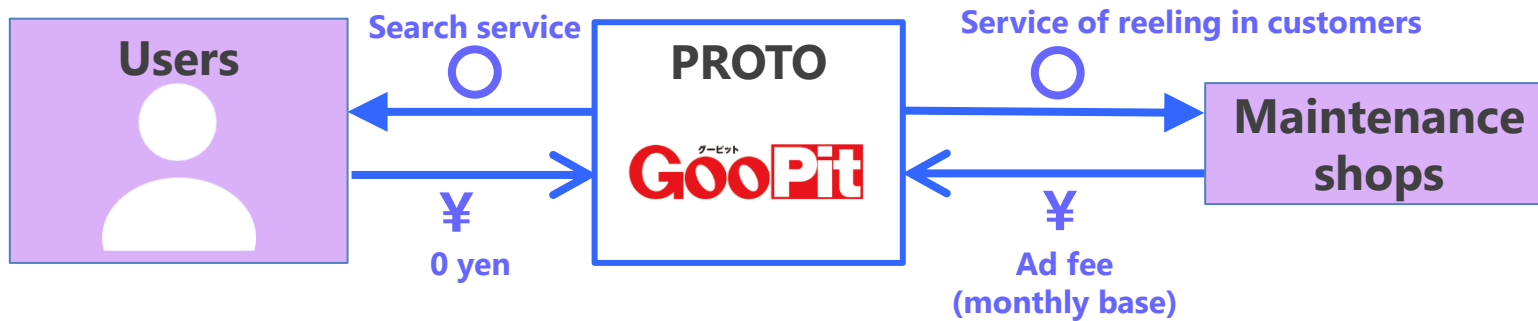
(Surveyed by our company)

**The market scale is large, but the advantage of scale is not significant in this field.**

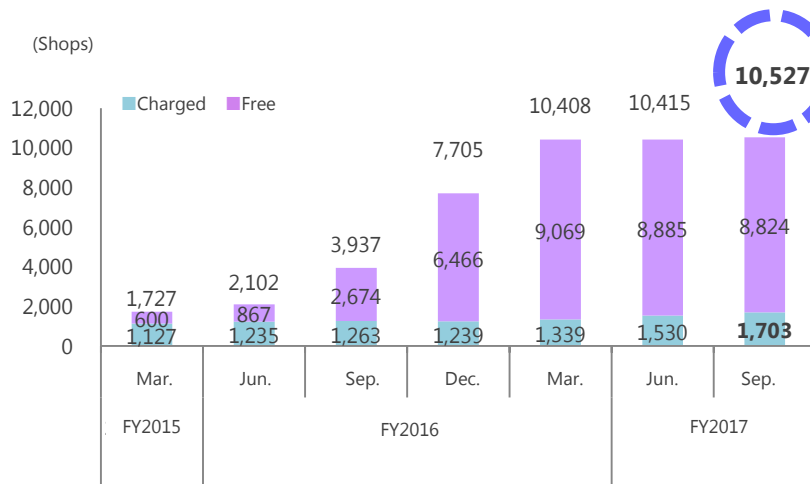


# PROTO's activities so far (maintenance shops)

## Business model of GooPit (matching between users and maintenance shops)



## Increase of GooPit member shops



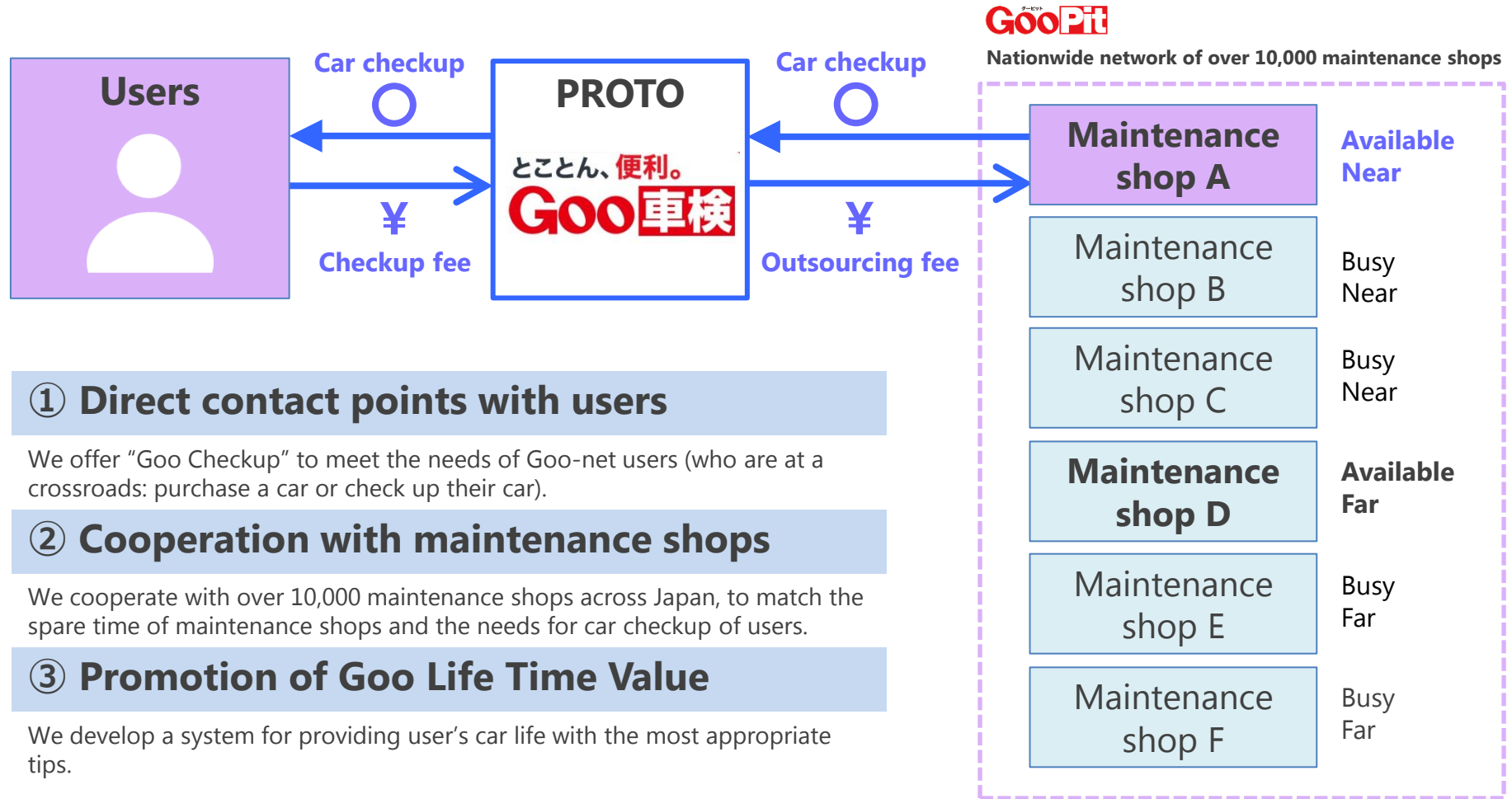
Share of GooPit member shops  
**11.4%**



To develop the nationwide network of maintenance shops by offering  
**GooPit**

# “Goo Checkup,” a service of transporting customers of maintenance shops

## ■ Business model of Goo Checkup (started the test marketing in the Tokai area in Aug. 2016)



### ① Direct contact points with users

We offer “Goo Checkup” to meet the needs of Goo-net users (who are at a crossroads: purchase a car or check up their car).

### ② Cooperation with maintenance shops

We cooperate with over 10,000 maintenance shops across Japan, to match the spare time of maintenance shops and the needs for car checkup of users.

### ③ Promotion of Goo Life Time Value

We develop a system for providing user’s car life with the most appropriate tips.

**To offer car checkup services by utilizing (sharing) the spare time of maintenance shops**

# “Goo Checkup,” a service of transporting customers of maintenance shops

## ■ Merits for users

Point  
1



### Concierge support (by website/telephone)

PROTO's comprehensive support for application for car checkup to car delivery

Point  
2



### Automobiles to be picked up at and delivered to your house

Your car is transported from your house to a maintenance shop, checked there, and delivered to your house (while you are provided with a loaner)

Point  
3



### Easy credit card payment

You do not need to prepare a large amount of money, but you can pay with a credit card at home.

## ■ Key words for winning the support of users

Nearby

Affordable

Secure

Safe

Convenient

**We aim to develop services that will be liked by users, while researching the needs of users.**

# Appendix

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# Efforts for new car dealers (1)

## • To improve Goo-net New Cars (the media of new vehicles)

### PC version



### SP version



### ■ Launch of the service

We started Goo-net New Cars in Sep. 2015, to support new car dealers in attracting customers.

### ■ Basic information

Shop info, maps, available car models, etc.

### ■ Charged options scheduled to become available in Jan. 2017

Hot info, tips about test-driving cars and exhibited vehicles, introduction of staff members, toll-free call setting, etc.

### Example of info in the media

【Dealers' Name】  
Store Information ▶ 店舗QRコード クリップ

**toll-free call 0066-9677-8629010**

展示車・試乗車のご確認、乗り換えシミュレーションの予約など、事前確認をおすすめします！

住所 東京都千代田区  
TEL 999-333-8888  
店舗サイト <http://dev.www.goo-net.com/newcar/>

### ■ Charged options to be launched for enriching the information on new car dealers

1. Users' reviews on shops
2. Function to reserve test-driving cars
3. Apps for shops

**We will improve Goo-net New Cars further,  
to promote customers to visit new car dealers.**

# Efforts for new car dealers (2)

## ■ Background 1

Dealers and users envisage ideal car change cycle in almost the same way.

Ideal for dealers

They want to recommend customers to change cars within 5 years.

Ideal for users

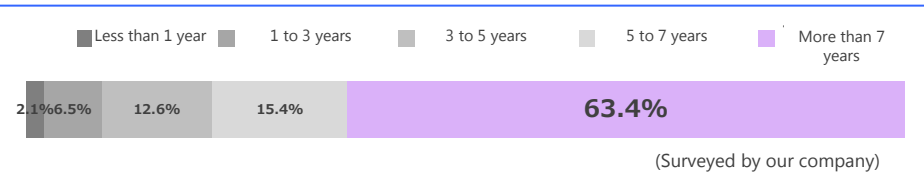
They want to change cars in around 5 years.

## ■ Background 2

On the other hand, many users think that "Owning a new for a long period time would minimize cost."

### [Actual car change cycle]

New car owning period: No. of years elapsed from the registration (n = 6,679)



Average car change cycle: **8 years and 5 months**

## • DataLine SalesGuide

In Oct. 2015, we started to offer business talk tools to new car dealers.



Goo-net New Cars, too, appeal to users.

Cost comparison function



Predicted price graph function



As of the end of Mar. 2017 (goals)

No. of dealers with this tool	<b>4,000 sites</b>
Market share	<b>25%</b>

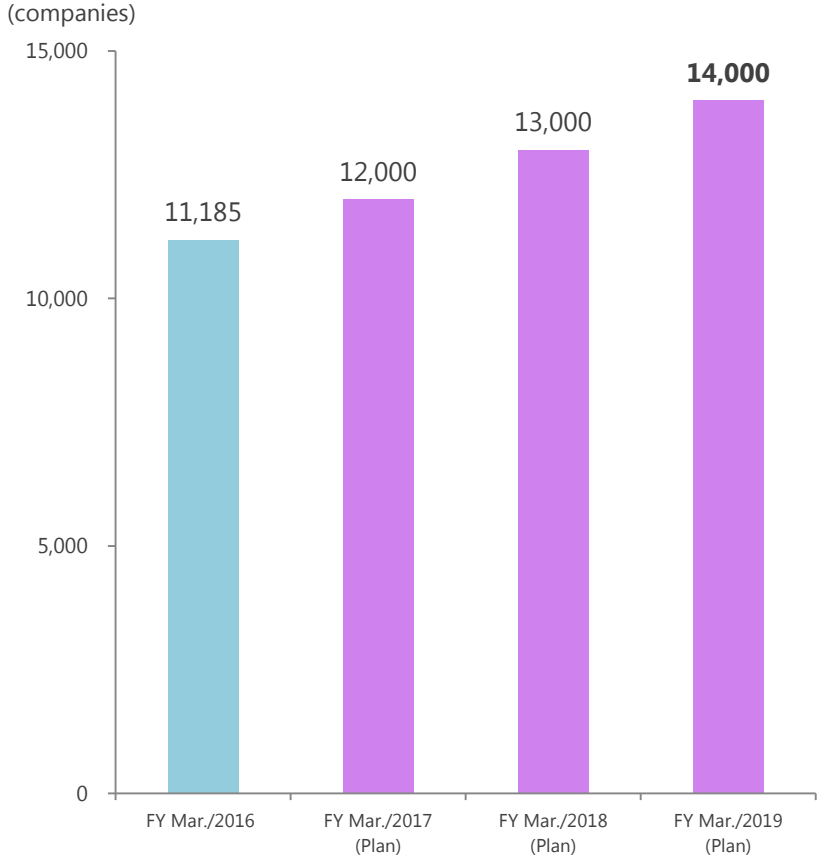
\*The total number of dealers is 16,075 sites.  
(Source: Japan Automobile Dealers Association)

**This service will enable logical proposals to users, and realize ideal car change cycle.**

# 3-year mid-term plan; KPI in each business domain

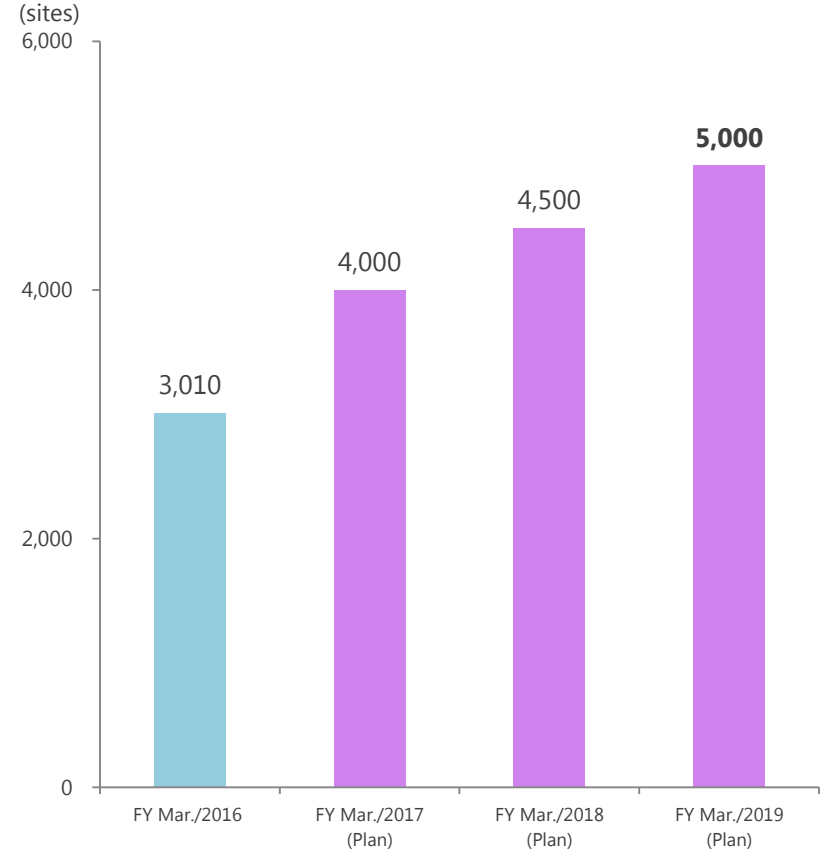
Point Used Cars

### No. of Affiliated companies of MOTOR GATE



Point New Cars

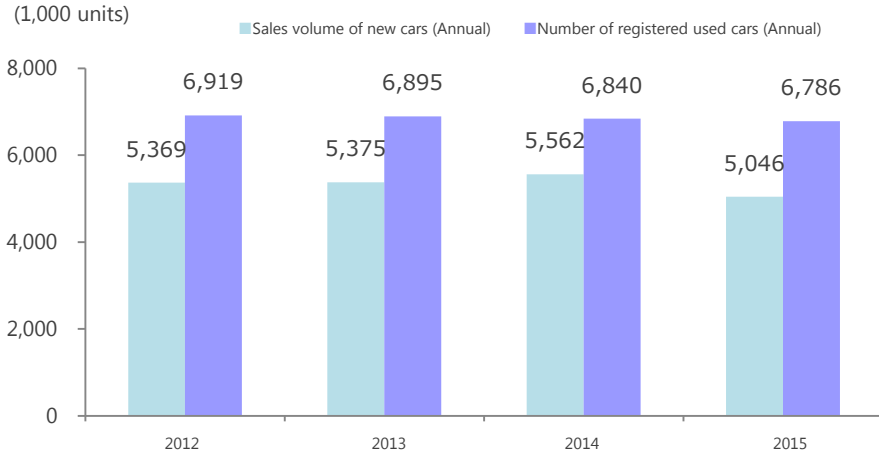
### No. of Affiliated sites of DataLine SalesGuide



**To complete the 3-year mid-term plan in each business field, and develop Goo Life Time Value**

# Reference: Market Trends (1)

Trends in the Sales Volume of New Cars and the Number of Used Car Registrations (Calendar Years)



Source: Data from Japan Auto Dealers Association and Japan Mini Vehicles Association

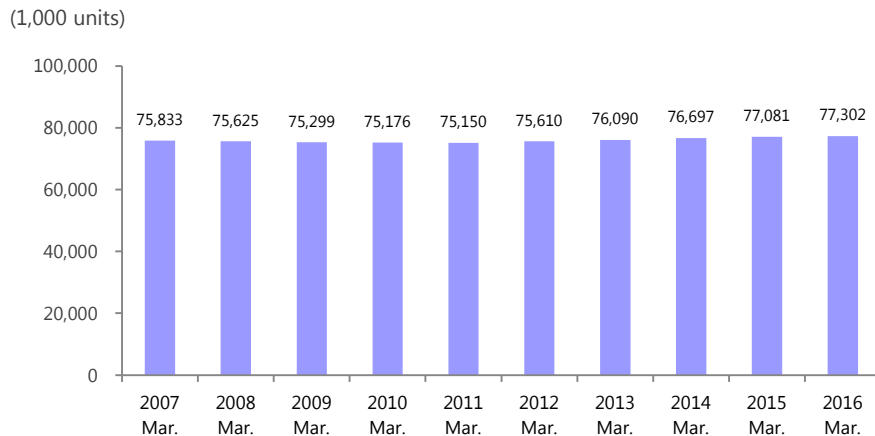
## Sales volume of new cars

The sales volume of new cars in 2015 (cumulative total in Jan. to Dec.) was 5.04 million (90.7% year on year), indicating a decreasing trend.

## No. of registered used cars

The number of registered used cars in 2015 (cumulative total in Jan. to Dec.) was 6.78 million (99.2% year on year), indicating a slight decrease.

Trends in the number of automobiles owned



Source: Automobile Inspection & Registration Information Association

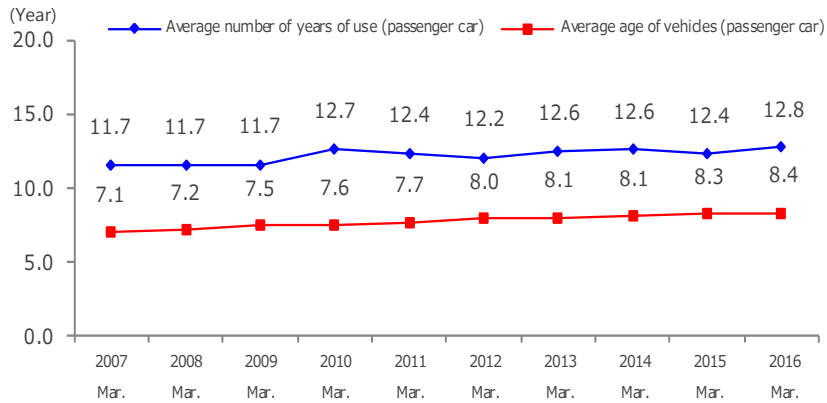
## Variation in the number of automobiles owned

The number of owned automobiles is slightly increasing, which is around 77 million these days.



# Reference: Market Trends (2)

## Variations in average number of years of use and age of vehicles



Source: Automobile Inspection & Registration Information Association

Variations in the average number of years of use and average car age  
The average number of years of use and average car age are increasing.

## Variation in the number of car maintenance shops (accredited and designated shops)



Source: Ministry of Land, Infrastructure, Transport and Tourism

## Variation in the number of car maintenance shops

The number of accredited shops is nearly constant, and the number of designated shops is slightly increasing. (Maintenance shops, dealers, car parts shops, gas stations, etc.)

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\* Amounts of money described in this material are rounded down to million yen.

## 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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