

Q2

**Financial Results for the Six Months Ended September 2016  
(April 1, 2016 to September 30, 2016)**

**PROTO CORPORATION**  
October 28, 2016



## Financial Data (Consolidated)

Shares outstanding (million)	20.9
Market capitalization (¥ billion, September 2016)	24.5
DPS (¥, FY March 2017, Forecast)	50.0
EPS (¥, FY March 2017, Forecast)	72.35
BPS (¥, FY March 2016)	1,286.93
ROE (% , FY March 2016, Net income basis)	(1.5)
ROA (% , FY March 2016, Ordinary income basis)	10.1
Equity ratio (% , March 2016)	63.6
Potential share dilution (million)	-
Foreign ownership (% , September 2016)	29.5

## Major Shareholders

	(Thousands)
1) Mugen Corporation	6,807 (32.50%)
2) JPMCC CLIENT SAFEKEEPING ACCOUNT	1,323 ( 6.31%)
3) PROTO CORPORATION	881 ( 4.20%)
4) BNYM TREATY DTT 10	587 ( 2.80%)
5) JP MORGAN CHASE BANK 385632	563 ( 2.69%)
6) CLEARSTREAM BANKING S.A	494 ( 2.36%)
7) Hiroichi Yokoyama	440 ( 2.10%)
8) Yoshihiro Yokoyama	394 ( 1.88%)
9) BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	388 ( 1.85%)
10) Takemi Masuda	313 ( 1.49%)

(As of September 30, 2016)

# Q2/FY March 2017 : Operating Results (1)

Consolidated Statements of Income [unit: million yen]	Q2/FY2016 March		Q2/FY2017 March				YoY change		Achievement rate	
	Results(a)	Sales ratio	Forecast(b)	Sales ratio	Results(c)	Sales ratio	(c)-(a)	%	(c)-(b)	%
Net Sales	26,317	100.0%	27,170	100.0%	26,399	100.0%	81	100.3%	(770)	97.2%
Cost of Sales	15,764	59.9%	16,367	60.2%	15,897	60.2%	133	100.8%	(469)	97.1%
Gross Profit	10,553	40.1%	10,803	39.8%	10,501	39.8%	(52)	99.5%	(301)	97.2%
SG&A Expenses	8,332	31.7%	9,642	35.5%	9,162	34.7%	829	110.0%	(479)	95.0%
EBITDA	3,231	12.3%	2,049	7.5%	2,199	8.3%	(1,032)	68.1%	149	107.3%
Operating Income	2,220	8.4%	1,161	4.3%	1,338	5.1%	(882)	60.3%	177	115.3%
Ordinary Income	2,301	8.7%	1,167	4.3%	1,306	4.9%	(995)	56.7%	139	111.9%
Net Income	1,244	4.7%	634	2.3%	702	2.7%	(542)	56.4%	68	110.8%
Net Income per Share(Yen)	61.36	-	31.54	-	34.93	-	(26.43)	56.9%	3.39	110.7%

\*1 The planned values for the term ended Mar. 2017 were announced on May 13, 2016.

\*2 For the "Net Income per Share" of FY March 2017, it reflects the impact of the acquisition of treasury stock, which was carried out in May- June 2016.

\*3 EBITDA was calculated with the equation: operating income + depreciation + amortization of goodwill

[unit: million yen]	Q2/FY2016 March		Q2/FY2017 March				YoY change		Achievement rate	
	Results(a)	Sales ratio	Forecast(b)	Sales ratio	Results(c)	Sales ratio	(c)-(a)	%	(c)-(b)	%
SG&A Expenses	8,332	31.7%	9,642	35.5%	9,162	34.7%	829	110.0%	(479)	95.0%
Employment Cost	3,845	14.6%	4,333	16.0%	4,009	15.2%	163	104.3%	(324)	92.5%
Advertising Cost	1,237	4.7%	2,055	7.6%	2,032	7.7%	795	164.3%	(22)	98.9%
Other Expenses	3,250	12.3%	3,252	12.0%	3,120	11.8%	(129)	96.0%	(132)	95.9%
Number of Employees	1,497	-	1,692	-	1,598	-	101	106.7%	(94)	94.4%

\*\*"Advertisement-related" means "advertisement expenses + sales promotion cost."

# Q2/FY March 2017 : Operating Results (2)

## Net Sales

**Remain the same level as the previous year (100.3% year on year), and the planned sales not achieved (97.2% of the plan)**

While the EC sales volume of motorcycle parts and supplies by Bike Bros Inc. decreased from the previous year, sales increased by 81 million yen (100.3%) year on year mainly because the welfare equipment rental service business operated by PROTO MEDICAL CARE showed a steady growth.

Sales fell short of the plan (97.2%) mainly because the sales volume and unit sales price of tires of AUTOWAY Co., Ltd. came below the plan and the EC sales volume of motorcycle parts and supplies by Bike Bros Inc. was less than the plan.

## Gross Profit

**Remain the same level as the previous year (99.5% year on year), and the planned gross profit not achieved (97.2% of the plan)**

While gross profit augmented because of a reduction in purchase cost in AUTOWAY Co., Ltd., an improved exchange rate and the like, it declined by 52 million yen (99.5%) year on year due to measures aimed to enhance "Goo-inspection" in PROTO CORPORATION, and the like. Gross profit came below the plan (97.2%)

## SG&A Expenses

**Increased (110.0% year on year), and fell below the planned expenses (95.0% of the plan)**

SG&A expenses grew by 829 million yen (110.0%) year on year mainly because of increase in advertising expenses to improve recognition of "ID cars (Certified Pre-Owned cars: Goo-inspected cars + manufacturer-certified used cars)" in PROTO CORPORATION and increase in labor costs as a result of business expansion of the business scale of PROTO MEDICAL CARE.

On the other hand, it fell short of the plan (95.0%) mainly because labor costs at PROTO CORPORATION and PROTO MEDICAL CARE were lower than the plan.

## Operating Income

**Decreased (60.3% year on year), and exceeded the planned operating income (115.3% of the plan)**

Operating income declined by 882 million yen (60.3%) year on year mainly because of increase in advertising expenses related to "ID cars" and the like in PROTO CORPORATION. It surpassed the plan (115.3%).

## Net Income

**Decreased (56.4% year on year), and exceeded the planned net income (110.8% of the plan)**

Net income decreased by 542 million yen (56.4%) year on year due to the abovementioned factors and the like. However, it exceeded the plan (110.8%).

# Q2/FY March 2017 : Operating Results by Segment(1)

Net Sales [unit: million yen]	Q2/FY2016 March		Q2/FY2017 March				YoY change		Achievement rate	
	Results(a)	Sales ratio	Forecast(b)	Sales ratio	Results(c)	Sales ratio	(c)-(a)	%	(c)-(b)	%
Automobile-related	24,007	91.2%	24,387	89.8%	23,614	89.5%	(393)	98.4%	(772)	96.8%
Ad-related	10,378	39.4%	10,612	39.1%	10,358	39.2%	(20)	99.8%	(253)	97.6%
Information and services	2,481	9.4%	2,603	9.6%	2,457	9.3%	(23)	99.1%	(145)	94.4%
Sales of goods	11,148	42.4%	11,171	41.1%	10,798	40.9%	(349)	96.9%	(373)	96.7%
Lifestyle-related	1,647	6.3%	2,102	7.7%	2,107	8.0%	459	127.9%	5	100.3%
Real Estate	80	0.3%	83	0.3%	89	0.3%	8	110.5%	6	107.3%
Other Business	581	2.2%	597	2.2%	587	2.2%	6	101.1%	(9)	98.4%
Total	26,317	100.0%	27,170	100.0%	26,399	100.0%	81	100.3%	(770)	97.2%

Operating Income [unit: million yen]	Q2/FY2016 March		Q2/FY2017 March				YoY change		Achievement rate	
	Results(a)	Profit margin	Forecast(b)	Profit margin	Results(c)	Profit margin	(c)-(a)	%	(c)-(b)	%
Automobile-related	2,805	11.7%	1,871	7.7%	1,880	8.0%	(925)	67.0%	9	100.5%
Lifestyle-related	182	11.1%	231	11.0%	295	14.0%	113	162.1%	64	128.0%
Real Estate	55	68.0%	50	60.9%	68	76.7%	13	124.6%	17	135.2%
Other Business	(23)	-	(80)	-	(57)	-	(33)	-	22	-
Management Division	(798)	-	(911)	-	(848)	-	(50)	-	62	-
Total	2,220	8.4%	1,161	4.3%	1,338	5.1%	(882)	60.3%	177	115.3%

# Q2/FY March 2017 : Operating Results by Segment(2)

## Automobile-related

**Sales: Decreased (98.4% year on year), and the planned sales not achieved (96.8% of the plan)**

**Ad-related:** While the number of Goo-net (MOTOR GATE) clients steadily increased, sales declined (99.8%) year on year mainly because earnings from advertising in 2 overseas subsidiaries (in Malaysia and Taiwan) dropped from the previous year. Sales fell short of the plan (97.6%) mainly because earnings from advertising in the overseas subsidiaries were less than the plan, as well as Goo-purchase and GooPit sales.

**Information and services:** While sales from DataLine SalesGuide (a negotiation tool for new car dealers) of PROTO CORPORATION increased from the previous year, sales went down (99.1%) year on year mainly because the sales volume of the system for the car maintenance field offered by PROTO-RIOS Inc. was less than the previous year. Sales fell short of the plan (94.4%) mainly because sales by PROTO-RIOS Inc. came below the plan.

**Sale of goods:** Sales declined (96.9%) year on year mainly because the EC sales volume of motorcycle parts and supplies by Bike Bros Inc. was lower than the previous year. Sales came below the plan (96.7%) mainly because the unit sales price and sales volume of tires by AUTOWAY Co., Ltd. fell short of the plan.

**Operating income: Decreased (67.0% year on year), and nearly the same level as the planned operating income (100.5% of the plan)**

Operating income decreased by 925 million yen (67.0%) year on year mainly due to increase in advertising expenses resulted from enhanced promotion of "ID cars" in PROTO CORPORATION. While operating income from sale of the system for the car maintenance field by PROTO-RIOS INC. fell short of the plan, it exceeded the plan (100.5%) mainly because gross profit by AUTOWAY Co., Ltd. went beyond the plan due to an improved exchange rate as well as because labor costs and other expenses in PROTO CORPORATION and CAR CREDO Co., Ltd. were less than the plan.

## Lifestyle-related

**Sales: Increased (127.9% year on year), and nearly the same level as the planned sales (100.3% of the plan)**

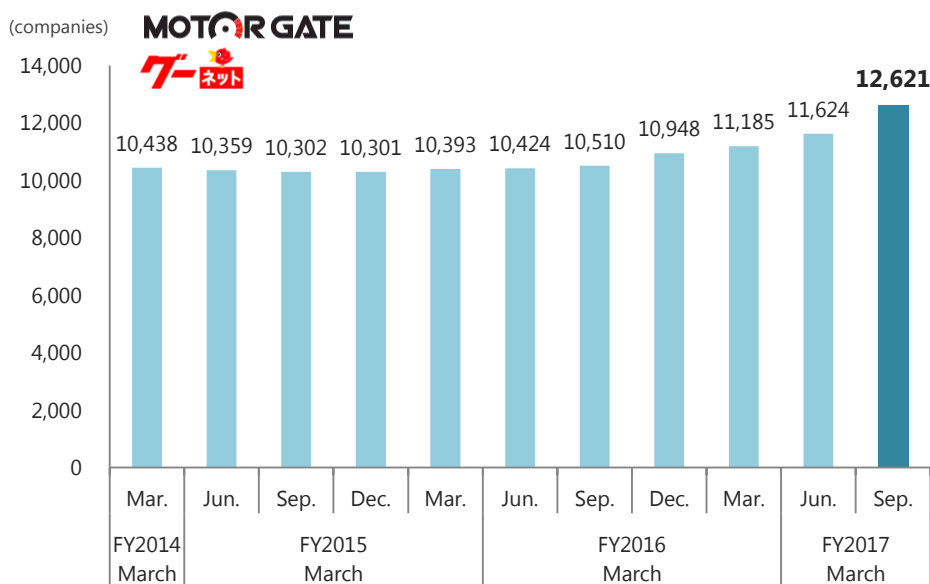
Sales augmented (127.9%) year on year mainly because, in the medical, care, and welfare fields, the welfare equipment rental service business of MARUFUJI and SILVER HEART, which were acquired by PROTO MEDICAL CARE in January 2016, made contributions, as well as the advertisement related business showed a steady growth. Sales exceeded the plan (100.3%).

**Operating income: Increased (162.1% year on year), and exceeded the planned operating income (128.0% of the plan)**

Operating income grew (162.1%) year on year mainly because of an augmentation in profit from the culture information business of PROTO CORPORATION and PROTO MEDICAL CARE, as well as the improvement of profit and loss in "GooHome," the real estate information business operated by PROTO SOLUTION Co.,Ltd. (previously known as PROTO DATA CENTER). It exceeded the plan (128.0%) mainly because the welfare equipment rental service business by PROTO MEDICAL CARE exceeded the plan.

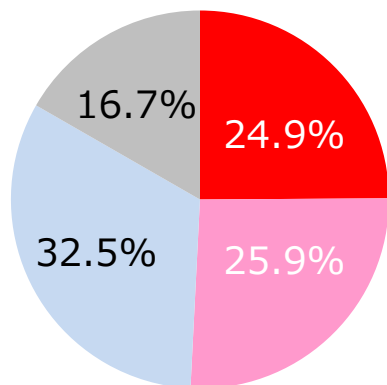
# Variation in the number of used car dealers as business partners

## ■ No. of Affiliated companies of MOTOR GATE (Goo-net)

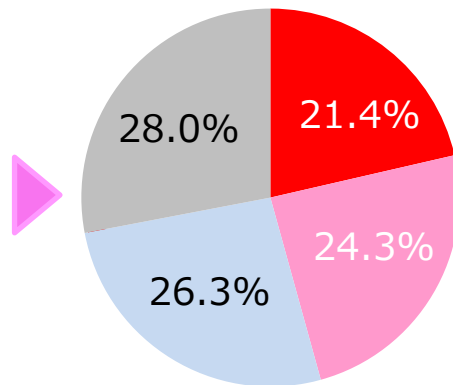


## ■ Market Share of Goo-net

(as of the end of Mar. 2016)



(as of the end of Sep. 2016)



## ■ No. of business partners of MOTOR GATE (used car dealers)

The sales volume of new cars from Apr. to Sep. 2016 was 2.3 million (99.0% year on year), indicating a stringent market environment. The number of registered used cars was 3.18 million (100.8% year on year), showing no significant changes from the previous year.

In such a market environment, our company enhanced promotional activities, expanded the contact points with users by strengthening the cooperation with major websites and media, and strived to increase clients by improving sales efficiency, etc. As a result, the number of MOTOR GATE clients as of the end of Sep. 2016 was 12,621 (up 997 from the previous quarter).

## ■ Future used car distribution market

The used car distribution market is expected to recover gently, as the number of used cars procured through trade-in is small due to the downturn of new car sales, but the second quarter and afterward will see the car checkup season in the 7<sup>th</sup> year after the first period of Eco-car Subsidy (Apr. 10, 2009 to Sep. 7, 2010).

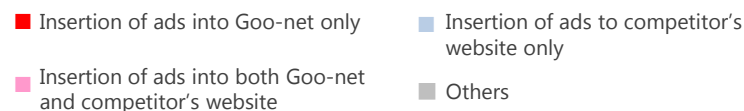
\*Concerning Japanese car checkup system

In Japan, car checkup is mandatory once in 2 years (once in 3 years for the first checkup of new cars), and it costs tens of thousands of yen per checkup.

## ■ Market Share of Goo-net (used car dealers)

As of the end of Sep. 2016, the share of our clients for websites was 45.7% (down 5.1% from the end of Mar. 2016) while the share of competitors' was 50.6% (down 7.8% from the end of Mar. 2016).

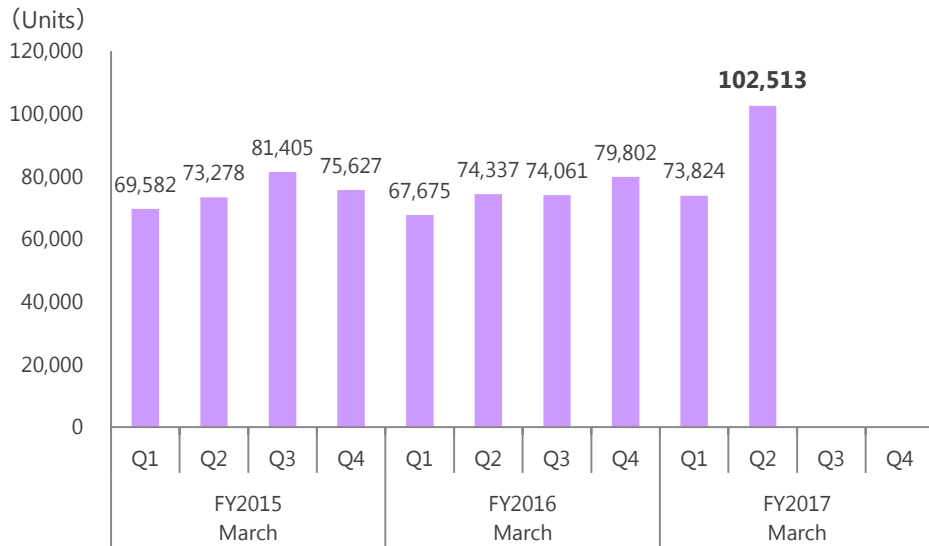
※ The composition ratio of Others has increased, because of the inclusion of used car dealers whose in-store inventory is small in the total number in the market.



(Surveyed by our company )

# Variation in the number of cars that underwent Goo-inspection

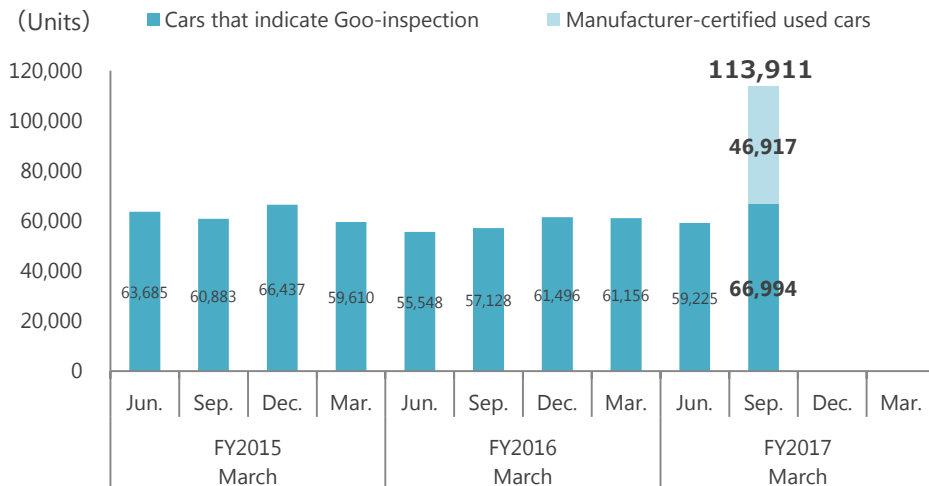
## ■ Number of cars that underwent Goo-inspection



## ■ No. of cars that underwent Goo-inspection ( domestic cars )

The number of cars that have undergone Goo-inspection from Jul. to Sep. 2016 was 102,513 (137.9% year on year), which is 11,123 larger than the planned number.

## ■ Number of ID cars on Goo-net



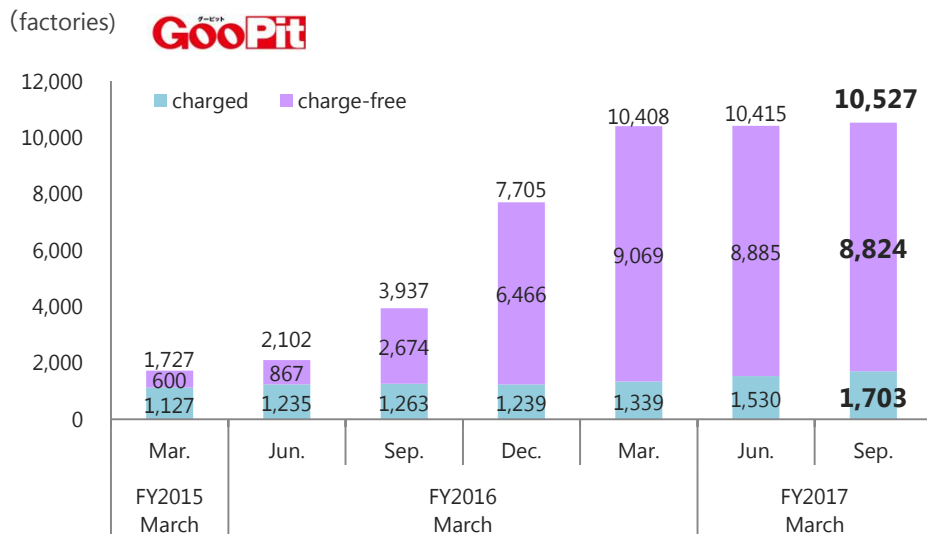
## ■ No. of ID cars on Goo-net

On Aug. 18, 2016, we released "ID cars," which collectively mean the Goo-inspected cars and manufacturer-certified used cars whose states are disclosed. We will strive to increase the number of ID cars for differentiating our services from competitors' in the second half too. The number of Goo-inspected cars as of the end of Sep. 2016 is 66,994 (117.3% year on year). The number of manufacturer-certified used cars as of the end of Sep. 2016 is 46,917.



# Variation in the number of maintenance shops and new car dealers as business partners

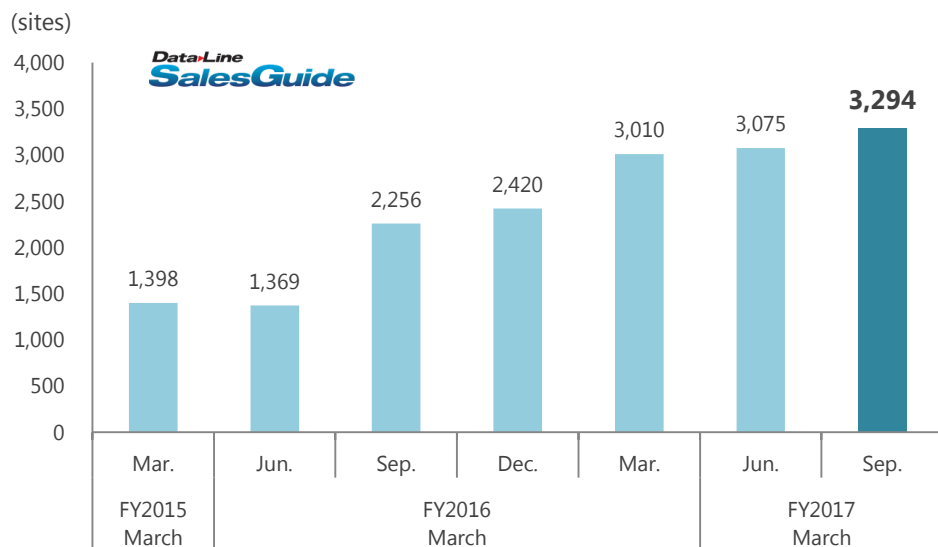
## No. of Affiliated factories of GooPit



## No. of maintenance shops that use GooPit

The number of member shops as of the end of Sep. 2016 is 10,527. In detail, the number of charged member shops is 1,703 (up 173 from the previous quarter), while the number of free member shops is 8,824. This term, we strive to upsell GooPit from charge-free to paid services. Starting in the second quarter, we promote the paid services of GooPit by offering the trial paid services of GooPit, etc., and aim to achieve 3,000 paid member shops by the end of the term.

## No. of Affiliated sites of DataLine SalesGuide



## No. of new car dealers that installed DataLine SalesGuide

The number of such dealers as of the end of Sep. 2016 is 3,294 (up 219 from the previous quarter). In the first half, the number of dealers with this system was less than the plan, because of the postponement of installation among some new car dealers, etc. This term, we will keep promoting sales targeting leading new car dealers and aim to achieve 4,000 dealers targeting by the end of this term.

# TOPICS

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**August 18, 2016**

**Start the service of "ID Cars" (Used car area)**

Purpose:

The realization of "increasing the value of used cars" through creating environment the user can purchase a used car with confidence, convinced.

**August 22, 2016**

**Start the service of "Goo Checkup" (Maintenance area)**

Purpose:

Provision of car checkup services that utilize a non-operating time of the maintenance shops.

**September 1, 2016**

**Goo Series in main 3 areas (Tokyo,Osaka, and Nagoya) became monthly magazines. (Used car area)**

Purpose:

Reduce costs by changing the publication cycle.

**September 2, 2016**

**Business alliance with LINE Corporation (Used car area)**

Purpose:

Expansion of touch point with the users.

**September 7, 2016**

**Start the service of "DataLine Assessment by Robot" (New car area)**

Purpose:

New way of use of our price data.

# Q2/FY March 2017 : Consolidated Balance Sheet

[unit: million yen]	As of March 31, 2016		As of September 30, 2016		Increase /Decrease	
	Results(a)	Ratio	Results(b)	Ratio	(b)-(a)	%
Current Assets	22,073	54.0%	24,552	56.7%	2,479	111.2%
Fixed Assets	18,812	46.0%	18,748	43.3%	(64)	99.7%
Current Liabilities	11,805	28.9%	14,093	32.5%	2,288	119.4%
Long-term Liabilities	3,079	7.5%	3,174	7.3%	95	103.1%
Net Assets	26,001	63.6%	26,032	60.1%	31	100.1%

[unit: million yen]	As of March 31, 2016		As of September 30, 2016		Increase /Decrease	
	Results(a)	Ratio	Results(b)	Ratio	(b)-(a)	%
Cash and cash equivalents	11,688	28.6%	12,869	29.7%	1,181	110.1%
Interest-bearing debt	6,618	16.2%	7,449	17.2%	831	112.6%
Net cash	5,069	12.4%	5,420	12.5%	350	106.9%

## Current Assets

Current assets increased 2,479 million yen, mainly because cash and deposits increased due to positive operating cash flow.

## Fixed Assets

Fixed assets dropped 64 million yen, mainly due to the posting of depreciation and goodwill amortization, the withdrawal of long-term deposits, etc.

## Current Liabilities

Current liabilities augmented 2,288 million yen, mainly due to the increase in short-term debts of AUTOWAY Co., Ltd., TIRE WORLD KAN BEST CO., LTD., and Kings Auto Co., Ltd.

## Long-term Liabilities

Long-term liabilities increased 95 million yen from the end of the previous consolidated fiscal year.

# Q2/FY March 2017 : Consolidated Statements of Cash Flow

[unit: million yen]	Q2/FY2016 March	Q2/FY2017 March	YoY change
	Results(a)	Results(b)	(b)-(a)
Cash Flows from Operating Activities	1,629	1,676	47
Cash Flows from Investing Activities	(1,880)	(798)	1,081
Cash Flows from Financing Activities	(681)	408	1,089
Cash and Cash Equivalents at End of Term	11,091	12,468	1,377

[unit: million yen]	Q2/FY2016 March	Q2/FY2017 March	YoY change
	Results(a)	Results(b)	(b)-(a)
Investment Amount (Tangible/intangible fixed assets)	2,139	855	(1,283)
Depreciation	493	539	46
Amortization of Goodwill	517	320	(196)

## Cash Flows from Operating Activities

There was an income of 1,676 million yen, mainly because 1,279 million yen was posted as net income before taxes and other adjustments and 860 million yen was posted as total depreciation and goodwill amortization.

## Cash Flows from Investing Activities

There was an expenditure of 798 million yen, because 838 million yen was paid for acquiring fixed assets.

## Cash Flows from Financing Activities

There was an income of 408 million yen, mainly because 395 million yen was paid for term-end dividends for the previous term, 198 million yen was spent for acquiring treasury shares, and the net increase in short and long-term debts amounted to 831 million yen.

# Appendix

# Corporate Profile

Corporate Name	PROTO CORPORATION
Founded	October 1, 1977
Established	June 1, 1979
Common Stock	1,824,620 thousand yen (As of September 30, 2016)
Shares Outstanding	20,940,000 shares (As of September 30, 2016)
Head Offices	23-14, Aoi 1-chome, Naka-ku, Nagoya 460-0006, Japan 22-2 , Hongo 2-chome, Bunkyo-ku, Tokyo 113-0033, Japan
Branch Offices	Sapporo, Sendai, Takasaki, Nagano, Hamamatsu, Nagoya, Kanazawa, Osaka, Hiroshima, Matsuyama, Fukuoka, Kumamoto (56 Sales Outlets Nationwide)
Fiscal Year-end	March 31
Number of Employees	Consolidated: 1,598 (As of September 30, 2016) Parent: 654 (As of September 30, 2016)
Stock Exchange Listing	Tokyo Stock Exchange JASDAQ Standard (Listed on September 12, 2001)
Subsidiary	<ol style="list-style-type: none"><li>1. PROTO-RIOS INC. (Full subsidiary since October 2002)</li><li>2. PROTO SOLUTION Co.,Ltd. (Full subsidiary, established in April 2007 ) *1</li><li>3. PROTO MEDICAL CARE (Full subsidiary since October 2009)</li><li>4. Bike Bros. Inc. (Full subsidiary since April 2010)</li><li>5. CAR CREDO Co., Ltd. (Full subsidiary, established in February 2012)</li><li>6. Kings Auto Co., Ltd. (Full subsidiary since April 2012)</li><li>7. AUTOWAY Co., Ltd. (Full subsidiary since April 2013)</li><li>8. TIRE WORLD KAN BEST CO., LTD. (Full subsidiary since April 2015)</li><li>9. MARUFUJI (Full subsidiary since January 2016)</li><li>10. SILVER HEART (Full subsidiary since January 2016)</li><li>11. PROTO MALAYSIA Sdn. Bhd. (Full subsidiary since September 2011)</li><li>12. PROTO (TAIWAN) CO., LTD. (Full subsidiary, established in December 2011)</li><li>13. CAR CREDO MALAYSIA SDN. BHD. (Full subsidiary, established in August 2015)</li><li>14. PT. PROTO INDONESIA * (Full subsidiary, established in December 2012) *2</li></ol>

(As of October 1, 2016)

\*1 In 2016 October 1, PROTO DATA CENTER (surviving company) and iSolutions Co., Ltd. (dissolving company) merged, and changed its name to PROTO SOLUTION Co.,Ltd.

\*2 The company is currently under liquidation.



Our magazine was first issued in 1977

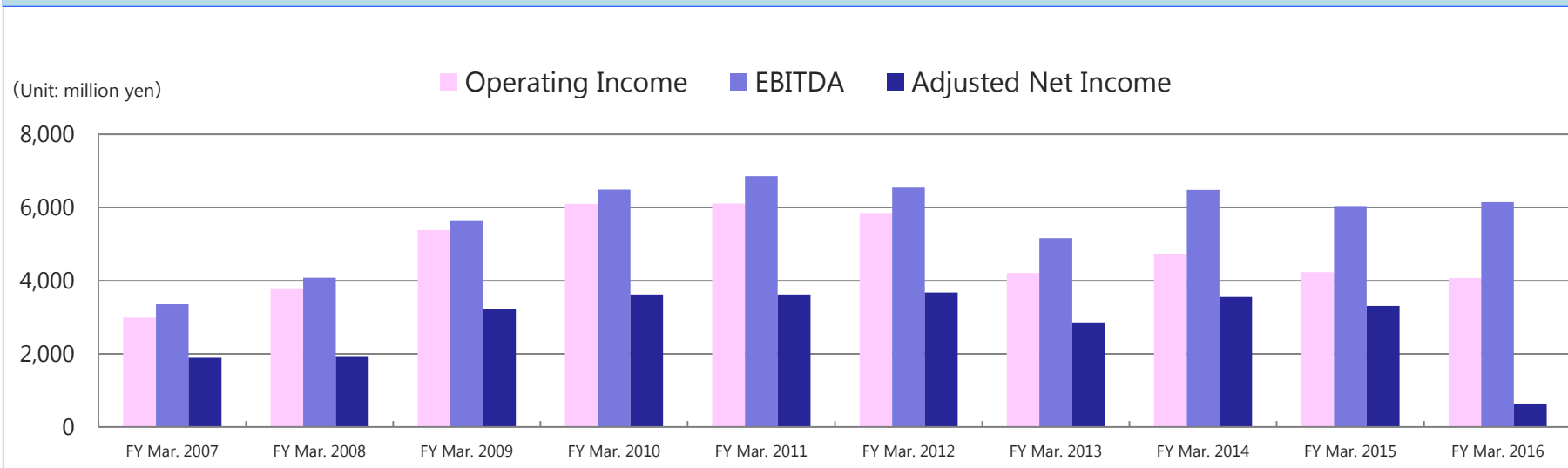
# Operating Results 10-year Summary

[unit: million yen]	FY2007 March Results	FY2008 March Results	FY2009 March Results	FY2010 March Results	FY2011 March Results	FY2012 March Results	FY2013 March Results	FY2014 March Results	FY2015 March Results	FY2016 March Results
Net Sales	21,238	22,893	23,657	25,682	28,779	30,582	38,287	54,761	48,602	54,297
Operating Income	2,988	3,771	5,384	6,098	6,111	5,846	4,209	4,735	4,233	4,071
Net Income	1,766	1,838	3,187	3,529	3,197	3,275	2,290	2,627	2,381	(390)
EBITDA*1	3,360	4,078	5,628	6,490	6,856	6,540	5,161	6,483	6,039	6,149
Adjusted Net Income*2	1,890	1,915	3,223	3,621	3,620	3,680	2,836	3,555	3,308	641
Depreciation	247	230	207	299	322	288	404	819	879	1,046
Amortization of Goodwill	124	77	36	91	422	405	546	928	926	1,032

\*1 EBITDA was calculated with the equation: operating income + depreciation + amortization of goodwill

\*2 Adjusted Net Income was calculated with the equation: net income + amortization of goodwill

## Annual Transition of Operating Income/EBITDA/Adjusted Net Income



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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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