

Q3

**Financial Results for the Nine Months Ended December 2016  
(April 1, 2016 to December 31, 2016)**

**PROTO CORPORATION**  
January 31, 2017



## Financial Data (Consolidated)

Shares outstanding (million)	20.9
Market capitalization (¥ billion, December 2016)	28.0
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 (% , FY March 2016)	63.6
Potential share dilution (million)	-
Foreign ownership (% , December 2016)	29.3

## Major Shareholders

	(Thousands)
1) Mugen Corporation	6,807 (32.50%)
2) JPLLC CLIENT SAFEKEEPING ACCOUNT	1,323 ( 6.31%)
3) PROTO CORPORATION	881 ( 4.20%)
4) BNYM TREATY DTT 10	631 ( 3.01%)
5) JP MORGAN CHASE BANK 385632	568 ( 2.71%)
6) CLEARSTREAM BANKING S.A	494 ( 2.36%)
7) Hiroichi Yokoyama	440 ( 2.10%)
8) Yoshihiro Yokoyama	388 ( 1.85%)
9) BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	387 ( 1.85%)
10) Takemi Masuda	313 ( 1.49%)

(As of December 31, 2016)

# Q3/FY March 2017 : Operating Results (1)

Consolidated Statements of Income [unit: million yen]	Q3/FY2016 March		Q3/FY2017 March				YoY change		Achievement rate	
	Results(a)	Sales ratio	Forecast(b)	Sales ratio	Results(c)	Sales ratio	(c)-(a)	%	(c)-(b)	%
Net Sales	40,763	100.0%	43,499	100.0%	42,390	100.0%	1,627	104.0%	(1,108)	97.5%
Cost of Sales	24,780	60.8%	26,215	60.3%	26,017	61.4%	1,236	105.0%	(197)	99.2%
Gross Profit	15,982	39.2%	17,283	39.7%	16,372	38.6%	390	102.4%	(911)	94.7%
SG&A Expenses	12,599	30.9%	15,047	34.6%	13,869	32.7%	1,269	110.1%	(1,177)	92.2%
EBITDA	4,912	12.1%	3,620	8.3%	3,804	9.0%	(1,108)	77.4%	183	105.1%
Operating Income	3,382	8.3%	2,236	5.1%	2,503	5.9%	(879)	74.0%	266	111.9%
Ordinary Income	3,498	8.6%	2,248	5.2%	2,567	6.1%	(930)	73.4%	319	114.2%
Net Income	1,934	4.7%	1,360	3.1%	1,459	3.4%	(474)	75.5%	98	107.3%
Net Income per Share(Yen)	95.46	-	67.73	-	72.66	-	(22.80)	76.1%	4.93	107.3%

\*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]	Q3/FY2016 March		Q3/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	12,599	30.9%	15,047	34.6%	13,869	32.7%	1,269	110.1%	(1,177)	92.2%
Employment Cost	5,762	14.1%	6,609	15.2%	6,002	14.2%	240	104.2%	(606)	90.8%
Advertising Cost	1,953	4.8%	3,282	7.5%	3,074	7.3%	1,121	157.4%	(207)	93.7%
Other Expenses	4,883	12.0%	5,155	11.9%	4,792	11.3%	(91)	98.1%	(363)	92.9%
Number of Employees	1,495	-	1,713	-	1,604	-	109	107.3%	(109)	93.6%

\*\*"Advertising Cost" means "advertisement expenses + sales promotion cost."

# Q3/FY March 2017 : Operating Results (2)

## Net Sales

### **Increased (104.0% year on year), but the planned sales not achieved (97.5% of the plan)**

While the EC sales of motorcycle parts and supplies by Bike Bros. Inc. and the sales of systems for maintenance shops operated by PROTO-RIOS INC. decreased from the previous year, sales increased by 1,627 million yen (104.0% year on year) mainly because the welfare equipment rental service business operated by PROTO MEDICAL CARE showed a steady growth.

Meanwhile, sales fell short of the plan (97.5%) because the EC sales of motorcycle parts and supplies by Bike Bros. Inc., as well as the sales volume and unit sales price of AUTOWAY Co., Ltd. were below planned.

## Gross Profit

### **Increased (102.4% year on year), but the planned gross profit not achieved (94.7% of the plan)**

Despite the sales of systems for maintenance shops operated by PROTO-RIOS INC. decreasing from the previous year, the reduction in purchase cost in AUTOWAY Co., Ltd. and the exchange rate improving as well as strong studless tire sales in the third quarter led to gross profit increasing by 390 million yen (102.4%) year on year.

On the other hand, gross profit fell short of the plan (94.7%) because the sales of systems for maintenance shops operated by PROTO-RIOS INC. and PROTO CORPORATION's Goo Purchase and GooPit sales were less than planned.

## SG&A Expenses

### **Increased (110.1% year on year), but fell below the planned expenses (92.2% of the plan)**

SG&A expenses grew by 1,269 million yen (110.1%) 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 employment cost as a result of business expansion of the business scale of PROTO MEDICAL CARE.

Meanwhile, it fell short of the plan (92.2%) mainly because employment cost at PROTO CORPORATION were lower than the plan.

## Operating Income

### **Decreased (74.0% year on year), but exceeded the planned operating income (111.9% of the plan)**

Operating income declined by 879 million yen (74.0%) year on year mainly because of increase in advertising expenses related to "ID cars" and the like in PROTO CORPORATION. It surpassed the plan (111.9%).

## Net Income

### **Decreased (75.5% year on year), but exceeded the planned net income (107.3% of the plan)**

Net income decreased by 474 million yen (75.5%) year on year due to the abovementioned factors and the like. However, it exceeded the plan (107.3%).

# Q3/FY March 2017 : Operating Results by Segment(1)

Net Sales [unit: million yen]	Q3/FY2016 March		Q3/FY2017 March				YoY change		Achievement rate	
	Results(a)	Sales ratio	Forecast(b)	Sales ratio	Results(c)	Sales ratio	(c)-(a)	%	(c)-(b)	%
Automobile-related	37,355	91.6%	39,311	90.4%	38,188	90.1%	832	102.2%	(1,123)	97.1%
Ad-related	15,581	38.2%	16,413	37.7%	15,775	37.2%	193	101.2%	(637)	96.1%
Information and services	3,747	9.2%	3,937	9.1%	3,644	8.6%	(102)	97.3%	(292)	92.6%
Sales of goods	18,026	44.2%	18,960	43.6%	18,768	44.3%	741	104.1%	(192)	99.0%
Lifestyle-related	2,417	5.9%	3,152	7.2%	3,137	7.4%	720	129.8%	(15)	99.5%
Real Estate	121	0.3%	126	0.3%	138	0.3%	17	114.5%	12	109.8%
Other Business	868	2.1%	907	2.1%	925	2.2%	56	106.5%	17	101.9%
Total	40,763	100.0%	43,499	100.0%	42,390	100.0%	1,627	104.0%	(1,108)	97.5%

Operating Income [unit: million yen]	Q3/FY2016 March		Q3/FY2017 March				YoY change		Achievement rate	
	Results(a)	Profit margin	Forecast(b)	Profit margin	Results(c)	Profit margin	(c)-(a)	%	(c)-(b)	%
Automobile-related	4,266	11.4%	3,285	8.4%	3,317	8.7%	(949)	77.7%	31	101.0%
Lifestyle-related	259	10.7%	340	10.8%	411	13.1%	152	158.8%	70	120.8%
Real Estate	81	67.2%	58	45.9%	109	78.6%	27	133.8%	51	188.1%
Other Business	(49)	-	(106)	-	(81)	-	(32)	-	24	-
Management Division	(1,175)	-	(1,341)	-	(1,252)	-	(77)	-	88	-
Total	3,382	8.3%	2,236	5.1%	2,503	5.9%	(879)	74.0%	266	111.9%

# Q3/FY March 2017 : Operating Results by Segment(2)

## Automobile-related

**Sales: Increased (102.2% year on year), but the planned sales not achieved (97.1% of the plan)**

**Ad-related:** Sales increased (101.2%) year on year, despite mainly earnings from advertising in 2 overseas subsidiaries (in Malaysia and Taiwan) dropping from the previous year, because the number of PROTO CORPORATION's Goo-net (MOTOR GATE) clients has steadily increased. Additionally, sales fell short of the plan (96.1%) mainly because PROTO CORPORATION's Goo Purchase and GooPit sales, as well as revenue from advertising in overseas subsidiaries, were below the plan.

**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 (97.3%) year on year mainly because the sales of systems for maintenance shops offered by PROTO-RIOS INC. were less than the previous year. Sales fell short of the plan (92.6%) mainly because sales by PROTO-RIOS INC. came below the plan.

**Sales of goods:** Sales increased (104.1%) year on year mainly because used car export sales by Kings Auto Co., Ltd. and wheel and tire sales by AUTOWAY Co., Ltd. exceeded those in the previous year. Sales fell short of the plan (99.0%) because the EC sales volume of motorcycle parts and supplies by Bike Bros. Inc. and the unit sales price and sales volume of tires by AUTOWAY Co., Ltd. were lower than the plan.

**Operating income: Decreased (77.7% year on year), but nearly the same level as the planned operating income (101.0% of the plan)**

Operating income decreased by 949 million yen (77.7%) year on year mainly due to increase in advertising expenses resulted from enhanced promotion of "ID cars" in PROTO CORPORATION. Gross profit by AUTOWAY Co., Ltd. exceeded the plan and employment cost of PROTO CORPORATION were lower, leading to operating income surpassing the plan (101.0%).

## Lifestyle-related

**Sales: Increased (129.8% year on year), but the planned sales not achieved (99.5% of the plan)**

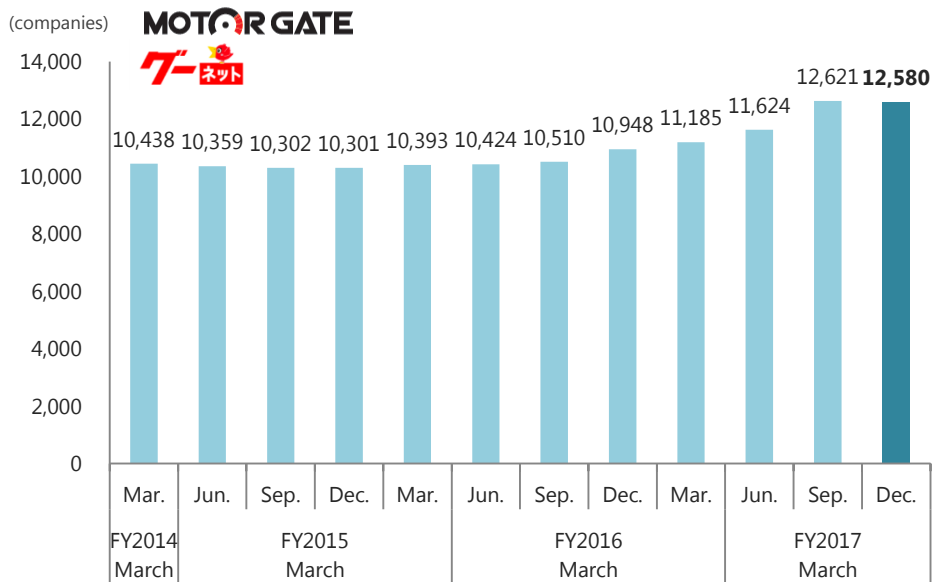
Sales augmented (129.8%) year on year mainly because, in the medical, care, and welfare fields, the welfare equipment service business of MARUFUJI and SILVER HEART, which were acquired by PROTO MEDICAL CARE in January 2016, made contributions, as well as the advertisement related business showed a steady growth. Sales fell short of the plan (99.5%).

**Operating income: Increased (158.8% year on year), and exceeded the planned operating income (120.8% of the plan)**

Operating income grew (158.8%) year on year mainly because of increase in profit by 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) and the culture and reuse information business of PROTO CORPORATION. It exceeded the plan (120.8%) mainly because the advertisement related business and 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)



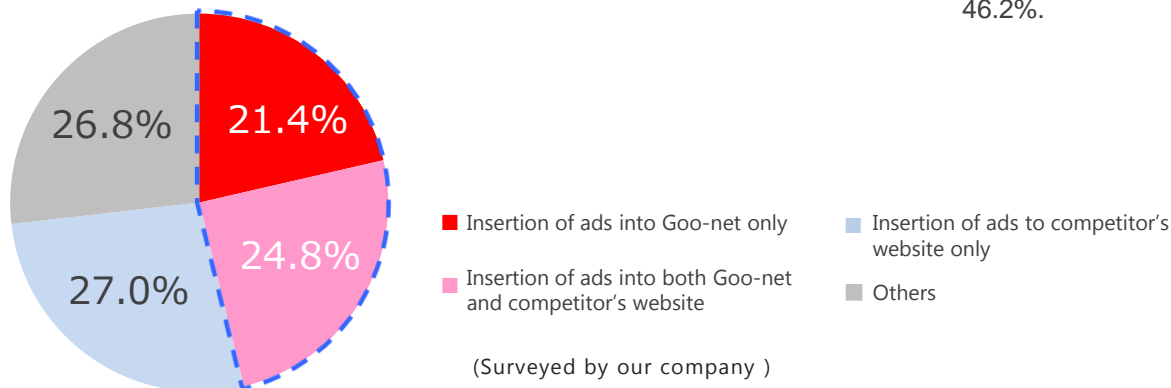
## ■ No. of business partners of MOTOR GATE (used car dealers)

The sales volume of new cars from Apr. to Dec. 2016 was 3.50 million (100.9% year on year), while the number of registered used cars remained at the same level as last year at 4.77 million (100.2% year on 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 improve sales efficiency, etc. As a result, the number of MOTOR GATE clients as of the end of Dec. 2016 was 12,580.

## ■ Market Share of Goo-net

(as of the end of Dec. 2016)

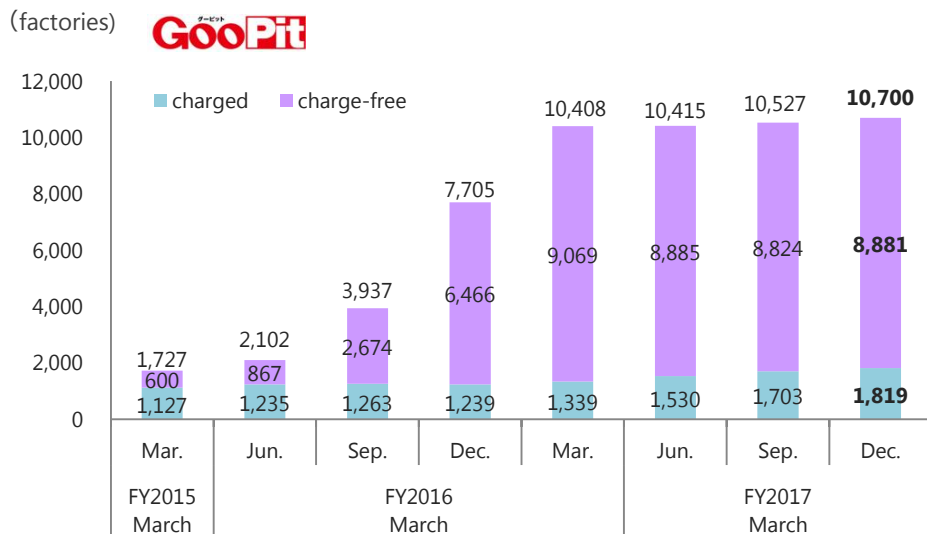


## ■ Market Share of Goo-net (used car dealers)

As of the end of Dec. 2016, the share of our clients for websites was 46.2%.

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

## No. of Affiliated factories of GooPit

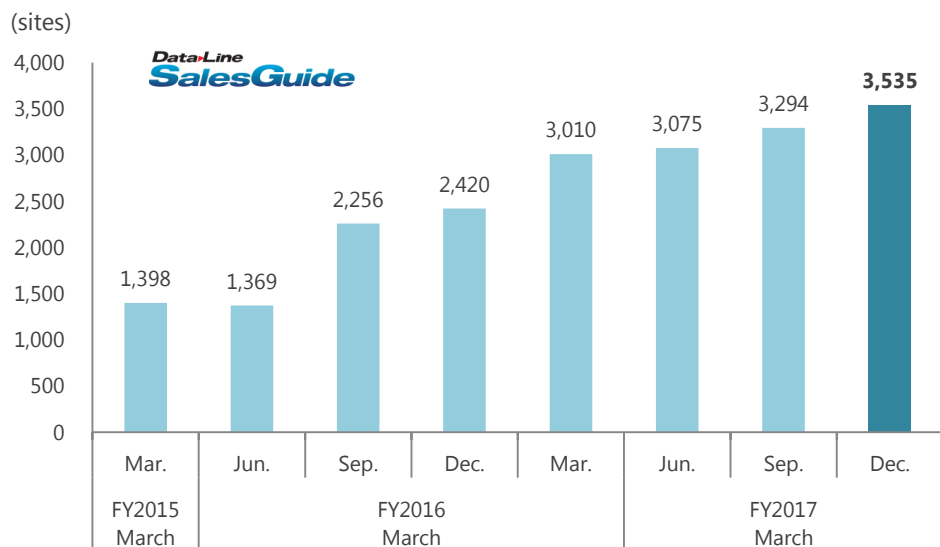


## No. of maintenance shops that use GooPit

The number of member shops as of the end of Dec. 2016 is 10,700. In detail, the number of charged member shops is 1,819, while the number of free member shops is 8,881.

Despite striving to upsell GooPit from charge-free to paid services this term, the number of charged member shops was below our plan. From the fourth quarter onwards, we will continue upselling operations such as offering trial paid services of GooPit, etc. and aim to increase the number of paid member shops.

## 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 Dec. 2016 is 3,535. Despite it being lower than our planned figures, we will keep promoting sales targeting leading new car dealers and aim to achieve more dealers this term.



# Q3/FY March 2017 : Consolidated Balance Sheet

[unit: million yen]	As of March 31, 2016		As of December 31, 2016		Increase /Decrease	
	Results(a)	Ratio	Results(b)	Ratio	(b)-(a)	%
Current Assets	22,073	54.0%	24,548	57.0%	2,475	111.2%
Fixed Assets	18,812	46.0%	18,498	43.0%	(314)	98.3%
Current Liabilities	11,805	28.9%	13,761	32.0%	1,955	116.6%
Long-term Liabilities	3,079	7.5%	2,993	7.0%	(86)	97.2%
Net Assets	26,001	63.6%	26,292	61.1%	291	101.1%

[unit: million yen]	As of March 31, 2016		As of December 31, 2016		Increase /Decrease	
	Results(a)	Ratio	Results(b)	Ratio	(b)-(a)	%
Cash and cash equivalents	11,688	28.6%	13,235	30.7%	1,547	113.2%
Interest-bearing debt	6,618	16.2%	7,320	17.0%	702	110.6%
Net cash	5,069	12.4%	5,915	13.7%	845	116.7%

## Current Assets

Current assets increased 2,475 million yen, mainly because cash and deposits increased due to positive operating cash flow.

## Fixed Assets

Fixed assets dropped 314 million yen, mainly due to the posting of depreciation and goodwill amortization, the withdrawal of long-term deposits, etc.

## Current Liabilities

Current liabilities augmented 1,955 million yen, mainly due to the increase in short-term debts of AUTOWAY Co., Ltd., Kings Auto Co., Ltd., and TIRE WORLD KAN BEST CO., LTD.

## Long-term Liabilities

Long-term liabilities decreased 86 million yen from the end of the previous consolidated fiscal year.

# Q3/FY March 2017 : Consolidated Statements of Cash Flow

[unit: million yen]	Q3/FY2016 March	Q3/FY2017 March	YoY change
	Results(a)	Results(b)	(b)-(a)
Cash Flows from Operating Activities	3,191	2,883	(308)
Cash Flows from Investing Activities	(2,480)	(1,062)	1,417
Cash Flows from Financing Activities	(552)	(225)	326
Cash and Cash Equivalents at End of Term	12,104	12,834	730

[unit: million yen]	Q3/FY2016 March	Q3/FY2017 March	YoY change
	Results(a)	Results(b)	(b)-(a)
Investment Amount (Tangible/intangible fixed assets)	2,610	1,053	(1,556)
Depreciation	761	821	60
Amortization of Goodwill	768	479	(289)

## Cash Flows from Operating Activities

There was an income of 2,883 million yen, mainly because 2,539 million yen was posted as quarterly net income before taxes and other adjustments and 1,301 million yen was posted as total depreciation and goodwill amortization.

## Cash Flows from Investing Activities

There was an expenditure of 1,062 million yen, because 1,073 million yen was paid for acquiring fixed assets.

## Cash Flows from Financing Activities

There was an expenditure of 225 million yen, mainly because 893 million yen was paid for dividends and 198 million yen was spent for acquiring treasury shares, despite the net increase in short-term and long-term debts of 702 million yen.

# Appendix

# Our Initiative: Disclosure of information on the state of used cars (1)

## ■ Goo-inspection (launched nationwide in Oct. 2008)

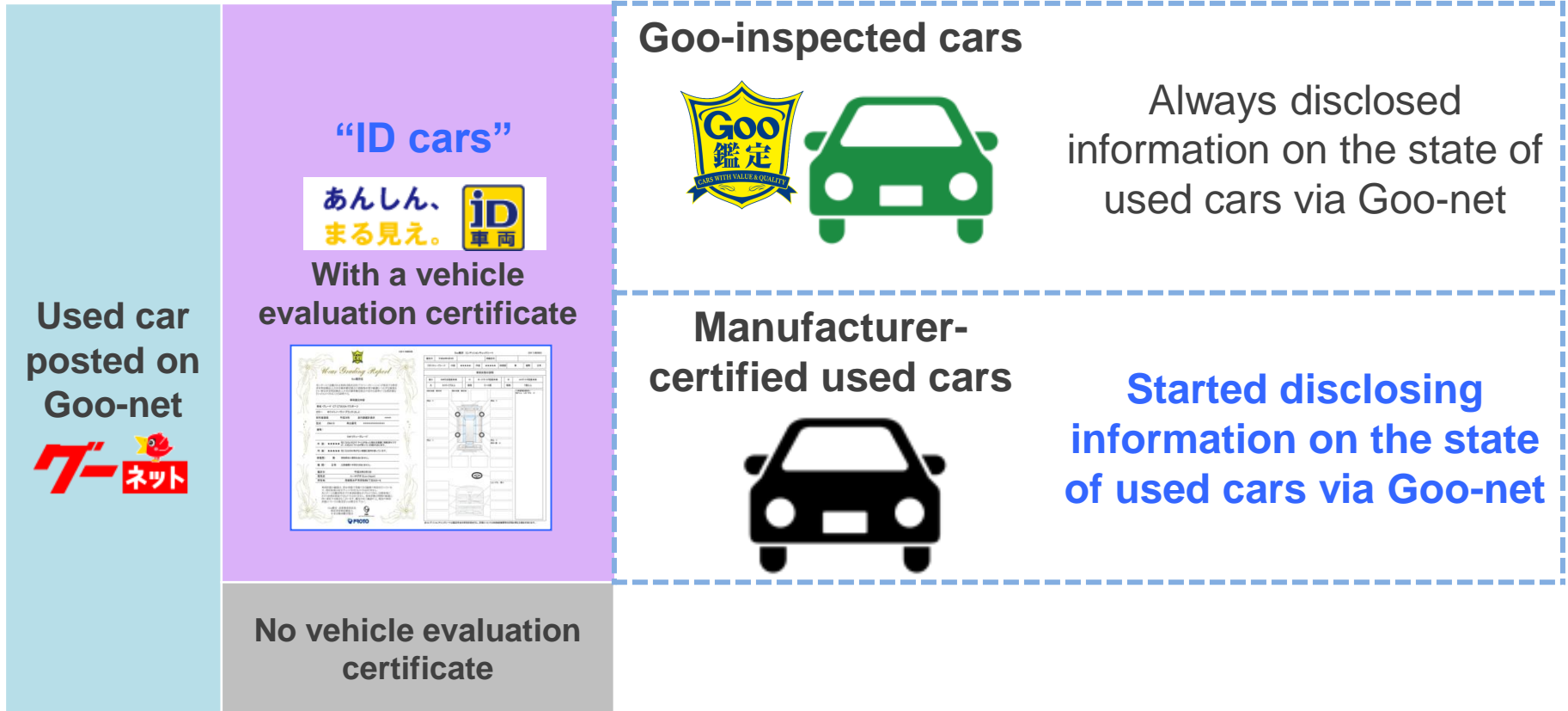
A service that discloses information on the state of used cars (exterior, interior, mechanical and maintenance history evaluations)



**Through our Goo-inspection service, we will proactively disclose information on the state of used cars to provide an environment where users can purchase used cars at ease and with satisfaction.**

# Our Initiative: Disclosure of information on the state of used cars (2)

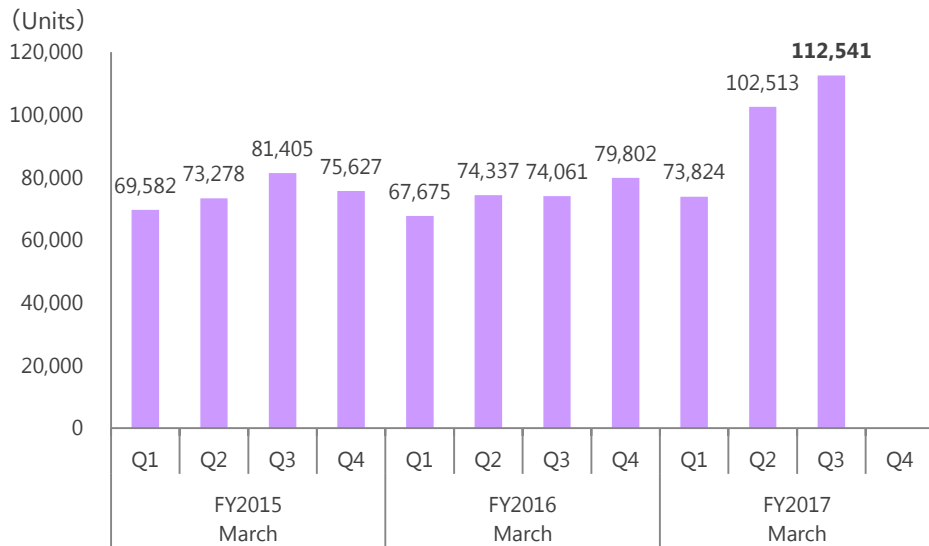
■ Proposal by PROTO: launched the new service “ID cars” (on Aug. 18, 2016)



**We will promote an initiative designed for users by calling out to the entire industry**

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

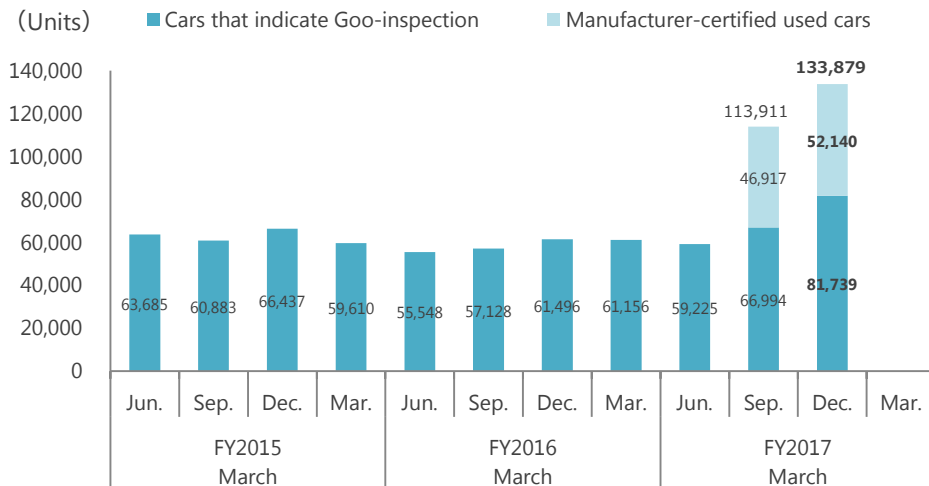
## ■ Number of cars that underwent Goo-inspection



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

The number of cars that have undergone Goo-inspection from Oct. to Dec. 2016 was 112,541 (152.0% year on year).

## ■ 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 have been striving to increase the number of ID cars for differentiating our services from those of our competitors.

The number of Goo-inspected cars as of the end of Dec. 2016 is 81,739 (132.9% year on year). The number of manufacturer-certified used cars as of the end of Dec. 2016 is 52,140.

# Corporate Profile

Corporate Name	PROTO CORPORATION
Founded	October 1, 1977
Established	June 1, 1979
Common Stock	1,824,620 thousand yen (As of December 31, 2016)
Shares Outstanding	20,940,000 shares (As of December 31, 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: 1,604 (As of December 31, 2016) Parent: 644 (As of December 31, 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 December 31, 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

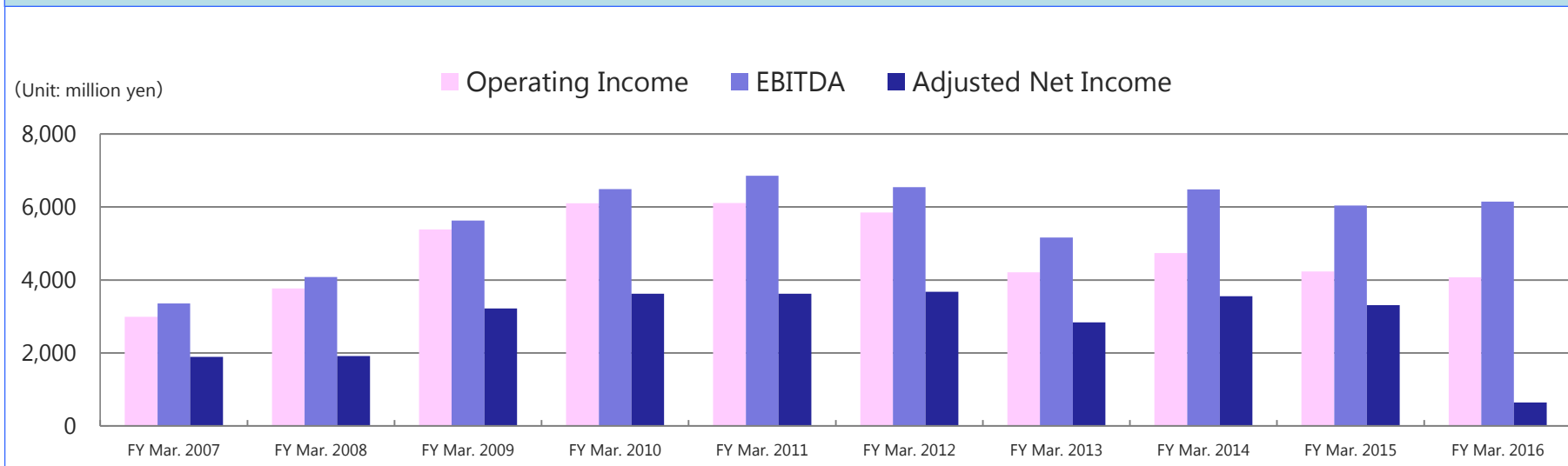
# Operating Results 10-year Summary

[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





---

\* 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

PROTO CORPORATION

IR staff: Takabayashi, Corporate planning department

Kaneko, Corporate planning department

Tel: +81-52-934-1519

Mail: 4298ir@proto-g.co.jp