

Questions and Answers

Date: May 10, 2017 (Wed) 16 : 30~17 : 30

Place: OTEMACHI 1ST SQUARE CONFERENCE Room D, Tokyo

※The following is the content of the questions and answers at the financial results briefing. Some parts have been added and corrected for making them more understandable.

• **Regarding the results in the term ended Mar. 2017 (Presentation Material P.3)**

Q. As for the fact that the number of employees was smaller than the forecast, while the positive aspect is that “your business was successfully operated with the smaller number of employees than the estimate,” I believe that it is essential to increase the number of sales personnel in order to grow the top line. Based on that, please give us the reasons why the number of employees fell below the planned value.

A. As for sales personnel, we conducted recruitment activities without lowering our hiring criteria, and consequently, some applicants did not meet the criteria. As you said, the fact that we succeeded in operating our business with a limited number of personnel is just a result, and we consider that sales would have grown further if we gained success in augmenting the number of sales personnel as planned. From now onward, especially in the fields of new cars and maintenance which have room for thriving, we plan to secure the necessary number of personnel while taking account of productivity and the like.

• **Regarding GooPit (Presentation Material P.9)**

Q. As for the client shops of your GooPit service, the ratio of transactions for free to those for a fee seems to have changed. Please tell us about your business policies, methods for doing business, and the like, if you have made any changes.

A. First of all, we have found that the number of shops with fee-based contracts was counted incorrectly. We sincerely apologize for the mistake. The number of shops as of March 2017, which is 1,815, was counted correctly. Since the beginning of 2017, we had reviewed our organization and sales structures, and changed our way of performing sales activities. The efficiency of our sales activities is improving, and the measures of tire installation service tickets (Presentation Material P.23) started to function as a system to encourage introduction of customers to our partner shops. As a result of these contributions, launch of transactions with shops with contracts for free has been facilitated and the rate of shifting their contracts from free to a fee-based form has been accelerated.

• **Regarding the three-year mid-term business plan (from the term ended Mar. 2017 to the term ending Mar. 2019) (Presentation Material P.13-14)**

Q. The “change in the business environment of PROTO-RIOS” is listed as one of the major factors in the revision to the business plan for the term ending March 2018. Please tell us about the change in more detail.

A. One of the changes in the business environment is that use of a cloud computing system is promoted concerning the system for maintenance shops. Conventionally, speaking of systems for maintenance shops, it has been the mainstream to sell software in which various functions are packaged, and PROTO-RIOS has followed it. In view of the market trend, however, we deemed it the top priority for PROTO-RIOS to meet the need for adopting cloud computing and shifted our policy so that more resources would be devoted to cloud computing. Therefore, we have revised our business plan.

Q. As for “introducing cloud computing to the system” of PROTO-RIOS, could you name your competitors?

A. The market of maintenance and sheet metal is composed of “major companies” and “medium- to small-sized companies”, and among them, the target customers of PROTO-RIOS are “medium- to small-sized companies.” Under the current circumstances, “major companies” take the lead in applying cloud computing to their systems; however, the number of “medium- to small-sized companies” that have adopted it to their systems is gradually rising. Although we will refrain from giving the specific names of our competitors, what we can tell you is that the trend in the market as a whole is growing toward adoption of cloud computing.

Q. The “enrichment of sales activities toward new destinations of Kings Auto” is listed as one of the factors in the growth of sales in the term ending March 2018. Please tell us about your approaches in more detail.

A. As the approaches in Kings Auto, we are focusing on recruitment activities with the aim of establishing a human network at each destination and getting results little by little.

Q. The “enrichment of the Goo Purchase business” is listed as one of the factors in the growth of gross profit in the term ending March 2018. Please tell us about your approaches in more detail.

A. Goo Purchase is a service where users who are considering selling their cars can search for the market purchase price on the Internet. Efficient operation of this system will not only elevate the level of user satisfaction but also establish Goo Life Time Value (Presentation Material P.18). This service will not be very costly as long as its system is fully built, and therefore, we have set a plan to boost gross profit.
