

PROTO CORPORATION (4298:JP)
Financial Results for the Nine Months Ended December 2015
(April 1, 2015 to December 31, 2015)

January 29, 2016

Financial Data (Consolidated)

Shares outstanding (million)	20.9
Market capitalization (¥ billion, December 2015)	34.8
DPS (¥, FY March 2016, Forecast)	38.0
EPS (¥, FY March 2016, Forecast)	170.72
BPS (¥, March 2015)	1,361.64
ROE (% , FY March 2015, Net income basis)	8.8
ROA (% , FY March 2015, Ordinary income basis)	10.6
Equity ratio (% , March 2015)	66.3
Potential share dilution (million)	-
Foreign ownership (% , December 2015)	31.4

Major Shareholders

	(Thousands)
1) Mugen Corporation	6,807 (32.50%)
2) JPMCC CLIENT SAFEKEEPING ACCOUNT	1,323 (6.31%)
3) PROTO CORPORATION	735 (3.51%)
4) JP MORGAN CHASE BANK 385632	568 (2.71%)
5) CLEARSTREAM BANKING S.A	462 (2.20%)
6) BNYM TREATY DTT 15	456 (2.18%)
7) Hiroichi Yokoyama	440 (2.10%)
8) Japan Trustee Services Bank, Ltd. (Trust Account)	404 (1.93%)
9) Yoshihiro Yokoyama	400 (1.91%)
10) BBH FOR FIDELITY LOW-PRICED STOCK FUND(PRINCIPAL ALL SECTOR SUBPORTFOLIO)	393 (1.87%)

(As of December 31, 2015)

Q3/FY March 2016 : Operating Results

Consolidated Statements of Income [unit: million yen]	Apr-Dec 2014 Results	Apr-Dec 2015 Forecast	Apr-Dec 2015 Results	YoY change	YoY change (%)	Achievement rate	Achievement rate(%)
Net Sales	36,541	41,728	40,763	4,221	111.6%	(965)	97.7%
Cost of Sales	21,236	24,071	24,780	3,543	116.7%	709	102.9%
Gross Profit	15,304	17,656	15,982	677	104.4%	(1,674)	90.5%
SG&A Expenses	11,523	13,762	12,599	1,075	109.3%	(1,162)	91.6%
EBITDA	5,114	5,539	4,912	(202)	96.0%	(627)	88.7%
Operating Income	3,780	3,894	3,382	(398)	89.5%	(511)	86.9%
Ordinary Income	4,054	3,943	3,498	(555)	86.3%	(444)	88.7%
Net income attributable to owners of parent	2,543	2,369	1,934	(609)	76.0%	(435)	81.6%

* The forecast for the term ending Mar. 2016 were announced on May 8, 2015.

[unit: million yen]	Apr-Dec 2014 Results	Apr-Dec 2015 Forecast	Apr-Dec 2015 Results	YoY change	YoY change (%)	Achievement rate	Achievement rate(%)
SG&A Expenses	11,523	13,762	12,599	1,075	109.3%	(1,162)	91.6%
Employment Cost	5,304	6,301	5,762	458	108.6%	(539)	91.4%
Advertising Cost	1,921	2,151	1,953	31	101.6%	(197)	90.8%
Other Expenses	4,297	5,309	4,883	585	113.6%	(425)	92.0%
Number of Employees	1,361	1,623	1,495	134	109.8%	(128)	92.1%

- **Sales** : Sales increased, mainly because of the favorable sales of tires and wheels made in Japan handled by TIRE WORLD KAN BEST CO., LTD., which became a subsidiary of our company this term.
- **Operating Income** : Operating income decreased, mainly because of the prior investment by PROTO CORPORATION in GooPit, etc. and the decline in the sales volume and selling prices of imported tires (studless tires) handled by AUTOWAY Co., Ltd. due to the unusually warm winter.

Q3/FY March 2016 : Main Trends of Group Companies (1)

PROTO CORPORATION :

Amid the stringent environment of used car sale, the client firms of MOTOR GATE increased.

From Apr. to Dec., the automobile sale environment was severe, as the sales volume of new cars declined 6.7% from the previous year, due to the revision to the light vehicle tax, etc. Amid this situation, the sales of ads of Goo Series and the performance of the sale of goods for used car dealers, the negotiation tools for new cars for manufacturers and dealers, etc. were healthy. However, sales and operating income were smaller than the estimates, because we withdrew from the GooAUTO business (portal site for used car export) in Oct. 2015, the increase rate of the client firms of MOTOR GATE was lower than the initial estimate, and the shift to a paid service of it was delayed, although the number of affiliated shops of GooPit reached the target value at the end of Dec.

From the third quarter, we have been establishing sales systems using business intelligence from Oct. in addition to outbound calls (business talk setting calls) to increase the client firms of MOTOR GATE, and have been improving the management support service for used car dealers based on Goo-inspection. In addition, as the number of affiliated shops of GooPit exceeded 7,000, we will conduct promotion in the Tokai area in the fourth quarter, to increase the popularity among users and the number of affiliated shops.

Kings Auto Co., Ltd. : The export of used cars to Myanmar was healthy.

From Apr. to Dec., the export of used cars to Sri Lanka and Myanmar was healthy, and so sales and operating income were larger than the estimates.

In the Sri Lanka market, the export volume is declining due to the tightening of regulations, including tariff hike in Nov. Accordingly, it will fortify the sales systems for Myanmar, and re-enhance sales activities targeted at existing and new customers in Hong Kong, where a sales stronghold was established in Jul. 2015, to improve performance.

Q3/FY March 2016 : Main Trends of Group Companies (2)

AUTOWAY Co., Ltd. : It strived to reduce procurement cost, but the sales of studless tires were sluggish because of the unusually warm winter.

From Apr. to Dec., procurement cost was reduced by curbing the number of imported tire brands, but exchange rate changed by 14% year on year toward the yen depreciation, and so the reduction rate of procurement cost was about 7%. In addition, due to the warm winter, the sales volume of studless tires and wheels in the demand season was lower than the estimate, and due to the intensification of the price war, unit selling price was lower than the estimate. As a result, sales and operating income were smaller than the estimates.

From Jan., it will keep promoting the sales of studless tires and try to sell summer tires early. It also aims to expand the sales volume of tires and wheels by conducting sales promotion targeted at used car dealers and maintenance shops via MOTOR GATE Shopping (EC function) and boosting the combined sale of tires and wheels through the upgrade of the user interface (UI) of the core website "AUTOWAY LOOP."

TIRE WORLD KAN BEST CO., LTD. (Full subsidiary since April 2015) : Despite the effects of the warm winter, operating income turned positive.

From Apr. to Dec., the sales volume of tires and wheels was larger than the estimate, but selling unit price was lower than the estimate, due to the intensification of the price war. In the third quarter, the sales volume of studless tires was smaller than the estimate because of the unusually warm winter, and so sales were smaller than the estimate. It strived to rationalize the shipping process with tire assembly equipment, and operating income turned positive, although it was slightly lower than the estimate.

From Jan., it will conduct sales promotion targeting used car dealers and maintenance shops via MOTOR GATE Shopping (EC function), sell summer tires early, and promote the combined sale of tires and wheels, to expand the sales volume of tires and wheels.

Q3/FY March 2016 : Main Trends of Group Companies (3)

PROTO MALAYSIA Sdn. Bhd. :

The demand for ads is declining, due to the introduction of goods and services tax (GST), etc.

Since the goods and services tax (GST) was adopted in Apr. 2015 in Malaysia, consumer spending is becoming sluggish and the demand for ads in the used car market is declining. In addition, the price war with competitors broke out and so on. As a result, sales and operating income did not reach the estimates. From Sep. 2015, it has been striving to improve its performance by operating business based on "GooKANTEI," a service for disclosing car state information, also in Malaysia, to differentiate it from competitors.

PROTO (TAIWAN) CO., LTD. :

As the environment of used car sale is severe, the demand for ads is weakening.

In Taiwan, the number of used cars handled decreased from the previous year, and the demand for ads in the used car market is declining. In addition, price war with competitors broke out and so on. As a result, sales and operating income did not reach the estimates.

In order to differentiate it from competitors and improve business performance, PROTO (TAIWAN) will promote the qualitative improvement of used car dealers that post ads through the consulting sales activities based on "GooKANTEI," a service for disclosing car state information.

Q3/FY March 2016 : Operating Results by Segment(1)

Sales By Segment [unit: million yen]	Apr-Dec 2014 Results	Apr-Dec 2015 Forecast	Apr-Dec 2015 Results	YoY change	YoY change (%)	Achievement rate	Achievement rate(%)
Automobile-related	33,200	38,006	37,355	4,155	112.5%	(650)	98.3%
Information Registration Fee	15,612	16,045	15,242	(370)	97.6%	(803)	95.0%
Information Service Fee	17,588	21,960	22,113	4,525	125.7%	152	100.7%
Lifestyle-related	2,518	2,690	2,417	(100)	96.0%	(272)	89.9%
Real Estate	124	123	121	(2)	97.7%	(2)	98.3%
Other Business	698	908	868	169	124.3%	(40)	95.6%
Total	36,541	41,728	40,763	4,221	111.6%	(965)	97.7%

Operating Income By Segment [unit: million yen]	Apr-Dec 2014 Results	Apr-Dec 2015 Forecast	Apr-Dec 2015 Results	YoY change	YoY change (%)	Achievement rate	Achievement rate(%)
Automobile-related	4,771	5,004	4,266	(504)	89.4%	(737)	85.3%
Lifestyle-related	258	322	259	0	100.3%	(63)	80.4%
Real Estate	74	65	81	7	109.4%	15	123.7%
Other Business	(80)	(135)	(49)	31	-	85	-
Management Division	(1,242)	(1,363)	(1,175)	67	-	187	-
Total	3,780	3,894	3,382	(398)	89.5%	(511)	86.9%

■ Automobile-related information :

The sales of tires and wheels of TIRE WORLD KAN BEST CO., LTD. contributed to the increase in sales, especially those from information provision. However, operating income dropped, because the number of times of publishing Goo Series was decreased, the personnel cost augmented for the expansion of the business scale of GooPit, and the profits of AUTOWAY Co., Ltd., PROTO MALAYSIA and PROTO (TAIWAN) declined. Accordingly, this business segment saw an increase in sales and a decrease in profit.

■ Lifestyle-related information:

In this segment, sales decreased and operating income did not change from the previous year, as the culture information business of PROTO CORPORATION witnessed decreases in sales and profit, and the profit of PROTO MEDICAL CARE increased in the fields of medicine, nursing care, and welfare.

Q3/FY March 2016 : Operating Results by Segment(2)

Automobile-related Sales by Product Classification [unit: million yen]	Apr-Dec 2014 Results	Apr-Dec 2015 Forecast	Apr-Dec 2015 Results	YoY change	YoY change (%)	Achievement rate	Achievement rate(%)
Information Magazine Business	9,118	8,679	8,464	(653)	92.8%	(214)	97.5%
IT Business 1 (Data Biz)	9,618	10,768	10,176	558	105.8%	(592)	94.5%
IT Business 2 (EC Sales)	9,005	13,894	13,282	4,277	147.5%	(611)	95.6%
Other Businesses (Product Sales, etc.)	5,459	4,664	5,432	(26)	99.5%	767	116.5%

■ Information Magazine Business (Basic Advertisement Fee)

- From the previous term, sales declined mainly because of the decrease in the number of times of publishing Goo Series and the sales at PROTO MALAYSIA Sdn. Bhd. dropped. (Downturn of the market in the wake of the introduction of goods and services tax [GST] in Apr. 2015)
- The incomes from ads at PROTO MALAYSIA and PROTO TAIWAN were lower than the estimates.

■ IT Business 1 (Data Biz) :

- From the previous term, sales increased mainly for products and services (negotiation tools for new cars, etc.) in PROTO CORPORATION, MOTOR GATE-related services, and GooPit.
- Sales were smaller than the estimated value, because the number of MOTOR GATE client firms did not reach the target value, the GooAUTO business was withdrawn, and the shift of GooPit to a paid service was delayed.

■ IT Business 2(EC Sales) :

- From the previous term, sales increased mainly because TIRE WORLD KAN BEST CO., LTD. became a subsidiary.
- Due to the unusually warm winter, the sales of imported tires (such as studless tires) of AUTOWAY Co., Ltd. did not reach the estimate.

■ Other Businesses(Product Sales, etc.) :

- From the previous term, sales declined mainly because of the sluggish export of used cars to Hong Kong by Kings Auto Co., Ltd.
- Sales exceeded the estimate as the export of used cars to Myanmar by Kings Auto Co., Ltd. was favorable, and the sales of goods to used car dealers by PROTO CORPORATION were healthy.

Q3/FY March 2016 : Consolidated Balance Sheet

[unit: million yen]	FY March 2015		FY March 2016		Increase/Decrease
	(As of March 31, 2015)	(Composition ratio)	(As of December 31, 2015)	(Composition ratio)	
Current Assets	21,743	52.1%	23,089	52.8%	1,346
Fixed Assets	20,007	47.9%	20,668	47.2%	660
Current Liabilities	10,962	26.3%	12,520	28.6%	1,557
Long-term Liabilities	3,116	7.5%	3,184	7.3%	68
Net Assets	27,672	66.3%	28,052	64.1%	379
Total Assets	41,751	100.0%	43,757	100.0%	2,006

[unit: million yen]	FY March 2015		FY March 2016		Increase/Decrease
	(As of March 31, 2015)	(Composition ratio)	(As of December 31, 2015)	(Composition ratio)	
Cash and cash equivalents	12,431	29.8%	12,505	28.6%	73
Interest-bearing debt	6,231	14.9%	6,633	15.2%	401
Net cash	6,200	14.8%	5,871	13.4%	(328)

■ Current assets / Fixed assets :

Increase in inventory assets of the newly consolidated TIRE WORLD KAN BEST CO., LTD.

Increase in goodwill of TIRE WORLD KAN BEST CO., LTD.

■ Current liabilities/ Long-term liabilities :

Increase in bills payable of TIRE WORLD KAN BEST CO., LTD.; increase in short-term debt of PROTO CORPORATION with the goal of acquiring the shares of TIRE WORLD KAN BEST CO., LTD.

Q3/FY March 2016 : Consolidated Statements of Cash Flows

[unit: million yen]	FY March 2015 (Apr-Dec 2014)	FY March 2016 (Apr-Dec 2015)	YoY change	YoY change (%)	(Reference) FY March 2015
Cash Flows from Operating Activities	4,667	3,191	(1,475)	68.4%	6,577
Cash Flows from Investing Activities	(636)	(2,480)	(1,843)	-	(914)
Cash Flows from Financing Activities	(3,178)	(552)	2,626	-	(4,821)
Cash and Cash Equivalents at End of Term	12,004	12,104	99	100.8%	12,030

[unit: million yen]	FY March 2015 (Apr-Dec 2014)	FY March 2016 (Apr-Dec 2015)	YoY change	YoY change (%)	(Reference) FY March 2015
Investment Amount (Tangible/intangible fixed assets*)	698	2,610	1,912	373.9%	1,113
Depreciation (Tangible/intangible fixed assets)	645	761	116	118.0%	879
Amortization of Goodwill	689	768	79	111.5%	926

* The investment amount includes the amount to acquire tangible/intangible fixed assets as well as goodwill.

■ Cash Flows from Operating Activities:

Decreased 1,475 million yen from the previous term, mainly due to the decrease in net income before taxes, the increase in inventory assets of tires etc. and the increase in the payment of consumption tax, etc. due to the consumption tax hike, etc.

■ Cash Flows from Investing Activities:

Decreased 1,843 million yen from the previous term, primarily due to the expenditure for acquiring the shares of TIRE WORLD KAN BEST CO., LTD.

■ Cash Flows from Financing Activities:

Increased 2,626 million yen, mainly due to borrowing in PROTO CORPORATION.

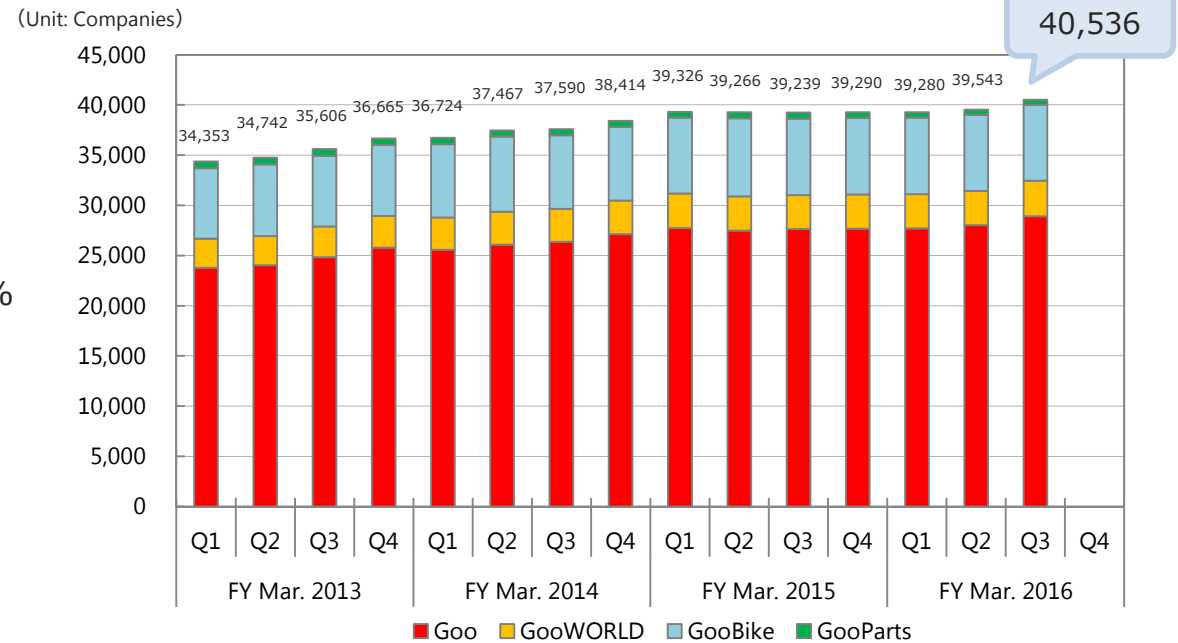
TOPICS : Variation in the number of client firms

■ Goo Series

(Domestic cars, imported cars, motorbikes and parts)

The cumulative total number of companies utilizing Goo Series (Apr. – Dec.) amounted to 101.3% YoY, the average transaction price (Apr. – Dec.) was 100.4% YoY. The Goo Series coverage rate increased from 52.9% (Dec. 2014) to 54.4% (Dec. 2015) by 1.5%.

Changes in Quarterly Totals of Business Partners for Goo Series



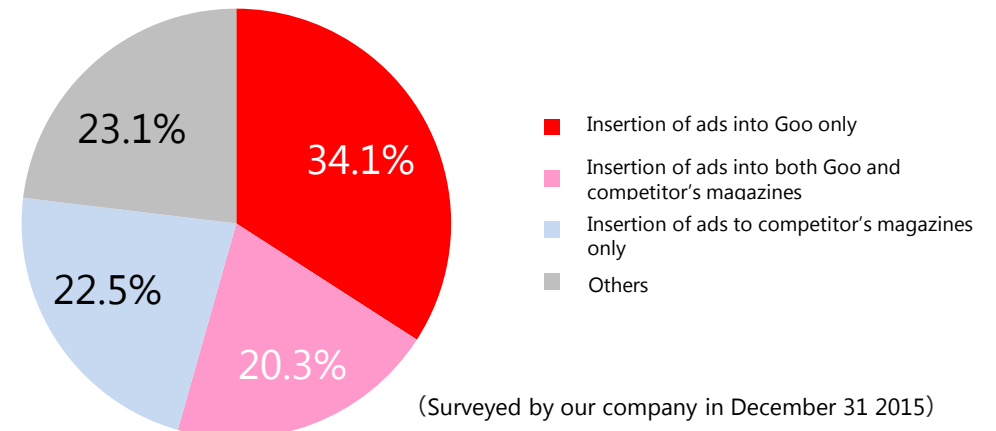
■ No. of Client Firms of MOTOR GATE

- No. of client firms: 10,948
 - Progress rate for the annual plan 99.5%
 - Share of client firms: 54.4%
- (as of the end of Dec. 2015)

Situation of Market Share (Compared with Competitors)

Method for counting client companies:

To count the number of dealers that inserted their ads into information magazines.



TOPICS : Situation of GooPit and DataLine SalesGuide

■ Situation of GooPit affiliated shops

- No. of affiliated shops: 7,705 (as of the end of Dec. 2015)
- Progress rate for the annual plan: 77%

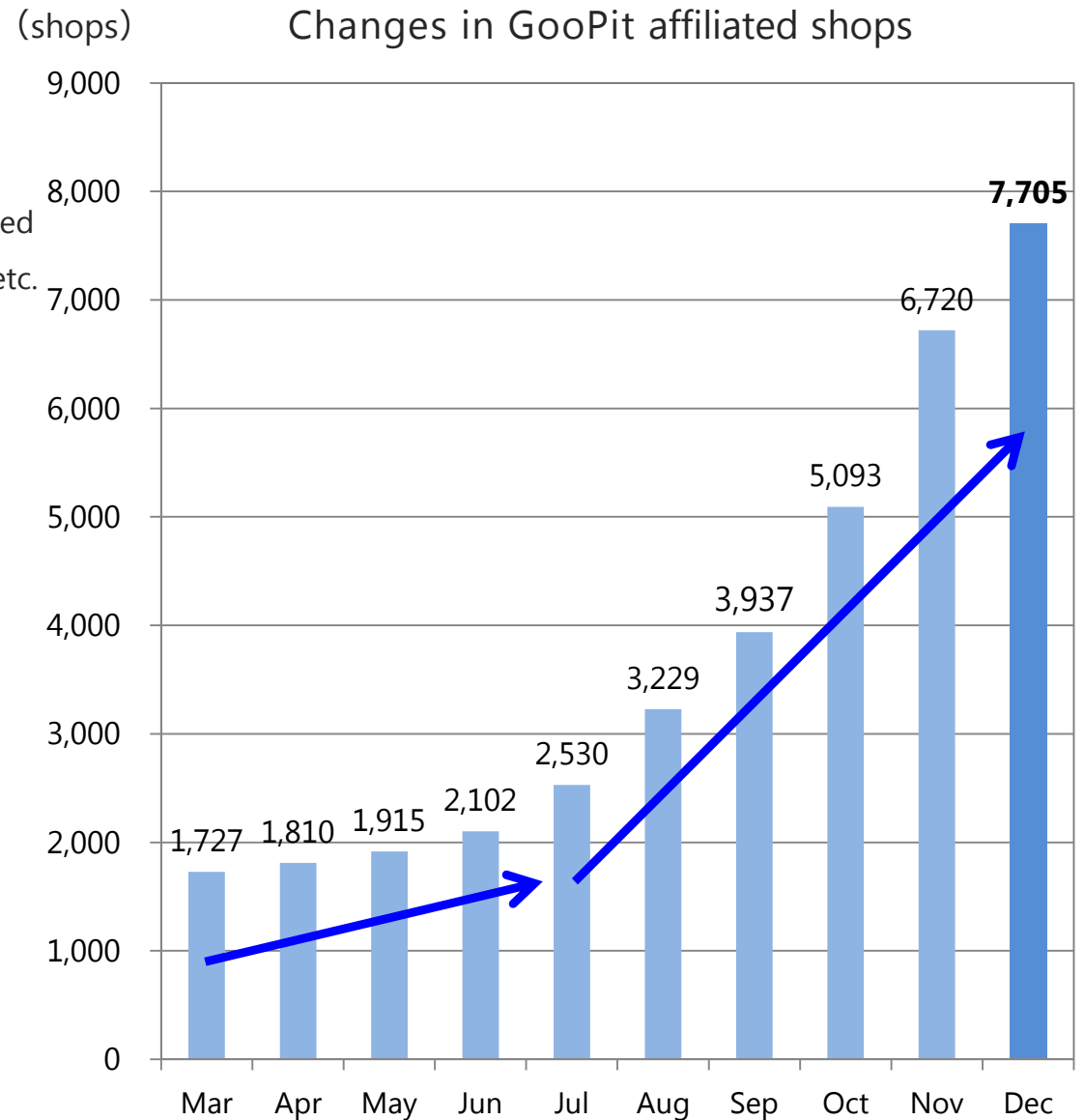
The increase of affiliated shops was promoted, and specialized maintenance shops as well as goods retailers, gas stations, etc. that have maintenance facilities became members at an accelerated pace.

Reference: quarterly net increase of GooPit affiliated shops

- Apr. to Jun. 2015 +375 shops (+125 shops/month)
- Jul. to Sep. 2015 +1,835 shops (+611 shops/month)
- Oct. to Dec. 2015 +3,768 shops (+1,256 shops/month)

■ DataLine SalesGuide

- No. of business establishments equipped with DateLine SalesGuide: 2,420 (as of the end of Dec. 2015)
- Reference: 1,398 as of the end of Mar. 2015



* 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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