

Questions and Answers

Date: May 13, 2016 (Fri) 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 Plan for the Term Ending March 2017 (Presentation Material P.29~30)

Q. Please tell us about the amount of investment in Goo-inspection.

A. First of all, the purposes of investment are “to increase the number of cars assessed through Goo-inspection” and “do promotion for recognition improvement.” Considering the size of sum of money, the latter is our major goal.

Specifically, we estimate that the advertising related expenses for the term ending March 2017 will be about 4.6 billion yen (up 2.7 billion yen from the previous term) for PROTO CORPORATION (non-consolidated). The increase in the advertising related expenses is one of the factors that cause the decrease in consolidated operating income by 1.6 billion yen year on year.

Q. Please tell us about factors in the sales growth.

A. We estimate that sales for the term ending March 2017 will be 26.0 billion yen (up by 4.5% from the previous term) for PROTO CORPORATION (non-consolidated) and 58.2 billion yen (up by 7.3% from the previous term) for all the groups, resulting in an overall sales growth including each group company.

Q. Please tell us about the results for the term ended March 2016 and the forecast for the term ending March 2017 in terms of sales of AUTOWAY Co., Ltd., Kings Auto Co., Ltd. and TIRE WORLD KAN BEST CO., LTD. respectively. In addition, we would like to know which group companies contributed the most to group earnings.

A. Sales are as listed in the following table:

	(billion yen)		
	AUTOWAY Co., Ltd.	Kings Auto Co., Ltd.	TIRE WORLD KAN BEST CO., LTD.
FY March 2016 Results	10.1	4.5	5.1
FY March 2017 Forecast	11.2	4.3	5.8

We think that AUTOWAY Co., Ltd. and PROTO MEDICAL CARE contributed the most to group earnings.

Q. Please tell us about the breakdown of the advertising related expenses (about 4.6 billion yen) of PROTO CORPORATION (non-consolidated).

A. We plan to do promotion via websites, TV and radio, and the amount spent on promotion through websites and TV will account for the vast majority of the advertising related expenses.

As for the augmentation in the advertising related expenses for the term ending March 2017, our corporation has conventionally done promotion mainly in the fourth quarter taking account of the demand season of used cars; however, we are going to carry out promotion for the full year this term, which makes the amount larger.

Q. Please tell us about factors in the rise in SG&A expenses if any, other than advertising related expenses.

A. We have a plan to raise employment costs in conjunction with a growth in the number of employees. We will enlarge the number of employees for all the groups by 185 from the previous term (PROTO CORPORATION (non-consolidated): up 61 workers from the previous term, other group companies (in total): up 124 workers from the previous term). CAR CREDO Co., Ltd. has a greater increase in employees than other group companies, and we will recruit inspectors for CAR CREDO Co., Ltd. to “the standardization of Goo-inspection.”

In addition, we plan to augment other expenses following the above-mentioned increase in employees.

• **Regarding the GooPit (Presentation Material P.23)**

- Q. Because little feedback has been given, we are concerned if free service shops can be switched to paid ones according to the plan. Please tell us about the degree of competitiveness in order to reflect on the future growth of GooPit.
- A. Maintenance shops may feel uncomfortable “attracting customers by putting advertisements” because the whole car maintenance field has conducted business in a “passive” attitude that depends on statutory inspection for so long; however, while competition is intensifying due to an expansion of emergence from other business categories, it is certain that maintenance shops are faced with greater difficulty in ensuring the number of cars in stock and thus, that new methods of pulling in more customers are required. In addition, although little feedback was provided by users and not many paid contents in GooPit were used as of March 2016, shops using paid contents have steadily derived benefit of “attracting customers.” We believe that a switch from free service shops to paid ones will be achieved after our clients realize the effect, and therefore, we have set a term-end goal of “3,000 paid service shops” for the term ending March 2017.
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• **Regarding DataLine SalesGuide (Presentation Material P.24)**

- Q. We will not be surprised if some companies catch up with your company on the new car sales tool. Please tell us about similar services or competition with DataLine SalesGuide if any.
- A. The advantage of DataLine SalesGuide is that it can calculate residual value of cars, and the patent for this residual value program is held by our corporation. We provide users with services of comparison of renewal costs and estimation of future vehicle prices using the advantage. Although other companies may launch similar services, we believe that our corporation holds superiority in accuracy including our past results.
- In addition, our corporation has sales infrastructures all over Japan, which enables us to offer training to dealers in accordance with circumstances to introduce DataLine SalesGuide. We think that this effort is essential for our service to be used and that there are few companies which are able to take exhaustive action ranging from service development to sales. Furthermore, we believe that our possession of Goo-net New Cars, a medium for attracting customers, allows us to maintain overall ascendancy for now.
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