

## Questions and Answers

Date: May 22, 2019 (Wed) 16:30-17:30

Place: OTEMACHI 1st SQUARE CONFERENCE Room D, Tokyo

Speaker: Mr. Kenji Kamiya, President

Mr. Akito Ode, Executive Officer

Mr. Naruaki Takabayashi, Corporate Planning Department

※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.

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**• Regarding consolidated performance in the term ending March 2020 (Presentation material, Page 32)**

Q. Please tell us about the factors causing operating income to increase by 7.7% and ordinary income to decrease by 1.2%, while sales increased by 0.3% year on year.

A. Sales are projected to be unchanged from the previous year due to the abolition of unprofitable businesses associated with the absorption of BikeBros. On the other hand, intentionally reducing existing low-profit businesses and gradually switching to highly profitable products and businesses such as MOTORGATE and DataLine SalesGuide contribute to improvement of gross profit and operating income. Regarding ordinary income, the decrease is due to the fact that non-operating income, such as gains from valuation of derivatives, are estimated lower than the result in the term ended March 2019.

Q. Do you plan on reviewing overseas business during the three-year medium-term plan starting from the term ending March 2020?

A. As business in Malaysia and Taiwan is continuing, we do not intend to review those areas, but considering past performance, we have not overestimated them in the medium-term plan, either. We also have not factored in new investments, such as overseas expansion. We will make a concrete decision regarding the future of our overseas business during this term.

Q. This may be due to the first half of the term ended March 2019 experiencing significant growth, but what is the background for the first half of the term ending March 2020 experiencing a decline year on year?

A. As for the first half of the term ending March 2020, operating income decreases by approximately 110 million yen year on year, which is mostly due to operating income of AUTOWAY decreasing by approximately 83 million yen. The background is that the increase in freight rates is factored in, and the promotion of workstyle reform in the company group is expected to increase outsourcing to subcontractors during the busy season.

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• **Regarding new business (Presentation material, Page 19)**

Q. As a growth strategy, CVC and M&A are described in the new business segment. What kind of new business is planned?

A. We consider businesses in the automotive-related sector, which is service on our platform, as the main part of our new business. With regard to CVC, we would like to invest in a seed business which can create linkage and synergies with our existing businesses, such as MOTORGATE and DataLine SalesGuide. Some of our propositions may be recognized as diversification, however, we are generally focusing on business in the field of automobiles.

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• **Regarding the field of maintenance (Presentation material, Pages 19 and 21)**

Q. I have heard that although it was important to expand the field of maintenance, especially car inspection (customers sending service), in the three-year medium-term plan from the term ended March 2017 to the term ended March 2019, it did not turn out as expected and became a major factor of the plan not being fulfilled. As the main pillar in the three-year medium-term plan starting from the term ending March 2020 is to grow the field of new cars, considering the three-year medium-term plan ended in the previous term, what is your plan for the field of maintenance?

A. As for the field of maintenance, we have proceeded with two businesses, advertising and customers sending service, and the advertising business has been profitable since the middle of the previous term. We do not significantly extend the businesses in current term's plan, however, we would like to steadily increase our profits.

With regards to our reservation service, we are preparing for release in the current term if possible. We have already started services such as reserving tickets including installation and replacement in the business of GooPit, and we have been partly prepared to build reservation services extended from the current service. As we are currently testing how much we can diversify our menu, we expect that the reservation service will be more profitable than our advertising business if operated properly. How to incorporate car inspection as one of our menu is one crucial point. In order to make the field of maintenance our next pillar for profit, we will aim to release the details of our reservation service at an early stage.

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• **Regarding the field of new cars (Presentation material, Page 25)**

Q. I have heard one of the main points in the three-year medium-term plan starting from the term ending March 2020 is to expand the field of new cars. If the business in the field has been well-received to be a potential pillar, could you tell us as many details as possible?

A. While clients have to increase opportunities to interact with customers and the sales volume of automobiles, they must also improve productivity. In addition, these days it is difficult to secure human resources, and training valuable employees takes time and money. These issues can be dealt with by utilizing our database, DataLine SalesGuide. For example, it can show trade-in estimates instantly in real time which could not be calculated without a long-time employee with a certain level of experience and knowledge. So, we can contribute to improvement of clients' productivity. There are not many companies which have sufficient data to achieve this.

With regard to AI assessment, as time for assessment per automobile can be greatly reduced, we receive praise from clients, such as "It is very effective for improving on-site productivity."

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