



Consolidated Financial Results for the Nine Months Ended December 31, 2019 [Japanese GAAP]

January 31, 2020

Company name: PROTO CORPORATION

Stock exchange listing: Tokyo, Nagoya

Code number: 4298

URL: <https://www.proto-g.co.jp/>

Representative: Kenji Kamiya President

Contact: Akito Ode Executive officer

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Scheduled date of filing quarterly securities report: February 13, 2020

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019 (April 01, 2019 to December 31, 2019)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------------------------|-------------|-------|------------------|------|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Nine months ended December 31, 2019 | 44,980 | (5.9) | 4,341 | 9.7 | 4,584 | 8.4 | 4,569 | 68.6 |
| December 31, 2018 | 47,820 | 2.2 | 3,958 | 29.0 | 4,228 | 30.4 | 2,709 | 65.3 |

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥ 4,497 million [74.0%]
 Nine months ended December 31, 2018: ¥ 2,585 million [54.3%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended December 31, 2019 | 113.83 | - |
| December 31, 2018 | 67.55 | - |

(Note) PROTO CORPORATION carried out a 2-for-1 split of common shares on July 1, 2019.

Net income per share was calculated under the assumption that said share split had been conducted at the beginning of the previous consolidated accounting year.

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|-------------------------|--------------|-------------|------------------------|
| | Million yen | Million yen | % |
| As of December 31, 2019 | 44,829 | 31,521 | 70.3 |
| March 31, 2019 | 43,879 | 28,029 | 63.8 |

(Reference) Equity: As of December 31, 2019: ¥ 31,508 million
 As of March 31, 2019: ¥ 27,995 million

2. Dividends

| | Annual dividends | | | | |
|---|------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2019 | - | 25.00 | - | 25.00 | 50.00 |
| Fiscal year ending March 31, 2020 | - | 13.75 | - | | |
| Fiscal year ending March 31, 2020 (Forecast) | | | | 13.75 | 27.50 |

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the annual dividend for the fiscal year ending March 31, 2020 :

Commemorative dividend 25.00 yen

Special dividend 2.50 yen

(Note) PROTO CORPORATION carried out a 2-for-1 split of common shares on July 1, 2019.

For the year ending Mar. 2020 (Forecast), PROTO CORPORATION took the stock split into consideration.

For the year ended Mar. 2019, the actual dividend amounts before the stock split are indicated.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020(April 01, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|-----|------------------|-----|-----------------|-------|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 62,431 | 0.3 | 4,916 | 7.7 | 4,942 | (1.2) | 4,512 | 42.8 | 112.41 |

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2019

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New - (Company name:)

Exclusion: 1 (Company name: Bike Bros. Inc.)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2019: 41,925,300 shares

March 31, 2019: 41,880,000 shares

2) Total number of treasury shares at the end of the period:

December 31, 2019: 1,763,312 shares

March 31, 2019: 1,763,060 shares

3) Average number of shares during the period:

Nine months ended December 31, 2019: 40,139,466 shares

Nine months ended December 31, 2018: 40,116,940 shares

*PROTO CORPORATION carried out a 2-for-1 split of common shares on July 1, 2019.

Therefore, "Total number of issued shares at the end of the period (including treasury shares)" "Total number of treasury shares at the end of the period" and "Average number of shares during the period" were calculated under the assumption that said share split had been conducted at the beginning of the previous consolidated accounting year.

*** This quarterly report is not subject to quarterly review procedures by certified public accountants or an auditing firm.**

*** Explanation for appropriate use of forecasts and other notes**

The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31,2019 | As of December 31,2019 |
|---------------------------------------|---------------------|------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 15,747 | 16,668 |
| Notes and accounts receivable - trade | 4,799 | 4,765 |
| Inventories | 4,422 | 4,706 |
| Other | 2,131 | 1,898 |
| Allowance for doubtful accounts | (11) | (9) |
| Total current assets | 27,088 | 28,029 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 4,933 | 6,061 |
| Land | 5,689 | 4,590 |
| Other, net | 1,568 | 720 |
| Total property, plant and equipment | 12,191 | 11,372 |
| Intangible assets | | |
| Goodwill | 1,851 | 1,654 |
| Other | 1,219 | 1,008 |
| Total intangible assets | 3,070 | 2,662 |
| Investments and other assets | | |
| Investments and other assets, gross | 1,575 | 2,771 |
| Allowance for doubtful accounts | (46) | (6) |
| Total investments and other assets | 1,528 | 2,764 |
| Total non-current assets | 16,791 | 16,800 |
| Total assets | 43,879 | 44,829 |

(Million yen)

| | As of March 31,2019 | As of December 31,2019 |
|--|---------------------|------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 1,285 | 2,164 |
| Short-term borrowings | 5,240 | 2,350 |
| Current portion of long-term borrowings | 490 | 436 |
| Accrued expenses | 2,389 | 2,536 |
| Income taxes payable | 1,218 | 1,284 |
| Provision for sales returns | 32 | 14 |
| Provision for bonuses | 138 | 151 |
| Provision for point card certificates | 24 | 28 |
| Other | 3,216 | 2,723 |
| Total current liabilities | 14,035 | 11,688 |
| Non-current liabilities | | |
| Long-term borrowings | 1,069 | 765 |
| Provision for retirement benefits for directors (and other officers) | 264 | 276 |
| Asset retirement obligations | 207 | 294 |
| Other | 273 | 283 |
| Total non-current liabilities | 1,814 | 1,618 |
| Total liabilities | 15,850 | 13,307 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,824 | 1,849 |
| Capital surplus | 2,011 | 2,036 |
| Retained earnings | 24,710 | 28,225 |
| Treasury shares | (1,305) | (1,306) |
| Total shareholders' equity | 27,240 | 30,805 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 59 | 7 |
| Foreign currency translation adjustment | 694 | 696 |
| Total accumulated other comprehensive income | 754 | 703 |
| Non-controlling interests | 34 | 12 |
| Total net assets | 28,029 | 31,521 |
| Total liabilities and net assets | 43,879 | 44,829 |

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

| | For the nine months ended December 31,2018 | For the nine months ended December 31,2019 |
|--|---|---|
| Net sales | 47,820 | 44,980 |
| Cost of sales | 29,819 | 26,591 |
| Gross profit | 18,001 | 18,388 |
| Reversal of provision for sales returns | 75 | 32 |
| Provision for sales returns | 52 | 14 |
| Gross profit - net | 18,024 | 18,406 |
| Selling, general and administrative expenses | 14,066 | 14,064 |
| Operating profit | 3,958 | 4,341 |
| Non-operating income | | |
| Interest and dividend income | 17 | 11 |
| Foreign exchange gains | 101 | 152 |
| Gain on valuation of derivatives | 118 | 85 |
| Other | 62 | 40 |
| Total non-operating income | 299 | 290 |
| Non-operating expenses | | |
| Interest expenses | 20 | 16 |
| Loss on investments in investment partnerships | - | 15 |
| Other | 8 | 15 |
| Total non-operating expenses | 29 | 47 |
| Ordinary profit | 4,228 | 4,584 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 26 | 1,819 |
| Gain on sales of investment securities | - | 18 |
| Total extraordinary income | 26 | 1,837 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 4 | 18 |
| Loss on disaster | 25 | 0 |
| Loss on liquidation of subsidiaries | - | 6 |
| Loss on withdrawal from business | 3 | 14 |
| Other | 2 | - |
| Total extraordinary losses | 34 | 39 |
| Profit before income taxes | 4,219 | 6,382 |
| Income taxes - current | 1,586 | 2,170 |
| Income taxes - deferred | (76) | (335) |
| Total income taxes | 1,510 | 1,834 |
| Profit | 2,709 | 4,547 |
| Loss attributable to non-controlling interests | (0) | (21) |
| Profit attributable to owners of parent | 2,709 | 4,569 |

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Million yen)

| | For the nine months ended December 31,2018 | For the nine months ended December 31,2019 |
|--|---|---|
| Profit | 2,709 | 4,547 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (116) | (52) |
| Foreign currency translation adjustment | (7) | 1 |
| Total other comprehensive income | (123) | (50) |
| Comprehensive income | 2,585 | 4,497 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,585 | 4,518 |
| Comprehensive income attributable to non-controlling interests | (0) | (21) |