

Questions and Answers

Date: May 20, 2020 (Wed) 16:30-17:30

Place: PROTO CORPORATION HEAD OFFICE, Nagoya (WEB distribution)

Speaker: Mr. Kenji Kamiya, President

Mr. Akito Ode, Executive Officer

Mr. Nariaki 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.

• **Consolidated Financial Results for the Fiscal Year Ended March 31, 2020**
(Financial Results Briefing, page 12)

Q. Kings Auto (now GOONET EXCHANGE) continues to be in the red. What specific measures do you plan to take in the future?

A. Although we have been implementing cost reduction measures since the previous fiscal year, we have not been able to achieve any concrete results. In the future, we would like to create our own flow of used car exports by strengthening the ties between our company and GOONET EXCHANGE (formerly Kings Auto), and create an opportunity for our customers to expand their sales channels. We would like to take on this challenge by positioning ourselves as an export function for the entire group. As one of our measures for this fiscal year, we are promoting alliances with used car export companies in the same industry. We are also reviewing our strategy to restructure our business, so please stay tuned.

• **Impact of COVID-19 (pages 13 to 16 of the financial results briefing)**

Q. Do you have any specific measures in place for clients that were significantly affected by COVID-19?

A. Due to our position as a medium, we do not support only specific clients, but we do support clients who meet certain conditions.

Q. Due to the impact of COVID-19, some business negotiations for new and used car sales are now being conducted online, but how should business negotiations be conducted in the future?

A. We believe that online business meetings will increase in the future, and as stated on page 21, at this point in time, about 30% of purchasers still proceed with business meetings without seeing the actual product. In March and April 2020, when the impact of COVID-19 begins to be felt, the number of inquiries for Goo-Inspection is increasing, and we believe that posting accurate used car information and being able to talk face-to-face online will be a new way to conduct business.

Q. The declaration of a state of emergency has been lifted in some areas. What is the extent to which customer traffic at your dealerships has recovered for the first holiday since the lifting of the state of emergency?

A. We don't know everything, but we haven't seen any reports of the same number of customers coming back to our stores as before.

Q. What percentage of total sales are products and services that would not lead to a contract without visiting salespeople?

A. For PROTO, which accounts for roughly half of all sales, spot sales are not a large part of the total. However, there is a possibility that the seed for the future, starting with new sales, cannot be sown due to the stoppage of door-to-door sales, and that the unit price of transactions will fall in response to requests from clients for reductions or recessions. AUTOWAY, which sells tires, TIRE WORLD KAN BEST, and GOONET EXCHANGE (formerly Kings Auto), which operates an export business, will be affected if the COVID-19 is prolonged.

Q. I believe that PROTO-RIOS has a lot of spot sales, but is this affected by the COVID-19?

A. Since PROTO-RIOS is mainly a system sales company, there will be no significant impact if you continue to use the system when you renew your contract. However, due in part to the impact of COVID-19, it is true that new sales have been stagnant. Last year's results were strong due to the impact of the end of Windows 7 support.

• **Future business (Financial results briefing, page 8)**

Q. Please tell us what you think about the future of paper media.

A. We recognize that the distribution of paper media is in a difficult situation and needs to be reviewed. If we can find a clear value in paper media, we would like to change the shape of the current situation and respond to it.

Q. We believe that major used car dealers will further increase their market share in the future, but how will this affect used car information sites like Goo-net?

A. Basically, a used car is one thing, one price, and Goo-net is a collection of used car inventory contents held by used car dealers. What makes this site different from a restaurant information site is that users are not only looking for a store, they are also looking for the used car inventory that the store has. In the future, we would like to establish our own unique platform by posting used cars from other used car dealers, such as maintenance shops, so that we can deliver more choices to users and more business opportunities to our clients.

• **Consolidated earnings forecast for the fiscal year ending March 2021 and medium-term three-year plan (Financial results briefing, page 26)**

Q. We have not disclosed our consolidated earnings forecast for the next fiscal year and have not withdrawn our medium- to long-term plan. What impact will COVID-19 has on our plans for the next fiscal year and beyond?

A. The reason for not disclosing the earnings forecast for the current fiscal year is that we believe that the impact of COVID-19 will not be apparent in two to three months. With regard to the medium-term three-year plan, the Company plans to proceed with the same plan as before, since the plan anticipates the economic downturn after the Olympics, which was originally scheduled to take place.