

Questions and Answers

Date: February 3, 2021 (Wed) 13:00-14:00 (Japan time)

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

Speaker: Mr. Kenji Kamiya, President

Mr. Takehito Suzuki, Executive Officer

Mr. Nariaki Takabayashi, Accounting and Finance 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.

• Revision of full-year consolidated forecasts for the year ending 31 March 2021 (Financial Results Briefing, page 23,42)

- Q. You said that the main reason for the revision of your earnings forecast was a decrease in SG&A expenses. How much effect did the consolidation of bases, which was mentioned in the Q2 results presentation, have by the third quarter? What impact will consolidation of bases have on costs in the future?
- A. The decrease in SG&A expenses is largely due to personnel costs. We have revised its forecasts because the number of employees has been lower than planned at the beginning of the period and there are no plans to increase the number of employees significantly in the fourth quarter. As we have said for many years, this is the result of our continued efforts to improve productivity and to increase sales and profits per employee, so that we do not have an excessive number of staff. During the period under review, 18 consolidation of bases (8 in the first half and 10 in the second half). Ground rent, utilities and other costs will be a factor in future cost reductions, but they have not had a significant impact on the decline in SG&A expenses this year, and the revision to the forecast is not due to the consolidation of bases.

• About the number of used cars listed on Goo-net

- Q. Please teach monthly figures for the number of used cars listed on the Goo-net used car website in the year ending March 2021.
- A. [April 2020] 539,861 units [May] 523,287 units [June] 488,286 units [July] 463,110 units
[August] 444,938 units [September] 447,025 units [October] 468,722 units
[November] 486,576 units [December] 545,968 units

When the first emergency declaration last year brought the market to a standstill, used car dealers were overstocked and the number of cars listed on Goo-net exceeded 500,000, but as the market situation settled down, the number returned to normal levels.

The growth in the December is due to seasonality. December tends to see an increase in the number of cars listed each year as we head into the peak demand period for used cars (January to March).

• **Response to the declaration of a state of emergency due to the re-spreading of infection of COVID-19**

- Q. Are there any special measures for customers following the second declaration of a state of emergency in January this year?
- A. No special measures have been taken under the second emergency declaration, which came into force in January this year, and the business is operating as normal.
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• **Number of dealers using the DataLine SalesGuide (Financial Results Briefing, page 20)**

- Q. In the financial results briefing, it was mentioned that the number of installed dealers is expected to increase to 6,000 by the end of the current fiscal year, but the number of installed dealers was 5,697 at the end of the previous fiscal year, 5,635 in the first quarter, 5,746 in the second quarter, and 5,792 in the third quarter, giving the impression that this is a very large target. What is the specific basis for your estimate of 6,000 at the end of the period?
- A. There are two rationales for this: firstly, we are expecting a large dealership to adopt the system, and secondly, the customer's intention is to implement the system before the end of the financial year. As DataLine SalesGuide is mainly introduced as a tool for new car dealers to negotiate with their customers, it tends to take a long time to introduce, as it needs to be linked to the customer's system. However, as mentioned above, since autumn last year, some of our customers have wanted to introduce the system before the end of the financial year, so we expect to have 6,000 dealers at the end of the current financial year.
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• **Operation of MOTOR GATE and DataLine SalesGuide**

- Q. Goo-net's background system, MOTOR GATE, and its service for new car dealers, DataLine SalesGuide, seem to be marketed as platforms, but is it correct to think of them as SaaS-type products that allow the use of optional products such as MG calendars and AI chatbots through a platform in the cloud rather than on-premise?
- A. We think it is fair to say that the model is SaaS-based. This is a cloud-based platform called MOTOR GATE, with optional products such as the MG Calendar as add-ons, for which payment is made on a monthly basis, so naturally the more locations we have, the more sales we can generate.
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