

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 5, 2024

Company name: PROTO CORPORATION

Listing: Tokyo, Nagoya

Securities code: 4298

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

Representative: Kenji Kamiya

President

Inquiries: Takehito Suzuki

Executive officer

Telephone: +81-52-934-2000

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (For Institutional Investors & Analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-----------------|------|------------------|-----|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended June 30, 2024 | 29,690 | 9.1 | 2,277 | 2.1 | 2,323 | (15.7) | 1,595 | (11.8) |
| June 30, 2023 | 27,220 | 14.4 | 2,231 | 7.2 | 2,755 | 31.2 | 1,808 | 29.3 |

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 1,590 million [(27.4)%
Three months ended June 30, 2023: ¥ 2,192 million [116.5%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| June 30, 2024 | 39.61 | - |
| June 30, 2023 | 44.97 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|----------------|-----------------|-----------------|------------------------|
| As of | Millions of yen | Millions of yen | % |
| June 30, 2024 | 66,092 | 48,270 | 72.4 |
| March 31, 2024 | 66,604 | 47,664 | 71.0 |

(Reference) Equity: As of June 30, 2024: ¥ 47,863 million
As of March 31, 2024: ¥ 47,316 million

2. Dividends

| | Annual dividends | | | | |
|---|------------------|-----------------|-----------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2024 | Yen - | Yen 17.50 | Yen - | Yen 25.00 | Yen 42.50 |
| Fiscal year ending March 31, 2025 | - | | | | |
| Fiscal year ending March 31, 2025 (Forecast) | | 25.00 | - | 25.00 | 50.00 |

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|--------------------------------------|-----------------|-----|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending September 30, 2024 | 55,546 | 1.8 | 3,393 | (10.1) | 3,377 | (21.8) | 2,295 | (19.1) | 56.98 |
| Full year | 117,178 | 1.4 | 8,238 | 6.9 | 8,227 | (0.6) | 5,571 | 1.8 | 138.31 |

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 1 (Company name: Kankokeizai News Corporation)
Excluded: - (Company name: -)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

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

June 30, 2024: 41,925,300 shares

March 31, 2024: 41,925,300 shares

2) Number of treasury shares at the end of the period:

June 30, 2024: 1,646,407 shares

March 31, 2024: 1,663,807 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 40,271,068 shares

Three months ended June 30, 2023: 40,221,033 shares

(Note) Total number of issued shares at the end of the period includes the number of shares of our company owned by ESOP Trust (110,000 in FY 3/2024, 92,600 in FY 3/2025). In addition, the number of treasury shares to be deducted when calculating the average number of shares outstanding during the period includes the number of shares of our company owned by ESOP Trust (110,000 in FY 3/2024, 92,600 in FY 3/2025).

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes(voluntary)

* Proper use of earnings forecasts, and other special matters

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. Please refer to “1. Business Performance Overview (3) Future outlook” on page 4 for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts.

○Table of contents of appendix

| | |
|--|----|
| 1. Qualitative information on financial results in the first quarter of the current fiscal year | 2 |
| (1) Explanation on business performance | 2 |
| (2) Explanation on the financial standing | 4 |
| (3) Explanation on prediction information, such as consolidated earnings forecasts | 4 |
| 2. Quarterly consolidated financial statements and major notes | 5 |
| (1) Quarterly Consolidated Balance Sheets | 5 |
| (2) Quarterly Consolidated Statements of Income (For the three months) and Quarterly Consolidated Statements of Comprehensive Income (For the three months) | 7 |
| (3) Notes on quarterly consolidated financial statements | 9 |
| (Notes on the premise of a going concern) | 9 |
| (Notes about the case where shareholders' equity changes considerably) | 9 |
| (Segment information, etc.) | 10 |
| (Notes on the cash flow statement) | 12 |

1. Qualitative information on financial results in the first quarter of the current fiscal year

(1) Explanation on business performance

① Business Performance Overview for the Current Term

In the first quarter of the current consolidated fiscal year, the Japanese economy is expected to grow at a rate exceeding its potential growth rate, because the positive circulation mechanism from income to expenditure will intensify gradually thanks to the loosening of monetary policies, etc.

On the other hand, there remain high uncertainties over the Japanese economy and commodity prices, because of overseas economic trends and commodity price fluctuations, changes in prices of resources, changes in wages and prices by enterprises, etc. Under these circumstances, it is necessary to pay attention to the effects of the trends of financial and exchange markets and the rise in commodity prices.

In this economic environment, the automobile sale industry, including major clients of the PROTO Group, saw a year-on-year decrease in the sales volume of new cars, as the misconduct of automobile manufacturers was revealed. In addition, the number of registered used cars increased slightly from the previous year, as the insufficiency of supply of new cars subsided.

Under such circumstances, the PROTO Group has been working to provide new products and services that contribute to DX in the mobility domain in the platform business by combining the company's master data, AI technology, and data based on the "Medium-Term Management Plan (FY 3/2023–FY 3/2025)" formulated in light of diversifying user needs and the future market environment. Furthermore, in the commerce business, we made efforts to increase our sales share by establishing our brand.

Accordingly, the sales in the first quarter of the current consolidated fiscal year were 29,690 million yen, up 9.1% year on year. The major factors in the sales growth are the steady expansion of the platform business, which is the mainstay, and the expansion of sale of goods in the commerce business and the ticket sale business. Operating income was 2,277 million yen, up 2.1% year on year, as we provided more products and systems for DX in the platform business. Ordinary income was 2,323 million yen, down 15.7% year on year, as gain on revaluation of derivatives decreased due to fluctuations in exchange rates resulting in the emergence of latent profit from currency option trading, which was conducted for avoiding exchange risks. Profit attributable to owners of parent was 1,595 million yen, down 11.8% year on year, due to the above-mentioned decline in gain on revaluation of derivatives.

② Overview of each segment

The results of each business segment are as follows.

(Platform)

Aiming for the establishment of the No. 1 platform in the mobility industry, we strove to enhance our services contributing to DX of the mobility field alongside endeavoring to expand our market share in each business field and increase average spending per customer.

Regarding the “media” in the platform business, we made efforts to maximize the “Goo-net” content, expand the number of affiliated stores and support the management of used car dealers by providing and improving the functions of “MOTOR GATE,” the background system of “Goo-net,” in the used car field. With regard to the maintenance field, we focused on building a network of service shops which work with us by promoting the adoption of “Goo Failure Diagnosis,” an On-Board Diagnostics (OBD) service, as well as “Goo Maintenance Pack,” a regular car maintenance service package, in addition to enhancing the content of “Goo-net Pit.”

Regarding “services” in the platform business, we kept working on the sales promotion of “DataLine SalesGuide” by establishing a system for cooperation with manufacturers in the new car field.

Consequently, sales were 8,145 million yen (up 4.9% year on year). The major factor in the sales growth is the healthy provision of products for DX, such as “AI Recommend Space,” in the platform business, which is represented by “MOTOR GATE.”

Operating income was 2,502 million yen, up 3.0% year on year, thanks to the growth of the service business, which is represented by “DataLinePRO.”

(Commerce)

Regarding the “sale of goods” in the commerce business, we continuously strove to enhance the sale of tires and wheels of major brands we handle and increase sales opportunities by revising selling prices. With regard to export of used cars, the number of cars exported to Malaysia, which is a major destination country for export, exceeded the plan.

Furthermore, with regard to “ticket sales” in the commerce business, we focused on expanding opportunities for both the sale and purchase of gift certificates and gift vouchers by providing our Internet business know-how while cultivating the market by opening new shops.

Consequently, sales stood at 19,382 million yen (up 11.9% year on year). The major factor in the sales growth is the healthy export of used cars. Operating income was 90 million yen, down 44.7% year on year, due to the augmentation of procurement costs caused by the yen depreciation in the business of sale of tires and wheels.

(Other Business)

In the first quarter of the current consolidated fiscal year, we acquired the shares of Kankokeizai News Corporation, including this company in the scope of consolidation. In addition, operating income margin improved, as okinawa basketball inc. decreased expenses for promoting Ryukyu Golden Kings and reduced procurement costs.

Consequently, sales stood at 2,163 million yen (up 1.3% year on year), operating income reached 229 million yen (up 66.8% year on year).

(2) Explanation on the financial standing

The total assets as of the end of the first quarter of the current consolidated fiscal year stood at 66,092 million yen, down 512 million yen from the end of the previous consolidated fiscal year. The situation concerning assets, liabilities and net assets is as described below.

i. Assets

Current assets stood at 43,266 million yen, down 1,273 million yen from the end of the previous consolidated fiscal year, as the accounts receivable of AUTOWAY Co., Ltd. decreased.

Fixed assets stood at 22,826 million yen, up 761 million yen from the end of the previous consolidated fiscal year, due to the increase of machinery and equipment in AUTOWAY Co., Ltd.

ii. Liabilities

Current liabilities stood at 16,492 million yen, down 1,093 million yen from the end of the previous consolidated fiscal year, as accounts payable declined due to the decrease of product procurement in TIRE WORLD KAN BEST CO., LTD.

Fixed liabilities stood at 1,329 million yen, down 24 million yen from the end of the previous consolidated fiscal year, as long-term debt decreased through the repayment of debt by AUTOWAY Co., Ltd. and PROTO SOLUTION Co., Ltd.

iii. Net assets

Net assets stood at 48,270 million yen, up 605 million yen from the end of the previous consolidated fiscal year due to recording profit attributable to owners of parent of 1,595 million yen, despite a payment of dividends from surplus of 1,009 million yen.

(3) Explanation on prediction information, such as consolidated earnings forecasts

Our business performance is currently in line with the initial forecast as a whole, so we have not revised the earnings forecast announced on May 10, 2024, but if we find any fact that should be disclosed through examination according to the progress of business activities, we will announce it immediately.

We forecast business performance based on information the PROTO Group has obtained and some assumptions considered as reasonable, but please note that there is a possibility that actual performance will be significantly different from the forecast according to inherent uncertain factors, changes in the situation of business operation, etc.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2024 | As of June 30, 2024 |
|---------------------------------------|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 25,764 | 24,935 |
| Notes and accounts receivable - trade | 6,394 | 5,571 |
| Inventories | 9,134 | 9,513 |
| Other | 3,254 | 3,251 |
| Allowance for doubtful accounts | (7) | (5) |
| Total current assets | 44,539 | 43,266 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 5,497 | 5,467 |
| Land | 5,590 | 5,657 |
| Other, net | 911 | 1,276 |
| Total property, plant and equipment | 12,000 | 12,402 |
| Intangible assets | | |
| Goodwill | 2,146 | 2,193 |
| Other | 2,632 | 2,759 |
| Total intangible assets | 4,778 | 4,952 |
| Investments and other assets | | |
| Investment securities | 2,686 | 2,804 |
| Other | 2,606 | 2,674 |
| Allowance for doubtful accounts | (6) | (7) |
| Total investments and other assets | 5,286 | 5,471 |
| Total non-current assets | 22,065 | 22,826 |
| Total assets | 66,604 | 66,092 |

(Millions of yen)

| | As of March 31, 2024 | As of June 30, 2024 |
|--|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 1,754 | 1,121 |
| Electronically recorded obligations - operating | 1,999 | 1,893 |
| Short-term borrowings | 4,300 | 4,500 |
| Current portion of long-term borrowings | 74 | 77 |
| Accrued expenses | 2,636 | 2,848 |
| Income taxes payable | 1,662 | 792 |
| Contract liabilities | 2,422 | 2,541 |
| Provision for bonuses | 238 | 273 |
| Provision for share awards | 22 | 0 |
| Provision for merchandise warranties | 14 | 14 |
| Other | 2,461 | 2,429 |
| Total current liabilities | 17,586 | 16,492 |
| Non-current liabilities | | |
| Long-term borrowings | 358 | 337 |
| Provision for retirement benefits for directors (and other officers) | 276 | 278 |
| Retirement benefit liability | 158 | 162 |
| Asset retirement obligations | 352 | 355 |
| Other | 207 | 195 |
| Total non-current liabilities | 1,353 | 1,329 |
| Total liabilities | 18,939 | 17,822 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,849 | 1,849 |
| Capital surplus | 2,149 | 2,148 |
| Retained earnings | 44,203 | 44,789 |
| Treasury shares | (1,290) | (1,268) |
| Total shareholders' equity | 46,911 | 47,518 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 428 | 368 |
| Foreign currency translation adjustment | (23) | (24) |
| Total accumulated other comprehensive income | 405 | 344 |
| Non-controlling interests | 348 | 407 |
| Total net assets | 47,664 | 48,270 |
| Total liabilities and net assets | 66,604 | 66,092 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2024 |
|---|---|---|
| Net sales | 27,220 | 29,690 |
| Cost of sales | 19,902 | 22,099 |
| Gross profit | 7,317 | 7,591 |
| Selling, general and administrative expenses | 5,085 | 5,314 |
| Operating profit | 2,231 | 2,277 |
| Non-operating income | | |
| Interest and dividend income | 2 | 4 |
| Share of profit of entities accounted for using equity method | 0 | 0 |
| Foreign exchange gains | 50 | - |
| Gain on valuation of derivatives | 418 | 34 |
| Other | 65 | 25 |
| Total non-operating income | 538 | 65 |
| Non-operating expenses | | |
| Interest expenses | 2 | 4 |
| Loss on investments in investment partnerships | 9 | 9 |
| Foreign exchange losses | - | 0 |
| Other | 4 | 5 |
| Total non-operating expenses | 15 | 19 |
| Ordinary profit | 2,755 | 2,323 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 0 | 0 |
| Gain on sale of investment securities | - | 39 |
| Total extraordinary income | 0 | 39 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 21 | 0 |
| Total extraordinary losses | 21 | 0 |
| Profit before income taxes | 2,734 | 2,362 |
| Income taxes - current | 962 | 753 |
| Income taxes - deferred | (78) | (43) |
| Total income taxes | 884 | 710 |
| Profit | 1,850 | 1,652 |
| Profit attributable to non-controlling interests | 41 | 56 |
| Profit attributable to owners of parent | 1,808 | 1,595 |

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

(Millions of yen)

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2024 |
|--|---|---|
| Profit | 1,850 | 1,652 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 345 | (59) |
| Foreign currency translation adjustment | (3) | (1) |
| Total other comprehensive income | 342 | (61) |
| Comprehensive income | 2,192 | 1,590 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,150 | 1,534 |
| Comprehensive income attributable to non-controlling interests | 41 | 56 |

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

No applicable items.

(Notes about the case where shareholders' equity changes considerably)

No applicable items.

(Segment information, etc.)

I The first quarter of the previous consolidated fiscal year (From April 1, 2023, to June 30, 2023)

1 Information on sales and profit or loss in each segment to be reported, and breakdown of revenues

(Millions of yen)

| | Segment to be reported | | | | Adjustment (Note)1 | Amount posted in the quarterly consolidated profit-and-loss statement (Note)2 |
|--|------------------------|----------|----------------|--------|-----------------------|--|
| | Platform | Commerce | Other Business | Total | | |
| Net sales | | | | | | |
| Media | 6,309 | — | — | 6,309 | — | 6,309 |
| Services | 1,457 | — | — | 1,457 | — | 1,457 |
| Sales of goods | — | 7,166 | — | 7,166 | — | 7,166 |
| Ticket sales | — | 10,150 | — | 10,150 | — | 10,150 |
| Other Business | — | — | 2,096 | 2,096 | — | 2,096 |
| Revenue arising out of contracts with customers | 7,767 | 17,316 | 2,096 | 27,180 | — | 27,180 |
| Other revenues (Note)3 | — | — | 39 | 39 | — | 39 |
| Sales to external customers | 7,767 | 17,316 | 2,136 | 27,220 | — | 27,220 |
| Internal sales or transfer between segments | 16 | 0 | 453 | 469 | (469) | — |
| Total | 7,784 | 17,316 | 2,589 | 27,690 | (469) | 27,220 |
| Segment profit | 2,430 | 163 | 137 | 2,731 | (499) | 2,231 |

(Notes) 1 The adjustment of segment profit includes -2 million yen due to the exclusion of transactions between segments and -497 million yen due to group-wide expenses, which are composed of mainly general administrative expenses not attributable to the segments to be reported.

2 Segment profit has been adjusted with the operating income recorded in the quarterly consolidated profit-and-loss statement.

3 Other revenues mean the revenues from rental, etc. based on the “accounting standards for lease transactions” (Corporate Accounting Standard No. 13).

2 Information on the impairment loss of fixed assets, goodwill, etc. in each segment to be reported

No applicable items.

II The first quarter of the current consolidated fiscal year (From April 1, 2024, to June 30, 2024)

1 Information on sales and profit or loss in each segment to be reported, and breakdown of revenues

(Millions of yen)

| | Segment to be reported | | | | Adjustment (Note)1 | Amount posted in the quarterly consolidated profit-and-loss statement (Note)2 |
|--|------------------------|----------|----------------|--------|-----------------------|--|
| | Platform | Commerce | Other Business | Total | | |
| Net sales | | | | | | |
| Media | 6,565 | — | — | 6,565 | — | 6,565 |
| Services | 1,579 | — | — | 1,579 | — | 1,579 |
| Sales of goods | — | 8,594 | — | 8,594 | — | 8,594 |
| Ticket sales | — | 10,788 | — | 10,788 | — | 10,788 |
| Other Business | — | — | 2,122 | 2,122 | — | 2,122 |
| Revenue arising out of contracts with customers | 8,145 | 19,382 | 2,122 | 29,650 | — | 29,650 |
| Other revenues (Note)3 | — | — | 40 | 40 | — | 40 |
| Sales to external customers | 8,145 | 19,382 | 2,163 | 29,690 | — | 29,690 |
| Internal sales or transfer between segments | 24 | 0 | 527 | 551 | (551) | — |
| Total | 8,169 | 19,383 | 2,690 | 30,242 | (551) | 29,690 |
| Segment profit | 2,502 | 90 | 229 | 2,822 | (544) | 2,277 |

(Notes) 1 The adjustment of segment profit includes -15 million yen due to the exclusion of transactions between segments and -528 million yen due to group-wide expenses, which are composed of mainly general administrative expenses not attributable to the segments to be reported.

2 Segment profit has been adjusted with the operating income recorded in the quarterly consolidated profit-and-loss statement.

3 Other revenues mean the revenues from rental, etc. based on the “accounting standards for lease transactions” (Corporate Accounting Standard No. 13).

2 Information on the impairment loss of fixed assets, goodwill, etc. in each segment to be reported

(Significant changes in goodwill)

In the “Other” segment, we acquired the shares of Kankokeizai News Corporation to make it a consolidated subsidiary in the first quarter of the current consolidated fiscal year. Through said event, goodwill increased 103 million yen.

3 Information on assets in each segment to be reported

In the first quarter of the current consolidated fiscal year, we acquired the shares of Kankokeizai News Corporation to include it in the scope of consolidation, so the assets in the “Other” segment increased 423 million yen from the end of the previous consolidated fiscal year.

(Notes on the cash flow statement)

We have not produced a quarterly consolidated cash flow statement for the first quarter of the current consolidated fiscal year. The depreciation and amortization (including the amortization of intangible fixed assets excluding goodwill) and goodwill amortization in the first quarter of the current consolidated fiscal year are as follows.

| | The first quarter of the previous consolidated fiscal year (From April 1, 2023, to June 30, 2023) | The first quarter of the current consolidated fiscal year (From April 1, 2024, to June 30, 2024) |
|-----------------------|--|---|
| Depreciation | 255 million yen | 309 million yen |
| Goodwill amortization | 54 million yen | 56 million yen |