



**PROTO CORPORATION**

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

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

Annual Report

**2020**

Term ended Mar. 2020





## Corporate goal and ethos

### Corporate goal

#### CHANGING COMPANY— A company that continues to change for the future

By developing a new society through change and innovation, we will “satisfy customers (with useful information and services),” “make employees proud of our company and jobs,” and win “the trust of shareholders (for our future and achievements).”

### Corporate ethos

#### Our corporate ethos is to convert the information of today into the wisdom of tomorrow, and contribute to society with dreams, inspirations, and joy.

We want our company to be an entity brimming with a sense of expectation to change the future by connecting people through “Dreams,” “Impressions” and “Fun!”. This super smart society which skillfully uses AI will greatly change people’s lifestyles and workstyles, but what lies in the foundation of those who create such a society is a more human-like sensitivity.

Depicting “Dreams” in this society of the future, human beings being “Impressed,” and above all having “Fun!”. Such human-like actions continue to bring forth new values in society.

The times are facing an unprecedented turning point, and what was once considered to be common sense is no longer applicable today. We look at this change not as a threat, but as a “Perfect Opportunity to Depict our Dreams for the Future,” and when each of our employees to try to achieve their “Dreams,” it will depict society through “Impressions” and “Fun!”.

Thinking about the dreams of the future is fun,  
being impressed is even more fun, and  
endeavoring to achieve them is even more fun.

We want to lead this era of AI, placing value in our advancement, our creativity and above all, our humanity.

*P*ersonality *R*ealize *O*riginal *T*otal *O*ffer

We “realize” “original” products based on our “personality” and “totally offer” them to society.

## Introduction of our products



### Automobile-related information

Our corporate group offers information services to meet the needs of users based on “Goo-net,” a portal site for automobiles, which boasts the largest number of used cars listed in Japan, and strives to improve our comprehensive management support services for not only used car dealers in Japan, but also maintenance shops and new car dealers.

### Core products/services of our corporate group

#### Ad-related

##### ●Goo-net

It is a portal site for automobiles, including “Goo-net Used Cars,” which boasts the largest number of used cars in this industry, “Goo-net Pit,” which offers information on automobile maintenance shops, “Goo-net New Cars,” which provides information on new cars, “Goo-net Purchase,” which provides information on the purchase of vehicles and appraisal of used cars, and “Goo-net Parts,” which offers information on automobile goods.

##### ●MOTOR GATE

It is a platform for automobile-related information, which broadly supports the business operation of each client with functions, such as the management of sales, inventory, customers, quotes, and inquiries, support for procurement, and access analysis.

#### Information and services

##### ●DataLine SalesGuide

It is a cloud service for new car dealers, equipped with the function to produce graphs for forecasting the future prices of vehicles, the function to compare costs, and the function to simulate the change of cars.

##### ●DataLine AI Assessment

It is an AI-installed cloud service for digital appraisal of automobiles targeted at corporations. Deep learning is repeated based on the owned big data and the market environment data, to give high-precision reference prices based on AI.

#### Sale of goods

##### ●AUTOWAY LOOP

Online shop for imported tires and wheels

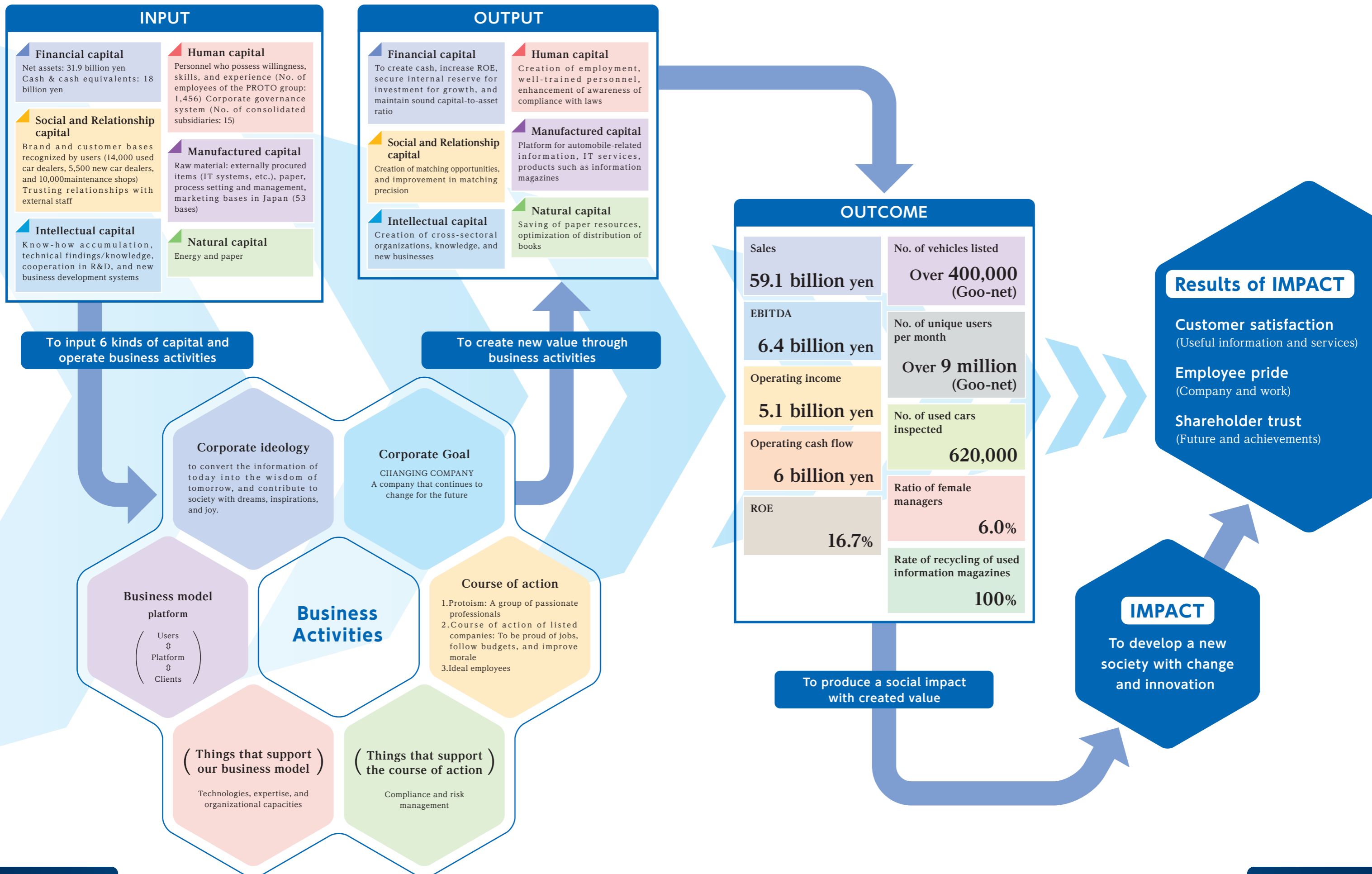
##### ●Online shop of TIRE WORLD KAN BEST

Online shop for tires and wheels made in Japan



### Lifestyle-related information, real estate, etc.

It is the real estate business for mainly preserving and managing the assets owned by our company. We offer services of supporting clients’ business operation through the lifestyle-related information service, the BPO business, development/sale of software, AI development, the personnel introduction/dispatch service, start-up support, etc.





I would like to express my condolences to those who died of COVID-19 and their bereaved families. I sincerely hope that infected people will get better soon and the pandemic will subside. In addition, I would like to express my gratitude and respect to those who are working for preventing the spread of the novel coronavirus at medical and nursing-care facilities and those who are supporting our daily lives.

**We shall support our users' car life in every way.**

As a leading company in the field of automobile-related information platforms in Japan, we operate the portal site for cars "Goo-net," which lists the largest number of second-hand cars in Japan, as well as the automobile-related information platform "MOTOR GATE," which has the largest domestic customer base. Further, in the PROTO group, our automobile inspectors inspect approximately 620,000 vehicles every year. After the inspection, all information related to the conditions of the second-hand vehicles is reported in detail at "Goo-net," creating an environment where users can purchase automobiles without any worries. This fusion of media and the inspection feature is one of our strengths, and contributes to our uniqueness.



On January 1, 2020, our company adopted "CHANGING COMPANY - A company that continues to change for the future" as our corporate goal.

Specifically, in the second-hand automobile business (approximately 14,000 business partners), we began offering the product "MOTORGATE AI," which utilizes AI, as well as "Goo-net Live," which is an online program for business negotiations and reservation of such meetings, meant for contactless business negotiations, and are promoting the digital transformation in the automobile and related industries, in an effort to support our users' car life in every way.

The company's 1,456 employees came together and want to evolve into a business group which will carry forward the digital transformation in the automobile-related industries using AI and IoT, along with planning to expand the automobile-related information platform "MOTOR GATE" by expanding into the cloud service "DataLine SalesGuide" in the domain of new automobile business (active dealings with approximately 5,500 shops), expanding into the matching service "Goo-net Pit" and "Goo-net Pit Smart booking" in the domain of maintenance business (active dealings with approximately 10,000 maintenance shops) and through the E-commerce sales of tires and wheels.



**To support car life in every way.**  
We are PROTO CORPORATION.

President Kenji Kamiya





Corporate Governance

Basic policy for corporate governance

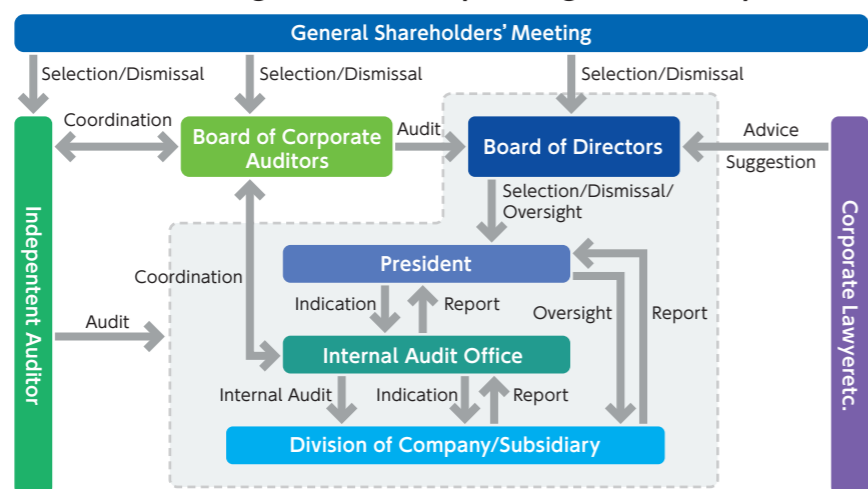
We believe that the purpose of corporate governance is to improve corporate value by securing continuous, stable revenue and expanding the scale of business and actualize transparent, sound business administration that can win the trust of society.

In addition, we always pursue the maximization of benefits for our stakeholders, including shareholders, business partners, and employees. We believe that its

outcomes will lead to the improvement of our social value.

We will keep complying with laws and regulations thoroughly, strengthening the management overseeing and supervision functions, and striving to establish a transparent, sound business administration system by disclosing appropriate, unbiased information timely.

Schematic diagram of the corporate governance system



For the situation of the corporate governance code, see the corporate governance report. [https://www.proto-g.co.jp/data/pdf/page/IR/esg/governance/4298\\_CGR\\_20200626\\_EN.pdf](https://www.proto-g.co.jp/data/pdf/page/IR/esg/governance/4298_CGR_20200626_EN.pdf)

Corporate governance system

A meeting of the board of directors is held regularly once a month, and irregularly when necessary, to deliberate and determine items specified in "Rules for the board of directors." Directors have the authority to execute their businesses, and the role to oversee and supervise the activities of other directors and items submitted to the board of directors.

In addition, our company adopted the executive officer system for delegating directors' right to execute business according to business scale and organizational expansion.

In the executive officer system we adopted, the executive officers in charge of specific sections are provided with the same level of authority as the business execution right of directors, and supposed to report the progress of their duties to the board of

directors when necessary.

The board of auditors is currently composed of 3 outside auditors, and strengthening its system for supervising and overseeing business administration. Its meeting is basically held monthly, to share information among auditors.

Auditors audit the execution of duties by auditors, the internal control of the company, etc. by attending the meetings of the board of directors, browsing documents, interviewing related people, etc. At the end of each fiscal year, auditors audit business reports, financial statements, detailed statements, and bills submitted to the general meeting of shareholders while considering the audit results by comptrollers, and submit an audit report to the president.

Composition of the board of director

So that the board of directors can fulfill its roles and duties, our company appoints executive directors (8 males) versed in respective fields, mainly those who have the experience of our core business, and outside non-executive directors (2 females), who are certified public accountants, tax accountants, or have the experience of business administration. In addition, the board of auditors is composed of 3 outside auditors. We appoint those who have appropriate experience, abilities and knowledge as auditors. A person who possesses sufficient knowledge of finance and accounting was appointed as an auditor.

Remunerations for executives

The remunerations for directors (excluding outside ones) of our company are composed of basic remunerations, which are fixed, and transfer-restricted stock remunerations, which are variable. The remunerations for respective directors are determined through the resolution of the board of directors, while comprehensively considering business results, business administration, economic situation, etc.

The remunerations for executives in FY 3/2020 were as follows:

Classification	No. of executives	Total amount of remunerations, etc.
Directors	11	287 million yen
Auditors	5	20 million yen
Total	16	307 million yen

Notes

- For this fiscal year, there are no bonuses for executives.
- The total amount of the above remunerations, etc. include ordinary remunerations and the amounts corresponding to the execution of duties in the current fiscal year out of the amount of retirement benefits to be paid at the time of retirement of directors and auditors.
- The total amount of the above remunerations, etc. include ordinary remunerations and the amounts of transfer-restricted shares.
- In addition to the above amounts, we paid 3.6 million yen as retirement benefits to a retired auditor based on the resolution of the 41st general meeting of shareholders on June 26, 2019.
- It was resolved at the 22nd general meeting of shareholders on June 28, 2000 that the upper limit of remunerations for directors is 1,000 million yen per year.
- It was resolved at the extraordinary meeting of shareholders on January 20, 1985 that the upper limit of remunerations for auditors is 30 million yen per year.

List of directors (provisional)

As of June 30, 2020

Chairman	Hiroichi Yokoyama
President	Kenji Kamiya
Senior Managing Director	Motohisa Yokoyama
Senior Managing Director	Mitsuhiro Munehira
Managing Director	Toru Shiraki
Managing Director	Noriyuki Udou
Director	Shigeyoshi Shimizu
Director	Akihiro Matsuzawa
Director (Outside Director)	Yumiko Sakurai
Director (Outside Director)	Eriko Kitayama
Standing Statutory Auditor (Outside Corporate Auditor)	Shinji Yamada
Standing Statutory Auditor (Outside Corporate Auditor)	Jun Arai
Statutory Auditor (Outside Corporate Auditor)	Hitoshi Saiga
Executive officer	Akito Ode
Executive officer	Yoshitaka Zenpo
Executive officer	Shuji Kondo
Executive officer	Manabu Takagi
Executive officer	Jun Fukumoto
Executive officer	Takehito Suzuki
Executive officer	Kenji Otsuka
Executive officer	Kosei Kawabuchi

Compliance

Our company enacted "Corporate Behavior Charter," to specify the code of conduct and diffuse it among all staff of our company. In addition, we enacted "Regulations for Compliance" and "Rules for Risk Control," to establish systems for preventing and controlling risks.

Furthermore, with the aim of checking the state of compliance with the Corporate Behavior Charter and whether risk control systems have been appropriately established and operated inside the company, an internal control meeting is held monthly with the president chairing it, to keep reviewing the internal control system.

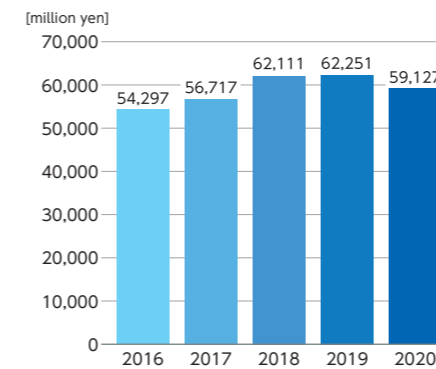
Financial highlight	[million yen]				
	2016	2017	2018	2019	2020
Sales	54,297	56,717	62,111	62,251	59,127
Operating income	4,071	2,795	3,674	4,565	5,136
Ordinary income	4,190	2,883	3,735	5,004	5,354
Profit attributable to owners of parent	(390)	1,506	519	3,159	4,991
EBITDA *1	6,149	4,546	5,396	5,920	6,455
Net income after adjustment *2	641	2,145	1,151	3,596	5,420
Cash flow from operating activities	3,523	3,179	3,999	3,807	6,014
Cash flow from investing activities	(3,373)	(1,197)	(1,576)	(1,352)	401
Cash flow from financing activities	(839)	(886)	898	(2,846)	(4,459)
Free cash flow	150	1,982	2,423	2,455	6,415
Cash and cash equivalents at end of term	11,286	12,383	15,729	15,356	17,336
Total assets	40,885	41,934	44,417	43,879	44,726
Total net assets (capital)	26,001	26,401	25,977	28,029	31,932
Capital	1,824	1,824	1,824	1,824	1,849
Net cash	5,048	5,815	7,279	8,674	14,299
No. of employees	1,534	1,583	1,579	1,455	1,456

Data per share *3	[yen]				
	2016	2017	2018	2019	2020
Net income per share	(9.64)	37.51	12.95	78.75	124.33
Net assets per share	643.46	658.11	646.81	697.85	794.38
Dividend per share	19.50	25.00	25.00	25.00	27.50

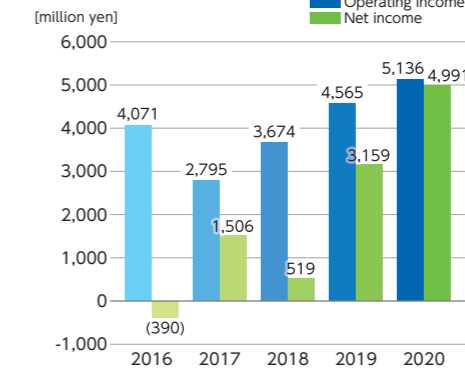
Management indicators					
	2016	2017	2018	2019	2020
Operating margin	7.5%	4.9%	5.9%	7.3%	8.7%
EBITDA margin	11.3%	8.0%	8.7%	9.5%	10.9%
Return on equity (ROE) *4	(1.5%)	5.8%	2.0%	11.7%	16.7%
Return on asset (ROA) *5	10.1%	7.0%	8.7%	11.3%	12.1%
Equity ratio	63.6%	63.0%	58.4%	63.8%	71.3%
Dividend on equity	2.9%	3.8%	3.8%	3.7%	3.7%
EV/EBITDA	3.9	5.4	5.1	5.6	3.3

\*1 EBITDA= Operating income+ Depreciation + Goodwill amortization  
 \*2 Net income after adjustment = Net income + Goodwill amortization  
 \*3 A 2-for-1 stock split was conducted on July 1, 2019. The figures in and before the term ended Mar. 2019 were adjusted retrospectively considering the effects of the stock split.  
 \*4 Return on equity (ROE) = Net income ÷ Average equity capital × 100  
 \*5 Return on asset (ROA) = Ordinary income ÷ Average total assets × 100  
 \* For detailed financial information, see "Factsheet for FY 3/2020" in our website (<https://www.proto-g.co.jp/IR/library/fact.html>)

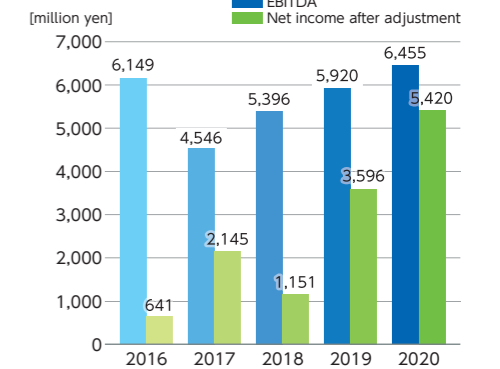
## Sales



## Operating income/net income

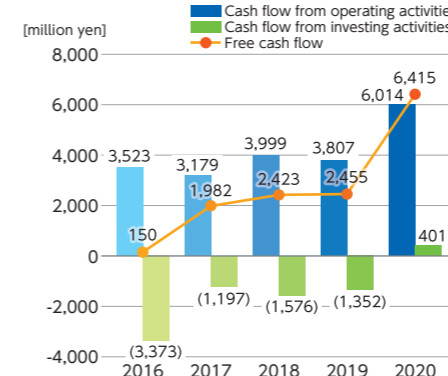


## EBITDA/net income after adjustment

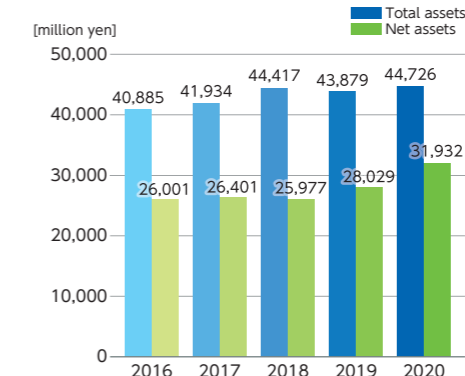


\*EBITDA=Operating income + Depreciation + Goodwill amortization  
 \*Net income after adjustment = Net income + Goodwill amortization

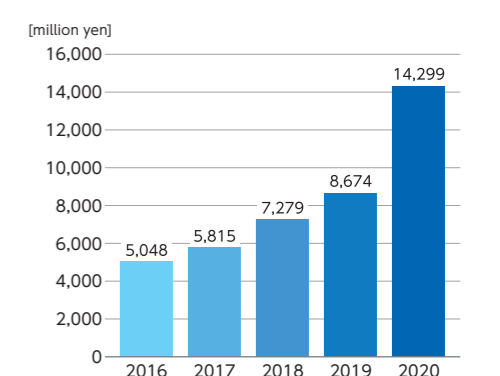
## Cash flows from operating/investing activities, free cash flow



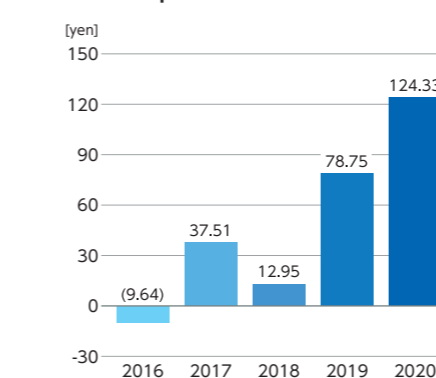
## Total assets/net assets



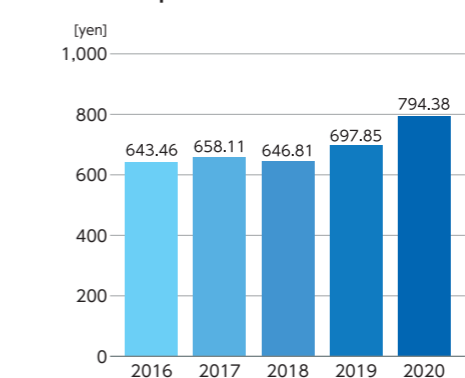
## Net cash



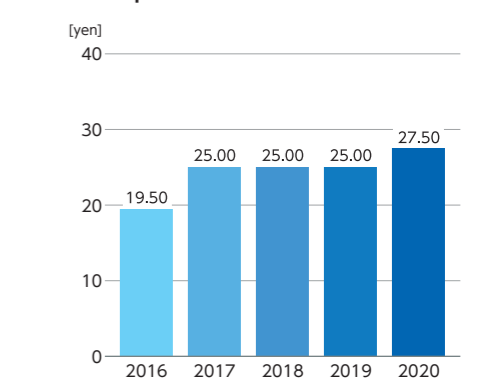
## Net income per share



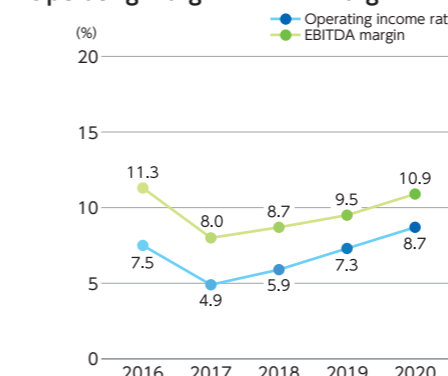
## Net assets per share



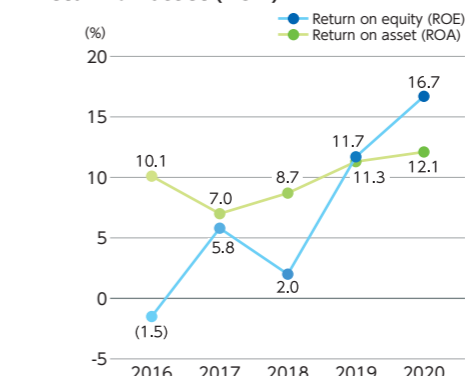
## Dividend per share



## Operating margin/EBITDA margin

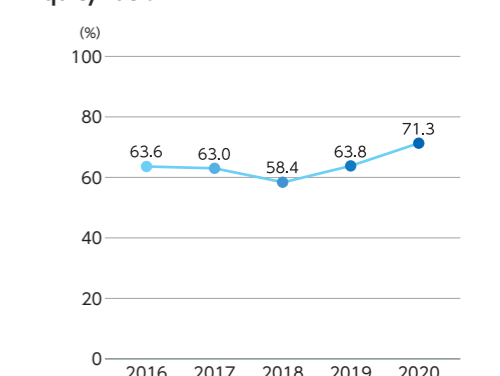


## Return on equity (ROE)/Return on asset (ROA)



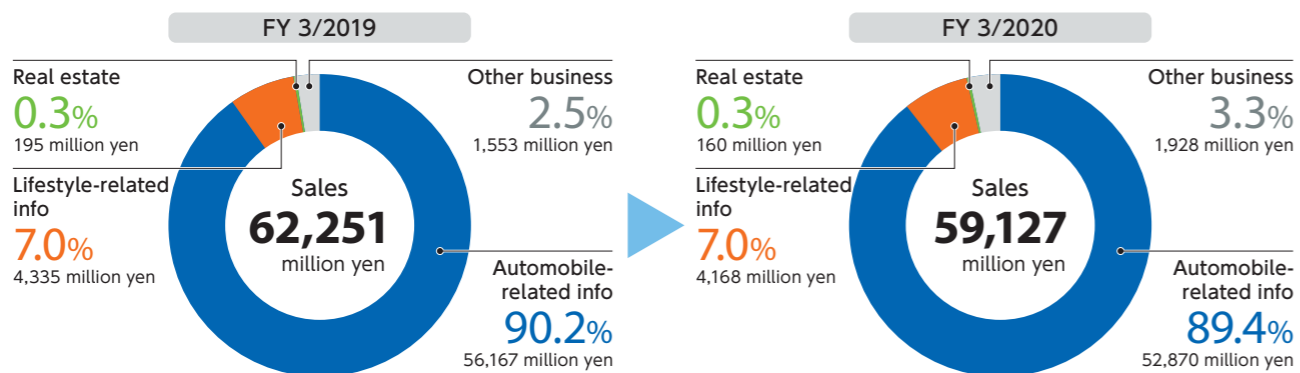
\* Return on equity (ROE) = Net income ÷ Average equity capital × 100  
 \* Return on asset (ROA) = Ordinary income ÷ Average total assets × 100

## Equity ratio



Our corporate group collects, summarizes, and classifies information related to automobiles and lifestyles, processes it to produce useful contents, and offers them to consumers and corporations via our media. In addition, we offer related services for supporting the business operation of corporations.

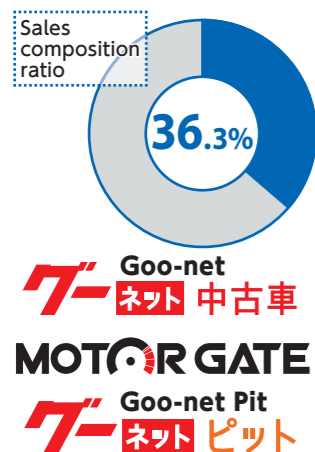
## Sales composition of the PROTO Group



## Automobile-related information

We will increase affiliated dealers, maintain or increase the average spending per customer, and strengthen services that can meet all kinds of needs from users in car life.

### Ad-related



Sales and y/y growth rate  
**21,485 million yen**  
**+1.0%**

Data registration fee for Goo-net, etc. (MOTOR GATE usage fee, etc.), ad posting charges (websites, information magazines, etc.), sales of information magazines, and data registration fee for Goo-net Pit

Monthly charges of MOTOR GATE and revenue from ads in Goo-net are dominant.

- Through the offering and functionality enhancement of "MOTOR GATE," which is the inventory control system of "Goo-net," the company retained the shares of 38.3% of the 36,600 target companies (according to our research) for FY 03/2020.
- In the future, we will take initiatives to further improve productivity by increasing our business partners and expanding our services like "MG Calendar."
- There were approximately 92,000 maintenance shops in Japan, and we retained 12.0% of them for FY 03/2020.
- In the future, we will promote the expansion of services like "Goo Car Inspection," "Tire Installation" and "Goo-net Pit Smart Reservation," in addition to enrichment of contents.

### Information and services



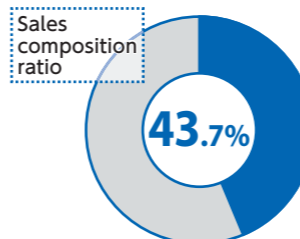
Sales and y/y growth rate  
**5,557 million yen**  
**+10.2%**

DataLine SalesGuide, DataLine, Goo Inspection, Goo Guarantee Sales composition ratio Sale of maintenance and sheet-metal systems (PROTO-RIOS)

Monthly charges of DataLine for new car dealers and sales of maintenance and sheet-metal systems are dominant.

- We took initiatives to promote the sale of "DataLine SalesGuide," reaching a share of 38.8% of 14,670 dealers.
- We are planning to grow our business by promoting an increase in the average customer spending, through the enrichment of products and services like "AI Chatbot," "DataLine CRM," "DataLine AI Inspection" and "DLSG Transfer Proposal," which are attached to our flagship product, "DataLine SalesGuide."
- In order to dispel any uneasiness users might feel regarding second-hand automobiles and create an environment where they can purchase second-hand automobiles without worry, we have our second-hand automobiles appraised according to the standards of a third-party institution such as the Japanese Automobile Appraisal Institution (JAAA).
- The number of vehicles appraised at Goo Appraisal for FY 03/2020 was approximately 620,000, showing a growth of more than 4 times over the last 10 years. We shall continue to increase the number of vehicles appraised in the future and produce better results.

## Sale of goods



Sales and y/y growth rate  
**25,827 million yen**  
**(13.5%)**

Sale of tires and wheels (AUTOWAY Co., Ltd. and TIRE WORLD KAN BEST CO., LTD.), export of used cars (GOONET EXCHANGE), sale of goods

EC sales of tires and wheels, and export of used cars are dominant.

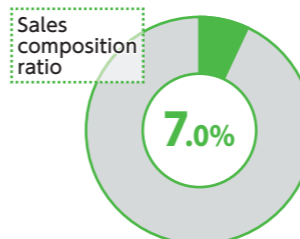


- Regarding the sale of tires and wheels, along with taking initiatives to strengthen the marketing of our major service brand together with the sales of our tire and wheel sets, we will also make efforts to expand our sales opportunity by pursuing synergy with our company's "Goo-net," "Goo-net Pit" and "MOTOR GATE Shopping."
- Regarding AUTOWAY, Ltd., by aggressively promoting "AUTOWAY, where you can buy tires online at affordable prices" and using the convenience of more than 2,800 affiliated tire pit stores as our strength, we will pursue the expansion of our sales figures by earning the trust and support of our members and users.
- Regarding TIRE WORLD KAN BEST, Ltd., we focused on improving customer satisfaction and increasing our customer base by improving the distribution efficiency through measures like regional promotion, completing the construction of our company's largest distribution center in Miyagi Prefecture in September 2019 and the renewal of the first studless winter tire rental service in the Tohoku region as well as our main base in Sendai.
- The company will make efforts to expand its sales channels and clients by pursuing synergy with TIRE WORLD KAN BEST, Ltd.
- Regarding the vehicle export and sale at GOONET EXCHANGE, we are planning on pursuing synergy with the company and improving upon "Goo-net Exchange" and enhancing its functionality

## Lifestyle-related information, real estate, etc.

We will strive to improve the brand power of products and services, and increase business partners by fortifying our marketing base through the improvement of functions of our websites, contents, and services, to improve profitability.

### Lifestyle-related info

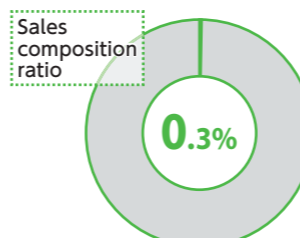


Sales and y/y growth rate  
**4,168 million yen**  
**(3.8%)**

Sales from ads, rental of welfare goods, etc. (PROTO MEDICAL CARE) Culture information, etc.

Revenue from ads related to nursing care and welfare and sales from rental of welfare goods are dominant.

### Real estate

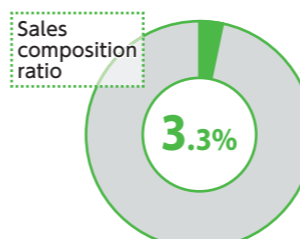


Sales and y/y growth rate  
**160 million yen**  
**(17.7%)**

Revenue from lease of real estate

Mainly rent income from unused floors of company-owned building

### Other



Sales and y/y growth rate  
**1,928 million yen**  
**+24.2%**

BPO business, software development, etc. (PROTO SOLUTION), worker dispatch, etc. (Okinawa Call Staff Service, Associe), solar power generation (AUTOWAY), investment business (PROTO Ventures), agricultural business

The sales of the BPO business are dominant.



## 3-year medium-term business plan (managerial indices)

### Regarding important managerial indices

In addition to the growth of gross profit and operating income, we consider ROE and EPS as important managerial indices.

### Managerial indices

	FY March 2016 Results	FY March 2019 Results	FY March 2022 Forecast
ROE	(1.5%)	11.7%	Over 12.0%
EPS (Net income per share)	(9.64) yen	78.75 yen	100.00 yen
Gross profit ※	21.2 billion yen	23.8 billion yen	CAGR 6.4%
Operating income	4.07 billion yen	4.56 billion yen	CAGR 9.4%

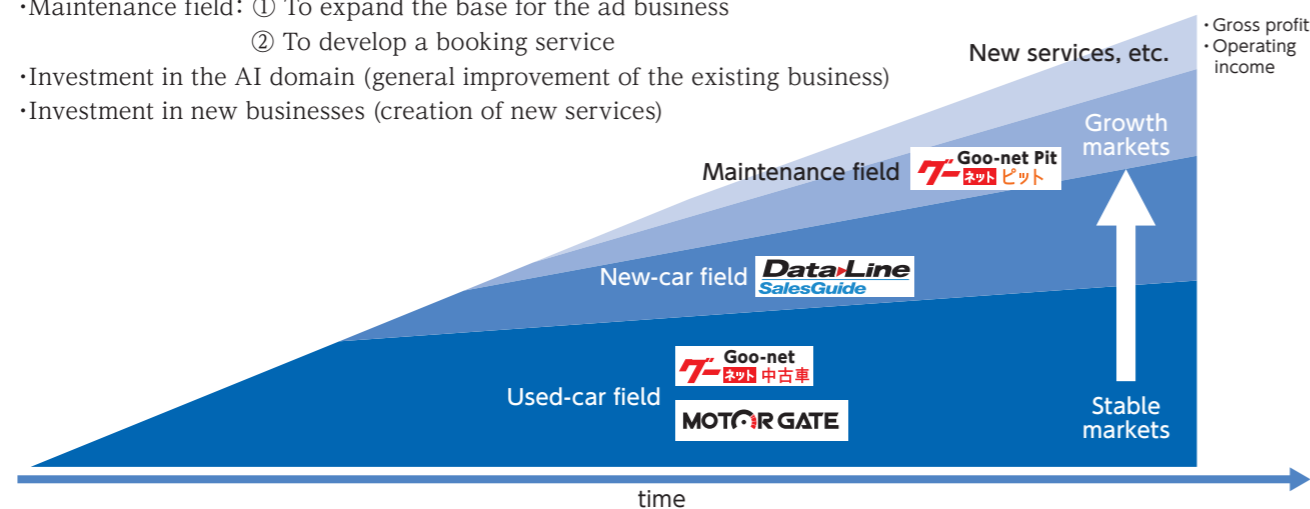
※ Expecting the application of "accounting standards regarding revenue recognition," we changed important managerial indices from sales to gross profit.  
 ※ As for EPS (earnings per share), the effects of the 2-for-1 stock split whose effective date was July 1, 2019 were taken into account.

In the 3-year mid-term plan, we aim to achieve an ROE of 12% or higher.

## Mid/long-term growth strategies

### Intensive items

- New-car field: To grow the database-utilized service as a pillar for earning profit
- Used-car field: To review manufacturing costs and SGA (paper media and footholds)
- Maintenance field: ① To expand the base for the ad business  
 ② To develop a booking service
- Investment in the AI domain (general improvement of the existing business)
- Investment in new businesses (creation of new services)



To invest managerial resources in growing markets, to improve mid/long-term corporate value

Corporate name	PROTO CORPORATION		
Date of establishment	June 1, 1979 (business startup date: Oct. 1, 1977)		
Capital	1,849 million yen		
Total number of outstanding shares	41,925,300		
Headquarters	1-23-14 Aoi, Naka-ku, Nagoya-shi, Aichi Prefecture 460-0006 6-18-1 Nishi-shinjuku, Shinjuku-ku, Tokyo 160-0023		
Branches	Sapporo, Sendai, Takasaki, Nagano, Hamamatsu, Nagoya, Kanazawa, Osaka, Hiroshima, Matsuyama, Fukuoka, and Kumamoto (53 branches in Japan)		
Year-end	March 31		
No. of employees	1,456 (consolidated)/577 (non-consolidated)		
Stock exchanges	The first section of Tokyo Stock Exchange and the first section of Nagoya Stock Exchange		
Consolidated subsidiaries	1. AUTOWAY Co., Ltd.	[Became a subsidiary in Apr. 2013]	(Ratio of directly owned voting rights: 100%)
	2. TIRE WORLD KAN BEST CO., LTD.	[Became a subsidiary in Apr. 2015]	(Ratio of directly owned voting rights: 100%)
	3. GOONET EXCHANGE (Former Kings Auto)	[Became a subsidiary in Apr. 2012]	(Ratio of directly owned voting rights: 100%)
	4. PROTO-RIOS INC.	[Became a subsidiary in Oct. 2002]	(Ratio of directly owned voting rights: 100%)
	5. CAR CREDO Co., Ltd.	[Established in Feb. 2012]	(Ratio of directly owned voting rights: 100%)
	6. CAR BRICKS Co., Ltd.	[Established in May 2017]	(Ratio of indirectly owned voting rights: 66%)
	7. PROTO MEDICAL CARE	[Became a subsidiary in Oct. 2009]	(Ratio of directly owned voting rights: 100%)
	8. MARUFUJI	[Became a subsidiary in Jan. 2016]	(Ratio of indirectly owned voting rights: 100%)
	9. SILVER HEART	[Became a subsidiary in Jan. 2016]	(Ratio of indirectly owned voting rights: 100%)
	10. PROTO SOLUTION Co., Ltd.	[Established in Apr. 2007]	(Ratio of directly owned voting rights: 100%)
	11. OKINAWA CALL STAFF SERVICE Co., LTD	[Became a subsidiary in Oct. 2017]	(Ratio of indirectly owned voting rights: 100%)
	12. PROTO Ventures	[Established in Apr. 2019]	(Ratio of directly owned voting rights: 100%)
	13. Associe Co., Ltd.	[Became a subsidiary in Oct. 2019]	(Ratio of indirectly owned voting rights: 100%)
	14. CAR CREDO (Thailand) Co., Ltd.	[Established in Dec. 2018]	(Ratio of indirectly owned voting rights: 49%)
	15. PROTO MALAYSIA Sdn Bhd.	[Became a subsidiary in Sep. 2011]	(Ratio of directly owned voting rights: 100%)
	(being liquidated) (as of Apr. 30, 2020)		

※ Kings Auto Co., Ltd. was renamed GOONET EXCHANGE on April 1, 2020.

### Major shareholders (top 10)

	(thousand shares)	as of March 31, 2020
1 Mugen Co., Ltd.	13,614	(32.47%)
2 The Master Trust Bank of Japan, Ltd. (Trust Account )	2,823	(6.73%)
3 JPLLC CLIENT SAFEKEEPING ACCOUNT	2,670	(6.36%)
4 PROTO CORPORATION	1,763	(4.20%)
5 JP MORGAN CHASE BANK 385632	1,137	(2.71%)
6 BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,094	(2.61%)
7 CLEARSTREAM BANKING S.A.	1,024	(2.44%)
8 Japan Trustee Services Bank, Ltd. (Trust Account )	930	(2.21%)
9 Hiroichi Yokoyama	887	(2.11%)
10 Yoshihiro Yokoyama	730	(1.74%)