

Questions and Answers

Date: November 2, 2021 (Tue) 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.

• Impact of the delay in the implementation of the M&A planned for the first half of the year (Financial Results Briefing, page 10)

Q. Sales fell short of the plan due to delays in M&A planned for the first half of the year. However, profits have exceeded the plan. Please explain the reasons for this.

A. Mergers and acquisitions are a matter being considered by subsidiary. As a result of this delay, sales for the first half of the year were lower than planned. Profit, on the other hand, was not a negative factor, as the company did not expect to benefit significantly from M&A activity. In addition, the forecast was exceeded mainly due to an increase in the number of dealers using MOTORGATE at PROTO CORPORATION, a decrease in sales activity costs as a result of a change in sales style from the previous year to one that emphasises productivity and efficiency, and an increase in the sales mix of products with high gross margins.

• About handling of AUTOWAY Co., Ltd.'s new brand "FINALIST"

Q. Why did you start to handle this brand?

A. There are many reasons why we started to handle our products, including price and performance, because it's necessary to need to constantly expand the range of items we sell. In this context, there is naturally a possibility that we will have to compete with other brands that we already carry in terms of function and price. However, we are always on the lookout for good items, as it is better to compete within our own company than with other companies. "FINALIST" meets these requirements and we have started to handle it as a new strategic product and are currently strengthening sales.

• About the recent decline in the supply of new cars and the rise in used car prices

Q. How have recent trends in the automotive industry, such as the shortage of new car supplies, affected your performance and what is your outlook for the future?

A. At present, we do not expect any significant impact on our new car field. In the used car industry, the auction market price for used cars continues to soar, as a reduction in the supply of new cars means that used cars are not being generated. The downside of this is that it makes it more difficult for used car dealers to stock up. In contrast, the positive side is that it increases the value of used car dealers' stock. However, if the current situation persists for some time, the problem of insufficient supply will become more pronounced, favouring the better capitalised used car dealers and potentially accelerating the consolidation of players in the used car industry. We are proud of the fact that we have been diversifying our risks by expanding the number of companies we do business with and the

scope of our business, so we do not expect any major impact immediately.

• **About forecast of full year results**

Q. What was the background to the decision not to change the full-year forecast?

A. We have not changed our full-year forecasts, but we do not foresee any downside risks from existing businesses in the second half of the year.

• **The changing industry environment for used cars. (Financial Results Briefing, page 14)**

Q. The number of dealers using MOTORGATE has been steadily increasing, but we recognise that the environment for the used car industry is changing, with the market price of used cars soaring following the spread of the new coronavirus. At the results briefing, you mentioned that transactions with small dealers with low unit prices had increased, Are used car dealers in a situation where new entrants are increasing due to a lack of supply of new cars?

A. We believe that used cars are becoming a central part of car distribution. While there may naturally be some completely new entrants to the market, there has been a trend since before the epidemic of the new coronavirus for businesses that were originally engaged in other areas of the automotive industry to start selling used cars. For example, we are aware that there are many cases where a maintenance workshop has traded in a car at the time of vehicle inspection and sold it directly to the commercial market as a used car in its own shop, or where a sub-dealer of new cars has several good quality used cars for sale in its dealer. We believe that demand for MOTORGATE is growing because it provides this small used car dealers with an environment in which they can enter the used car business.
