

Questions and Answers

Date: May 23, 2022 (Mon) 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

Ms Aoba Mori, 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.

• Trends in the new and used car industry and their impact on our company.

Q. How has the recent slowdown in the supply of new cars and the resulting increase in used car prices affected the company's performance?

A. The supply of new cars remains stagnant and the future outlook is uncertain. To give you an idea of the situation from our perspective, it generally takes three to four months from order receipt to delivery, six months in some cases, and up to a year in some popular models. This situation has continued for a long time, and most dealers are working in the same way as before in terms of new car orders, because those who are considering purchasing a new car do not know when the car will be delivered if they do not apply for it now. Therefore, there is no particular negative impact on our new car field. In the used car field, used car prices have remained high, but this is an industry-wide phenomenon and has not had a particularly negative impact on our business. However, we cannot deny the possibility that the recent prolonged situation may cause a slowdown in used car distribution and a drop in used car sales, which may directly or indirectly affect our company. Despite these concerns, at this point in time, this situation is becoming established, and we do not perceive any particular cause for concern.

• Growth Image of Operating Income in the New Medium-Term Three-Year Plan (FY3/2023-FY3/2025) (Financial Results Briefing, page 39)

Q. Why is the company suddenly planning operating income of 10 billion yen for the fiscal year ending March 2025 when it plans operating income of 6.5 billion yen for the fiscal year ending March 2023 and 6.9 billion yen for the fiscal year ending March 2024, which is almost flat?

A. Major changes in the industry will occur in 2023 with the mandatory display of the total price for used car sales, and in 2024 with changes to the car inspection system in the maintenance industry. The number one reason for the operating income slope in FY2025 is that we anticipated that the services we provide would be counted as installation results a little later than these changes. Of course, when formulating the medium-term three-year plan, investments in each field are considered and planned, but there are aspects of the plan that are difficult to plan, especially with regard to timing. In other words, we hope you will understand that we have forecasted that the timing of changes in the industry and the actual introduction of our services will coincide in the fiscal year ending March 31, 2025.

- **Changes in the used car industry and our services**

Q. I would like to know about the new services that will be available as a result of the mandatory total price labeling for used car sales.

A. We will refrain from giving specific answers, but we hope you understand that the functions required of MOTOR GATE and the content of information posted on Goo-net will become more in-depth. The more in-depth the information posted on Goo-net, the fewer inquiries will be made to dealerships by users considering the purchase of used cars, thereby helping to reduce the workload of dealerships. We also believe that changes will appear in the used car industry in terms of the way used cars are sold, and we are working to improve some of the "Goo-net Subscription" that were released in June 2021, which allow customers to compare car leases and subscriptions. As described above, we intend to continue creating new value and services that will be widely available to the industry.
