



**FY March 2016 Consolidated Financial Results [Japan GAAP]
(April 1, 2015 to March 31, 2016)**

Corporate Name: PROTO CORPORATION
Securities Code: 4298
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Stock Exchange Listing: TSE
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Scheduled dates:
General Shareholders' Meeting: June 29, 2016
Dividends Paid: From June 8, 2016
Expected date of filing of financial report: June 30, 2016

Earnings supplementary explanatory documents: Yes
Earnings presentation: Yes (for institutional investors and analysts)

(Millions of yen, rounded down)

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016
(April 1, 2015 to March 31, 2016)**

(1) Consolidated Operating Results (Percentage represents change to the corresponding period of the previous year)

	Net Sales (%)	Operating Income (%)	Ordinary Income (%)	Net income attributable to owners of parent (%)
Year Ended March 31, 2016	54,297 11.7	4,071 (3.8)	4,190 (7.9)	(390) —
Year Ended March 31, 2015	48,602 (11.2)	4,233 (10.6)	4,548 (9.2)	2,381 (9.4)

Note: Comprehensive income

As of March 31, 2016: (701) million yen; (-) As of March 31, 2015: 2,465 million yen; (27.4%)

	Net Income per Share (Yen)	Net Income per Share (fully diluted) (Yen)	ROE(%) (Net Income/ Shareholders' Equity)	ROA(%) (Ordinary Income/ Total Assets)	Operating Income Ratio(%)
Year Ended March 31, 2016	(19.28)	—	(1.5)	10.1	7.5
Year Ended March 31, 2015	116.76	—	8.8	10.6	8.7

Reference: Equity in net income of affiliated companies

Year Ended March 31, 2016: - Year Ended March 31, 2015: -

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of March 31, 2016	40,885	26,001	63.6	1,286.93
As of March 31, 2015	41,751	27,672	66.3	1,361.64

Reference: Equity capital

March 31, 2016: 26,001 million yen

March 31, 2015: 27,672 million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
Year Ended March 31, 2016	3,523	(3,373)	(839)	11,286
Year Ended March 31, 2015	6,577	(914)	(4,821)	12,030

2. Cash Dividends

	Cash Dividends per Share					Total Annual Dividends Paid	Payout Ratio (Cons.)	Dividends on Net Assets (Cons.)
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual			
Year Ended March 2015	Yen —	Yen 19.00	Yen —	Yen 19.00	Yen 38.00	Million yen 774	% 32.5	% 2.9
Year Ended March 2016	Yen —	Yen 19.00	Yen —	Yen 20.00	Yen 39.00	787	—	2.9
Year Ended March 2017 (Forecast.)	Yen —	Yen 25.00	Yen —	Yen 25.00	Yen 50.00		69.5	

**3. Forecast for the Fiscal Year Ending March 2017
(April 1, 2016 to March 31, 2017)**

(Percentage represents change to the corresponding previous period.)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of parent	Net Income per Share
Six Months Ending September 30, 2016	27,170 % 3.2	1,161 % (47.7)	1,167 % (49.3)	634 % (49.1)	Yen 31.38
Year Ending March 31, 2017	58,251 % 7.3	2,413 % (40.7)	2,431 % (42.0)	1,453 —	71.92

*** Notes**

(1) Major changes in consolidated subsidiaries during period: None

(2) Changes in accounting policies, accounting estimates and restatement of corrections

- 1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes
- 2) Other changes in accounting policies: None
- 3) Changes in accounting estimates: None
- 4) Restatement of corrections: None

(3) Numbers of shares issued (common stock)

1) Number of shares issued
(including treasury stock)

As of March 31, 2016	20,940,000 shares	As of March 31, 2015	20,940,000 shares
As of March 31, 2016	735,930 shares	As of March 31, 2015	617,370 shares
Year Ended March 31, 2016	20,249,655 shares	Year Ended March 31, 2015	20,398,858 shares

2) Number of treasury stock

3) The average number of outstanding
shares over period (cumulative term)

**Reference: Non-Consolidated Performance Summary
Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2016
(April 1, 2015 to March 31, 2016)**

(1) Non-Consolidated Operating Results (Percentage represents change to the corresponding period of the previous year)

	Net Sales (%)		Operating Income (%)		Ordinary Income (%)		Net Income (%)	
Year Ended March 31, 2016	24,875	1.4	4,074	(1.9)	4,276	(1.0)	(566)	—
Year Ended March 31, 2015	24,523	0.5	4,155	(6.5)	4,319	(7.6)	2,293	(9.7)

	Net Income per Share (Yen)	Net Income per Share (fully diluted) (Yen)
Year Ended March 31, 2016	(27.97)	—
Year Ended March 31, 2015	112.45	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of March 31, 2016	29,049	25,481	87.7	1,261.20
As of March 31, 2015	31,612	27,029	85.5	1,330.03

Reference: Equity capital

March 31, 2016: ¥25,481 million

March 31, 2015: ¥27,029 million

*** Indication regarding the implementation status of the quarterly review procedure**

This financial result is exempted from the quarterly review procedure based on the Financial Instruments and Exchange Act. At the time of disclosure of these financial results, audit process procedures for the financial statements under the Financial Instruments and Exchange Act have not been completed.

*** Explanation for appropriate use of forecasts and other notes**

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.

1. Analysis of Results and Financial Position

(1) Analysis of Results

(a) Overview of the current consolidated fiscal year

The Japanese economy in this consolidated fiscal year showed signs of a gentle recovery, with government's economic policy leading to improved employment and increased corporation profit. However, the outlook of the Japanese economy is still uncertain due to slowdown of economies in China and other emerging countries.

Under this economic circumstance, in the automobile-sales industry, which is the main target of the PROTO Group, new car sales were sluggish due to negative impact from the reform of light vehicle tax, while used car sales remain at the same level as last year.

In this situation, the PROTO Group made efforts to expand and strengthen the contact points with users. It also tried to respond to diverse values through creation and provision of private brand products/services (pursuing absolute value), and establish the "corporate brand" and "product brand." Specifically, the Group has been making efforts to expand the contact points with the users on "Goo-net" (portal site for automobiles), and "GooPit" (specialized website for car maintenance) by strengthening the network with influential websites.

Furthermore, in order to develop and provide unique and innovative products and services, the Group has been promoting effective utilization of the available managerial resources and offering new contents and services that are not owned or controlled by the Group through proactive M&A and establishment of alliances. Specifically, in the automobile-related information field, it acquired 100% ownership of TIRE WORLD KAN BEST CO., LTD., which sells tires in April 2015. The purposes of the acquisition are to increase the sales of tires and wheels among the used car dealers and maintenance shops, which are the Group's main clients, and expand the Group's business through synergy with "Goo-net" and "GooPit."

Sales in this consolidated fiscal year were 54,297 million yen (11.7% yr-on-yr increase) in the automobile-related information field, which is the Group's core business, due to large volume of tire and wheels sales by TIRE WORLD KAN BEST CO., LTD. Operating income was 4,071 million yen (3.8% yr-on-yr decrease) and ordinary income was 4,190 million yen (7.9% yr-on-yr decrease) because of increase in personnel cost associated with business expansion, increase in amortization of goodwill, and upfront investment for private brand products/services. Loss attributable to owners of parent was 390 million yen (net income was 2,381 million yen during the same period last year) because all of the unamortized balance of the goodwill that was recognized at the time of acquiring shares of PROTO MALAYSIA Sdn. Bhd. and Kings Auto Co., Ltd. as well as transferring business from PROTO (TAIWAN) CO., LTD. was recognized as impairment loss.

The segment results are as follows.

(b) Overview by segment

Automobile-related Information

Surrounded by the difficult external circumstances, the Group adopted the business policy of engaging in comprehensive management support for used car dealers and made efforts to expand the number of business partners and endeavored to maintain and increase the transaction unit price associated with each customer.

During the current consolidated fiscal year, the Group has continued to promote comprehensive business support for used car dealers through provision of "MOTOR GATE," a background system of "Goo-net."

As for the private brand products/services, the Group has tried to strengthen the services that address various needs of users in their car lives. The efforts included increase in the number of business partners for "GooPit" for the car maintenance field and implementation of a used car sale called "Goo-net ULTRA SALE" on "Goo-net," to which the services from "Goo-inspection," "GooPLUS," and "Goo Warranty" were added. Furthermore, the Group launched "DataLine SalesGuide," a sales support tool for the new car dealers to facilitate the expansion in the field of new car business.

As for the sales of tires and wheels, in April 2015, the PROTO Group has acquired the full ownership of TIRE WORLD KAN BEST CO., LTD., which has a strength in the domestic tires supply, to expand the business. The Group also made efforts to expand the sales opportunities by pursuing synergy among the Group companies such as “Goo-net” and “GooPit”.

Meanwhile, as for the globalization of the automobile-related information field, PROTO MALAYSIA Sdn. Bhd. experienced decline in profit levels mainly due to sluggish consumption associated with the Goods and Service Tax (GST) that was introduced in Malaysia in April 2015 and rapid decline in sales associated with intensified competitive climate. PROTO (TAIWAN) CO., LTD. also experienced decline in profit levels mainly due to rapid decline in sales associated with sluggish used car market and intensified competitive climate. Furthermore, Kings Auto Co., Ltd., which operates used car export business, also experienced stagnant growth of automobile exports and decline in profit levels as a result of intensifying competitive climate in the export destination countries.

Based on the above, sales were 49,486 million yen (12.3% yr-on-yr increase). The major factor for the increase was the sales of tires and wheels by TIRE WORLD KAN BEST CO., LTD. Operating income was 5,277 million yen (6.2% yr-on-yr decrease) as a result of increase in personnel cost associated with business expansion, increase in amortization of goodwill, and upfront investment in private brand products/services.

Lifestyle-related Information

PROTO MEDICAL CARE continued streamlining social welfare goods rental service business. In an effort to expand the area of social welfare goods rental service business, it also acquired ownerships of MARUFUJI, and SILVER HEART in January 2016. This way, it expanded the business scale and pursued to achieve synergy in the medical, nursing care, and welfare businesses.

Furthermore, for real-estate information magazine GooHome of PROTO DATA CENTER, efforts were made to increase the number of business partners and properties listed as well as provide high added-value services through collaboration with other companies' media.

As a result, sales were 3,466 million yen (2.2% yr-on-yr increase). The increase was mainly contributed by the social welfare goods rental service business of MARUFUJI, and SILVER HEART. Operating income was 307 million yen (9.3% yr-on-yr decrease) as a result of increase in amortization of goodwill and decrease in profitability of the Company's culture information business even though the medical, nursing care and welfare businesses contributed to increasing the income.

Real Estate Business

Sales were 162 million yen (1.5% yr-on-yr decrease) and operating income was 109 million yen (13.1% yr-on-yr increase) as a result of self-rental management of the Company's properties.

Other Business

Sales were 1,182 million yen (19.6% yr-on-yr increase) due to contribution from software development sales by iSolutions Co., Ltd., which became the Group's affiliate in October 2014. Operating loss was 66 million yen (operating loss was 94 million yen during the same period last year).

(c) Outlook for the Year Ending March 31, 2017

The PROTO Group has the “Mid-Term Management Plan (FY March 2017 to FY March 2019)” based on the diversifying users’ needs and predicted changes of the future market environment. Based on the Mid-Term Management Plan, with the business policy of “Establishment of Corporate and Products Brand”, the PROTO Group will make efforts to grow its business in the field of automobile-related information by strengthening the products and services for the used car dealers, maintenance shops and new car dealers, and improve profitability through achieving group synergy and reviewing the cost structure.

The external environment of the automobile-related information field, which is Group’s major business, is rapidly changing. These changes include diversification of the car users’ needs and life styles, mutual entering of used car dealers, maintenance shops, new car dealers and car goods retails in each other’s industry, and entering of major IT companies in the automobile-related industry associated with the advancement of information technology. Under this circumstance, the PROTO Group will continue making efforts to increase the number of business partners such as used car dealers, maintenance shops, and new car dealers. Especially for its core business, Goo Series, the PROTO Group will promote standardization of “Goo-inspection” that provide services to disclose the condition of the cars as well as strengthen Goo-media (information magazines, PCs and smartphones) and increase the number of business partners for “MOTOR GATE” which is the background system. Furthermore, through private brand products/services such as “Goo Warranty”, “Goo Purchase”, the PROTO Group will improve our services to address different kinds of needs of users throughout their car lives.

For the maintenance industry, the PROTO Group will promote fee-based services of “GooPit”, a specialized website for car maintenance and also strengthen “Goo Safety Inspection” which offers transportation services for the customers of maintenance shops. For the new car dealership industry, the Group will try to increase the number of business partners (new car dealers) by providing “DataLine SalesGuide”, a sales support tool for the dealers. Furthermore, the Group will pursue to achieve synergy by sharing customers among AUTOWAY Co., Ltd., which mainly deals with sales of tires and wheels, TIRE WORLD KAN BEST CO., LTD., and PROTO-RIOS INC., which provides software for automobile repair and sheet metal factories. It will also develop businesses that take into account the entire automobile industry by expanding the services in the used car sales industry, maintenance industry and new car sales industry.

For the lifestyle-related information business, the medical, nursing care, and welfare fields have been positioned as a key area, and in addition to proceeding with expansion of advertising business and social welfare goods rental service business, the Group plans to improve products and services for each site such as the culture information site and recycle and reuse information site. MARUFUJI and SILVER HEART, which became the Group’s subsidiaries in January 2016, are predicted to contribute to the Group’s business results for the whole business year.

For SG&A expenses, the Group anticipates an increase in consolidated subsidiaries and, as for our core Goo Series, the Group anticipates upfront investment in standardization of “Goo-inspection”, upfront investment in the operation of “Goo Safety Inspection” using the customers of “GooPit”, and increase in the personnel cost associated with strengthening the product development system.

Accordingly, the estimates of the consolidated operating results of the next fiscal year (the year ending March 31, 2017) are estimated as follows: net sales of 58,251 million yen (7.3% yr-on-yr increase), operating income of 2,413 million yen (40.7% yr-on-yr decrease), ordinary income of 2,431 million yen (42.0% yr-on-yr decrease), and net income of 1,453 million yen (there was a loss of 390 million yen during the same period of the previous year).

(2) Analysis of Financial Position

(a) Assets, Liabilities and Net Assets

Total assets at the end of the current consolidated fiscal year were 40,885 million yen, decreasing 865 million yen from the end of the previous fiscal year. Assets, liabilities and net assets are as follows.

i. Assets

Because of the payments for acquisition of shares of TIRE WORLD KAN BEST CO., LTD. and payment of dividends, cash and deposits decreased. Meanwhile, as a result of acquiring the ownership of TIRE WORLD KAN BEST CO., LTD., trade receivables and inventories assets have increased. As a result, current assets stood at 22,073 million yen, increasing 329 million yen from the end of the previous fiscal year.

Fixed assets were 18,812 million yen, decreasing 1,195 million yen from the end of the previous fiscal year due to depreciation, amortization of goodwill and recognition of impairment loss.

ii. Liabilities

Current liabilities were 11,805 million yen, increasing 842 million yen from the end of the previous fiscal year due to an increase in short-term debt payable as well as an increase in trade payables associated with acquiring full shares of TIRE WORLD KAN BEST CO., LTD, even though income tax payable and consumption tax payable have decreased.

Long-term liabilities were 3,079 million yen, decreasing 36 million yen from the end of previous fiscal year due to repayment of long-term debt payable, even though asset retirement obligation concerning acquisition of fixed assets was recorded.

iii. Net assets

Net assets totaled 26,001 million yen, decreasing 1,670 million yen from the end of the previous consolidated fiscal year as a result of decline in retained earnings due to 770 million yen of dividends paid, 199 million yen of acquisition of treasury shares, drop in foreign currency translation adjustment of 298 million yen, and 390 million yen of loss attributable to owners of parent.

(b) Consolidated Cash Flows

Cash and cash equivalents at the end of the current consolidated fiscal year stood at 11,286 million yen, a decrease of 743 million yen from the end of the previous fiscal year. Major factors for this decrease were as follows.

i. Cash flows from operating activities

Cash flows from operating activities yielded 3,523 million yen, including 1,569 million yen of income before income taxes, a total of 4,672 million yen due to depreciation that did not accompany expenditure, amortization of goodwill and impairment loss, and an increase of 356 million yen in trade payables, despite payment for corporate tax of 2,024 million yen and a decrease of 623 million yen in consumption tax payable.

ii. Cash flows from investing activities

Cash flows from investing activities stood at expenditure of 3,373 million yen due to 2,085 million yen of acquiring shares of TIRE WORLD KAN BEST CO., LTD., MARUFUJI, and SILVER HEART as well as 1,297 million yen expenditure for acquiring fixed assets.

iii. Cash flows from financing activities

Cash flows from financing activities stood at expenditure of 839 million yen due to payment of dividends of 770 million yen and 199 million yen of expenditure for acquiring treasury shares even though there was a net increase in short-term and long-term debt payable of 123 million yen.

(Reference) Cash Flow Indicators

	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015	Year Ended March 31, 2016
Equity ratio (%)	79.0	68.2	59.6	66.3	63.6
Equity ratio based on market value (%)	99.2	85.6	66.8	94.7	68.4
Debt coverage (%)	1.5	172.2	236.5	94.7	187.8
Interest coverage ratio (times)	1,604.3	138.7	46.9	105.6	77.8

Equity ratio:

Equity capital/Total assets

Equity ratio based on market value:

Total stock based on market/Total assets

Debt coverage:

Interest-bearing debt/Operating cash flow

Interest coverage ratio:

Operating cash flow/Interest paid

Notes:

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated by multiplying the closing stock price at the end of the year by the number of shares outstanding at the end of the year (after deduction of treasury stock).
3. Cash flow and interest paid are calculated using operating cash flow and interest payment amounts recorded in Consolidated Statement of Cash Flows.
4. Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets).

(3) Profit Appropriation Policy, Cash Dividends

PROTO CORPORATION's basic profit appropriation policy emphasizes reinforcement of the Company's business foundation while recognizing the importance of returning profits to shareholders. Through this balanced approach, we adopt a comprehensive perspective by retaining sufficient internal reserves to finance future growth while rewarding shareholders with steady returns. Internal reserves are used efficiently to fund existing and new businesses aimed at further reinforcing our business foundation and expanding the scope of operations. In addition, regarding the acquisition of treasury shares, we will take into consideration the progress status of financial flexibility and free cash flow.

In accordance with the above policy, the dividends of surplus for the term ended March 2016 are 19.00 yen per share as the dividend for the second quarter and 20.00 yen per share as the term-end dividend, making an annual dividend of 39.00 yen per share.

The dividends of surplus for the term ending March 2017 will be a regular dividend of 25.00 yen per share as each of the dividend for the second quarter and the term-end dividend, making an annual dividend of 50.00 yen.

2. Management Policies

(1) Basic Management Policies

The PROTO CORPORATION manages itself under the unchanging philosophy of “Bringing companies and people together for the benefit of society, using intelligence and information rather than simply selling commodities.” The company’s fundamental idea is that people and corporations exist in both society and the industry, and it is through being truly needed that they can discover their value. Society overflows with people and things, so in order to be truly needed, people must use their information and intelligence as weapons and open up the next generation with a vivacious, challenging spirit and quick action – even when faced with a certain amount of risk. The company believes that it is important to feel the joy of significant growth.

In addition, to realize the corporate goal of “becoming a wonderful company,” we will make an effort to enhance the corporate value through mid- and long-term growth by ensuring “the establishment of the corporate and product brand” and increasing the satisfaction level of the users and clients by offering useful information and services. Furthermore, through the effort to reinforce corporate governance, we will work to build a highly transparent and healthy management setup which will earn the trust of society.

(2) Performance Indicators

In addition to the growth potential of sales and operating income for business scale expansion, the Group considers ROE (Return on Equity) as one of the important management indices in sustainably improving corporate value. We aim to achieve an ROE of 15% or higher in the term ending March 2019.

Reference values when numeric goals are achieved are as follows:

Consolidated sales for the term ending Mar. 2019	76.7 billion yen
Consolidated operating income for the term ending Mar. 2019	6.8 billion yen
ROE for the term ending Mar. 2019	15% or higher

(3) Medium- and Long-term Strategies

The environment surrounding the automobile distribution market has considerably been changing recently. These changes include diversified needs and lifestyles of car users, mutual entering to business domains of used car dealers, maintenance shops, new car dealers and car goods retails, as well as entering to automobile-related industries by major IT companies in conjunction with the evolution of information technology.

In order to cope with such changes, the Group will set the following major strategies in the mid-term management plan (for the period from the term ending March 2017 to the term ending March 2019) to enhance the corporate value on a mid- and long-term basis:

(Automobile-related information)

- (a) Establishment of a system for providing full support for car life
- (b) Standardization of Goo-inspection
- (c) Cost structure reform
- (d) Realization of group synergy
- (e) Overseas business development
- (f) Promotion of M&A and alliances

(Lifestyle-related Information)

- (a) Expansion of business scale in the medical, nursing care and welfare fields

The details about the above major strategies are mentioned in “(4) Company Issues to Address” below.

(4) Company Issues to Address

The PROTO Group defines the following 7 major strategies in our mid-term management plan (for the period from the term ending March 2017 to the term ending March 2019) as issues to be addressed:

Automobile-related Information

(a) Establishment of a system for providing full support for car life

The company has occupied a large share in the used car search market through operation of “Goo-net,” a portal site for vehicles; however, renewal cycles of vehicles tend to be longer, making the average age of service of cars and average vehicle age longer. Consequently, we will propel the establishment of a system which increases opportunities to contact users and provides full support for their car life not only in “searching for and purchasing” used cars but also in “driving/riding” and “repurchasing” them. Specifically, we will differentiate us from competitors in “searching and purchasing” and enhance contact with users by providing services of “GooPit” and “Goo Purchase” in “driving/riding” and “repurchasing” through standardization of “Goo-inspection,” a service of disclosing information on vehicle conditions, which is our strength in order to prepare an environment for car users so that they can buy used cars at ease. We will offer new car users a service which enables them to consider appropriate repurchase by providing “DataLine SalesGuide,” a sales assistance tool in new car dealers.

In addition to offering such services, which cover needs of users in their car life, we will earn a position in the automobile-related information field through improvement of our share of transactions with used car dealers, maintenance shops and new car dealers.

(b) Standardization of Goo-inspection

The company standardizes “Goo-inspection,” a service to disclose information on vehicle conditions, to establish an environment for car users so that they can purchase a used car without anxiety. As for “Goo-inspection,” since the start of development all over Japan in 2008, we have been working to improve accuracy of the vehicle inspection service and expand business scale by, for example, setting up “CAR CREDO Co., Ltd.,” an inspection subsidiary, in February 2012. As a result, we have recently built a system that allows us to inspect about 300,000 cars on an annual basis, distinguishing us from competitors.

Hereafter, in addition to further increase in awareness of “Goo-inspection” by users, we will enrich our vehicle inspection system and standardize “Goo-inspection” at the time of purchase of used cars.

(c) Cost structure reform

In Goo Series which is the main business of PROTO CORPORATION, we will revise our viewpoint on the paper version of the series, fundamentally reviewing the cost structure including issue change. In addition, we will establish an effective sales system for the series to increase productivity through use of BI (Business Intelligence) introduced in October 2015 and the like. Moreover, through the review of sales, logistics and purchase functions owned by each group business, we will optimize the cost structure including possible reorganization and commoditizing of the functions, improving the profit ratio.

(d) Realization of group synergy

In Japan, we have expanded the number of partner companies, which make transactions with used car dealers, maintenance shops and new car dealers, mainly in PROTO CORPORATION. From this time forward, we will sustainably increase sales and operating income to the customer base by providing management resources owned by each group business (such as tire, wheel and software for maintenance shops).

(e) Overseas business development

We will keep considering the overseas development of our business, especially in the Asian market, to grow our automobile-related information business on a mid- and long-term basis. Firstly, we will expand our business, mainly “GooKANTEI (Goo-inspection),” a service of disclosing vehicle conditions, in Malaysia and Taiwan as well as working on improvement in business performance as the highest priority.

(f) Promotion of M&A and alliances

In propelling “enrichment of contents” and “expansion of services,” we will make effective use of management resources possessed by each group company and accelerate the rate of business growth by taking active actions through M&A and alliances for contents and services not owned by the Group.

Lifestyle-related Information

(a) Expansion of business scale in the medical, nursing care and welfare fields

In addition to promoting the growth of the media service with know-how of the automobile-related information business, we will expand areas that our welfare equipment rental service business covers and aim to achieve sustainable growth of sales and profitability by regarding the medical, nursing care and welfare fields that are growing markets as crucial fields.

3. Basic Principle of Selecting Accounting Standard

The Group is intending to develop consolidated financial statements based on the Japanese standard for the time being, in consideration for the financial statements’ comparability between periods and comparability between companies.

Appropriate actions will be taken to apply IFRS in the future based on careful consideration of various domestic and international situations.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	March 31, 2015	March 31, 2016
ASSETS		
Current Assets		
Cash	12,431,593	11,688,003
Notes and accounts receivable	4,690,743	4,980,004
Electronically Recorded Monetary Claims	6,200	6,300
Goods and products	3,629,207	3,978,075
Goods in process	96,221	136,037
Raw material and inventory goods	9,540	20,558
Deferred tax assets	341,462	183,125
Other current assets	654,873	1,093,151
Allowance for doubtful accounts	(116,368)	(11,933)
Total Current Assets	21,743,473	22,073,323
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	8,338,199	8,962,557
Accumulated depreciation	(3,140,950)	(3,473,195)
Building and structures -Net	5,197,249	5,489,361
Land	4,787,130	4,803,102
Other tangible fixed assets	1,106,101	1,241,089
Accumulated depreciation	(632,622)	(741,802)
Other tangible fixed assets -Net	473,478	499,286
Total Tangible Fixed Assets	10,457,858	10,791,751
Intangible Fixed Assets		
Goodwill	5,888,939	4,729,065
Other intangible fixed assets	2,199,604	1,943,562
Total Intangible Fixed Assets	8,088,543	6,672,627
Investment and Other Assets		
Investments in securities	383,576	349,603
Deferred tax assets	245,949	118,660
Other investments	870,489	911,708
Allowance for doubtful accounts	(38,480)	(31,677)
Total investments and other assets	1,461,535	1,348,295
Total Fixed Assets	20,007,937	18,812,674
Total Assets	41,751,411	40,885,997

(Thousands of yen)

	March 31, 2015	March 31, 2016
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	806,482	2,194,004
Short-term loans payable	2,400,000	2,905,000
Current portion of long-term borrowings	1,223,530	1,189,875
Accrued income taxes	1,077,130	718,196
Allowance for sales returns	106,698	85,640
Allowance for bonus payable	115,482	138,093
Provision for repayment	513	556
Provision for point card certificates	22,872	20,800
Other current liabilities	5,210,213	4,553,107
Total Current Liabilities	10,962,923	11,805,276
Long-Term Liabilities		
Long-term borrowings	2,608,043	2,523,154
Allowance for directors' retirement benefits	290,775	243,240
Asset retirement obligation	53,497	180,186
Other long-term liabilities	163,966	132,923
Total Long-Term Liabilities	3,116,282	3,079,503
Total Liabilities	14,079,205	14,884,780
NET ASSETS		
Shareholder's equity		
Common stock	1,824,620	1,824,620
Capital surplus	2,011,734	2,011,734
Retained earnings	23,596,966	22,436,553
Treasury stock	(908,000)	(1,107,184)
Total Shareholders' Equity	26,525,320	25,165,723
Accumulated other comprehensive income/(loss)		
Net unrealized gains (losses) on securities	121,673	108,764
Foreign exchange adjustment account	1,025,211	726,729
Total accumulated other comprehensive income/(loss)	1,146,885	835,493
Total Net Assets	27,672,205	26,001,217
Total Liabilities and Net Assets	41,751,411	40,885,997

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Thousands of yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Net Sales	48,602,523	54,297,253
Cost of Sales	28,326,306	33,084,408
Gross Profit	20,276,217	21,212,845
Reversal of Reserve for Returned Products	106,406	104,813
Transfer to Reserve for Returned Products	104,774	88,188
Adjusted Gross Profit	20,277,849	21,229,470
Selling, General and Administrative Expenses		
Salaries for directors and employees	6,264,169	6,528,596
Provision for allowance for directors' retirement benefits	8,975	18,775
Provision for allowance for bonus payable	79,875	100,444
Advertising	2,386,868	2,423,904
Provision for allowance for doubtful accounts	95,760	7,701
Provision for point card certificates	(1,103)	1,252
Amortization of goodwill	926,190	1,032,030
Others	6,283,631	7,045,005
Total Selling, General and Administrative Expenses	16,044,368	17,157,710
Operating Income	4,233,480	4,071,759
Non-Operating Income		
Interest income	31,342	28,625
Dividend income	12,471	12,437
Income from sales of used paper	24,216	27,054
Foreign exchange gains	237,328	43,097
Other income	135,997	91,495
Total Non-Operating Income	441,356	202,711
Non-Operating Expenses		
Interest expenses of loans	63,753	46,080
Loss on valuation of derivatives	38,342	22,391
Other expenses	24,107	15,205
Total Non-Operating Expenses	126,203	83,677
Ordinary Income	4,548,632	4,190,794

	(Thousands of yen)	
	Year Ended March 31, 2015	Year Ended March 31, 2016
Extraordinary Income		
Gains from sales of fixed assets	29,220	2,526
Gains from sales of securities	—	13,917
Gains from extinguishment of debt	180,000	—
Gains from liquidation of subsidiaries	214,922	—
Gain on transfer of business	6,859	6,960
Total Extraordinary Income	431,002	23,403
Extraordinary Losses		
Losses from sales of fixed assets	8,220	—
Losses from disposals of fixed assets	22,307	50,569
Impairment losses	384,659	2,594,219
Losses from revaluation of securities	9,394	—
Other expenses	1,513	—
Total Extraordinary Losses	426,095	2,644,789
Income before Income Taxes	4,553,539	1,569,408
Income Taxes	2,162,585	1,637,713
Adjustment of Corporate Income Tax	9,118	322,100
Corporate Income Tax Total	2,171,704	1,959,814
Net income (loss)	2,381,835	(390,405)
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	2,381,835	(390,405)

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Net income (loss)	2,381,835	(390,405)
Other Comprehensive Income		
Valuation difference on available-for-sale securities	30,553	(12,908)
Foreign currency translation adjustments	52,907	(298,482)
Other comprehensive income	83,461	(311,391)
Comprehensive Income	2,465,296	(701,796)
(Breakdown)		
Comprehensive income concerning shareholders of the parent company	2,465,296	(701,796)
Comprehensive income concerning non-controlling interests	—	—

(3) Consolidated Statements of Changes in Shareholders' Equity

Year Ended March 31, 2015

(Thousands of yen)

	Shareholder's Equity				Total Shareholder's Equity
	Capital stock	Capital Surplus	Retained earnings	Treasury stock	
Balance at the beginning of current year	1,824,620	2,011,734	21,986,935	(709,116)	25,114,174
Increase (decrease) during the year					
Cash dividends			(771,805)		(771,805)
Net income attributable to owners of parent			2,381,835		2,381,835
Acquisition of treasury stocks				(198,884)	(198,884)
Net changes of items other than shareholders' equity					
Total increase (decrease) during the period	—	—	1,610,030	(198,884)	1,411,145
Balance at end of period	1,824,620	2,011,734	23,596,966	(908,000)	26,525,320

	Accumulated other comprehensive income/(loss)			Total Net Assets
	Profit/Loss on Deferred Valuation of Other Securities	Profit/Loss on Deferred Exchange	Total accumulated other comprehensive income/(loss)	
Balance at the beginning of current year	91,119	972,304	1,063,423	26,177,598
Increase (decrease) during the year				
Cash dividends				(771,805)
Net income attributable to owners of parent				2,381,835
Acquisition of treasury stocks				(198,884)
Net changes of items other than shareholders' equity	30,553	52,907	83,461	83,461
Total increase (decrease) during the period	30,553	52,907	83,461	1,494,606
Balance at end of period	121,673	1,025,211	1,146,885	27,672,205

Year Ended March 31, 2016

(Thousands of yen)

	Shareholder's Equity				
	Capital stock	Capital Surplus	Retained earnings	Treasury stock	Total Shareholder's Equity
Balance at the beginning of current year	1,824,620	2,011,734	23,596,966	(908,000)	26,525,320
Increase (decrease) during the year					
Cash dividends			(770,007)		(770,007)
Net loss attributable to owners of parent			(390,405)		(390,405)
Acquisition of treasury stocks				(199,183)	(199,183)
Net changes of items other than shareholders' equity					
Total increase (decrease) during the period	—	—	(1,160,412)	(199,183)	(1,359,596)
Balance at end of period	1,824,620	2,011,734	22,436,553	(1,107,184)	25,165,723

	Accumulated other comprehensive income/(loss)			Total Net Assets
	Profit/Loss on Deferred Valuation of Other Securities	Profit/Loss on Deferred Exchange	Total accumulated other comprehensive income/(loss)	
Balance at the beginning of current year	121,673	1,025,211	1,146,885	27,672,205
Increase (decrease) during the year				
Cash dividends				(770,007)
Net loss attributable to owners of parent				(390,405)
Acquisition of treasury stocks				(199,183)
Net changes of items other than shareholders' equity	(12,908)	(298,482)	(311,391)	(311,391)
Total increase (decrease) during the period	(12,908)	(298,482)	(311,391)	(1,670,987)
Balance at end of period	108,764	726,729	835,493	26,001,217

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Cash Flows from Operating Activities		
Income before income taxes	4,553,539	1,569,408
Depreciation	879,461	1,046,056
Impairment loss	384,659	2,594,219
Amortization of goodwill	926,190	1,032,030
Loss (gain) on valuation of derivatives	38,342	22,391
Increase (decrease) in reserve for directors' retirement allowances	8,225	(47,535)
Increase (decrease) in reserve for bonuses	(27,080)	(1,438)
Increase (decrease) in reserve for returned products	(9,618)	(16,625)
Increase (decrease) in allowance for doubtful accounts	71,323	(112,011)
Increase (decrease) in provision for point card certificates	(3,463)	(2,071)
Interest and dividend income	(43,813)	(41,063)
Interest expenses	63,753	46,080
Foreign exchange losses (gains)	(97,078)	(36,902)
Loss (gain) on sales of investment securities	—	(13,917)
Loss (gain) on revaluation of investment securities	9,394	—
Loss (gain) on sales/disposal of property and equipment	1,307	48,042
Loss (gain) on transfer of business	(6,859)	(6,960)
Loss (gain) on liquidation of subsidiaries	(214,922)	—
Gain on extinguishment of debt	(180,000)	—
Decrease (increase) in trade receivables	775,643	128,049
Decrease (increase) in inventories	929,344	52,959
Increase (decrease) in accounts payable	28,089	356,487
Increase (decrease) in accrued expenses	471,274	(235,614)
Increase (decrease) in advances received	71,652	89,054
Increase (decrease) in accrued consumption taxes, etc	543,113	(623,735)
Others	105,278	(304,951)
Subtotal	9,277,757	5,541,953
Interest and dividends received	43,758	41,063
Interest paid	(62,279)	(45,269)
Income taxes paid	(2,681,449)	(2,024,796)
Income taxes refunded	—	10,658
Net Cash Provided by (Used in) Operating Activities	6,577,786	3,523,609

(Thousands of yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Cash Flows from Investing Activities		
Decrease in time deposits	(9,900)	(60)
Increase in time deposits	117,000	—
Acquisition of property and equipment	(351,770)	(792,199)
Proceeds from sales of property and equipment	37,051	850
Acquisition of intangible fixed assets	(558,895)	(504,936)
Payment of long-term prepaid expenses	(18,766)	(26,714)
Addition to investment securities	—	23,456
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	(90,674)	(2,085,180)
Payment for acquisition of business	(55,125)	(8,000)
Proceeds from transfer of business	7,426	7,516
Others	9,475	12,208
Net Cash Provided by (Used in) Investing Activities	(914,179)	(3,373,059)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term loans payable	(474,030)	505,000
Proceeds from long-term borrowings	—	1,000,000
Payment for repaying of long-term borrowings	(3,357,914)	(1,381,189)
Acquisition of treasury stock	(198,884)	(199,183)
Dividends paid	(790,800)	(770,266)
Proceeds from sales and leasebacks	—	6,890
Repayments of lease obligations	—	(1,022)
Net Cash Provided by (Used in) Financing Activities	(4,821,630)	(839,771)
Translation Gain (Loss) Related to Cash and Cash Equivalents	91,385	(54,428)
Net Change in Cash and Cash Equivalents	933,362	(743,649)
Cash and Cash Equivalents at Beginning of Term	11,097,287	12,030,649
Cash and Cash Equivalents at End of Term	12,030,649	11,286,999