

## FY March 2015 Consolidated Financial Results [Japan GAAP] (April 1, 2014 to March 31, 2015)

Corporate Name: PROTO CORPORATION  
 Securities Code: 4298  
 Representative: Kenji Kamiya, President  
 Contact: Shigeyoshi Shimizu, Director  
 General Shareholders' Meeting: June 26, 2015  
 Dividends Paid: From June 5, 2015  
 Expected date of filing of financial report: June 29, 2015  
 Earnings supplementary explanatory documents: Yes  
 Earnings presentation: Yes (for institutional investors and analysts)

May 8, 2015  
 Stock Exchange Listing: TSE  
 URL: <http://www.proto-g.co.jp/>  
 Tel: +81-52-934-2000

(Millions of yen, rounded down)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)

#### (1) 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, 2015	48,602 (11.2)	4,233 (10.6)	4,548 (9.2)	2,381 (9.4)
Year Ended March 31, 2014	54,761 43.0	4,735 12.5	5,009 14.6	2,627 14.7

Note: Comprehensive income

As of March 31, 2015: 2,465 million yen; (-27.4%) As of March 31, 2014: 3,397 million yen; (35.3%)

	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, 2015	116.76	—	8.8	10.6	8.7
Year Ended March 31, 2014	128.39	—	10.5	12.7	8.6

Reference: Equity in net income of affiliated companies

Year Ended March 31, 2015: - Year Ended March 31, 2014: -

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of March 31, 2015	41,751	27,672	66.3	1,361.64
As of March 31, 2014	43,907	26,177	59.6	1,280.38

Reference: Equity capital

March 31, 2015: 27,672 million yen

March 31, 2014: 26,177 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, 2015	6,577	(914)	(4,821)	12,030
Year Ended March 31, 2014	4,235	(5,294)	(2,720)	11,097

### 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			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year Ended March 2014	—	18.75	—	18.75	37.50	766	29.2	3.1
Year Ended March 2015	—	19.00	—	19.00	38.00	774	32.5	2.9
Year Ended March 2016 (Forecast.)	—	19.00	—	19.00	38.00		22.3	

### 3. Forecast for the Fiscal Year Ending March 2016 (April 1, 2015 to March 31, 2016)

(Percentage represents change to the corresponding previous period.)

	Net Sales	Operating Income	Ordinary Income	Net income that belongs to the parent company	Net Income per Share (Yen)
	%	%	%	%	Yen
Six Months Ending September 30, 2015	25,720 7.3	2,227 (14.1)	2,257 (15.9)	1,315 (25.7)	64.71
Year Ending March 31, 2016	56,862 17.0	5,510 30.2	5,574 22.5	3,457 45.1	170.11

**\* 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: None
- 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, 2015	20,940,000 shares	As of March 31, 2014	20,940,000 shares
As of March 31, 2015	617,370 shares	As of March 31, 2014	494,770 shares
Year Ended March 31, 2015	20,398,858 shares	Year ended March 31, 2014	20,465,392 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, 2015  
(April 1, 2014 to March 31, 2015)**

(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, 2015	24,523 0.5	4,155 (6.5)	4,319 (7.6)	2,293 (9.7)
Year Ended March 31, 2014	24,402 (3.4)	4,444 9.5	4,674 8.9	2,540 5.1

	Net Income per Share (Yen)	Net Income per Share (fully diluted) (Yen)
Year Ended March 31, 2015	112.45	—
Year Ended March 31, 2014	124.12	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of March 31, 2015	31,612	27,029	85.5	1,330.03
As of March 31, 2014	31,522	25,676	81.5	1,255.85

Reference: Equity capital

March 31, 2015: ¥27,029 million

March 31, 2014: ¥25,676 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. Operating Results

### (1) Analysis of Results

#### (a) Performance Summary

Concerning the Japanese economy during the current consolidated fiscal year, individual consumption has been weak due to negative drop as a reaction to hurried purchases of products in anticipation of a consumption tax hike as well as price uptake, even though corporate profit and employment situation improved as a result of economic policies by the government. Thus, the future economy continues to be uncertain. Under this circumstance, in the automobile-sales industry, which is the main customer of the PROTO Group, both new car sales and used car sales remain at lower levels than last year.

In this situation, the PROTO Group has been trying to make Goo media (information magazines, PC, smartphones) the de fact standard, respond to diverse values through creation and provision of private brand products/services (pursuing absolute value), and establish the “corporate brand” and “product brand”.

Sales of the current consolidated fiscal year was 48,602 million yen (11.2% yr-on-yr decrease), because used-car export sales by Kings Auto Co., Ltd. and on-line tire sales by AUTOWAY Co., Ltd. fell below the expectations in the Automobile-related information field, which is the Group’s core business and also because the Group withdrew from unprofitable businesses. Operating income was 4,233 million yen (10.6% yr-on-yr decrease) and ordinary income was 4,548 million yen (9.2% yr-on-yr decrease) because of decrease in net sales profit associated with decrease in sales even though the selling expenses as well as general and administrative expenses were smaller than last year as a result of cost reduction measures such as withdrawal from unprofitable businesses and streamlining of promotion activities by AUTOWAY Co., Ltd. Net income was 2,381 million yen (9.4% yr-on-yr decrease) because a part of the un-depreciated amount of goodwill that was recognized at the time of acquiring shares of Kings Auto Co., Ltd. was recognized as impairment loss, while profit from liquidation associated with completion of liquidation process of PROTO SINGAPORE Pte. Ltd. was recognized in the accounting book.

The segment results are as follows.

#### (b) Segment Results

##### Automobile-related Information

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

During the current consolidated fiscal year, the Group has promoted comprehensive business support for used-car dealers through provision of “MOTOR GATE”, a background system of “Goo-net”, and also provided opportunities for many users to increase their interest in automobiles by promoting proactive alliances and sharing information of “Goo-net” with other companies’ media.

Also, in January 2015, the provision of “GooAUTO”, a portal website that connects used-car exporters in Japan and overseas buyers, began. The Group also has made efforts to expand “GooPit”, a specialized web-site for car maintenance, throughout Japan.

Through these actions, the Group enriched and expanded its private brand products such as “Goo-inspection”, “GooPLUS”, “Goo Warranty”, “GooPit” and “GooAUTO” and strengthened services that meet the users’ needs for their car life.

Meanwhile, sales became 44,056 million yen (12.1% yr-on-yr decrease) as a result of reduction in the sales of exported luxurious used-cars in Hong Kong which is the main export destination by Kings Auto Co., Ltd., drop in on-line tire sales by AUTOWAY Co., Ltd. due to increase in consumption tax, as well as withdrawal from unprofitable businesses. Operating income became 5,624 million yen (9.5% yr-on-yr decrease) due to reduction in gross operating income associated with decrease in sales and upfront investment for new businesses such as “GooPit”, “GooPLUS” and “GooAUTO”, even though cost reduction efforts were made such as withdrawal from unprofitable business and streamlining of promotion activities for AUTOWAY Co, Ltd.

### **Lifestyle-related Information**

PROTO MEDICAL CARE streamlined social welfare goods rental service business as well as pursued to achieve synergy in the medical, nursing care, and welfare businesses.

As for the Culture information business of PROTO CORPORATION, “Goo School” web-site, an information retrieval web-site for hobbies and qualifications, was completely renewed under the theme of “Find a new self”, in January 2015, in an effort to enhance user-friendliness. As for the recycle/reuse business, the Group enriched the contents and improved user-friendliness.

For real-estate information magazine GooHome of PROTO DATA CENTER, efforts were made to increase the number of business partners and properties listed.

As a result, the medical, nursing care, and welfare businesses showed steady improvement; however, sales stood at 3,393 million yen (4.2% yr-on-yr decrease) due to withdrawal from advertisement agency business, which was an unprofitable business for the Group. Operating income was 338 million yen (36.1% yr-on-yr increase) as a result of contributing to profit increase by the medical, nursing care, and welfare businesses and withdrawal from unprofitable businesses.

### **Real Estate Business**

Sales were 164 million yen (1.8% yr-on-yr decrease) and operating income was 96 million yen (38.4% yr-on-yr increase) as a result of self-rental management of the Company’s properties.

### **Other Business**

Sales were 988 million yen (8.2% yr-on-yr increase) due to contribution from software development sales by iSolutions Co., Ltd., Inc. which became the Group’s affiliate in October 2014, while the Group withdrew from the social game business. Operating income presented operating loss of 94 million yen (the operating loss of same period last year was 140 million yen).

**(c) Outlook for the Year Ending March 31, 2016**

The Japanese economy is expected to be on a gradual recovery trend as a result of support by economic policies by the government, drop in energy price due to low price of crude oil and improvement in individual consumption due to better employment and income environments through increase in wages.

For the Group's main business, Automobile-related Information business, the Group plans to increase the number of client companies through MOTOR GATE with the operating policy of providing comprehensive business support to used car dealers. In particular, for the Group's core business, the Goo series of sites, while making Goo media (information magazines, PC, smartphones) the de facto standard, private brand products and services such as GooPit and GooAUTO will be created and commercialized and Goo-inspection, GooPLUS and Goo Warranty will also be strengthened, to improve services to cover all user's needs for their car life.

Furthermore, the Group will pursue to achieve synergy among the Group companies such as TIRE WORLD KAN BEST CO., LTD., a new consolidated affiliate from April 2015, AUTOWAY, Co., Ltd. and PROTO-RIOS INC. At the same time, the Group will expand its business not only in the used-car sales industry but the entire automobile-related industry by providing better services for the maintenance shops.

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 operation, the Group is to improve products and services for each site, such as the culture information site and recycle and reuse information site.

For selling, general and administrative expenses, the Group anticipates an increase in consolidated subsidiaries, labor costs from improving the system for product development, and upfront investment for new services in Automobile-related Information business.

Accordingly, the forecasts of the consolidated operating results of the next fiscal year (the year ending March 31, 2016) are estimated as follows: net sales of 56,862 million yen (17.0% yr-on-yr increase), operating income of 5,510 million yen (30.2% yr-on-yr increase), ordinary income of 5,574 million yen (22.5% yr-on-yr increase), and net income for the year of 3,457 million yen (45.1 yr-on-yr increase).

The forecasts in question are estimated based on the information currently available to Company Group and reasonable assumptions. It shall be noted, however, that there is possibility that actual operating results will significantly differ from the forecasts owing to uncertain factors intrinsically included in forecasts, future change to business operation conditions, etc.

## **(2) Analysis of Financial Position**

### **(a) Assets, Liabilities and Net Assets**

Total assets at the end of current consolidated fiscal year were 41,751 million yen, decreasing 2,155 million yen from the end of the previous fiscal year. Assets, liabilities and net assets are as follows.

#### **i. Assets**

Although there were payments of corporate tax, etc., return of short-term and long-term debt-payable, and payment of dividends, the cash and deposits increased as a result of obtaining operating cash flow that exceeded said expenditure. Even though cash and deposits increased, current assets were 21,743 million yen, decreasing 1,072 million yen from the end of the previous fiscal year, due to decrease in inventory assets as a result of realization of proper level of inventory quota of commodity by AUTOWAY, Co., Ltd. and decrease in receivable in relation to on-line tire sales.

Fixed assets were 20,007 million yen, decreasing 1,083 million yen from the end of previous fiscal year due to depreciation, amortization of goodwill and recognition of impairment loss.

#### **ii. Liabilities**

Current liabilities were 10,962 million yen, decreasing 2,211 million yen from the end of previous fiscal year as a result of repayment of short-term debt payable and long-term debt payable to be repaid within a year as well as payment of the fixed corporate tax of the previous term.

Long-term liabilities were 3,116 million yen, decreasing 1,438 million yen from the end of previous fiscal year due to repayment of long-term debt payable.

#### **iii. Net assets**

Despite 771 million yen of dividends paid and 198 million yen of acquisition of treasury stock, retained earnings increased due to 2,381 million yen of net income recorded. Consequently, net assets totaled 27,672 million yen, increasing 1,494 million yen from the end of the previous consolidated fiscal year.

### **(b) Consolidated Cash Flows**

Cash and cash equivalents at the end of the current consolidated fiscal year stood at 12,030 million yen, an increase of 933 million yen from the previous fiscal year. Major factors for this increase were as follows.

#### **i. Cash flows from operating activities**

Cash flows from operating activities yielded 6,577 million yen, including 4,533 million yen of net income before income taxes, 2,190 million yen due to depreciation, amortization of goodwill that did not accompany expenditure and impairment loss, decrease of inventory assets of 929 million yen associated with reduction in product inventory by AUTOWAY Co., Ltd. and Kings Auto Co., Ltd. and decrease in receivable of 775 million yen, despite payment of 2,681 million yen for corporate tax.

#### **ii. Cash flows from investing activities**

Cash flows from investing activities stood at expenditure of 914 million yen due to 90 million yen of expenditure for acquiring the shares of iSolutions Co., Ltd., 55 million yen of expenditure for acquiring business, and 910 million yen of expenditure for acquiring fixed assets, even though there was income of 117 million yen as a result of receiving repayment of fixed-term deposit.

#### **iii. Cash flows from financing activities**

Cash flows from financing activities stood at expenditure of 4,821 million yen due to reduction in short-term and long-term debt payable of 3,831 million yen, payment of dividends of 790 million yen and 198 million yen of expenditure for acquiring treasury shares.

### (Reference) Cash Flow Indicators

	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015
Equity ratio (%)	76.6	79.0	68.2	59.6	66.3
Equity ratio based on market value (%)	120.7	99.2	85.6	66.8	94.7
Debt coverage (%)	3.5	1.5	172.2	236.5	94.7
Interest coverage ratio (times)	631.2	1,604.3	138.7	46.9	105.6

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.

For the current consolidated fiscal year, we paid interim (the end of 2Q) and year-end dividends of 19.00 yen each, that is, 38.00 yen per share annually.

In the year ending March 2016, we intend to pay annual cash dividends of 38.00 yen per share. This will consist of interim (the end of 2Q) and year-end dividends of 19.00 yen each.

#### **(4) Business Risks**

The following sets out the various items that can potentially have a serious impact on investors' decisions.

The PROTO Group does not necessarily view the items mentioned below as business risks. However, it is important to understand such items in relation to the Group's business activities when making investment decisions. Their inclusion here signifies our commitment to disclosing information to investors. Having recognized these risks, the PROTO Group endeavors to avoid them and/or adopt appropriate measures in event of their occurrence.

Items contained in the following paragraphs concerning the future are based on judgments made by the company Group as of the end of current consolidated fiscal year.

##### **(a) Dependence on Automobile-related Information**

The PROTO Group consisted of PROTO CORPORATION and 12 consolidated subsidiaries. The Group's main businesses are the provision of information services on new vehicles, used vehicles, parts, and accessories; other Automobile-related information; information on medical, nursing care, welfare, cultural, recycle and reuse; and Lifestyle-related information services.

In the year ended March 31, 2015, 90.6% of total Group revenue derived from sales of Automobile-related information. Currently, the Group depends on Automobile-related information for a substantial portion of its revenue. This means that if the performance of Automobile-related Information business changes significantly as a result of change in the market environment or intensifying competition with other companies in the automobile-related industry, the business performance of the entire Group may be affected.

Therefore, by further expanding business in the medical, nursing care, and welfare area of the Lifestyle-related Information segment, we plan to reduce dependence on the Automobile-related Information segment.

##### **(b) Market Fluctuations in Printing Paper**

Paper is required for printing and producing various publications, such as the car information magazine Goo, a core product. Purchase prices for printing paper are determined through negotiations with suppliers, while monitoring market prices. It is possible that printing costs will increase if there are significant increases in printing paper prices. Nonetheless, the PROTO Group is endeavoring to mitigate this risk by shifting from using mainly magazines to employing the Internet and mobile media to disseminate information, due to the growing popularity of that medium.

Market rates announced for the printing paper (A2 coated-paper) used by PROTO Group are as follows.

Market Rates for A2 Coat Paper (Distributor Wholesale Price (yen/ kg )					
	Mar. 2014	June 2014	Sept. 2014	Dec. 2014	Mar. 2015
Price	127-135	127-135	127-135	125-135	125-135

(Source: NIKKEI)

##### **(c) Dependence on Specific Vendors**

The Group consigns printing of its mainstay magazine Goo and other major publications to the Kyoritsu Printing Group. In the year ended March 31, 2015, this represented 32.3% of total outsourcing expenditure. We use Kyoritsu Printing because of its stable supply system, its high reliability in meeting delivery schedules, and its ability to meet the technological needs of the PROTO Group.

While we enjoy the stable supply system and business relationship afforded by Kyoritsu Printing, we recognize that certain circumstances could affect our dealings with that company, and that its supply of media could be impeded as a result. Therefore, we also consign printing to other companies in an effort to diversify away risks affecting our overall printing activities.



**(d) Dependence on Specific Suppliers**

Supply of printing paper to the PROTO Group for its mainstay Goo magazine and other major publications is sourced from Tokyo Pulp & Paper Co., Ltd. We use Tokyo Pulp & Paper because of its stable supply system, and its ability to meet the needs of the PROTO Group. We are also able to achieve cost reductions by limiting procurement to a single supplier.

We enjoy a stable supply of paper and a good relationship with Tokyo Pulp & Paper. Should there be a problem with our current arrangement for some reason or other, however, we will need to change and diversify our sources of paper, which may make it difficult to achieve the cost-reduction benefits received to date.

**(e) Legal Restrictions on Content**

All sorts of content appear on the Internet, including content that violates rules covering protection of privacy, public decency, and intellectual copyright. It is possible that certain legal restrictions may be implemented in the future to address these kinds of issues.

To date, the Group has addressed consumer needs by providing helpful content considered necessary by society without experiencing problems related to delivering content via the Internet. Accordingly, we believe that we would not be affected by legal restrictions covering the Internet. However, it is difficult to predict the precise effects that such implementation would have on the Group, given that the particulars and scope of such legal restrictions have yet to be made public.

**(f) System Security and Risk from Network Downtime**

The PROTO Group has constructed a computer system that utilizes the Internet to perform its services, and it continually invests in capacity and performances maintenance on the system while including the latest system and security technology as required. However in the event of damage or interruption of the PROTO Group's system due to hardware or software defects, sudden increases in amount of access, human error, network line problems, computer virus, power outage, natural disaster, or other unforeseeable factor, the possibility exists that such damage or interruption could have an important impact on the performance of the PROTO Group.

**(g) Protection of Personal Information**

Recently, personal information leaks by a large number of companies have become a social problem. The PROTO Group endeavors to protect personal information in an appropriate manner through the implementation of its Regulations for the Protection of Personal Information. These regulations are based on the President's Policy on the Protection of Personal Information, formulated in accordance with the Personal Information Protection Law, enacted in April 2005.

However, in the event that personal information held by the Group is leaked to outside entities or used fraudulently, the Group could be subject to compensation claims and lose the confidence of the public community, which could have an adverse impact on its performance.

**(h) Corporate Responsibility for Digital Content**

As an information service provider that uses various forms of media, the Group believes that it is in the same position as other mass media insofar as its impact on society is concerned. Therefore, in the unlikely event that we make an error in the information content we provide, it is possible that we could inflict tangible or intangible harm on a particular person or corporation and that we could be sued for damages.

The Group strives to ensure strict control over information content through its system of carrying out multiple checks. However, in the unlikely event of an error, it is possible that we could lose the trust of society, which could have an adverse impact on the Group's performance.

**(i) Risks concerning Used Car Export Business**

In the Group, the used car export business is conducted by Kings Auto Co., Ltd. that exports used cars purchased from used car dealers, which are our major clients, and auction sites to Asian countries.

The performance of the used car export business of the Group may be affected, if the government of an importing country revises tariff measures and import regulations, etc. and if loss is incurred due to unpredictable factors such as accidents of a ship in sea transport or port facilities.

**(j) Risks concerning M&A**

The Group uses M&A mainly to expand business fields as well as expand products and services in the Automobile-related information industry. Before undertaking M&A, the Group tries to reduce risks by thoroughly exploring the measures to avoid risks via due diligence concerning the financial situation of the target company, examination of the contracts and analysis of the investment recovery possibility, etc.

Nonetheless, the Group's financial situation and business performance results may be impacted, if initially expected investment effects are not obtained due to issues that could not be predicted at the pre-investigation time such as rapid changes of business environment or competition situation after M&A, generation of contingent liabilities or identification of unrecognized liabilities.

## **2. Corporate Group**

The PROTO Group consists of the PROTO CORPORATION and its 12 consolidated subsidiaries. Its primary business is to collect, organize and categorize information concerning automobiles and lifestyle, process that information into useful content, and finally provide consumers and corporations with that information via the PROTO CORPORATION's media (information magazines, PC, smartphones). In addition to these activities, the Group also provides corporations with services related to supporting their business operations. See below for descriptions of these main business activities, positioning of the relevant activities carried out by each affiliated company, and the business segments as categorized by type.

### **Automobile-related Information**

In order to expand sales opportunities for car dealers, used car dealers and parts retailers, the Group carries out advertising activities through diverse media. Consumers who purchase used cars and parts use the information transmitted from their retailers to find and purchase the products they want.

The PROTO CORPORATION gathers data on the merchandise inventories of car dealers, used car dealers and parts retailers to use for advertising. This inventory data is organized and categorized, then fed into a database. Having been turned into useful content, the data is then provided to consumers via the PROTO CORPORATION's media (information magazines, PC, smartphones). By matching the needs of both the consumers and the retailers in this manner, the PROTO CORPORATION supports the purchasing activities of consumers and greatly contributes to creating sales opportunities for the retailers.

Furthermore, as a corporate service provided to used car dealers and others, the PROTO CORPORATION provides information that is useful in the circulation of used cars. For example, the PROTO CORPORATION first gathers information on bid prices for used cars at automobile auctions across the country. Based on this and other information on bid prices, the PROTO CORPORATION produces its own standard pricing information for used cars, and then provides this information to dealers. Furthermore, by providing the Goo-inspection service that displays information on the state of used cars to consumers, we are providing business support services that increase the security and reliability of choosing used cars.

The main sources of business income can be split in two categories: advertising revenue and information sales. The former refers to the fees charged for registering and posting the used car dealers' merchandise inventory data on the PROTO CORPORATION's media. The latter refers to revenue from the sale of information magazines, the providing of information, and the providing of other related services.

Bike Bros. Inc. runs the EC website "BikeBros.," which deals in motorcycle parts and accessories, and publishes motorcycle magazines such as ROAD RIDER.

PROTO-RIOS INC. provides information regarding automobile repair and parts, develops and sells business support software for sheet metal and repair.

PROTO DATA CENTER publishes the Car information magazine "Goo" in Okinawa Prefecture, inputs data for the media of our company, produces designs, conducts website solution businesses, and offers customer support.

PROTO MALAYSIA Sdn. Bhd. publishes the used car information magazine "Motor Trader," the motorbike information magazine "Bike Trader" and the new car information magazine "Autocar" and operates related websites in Malaysia.

PROTO (TAIWAN) CO., LTD. is carrying out automobile information media operations with the new automobile information magazine "Car News", used automobile information magazine "Car Buys" and comprehensive automobile information site "carnews.com".

Car Credo Co., Ltd. inspects and appraises used cars owned by dealers, in order to secure safety and reliability of used cars for users.

Kings Auto Co., Ltd., provides used vehicle export support for domestic used automobile dealers via the Company's Goo-net Exchange which targets foreign users, in addition to exporting vehicles overseas after purchasing them from auctions.

AUTOWAY Co., Ltd. operates “AUTOWAY LOOP”, a tire and wheel sale site, as well as selling imported tires and wheels in storefronts.

iSolutions Co., Ltd. develops software for the Group companies.

### **Lifestyle-related Information**

The PROTO CORPORATION provides lifestyle-related information in the cultural information business and recycle-reuse information business. Regarding the cultural information business, the PROTO CORPORATION contributes to the expansion of the certification and education market by providing lesson information on certifications, skills, hobbies and schools. Regarding the recycle-reuse information business, the PROTO CORPORATION contributes to the revitalization of the recycling market, not only by providing information on recycle shops, but also by providing services that allow people to conduct purchase assessments and place purchase orders on web sites. Just like the automobile-related information, the various types of information described above are organized and categorized so that they can easily be compared and examined, then provided to consumers and users via the PC and smartphones.

The main sources of business income are, as with automobile-related information businesses, fees for registration of and publishing information (advertising revenue) from clients placing advertisement.

PROTO MEDICAL CARE operates a nursing care portal site, publishes nursing care information magazines, provides information on job opportunities in the fields of the medical, nursing care, and welfare, and offers personnel dispatch and introduction services to the clients in these fields. Also, rental business and EC sales of nursing care, and welfare products are being carried out.

PROTO DATA CENTER publishes the real-estate information magazine GooHome, providing information on rental and sales properties in Okinawa, as well as handling design, web solutions, customer support and data entry for information that is to be posted on the Company’s media.

### **Real Estate Business**

With respect to the own assets, the PROTO CORPORATION carry out real estate management activities with management engineering as their principal goal.

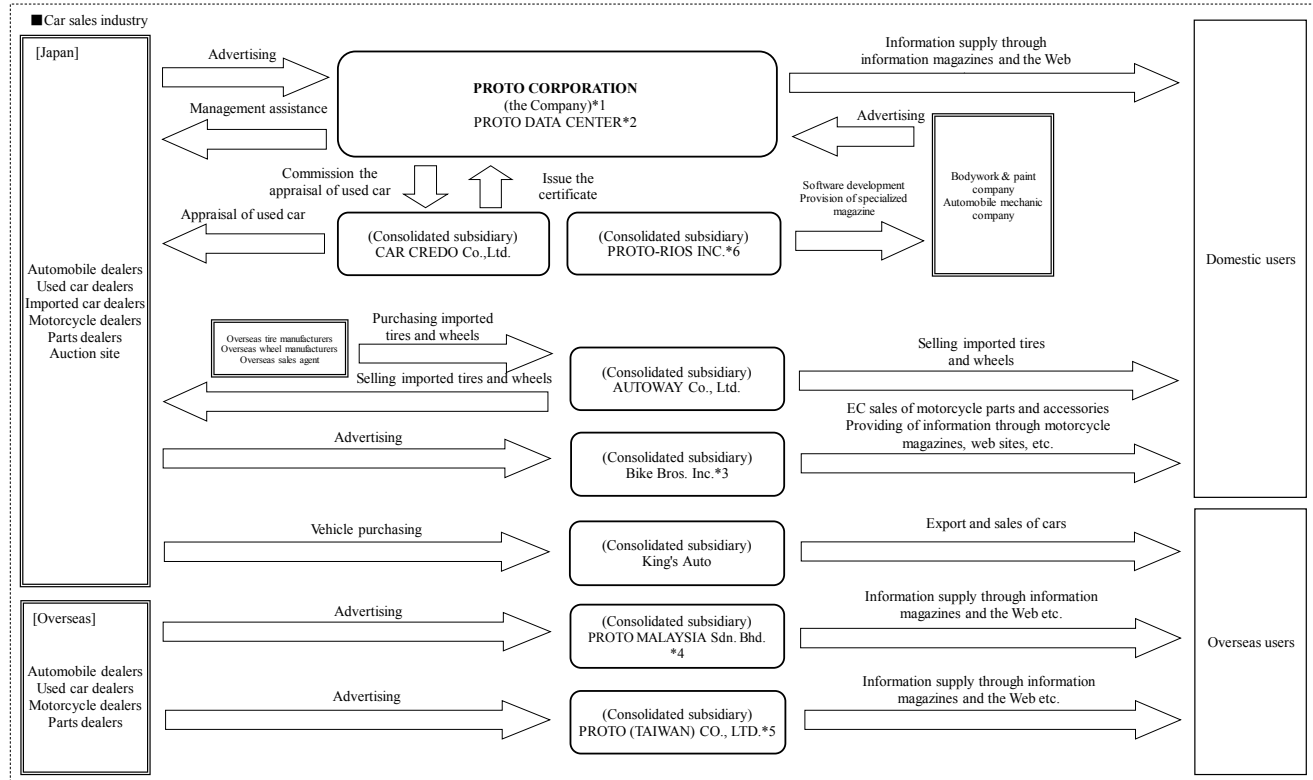
### **Other Business**

PROTO DATA CENTER inputs data, produces designs, and conducts website solution and telemarketing businesses as the business process outsourcing (BPO) business.

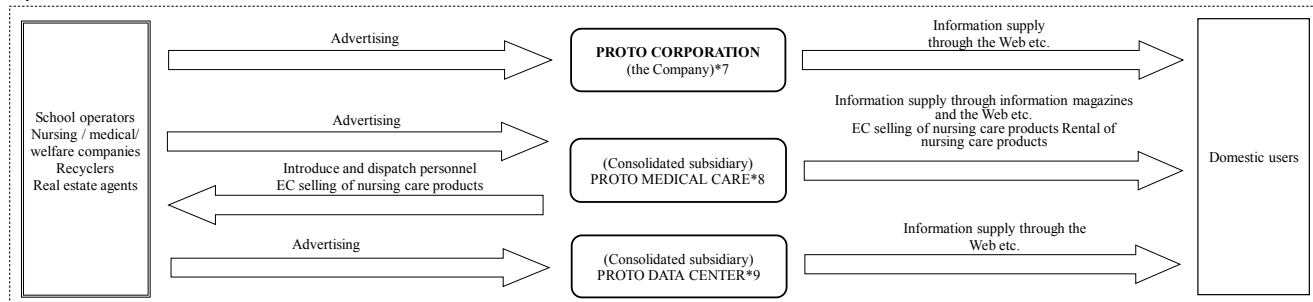
iSolutions Co., Ltd. develops and sells software for external customers. Additionally, AUTOWAY Co., Ltd. sells electricity.

The following diagram illustrates the business structure of the PROTO Group as described above.

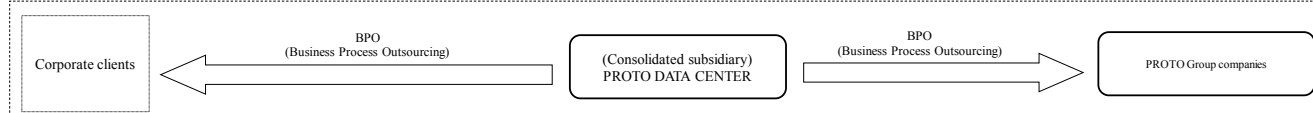
**Automobile-related information**



**Lifestyle-related information**



**Other business**



**Automobile-related information Main products**

- ※1 Car information magazine "Goo," import car information magazine "GooWORLD," and motorcycle information magazine "GooBike" car portal website "Goo-net," weekly auction information, used car data search system "Data Line," etc.
- ※2 Car information magazine "Goo"
- ※3 Motorcycle information magazine "ROAD RIDER," motorcycle portal website "BikeBros," etc.
- ※4 Used car information magazine "Motor Trader," motorcycle information magazine "Bike Trader," etc.
- ※5 New car information magazine "Carnews," used car information magazine "Used carnews"
- ※6 Automobile mechanic and sheet-metal integrated system "Racros," monthly BODYSHOP REPORT, etc.

**Lifestyle-related information Main products**

- ※7 Search site for hobby and certification information "Goo School," search and compare site for asking price "Okura," etc.
- ※8 Comprehensive information website for nursing-care "Oasis Navi-Heart page," job information services for the medical, nursing-care and welfare industries "Kaigo-Kyujin Nav?" Nursing-care information magazine "Heart page," job information services for nurses "Medical Cubic" etc.
- ※9 Real estate information magazine "GooHome," real estate information website "GooHome"

\*1 "Issuance of Inspection Certificate" in the business structure diagram means that inspection companies such as CAR CREDO Co., Ltd. that belong to Japan Automobile Appraisal Association inspect the status of used cars based on the Association's inspection standards and the Association issues a certificate based on the results.

\*2 PROTO CORPORATION is also engaged in other property management businesses in addition to those listed above.

\*3 In addition to the above, AUTOWAY Co., Ltd. is engaged in retail electricity business.

\*4 In addition to the above, iSolutions Co., Ltd., a consolidated affiliate of PROTO-RIOS INC., develops and sells software to the companies in and outside of the Group.

\*5 In addition to the above, PT. PROTO INDONESIA and SMT Media Pte. Ltd. are in the process of liquidation.

### **3. 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. To this end, the company strives to always undertake creative projects, aiming for continual and stable future growth and development, with the result of continuing to be an appealing corporation.

#### **(2) Performance Indicators**

In order to secure continual and stable profits, and in order to further expand the scale of operations, the PROTO Group has marked growth potential of sales and operating income and improvement of ROE as important management indices.

#### **(3) Medium- and Long-term Strategies**

The PROTO Group is working towards the expansion of operations for its automobile-related information business – the backbone of its operations. At the same time, the PROTO Group is also working to expand operations in the lifestyle-related business in order to set up additional core operations which will serve as the Group’s second and third pillars. Expressed in more concrete terms, the PROTO Group is aiming to secure continual and stable profits. It also seeks to further expand its scale of operations by becoming a corporate group supported by its users and clients and possessing creative and absolute significance. The Group aims to accomplish these goals by continuing to provide users in each of its operations with content they can trust, while at the same providing various forms of management support services to its clients.

#### **(4) Company Issues to Address**

##### **(a) Brand Establishment**

Society is flooded with various different pieces of information. In order for the Group to expand its operations in the future, it will be important to get society to trust and value PROTO’s information – to get people to feel that “PROTO’s information is trustworthy, useful and high-quality.” The Group must, in other words, establish the corporate brand.

In order to attain this goal of establishing the corporate brand, the Group will endeavor to gain and maintain high levels of trust and value by selecting valuable information that people actually need, and use the knowledge it has built up thus far to continue providing society with information of high added value.

##### **(b) Establishment of Comprehensive Automobile Information Services and Diversification of Revenue Sources**

As for the portal site for automobiles “Goo-net,” which is the main media of automobile-related information, we think it is important to make the site highly convenient so as to gain the support of many users, by “enriching contents and services (functions)” grasping the needs of users accurately, as the preferences of consumers are being diversified and segmentalized.

At present, the main source of income for the PROTO Group comes in the form of advertising fees paid by used car dealers. In order to further expand business performance, it will be necessary to secure new sources of income, namely income from sources besides the advertising fees. Expressed more concretely, the plan is to utilize all the car-related websites (such as the car portal website “Goo-net”) to gain revenue in fees paid for mediation and the settling of contracts. The Group also plans to maintain and expand income from the aforementioned advertising fees by providing new internet-based services to used car dealers.

**(c) Promotion of M&A and Business Alliance**

In order to promote the expansion of content and services, the PROTO Group will speed up the growth of business by effectively utilizing the management resources at each member company. Concerning content and services unavailable within the Group, the Group will actively pursue M&A and alliances to handle the situations.

**(d) Overseas Business Expansion**

Through our consolidated subsidiaries, PROTO Group will promote the establishment of businesses utilizing our know-how in the collection and supply of information in global markets such as Asia region.

**4. 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.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousands of yen)

	March 31, 2014	March 31, 2015
<b>ASSETS</b>		
Current Assets		
Cash	11,507,973	12,431,593
Notes and accounts receivable	5,030,038	4,690,743
Electronically Recorded Monetary Claims	—	6,200
Goods and products	4,539,378	3,629,207
Goods in process	101,603	96,221
Raw material and inventory goods	17,752	9,540
Deferred tax assets	279,475	341,462
Other current assets	1,364,927	654,873
Allowance for doubtful accounts	(25,609)	(116,368)
<b>Total Current Assets</b>	<b>22,815,539</b>	<b>21,743,473</b>
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	8,339,031	8,338,199
Accumulated depreciation	(2,838,984)	(3,140,950)
<b>Building and structures -Net</b>	<b>5,500,046</b>	<b>5,197,249</b>
Land	4,787,130	4,787,130
Other tangible fixed assets	935,549	1,106,101
Accumulated depreciation	(677,970)	(632,622)
<b>Other tangible fixed assets -Net</b>	<b>257,579</b>	<b>473,478</b>
<b>Total Tangible Fixed Assets</b>	<b>10,544,756</b>	<b>10,457,858</b>
Intangible Fixed Assets		
Goodwill	6,865,789	5,888,939
Other intangible fixed assets	2,043,941	2,199,604
<b>Total Intangible Fixed Assets</b>	<b>8,909,730</b>	<b>8,088,543</b>
Investment and Other Assets		
Investments in securities	354,779	383,576
Deferred tax assets	344,360	245,949
Other investments	1,007,901	870,489
Allowance for doubtful accounts	(69,861)	(38,480)
<b>Total investments and other assets</b>	<b>1,637,179</b>	<b>1,461,535</b>
<b>Total Fixed Assets</b>	<b>21,091,667</b>	<b>20,007,937</b>
<b>Total Assets</b>	<b>43,907,206</b>	<b>41,751,411</b>



(Thousands of yen)

	March 31, 2014	March 31, 2015
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable-trade	764,522	806,482
Short-term loans payable	2,874,030	2,400,000
Current portion of long-term borrowings	3,344,286	1,223,530
Accrued income taxes	1,598,463	1,077,130
Allowance for sales returns	114,125	106,698
Allowance for bonus payable	142,031	115,482
Provision for repayment	60	513
Provision for point card certificates	26,335	22,872
Other current liabilities	4,311,064	5,210,213
Total Current Liabilities	13,174,920	10,962,923
Long-Term Liabilities		
Long-term borrowings	3,800,869	2,608,043
Allowance for directors' retirement benefits	282,550	290,775
Asset retirement obligation	71,648	53,497
Other long-term liabilities	399,619	163,966
Total Long-Term Liabilities	4,554,687	3,116,282
Total Liabilities	17,729,608	14,079,205
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	1,824,620	1,824,620
Capital surplus	2,011,734	2,011,734
Retained earnings	21,986,935	23,596,966
Treasury stock	(709,116)	(908,000)
Total Shareholders' Equity	25,114,174	26,525,320
Accumulated other comprehensive income/(loss)		
Net unrealized gains (losses) on securities	91,119	121,673
Foreign exchange adjustment account	972,304	1,025,211
Total accumulated other comprehensive income/(loss)	1,063,423	1,146,885
Total Net Assets	26,177,598	27,672,205
Total Liabilities and Net Assets	43,907,206	41,751,411

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

(Thousands of yen)

	Year Ended March 31, 2014	Year Ended March 31, 2015
Net Sales	54,761,012	48,602,523
Cost of Sales	33,503,703	28,326,306
Gross Profit	21,257,308	20,276,217
Reversal of Reserve for Returned Products	101,782	106,406
Transfer to Reserve for Returned Products	112,973	104,774
Adjusted Gross Profit	21,246,117	20,277,849
Selling, General and Administrative Expenses		
Salaries for directors and employees	5,992,908	6,264,169
Provision for allowance for directors' retirement benefits	19,700	8,975
Provision for allowance for bonus payable	102,488	79,875
Advertising	2,602,900	2,386,868
Provision for allowance for doubtful accounts	13,186	95,760
Provision for point card certificates	25,738	(1,103)
Amortization of goodwill	928,172	926,190
Others	6,825,144	6,283,631
Total Selling, General and Administrative Expenses	16,510,238	16,044,368
Operating Income	4,735,878	4,233,480
Non-Operating Income		
Interest income	25,879	31,342
Dividend income	12,339	12,471
Amortization of negative goodwill	2,370	—
Foreign exchange gains	138,365	237,328
Gain on valuation of derivatives	67,389	—
Other income	199,238	160,214
Total Non-Operating Income	445,582	441,356
Non-Operating Expenses		
Interest expenses of loans	86,310	63,753
Loss on valuation of derivatives	52,463	38,342
Other expenses	33,157	24,107
Total Non-Operating Expenses	171,931	126,203
Ordinary Income	5,009,529	4,548,632

	(Thousands of yen)	
	Year Ended March 31, 2014	Year Ended March 31, 2015
<b>Extraordinary Income</b>		
Gains from sales of fixed assets	229,646	29,220
Gains from sales of securities	543	—
Gains from extinguishment of debt	—	180,000
Gains from liquidation of subsidiaries	—	214,922
Other Incomes	4,762	6,859
<b>Total Extraordinary Income</b>	<b>234,952</b>	<b>431,002</b>
<b>Extraordinary Losses</b>		
Losses from sales of fixed assets	44,633	8,220
Losses from disposals of fixed assets	25,702	22,307
Impairment losses	126,242	384,659
Losses from revaluation of securities	—	9,394
Loss on business withdrawal	101,457	—
Other expenses	16,313	1,513
<b>Total Extraordinary Losses</b>	<b>314,350</b>	<b>426,095</b>
Income before Income Taxes	4,930,131	4,553,539
Income Taxes	2,389,781	2,162,585
Adjustment of Corporate Income Tax	(87,167)	9,118
<b>Corporate Income Tax Total</b>	<b>2,302,614</b>	<b>2,171,704</b>
Net Income before Adjusting for the Losses of Minority Shareholders	2,627,516	2,381,835
<b>Net Income</b>	<b>2,627,516</b>	<b>2,381,835</b>

**Consolidated Statements of Comprehensive Income**

(Thousands of yen)

	Year Ended March 31, 2014	Year Ended March 31, 2015
Net Income before Adjusting for the Losses of Minority Shareholders	2,627,516	2,381,835
Other Comprehensive Income		
Valuation difference on available-for-sale securities	20,932	30,553
Foreign currency translation adjustments	749,065	52,907
Other comprehensive income	769,998	83,461
Comprehensive Income	3,397,515	2,465,296
(Breakdown)		
Comprehensive income concerning shareholders of the parent company	3,397,515	2,465,296
Comprehensive income concerning minority shareholders	—	—

**(3) Consolidated Statements of Changes in Shareholders' Equity**

Year Ended March 31, 2014

(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	2,011,739	20,128,566	(509,712)	23,455,214
Increase (decrease) during the year					
Cash dividends			(769,147)		(769,147)
Net income			2,627,516		2,627,516
Acquisition of treasury stocks				(199,604)	(199,604)
Disposal of treasury stock		(4)		200	195
Net changes of items other than shareholders' equity					
Total increase (decrease) during the period	—	(4)	1,858,369	(199,404)	1,658,960
Balance at end of period	1,824,620	2,011,734	21,986,935	(709,116)	25,114,174

	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	70,187	223,238	293,425	23,748,639
Increase (decrease) during the year				
Cash dividends				(769,147)
Net income				2,627,516
Acquisition of treasury stocks				(199,604)
Disposal of treasury stock				195
Net changes of items other than shareholders' equity	20,932	749,065	769,998	769,998
Total increase (decrease) during the period	20,932	749,065	769,998	2,428,958
Balance at end of period	91,119	972,304	1,063,423	26,177,598

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			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				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

**(4) Consolidated Statements of Cash Flows**

(Thousands of yen)

	Year Ended March 31, 2014	Year Ended March 31, 2015
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	4,930,131	4,553,539
Depreciation	819,609	879,461
Impairment loss	126,242	384,659
Amortization of goodwill	928,172	926,190
Amortization of negative goodwill	(2,370)	—
Loss (gain) on valuation of derivatives	(14,926)	38,342
Increase (decrease) in reserve for directors' retirement allowances	17,900	8,225
Increase (decrease) in reserve for bonuses	30,687	(27,080)
Increase (decrease) in reserve for returned products	11,130	(9,618)
Increase (decrease) in allowance for doubtful accounts	1,424	71,323
Increase (decrease) in provision for point card certificates	23,095	(3,463)
Interest and dividend income	(38,218)	(43,813)
Interest expenses	86,310	63,753
Foreign exchange losses (gains)	(125,689)	(97,078)
Loss (gain) on sales of investment securities	(543)	—
Loss (gain) on revaluation of investment securities	—	9,394
Loss (gain) on sales/disposal of property and equipment	(159,310)	1,307
Loss (gain) on transfer of business	—	(6,859)
Loss (gain) on liquidation of subsidiaries	7,835	(214,922)
Gain on extinguishment of debt	—	(180,000)
Loss on business withdrawal	101,457	—
Decrease (increase) in trade receivables	(670,251)	775,643
Decrease (increase) in inventories	(638,376)	929,344
Increase (decrease) in accounts payable	(285,586)	28,089
Increase (decrease) in accrued expenses	(218,222)	471,274
Increase (decrease) in advances received	(66,292)	71,652
Increase (decrease) in accrued consumption taxes, etc	145,088	543,113
Others	615,421	105,278
Subtotal	5,624,719	9,277,757
Interest and dividends received	38,220	43,758
Interest paid	(90,225)	(62,279)
Income taxes paid	(1,337,124)	(2,681,449)
Net Cash Provided by (Used in) Operating Activities	4,235,590	6,577,786

(Thousands of yen)

	Year Ended March 31, 2014	Year Ended March 31, 2015
<b>Cash Flows from Investing Activities</b>		
Decrease in time deposits	(106,772)	(9,900)
Increase in time deposits	84,113	117,000
Acquisition of property and equipment	(1,067,937)	(351,770)
Proceeds from sales of property and equipment	565,553	37,051
Acquisition of intangible fixed assets	(839,038)	(558,895)
Payment of long-term prepaid expenses	(16,000)	(18,766)
Addition to investment securities	5,475	—
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	(3,215,411)	(90,674)
Payment for acquisition of business	(652,911)	(55,125)
Proceeds from transfer of business	—	7,426
Others	(51,508)	9,475
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(5,294,437)</b>	<b>(914,179)</b>
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in short-term loans payable	774,660	(474,030)
Proceeds from long-term borrowings	650,000	—
Payment for repaying of long-term borrowings	(3,136,734)	(3,357,914)
Redemption of bonds	(42,800)	—
Proceeds from disposal of treasury stock	195	—
Acquisition of treasury stock	(199,604)	(198,884)
Dividends paid	(766,611)	(790,800)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(2,720,894)</b>	<b>(4,821,630)</b>
<b>Translation Gain (Loss) Related to Cash and Cash Equivalents</b>	<b>236,607</b>	<b>91,385</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(3,543,134)</b>	<b>933,362</b>
<b>Cash and Cash Equivalents at Beginning of Term</b>	<b>14,640,421</b>	<b>11,097,287</b>
<b>Cash and Cash Equivalents at End of Term</b>	<b>11,097,287</b>	<b>12,030,649</b>