

**FY March 2014 Consolidated Financial Results [Japan GAAP]
(April 1, 2013 to March 31, 2014)**

Corporate Name: PROTO CORPORATION
 Securities Code: 4298
 Representative: Kenji Kamiya, President
 Contact: Shigeyoshi Shimizu, Director
 General Shareholders' Meeting: June 27, 2014
 Dividends Paid: From June 6, 2014
 Expected date of filing of financial report: June 30, 2014
 Earnings supplementary explanatory documents: Yes
 Earnings presentation: Yes (for institutional investors and analysts)

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(Millions of yen, rounded down)

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2014
(April 1, 2013 to March 31, 2014)**

(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, 2014	54,761	43.0	4,735	12.5	5,009	14.6	2,627	14.7
Year Ended March 31, 2013	38,287	25.2	4,209	(28.0)	4,371	(27.2)	2,290	(30.1)

Note: Comprehensive income

As of March 31, 2014: 3,397 million yen; (35.3%) As of March 31, 2013: 2,511 million yen; (-25.5%)

	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, 2014	128.39	—	10.5	12.7	8.6
Year Ended March 31, 2013	109.96	—	9.9	13.8	11.0

Reference: Equity in net income of affiliated companies

Year Ended March 31, 2014: - Year Ended March 31, 2013: -

Note: We implemented the stock split as of October 1, 2012. However, Net Income per Share was calculated on the assumption that the said stock split was implemented at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of March 31, 2014	43,907	26,177	59.6	1,280.38
As of March 31, 2013	34,841	23,748	68.2	1,154.20

Reference: Equity capital

March 31, 2014: 26,177 million yen

March 31, 2013: 23,748 million yen

Note: We implemented the stock split as of October 1, 2012. However, Net Assets per Share were calculated on the assumption that the said stock split was implemented at the beginning of the previous consolidated fiscal year.

(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, 2014	4,235	(5,294)	(2,720)	11,097
Year Ended March 31, 2013	2,917	(1,203)	1,187	14,640

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 2013	—	37.50	—	18.75	—	778	34.1	3.4
Year Ended March 2014	—	18.75	—	18.75	37.50	766	29.2	3.1
Year Ended March 2015 (Forecast)	—	19.00	—	19.00	38.00	—	—	—

Note: We implemented the two for one stock split for our common stocks effective as of October 1, 2012.

**3. Forecast for the Fiscal Year Ending March 2015
(April 1, 2014 to March 31, 2015)**

(Percentage represents change to the corresponding previous period.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)	
		%		%		%		%		Yen
Six Months Ending September 30, 2014	26,821	(3.3)	2,450	(0.3)	2,485	(4.9)	1,445	10.1		70.68
Year Ending March 31, 2015	56,940	4.0	5,350	13.0	5,430	8.4	3,197	21.7		156.37

*** Notes**

(1) Major changes in consolidated subsidiaries during period: Yes
 [Newly consolidated: 2 companies (AUTOWAY Co., Ltd. and Fujiyama Service Co., Ltd.)]
 [Newly excluded: 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, 2014	20,940,000 shares	As of March 31, 2013	20,940,000 shares
2) Number of treasury stock	As of March 31, 2014	494,770 shares	As of March 31, 2013	364,110 shares
3) The average number of outstanding shares over period (cumulative term)	Year Ended March 31, 2014	20,465,392 shares	Year to March 31, 2013	20,827,158 shares

Note: We implemented the stock split as of October 1, 2012. However, the average number of outstanding shares over period was calculated on the assumption that the said stock split was implemented at the beginning of the previous consolidated fiscal year.

Reference: Non-Consolidated Performance Summary
Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2014
(April 1, 2013 to March 31, 2014)

(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, 2014	24,402 (3.4)	4,444 9.5	4,674 8.9	2,540 5.1
Year Ended March 31, 2013	25,266 3.0	4,057 (27.2)	4,292 (26.9)	2,415 (27.1)

	Net Income per Share (Yen)	Net Income per Share (fully diluted) (Yen)
Year Ended March 31, 2014	124.12	—
Year Ended March 31, 2013	116.00	—

Note: We implemented the stock split as of October 1, 2012. However, net income per share was calculated on the assumption that the said stock split was implemented at the beginning of the previous consolidated fiscal year.

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of March 31, 2014	31,522	25,676	81.5	1,255.85
As of March 31, 2013	30,768	24,083	78.3	1,170.47

Reference: Equity capital March 31, 2014: ¥25,676 million March 31, 2013: ¥24,083 million

Note: We implemented the stock split as of October 1, 2012. However, net assets per share were calculated on the assumption that the said stock split was implemented at the beginning of the previous consolidated fiscal year.

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

This financial result is exempted from the review procedure based on the Financial Instruments and Exchange Act, and the review procedure of the financial statement based on the Financial Instruments and Exchange Act is not completed at the time of disclosure of this financial results.

*** 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

(Millions of yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014	YoY Change (Amount)	YoY Change (%)
Net Sales	38,287	54,761	16,473	43.0
Cost of Sales	20,643	33,503	12,860	62.3
Gross margin	17,643	21,257	3,613	20.5
Selling, General and Administrative Expenses	13,440	16,510	3,069	22.8
Operating Income	4,209	4,735	526	12.5
Ordinary Income	4,371	5,009	637	14.6
Net Income	2,290	2,627	337	14.7

The Japanese economy in this consolidated fiscal year showed signs of a gentle recovery, with large-scale easing of monetary policy leading to a lower yen value and higher stock prices, as well as improved employment and increased consumer spending. Within this economic climate, the Group's primary clients, the automobile industry, sold a higher number of new and used vehicles over the year than in the previous year, due to a rush of demand before the increase in consumption taxes.

In these circumstances, the Group sought to research and provide creative and revolutionary products and services to respond to diversifying consumer needs, in order to increase customer satisfaction and establish both corporate and product brands.

In order to research and provide creative and revolutionary products and services, in addition to effectively utilizing the management resources available within the Group companies, M&A and alliances were actively pursued for content and services not available within the Group.

Specifically, in the Automobile-related Information segment automobile information media business in Taiwan was taken over in January 2013, and Autoway Co., Ltd. was made into a subsidiary in April 2013. In the Lifestyle-related Information segment, Fujiyama Service Group was made into a subsidiary in April 2013.

As a result of these efforts, contributions from Autoway's online tire sales and Kings Auto's used vehicle export sales in the Automobile-related Information sector led to sales for this consolidated fiscal year of 54,761 million yen (43.0% yr-on-yr increase). Despite increased labor costs due to business expansion and increased amortization of goodwill, promotion costs were streamlined which led to operating income of 4,735 million yen (12.5% yr-on-yr increase). Ordinary income was 5,009 million yen (14.6% yr-on-yr increase). For net income, despite the impairment loss of non-depreciated goodwill booked from acquiring Bike Bros. Co., Ltd. stock and losses from withdrawing from the social game business, income from sales of fixed assets due to sales of real estate by the Company and subsidiaries led to a net income of 2,627 million yen (14.7% yr-on-yr increase).

Business results by segment are given below.

(b) Segment Results

(Millions of yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014	Change	
			YoY Change (Amount)	YoY Change (%)
Net Sales				
Automobile-related Information	33,687	50,138	16,450	48.8
Lifestyle-related Information	3,837	3,541	(296)	(7.7)
Real Estate Business	163	167	3	2.3
Other Business	597	913	315	52.8
Total	38,287	54,761	16,473	43.0

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.

In this consolidated fiscal year, for Goo operations, efforts continued to increase the number of business partners and the amount of vehicles in the Goo-net used vehicle database, in addition to improving search functions and the level of detail of information provided to increase customer satisfaction by improving convenience.

On November 1, 2013 a new version of Motor Gate was released, the inventory management system for used car dealers that forms the background system of Goo-net. By providing used car dealers with a sales management system that is simple, convenient and speedy, we responded to needs for inventory management, sales support and customer management, to provide comprehensive management support.

For Goo-inspection, efforts were made to increase the sales of the service and the number of vehicles appraised, providing services to increase trust and reliability when purchasing used vehicles in order to increase satisfaction for both users and used automobile dealerships.

Through the efforts mentioned above, the Goo brand was strengthened by establishing a competitive edge and differentiating it from competitors.

For Autoway Co., Ltd., promotion was increased and efforts made to improve sales of winter tires and tire/wheel sets, in addition to establishing an efficient logistics system using the Kanto Ibaraki warehouse.

For Kings Auto, efforts continued to increase sales routes by establishing new destinations for used car exports.

As a result of creating this environment that responds to a variety of user needs, despite the number of used car sales stagnating in the market as a whole, the Company's use of media to increase the number of users and their desire to purchase has led to increased sales opportunities for clients of the Company.

As a result, sales were 50,138 million yen (48.8% yr-on-yr increase). Despite increased labor costs from business expansion and increased amortization of goodwill, efficient investing in promotion led to operating income of 6,217 million yen (5.1% yr-on-yr increase).

Lifestyle-related Information

The PROTO Group has endeavored to develop and provide goods and services that accurately grasp the needs of users and clients. The Group has also engaged in efforts to strengthen media power by expanding content and services (functions).

In this consolidated fiscal year, for the nursing equipment rental business efforts continued to improve cooperation with care managers, while attempting a synergistic business expansion. A home visit dentistry support business (Dental Cubic) was started in November 2013, in an effort to expand the business domain.

For the culture information business and recycle/reuse business, efforts continued to increase content and improve usability.

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

As a result of the above, the medical, nursing care and welfare business performed well, but the internet advertisement agency business had decreased sales, so sales were 3,541 million yen (7.7% yr-on-yr decrease). Despite increased labor costs in the medical, nursing care and welfare business and real estate information business, contributions from increased sales of IT products in the medical, nursing care and welfare business led to operating income of 248 million yen (89.8% yr-on-yr increase).

Real Estate Business

The Company and Proto-Rios Inc. primarily managed rentals of company properties, with sales of 167 million yen (2.3% yr-on-yr increase) and operating income of 69 million yen (18.5% yr-on-yr decrease).

Other Business

For Proto Data Center's BPO operations, primarily due to an increase in call center orders and Autoway Co., Ltd.'s retail electricity business, sales were 913 million yen (52.8% yr-on-yr increase). Operating loss was 140 million yen (previous year was an operating loss of 323 million yen).

The social games business was withdrawn from in December 2013.

(c) Outlook for the Year Ending March 31, 2015

For the future of the Japanese economy, despite a reduction in demand after the increase in consumption taxes, the government's economic policies are expected to provide support for a gentle recovery.

For the Group's main business, Automobile-related Information business, the Group plans to increase the number of client companies 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 will be created and commercialized, such as the strengthening of Goo-inspection, GooPit and GooPLUS, to improve services to cover all user needs related to cars. Furthermore, as well as pursuing synergy with Group companies such as Autoway Co., Ltd., our policy is to expand the business considering the automobile industry as a whole, by increasing services for the maintenance 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 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 labor costs from improving the system for product development and an increase in 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, 2015) are estimated as follows: net sales of 56,940 million yen (4.0% yr-on-yr increase), operating income of 5,350 million yen (13.0% yr-on-yr increase), ordinary income of 5,430 million yen (8.4% yr-on-yr increase), and net income for the year of 3,197 million yen (21.7% 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 43,907 million yen, increasing 9,065 million yen from the end of the previous fiscal year.

i. Assets

Payment for acquisition of Autoway Co., Ltd. shares and acquisition of fixed assets led to decreased cash and deposits. However, with Autoway Co., Ltd becoming a subsidiary and Kings Auto Co., Ltd.'s export sales, accounts receivable and inventory assets increased. As a result, current assets were 22,815 million yen, an increase of 2,129 million yen from the end of the previous consolidated fiscal year. (For details on cash and deposits, see pages 24-25 of Consolidated Statements of Cash Flows.) For fixed assets, tangible fixed assets increased from turning Kings Auto Co., Ltd. into a subsidiary, in addition to recorded amortization of goodwill from acquisition of its shares, as well as the construction of Proto Ginowan Building #2 increasing the number of buildings and structures. Consequently, fixed assets were 21,091 million yen, an increase of 6,936 million yen from the end of the previous consolidated fiscal year.

ii. Liabilities

For current liabilities, the increase in borrowings from turning Kings Auto Co., Ltd. into a subsidiary led to current liabilities of 13,174 million yen, an increase of 4,596 million yen compared to the end of the previous consolidated fiscal year. For long-term liabilities, acquisition of Kings Auto Co., Ltd. shares led to increased long-term borrowings for long-term liabilities of 4,554 million yen, an increase of 2,040 million yen compared to the end of the previous consolidated fiscal year.

iii. Net assets

Despite 769 million yen of dividends paid and 199 million yen of acquisition of treasury stock, with 2,627 million yen of net income recorded and increased retained earnings, increased impact of the low value of the yen on currency conversions for overseas subsidiaries led to net assets of 26,177 million yen, a 2,428 million yen increase 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 11,097 million yen, a decrease of 3,543 million yen from the previous fiscal year. Major factors for this decrease were as follows.

i. Cash flows from operating activities

As for the cash flows from operating activities, there was an income of 4,235 million yen, mainly because 4,930 million yen was recorded for income before income taxes and there was a cost of 1,874 million yen that were not actually paid, such as depreciation, amortization of goodwill, and impairment loss, while 1,337 million yen was paid as corporate income tax, etc., accounts receivable augmented 670 million yen due to business expansion, and inventory assets increased 638 million yen.

ii. Cash flows from investing activities

As for the cash flows from investing activities, there was an expenditure of 5,294 million yen, mainly because 3,215 million yen was paid for acquiring the shares of AUTOWAY Co., Ltd., etc., 652 million yen was paid for business transfer at our consolidated subsidiaries, including PROTO (TAIWAN) CO., LTD., and 1,906 million yen was paid for acquiring fixed assets, while there was an income of 565 million yen due to the sale of fixed assets.

iii. Cash flows from financing activities

As for the cash flows from financing activities, there was an expenditure of 2,720 million yen, mainly because 766 million yen was paid for dividends, 3,136 million yen was paid for repaying long-term loans, and 199 million yen was paid for acquiring treasury shares, while there was an income of 650 million yen through long-term loans.

(Reference) Cash Flow Indicators

	Year Ended March 31, 2010	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014
Equity ratio (%)	72.7	76.6	79.0	68.2	59.6
Equity ratio based on market value (%)	136.9	120.7	99.2	85.6	66.8
Debt coverage (%)	4.0	3.5	1.5	172.2	236.5
Interest coverage ratio (times)	1,855.5	631.2	1,604.3	138.7	46.9

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 18.75 yen each, that is, 37.50 yen per share annually.

In the year ending March 2015, 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 financial filing date, May 12, 2014.

(a) Dependence on Automobile-related Information

The PROTO Group consisted of PROTO CORPORATION and 14 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 cultural, care-related, recycle and reuse; and Lifestyle-related information services.

In the year ended March 31, 2014, 91.6% 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.

However, 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 used by PROTO Group are as follows.

Market Rates for A2 Coat Paper (Distributor Wholesale Price (yen/ kg))					
	Mar. 2013	June 2013	Sept. 2013	Dec. 2013	Mar. 2014
Price	112-119	112-119	127-131	127-135	127-135

(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, 2014, this represented 32.7% 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) Legal Regulations for Used Car Export Business

In the Group, the used car export business is conducted by Kings Auto Inc. Kings Auto export used cars to Asian countries via used car dealers, which are our major clients, and auction sites.

The performance of the used car export business of the Group may be affected, if the government of an importing country drastically revises tariff measures and import regulations, etc.

2. Corporate Group

The PROTO Group consists of the PROTO CORPORATION and its 14 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, the internet, mobile media). 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, internet and mobile media). 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.

BikeBros. 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 used 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" in Malaysia and the motorbike information magazine "Bike Trader," and operates related websites. It also publishes the new car information magazine "Autocar" in Malaysia and Singapore.

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 Inc., 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.

Lifestyle-related Information

The PROTO CORPORATION provides lifestyle-related information in the cultural information business and recycle-reuse information business. The PROTO CORPORATION also engages in the internet and mobile media advertising 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 internet and mobile media.

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 nursing care, medical services, and welfare, and offers personnel dispatch and introduction services to the clients in these fields. Also, EC sales of nursing care and welfare products are being carried out for both workers in the nursing care industry and users. Their subsidiary Fujiyama Service Co., Ltd. provides rentals of nursing care and welfare equipment.

As of May 1, 2014, Fujiyama Service Co., Ltd. was absorbed in an absorption merger, with Proto Medical Care as the surviving company.

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

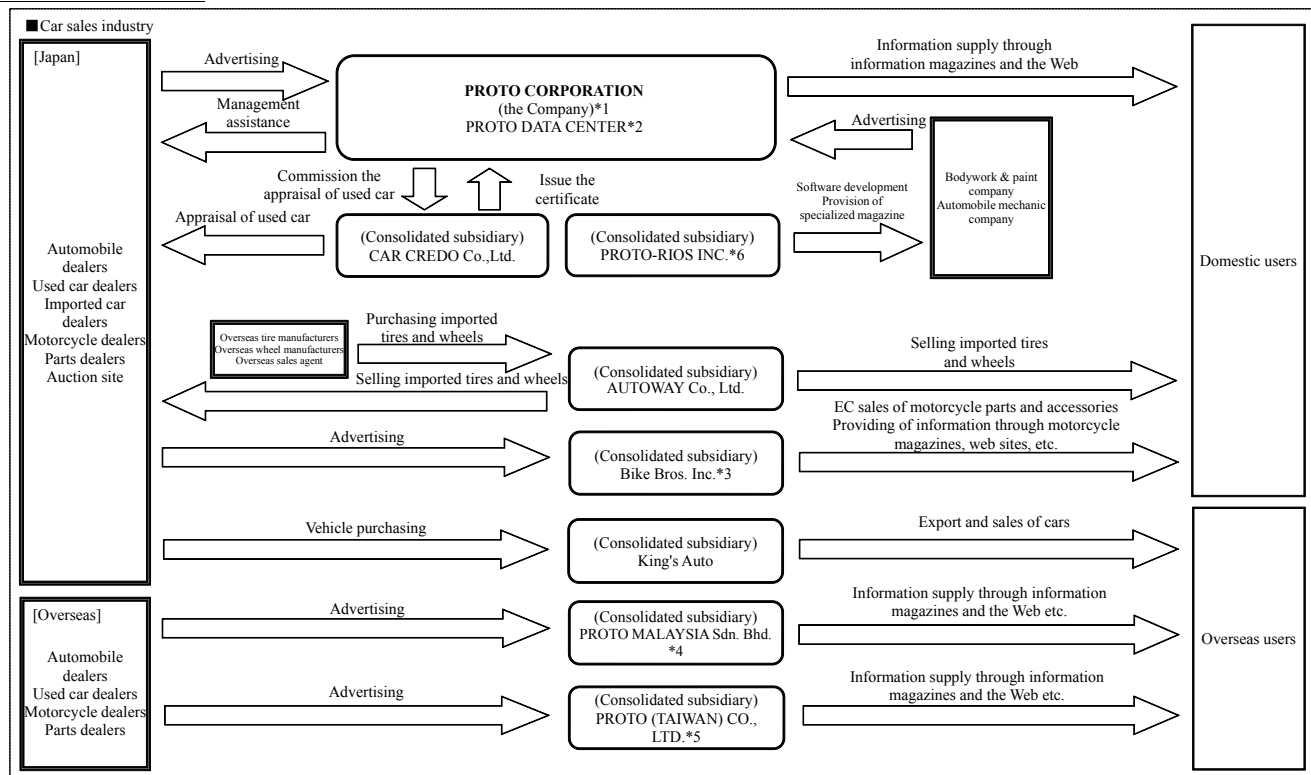
With respect to their own assets, the PROTO CORPORATION and PROTO-RIOS INC. carry out real estate management activities with management engineering as their principal goal.

Other Business

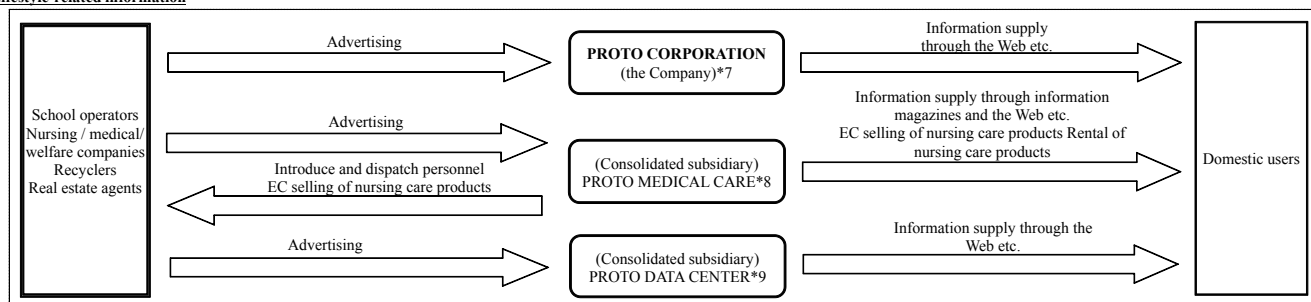
PROTO DATA CENTER inputs data, produces designs, and conducts website solution and telemarketing businesses as the business process outsourcing (BPO) business. Additionally, Autoway Co., Ltd. sells electricity.

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

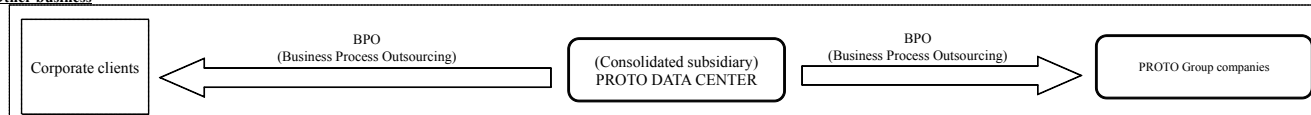
Automobile-related information



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," "Modified 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 "Oikura," 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 Navi" Nursing-care information magazine "Heart page," job information services for nurses "Medical CUBIC" Mail-order site for nursing products "Oasis Navi Mail-Order," etc.
- *9 Real estate information magazine "GooHome," real estate information website "GooHome"

*1 PROTO CORPORATION and PROTO-RIOS INC. are also engaged in other property management businesses in addition to those listed above.

*2 In addition to the above, Autoway Co., Ltd. is engaged in retail electricity business.

*3 In addition to those mentioned above, PROTO SINGAPORE Pte. Ltd. was established on May 17, 2012 and PT. PROTOINDONESIA was established on December 28, 2012.

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 sales, operating income and the growth potential of ordinary income 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 automobile portal site “Goo-net,” which is the strategic media in the automobile-related information field, it won significant support from consumers as the site for retrieving used cars, but in order to keep this position, it is important to make the site more convenient by “enriching contents and services (functions)” to meet the needs of users as the preference of users is getting diversified and segmentalized. In detail, we plan to attract more new car purchasers in addition to used car purchasers, by developing the comprehensive information service business regarding the purchase and sale of automobiles, etc.

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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	March 31, 2013	March 31, 2014
ASSETS		
Current Assets		
Cash	14,950,529	11,507,973
Notes and accounts receivable	3,754,599	5,030,038
Goods and products	585,043	4,539,378
Goods in process	86,468	101,603
Raw material and inventory goods	17,129	17,752
Deferred tax assets	162,605	279,475
Other current assets	1,151,649	1,364,927
Allowance for doubtful accounts	(21,824)	(25,609)
Total Current Assets	20,686,201	22,815,539
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	5,462,394	8,339,031
Accumulated depreciation	(2,556,938)	(2,838,984)
Building and structures -Net	2,905,456	5,500,046
Land	4,076,622	4,787,130
Other tangible fixed assets	927,836	935,549
Accumulated depreciation	(428,074)	(677,970)
Other tangible fixed assets -Net	499,762	257,579
Total Tangible Fixed Assets	7,481,841	10,544,756
Intangible Fixed Assets		
Goodwill	3,485,067	6,865,789
Other intangible fixed assets	1,469,222	2,043,941
Total Intangible Fixed Assets	4,954,289	8,909,730
Investment and Other Assets		
Investments in securities	317,374	354,779
Deferred tax assets	404,179	344,360
Other investments	1,064,860	1,007,901
Allowance for doubtful accounts	(67,447)	(69,861)
Total investments and other assets	1,718,966	1,637,179
Total Fixed Assets	14,155,097	21,091,667
Total Assets	34,841,299	43,907,206

(Thousands of yen)

	March 31, 2013	March 31, 2014
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	941,919	764,522
Short-term loans payable	1,499,370	2,874,030
Current portion of long-term borrowings	1,717,373	3,344,286
Current portion of bonds	42,800	—
Accrued income taxes	368,668	1,598,463
Allowance for sales returns	100,176	114,125
Allowance for bonus payable	85,303	142,031
Provision for repayment	323	60
Provision for point card certificates	3,240	26,335
Other current liabilities	3,819,246	4,311,064
Total Current Liabilities	8,578,422	13,174,920
Long-Term Liabilities		
Long-term borrowings	1,764,810	3,800,869
Allowance for directors' retirement benefits	264,650	282,550
Asset retirement obligation	74,457	71,648
Negative goodwill	2,370	—
Other long-term liabilities	407,948	399,619
Total Long-Term Liabilities	2,514,237	4,554,687
Total Liabilities	11,092,659	17,729,608
NET ASSETS		
Shareholder's equity		
Common stock	1,824,620	1,824,620
Capital surplus	2,011,739	2,011,734
Retained earnings	20,128,566	21,986,935
Treasury stock	(509,712)	(709,116)
Total Shareholders' Equity	23,455,214	25,114,174
Accumulated other comprehensive income/(loss)		
Net unrealized gains (losses) on securities	70,187	91,119
Foreign exchange adjustment account	223,238	972,304
Total accumulated other comprehensive income/(loss)	293,425	1,063,423
Total Net Assets	23,748,639	26,177,598
Total Liabilities and Net Assets	34,841,299	43,907,206

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

(Thousands of yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014
Net Sales	38,287,098	54,761,012
Cost of Sales	20,643,391	33,503,703
Gross Profit	17,643,706	21,257,308
Reversal of Reserve for Returned Products	105,849	101,782
Transfer to Reserve for Returned Products	98,986	112,973
Adjusted Gross Profit	17,650,570	21,246,117
Selling, General and Administrative Expenses		
Salaries for directors and employees	5,075,279	5,992,908
Provision for allowance for directors' retirement benefits	18,600	19,700
Provision for allowance for bonus payable	56,079	102,488
Advertising	2,711,193	2,602,900
Provision for allowance for doubtful accounts	29,210	13,186
Provision for point card certificates	3,240	25,738
Amortization of goodwill	546,311	928,172
Others	5,000,830	6,825,144
Total Selling, General and Administrative Expenses	13,440,745	16,510,238
Operating Income	4,209,824	4,735,878
Non-Operating Income		
Interest income	18,595	25,879
Dividend income	9,151	12,339
Amortization of negative goodwill	9,773	2,370
Refund of vehicle tax	36,373	—
Foreign exchange gains	—	138,365
Gain on valuation of derivatives	—	67,389
Other income	154,648	199,238
Total Non-Operating Income	228,542	445,582
Non-Operating Expenses		
Interest expenses of loans	20,486	86,310
Foreign exchange losses	31,741	—
Loss on valuation of derivatives	—	52,463
Other expenses	14,333	33,157
Total Non-Operating Expenses	66,560	171,931
Ordinary Income	4,371,806	5,009,529

	(Thousands of yen)	
	Year Ended March 31, 2013	Year Ended March 31, 2014
Extraordinary Income		
Gains from sales of fixed assets	2,768	229,646
Gains from sales of securities	99	543
Other Incomes	—	4,762
Total Extraordinary Income	2,868	234,952
Extraordinary Losses		
Losses from sales of fixed assets	3,308	44,633
Losses from disposals of fixed assets	7,088	25,702
Impairment losses	345,401	126,242
Losses from revaluation of securities	4,851	—
Loss on business withdrawal	—	101,457
Other expenses	70,000	16,313
Total Extraordinary Losses	430,650	314,350
Income before Income Taxes	3,944,024	4,930,131
Income Taxes	1,544,051	2,389,781
Adjustment of Corporate Income Tax	109,896	(87,167)
Corporate Income Tax Total	1,653,948	2,302,614
Net Income before Adjusting for the Losses of Minority Shareholders	2,290,076	2,627,516
Net Income	2,290,076	2,627,516

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014
Net Income before Adjusting for the Losses of Minority Shareholders	2,290,076	2,627,516
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(4,065)	20,932
Foreign currency translation adjustments	225,595	749,065
Other comprehensive income	221,529	769,998
Comprehensive Income	2,511,606	3,397,515
(Breakdown)		
Comprehensive income concerning shareholders of the parent company	2,511,606	3,397,515
Comprehensive income concerning minority shareholders	—	—

(3) Consolidated Statements of Changes in Shareholders' Equity

Year Ended March 31, 2013

(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	2,011,736	18,675,287	(13,806)	22,497,837
Increase (decrease) during the year					
Cash dividends			(836,798)		(836,798)
Net income			2,290,076		2,290,076
Acquisition of treasury stocks				(495,932)	(495,932)
Disposal of treasury stock		2		27	30
Net changes of items other than shareholders' equity					
Total increase (decrease) during the period	—	2	1,453,278	(495,905)	957,376
Balance at end of period	1,824,620	2,011,739	20,128,566	(509,712)	23,455,214

	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	74,252	(2,357)	71,895	22,569,733
Increase (decrease) during the year				
Cash dividends				(836,798)
Net income				2,290,076
Acquisition of treasury stocks				(495,932)
Disposal of treasury stock				30
Net changes of items other than shareholders' equity	(4,065)	225,595	221,529	221,529
Total increase (decrease) during the period	(4,065)	225,595	221,529	1,178,906
Balance at end of period	70,187	223,238	293,425	23,748,639

Year Ended March 31, 2014

(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	2,011,739	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

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014
Cash Flows from Operating Activities		
Income before income taxes	3,944,024	4,930,131
Depreciation	404,958	819,609
Impairment loss	345,401	126,242
Amortization of goodwill	546,311	928,172
Amortization of negative goodwill	(9,773)	(2,370)
Loss (gain) on valuation of derivatives	—	(14,926)
Increase (decrease) in reserve for directors' retirement allowances	18,600	17,900
Increase (decrease) in reserve for bonuses	31,760	30,687
Increase (decrease) in reserve for returned products	(6,893)	11,130
Increase (decrease) in allowance for doubtful accounts	9,213	1,424
Interest and dividend income	(27,747)	(38,218)
Interest expenses	20,486	86,310
Foreign exchange losses (gains)	—	(125,689)
Loss (gain) on investments in anonymous associations	(2,896)	(3,584)
Loss (gain) on sales of investment securities	(99)	(543)
Loss (gain) on revaluation of investment securities	4,851	—
Loss (gain) on sales/disposal of property and equipment	7,628	(159,310)
Loss on business withdrawal	—	101,457
Decrease (increase) in trade receivables	(366,747)	(670,251)
Decrease (increase) in inventories	232,914	(638,376)
Increase (decrease) in accounts payable	18,822	(285,586)
Increase (decrease) in accrued expenses	221,272	(218,222)
Increase (decrease) in advances received	(96,549)	(66,292)
Increase (decrease) in accrued consumption taxes, etc	(49,534)	145,088
Others	(155,358)	649,937
Subtotal	5,090,645	5,624,719
Interest and dividends received	29,072	38,220
Interest paid	(21,025)	(90,225)
Income taxes paid	(2,181,609)	(1,337,124)
Net Cash Provided by (Used in) Operating Activities	2,917,082	4,235,590

(Thousands of yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014
Cash Flows from Investing Activities		
Decrease in time deposits	(802,708)	(106,772)
Increase in time deposits	724,700	84,113
Proceeds from sales of property and equipment	3,367	565,553
Acquisition of property and equipment	(690,749)	(1,067,937)
Acquisition of intangible fixed assets	(1,120,780)	(839,038)
Payment of long-term prepaid expenses	(42,740)	(16,000)
Proceeds from redemption of investment securities	300,000	10,000
Addition to investment securities	100	5,475
Purchase of investment securities	—	(10,000)
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	—	(3,215,411)
Proceeds from acquisition of subsidiary's shares accompanying changes in scope of consolidation	479,566	—
Payment for acquisition of business	—	(652,911)
Others	(54,679)	(51,508)
Net Cash Provided by (Used in) Investing Activities	(1,203,924)	(5,294,437)
Cash Flows from Financing Activities		
Proceeds from long-term borrowings	3,200,000	650,000
Payment for repaying of long-term borrowings	(598,426)	(3,136,734)
Net increase (decrease) in short-term loans payable	(2,630)	774,660
Redemption of bonds	(78,800)	(42,800)
Proceeds from disposal of treasury stock	30	195
Acquisition of treasury stock	(495,932)	(199,604)
Dividends paid	(836,826)	(766,611)
Net Cash Provided by (Used in) Financing Activities	1,187,414	(2,720,894)
Translation Gain (Loss) Related to Cash and Cash Equivalents	215,825	236,607
Net Change in Cash and Cash Equivalents	3,116,398	(3,543,134)
Cash and Cash Equivalents at Beginning of Term	11,524,023	14,640,421
Cash and Cash Equivalents at End of Term	14,640,421	11,097,287