

## FY March 2013 Consolidated Financial Results [Japan GAAP] (April 1, 2012 to March 31, 2013)

Corporate Name: PROTO CORPORATION  
 Securities Code: 4298  
 Representative: Tatsuzo Irikawa, President and Chief Operating Officer  
 Contact: Shigeyoshi Shimizu, Director  
 General Shareholders' Meeting: June 27, 2013  
 Dividends Paid: From June 6, 2013  
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 Earnings supplementary explanatory documents: Yes  
 Earnings presentation: Yes (for institutional investors and analysts)

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(Unit: Millions of yen, rounded down)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (April 1, 2012 to March 31, 2013)

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

	Net Sales (%)		Operating Income (%)		Ordinary Income (%)		Net Income (%)	
Year Ended March 31, 2013	38,287	25.2	4,209	(28.0)	4,371	(27.2)	2,290	(30.1)
Year Ended March 31, 2012	30,582	6.3	5,846	(4.3)	6,002	(5.9)	3,275	2.4

Note: Comprehensive income

Year Ended March 31, 2013: 2,511 million yen (25.5%)      Year Ended March 31, 2012: 3,372 million yen 5.8%

	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, 2013	109.96	—	9.9	13.8	11.0
Year Ended March 31, 2012	156.59	—	15.4	21.9	19.1

Reference: Equity in net income of affiliated companies      Year Ended March 31, 2013: -      Year Ended March 31, 2012: -  
 Note: We implemented the stock split as of October 1, 2012. However, Net Income per Share and Net Income per Share (fully diluted) were calculated on the assumption that the said stock split was implemented at the beginning of the previous consolidated fiscal year.

### (2) Financial Position (Consolidated)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of March 31, 2013	34,841	23,748	68.2	1,154.20
As of March 31, 2012	28,585	22,569	79.0	1,078.86

Reference: Equity capital      As of March 31, 2013: 23,748 million yen      As of March 31, 2012: 22,569 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) Cash Flows (Consolidated)

	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, 2013	2,917	(1,203)	1,187	14,640
Year Ended March 31, 2012	3,556	(3,606)	(907)	11,524

### 2. Cash Dividends (Consolidated)

	Cash Dividends per Share					Total Annual Dividends Paid	Payout Ratio (Cons.)	Dividends on Net Assets (Cons.)
	1st Quarter End	2nd Quarter End	3rd Quarter End	Year-End	Annual			
Year Ended March 2012	Yen —	Yen 42.50	Yen —	Yen 42.50	Yen 85.00	Millions of Yen 889	% 27.1	% 4.2
Year Ended March 2013	—	37.50	—	18.75	—	778	34.1	3.4
Year Ending March 2014 (Forecast)	—	18.75	—	18.75	37.50	—	—	—

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 2014 (April 1, 2013 to March 31, 2014)

(Percentage represents change to the corresponding period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Six Months Ending September 30, 2013	26,589	38.5%	2,021	(31.9)%	2,112	(30.8)%	1,107	(36.4)%	53.82
Year Ending March 31, 2014	56,760	48.2%	4,650	10.5%	4,821	10.3%	2,606	13.8%	126.65

**\* Note**

(1) Major changes in consolidated subsidiaries during period: Yes

Newly consolidated: 3 companies (Kings Auto Co., Ltd., PROTO SINGAPORE Pte. Ltd. and PT. PROTO INDONESIA)  
Newly excluded: 1 company (Goo Auto Inc.)

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

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

Note: Since the first quarter consolidated accounting period, we have changed the depreciation method, and this is applicable to “the changes of the accounting policy that is hard to distinguish from the change in accounting estimate”.

(3) Numbers of outstanding shares (common stock)

1) Numbers of outstanding shares (including treasury stock)	As of March 31, 2013	20,940,000 shares	As of March 31, 2012	20,940,000 shares
2) Number of treasury stock	As of March 31, 2013	364,110 shares	As of March 31, 2012	20,010 shares
3) The average number of outstanding shares over period (cumulative term)	Year ended March 31, 2013	20,827,158 shares	Year ended March 31, 2012	20,920,076 shares

Note: We implemented the stock split as of October 1, 2012. However, Numbers of outstanding shares, Number of treasury stock and The average number of outstanding shares over period were 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, 2013**

**(April 1, 2012 to March 31, 2013)**

(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, 2013	25,266	3.0	4,057	(27.2)	4,292	(26.9)	2,415	(27.1)
Year Ended March 31, 2012	24,541	1.9	5,575	(6.7)	5,868	(7.1)	3,314	4.1

	Net Income per Share (Yen)	Net Income per Share (fully diluted) (Yen)
Year Ended March 31, 2013	116.00	—
Year Ended March 31, 2012	158.44	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of March 31, 2013	30,768	24,083	78.3	1,170.47
As of March 31, 2012	26,991	23,003	85.2	1,099.59

Reference: Equity capital As of March 31, 2013: 24,083 million yen As of March 31, 2012: 23,003 million yen

**\* 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, 2012	Year Ended March 31, 2013	YoY Change (Amount)	YoY Change (%)
Net Sales	30,582	38,287	7,704	25.2
Cost of Sales	13,294	20,643	7,349	55.3
Gross Profit	17,288	17,643	355	2.1
Selling, General and Administrative Expenses	11,451	13,440	1,989	17.4
Operating Income	5,846	4,209	(1,637)	(28.0)
Ordinary Income	6,002	4,371	(1,630)	(27.2)
Net Income	3,275	2,290	(985)	(30.1)

The future of the Japanese economy remained unclear in this consolidated fiscal year, but hopes for the new government that took power at the end of the last year have led to a correction to the high value of the yen and lower stock prices, showing signs of economic recovery. Within this economic climate, the Group's primary clients, the automobile industry, sold a higher number of new vehicles over the year than in the previous year, but with the end of the Eco-car Subsidy in September 2012 sales from that month onward were lower than they had been the previous year. The number of used vehicles registered was higher than the previous year for the year overall much like the number of new vehicles sold, but the 4<sup>th</sup> quarter saw lower numbers than the same quarter the previous year.

In these circumstances, the Group sought to maximize corporate value by quickly establishing a dominant position in the Asian market through business efforts that include the Asian market as a whole and not just Japan, while researching and providing products and services (functions) to respond to diversifying consumption and consumer needs.

Specifically, in April 2012 shares of Kings Auto Co., Ltd. were acquired to improve used vehicle export services, while PROTO SINGAPORE Pte. Ltd. was established in May 2012 and PT. PROTO INDONESIA was established in December 2012, in order to increase the scale of operations both domestically and abroad.

As a result of these efforts, contributions from Kings Auto's used vehicle export sales in the automobile related sector led to sales for this consolidated fiscal year of 38,287 million yen (25.2% yr-on-yr increase). Increased labor costs due to business expansion, increased amortization of goodwill and increased promotion costs led to operating income of 4,209 million yen (28.0% yr-on-yr decrease). Ordinary income was 4,371 million yen (27.2% yr-on-yr decrease) and net income was 2,290 million yen (30.1% yr-on-yr decrease).

Business results by segment are given below.

#### (b) Segment Results

(Millions of yen)

	Year Ended March 31, 2012	Year Ended March 31, 2013	YoY Change (Amount)	YoY Change (%)
Net Sales				
Automobile-related Information	26,704	33,687	6,983	26.1
Lifestyle-related Information	3,470	3,837	367	10.6
Real Estate Business	166	163	(2)	(1.8)
Other Business	240	597	357	148.6
Total	30,582	38,287	7,704	25.2

### **Automobile-related Information**

Surrounded by these difficult external circumstances, the PROTO Group adopted the business policy of engaging in comprehensive management support for used car dealers in everything from stocking inventories to selling the merchandise. 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 the year ended March 31, 2013 (consolidated), with the goal of providing improved sales support to used vehicle dealers with support services for exporting used vehicles, Kings Auto Co., Ltd. was made into a subsidiary and merged with Goo Auto Inc. to increase efficiency.

For Goo operations, efforts continued to increase the number of business partners and the amount of vehicles in the Goo-net used vehicle database. Renewals were also carried out for the Goo-net automobile portal site and the Goo automobile information magazine, improving search functions and the level of detail of information provided, seeking to increase customer satisfaction by improving convenience.

For Goo-inspection, increase promotions were carried out 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.

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.

Through the efforts mentioned above, the Goo brand was strengthened by establishing a competitive edge and differentiating it from competitors. As a result, sales were 33,687 million yen (26.1% yr-on-yr increase). With increased labor costs from business expansion, increased amortization of goodwill and strategic investing in promotion to further increase awareness of the Goo brand and Goo-inspection, operating income was 5,916 million yen (18.7% yr-on-yr decrease).

### **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 the year ended March 31, 2013 (consolidated), PROTO MEDICAL CARE worked on improving advertising operations in the medical, nursing care and welfare segments. For commerce operations, in addition to opening the EC site "Heart Page Catalog" for people in the nursing care industry, sales of nursing care products were added to the nursing care portal site "Oasis Navi - Heart Page" in order to increase sales of nursing care and welfare products.

In February 2013, PROTO DATA CENTER established a real-estate information magazine "GooHome" providing information on properties for sale or rent in Okinawa.

As a result of the above, sales were 3,837 million yen (10.6% yr-on-yr increase). Due to increase labor costs from business expansion and upfront investment in "GooHome," operating income was 131 million yen (42.7% yr-on-yr decrease).

### **Real Estate Business**

The Company and PROTO-RIOS INC. primarily managed rentals of company properties, with sales of 163 million yen (1.8% yr-on-yr decrease) and operating income of 85 million yen (2.2% yr-on-yr increase).

### **Other Business**

For PROTO DATA CENTER's BPO operations, primarily due to an increase in call center orders sales were 597 million yen (148.6% yr-on-yr increase). Operating loss was 323 million yen (previous year was an operating loss of 149 million yen).

**(c) Outlook for the Year Ending March 31, 2014**

For the future of the Japanese economy, while hopes for an economic recovery are increasing due to the effects of fiscal and economic policies, the situation for consumers remains unclear due to worries about increased prices of goods with the weak yen and increased consumption taxes in April 2014.

For the Group's main business, Automobile-related Information business, the Group is to increase the number of client companies with the operating policy of providing comprehensive business support from acquisitions to sales to the client retailers. In particular, for the Group's core site, automobile portal site Goo-net, services will be improved to meet all automobile needs of users, with strengthening Goo-inspection and Goo-purchasing services in addition to listing and matching of used vehicles. Furthermore, the Group is to expand the business in such a way as to include automobile-related industries as a whole by expanding services for new car dealers and automobile mechanic stores as well as pursuing synergy with AUTOWAY Co., Ltd. which became a subsidiary company in April of this year.

For Lifestyle Information business, in addition to proceeding with expansion of operations in the medical, nursing care, and welfare fields, 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 the increase in consolidated subsidiaries and improving the system for product development, an increase in upfront investment for new services in Automobile-related business and an increase in amortization of goodwill.

Accordingly, the forecasts of the consolidated operating results of the next fiscal year (the year ending March 31, 2014) are estimated as follows: net sales of 56,760 million yen (48.2% yr-on-yr increase), operating income of 4,650 million yen (10.5% yr-on-yr increase), ordinary income of 4,821 million yen (10.3% yr-on-yr increase), and net income for the year of 2,606 million yen (13.8% 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 34,841 million yen, increasing 6,256 million yen (21.9%) from the end of the previous fiscal year.

#### **i. Assets**

For current assets, despite income taxes paid, acquisition of fixed assets and acquisition of treasury stock, there were also proceeds from long-term borrowings and an increase in cash and deposits leading to current assets of 20,686 million yen, an increase of 4,830 yen from the end of the previous consolidated fiscal year. (For details on cash and deposits, see pages 23-24 of Consolidated Statements of Cash Flows.) For fixed assets, we recorded an amortization of goodwill for Kings Auto Co., Ltd. turning into a subsidiary and the Goo-net renewal software costs. Consequently, fixed assets were 14,155 million yen, an increase of 1,425 million yen from the end of the previous consolidated fiscal year.

#### **ii. Liabilities**

For current liabilities, in addition to the increase in borrowings from turning Kings Auto Co., Ltd. into a subsidiary there were also borrowings for operating capital for the Company, leading to current liabilities of 8,578 million yen, an increase of 3,004 million yen compared to the end of previous consolidated fiscal year. For long-term liabilities, acquisition of Kings Auto Co., Ltd. shares led to long-term accounts payable and long-term borrowings increased. Consequently, long-term liabilities were 2,514 million yen, an increase of 2,072 million yen compared to the end of the previous consolidated fiscal year.

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

Despite 836 million yen of dividends paid and 495 million yen of acquisition of treasury stock, with 2,290 million yen of net income recorded and increased accumulated earnings, net assets were 23,748 million yen, a 1,178 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 14,640 million yen, an increase of 3,116 million yen from the previous fiscal year. Major factors for this increase were as follows.

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

As for the cash flows from operating activities, there was an income of 2,917 million yen, as we paid 1,296 million yen for expenses not involving depreciation, amortization of goodwill, impairment loss, etc. and we recorded income before income taxes of 3,944 million yen, despite the payment of income tax of 2,181 million yen.

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

As for the cash flows from investing activities, there was a loss of 1,203 million yen, as we paid 1,811 million yen for acquiring fixed assets, despite the cash and cash equivalents increased by 479 million yen due to Kings Auto Co., Ltd. turning into a subsidiary.

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

As for the cash flows from financing activities, there was an income of 1,187 million yen, due mainly to proceeds from long-term borrowings of 3,200 million yen, although we paid 836 million yen for dividends, paid 598 million yen for settling long-term borrowings and paid 495 million yen for acquisition of treasury stock.

### (Reference) Cash Flow Indicators

	Year Ended March 31, 2009	Year Ended March 31, 2010	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013
Equity ratio (%)	68.4	72.7	76.6	79.0	68.2
Equity ratio based on market value (%)	96.4	136.9	120.7	99.2	85.6
Debt coverage (%)	---	4.0	3.5	1.5	172.2
Interest coverage ratio (times)	---	1,855.5	631.2	1604.3	138.7

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).
5. Because the Company did not have interest-bearing debt in the year ended March 2009, figures for debt coverage and interest coverage ratio are not shown for that year.

### (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 Q2) and year-end dividends of 18.75 yen each, that is, 37.50 yen per share annually.

In the year ending March 2014, we intend to pay annual cash dividends of 37.50 yen per share. This will consist of interim (the end of Q2) and year-end dividends of 18.75 yen each.

(Note) With October 1, 2012 as the Effective Date, the Company is splitting shares with 2 shares for each 1 common share.

Dividends for the end of 2<sup>nd</sup> quarter will take this share splitting into account and provide dividends per share after the split.

### (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 10, 2013.

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

The PROTO Group consisted of the Company 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 cultural, care-related, and reuse; and Lifestyle-related information services. Revenues from Automobile-related information derive from fees paid to register inventory data on used cars owned by car dealers on our databases and in our information magazines, as well as information magazine sales and sales from providing information to other companies. In the year ended March 31, 2013, 88.0% of total Group revenue

derived from sales of Automobile-related information. Fees for registering information accounted for 53.3% of these Automobile-related information sales. Accordingly, the Group depends on Automobile-related information registration fees for a substantial portion of its revenue.

However, the Group's business policy is to provide total business support from acquisitions to sales for used automobile dealers, and we provide a variety of services to do so. Therefore, we plan to gradually decrease the reliance on fees from registering and posting information in the sales support 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. 2012	June 2012	Sept. 2012	Dec. 2012	Mar. 2013
Price	127-128	127-128	117-124	112-119	112-119

(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, 2013, this represented 33.7% 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 Co., Ltd. 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 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 Company's media (information magazines, the Internet and 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 Company 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 Company's media (information magazines, the Internet and mobile media). By matching the needs of both the consumers and the retailers in this manner, the Company 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 Company provides information that is useful in the circulation of used cars. For example, the Company 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 Company produces its own standard pricing information for used cars, and then provides this information to dealers. The Company provides further business support services that result in sales and efficient, effective purchases of inventory. One of these is the used car purchasing service "Goo-purchasing," through which used car dealers can bid on cars owned by consumers. Other services include the "Goo-inspection" services, by which consumers can get information on the quality of used cars, and "GooTRADE", by which Goo-inspection cars are traded among member dealers and sold to users.

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 Company'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 used car information magazine "Goo" in Okinawa Prefecture, inputs data for the media of the Company, produces designs, conducts website solution businesses, and offers customer support.

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

PROTO (TAIWAN) CO., LTD. surveys markets and develops businesses, in order to conduct businesses utilizing the know-how of the Group in East Asia. As of January 2013, the automobile information media operations of new automobile information magazine "car news", used automobile information magazine "car buys" and comprehensive automobile information site "carnews.com" were transferred and operations begun.

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.

PROTO SINGAPORE Pte. Ltd. carries out market studies to expand overseas business more rapidly and strongly, starting with M&As targeting the Asian region.

PT. PROTO INDONESIA carries out market studies and establishes operations in order to use the Group's know-how for Automobile-related Information businesses and Internet-related businesses.

### **Lifestyle-related Information**

The Company provides Lifestyle-related Information in the cultural information business and recycle-reuse information business. The Company also engages in the Internet and mobile media advertising business. Regarding the cultural information business, the Company 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 Company 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. In addition to all of this, the Company also utilizes its own and other companies' media to engage in Internet and mobile media advertising for its clients.

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 the portal site regarding nursing care, 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.

PROTO DATA CENTER handles design, web solutions, customer support and data entry for information that is to be posted on the Company's media.

As of February 2013, the real-estate information magazine GooHome is being released, providing information on rental and sales properties in Okinawa.

### **Real Estate Business**

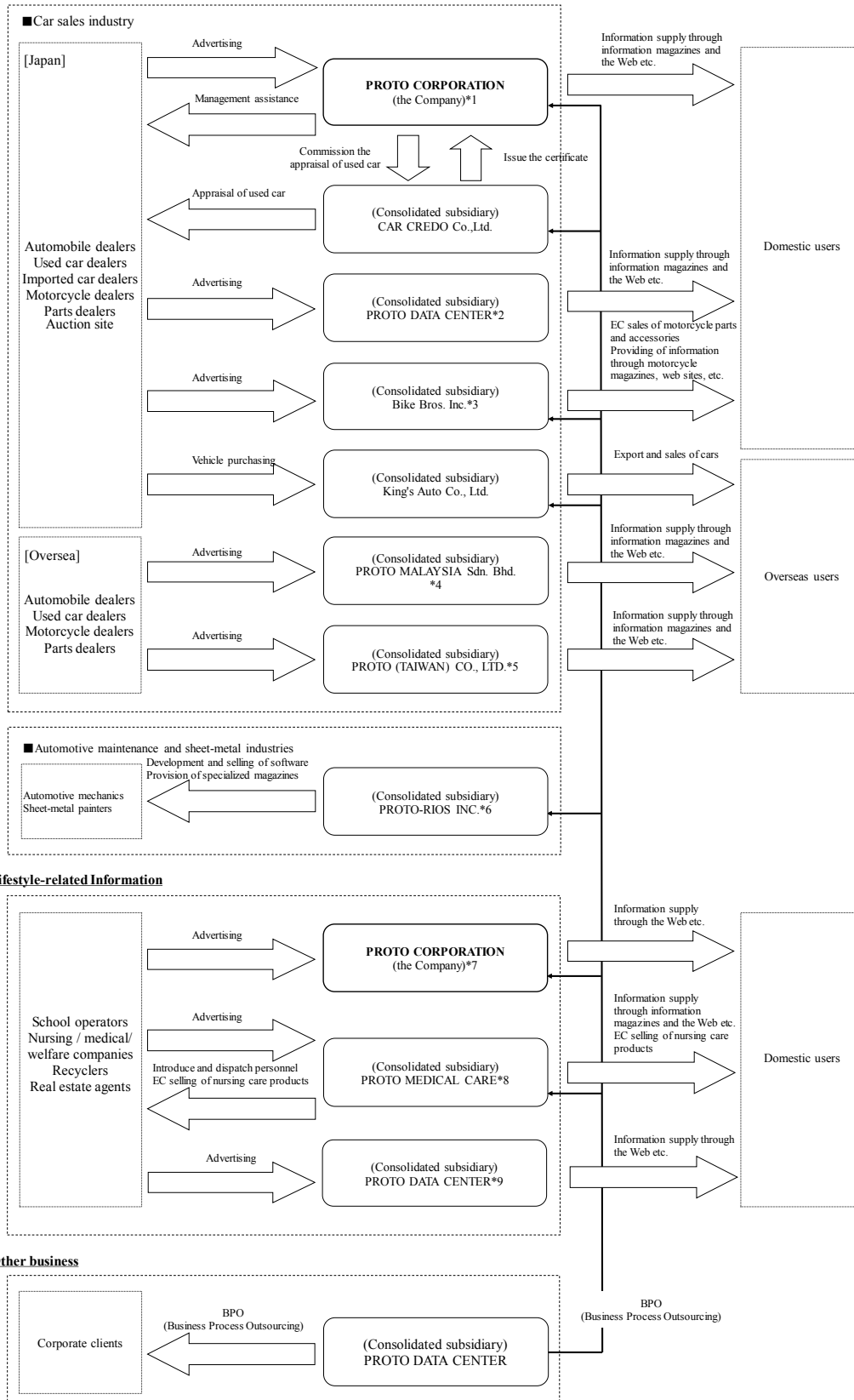
With respect to their own assets, the Company and PROTO-RIOS INC. carry out real estate management activities with management engineering as their principal goal.

### **Other Business**

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

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

**Automobile-related Information**



**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 "car news," used car information magazine "car buys"
- \*6 Automobile mechanic and sheet-metal integrated system "Racos," monthly BODYSHOP REPORT, etc.

**Lifestyle-related Information Main products**

- \*7 Certification and education information website "Goo School," comprehensive information website for recycle "Oikura," etc.
- \*8 Nursing-care portal website "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" EC site for nursing companies "Heart page catalog"
- \*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 Goo Auto Inc. ceased to exist after an absorption-type merger with Kings Auto Co., Ltd. on July 1, 2012, with Kings Auto Co., Ltd. as the surviving company
- \*3 In addition to those mentioned above, PROTO SINGAPORE Pte. Ltd. was established on May 17, 2012 and PT. PROTO INDONESIA was established on December 28, 2012.
- \*4 In addition to the above mentioned, AUTOWAY Co., Ltd. became a subsidiary on April 1, 2013.

### **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, 2012	March 31, 2013
<b>ASSETS</b>		
Current Assets		
Cash	11,734,088	14,950,529
Notes and accounts receivable	3,078,917	3,754,599
Goods and products	92,030	585,043
Goods in process	81,276	86,468
Raw material and inventory goods	21,122	17,129
Deferred tax assets	218,144	162,605
Other current assets	644,750	1,151,649
Allowance for doubtful accounts	(14,911)	(21,824)
<b>Total Current Assets</b>	<b>15,855,418</b>	<b>20,686,201</b>
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	5,490,179	5,462,394
Accumulated depreciation	(2,491,163)	(2,556,938)
Building and structures -Net	2,999,015	2,905,456
Land	4,021,355	4,076,622
Other tangible fixed assets	533,577	927,836
Accumulated depreciation	(349,515)	(428,074)
Other tangible fixed assets -Net	184,061	499,762
<b>Total Tangible Fixed Assets</b>	<b>7,204,432</b>	<b>7,481,841</b>
Intangible Fixed Assets		
Goodwill	3,160,304	3,485,067
Other intangible fixed assets	483,288	1,469,222
<b>Total Intangible Fixed Assets</b>	<b>3,643,593</b>	<b>4,954,289</b>
Investment and Other Assets		
Investments in securities	623,758	317,374
Deferred tax assets	435,837	404,179
Other investments	882,217	1,064,860
Allowance for doubtful accounts	(60,104)	(67,447)
<b>Total investments and other assets</b>	<b>1,881,707</b>	<b>1,718,966</b>
<b>Total Fixed Assets</b>	<b>12,729,733</b>	<b>14,155,097</b>
<b>Total Assets</b>	<b>28,585,152</b>	<b>34,841,299</b>



(Thousands of yen)

	March 31, 2012	March 31, 2013
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable-trade	896,845	941,919
Short-term loans payable	—	1,499,370
Current portion of long-term borrowings	48,594	1,717,373
Current portion of bonds	—	42,800
Accrued expenses	1,457,422	1,738,716
Accrued income taxes	991,976	368,668
Advances received	1,656,574	1,568,422
Allowance for sales returns	105,090	100,176
Allowance for bonus payable	52,217	85,303
Provision for repayment	2,768	323
Provision for point card certificates	—	3,240
Other current liabilities	362,086	512,107
<b>Total Current Liabilities</b>	<b>5,573,575</b>	<b>8,578,422</b>
Long-Term Liabilities		
Long-term borrowings	5,840	1,764,810
Allowance for directors' retirement benefits	246,050	264,650
Asset retirement obligation	74,002	74,457
Negative goodwill	12,143	2,370
Other long-term liabilities	103,805	407,948
<b>Total Long-Term Liabilities</b>	<b>441,842</b>	<b>2,514,237</b>
<b>Total Liabilities</b>	<b>6,015,418</b>	<b>11,092,659</b>
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	1,824,620	1,824,620
Capital surplus	2,011,736	2,011,739
Retained earnings	18,675,287	20,128,566
Treasury stock	(13,806)	(509,712)
<b>Total Shareholders' Equity</b>	<b>22,497,837</b>	<b>23,455,214</b>
Accumulated other comprehensive income/(loss)		
Net unrealized gains (losses) on securities	74,252	70,187
Foreign currency translation adjustments	(2,357)	223,238
<b>Total accumulated other comprehensive income/(loss)</b>	<b>71,895</b>	<b>293,425</b>
<b>Total Net Assets</b>	<b>22,569,733</b>	<b>23,748,639</b>
<b>Total Liabilities and Net Assets</b>	<b>28,585,152</b>	<b>34,841,299</b>

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

(Thousands of yen)

	Year Ended March 31, 2012	Year Ended March 31, 2013
Net Sales	30,582,216	38,287,098
Cost of Sales	13,294,104	20,643,391
Gross Profit	17,288,111	17,643,706
Reversal of Reserve for Returned Products	113,765	105,849
Transfer to Reserve for Returned Products	103,632	98,986
Adjusted Gross Profit	17,298,244	17,650,570
Selling, General and Administrative Expenses		
Salaries for directors and employees	4,681,775	5,075,279
Provision for allowance for directors' retirement benefits	18,900	18,600
Provision for allowance for bonus payable	38,012	56,079
Advertising	2,104,162	2,711,193
Provision for allowance for doubtful accounts	22,552	29,210
Amortization of goodwill	405,083	546,311
Others	4,180,869	5,004,070
Total Selling, General and Administrative Expenses	11,451,356	13,440,745
Operating Income	5,846,888	4,209,824
Non-Operating Income		
Interest income	20,236	18,595
Dividend income	7,109	9,151
Income from sales of used paper	31,821	27,951
Amortization of negative goodwill	9,773	9,773
Reversal of allowance for doubtful accounts	20,073	—
Refund of vehicle tax	—	36,373
Other income	96,057	126,696
Total Non-Operating Income	185,072	228,542
Non-Operating Expenses		
Interest expenses of loans	2,224	20,486
Foreign exchange losses	2,738	31,741
Contribution	10,000	—
Other expenses	14,976	14,333
Total Non-Operating Expenses	29,940	66,560
Ordinary Income	6,002,020	4,371,806

	(Thousands of yen)	
	Year Ended March 31, 2012	Year Ended March 31, 2013
<b>Extraordinary Income</b>		
Gains from sales of fixed assets	70	2,768
Gains from sales of securities	8,371	99
<b>Total Extraordinary Income</b>	<b>8,441</b>	<b>2,868</b>
<b>Extraordinary Losses</b>		
Losses from sales of fixed assets	258	3,308
Losses from disposals of fixed assets	8,839	7,088
Impairment losses	230,822	345,401
Losses from revaluation of securities	4,291	4,851
One-time amortization of goodwill	80,373	—
Settlement package	—	70,000
Other expenses	19,666	—
<b>Total Extraordinary Losses</b>	<b>344,251</b>	<b>430,650</b>
Income before Income Taxes	5,666,210	3,944,024
Income Taxes	2,272,075	1,544,051
Adjustment of Corporate Income Tax	118,360	109,896
<b>Corporate Income Tax Total</b>	<b>2,390,436</b>	<b>1,653,948</b>
Net Income before Adjusting for the Losses of Minority Shareholders	3,275,774	2,290,076
<b>Net Income</b>	<b>3,275,774</b>	<b>2,290,076</b>

**Consolidated Statements of Comprehensive Income**

(Thousands of yen)

	Year Ended March 31, 2012	Year Ended March 31, 2013
Net Income before Adjusting for the Losses of Minority Shareholders	3,275,774	2,290,076
Other Comprehensive Income		
Valuation difference on available-for-sale securities	86,505	(4,065)
Foreign currency translation adjustments	9,960	225,595
Other comprehensive income	96,465	221,529
Comprehensive Income	3,372,240	2,511,606
(Breakdown)		
Comprehensive income concerning shareholders of the parent company	3,372,240	2,511,606

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

(Thousands of yen)

	Year Ended March 31, 2012	Year Ended March 31, 2013
<b>Capital</b>		
Shareholder's Equity		
Balance at the beginning of current year	1,824,620	1,824,620
Increase (decrease) during the year		
Total increase (decrease) during the period	—	—
Balance at end of period	1,824,620	1,824,620
Capital Surplus		
Balance at the beginning of current year	2,011,736	2,011,736
Increase (decrease) during the period		
Disposal of treasury stock	—	2
Total increase (decrease) during the period	—	2
Balance at end of period	2,011,736	2,011,739
Retained earnings		
Balance at the beginning of current year	16,236,318	18,675,287
Increase (decrease) during the period		
Dividends from surplus	(836,805)	(836,798)
Net income	3,275,774	2,290,076
Total increase (decrease) during the period	2,438,969	1,453,278
Balance at end of period	18,675,287	20,128,566
Treasury stock		
Balance at the beginning of current year	(13,598)	(13,806)
Increase (decrease) during the period		
Acquisition of treasury stocks	(208)	(495,932)
Disposal of treasury stock	—	27
Total increase (decrease) during the period	(208)	(495,905)
Balance at end of period	(13,806)	(509,712)
<b>Total Shareholder's Equity</b>		
Balance at the beginning of current year	20,059,077	22,497,837
Increase (decrease) during the period		
Dividends from surplus	(836,805)	(836,798)
Net income	3,275,774	2,290,076
Acquisition of treasury stocks	(208)	(495,932)
Disposal of treasury stock	—	30
Total increase (decrease) during the period	2,438,760	957,376
Balance at end of period	22,497,837	23,455,214

(Thousands of yen)

	Year Ended March 31, 2012	Year Ended March 31, 2013
Accumulated other comprehensive income/(loss)		
Profit/Loss on Deferred Valuation of Other Securities		
Balance at the beginning of current year	(12,252)	74,252
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	86,505	(4,065)
Total increase (decrease) during the period	86,505	(4,065)
Balance at end of period	74,252	70,187
Profit/Loss on Deferred Exchange		
Balance at the beginning of current year	(12,317)	(2,357)
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	9,960	225,595
Total increase (decrease) during the period	9,960	225,595
Balance at end of period	(2,357)	223,238
Total accumulated other comprehensive income/(loss)		
Balance at the beginning of current year	(24,570)	71,895
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	96,465	221,529
Total increase (decrease) during the period	96,465	221,529
Balance at end of period	71,895	293,425
Total Net Assets		
Balance at the beginning of current year	20,034,506	22,569,733
Increase (decrease) during the period		
Dividends from surplus	(836,805)	(836,798)
Net income	3,275,774	2,290,076
Acquisition of treasury stocks	(208)	(495,932)
Disposal of treasury stock	—	30
Net change in items excluding shareholders' equity during the period	96,465	221,529
Total increase (decrease) during the period	2,535,226	1,178,906
Balance at end of period	22,569,733	23,748,639

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

(Thousands of yen)

	Year Ended March 31, 2012	Year Ended March 31, 2013
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	5,666,210	3,944,024
Depreciation	288,884	404,958
Impairment loss	230,822	345,401
Amortization of goodwill	405,083	546,311
One-time amortization of goodwill	80,373	—
Amortization of negative goodwill	(9,773)	(9,773)
Increase (decrease) in reserve for directors' retirement allowances	13,750	18,600
Increase (decrease) in reserve for employees' retirement benefits	(882)	—
Increase (decrease) in reserve for bonuses	10,404	31,760
Increase (decrease) in reserve for returned products	(7,812)	(6,893)
Increase (decrease) in allowance for doubtful accounts	(7,582)	9,213
Interest and dividend income	(27,345)	(27,747)
Interest expenses	2,224	20,486
Loss (gain) on investments in business associations	2,813	—
Loss (gain) on investments in anonymous associations	(2,101)	(2,896)
Loss (gain) on sales of investment securities	(8,371)	(99)
Loss (gain) on revaluation of investment securities	4,291	4,851
Loss (gain) on sales/disposal of property and equipment	9,027	7,628
Decrease (increase) in trade receivables	(615,994)	(366,747)
Decrease (increase) in inventories	(103,247)	232,914
Increase (decrease) in accounts payable	90,571	18,822
Increase (decrease) in accrued expenses	176,332	221,272
Increase (decrease) in advances received	(86,033)	(96,549)
Increase (decrease) in accrued consumption taxes, etc	16,575	(49,534)
Others	16,865	(155,358)
Subtotal	6,145,086	5,090,645
Interest and dividends received	26,664	29,072
Interest paid	(2,216)	(21,025)
Income taxes paid	(2,613,090)	(2,181,609)
Net Cash Provided by (Used in) Operating Activities	3,556,443	2,917,082

(Thousands of yen)

	Year Ended March 31, 2012	Year Ended March 31, 2013
<b>Cash Flows from Investing Activities</b>		
Payments into time deposits	—	(802,708)
Proceeds from withdrawal of time deposits	60,255	724,700
Proceeds from sales of property and equipment	293	3,367
Acquisition of property and equipment	(359,715)	(690,749)
Acquisition of intangible fixed assets	(356,588)	(1,120,780)
Payment of long-term prepaid expenses	(22,473)	(42,740)
Proceeds from redemption of investment securities	—	300,000
Proceeds from sales of investment securities	14,723	100
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	(2,842,350)	—
Proceeds from acquisition of subsidiary's shares accompanying changes in scope of consolidation	—	479,566
Investment income received from business associations	16,219	—
Payment for acquisition of business	(130,420)	—
Others	13,698	(54,679)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(3,606,357)</b>	<b>(1,203,924)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term borrowings	—	3,200,000
Payment for repaying of long-term borrowings	(82,341)	(598,426)
Net increase (decrease) in short-term loans payable	—	(2,630)
Redemption of bonds	—	(78,800)
Purchase of treasury stock	(208)	(495,932)
Proceeds from disposal of treasury stock	—	30
Cash Dividends paid	(824,965)	(836,826)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(907,514)</b>	<b>1,187,414</b>
Effect of Exchange Rate Change on Cash and Cash Equivalents	4,890	215,825
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(952,537)</b>	<b>3,116,398</b>
<b>Cash and Cash Equivalents at Beginning of Term</b>	<b>12,476,561</b>	<b>11,524,023</b>
<b>Cash and Cash Equivalents at End of Term</b>	<b>11,524,023</b>	<b>14,640,421</b>