

FY2010 Consolidated Financial Results

Corporate Name: PROTO CORPORATION
 Securities Code: 4298
 Representative: Tatsuzo Irikawa, President and Chief Operating Officer
 Contact: Shigeyoshi Shimizu, Director
 General Shareholders' Meeting: June 28, 2010
 Dividends Paid: From June 8, 2010
 Expected date of filing of financial report: June 29, 2010

May 12, 2010
 Stock Exchange Listing: JASDAQ
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(¥ million, rounded down)

1. Financial Results for the Fiscal Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Operating Results (Consolidated)

(% of change from previous year)

	Net Sales (% change)		Operating Income (% change)		Ordinary Income (% change)		Net Income (% change)	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year to March 31, 2010	25,682	8.6	6,098	13.3	6,165	14.2	3,529	10.7
Year to March 31, 2009	23,657	3.3	5,384	42.8	5,400	40.7	3,187	73.4

	Net Income per Share (Yen)	Net Income per Share (fully diluted) (Yen)	ROE (Net Income/Shareholders' Equity)	ROA (Ordinary Income/Total Assets)	Operating Margin
			%	%	%
Year to March 31, 2010	337.43	—	21.8	26.9	23.7
Year to March 31, 2009	304.67	—	23.5	26.6	22.8

Reference: Gain/loss on investments in subsidiaries and equity-method affiliates

Year ended March 31, 2010: ¥ – million Year ended March 31, 2009: ¥ – million

(2) Financial Position (Consolidated)

(¥ million, rounded down)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
March 31, 2010	24,223	17,700	72.7	1,683.60
March 31, 2009	21,608	14,865	68.4	1,413.52

Reference: Equity capital

March 31, 2010: ¥17,610 million March 31, 2009: ¥14,786 million

(3) Cash Flows (Consolidated)

(¥ million, rounded down)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
Year to March 31, 2010	4,005	(1,141)	(773)	11,207
Year to March 31, 2009	3,750	(2,949)	(624)	9,107

2. Cash Dividends (Consolidated)

(Date of Record)	Cash Dividends per Share					Total Annual Dividends Paid	Payout Ratio (Cons.)	Dividends on Net Assets (Cons.)
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual			
	¥	¥	¥	¥	¥			
Year to March 2009	-	35.00	-	35.00	70.00	732	23.0	5.4
Year to March 2010	-	35.00	-	35.00	70.00	732	20.7	4.5
Year to March 2011 (Est.)	-	37.50	-	37.50	75.00	-	20.2	-

3. Forecast for the Fiscal Year Ending March 2011 (April 1, 2010 to March 31, 2011)

(% of change from previous corresponding year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
For the 6 months ending September 30, 2010	14,459	17.4	3,118	0.5	3,147	0.4	1,773	(4.3)	169.53
Fiscal Year Ending March 31, 2011	30,100	17.2	6,720	10.2	6,782	10.0	3,886	10.1	371.54

4. Others

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

[Newly consolidated: SYSTEM-ONE Corporation, Medical CUBIC Co., Ltd]

[Newly excluded: None]

(2) Major changes in principles, procedures and indication methods of accounting treatment concerning preparation of consolidated financial statements

(a) Changes to accounting standards: None

(b) Other: None

(3) Shares issued (common stock)

At end of period (including treasury stock)

March 31, 2010: 10,470,000 shares March 31, 2009: 10,470,000 shares

At end of period (treasury stock)

March 31, 2010: 9,726 shares March 31, 2009: 9,331 shares

Reference: Non-Consolidated Performance Summary

1. Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Non-Consolidated Operating Results

(% of change from previous year)

	Net Sales (% change)		Operating Income (% change)		Ordinary Income (% change)		Net Income (% change)	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year to March 31, 2010	23,577	5.6	6,010	12.3	6,113	14.0	3,436	14.3
Year to March 31, 2009	22,328	5.0	5,351	39.7	5,361	37.6	3,007	23.8

	Net Income per Share (Yen)	Net Income per Share (fully diluted) (Yen)
Year to March 31, 2010	328.52	—
Year to March 31, 2009	287.52	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
March 31, 2010	22,703	18,019	79.4	1,722.69
March 31, 2009	20,225	15,295	75.6	1,462.24

Reference: Equity capital

March 31, 2010: ¥18,019 million March 31, 2009: ¥15,295 million

2. Non-Consolidated Forecast for the Fiscal Year Ending March 2011 (April 1, 2010 to March 31, 2011)

(% of change from previous corresponding year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
For the 6 months ending September 30, 2010	12,315	6.5	3,111	3.7	3,189	3.7	1,899	5.3	181.57
Year Ending March 31, 2011	25,534	8.3	6,556	9.1	6,666	9.0	3,969	15.5	379.46

Note: The forward-looking statements in this document are based on assumptions and estimates derived from information currently available. Actual revenue and earnings may differ materially from these estimates due to uncertainties inherent in such forecasts and changes in the operating environment. Refer to "Outlook for the Fiscal Year Ending March 31, 2011" in page 5 for assumptions and other factors related to above forecasts.

1. Operating Results

(1) Analysis of Results

(a) Performance Summary

Consolidated operating results

(Millions of yen)

	Year Ended March 31, 2009	Year Ended March 31, 2010	YoY Change (Amount)	YoY Change (%)
Net Sales	23,657	25,682	2,024	8.6
Cost of Sales	9,067	10,272	1,205	13.3
Selling, General and Administrative Expenses	9,208	9,310	102	1.1
Operating Income	5,384	6,098	713	13.3
Ordinary Income	5,400	6,165	765	14.2
Net Income	3,187	3,529	342	10.7

In the current consolidated fiscal year, while there were signs of a recovery in exports to emerging countries against a backdrop of economic growth in Asian countries, as well as signs of revenue recovery for some companies, overall the recovery trend in the Japanese economy remained mild. In terms of the employment and income environments, the unemployment rate remained high, and with no signs of improvement, the deflationary trend arising from a slump in consumer spending continued. Amidst such an economic environment, those in the car sales industry – the company Group's leading customers – were encouraged to make purchases through tax cuts and subsidy systems for eco-cars, and monthly sales of new cars from August 2009 to March 2010 exceeded sales recorded for the same period in the previous year. On the other hand, the situation remained severe, with the number of registrations of used cars falling below the level recorded in the previous year, due to a decrease in the level of distribution of used cars.

In such a situation, PROTO Group considers brand establishment to be a key issue for business strategy, and as well as maintaining growth in the field of Automobile-related information, we have also taken efforts to establish and expand our business in the field Lifestyle-related information. Specifically, by enhancing our services (and functions) that seek to provide convenience for a wide range of users, and also strengthening our Internet and mobile media power, at the same time as working towards further enhancing our product brands such as “Goo,” we have aimed to establish a corporate brand with the message of “Leveraging information for the future.”

We have also worked to pursue group synergy and expand our business area. Domestically, we acquired two subsidiaries and conducted one business acquisition. The two subsidiaries that were acquired were SYSTEM-ONE Corporation, which provides information and services to the automobile maintenance industry, and Medical CUBIC Co., Ltd., which provides recruiting services in the medical and nursing care industries. Both companies became subsidiaries of PROTO Group as of the third fiscal quarter. As for the business acquisition, we acquired the business of “Oikura,” a recycling information site, from DeNA Co., Ltd. during October 2009, and commenced operations during the same month.

As a result of these efforts, PROTO was able to maintain increases in revenue in all segments, including the field of Automobile-related information, its main field of business, and consolidated sales for the current consolidated fiscal year increased 8.6% to ¥25,682 million. Despite increases in personnel costs due to business expansion, and operating costs that arose for the two companies that were made subsidiaries in the third fiscal quarter, SYSTEM-ONE and Medical CUBIC, as a result of increased sales in our highly-profitable IT business and our efforts to perform thorough cost management through measures such as streamlining of promotions, consolidated operating income increased 13.3% to ¥6,098 million. Meanwhile, consolidated ordinary income increased 14.2% to ¥6,165 million, and consolidated net income increased 10.7% to ¥3,529 million.

Performance by business segment was as follows.

(b) Segment Results

Business results by segment

(Millions of yen)

	Year Ended March 31, 2009	Year Ended March 31, 2010	YoY Change (Amount)	YoY Change (%)
Net Sales				
Automobile-related Information	21,889	22,858	968	4.4
Lifestyle-related Information	1,345	2,286	940	69.9
Real Estate Business	194	205	10	5.6
Other Business	227	332	104	45.9
Total	23,657	25,682	2,024	8.6

Automobile-related Information

As the external environment surrounding PROTO Group remained severe, we continued to work towards increasing our number of client companies, as well as maintaining and increasing per-client transaction costs, with a business policy of comprehensive management assistance covering everything from purchasing from used car dealers through to sales.

Within our various media forms, such as the car information magazine, Goo, the Internet site, Goo-net, and the mobile site, Goo Car Information, we continued to work towards maximizing the volume of contents displayed and increasing user-friendliness, with the aim of further enhancing our Goo brand. Within our information magazine media such as the car information magazine, Goo, we launched Goo Hokuriku Edition during April 2009, and worked towards expanding our business area and increasing our number of client companies. Within Internet and mobile media, we added contents for vehicle inspection estimates from car maintenance shops on Goo-net, and endeavored to provide valuable information for user's car life. At the same time, with regard to our Goo-approved Car service, which displays information on the quality of used cars, while pushing forward with expanding our business area, and working to increase our number of client companies and the number of Goo-approved Car vehicles displayed, from February 2010 we also commenced our Goo Warranty service – a repair warranty service for used cars.

In October 2009, we made SYSTEM-ONE Corporation a subsidiary of the Company. By supplying information and services to the automobile maintenance industry, we worked to expand our business area, and by broadly expanding our information and services relating to automobile maintenance within the company Group, we aimed to expand our contents.

As a result of both our efforts towards creating an environment in which we could meet users' various requirements, and our efforts to expand our business area, even amidst a market in which sales of used cars were sluggish, we were able to increase both user numbers for the Company's media and their willingness to buy, which may lead to an increase in sales opportunities for the Company's clients.

As a result of enhancing our Goo brand by establishing competitive superiority through the aforementioned initiatives, as well as our efforts to pursue group synergy, net sales increased 4.4% to ¥22,858 million. Despite increased personnel costs due to an increase in the number of employees, because of increased sales in our highly-profitable IT business and efforts to streamline promotions, operating income increased 7.9% to ¥7,590 million.

Lifestyle-related Information

Within our Internet and mobile businesses, we have taken efforts to improve usability by expanding contents and services (functions), and by aiming to increase the number of users for the Company's media, we have sought to strengthen our media power. Specifically, in October 2009 we made Medical CUBIC Co., Ltd. a subsidiary of the Company, and worked to expand our recruitment services in the medical and nursing care industries. We also worked to enhance Nurse Agent, a job information website for nurses that is operated by the Company. In addition, we published a

magazine-style book “Kaigo no koto ga yoku wakaru hon” (“Everything You Need to Know About Nursing Care”) twice a year, and took efforts to acquire a new user segment.

In October 2009 we also accepted a business acquisition of “Oikura,” a recycling information website, from DeNA Co., Ltd., and worked to expand our business area. These efforts contributed to further increases in our number of client companies.

In addition to the above, because our affiliate service business and our Internet advertising agency business both contributed to increased revenue, net sales increased 69.9% to ¥2,286 million. Despite increases in both personnel costs due to business expansion and amortization of goodwill, operating income improved as a result of a significant increase in revenue, and operating income increased 162.5% to ¥162 million.

Real Estate Business

PROTO CORPORATION and its subsidiary, REPAIR-TECH INC., both focused on rent control for company property, with net sales increasing 5.6% to ¥205 million, and operating income increasing 50.1% to ¥105 million.

Other Business

As a result of MARS FLAG Corporation’s efforts to increase its number of client companies by actively engaging in business expansion for MARS FINDER, its search function used for searching within websites, and also increasing business with companies outside the Group for PROTO DATA CENTER’s BPO (Business Process Outsourcing) business, net sales increased 45.9% to ¥332 million. Although MARS FLAG Corporation restored profitability, because PROTO DATA CENTER saw an increase in operating costs, an operating loss of ¥35 million was recorded (against an operating loss of ¥80 million for the same term in the previous year).

(c) Outlook for the Year Ending March 31, 2011

In the year ahead, economic conditions are expected to remain unpredictable, with consumers expected to become even more concerned about maintaining their livelihoods. We anticipate that such a situation will call for supply of information and services with higher levels of added value, and that there will be rising expectations for the information and services provided by PROTO Group. In order to respond appropriately to such consumer requirements, and to further boost the Group’s corporate value, we will treat the establishment of corporate and product brands as a key issue for business strategy. In particular, we will work towards further expansions in the field of Automobile-related information, as well as business expansion in the field of Lifestyle-related information.

Earnings forecasts by segment are as follows.

Automobile-related Information

In this segment, we will continue working towards increasing our number of client companies, as well as maintaining and increasing per-customer transaction costs, with the business policy of providing comprehensive management assistance for everything from purchasing from used car dealers through to sales. At the same time as strengthening our EC business through BikeBros. Inc., which became a subsidiary of PROTO CORPORATION as of April 1, 2010, by actively expanding information service business targeting new cars dealers, and by also expanding our services for the auto mechanics, sheet-metal, repairs and painting industries through subsidiaries, we will expand our customer segments within industries. In particular, with regard to the Group’s leading product, the Goo series, by strengthening and expanding our IT products and services through use of Goo-net’s background system, we will continue to work towards expanding our market share, and will aim to expand customer segments. Furthermore, by strengthening our Goo-approved Car service through our business alliance with USS Co., Ltd., while also expanding sales for Goo Warranty, our warranty repair service for used cars, we will aim to be the No. 1 player in the industry, supported by both users and customers.

Through the above initiatives, we forecast a 13.9% increase in sales, to ¥26,032 million, and a 1.1% increase in operating income, to ¥7,673 million, for the year ending March 31, 2011.

Lifestyle-related Information

We will strengthen and expand both Kaigo Kyujin Navi, our website for job vacancies and career changes in the fields of nursing care, medical and welfare, and Nurse Agent, our job information website for nurses. Through these efforts, and through Medical CUBIC Co., Ltd., we will work to strengthen our recruitment service business in the medical and nursing care industries. With our existing cultural information business, by continuing to expand customer segments, as well as actively expanding the recycling information website “Oikura,” and actively working to further expand our affiliate service business and Internet advertising agency business, we will aim to increase total revenue in the Lifestyle-related information segment.

Through the above initiatives, we forecast a 46.1% increase in sales, to ¥3,339 million, and a 210.0% increase in operating income, to ¥504 million.

Real Estate Business

We will continue to strive to expand earnings in this segment by utilizing our real estate holdings more efficiently. Despite these efforts, we forecast a 3.3% decrease in sales, to ¥199 million, and a 9.6% decrease in operating income, to ¥95 million.

Other Business

Going forward, we will work to increase revenue from MARS FINDER, an in-site search service operated by MARS FLAG Corporation. With PROTO DATA CENTER’s BPO business, we will aim for continued expansion of customer segment, while also working to increase profits through improvements in business efficiency.

Through the above initiatives, we forecast a 59.1% increase in sales, to ¥528 million, and an operating income of ¥10 million (against an operating loss of ¥35 million for the same term in the previous year).

Based on these forecasts, in terms of full-year consolidated estimates for the fiscal year to March 31, 2011, we anticipate a 17.2% increase in consolidated net sales to ¥30,100 million, a 10.2% increase in consolidated operating income to ¥6,720 million, a 10.0% increase in consolidated ordinary income to ¥6,782 million, and a 10.1% increase in consolidated net income to ¥3,886 million.

We have made changes to segment classifications in order for some of the Management Division’s costs, which had up until now been recorded in “Elimination and/or corporate” to be reflected in each business segment.

These forward-looking statements are based on assumptions and estimates derived from information currently available. Actual revenue and earnings may differ materially from the above estimates due to uncertainties inherent in such forecasts and changes in the operating environment.

(2) Analysis of Financial Position

(a) Assets, Liabilities and Net Assets

At the end of the current consolidated fiscal year, consolidated total assets amounted to ¥24,223 million, 12.1% increase (or ¥2,614 million) from the previous fiscal year end.

Regarding current assets, despite payments for the construction of PROTO DATA CENTER's head office, and payments of income tax, because we secured cash flow that exceeded these outlays led to increase in cash and deposits to ¥14,184 million increased by ¥2,146 million. (For details about cash and deposits, please see the consolidated statements of cash flows on pages 20-21.)

As a result of increases in goodwill, due primarily to acquiring two new subsidiaries, SYSTEM-ONE and Medical CUBIC, as well as an acquisition of business from Oikura, fixed assets increased by ¥468 million, to ¥10,038 million.

Despite an increase in income tax payable, because notes and accounts payable decreased due to payments for the construction of PROTO DATA CENTER's head office building, liabilities decreased by ¥221 million, to ¥6,522 million.

Despite payments of dividends totaling ¥732 million yen, because retained earnings increased by ¥2,797 million as a result of recording net income of ¥3,529 million, net assets increased by ¥2,835 million, to ¥17,700 million.

(b) Consolidated Cash Flows

Cash and cash equivalents at the end of the current consolidated fiscal year stood at ¥11,207 million, an increase of ¥2,100 million from the previous fiscal year. Major factors for this increase were as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥4,005 million, up 6.8% from the previous fiscal year. This was mainly due to an increase in income before income taxes, and occurred despite an increase in income tax paid and decreases in accrued costs and advance receipts.

Cash flows from investing activities

Net cash used in investing activities totaled ¥1,141 million. This was mainly due to outlays for acquiring two new subsidiaries, SYSTEM-ONE Corporation and Medical CUBIC Co., Ltd., and for acquisition of Oikura's business, as well as outlays incurred for acquiring tangible fixed assets for the construction of PROTO DATA CENTER's head office building.

Cash flows from financing activities

Net cash used in financing activities was ¥773 million. This was mainly due to an outlay of ¥732 million in payments of dividends.

(Reference) Cash Flow Indicators

	Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2009	Year Ended March 31, 2010
Equity ratio (%)	59.1	60.8	64.7	68.4	72.7
Equity ratio based on market value (%)	81.2	134.8	132.0	96.4	136.9
Debt coverage (%)	4.5	0.3	---	---	4.0
Interest coverage ratio (times)	1,021.5	1,716.4	8,557.7	---	1,855.5

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 2008, a figure for debt coverage is not shown for that year.
6. 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 annual cash dividends of ¥70.00 per share of common stock. This consisted of interim and year-end dividends of ¥35.00 each.

In the year ending March 2011, we intend to pay annual cash dividends of ¥75.00 per share. This will consist of interim and year-end dividends of ¥37.50 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, 2010.

(a) Dependence on Automobile-related Information

The PROTO Group consisted of PROTO CORPORATION and eight 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 for lessons at cultural schools where students pursue qualifications, skills, and hobbies; 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, 2010, 89.0% of total Group revenue derived from sales of Automobile-related information. Fees for registering information accounted for 74.1% of these Automobile-related information sales. Accordingly, the Group depends on Automobile-related information registration fees for a substantial portion of its revenue.

Furthermore, sales of the car information magazine Goo account for 38.1% of consolidated net sales. Accordingly, the performance of Goo can significantly impact the Group's business results. Nonetheless, we intend to reduce our dependence on Goo and are currently taking steps toward this objective. For example, we are expanding sales of our various secondary products developed using our abundance of information related to automobiles, as well as our lineup of Internet-related products.

(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 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 2009	June 2009	Sept 2009	Dec 2009	Mar 2010
Price	130-133	127-132	125-130	121-130	118-128

(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, 2010, this represented 45.8% 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. In the year ended March 2010, Tokyo Pulp & Paper supplied 72.6% of all printing paper sourced by PROTO CORPORATION. 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) Maintaining Effective Security and Protecting Personal Information

Computer Network Security

PROTO CORPORATION delivers much of its content and services via the Internet and mobile media, and thus is highly dependent on the proper functioning of computer systems and networks, both within and outside of the Company. Our computer system and network are protected by security measures designed to prevent the entry of computer viruses and unauthorized access. Although we will endeavor to ensure effective responses in the future, we recognize that external attempts at destruction or sabotage, or interference created from outside the Company, could prevent us from supplying content and services, which could have an adverse impact on the Group's performance.

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.

(g) 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.

2. Corporate Group

The PROTO Group consists of PROTO CORPORATION and eight subsidiaries. These companies collect, sort, and classify information related to automobiles and lifestyles. Such information is then provided to consumers and corporations through magazines, the Internet, and mobile terminals. In addition, we also provide services for supporting the business operations of corporations. Details of the Group's core businesses, the role of each company in these businesses, and the various business segments are shown below.

Automobile-related Information

The Group engages in advertising activities through a variety of media in order to increase the sales of its clients, mainly automobile dealers, used car dealers, and parts dealers. Meanwhile, consumers who buy used cars, parts, and other goods find and purchase the desired product based on information disseminated by these dealers and stores.

The Company collects inventory data on cars and other items sold by retailers through the placement of advertisements. We bring together this inventory data classify to create database and ultimately provide it to consumers via information magazines, the Internet, and mobile media. By matching the mutual needs of retailers and consumers in this way, we help retailers increase sales opportunities while assisting consumers with purchasing.

We offer various services to used car dealers and other corporate clients. These include information on the prices of successful bids for used vehicles collected from automobile auction sites throughout Japan, as well as a unique service where we provide useful information including standard prices for used vehicles based on data on successful bids. We also have a management support business to facilitate effective and efficient purchasing and selling. Examples of the services we provide include: Goo-net Auction, a C-to-B used car purchasing service in which used car dealers compete via a tender process to purchase privately owned vehicles; Goo-approved Car, a service for disclosing information on the quality of used cars to consumers; and Goo Warranty, a repair warranty service for used cars.

We have three main sources of revenue: advertising revenue, generated from registration and listing fees for information belonging to used car dealers that appear in our media; revenue from magazine sales; and revenue from providing such information to other companies.

REPAIR-TECH INC. and SYSTEM-ONE Corporation publish magazines for the automobile repair and parts industry and develop and sell business support software related to automobile sheet-metal and repair quotation software.

Goo Auto Inc. supports domestic used car dealers with exporting used cars, through use of PROTO CORPORATION's Goo-net Exchange, a media form aimed at foreign users.

PROTO DATA CENTER provides data entry services for information appearing in the Group's media, and also undertakes media design, and provides Web solutions and customer support.

PROTO (Shanghai) Advertising Co., Ltd. and PROTO (Shanghai) Brokerage Co., Ltd. promote the establishment of businesses using the Group's information collecting and provision expertise in China's rapidly expanding automobile market.

Lifestyle-related Information

In this segment, the Group provides Lifestyle-related information through its cultural information business, care-related information business and recycling information business, and also conducts Internet and mobile advertising and website support. In its cultural information business, by providing information on lessons held at cultural schools where students obtain qualifications and skills and pursue hobbies, the Group contributes to the expansion of the markets for qualifications and learning. In its care-related information business, as well as providing information on fee-based nursing homes and housing for seniors, and information on jobs in the nursing care, medical and welfare fields, the Group provides recruitment services aimed at nurses wishing to change jobs to a hospital or nursing home, and thereby contributes towards expanding the nursing care, medical and welfare industries and towards eliminating personnel shortages. In its recycling information

business, the Group provides information on recycling shops, and contributes to activation of the recycling market by providing services that enable users to perform purchase assessments and purchase requests through websites. As with Automobile-related information, we sort and classify the information to make it easy for people to compare and examine and provide them to consumer and users through Internet and mobile media. In addition to this, the Group is engaged in Internet and mobile advertising business for performing advertising activities for clients through media owned by PROTO and other companies, as well as in website support including SEO policies.

Our main source of revenue is advertising revenue (as is the case with Automobile-related information) generated from fees paid by our advertising clients to register and listing information in magazines and on Internet sites.

Medical CUBIC Co., Ltd. provides recruitment and staffing services in the medical and nursing care industries.

PROTO DATA CENTER provides data entry services for information appearing in the Company's media, and also undertakes media design and provide web solutions and customer support.

Real Estate Business

PROTO CORPORATION and REPAIR-TECH INC. manage the Group's real estate assets, with the primary objective of carrying out maintenance and managing these buildings.

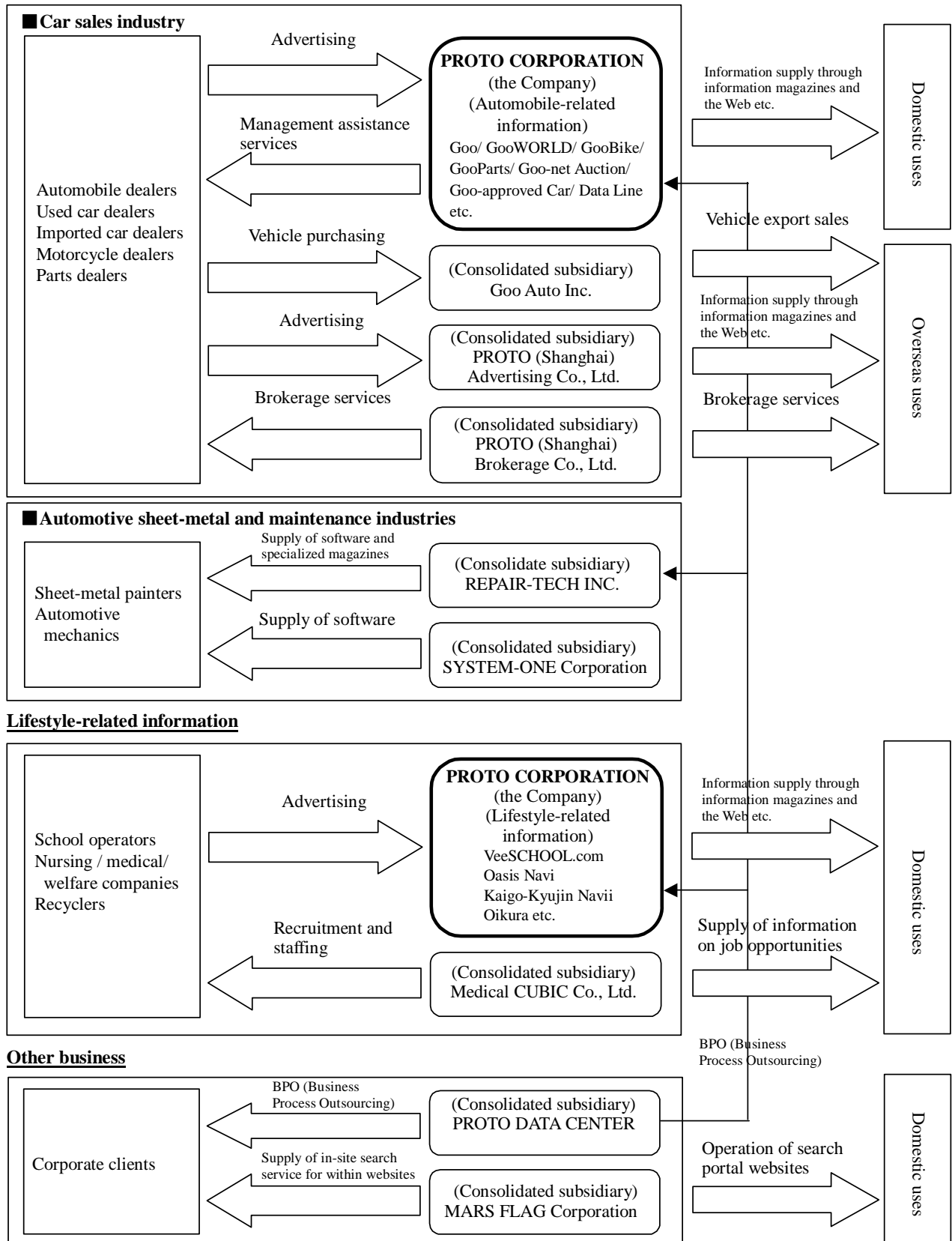
Other Business

MARS FLAG Corporation develops and administers the MARS FINDER, UNIVERSAL VIEWER and SITE PERFORMANCE search functions used for searching within websites, each of which is based on the technology of the Internet search engine MARS FLAG.

As a BPO (Business Process Outsourcing) business, PROTO DATA CENTER provides data entry services, services for media design and provides web solutions and customer support web solution and telemarketing, and telemarketing.

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

Automobile-related information



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

3. Management Policies

(1) Basic Management Policies

PROTO CORPORATION conducts corporate management with the unchanging principle of “bringing companies and people together for the benefit of society, using intelligence and information rather than simply selling commodities.” The Company’s basic attitude is that people and companies find value in the things that are truly needed in either the world, or in their industry. In a world that is full of people and things, in order to be truly needed, we believe that, with the weapons of information and knowledge, it is necessary to open up the next generation with both a mindset towards making vigorous challenges and the ability to take speedy action – even if doing so may involve many risks – and to take pleasure in growing significantly. Thus, by constantly engaging in “creative business,” we target growth and expansion that will remain continual and steady in future, and hope to thereby continue to be an “attractive business.”

With a view toward realizing these ideals, PROTO sets corporate goals decade by decade. Our corporate goal for 2000 to 2009 was to be an “An Exciting, Thrilling, and Fun Company–Joyful Company” – a ‘happy company’ that continually creates things and undertakes challenges. In order to achieve this goal, we maintained growth potential by creating new business, and creating and expanding markets. We endeavored to boost our corporate value by thinking of innovations for a business model that would constantly be a half step ahead of the times.

The corporate goal that we have set for 2010 to 2019 is to become “A Global, World-class Corporation” and we will engage in management aimed at maximizing corporate value. By developing and supplying products and services that cater to diversifying consumption behavior and consumer requirements, we aim to further increase our domestic share, and to achieve business expansion with a view toward the global market. Through these efforts we will aim to become an internationally competitive company capable of competing on a global standard.

(2) Performance Indicators

At PROTO Group, we view growth potential in net sales, operating income and ordinary income as key management indicators for aiming to secure continual and steady income, and to further expand our scale of business.

(3) Medium- and Long-term Strategies

The Group is working to enlarge the scope of its core Automobile-related information business, while striving to establish its second and third core businesses by consolidating itself in the Lifestyle-related information business. Specifically, the Group is aiming to secure stable profits while further expanding business operations by becoming one that possesses original and absolute value supported by both users and clients in each business, continuing to offer trusted information content to users and a variety of business support services to clients.

(4) Company Issues to Address

(a) Brand Establishment

The Group considers that acquiring trust and value from people believing that among the various kinds of ‘information’ that society is full of, “The information provided by PROTO is safe, useful and high-quality,” or in other words, establishing its corporate brand, is crucial towards future business expansions.

In aiming to establish such a brand, we will strive to acquire and maintain high credibility and value, by selecting valuable information that is truly needed, and by utilizing the knowledge that we have built up to continue providing information with high added value.

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

Our car portal website, Goo-net, which is strategically the core media form in our Automobile-related information segment, has gained overwhelming support from consumers as a website for

searching used cars. However, purchasing stores, Internet companies and other companies from different industries have also recently been transmitting information on used cars for consumers through the Internet, and it seems likely that competition will become increasingly fierce in future.

In response to this situation, in order to gain support from even more consumers, PROTO Group will engage in further expansion of contents and services (functions) for its car portal website, Goo-net. Furthermore, by establishing Goo-net as a comprehensive portal site containing all available information on vehicle purchasing, selling and other car-related matters, the Group intends to strengthen not only its approach towards existing used-car buyers, but also its approach towards new-car buyers as well.

At present, PROTO Group's main source of revenue is advertising fees received from used car dealers, but we feel that in future it will be necessary to secure new revenue sources in order to further expand our earnings. Specifically, we intend to secure revenue sources other than advertising fees, including intermediary fees and commissions on successful bids, through use of our Automobile-related websites such as our car portal website, Goo-net. Also, by additionally providing new Internet-based services for used-car dealers, we will aim to maintain and expand earnings from our traditional advertising fees.

In promoting expansion of contents and services, we will make effective use of the management resources held at all Group companies. With regard to contents and services not available within the Group, we will actively work to respond through M&A and Alliance. Through these efforts we will accelerate the speed of growth in our business.

(c)Promotion of M&A and Business Alliance

In promoting expansion of contents and services, we will make effective use of the management resources held at all Group companies. With regard to contents and services not available within the Group, we will actively work to respond through M&A and Alliance. Through these efforts we will accelerate the speed of growth in our business.

(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 China.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	March 31, 2009	March 31, 2010
ASSETS		
Current Assets		
Cash	9,257,401	11,275,189
Notes and accounts receivable	2,395,830	2,456,728
Goods and products	13,440	17,078
Goods in process	45,518	55,931
Raw material and inventory goods	10,418	3,318
Deferred tax assets	141,898	162,512
Other current assets	175,469	216,252
Allowance for doubtful accounts	(1,884)	(2,709)
Total Current Assets	12,038,093	14,184,301
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	5,156,696	5,164,294
Accumulated depreciation	(1,815,420)	(2,003,696)
Building and structures -Net	3,341,275	3,160,598
Land	3,900,031	3,900,031
Other tangible fixed assets	268,003	282,661
Accumulated depreciation	(190,900)	(209,061)
Other tangible fixed assets -Net	77,103	73,599
Total Tangible Fixed Assets	7,318,411	7,134,229
Intangible Fixed Assets		
Goodwill	132,531	658,944
Other intangible fixed assets	161,442	211,667
Total Intangible Fixed Assets	293,973	870,612
Investment and Other Assets		
Investments in securities	438,254	555,969
Deferred tax assets	493,608	508,417
Other investments	1,055,711	1,061,657
Allowance for doubtful accounts	(29,320)	(92,037)
Total investments and other assets	1,958,253	2,034,007
Total Fixed Assets	9,570,637	10,038,849
Total Assets	21,608,731	24,223,151

(Thousands of yen)

	March 31, 2009	March 31, 2010
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	727,180	755,423
Current portion of long-term borrowings	—	59,027
Accrued expenses	1,239,363	1,151,576
Accrued income taxes	1,245,439	1,466,687
Advances received	2,121,637	1,902,090
Allowance for sales returns	51,357	51,607
Allowance for bonus payable	35,440	44,075
Other current liabilities	747,009	432,043
Total Current Liabilities	6,167,427	5,862,531
Long-Term Liabilities		
Long-term borrowings	—	101,964
Allowance for Employee' retirement benefits	—	491
Allowance for directors' retirement benefits	194,600	212,900
Negative goodwill	41,465	31,691
Other long-term liabilities	340,159	312,796
Total Long-Term Liabilities	576,224	659,843
Total Liabilities	6,743,652	6,522,374
NET ASSETS		
Shareholder's equity		
Common stock	1,824,620	1,824,620
Capital surplus	2,011,623	2,011,736
Retained earnings	10,999,460	13,796,905
Treasury stock	(11,778)	(12,916)
Total Shareholders' Equity	14,823,925	17,620,346
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	(27,143)	(5,573)
Foreign exchange adjustment account	(10,412)	(3,843)
Total valuation and translation adjustments	(37,556)	(9,416)
Minority Interests	78,708	89,847
Total Net Assets	14,865,078	17,700,776
Total Liabilities and Net Assets	21,608,731	24,223,151

(2) Consolidated Statements of Income

(Thousands of yen)

	Year Ended March 31, 2009	Year Ended March 31, 2010
Net Sales	23,657,565	25,682,321
Cost of Sales	9,067,679	10,272,804
Gross Profit	14,589,886	15,409,516
Reversal of Reserve for Returned Products	54,224	51,357
Transfer to Reserve for Returned Products	51,357	51,607
Adjusted Gross Profit	14,592,753	15,409,266
Selling, General and Administrative Expenses		
Salaries for directors and employees	3,852,335	4,236,619
Provision for allowance for directors' retirement benefits	15,087	18,300
Provision for allowance for bonus payable	25,951	28,550
Advertising	1,682,071	1,332,730
Provision for allowance for doubtful accounts	20,594	20,628
Amortization of goodwill	36,167	91,722
Others	3,575,804	3,582,115
Total Selling, General and Administrative Expenses	9,208,011	9,310,666
Operating Income	5,384,741	6,098,600
Non-Operating Income		
Interest income	11,104	13,545
Dividend income	14,085	5,235
Income from sales of used paper	31,903	12,712
Amortization of negative goodwill	7,403	9,773
Gain on investments in anonymous associations	17,820	25,650
Other income	12,710	22,811
Total Non-Operating Income	95,027	89,727
Non-Operating Expenses		
Interest expenses of loans	—	2,034
Investment losses of business association	76,433	16,742
Other expenses	3,036	3,680
Total Non-Operating Expenses	79,470	22,457
Ordinary Income	5,400,297	6,165,870

(Thousands of yen)

	Year Ended March 31, 2009	Year Ended March 31, 2010
Extraordinary Income		
Gains from sales of fixed assets	67	2,196
Gains from sales of securities	13,328	3,160
Gains from the prior-term adjustments	50,649	-
Total Extraordinary Income	64,045	5,356
Extraordinary Losses		
Losses from sales of fixed assets	1,423	24
Losses from disposals of fixed assets	52,698	35,411
Impairment losses	52,440	-
Losses from revaluation of securities	152,775	77,001
Losses from sales of securities	-	6,322
Losses from sales of shares in affiliates	35,509	-
Provision of allowance for doubtful accounts	-	50,649
Other expenses	33,799	3,743
Total Extraordinary Losses	328,647	173,152
Income before Income Taxes	5,135,695	5,998,074
Income Taxes	2,131,858	2,495,609
Adjustment of Corporate Income Tax	(133,757)	(38,357)
Corporate Income Tax Total	1,998,101	2,457,251
Minority Interest in Earnings (Losses)	(49,536)	11,138
Net Income	3,187,129	3,529,683

(3) Consolidated Statements of Changes in Shareholders' Equity

(Thousands of yen)

	Year Ended March 31, 2009	Year Ended March 31, 2010
Capital		
Shareholder's Equity		
Balance as at end of previous period	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 end of previous period	2,011,536	2,011,623
Increase (decrease) during the period		
Disposal of treasury stocks	87	112
Total increase (decrease) during the period	87	112
Balance at end of period	2,011,623	2,011,736
Retained earnings		
Balance at end of previous period	8,439,991	10,999,460
Increase (decrease) during the period		
Cash dividends (Note)	(627,660)	(732,238)
Net income	3,187,129	3,529,683
Total increase (decrease) during the period	2,559,469	2,797,445
Balance at end of period	10,999,460	13,796,905
Treasury stock		
Balance at end of previous period	(10,385)	(11,778)
Increase (decrease) during the period		
Acquisition of treasury stocks	(1,542)	(1,241)
Disposal of treasury stocks	149	103
Total increase (decrease) during the period	(1,392)	(1,137)
Balance at end of period	(11,778)	(12,916)
Total Shareholder's Equity		
Balance at end of previous period	12,265,761	14,823,925
Increase (decrease) during the period		
Cash dividends (Note)	(627,660)	(732,238)
Net income	3,187,129	3,529,683
Acquisition of treasury stocks	(1,542)	(1,241)
Disposal of treasury stocks	237	216
Total increase (decrease) during the period	2,558,164	2,796,420
Balance at end of period	14,823,925	17,620,346

(Thousands of yen)

	Year Ended March 31, 2009	Year Ended March 31, 2010
Valuation and Exchange Differences etc.		
Profit/Loss on Deferred Valuation of Other Securities		
Balance at end of previous period	6,154	(27,143)
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	(33,297)	21,569
Total increase (decrease) during the period	(33,297)	21,569
Balance at end of period	(27,143)	(5,573)
Profit/Loss on Deferred Exchange		
Balance at end of previous period	32,952	(10,412)
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	(43,365)	6,569
Total increase (decrease) during the period	(43,365)	6,569
Balance at end of period	(10,412)	(3,843)
Total Valuation and Exchange Difference		
Balance at end of previous period	39,106	(37,556)
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	(76,662)	28,139
Total increase (decrease) during the period	(76,662)	28,139
Balance at end of period	(37,556)	(9,416)
Minority Interests		
Balance at end of previous period	129,317	78,708
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	(50,608)	11,138
Total increase (decrease) during the period	(50,608)	11,138
Balance at end of period	78,708	89,847
Total Net Assets		
Balance at end of previous period	12,434,185	14,865,078
Increase (decrease) during the period		
Cash dividends (Note)	(627,660)	(732,238)
Net income	3,187,129	3,529,683
Acquisition of treasury stocks	(1,542)	(1,241)
Disposal of treasury stocks	237	216
Net change in items excluding shareholders' equity during the period	(127,271)	39,277
Total increase (decrease) during the period	2,430,892	2,835,698
Balance at end of period	14,865,078	17,700,776

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year Ended March 31, 2009	Year Ended March 31, 2010
Cash Flows from Operating Activities		
Income before income taxes	5,135,695	5,998,074
Depreciation	207,240	299,744
Impairment loss	52,440	-
Amortization of goodwill	36,167	91,722
Amortization of negative goodwill	(7,403)	(9,773)
Loss (gain) on revaluation of derivatives	1,186	-
Increase (decrease) in reserve for directors' retirement allowances	2,741	18,300
Increase (decrease) in reserve for employees' retirement benefits	(26,176)	294
Increase (decrease) in reserve for bonuses	1,076	5,188
Increase (decrease) in reserve for returned products	(2,867)	250
Increase (decrease) in allowance for doubtful accounts	2,130	58,771
Interest and dividend income	(25,189)	(18,780)
Interest expenses	—	2,034
Loss (gain) on investments in business associations	76,433	16,742
Loss on revaluation of inventories	2,966	-
Loss (gain) on investments in anonymous associations	(17,820)	(25,650)
Loss (gain) on sales of investment securities	(13,328)	3,162
Loss (gain) on sales of shares in affiliated companies	35,509	-
Loss (gain) on revaluation of investment securities	152,775	77,001
Loss (gain) on sales/disposal of property and equipment	54,054	33,239
Decrease (increase) in trade receivables	470,508	35,528
Decrease (increase) in inventories	(27,952)	1,815
Increase (decrease) in accounts payable	(1,020,927)	(62,238)
Increase (decrease) in accrued expenses	366,912	(119,947)
Increase (decrease) in advances received	132,603	(223,019)
Increase (decrease) in accrued consumption taxes, etc	(42,356)	138,870
Others	49,821	(45,388)
Subtotal	5,596,241	6,275,941
Interest and dividends received	25,438	18,336
Interest paid	—	(2,158)
Income taxes paid	(1,871,608)	(2,286,281)
Net Cash Provided by (Used in) Operating Activities	3,750,071	4,005,837

(Thousands of yen)

	Year Ended March 31, 2009	Year Ended March 31, 2010
Cash Flows from Investing Activities		
Decrease in time deposits	(300,000)	(370,305)
Increase in time deposits	600,000	450,000
Acquisition of property and equipment	(2,852,789)	(535,059)
Proceeds from sales of property and equipment	960	5,063
Acquisition of intangible fixed assets	(78,151)	(69,075)
Addition to investment securities	(175,964)	(300,000)
Proceeds from sales of investment securities	32,538	90,817
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	—	(258,093)
Payment for sales of subsidiary's shares accompanying changes in scope of consolidation	(2,188)	-
Payment of long-term prepaid expenses	(26,395)	(11,577)
Investment income received from anonymous associations	15,412	30,157
Payment for acquisition of business	(162,110)	(181,991)
Others	(543)	8,579
Net Cash Provided by (Used in) Investing Activities	(2,949,230)	(1,141,484)
Cash Flows from Financing Activities		
Increase (decrease) from short-term borrowings	3,998	(7,500)
Proceeds from long-term borrowings	—	(32,341)
Acquisition of treasury stock	(1,542)	(1,241)
Proceeds from disposal of treasury stock	237	216
Dividends paid	(627,100)	(732,263)
Net Cash Provided by (Used in) Financing Activities	(624,407)	(773,129)
Translation Gain (Loss) Related to Cash and Cash Equivalents	(54,479)	8,799
Net Change in Cash and Cash Equivalents	121,953	2,100,022
Cash and Cash Equivalents at Beginning of Term	8,985,447	9,107,401
Cash and Cash Equivalents at End of Term	9,107,401	11,207,424