

## FY2009 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 23, 2009  
 Dividends Paid: From June 9, 2009

May 13, 2009  
 Stock Exchange Listing: JASDAQ  
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(¥ million, rounded down)

### 1. Financial Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 to March 31, 2009)

#### (1) Operating Results (Consolidated) (Percentage figures denote year-on-year change)

	Net Sales (% change)		Operating Income (% change)		Ordinary Income (% change)		Net Income (% change)	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year to March 31, 2009	23,657	3.3	5,384	42.8	5,400	40.7	3,187	73.4
Year to March 31, 2008	22,893	7.8	3,771	26.2	3,837	22.3	1,838	4.1

	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, 2009	304.67	—	23.5	26.6	22.8
Year to March 31, 2008	175.69	—	15.8	20.8	16.5

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

Year ended March 31, 2009: ¥ – million

Year ended March 31, 2008: ¥ – million

#### (2) Financial Position (Consolidated) (¥ million, rounded down)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
March 31, 2009	21,608	14,865	68.4	1,413.52
March 31, 2008	19,023	12,434	64.7	1,176.24

Reference: Equity capital

March 31, 2009: ¥14,786 million

March 31, 2008: ¥12,304 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, 2009	3,750	(2,949)	(624)	9,107
Year to March 31, 2008	2,321	(474)	(437)	8,985

### 2. Cash Dividends (Consolidated)

(Date of Record)	Cash Dividends per Share					Total Annual Dividends Paid ¥ million	Payout Ratio (Cons.) %	Dividends on Net Assets (Cons.) %
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual			
	¥	¥	¥	¥	¥			
Year to March 2008	-	25.00	-	25.00	50.00	523	28.5	4.5
Year to March 2009	-	35.00	-	35.00	70.00	732	23.0	5.4
Year to March 2010 (Est.)	-	35.00	-	35.00	70.00	-	20.1	-

Note: Breakdown of dividends

2nd quarter-end in Year to March 31, 2008: Common dividends ¥15.00 Commemorative dividends ¥10.00

Year-end in Year to March 31, 2008: Common dividends ¥15.00 Commemorative dividends ¥10.00

### 3. Forecast for the Fiscal Year Ending March 2010 (April 1, 2009 to March 31, 2010)

(Percentage figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
For the 6 months ending September 30, 2009	12,847	9.2	2,798	(8.3)	2,798	(8.6)	1,629	(11.3)	155.76
Fiscal Year Ending March 31, 2010	27,000	14.1	6,000	11.4	6,001	11.1	3,504	9.9	334.99

#### 4. Others

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

[Newly consolidated: PROTO (SHANGHAI) BROKERAGE CO., LTD, GOO AUTO EXCHANGE INC.]

[Newly excluded: PROTO LINK Corporation, BOMUL.com, JPEX Partners Inc.]

Note: For more information, see "Corporate Group" in page 10.

(2) Major changes in accounting treatment concerning preparation of consolidated financial statements

(a) Changes to accounting standards: Yes

(b) Other: No

(3) Shares issued (common stock)

At end of period (including treasury stock)

March 31, 2009: 10,470,000 shares      March 31, 2008: 10,470,000 shares

At end of period (treasury stock)

March 31, 2009: 9,331 shares      March 31, 2008: 8,780 shares

### Reference: Non-Consolidated Performance Summary

#### 1. Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 to March 31, 2009)

(1) Non-Consolidated Operating Results

(Percentage figures denote year-on-year change)

	Net Sales (% change)		Operating Income (% change)		Ordinary Income (% change)		Net Income (% change)	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year to March 31, 2009	22,328	5.0	5,351	39.7	5,361	37.6	3,007	23.8
Year to March 31, 2008	21,273	8.2	3,829	26.0	3,897	23.6	2,429	44.5

	Net Income per Share (Yen)	Net Income per Share (fully diluted) (Yen)
Year to March 31, 2009	287.52	—
Year to March 31, 2008	232.22	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
March 31, 2009	20,225	15,295	75.6	1,462.24
March 31, 2008	17,041	12,950	76.0	1,237.96

Reference: Equity capital

March 31, 2009: ¥15,295 million

March 31, 2008: ¥12,950 million

#### 2. Non-Consolidated Forecast for the Fiscal Year Ending March 2010 (April 1, 2009 to March 31, 2010)

(Percentage figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
For the 6 months ending September 30, 2009	11,805	5.9	2,867	(5.5)	2,868	(5.7)	1,708	(2.8)	163.28
Year Ending March 31, 2010	24,050	7.7	6,000	12.1	6,002	11.9	3,434	14.2	328.32

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, 2010" 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, 2008	Year Ended March 31, 2009	YOY Change (Amount)	YOY Change (%)
Net Sales	22,893	23,657	763	3.3
Cost of Sales	9,964	9,067	(896)	(9.0)
Selling, General and Administrative Expenses	9,149	9,208	58	0.6
Operating Income	3,771	5,384	1,613	42.8
Ordinary Income	3,837	5,400	1,562	40.7
Net Income	1,838	3,187	1,349	73.4

In the fiscal year ended March 31, 2009, the Japanese economy fell into recession as the real economy, devastated by the world financial crisis and rapid appreciation in the value of the yen, squeezed company earnings, while capital expenditure from the private sector was restrained. The recession has worsened the employment situation, and also has had large repercussions on consumer spending. As such, in the Japanese automobile sector, which represents the PROTO Group's main client base, the business environment has continued to be harsh due to the freeze on consumer confidence, reduced demand for replacing older automobiles, as well as the fact that sales performance for new and used automobiles has been lower than in previous fiscal years due to some of the younger generation moving away from the purchase of automobiles.

Under these circumstances, the Group, positioning branding as an important strategic issue for management, sought to further strengthen its automobile-related information business and establish its lifestyle-related information business. Specifically, the Group strove to expand its customized information content, which is strongly supported by a variety of users, and to improve its convenience-oriented service functions. At the same time as working to further enhance product brands such as the Goo brand, the Group also aimed to establish company brands with the message of "Leveraging information for the future." Furthermore, it stepped up development of products and services that match the needs of clients and users, while considering media changes from information magazines to the Internet and mobile media.

As a result of these efforts, for the fiscal year ended March 31, 2009, the Company posted consolidated net sales of ¥23,657 million, a 3.3% increase over the previous year. This was due to increases in revenue in the primary business, the automobile-related sector, leveraged by a rise in the number of clients, in addition to an increase in revenue mainly from the culture information business and care-related information business within the lifestyle-related sector. Consolidated operating income increased to ¥5,384 million, up 42.8% over the previous year. Although an increase in the number of employees raised labor costs, the boost in sales of highly profitable Internet-related products for the automobile-related information sector, in addition to the cost reduction effect achieved by transferring operations to the subsidiary, PROTO DATA CENTER, contributed to improved profitability. Additionally, consolidated ordinary income rose to ¥5,400 million, up 40.7% over the previous year, and consolidated net income increased to ¥3,187 million, up 73.4% over the previous year. The corporate tax rate was lower compared to the previous year which resulted in an increase of net income, despite the revaluation of investment securities and loss on sales of affiliates' stocks resulting from the reorganization of Group businesses as well as an impairment loss among other extraordinary losses.

Business results by segment are as outlined below.

## (b) Segment Results

Business results by segment

(Millions of yen)

Sales	Year Ended March 31, 2008	Year Ended March 31, 2009	YOY Change (Amount)	YOY Change (%)
Automobile-related Information	21,546	21,889	343	1.6
Lifestyle-related Information	882	1,345	463	52.5
Real Estate	174	194	20	11.5
Others	291	227	(63)	(21.8)
Total Net Sales	22,893	23,657	763	3.3

### Automobile-related Information

While the external business environment has remained harsh, the Group has worked hard to continue expanding the number of clients as well as to maintain and increase unit prices per client, upholding comprehensive management assistance to used car dealerships—from the procurement to sale of used cars—in its business policy.

The Group has worked to increase the amount of content and improve the convenience for users of the car information magazine Goo, the Internet site Goo-net, mobile site Goo Car Information and other media. In its information magazine media such as Goo, the Group has increased the frequency of publication, while expanding to the Hokuriku area of Japan through the business transfer of March 2009. In its Internet and mobile media, meanwhile, the Group has worked to enhance usability by improving functions as well as striving to offer fresh and highly reliable inventory information.

The Group has also proceeded to expand the service area for Goo Approved Cars, which discloses information on the quality of used cars to provide an environment where users can purchase used cars with peace of mind. As a result of such efforts, more users are using the Group's media and are more willing to make purchases, leading to more sales opportunities from clients even when used car sales are sluggish.

Through the above efforts, the Group has secured its competitive edge while enhancing the Goo brand, with sales increasing to ¥21,889 million, up 1.6% over the previous year, due to the growing number of clients. Operating income was ¥7,034 million, a 26.2% increase over the previous year. This increased operating income was achieved by completing the transfer of business functions to PROTO DATA CENTER, which was established with the aim of reducing outsourcing costs, thereby helping to ensure production processes are conducted internally, as well as restraining expenses by reorganizing the Group.

### Lifestyle-related Information

With regard to Internet and mobile media, the Group has expanded its high value-added services (functions) and striven to increase usability and the number of users in the culture information business, VeeSCHOOL.com, as well as the care-related information business, including Oasis Navi, Kaigo Kyujin Navi and Nurse Agent. In addition, during March 2009, a magazine-style book was published through the care-related information business, entitled Kaigo no koto ga yoku wakaru hon: Vol.1, 2009 nen harunatsu (“Everything You Need to Know About Nursing Care: Vol. 1 2009 Spring/Summer Edition”) in an effort to acquire user groups that conventional approaches were ineffective at reaching. The promotion of measures to accommodate users' needs led to an increase in the number of clients as well as unit prices per client.

The transfer of business from the advertising service affiliate, Challenging Japan, completed in November 2008, and the mobile business also contributed to the greater earnings.

Through the above efforts, sales climbed 52.5% over the preceding year, to ¥1,345 million. The return to profitability of the care-related information business posted a full-year operating income of ¥62 million, which recorded a ¥24 million loss the previous year.

## **Real Estate**

Sales in this segment derive mainly from the management and leasing of Group properties by PROTO Corporation and the subsidiary, REPAIR-TECH Inc. In the year under review, segment sales increased 11.5% over the previous year, to ¥194 million, and operating income decreased 1.3%, to ¥70 million.

## **Others**

The Group has aggressively expanded operations of the in-site search engine MARS FINDER, which raised revenues of MARS FLAG Corporation as a result of increased number of clients. However, due to a decrease in sales to outside clients arising from the business reorganization of the Group, sales in others dropped 21.8% over the previous year to ¥227 million. Despite this decrease in sales, the segment reported an operating loss of ¥80 million, compared to an operating loss of ¥123 million for the previous year, leveraged by the improved cash flow of operations at MARS FLAG Corporation.

### **(c) Outlook for the Fiscal Year Ending March 31, 2010**

Although, future economic conditions continue to be difficult to predict, consumer awareness aimed at protecting quality of life is expected to rise to unprecedented levels. Due to these economic conditions, demand for information and services with further added value, as well as consumer expectations for information and services offered by the Group, are expected to increase. The Group intends to respond accordingly to these needs by positioning the consolidation of corporate and product brands as an important strategic issue for management, working to further strengthen its automobile-related information business and expand its lifestyle-related information business in order to enhance the corporate value of the Group.

The forecast for business results by segment are as outlined below.

#### **Automobile-related Information**

The Group will strive to enhance sales and procurement support business for used car dealerships as well as to improve information and service provision for new car dealerships. Regarding the Goo series, the main product lineup, it will work to bolster Internet and mobile media, with a focus on the Goo-net car portal site, and continue striving to increase market share with the aim of becoming the industry leader. In addition to the Goo Approved Cars, Goo Raku and Goo-net Auction, the Group will secure the competitive edge while further enforcing the Goo brand through the establishment of its comprehensive management support business by, for example, beginning to offer a used car export support service through a subsidiary.

Through the above efforts, the Group forecasts a 10.0% increase in segment sales to ¥24,080 million, and an 8.4% increase in operating income to ¥7,622 million, year on year.

#### **Lifestyle-related Information**

In addition to seeking to enhance and expand Kaigo Kyujin Navi, the employment website for nursing, medical and welfare facilities, the Group also aims to establish the brand in that industry through the nursing placement website, Nurse Agent. Furthermore, the Group will continue to expand its existing culture information business in terms of area growth and other factors. The Group will continue to strive to increase profitability for the entire lifestyle-related information sector by expanding its client base through further development of the affiliate advertising program and website support services.

Through the above efforts, the group projects a 48.7% increase in sales to ¥2,000 million, and a 309.8% increase in operating income to ¥254 million, year on year.

## **Real Estate**

The Group will strive to increase earnings in this segment by utilizing its real estate holdings more efficiently. Through these efforts, it forecasts a 1.3% increase in segment sales, to ¥197 million, and a 12.5% increase in operating income, to ¥79 million.

## **Others**

Going forward, the Group will work to increase revenue from MARS FINDER, an in-site search service operated by MARS FLAG Corporation. At the same time, it will strive to increase revenues by making effective use of the existing business infrastructure of PROTO DATA CENTER to increase customers in the data input and telemarketing business. As a result, the Group is forecasting sales of ¥722 million, or an increase of 217.6% year on year, and an operating loss of ¥4 million, compared to an operating loss of ¥80 million for the year under review.

In light of these forecasts for the fiscal year ending March 31, 2010, the Group is projecting consolidated net sales of ¥27,000 million, or an increase of 14.1% year on year, and operating income of ¥6,000 million, or an increase of 11.4% year on year. It is also projecting an increase of 11.1% year on year in ordinary income to ¥6,001 million, and net income to increase 9.9% year on year to ¥3,504 million.

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 fiscal year under review, consolidated total assets amounted to ¥21,608 million, up 13.6% (or ¥2,585 million) from a year earlier.

Current assets fell ¥257 million, to ¥12,038 million, due mainly to a decrease in notes and accounts receivable-trade (for detailed information concerning cash and cash equivalents, refer to the consolidated cash flow statement on pages 22 and 23.)

Fixed assets grew ¥3,105 million, to ¥7,318 million, due mainly to the increase in tangible fixed assets attributable to the acquisition of land and buildings as well as the construction of the central office for the subsidiary, PROTO DATA CENTER, among other factors.

Despite a ¥1,016 million decrease in notes and accounts payable due mainly to changes in settlement arrangements, total liabilities were ¥6,743 million, an increase of ¥154 million compared to the previous fiscal period, resulting from increases in accrued expenses, accrued income tax and advances received, respectively.

Total net assets grew ¥2,430 million compared to the previous fiscal period, to ¥14,865 million, owing to a ¥2,559 million increase in retained earnings, leveraged by a net income of ¥3,187 million, despite a dividend payment of ¥627 million.

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

Cash and cash equivalents at the end of the fiscal year under review stood at ¥9,107 million, a ¥121 million increase from a year earlier. Major factors for this increase are as follows.

#### **Cash flows from operating activities**

Cash flow from operating activities amounted to ¥3,750 million, or a 61.6% increase over the previous year, attributable mainly to extensive increases in income before taxes compared to the previous year, a decrease in accounts receivable and an increase in accrued expenses, despite a decrease in payments due to changes in settlement arrangements.

#### **Cash flows from investing activities**

Cash flow from investing activities totaled ¥2,949 million, due mainly to the acquisition of tangible fixed assets amounting to ¥2,852 million attributable to such factors as land and buildings for operations as well as the construction of the central office of PROTO DATA CENTER.

#### **Cash flows from financing activities**

Net cash used in financing activities was ¥624 million, attributable mainly to cash dividends of ¥627 million.

Reference: Cash Flow Indicators

	Year Ended March 31, 2005	Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2009
Equity ratio	59.7%	59.1%	60.8%	64.7%	68.4%
Equity ratio based on market price	80.2%	81.2%	134.3%	132.0%	96.4%
Debt coverage	15.9%	4.5%	0.3%	-	-
Interest coverage ratio	75.6 times	1021.5 times	1716.4 times	8557.7 times	-

Equity ratio: Equity capital/Total assets

Equity ratio based on market price: Total stock value based on market price/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 capitalization 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. Operating cash flow is calculated using net cash provided by operating activities (listed in the Consolidated Statements of Cash Flows); for interest paid, the amount shown therein is used.
4. Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets).
5. A figure for debt coverage and interest coverage ratio are not shown for the fiscal year ended March 2009 due to the absence of interest-bearing debt that year.

**(3) Profit Appropriation Policy, Cash Dividends for the Year Ended March 31, 2009 and the Year Ending March 31, 2010**

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, the Group adopts 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 the Group's corporate infrastructure and expanding the scope of operations.

For the year ended March 2009, the Group paid ordinary dividends of ¥70.00 per share. This consisted of interim and year-end dividends of ¥35.00 each.

In the year ending March 2010, the Group intends to pay ordinary dividends of ¥70.00 per share. This will consist of interim and year-end dividends of ¥35.00 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 the Group's commitment to disclosing information to investors. Having recognized these risks, the PROTO Group endeavors to avoid them and adopt appropriate measures in event of their occurrence.

In addition, all items within the text concerning the future have been assessed by the Group, as of the date this financial statement was submitted, May 13, 2009.

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

The PROTO Group consists of PROTO Corporation and six 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; lesson information such as qualifications, skills, hobbies and schools; and lifestyle-related information services.

Operational revenues from automobile-related information derive from fees paid to register inventory data on used cars owned by car dealerships on the Company's databases and in information magazines, as well as information magazine sales and sales from providing information to other companies. In the year ended March 31, 2009, 92.5% of total Group revenue derived from sales of automobile-related information. Fees for registering information accounted for 79.8% 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 44.1% of consolidated net sales. Accordingly, the performance of Goo can significantly impact the Group's business results. Nonetheless, the Group intends to reduce its dependence on Goo and is currently taking steps toward this objective. For example, the Group is expanding its range of secondary products developed using the abundance of information that the Group has related to automobiles, as well as its 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, the Group's core product. The Group negotiates the delivery price of printing paper 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 Group is endeavoring to mitigate this risk by shifting from mainly using magazines to employing the Internet to disseminate information, due to the growing popularity of that medium.

The official prices of printing paper used by the Group are as shown below.

Market Rate for A2 Coated Paper (Distributor Wholesale Price (yen/kg))					
	March 2008	June 2008	September 2008	December 2008	March 2009
Price	122-135	122-134	131-134	131-134	130-133

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, 2009, this represented 62.7% of total outsourcing expenditure. Kyoritsu Printing is used 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 the stable supply system and business relations afforded by the Kyoritsu Printing Group are stable, it is recognized that certain circumstances could affect dealings with that company, and that its supply of media could be impeded as a result. Therefore, printing is also consigned to other companies in an effort to diversify risks affecting 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 handled by Tokyo Pulp & Paper Corporation, and in the year ended March 31, 2009, Tokyo Pulp & Paper supplied 68.5% of all printing paper purchased by the Group. The PROTO Group uses Tokyo Pulp & Paper because of its continuous and stable supply system and ability to meet the needs of the Group. Cost reductions are also achieved by limiting procurement to a single supplier.

The Group enjoys a stable supply of paper and good relations with Tokyo Pulp & Paper. Should there be a problem with the current arrangement for some reason or other, however, the sources of paper will need to be changed and diversified, which may make it difficult to achieve the cost-reduction benefits realized 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, the Group believes that it would not be affected by legal restrictions covering the Internet should they be implemented. 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*

The Group 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 Group. Its computer systems and networks are protected by security measures designed to prevent the entry of computer viruses and unauthorized access. Although the Group will endeavor to ensure effective responses in the future, it recognizes that external attempts at destruction or sabotage, or damage not originating within the Group, could prevent us from supplying content and services, which could have an adverse impact on its performance.

#### *Protection of Personal Information*

Recently, personal information leaks by a large number of companies have become a social problem. The 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 public trust, 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 the Group makes an error in the information content provided, it is possible that it could inflict tangible or intangible harm on a particular person or corporation and that the Group 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 the Company could lose the public trust, which could have an adverse impact on the Group's performance.

## 2. Corporate Group

The PROTO Group consists of PROTO Corporation and six subsidiaries. These companies collect, sort, and classify information related to automobiles and lifestyles, and after converting it into useful informational content, the information is then provided to consumers and corporations through the Group's media (information magazines, the Internet, and mobile phones). In addition to this, the Group offers services related to supporting the business operations of corporations. The following are the central operations, along with the positioning and segment of the various companies within the Group.

### **Automobile-related Information**

New and used car dealerships and parts dealerships carry out advertising activities through a variety of media in order to increase marketing opportunities. Meanwhile, consumers who buy used cars, parts, and other goods find and purchase the desired product based on information disseminated by these dealerships.

The Group collects inventory data on cars and other items sold by retailers through the placement of advertisements. It brings together this inventory data and ultimately provides it to consumers via its media (information magazines, the Internet, and mobile phones). By matching the mutual needs of retailers and consumers in this way, the Group helps retailers increase marketing opportunities while assisting consumers with purchasing.

The Group offers various services to used car dealerships 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 it provides useful information on used car distribution, such as standard prices for used vehicles based on data on successful bids. It also has a business support service to facilitate effective and efficient purchasing and selling. One example is Goo-net Auction, a C-to-B used car purchasing service in which used car dealerships compete via a tender process to purchase privately owned vehicles.

The main sources of revenue for the Group are advertising revenue, generated from registration fees for listing data on inventories belonging to used car dealerships in the Group's media, and revenue from magazine sales as well as the provision of digital content and related services.

REPAIR-TECH Inc. offers information concerning automobile repairs and parts, while developing and selling support software for steel plate and automobile repair services.

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

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

GOO AUTO EXCHANGE INC. was established on January 19, 2009 with the purpose of expanding sales outlets for domestic used car dealerships and information services for overseas users. However operations have not yet begun as of the submission date of these financial results.

### **Lifestyle-related Information**

The Group's operations include culture information, and care-related information businesses, along with Internet/mobile advertising as well as website support businesses. The culture information business offers lesson information concerning qualifications, skills, hobbies, and schools which contribute to the expansion of the qualifications and learning market. With regard to the care-related information business, in addition to offering information on retirement homes and housing for the elderly at a fee, as well as on job openings in the nursing, medical and welfare industry, it has begun offering placement opportunity services aimed at nurses who wish to change jobs at hospitals and nursing homes, thereby helping to develop the nursing, medical and welfare industries and eliminate the shortage of workers in those areas. Such information is collected, sorted, and

classified in the same way as automobile-related information, thereby making it easy to compare and study, and is offered to consumers and corporations through the Internet and mobile phones. Furthermore, the Group also operates an Internet/mobile advertising business, which performs advertising activities for clients through media belonging to both the Group and other companies, as well as a website support business for SEO measures.

The Group's main source of revenue is advertising revenue (as is the case with automobile-related information) generated from fees paid by advertising clients to register information on websites.

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

### **Real Estate**

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.

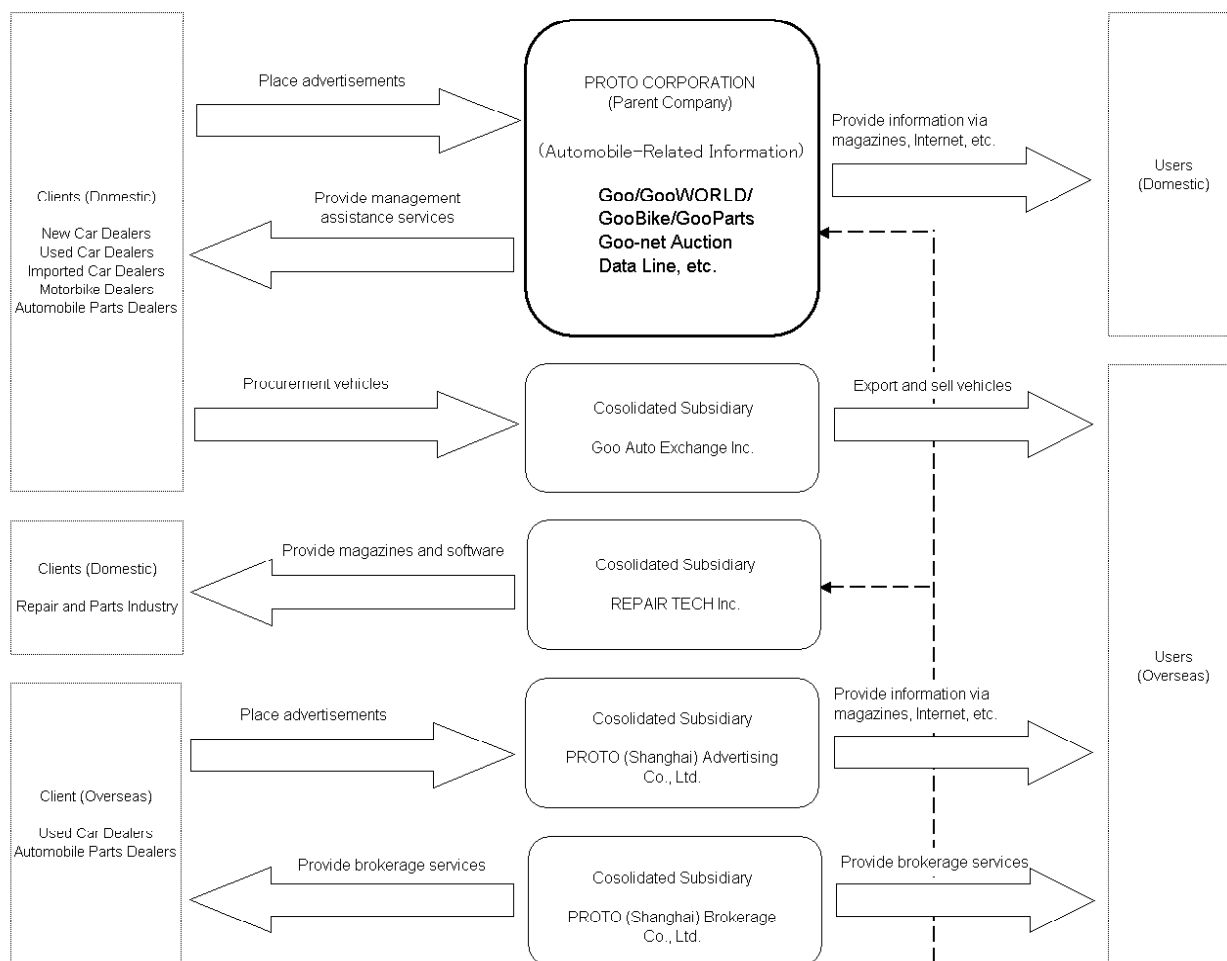
### **Others**

MARS FLAG Corporation develops and administers the site search function Mars Enterprise Solutions (MARSFINDER/UNIVERSAL VIEWER/SITE PERFORMANCE) based on the technology of the Internet search engine MARS FLAG.

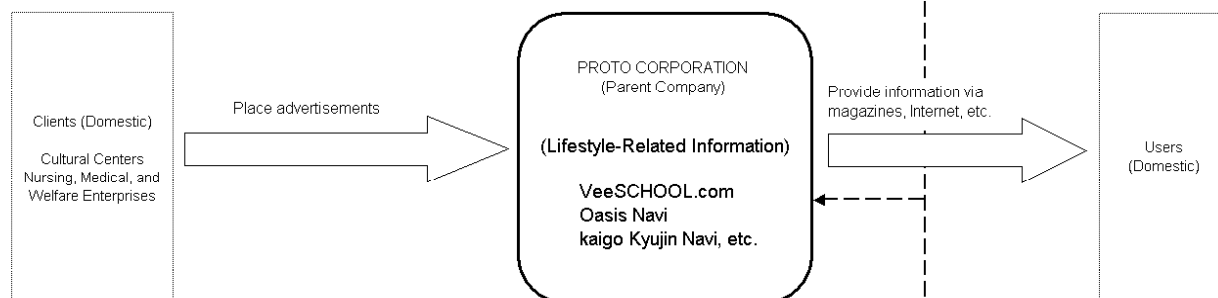
PROTO DATA CENTER provides data entry services, media design and production, along with Web solution services and telemarketing services.

The following is a graphic representation of the Group's businesses as described above.

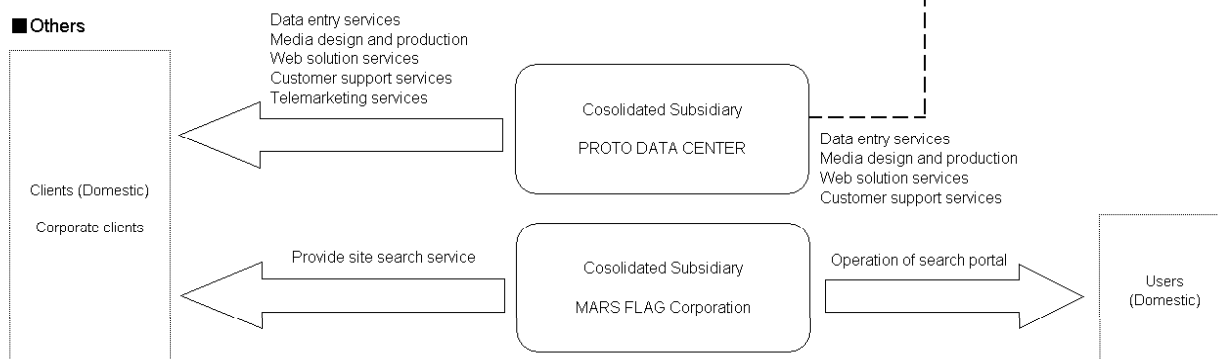
■ Automobile-Related Information



■ Lifestyle-Related Information



■ Others



- Notes: 1. PROTO Corporation and REPAIR-TECH Inc. also engage in real estate management.  
 2. On April 30, 2008, Bomul.com was absorbed by JPEX Partners Inc. and thus no longer exists.  
 3. On June 1, 2008, PROTO LINK Corporation was absorbed by PROTO Corporation and thus no longer exists.  
 4. On December 9, 2008, JPEX Partners Inc. was excluded from the Group after all stock held by PROTO Corporation was transferred.

### **3. Business Plan**

#### **(1) Basic Management Policy**

PROTO Corporation has been moving forward with its corporate philosophy of “bringing companies and people together for the benefit of society, using intelligence and information rather than simply selling commodities.” The fundamental belief of the Company is to find value in being truly needed within industry in a world full of people and companies. In order to be truly needed in a world where there are an abundance of people and goods, the Company believes it is important to make information and intelligence its weapon of choice while breaking new ground by means of its true pioneering spirit and swift action despite a degree of risk, feeling gratification in growing larger. By constantly pursuing original ideas and actions, the Company seeks to continue broadening its appeal as a valuable corporation.

To realize this philosophy, the Company has set corporate goals in ten-year increments. The corporate goal from 2000 to 2009 is to become a happy company that continues to create and challenge under the slogan, “An Exciting, Thrilling, and Fun Company–Joyful Company.” A happy company is one that continues to try new things while prompting growth, and through this process, can become a “thrilling and exciting” company for the Company’s stakeholders.

In order to achieve these goals the Company believes that it is necessary to aim for an innovative business model that is always half-a-step ahead of the times, while improving the value of the Company by establishing new businesses as well as creating and expanding markets to maintain growth.

The corporate goal for 2010 to 2019 is to become “a global, world-class Company.” The goal is to actively expand operations with an eye on the global market, giving the Company the competitive edge to compete on the global stage.

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

PROTO Group places the growth of net sales and operating income, along with ordinary income as an important management index to secure continuous and stable revenue and further expand 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) Consolidate Brand Recognition**

The Group acknowledges that in a society overflowing with various forms of information, it is imperative for future business expansion to consolidate its corporate brand by acquiring trust and value; for example, by equating PROTO information with trustworthiness, usefulness and good quality.

The Group will endeavor to acquire and maintain high levels of trust and value by selecting information which is truly valued and needed and by continuing to offer information with high-added value, employing everything that it has learned up to now, when aiming to consolidating the brand.

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

The car portal site Goo-net, which is the strategic central media for automobile-related information, has obtained the overwhelming support of consumers as a used car search site. Recently, however, car purchasing specialists and new players from outside the industry such as Internet-based

businesses have used the Internet to provide consumers with information on used cars, and competition between companies is expected to grow fiercer in the future.

In light of the current situation, the Group will further expand content and services (functions) for the car portal site Goo-net to acquire more support from consumers and establish the site as a single comprehensive portal site by pooling information on car purchasing, selling and other related information. The Group will also strengthen its efforts to attract not just existing used car purchasers but also buyers of new cars.

Meanwhile, the Group's current main source of revenue is the advertising fees from used car dealerships, and it will be necessary to assure new sources of revenue in order to further expand business. Specific strategies to secure revenues from other sources include the acquisition of brokerage fees via the car portal site Goo-net and other automobile-related sites, and handling charges from successful purchases. With regard to the conventional advertising fees, revenue levels are to be maintained and increased by offering new services to used car dealerships via the Internet.

**(c) Promoting M&A and Business Alliances**

To expand its content and upgrade its services, the Group will make efficient use of the management resources of each of the Group companies. If, however, the Group has insufficient resources to achieve this on its own, it will accelerate business growth by proactively pursuing M&A and business alliance opportunities.

**(d) Overseas Business Expansion**

The Group will promote the establishment of businesses through consolidated subsidiaries using its accumulated expertise in collecting and providing information in the global market, including China.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousands of yen)

	March 31, 2008	March 31, 2009
<b>ASSETS</b>		
Current Assets		
Cash	9,135,447	9,257,401
Notes and accounts receivable	2,739,587	2,395,830
Inventory assets	44,392	—
Goods and products	—	13,440
Goods in process	—	45,518
Raw material and inventory goods	—	10,418
Deferred tax assets	96,918	141,898
Other current assets	282,247	175,469
Allowance for doubtful accounts	(3,223)	(1,884)
Total Current Assets	12,295,370	12,038,093
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	3,501,965	5,156,696
Accumulated depreciation	(1,719,774)	(1,815,420)
Building and structures -Net	1,782,191	3,341,275
Land	2,174,459	3,900,031
Other tangible fixed assets	541,927	268,003
Accumulated depreciation	(286,097)	(190,900)
Other tangible fixed assets -Net	255,829	77,103
Total tangible fixed assets	4,212,480	7,318,411
Intangible Fixed Assets		
Goodwill	72,996	132,531
Other intangible fixed assets	189,185	161,442
Total intangible fixed assets	262,181	293,973
Investment and Other Assets		
Investments in securities	588,689	438,254
Deferred tax assets	383,685	493,608
Other investments	1,307,264	1,055,711
Allowance for doubtful accounts	(26,246)	(29,320)
Total investments and other assets	2,253,392	1,958,253
Total Fixed Assets	6,728,054	9,570,637
Total Assets	19,023,424	21,608,731

(Thousands of yen)

	March 31, 2008	March 31, 2009
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable-trade	1,744,157	727,180
Accrued expenses	906,533	1,239,363
Accrued income taxes	980,655	1,245,439
Advances received	1,987,442	2,121,637
Allowance for sales returns	54,224	51,357
Allowance for bonus payable	36,378	35,440
Other current liabilities	286,541	747,009
Total Current Liabilities	5,995,932	6,167,427
Long-Term Liabilities		
Deferred tax liability	1,566	—
Allowance for Employees' retirement benefits	27,049	—
Allowance for directors' retirement benefits	191,858	194,600
Negative goodwill	33,067	41,465
Other long-term liabilities	339,765	340,159
Total Long-Term Liabilities	593,306	576,224
Total Liabilities	6,589,239	6,743,652
<b>SHAREHOLDERS' EQUITY</b>		
Shareholder's equity		
Common stock	1,824,620	1,824,620
Capital surplus	2,011,536	2,011,623
Retained earnings	8,439,991	10,999,460
Treasury stock	(10,385)	(11,778)
Total Shareholders' Equity	12,265,761	14,823,925
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	6,154	(27,143)
Foreign exchange adjustment account	32,952	(10,412)
Total valuation and translation adjustments	39,106	(37,556)
Minority Interests	129,317	78,708
Total Net Assets	12,434,185	14,865,078
Total Liabilities and Net Assets	19,023,424	21,608,731



**(2) Consolidated Statements of Income**

(Thousands of yen)

	Year Ended March 31, 2008	Year Ended March 31, 2009
Net Sales	22,893,978	23,657,565
Cost of Sales	9,964,422	9,067,679
Gross Profit	12,929,556	14,589,886
Reversal of Reserve for Returned Products	45,638	54,224
Transfer to Reserve for Returned Products	54,224	51,357
Adjusted Gross Profit	12,920,970	14,592,753
Selling, General and Administrative Expenses		
Salaries for directors and employees	3,687,881	3,852,335
Provision for allowance for directors' retirement benefits	15,434	15,087
Provision for allowance for bonus payable	25,653	25,951
Advertising	1,652,429	1,682,071
Provision for allowance for doubtful accounts	10,209	20,594
Amortization of goodwill	77,156	36,167
Others	3,680,688	3,575,804
Total Selling, General and Administrative Expenses	9,149,452	9,208,011
Operating Income	3,771,517	5,384,741
Non-Operating Income		
Interest income	6,064	11,104
Dividend income	15,368	14,085
Income from sales of used paper	25,078	31,903
Amortization of negative goodwill	—	7,403
Gain on investments in anonymous associations	10,760	17,820
Other income	38,468	12,710
Total Non-Operating Income	95,739	95,027
Non-Operating Expenses		
Interest expenses of loans	271	—
Investment losses of business association	21,597	76,433
Other expenses	7,620	3,036
Total Non-Operating Expenses	29,488	79,470
Ordinary Income	3,837,768	5,400,297

(Thousands of yen)

	Year Ended March 31, 2008	Year Ended March 31, 2009
<b>Extraordinary Income</b>		
Gains from sales of fixed assets	316	67
Gains from sales of securities	—	13,328
Gains from sales of shares in affiliates	89,043	—
Gains from the prior-term adjustments	—	50,649
Other extraordinary income	1,825	—
<b>Total Extraordinary Income</b>	<b>91,186</b>	<b>64,045</b>
<b>Extraordinary Losses</b>		
Losses from sales of fixed assets	12,572	1,423
Losses from disposals of fixed assets	56,410	52,698
Impairment losses	—	52,440
Losses from Write-down of securities	186,764	152,775
Losses from sales of shares in affiliates	—	35,509
Losses on dissolution of lease	6,300	—
Other expenses	2,120	33,799
<b>Total Extraordinary Losses</b>	<b>264,167</b>	<b>328,647</b>
<b>Income before Income Taxes</b>	<b>3,664,786</b>	<b>5,135,695</b>
Income Taxes	1,753,911	2,131,858
Adjustment of Corporate Income Tax	62,283	(133,757)
<b>Corporate Income Tax Total</b>	<b>1,816,194</b>	<b>1,998,101</b>
<b>Minority Interest in Earnings (Losses)</b>	<b>10,583</b>	<b>(49,536)</b>
<b>Net Income</b>	<b>1,838,008</b>	<b>3,187,129</b>

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

(Thousands of yen)

	Year Ended March 31, 2008	Year Ended March 31, 2009
<b>Capital</b>		
<b>Stockholder's Equity</b>		
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
<b>Capital Surplus</b>		
Balance at end of previous period	2,011,536	2,011,536
Increase (decrease) during the period		
Disposal of treasury stocks	-	87
Total increase (decrease) during the period	-	87
Balance at end of period	2,011,536	2,011,623
<b>Retained earnings</b>		
Balance at end of previous period	7,020,461	8,439,991
Increase (decrease) during the period		
Cash dividends (Note)	(418,479)	(627,660)
Net income	1,838,008	3,187,129
Total increase (decrease) during the period	1,419,529	2,559,469
Balance at end of period	8,439,991	10,999,460
<b>Treasury stock</b>		
Balance at end of previous period	(7,396)	(10,385)
Increase (decrease) during the period		
Acquisition of treasury stocks	(2,989)	(1,542)
Disposal of treasury stocks	-	149
Total increase (decrease) during the period	(2,989)	(1,392)
Balance at end of period	(10,385)	(11,778)
<b>Total Stockholder's Equity</b>		
Balance at end of previous period	10,849,221	12,265,761
Increase (decrease) during the period		
Cash dividends (Note)	(418,479)	(627,660)
Net income	1,838,008	3,187,129
Acquisition of treasury stocks	(2,989)	(1,542)
Disposal of treasury stocks	-	237
Total increase (decrease) during the period	1,416,539	2,558,164
Balance at end of period	12,265,761	14,823,925

(Thousands of yen)

	Year Ended March 31, 2008	Year Ended March 31, 2009
Valuation and exchange differences etc.		
Profit/Loss on deferred valuation of other securities		
Balance at end of previous period	28,200	6,154
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	(22,045)	(33,297)
Total increase (decrease) during the period	(22,045)	(33,297)
Balance at end of period	6,154	(27,143)
Profit/loss on deferred exchange		
Balance at end of previous period	28,659	32,952
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	4,292	(43,365)
Total increase (decrease) during the period	4,292	(43,365)
Balance at end of period	32,952	(10,412)
Total Valuation and exchange difference		
Balance at end of previous period	56,859	39,106
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	(17,752)	(76,662)
Total increase (decrease) during the period	(17,752)	(76,662)
Balance at end of period	39,106	(37,556)
Minority Interests		
Balance at end of previous period	399,047	129,317
Increase (decrease) during the period		
Net change in items excluding shareholders' equity during the period	(269,729)	(50,608)
Total increase (decrease) during the period	(269,729)	(50,608)
Balance at end of period	129,317	78,708
Total net assets		
Balance at end of previous period	11,305,128	12,434,185
Increase (decrease) during the period		
Cash dividends (Note)	(418,479)	(627,660)
Net income	1,838,008	3,187,129
Acquisition of treasury stocks	(2,989)	(1,542)
Disposal of treasury stocks	-	237
Net change in items excluding shareholders' equity during the period	(287,482)	(127,271)
Total increase (decrease) during the period	1,129,057	2,430,892
Balance at end of period	12,434,185	14,865,078

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

(Thousands of yen)

	Year Ended March 31, 2008	Year Ended March 31, 2009
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	3,664,786	5,135,695
Depreciation	230,195	207,240
Impairment loss	—	52,440
Amortization of goodwill	77,156	36,167
Amortization of negative goodwill	—	(7,403)
Loss on revaluation of derivatives	(7,390)	1,186
Increase/decrease in reserve for directors' retirement allowances	8,352	2,741
Increase/decrease in reserve for employees' retirement benefits	3,237	(26,176)
Increase/decrease in reserve for bonuses	6,225	1,076
Increase/decrease in reserve for returned products	8,586	(2,867)
Increase/decrease in allowance for doubtful accounts	(2,571)	2,130
Interest and dividend income	(21,433)	(25,189)
Interest expenses	271	—
Gain/loss on investments in business associations	21,597	76,433
Loss on revaluation of inventories	—	2,966
Loss on investments in anonymous associations	(10,760)	(17,820)
Loss on sales of investment securities	—	(13,328)
Loss on sales of shares in affiliated companies	(89,043)	35,509
Loss on revaluation of investment securities	186,764	152,775
Gain on sales/disposal of property and equipment	67,987	54,054
Increase/decrease in trade receivables	(50,613)	470,508
Increase/decrease in inventories	30,402	(27,952)
Increase/decrease in accounts payable	(127,670)	(1,020,927)
Increase/decrease in accrued expenses	53,659	366,912
Increase/decrease in advances received	139,491	132,603
Increase/decrease in accrued consumption taxes, etc	17,164	(42,356)
Others	(17,210)	49,821
Subtotal	4,189,215	5,596,241
Interest and dividends received	21,540	25,438
Interest paid	(271)	—
Income taxes paid	(1,889,423)	(1,871,608)
Net Cash Provided by (Used in) Operating Activities	2,321,062	3,750,071

(Thousands of yen)

	Year Ended March 31, 2008	Year Ended March 31, 2009
<b>Cash Flows from Investing Activities</b>		
Decrease in time deposits	—	(300,000)
Increase in time deposits	2,100	600,000
Acquisition of property and equipment	(194,354)	(2,852,789)
Proceeds from sales of property and equipment	5,679	960
Acquisition of intangible fixed assets	(103,081)	(78,151)
Addition to investment securities	(85,200)	(175,964)
Proceeds from sales of investment securities	—	32,538
Acquisition of shares in subsidiary from minority shareholders	(244,387)	—
Sales of shares in subsidiary to minority shareholders	113,670	—
Payment for subsidiary's shares accompanying changes in scope of consolidation	—	(2,188)
Proceeds from subscription repayments	10	—
Payment of long-term prepaid expenses	(13,133)	(26,395)
Investment income received from anonymous associations	71,138	15,412
Payment for acquisition of business	—	(162,110)
Others	(27,225)	(543)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(474,785)</b>	<b>(2,949,230)</b>
<b>Cash Flows from Financing Activities</b>		
Net increase/decrease in short-term borrowings	—	3,998
Acquisition of treasury stock	(2,989)	(1,542)
Proceeds from disposal of treasury stock	—	237
Dividends paid	(417,703)	(627,100)
Dividends paid to minority shareholders	(16,942)	—
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(437,635)</b>	<b>(624,407)</b>
<b>Translation Gain (Loss) Related to Cash and Cash Equivalents</b>	<b>6,871</b>	<b>(54,479)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,415,513</b>	<b>121,953</b>
<b>Cash and Cash Equivalents at Beginning of Term</b>	<b>7,569,934</b>	<b>8,985,447</b>
<b>Cash and Cash Equivalents at End of Term</b>	<b>8,985,447</b>	<b>9,107,401</b>