



**PROTO CORPORATION**

<http://www.proto-g.co.jp/>



# Annual Report 2011

Year Ended March 31, 2011

**Leveraging Information for the Future**

# Leveraging Information for the Future

PROTO CORPORATION started up in 1977, and with the management principle of “Bringing companies and people together for the benefit of society, using intelligence and information rather than simply selling commodities,” we have continued to grow. After starting business with Japan’s first used car information magazine, PROTO CORPORATION now provides various services for information relating to automobiles and daily life through various media forms, such as mobile phones, information magazines, and the Internet, including our car portal site, Goo-net.

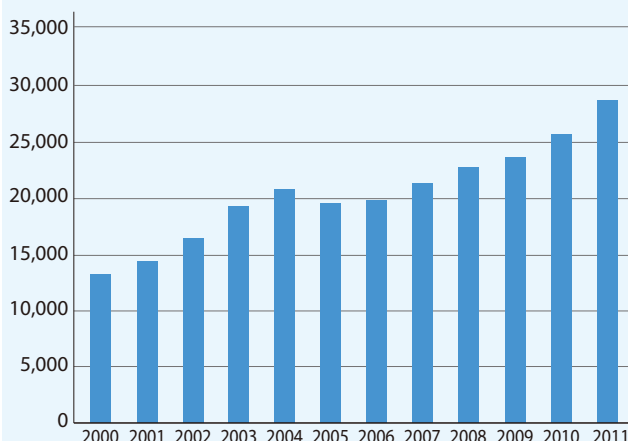
In particular, in our core business of Automobile-related information, by providing a comprehensive management support service for our customers, who consist mainly of used car dealers, we are striving to achieve further business expansion and growth.

Furthermore, by actively pursuing business development in not only the field of Automobile-related information, but also in the field of Lifestyle-related information – including information on cultural, medical, nursing, welfare, and reuse matters, – we aim to achieve continuous and stable growth.

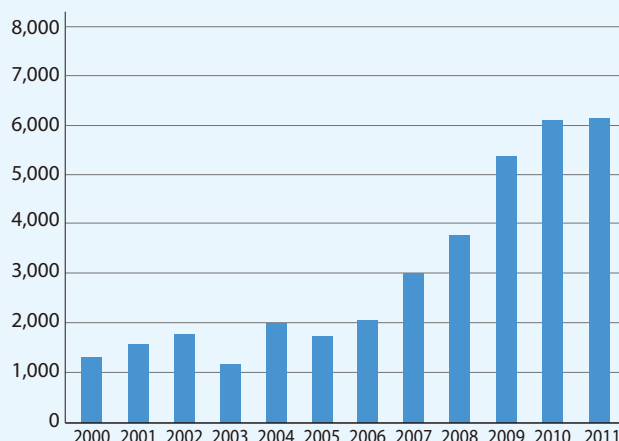
## Sales and Operating Income (Consolidated)

Years ended March 31

**Net Sales**  
(¥ Million)



**Operating Income**  
(¥ Million)



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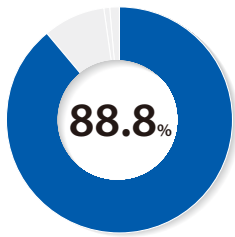
### Forward-Looking Statements

This annual report contains forward-looking statements that reflects the Proto Group’s plans, strategies and expectations. Such statements are based on management’s assumptions and beliefs, taking into account information currently available to it, and involve risks and uncertainties.

# At a Glance

## Automobile-related Information

Share of Net Sales



Net Sales

¥25,566 million

PROTO is working to strengthen its integrated management support services for maintenance, sheet metal, and paint shops as well as used car dealerships in Japan while also offering various information services that seek to provide merits to consumers based around the car portal site "Goo-net," which boasts the largest number of registered used cars in Japan.

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Car information magazine  
**Goo**



Imported car information magazine  
**Goo World**



Bike information magazine  
**Goo Bike**



Car parts information magazine  
**Goo Parts**



Car portal site  
**Goo-net**



Imported car information website  
**Goo World**



Bike information website  
**Goo Bike**

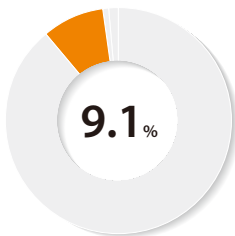


Car parts information shopping website  
**Goo Parts**

At a Glance

## Lifestyle-related Information

Share of Net Sales



Net Sales

¥2,616 million

PROTO is working to strengthen its management support services for clients in fields like medical care, nursing care, welfare, cultural information, and reuse while also offering various information services on each field to users through the Internet and mobile media.

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Information search website for nursing homes and housing for seniors  
**Oasis Navi**



Recruiting/outplacement information website for nursing, medical, and welfare  
**Kaigo Kyujin Navi**



Job information website for nurses  
**Nurse Agent**



Job information website for pharmacists  
**Yakuzaiishi Kyujin Agent**



Website for specializing in qualifications, skills, hobbies, and schools  
**Vee SCHOOL**



Reuse information website  
**Oikura**

## Real Estate Business / Other Business

Share of Net Sales



Net Sales

Real Estate Business Other Business  
¥181 million ¥415 million

<Real Estate Business>  
With respect to their own assets, the PROTO CORPORATION and REPAIR-TECH INC. carry out real estate management activities with maintenance engineering.  
<Other Business>  
PROTO DATA CENTER provides BPO business such as data entry and telemarketing services etc.

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BPO business  
(PROTO DATA CENTER)

# Consolidated Financial Highlights Years ended March 31

## Financial Highlights

(Millions of yen)

	2007	2008	2009	2010	2011
<b>For the Year</b>					
Net sales	21,238	22,893	23,657	25,682	28,779
Operating Income	2,988	3,771	5,384	6,098	6,111
Ordinary Income	3,136	3,837	5,400	6,165	6,375
Net Income	1,766	1,838	3,187	3,529	3,197
<b>At Year End</b>					
Total Assets	17,924	19,023	21,608	24,223	26,163
Net Assets	11,305	12,434	14,865	17,700	20,034
Common Stock	1,824	1,824	1,824	1,824	1,824
Shares Outstanding at Year-end (Thousands)	10,470	10,470	10,470	10,470	10,470

## Per Share Data

(Yen)

	2007	2008	2009	2010	2011
Net Income	168.78	175.69	304.67	337.43	305.71
Net Assets	1,042.41	1,176.24	1,413.52	1,683.60	1,915.33
Annual Cash Dividends	30.00	50.00	70.00	70.00	75.00

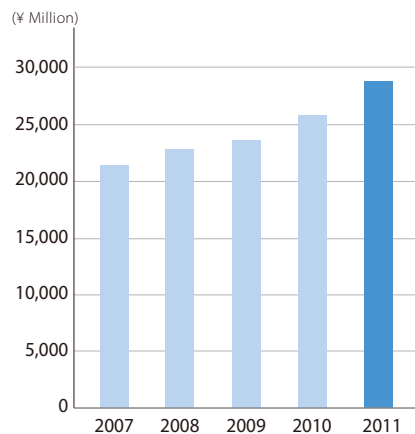
## Financial Indicators

	2007	2008	2009	2010	2011
Operating Income Ratio	14.1%	16.5%	22.8%	23.7%	21.2%
Return on Equity (ROE) *1	17.2%	15.8%	23.5%	21.8%	17.0%
Return on Assets (ROA) *2	18.4%	20.8%	26.6%	26.9%	25.3%
Equity Ratio	60.8%	64.7%	68.4%	72.7%	76.6%
Payout Ratio	17.8%	28.5%	23.0%	20.7%	24.5%

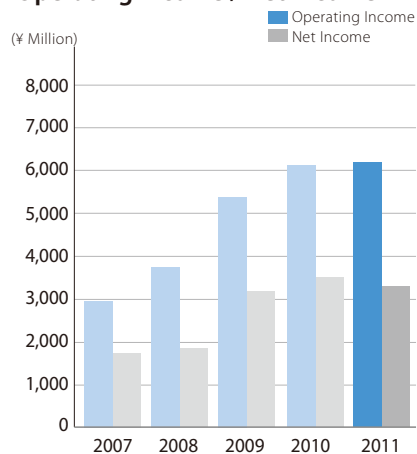
\*1 ROE: Net Income/Equity Capital

\*2 ROA: Ordinary Income/Total Assets

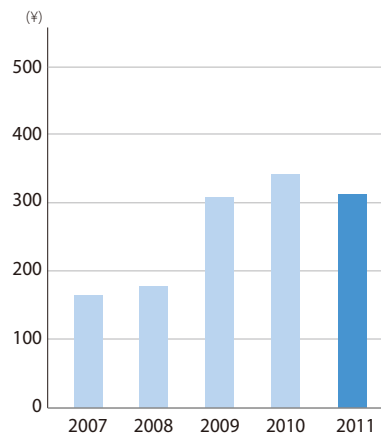
### Net Sales



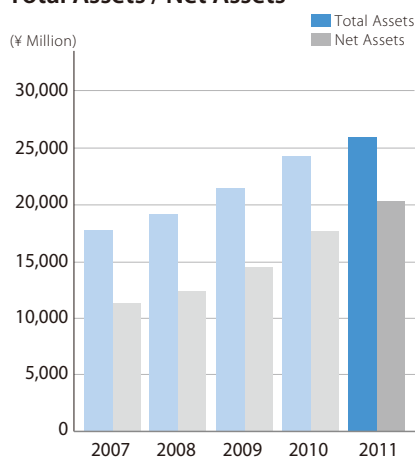
### Operating Income / Net Income



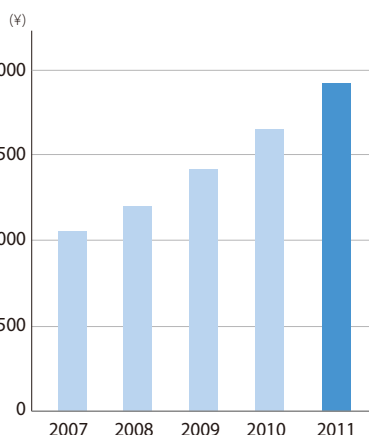
### Net Income per Share



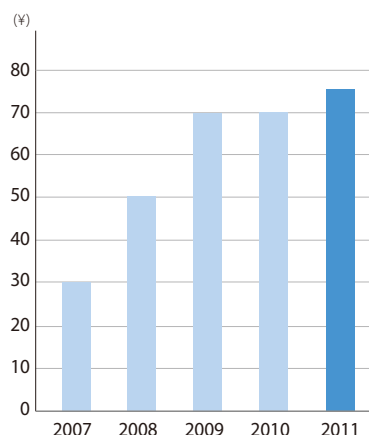
### Total Assets / Net Assets



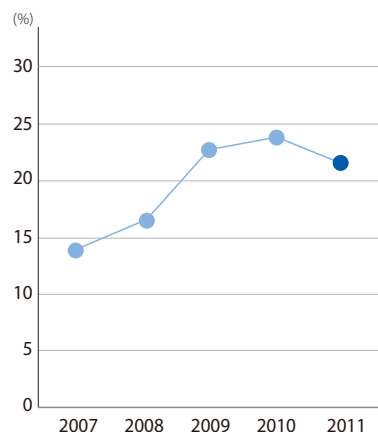
### Net Assets per Share



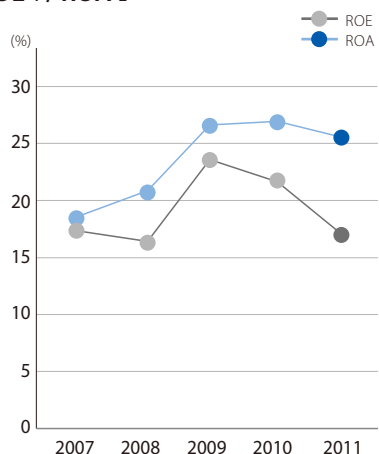
### Annual Cash Dividends per Share



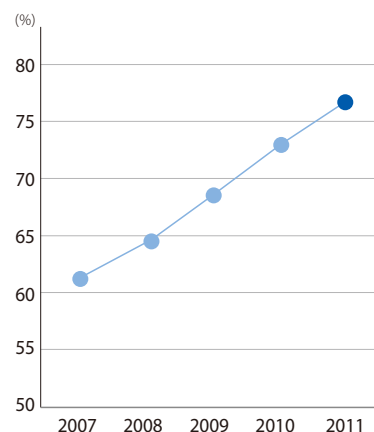
### Operating Income Ratio



### ROE\*1 / ROA\*2



### Equity Ratio



\*1 ROE: Net Income/Equity  
\*2 ROA: Ordinary Income/Total Assets



## Message from the President and COO

Message from the President and COO



In the year ended March 31, 2011, sales increased by 12.1% from the previous year, operating income levels increased by 0.2% from the previous year, and increases in sales and profits were achieved for the sixth year in a row.

At the PROTO Group, in order to ensure continual and steady earnings, as well as further business expansion, we view growth potential in net sales, operating income, and ordinary income as key management indicators. Also, we strive to perform management with attention given to growth potential, profitability, and efficiency.

In terms of profitability in the year ended March 2011, our ROE (Return on Equity) was 17.0%, while our ROA (Return on Assets) was 25.3%. At PROTO, we aim to further boost these indicators in the medium term, and in particular, we aim to achieve an ROE of 25%.

Our current financial position is firm, and in the future we intend to pursue management that gives attention to profitability and efficiency, while still maintaining a sufficient equity ratio (year ended March 2011: 76.6%).

### Future Outlook for Automobile-related Information

The circumstances surrounding the automobile sales market have shown signs of improvement with Japanese automobile manufacturers, which had stopped production due to the effects of the Great East Japan Earthquake, returning to normal production faster than initially anticipated, but it is anticipated that the future will continue to be uncertain due to the continuing strength of the yen, response to power shortages, and other such reasons.

Within this business environment, we will gain the support of more users and clients for the Automobile-related information business by increasing competitiveness and differentiation through efforts to expand content services such as the Goo-approved Car Service and Goo-net User Review while, in our existing business, increasing the number of business partners by covering all 47 prefectures in Japan by rapidly developing new areas like Niigata, Shikoku, and Okinawa. Additionally, we aim for continuous growth through the expansion of our "comprehensive management support" service that covers the entire automobile industry by expanding our areas of business to include after-market business areas such as maintenance, repair, and sheet metal.

## Future Outlook for Lifestyle-related Information

We are working to expand profitability and become established early in new markets by expanding into the business area of "specialty-specific services" while also continuing to drive the expansion of content services in fields like cultural information, medical care, nursing care, welfare, and reuse. We will develop new areas rapidly and efficiently by applying the business model cultivated under the Goo Series, which includes making use of existing business infrastructure and know-how.

## M&A Strategy

PROTO plans to expand its content service and enlarge its area of business by actively considering M&A opportuni-

ties and alliances centered on Automobile-related information business, its primary business areas, and Lifestyle-related business.

In particular, PROTO plans to actively consider M&A opportunities in the Automobile-related information business in overseas markets.

## Return to Shareholders

PROTO'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 year ended March 2011, we paid annual cash dividends of ¥75.00 per share of common stock. This consisted of interim and year-end dividends of ¥37.50 each. In the year ending March 2012, 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.

Thank you, our shareholders, for your increasing support and encouragement.

August 2011

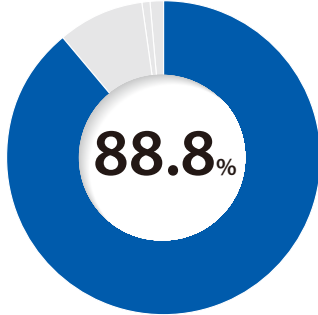
  
Tatsuzo Irikawa  
President and COO



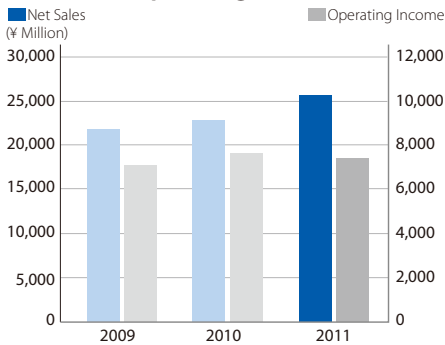
# Business Overview

## Automobile-related Information

Share of Net Sales



Net Sales / Operating Income



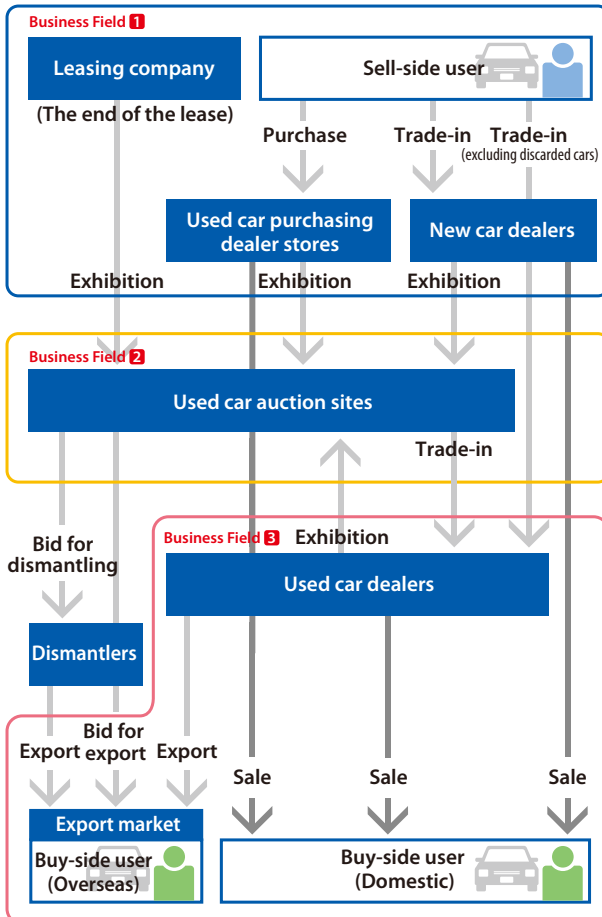
\*Years ended March 31

PROTO collects manufacturer and independent used car dealership product inventory data for advertisement listings and, after organizing and classifying (compiling in a database) this inventory data, offers it to consumers as valuable information content through media such as the Internet, mobile Internet, and information magazines.

In addition to this, as a service for corporate customers like used car dealerships, PROTO also offers valuable information on the distribution of used cars such as information on used car bid prices collected from automobile auctions throughout Japan and used car standard price information independently developed by PROTO. Additionally, PROTO runs business support services that create effectiveness, efficient purchasing, and sales such as providing the "Goo-approved Car Service" that discloses information on the quality of a used car to consumers and the C-to-B used car purchasing service "Goo Auctions" where car dealerships compete through bids for automobiles owned by consumers.

Business Overview

## Used Car Distribution Market and Our Core Products and Services



### Business Field 1

Products and services for clients

**Data Line, Auction Information Weekly, and basic price data for automobile manufacturers**

To offer the data on final bidding prices and retail prices, etc.

Products and services for clients

**e-satei** To offer the system for appraising used cars for corporations

Products and services for clients and users

**Goo-net Auction, Goo-net Car Purchasing/Charge-free Simultaneous Appraisal Service**  
With the charge-free simultaneous appraisal service, it is possible to compare the purchase prices of up to 10 firms

### Business Field 2

Products and services for clients

**Goo-net Automobile Distribution, Automobile Distribution Journal**

The trend of the distribution market is informed via websites and paper sheets to automobile-related firms

### Business Field 3

Products and services for clients and users

**Goo Series (PCs, mobile phones, information magazines)**

To search favorite cars and estimate their prices

**Internet option products (SA, QE, GCS)**

Stock, client, and customer management tools utilizing the platform for dealers, etc.

**Goo-approved Cars**

Addition of the information on the appraisal by the third-party institution

**Goo Warranty** Used car repair warranty for up to 3 years

**Goo Raku** Provision of the used-car fixed amount credit

**User Review (Goo-net)**

Evaluation of dealers posted by users who purchased car

**Goo-net Exchange** To assist dealers in the export of used cars

## Business Process of Goo Series



### 1 Information Registration Fees (1)

Charging system: Ad fee per page

\*Basic ad fee (package of information magazines, PCs, and mobile devices)

### 2 Information Registration Fees (2)

Charging system: Fee for Internet option products, such as Goo-net (Quotation/inquiry Service, QE, GCS, etc.)

### 3 Information Service Fees

Sales of information magazines  
Mobile device charging

The Goo series provides inventory information from used car dealerships, our primary customers, to consumers by taking advantage of various types of media such as the Internet, the mobile Internet, and information magazines.

PROTO's primary earnings come from two sources, information registration fees and information service fees.

PROTO sells sets of advertisement listings on the Internet, mobile Internet, and information magazines to used car dealerships, and as compensation for these advertisement listings, PROTO receives a basic advertisement listing fee from the used car dealership. The adver-

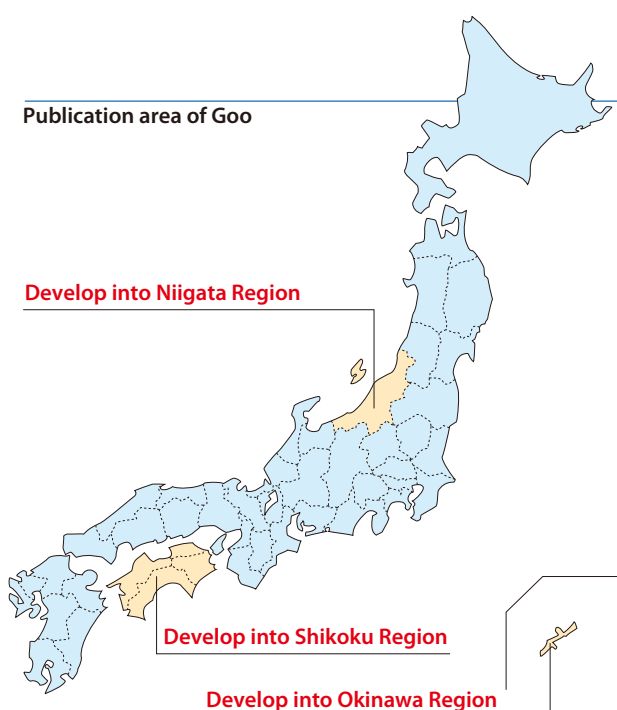
tisement listing fee is charged according to the number of pages with the standard as the price of one page in an information magazine. Additionally, PROTO has developed products and services such as Quotation/inquiry Service, QE (Quick Entry), and GCS (Goo Navi Customer Service) as an option that includes only the Goo-net Internet listings, and charges are placed on each product.

On the other hand, users are charged for the purchase of information magazines and for the use of a portion of the mobile site.

## Goo Series Area Development

In June 2010, the car magazine "Goo Koshin Edition" was launched, and in the fiscal year ending March 2012, PROTO also plans to advance into the undeveloped areas of Niigata, Shikoku, and Okinawa.

Utilizing this network of sales offices that spans the entire country of Japan, PROTO is aiming to continue increasing the number of business partners and improving customer satisfaction levels.

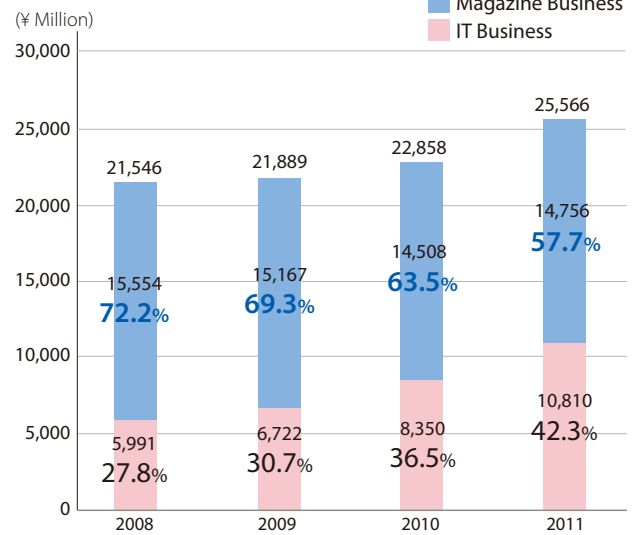


## Automobile-related Information Sales Ratio By Product

Sales of Automobile-related information in the fiscal year ended March 2011 were up 11.8% from the previous year. In particular, the ratio of sales from the highly profitably IT business has been increasing year-on-year, to 42.3% in the fiscal year ended March 2011, due to the expansion of sales of business support systems for maintenance, sheet metal, and painting businesses, the strengthening of the EC business related to motorcycle parts and accessories, the expansion of sales of the Goo-approved Car Service, and Goo series IT products (Quotation/inquiry Service, QE, GCS, etc.).

## Changes in Automobile-related Sales by Product Classification

\*Percentages represent composition ratios



\*Years ended March 31

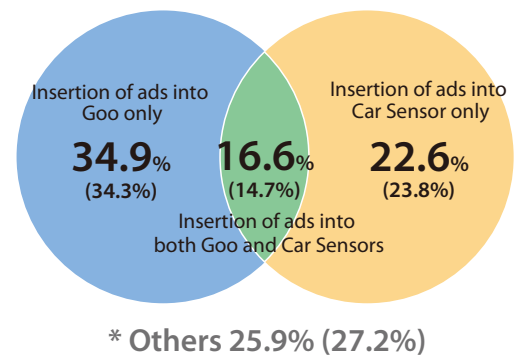
## Market Share and Competitiveness

Goo series has increased market share by gaining the support of clients through expanding its business area and the strengthening of the business support business for clients.

Looking at the major cities in each region of Japan and comparing the number of used car dealerships that placed advertisements in the car information magazine "Goo" and the competing media "Car Sensor" (published by Recruit Co., Ltd.) in March 2011, 34.9% of dealerships placed advertisements only in Goo, putting it far ahead of Car Sensor.

PROTO also anticipates expanding the number of business partners by developing new areas (Niigata, Shikoku, and Okinawa) in the fiscal year ending March 2012 and further increasing its market share.

## Situation of Market Share (Compared with Competitors)



\*Major cities in each area were targeted to obtain the numerical values  
 \*Method for counting client companies: To count the number of dealers that inserted their ads into information magazines  
 \*Parentheses represent shares in the same month of the previous year

(Researched by PROTO in March 2011)

# TOPICS

## Expansion of Content Services that Offer Peace of Mind and Confidence

PROTO is planning to differentiate itself from competing sites by expanding its content services, such as the Goo-approved Car Service and User Review, that allow users planning to purchase a used car to select a car or dealership with peace of mind.

### Goo-approved Car Service

The Goo-approved Car Service increases the confidence and peace of mind with which users select used cars by disclosing the easy-to-understand results of used car appraisals performed by third-party appraisers. Additionally, the service is used as a sales support service by dealerships that are PROTO clients, and the service has garnered a large amount of support as the number of participating dealerships amounted to 3,072 (an increase of 87.8% year-on-year) in March 2011.



### User Review

User Review is a service that is limited to users who have purchased automobiles at a dealership after using Goo-net's free estimate or contact service and that allows those users to submit reviews that directly evaluate the dealership where the automobile was purchased.

It is also supported by users as a service in which users participate that provides peace of mind and confidence in not only the selection of a car but also the selection of a dealership for users considering the purchase of a used car.



## Responding to Next Generation Media

PROTO is also actively responding to next generation media like smart phones and tablet PCs.

It is maximizing user contact points by releasing successive new applications making use of the content of "Goo-net," the car portal site that boasts the largest number of used car information listings in Japan, the "Goo car Information" used car search application and the electronic publications of "Goo Books" as well as other sources.



Goo Car Information



Goo Bike Information



Goo Parts Information



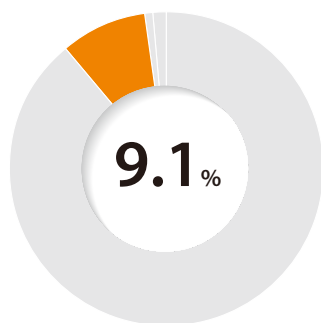
Goo Books



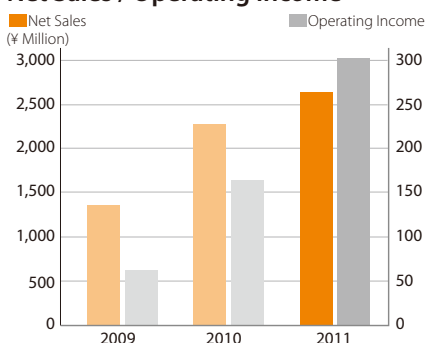
Goo Car Appraisal

## Lifestyle-related Information

### Share of Net Sales



### Net Sales / Operating Income



\*Years ended March 31

### Efforts in Medical, Nursing-care, and Welfare

In the field of medical, nursing-care, and welfare, "Oasis Navi," "Nurse Agent," and "Kaigo-Kyujin Navi" are the industry's number one media in terms of number of information listings. Additionally in October 2010, PROTO opened the job website "Yakuzaishi Kyujin Agent," which specializes in jobs for pharmacists, and it is working to expand the employment opportunities business.

Also in June 2011, PROTO shifted management of its medical, nursing-care, and welfare business to PROTO MEDICAL CARE in order to improve operating efficiency and strengthen the business by consolidating the business resources of the Group's medical, nursing-care, and welfare related businesses.

Sales in this area for the fiscal year ended March 2011 were ¥732 million, increased by 45.5% from the previous year.



Yakuzaishi Kyujin Agent

PROTO is also expanding its business scope via cross development of the business model of Goo series, its primary business, into Lifestyle-related information.

PROTO provides Lifestyle-related information in areas such as its cultural information business and reuse information business. The cultural information business contributes to the expansion of the scholastic and qualifications markets by providing information on courses related to qualifications, skills, and hobbies. The reuse information business contributes to the invigoration of the reuse market by providing services that allow requests for purchase and assessment to be made on the website in addition to providing information on recycle shops and similar businesses. Additionally in the fields of medical, nursing-care, and welfare, PROTO MEDICAL CARE, which changed its name from Medical CUBIC Co., Ltd. in May 2011, contributes to the resolution of personnel shortages and industry development by providing a staffing service as well as information on employment opportunities for the medical, nursing-care, and welfare industries and information on fee-based nursing homes and housing for seniors.

In addition to this, PROTO also operates an Internet advertising agency business.

### Business Expansion in the Reuse Field

The integrated reuse information website "Oikura" typically has listings for information on more than 2,000 recycle shops and pawn shops throughout Japan.

Since the acquisition of the business in October 2009, PROTO developed the business based in Tokyo but has also sequentially developed business based in Osaka, Fukuoka, and Nagoya.

Additionally, PROTO is also actively developing integrated management support for its clients, recycle shops and pawn shops, by starting the "Oikura Warehouse" purchasing support service.

Furthermore, in August 2011, PROTO opened the integrated reuse website "Goo Reuse", and it contributes to the development of reuse market.

Sales in this area for the fiscal year ended March 2011 were ¥176 million, increased by 207.7% from the previous year.



Oikura



Goo Reuse



## Review of the Cultural Information Business

The website for qualifications, skills, hobbies, and schools "Vee SCHOOL" typically has listings for information on more than 60,000 courses for qualifications, skills, and hobbies throughout Japan. The website not only has advertisement listings it also provides deeper information like school videos, trial lesson reservations, and user reviews.

In the fiscal year ended March 2011, a new sales office was established in Fukuoka to increase the number of its business partners while also attempting to expand its content.

As a result of this, sales in this area for the fiscal year ended March 2011 were ¥588 million, increased by 5.2% from the previous year.



Vee SCHOOL

## Real Estate Business / Other Business

### Share of Net Sales



### Real Estate Business

PROTO CORPORATION and REPAIR-TECH INC. focused on the rental management of their own properties.

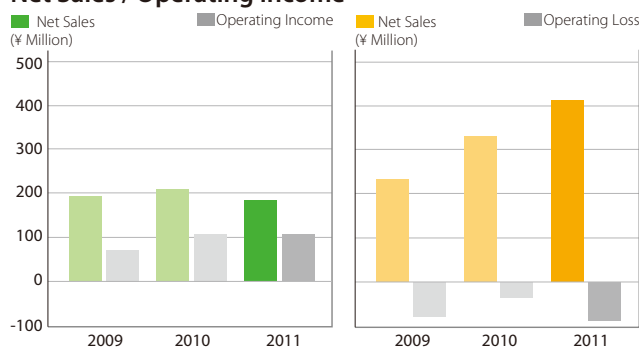
As a result of this, sales in this business for the fiscal year ended March 2011 were ¥181 million, decreased by 11.8% from the previous year.

### Other Business

PROTO DATA CENTER operates a BPO (Business Process Outsourcing) business. In addition, MARS FLAG Corporation, which works on the development and sale of the site internal search system "MARS FINDER" as well as other products, was excluded from the consolidated group with the sale of all shares retained by PROTO on March 1, 2011.

As a result of this, sales in this business for the fiscal year ended March 2011 were ¥415 million, increased by 25.1% from the previous year.

### Net Sales / Operating Income



\*Years ended March 31

# Corporate Governance

## Overview of Corporate Governance Systems

In addition to enhancing corporate value by ensuring consistent and stable profits and further expansion of the Group's businesses, the purpose of corporate governance is to engage in highly transparent and sound management that earns the trust of society. We at PROTO believe that managing our business while taking constant care to maximize profits for shareholders, clients, employees, and all other stakeholders helps enhance our value as a member of society. We will continue working hard to establish a highly transparent and sound management system by implementing thorough compliance (observance of laws and regulations), reinforcing monitoring functions, and disclosing information in a timely, appropriate, and fair manner.

With this basic attitude towards corporate governance, we aim to monitor and audit the state of compliance with laws and the Articles of Incorporation laws in the execution of duties by directors, as well as one standing auditor, we have also appointed two external auditors in order to ensure independence in audits. Furthermore, we have designated the two external auditors as independent board members, thereby ensuring objectivity and neutrality in management oversight and audit functions.

Directors have the authority to execute business affairs under their control, and are also in charge of monitoring the actions of other directors and matters raised at Board of Directors meetings. Under an executive officer system we have introduced, executive officers responsible for a particular division are given the same authority as that given to directors. These executive officers report to the Board of Directors as appropriate on their respective responsibilities.

As we believe that we have put in place a system that is sufficient for management oversight and audit functions, as can be seen above, we are not planning to appoint any external directors at the present time.

### **1. Board of Directors**

As the Company's decision-making body, the Board of Directors is currently comprised of 11 full-time directors, and in addition to regular meetings that are held each month, we also hold special Board of Directors meeting as necessary where we discuss and decide on agenda items stipulated in the "Provisions for Board of Directors Meeting".

In order to keep the number of the Company's board members at 20 or below, and to further clarify people's

responsibilities as board members, we stipulate in the Articles of Incorporation that the term of office for board members shall be up until the completion of the Annual General Meeting of Shareholders during the business year that finishes within one year following their appointment.

### **2. Board of Corporate Auditors**

We have introduced an auditor system, and with our framework that includes one standing auditor and two external auditors, we are now strengthening management oversight and auditing systems conducted by our Board of Corporate Auditors.

The Company's corporate auditors share information at monthly Board of Corporate Auditors meetings.

The Company's corporate auditors and accounting auditor share information at reporting sessions held twice a year. At these meetings, auditors present reports and exchange ideas on the audit system, audit plans, and the implementation of auditing.

### **3. Accounting Auditor**

We have appointed KPMG AZSA LLC as our accounting auditor, and have signed an audit contract. We provide accounting auditors with accurate management information, and have created an environment in which auditing can be performed from a fair and unbiased position. KPMG AZSA LLC has been employed as our accounting auditor since the year ended March 2008.

## Internal Control System and Financial Reports

PROTO has established an Internal Audit Office that is directly controlled by the Company president, and strives towards strengthening internal control. The Office maintains the standards required under the Financial Instruments and Exchange Law. It does this through appropriate "evaluation to ensure the appropriateness of documents and other information related to financial accounts" as prescribed in Article 24, Paragraph 4, Item 4 of the Law.

## Internal Audits and Corporate Auditors' Audits

The main duties of the Internal Audit Office are to check in-house regulations and business practices and audit the management and maintenance of accounts in line with the audit plan formulated at the beginning of each financial year. An employee from the Internal Audit Office does this by visiting the Company's branches, sales



offices, and subsidiaries nationwide. When matters requiring attention are identified in the course of this auditing process, the auditor specifies the necessary improvements and follows up the result at a later date to ensure that such improvements are made. Coordination between corporate auditors and the independent accounting auditor allows for the implementation of audits. He reports the results of these audits to the president on a regular basis.

Corporate auditors monitor directors' execution of duties and the establishment and operation of the Company's internal control system by attending Board of Directors meetings, reading documents, and talking with relevant parties. Auditors oversee business reports, financial reports, appended statements, and other measures submitted at the Annual General Meeting of Shareholders based on the findings of the auditing firm responsible for financial audits held at the end of each financial year. They also submit audit reports to the Company president.

Regarding the state of cooperation between auditors and the Internal Audit Office, they exchange views and confirm the immediate situation with each other. Also, when visiting branch offices, sales offices, and subsidiaries throughout the country to perform business audits, as per the audit plans initially drawn up by the Internal Audit Office, auditors accompany them to major locations, and audit the maintenance and operational status over the Company's internal control.

### External Directors and External Auditors

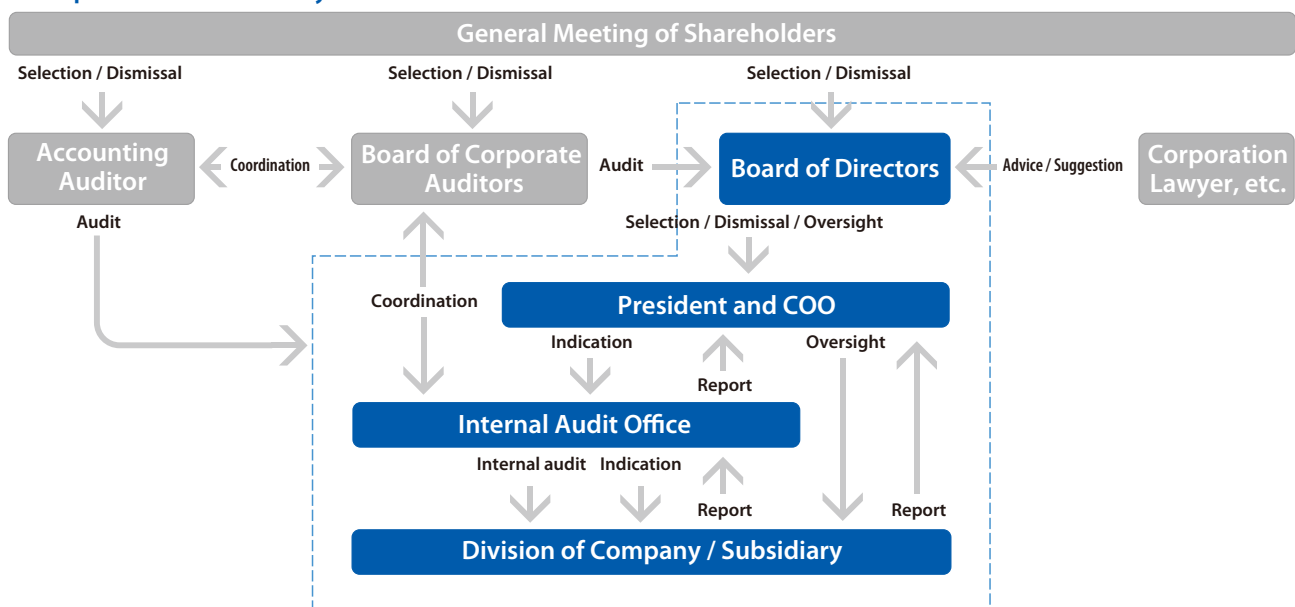
We do not appoint external directors. With the Board of Directors, which has capabilities for making decisions on management, and for managing and auditing operations by board members and executives officers by making two of the three auditors external auditors, we have enhanced our capabilities for monitoring and auditing functions.

Regarding the appointment of external auditors, we select personnel with previous experience in similar positions, plenty of experience, and broad knowledge. Also, by specifying two of the external auditors as independent board members, we ensure objectivity and neutrality in management oversight and auditing functions. In our relationship with external auditors, there is no relationship of vested interest in terms of personnel, capital, trading, or any other matter.

Furthermore, through the cooperation of external auditors and our Internal Audit Office, whereby they jointly exchange views and confirm the immediate situation with each other, we promote information sharing.

At PROTO, with regard to corporate governance, we consider objective and neutral management oversight and auditing functions from outside the Company to be of vital importance. Since we have a system in place that can adequately function to provide management oversight and auditing, through our use of two external auditors who perform audits, we are maintaining this as our current system.

### Corporate Governance System Chart



# Corporate Social Responsibility (CSR) Initiatives

## Support Activities Concerning the Great East Japan Earthquake

In order to support the reconstruction of the disaster area at the earliest possible date, PROTO is engaged in the following efforts.

- In order to support the reconstruction of clients in the Tohoku area, PROTO made the advertisement listing fee free in certain media published in March 2011 according to the disaster situation.
- PROTO contributed relief funds through the Japanese Red Cross.
- PROTO changed some products for shareholders (catalog gifts available for selection), and made it possible to select a donation of relief funds through the Japanese Red Cross.

## Initiatives Targeting Stakeholders

### Improving the Employment Environment

1. Creating work-life balance for employees raising children
  - For female workers who are pregnant or have recently given birth, we have set up consultation services on our Company intranet to assist in ensuring their health, and have also responded swiftly to legal revisions, and are working to keep everyone informed of these services.
  - When workers or their partners give birth to children, as well as mothers, we also encourage fathers to take leave.
  - Through our Company intranet, we regularly inform employees of systems for next-generation development, including child-care leave and maternity leave.
2. Reviewing working styles and developing diverse working conditions
  - With the aim of reducing monthly overtime working hours by 10% Company-wide, we are reviewing our action plans in each department, in order to increase operational efficiency.
  - With the aim of increasing our annual rate of paid leave by 10% Company-wide, we are working to boost our acquisition rate through measures such as incorporating paid leave into business plans.

### Measures to Support the Development of the Next Generation

Through our continuance and promotion of trial employment, whereby we employ workers who are introduced to us through Hello Work (Japan's national employment agency) on a short-term, trial basis, we promote vocational training of workers.

### Compliance System

PROTO strives to promote and maintain proper behavioral standards among its employees through its Corporate Charter, which was established as a code of conduct in 2006. Each division and department establishes, maintains, and improves its own internal control system while also formulating rules and guidelines and implementing training.

The Company has formulated compliance regulations to ensure observance with laws, regulations, and the Company's Articles of Incorporation. We have a reporting system with its own provisions that can be used when any employee discovers conduct that is in violation of any laws, regulations, or Articles of

Incorporation. Efforts to ensure that employees are familiar with the system include the establishment of an internal reporting liaison service.

The Company is also establishing a system that reports the details and proposed solution without delay to top management, Board of Directors, and Auditors in the event of a problem concerning compliance.

### Corporate Charter

PROTO CORPORATION and its Group companies engage in corporate activities based on rules of law, business practice, and social ethics, within a competitive market. From July 20, 2006, all board members, auditors, and employees working at PROTO CORPORATION will strive to achieve our social mission, while engaging in corporate activities in compliance with all legal regulations, with the aim of "contributing to society" as outlined in our management principles. To this end, we shall formulate the "PROTO Group Corporate Charter," and shall increase our corporate value by carrying out business activities in accordance with this charter.

#### 1. Legal Compliance

In performing business operations, we correctly understand and comply with all relevant laws, as well as the spirit of these laws. We will take every possible measure to prevent fraudulent activity.

#### 2. Contribution to Society

We will strive to contribute to society, through the products and services that we provide. As a good corporate citizen, we will contribute broadly to society by voluntarily and actively developing corporate activities aimed at maintaining and developing a rich and healthy society.

#### 3. Corporate Management

We will engage in fair, transparent, and free competition, as well as fair trade. We will also maintain healthy and normal relationships with political and government organizations.

#### 4. Disclosure of Information

We will at all times maintain communication with shareholders and society at large, and will disclose corporate information actively and fairly.

#### 5. Workplace Environment

As well as respecting diversity, personality, and individuality among employees, we will also ensure a safe working environment, providing comfort and prosperity.

#### 6. Environmental Protection

We recognize efforts addressing environmental problems as being a common issue for all humanity and essential to corporate activity and existence. We will voluntarily and actively engage in actions aimed at "sustainable development."

#### 7. Elimination of Anti-social Forces

We hold a resolute stance against antisocial forces that pose threats towards safety and order in civil society. By strengthening our cooperation with industry organizations and the police, we will work towards eliminating such groups.

# Financial Section

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# Consolidated Financial Statements

## Consolidated Balance Sheet

As of March 31

(Thousands of yen)

	2009	2010	2011
<b>&lt;Assets&gt;</b>			
<b>Current Assets</b>			
Cash	9,257,401	11,275,189	12,748,091
Notes and accounts receivable	2,395,830	2,456,728	2,654,846
Short-term investment securities	-	-	19,076
Goods and merchandise	13,440	17,078	27,328
Goods in process	45,518	55,931	61,211
Raw material and inventory goods	10,418	3,318	2,642
Deferred tax assets	141,898	162,512	217,143
Other current assets	175,469	216,252	334,814
Allowance for doubtful accounts	(1,884)	(2,709)	(3,779)
<b>Total Current Assets</b>	<b>12,038,093</b>	<b>14,184,301</b>	<b>16,061,374</b>
<b>Fixed Assets</b>			
<b>Tangible Fixed Assets</b>			
Buildings and structures	3,341,275	3,160,598	2,966,919
Land	3,900,031	3,900,031	3,998,869
Other tangible fixed assets	77,103	73,599	120,326
<b>Total Tangible Fixed Assets</b>	<b>7,318,411</b>	<b>7,134,229</b>	<b>7,086,115</b>
<b>Intangible Fixed Assets</b>			
Goodwill	132,531	658,944	954,252
Other intangible fixed assets	161,442	211,667	154,887
<b>Total Intangible Fixed Assets</b>	<b>293,973</b>	<b>870,612</b>	<b>1,109,140</b>
<b>Investments and Other Assets</b>			
Investments in securities	438,254	555,969	499,156
Deferred tax assets	493,608	508,417	599,783
Other investments	1,055,711	1,061,657	900,979
Allowance for doubtful accounts	(29,320)	(92,037)	(93,035)
<b>Total Investments and Other Assets</b>	<b>1,958,253</b>	<b>2,034,007</b>	<b>1,906,884</b>
<b>Total Fixed Assets</b>	<b>9,570,637</b>	<b>10,038,849</b>	<b>10,102,139</b>
<b>Total Assets</b>	<b>21,608,731</b>	<b>24,223,151</b>	<b>26,163,513</b>
<b>&lt;Liabilities&gt;</b>			
<b>Current Liabilities</b>			
Notes and accounts payable-trade	727,180	755,423	776,034
Current portion of long-term borrowings	-	59,027	82,821
Accrued expenses	1,239,363	1,151,576	1,251,505
Accrued income taxes	1,245,439	1,466,687	1,333,671
Advances received	2,121,637	1,902,090	1,741,097
Allowance for sales returns	51,357	51,607	95,545
Allowance for bonus payable	35,440	44,075	41,813
Other current liabilities	747,009	432,043	316,622
<b>Total Current Liabilities</b>	<b>6,167,427</b>	<b>5,862,531</b>	<b>5,639,110</b>
<b>Long-Term Liabilities</b>			
Long-term borrowings	-	101,964	53,954
Allowance for employees' retirement benefits	-	491	882
Allowance for directors' retirement benefits	194,600	212,900	232,300
Asset retirement obligation	-	-	73,268
Negative goodwill	41,465	31,691	21,917
Other long-term liabilities	340,159	312,796	107,573
<b>Total Long-Term Liabilities</b>	<b>576,224</b>	<b>659,843</b>	<b>489,895</b>
<b>Total Liabilities</b>	<b>6,743,652</b>	<b>6,522,374</b>	<b>6,129,006</b>
<b>&lt;Net Assets&gt;</b>			
<b>Shareholders' Equity</b>			
Common stock	1,824,620	1,824,620	1,824,620
Capital surplus	2,011,623	2,011,736	2,011,736
Retained earnings	10,999,460	13,796,905	16,236,318
Treasury stock	(11,778)	(12,916)	(13,598)
<b>Total Shareholders' Equity</b>	<b>14,823,925</b>	<b>17,620,346</b>	<b>20,059,077</b>
<b>Accumulated Other Comprehensive Income/(Loss)</b>			
Unrealized losses on other securities, net of tax	(27,143)	(5,573)	(12,252)
Foreign exchange adjustment account	(10,412)	(3,843)	(12,317)
<b>Total accumulated other comprehensive income/(loss)</b>	<b>(37,556)</b>	<b>(9,416)</b>	<b>(24,570)</b>
<b>Minority Interests</b>	<b>78,708</b>	<b>89,847</b>	<b>-</b>
<b>Total Net Assets</b>	<b>14,865,078</b>	<b>17,700,776</b>	<b>20,034,506</b>
<b>Total Liabilities and Net Assets</b>	<b>21,608,731</b>	<b>24,223,151</b>	<b>26,163,513</b>

## Consolidated Statements of Income

Years ended March 31

(Thousands of yen)

	2009	2010	2011
<b>Net Sales</b>	<b>23,657,565</b>	<b>25,682,321</b>	<b>28,779,831</b>
<b>Cost of Sales</b>	<b>9,067,679</b>	<b>10,272,804</b>	<b>11,810,257</b>
<b>Gross Profit</b>	<b>14,589,886</b>	<b>15,409,516</b>	<b>16,969,573</b>
Reversal of allowance for sales returns	54,224	51,357	193,712
Provision for allowance for sales returns	51,357	51,607	95,850
<b>Adjusted Gross Profit</b>	<b>14,592,753</b>	<b>15,409,266</b>	<b>17,067,435</b>
<b>Selling, General and Administrative Expenses</b>			
Salaries for directors and employees	3,852,335	4,236,619	4,670,603
Provision for allowance for directors' retirement benefits	15,087	18,300	19,400
Provision for allowance for bonus payable	25,951	28,550	30,421
Advertising	1,682,071	1,332,730	1,694,901
Provision for allowance for doubtful accounts	20,594	20,628	8,254
Amortization of goodwill	36,167	91,722	422,474
Others	3,575,804	3,582,115	4,109,923
<b>Total Selling, General and Administrative Expenses</b>	<b>9,208,011</b>	<b>9,310,666</b>	<b>10,955,979</b>
<b>Operating Income</b>	<b>5,384,741</b>	<b>6,098,600</b>	<b>6,111,455</b>
<b>Non-Operating Income</b>			
Interest income	11,104	13,545	15,908
Dividend received	14,085	5,235	5,254
Income from sales of used paper	31,903	12,712	-
Amortization of negative goodwill	7,403	9,773	9,773
Gain on investments in anonymous association	17,820	25,650	186,005
Other income	12,710	22,811	66,288
<b>Total Non-Operating Income</b>	<b>95,027</b>	<b>89,727</b>	<b>283,230</b>
<b>Non-Operating Expenses</b>			
Interest expenses of loans	-	2,034	6,289
Investment losses of business association	76,433	16,742	7,245
Other expenses	3,036	3,680	5,244
<b>Total Non-Operating Expenses</b>	<b>79,470</b>	<b>22,457</b>	<b>18,780</b>
<b>Ordinary Income</b>	<b>5,400,297</b>	<b>6,165,870</b>	<b>6,375,906</b>
<b>Extraordinary Income</b>			
Gains from sales of fixed assets	67	2,196	-
Gains from sales of securities	13,328	3,160	-
Gains from forgiveness of debt	-	-	6,106
Other extraordinary income	50,649	-	-
<b>Total Extraordinary Income</b>	<b>64,045</b>	<b>5,356</b>	<b>6,106</b>
<b>Extraordinary Losses</b>			
Losses from sales of fixed assets	1,423	24	318
Losses from disposals of fixed assets	52,698	35,411	46,981
Impairment losses	52,440	-	367,337
Losses from write-down of securities	152,775	77,001	0
Losses from sales of securities	-	6,322	-
Losses from sales of shares in affiliates	35,509	-	7,397
Provision of allowance for doubtful accounts	-	50,649	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	-	53,517
One-time amortization of goodwill	-	-	242,119
Other expenses	33,799	3,743	10,032
<b>Total Extraordinary Losses</b>	<b>328,647</b>	<b>173,152</b>	<b>727,704</b>
<b>Income before Income Taxes</b>	<b>5,135,695</b>	<b>5,998,074</b>	<b>5,654,308</b>
<b>Income Taxes</b>	<b>2,131,858</b>	<b>2,495,609</b>	<b>2,575,038</b>
<b>Adjustment of Corporate Income Tax</b>	<b>(133,757)</b>	<b>(38,357)</b>	<b>(122,799)</b>
<b>Total Taxes</b>	<b>1,998,101</b>	<b>2,457,251</b>	<b>2,452,239</b>
<b>Net Income before Adjusting for the Losses of Minority Shareholders</b>	<b>-</b>	<b>-</b>	<b>3,202,069</b>
<b>Minority Interest in Earnings (Losses)</b>	<b>(49,536)</b>	<b>11,138</b>	<b>4,290</b>
<b>Net Income</b>	<b>3,187,129</b>	<b>3,529,683</b>	<b>3,197,778</b>

## Consolidated Statements of Comprehensive Operations

Years ended March 31

(Thousands of yen)

	2009	2010	2011
<b>Net Income before Adjusting for the Losses of Minority Shareholders</b>	<b>-</b>	<b>-</b>	<b>3,202,069</b>
<b>Other Comprehensive Income</b>			
Valuation difference on available-for-sale securities	-	-	(6,678)
Foreign comprehensive income	-	-	(8,474)
Other comprehensive income	-	-	(15,153)
<b>Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>3,186,915</b>
<b>(Breakdown)</b>			
Comprehensive income concerning shareholders of the parent company	-	-	3,182,624
Comprehensive income concerning minority shareholders	-	-	4,290

## Consolidated Statements of Shareholders' Equity

(Thousands of Yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of March 31, 2009</b>	<b>1,824,620</b>	<b>2,011,623</b>	<b>10,999,460</b>	<b>(11,778)</b>	<b>14,823,925</b>
Increase (decrease) during the year					
Cash dividends	–	–	(732,238)	–	(732,238)
Net income	–	–	3,529,683	–	3,529,683
Acquisition of treasury stocks	–	–	–	(1,241)	(1,241)
Disposal of treasury stocks	–	112	–	103	216
Net change in items excluding shareholders' equity during the period	–	–	–	–	–
Total increase (decrease) during the year	–	112	2,797,445	(1,137)	2,796,420
<b>Balance as of March 31, 2010</b>	<b>1,824,620</b>	<b>2,011,736</b>	<b>13,796,905</b>	<b>(12,916)</b>	<b>17,620,346</b>

(Thousands of Yen)

	Accumulated other comprehensive income/(loss)			Minority interests	Total net assets
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total accumulated other comprehensive income/(loss)		
<b>Balance as of March 31, 2009</b>	<b>(27,143)</b>	<b>(10,412)</b>	<b>(37,556)</b>	<b>78,708</b>	<b>14,865,078</b>
Increase (decrease) during the year					
Cash dividends	–	–	–	–	(732,238)
Net income	–	–	–	–	3,529,683
Acquisition of treasury stocks	–	–	–	–	(1,241)
Disposal of treasury stocks	–	–	–	–	216
Net change in items excluding shareholders' equity during the period	21,569	6,569	28,139	11,138	39,277
Total increase (decrease) during the year	21,569	6,569	28,139	11,138	2,835,698
<b>Balance as of March 31, 2010</b>	<b>(5,573)</b>	<b>(3,843)</b>	<b>(9,416)</b>	<b>89,847</b>	<b>17,700,776</b>

(Thousands of Yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of March 31, 2010</b>	<b>1,824,620</b>	<b>2,011,736</b>	<b>13,796,905</b>	<b>(12,916)</b>	<b>17,620,346</b>
Increase (decrease) during the year					
Cash dividends	–	–	(758,365)	–	(758,365)
Net income	–	–	3,197,778	–	3,197,778
Acquisition of treasury stocks	–	–	–	(681)	(681)
Disposal of treasury stocks	–	–	–	–	–
Net change in items excluding shareholders' equity during the period	–	–	–	–	–
Total increase (decrease) during the year	–	–	2,439,412	(681)	2,438,730
<b>Balance as of March 31, 2011</b>	<b>1,824,620</b>	<b>2,011,736</b>	<b>16,236,318</b>	<b>(13,598)</b>	<b>20,059,077</b>

(Thousands of Yen)

	Accumulated other comprehensive income/(loss)			Minority interests	Total net assets
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total accumulated other comprehensive income/(loss)		
<b>Balance as of March 31, 2010</b>	<b>(5,573)</b>	<b>(3,843)</b>	<b>(9,416)</b>	<b>89,847</b>	<b>17,700,776</b>
Increase (decrease) during the year					
Cash dividends	–	–	–	–	(758,365)
Net income	–	–	–	–	3,197,778
Acquisition of treasury stocks	–	–	–	–	(681)
Disposal of treasury stocks	–	–	–	–	–
Net change in items excluding shareholders' equity during the period	(6,678)	(8,474)	(15,153)	(89,847)	(105,000)
Total increase (decrease) during the year	(6,678)	(8,474)	(15,153)	(89,847)	2,333,730
<b>Balance as of March 31, 2011</b>	<b>(12,252)</b>	<b>(12,317)</b>	<b>(24,570)</b>	<b>–</b>	<b>20,034,506</b>

## Consolidated Statements of Cash Flows

Years ended March 31

(Thousands of yen)

	2009	2010	2011
<b>Cash Flows from Operating Activities</b>			
Income before income taxes	5,135,695	5,998,074	5,654,308
Depreciation	207,240	299,744	322,563
Impairment loss	52,440	–	367,337
Amortization of goodwill	36,167	91,722	422,474
One-time amortization of goodwill	–	–	242,119
Amortization of negative goodwill	(7,403)	(9,773)	(9,773)
Loss (gain) on revaluation of derivatives	1,186	–	–
Increase (decrease) in reserve for directors' retirement allowances	2,741	18,300	19,400
Increase (decrease) in reserve for employees' retirement benefits	(26,176)	294	391
Increase (decrease) in reserve for bonuses	1,076	5,188	(14,262)
Increase (decrease) in allowance for sales returns	(2,867)	250	(97,861)
Increase (decrease) in allowance for doubtful accounts	2,130	58,771	(9,096)
Interest and dividend income	(25,189)	(18,780)	(21,162)
Interest expenses	–	2,034	6,289
Loss (gain) on investments in business associations	76,433	16,742	7,245
Loss on revaluation of inventories	2,966	–	–
Loss (gain) on investments in anonymous associations	(17,820)	(25,650)	(186,005)
Loss (gain) on sales of investment securities	(13,328)	3,162	–
Loss (gain) on revaluation of investment securities	152,775	77,001	0
Loss (gain) on sales of shares in affiliated companies	35,509	–	7,397
Loss (gain) on sales/disposal of property and equipment	54,054	33,239	47,299
Loss on adjustment for the changes of accounting standard for asset retirement obligation	–	–	53,517
Decrease (increase) in trade receivables	470,508	35,528	232,814
Decrease (increase) in inventories	(27,952)	1,815	(7,269)
Increase (decrease) in accounts payable	(1,020,927)	(62,238)	(113,937)
Increase (decrease) in accrued expenses	366,912	(119,947)	(9,831)
Increase (decrease) in advances received	132,603	(223,019)	(160,173)
Increase (decrease) in accrued consumption taxes, etc	(42,356)	138,870	(127,961)
Others	49,821	(45,388)	(43,121)
<b>Subtotal</b>	<b>5,596,241</b>	<b>6,275,941</b>	<b>6,582,700</b>
Interest and dividends received	25,438	18,336	21,162
Interest paid	–	(2,158)	(6,173)
Income taxes paid	(1,871,608)	(2,286,281)	(2,701,153)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>3,750,071</b>	<b>4,005,837</b>	<b>3,896,535</b>
<b>Cash Flows from Investing Activities</b>			
Decrease in time deposits	(300,000)	(370,305)	(210,000)
Increase in time deposits	600,000	450,000	–
Proceeds from sales of property and equipment	960	5,063	1,716
Acquisition of property and equipment	(2,852,789)	(535,059)	(438,601)
Acquisition of intangible fixed assets	(78,151)	(69,075)	(58,797)
Payment of long-term prepaid expenses	(26,395)	(11,577)	(12,269)
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)	(621,355)
Payment for sales of subsidiary's shares accompanying changes in scope of consolidation	(2,188)	–	(73,895)
Investment income received from business associations	15,412	30,157	19,952
Proceeds from anonymous associations	–	–	130,970
Payment for acquisition of business	(162,110)	(181,991)	(380,000)
Others	(543)	8,579	16,867
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(2,949,230)</b>	<b>(1,141,484)</b>	<b>(1,625,413)</b>
<b>Cash Flows from Financing Activities</b>			
Increase (decrease) from short-term borrowings	3,998	(7,500)	–
Proceeds from long-term borrowings	–	–	50,000
Payment for repaying of long-term borrowings	–	(32,341)	(286,642)
Acquisition of treasury stock	(1,542)	(1,241)	(681)
Proceeds from disposal of treasury stock	237	216	–
Dividends paid	(627,100)	(732,263)	(759,119)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(624,407)</b>	<b>(773,129)</b>	<b>(996,443)</b>
<b>Translation Gain (Loss) Related to Cash and Cash Equivalents</b>	<b>(54,479)</b>	<b>8,799</b>	<b>(5,541)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>121,953</b>	<b>2,100,022</b>	<b>1,269,137</b>
<b>Cash and Cash Equivalents at Beginning of Term</b>	<b>8,985,447</b>	<b>9,107,401</b>	<b>11,207,424</b>
<b>Cash and Cash Equivalents at End of Term</b>	<b>9,107,401</b>	<b>11,207,424</b>	<b>12,476,561</b>



# Analysis of Operating Results and Financial Position

## Analysis of Operating Results

### Outline

In the car sales industry, which is one of the PROTO Group's major clients, the subsidy system for ecocars expired. This has caused sales of new cars to remain below last year's levels. The number of used cars registered also remains below last year's figures, further indicating the difficulty of the current situation.

Against this background, the PROTO Group has given priority to the establishment of corporate and product brands in its business strategy. The Group has also undertaken efforts to further expand both the automobile-related information business and the lifestyle-related business, and is pursuing the "maximization of corporate value" based on the growth maintenance of enterprises. Put in more concrete terms, the Group aims to increase its domestic market share by developing and providing products and services (functions) catering to diversifying consumer behavior and consumer needs. While striving for the further enhancement of product brands such as "Goo," the Group has endeavored to establish corporate brands that communicate the message that "Leveraging information for the future."

In the realm of Automobile-related information business, the PROTO Group has acquired one domestic subsidiary, accepted the business transfer of another company, strengthened the sector that deals in two-wheeled vehicles, and expanded the number of companies involved in Goo Series business. In the field of Lifestyle-related business, the Group has expanded the scale of operations dealing in the medical, nursing-care, welfare, and reuse sectors. The Group has also actively promoted the ability to support next generation media in order to expand opportunities to contact users and improve convenience.

### Operating Results

As a result of these activities and thanks to the contributions resulting from both the acquisition of the subsidiary and the acceptance of the business transfer, sales for this fiscal year came to 28,779 million yen in the PROTO Group's main enterprises of Automobile-related information business and Lifestyle-related business (a 12.1% increase over the same period last year). The Group's efforts to expand its business invited higher costs in labor, goodwill amortization (in the acquisition of the subsidiary and the acceptance of the business transfer) and advertising (for enhancing promotions). Nevertheless, operating income reached the figure of 6,111 million yen (a 0.2% increase over the same period last year) due to boosted sales in the highly profitable IT business, and ordinary income came to 6,375 million yen (a 3.4% increase over the same period last year). Net income in this period have totaled 3,197 million yen (a 9.4% decrease from the same period last year) due, among other things, to the impairment and loss of fixed assets in some businesses and advance goodwill amortization.

### Business Segment

#### <Automobile-related Information>

Surrounded by these difficult external circumstances, the PROTO Group adopted the business policy of engaging in comprehensive management support for used car dealers in everything from stocking inventories to selling the merchan-

dise. The Group has also made efforts to expand the number of business partners and endeavored to maintain and increase the transaction value associated with each customer.

This fiscal year, the Group has made its transactions with a focus on pursuing group synergy. As such, the PROTO Group has promoted the further expansion of content possessed by BikeBros. Inc. concerning property information of used motorcycles. The PROTO Group has also promoted stronger EC sales of motorcycle parts and accessories. Furthermore, by enhancing the content and media of motorcycle magazines and websites published and run by BikeBros. Inc., the PROTO Group has promoted both increase in opportunities to contact users and the expansion of the client base.

Regarding pre-existing businesses, the PROTO Group has continued working for maximization of the amount of posted content and improved convenience for users. In order to be able to respond to diversifying consumer behavior and needs, the Group has made efforts to further strengthen the "Goo" brand. Concerning information magazines and media such as the car information magazine "Goo," the Group has expanded its business area, increased the number of business partners, and launched "Goo Koshin Edition" in June 2010.

In the realm of the Internet and mobile media, the PROTO Group's goal was to maximize opportunities to contact users. It has made efforts to improve car information search applications that run on next generation media such as the iPhone and iPad. The Group has also enhanced "Goo Books" – an electronic book providing support for car purchases. In addition, the Group has actively engaged in the development of applications for the rapidly spreading smart phones, thereby increasing opportunities to acquire new users and profits.

As a result of its efforts to both expand its business and maintain an environment in which it can respond to the many needs of its users, the PROTO Group has been able to increase the number of users who take advantage of its media and services as well as elevate their willingness to purchase products, despite the stagnating market for used car sales. These outcomes translate into increased sales opportunities for the PROTO Group's clients.

In yet another instance of providing management support to used car dealers, the PROTO Group has promoted the sale of its "Goo-approved Car Service" and commenced "Goo-approved TRADE," through which member dealers can trade Goo-approved Cars and sell them to users. Through these activities, the PROTO Group has optimized the inventory turnover ratio at used car dealers and maximized their sales opportunities.

Through the aforementioned activities, the PROTO Group has pursued group synergy and enhanced the "Goo" brand by establishing its competitive advantage. The fruit of its efforts can be seen in sales of 25,566 million yen (an 11.8% increase over the same period last year). The Group's efforts to expand its business invited higher costs in labor, goodwill amortization (in the acquisition of the subsidiary and the acceptance of the business transfer) and advertising (for enhancing promotions). These increased costs resulted in operating income of 7,281 million yen (a 4.1% decrease from the same period last year).

PROTO (Shanghai) Brokerage Co., Ltd., which provided intermediary services for the sales and purchase of used cars in China, was unable to establish a firm operating base, and was therefore liquidated in March 2011 in order to allow the Group

to concentrate and streamline managerial resources.

#### <Lifestyle-related Information>

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

In this consolidated fiscal year, the PROTO Group has delved into the care-related information business by attempting to expand the scale of operations of job information services for the medical, nursing-care and welfare industries. To this end, the Group has worked to increase the number of business partners and expand content on "Oasis Navi," "Kaigo-Kyujin Navi" and "Nurse Agent." Furthermore, the Group has expanded the business area and started running the job information website "Yakuzaishi Kyujin Agent," which specializes in job information for pharmacists.

In the field of recycle-reuse information business, the PROTO Group has promoted the expansion of the business by increasing staff and reinforcing the operational base. In the realm of cultural information business, the Group has worked to expand the target area and increase content. Furthermore, when it comes to the leisure information business, the PROTO Group has begun operating the leisure portal site "GooStyle Leisure," through which users can search for information on gourmet cuisine, hot springs, amusement parks, and more across the entire country. Through cooperation with the already-existing "POP SNOW & SUMMER," which provides information on leisure and ski slopes, the PROTO Group has been working to acquire new user demographics and expand charged content.

Through engaging in the activities described above, the PROTO Group has expanded the scale of business operations, with the result that sales have totaled 2,616 million yen (a 14.5% increase over the same period last year). The expansion of business has brought higher personnel costs and increased goodwill amortization costs. Nevertheless, the sales have improved the balance of business income and expenditures, yielding operating income of 301 million yen (an 85.0% increase over the same period last year).

#### <Real Estate Business>

PROTO CORPORATION and REPAIR-TECH INC. focused on the rental management of their own properties, resulting in sales of 181 million yen (an 11.8% decrease over from same period last year) and operating income of 104 million yen (a 1.0% decrease from the same period last year).

#### <Other Business>

Regarding the BPO (Business Process Outsourcing) business engaged in by PROTO DATA CENTER the expansion of transactions with corporations outside the Group has contributed to sales of 415 million yen (a 25.1% increase over the same period last year). Concerning the operating income, business costs at PROTO DATA CENTER increased, leading to losses of 91 million yen (in the same period of last year, losses came to 35 million yen).

As for MARS FLAG Corporation which handles development and sales for the search portal site "MARS FLAG" and the internal site search system "MARS FINDER," all of owned shares were transferred in March 2011.

## Analysis of Financial Position

### Assets, Liabilities and Net Assets

Total assets at the end of this consolidated fiscal year increased by 8.0% from the end of the previous consolidated fiscal year to ¥26,163 million (an increase of ¥1,940 million from the end of the previous period).

Regarding current assets, cash increased to ¥16,061 million, an increase of ¥1,877 million in comparison with the end of the previous consolidated fiscal year, due to the acquisition of operating cash flow that exceeded expenses despite the fact that there were payments for the purchase of shares accompanying the acquisition of BikeBros. Inc., payments related to the acquisition of the "Mj" business, expenses related to the acquisitions of tangible fixed assets related to the reconstruction of branch office facilities and the like, as well as payment of corporate and other taxes.

Fixed assets were ¥10,102 million, an increase of ¥63 million from the end of the previous year, due to the posting of goodwill from the acquisition of the "Mj" business as well as the acquisition of BikeBros. Inc. even though accelerated amortization of goodwill occurred in connection with the acquisition of SYSTEM-ONE Corporation and the impairment loss was posted for fixed assets in certain businesses.

Liabilities were ¥6,129 million, a decrease of ¥393 million compared to the end of the previous consolidated fiscal year, as a result of decreases in accrued income taxes as well as advances received.

Despite payments of dividends totaling ¥758 million yen, because retained earnings increased by ¥2,439 million as a result of recording net income of ¥3,197 million, net assets increased by ¥2,333 million, to ¥20,034 million.

### Consolidated Cash Flows

Cash and cash equivalents at the end of the current consolidated fiscal year stood at ¥12,476 million, an increase of ¥1,269 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 ¥3,896 million, down 2.7% from the previous fiscal year. This was mainly due to a decrease in income before income taxes and an increase in income taxes paid, and occurred despite an increase in impairment loss, the amortization of goodwill, and costs not accompanied by expenses such as the temporary amortization of goodwill.

#### <Cash Flows from Investing Activities>

Net cash used in investing activities totaled ¥1,625 million. This was mainly due to an outlay of ¥621 million for acquiring the new subsidiary BikeBros. Inc., an outlay of ¥380 million for the acquisition of the "Mj" business, and an outlay of ¥438 million for the acquisitions of tangible fixed assets related to the reconstruction of branch office facilities and the like.

#### <Cash Flows from Financing Activities>

Net cash used in financing activities was ¥996 million. This was due to an outlay of ¥759 million in payments of dividends and an outlay of ¥286 for the repayment of long-term borrowings.

# 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 May 12, 2011.

## 1. Dependence on Automobile-related Information

The PROTO Group consists of PROTO CORPORATION and seven consolidated subsidiaries. The Group's main businesses are the provision of information services on new vehicles, used vehicles, parts, and accessories; other Automobile-related information; information on cultural, care-related, and reuse; and Lifestyle-related information services. Revenues from Automobile-related information derive from fees paid to register inventory data on used cars owned by car dealers on our databases and in our information magazines, as well as information magazine sales and sales from providing information to other companies. In the year ended March 31, 2011, 88.8% of total Group revenue derived from sales of Automobile-related information. Fees for registering information accounted for 68.9% 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 33.3% 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.

## 2. Market Fluctuations in Printing Paper

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

Market rates announced for the printing paper used by the PROTO Group are as follows.

	Mar. 2010	June 2010	Sept. 2010	Dec. 2010	Mar. 2011
Price	118-128	117-127	116-126	116-126	116-126

(Source: NIKKEI)

## 3. 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, 2011, this represented 42.4% 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.

## 4. 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 2011, Tokyo Pulp & Paper supplied 45.7% 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.

### 5. 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 copyrights. 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.

### 6. Computer System and Network

#### System Security and Risk from Network Downtime

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

#### 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.

### 7. Corporate Responsibility for Digital Content

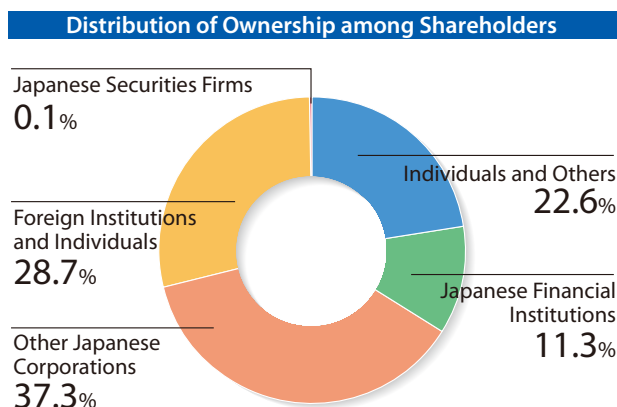
As an information service provider that uses various forms of media, the Group believes that it is in the same position as other mass media insofar as its impact on society is concerned. Therefore, in the unlikely event that we make an error in the information content we provide, it is possible that 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.

# Stock Information

As of March 31, 2011

Number of Shares Authorized	30,900,000
Number of Shares Issued	10,470,000
Number of Shareholders	1,866
Stock Exchange Listing	Osaka Securities Exchange (JASDAQ)
Securities Code	4298
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan Tel:81-(0)3-3212-1211

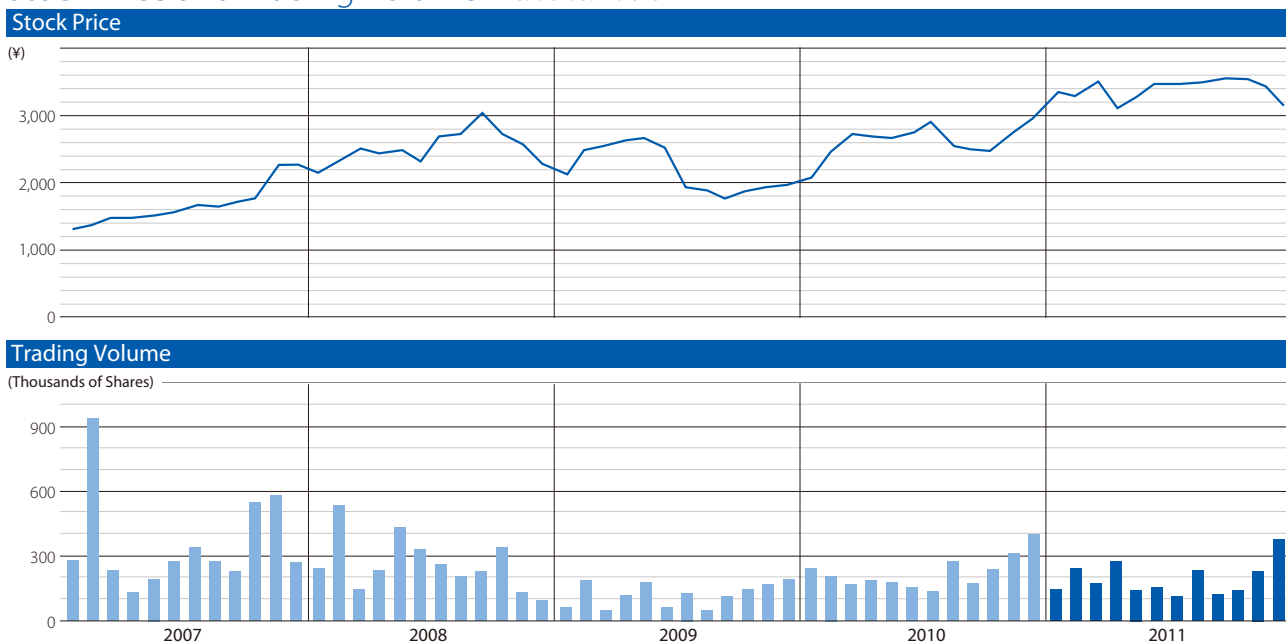


## Major Shareholders

Shareholder	Number of Shares Held (Thousands)	Ownership (%)
1 Mugen Corporation	3,403	32.50
2 Japan Trustee Services Bank, Ltd. (Trust Account)	611	5.84
3 Hiroichi Yokoyama	520	4.96
4 The Chase Manhattan Bank, N.A. London	433	4.13
5 Yoshihiro Yokoyama	330	3.15
6 Northern Trust Co. (AVFC) Sub A/C American Clients	203	1.94
7 The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	200	1.91
8 Mellon Bank ABN Amro Global Custody N.V.	175	1.67
9 Minoru Saito	169	1.62
10 Morgan Stanley & Co. Inc.	163	1.55

## Stock Price and Trading Volume

Years ended March 31



Notes: 1. Stock prices are based on a simple average of daily closing prices for each day of every month.  
2. The Company executed a 1.2-for-one stock split for the Company's common stock effective October 31, 2006. Stock prices have been adjusted retroactively.

# Corporate Profile

As of March 31, 2011

<b>Corporate Name</b>	PROTO CORPORATION	
<b>Founded</b>	October 1, 1977	
<b>Established</b>	June 1, 1979	
<b>Common Stock</b>	¥1,824,620 thousand	
<b>Head Offices</b>	<Nagoya> 23-14, Aoi 1-chome, Naka-ku, Nagoya 460-0006, Japan <Tokyo> 22-2, Hongo 2-chome, Bunkyo-ku, Tokyo 113-0033, Japan	
<b>Branch Offices</b> (As of July 31, 2011)	Sapporo, Sendai, Takasaki, Tokyo, Nagano, Hamamatsu, Nagoya, Kanazawa, Osaka, Hiroshima, Matsuyama, Fukuoka, Kumamoto (56 Sales Outlets Nationwide/2 Head Offices, 13 Branch Offices, 41 Sales Offices)	
<b>Fiscal Year-end</b>	March 31	
<b>Number of Employees</b>	Consolidated: 875 (Parent: 640)	
<b>Consolidated Subsidiaries</b> (As of July 31, 2011)	REPAIR-TECH INC. SYSTEM-ONE Corporation Goo Auto Inc. BikeBros. Inc.	PROTO DATA CENTER PROTO MEDICAL CARE PROTO (Shanghai) Advertising Co., Ltd.

## Directors, Corporate Auditors, and Executive Officers

As of June 27, 2011

Directors			
<b>Chairman and Chief Executive Officer</b> Representative Director	Hiroichi Yokoyama	1979	Established the Company, President
		2003	Chairman and CEO
<b>President and Chief Operating Officer</b> Representative Director	Tatsuzo Irikawa	1992	Joined the Company
		1995	Director
		2003	President and COO
<b>Vice President</b> Corporate Strategy Division Officer	Minoru Saito	1981	Joined the Company
		1988	Director
		2001	Vice President
<b>Managing Director</b> Accounting and Financial Division Officer	Motohisa Yokoyama	1979	Joined the Company
		1995	Director
		2001	Managing Director
<b>Managing Director</b> Automobile-related Information Officer	Fujio Iimura	1990	Joined the Company
		2002	Director
		2008	Managing Director
<b>Managing Director</b> Automobile-related Information Officer	Atsuya Okimura	1995	Joined the Company
		2004	Director
		2008	Managing Director
<b>Director</b> Automobile-related Information Officer	Susumu Kuramoto	1990	Joined the Company
		1999	Director
<b>Director</b> Automobile-related Information Officer	Kenji Kamiya	1990	Joined the Company
		2002	Director
<b>Director</b> Automobile-related Information Officer	Mitsuhiro Munehira	1994	Joined the Company
		2007	Director
<b>Director</b> Business Promotion Division Officer	Toru Shiraki	1998	Joined the Company
		2007	Director
<b>Director</b> Management Division Officer	Shigeyoshi Shimizu	1999	Joined the Company
		2008	Director
Corporate Auditors			
<b>Standing Corporate Auditor</b>	Mitsuo Goto	2011	Joined the Company
		2011	Standing Corporate Auditor
<b>External Corporate Auditor</b>	Wataru Shiomi	2001	External Corporate Auditor
<b>External Corporate Auditor</b>	Yoshio Arima	2005	External Corporate Auditor

### Executive Officers

<b>Executive Officer</b> President, Goo Auto Inc.	Shuji Kondo
<b>Executive Officer</b> Sales Promotion Division Officer	Naoki Fujisawa
<b>Executive Officer</b> Lifestyle-related Information Officer	Motoki Fukaya

**For further information** Corporate Planning Department  
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