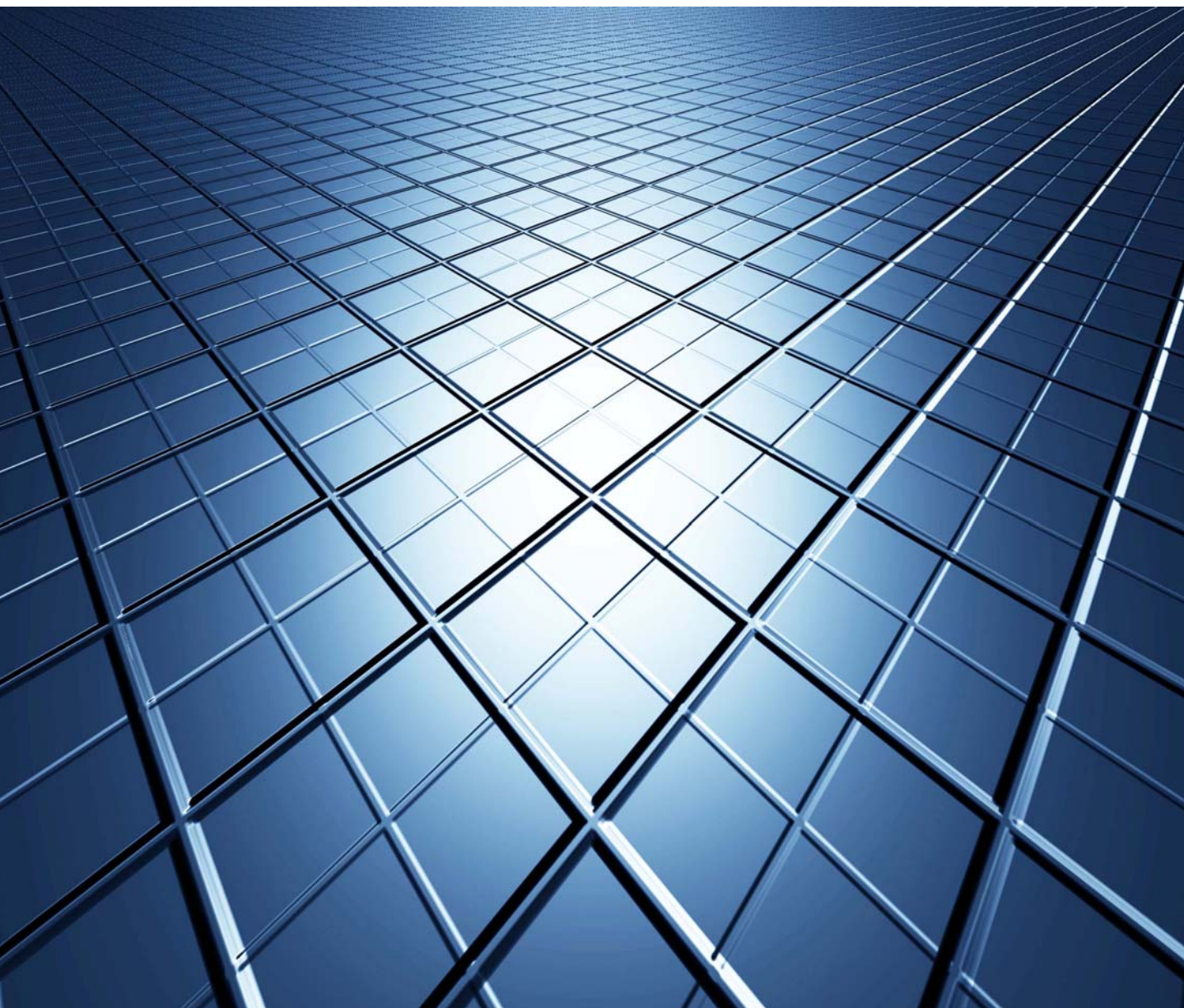




Annual Report 2009

Year Ended March 31, 2009



PROTO CORPORATION

JASDAQ 4298

Corporate Message

Leveraging Information for the Future

Since ancient times, mankind has used information gathered from natural phenomena to live by predicting the next day and further into the future.

In every stage of history, information has been vital for building a prosperous life.

We at PROTO Corporation collect and examine enormous quantities of automobile-related and lifestyle-related information, which we customize to meet individual requirements.

This approach started with the launch of Used Car Tsushin in 1977 in the pre-Internet era.

Since then, we have continued this approach with the development of Goo-net and other services tailored to contemporary and future needs.

The proliferation of the Internet and mobile phones in recent years has greatly changed the information environment.

Blogs and social networking services allow anyone to post information on the Internet and for that information to be shared among the many diverse Internet groups.

Different parts of the world will become better connected when advances are made in automatic translation systems.

The advent of a full-scale networked society will make all daily requirements available via the Internet, thus enabling the sharing of information anytime, anywhere.

For information on used vehicles, which we handle as part of our business, the day will most likely come when people can find the vehicles they want to import from Europe or the United States, or to show the actual condition of the cars they want to sell by sending images from the vehicle itself.

The possibilities of the Internet are ever expanding.

We can expect such advances to bring about further diversification and segmentation of demand for information.

The more that information is shared, the more its reliability and safety will be called into question.

For this very reason, we will not employ merely cutting-edge information technologies, but will also correctly identify a user's needs in order to provide customized content containing reliable, carefully selected information that the user really wants.

This will benefit each individual user by providing a knowledge base that will help them build an even more prosperous life.

We will continue with our challenge to provide valuable information in this way.

PROTO Corporation is a provider of information that will serve as knowledge for the future.



Photo : Stonehenge (United Kingdom)

Stonehenge is an ancient ruin said to have been built around 2,500BC.

Theories abound as to its purpose, including a place of worship and an ancient astronomical observatory. With many mysteries surrounding the method of construction, it is a ruin that embodies the ingenuity of ancient man.

In the photo, we can see two children running around the ancient monument. Children are a symbol of the "future." We have adopted this image to convey the PROTO corporate message of "Leveraging Information for the Future."

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This annual report contains forward-looking statements that reflects 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.

Financial Highlights

Consolidated Financial Highlights

For the years ended March 31

	2005	2006	2007	2008	2009	2009vs2008 %
For the Year						
Net Sales(Thousands of Yen)	19,778,878	19,952,511	21,238,785	22,893,978	23,657,565	103.3
Operating Income (Thousands of Yen)	1,725,090	2,010,373	2,988,772	3,771,517	5,384,741	142.8
Ordinary Income (Thousands of Yen)	1,715,695	1,987,622	3,136,853	3,837,768	5,400,297	140.7
Net Income (Thousands of Yen)	917,099	598,118	1,766,081	1,838,008	3,187,129	173.4
At Year End						
Net Assets (Thousands of Yen)	9,021,519	9,589,110	11,305,128	12,434,185	14,865,078	119.6
Total Assets (Thousands of Yen)	15,109,068	16,218,762	17,924,093	19,023,424	21,608,731	113.6
Common Stock (Thousands of Yen)	1,824,620	1,824,620	1,824,620	1,824,620	1,824,620	100.0
Number of Shares Issued	8,725,000	8,725,000	10,470,000	10,470,000	10,470,000	100.0
Number of Employees	575	622	650	685	716	104.5

Per Share Data

For the years ended March 31

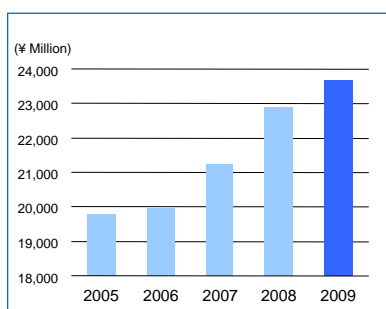
	2005	2006	2007	2008	2009	2009vs2008 %
Earnings Per Ratio (EPS)	101.59	66.13	168.78	175.69	304.67	173.4
Book-value Per Ratio (BPS)	1,031.00	1,097.22	1,042.41	1,176.24	1,413.52	120.2
Annual Cash Dividends	20.00	20.00	30.00	50.00	70.00	140.0

Profitability Index

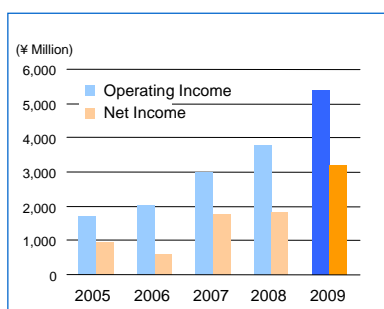
For the years ended March 31

	2005	2006	2007	2008	2009	2009vs2008 %
Operating Income Ratio	8.7%	10.1%	14.1%	16.5%	22.8%	-
Return on Equity (ROE) ^{*1}	10.6%	6.4%	17.2%	15.8%	23.5%	-
Return on Asset (ROA) ^{*2}	11.1%	12.7%	18.4%	20.8%	26.6%	-

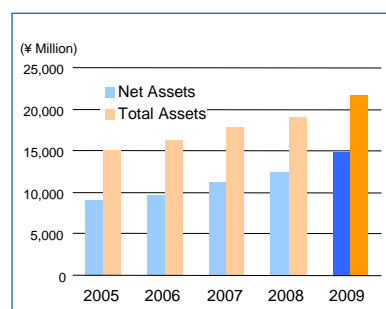
Net Sales
+ 3.3%
¥23,657 million



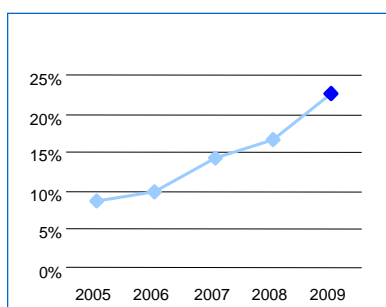
Operating Income + 42.8%
Net Income + 73.4%
¥5,384 million ¥3,187 million



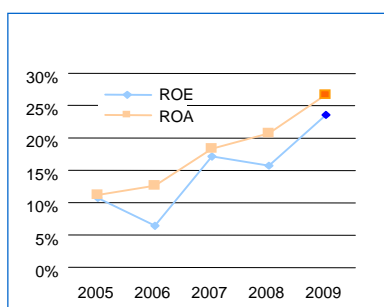
Net Assets + 19.6%
Total Assets + 13.6%
¥14,865 million ¥21,608 million



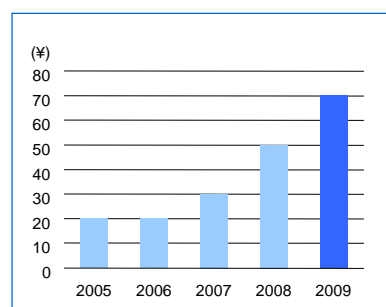
Operating Income Ratio
+ 6.3pts
22.8%



ROE ^{*1} + 7.7pts
23.5%
ROA ^{*2} + 5.8pts
26.6%



Annual Cash Dividends per Share
+ ¥20
¥70



*1 ROE:Net Income/Equity Capital
*2 ROA:Ordinary Income/Net Asset

Sales Breakdown by Segment

For the years ended March 31

(Thousands of Yen)

	2005	2006	2007	2008	2009	2009vs2008 %
Automobile-related Information	18,397,324	19,070,662	20,138,485	21,546,114	21,889,838	101.6%
Information registration fees	15,584,413	16,296,145	17,359,568	18,400,445	18,872,375	102.6%
Information sales	2,812,910	2,774,516	2,778,917	3,145,669	3,017,463	95.9%
Lifestyle-related Information	1,053,399	580,758	675,853	882,076	1,345,402	152.5%
Real Estate	177,542	174,015	160,644	174,673	194,816	111.5%
Others	150,611	127,075	263,801	291,112	227,507	78.2%
Total	19,778,878	19,952,511	21,238,785	22,893,978	23,657,565	103.3%

Sales Breakdown by Region

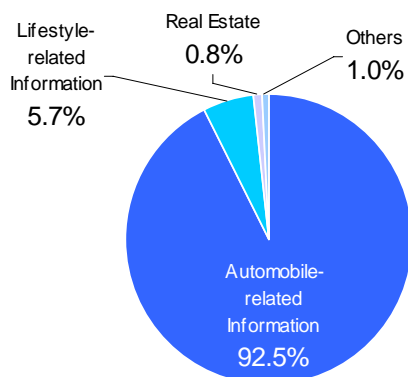
For the years ended March 31

(Thousands of Yen)

	2005	2006	2007	2008	2009	2009vs2008 %
Hokkaido & Tohoku	1,585,012	1,620,394	1,647,647	1,788,265	1,850,959	103.5%
Kanto	6,496,110	6,622,712	7,307,895	8,398,288	9,045,528	107.7%
Tokai & Hokuriku	5,535,769	5,491,316	5,663,233	5,819,980	5,685,479	97.7%
Kinki	4,124,494	4,191,325	4,439,514	4,694,877	4,734,238	100.8%
Chugoku	816,489	818,277	848,565	918,429	972,744	105.9%
Kyushu	1,221,002	1,208,356	1,211,241	1,163,350	1,310,545	112.7%
Overseas	-	128	120,686	110,786	58,068	52.4%
Total	19,778,878	19,952,511	21,238,785	22,893,978	23,657,565	103.3%

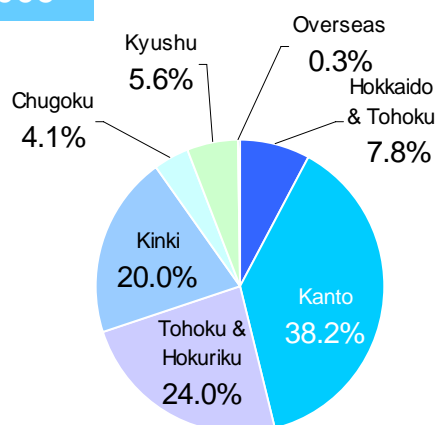
Sales Breakdown by Segment

2009



Sales Breakdown by Region

2009





Tatsuzo Irikawa
President and COO

We at PROTO Corporation would like to thank our investors and shareholders for their continued support and express our hope for their continued success.

Since its establishment in 1977, PROTO has developed and provided products and services supported by users and clients, operating under this philosophy: “Bringing companies and people together for the benefit of society, using intelligence and information rather than simply selling commodities”. Through these efforts and with the message “Leveraging information for the future”, we have worked to establish our corporate brand.

For the year ended in March 2009, both sales and earnings beat previous records, and it was the third year in a row that sales and earnings both increased.

In the area of automobile-related information, despite a difficult economic situation, sales saw stable growth and profits increased significantly, due to reduction of outsourcing costs as well as group restructuring. Additionally, lifestyle-related information also started turning a profit, the first time since listing the company, contributing to earnings. As a result, the operating margin was 22.8%, with the return on equity being 23.5%, showing profitability has increased.

It is thanks to support from our users and clients as well as encouragement from shareholders that we were able to show increased earnings, rewriting previous records despite the continuing severe economic conditions brought about by the global slump. We would like to take this opportunity to express our thanks to everyone.

We hope our shareholders will continue to show support and encouragement in the future.

August 2009

A handwritten signature in black ink, appearing to read "T. Irikawa". The signature is written in a cursive style with a stylized initial "T" and a long, sweeping underline.

An Interview with the President

Q. How do you view the current business situation?

A. Due to worldwide economic slowdown, consumers have become even more cautious.

The basis for our company's business is "Matching the needs of users and clients by providing truly necessary information content selected from the flood of information available in the world".

This is a realization of our management philosophy: "Bringing companies and people together for the benefit of society, using intelligence and information rather than simply selling commodities".

Since the 'Lehman Shock' in 2008, the domestic economy has slowed down drastically, with consumers becoming more careful than ever, showing an increasing trend to seek more information and analyze it carefully before purchasing a product or service. This trend is rather beneficial to our company. People place more expectations on our business seeking information and services with greater added value.

Also, the Internet media has been more used than conventional ones such as magazines. The most important condition to satisfy users is to provide the information they need through a user-friendly website.

We will accurately meet this kind of changing user needs and turn the current business environment into an opportunity for further success.

Management Philosophy

Bringing Companies and People Together for the Benefit of Society, Using Intelligence and Information Rather than Simply Selling Commodities

Corporate Goal

2000-2009

An Exciting, Thrilling, and Fun Company - Joyful Company

2010-2019

A Global, World-Class Company

Company Motto

Courage to Tackle Challenges, Truth through Action

Q. What are you doing in terms of Internet media?

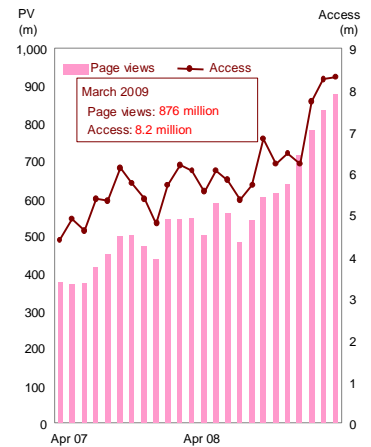
A. By increasing media power through expanded services and content, we are creating more loyal users and clients.

As mentioned previously, it is always important to examine what are the exact user needs for information, and what are most appropriate services to meet them. Products and services should be developed and provided from the users' point of view, not from the provider's.

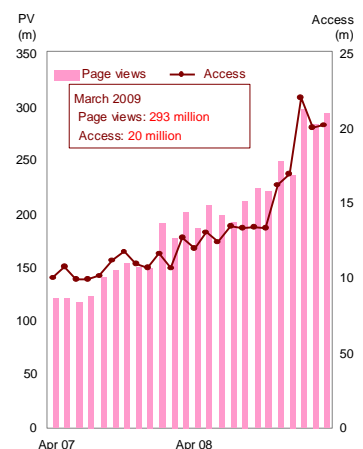
The Internet is an efficient tool to transmit the information that we have collected, organized and analyzed. We think the quality and quantity of the content and services provided through the Internet are rather important. Therefore, we use the 50 operational bases throughout the country to build a business structure where the necessary information can be quickly collected, as well as telling our employees to always think from the users' perspective when developing and providing products and services. Although there is still a ways to go, our ability to develop products and services that the users and clients need is steadily improving.

With "Goo-net", an automobile portal site that is one of our main sites, the number of accesses and page views have been increasing yearly, with stable performance achieved from the implementation of successful promotions as well as an increasing ability to develop and provide products and services.

In the future, in addition to providing automobile-related information such as used cars, lifestyle-related content and services will be expanded, as well as improving upon products and services that use the Internet and mobile media devices, raising our corporate brand such as "PROTO has the information you want."



Goo-net page views and access trends



Mobile site Goo page views and access trends



Q. Will there be any negative effects from the slump in the automobile industry?

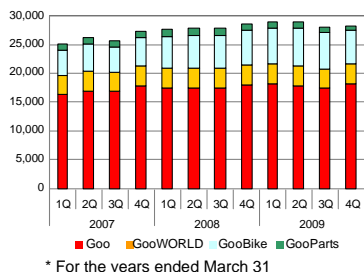
A. Although there will be no serious effects in the short term, the industry needs revitalization.

Decreasing sales of new cars in the domestic marketplace is nothing new, it has been happening since the economic bubble burst. However, since the 'Lehman Shock' it is true that automobile makers which had been relying on foreign demand have had to implement inventory and employment adjustments in this harsh business climate. There are less second-hand cars provided in line with reduced sales of new cars, and this means many used car dealers are facing difficult times. Also, with the various automobile makers concentrating on development and production of hybrid and electric vehicles, consumers are being drawn towards these 'green' cars, increasing the severity of the used car marketplace.

Due to these circumstances, used car dealers are choosing the media they advertise in carefully, looking not for a simple listing of their inventory, but for support for their business as a whole. We have built a total management support system for used car dealers by developing and providing various services using ASP, from sales support with Goo-net to purchasing support with Goo Auction.

These products and services win support from retailers, leading to growth in the number of clients and of the average price per client.

In addition to improving our services and content in order to satisfy users, we would also like to focus on management support for used car dealers and help to revitalize the industry.



Quarterly trends in number of clients of Goo series



Q. Which operations have the greatest potential for growth in the future?

A. Entering the market for new cars in automobile-related. In lifestyle, the areas of nursing care, medical care, and welfare. In others, PROTO DATA CENTER.

In the area of automobile-related information, we are looking into developing and providing services and products related to the sales of new cars. Although the awareness of the Goo brand is increasing in the domain of used care sales, it has no presence in the domain of new car sales. Currently this project is in the test marketing phase, with preparations being made to enter the market in earnest soon.

In the area of lifestyle-related information, we have high hopes for our operations in the areas of nursing care, medical care, and welfare, with the market expected to expand due to declining birthrate and a growing proportion of elderly people. There is an increasing trend of new companies entering this field due to predicted future growth, but there is still no company with an absolute market share. We hope to increase our presence in this market by concentrating on developing and providing new products and services instead of relying on existing ones.

In other fields, the BPO* operations of PROTO DATA CENTER are promising. With increasing numbers of businesses interested in streamlining operations due to the depression, there are indications the BPO market will grow in the future. PROTO DATA CENTER handles not only processes from within the group, but also actively pursues contracts with companies outside the group as well.

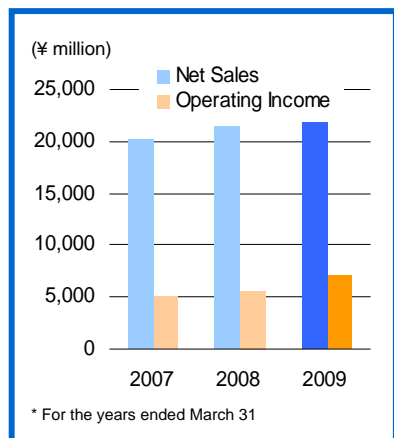
* BPO: Business Process Outsourcing

Q. What is your plan for returning profits to shareholders?

A. We plan to continue paying sustainable, stable dividends.

In addition to improving the business infrastructure, we consider returning profits to our shareholders as an important business objective. Therefore, our basic policy is of a comprehensive approach, bearing in mind the payment of sustainable, stable dividends while also considering retaining earnings for the sake of future growth.

Automobile-related Information



Net Sales
+ 1.6%

Operating Income
+ 26.2%

Growth by the Goo Series Leads to Increased Revenue and Significant Cost Reduction

While revenue from the information magazine business decreased by 2.5% slightly down from the previous fiscal year, the IT business was up 12.2% thanks to expanded sales of Internet products, and sales increased 343 million yen or 1.6% up over the preceding year.

Operating income increased 1.46 billion yen or up 26.2% thanks to insourcing processes such as data entry and restructuring of group businesses.



Goo-net (PC)



Goo Car Information (Mobile site)

Increased Number of Clients Listing Information on Goo Series

The total number of clients listing information on Goo for the year ended March 2009 was up 2.3% from the previous fiscal year, showing steady growth. The unit price per clients remained steady with moderately increasing 0.1% from last year.

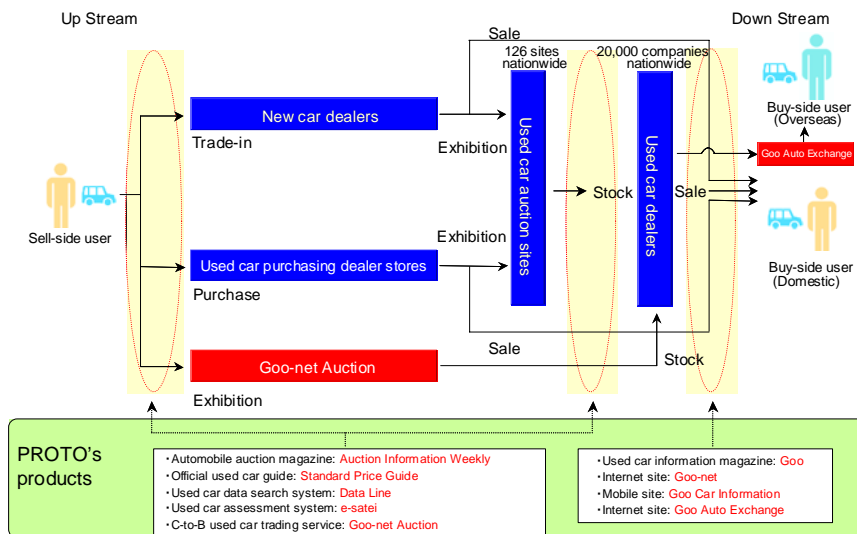
A Hokuriku edition of Goo was released in April 2009, part of an effort to increase the number of businesses clients listing information on Goo in new areas while still increasing market share in already established areas.

The Shift from Magazines to IT Continues, IT Business Increase Sales Share

The ratio of IT business in the automobile-related information segment sales for the year ended March 2009 increased 2.9 points to 30.7%.

Sales and Purchasing Support Services

We provide several data services for the used car marketplace other than used car listings with Goo series. Through these services, we provide comprehensive support for used car dealers.



Japanese used car circulation

Nationwide Implementation of Goo Approved Cars

Goo Approved Cars is a service where appraisal information (an appraisal is done by a third party, and a certificate issued) is given along with used car listings. After test marketing in Hamamatsu, the service was introduced to Tokyo, Osaka, and Nagoya, and nationwide service started in October of 2008.

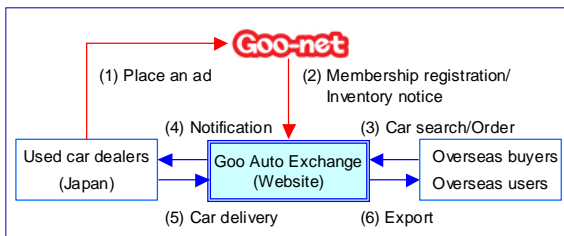


Automobile appraisal certificate from the Japan Automobile Appraisal Association

New Projects for the Year Ending March 2010

Support for Exporting Used Vehicles

In order to support the expansion of sales routes for used car dealers that use the Goo series, GOO AUTO EXCHANGE INC. was established in January 2009 and started operations supporting used vehicle exports (website opened in June 2009).



GOO AUTO EXCHANGE INC. business process for operations supporting used vehicle exports



Goo Auto Exchange

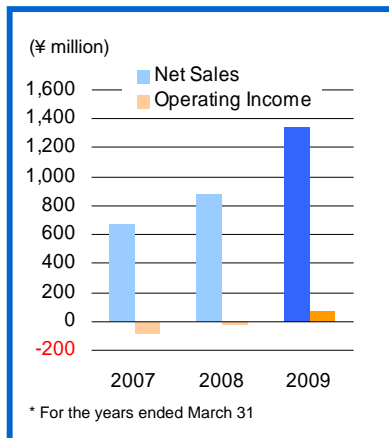
Entry into Market for New Cars

As test marketing for entry into the category of new cars, the green car and green car lifestyle-related information site ecocarlife was opened. Users with knowledge of conservation techniques for a car lifestyle are being gathered, with the site including searches for compact and hybrid cars, as well as dealers that sell them.



Eco Car Life

Lifestyle-related Information



Net Sales
+ 52.5%

Operating Income
Profitability
Achieved

Profitability Achieved from Culture Information, Growth in Nursing Care, Medical and Welfare Areas

With the number of clients listing information on each websites of VeeSCHOOL.com, Oasis Navi and Kaigo Kyujin Navi and unit prices per client growing, as well as the publishing of magazine-style book, the PROTO mook “Kaigo no koto ga yoku wakaru hon Vol.1 2009 harunatsu” (Everything You Need to Know About Nursing Care Vol. 1 2009 Spring/Summer Edition) and starting Internet advertising agency operations, sales increased 463 million yen or up 52.5% from the previous fiscal year. Also, operating income is 62 million yen (24 million yen loss in the previous fiscal year) marking the first time profitability was achieved since listing the company.



Oasis Navi



Kaigo Kyujin Navi



VeeSCHOOL.com

Growth in Nursing Care, Medical and Welfare Areas

Sales from Oasis Navi and Kaigo Kyujin Navi both increased due to higher numbers of clients as well as unit prices per client. The nursing care-, medical care- and welfare-related sites are expected to expand in the future due to declining birth rates and an ageing population.

As of March 2009, there were over 1,800 listings on Oasis Navi, a site with searchable listings for seniors care facilities and seniors’ residences, making it the number one site in the industry. To target new users, the know-how gained through the Goo series of information magazines was applied to publishing the “Kaigo no koto ga yoku wakaru hon Vol.1 2009 harunatsu” PROTO mook in March 2009.

Kaigo Kyujin Navi, the employment website for nursing, medical and welfare facilities, had over 15,000 job listings in March 2009, making it one of the largest job sites in the field in Japan.

Growth in the Culture Information Area

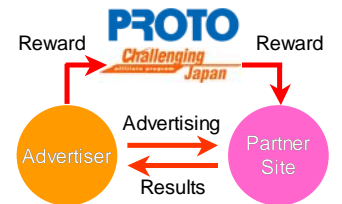
VeeSCHOOL.com, operating in the culture information area, had higher average transaction value and increased profits thanks to greater numbers of clients and expanded sales of Internet products such as instructional videos. After moving from magazine publishing and switching to a net-only model in the year ended March 2005, profitability was quickly achieved, with an operating margin of over 30%.

There were over 60,000 courses listed in March 2009, and this number is steadily increasing.

Entering the Market as an Internet Advertising Agency and Challenging Japan

Entering the Internet advertising market, which has been expanding yearly, as an advertising agency in the year ended March 2009, the result of putting effort into improving and expanding sales of our company's media as well as the product line-ups of other companies' media, was that Internet advertising agency operations contributed significantly to the increased sales in lifestyle-related information.

As for our own media, we focus on strengthening operations and expanding the client base for advertisements with acquiring the affiliate advertising service called Challenging Japan from Challenging Media, Inc.



Business process of Challenging Japan

New Projects for the Year Ending March 2010

Nurse Agent

A new service in the nursing, medical and welfare field that started in February 2009, this specialized job site for nurses Nurse Agent started in the Tokyo area. While displaying synergy with Oasis Navi and Kaigo Kyujin Navi, the service areas will gradually be expanded.



Nurse Agent

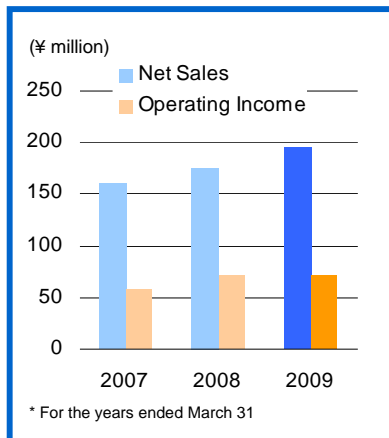
CycleStyle.net

Since Wise Integration Co, Ltd. transferred the business of CycleStyle.net to us in January 2009, we have been expanding store information for bicycle retailers throughout the country. In the future, we aim to raise the presence as a comprehensive bicycle portal site.



CycleStyle.net

Real Estate



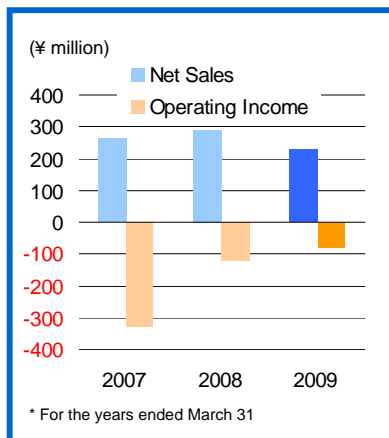
Net Sales
+ 11.5%

Operating Income
- 1.3%

Sales Increased 11.5%, Operating Income Decreased 1.3%

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



Net Sales
- 21.8%

Operating Losses
Losses
Reduced

Decreased Sales due to Restructuring Group Operations, Reduced Operating Losses

Although sales expanded for the MARS FLAG Corporation in-site search engine MARS FINDER, restructuring of group operations and slump for the BOMUL.com website operated by a Korean subsidiary (JPEX Partners: sold in December 2008) meant that sales decreased 63 million yen or down 21.8% from the previous fiscal year. Also, there were operating losses of 80 million yen (123 million yen operating losses for the previous year).

Expanded Sales for MARS FLAG

The in-site search engine MARS FINDER operated by the MARS FLAG Corporation is an ASP service that allows search results within a company site to display both pictures and text simultaneously. This service builds on the know-how gained from the MARS FLAG search engine and has been highly praised by the user companies for its usability and technology.

For the year ended March 2009, MARS FINDER continued expanding sales, which increased earnings for MARS FLAG Corporation. For the year ending March 2010 and in the future, we will work towards future expansion of sales and increased profitability.

MARS FINDER



MARS FINDER Image (PROTO website)

Insourcing of Database Management Processes

In April of 2007, PROTO DATA CENTER was established as a wholly owned subsidiary in Ginowan City, Okinawa. Through this company the database management processes for our main products, the car portal site Goo-net and the Goo series of magazines, which had previously been outsourced, were gradually insourced.

The operations insourcing has completed in May 2008 as a result of successful transformation. This led to a reduction in costs for the year ended March 2009, and contributed significantly to the profitability of the PROTO Group.



Completion of New Location, the PROTO Ginowan Building

As part of the goal of expanding PROTO DATA CENTER operations, construction of the PROTO Ginowan Building proceeded, and was finished in March 2009.

With this, in addition to increased workspace being acquired, greater security was achieved, with expectations for expanded operations in the future.



BPO¹ Operations Expansion

From the year ending March 2010 onwards, PROTO DATA CENTER will expand to BPO total solution operations, an area with expected future growth², actively seeking out work from outside the group.

1 Data Entry

2 Design

3 Web Solution

4 Telemarketing

Some of the strengths that PROTO DATA CENTER has when it comes to BPO operations are being able to take on the 4 functions of data entry, design, web solution and telemarketing all at once, the wealth of know-how about each function gained through handling the Goo series, and the cost benefits of having all production facilities located in Okinawa.

¹. BPO – Business Process Outsourcing

². Within the IT outsourcing market, BPO is predicted to grow by an average 28.1% yearly (According to Study of the IT Outsourcing Market by Yano Research Institute)

Corporate Governance

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 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.

1. Board of Directors

The Board of Directors decides on matters set down in "Provisions for Board of Directors' Meetings" at regular monthly meetings, as well as other meetings held when required.

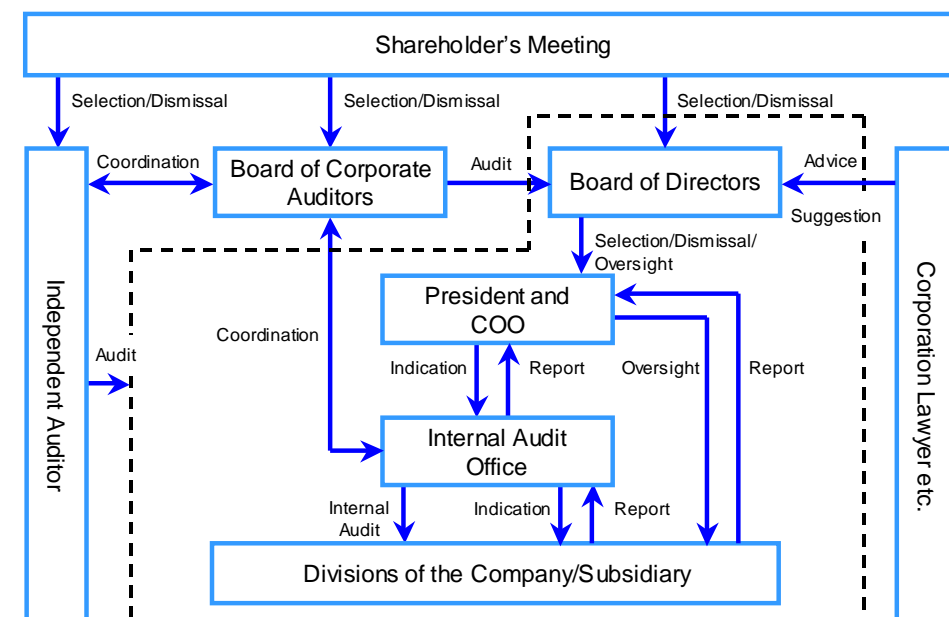
Directors have the authority to execute business affairs under their control, and are also charged with monitoring the actions of other directors and matters raised at Board meetings. PROTO Corporation has introduced an executive officer system with the aim of delegating directors' authority on a company-wide or organizational scale in line with business expansion. Under this system, 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.

2. Board of Corporate Auditors

Under the Company's auditor system, the Board of Corporate Auditors is charged with strengthening the monitoring of management. Specifically, auditors are responsible for monitoring directors' compliance with laws, regulations, and the Articles of Incorporation in the execution of their duties. The independence of the auditing function is enhanced by the appointment of two external auditors in addition to one standing auditor. The Company's corporate auditors share information at monthly Board of Corporate Auditors meetings.

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.



Corporate Governance System Chart

3. Internal 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. Employees from the Internal Audit Office do 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 auditors specify the necessary improvements and follow 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. They report the results of these audits to the president on a regular basis.

4. Coordination between Corporate Auditors and Accounting Auditor

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.

5. Coordination between Corporate Auditors and the Internal Audit Office

The auditors and the Internal Audit Office share information through a mutual exchange of ideas and checking up on recent matters.

6. Main Activities of External Auditors

The Company's auditors share information at the monthly Board of Corporate Auditors meetings. All auditors also attend the regular monthly Board of Directors meetings, where they monitor the directors' execution of duties, the Company's internal control system, and other matters by asking questions as appropriate.

7. Internal Control System and Financial Reports

PROTO Corporation is working hard to strengthen internal control through the establishment of an Internal Audit Office. 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.

8. Compliance System

PROTO strives to promote and maintain proper behavioral standards among its employees through its Company 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 Article 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.

9. Industry Activities

Recently, dishonesty toward consumers has become a problem within the used car industry as a result of a downturn in consumption. Specific examples of such dishonest conduct include erasing the accident record of a car so that it appears to have no such record and winding back odometers.

With regard to odometer tampering, through our various vehicle-related media we urge manufacturer-affiliated dealers and used car dealers to be vigilant of this activity. Two prevention measures established by the Automobile Fair Trade Council include the affixing of seals to vehicles with replacement meters and vehicles with tampered meters, and using the odometer reading administration system to check whether or not there has been tampering. The Company endeavors to raise the ethical standards of the industry while coordinating closely with the Council and similar organizations.

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 May 13, 2009.

1. 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.

2. 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))					
	Mar. 2008	Jun. 2008	Sep. 2008	Dec. 2008	Mar. 2009
Price	122-135	122-134	131-134	131-134	130-133

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, 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.

4. 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.

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 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.

6. 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.

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 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.

Tackling Environment Problems

1. Ecochu Declaration

As part of revitalizing the automobile trading industry as well as fighting global warming, we made our Ecochu declaration, an abbreviation for “being engaged in economic and ecological activities”, and made an Ecochu website.

We also decided on February 5 as Ecochu Day, and had it registered by the Japan Anniversary Association.

The Ecochu declaration shows consumers how choosing to purchase a used car is an “economical” choice due to the decreased expenditure, as well as it being an “ecological (environmentally friendly)” choice by reducing the materials that would be used and the CO₂ that would be produced by making a new car.

Through supplying automobile-related information to more users and cooperating with various companies to promote Ecochu activities, we will stimulate the automobile industry and support environmentally friendly activities.

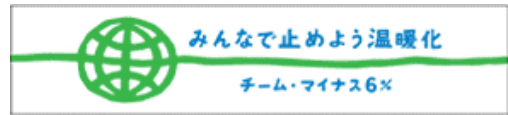
Ecochu Declaration

I thought about the environment and chose a used car.

Considerable resources and energy are required to manufacture a single car. A large amount of CO₂ is released when manufacturing a compact car which emits little exhaust. In other words, choosing to purchase a used car rather than manufacturing a new one can avoid wasting resources and energy and help reduce greenhouse gas emissions. Needless to say, it also saves money. Why don't you choose an economical and environmentally-friendly used car?



2. Participation in “Team Minus 6%”



Introduced in response to the Kyoto Protocol adopted in 2005, “Team Minus 6%” is a national campaign promoted by the Global Warming Prevention Headquarters, led by the Ministry of Environment. The campaign calls for Japanese people, corporations, and organizations to work together from 2008 to 2012 to achieve a 6% reduction in greenhouse gas emissions compared with 1990 levels.

PROTO joined the campaign in 2006 and is currently implementing the following initiatives.

(1) Temperature control

By setting air conditioners at 28 °C in summer and heating at 20 °C in winter at our offices, we are reducing CO₂ emissions, one of the causes of global warming.

(2) Eco-drive

CO₂ emissions from private vehicles today account for approximately 10% of emissions nationwide. Due to increasing car ownership, there are around 20% more vehicles on our roads compared with 1990. At a time when drivers are asked to consider the environment, we are asking our employees to stop idling engines when stationary or parked for more than one minute and to tread gently on the accelerator when starting.

3. “Eco Campaign”

In June 2008, we held our “Eco Campaign” in association with our Goo series of publications and related websites, following a similar initiative adopted in 2006.

Under the campaign, we sought to raise awareness concerning the environment by offering giveaways related to an “eco” theme. We also promoted a variety of activities aimed at vehicle users, including the “Eco-drive” campaign.

Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31

(Thousands of Yen)

	2007	2008	2009
<Assets>			
Current Assets			
Cash	7,722,034	9,135,447	9,257,401
Notes and accounts receivable-trade	2,713,232	2,739,587	2,395,830
Inventory assets	74,794	44,392	—
Finished goods and merchandise	—	—	13,440
Work in process	—	—	45,518
Raw materials and supplies	—	—	10,418
Deferred tax assets	105,918	96,918	141,898
Other current assets	245,936	282,247	175,469
Allowance for doubtful accounts	(3,633)	(3,223)	(1,884)
Total Current Assets	10,858,282	12,295,370	12,038,093
Fixed Assets			
Tangible Fixed Assets			
Buildings and structures	1,881,906	1,782,191	3,341,275
Land	2,174,459	2,174,459	3,900,031
Other tangible fixed assets	165,364	255,829	77,103
Total Tangible Fixed Assets	4,221,730	4,212,480	7,318,411
Intangible Fixed Assets			
Goodwill	147,899	72,996	132,531
Other intangible fixed assets	198,914	189,185	161,442
Total Intangible Fixed Assets	346,814	262,181	293,973
Investments and Other Assets			
Investments in securities	820,604	588,689	438,254
Deferred tax assets	421,605	383,685	493,608
Other investments	1,283,464	1,307,264	1,055,711
Allowance for doubtful accounts	(28,408)	(26,246)	(29,320)
Total Investments and Other Assets	2,497,266	2,253,392	1,958,253
Total Fixed Assets	7,065,810	6,728,054	9,570,637
Total Assets	17,924,093	19,023,424	21,608,731
<Liabilities>			
Current Liabilities			
Notes and accounts payable-trade	1,872,186	1,744,157	727,180
Accrued expenses	871,168	906,533	1,239,363
Accrued income taxes	1,098,828	980,655	1,245,439
Advances received	1,848,059	1,987,442	2,121,637
Allowance for sales returns	45,638	54,224	51,357
Allowance for bonus payable	28,243	36,378	35,440
Other current liabilities	293,947	286,541	747,009
Total Current Liabilities	6,058,072	5,995,932	6,167,427
Long-Term Liabilities			
Deferred tax liabilities	1,247	1,566	—
Allowance for employee' retirement benefits	23,840	27,049	—
Allowance for directors' retirement benefits	183,537	191,858	194,600
Negative goodwill	—	33,067	41,465
Other long-term liabilities	352,266	339,765	340,159
Total Long-Term Liabilities	560,892	593,306	576,224
Total Liabilities	6,618,965	6,589,239	6,743,652
<Net Assets>			
Shareholders' Equity			
Common stock	1,824,620	1,824,620	1,824,620
Capital surplus	2,011,536	2,011,536	2,011,623
Other surplus	7,020,461	8,439,991	10,999,460
Treasury stock	(7,396)	(10,385)	(11,778)
Total Shareholders' Equity	10,849,221	12,265,761	14,823,925
Valuation and Translation Adjustments			
Unrealized losses on other securities, net of tax	28,200	6,154	(27,143)
Foreign exchange adjustment account	28,659	32,952	(10,412)
Total Valuation and Translation Adjustments	56,859	39,106	(37,556)
Minority Interests	399,047	129,317	78,708
Total Net Assets	11,305,128	12,434,185	14,865,078
Total Liabilities and Net Assets	17,924,093	19,023,424	21,608,731

Consolidated Statements of Income

For the years ended March 31

(Thousands of Yen)

	2007	2008	2009
Net Sales	21,238,785	22,893,978	23,657,565
Cost of Sales	9,582,174	9,964,422	9,067,679
Reversal of allowance for sales returns	47,292	45,638	54,224
Provision for allowance for sales returns	45,638	54,224	51,357
Gross Profit	11,658,264	12,920,970	14,592,753
Selling, General and Administrative Expenses			
Salaries for directors and employees	3,540,252	3,687,881	3,852,335
Provision for allowance for directors' retirement benefits	14,696	15,434	15,087
Provision for allowance for bonus payable	21,091	25,653	25,951
Advertising	1,396,267	1,652,429	1,682,071
Provision for allowance for doubtful accounts	11,309	10,209	20,594
Amortization of goodwill	124,276	77,156	36,167
Others	3,561,597	3,680,688	3,575,804
Total Selling, General and Administrative Expenses	8,669,491	9,149,452	9,208,011
Operating Income	2,988,772	3,771,517	5,384,741
Non-Operating Income			
Interest income	6,270	6,064	11,104
Dividend received	11,768	15,368	14,085
Income from sales of used paper	12,024	25,078	31,903
Amortization of negative goodwill	—	—	7,403
Gain on investments in anonymous association	73,618	10,760	17,820
Other income	72,668	38,468	12,710
Total Non-Operating Income	176,349	95,739	95,027
Non-Operating Expenses			
Interest expenses of loans	1,245	271	—
Investment losses of business association	—	21,597	76,433
Other expenses	27,023	7,620	3,036
Total Non-Operating Expenses	28,268	29,488	79,470
Ordinary Income	3,136,853	3,837,768	5,400,297
Extraordinary Income			
Gains from sales of fixed assets	4,207	316	67
Gains from sales of securities	297,512	—	13,328
Gains from sales of shares in affiliates	35,781	89,043	—
Gains from the prior-term adjustments	49,705	—	50,649
Other extraordinary income	—	1,825	—
Total Extraordinary Income	387,206	91,186	64,045
Extraordinary Losses			
Losses from sales of fixed assets	—	12,572	1,423
Losses from disposals of fixed assets	29,783	56,410	52,698
Impairment losses	26,048	—	52,440
Losses from write-down of securities	408,000	186,764	152,775
Losses from sales of shares in affiliates	—	—	35,509
Losses on dissolution of lease	1,814	6,300	—
Other expenses	25,533	2,120	33,799
Total Extraordinary Losses	491,178	264,167	328,647
Income before Income Taxes	3,032,881	3,664,786	5,135,695
Income Taxes	1,586,303	1,753,911	2,131,858
Adjustment of Corporate Income Tax	(268,094)	62,283	(133,757)
Total Taxes	1,318,209	1,816,194	1,998,101
Minority Interest in Earnings/Losses	(51,410)	10,583	(49,536)
Net Income	1,766,081	1,838,008	3,187,129

Consolidated Statements of Changes in Shareholders' Capital

For the years ended March 31

(Thousands of Yen)

	Shareholders' Equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	1,824,620	2,011,536	7,020,461	(7,396)	10,849,221
Increase (decrease) during the year					
Cash dividends	—	—	(418,479)	—	(418,479)
Net income	—	—	1,838,008	—	1,838,008
Acquisition of treasury stocks	—	—	—	(2,989)	(2,989)
Net change in items excluding shareholders' capital during the period	—	—	—	—	—
Total increase (decrease) during the year	—	—	1,419,529	(2,989)	1,416,539
Balance as of March 31, 2008	1,824,620	2,011,536	8,439,991	(10,385)	12,265,761

(Thousands of Yen)

	Valuation and exchange differences etc.				
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total valuation and exchange difference	Minority interests	Total net assets
Balance as of March 31, 2007	28,200	28,659	56,859	399,047	11,305,128
Increase (decrease) during the year					
Cash dividends	—	—	—	—	(418,479)
Net income	—	—	—	—	1,838,008
Acquisition of treasury stocks	—	—	—	—	(2,989)
Net change in items excluding shareholders' capital during the period	(22,045)	4,292	(17,752)	(269,729)	(287,482)
Total increase (decrease) during the year	(22,045)	4,292	(17,752)	(269,729)	1,129,057
Balance as of March 31, 2008	6,154	32,952	39,106	129,317	12,434,185

(Thousands of Yen)

	Shareholders' Equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2008	1,824,620	2,011,536	8,439,991	(10,385)	12,265,761
Increase (decrease) during the year					
Cash dividends	—	—	(627,660)	—	(627,660)
Net income	—	—	3,187,129	—	3,187,129
Acquisition of treasury stocks	—	—	—	(1,542)	(1,542)
Disposal of treasury stocks	—	87	—	149	237
Net change in items excluding shareholders' capital during the period	—	—	—	—	—
Total increase (decrease) during the year	—	87	2,559,469	1,392	2,558,164
Balance as of March 31, 2009	1,824,620	2,011,623	10,999,460	(11,778)	14,823,925

(Thousands of Yen)

	Valuation and exchange differences etc.				
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total valuation and exchange difference	Minority interests	Total net assets
Balance as of March 31, 2008	6,154	32,952	39,106	129,317	12,434,185
Increase (decrease) during the year					
Cash dividends	—	—	—	—	(627,660)
Net income	—	—	—	—	3,187,129
Acquisition of treasury stocks	—	—	—	—	(1,542)
Disposal of treasury stocks	—	—	—	—	237
Net change in items excluding shareholders' capital during the period	(33,297)	(43,365)	(76,662)	(50,608)	(127,271)
Total increase (decrease) during the year	(33,297)	(43,365)	(76,662)	(50,608)	2,430,892
Balance as of March 31, 2009	(27,143)	(10,412)	(37,556)	78,708	14,865,078

Consolidated Statements of Cash Flows

For the years ended March 31

(Thousands of Yen)

	2007	2008	2009
Cash Flows from Operating Activities			
Income before income taxes	3,032,881	3,664,786	5,135,695
Depreciation	247,112	230,195	207,240
Impairment loss	26,048	—	52,440
Amortization of goodwill	124,276	77,156	36,167
Amortization of negative goodwill	—	—	(7,403)
Loss on revaluation of derivatives	6,204	(7,390)	1,186
Increase/decrease in reserve for director's retirement allowances	(37,892)	8,352	2,741
Increase/decrease in reserve for employee's retirement benefits	(4,737)	3,237	(26,176)
Increase/decrease in reserve for bonuses	(1,169)	6,255	1,076
Increase/decrease in reserve for returned products	(1,654)	8,586	(2,867)
Increase/decrease in reserve for doubtful accounts	3,834	(2,571)	2,130
Interest and dividend income	(18,038)	(21,433)	(25,189)
Interest expenses	1,245	271	—
Gain/loss on investments in business associations	(38,377)	21,597	76,433
Loss on revaluation of inventories	—	—	2,966
Loss on investments in anonymous associations	(73,618)	(10,760)	(17,820)
Loss on sales of investment securities	(297,512)	—	(13,328)
Loss on sales of shares in affiliated companies	(35,781)	(89,043)	35,509
Loss on revaluation of investment securities	408,000	186,764	152,775
Gain on sales/disposal of property and equipment	23,625	67,987	54,054
Increase/decrease in trade receivables	(248,328)	(50,613)	470,508
Increase/decrease in inventories	45,711	30,402	(27,952)
Increase/decrease in accounts payable	(80,654)	(127,670)	(1,020,927)
Increase/decrease in accrued expenses	73,713	53,659	366,912
Increase/decrease in advances received	112,634	139,491	132,603
Increase/decrease in accrued consumption taxes, etc	7,329	17,164	(42,356)
Bonuses paid to directors	(21,437)	—	—
Others	7,710	(17,210)	49,821
Subtotal	3,261,125	4,189,215	5,596,241
Interest and dividends received	18,437	21,540	25,438
Interest paid	(1,257)	(271)	—
Income taxes paid	(1,119,514)	(1,889,423)	(1,871,608)
Net Cash Provided by (Used in) Operating Activities	2,158,790	2,321,062	3,750,071
Cash Flows from Investing Activities			
Decrease in time deposits	—	—	(300,000)
Increase in time deposits	31,176	2,100	600,000
Acquisition of property and equipment	(137,093)	(194,354)	(2,852,789)
Proceeds from sales of property and equipment	9,521	5,679	960
Acquisition of intangible fixed assets	(65,853)	(103,081)	(78,151)
Proceeds from sales of intangible fixed assets	3,000	—	—
Addition to investment securities	(406,460)	(85,200)	(175,964)
Proceeds from sales of investment securities	402,346	—	32,538
Acquisition of shares in subsidiary to minority shareholders	(425)	(244,387)	—
Sales of shares in subsidiary to minority shareholders	62,370	113,670	—
Payment for subsidiary's shares accompanying changes in scope of consolidation	—	—	(2,188)
Proceeds from subscription repayments	120,145	10	—
Payment of long-term prepaid expenses	(5,052)	(13,133)	(26,395)
Investment income received from anonymous associations	158,718	71,138	15,412
Payment for acquisition of business	—	—	(162,110)
Others	96,621	(27,225)	(543)
Net Cash Provided by (Used in) Investing Activities	269,013	(474,785)	(2,949,230)
Cash Flows from Financing Activities			
Net increase/decrease in short-term borrowings	(20,745)	—	3,998
Repayment of long-term debt	(44,000)	—	—
Acquisition of treasury stock	(2,772)	(2,989)	(1,542)
Proceeds from disposal of treasury stock	—	—	237
Dividends paid	(217,649)	(417,703)	(627,100)
Dividends paid to minority shareholders	(15,030)	(16,942)	—
Net Cash Provided by (Used in) Financing Activities	(300,197)	(437,635)	(624,407)
Effect of Exchange Rate Changes	28,473	6,871	(54,479)
Net Increase in Cash and Cash Equivalents	2,156,079	1,415,513	121,953
Cash and Cash Equivalents at Beginning of Year	5,413,854	7,569,934	8,985,447
Cash and Cash Equivalents at End of Year	7,569,934	8,985,447	9,107,401

Analysis of Operating Results and Financial Position

Analysis of Operating Results

■Outline

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.

■Net Sales

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.

■Operating Income

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.

■Ordinary Income/Net Income

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.

■Segment Results

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

Cosolidated Operating Results

For the years ended March 31

(Thousands of Yen)

	2008	2009	2009 vs 2008
Net Sales	22,893,978	23,657,565	103.3%
Operating Income	3,771,517	5,384,741	142.8%
Ordinary Income	3,837,768	5,400,297	140.7%
Net Income	1,838,008	3,187,129	173.4%

Sales by Segment

For the years ended March 31

(Thousands of Yen)

	2008	2009	2008 vs 2009
Automobile-related Information	21,546,114	21,889,838	101.6%
Lifestyle-related Information	882,076	1,345,402	152.5%
Real Estate	174,673	194,816	111.5%
Others	291,112	227,507	78.2%
Total	22,893,978	23,657,565	103.3%

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 measu-

res 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.

Analysis of Financial Position

■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.

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.

■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.

Outlook for the Year Ending March 2010

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.

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.

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.

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.

Profit Appropriation Policy, Cash Dividends for the Fiscal Year 2009 and 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 share-

holders 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 per share. This consisted of interim and year-end dividends of ¥35 each.

In the year ending March 2010, the Group intends to pay ordinary dividends of ¥70 per share. This will consist of interim and year-end dividends of ¥35 each.

Corporate Name

PROTO Corporation

Founded

October 1, 1977

Established

June 1, 1979

Common Stock

¥1,824,620 thousand

Head Offices

<Nagoya>

23-14, Aoi, 1-chome Naka-ku, Nagoya 460-0006, Japan

<Tokyo>

23-2, Hongo, 2-chome Bunkyo-ku, Tokyo 113-0033, Japan

Branch Offices As of April 1, 2009

Sapporo, Sendai, Kita-Kanto, Tokyo, Hamamatsu, Hokuriku, Nagoya, Osaka, Hiroshima, Fukuoka, Kumamoto

(50 Sales Outlets Nationwide/2 Head Offices, 11 Branch Offices, 37 Sales Offices)

Fiscal Year-end

March 31

Number of Employees

Consolidated: 716 (Parent: 607)

Directors and Auditors As of June 23, 2009

Chairman and Chief Executive Officer	Hiroichi Yokoyama
President and Chief Operating Officer	Tatsuzo Irikawa
Vice President	Minoru Saito
Managing Director	Motohisa Yokoyama
Managing Director	Fujio Imura
Managing Director	Atsuya Okimura
Director	Susumu Kuramoto
Director	Mitsuhiro Munehira
Director	Toru Shiraki
Director	Shigeyoshi Shimizu
Director	Kenji Kamiya
Standing Statutory Auditor	Kenichi Mizuno
Statutory Auditor	Wataru Shiomi
Statutory Auditor	Yoshio Arima

Subsidiary

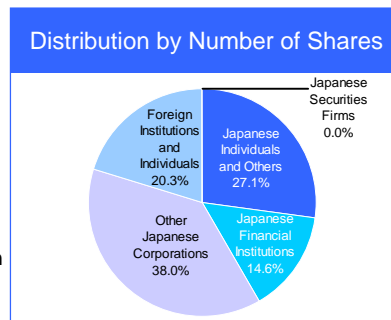
REPAIR-TECH Inc. (Full subsidiary)
 MARS FLAG Corporation (47.1% subsidiary)
 PROTO DATA CENTER (Full subsidiary)
 GOO AUTO EXCHANGE INC. (Full subsidiary)
 PROTO (Shanghai) Advertising Co., Ltd. (Full subsidiary)
 PROTO (Shanghai) Brokerage Co., Ltd. (Full subsidiary)

Corporate History

1977	Oct.	"Used Car Tsushin" (now "Goo") launched
1979	Jun.	Project Eight Corporation (now PROTO Corporation) established
1985	Aug.	"Auction Information Weekly" launched
1992	Oct.	"Used Car Tsushin" name changed to "Goo"
	Dec.	"Goo Osaka Edition" launched, marking start of nationwide expansion
1995	Oct.	"Goo Tokyo Metropolitan Area Edition" launched
1996	Apr.	"Data Line" used car data search system developed, marking launch of information service
	Oct.	Used car information search site "Goo-net" marks start of online information service
1999	Oct.	"Blue Book"(now "Standard Price") guide to used car prices launched
	Oct.	Starts providing automobile-related information as an official i-Mode site in collaboration with NTT DOCOMO
2001	Aug.	"Goo Bike" information magazine launched
	Sep.	PROTO's stock registered over the counter with the Japan Securities Dealers Association (currently JASDAQ Securities Exchange)
2002	Mar.	"Goo Parts" car parts information magazine launched
	Aug.	"Vee School" launched, marking entry to cultural-related information business
2006	Aug.	"Goo-net Auction" launched as a C-to-B used car trading service
	Oct.	"Oasis Navi" launched as online information search site for nursing homes
2007	Jul.	"Kaigo Kyujin Navi" launched as recruiting/outplacement information service for nursing, medical, and welfare facilities
2009	Feb.	"Nurse Agent" launched as outplacement information service for nursing
	Jun.	"Goo Auto Exchange" launched as a used car trading service for overseas buyers and Japanese car dealers

Shareholders Composition

Number of Shares Authorized	30,900,000
Number of Shares Issued	10,470,000
Number of Shareholders	1,609
Stock Exchange Listing	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

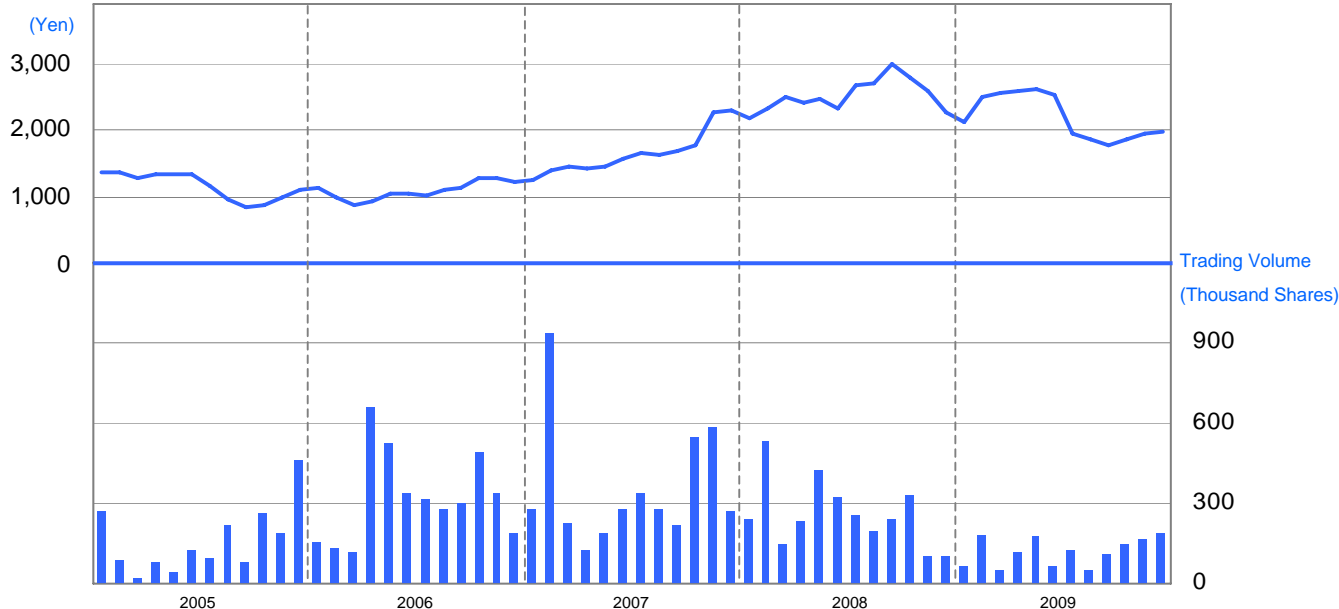


Major Shareholders

Shareholder	Number of Shares Held (Thousand)	Ownership(%)
Mugen Corporation	3,300	31.81
Japan trustee Services Bank, Ltd. (Trust Account)	867	8.28
Hiroichi Yokoyama	822	7.85
Yoshihiro Yokoyama	486	4.64
JPMCB Omnibus US Pension Treaty Jasdec 380052	466	4.45
CBHK Gogent Hunterhall GL Ethic	307	2.93
JP Morgan Chase Bank 385065	280	2.67
Japan Master Trust Bank, Ltd. (Trust Account)	190	1.81
Mellon Bank N.A. as Agent for Its Client Mellon Omnibus US Pension	176	1.68
Minoru Saito	169	1.61

Stock Price and Trading Volume For the years ended March 31

Stock Price



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.

For Further Information, Please Contact

Corporate Planning Department

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