

# Annual Report 2010

Year Ended March 31, 2010



# Contents

- 2 At a Glance
- 4 Consolidated Financial Highlights
- 6 Management Message
- 10 Business Overview
- 14 Corporate Governance
- 16 Corporate Social Responsibility (CSR) Initiative
- 18 Consolidated Financial Statements
- 22 Analysis of Operating Results and Financial Position
- 26 Business Risks
- 28 Stock Information
- 29 Corporate Profile



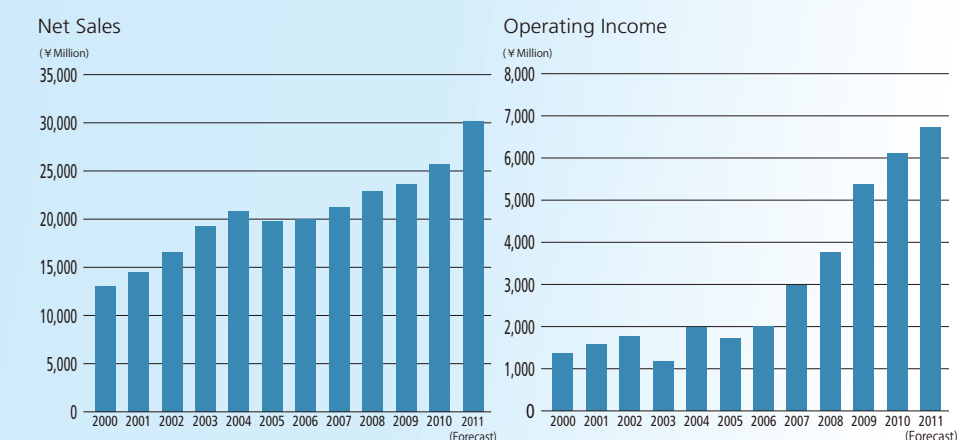
## Leveraging Information for the Future

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.

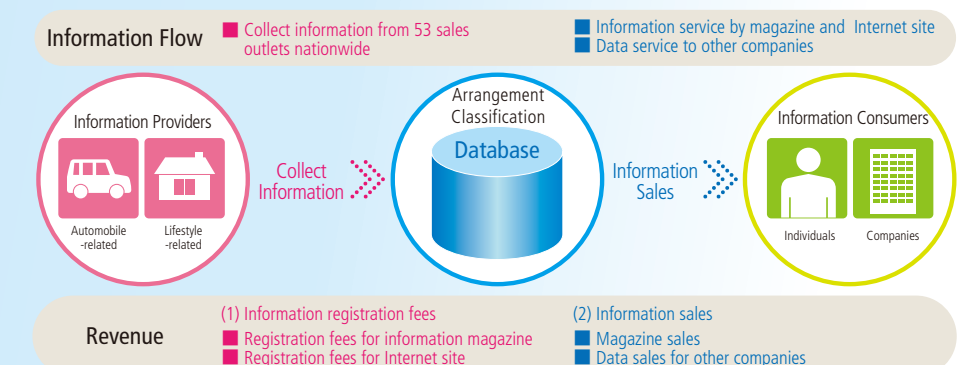
In particular, in our core business of automobile-related information, by providing a comprehensive management support service for our customers, who consist mainly of used car dealers, we are striving to achieve further business expansion and growth.

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 and welfare matters – we aim to achieve continuous and stable growth.

Sales and Operating Income (Consolidated) Years ended March 31



## Business Process










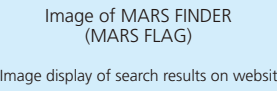


## Forward-Looking Statements

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.



Consolidated Net Sales ¥25,682 million

Segment	Shares of Net Sales	Main Products/Services	Main Business
Automobile-related Information	<div>89.0%</div> <div>¥22,858million</div>	<div><div><p>Car portal site Goo-net</p></div><div><p>Mobile site Goo Car Information</p></div><div><p>Car information magazine Goo</p></div><div><p>Website for used car export support Goo-net Exchange (Goo Auto)</p></div><div><p>Used car data search system for companies Data Line</p></div><div><p>Software for sheet-metal/paint quotation Morenon (REPAIR-TECH)</p></div><div>Providing total management support to customers such as used car dealers, through our products and services</div></div> <td><p>The Group engages in advertising activities through a variety of media in order to increase the sales of its clients, mainly automobile dealers, used car dealers, and parts dealers. Meanwhile, consumers who buy used cars, parts, and other goods find and purchase the desired product based on information disseminated by these dealers and stores.</p><p>The Company collects inventory data on cars and other items sold by retailers through the placement of advertisements. We bring together this inventory data classify to create database and ultimately provide it to consumers via the Internet, mobile media, and information magazines. By matching the mutual needs of retailers and consumers in this way, we help retailers increase sales opportunities while assisting consumers with purchasing.</p><p>We offer various services to used car dealers and other corporate clients. These include information on the prices of successful bids for used vehicles collected from automobile auction sites throughout Japan, as well as a unique service where we provide useful information including standard prices for used vehicles based on data on successful bids. We also have a management support business to facilitate effective and efficient purchasing and selling. Examples of the services we provide include: Goo-net Auction, a C-to-B used car purchasing service in which used car dealers compete via a tender process to purchase privately owned vehicles; Goo-approved Car, a service for disclosing information on the quality of used cars to consumers; and Goo Warranty, a repair warranty service for used cars.</p><p>REPAIR-TECH INC. and SYSTEM-ONE Corporation publish magazines for the automobile repair and parts industry and develop and sell business support software related to automobile sheet-metal and repair quotation software. Goo Auto Inc. supports domestic used car dealers with exporting used cars, through use of Goo-net Exchange, a media form aimed at foreign users.</p></td>	<p>The Group engages in advertising activities through a variety of media in order to increase the sales of its clients, mainly automobile dealers, used car dealers, and parts dealers. Meanwhile, consumers who buy used cars, parts, and other goods find and purchase the desired product based on information disseminated by these dealers and stores.</p> <p>The Company collects inventory data on cars and other items sold by retailers through the placement of advertisements. We bring together this inventory data classify to create database and ultimately provide it to consumers via the Internet, mobile media, and information magazines. By matching the mutual needs of retailers and consumers in this way, we help retailers increase sales opportunities while assisting consumers with purchasing.</p> <p>We offer various services to used car dealers and other corporate clients. These include information on the prices of successful bids for used vehicles collected from automobile auction sites throughout Japan, as well as a unique service where we provide useful information including standard prices for used vehicles based on data on successful bids. We also have a management support business to facilitate effective and efficient purchasing and selling. Examples of the services we provide include: Goo-net Auction, a C-to-B used car purchasing service in which used car dealers compete via a tender process to purchase privately owned vehicles; Goo-approved Car, a service for disclosing information on the quality of used cars to consumers; and Goo Warranty, a repair warranty service for used cars.</p> <p>REPAIR-TECH INC. and SYSTEM-ONE Corporation publish magazines for the automobile repair and parts industry and develop and sell business support software related to automobile sheet-metal and repair quotation software. Goo Auto Inc. supports domestic used car dealers with exporting used cars, through use of Goo-net Exchange, a media form aimed at foreign users.</p>
Lifestyle-related Information	<div>8.9%</div> <div>¥2,286million</div>	<div><div><p>Information search website for nursing homes and housing for seniors Oasis Navi</p></div><div><p>Recruiting/outplacement information website for nursing, medical, and welfare Kaigo Kyujin Navi</p></div><div><p>Job information website for nurses Nurse Agent</p></div><div><p>Website for specializing in qualifications, skills, hobbies and schools Vee SCHOOL</p></div><div><p>Recycling information website Oikura</p></div></div> <td><p>The Group provides Lifestyle-related information through its cultural information business, care-related information business and recycling information business, and also conducts Internet and mobile advertising and website support. In its cultural information business, by providing information on lessons held at cultural schools where students obtain qualifications and skills and pursue hobbies, the Group contributes to the expansion of the markets for qualifications and learning. In its care-related information business, as well as providing information on fee-based nursing homes and housing for seniors, and information on jobs in the nursing care, medical and welfare fields, the Group provides recruitment services aimed at nurses wishing to change jobs to a hospital or nursing home, and thereby contributes towards expanding the nursing care, medical and welfare industries and towards eliminating personnel shortages. In its recycling information business, the Group provides information on recycling shops, and contributes to activation of the recycling market by providing services that enable users to perform purchase assessments and purchase requests through websites. As with Automobile-related information, we sort and classify the information to make it easy for people to compare and examine and provide them to consumer and users through Internet and mobile media.</p></td>	<p>The Group provides Lifestyle-related information through its cultural information business, care-related information business and recycling information business, and also conducts Internet and mobile advertising and website support. In its cultural information business, by providing information on lessons held at cultural schools where students obtain qualifications and skills and pursue hobbies, the Group contributes to the expansion of the markets for qualifications and learning. In its care-related information business, as well as providing information on fee-based nursing homes and housing for seniors, and information on jobs in the nursing care, medical and welfare fields, the Group provides recruitment services aimed at nurses wishing to change jobs to a hospital or nursing home, and thereby contributes towards expanding the nursing care, medical and welfare industries and towards eliminating personnel shortages. In its recycling information business, the Group provides information on recycling shops, and contributes to activation of the recycling market by providing services that enable users to perform purchase assessments and purchase requests through websites. As with Automobile-related information, we sort and classify the information to make it easy for people to compare and examine and provide them to consumer and users through Internet and mobile media.</p>
Real Estate / Others	<div>Real Estate Others</div> <div>0.8% 1.3%</div> <div>¥205million ¥332million</div>	<div><div><p>Image of MARS FINDER (MARS FLAG)</p></div><div><p>Image display of search results on website</p></div><div><p>Data Entry/Design/Web Solution/Telemarketing (PROTO DATA CENTER)</p></div></div> <td><p>In the Real Estate Business, PROTO CORPORATION and REPAIR-TECH INC. manage the Group's real estate assets, with the primary objective of carrying out maintenance and managing these buildings.</p><p>In the Other Business, MARS FLAG Corporation develops and administers the MARS Enterprise Solutions (MARS FINDER/MARS UNIVERSAL VIEWER/MARS SITE PERFORMANCE) search functions used for searching within websites, each of which is based on the technology of the Internet search engine MARS FLAG. As a BPO (Business Process Outsourcing) business, PROTO DATA CENTER provides data entry services, services for media design and provides web solutions and customer support web solution and telemarketing.</p></td>	<p>In the Real Estate Business, PROTO CORPORATION and REPAIR-TECH INC. manage the Group's real estate assets, with the primary objective of carrying out maintenance and managing these buildings.</p> <p>In the Other Business, MARS FLAG Corporation develops and administers the MARS Enterprise Solutions (MARS FINDER/MARS UNIVERSAL VIEWER/MARS SITE PERFORMANCE) search functions used for searching within websites, each of which is based on the technology of the Internet search engine MARS FLAG. As a BPO (Business Process Outsourcing) business, PROTO DATA CENTER provides data entry services, services for media design and provides web solutions and customer support web solution and telemarketing.</p>

## Financial Highlights

	2006	2007	2008	2009	2010
(Millions of Yen)					
<b>For the Year</b>					
Net Sales	19,952	21,238	22,893	23,657	25,682
Operating Income	2,010	2,988	3,771	5,384	6,098
Ordinary Income	1,987	3,136	3,837	5,400	6,165
Net Income	598	1,766	1,838	3,187	3,529
<b>At Year End</b>					
Total Assets	16,218	17,924	19,023	21,608	24,223
Net Assets	9,589	11,305	12,434	14,865	17,700
Common Stock	1,824	1,824	1,824	1,824	1,824
Shares Outstanding at Year-End (Thousands)	8,725	10,470	10,470	10,470	10,470
Number of Employees	622	650	685	716	798

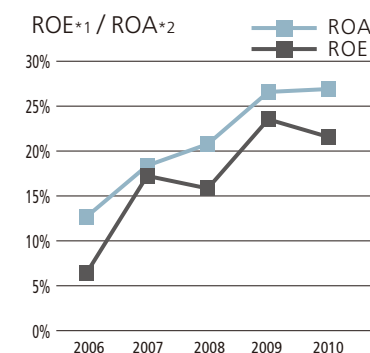
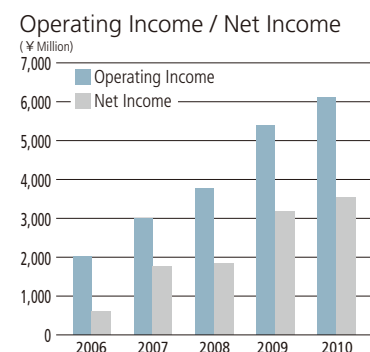
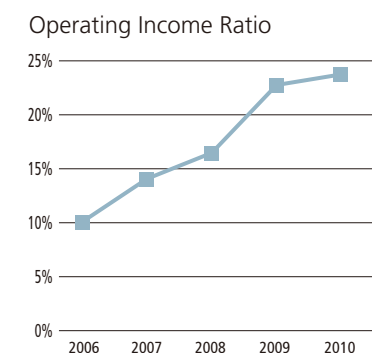
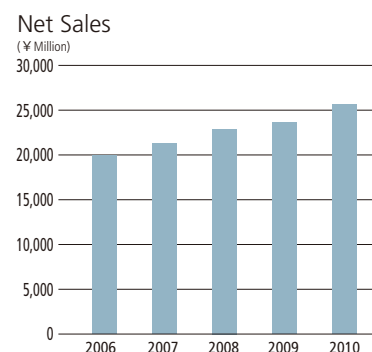
## Per Share Data

	2006	2007	2008	2009	2010
(Yen)					
Net Income	66.13	168.78	175.69	304.67	337.43
Net Assets	1,097.22	1,042.41	1,176.24	1,413.52	1,683.60
Annual Cash Dividends	20.00	30.00	50.00	70.00	70.00

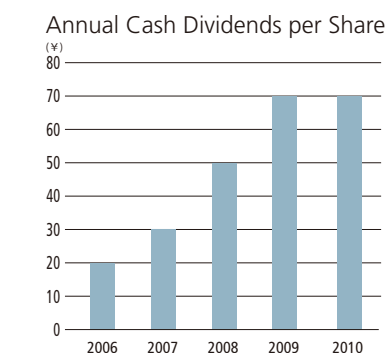
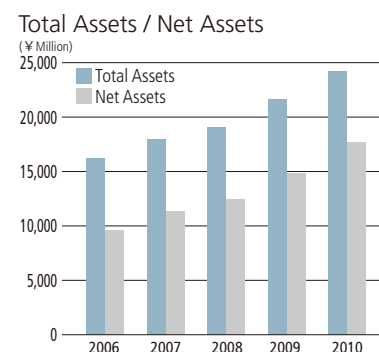
## Financial Data

	2006	2007	2008	2009	2010
Operating Income Ratio	10.1%	14.1%	16.5%	22.8%	23.7%
Return on Equity (ROE) *1	6.4%	17.2%	15.8%	23.5%	21.8%
Return on Asset (ROA) *2	12.7%	18.4%	20.8%	26.6%	26.9%
Equity Ratio	59.1%	60.8%	64.7%	68.4%	72.7%
Interest Coverage Ratio (Times)	1021.5	1716.4	8557.7	—	1855.5
Payout Ratio	30.2%	17.8%	28.5%	23.0%	20.7%

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



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



## Net Sales by Segment

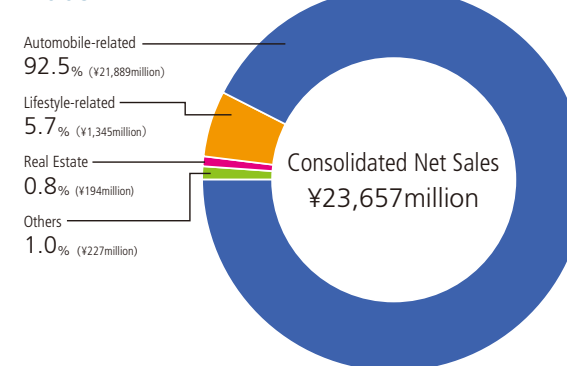
	2006	2007	2008	2009	2010
(Millions of Yen)					
Automobile-related Information	19,070	20,138	21,546	21,889	22,858
Information Registration Fees	16,296	17,359	18,400	18,872	19,039
Information Sales	2,774	2,778	3,145	3,017	3,818
Lifestyle-related Information	580	675	882	1,345	2,286
Real Estate	174	160	174	194	205
Others	127	263	291	227	332
<b>Total</b>	<b>19,952</b>	<b>21,238</b>	<b>22,893</b>	<b>23,657</b>	<b>25,682</b>

## Operating Income by Segment

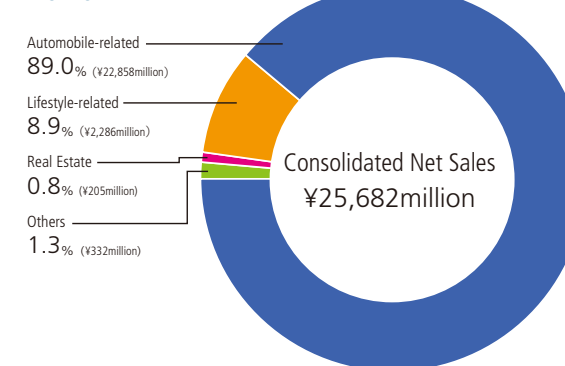
	2006	2007	2008	2009	2010
(Millions of Yen)					
Automobile-related Information	4,127	5,036	5,573	7,034	7,590
Lifestyle-related Information	(155)	(89)	(24)	62	162
Real Estate	58	58	71	70	105
Others	(269)	(329)	(123)	(80)	(35)
Management Division	(1,749)	(1,687)	(1,725)	(1,701)	(1,725)
<b>Total</b>	<b>2,010</b>	<b>2,988</b>	<b>3,771</b>	<b>5,384</b>	<b>6,098</b>

## Change in Sales Breakdown by Segment

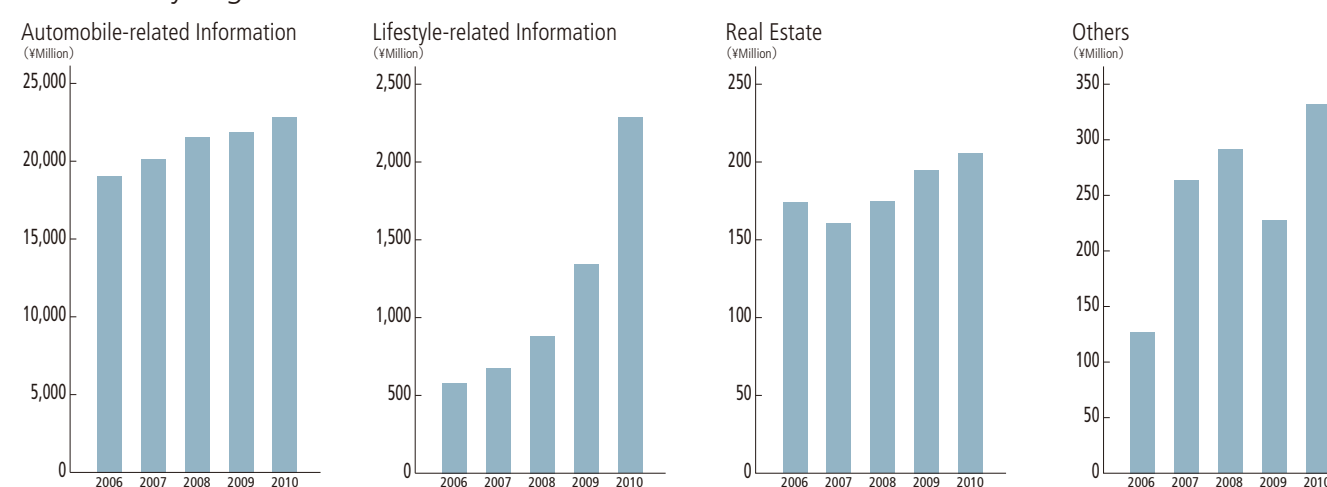
2009



2010



## Net Sales by Segment



To all our shareholders and investors, I am glad to hear that things are going well for you.  
I would like to extend my warmest thanks for the good offices that you have afforded us.

In the year ended March 31, 2010, we achieved new records for net sales and operating income levels, and achieved increased sales and earnings for the fifth year in a row.

That we were able to achieve such results amidst an economic environment in which economic recovery remained modest and the deflationary trend continued was, I believe, a result of the strong support that we received from our many users, clients and shareholders. For this, we are most grateful to you.

We managed to achieve increased sales and earnings in each of our business segments. Our success in doing so was a result of our promoting comprehensive management support business for used car dealers in the Automobile-related information segment, and our active development of products and services focusing on the fields of medical, nursing and welfare in the Lifestyle-related information segment.

Also, we made several strategic moves targeting future growth, such as welcoming BikeBros. Inc. as a member of PROTO Group in April of this year, following on from SYSTEM-ONE Corporation and Medical CUBIC Co., Ltd. in October 2009. At PROTO Group, as well as continuing to increase the speed of our growth through M&A and alliances, we will also respond swiftly to diversifying customer behavior, work to develop and supply products and services that are supported by users and clients, and strive to establish a corporate brand and product brands.

To all shareholders, I humbly ask for your further support and encouragement in the future.

Management Principle

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

Brand Establishment

The Group considers that acquiring trust and value from people believing that among the various kinds of ‘information’ that society is full of, “The information provided by PROTO is safe, useful and high-quality,” or in other words, establishing its corporate brand, is crucial towards future business expansions. In aiming to establish such a brand, we will strive to acquire and maintain high credibility and value, by selecting valuable information that is truly needed, and by utilizing the knowledge that we have built up to continue providing information with high added value.

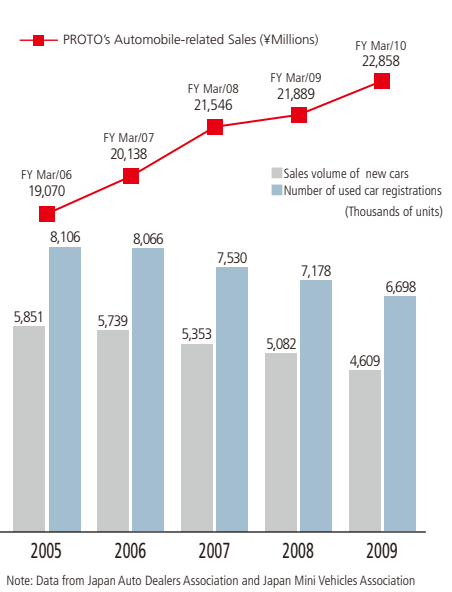


President and COO  
**Tatsuzo Irikawa**  
Career  
June 1992    Joined PROTO CORPORATION  
March 1995    Director  
April 1999    Managing Director  
March 2001    Senior Managing Director  
April 2003    President and COO (Current Position)

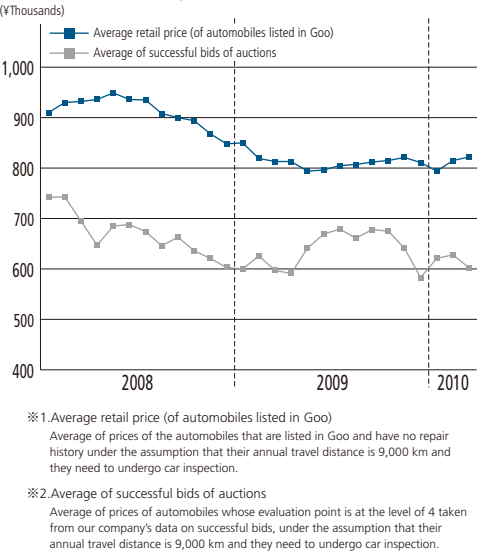




Trends in the Sales Volume of New Cars and the Number of Used Car Registrations (Calendar Years)



Variation in Margin of Used Vehicle Sale



Business Environment

In the fiscal year ended March 2010, while there were signs of a recovery in exports to emerging countries against a backdrop of economic growth in Asian countries, as well as signs of revenue recovery for some companies, overall the recovery trend in the Japanese economy remained mild. In terms of the employment and income environments, the unemployment rate remained high, and with no signs of improvement, the deflationary trend arising from a slump in consumer spending continued.

Amidst such an economic environment, those in the car sales industry – the company Group’s leading customers – were encouraged to make purchases through tax cuts and subsidy systems for eco-cars, and monthly sales of new cars from August 2009 to March 2010 exceeded sales recorded for the same period in the previous year. On the other hand, the situation remained severe, with the number of registrations of used cars falling below the level recorded in the previous year, due to a decrease in the level of distribution of used cars.

In such a situation, PROTO Group considers brand establishment to be a key issue for business strategy, and as well as maintaining growth in the field of Automobile-related information, we have also taken efforts to establish and expand our business in the field of Lifestyle-related information.

Medium-Term Business Strategy

At PROTO Group, we place utmost emphasis on “business expansion” and “profitability,” and with the three aims of 1) double-digit growth in sales every fiscal year; 2) double-digit growth in operating income every fiscal year; and 3) achieving ROE of 25%, and we will promote business expansion by continuing to work towards maximizing “user contact” and “customer contact.”

Automobile-related Information

In order to gain support from more users and clients, we will further expand our advertising business, which is based on our Goo brand. Furthermore, by expanding daily contact with users through contents and services (functions), and developing our comprehensive management support business that targets the entire automobile industry, we will aim to continue to establish our position as No.1 player in the industry. Also, by actively expanding our area of business, to include the new car market and auto after markets such as maintenance, repair and sheet-metal processing, we will contribute towards activation of the entire automobile industry.

Lifestyle-related Information

By continuing to promote expansion of our contents and services (functions), and also working to further strengthen our medical, nursing and reuse segments – areas in which future growth is expected – we will strive towards early establishment of new business and increased profitability.

M&A Strategy

In promoting expansion of contents and services, we will make effective use of the management resources held at all Group companies. With regard to contents and services not available within the Group, we will actively work to respond through M&A and Alliance. Through these efforts we will accelerate the speed of growth in our business. In the year ended March 2010, we expanded our business area. As well as making SYSTEM-ONE Corporation and Medical CUBIC Co., Ltd. into subsidiaries, we also acquired the business of “Oikura,” a recycling information site, from DeNA Co., Ltd. In the future, we will actively study any things that can demonstrate synergy with PROTO Group’s businesses, including primarily our core business of automobile-related information, and the field of lifestyle-related information.

Return to Shareholders

PROTO CORPORATION’s basic profit appropriation policy emphasizes reinforcement of the Company’s business foundation while recognizing the importance of returning profits to shareholders. Through this balanced approach, we adopt a comprehensive perspective by retaining sufficient internal reserves to finance future growth while rewarding shareholders with steady returns.

Internal reserves are used efficiently to fund existing and new businesses aimed at further reinforcing our business foundation and expanding the scope of operations.

For the year ended March 2010, we paid annual cash dividends of ¥70.00 per share of common stock. This consisted of interim and year-end dividends of ¥35.00 each. In the year ending March 2011, we intend to pay annual cash dividends of ¥75.00 per share. This will consist of interim and year-end dividends of ¥37.50 each.

July 2010

T. Irikawa



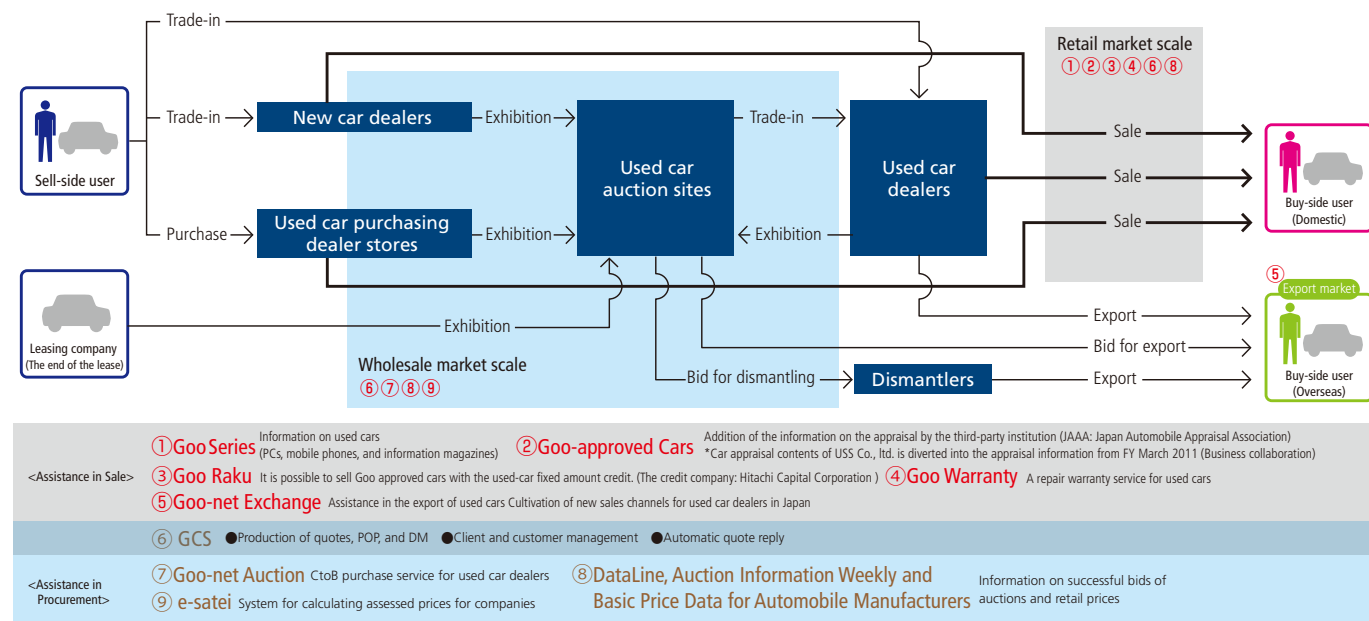
# Business Overview

## Automobile-related Information

Although earnings from information magazines business decreased 4.3% from the previous year, through expanded sales of Internet products, IT business showed a steady increase 24.2% with net sales increased by 968 million yen or 4.4% from the previous year. The operating expenses were incurred in connection with Goo Auto Inc. and SYSTEM-ONE Corporation, which has become our subsidiary as of October 1, 2009. However, operating income increased by 556 million yen or 7.9% from previous year as a result of increased income from IT business.

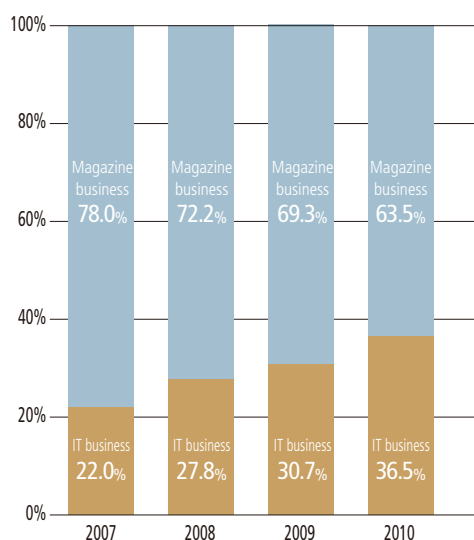
### Used Car Distribution Market and Our Core Products and Services

■ Comprehensive Assistance in Management of Used Car Dealers <Main Products in the Distribution Process of Used Cars>

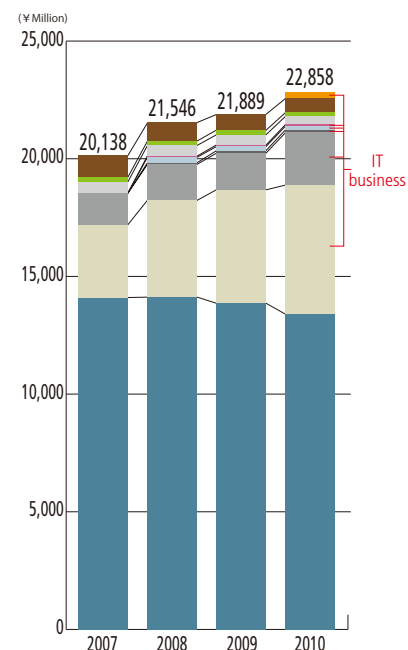
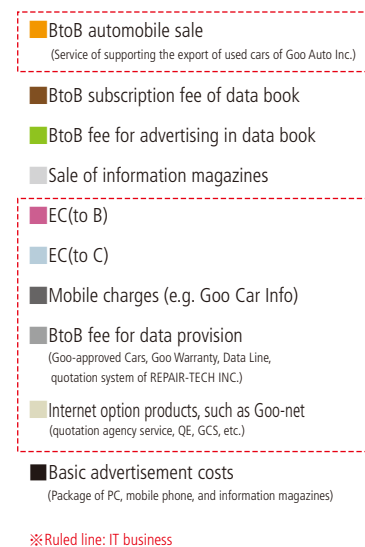


### Sales Breakdown by Product

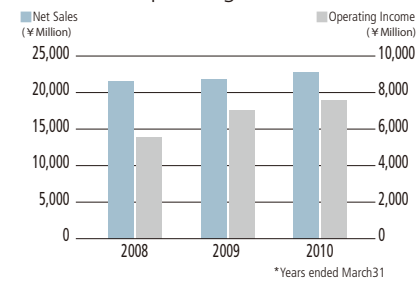
Years ended March 31



The ratio of IT business in the Automobile-related information segment sales for the year ended March 2010 increased to 36.5%.



### Net Sales / Operating Income



### Status of Goo Series

The accumulated number of business partners for the Goo series as a total increased 1.9% from the previous year, caused by the creation of "Goo Hokuriku Edition" etc. As of March 2010, the existing area share (cover rate) for the Car information magazine "Goo" stood at 48.9%. The average unit price also reached the same level as previous year (increased 0.3% from the previous year) caused by the increased number of the member stores for the "Goo-approved Cars" service. The number of stores involved in for the "Goo-approved Cars" service increased 347.0% from the previous year to 1,636 IDs as of the end of March 2010. In April 2010, we expanded into the Koshin area, and continued working to increase the number of companies that we do business with.

### Providing Backup for Selecting a Safe and Reliable Car

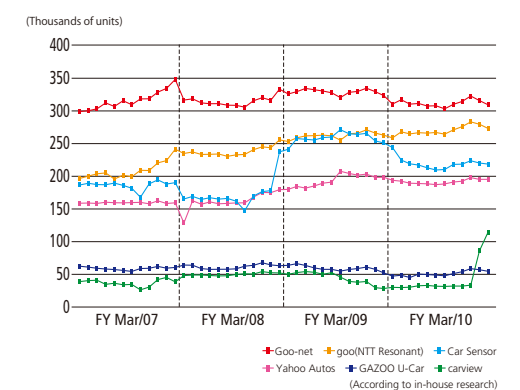
In cooperation with the specified nonprofit organization, Japan Automobile Appraisal Association, which is a third-party organization, our "Goo-approved Car" service, which was started in February 2006, has been disclosing appraisal information on goods vehicles held by "Goo-approved Car" affiliated stores to consumers through the Company's media, including our car portal site, "Goo-net." In April 2010, we announced that we would form a business alliance with USS Co., Ltd. (hereafter 'USS'), Japan's largest operator of used-car auctions. Through this alliance, we will examine the prospects of turning over USS's vehicle inspection contents to "Goo-approved Car" service's used-car appraisal information, and pursuing joint research on used-car quality appraisal standards. Through this, we hope to create an environment in which users can choose cars with a great sense of safety and confidence.

Furthermore, as of February 2010, we have started our used-car repair warranty service, "Goo Warranty," thereby providing users with greater safety and confidence.

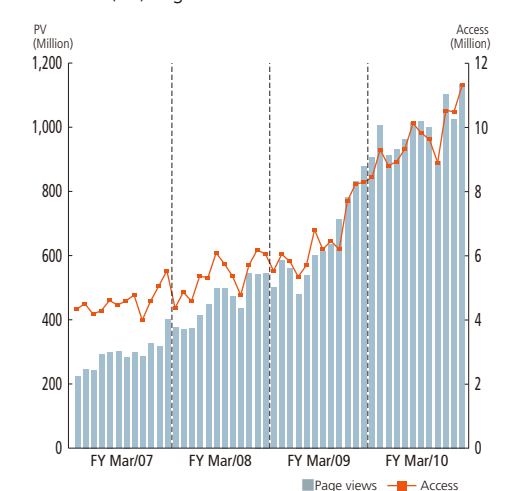
### Expanding Business in the Auto After Market

In October 2009, we made SYSTEM-ONE Corporation into a subsidiary. SYSTEM-ONE Corporation's expertise lies in developing software for automobile mechanics and dealers, and by collaborating with REPAIR-TECH INC., whose expertise lies in developing and selling software for repairmen and sheet-metal painters, we will put in place a system that will enable PROTO Group to offer wide-ranging support for clients engaging in vehicle maintenance, covering everything from vehicle inspection and maintenance through to sheet-metal painting. In the future, we will work to establish a position for ourselves within the auto after market through these subsidiaries.

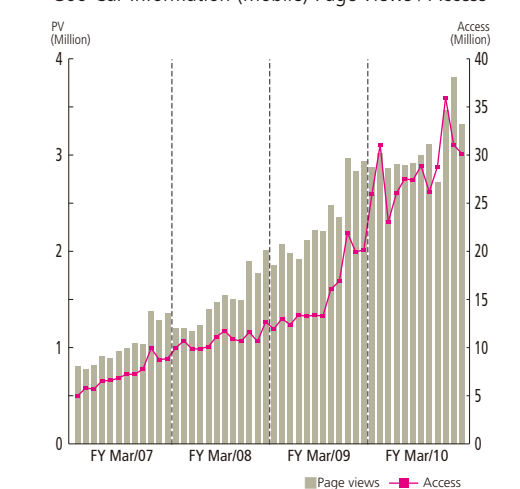
### Numbers of Used Automobiles Listed on Main Sites



### Goo-net (PC) Page Views / Access



### Goo Car Information (Mobile) Page Views / Access



Lifestyle-related Information

Earnings from all web-sites, Vee School, Oasis Navi, and Kaigo Kyujin Navi increased because of increased number of business partners and steady average price per transaction. As a result, the advertising services also increased income, mainly from the affiliate service business. Furthermore, the sales from the Lifestyle-related information segment had increased 940 million yen or 69.9% from the previous year as a result of business expansion by making Medical CUBIC Co., Ltd. into subsidiary in October 1, 2009 and taking over the recycling information website business “Oikura”. The operating income increased by 100 million yen or 162.5% from the previous year.

Overview of Medical, Nursing and Welfare Segments

In the medical, nursing and welfare segments – all of which promise market expansions in the future – our site that we have developed for searching fee-based nursing homes and housing for senior, “Oasis Navi,” and our site for finding jobs in the nursing, medical and welfare sectors, “Kaigo Kyujin Navi,” along with increases in both our number of trading partners and average trade prices, contributed to an increase in sales. Also, “Nurse Agent,” the nursing placement website that we launched in February 2009, was renewed as a job information website for nurses in December 2009, and contributed to our net increase in sales. Furthermore, by making Medical CUBIC Co., Ltd. into a subsidiary in October 2009, we expanded our recruitment services within the medical and nursing industries.

Initiatives in the Cultural Information Segment

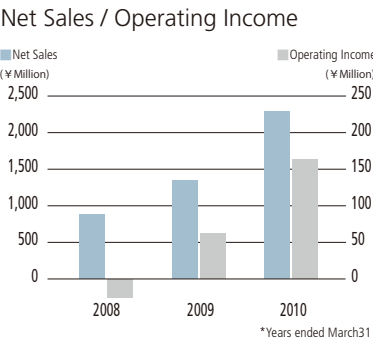
In October 2009, we launched our “Vee Seminar” site, and began providing seminar information. Through this, we were able to reach out to men as well as women, who have traditionally been our main users. Also, by planning business expansions beyond Tokyo, Nagoya and Osaka, into areas such as Sapporo, Yokohama, Hiroshima and Fukuoka, we increased the number of our trading partners.

Entry into the Recycling Information Segment

In October 2009, we acquired the business of the recycling information site, “Oikura,” from DeNA Co. Ltd, and commenced business. “Oikura” displays information for about 2,100 recycle shops and pawn shops throughout Japan, and provides users with services that enable them to make requests for estimates of purchase amounts for unwanted items at several shops at the same time, and to search nearby shops.

Overview of Advertising Business

Our caseload within the Internet advertising industry increased, primarily for our affiliated program, “Challenging Japan,” thereby leading to an increase in sales.



Real Estate

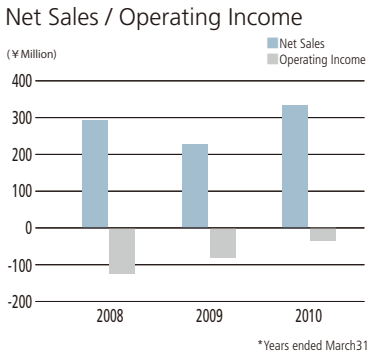
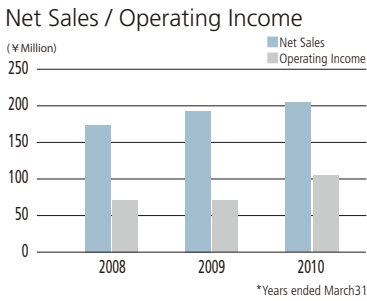
PROTO CORPORATION and its subsidiary, REPAIR-TECH INC. both focused on rent control for company property, with net sales increasing 5.6% to ¥205 million, and operating income increasing 50.1% to ¥105 million.

Others

The sales increase by 104 million yen or 45.9% from the previous year as a result of a sales expansion of “MARS FINDER”, a site engine by MARS FLAG Corporation, and from the BPO business by PROTO DATA CENTER. While the MARS FLAG Corporation, presented positive results, the PROTO DATA CENTER had an increase in the operating expenses caused by an increase in the number of contract workers to expand its transactions with the companies outside of our group. As a result, the operating loss was 35 million yen (it was a loss of 80 million yen in the previous year).

PROTO DATA CENTER, Growing through BPO Business

PROTO DATA CENTER has contributed greatly towards increasing PROTO Group’s profitability by promoting in-house data entry for Company products such as our “Goo” series. From the year ended March 2010, they began full-scale development of their BPO (Business Process Outsourcing) business. Through their BPO business, they have been utilizing the know-how gained from operations within the PROTO Group, and have developed four services as total solution; 1) data entry; 2) design; 3) Web solutions; and 4) telemarketing. In the future, they will work towards expanding their BPO business, and aim to achieve further growth.



PROTO DATA CENTER Head Office Building



■ 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, and 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 charged with monitoring the actions of other directors and matters raised at Board 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 eleven full-time directors, and in addition to regular meetings that are held each month, we also hold special board meetings 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 twenty 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 strive 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 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 auditor specifies 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. 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 confirming 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

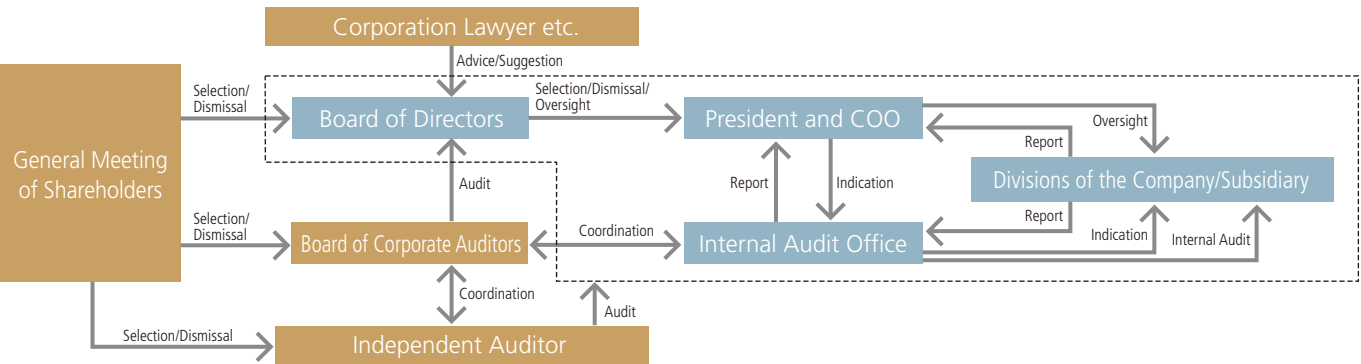
We do not appoint external directors. With board of directors, which has capabilities for making decisions on management, and for managing and auditing operations by board members and executives officers by making two of the three auditors external auditors, we have enhanced our capabilities for monitoring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



## Tackling Environment Problems

### Ecochu Declaration

At PROTO, as an effort aimed at stimulating the automobile trade industry, and at controlling global warming, which is viewed as a global problem, we have declared that being engaged in economic and ecological activities, which we abbreviate to “Ecochu,” and have set up an “Ecochu” website. We have also established February 5 as “Ecochu Day,” and have filed and registered this with 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 CO<sub>2</sub> 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.



Website Ecochu

### “Green Fund,” through the Courtesy of Shareholders

With our shareholder courtesies, where shareholders chose to donate, we donated the amount equivalent to the value of the courtesy goods to the National Land Afforestation Promotion Organization’s “Green Fund.” This decision was based on our view that preventing global warming through measures such as protecting forest resources is a social responsibility that PROTO has as a company involved in the automobile industry.

### Participation in the “Challenge 25 Campaign”

The Japanese government has developed the “Challenge 25 Campaign” as a national project that aims to reduce emissions of greenhouse gases to 25% below 1990 levels by 2020. PROTO has participated in “Team Minus 6%” and “Challenge 25 Campaign,” both of which are positive steps towards this ultimate goal, since 2006 and 2010, respectively.

During this campaign, we at PROTO have made the following specific efforts.

#### 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 CO<sub>2</sub> emissions, one of the causes of global warming.

#### 2. Eco-drive

CO<sub>2</sub> 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.



## 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 childcare 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 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.

## 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 activity 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 toward safety and order in civil society. By strengthening our cooperation with industry organizations and the police, we will work towards eliminating such groups.

# Consolidated Financial Statements

## Consolidated Balance Sheets As of March 31

	2008	2009	2010
(Thousands of Yen)			
<b>&lt;Assets&gt;</b>			
<b>Current Assets</b>			
Cash	9,135,447	9,257,401	11,275,189
Notes and accounts receivable	2,739,587	2,395,830	2,456,728
Goods and merchandise	25,153	13,440	17,078
Goods in process	12,143	45,518	55,931
Raw material and inventory goods	7,094	10,418	3,318
Deferred tax assets	96,918	141,898	162,512
Other current assets	282,247	175,469	216,252
Allowance for doubtful accounts	(3,223)	(1,884)	(2,709)
Total Current Assets	12,295,370	12,038,093	14,184,301
<b>Fixed Assets</b>			
<b>Tangible Fixed Assets</b>			
Buildings and structures	1,782,191	3,341,275	3,160,598
Land	2,174,459	3,900,031	3,900,031
Other tangible fixed assets	255,829	77,103	73,599
Total Tangible Fixed Assets	4,212,480	7,318,411	7,134,229
<b>Intangible Fixed Assets</b>			
Goodwill	72,996	132,531	658,944
Other intangible fixed assets	189,185	161,442	211,667
Total Intangible Fixed Assets	262,181	293,973	870,612
<b>Investments and Other Assets</b>			
Investments in securities	588,689	438,254	555,969
Deferred tax assets	383,685	493,608	508,417
Other investments	1,307,264	1,055,711	1,061,657
Allowance for doubtful accounts	(26,246)	(29,320)	(92,037)
Total Investments and Other Assets	2,253,392	1,958,253	2,034,007
Total Fixed Assets	6,728,054	9,570,637	10,038,849
<b>Total Assets</b>	<b>19,023,424</b>	<b>21,608,731</b>	<b>24,223,151</b>
<b>&lt;Liabilities&gt;</b>			
<b>Current Liabilities</b>			
Notes and accounts payable-trade	1,744,157	727,180	755,423
Current portion of long-term borrowings	—	—	59,027
Accrued expenses	906,533	1,239,363	1,151,576
Accrued income taxes	980,655	1,245,439	1,466,687
Advances received	1,987,442	2,121,637	1,902,090
Allowance for sales returns	54,224	51,357	51,607
Allowance for bonus payable	36,378	35,440	44,075
Other current liabilities	286,541	747,009	432,043
Total Current Liabilities	5,995,932	6,167,427	5,862,531
<b>Long-Term Liabilities</b>			
Long-term borrowings	—	—	101,964
Allowance for employees' retirement benefits	27,049	—	491
Allowance for directors' retirement benefits	191,858	194,600	212,900
Negative goodwill	33,067	41,465	31,691
Other long-term liabilities	341,331	340,159	312,796
Total Long-Term Liabilities	593,306	576,224	659,843
<b>Total Liabilities</b>	<b>6,589,239</b>	<b>6,743,652</b>	<b>6,522,374</b>
<b>&lt;Net Assets&gt;</b>			
<b>Shareholders' Equity</b>			
Common stock	1,824,620	1,824,620	1,824,620
Capital surplus	2,011,536	2,011,623	2,011,736
Retained Earnings	8,439,991	10,999,460	13,796,905
Treasury stock	(10,385)	(11,778)	(12,916)
Total Shareholders' Equity	12,265,761	14,823,925	17,620,346
<b>Valuation and Translation Adjustments</b>			
Unrealized losses on other securities, net of tax	6,154	(27,143)	(5,573)
Foreign exchange adjustment account	32,952	(10,412)	(3,843)
Total Valuation and Translation Adjustments	39,106	(37,556)	(9,416)
Minority Interests	129,317	78,708	89,847
<b>Total Net Assets</b>	<b>12,434,185</b>	<b>14,865,078</b>	<b>17,700,776</b>
<b>Total Liabilities and Net Assets</b>	<b>19,023,424</b>	<b>21,608,731</b>	<b>24,223,151</b>

## Consolidated Statements of Income Years ended March 31

	2008	2009	2010
(Thousands of Yen)			
<b>Net Sales</b>	22,893,978	23,657,565	25,682,321
<b>Cost of Sales</b>	9,964,422	9,067,679	10,272,804
<b>Gross Profit</b>	12,929,556	14,589,886	15,409,516
Reversal of allowance for sales returns	45,638	54,224	51,357
Provision for allowance for sales returns	54,224	51,357	51,607
Adjusted Gross Profit	12,920,970	14,592,753	15,409,266
<b>Selling, General and Administrative Expenses</b>			
Salaries for directors and employees	3,687,881	3,852,335	4,236,619
Provision for allowance for directors' retirement benefits	15,434	15,087	18,300
Provision for allowance for bonus payable	25,653	25,951	28,550
Advertising	1,652,429	1,682,071	1,332,730
Provision for allowance for doubtful accounts	10,209	20,594	20,628
Amortization of goodwill	77,156	36,167	91,722
Others	3,680,688	3,575,804	3,582,115
Total Selling, General and Administrative Expenses	9,149,452	9,208,011	9,310,666
<b>Operating Income</b>	<b>3,771,517</b>	<b>5,384,741</b>	<b>6,098,600</b>
<b>Non-Operating Income</b>			
Interest income	6,064	11,104	13,545
Dividend received	15,368	14,085	5,235
Income from sales of used paper	25,078	31,903	12,712
Amortization of negative goodwill	—	7,403	9,773
Gain on investments in anonymous association	10,760	17,820	25,650
Other income	38,468	12,710	22,811
Total Non-Operating Income	95,739	95,027	89,727
<b>Non-Operating Expenses</b>			
Interest expenses of loans	271	—	2,034
Investment losses of business association	21,597	76,433	16,742
Other expenses	7,620	3,036	3,680
Total Non-Operating Expenses	29,488	79,470	22,457
<b>Ordinary Income</b>	<b>3,837,768</b>	<b>5,400,297</b>	<b>6,165,870</b>
<b>Extraordinary Income</b>			
Gains from sales of fixed assets	316	67	2,196
Gains from sales of securities	—	13,328	3,160
Gains from the prior-term adjustments	—	50,649	—
Other extraordinary income	90,869	—	—
Total Extraordinary Income	91,186	64,045	5,356
<b>Extraordinary Losses</b>			
Losses from sales of fixed assets	12,572	1,423	24
Losses from disposals of fixed assets	56,410	52,698	35,411
Impairment losses	—	52,440	—
Losses from write-down of securities	186,764	152,775	77,001
Losses from sales of securities	—	—	6,322
Losses from sales of shares in affiliates	—	35,509	—
Provision of allowance for doubtful accounts	—	—	50,649
Other expenses	8,420	33,799	3,743
Total Extraordinary Losses	264,167	328,647	173,152
<b>Income before Income Taxes</b>	<b>3,664,786</b>	<b>5,135,695</b>	<b>5,998,074</b>
<b>Income Taxes</b>	1,753,911	2,131,858	2,495,609
<b>Adjustment of Corporate Income Tax</b>	62,283	(133,757)	(38,357)
<b>Total Taxes</b>	<b>1,816,194</b>	<b>1,998,101</b>	<b>2,457,251</b>
<b>Minority Interest in Earnings (Losses)</b>	10,583	(49,536)	11,138
<b>Net Income</b>	<b>1,838,008</b>	<b>3,187,129</b>	<b>3,529,683</b>



Consolidated Statements of Shareholders' Equity Years ended March 31

(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' equity 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.				Total net assets
	Profit / loss on deferred valuation of other securities	Profit / loss on deferred exchange	Total valuation and exchange difference	Minority interests	
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' equity 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

(Thousands of Yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	1,824,620	2,011,623	10,999,460	(11,778)	14,823,925
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
Balance as of March 31, 2010	1,824,620	2,011,736	13,796,905	(12,916)	17,620,346

(Thousands of Yen)

	Valuation and exchange differences etc.				Total net assets
	Profit / loss on deferred valuation of other securities	Profit / loss on deferred exchange	Total valuation and exchange difference	Minority interests	
Balance as of March 31, 2009	(27,143)	(10,412)	(37,556)	78,708	14,865,078
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
Balance as of March 31, 2010	(5,573)	(3,843)	(9,416)	89,847	17,700,776

Consolidated Statements of Cash Flows Years ended March 31

(Thousands of Yen)

	2008	2009	2010
<b>Cash Flows from Operating Activities</b>			
Income before income taxes	3,664,786	5,135,695	5,998,074
Depreciation	230,195	207,240	299,744
Impairment loss	—	52,440	—
Amortization of goodwill	77,156	36,167	91,722
Amortization of negative goodwill	—	(7,403)	(9,773)
Loss (gain) on revaluation of derivatives	(7,390)	1,186	—
Increase (decrease) in reserve for directors' retirement allowances	8,352	2,741	18,300
Increase (decrease) in reserve for employees' retirement benefits	3,237	(26,176)	294
Increase (decrease) in reserve for bonuses	6,255	1,076	5,188
Increase (decrease) in reserve for returned products	8,586	(2,867)	250
Increase (decrease) in allowance for doubtful accounts	(2,571)	2,130	58,771
Interest and dividend income	(21,433)	(25,189)	(18,780)
Interest expenses	271	—	2,034
Loss (gain) on investments in business associations	21,597	76,433	16,742
Loss on revaluation of inventories	—	2,966	—
Loss (gain) on investments in anonymous associations	(10,760)	(17,820)	(25,650)
Loss (gain) on sales of investment securities	—	(13,328)	3,162
Loss (gain) on sales of shares in affiliated companies	(89,043)	35,509	—
Loss (gain) on revaluation of investment securities	186,764	152,775	77,001
Loss (gain) on sales/disposal of property and equipment	67,987	54,054	33,239
Decrease (increase) in trade receivables	(50,613)	470,508	35,528
Decrease (increase) in inventories	30,402	(27,952)	1,815
Increase (decrease) in accounts payable	(127,670)	(1,020,927)	(62,238)
Increase (decrease) in accrued expenses	53,659	366,912	(119,947)
Increase (decrease) in advances received	139,491	132,603	(223,019)
Increase (decrease) in accrued consumption taxes, etc	17,164	(42,356)	138,870
Others	(17,210)	49,821	(45,388)
<b>Subtotal</b>	<b>4,189,215</b>	<b>5,596,241</b>	<b>6,275,941</b>
Interest and dividends received	21,540	25,438	18,336
Interest paid	(271)	—	(2,158)
Income taxes paid	(1,889,423)	(1,871,608)	(2,286,281)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>2,321,062</b>	<b>3,750,071</b>	<b>4,005,837</b>
<b>Cash Flows from Investing Activities</b>			
Decrease in time deposits	—	(300,000)	(370,305)
Increase in time deposits	2,100	600,000	450,000
Acquisition of property and equipment	(194,354)	(2,852,789)	(535,059)
Proceeds from sales of property and equipment	5,679	960	5,063
Acquisition of intangible fixed assets	(103,081)	(78,151)	(69,075)
Acquisition of investment securities	(85,200)	(175,964)	(300,000)
Proceeds from sales of investment securities	—	32,538	90,817
Acquisition of shares in subsidiary to minority shareholders	(244,387)	—	—
Sales of shares in subsidiary to minority shareholders	113,670	—	—
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	—	—	(258,093)
Payment for sales of subsidiary's shares accompanying changes in scope of consolidation	—	(2,188)	—
Payment of long-term prepaid expenses	(13,133)	(26,395)	(11,577)
Investment income received from anonymous associations	71,138	15,412	30,157
Payment for acquisition of business	—	(162,110)	(181,991)
Others	(27,215)	(543)	8,579
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(474,785)</b>	<b>(2,949,230)</b>	<b>(1,141,484)</b>
<b>Cash Flows from Financing Activities</b>			
Increase (decrease) from short-term borrowings	—	3,998	(7,500)
Proceeds from long-term borrowings	—	—	(32,341)
Acquisition of treasury stock	(2,989)	(1,542)	(1,241)
Proceeds from disposal of treasury stock	—	237	216
Dividends paid	(417,703)	(627,100)	(732,263)
Dividends paid to minority shareholders	(16,942)	—	—
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(437,635)</b>	<b>(624,407)</b>	<b>(773,129)</b>
<b>Translation Gain (Loss) Related to Cash and Cash Equivalents</b>	<b>6,871</b>	<b>(54,479)</b>	<b>8,799</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,415,513</b>	<b>121,953</b>	<b>2,100,022</b>
<b>Cash and Cash Equivalents at Beginning of Term</b>	<b>7,569,934</b>	<b>8,985,447</b>	<b>9,107,401</b>
<b>Cash and Cash Equivalents at End of Term</b>	<b>8,985,447</b>	<b>9,107,401</b>	<b>11,207,424</b>

# Analysis of Operating Results and Financial Position

## Analysis of Operating Results

### ■ Outline

In the car sales industry – the company Group's leading customers – were encouraged to make purchases through tax cuts and subsidy systems for eco-cars, and monthly sales of new cars from August 2009 to March 2010 exceeded sales recorded for the same period in the previous year. On the other hand, the situation remained severe, with the number of registrations of used cars falling below the level recorded in the previous year, due to a decrease in the level of distribution of used cars.

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

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

### ■ Operating Results

PROTO was able to maintain increases in revenue in all segments, including the field of Automobile-related information, its main field of business, and consolidated sales

for the current consolidated fiscal year increased 8.6% to ¥25,682 million. Despite increases in personnel costs due to business expansion, and operating costs that arose for the two companies that were made subsidiaries in the third fiscal quarter, SYSTEM-ONE Corporation and Medical CUBIC Co., Ltd., as a result of increased sales in our highly-profitable IT business and our efforts to perform thorough cost management through measures such as streamlining of promotions, consolidated operating income increased 13.3% to ¥6,098 million. Meanwhile, consolidated ordinary income increased 14.2% to ¥6,165 million, and consolidated net income increased 10.7% to ¥3,529 million.

### ■ Business Segment

#### <Automobile-related Information>

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

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

companies and the number of Goo-approved Car vehicles displayed, from February 2010 we also commenced our Goo Warranty service – a repair warranty service for used cars.

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

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

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

#### <Lifestyle-related Information>

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

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

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

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

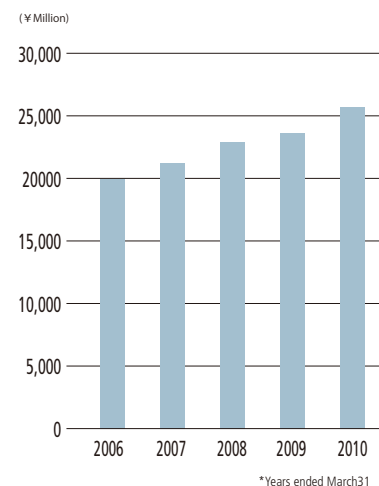
#### <Real Estate>

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

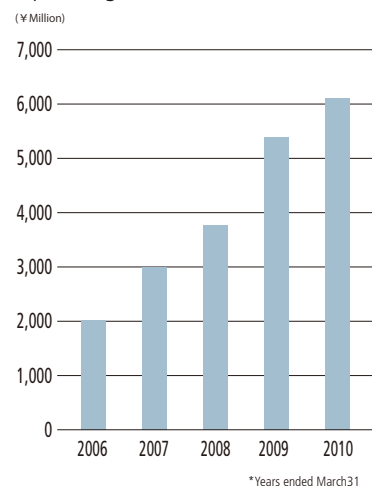
#### <Others>

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

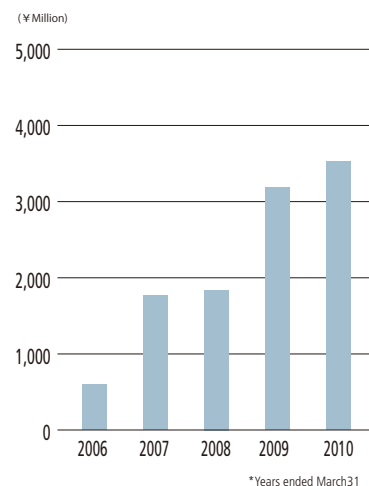
#### Net Sales



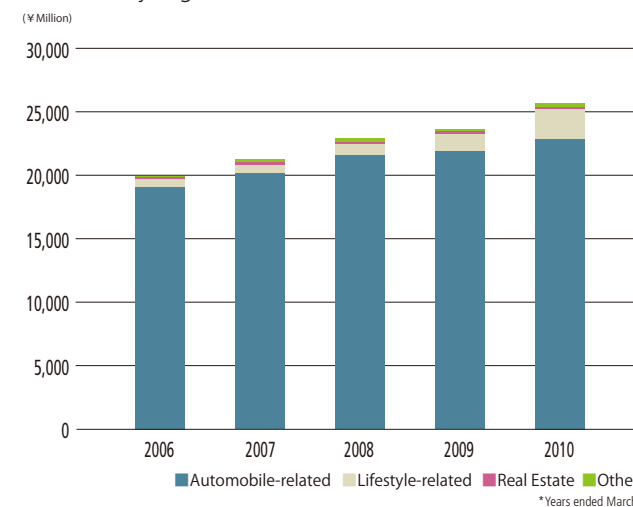
#### Operating Income



#### Net Income



#### Net Sales by Segment



## Analysis of Financial Position

### ■ Assets, Liabilities and Net Assets

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

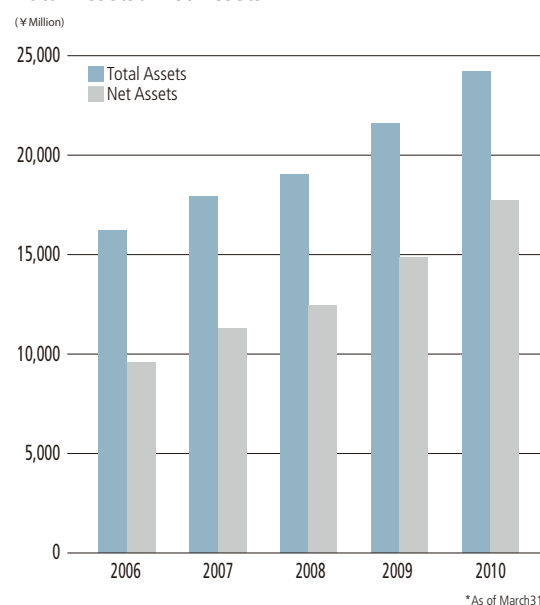
Regarding current assets, despite payments for the construction of PROTO DATA CENTER's head office, and payments of income tax, because we secured cash flow that exceeded these outlays led to increase in cash and deposits to ¥14,184 million increased by ¥2,146 million.

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

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

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

Total Assets / Net Assets



### ■ Consolidated Cash Flows

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

#### <Cash Flows from Operating Activities>

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

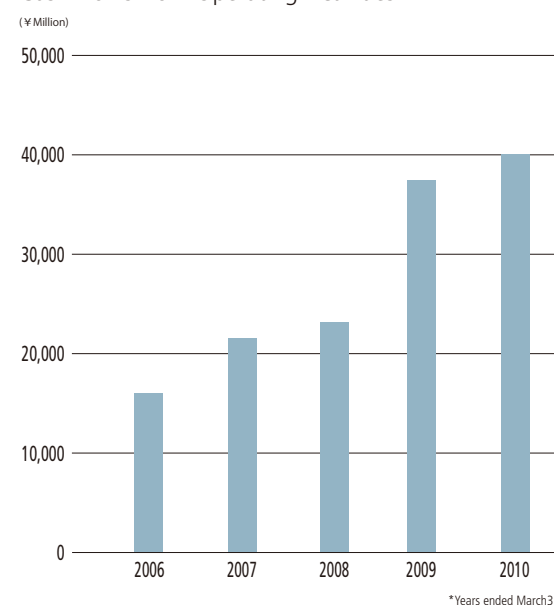
#### <Cash Flows from Investing Activities>

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

#### <Cash Flows from Financing Activities>

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

Cash Flows from Operating Activities

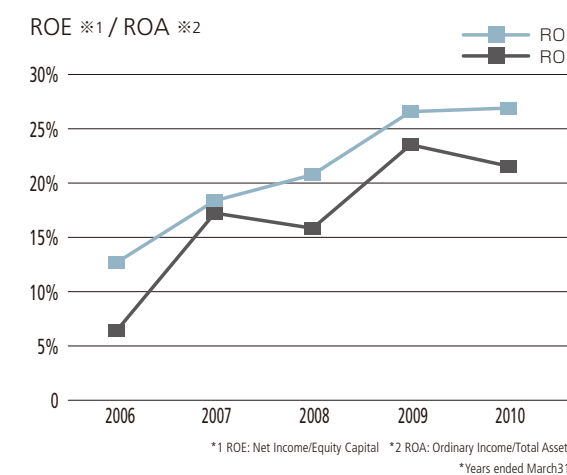


### ■ Indicators of Growth Potential, Profitability, and Safety

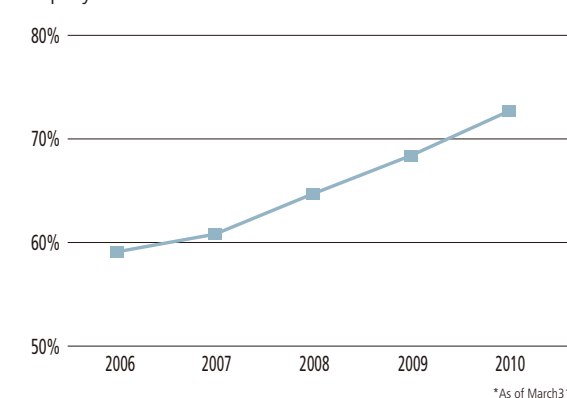
At PROTO, in order to ensure continual and steady earnings, as well as further business expansion, we view growth potential in net sales, operating income and ordinary income as key management indicators. Also, we try to perform management with attention given to growth potential, profitability and efficiency.

In terms of profitability, in the year to March 2010 our ROE (Return on Equity) was 21.8%, while our ROA (Return on Assets) was 26.9%. 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, whilst still maintaining a sufficient ROE (year ended March 2010: 72.7%).



Equity Ratio



## Outlook for the Year Ending March 2011

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

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

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.



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, 2010.

1. Dependence on Automobile-related Information

The PROTO Group consisted of PROTO CORPORATION and eight consolidated subsidiaries. The Group’s main businesses are the provision of information services on new vehicles, used vehicles, parts, and accessories; other Automobile-related information; information for lessons at cultural schools where students pursue qualifications, skills, and hobbies; and Lifestyle-related information services. Revenues from Automobile-related information derive from fees paid to register inventory data on used cars owned by car dealers on our databases and in our information magazines, as well as information magazine sales and sales from providing information to other companies. In the year ended March 31, 2010, 89.0% of total Group revenue derived from sales of Automobile-related information. Fees for registering information accounted for 74.1% of these Automobile-related information sales. Accordingly, the Group depends on Automobile-related information registration fees for a substantial portion of its revenue.

Furthermore, sales of the car information magazine Goo account for 38.1% of consolidated net sales. Accordingly, the performance of Goo can significantly impact the Group’s business results.

Nonetheless, we intend to reduce our dependence on Goo and are currently taking steps toward this objective. For example, we are expanding sales of our various secondary products developed using our abundance of information related to automobiles, as well as our lineup of Internet-related products.

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 to disseminate information, due to the growing popularity of that medium.

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

Market Rates for A2 Coat Paper (Distributor Wholesale Price (yen/kg) )					
	Mar 2009	June 2009	Sept 2009	Dec 2009	Mar 2010
Price	130-133	127-132	125-130	121-130	118-128

(source: NIKKEI)

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, 2010, this represented 45.8% of total outsourcing expenditure. We use Kyoritsu Printing because of its stable supply system, its high reliability in meeting delivery schedules, and its ability to meet the technological needs of the PROTO Group.

While we enjoy the stable supply system and business relationship afforded by Kyoritsu Printing, we recognize that certain circumstances could affect our dealings with that company, and that its supply of media could be impeded as a result. Therefore, we also consign printing to other companies in an effort to diversify away risks affecting our overall printing activities.

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 2010, Tokyo Pulp & Paper supplied 72.6% of all printing paper sourced by PROTO CORPORATION. We use Tokyo Pulp & Paper because of its stable supply system, and its ability to meet the needs of the PROTO Group. We are also able to achieve cost reductions

by limiting procurement to a single supplier.

We enjoy a stable supply of paper and a good relationship with Tokyo Pulp & Paper. Should there be a problem with our current arrangement for some reason or other, however, we will need to change and diversify our sources of paper, which may make it difficult to achieve the cost-reduction benefits received to date.

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, 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. Maintaining Effective Security and Protecting Personal Information

● Computer Network Security

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

● Protection of Personal Information

Recently, personal information leaks by a large number of companies have become a social problem. The PROTO Group endeavors to protect personal information in an appropriate manner through the implementation of its Regulations for the Protection of Personal Information. These regulations are based

on the President’s Policy on the Protection of Personal Information, formulated in accordance with the Personal Information Protection Law, enacted in April 2005.

However, in the event that personal information held by the Group is leaked to outside entities or used fraudulently, the Group could be subject to compensation claims and lose the confidence of the public community, which could have an adverse impact on its performance.

7. Corporate Responsibility for Digital Content

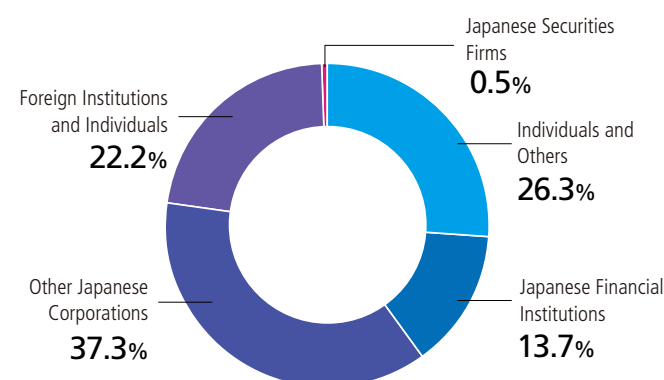
As an information service provider that uses various forms of media, the Group believes that it is in the same position as other mass media insofar as its impact on society is concerned. Therefore, in the unlikely event that we make an error in the information content we provide, it is possible that 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, 2010

Number of Shares Authorized	30,900,000
Number of Shares Issued	10,470,000
Number of Shareholders	1,607
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

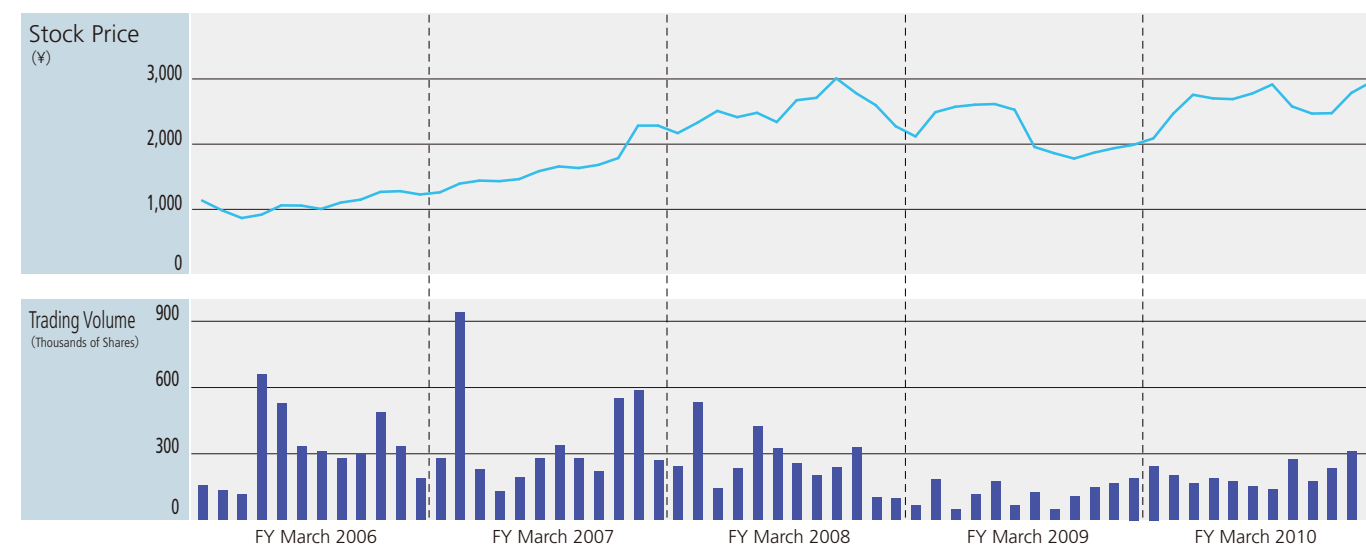
Distribution of Ownership Among Shareholders



### Major Shareholders

Shareholder	Number of Shares Held (Thousands)	Ownership(%)
Mugen Corporation	3,403	32.50
Hiroichi Yokoyama	750	7.16
Japan Trustee Services Bank, Ltd. (Trust Account)	746	7.12
BNP Paribas Securities Services Singapore/BP2S Sydney/Jasdec/Australian Residents	553	5.28
Yoshihiro Yokoyama	486	4.64
Northern Trust Co. (AVFC) Sub A/C American Client	214	2.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	190	1.81
Mellon Bank ABN Amro Global Custody N.V.	186	1.77
Mellon Bank N.A. as Agent for Its Client Mellon Omnibus US Pension	173	1.65
Minoru Saito	169	1.62

### Stock Price and Trading Volume



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, 2010

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> 22-2, Hongo, 2-chome, Bunkyo-ku, Tokyo 113-0033, Japan
Branch Offices	Sapporo, Sendai, Kita-Kanto, Tokyo, Nagano, Hamamatsu, Nagoya, Hokuriku, Osaka, Hiroshima, Fukuoka, Kumamoto (53 Sales Outlets Nationwide/2 Head Offices, 12 Branch Offices, 39 Sales Offices)
Fiscal Year-end	March 31
Number of Employees	Consolidated: 798 (Parent: 618)
Consolidated Subsidiary As of May 1, 2010	REPAIR-TECH INC. MARS FLAG Corporation PROTO DATA CENTER Goo Auto Inc. SYSTEM-ONE Corporation Medical CUBIC Co., Ltd. Bike Bros. Inc. PROTO (Shanghai) Advertising Co., Ltd. PROTO (Shanghai) Brokerage Co., Ltd.

### Directors and Auditors As of June 28, 2010

Directors	
Chairman and CEO	Hiroichi Yokoyama
President and COO	Tatsuzo Irikawa
Vice President (Business Development Division Officer)	Minoru Saito
Managing Director (Accounting and Financial Division Officer)	Motohisa Yokoyama
Managing Director (Automobile-related Information Officer)	Fujio Iimura
Managing Director (Automobile-related Information Officer)	Atsuya Okimura
Director (Automobile-related Information Officer)	Susumu Kuramoto
Director (Automobile-related Information Officer)	Kenji Kamiya
Director (Lifestyle-related Information/Automobile-related Information Officer)	Mitsuhiro Munehira
Director (Business Promotion Division Officer)	Toru Shiraki
Director (Management Division Officer)	Shigeyoshi Shimizu
Auditors	
Standing Auditor	Kenichi Mizuno
External Auditor	Wataru Shiomi
External Auditor	Yoshio Arima

### Corporate History

1977 Oct.	"Used Car Tsushin" (currently "Goo") launched
1979 Jun.	Project Eight Corporation (currently 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" (currently "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
Sept.	PROTO's stock registered over the counter with the Japan Securities Dealers Association (currently JASDAQ)
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 information website for nursing homes and housing for seniors
2007 Jul.	"Kaigo Kyujin Navi" launched as recruiting/outplacement information website for nursing, medical, and welfare facilities
2009 Feb.	"Nurse Agent" launched as outplacement information service for nursing
Jun.	"Goo Auto Exchange" (currently Goo-net Exchange) launched as a used car trading service for Overseas buyers and Japanese car dealers

#### For Further Information

Corporate Planning Department  
PROTO CORPORATION  
23-14, Aoi, 1-chome, Naka-ku, Nagoya 460-0006, Japan  
TEL: 81-(0)52-934-1519 FAX: 81-(0)52-934-1750 E-mail: 4298ir@proto-g.co.jp

