



Annual Report 2015

Year Ended March 31, 2015

PROTO CORPORATION

Company Goal: To Become a “Wonderful Company”

～ That Makes Dreams Come True ～

To create a firm demanded by society, by satisfying customers (with useful information and services), boosting the pride of employees (for their company and work), and winning the trust of shareholders (the future and results).

Corporate Ideology

“Rather than simply selling products, our fundamental business ideal is to effectively bring people and businesses together through wisdom and information in order to contribute to society”

Corporate Philosophy

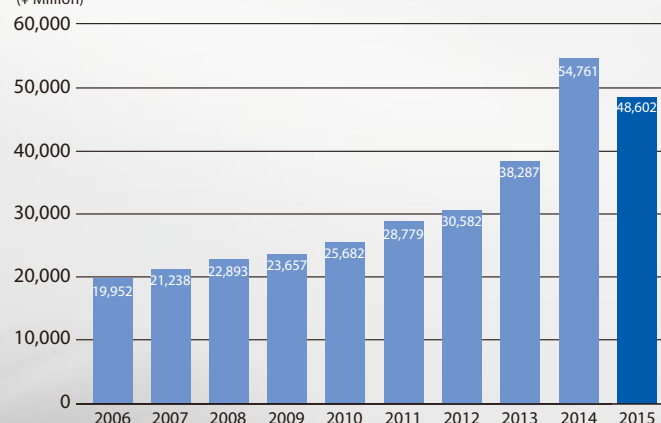
“Courage to Act , Proof in Action”

Sales and Operating Income (Consolidated)

Years ended March 31

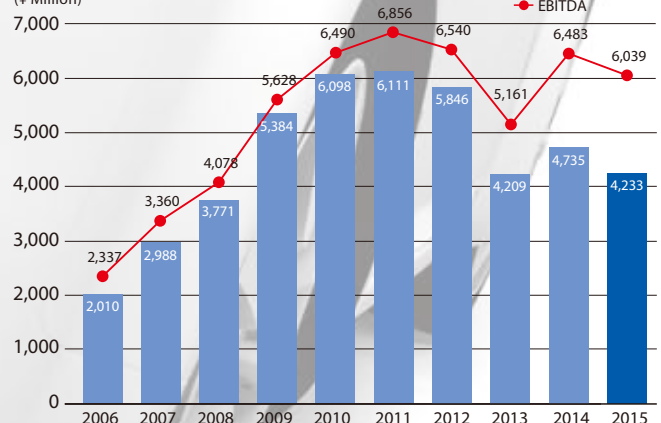
Net Sales

(¥ Million)



Operating Income / EBITDA

(¥ Million)



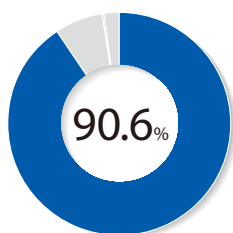
EBITDA was calculated with the equation: Operating Income + Depreciation + Amortization of Goodwill

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Automobile-related Information

Share of Net Sales



Net Sales

¥44,056 million

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

Main Products and Services

Goo Series >> P.16



Car Portal Site



Car Information Magazine



Imported Car Information Website



Imported Car Information Magazine



Bike Information Website



Bike Information Magazine



Car Parts Information Shopping Website



Car Parts Information Magazine

MOTOR GATE >> P.08

MOTOR GATE

Sales management system for supporting the business administration of clients, such as used car dealers, with a broad range of functions for stock management, sales support, customer management, etc.



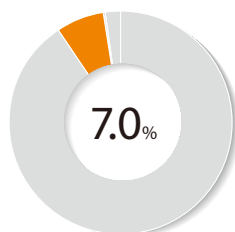
GooPit

Website for searching maintenance shops that offer comprehensive maintenance support services, including car inspection, maintenance, and check.



Lifestyle-related Information

Share of Net Sales



Net Sales

¥3,393 million

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

Real Estate Business / Other Business

Share of Net Sales



Net Sales

Real Estate Business ¥164 million
Other Business ¥988 million

<Real Estate Business>

With respect to their own assets, the PROTO CORPORATION carries out real estate management activities with management engineering.

<Other Business>

PROTO DATA CENTER provides BPO business such as data entry and telemarketing services etc.

Consolidated Financial Highlights

Years ended March 31

(Millions of yen)

Financial Highlights

For the Year

	2011	2012	2013	2014	2015
Net Sales	28,779	30,582	38,287	54,761	48,602
Operating Income	6,111	5,846	4,209	4,735	4,233
Ordinary Income	6,375	6,002	4,371	5,009	4,548
Net Income	3,197	3,275	2,290	2,627	2,381
EBITDA	6,856	6,540	5,161	6,483	6,039
Adjusted Net Income	3,620	3,680	2,836	3,555	3,308
Cash Flows from Operating Activities	3,896	3,556	2,917	4,235	6,577
Cash Flows from Investing Activities	(1,625)	(3,606)	(1,203)	(5,294)	(914)
Cash Flows from Financing Activities	(996)	(907)	1,187	(2,720)	(4,821)
Free Cash Flow	2,271	(49)	1,713	(1,058)	5,663
Cash and Cash Equivalents, End of Year	12,476	11,524	14,640	11,097	12,030

At Year End

Total Assets	26,163	28,585	34,841	43,907	41,751
Net Assets	20,034	22,569	23,748	26,177	27,672
Common Stock	1,824	1,824	1,824	1,824	1,824
Net Cash	12,611	11,679	9,926	1,488	6,200
Number of Employees (persons)	875	954	1,103	1,292	1,358

(Yen)

Per Share Data

	2011	2012	2013	2014	2015
Net Income	152.85	156.59	109.96	128.39	116.76
Net Assets	957.67	1,078.86	1,154.20	1,280.38	1,361.64
Annual Cash Dividends	37.50	42.50	37.50	37.50	38.00

Financial Indicators

	2011	2012	2013	2014	2015
Operating Income Ratio	21.2%	19.1%	11.0%	8.6%	8.7%
EBITDA Margin	23.8%	21.4%	13.5%	11.8%	12.4%
ROE : Return on Equity ^{*1}	17.0%	15.4%	9.9%	10.5%	8.8%
ROA : Return on Assets ^{*2}	25.3%	21.9%	13.8%	12.7%	10.6%
Equity Ratio	76.6%	79.0%	68.2%	59.6%	66.3%
Dividend Payout Ratio	24.5%	27.1%	34.1%	29.2%	32.5%
EV/EBITDA (times)	2.8	2.6	4.0	4.4	5.7

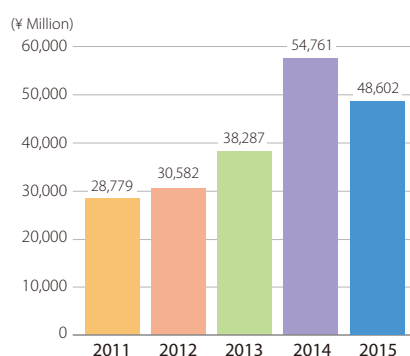
^{*1} ROE: Net Income/Equity

^{*2} ROA: Ordinary Income/Total Assets

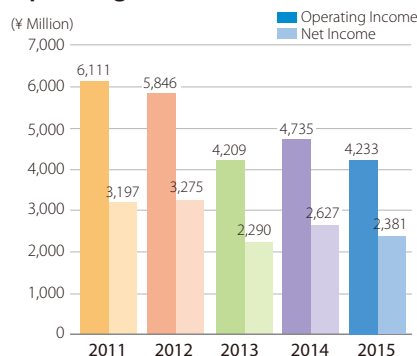
^{*} A 1-to-2 stock split was conducted on October 1, 2012. (Per share data has been adjusted retroactively to reflect this stock split.)

^{*} For details on financial information, please refer to the "FACT SHEET 2015" in our website. (<http://www.proto-g.co.jp/IR/english/library/fact.html>)

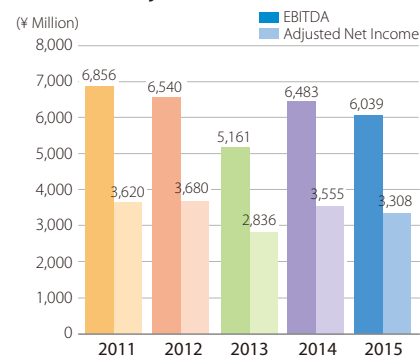
Net Sales



Operating Income / Net Income



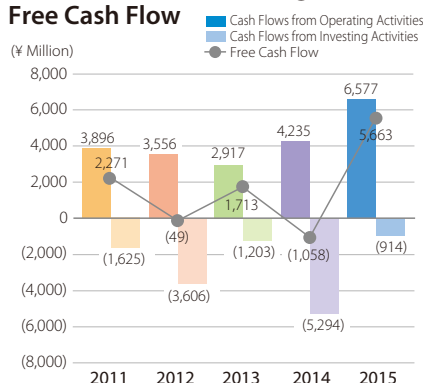
EBITDA^{*1} / Adjusted Net Income^{*2}



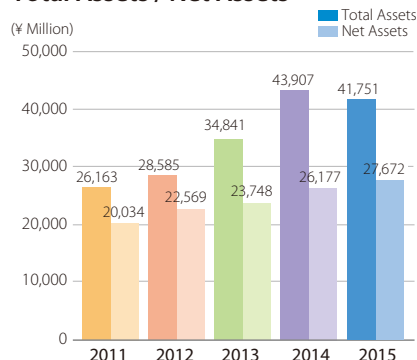
*1. EBITDA was calculated with the equation: Operating Income + Depreciation + Amortization of Goodwill

*2. Adjusted Net Income was calculated with the equation: Net Income + Amortization of Goodwill

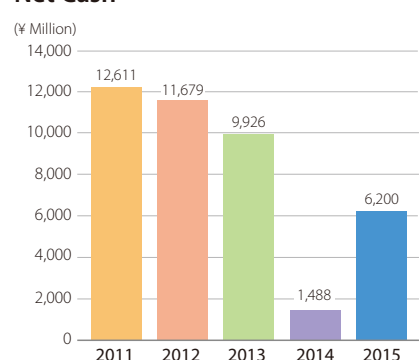
Cash Flows from Operating Activities Cash Flows from Investing Activities Free Cash Flow



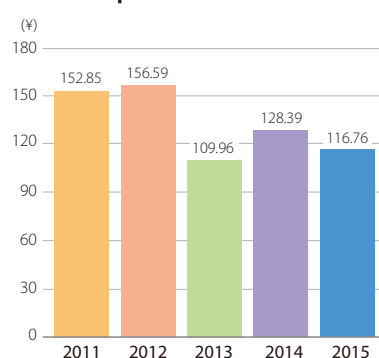
Total Assets / Net Assets



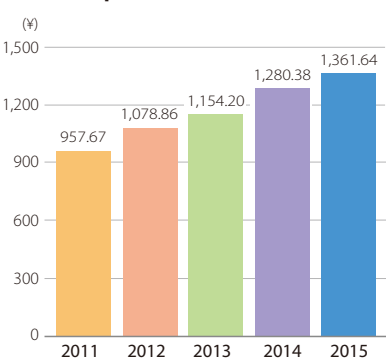
Net Cash



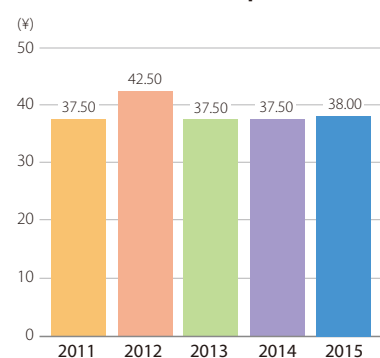
Net Income per Share



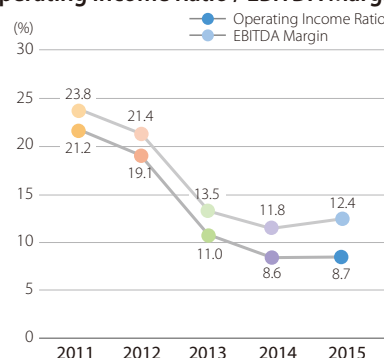
Net Assets per Share



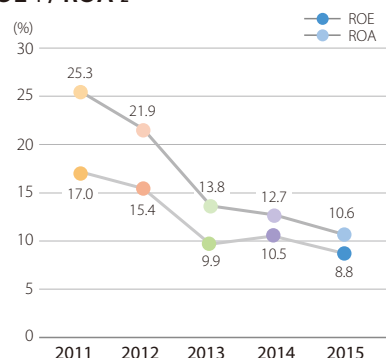
Annual Cash Dividends per Share



Operating Income Ratio / EBITDA Margin



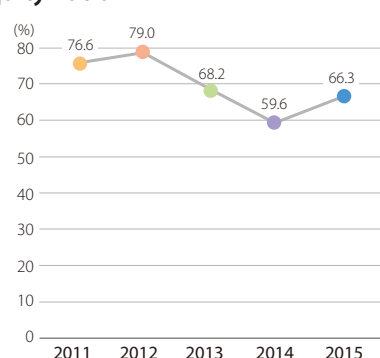
ROE^{*1} / ROA^{*2}



*1 ROE: Net Income/Equity

*2 ROA: Ordinary Income/Total Assets

Equity Ratio



Message from the President



I'll develop GooPit into the best information site in this field, and establish the view "When it comes to cars, Goo".

K. Kamiya
President
Kenji Kamiya

Market Environment

In Japan, consumer confidence is sluggish, due to the declining birthrate, aging population, and the consumption tax hike. In every business field, only one company is being successful. I predict that the increase in consumption tax rate to 10% in 2017 will worsen this situation further.

It is estimated that the Japanese used car market, which is our primary domain, will not grow significantly, but shrink gently. However, as the market scale of used cars is large, I believe that our company will grow further by expanding our share in this market and becoming the strong.

In addition, considering the differences between Japanese and overseas markets in the sales volume ratios of new and used cars and the purchase routes of used

cars, there is room for structural reform, and there exist chances to expand our businesses.

Vision

I would like to totally finish the competition with rivals, and establish the view "When it comes to cars, Goo".

This indicates that users recall the products and services of Goo every time they "Search," "Buy," "Drive," "Replace and Sell" cars, and use them.

Since the business start-up in 1977, our company has been collecting, organizing, classifying information on mainly used cars, processing them into useful contents, and offering them to users and client firms with various devices according to each age. The founder Yokoyama and the former president Irikawa grew the car information magazine "Goo" and the portal site for cars "Goo-net"

into the ones that are the strongest media and have brand power in Japan, in the field of the "Search" and "Buy" used cars.

My mission as the president is to develop the Goo brand also in the field of "Drive" cars.

Even after users have bought cars, we can keep the points of contact with them, through car inspection, maintenance, purchase of consumables materials, etc. in the field of "Drive" cars. Accordingly, this field is essential for establishing the view "When it comes to cars, Goo".

As a concrete measure, we promoted "GooPit," a website for retrieving a car maintenance shop, nationwide in January 2015. We will cultivate the car maintenance field with "GooPit."

I think that only our company can operate this kind of informative website nationwide. This is because sales infrastructure is indispensable for securing the volume and quality of information of "GooPit". Our company owns sales infrastructure constituted by personnel versed in the automobile field, for having direct connections with used car dealers and offering high-quality services. This sales infrastructure is our strength that does not possessed by other companies, and vital for increasing the number of client firms of "GooPit".

In addition, the automobile field is becoming borderless, as new car dealers sell used cars and used car dealers do maintenance work, etc. Also in the car maintenance field, competitions are getting fiercer, and the necessity to conduct advertising activities for attracting new customers is growing.

In this situation, what I should do is to promote "GooPit" by utilizing our strengths.

Our medium-to long-term goals are to increase the number of client maintenance shops, and establish a robust network with our clients, in cooperation with used and new car dealers.

By establishing this network, we will be able to improve the convenience for users and the satisfaction level of clients, and create a cycle of increasing client firms. Furthermore, I think that it is possible to offer products and services with new values in this network.

We also boast the top share with respect to motorbike information in Japan. By taking advantage of this No.1 position, we can conduct various businesses, such as the application of successful projects in the four-wheel field to the two-wheel field, and the full-scale implementation of projects, which have been tentatively carried out in the two-wheel field, in the four-wheel field. This is one of our strengths.

Furthermore, we have developed systems for offering important products and services related to automobiles inside our corporate group, to produce advantages in mobility and efficiency over competitors. By cultivating the car maintenance field with "GooPit" and developing networks, we will be able to increase opportunities to offer our products and services, and exert stronger synergistic effects.

We will establish the view "When it comes to cars, Goo". and create unprecedented values.

PROTO Group's Vision

To establish the view
“When it comes to cars, **GOO**”.

Mid-term Business Goal of PROTO Group

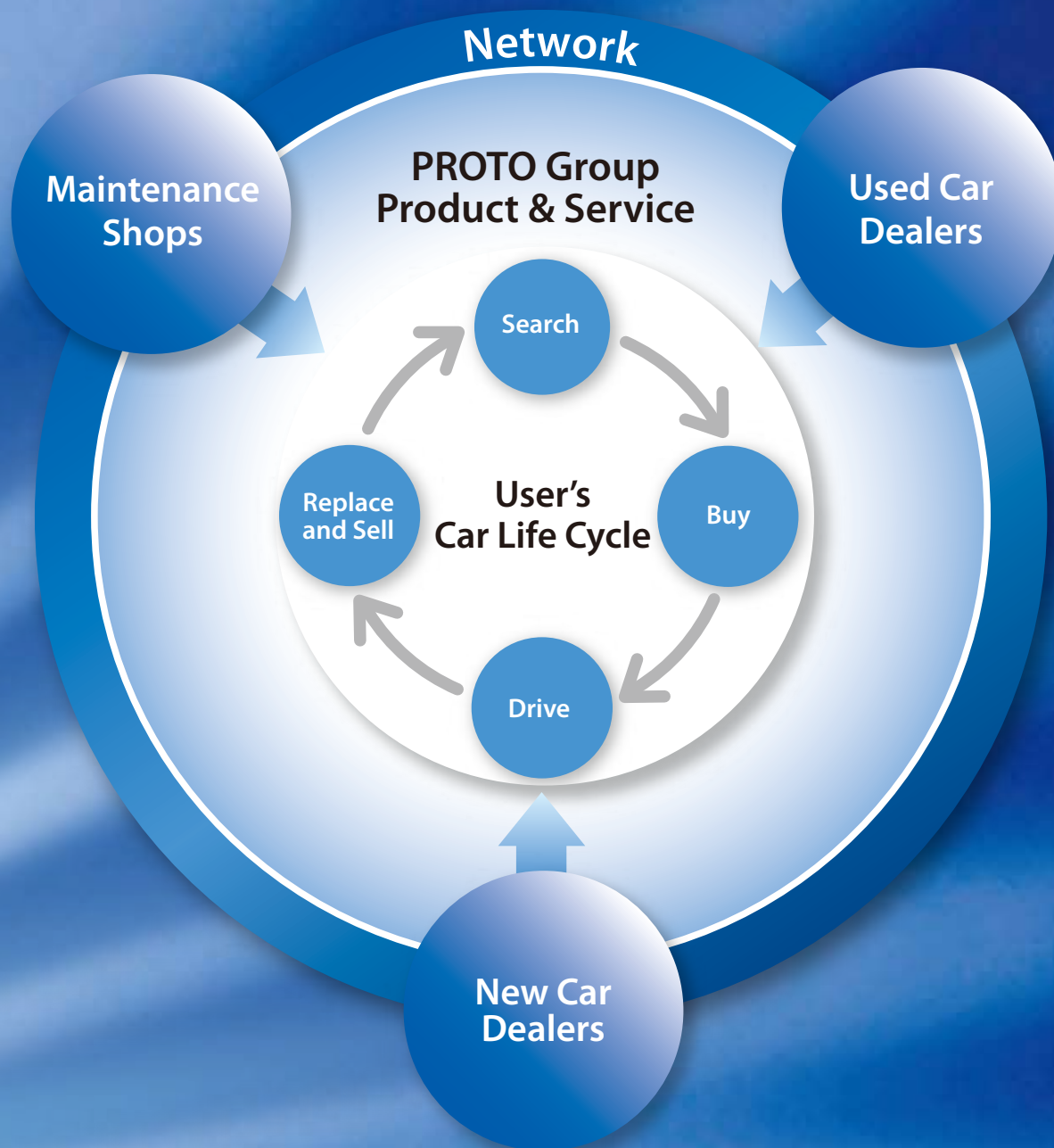
Business to Business

To establish Japan's largest network that cut across used car dealers, maintenance shops, and new car dealers.

Business to Customer

Maximization of the points of contact with users through the enrichment of products and services in Car Life Cycle.

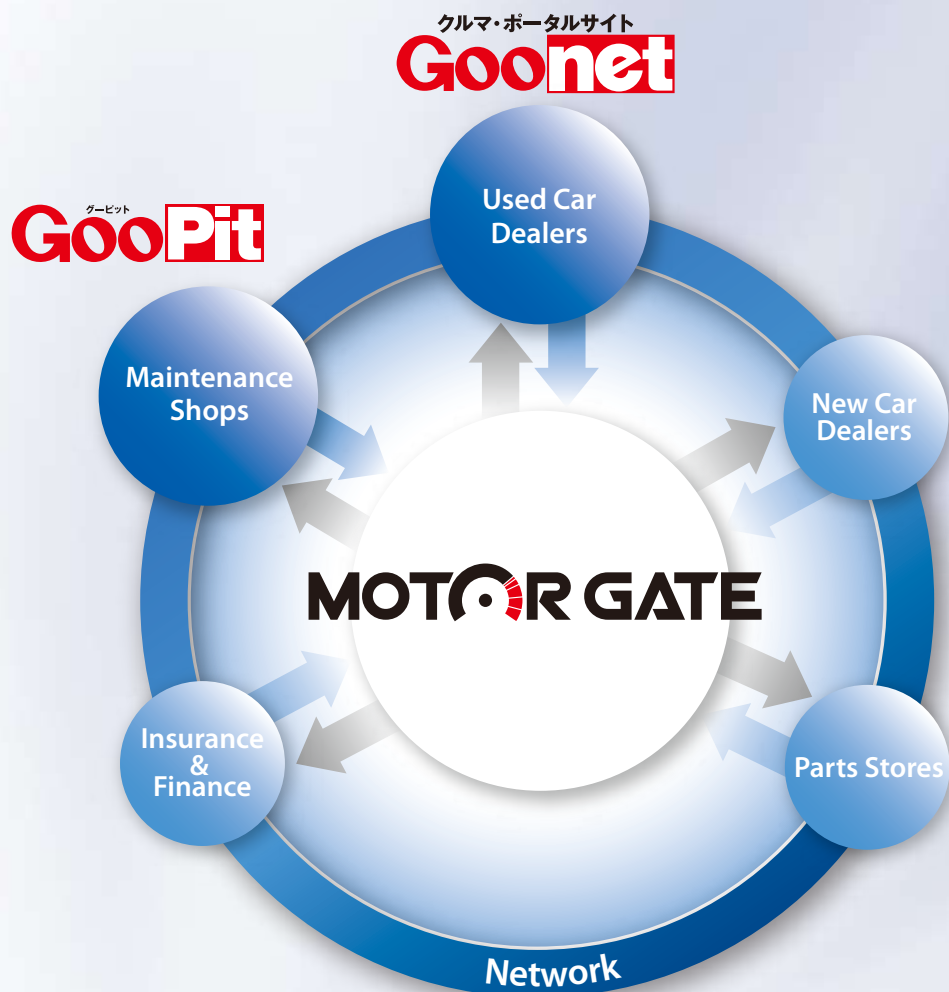
Now
2015



We, PROTO Group, aim to become a corporate group that has unique, absolute values that can gain support from both users and clients in every scene of Car Life Cycle.

Business to Business

To establish Japan's largest network by maximizing the number of business partners.



Establishment of Network

As the mid-term business goal, PROTO Group is trying to establish Japan's largest network that cut across used car dealers, maintenance shops, and new car dealers using MOTOR GATE.

MOTOR GATE is a sales management tool that the Company provides to the used car dealers. The key functions of MOTOR GATE include sales management and data analysis, document development, and customer management. These functions support integrated management for the used car dealers.

The Company is also planning to manage information (e.g. car information, personal information, price information) not only from used car dealers, but also from maintenance shops and new car dealers using MOTOR GATE.

In order for the PROTO Group to have advantages over the competitors and continue to be the Group that is needed by the society, there is a need to establish Japan's largest network. Thus, as a mid-term business strategy, the Group will work on the "maximization of the number of business partners" using MOTOR GATE.

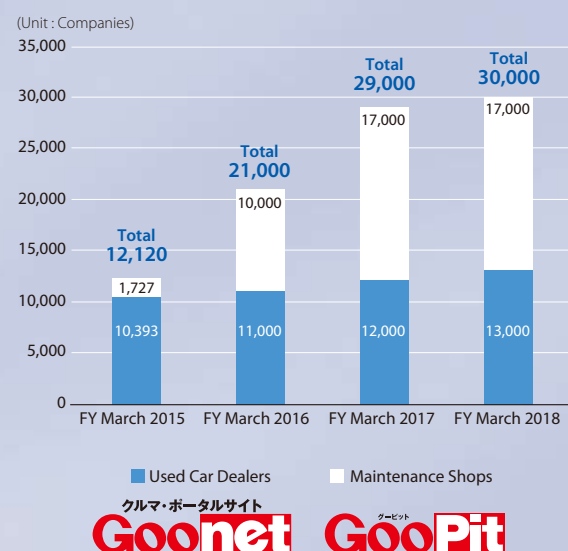
About Maximizing the Number of Business Partners

One of the goals of maximizing the number of business partners is to have 30,000 used car dealers and maintenance shops as business partners by the end of FY ending March 2018.

The key component of this plan is to make a full-scale entry into the auto-repair industry. Search site of the maintenance shops GooPit is already available across the country, and its app for smartphones is also already available. In FY ending March 2016, the Company will focus on increasing the number of maintenance shops as business partners. Specifically, the Group will strengthen sales system targeting maintenance shops using sales infrastructure and know-hows that the PROTO Group has been acquiring in the used car industry. The Group will also establish more alliances with other companies to expand the number of business partners.

Through the expansion of business partners such as used car dealers and maintenance shops, the Group will try to enrich the information database of used cars.

Medium-term Business Strategies about the number of business partners



*The increase in the number of maintenance shops is not expected from FY March ending 2017 to FY ending March 2018. However, the profit is expected to increase as a result of switching from free-contract to fee-based contract.

About Synergy

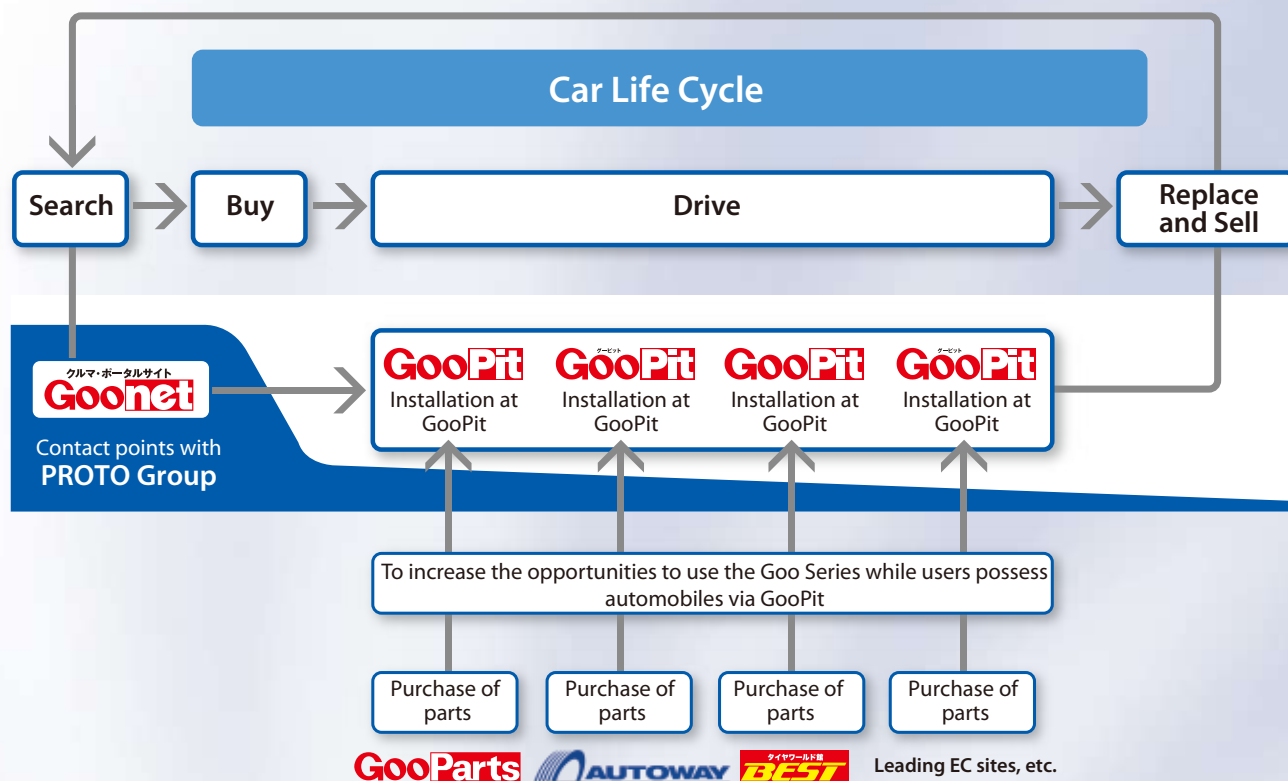
The PROTO Group will achieve synergy by maximizing the number of business partners and sharing the customer base within the Group.

Specifically, PROTO CORPORATION will increase the number of partner maintenance shops. AUTOWAY Co., Ltd. and TIRE WORLD KAN BEST CO., LTD. will expand their sales channel. PROTO-RIOS INC. will expand its sales channel of its software for the repair/maintenance and plate industries. This way, the Group will achieve growth in profits using the network.

By expanding the repair/maintenance industry using GooPit and establishing the network, the PROTO Group will have more opportunities to provide the products and services. This will enable the Group to create stronger synergy effects that other companies do not have.

Business to Customer

To maximize the contact points with the car users
by enriching the products and services throughout the car life cycle.



Activities in the Car Life Cycle

The Company provides a service to match buyers and sellers in the area of used car "Search" via media. Goo-net is the largest media power (web, mobile, magazine) in Japan.

However, in the future, the Company will go beyond the "Search" area and offer services that cover the users' car life cycle including "Buy", "Drive" and "Replace and Sell" by establishing the system to support the users in a comprehensive manner.

Specifically, in the area of "Drive", the Company has already begun to offer the maintenance shop search site called "GooPit" across Japan in January 2015. It also acquired shares of AUTOWAY Co., Ltd., which handles import tires on-line business, in April 2013 and TIRE WORLD KAN BEST CO., LTD., which handles tire sales business, in April 2015. As such, the Company has been working on maximizing the contact points with the car users through M&A.

Through these activities, the Company will try to expand the products and services throughout the users car life cycle and maximize the contact points with them.

Expansion of Products and Services

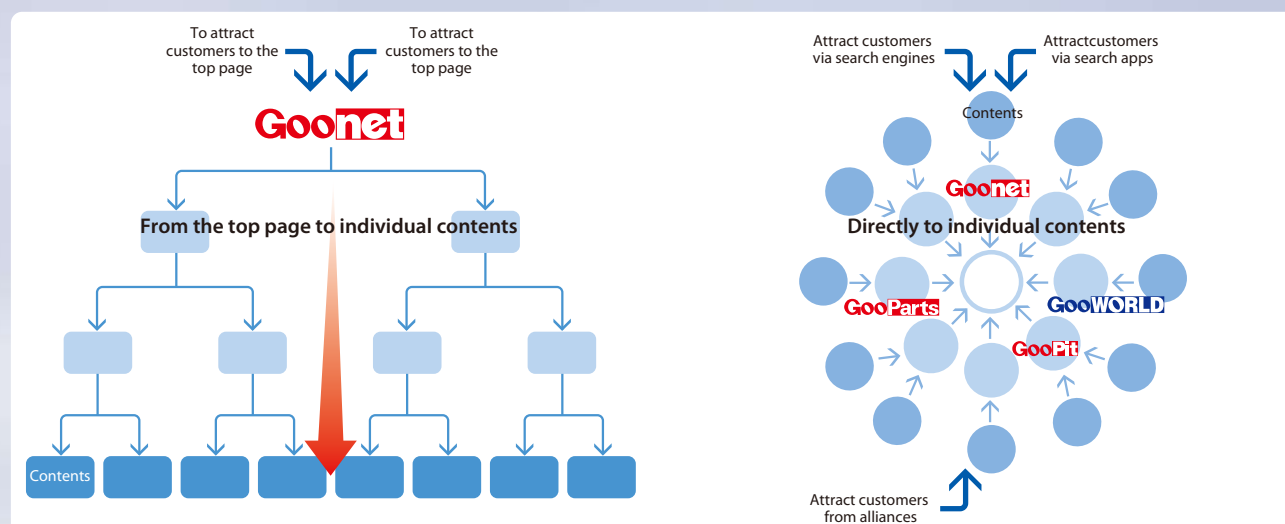
The Company will develop services in the area of “Search”, which is already its strength, as well as expand the products and services in the areas of “Buy” and “Drive” and work on the further advancement of used car matching service.

Specifically, in the area of “Buy”, in 2006, the Company launched “Goo-inspection”, a service to disclose the information on the status of used cars to the users and expanded the services nationwide in 2008.

Furthermore, the Company launched “GooBike-inspection” for the Japanese motorbike industry, and “Goo-inspection” in Taiwan to strengthen and expand the appraisal services. In 2014, the Company also launched “GooPLUS” and “Goo Warranty” to enable the users to buy used cars without worries.

In 2015, the Company released “GooPit” in the area of “Drive”.

Maximization of Contact Points with the Users



The Company will strengthen its media power in each area of “Search”, “Buy”, “Drive”, and “Replace and Sell” to maximize the contact points with the users.

Since the Company launched used car information magazine as part of the used car search service in 1977, it has been providing matching services through various devices that are suited to the times such as the Internet and smartphones.

The current users tend to directly access the contents through smartphones and the apps, instead of searching the contents from the portal site. For example, 64% of the users access our information through Goo-net from smartphones, apps, and tablets (as of March 2015).

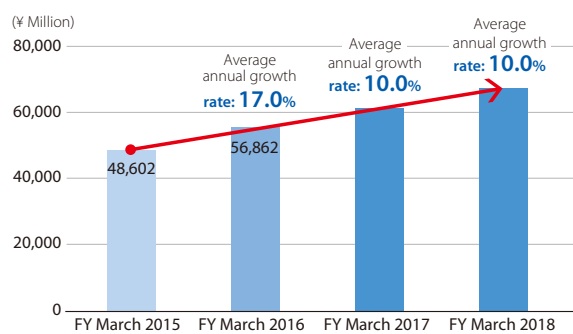
The number of visitors to the Company's website and the frequency of downloads of the Company's apps exceed those of our competitors because the Company had been working on the website for smartphones and developing apps, ahead of our competitors.

By strengthening media power, including advancement of smartphone apps, the Company will make efforts to maximize contact points with the users. It will also proactively increase alliances in order to contact the car users who cannot be reached just through the Company's media.

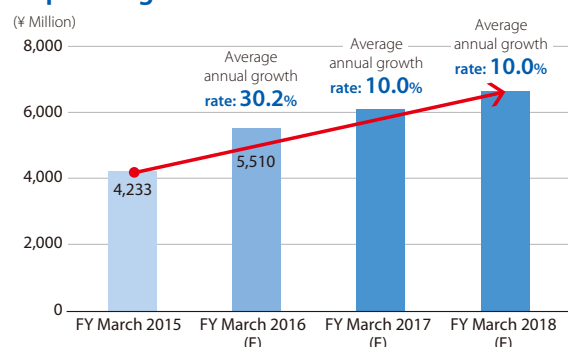
Medium-term Business Strategies

Numerical targets

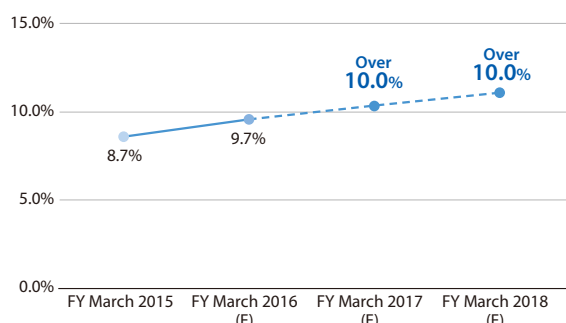
1 Net Sales



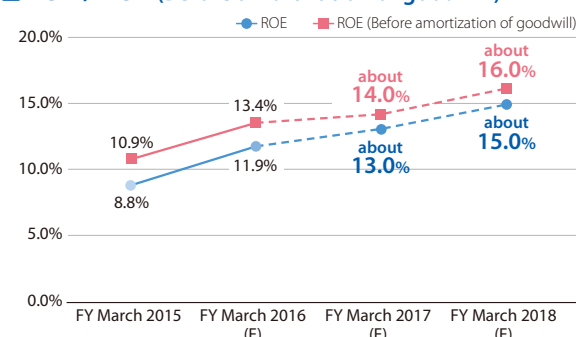
2 Operating Income



3 Operating Income Ratio



4 ROE / ROE (Before amortization of goodwill)



Numerical Targets

In order to secure continuous and stable profits, and in order to further expand the scale of operations, the PROTO Group has marked growth potential of sales and operating income and improvement of ROE as important management indicators.

Policy for profit sharing with shareholders

Other Indicators	FY March 2015 Results	FY March 2016 Forecast	FY March 2017 Forecast	FY March 2018 Forecast
Dividend ratio	32.5%	Stable dividend		
Dividend ratio (Before amortization of goodwill)	23.4%	Stable dividend		
Total return ratio	40.9%	Stable dividend + (Share buyback will be discussed when necessary)		
Total return ratio (Before amortization of goodwill)	29.4%	Stable dividend + (Share buyback will be discussed when necessary)		

Policy for Profit Sharing with 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.

Automobile-related Information (Domestic)



AUTOWAY Co., Ltd.

Sales of imported tires and wheels, operation of Japan's largest online shop of tires and wheels "AUTOWAY LOOP"



TIRE WORLD KAN BEST CO., LTD.

Sales of the tires, wheels, parts, and goods of automobiles at stores and through mail-order services



Kings Auto Co., Ltd.

Export and sales of used cars to around the world, especially Hong Kong, Sri Lanka, Myanmar, and Malaysia



Bike Bros. Inc.

Mail-order services for motorbike parts and goods, the development and operation of the online shop specializing in motorbikes, and the publication of motorbike magazines



PROTO-RIOS INC.

Development and sales of software for automobile maintenance, repair, etc., and the publication of information magazines on automobile repair and parts



CAR CREDO Co., Ltd.

To offer car inspection services, including "Goo-inspection"

Automobile-related Information (Overseas)



PROTO MALAYSIA Sdn. Bhd.

Publication of information magazines about used cars, and the operation of a website of used cars information in Malaysia



PROTO (TAIWAN) CO., LTD.

Publication of information magazines about automobiles, and the operation of a website about automobiles in Taiwan

Lifestyle-related Information



PROTO MEDICAL CARE

To offer the services of introducing and dispatching personnel in the fields of medicine, nursing care, and welfare, and information services

Other Business



PROTO DATA CENTER

Business process outsourcing (BPO) business, including data inputting

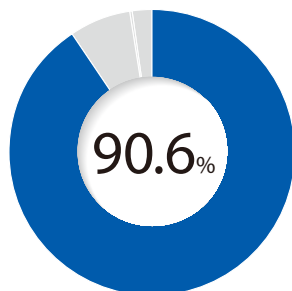


iSolutions Co., Ltd.

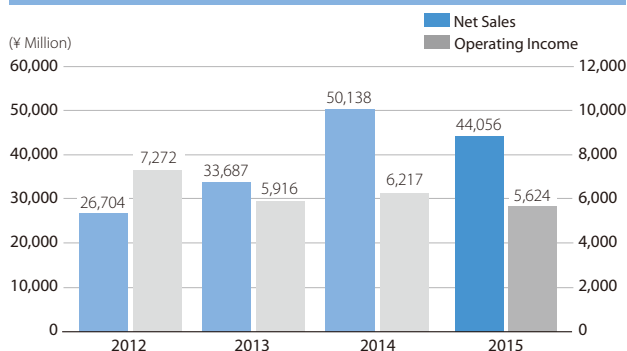
Design, development, and sales of website systems and apps for smart-phones and tablet PCs

Automobile-related Information

Share of Net Sales



Net Sales / Operating Income

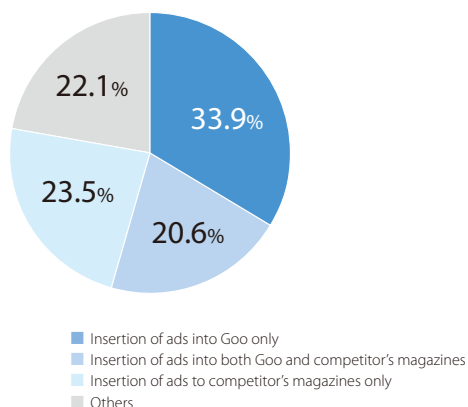


Situation of Market Shares

(Compared with Competitors)

Method for counting client companies: To count the number of dealers that inserted their ads into information magazines.

(As of March 2015)



(Surveyed by our company in March 2015)

Overview of FY Ended March 2015

The Company Group promoted integrated management support for the used car dealers through MOTOR GATE. It also made efforts to strengthen services that address the users' needs throughout their car lives by expanding the contents of "Goo-inspection", "GooPLUS", "Goo Warranty", "GooPit", and "GooAUTO".

Meanwhile, as for the used car export sales by Kings Auto Co., Ltd., the export of expensive cars to Hong Kong, which is the major business destination, decreased. As for the on-line tires business of AUTOWAY Co., Ltd., the number of tires sales decreased due to consumption tax hike. Furthermore, the Company focused on the management support of existing clients in response to the drop in the used car market. As a result, sales were 44,056 million yen, down 12.1% from Year-on-Year (YoY), and operating income was 5,624 million yen, down 9.5% YoY.

Actions for FY Ending March 2016

Kings Auto Co., Ltd. will establish sales offices in Hong Kong, which is the major business destination, in order to strengthen the marketing activities and increase the number of new customers.

AUTOWAY Co., Ltd. will increase sales and secure profit by strengthening sales activities targeting corporations, focusing on the brands to handle, increasing the order amount per product, and reducing the unit cost of stock.

The Company will strengthen sales activities to obtain new used car dealers and maintenance shops and maximize the number of business partners.

The market shares of the number of partner used car dealers as of the end of March 2015 is 54.5%, down 0.9 points YoY. This decline occurred because some clients who had posted their advertisement on the information magazine "Goo" to meet the demands before consumption tax hike as of the end of March 2014 stopped their advertisement after the tax hike, and the ratio of "others" that do not post advertisement on "Goo" increased by 1.2 points.

■ Products as of March 2015

Products for the Car Maintenance Industry



[National expansion in January 2015]

GooPit is a website that introduces the maintenance shops to the consumers who are looking for a place to receive car inspection and oil exchange services. GooPit only includes the maintenance shops that are acknowledged and assigned by the District Transport Bureau of the Ministry of

Land, Infrastructure, Transport and Tourism (MLIT). It also publishes useful information such as the number of 1st and 2nd grade auto mechanics certified by the MLIT at each shop.

The number of business partners for GooPit reached 1,727 as of the end of March 2015, and the number will continue to increase.

Products with a Focus on Goo-inspection



[National expansion in October 2008]

To enable the consumers to buy used cars with confidence, Goo-inspection offers services in which used cars are inspected by professional appraisers for the maximum of 344 detailed items, which can be largely divided into exterior, interior, machine parts, and repair history. The information is disclosed in a way that unprofessional consumers can understand the appraisal results. For example, for the interior and exterior, the appraisal results are presented by 5 grades. For the repair history, the repair

degree is shown in 4 grades.

As efforts to widely disseminate Goo-inspection, the Company Group established an automobile inspection affiliate, CAR CREDO Co., Ltd. in February 2012. It is also strengthening its promotion activities. The number of appraised cars during FY ended March 2015 was 299,000.

Evolving around the Goo-inspection, the Company provides the products to which Goo-inspection service is added or expands the products and services to the other markets. The Company will continue to create the products that respond to the market trend and meet the users' needs.

Products to Which Goo-inspection Service is Added



[National expansion in October 2014]

GooPLUS is a service that replaces old consumable parts such as tires and batteries with new ones for the used cars inspected by Goo-inspection, in order to provide safe, comfortable and convincing opportunities to the users when selecting a used car.



[Launched in December 2014]

Goo Warranty is a service that guarantees repairs of over 330 items including electric devices of the used cars inspected by Goo-inspection for the maximum of 3 years to enable the users to use the used cars with ease of mind after purchase. This service is offered in collaboration with Nippon Maintenance System, Inc.



[Launched in January 2015]

GooAUTO is a website that serves as an intermediary of used cars between overseas buyers who look for used cars in Japan and Japanese exporters that look for new customers. By adding services such as disclosure of car condition through GooAUTO Information or escrow services such as financial closing or logistics, the users can carry out business safely and conveniently.

Expansion in the Other Market



[Launched in October 2014]

Goo-inspection is also offered for the used motorbike market. Professional appraisers inspect the condition of motorbikes, just like Goo-inspection, to enable the users to purchase used motorbikes with confidence.



[Launched in October 2014]

Goo-inspection is also available in Taiwan. On the used car information magazine and website managed by the Group's affiliate, PROTO (TAIWAN) CO., LTD. the car condition information is disclosed.

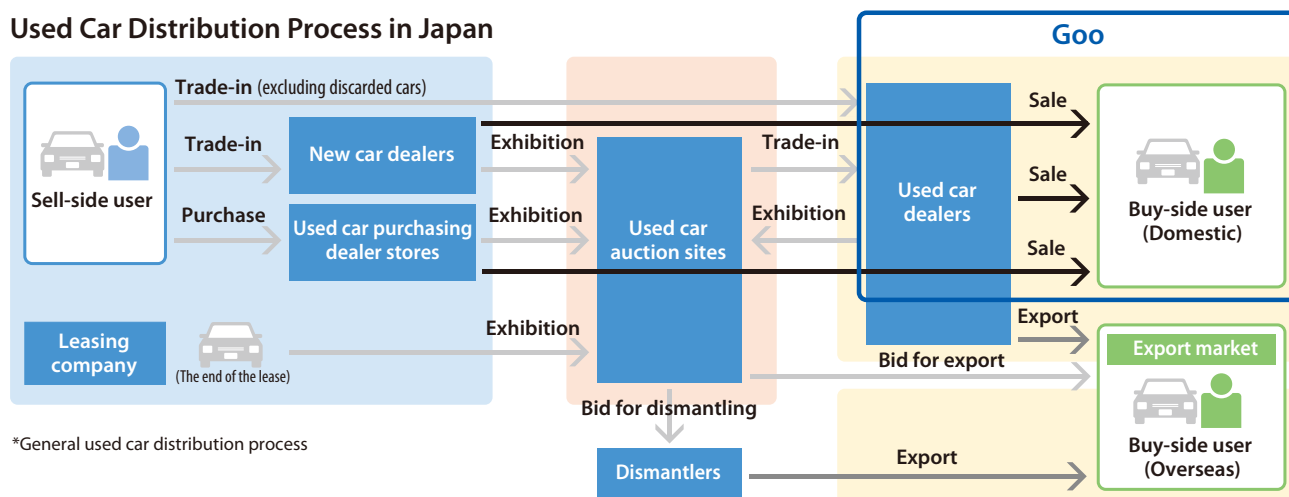
Business Overview

■ Process of Used Car Distribution in Japan

The used car distribution process in Japan is as follows.

The Goo Series, which are the Company's core products, are media to provide used car information to the users who are willing to buy used cars.

Used Car Distribution Process in Japan



■ Business Model of Goo

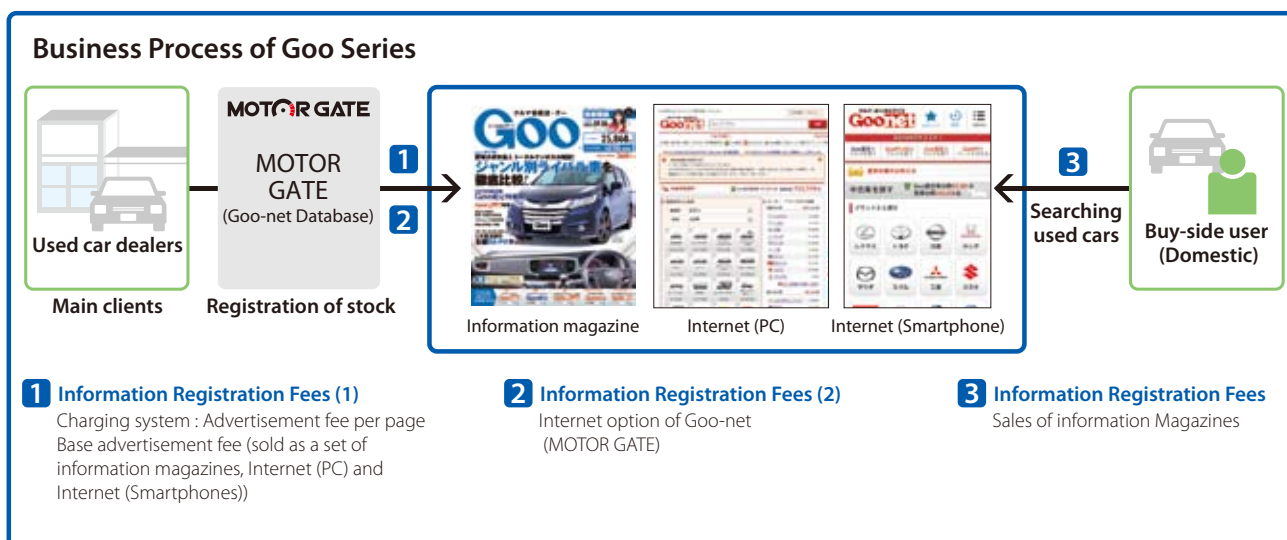
The Company's core business, Goo Series, provides inventory information of used car dealers, which are its main clients, to the users through various media, such as Internet and information magazines.

The Company sells advertisement spaces on PC, smart-phones and information magazines as a set to the used car dealers and receives basic advertisement fees from the used car dealers. The fees are charged in accordance with the number of pages. (The base fee is charged per page on the information magazines.)

The clients of Goo Series such as used car dealers can also use various services through "MOTOR GATE", which is the background system of Goo-net. In accordance with the needs of used car dealers, the Company also offers various fee-based IT services (monthly charge). The users of this type of services through "MOTOR GATE" are increasing year by year. The total users is 10,393 as of the end of FY ended March 2015.

The charges to the users include subscription fee for the information magazines.

Business Process of Goo Series



■ APPENDIX

■ Comparison of the Current Used Car Distribution among USA, UK and Japan

		Japan	USA	UK
The market for used car distribution(billion yen)		2,200	33,000	7,000
Sales volume ratios	Used cars	29%	75%	78%
	New cars	71%	25%	22%
Purchase route	Dealers	94%	71%	58%
	Individual trade	6%	29%	42%

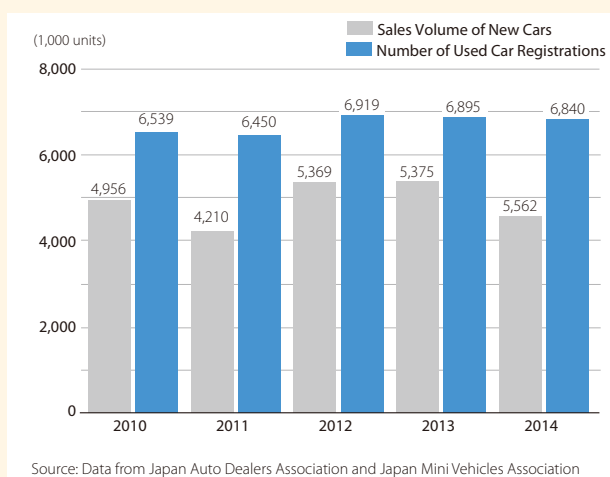
Source : Information from the Future Vision Review Meeting Concerning Usage of Automobile Related Information by MLIT.

In the used car market of USA, UK and Japan, there are differences in the number of sales and purchase routes between used cars and new cars.

Sales volume ratios : The used cars sales volume ratios in USA and UK are much higher than those of new cars, while in Japan, the new cars ratio is much higher than that of used cars.

Purchase route: Certain percentage of car sales are handled through individual trade in USA and UK, while in Japan, most of the car sales are handled by dealers such as used car dealers.

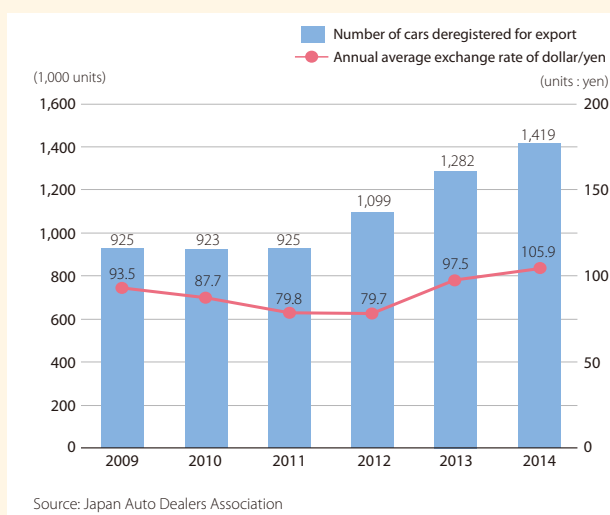
■ Trends in the Sales Volume of New Cars and the Number of Used Car Registrations



Number of new cars sales temporary dropped after the Great East Japan Earthquake. However, in the recent years, it is on an increasing trend as a result of the New Eco-Car Subsidy System and last-minute demand before consumption tax hike in April 2014.

The number of registered used cars is also going generally flat after a huge growth in 2012, as a result of good sales of new cars.

■ Trend in the Used Car Export Field

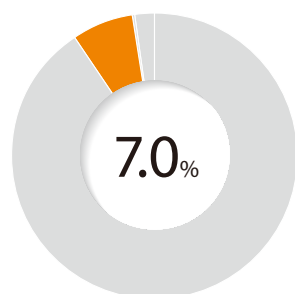


The number of used cars for export is on an increasing trend, benefitted from depreciation of yen. Furthermore, the number of inexpensive cars for export is also increasing due to increase in demand associated with economic development of newly emerging countries such as African nations.

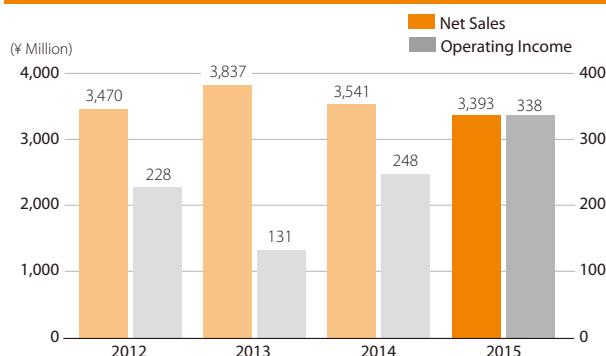
The quality of cars used in Japan is considered high because they are periodically inspected and maintained through the automobile inspection system and also they do not have much mileage because the country is small.

Lifestyle-related Information

Share of Net Sales



Net Sales / Operating Income



Overview of FY ended March 2015

Sales of FY ended March 2015 were 3,393 million yen, down 4.2% YoY due to withdrawal from unprofitable business. Operating income was 338 million yen, up 36.1% YoY. For the Lifestyle-related Information Segment, PROTO MEDICAL CARE provides housing information for fee-based nursing homes for elderly and senior housings, as well as HR information in the medical, nursing care and welfare fields. The Company also runs information service business in the field of culture/reuse.

As the aging society with fewer children progresses in Japan, the market of the medical, nursing care and welfare fields is expected to grow.

PROTO MEDICAL CARE provides products and services in a comprehensive manner in the medical, nursing care and welfare fields, and to create synergy among the fields.

WEB Service

Total nursing care search site, "Oasis Navi & Heart Page"
Recruitment site for the medical, nursing care and welfare fields, "Nursing Care Recruitment Navi"
Recruitment site for nurses, "Nurse Agent"

HR Service

Dispatch service only for nurses, "Medical Cubic"

Other Service

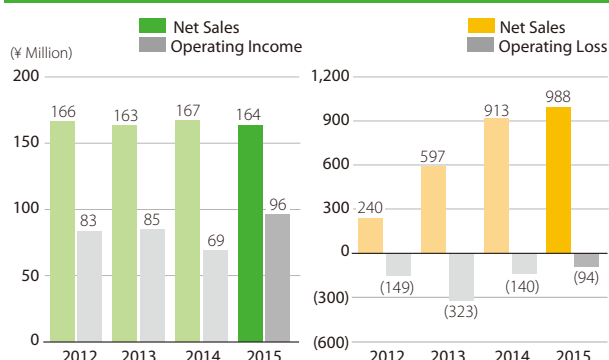
Welfare equipment rental service, "Fujiyama Service"
Home-visit dental service, "Dental Cubic"

Real Estate Business / Other Business

Share of Net Sales



Net Sales / Operating Income



Overview of FY ended March 2015

Real Estate Business

The Company runs real estate business. The main purpose of the business is to maintain and manage the Company's own assets. Sales of this segment were 164 million yen, down 1.8% YoY, and operating income was 96 million yen, up 38.4% YoY.

Other Business

PROTO Data Center runs BPO business. Sales of the other business segment were 988 million yen, up 8.2%, and operating loss was 94 million yen.

Corporate Governance & Corporate Social Responsibility (CSR)

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Corporate Governance

■ Basic Policy for Corporate Governance

We think that the objectives of corporate governance are to improve corporate value by securing continuous, stable profits and increasing business scales further, and actualize sound business administration that is so transparent that we can win social trust. In addition, we always emphasize the maximization of the interests of stakeholders, including shareholders, business partners, and employees, and we

believe this will lead to the enhancement of the social value of our company. We will keep making efforts to fully comply with law, strengthen the functions to monitor and supervise business operations, disclose appropriate, fair information timely, and establish a highly transparent, sound management system.

■ Corporate Governance Systems

Organizational system		Company with the board of auditors
Directors	No. of directors	13 people(Outside directors 2 people)
	Term specified in the articles of incorporation	1 year
	Upper limit of the number specified in the articles of incorporation	20 people
	Chairperson at a meeting of the board of directors	President
Auditors	No. of auditors	4 people (Outside corporate auditors 3 people)
	Term specified in the articles of incorporation	4 years
	Upper limit of the number specified in the articles of incorporation	4 people

Independent Auditor

As an independent auditor, we selected KPMG AZSA LLC, and concluded a contract for audit. Our company provides independent auditors with correct managerial information, so that they can audit from a fair, unbiased standpoint.

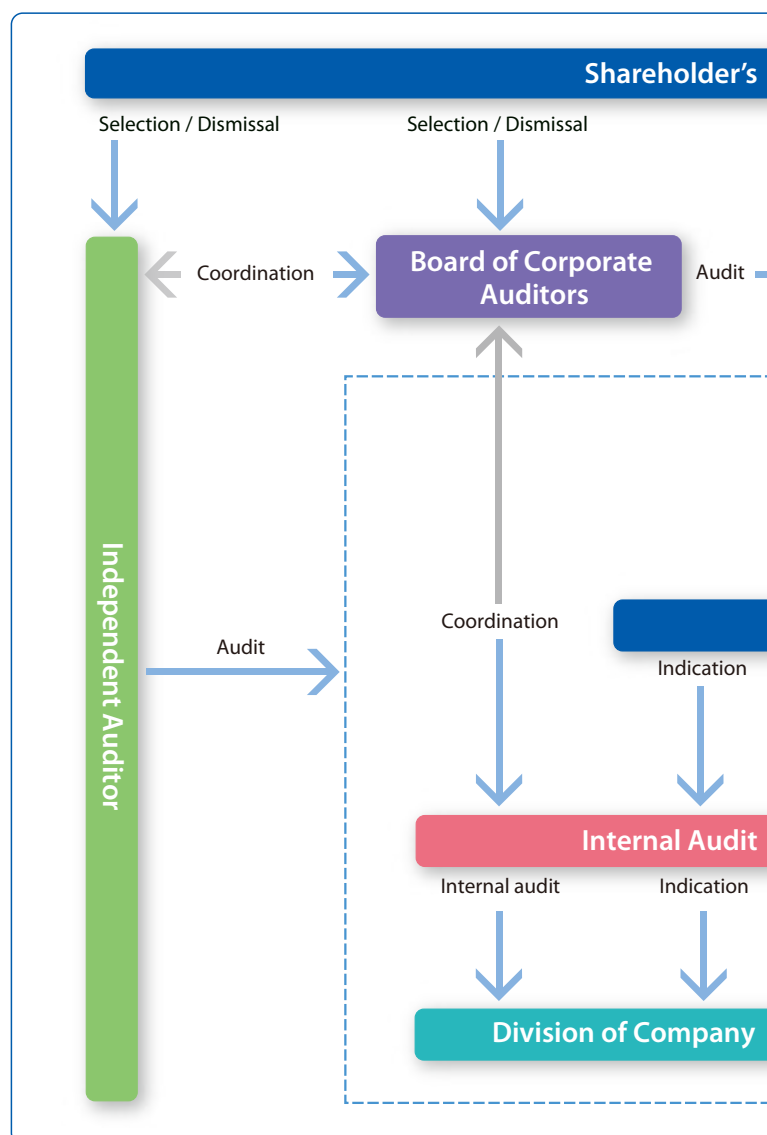
Board of Corporate Auditors

The board of corporate auditors is composed of 4 auditors, including 2 full-time ones, and holds a meeting on a monthly basis in principle, to share information among auditors. Corporate auditors attend a meeting of the board of directors, peruse documents, interview related people, and so on, to audit the execution of duties by directors, the maintenance and operation of internal control.

Internal Audit Office

Our company has Internal Audit Office (2 staff members), which is directly managed by the president. The staff of Internal Audit Office visit branches, offices, and subsidiaries in Japan, cross-check in-house rules and practices, and audit the management and maintenance of account ledgers.

This office also maintains the cooperative systems with corporate and independent auditors, and report audit results to the president on a regular basis.



■ Outside Directors and Corporate Auditors

Our company appoint 2 outside directors and 3 outside corporate auditors.

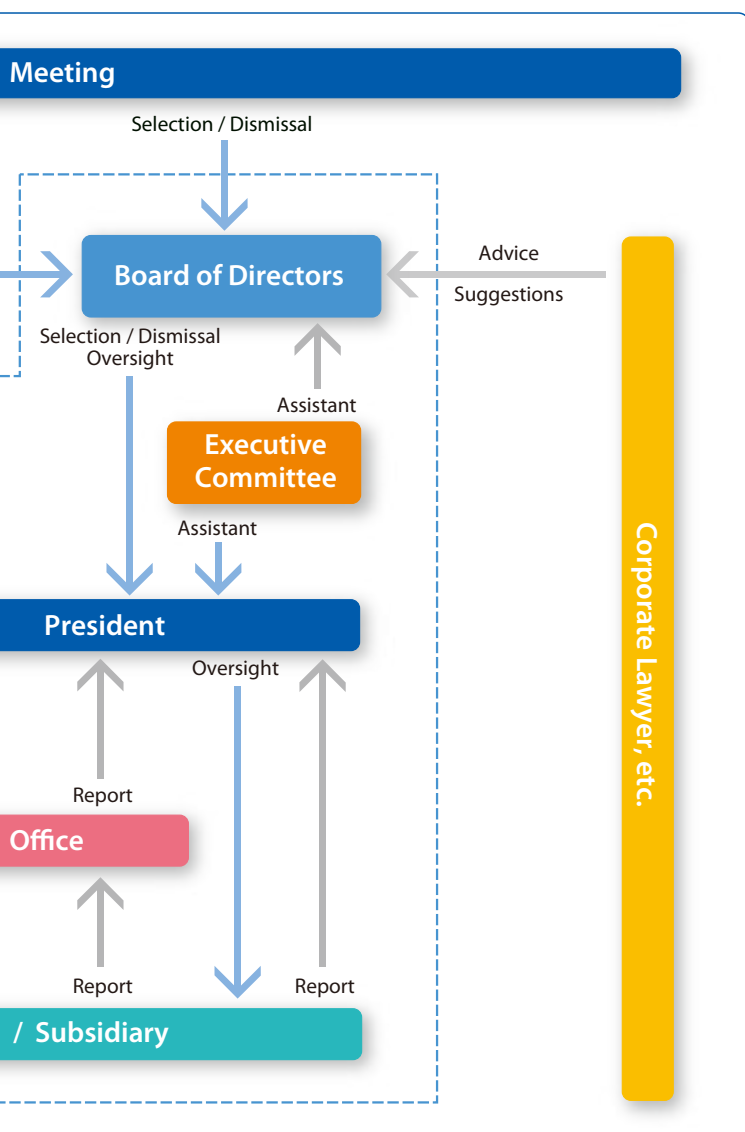
Outside directors and auditors cooperate with corporate auditors, internal auditors, and independent auditors, through the exchange of opinions with the board of directors, the board of auditors, directors, etc., supervise and audit the development, operation, etc. of internal control systems.

Outside directors attend a meeting of the board of directors, which is basically held monthly, receives reports from independent auditors and internal auditors, exchange information and cooperate with the board of corporate auditors, and express their opinions if necessary, to fulfill their role of supervising the execution of duties by directors in cooperation with auditors. In addition, they make efforts to secure appropriate business operation by giving their opinions or advices as members of the board of directors

and then making the internal control section function effectively. Two outside directors are reported to Tokyo Stock Exchange as independent executives, to secure the objectivity and neutrality of the function to oversee business administration.

Outside corporate auditors attend a meeting of the board of corporate auditors, which is basically held monthly, to share information among auditors. They also attend regular and irregular meetings of the board of directors, and ask questions, to audit the execution of duties by directors, the development and operation of internal control, etc.

Three outside corporate auditors are reported to Tokyo Stock Exchange as independent executives, to secure the objectivity and neutrality of the function to oversee and supervise business administration.



Board of Directors

The board of directors is composed of 13 directors and 4 auditors, and holds a regular meeting monthly and an irregular meeting if necessary, to discuss and resolve the items specified in the "regulations for the board of directors." Directors have the authority to execute their businesses, and take the role of overseeing and supervising the acts of other directors and the items reported to the board of directors and the executive committee.

In addition, our company adopted the executive officer system. The executive officers managing specific sections are provided with the same authority as the authority to execute businesses of directors, and the progress of their businesses is reported to the board of directors when necessary.

Executive Committee

The executive committee is composed of 10 full-time directors and 2 full-time auditors, and discusses important items regarding the business administration of our corporate group, including managerial policies and strategies. Especially-important items are deliberated sufficiently by the executive committee, before the discussion by the board of directors, to deepen deliberation and make appropriate decisions.

No. of meetings in the term ended Mar. 2015

Board of Directors	20 times
Board of Corporate Auditors	15 times
Executive Committee	11 times

■ Corporate Charter

Our company enacted "Proto Group Corporate Charter" on July 20, 2006, and engages in corporate activities in competitive markets, while following the Charter, law, commercial customs, social norms, and other rules. Directors, auditors, and all employees of our corporate group will conduct our corporate activities while complying with law, make efforts to fulfill our social missions, and aim to "contribute to society," which is one of our principles of business administration.

■ PROTO Group Corporate Charter

1. Legal Compliance

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

2. Contribution to Society

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

3. Corporate Management

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

4. Disclosure of Information

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

5. Workplace Environment

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

6. Environmental Protection

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

7. Elimination of Anti-social Forces

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

■ For a Sustainable Society

We think that it is important to make appropriate managerial decisions and operate businesses while observing the Corporate Charter, and secure the merits for stakeholders, including investors, customers, business partners, and employees. We will strive to fulfill our social responsibilities and keep our business sustainable through our daily corporate operation amid changing social structures.

■ Improving the Employment Environment

1. Creating work-life balance for employees raising children

- For female workers who are pregnant or have recently given birth, we have set up consultation services on our Company intranet to assist in ensuring their health, and have also responded swiftly to legal revisions, and are working to keep everyone informed of these services.
- When workers or their partners give birth to children, as well as mothers, we also encourage fathers to take leave.
- Through our Company intranet, we regularly inform employees of systems for next-generation development, including child-care leave and maternity leave.

2. Reviewing working styles and developing diverse working conditions

- With the aim of reducing monthly overtime working hours by 10% Company-wide, we are reviewing our action plans in each department, in order to increase operational efficiency.
- Based on the well-planned system for granting annual paid leaves, we will make efforts to increase the rate of taking annual paid leaves.

■ 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.

■ Improvement of Information Management and Protection

Considering that it is our social responsibility to handle personal information carefully, our corporate group is promoting the acquisition of Privacy Marks to certify that we implement appropriate measures for protecting personal information. 8 companies, including our company, in the corporate group have obtained Privacy Mark.

In addition, in order to manage confidential information strictly, the IT Solution Dept. of our company and System Solution Section of Proto Data Center obtained ISO27001, which is an international standard for information security management systems.

(as of July 1, 2015)



Financial Section

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Analysis of Operating Results and Financial Position

■ OUTLINE

Concerning the Japanese economy during the current consolidated fiscal year, individual consumption has been weak due to negative drop as a reaction to hurried purchases of products in anticipation of a consumption tax hike as well as price uptake, even though corporate profit and employment situation improved as a result of economic policies by the government. Thus, the future economy continues to be uncertain. Under this circumstance, in the automobile-sales industry, which is the main customer of the PROTO Group, both new car sales and used car sales remain at lower levels than last year.

In this situation, the PROTO Group has been trying to make Goo media (information magazines, PC, smartphones) the de fact standard, respond to diverse values through creation and provision of private brand products/services (pursuing absolute value), and establish the "corporate brand" and "product brand".

■ Operating Results

Sales of the current consolidated fiscal year was 48,602 million yen (11.2% YoY decrease), because used-car export sales by Kings Auto Co., Ltd. and on-line tire sales by AUTOWAY Co., Ltd. fell below the expectations in the Automobile-related information field, which is the Group's core business and also because the Group withdrew from unprofitable businesses. Operating income was 4,233 million yen (10.6% YoY decrease) and ordinary income was 4,548 million yen (9.2% YoY decrease) because of decrease in net sales profit associated with decrease in sales even though the selling expenses as well as general and administrative expenses were smaller than last year as a result of cost reduction measures such as withdrawal from unprofitable businesses and streamlining of promotion activities by AUTOWAY Co., Ltd. Net income was 2,381 million yen (9.4% YoY decrease) because a part of the un-depreciated amount of goodwill that was recognized at the time of acquiring shares of Kings Auto Co., Ltd. was recognized as impairment loss, while profit from liquidation associated with completion of liquidation process of PROTO SINGAPORE Pte. Ltd. was recognized in the accounting book.

■ Segment Results

Automobile-related Information

Surrounded by these difficult external circumstances, the Group adopted the business policy of engaging in comprehensive management support for used car dealers. The

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

During the current consolidated fiscal year, the Group has promoted comprehensive business support for used-car dealers through provision of "MOTOR GATE", a background system of "Goo-net", and also provided opportunities for many users to increase their interest in automobiles by promoting proactive alliances and sharing information of "Goo-net" with other companies' media.

Also, in January 2015, the provision of "GooAUTO", a portal website that connects used-car exporters in Japan and overseas buyers, began. The Group also has made efforts to expand "GooPit", a specialized web-site for car maintenance, throughout Japan.

Through these actions, the Group enriched and expanded its private brand products such as "Goo-inspection", "GooPLUS", "Goo Warranty", "GooPit" and "GooAUTO" and strengthened services that meet the users' needs for their car life.

Meanwhile, sales became 44,056 million yen (12.1% YoY decrease) as a result of reduction in the sales of exported luxurious used-cars in Hong Kong which is the main export destination by Kings Auto Co., Ltd., drop in on-line tire sales by AUTOWAY Co., Ltd. due to increase in consumption tax, as well as withdrawal from unprofitable businesses. Operating income became 5,624 million yen (9.5% YoY decrease) due to reduction in gross operating income associated with decrease in sales and upfront investment for new businesses such as "GooPit", "GooPLUS" and "GooAUTO", even though cost reduction efforts were made such as withdrawal from unprofitable business and streamlining of promotion activities for AUTOWAY Co, Ltd.

Lifestyle-related Information

PROTO MEDICAL CARE streamlined social welfare goods rental service business as well as pursued to achieve synergy in the medical, nursing care, and welfare businesses.

As for the Culture information business of PROTO CORPORATION, "Goo School" web-site, an information retrieval web-site for hobbies and qualifications, was completely renewed under the theme of "Find a new self", in January 2015, in an effort to enhance user-friendliness. As for the recycle/reuse business, the Group enriched the contents and improved user-friendliness.

For real-estate information magazine GooHome of PROTO DATA CENTER, efforts were made to increase the number of

business partners and properties listed.

As a result, the medical, nursing care, and welfare businesses showed steady improvement; however, sales stood at 3,393 million yen (4.2% YoY decrease) due to withdrawal from advertisement agency business, which was an unprofitable business for the Group. Operating income was 338 million yen (36.1% YoY increase) as a result of contributing to profit increase by the medical, nursing care, and welfare businesses and withdrawal from unprofitable businesses.

Real Estate Business

Sales were 164 million yen (1.8% YoY decrease) and operating income was 96 million yen (38.4% YoY increase) as a result of self-rental management of the Company's properties.

Other Business

Sales were 988 million yen (8.2% YoY increase) due to contribution from software development sales by iSolutions Co., Ltd., Inc. which became the Group's affiliate in October 2014, while the Group withdrew from the social game business. Operating income presented operating loss of 94 million yen (the operating loss of same period last year was 140 million yen).

■ Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of current consolidated fiscal year were 41,751 million yen, decreasing 2,155 million yen from the end of the previous fiscal year. Assets, liabilities and net assets are as follows.

i. Assets

Although there were payments of corporate tax, etc., return of short-term and long-term debt-payable, and payment of dividends, the cash and deposits increased as a result of obtaining operating cash flow that exceeded said expenditure. Even though cash and deposits increased, current assets were 21,743 million yen, decreasing 1,072 million yen from the end of the previous fiscal year, due to decrease in inventory assets as a result of realization of proper level of inventory quota of commodity by AUTOWAY, Co., Ltd. and decrease in receivable in relation to on-line tire sales.

Fixed assets were 20,007 million yen, decreasing 1,083 million yen from the end of previous fiscal year due to depreciation, amortization of goodwill and recognition of impairment loss.

ii. Liabilities

Current liabilities were 10,962 million yen, decreasing 2,211 million yen from the end of previous fiscal year as a result of repayment of short-term debt payable and long-term debt payable to be repaid within a year as well as payment of the fixed corporate tax of the previous term.

Long-term liabilities were 3,116 million yen, decreasing 1,438 million yen from the end of previous fiscal year due to repayment of long-term debt payable.

iii. Net Assets

Despite 771 million yen of dividends paid and 198 million yen of acquisition of treasury stock, retained earnings increased due to 2,381 million yen of net income recorded. Consequently, net assets totaled 27,672 million yen, increasing 1,494 million yen from the end of the previous consolidated fiscal year.

■ Consolidated Cash Flows

Cash and cash equivalents at the end of the current consolidated fiscal year stood at 12,030 million yen, an increase of 933 million yen from the previous fiscal year. Major factors for this increase were as follows.

i. Cash Flows from Operating Activities

Cash flows from operating activities yielded 6,577 million yen, including 4,533 million yen of net income before income taxes, 2,190 million yen due to depreciation, amortization of goodwill that did not accompany expenditure and impairment loss, decrease of inventory assets of 929 million yen associated with reduction in product inventory by AUTOWAY Co., Ltd. and Kings Auto Co., Ltd. and decrease in receivable of 775 million yen, despite payment of 2,681 million yen for corporate tax.

ii. Cash Flows from Investing Activities

Cash flows from investing activities stood at expenditure of 914 million yen due to 90 million yen of expenditure for acquiring the shares of iSolutions Co., Ltd., 55 million yen of expenditure for acquiring business, and 910 million yen of expenditure for acquiring fixed assets, even though there was income of 117 million yen as a result of receiving repayment of fixed-term deposit.

iii. Cash Flows from Financing Activities

Cash flows from financing activities stood at expenditure of 4,821 million yen due to reduction in short-term and long-term debt payable of 3,831 million yen, payment of dividends of 790 million yen and 198 million yen of expenditure for acquiring treasury shares.

Consolidated Financial Statements

Consolidated Balance Sheet

As of March 31

(Thousands of yen)

	2013	2014	2015
<Assets>			
Current Assets			
Cash	14,950,529	11,507,973	12,431,593
Notes and accounts receivable	3,754,599	5,030,038	4,690,743
Electronically recorded monetary claims	—	—	6,200
Goods and products	585,043	4,539,378	3,629,207
Goods in process	86,468	101,603	96,221
Raw material and inventory goods	17,129	17,752	9,540
Deferred tax assets	162,605	279,475	341,462
Other current assets	1,151,649	1,364,927	654,873
Allowance for doubtful accounts	(21,824)	(25,609)	(116,368)
Total Current Assets	20,686,201	22,815,539	21,743,473
Fixed Assets			
Tangible Fixed Assets			
Building and structures	2,905,456	5,500,046	5,197,249
Land	4,076,622	4,787,130	4,787,130
Other tangible fixed assets	499,762	257,579	473,478
Total Tangible Fixed Assets	7,481,841	10,544,756	10,457,858
Intangible Fixed Assets			
Goodwill	3,485,067	6,865,789	5,888,939
Other intangible fixed assets	1,469,222	2,043,941	2,199,604
Total Intangible Fixed Assets	4,954,289	8,909,730	8,088,543
Investments and Other Assets			
Investments in securities	317,374	354,779	383,576
Deferred tax assets	404,179	344,360	245,949
Other investments	1,064,860	1,007,901	870,489
Allowance for doubtful accounts	(67,447)	(69,861)	(38,480)
Total Investments and Other Assets	1,718,966	1,637,179	1,461,535
Total Fixed Assets	14,155,097	21,091,667	20,007,937
Total Assets	34,841,299	43,907,206	41,751,411
<Liabilities>			
Current Liabilities			
Notes and accounts payable-trade	941,919	764,522	806,482
Short-term loans payable	1,499,370	2,874,030	2,400,000
Current portion of long-term borrowings	1,717,373	3,344,286	1,223,530
Current portion of bonds	42,800	—	—
Accrued income taxes	368,668	1,598,463	1,077,130
Allowance for sales returns	100,176	114,125	106,698
Allowance for bonus payable	85,303	142,031	115,482
Provision for repayment	323	60	513
Provision for point card certificates	3,240	26,335	22,872
Other current liabilities	3,819,246	4,311,064	5,210,213
Total Current Liabilities	8,578,422	13,174,920	10,962,923
Long-Term Liabilities			
Long-term borrowings	1,764,810	3,800,869	2,608,043
Allowance for directors' retirement benefits	264,650	282,550	290,775
Asset retirement obligation	74,457	71,648	53,497
Negative goodwill	2,370	—	—
Other long-term liabilities	407,948	399,619	163,966
Total Long-Term Liabilities	2,514,237	4,554,687	3,116,282
Total Liabilities	11,092,659	17,729,608	14,079,205
<Net Assets>			
Shareholders' Equity			
Common stock	1,824,620	1,824,620	1,824,620
Capital surplus	2,011,739	2,011,734	2,011,734
Retained earnings	20,128,566	21,986,935	23,596,966
Treasury stock	(509,712)	(709,116)	(908,000)
Total Shareholders' Equity	23,455,214	25,114,174	26,525,320
Accumulated Other Comprehensive Income/(Loss)			
Net unrealized gains (losses) on securities	70,187	91,119	121,673
Foreign exchange adjustment account	223,238	972,304	1,025,211
Total Accumulated Other Comprehensive Income/(Loss)	293,425	1,063,423	1,146,885
Total Net Assets	23,748,639	26,177,598	27,672,205
Total Liabilities and Net Assets	34,841,299	43,907,206	41,751,411

Consolidated Statements of Income

Years ended March 31

(Thousands of yen)

	2013	2014	2015
Net Sales	38,287,098	54,761,012	48,602,523
Cost of Sales	20,643,391	33,503,703	28,326,306
Gross Profit	17,643,706	21,257,308	20,276,217
Reversal of reserve for returned products	105,849	101,782	106,406
Transfer to reserve for returned products	98,986	112,973	104,774
Adjusted Gross Profit	17,650,570	21,246,117	20,277,849
Selling, General and Administrative Expenses			
Salaries for directors and employees	5,075,279	5,992,908	6,264,169
Provision for allowance for directors' retirement benefits	18,600	19,700	8,975
Provision for allowance for bonus payable	56,079	102,488	79,875
Advertising	2,711,193	2,602,900	2,386,868
Provision for allowance for doubtful accounts	29,210	13,186	95,760
Provision for point card certificates	3,240	25,738	(1,103)
Amortization of goodwill	546,311	928,172	926,190
Others	5,000,830	6,825,144	6,283,631
Total Selling, General and Administrative Expenses	13,440,745	16,510,238	16,044,368
Operating Income	4,209,824	4,735,878	4,233,480
Non-Operating Income			
Interest income	18,595	25,879	31,342
Dividend income	9,151	12,339	12,471
Amortization of negative goodwill	9,773	2,370	—
Refund of vehicle tax	36,373	—	—
Foreign exchange gains	—	138,365	237,328
Gain on valuation of derivatives	—	67,389	—
Other income	154,648	199,238	160,214
Total Non-Operating Income	228,542	445,582	441,356
Non-Operating Expenses			
Interest expenses of loans	20,486	86,310	63,753
Foreign exchange losses	31,741	—	—
Loss on valuation of derivatives	—	52,463	38,342
Other expenses	14,333	33,157	24,107
Total Non-Operating Expenses	66,560	171,931	126,203
Ordinary Income	4,371,806	5,009,529	4,548,632
Extraordinary Income			
Gains from sales of fixed assets	2,768	229,646	29,220
Gains from sales of securities	99	543	—
Gains from extinguishment of debt	—	—	180,000
Gains from liquidation of subsidiaries	—	—	214,922
Other incomes	—	4,762	6,859
Total Extraordinary Income	2,868	234,952	431,002
Extraordinary Losses			
Losses from sales of fixed assets	3,308	44,633	8,220
Losses from disposals of fixed assets	7,088	25,702	22,307
Impairment losses	345,401	126,242	384,659
Losses from revaluation of securities	4,851	—	9,394
Loss on business withdrawal	—	101,457	—
Other expenses	70,000	16,313	1,513
Total Extraordinary Losses	430,650	314,350	426,095
Income before Income Taxes	3,944,024	4,930,131	4,553,539
Income Taxes	1,544,051	2,389,781	2,162,585
Adjustment of Corporate Income Tax	109,896	(87,167)	9,118
Corporate Income Tax Total	1,653,948	2,302,614	2,171,704
Net Income before Adjusting for the Losses of Minority Shareholders	2,290,076	2,627,516	2,381,835
Net Income	2,290,076	2,627,516	2,381,835

Consolidated Statements of Comprehensive Income

Years ended March 31

(Thousands of yen)

	2013	2014	2015
Net Income before Adjusting for the Losses of Minority Shareholders	2,290,076	2,627,516	2,381,835
Other Comprehensive Income			
Valuation difference on available-for-sale securities	(4,065)	20,932	30,553
Foreign currency translation adjustments	225,595	749,065	52,907
Other comprehensive income	221,529	769,998	83,461
Comprehensive Income	2,511,606	3,397,515	2,465,296
(Breakdown)			
Comprehensive income concerning shareholders of the parent company	2,511,606	3,397,515	2,465,296
Comprehensive income concerning minority shareholders	—	—	—

Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(Thousands of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of March 31, 2013	1,824,620	2,011,739	20,128,566	(509,712)	23,455,214
Increase (decrease) during the year					
Cash dividends	—	—	(769,147)	—	(769,147)
Net income	—	—	2,627,516	—	2,627,516
Acquisition of treasury stocks	—	—	—	(199,604)	(199,604)
Disposal of treasury stocks	—	(4)	—	200	195
Net changes of items other than shareholders' equity	—	—	—	—	—
Total increase (decrease) during the period	—	(4)	1,858,369	(199,404)	1,658,960
Balance as of March 31, 2014	1,824,620	2,011,734	21,986,935	(709,116)	25,114,174

(Thousands of Yen)

	Accumulated other comprehensive income/(loss)			Total net assets
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total accumulated other comprehensive income/(loss)	
Balance as of March 31, 2013	70,187	223,238	293,425	23,748,639
Increase (decrease) during the year				
Cash dividends	—	—	—	(769,147)
Net income	—	—	—	2,627,516
Acquisition of treasury stocks	—	—	—	(199,604)
Disposal of treasury stocks	—	—	—	195
Net changes of items other than shareholders' equity	20,932	749,065	769,998	769,998
Total increase (decrease) during the period	20,932	749,065	769,998	2,428,958
Balance as of March 31, 2014	91,119	972,304	1,063,423	26,177,598

(Thousands of Yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of March 31, 2014	1,824,620	2,011,734	21,986,935	(709,116)	25,114,174
Increase (decrease) during the year					
Cash dividends	—	—	(771,805)	—	(771,805)
Net income	—	—	2,381,835	—	2,381,835
Acquisition of treasury stocks	—	—	—	(198,884)	(198,884)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total increase (decrease) during the period	—	—	1,610,030	(198,884)	1,411,145
Balance as of March 31, 2015	1,824,620	2,011,734	23,596,966	(908,000)	26,525,320

(Thousands of Yen)

	Accumulated other comprehensive income/(loss)			Total net assets
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total accumulated other comprehensive income/(loss)	
Balance as of March 31, 2014	91,119	972,304	1,063,423	26,177,598
Increase (decrease) during the year				
Cash dividends	—	—	—	(771,805)
Net income	—	—	—	2,381,835
Acquisition of treasury stocks	—	—	—	(198,884)
Net changes of items other than shareholders' equity	30,553	52,907	83,461	83,461
Total increase (decrease) during the period	30,553	52,907	83,461	1,494,606
Balance as of March 31, 2015	121,673	1,025,211	1,146,885	27,672,205

Consolidated Statements of Cash Flows

Years ended March 31

	2013	2014	2015
	(Thousands of yen)		
Cash Flows from Operating Activities			
Income before income taxes	3,944,024	4,930,131	4,553,539
Depreciation	404,958	819,609	879,461
Impairment loss	345,401	126,242	384,659
Amortization of goodwill	546,311	928,172	926,190
Amortization of negative goodwill	(9,773)	(2,370)	—
Loss (gain) on valuation of derivatives	—	(14,926)	38,342
Increase (decrease) in reserve for directors' retirement allowances	18,600	17,900	8,225
Increase (decrease) in reserve for bonuses	31,760	30,687	(27,080)
Increase (decrease) in reserve for returned products	(6,893)	11,130	(9,618)
Increase (decrease) in allowance for doubtful accounts	9,213	1,424	71,323
Increase (decrease) in provision for point card certificates	—	23,095	(3,463)
Interest and dividend income	(27,747)	(38,218)	(43,813)
Interest expenses	20,486	86,310	63,753
Foreign exchange losses (gains)	—	(125,689)	(97,078)
Loss (gain) on sales of investment securities	(99)	(543)	—
Loss (gain) on revaluation of investment securities	4,851	—	9,394
Loss (gain) on sales/disposal of property and equipment	7,628	(159,310)	1,307
Loss (gain) on transfer of business	—	—	(6,859)
Loss (gain) on liquidation of subsidiaries	—	7,835	(214,922)
Gain on extinguishment of debt	—	—	(180,000)
Loss on business withdrawal	—	101,457	—
Decrease (increase) in trade receivables	(366,747)	(670,251)	775,643
Decrease (increase) in inventories	232,914	(638,376)	929,344
Increase (decrease) in accounts payable	18,822	(285,586)	28,089
Increase (decrease) in accrued expenses	221,272	(218,222)	471,274
Increase (decrease) in advances received	(96,549)	(66,292)	71,652
Increase (decrease) in accrued consumption taxes, etc	(49,534)	145,088	543,113
Others	(158,254)	615,421	105,278
Subtotal	5,090,645	5,624,719	9,277,757
Interest and dividends received	29,072	38,220	43,758
Interest paid	(21,025)	(90,225)	(62,279)
Income taxes paid	(2,181,609)	(1,337,124)	(2,681,449)
Net Cash Provided by (Used in) Operating Activities	2,917,082	4,235,590	6,577,786
Cash Flows from Investing Activities			
Decrease in time deposits	(802,708)	(106,772)	(9,900)
Increase in time deposits	724,700	84,113	117,000
Acquisition of property and equipment	(690,749)	(1,067,937)	(351,770)
Proceeds from sales of property and equipment	3,367	565,553	37,051
Acquisition of intangible fixed assets	(1,120,780)	(839,038)	(558,895)
Payment of long-term prepaid expenses	(42,740)	(16,000)	(18,766)
Proceeds from redemption of investment securities	300,000	10,000	—
Addition to investment securities	100	5,475	—
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	—	(3,215,411)	(90,674)
Proceeds from acquisition of subsidiary's shares accompanying changes in scope of consolidation	479,566	—	—
Payment for acquisition of business	—	(652,911)	(55,125)
Proceeds from transfer of business	—	—	7,426
Others	(54,679)	(61,508)	9,475
Net Cash Provided by (Used in) Investing Activities	(1,203,924)	(5,294,437)	(914,179)
Cash Flows from Financing Activities			
Net increase (decrease) in short-term loans payable	(2,630)	774,660	(474,030)
Proceeds from long-term borrowings	3,200,000	650,000	—
Payment for repaying of long-term borrowings	(598,426)	(3,136,734)	(3,357,914)
Redemption of bonds	(78,800)	(42,800)	—
Proceeds from disposal of treasury stock	30	195	—
Acquisition of treasury stock	(495,932)	(199,604)	(198,884)
Dividends paid	(836,826)	(766,611)	(790,800)
Net Cash Provided by (Used in) Financing Activities	1,187,414	(2,720,894)	(4,821,630)
Translation Gain (Loss) Related to Cash and Cash Equivalents	215,825	236,607	91,385
Net Change in Cash and Cash Equivalents	3,116,398	(3,543,134)	933,362
Cash and Cash Equivalents at Beginning of Term	11,524,023	14,640,421	11,097,287
Cash and Cash Equivalents at End of Term	14,640,421	11,097,287	12,030,649

Business Risks

The following sets out the various items that can potentially have a serious impact on investors' decisions.

The PROTO Group does not necessarily view the items mentioned below as business risks. However, it is important to understand such items in relation to the Group's business activities when making investment decisions. Their inclusion here signifies our commitment to disclosing information to investors. Having recognized these risks, the PROTO Group endeavors to avoid them and/or adopt appropriate measures in event of their occurrence.

Items contained in the following paragraphs concerning the future are based on judgments made by the company Group as of the end of current consolidated fiscal year.

1. Dependence on Automobile-related Information

The PROTO Group consisted of PROTO CORPORATION and 12 consolidated subsidiaries. The Group's main businesses are the provision of information services on new vehicles, used vehicles, parts, and accessories; other Automobile-related information; information on medical, nursing care, welfare, cultural, recycle and reuse; and Lifestyle-related information services.

In the year ended March 31, 2015, 90.6% of total Group revenue derived from sales of Automobile-related information. Currently, the Group depends on Automobile-related information for a substantial portion of its revenue. This means that if the performance of Automobile-related Information business changes significantly as a result of change in the market environment or intensifying competition with other companies in the automobile-related industry, the business performance of the entire Group may be affected.

Therefore, by further expanding business in the medical, nursing care, and welfare area of the Lifestyle-related Information segment, we plan to reduce dependence on the Automobile-related Information segment.

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. None-

theless, the PROTO Group is endeavoring to mitigate this risk by shifting from using mainly magazines to employing the Internet and mobile media to disseminate information, due to the growing popularity of that medium.

Market rates announced for the printing paper (A2 coated-paper) used by PROTO Group are as follows.

Market Rates for A2 Coat Paper (Distributor Wholesale Price (yen/ kg))					
	Mar. 2014	June 2014	Sept. 2014	Dec. 2014	Mar. 2015
Price	127-135	127-135	127-135	125-135	125-135

(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, 2015, this represented 32.3% 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. 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. System Security and Risk from Network Downtime

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

7. 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.

8. 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.

9. Risks concerning Used Car Export Business

In the Group, the used car export business is conducted by Kings Auto Co., Ltd. that exports used cars purchased from used car dealers, which are our major clients, and auction sites to Asian countries.

The performance of the used car export business of the Group may be affected, if the government of an importing country revises tariff measures and import regulations, etc. and if loss is incurred due to unpredictable factors such as accidents of a ship in sea transport or port facilities.

10. Risks concerning M&A

The Group uses M&A mainly to expand business fields as well as expand products and services in the Automobile-related information industry. Before undertaking M&A, the Group tries to reduce risks by thoroughly exploring the measures to avoid risks via due diligence concerning the financial situation of the target company, examination of the contracts and analysis of the investment recovery possibility, etc.

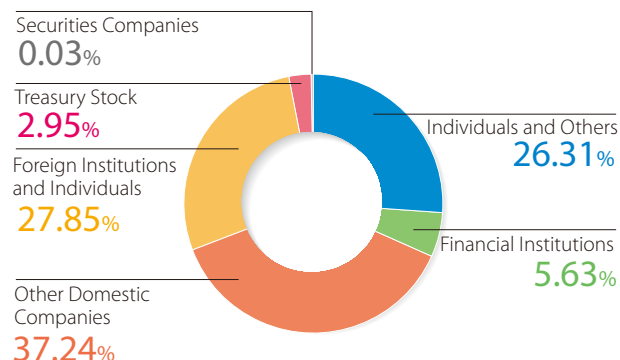
Nonetheless, the Group's financial situation and business performance results may be impacted, if initially expected investment effects are not obtained due to issues that could not be predicted at the pre-investigation time such as rapid changes of business environment or competition situation after M&A, generation of contingent liabilities or identification of unrecognized liabilities.

Stock Information

As of March 31, 2015

Number of Shares Authorized	61,800,000
Number of Shares Issued	20,940,000
Number of Shareholders	13,349
Stock Exchange Listing	Tokyo Stock Exchange (JASDAQ)
Securities Code	4298
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan Tel: 81-(0) 3-3212-1211

Distribution of Ownership among Shareholders



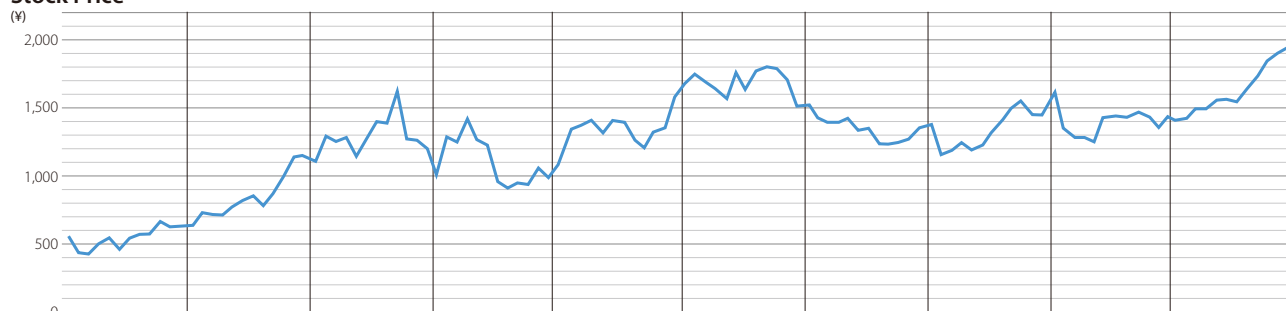
Major Shareholders

	Shareholder	Number of Shares Held (Thousands)	Ownership (%)
1	Mugen Corporation	6,807	32.50
2	JPMCC Client Safekeeping Account	1,323	6.31
3	Hiroichi Yokoyama	840	4.01
4	PROTO CORPORATION	617	2.94
5	JP Morgan Chase Bank 385632	568	2.71
6	BBH for Fidelity Low-Priced Stock Fund(Principal All Sector Subportfolio)	489	2.33
7	Clearstream Banking SA	384	1.83
8	Japan Trustee Services Bank, Ltd. (Trust Account)	383	1.82
9	Minoru Saito	340	1.62
10	Yoshihiro Yokoyama	334	1.59

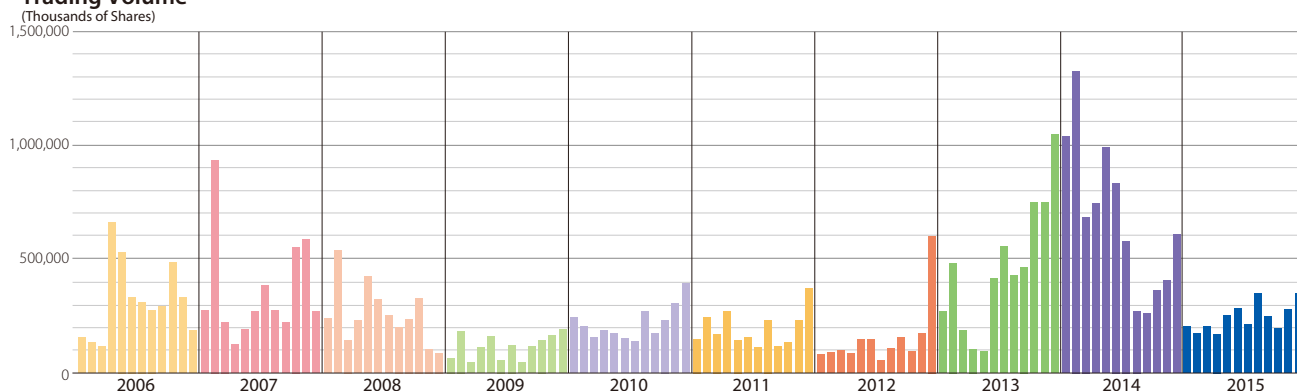
Stock Price and Trading Volume

Years ended March 31

Stock Price



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.
3. The Company executed a two-for-one stock split for the Company's common stock effective October 1, 2012. Stock prices have been adjusted retroactively.

As of March 31, 2015

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 (As of July 1, 2015)	Sapporo, Sendai, Takasaki, Nagano, Hamamatsu, Nagoya, Kanazawa, Osaka, Hiroshima, Matsuyama, Fukuoka, Kumamoto, Tokyo (IT Office) (57 Sales Outlets Nationwide/2 Head Offices, 13 Branch Offices, 42 Sales Offices)		
Fiscal Year-end	March, 31		
Number of Employees	Consolidated: 1,358 (Parent: 670)		
Consolidated Subsidiaries (As of July 1, 2015)	AUTOWAY Co., Ltd. TIRE WORLD KAN BEST CO., LTD. Kings Auto Co., Ltd. Bike Bros.Inc. PROTO-RIOS INC.	iSolutions Co., Ltd. CAR Credo Co., Ltd. PROTO MEDICAL CARE PROTO DATA CENTER PROTO MALAYSIA Sdn.Bhd.	PROTO (TAIWAN) CO., LTD. SMT Media Pte. Ltd. * PT. PROTO INDONESIA * * The companies are currently under liquidation.

Directors, Statutory Auditors and Executive Officers

As of July 1, 2015

Directors

Chairman Representative Director	Hiroichi Yokoyama	1979 Established the Company, President 2003 Chairman
Vice Chairman Representative Director	Tatsuzo Irikawa	1992 Joined the Company 1995 Director 2014 Vice Chairman
President Representative Director	Kenji Kamiya	1990 Joined the Company 2002 Director 2014 President
Senior Managing Director Automobile-related Information Officer	Fujio Iimura	1990 Joined the Company 2002 Director 2013 Senior Managing Director
Managing Director Accounting and Financial Division Officer	Motohisa Yokoyama	1979 Joined the Company 1995 Director 2001 Managing Director
Managing Director IT Solution Division Officer	Mitsuhiro Munehira	1994 Joined the Company 2007 Director 2013 Managing Director
Director IT Solution Division Officer	Toru Shiraki	1998 Joined the Company 2007 Director
Director Management Division Officer	Shigeyoshi Shimizu	1999 Joined the Company 2008 Director
Director Lifestyle-related Information Officer	Naoki Fujisawa	1989 Joined the Company 2015 Director
Director Automobile-related Information Officer	Noriyuki Udo	1996 Joined the Company 2015 Director
Director	Susumu Kuramoto	1990 Joined the Company 1999 Director
Director Outside Director	Yumiko Sakurai	2014 Director
Director Outside Director	Eriko Kondo	2015 Director

Statutory Auditors

Standing Statutory Auditor	Mitsuo Goto	2011 Joined the Company 2011 Standing Statutory Auditor
Standing Statutory Auditor Outside Corporate Auditor	Takayuki Suzuki	2014 Standing Statutory Auditor
Statutory Auditor Outside Corporate Auditor	Wataru Shiomi	2001 Statutory Auditor
Statutory Auditor Outside Corporate Auditor	Ikuo Banno	2013 Statutory Auditor

Executive Officers

Executive Officer Affiliated Business Planning Division Officer	Akito Ode
Executive Officer Automobile-related Information Officer	Akihiro Matsuzawa
Executive Officer Automobile-related Information Officer	Yoshitaka Zenpo

For further information

Corporate Planning Department
PROTO CORPORATION
23-14, Aoi 1-chome, Naka-ku, Nagoya 460-0006, Japan
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