

Annual Report 2016

FY March 2016



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”

Our basic philosophy is that people and enterprises find value in what is really required in this world or in their field.

We don't want to do the same things as other people's or enterprises'

In order to become what is really demanded in the world filled with people and materials, we think it is necessary to pave the way for the new age with a strong spirit of challenge and the ability to take action swiftly and share the value of feeling happy when growing considerably, as information and intelligence are absolute advantages.

Therefore, we aim to always conduct “unique business,” and keep being an “attractive enterprise.”

挑戦

We will tackle current issues sincerely and make efforts to complete the 3-year mid-term plan.

President Kenji Kamiya




To establish an overwhelming No.1 position in the automobile-related information field.

During the FY March 2016, our company focused on the establishment of a strong business foundation to create the future of the PROTO Group with a goal of “maximizing the number of business partners”. Consequently, it managed to maximize the number of business partners in 3 business fields (i.e. used car dealers, maintenance shops, and new car dealers).

The number of business partners as of the end of the fiscal year was 11,185 used car dealers (117.6% yr-on-yr), which was a record high. The number of maintenance shops reached the target number of 10,000 (602.7% yr-on-yr). Furthermore after the renewal in October 2015, the business tool for new car dealers has been already used by more than 3,000 dealers (220.0% yr-on-yr).

During the FY March 2017, our company is aiming to achieve the leading position in the automobile-related information field based on the business foundation that has been built up. To achieve this goal, our company will further expand the number of business partners, improve information contents and services, achieve group synergy, and strengthen business alliances. Through these actions, we will respond to diversifying users’ needs to achieve medium- to long-term growth.

Achieving the “overwhelming No.1 position” in the automobile-related information field is a significant “challenge” for our company and for me, but the key word, “challenge”, has been already rooted in our company as a corporate culture. It is our asset that we should pass on as a source of competitiveness.

My mission is to lead our company to be a wonderful company for the stakeholders using this asset that has been passed on since its establishment in 1977. I will make efforts to make as many PROTO fans as possible by demonstrating the corporate culture, “challenge”, by myself and enhancing the corporate value.

Contents

3 About PROTO

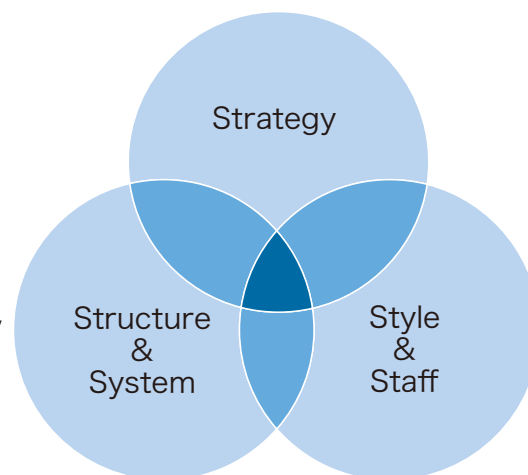
- 3 At a Glance
- 4 Consolidated Financial Highlights
- 6 Outline of Our Business

10 Strategy

- 3-year Mid-term Business Plan
- Positioning of ROE
- Profit-and-loss plan "Improvement in profit rate"
- 3-year Mid-term Vision

12 Structure & System

- Basic Policy for Corporate Governance
- Corporate Governance Systems
- Remuneration for Executives
- Composition of the Board of Directors
- System for "Securing the Transparency of Business Administration"
- Biographies and Messages of Outside Directors



16 Style & Staff

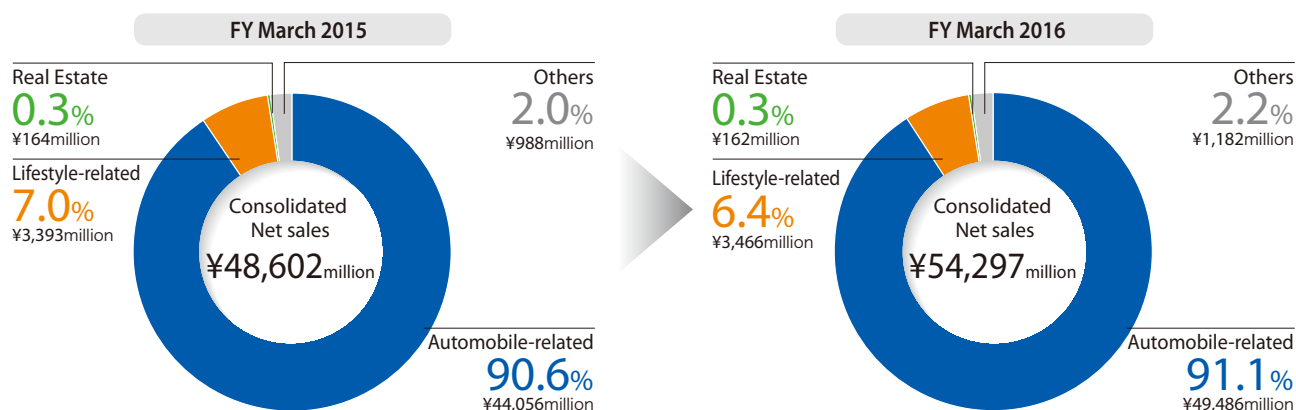
- Efforts for Respecting the Positions of Stakeholders
- Corporate Culture "Courage to Act, Proof in Action"
- Personnel Development
- Empowerment of Women
- Improvement of the Workplaces and the Employment Environment

18 Financial Section & Corporate Information

- 18 Analysis of Results and Financial Position
- 20 Consolidated Financial Statements
- 24 Stock Information
- 25 Corporate Profile

■ PROTO Group's Net Sales

Change in Net Sales Breakdown by Segment



Automobile-related Information

Our corporate group offers information services to meet the needs of users, based on “Goo-net,” a portal site for automobiles, which covers the largest number of used cars in Japan, and strives to improve comprehensive management support services for not only used car dealers in Japan, but also maintenance shops and new car dealers.

Main products and services

Ad-related

●Goo-net

A portal site for automobiles, which covers the largest number of used cars in this field in Japan

●GooPit

Search engine for car maintenance shops, which solve car troubles, inspect, check, and maintain vehicles in a comprehensive manner



Information and services

●RacroS

System developed by integrating necessary functions for streamlining the management of maintenance and sheet-metal shops, such as price estimation, customer management, and tools for giving proposals

●DataLine SalesGuide

Business talk tool for new car dealers, which is equipped with the functions to produce the graph of estimated future prices of automobiles, compare and propose costs, and simulate the change of cars



Sale of goods

●AUTOWAY LOOP

Online shopping site for imported tires and wheels

●Tire World Kan Best Online Shop

Online shopping site for tires and wheels in Japan



Lifestyle-related Information

Our corporate group offers a variety of information services to users via the Internet and mobile media in the fields of medicine, nursing care, welfare, cultural information, and reuse, and makes efforts to improve the management support services for clients in each field.

Real Estate Business / Other Business

In the real estate business, our company mainly maintains and manages our own assets.

As other business, PROTO DATA CENTER carries out the BPO (business process outsourcing) business, including data entry and call center operation.

Consolidated Financial Highlights

Years ended March 31

(Millions of yen)

Financial Highlights

For the Year

	2012	2013	2014	2015	2016
Net Sales	30,582	38,287	54,761	48,602	54,297
Operating Income	5,846	4,209	4,735	4,233	4,071
Ordinary Income	6,002	4,371	5,009	4,548	4,190
Net Income (loss)	3,275	2,290	2,627	2,381	(390)
EBITDA *1	6,540	5,161	6,483	6,039	6,149
Adjusted Net Income *2	3,680	2,836	3,555	3,308	641
Cash flows from Operating Activities	3,556	2,917	4,235	6,577	3,523
Cash flows from Investing Activities	(3,606)	(1,203)	(5,294)	(914)	(3,373)
Cash flows from Financing Activities	(907)	1,187	(2,720)	(4,821)	(839)
Free cash flow	(49)	1,713	(1,058)	5,663	150
Cash and cash Equivalents, End of Year	11,524	14,640	11,097	12,030	11,286

At Year End

Total Assets	28,585	34,841	43,907	41,751	40,885
Net Assets	22,569	23,748	26,177	27,672	26,001
Common Stock	1,824	1,824	1,824	1,824	1,824
Net Cash	11,679	9,926	1,488	6,200	5,069
Number of Employees (persons)	954	1,103	1,292	1,358	1,534

(Yen)

Per Share Data *3

	2012	2013	2014	2015	2016
Net Income	156.59	109.96	128.39	116.76	(19.28)
Net Assets	1,078.86	1,154.20	1,280.38	1,361.64	1,286.93
Annual Cash Dividends	42.50	37.50	37.50	38.00	39.00

Financial Indicators

	2012	2013	2014	2015	2016
Operating Income Ratio	19.1%	11.0%	8.6%	8.7%	7.5%
EBITDA Margin	21.4%	13.5%	11.8%	12.4%	11.3 %
ROE: Return on Equity *4	15.4%	9.9%	10.5%	8.8%	(1.5)%
ROA: Return on Assets *5	21.9%	13.8%	12.7%	10.6%	10.1 %
Equity Ratio	79.0%	68.2%	59.6%	66.3%	63.6 %
Dividend Payout Ratio	27.1%	34.1%	29.2%	32.5%	—
EV/EBITDA (times)	2.6	4.0	4.4	5.7	3.8

*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

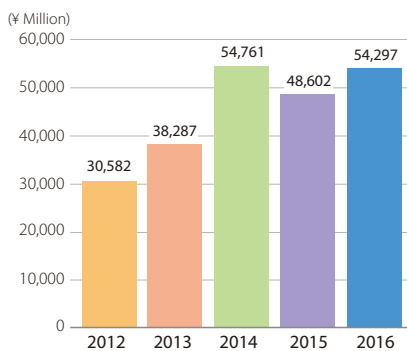
*3 A 1-to-2 stock split was conducted on October 1, 2012. (Per share data has been adjusted retroactively to reflect this stock split.)

*4 ROE: Net Income/Net Assets (the average of the opening and closing balances)

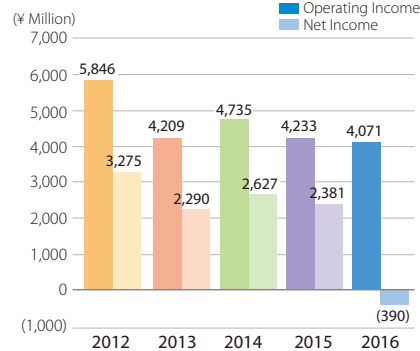
*5 ROA: Ordinary Income/Total Assets

* For details on financial information, please refer to the "FACT SHEET 2016" of our website. (<http://www.proto-g.co.jp/IR/english/library/fact.html>)

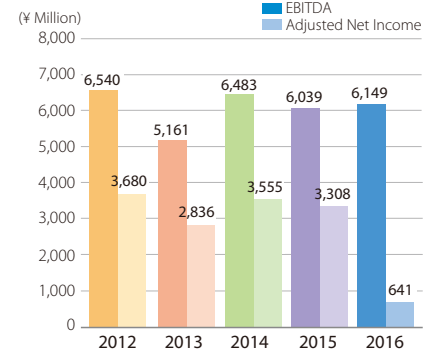
Net Sales



Operating Income / Net Income



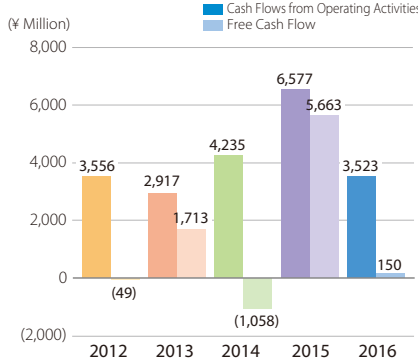
EBITDA^{*1} / Adjusted Net Income^{*2}



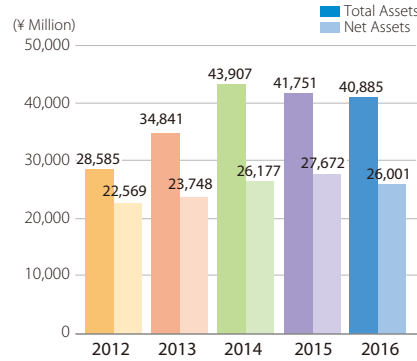
*1. EBITDA was calculated with the equation: Operating Income + Depreciation + Amortization of Goodwill

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

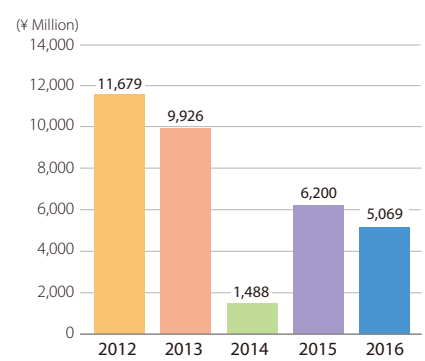
Cash Flows from Operating Activities Free Cash Flow



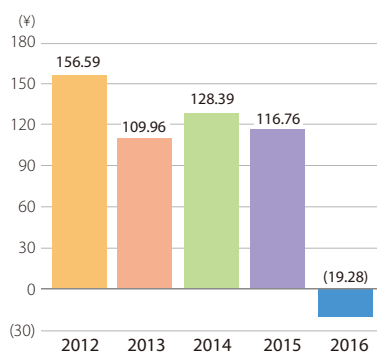
Total Assets / Net Assets



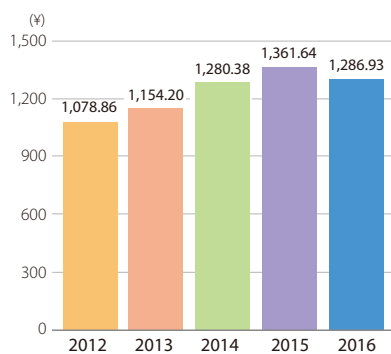
Net Cash



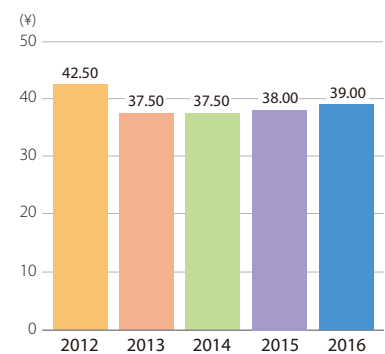
Net Income per Share



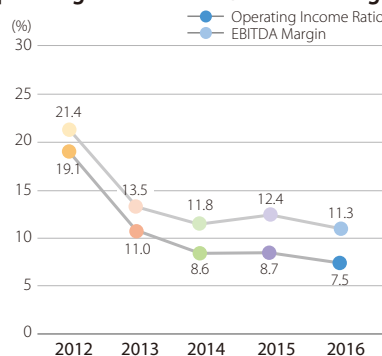
Net Assets per Share



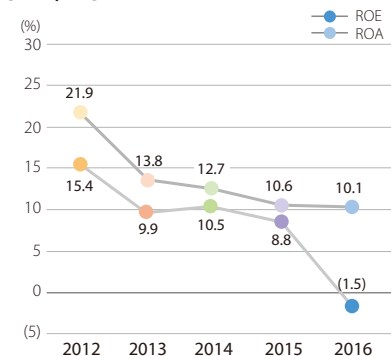
Annual Cash Dividends per Share



Operating Income Ratio / EBITDA Margin



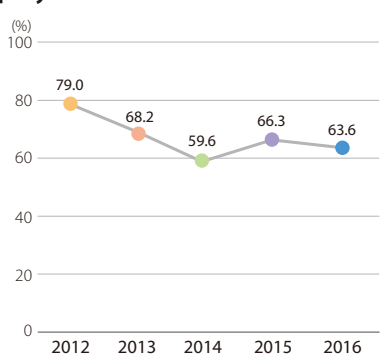
ROE^{*1} / ROA^{*2}



*1 ROE: Net Income/Net Assets

*2 ROA: Ordinary Income/Total Assets

Equity Ratio



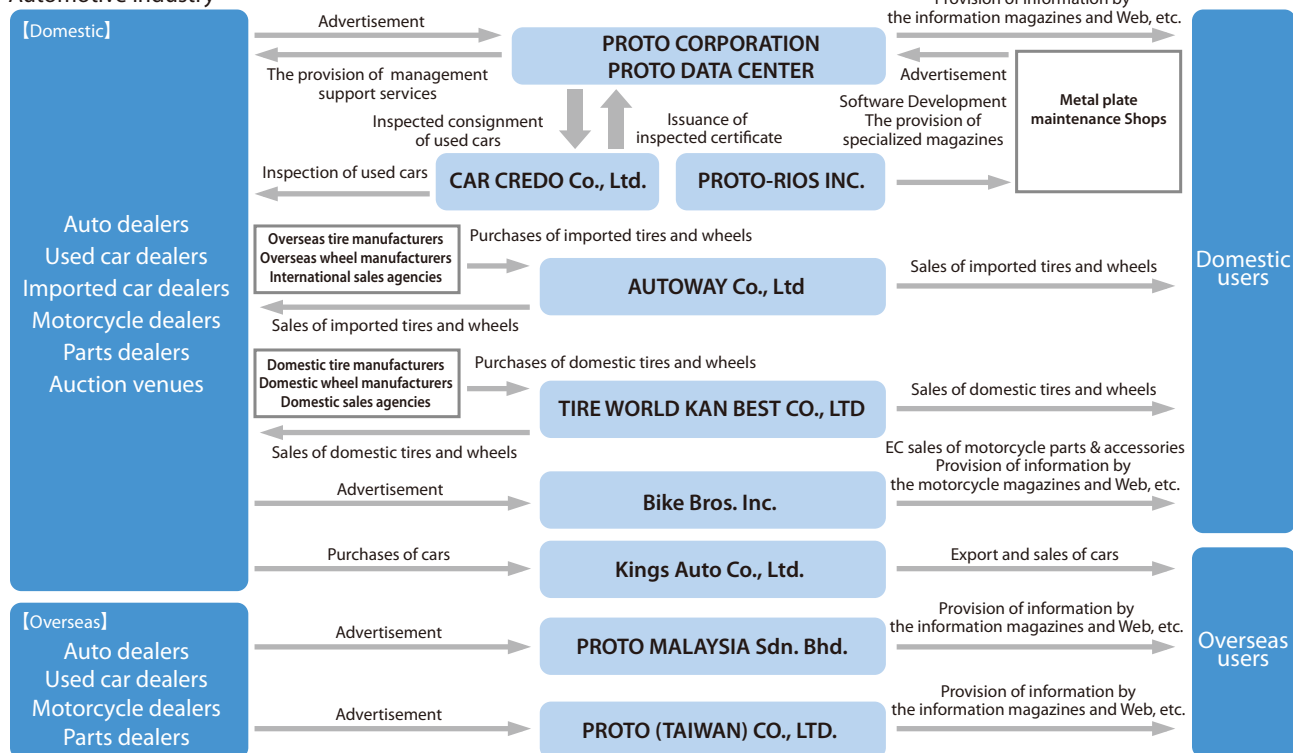
Outline of Our Business

Brief Description of Our Corporate Group

Our corporate group collects, puts together, classifies information on automobiles and lifestyles, process it into useful contents, and offers them to consumers and business corporations via our media, including PCs, smart-phones, and informative magazines. In addition, we provide related services for supporting the business operation of corporations.

Automobile-related Information

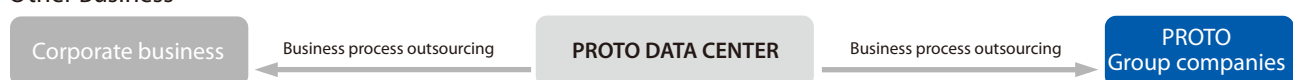
Automotive industry



Lifestyle-related Information

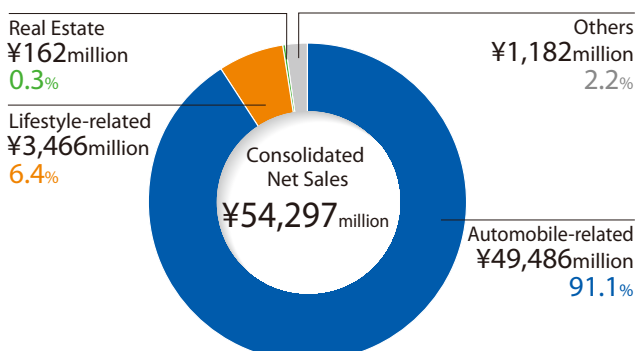


Other Business



FY2016 March Performance Reporting

Sales by Segment



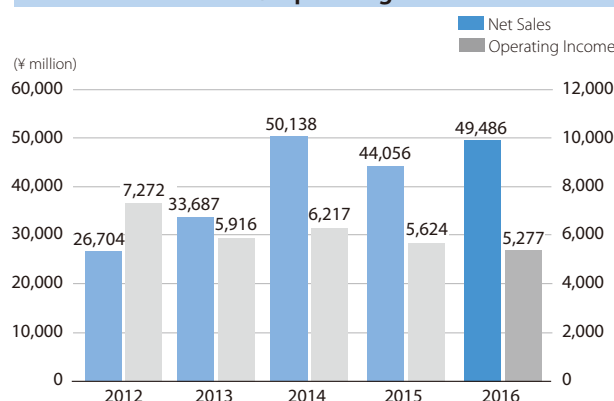
Employees by Segment

Segment	Number of employees
Automobile-related Information	1,207 (556)
Lifestyle-related Information	176 (17)
Real Estate Business	1 (1)
Other Business	81 (2)
General	69 (75)
TOTAL	1,534 (651)

*The parenthesis represents the number of employees of the parent company.

Automobile-related Information

Net Sales / Operating Income



Sales were 49,486 million yen (12.3% yr-on-yr increase). The main factors for the increase was the sales of tires and wheels by TIRE WORLD KAN BEST CO., LTD.

Operating income was 5,277 million yen (6.2% yr-on-yr decrease) due to increase in personnel cost associated with business expansion, increase in amortization cost, and upfront investment in private brand products and services.

TOPICS

In fiscal 2016, our company set a goal of “maximizing the number of business partners,” and has strived to upgrade our product brand, by promoting MOTOR GATE, popularizing GooPit nationwide, and promoting DataLine SalesGuide, under the managerial policy of “pursuing absolute value.”

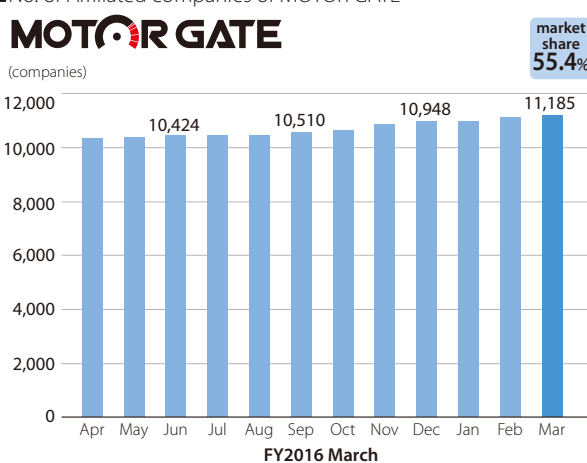
●Progress of services targeted at used car dealers

“MOTOR GATE” is a background system of Goo-net, a portal site for automobiles, which is used by used car dealers, and is equipped with the functions to manage sales, customers, analyze data, produce documents, etc.

As of the end of Mar. 2016, 11,185 used car dealers have installed MOTOR GATE. Namely, our share is 55.4%.

In the plan for the term ending Mar. 2017, we aim to install it in 12,000 dealers.

■No. of Affiliated companies of MOTOR GATE



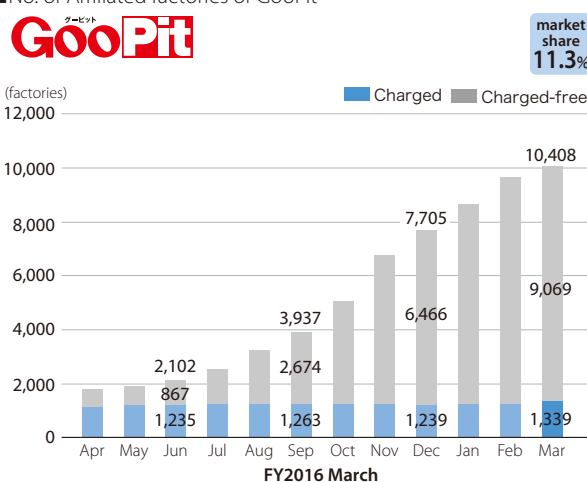
●Progress of services for maintenance shops

“GooPit” is a service of connecting car users and maintenance shops. In Jan. 2015, we started offering this service nationwide. The target maintenance shops are abundant—there exist about 92,000 shops in Japan. This market is very attractive.

In the term ended Mar. 2016, we achieved the goal of making transactions with 10,000 shops, having market share of 11.3%.

We plan to increase maintenance shops that use our charged services, and launch the business of transporting customers called Goo Checkup.

■No. of Affiliated factories of GooPit



Outline of Our Business

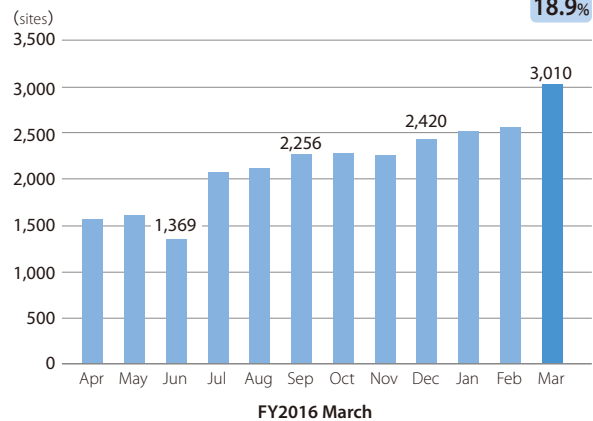
TOPICS

●Progress of services for new car dealers

Our company started offering "DataLine SalesGuide," a sales support tool for new car dealers, in Oct. 2015. "DataLine SalesGuide" is a tool used by new car dealers when suggesting that users buy a new car. This can display the trade-in price of the user's automobile, compare costs, and conduct simulation. It has been already installed in about 3,000 new car dealers, and we occupy a share of 18.9%.

■No. of Affiliated sites of DataLine SalesGuide

DataLine SalesGuide



●Acquisition of TIRE WORLD KAN BEST

In Apr. 2015, we acquired TIRE WORLD KAN BEST CO., LTD., which sells tires for car, etc. for the purposes of enhancing the sales of tires and wheels to used car dealers and maintenance shops, which are our clients, and expanding our business scale through the synergy with our media "Goo-net," "GooPit," etc.



NEWS

●Enhancement of the distribution of car life information for users

Our company started the operation of "PROTO Soken/Car Life" in Jan. 2016.

"PROTO Soken/Car Life" is the information media for describing automobile data and industrial trend to users in an understandable manner. We aim to distribute "valuable car life information" as we have accumulated information on used cars. In detail, we cover the dialogues with experts utilizing our networks in the automobile field, the quotations ranking of used cars, users' reports, etc.

URL <http://protosouken.com/>

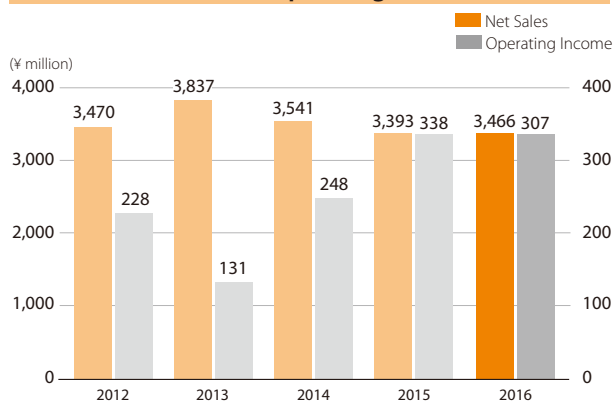
PROTO 総研

カーライフ



Lifestyle-related Information

Net Sales / Operating Income



The company group considers medical, nursing care and social welfare fields, which are the growing business fields, as priority areas. Our company will strive to grow the media business utilizing the skills and experiences gained from the automobile related information business. At the same time, we will try to expand the area of the social welfare for sustainable growth of sales and operating income.

Sales of FY March 2016 were 3,466 million yen (2.2% yr-on-yr increase). The main factor for the increased revenue was social welfare goods rental service businesses of MARUFUJI and SILVER HEART.

Operating income was 307 million yen (9.3% yr-on-yr decrease) due to decrease in profitability of the culture information business, even though profit from the medical, nursing care and welfare businesses increased.

TOPICS

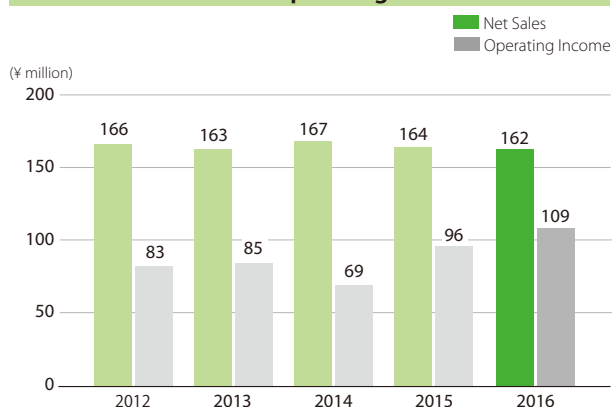
PROTO MEDICAL CARE (acquired in October 2009), which is one of our group companies, is providing media services in the field of medical, nursing care and welfare using the knowledge and skills gained from the automobile-related information service. It also provides social welfare goods rental service, nurse dispatch service, and home dental service. Especially for the social welfare goods rental service business, our company is vigorously expanding the business. For example, a merger and acquisition was carried out during FY March 2016.

We provide integrated services to corporations and individuals through an end-to-end system that covers various needs in the field of medicine, nursing care and social welfare.



Real Estate Business

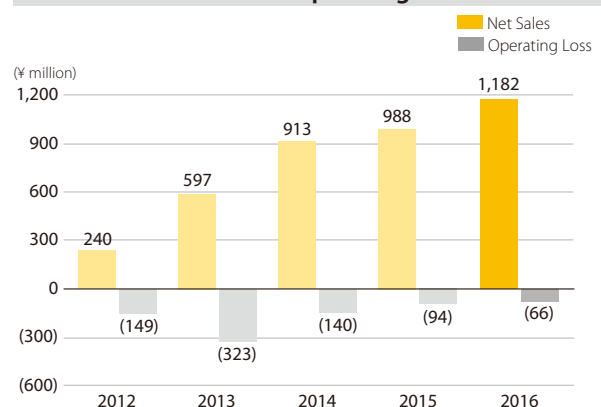
Net Sales / Operating Income



Mainly rental property management of its own properties was carried out. The sales were 162 million yen (1.5% yr-on-yr decrease) and operating income was 109 million yen (13.1% yr-on-yr increase).

Other Business

Net Sales / Operating Loss



Sales were 1,182 million yen (19.6% yr-on-yr increase) thanks to software development sales of iSolutions Co., Ltd., which became the Company's affiliate in October 2014. As for operating income, it was an operating loss of 66 million yen (the results of last FY was an operating loss of 94 million yen).

3-year Mid-term Business Plan

■ Positioning of ROE

The PROTO Group recognizes ROE as well as the growth of sales and operating income as important indicators, and will try to improve profitability for increasing ROE.

Key Performance Indicators (KPIs)	FY March 2016 Results	FY March 2017 Forecast	FY March 2018 Forecast	FY March 2019 Forecast
ROE: Return on Equity	(1.5%)	5.6%	13.3%	15.0%
ROE (Before amortization of goodwill)	2.0%	6.5%	12.7%	13.9%

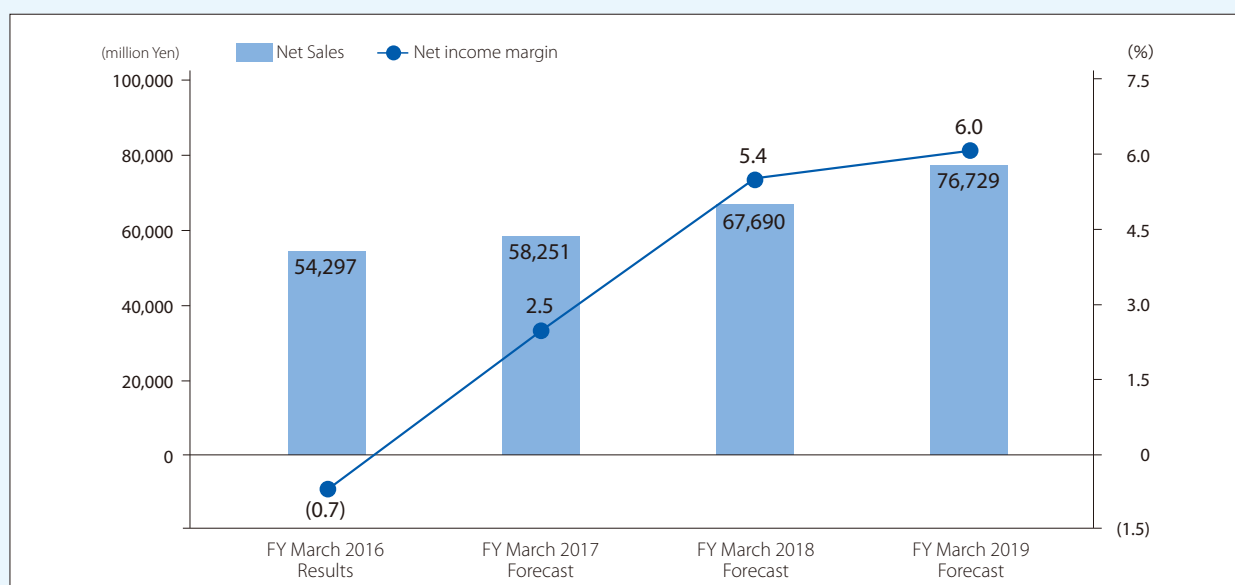
■ Profit-and-loss plan “Improvement in profit rate”

In the term ended Mar. 2017, we will reconsider the positioning of the paper media and drastically improve our cost structure, by changing publications, for the Goo Series, which is our core business.

As we will allocate the profit arising out of the improvement in the cost structure to the investment in the “standardization of Goo-Inspection,” we will prioritize investment, but in the term ending Mar. 2019, which is the last fiscal year of the 3-year mid-term plan, we will aim to increase transactions with used and new car dealers, and maintenance shops, and strive to achieve sales of 76.7 billion yen, an operating income of 6.85 billion yen, and an ROE of over 15%, by realizing group synergy.

[unit: million yen]	FY March 2016 Results	FY March 2017 Forecast	FY March 2018 Forecast	FY March 2019 Forecast
Net Sales	54,297	58,251	67,690	76,729
Operating Income	4,071	2,413	5,500	6,850
Ordinary Income	4,190	2,431	5,502	6,848
Net Income	(390)	1,453	3,680	4,620
Net Income per Share(Yen)	(19.28)	72.35	183.46	230.33

*For the “Net Income per Share” of FY March 2017 and later, it reflects the impact of the acquisition of treasury stock, which was carried out in May-June 2016.



■ 3-year Mid-term Vision

Review of FY March 2016

During FY March 2016, the final results were in red due to decrease in operating income and generation of impairment loss of goodwill. We take the fact seriously that the financial settlement results for FY March 2016 fell short of expectations of the stakeholders. The decrease in operating income was caused by lowering the planned figure of business partners of MOTOR GATE, up-front investment in products and services (e.g. GooPit), and decrease in the number of sales units and decline in sales price of imported tires (winter tires) of AUTOWAY Co., Ltd. However, in 3-year mid-term plan (FY March 2017-2019), we will carry out management reform and strengthening profitability with a focus on the automobile-related information field, which is our main business, and achieve better results. Furthermore, it will strengthen management support to its group companies, including overseas affiliates, from the parent company and achieve group synergy.

"Corporate value of PROTO Group"

Since its establishment, our corporate group has been collecting and providing used car information to assist the users' decision to purchase used cars with "satisfaction". However, the time has shifted, and the society is now full of information. The users are now seeking "safety" for the information.

In order to establish a conducive environment for users to purchase used cars with ease of mind, our company is standardizing "Goo-inspection", which discloses the information about car status. As for "Goo-inspection", since the beginning of its national expansion in 2008, we have been working on enhancing accuracy of car inspection services and expanding business scale such as establishing CAR CREDO Co., Ltd., an affiliate to provide inspection services in February 2012.

The "corporate value" of PROTO Group exists in the creation of an environment where users can purchase used cars with ease of mind.



"Not-assuring information has no value to the users."

Future business expansion policy: "Use information for solution"

For a long time, our company has been providing information that is needed when a user "searches and buys" a used car through "Goo-net", a portal site for automobiles. Also, we are expanding our services not only in the field of "searching and buying" used cars but also in the field of "driving" and "replacing cars". Our next business plan is to organically link these services that have been comprehensively expanded or use them as a part of new services. This way, we want to establish a system where we can provide our information to the users "as they need in the form they want".

For example, in the "driving" field, our company started "Goo checkup" in August 2016. "Goo checkup" is a business to transport the customers for car checkup using the network of 10,000 factories that are developed through GooPit in the car checkup and

maintenance market, whose scale is over 2,000 billion yen. This business will provide an opportunity for users to change their image of car checkup and maintenance. It is a driving force for our company's growth for the 3-year mid-term.

Our company is also planning to integrate the existing management resources of each group company (e.g. tire, wheel, and software for metal plate maintenance factories) into our company's information and services in this 3-year mid-term. We will work hard to provide solutions in the deeper and wider range to the users.



"Newer values can be generated if our corporate group can organically connect all our past businesses."

Concerning Japanese car checkup system

In Japan, car checkup is mandatory once in 2 years (once in 3 years for the first checkup of new cars), and it costs tens of thousands of yen per checkup.

In order to maintain social order, the Japanese car checkup system includes various tests. Thanks to this strict system, the "cars used in Japan", whether they are the cars made in Japan or the exported cars used in Japan, are gaining trust.

Structure & System

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

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 9 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.

Board of Corporate Auditors

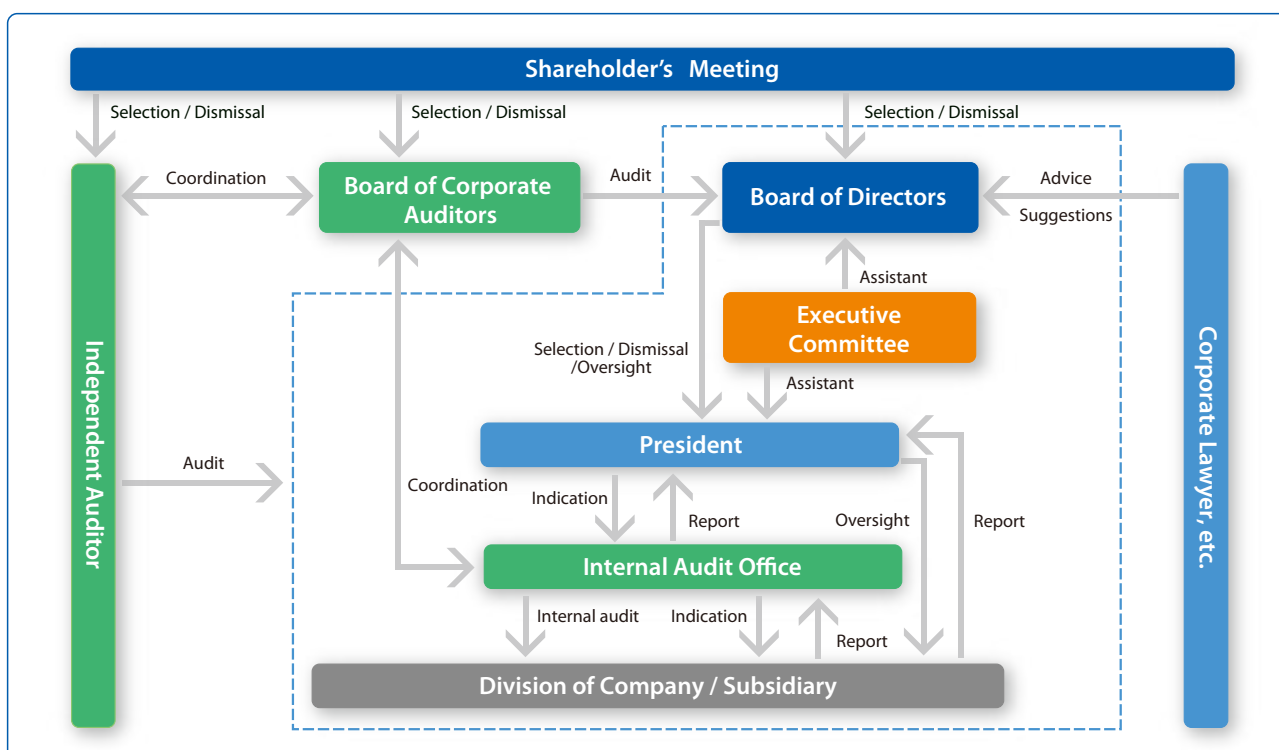
Our company currently has 4 auditors (including 3 outside corporate auditors), and the system to monitor and supervise the management is strengthened by the board of auditors. Board of auditors' meetings are held once a month in principle to share information among auditors. The auditors monitor the status of directors, execution of duties, and current situation of internal control systems by attending the board of directors' meetings, reviewing documents and interviewing relevant personnel.

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.

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.



■ Remuneration for Executives

Our company's compensation for directors is consisted of basic compensation, instead of performance-based compensation such as bonus. With the performance-based compensation method, the compensation amount fluctuates based on a short-term business trend. Instead, our company determines the directors' compensation to achieve business growth and expansion from medium to long-term perspectives. Meanwhile, an increasing number of companies are introducing incentive systems in which medium to long-term performance and potential risks are reflected to the compensation and the company invests in healthy entrepreneurship. Our company will examine the most appropriate compensation system for us in the future.

The contents of remuneration for executives in FY March 2016 are as follows.

Category	Number (person)	Total amount of ompensation (1,000 yen)	Breakdown (1,000 yen)			
			Basic compensation	Stock option	Bonus	Retirement bonus
Director (Excluding outside directors)	11	256,117	242,617	—	—	13,500
Auditor (Excluding outside corporate auditors)	1	9,096	8,696	—	—	400
Outside officer	5	13,001	11,801	—	—	1,200

Note 1. The annual director's compensation amount is below 1,000 million yen in accordance with the resolution of the general shareholders' meeting in June 2000. The annual auditor's compensation amount is below 30 million yen in accordance with the resolution of the extraordinary shareholders' meeting in January 1985.

Note 2. In addition to the above, in accordance with the resolution of the 37th general shareholders' meeting held on June 26, 2015, retirement bonus of 42 million yen was paid to one retiring director.

■ Composition of the Board of Directors

(As of March 31, 2016)

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

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.

Structure & System

■System for “Securing the Transparency of Business Administration”

Our company strives to establish highly transparent, sound management systems that can win the trust of society with the aim of becoming a “wonderful company,” and believes that the compliance with the corporate governance code would help grasp which parts of our management and business can be improved and improve corporate value in the mid-long term. Accordingly, we determined concrete policies for individual principles, including the supplementary principles of the corporate governance code, in Oct. 15, 2015.

To secure the rights and equality of shareholders

Our company swiftly discloses information no matter whether it is positive or negative, in order to secure the equality and rights of all shareholders and contribute to the exercise of appropriate rights.

In addition, in order to secure the rights of shareholders and improve the joint gain with shareholders, we select several outside directors and auditors, and try to improve the functions to make a decision and supervise work, so that corporate governance works sufficiently.

TOPICS

●Development of an environment for enabling the electronic exercise of voting rights

The English version of our convocation notice is available at the websites of our company and Tokyo Stock Exchange. From the annual meeting of shareholders held in Jun. 2016, we participate in the platform for electronically exercising voting rights.

●Enrichment of constructive dialogues with shareholders

Our company secures a sufficient period for enabling auditors and independent auditor to carry out effective audit, and sets a date of each general meeting of shareholders, while considering the availability of the venue that can accommodate more shareholders, from the viewpoint that a general meeting of shareholders provides an opportunity to have a dialogue with shareholders.

To disclose appropriate information and secure transparency

Our company recognizes that the disclosure of information is one of important issues to be tackled, and that it is indispensable to disclose appropriate information for garnering the understanding by stakeholders, including shareholders. In addition to the information specified by laws and regulations, our company proactively discloses important information for stakeholders, mainly shareholders, (including non-financial information), via the websites of our company and Tokyo Stock Exchange.

Dialogues with shareholders

Our company recognizes that in order to achieve sustainable growth and improve our corporate value in the mid to long terms, it is essential to have an active dialogue with shareholders in a daily basis, reflect shareholders’ opinions and requests in business administration, and grow our company with shareholders. Therefore, our company has developed an IR system centered around the representative director and president, and offers opportunities to have a dialogue with shareholders and investors, to explain our managerial strategies and plans. Furthermore, the opinions of shareholders and investors are reported to the board of directors when necessary, and reflected in our business administration.

TOPICS

	Supplementary description
Policy for constructive dialogues with shareholders	In our company, executives in charge of the management section engage in IR, and the management planning section is in charge of IR. We hold sessions for briefing the financial results at the end of the first half and the financial term for shareholders and investors, and attend the briefing session for individual investors organized by IR support companies, etc. In addition, our website includes the reference materials for briefing sessions, video presentations, factsheets, and notifications for shareholders. These systems and efforts are disclosed by corporate governance reports. URL http://www.proto-g.co.jp/IR/management/governance.html (Japanese only)
Announcement of managerial strategies and plans	Our company designs mid-term managerial plans, discloses it in the reference materials for briefing sessions, etc. via our website, and explains concrete measures for attaining our goals at briefing sessions, etc.

■ Biographies and Messages of Outside Directors

“To put together internal and external opinions, and reflect them in business administration”



● Attended all meetings of the board of directors in FY March 2016 (19 meetings:100%)

● No. of shares she holds: 0

Yumiko Sakurai

● Work History

October 1992 Joined Ito Audit Corporation (currently KPMG AZSA LLC)
 January 2000 Established Yumiko Sakurai Certified Public Accounting Office, and serving as Director (present post)
 June 2009 Serving as an Outside Auditor of Tosho Co., Ltd. (present post)
 August 2010 Outside Auditor, Ai-Kei, Inc.
 June 2014 Serving as a Director of our company (present post)
 August 2016 Serving as an Outside Director (Auditing Committee) of Ai-Kei, Inc. (present post)

● Message

As a certified public accountant, I am fortunate to be working with numerous businesses. Usually a certified public accountant is invited as an outside auditor, however I was appointed as an outside director of the PROTO CORPORATION. To increase its corporate value, I am aware that as an outside director, I am expected to provide a third-person viewpoint of an “organizational overseer,” and I will endeavor to gather the information and knowledge needed to make the most appropriate decisions within the board of directors, while maintaining a healthy amount of connections to the employees at the same time. I make a point of speaking to executive officers and employees, by attending meetings of executive officers, if necessary, to maintain a balance between the inside and outside of the company. Throughout the process of projects such as M&A and investments, I will actively provide assessments of risks by fully utilizing my knowledge and experience as well as the network I have been nurturing within the company.

I myself consider the general meetings of shareholders as an opportunity of dialogue with the shareholders and I listen to the questions and suggestions from the attendants with the utmost care. I also receive feedback regarding suggestions etc. from investors and analysts via IR activities, and I will make suggestion when necessary so that our operation reflects them.

“To contribute to the diversity of PROTO CORPORATION”



● Attended all meetings of the board of directors in FY March 2016 (14 meetings:100%)

● No. of shares she holds: 0

Eriko Kondo

● Work History

April 1981 Joined Dun & Bradstreet Japan Ltd.
 December 2000 President & Representative Director, Dun & Bradstreet Japan
 December 2011 Serving as Founding President & Representative Director, GlobeLink Ltd. (present post)
 March 2015 Serving as an Outside Director of Toho Lamac Co., Ltd. (present post)
 June 2015 Serving as a Director of our company. (present post)
 January 2016 Serving as an Outside Director of G Three Holdings Corp.

● Message

I would like to contribute to the increase in the corporate value of PROTO CORPORATION by overseeing the management from an objective standpoint as a corporate manager and as an advocate for minority shareholders.

The main management body of PROTO CORPORATION does not appear to have any particular problems, but I do feel its involvement with the group companies could be enhanced. It is an urgent priority to effectively incorporate the domestic and overseas companies acquired through M&A as soon as possible to achieve a unity as a group.

One of the management objectives of PROTO CORPORATION is the empowerment of women in its workplace and it is actively engaged in raising awareness within. Currently the ratio of male workers is still high at PROTO CORPORATION, but if we can convince female employees to want to work with more optimism and vitality, it would also benefit the company along the way. I would like to contribute to the diversity at PROTO CORPORATION by introducing the work of other companies when necessary. From the standpoint of increasing corporate value, I will continue monitoring so that PROTO CORPORATION's strengths are further enriched.

Corporate Culture and Personnel

■ Efforts for Respecting the Positions of Stakeholders

Our company recognizes that in order to achieve sustainable growth and improve our corporate value in the mid to long term, it is indispensable to cooperate with all stakeholders, including shareholders.

In order to cooperate with stakeholders appropriately, we have established the principles of management and the rules of conduct, and convey the messages of the representative director and president to all employees with in-house notifications, etc. to foster the corporate culture that respects the rights, positions, and corporate ethics of stakeholders.

■ Corporate Culture “Courage to Act, Proof in Action”

Elements that serve as the base of the pyramid below, which facilitates the actualization of the managerial vision: “Code of value and patterns of behavior” that should be shared by employees. These indicate the patterns of behavior and the rules of conduct shared by all employees, required value of human resources, skills, etc.

All of these are based on the “philosophy” of pursuing “the ideal way of living” for each employee. As the philosophy of life is clearer, the purpose or dream of each person becomes clearer, and as people tackle difficult issues and obstacles, they grow.

This concept is our corporate culture and an asset to be inherited as a source of competitiveness.



Inherited spirit of the founder

Our company has a strong point of nationwide sales infrastructure, but it is difficult for employees to get together. We produce “PROTO Notebook,” which includes the essential features of PROTO, and “POP,” an in-house report, as communication tools to spread out the spirit of the founder to each employee.

■ Personnel Development



Since the establishment of PROTO Academy,
4 executive officers have been produced.

PROTO Academy

PROTO Academy is part of strategic HRM (human resource management) for producing next-generation management (executive officers) that will create the future of our company intentionally as planned.

In the first year, trainees learn the knowledge of business administration, including managerial strategies, marketing, organizational management, accounting, and finance. In the second year, they get inspiration, reflect on themselves, and analyze cases by listening to employers' lectures, learning case methods, etc., improve their "philosophies of management and life" and "ability to learn (notice)," and brush up the capability of imagining a future.

■ Empowerment of Women

Situation of the appointment of women as executives

Our company recruits personnel who possess advanced skills actively, regardless of gender. As of now, we have two female directors.

Development of the work-life balance of employees who are raising children

In order to secure the health of female workers who are pregnant and who have given birth to a child, our company offers consultation services via the company Intranet, responds to the amendments to law swiftly, and disseminates systems thoroughly. We also transmit the information on systems, including childcare and maternity leaves, via the Intranet. Furthermore, our company encourages fathers to take a leave when their children are born.

■ Improvement of the Workplaces and the Employment Environment

Review of the ways of working and development of diverse working conditions

Our company reviews action plans for streamlining business operation at each section for the purpose of reducing overtime working hours in a month by 10%. In addition, we strive to increase the rate of taking annual paid leaves, with the system for offering annual paid leaves as planned.

Measures for supporting the development of next generations

We facilitate vocational training of workers, by continuing and promoting short-term trial employment of workers introduced by a public employment agency.

Establishment of a consultation center

We established an in-house consultation center (PROTO COMPLIANCE HOT LINE) and an external consultation center, where employees can consult about various troubles and problems, with the hope of developing and supporting "worthwhile" jobs and working environments. We promote the use of these service, by indicating them in the Intranet, bulletin boards, etc.

	Internal	External
Career consultation center	○	×
Sexual harassment consultation center	○	○
Power harassment consultation center	○	○
Work environment consultation center	○	○
Mental health consultation center	○	○
Whistle-blowing consultation center	○	○
Consultation center for workers in pregnancy or after childbirth	○	○
Part-time employee consultation center	○	○

Analysis of Results and Financial Position

■ Analysis of Results

The Japanese economy in this consolidated fiscal year showed signs of a gentle recovery, with government's economic policy leading to improved employment and increased corporation profit. However, the outlook of the Japanese economy is still uncertain due to slowdown of economies in China and other emerging countries.

Under this economic circumstance, in the automobile-sales industry, which is the main target of the PROTO Group, new car sales were sluggish due to negative impact from the reform of light vehicle tax, while used car sales remain at the same level as last year.

In this situation, the PROTO Group made efforts to expand and strengthen the contact points with users. It also tried to respond to diverse values through creation and provision of private brand products/services (pursuing absolute value), and establish the "corporate brand" and "product brand." Specifically, the Group has been making efforts to expand the contact points with the users on "Goo-net" (portal site for automobiles), and "GooPit" (specialized website for car maintenance) by strengthening the network with influential websites.

Furthermore, in order to develop and provide unique and innovative products and services, the Group has been promoting effective utilization of the available managerial resources and offering new contents and services that are not owned or controlled by the Group through proactive M&A and establishment of alliances. Specifically, in the automobile-related information field, it acquired 100% ownership of TIRE WORLD KAN BEST CO., LTD., which sells tires in April 2015. The purposes of the acquisition are to increase the sales of tires and wheels among the used car dealers and maintenance shops, which are the Group's main clients, and expand the Group's business through synergy with "Goo-net" and "GooPit."

Sales in this consolidated fiscal year were 54,297 million yen (11.7% yr-on-yr increase) in the automobile-related information field, which is the Group's core business, due to large volume of tire and wheels sales by TIRE WORLD KAN BEST CO., LTD. Operating income was 4,071 million yen (3.8% yr-on-yr decrease) and ordinary income was 4,190 million yen (7.9% yr-on-yr decrease) because of increase in personnel cost associated with business expansion, increase in amortization of goodwill, and upfront investment for private brand products/services. Loss attributable to owners of parent was 390 million yen (net income was 2,381 million yen during the same period last year) because all of the unamortized balance of the goodwill that was recognized at the time of acquiring shares of PROTO MALAYSIA Sdn. Bhd. and Kings Auto Co., Ltd. as well as transferring business from PROTO (TAIWAN) CO., LTD. was recognized as impairment loss. The segment results are as follows.

1. Automobile-related Information

Surrounded by the difficult external circumstances, the Group adopted the business policy of engaging in comprehensive management support for used car dealers and made efforts to expand the number of business partners and endeavored to maintain and increase the transaction unit price associated with each customer.

During the current consolidated fiscal year, the Group has continued to promote comprehensive business support for used car dealers through provision of "MOTOR GATE," a background system of "Goo-net."

As for the private brand products/services, the Group has tried to strengthen the services that address various needs of users in their car lives. The efforts included increase in the number of business partners for "GooPit" for the car maintenance field and implementation of a used car sale called "Goo-net ULTRA SALE" on "Goo-net," to which the services from "Goo-inspection," "GooPLUS," and "Goo Warranty" were added. Furthermore, the Group launched "DataLine SalesGuide," a sales support tool for the new car dealers to facilitate the expansion in the field of new car business.

As for the sales of tires and wheels, in April 2015, the PROTO Group has acquired the full ownership of TIRE WORLD KAN BEST CO., LTD., which has a strength in the domestic tires supply, to expand the business. The Group also made efforts to expand the sales opportunities by pursuing synergy among the Group companies such as "Goo-net" and "GooPit".

Meanwhile, as for the globalization of the automobile-related information field, PROTO MALAYSIA Sdn. Bhd. experienced decline in profit levels mainly due to sluggish consumption associated with the Goods and Service Tax (GST) that was introduced in Malaysia in April 2015 and rapid decline in sales associated with intensified competitive climate. PROTO (TAIWAN) CO., LTD. also experienced decline in profit levels mainly due to rapid decline in sales associated with sluggish used car market and intensified competitive climate. Furthermore, Kings Auto Co., Ltd., which operates used car export business, also experienced stagnant growth of automobile exports and decline in profit levels as a result of intensifying competitive climate in the export destination countries.

Based on the above, sales were 49,486 million yen (12.3% yr-on-yr increase). The major factor for the increase was the sales of tires and wheels by TIRE WORLD KAN BEST CO., LTD. Operating income was 5,277 million yen (6.2% yr-on-yr decrease) as a result of increase in personnel cost associated with business expansion, increase in amortization of goodwill, and upfront investment in private brand products/services.

2. Lifestyle-related Information

PROTO MEDICAL CARE continued streamlining social welfare goods rental service business. In an effort to expand the area of social welfare goods rental service business, it also acquired ownerships of MARUFUJI, and SILVER HEART in January 2016. This way, it expanded the business scale and pursued to achieve synergy in the medical, nursing care, and welfare businesses.

Furthermore, for real-estate information magazine GooHome of PROTO DATA CENTER, efforts were made to increase the number of business partners and properties listed as well as provide high added-value services through collaboration with other companies' media.

As a result, sales were 3,466 million yen (2.2% yr-on-yr increase). The increase was mainly contributed by the social welfare goods rental service business of MARUFUJI, and SILVER HEART. Operating income was 307 million yen (9.3% yr-on-yr decrease) as a result of increase in amortization of goodwill and decrease in profitability of the Company's culture information business even though the medical, nursing care and welfare businesses contributed to increasing the income.

3. Real Estate Business

Sales were 162 million yen (1.5% yr-on-yr decrease) and operating income was 109 million yen (13.1% yr-on-yr increase) as a result of self-rental management of the Company's properties.

4. Other Business

Sales were 1,182 million yen (19.6% yr-on-yr increase) due to contribution from software development sales by iSolutions Co., Ltd., which became the Group's affiliate in October 2014. Operating loss was 66 million yen (operating loss was 94 million yen during the same period last year).

■ Analysis of Financial Position

● Assets, Liabilities and Net Assets

Total assets at the end of the current consolidated fiscal year were 40,885 million yen, decreasing 865 million yen from the end of the previous fiscal year. Assets, liabilities and net assets are as follows.

i. Assets

Because of the payments for acquisition of shares of TIRE WORLD KAN BEST CO., LTD. and payment of dividends, cash and deposits decreased. Meanwhile, as a result of acquiring the ownership of TIRE WORLD KAN BEST CO., LTD., trade receivables and inventories assets have increased. As a result, current assets stood at 22,073 million yen, increasing 329 million yen from the end of the previous fiscal year.

Fixed assets were 18,812 million yen, decreasing 1,195 million yen from the end of the previous fiscal year due to depreciation, amortization of goodwill and recognition of impairment loss.

ii. Liabilities

Current liabilities were 11,805 million yen, increasing 842 million yen from the end of the previous fiscal year due to an increase in short-term debt payable as well as an increase in trade payables associated with acquiring full shares of TIRE WORLD KAN BEST CO., LTD, even though income tax payable and consumption tax payable have decreased.

Long-term liabilities were 3,079 million yen, decreasing 36 million yen from the end of previous fiscal year due to repayment of long-term debt payable, even though asset retirement obligation concerning acquisition of fixed assets was recorded.

iii. Net assets

Net assets totaled 26,001 million yen, decreasing 1,670 million yen from the end of the previous consolidated fiscal year as a result of decline in retained earnings due to 770 million yen of dividends paid, 199 million yen of acquisition of treasury shares, drop in foreign currency translation adjustment of 298 million yen, and 390 million yen of loss attributable to owners of parent.

● Consolidated Cash Flows

Cash and cash equivalents at the end of the current consolidated fiscal year stood at 11,286 million yen, a decrease of 743 million yen from the end of the previous fiscal year. Major factors for this decrease were as follows.

i. Cash flows from operating activities

Cash flows from operating activities yielded 3,523 million yen, including 1,569 million yen of income before income taxes, a total of 4,672 million yen due to depreciation that did not accompany expenditure, amortization of goodwill and impairment loss, and an increase of 356 million yen in trade payables, despite payment for corporate tax of 2,024 million yen and a decrease of 623 million yen in consumption tax payable.

ii. Cash flows from investing activities

Cash flows from investing activities stood at expenditure of 3,373 million yen due to 2,085 million yen of acquiring shares of TIRE WORLD KAN BEST CO., LTD., MARUFUJI, and SILVER HEART as well as 1,297 million yen expenditure for acquiring fixed assets.

iii. Cash flows from financing activities

Cash flows from financing activities stood at expenditure of 839 million yen due to payment of dividends of 770 million yen and 199 million yen of expenditure for acquiring treasury shares even though there was a net increase in short-term and long-term debt payable of 123 million yen.

Consolidated Financial Statements

Consolidated Balance Sheet

As of March 31

(Thousands of yen)

	2015	2016
ASSETS		
Current Assets		
Cash	12,431,593	11,688,003
Notes and accounts receivable	4,690,743	4,980,004
Electronically Recorded Monetary Claims	6,200	6,300
Goods and products	3,629,207	3,978,075
Goods in process	96,221	136,037
Raw material and inventory goods	9,540	20,558
Deferred tax assets	341,462	183,125
Other current assets	654,873	1,093,151
Allowance for doubtful accounts	(116,368)	(11,933)
Total Current Assets	21,743,473	22,073,323
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	8,338,199	8,962,557
Accumulated depreciation	(3,140,950)	(3,473,195)
Building and structures -Net	5,197,249	5,489,361
Land	4,787,130	4,803,102
Other tangible fixed assets	1,106,101	1,241,089
Accumulated depreciation	(632,622)	(741,802)
Other tangible fixed assets -Net	473,478	499,286
Total Tangible Fixed Assets	10,457,858	10,791,751
Intangible Fixed Assets		
Goodwill	5,888,939	4,729,065
Other intangible fixed assets	2,199,604	1,943,562
Total Intangible Fixed Assets	8,088,543	6,672,627
Investment and Other Assets		
Investments in securities	383,576	349,603
Deferred tax assets	245,949	118,660
Other investments	870,489	911,708
Allowance for doubtful accounts	(38,480)	(31,677)
Total investments and other assets	1,461,535	1,348,295
Total Fixed Assets	20,007,937	18,812,674
Total Assets	41,751,411	40,885,997
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	806,482	2,194,004
Short-term loans payable	2,400,000	2,905,000
Current portion of long-term borrowings	1,223,530	1,189,875
Accrued income taxes	1,077,130	718,196
Allowance for sales returns	106,698	85,640
Allowance for bonus payable	115,482	138,093
Provision for repayment	513	556
Provision for point card certificates	22,872	20,800
Other current liabilities	5,210,213	4,553,107
Total Current Liabilities	10,962,923	11,805,276
Long-Term Liabilities		
Long-term borrowings	2,608,043	2,523,154
Allowance for directors' retirement benefits	290,775	243,240
Asset retirement obligation	53,497	180,186
Other long-term liabilities	163,966	132,923
Total Long-Term Liabilities	3,116,282	3,079,503
Total Liabilities	14,079,205	14,884,780
NET ASSETS		
Shareholders' equity		
Common stock	1,824,620	1,824,620
Capital surplus	2,011,734	2,011,734
Retained earnings	23,596,966	22,436,553
Treasury stock	(908,000)	(1,107,184)
Total Shareholders' Equity	26,525,320	25,165,723
Accumulated other comprehensive income/(loss)		
Net unrealized gains (losses) on securities	121,673	108,764
Foreign exchange adjustment account	1,025,211	726,729
Total accumulated other comprehensive income/(loss)	1,146,885	835,493
Total Net Assets	27,672,205	26,001,217
Total Liabilities and Net Assets	41,751,411	40,885,997

Consolidated Statements of Income

(Thousands of yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Net Sales	48,602,523	54,297,253
Cost of Sales	28,326,306	33,084,408
Gross Profit	20,276,217	21,212,845
Reversal of Reserve for Returned Products	106,406	104,813
Transfer to Reserve for Returned Products	104,774	88,188
Adjusted Gross Profit	20,277,849	21,229,470
Selling, General and Administrative Expenses		
Salaries for directors and employees	6,264,169	6,528,596
Provision for allowance for directors' retirement benefits	8,975	18,775
Provision for allowance for bonus payable	79,875	100,444
Advertising	2,386,868	2,423,904
Provision for allowance for doubtful accounts	95,760	7,701
Provision for point card certificates	(1,103)	1,252
Amortization of goodwill	926,190	1,032,030
Others	6,283,631	7,045,005
Total Selling, General and Administrative Expenses	16,044,368	17,157,710
Operating Income	4,233,480	4,071,759
Non-Operating Income		
Interest income	31,342	28,625
Dividend income	12,471	12,437
Income from sales of used paper	24,216	27,054
Foreign exchange gains	237,328	43,097
Other income	135,997	91,495
Total Non-Operating Income	441,356	202,711
Non-Operating Expenses		
Interest expenses of loans	63,753	46,080
Loss on valuation of derivatives	38,342	22,391
Other expenses	24,107	15,205
Total Non-Operating Expenses	126,203	83,677
Ordinary Income	4,548,632	4,190,794
Extraordinary Income		
Gains from sales of fixed assets	29,220	2,526
Gains from sales of securities	—	13,917
Gains from extinguishment of debt	180,000	—
Gains from liquidation of subsidiaries	214,922	—
Gain on transfer of business	6,859	6,960
Total Extraordinary Income	431,002	23,403
Extraordinary Losses		
Losses from sales of fixed assets	8,220	—
Losses from disposals of fixed assets	22,307	50,569
Impairment losses	384,659	2,594,219
Losses from revaluation of securities	9,394	—
Other expenses	1,513	—
Total Extraordinary Losses	426,095	2,644,789
Income before Income Taxes	4,553,539	1,569,408
Income Taxes	2,162,585	1,637,713
Adjustment of Corporate Income Tax	9,118	322,100
Corporate Income Tax Total	2,171,704	1,959,814
Net income (loss)	2,381,835	(390,405)
Profit (loss) attributable to owners of parent	2,381,835	(390,405)

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Net income (loss)	2,381,835	(390,405)
Other Comprehensive Income		
Valuation difference on available-for-sale securities	30,553	(12,908)
Foreign currency translation adjustments	52,907	(298,482)
Other comprehensive income	83,461	(311,391)
Comprehensive Income	2,465,296	(701,796)
(Breakdown)		
Comprehensive income concerning shareholders of the parent company	2,465,296	(701,796)

Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

Year Ended March 31, 2015

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current year	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 attributable to owners of parent			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 at end of period	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 at the beginning of current year	91,119	972,304	1,063,423	26,177,598
Increase (decrease) during the year				
Cash dividends				(771,805)
Net income attributable to owners of parent				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 at end of period	121,673	1,025,211	1,146,885	27,672,205

Year Ended March 31, 2016

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current year	1,824,620	2,011,734	23,596,966	(908,000)	26,525,320
Increase (decrease) during the year					
Cash dividends			(770,007)		(770,007)
Net loss attributable to owners of parent			(390,405)		(390,405)
Acquisition of treasury stocks				(199,183)	(199,183)
Net changes of items other than shareholders' equity					
Total increase (decrease) during the period	—	—	(1,160,412)	(199,183)	(1,359,596)
Balance at end of period	1,824,620	2,011,734	22,436,553	(1,107,184)	25,165,723

(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 at the beginning of current year	121,673	1,025,211	1,146,885	27,672,205
Increase (decrease) during the year				
Cash dividends				(770,007)
Net loss attributable to owners of parent				(390,405)
Acquisition of treasury stocks				(199,183)
Net changes of items other than shareholders' equity	(12,908)	(298,482)	(311,391)	(311,391)
Total increase (decrease) during the period	(12,908)	(298,482)	(311,391)	(1,670,987)
Balance at end of period	108,764	726,729	835,493	26,001,217

Consolidated Statements of Cash Flows

(Thousands of yen)

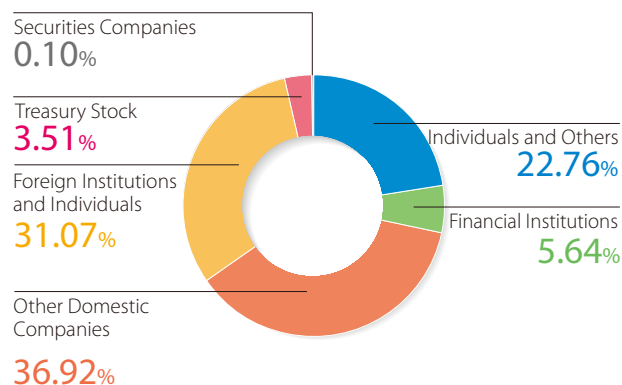
	Year Ended March 31, 2015	Year Ended March 31, 2016
Cash Flows from Operating Activities		
Income before income taxes	4,553,539	1,569,408
Depreciation	879,461	1,046,056
Impairment loss	384,659	2,594,219
Amortization of goodwill	926,190	1,032,030
Loss (gain) on valuation of derivatives	38,342	22,391
Increase (decrease) in reserve for directors' retirement allowances	8,225	(47,535)
Increase (decrease) in reserve for bonuses	(27,080)	(1,438)
Increase (decrease) in reserve for returned products	(9,618)	(16,625)
Increase (decrease) in allowance for doubtful accounts	71,323	(112,011)
Increase (decrease) in provision for point card certificates	(3,463)	(2,071)
Interest and dividend income	(43,813)	(41,063)
Interest expenses	63,753	46,080
Foreign exchange losses (gains)	(97,078)	(36,902)
Loss (gain) on sales of investment securities	—	(13,917)
Loss (gain) on revaluation of investment securities	9,394	—
Loss (gain) on sales/disposal of property and equipment	1,307	48,042
Loss (gain) on transfer of business	(6,859)	(6,960)
Loss (gain) on liquidation of subsidiaries	(214,922)	—
Gain on extinguishment of debt	(180,000)	—
Decrease (increase) in trade receivables	775,643	128,049
Decrease (increase) in inventories	929,344	52,959
Increase (decrease) in accounts payable	28,089	356,487
Increase (decrease) in accrued expenses	471,274	(235,614)
Increase (decrease) in advances received	71,652	89,054
Increase (decrease) in accrued consumption taxes, etc	543,113	(623,735)
Others	105,278	(304,951)
Subtotal	9,277,757	5,541,953
Interest and dividends received	43,758	41,063
Interest paid	(62,279)	(45,269)
Income taxes paid	(2,681,449)	(2,024,796)
Income taxes refunded	—	10,658
Net Cash Provided by (Used in) Operating Activities	6,577,786	3,523,609
Cash Flows from Investing Activities		
Decrease in time deposits	(9,900)	(60)
Increase in time deposits	117,000	—
Acquisition of property and equipment	(351,770)	(792,199)
Proceeds from sales of property and equipment	37,051	850
Acquisition of intangible fixed assets	(558,895)	(504,936)
Payment of long-term prepaid expenses	(18,766)	(26,714)
Addition to investment securities	—	23,456
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	(90,674)	(2,085,180)
Payment for acquisition of business	(55,125)	(8,000)
Proceeds from transfer of business	7,426	7,516
Others	9,475	12,208
Net Cash Provided by (Used in) Investing Activities	(914,179)	(3,373,059)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term loans payable	(474,030)	505,000
Proceeds from long-term borrowings	—	1,000,000
Payment for repaying of long-term borrowings	(3,357,914)	(1,381,189)
Acquisition of treasury stock	(198,884)	(199,183)
Dividends paid	(790,800)	(770,266)
Proceeds from sales and leasebacks	—	6,890
Repayments of lease obligations	—	(1,022)
Net Cash Provided by (Used in) Financing Activities	(4,821,630)	(839,771)
Translation Gain (Loss) Related to Cash and Cash Equivalents	91,385	(54,428)
Net Change in Cash and Cash Equivalents	933,362	(743,649)
Cash and Cash Equivalents at Beginning of Term	11,097,287	12,030,649
Cash and Cash Equivalents at End of Term	12,030,649	11,286,999

Stock Information

As of March 31, 2016

Number of Shares Authorized	61,800,000
Number of Shares Issued	20,940,000
Number of Shareholders	13,637
Stock Exchange Listing	Tokyo Stock Exchange (JASDAQ Standard)
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



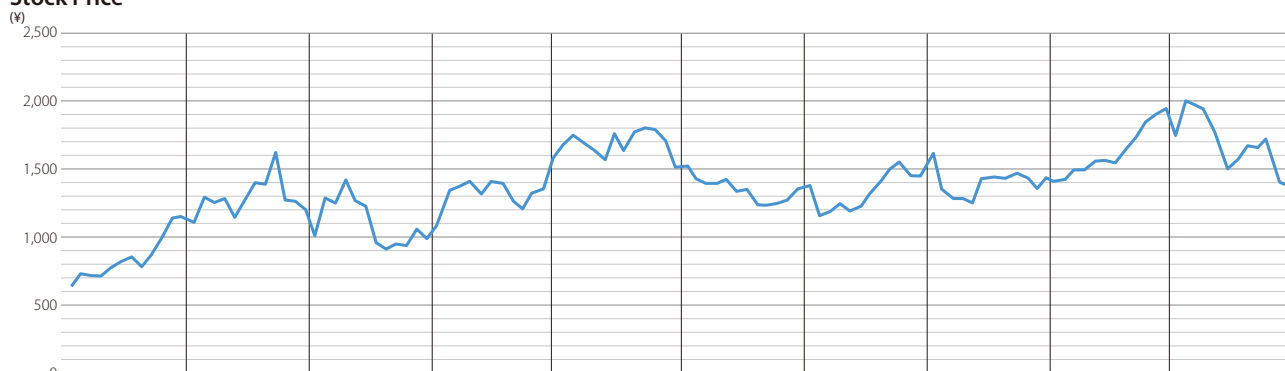
Major Shareholders

Shareholder	Number of Shares Held (Thousands)	Ownership (%)
1 Mugen Corporation	6,752	32.24
2 JPMCC CLIENT SAFEKEEPING ACCOUNT	1,323	6.31
3 PROTO CORPORATION	735	3.51
4 JP MORGAN CHASE BANK 385632	564	2.69
5 CLEARSTREAM BANKING S.A	462	2.20
6 BNYM TREATY DTT 10	459	2.19
7 Hiroichi Yokoyama	440	2.10
8 NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	433	2.06
9 Japan Trustee Services Bank, Ltd. (Trust Account)	394	1.88
10 Yoshihiro Yokoyama	394	1.88

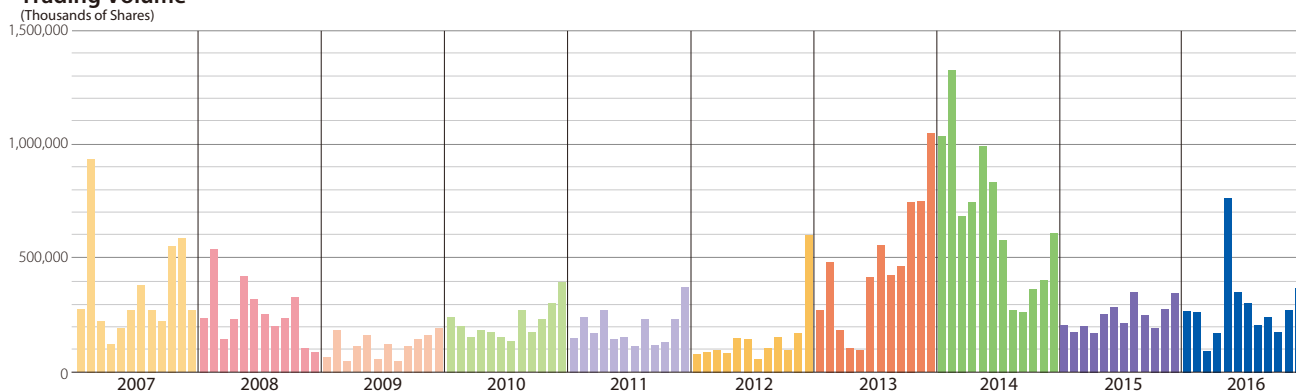
Stock Price and Trading Volume

Years ended March 31

Stock Price



Trading Volume



Notes: 1. Stock price is the closing price of the last trading day of each 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, 2016

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, 2016)	Sapporo, Sendai, Takasaki, Nagano, Hamamatsu, Nagoya, Kanazawa, Osaka, Hiroshima, Matsuyama, Fukuoka, Kumamoto, Tokyo (IT office) (56 Sales Outlets Nationwide/2 Head Offices, 13 Branch Offices, 41 Sales Offices)
Fiscal Year-end	March, 31
Number of Employees	Consolidated: 1,534 (Parent: 651)

Consolidated Subsidiaries (As of July 1, 2016)	1. AUTOWAY Co., Ltd.	6. iSolutions Co., Ltd.	11. PROTO DATA CENTER
	2. TIRE WORLD KAN BEST CO., LTD.	7. CAR CREDO Co., Ltd.	12. PROTO MALAYSIA Sdn. Bhd.
	3. Kings Auto Co., Ltd.	8. PROTO MEDICAL CARE	13. CAR CREDO MALAYSIA SDN. BHD.
	4. Bike Bros. Inc.	9. MARUFUJI	14. PROTO (TAIWAN) CO., LTD.
	5. PROTO-RIOS INC.	10. SILVER HEART	15. PT. PROTO INDONESIA*

* Currently under liquidation

Directors, Statutory Auditors and Executive Officers

Directors

As of July 1, 2016

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 Automobile-related Information Officer	Noriyuki Udo	1996 Joined the Company 2015 Director
Director	Susumu Kuramoto	1990 Joined the Company 1999 Director
Director	Naoki Fujisawa	1989 Joined the Company 2015 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
Executive Officer Lifestyle-related Information Officer	Shuji Kondo

For further information

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



Corporate Site (Japanese only)

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

IR Site

<http://www.proto-g.co.jp/IR/english/index.html>