

INTEGRATED REPORT 2023

PROTO CORPORATION

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Editorial Policy

Our corporate group pursues business administration focused on maximizing the benefits of stakeholders, including clients, employees, shareholders, business partners, government, and local communities, and believes that the outcomes of such business administration would lead to the improvement in social value of our company's existence. "Integrated Report 2023" is aimed at comprehensively introducing the entire picture of our business, our initiatives for sustainability, etc. As a changing company, we continue our endeavor to bring benefits to individual users and offer valuable information that would become wisdom for realizing a better life. We would be glad if this facilitates the dialogue with you.

Period Covered by the Report

The report covers the term ended March 2023 (April. 1, 2022 to March. 31, 2023). Considering the importance of offering the latest information, the report mentions the items before or after said period when necessary.

Organizational Scope

PROTO CORPORATION and its affiliated companies

Future Outlook

The IR information in this document includes a future outlook. Such information other than the past events may be influenced by the risk and uncertainty due to the competition, market, and systems in the field of our company's business. As a result, the outlook based on the assumption and estimation with available information may be different from actual results and performance in the future. We would appreciate your understanding.

COMPANY PROFILE

Corporate
Goal

CHANGING COMPANY

— Create change by continuing to challenge itself. —

Gaining "customer satisfaction (useful information and services)," "employee pride (company and work)," and "shareholder trust (future and achievements)" by creating a new society through change and innovation.

Corporate
Ideology

To turn challenges into future power and contribute to society with dreams, inspirations, and joy.

"To turn challenges into future power" means the creation of unprecedented value with novel ideas (viewpoints) and frameworks (ways of thinking). Endeavors we will make must not be for near-term profits, but create new value for our society. Our endeavors are not merely for pursuing convenience and economic value, but also intended for solving social issues, realizing the dream of everyone, and inspiring people.

By pursuing "dreams, inspirations, and joy," we will create social value and become an enterprise that will be definitely chosen by society.

We aim to become "a partner of the future society," which will create social value.

Corporate
Profile

Corporate Name	PROTO CORPORATION
Common Stock	1,849.21 million yen
Head Offices	1-23-14 Aoi, Naka-ku, Nagoya-shi, Aichi 460-0006 Japan 6-18-1 Nishishinjuku, Shinjuku-ku, Tokyo 160-0023 Japan
Founded	October 1, 1977
Established	June 1, 1979
Representative	President Kenji Kamiya
Number of Employees	523persons (consolidated:1,468persons) (As of March 31, 2023)
Location of business establishments	[Head Offices] Nagoya, Tokyo [Branch Offices] Sapporo, Sendai, Takasaki, Nagano, Hamamatsu, Nagoya, Kanazawa, Osaka, Hiroshima, Matsuyama, Fukuoka, Kumamoto [Sales Offices] Akita, Morioka, Koriyama, Mito, Saitama, Chiba, Yokohama, Niigata, Shizuoka, Numazu, Gifu, Yokkaichi, Toyama, Kyoto, Himeji, Okayama, Yamaguchi, Takamatsu, Kitakyushu, Kagoshima, Toma ROSSO TOGO FARM
Stock Exchange Listing	Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market
Corporate Site	https://www.proto-g.co.jp/
IR Site	https://www.proto-g.co.jp/IR/

TOP MESSAGE



In order to become people or an enterprise that can fill a future society with “dreams, inspirations, and joy,” we just need to take on challenges.

President Kenji Kamiya

神谷健司

“To turn challenges into future power”

We, PROTO CORPORATION, think that this means the creation of unprecedented value in the world by recognizing things with new ideas and frameworks.

Accordingly, we hope to take on challenges so as to solve social issues, realize dreams, and inspire people rather than pursuing near-term benefits.

Thanks to your support, PROTO Group commemorated the 45th anniversary of the inauguration of business last year.

We will pursue “dreams, inspirations, and joy,” to create new value in the world and aim to become a partner for the future society” that will be chosen by society.

To Our Shareholders and Investors

In the coming 10 years, the mobility environment surrounding us will change drastically.

Gasoline-fueled vehicles will evolve into diverse carbon-neutral vehicles.

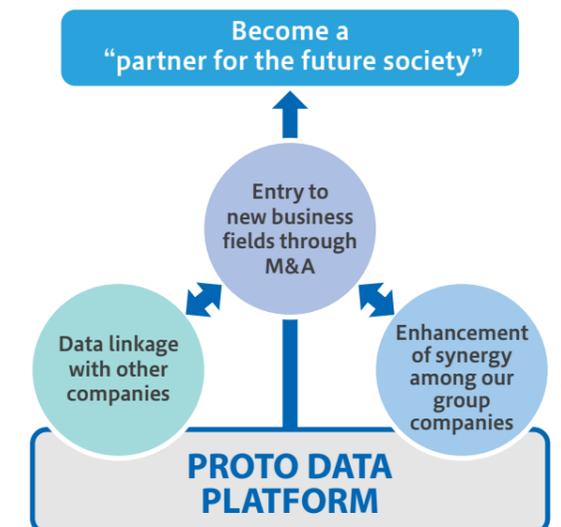
People will shift from owning a car to sharing a car. When the times change significantly, the true value of enterprises is tested.

Our company will accumulate and utilize data on vehicles and users in the fields of used cars, new cars, maintenance, and motorcycles, create new services based on data and AI, and swiftly respond to the rapid changes in the environment.

By pursuing “dreams, inspirations, and joy,” we will become a “mobility style partner” in the new age.

Then, we will create new value in the world, and become a “partner for the future society” so as to be genuinely selected by society.

Our company upholds the corporate goal of being a “changing company,” and all of our staff will join hands to attain this corporate goal.



PROTO GROUP BUSINESS SUMMARY

45 years of corporate history

Our company collects and scrutinizes optimal information for respective customers from an enormous volume of information, including information on automobiles and lifestyles, and delivers it to customers as customized contents. This concept started with the publication of “Monthly Correspondence on Used Cars (present: the informative magazine on cars Goo)” in 1977 before the popularization of the Internet, and has been growing with the current “Goo-net” and toward the coming ages.



1977
Founded

Monthly Correspondence on Used Cars (present: the informative magazine on cars Goo) Founded

In 1977, in which the Internet was not popularized and salaried workers worked six days a week in Japan, the founder Hiroichi Yokoyama visited many automobile dealers to find used cars that satisfy the requirements of car types, colors, prices, and conditions on his limited holidays. He thought “other people are facing difficulty in finding a used car” as he himself faced such difficulty with a limited budget. From this experience, “Monthly Correspondence on Used Cars (present: the informative magazine on cars Goo)” was born.



1984~
Foray into each region

Made inroads into other regions, publishing the information magazine for each region

At first, we published only the Tokai version of “Monthly Correspondence on Used Cars (present: the informative magazine on cars Goo).” Then, we launched the Shizuoka version in 1984, the Kansai version in 1992, the northern Kanto version, and finally the Tokyo Metropolitan Area version in 1995. After that, we launched the Kyushu, Hokkaido, Tohoku, and Chugoku versions, expanding our coverage around Japan.



1996~
Online business

Started online business earlier than other companies

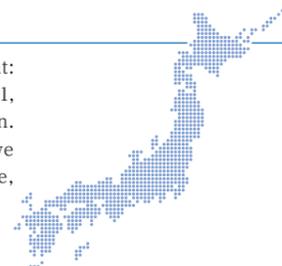
We developed DataLine, a system for retrieving data on used cars, when the Internet was still not mainstream. Furthermore, we started Goo-net, which is the mainstay, in the Internet, making it possible to search for used cars around Japan. The number of used cars listed in Goo-net was around 46,000, one-tenth of the current number.



1999~
Nationwide operation

Covering all prefectures and diversifying business

The Goo Series covered the entire Japan, when “Goo Okinawa (present: Automobile Information Magazine Goo Okinawa)” was launched in 2011, and Goo World and Goo Bike, too, were published throughout Japan. While operating automobile-related business as the core business, we have entered various fields, including motorbikes, parts, real estate, leisure, and agriculture.



2013~
Domain expansion

Expansion of services in the mobility field

While expanding our media in the mobility field, first covering used cars and then motorbikes, parts, car inspection, maintenance, and new cars, we have published magazines and then used the Internet and apps in a flexible manner. The data that have been accumulated through the huge media for many years will evolve with AI so as to be truly helpful for people's lives with vehicles.



Used car field



Goo-net is a portal site for information on automobiles, which boasts one of the largest numbers of registered used cars in the industry (about 500,000). Users can easily find used cars of Japanese automobile manufacturers and imported cars. Goo-net includes information for comprehensively supporting each user's life with automobiles by offering the latest catalogues of automobiles, rankings, word-of-mouth information, insurance, car inspection, purchase, and assessment.

MOTOR GATE is a background system for Goo-net. It takes important roles of managing sales, customers, and inventory for used car dealers. Currently, we are improving the rate of order receipt and streamlining business operations at used car dealers by releasing various optional services based on an enormous volume of data accumulated since the inauguration of business and AI technologies.

Maintenance field



Goo-net Pit is a portal site for car maintenance, which enables users to easily find and browse information on car maintenance shops in the Internet. Users can retrieve information on nearby certified and designated maintenance shops with the four categories: “car inspection and checkup,” “oil replacement,” “repair, coating, and sheet-metal working” and “attachment of parts brought by users.” In the website for smartphones, you can search for car maintenance shops near to your location based on the GPS function according to the selected category.

MOTOR GATE PIT IN is a service for managing the books from Goo-net Pit, the EC sites of other companies, and the website of each car maintenance shop in a unified manner. It is also possible to manage the statuses including booking, visit, and completion of maintenance work.

New car field



DataLine SalesGuide is a tool for supporting the business talks of new car dealers. It calculates the future prices of trade-in cars and the difference in cost between the case where you keep driving the same car and the case where you purchase a car and allows dealers to explain “the merit of purchasing a car” for customers who consider switching to a new car.

DataLine AI Assessment is a digital assessment tool for automobiles for corporations, which is mounted with artificial intelligence (AI) developed by our company. It can automatically calculate the appraisal price of each car instantly by combining the big data accumulated through the long-term operation of automobile-related services and artificial intelligence (AI).

History of our business

Our company has been offering a variety of information services related to automobiles since the inauguration of business. At present, we operate vehicle-related business in the three fields: “used car,” “new car,” and “car maintenance.” By utilizing an enormous volume of accumulated data and the strengths of vehicle-related enterprises of our corporate group, we will propose more convenient and exciting mobility styles to consumers.

1970~ Launch of information magazines 1990~Online business

<p>1977 Monthly Correspondence on Used Cars (present: the informative magazine on cars Goo) Information magazine that summarizes automobile information of multiple used car dealers. Automobile information magazine distributed throughout Japan with the popular copy: “Speaking of cars, Goo! pops up in mind.”</p> 	<p>1991 GOO WORLD (present: Imported car information magazine Goo World) Introduced used imported cars under the theme of “proposing an enjoyable life with an imported car.”</p>	<p>1996 DataLine Developed a system for retrieving data on used cars, to provide information services.</p>	<p>1996 Goonet (present: Goo-net) An Internet site for introducing not only the used cars listed in the automobile information magazine Goo, but also comprehensive information on automobiles, including new cars and insurance.</p> 	<p>2001 GOO WORLD (present: Goo World) Internet site of the imported car information magazine Goo World. It is possible to search for used cars of each brand, browse the articles on test driving, and check the catalogues of old and new models.</p> 	<p>2001 Goo Bike An Internet site that allows users to retrieve the information on motorcycles listed in Goo Bike and includes plenty of original information on estimates of insurance, applications for loans, etc.</p> 	<p>2006 Goo auction (present: Goo-net Purchase) Goo auction-affiliated stores (used car dealers) buy customers’ automobiles and motorcycles at an auction. At present, it also includes information on purchase of cars, appraisal of used cars, and sale of cars. Differing from one-time appraisal, it can estimate the average purchase prices of used cars free of charge without calling customers for marketing.</p> 	<p>2006 Goo-inspection In this service, professional appraisers appraise the conditions of used cars on behalf of customers.</p> 
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2010~Platform operation

<p>2010 DataLinePRO Information service for car dealers, which enables users to retrieve data on transaction prices at used car auction venues around Japan, retail prices of used cars listed in Goo-net and Goo World, detailed specs on catalogues, etc.</p> 	<p>2013 MOTOR GATE A platform mounted with the functions to manage sales, inventory, customers, estimates, and inquiries, support procurement, and analyze access for broadly supporting the business operation of clients.</p> 	<p>2013 GooPit (present: Goo-net Pit) Website for easily finding and browsing the information on car maintenance shops and sheet metal factories in the Internet.</p> 	<p>2015 DataLine SalesGuide A business talk tool for new car dealers, which could not be realized by any companies other than our company, which has developed a database on retail prices and auction prices of used cars for many years.</p> 	<p>2016 PROTO Research Institute/car life The media based on an enormous volume of mobility-related information accumulated through automobile information magazines Goo and Goo-net.</p> 	<p>2016 ID Cars Service of collecting data on used cars with car condition evaluation sheets, which disclose the conditions of used cars appraised by professional appraisers, and allowing users who are thinking of purchasing used cars to grasp vehicle information from multiple aspects.</p> 	<p>2016 Goo-net New Car It introduces information on discounts, simulation of changing cars, specs of equipment, photos, etc. This automobile information website boasts one of the largest volume of information on catalogues of new cars in Japan.</p> 	<p>2017 Motocle Social media specializing in motorcycles for sharing photos. It is possible to easily record and share all items related to motorcycles, including information on touring spots, customization, and beloved motorcycles.</p> 	<p>2019 DataLine AI Assessment Automobile appraisal tool that can be used at dealers of new cars and used cars, stores purchasing used cars, etc.</p> 
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2020~DX, AI

<p>2020 Goo-net Live An online business talk tool that can be used by users, car dealers, and others for consultation, negotiation, etc. in Goo-net.</p> 	<p>2020 MOTOR GATE AI A system for supporting the management of used car dealers using Goo-net. It has the function to automatically extract the information on registered car model, etc. from the images of used cars listed in MOTOR GATE and produce data with AI.</p> 	<p>2020 DataLine SalesGuide car replacement Proposal Movie A tool for giving proposals with videos as an optional function of DataLine SalesGuide, which is marketing support tool for new car dealers.</p> 	<p>2021 Goo-net Subscription The media for comparing automobile lease and subscription services.</p> 	<p>2022 MOTOR GATE PIT IN A system for managing automobiles in car maintenance shops for streamlining business operations and sales of car maintenance shops.</p> 	<p>2022 Goo Failure Diagnosis A service of easily diagnosing the statuses of automobiles owned by users at Goo-net Pit-affiliated shops.</p> 	<p>2022 Goo Maintenance Pack A packaged service of car maintenance offered to users via car maintenance shops listed in Goo-net Pit.</p> 
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Promotion of expansion of the business domain

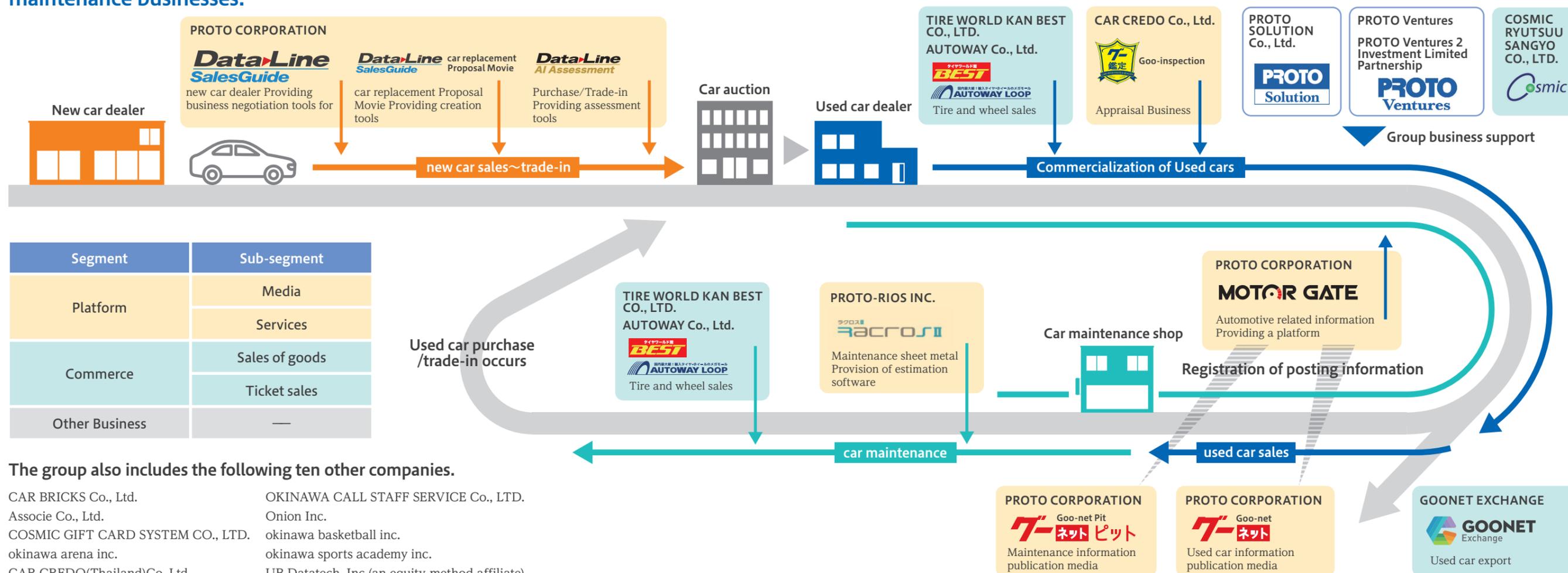
Our corporate group seeks the true needs from customers in a variety of lifestyle fields not limited to the support for a life with a car, fuses information and wisdom gathered from around the world, and triggers innovation with flexible ideas. Without being complacent about the current situation, we will keep envisioning the lives after the provision of services and customers' surprise and joy, delivering "exciting" experiences beyond their expectations, and expanding possibility for tomorrow.

- 1979 Established Project Eight Co., Ltd..
- 1991 Changed the corporate name from Project Eight Co., Ltd. to PROTO CORPORATION.
- 2002 Acquired the shares of Repair Tech Publication Co., Ltd. (present: PROTO-RIOS INC.) to make it a subsidiary.
- 2007 Established Proto Data Center Co., Ltd. (present: PROTO SOLUTION Co., Ltd.).
- 2009 Acquired the shares of System One Co., Ltd. (present: PROTO-RIOS INC.) to make it a subsidiary.
- 2010 Acquired the shares of BikeBros Co., Ltd. (present: PROTO CORPORATION) to make it a subsidiary.
- 2012 Two consolidated subsidiaries (System One Co., Ltd. and Repair Tech Co., Ltd.) of our company merged, while changing the corporate name to PROTO-RIOS INC.

Established CAR CREDO Co., Ltd.

- 2012 Acquired the shares of Kings Auto Co., Ltd. (present: GOONET EXCHANGE) to make it a subsidiary.
Goo Auto Co., Ltd. and Kings Auto Co., Ltd. (surviving company; present: GOONET EXCHANGE) merged.
- 2013 Acquired the shares of AUTOWAY Co., Ltd. to make it a subsidiary.
- 2015 Acquired the shares of TIRE WORLD KAN BEST CO., LTD. to make it a subsidiary.
- 2016 I Solutions Co., Ltd. and Proto Data Center Co., Ltd. (surviving company) merged, changing the corporate name to PROTO SOLUTION Co., Ltd.
- 2019 BikeBros Co., Ltd. and PROTO CORPORATION (surviving company) merged.
Established PROTO Ventures.
- 2020 Changed the corporate name of Kings Auto Co., Ltd. to GOONET EXCHANGE.
- 2021 Established PROTO Ventures 2 Investment Limited Partnership.
- 2022 Acquired the shares of COSMIC RYUTSUU SANGYO CO., LTD. and COSMIC GIFT CARD SYSTEM CO., LTD. to make them subsidiaries.

Provides total support for the management of automobile sales and maintenance businesses.



The group also includes the following ten other companies.

- CAR BRICKS Co., Ltd.
- OKINAWA CALL STAFF SERVICE Co., LTD.
- Associe Co., Ltd.
- Onion Inc.
- COSMIC GIFT CARD SYSTEM CO., LTD.
- okinawa basketball inc.
- okinawa arena inc.
- okinawa sports academy inc.
- CAR CREDO(Thailand)Co.,Ltd.
- UB Datatech, Inc.(an equity-method affiliate)

This diagram is an example of the automobile distribution process.

SUSTAINABILITY

Basic Sustainability Policy

The Company’s corporate ideology is “To turn challenges into future power and contribute to society with dreams, inspirations, and joy.” We aim to realize a sustainable society by creating social value (contribution to solving social issues) and economic value (profits generated by increasing corporate value). In doing so, we will accurately understand the demands of society through responsible dialogue with a diverse range of stakeholders (customers, employees, shareholders, investors, business partners, government, local communities, etc.) and respond appropriately to them. In this way, we will fulfill our responsibility to society.

[Policy and strategy concerning sustainability]

We believe that in order for enterprises to continue their activities, it is vital to promote business which will contribute to the sustainability of people, the society and the earth in addition to respecting human rights. We recognize that the response to issues pertaining to sustainability, such as social and environmental issues, is an important factor in elevating the corporate value in the medium/long term, and while stipulating items concerning sustainability in the Charter of Corporate Behavior, which is the foundation for all kinds of corporate activities, we have established and published a “Basic Sustainability Policy” based on the regulations in the Charter of Corporate Behavior. Moreover, we continuously address issues pertaining to sustainability and ESG in accordance with said policy and disclose their contents on our company website as well as the English website. Our company shall endeavor to maintain good and harmonious relationships with stakeholders such as our clients, staff, shareholders, investors, trade partners, the government and local societies, and proactively engage in building a sustainable society based on the Charter of Corporate Behavior.

Charter of Corporate Behavior

1. Compliance with laws and regulations	We will accurately understand and comply with all kinds of laws and regulations applicable to our business operations and the spirit thereof. In addition, we will make every possible effort to prevent misconduct.
2. Contribution to society	We will strive to contribute to society by offering products and services. In addition, as a good corporate citizen, we will conduct corporate activities voluntarily and proactively for maintaining an affluent, sound society and broadly contribute to society.
3. Business administration	We will compete fairly and freely in a transparent manner, and conduct proper transactions. In addition, we will maintain sound, normal relationships with politics and administration.
4. Information disclosure	We will keep communicating with not only shareholders, but also a broader range of people in society, and disclose corporate information proactively and fairly.
5. Workplace environment	While respecting the diversity, personalities, and individualities of employees, we will secure a safe, comfortable working environment and realize leeway and affluence.
6. Environmental conservation	While recognizing that initiatives for solving environmental problems are common issues with humankind and essential for the existence and activities of enterprises, we will voluntarily and proactively engage in activities for “sustainable development.”
7. Elimination of antisocial forces	We will take a resolute attitude against antisocial forces, which bring threats to the order and safety of civil society. In addition, we will cement the cooperation with industry organizations, the police, etc. to eliminate them.

HUMAN CAPITAL & DIVERSITY

Policy and measures for human capital and diversity

Our corporate group considers human capital and diversity as important management issues, clarifies strategies and measures for business operation, and proactively discloses information on “governance,” “strategies,” and “indicators and goals.” Future-related contents are based on our corporate group’s judgment as of the end of the consolidated fiscal year under review.

(1) Governance

[Governance concerning personnel development and establishment of an in-house environment (management system for human capital and diversity)]

For the basic policies, issues to be addressed, etc. regarding human capital and diversity, the management section takes a central role in holding sectional meetings, to discuss and design measures for grasping our personnel portfolio, offering learning opportunities, and improving the engagement of executives and employees for the purpose of energizing individuals and organizations. Regarding the investment in human capital, the Board of Directors of our company checks whether it is in line with our corporate goals, management ethos, and expected images of employees, and whether the allocation of managerial resources and our business portfolio are effective when setting a long-term vision. In addition, the Board of Directors oversees the progress of each activity, has discussions, and gives advice. Our company will actively allocate managerial resources for investing in human capital, which creates corporate value.

(2) Strategy

[Policies and strategies for training personnel and developing an in-company environment]

Our company considers that the know-how of executives and employees is an important element for improving mid/long-term corporate value. We are striving to enrich opportunities for executives and employees to grow through in-company training, etc. while considering them as human assets, and develop a comfortable employment environment in which all employees can exert their abilities while pursuing the good balance between work and private life.

■ Development of an employment environment

- 1) To improve the work-life balance of employees raising children
 - To make the system for securing the health of female employees during pregnancy and after childbirth known to all employees and develop systems for offering information and consultation services
 - To encourage male employees whose child is about to be born to take leave
 - To encourage employees to take childcare leave and develop an environment for easily returning to work
 - To develop a system for employees raising children
 - To make employees familiar with the childcare leave and restrictions on overtime work and midnight work set forth in the Child Care and Family Care Leave Act, the childcare leave benefit set forth in the Employment Insurance Act, the maternity leave set forth in the Labor Standards Act, etc.

Recently, we have increased the family allowance amount, extended the period of shortened working hours for childcare (until the child becomes a third-year elementary school pupil), and developed a system staggered working hours, to enrich our systems.

2) Review of workstyles and arrangement of diverse working conditions

- Implementation of measures for reducing extra work
- Implementation of measures for promoting employees to take annual paid holidays
- Adoption of ways of working anywhere, such as working from home and telework

In order to support them, we have established a system for telework according to the actual situation, increased the transfer allowance amount, and started allowing employees to wear any clothes they want.

■ Measures for supporting the development of next-generation personnel

We continue and promote the short-term trial employment of prospective workers introduced by job placement offices, to train their skills.

■ Enrichment of growth opportunities

For the purpose of providing executives and employees with more opportunities to grow, we hold in-company training and so on. In addition, we have adopted a system for personnel development for the talent pool that supports succession plans. This personnel development program is positioned as a system for producing next-generation management staff who will create the future of our company, and selects candidates from inside our company. We aim to develop next-generation management staff in accordance with our management philosophy.

(3) Indicators and goals

[Indicators, goals, and results regarding the policies for developing personnel and an in-company environment]

Our company considers the empowerment of women as a management issue, and engages in the development of a workplace environment, including the reform of employees' awareness. Concrete measures include the promotion of women to directors (4 female directors as of June 2023), the establishment of a consultation desk for securing the health of female workers in the Intranet, encouraging employees to take childcare and maternity leaves, and male employees to take leave when their children are about to be born.

■ Securing of diversity

Our company aims to realize a corporate culture where all employees can work voluntarily, proactively, independently, enjoyably, and lively regardless of nationality, gender, age, and disability. We recognize the vigor derived from the diversity of human resources as important human asset, and plan to actively recruit diverse people, including women, non-Japanese people, and disabled people, and assign, train, educate, and promote them actively.

Our website (<https://www.proto-g.co.jp/proto/general-html/>) includes the plans to improve the ratio of female employees and the average employment period of women and establish an employment environment for supporting workers in achieving a good balance between child-raising and work, and quantitative goals.

Quantitative goals

1) To increase the ratio of female employees to 50% or higher

Results of our efforts

Recruitment of more women

- From April. 1, 2021, we have been actively conducting PR activities targeted at female students.
- From April. 1, 2023, we have been offering internship programs for recruiting more women.
- From April. 1, 2025, we will establish a desk exclusively for recruiting women.

	Timing	Ratio of employed women [%]		
		Full-time employees	Part-time workers	Overall
Current situation	Mar. 2023	14.6	75.0	28.2
Goals	Mar. 2024	44.5	50.0	46.0
	Mar. 2025	47.0	50.0	48.0
	Mar. 2026	50.0	50.0	50.0

2) To increase the average employment period of women to 55% or higher of that of men

Results of our efforts

To close the gap between men and women in average employment period

- From April. 1, 2021, we have been improving the workplace climate by improving the customs derived from the mindset of separating roles for men and women and so on.
- From April. 1, 2023, we have been creating opportunities for exchange among women, as part of support for networking among different bases.
- From April. 1, 2025, we will describe systems for childcare leave and shortened working hours in internal newsletters regularly.

	Timing	Difference between male and female employees in average employment period [%]
Current situation	Mar. 2023	42.3
Goals	Mar. 2024	51.8
	Mar. 2025	53.5
	Mar. 2026	55.0

■ Promotion of Women and Non-Japanese to Management Positions

As of March 31, 2023, we have 50 female employees and 2 non-Japanese employees. As the percentage of female employees is still small, it is difficult to set a measurable target for promotion to management positions, but we will first work to improve the number of employees promoted to management positions by improving their respective employment results, and we will consider disclosing the results in the future. From the perspective of promoting the activities of women, we will work to increase the number of options for women's career development by proactively improving the employment environment to support workers who are raising children to balance their professional lives.

■ Promotion of mid-career hires to management positions

As of March 31, 2023, the ratio of mid-career hires to management positions was 81.6%, and the ratio of mid-career hires to total employees was 81.5%.

■ Consideration toward the health and labor environment of our employees

With regard to consideration toward the health and labor environment of our employees, we pay sufficient attention to the health management of our employees, considering the results of annual health check-ups and recommending re-examinations if necessary. Furthermore, we have been reducing the overtime work of our employees through the elevation of productivity by improving the labor environment.

CLIMATE CHANGE

Policy and measures for climate change

We have identified addressing climate change as one of our key management issues and will clarify the impact on our business operations and our response to it, as well as actively promote the disclosure of information in the four areas of "Governance," "Risk Management," "Strategy," and "Indicators and Targets" based on the TCFD's recommendations. Future-related contents are based on our corporate group's judgment as of the end of the consolidated fiscal year under review.

(1) Governance

[Governance concerning climate change (climate change management system)]

The basic policy, matters that need to be addressed, etc. regarding climate change are considered and deliberated by the Internal Control Committee, which is chaired by the Representative Director and President. The Internal Control Committee holds a meeting every month, and in addition to the situation concerning internal control, it analyzes and evaluates all kinds of risks and opportunities related to climate change, discusses short, medium, and long-term measures and arranges the system for strengthening them. Under the Internal Control Committee, we have set up a subcommittee, which is responsible for the detection, evaluation, etc. of risks and opportunities concerning climate change.

The subcommittee concerned with climate change also considers and reports relevant matters alongside the Internal Control Committee held every month. Furthermore, our Board of Directors supervises, discusses and gives advice on whether the allocation of management resources and the structure of the business portfolio are effective in regard to climate change, and the promotion thereof, in order to formulate a long-term vision in accordance with the Corporate Ideology.

Regarding the risk management system for natural disasters, etc., our company is prepared for setting up a Risk Management Emergency Headquarters headed by the Representative Director and President in case of an emergency. The Risk Management Emergency Headquarters is composed of a communication team made up of internal departments and an external advisor team including a legal counsel, if necessary, and will swiftly respond to prevent the expansion of damage and arrange a system for keeping damage at minimum.



(2) Risk Management

[Risk management concerning climate change]

Our corporate group has recognized risks and opportunities concerning climate change that have an impact on the business of our corporate group, and has performed a scenario analysis. Aiming for sustainable business activities even amid different weather and economic situation, we have considered the perspectives of two scenarios: the scenario below 1.5 °C (in which the global average temperature rise stays below 1.5 °C in comparison with pre-industrial levels) and the 4 °C scenario (in which the global average temperature rises 4 °C or more in comparison with pre-industrial levels).

As a result, we found out that in the scenario below 1.5 °C, the business of our corporate group would be significantly impacted by the trends in political measures, laws and regulations as well as changes in the preferences of our clients, etc., while in the 4 °C scenario, there would be a considerable impact caused by damage to our operational bases, the supply chain, etc. brought about by intense disasters. As the impact of climate change on business will change depending on global steps toward decarbonization, changes in the preferences of users, etc., we shall keep taking such social trends into account and reflect them on the business strategy of our corporate group.

[Recognized risks and opportunities related to climate change]

Category	Impact on business	Span of the impact	Degree of impact		Countermeasures		
			1.5°C	4°C			
Transitional risks	Policies and legal regulations	Augmentation of costs for procuring materials due to the adoption of a carbon tax, etc.	Medium/long term	Medium	—	· Discussion on goals and activities for reducing CO2 emissions in the medium/long term	
		Shrinkage of the market of used gasoline-fueled vehicles due to the application of regulations on sale of gasoline-fueled vehicles to the sale of used cars through the amendment to laws and tightening of regulations for solving climate issues.	Medium/long term	Medium	—	· Upfront surveys on the trends of regulations and early implementation of measures	
		Augmentation of costs for electric power at business establishments and servers through the enforcement of regulations for improving energy efficiency.	Medium term	Medium	—	· Installation of LED lighting and promotion of energy saving	
	Market	Technology	It takes time to develop a market of used EVs, because it is impossible to determine appropriate prices of batteries for EVs.	Medium/long term	Medium	—	· Efforts to make it possible to appropriately evaluate the conditions of used EVs in "Goo appraisal," which is a service of disclosing the information on used cars
			The demand for gasoline-fueled vehicles will decline in the used car market as users will not choose gasoline-fueled vehicles due to the tightening of regulations and the enhancement of environmental awareness.	Short term	Medium	—	· Provision of new services for meeting diversifying needs from users
		Sales quantities of automobiles will decrease and the market will become stagnant, due to the selection of public transportation means, mobility transition (shift from cargo transportation by car to that by railway or ship, which has less environmental burdens), acceleration of car sharing, etc..	Long term	Large	—	· Enhancement of operation in the new business domain through M&A, etc.	
Reputation	If our corporate group's measures against climate change is delayed while consumers' awareness of environmental issues improves and financial institutions and institutional investors demand initiatives for ESG further, stakeholders' evaluation on our company will decline.	Short/medium term	Medium	—	· Discussion on goals and activities for reducing CO2 emissions in the medium/long term		
Physical risks	Acute	If marketing bases and warehouses are damaged by storms or floods, operations will be suspended or stopped for along period of time. If the supply chain is damaged, procurement of materials will be suspended or decrease.	Medium/long term	—	Medium	· Decentralization of marketing bases, warehouses, and suppliers · Review and improvement of our business continuity plan (BCP)	
	Chronic	If extremely hot days (35°C or higher) increase, the costs for upgrading air-conditioning systems to keep the air temperature inside offices from increasing will augment.	Medium/long term	—	Small	· Promotion of energy saving	
Opportunities	Technology	A method for appraising batteries of EVs will be established, the value of each used EV will be evaluated appropriately, and the demand for used EVs will grow in the used car market.	Medium/long term	Medium	—	· Efforts to make it possible to appropriately evaluate the conditions of used EVs in "Goo appraisal," which is a service of disclosing the information on used cars	

The assumed span of the impact is as follows. Short term: up to 2025, Medium term: 2026 to 2030, Long term: 2031 to 2050

(3) Indicators and Targets

[Results based on indicators regarding the policy for coping with climate change]

Total greenhouse gas emissions for the fiscal years ending March 31, 2022 and 2023 are as follows. We will continue to work toward setting targets that contribute to the reduction of greenhouse gas emissions from a medium- to long-term perspective.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Scope 1: Direct emissions (t-CO2)	3,037.0	3,154.6
Scope 2: Indirect emissions (t-CO2)	2,999.7	4,238.7
Scope 1 + Scope 2 subtotal (t-CO2)	6,036.8	7,393.2
Scope3* : Other than Scope 1 and 2 (t-CO2)	80,584.6	163,845.6

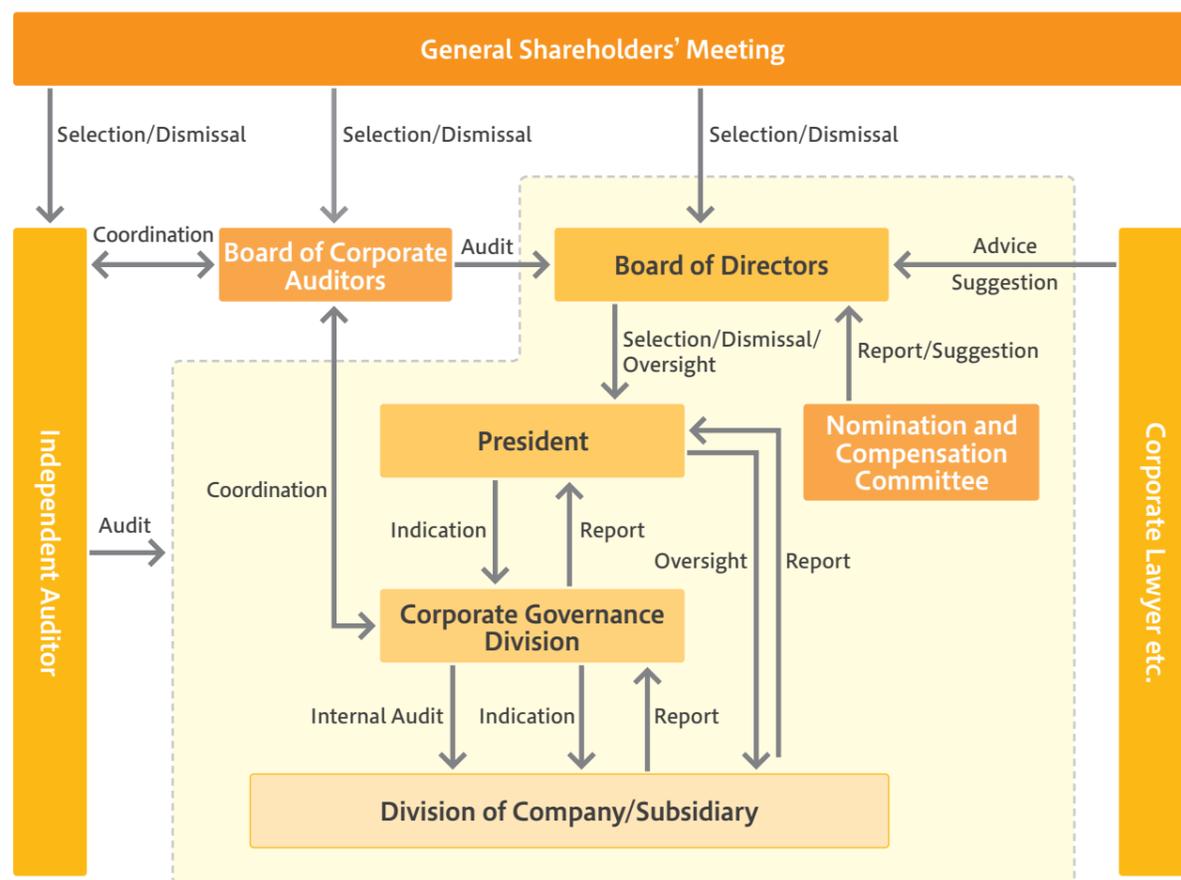
(Note) Our company has five new consolidated subsidiaries as of the fiscal year ended March 31, 2023, and total greenhouse gas emissions for the fiscal year ended March 31, 2023 include the greenhouse gas emissions of the five companies.

CORPORATE GOVERNANCE

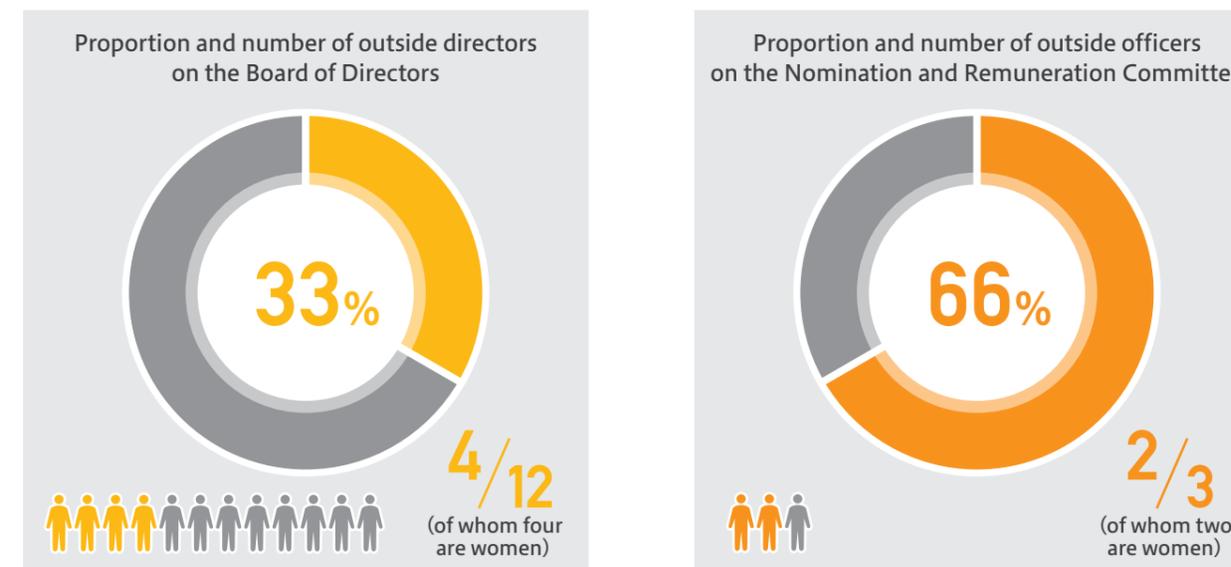
Basic policy for corporate governance

In addition to enhancing corporate value by ensuring consistent and stable profits and future expansion of the Group's business, the purpose of corporate governance is to engage in highly transparent and sound management that earns the trust of the society. The Company believes that managing the business while taking constant care to maximize profits for stakeholders including customers, employees, shareholders, business partners, government, and local communities helps enhance its value as a member of society. The Company will continue working hard to establish a highly transparent and sound management system by implementing thorough compliance (observance of laws and regulations), reinforcing monitoring functions, and disclosing information in a timely, appropriate, and fair manner.

Corporate Governance System



Structure of the Board of Directors and the Nomination and Remuneration Committee



The Company has established a voluntary Nomination and Compensation Committee, and the Committee's deliberations and decision-making process are used to determine the policy for determining executive compensation and the amount of compensation (actual amount paid).

The committee is chaired by Yumiko Sakurai, an independent outside director, and consists of three members, including Kenji Kamiya and Eriko Kitayama, the President and Representative Director and outside directors.

The committee evaluates each director and executive officer based on the evaluation standards established by the Company (five-point evaluation), and based on the results, based on the results of these deliberations, the Board of Directors deliberates on the appropriateness of the amount of remuneration for each position, within the limits set for each position, and reports back to the Board of Directors.

When the Nomination and Remuneration Committee meets and its main agenda

Meeting date	Attendance	Major items discussed
August 2022	All three members present	We reviewed the fiscal year ended March 31, 2022, checked the basic policy, and identified issues Compensation Committee plan for the fiscal year ending March 31, 2023
October 2022	All three members present	Reconsideration of the incentive scheme for the compensation for executives (RS, etc.) Discussion on the standard for dismissal and refraining from reappointment (case studies from other companies, etc.), the evaluation of executives Trend of the standards for the execution of voting rights of main institutional investors
December 2022	All three members present	Proposals regarding appointment and dismissal (necessity of the dismissal of incumbent directors, including outside directors), and the standards for dismissal and refraining from reappointment Regarding "Governance Research 2022" by Mitsubishi UFJ Trust and Banking
January 2023	All three members present	New executive system (decision on the contents of the report to the Board of Directors) Compensation for executives (evaluation of the performance in the third quarter and consideration of the process for determining compensation) Concept of the human resource pool for the succession plan

Board of Directors Skills Matrix

Position	Name	Business Management	Legal Affairs/ Compliance	Finance and Accounting/ Tax Affairs	Marketing/ Sales	IT/Digital	Human Resources Development
Chairman and Representative Director	Hiroichi Yokoyama	○	○				○
President and Representative Director	Kenji Kamiya	○	○		○		
Senior Managing Director	Mitsuhiro Munehira	○			○	○	
Senior Managing Director	Motohisa Yokoyama	○	○	○			
Managing Director	Toru Shiraki	○			○	○	
Managing Director	Noriyuki Udo	○			○		○
Director	Shigeyoshi Shimizu	○	○	○			
Director	Akihiro Matsuzawa	○			○	○	
Outside Director	Yumiko Sakurai		○	○			
Outside Director	Eriko Kitayama	○			○		○
Outside Director	Kazuko Kawai		○	○			
Outside Director	Miho Mori		○				

The Company selects and nominates candidates for the Board of Directors based on a comprehensive judgment that they fully understand the Company's management philosophy, have sufficient knowledge and experience to fulfill their roles and responsibilities, and have the insight to ensure compliance with laws and regulations and corporate ethics. The Board of Directors determines director candidates based on a matrix listing the principal skills, careers, and expertise of each director, taking into consideration the combination of the number of directors and areas of expertise appropriate to the organizational structure of the company.

With regard to internal directors, the Company takes into consideration the balance of knowledge, experience, and abilities by appointing directors who are well versed in their respective fields based on the results of deliberations by the Nomination and Compensation Committee, which was established as a voluntary advisory body.

Outside directors are selected based on the results of deliberations by the Nomination and Compensation Committee, with an awareness of their experience and diversity, including the fields in which they come from.

The Company discloses this matrix and other policies regarding the election of directors in the Notice of the General Meeting of Shareholders and other documents.

The Company selects and nominates candidates for corporate auditor based on a comprehensive judgment of their ability to contribute to the soundness of management by striving to maintain and improve the sound management and social credibility of the Group and by auditing the overall execution of duties by directors from an independent, neutral, and objective standpoint.

In addition, we consider whether outside directors can fulfill their management supervisory function to the Company's management from a neutral, fair, and objective standpoint. In addition, in the event that there is a suspicion of negligence, misconduct, or material violation of laws, regulations, or the Articles of Incorporation by an officer in the performance of his or her duties, or in the event that the officer is unable to continue to perform his or her duties due to health reasons, the Board of Directors will take the necessary procedures for dismissal.

Situation of independent executives

Position	Name	Independent officer status	Reason for Appointment
Outside Director	Yumiko Sakurai	○	Ms. Sakurai has extensive experience and knowledge in the finance and accounting field as a certified public accountant and tax accountant. The Company determined that she can play an appropriate role in monitoring the Company's management with independence and an objective point of view and therefore appointed her as an outside director.
Outside Director	Eriko Kitayama	○	As a representative director of Japan Champion Group Co., Ltd. and GroveLink Co., Ltd., Ms. Kitayama has extensive experience and wideranging insight in overall management. The Company determined that she is qualified to perform management oversight with an independent and an objective point of view, and therefore, appointed her as an outside director.
Outside Director	Kazuko Kawai	○	Ms. Kawai is qualified as a certified tax accountant and has a wealth of experience and knowledge in the fields of taxation practice and finance, having served as a professor and lecturer at universities and graduate schools.
Outside Director	Miho Mori	○	Ms. Mori has a wealth of insight and experience as a lawyer, and has been appointed as an Outside Director, as she is deemed suitable to speak from her professional perspective mainly as a lawyer, and to monitor the Company's management from an objective viewpoint with independence.
Standing Statutory Auditor (Outside Corporate Auditor)	Shinji Yamada	○	Mr. Yamada has served in key positions at NIPPO LTD. has extensive experience and knowledge as a corporate auditor. He has also been appointed as an Outside Corporate Auditor because we believe that he has the qualifications and insight to audit the business execution of Directors from a fair and objective standpoint and contribute to the improvement of the soundness and transparency of management.
Standing Statutory Auditor (Outside Corporate Auditor)	Hiroshi Tokano	○	Mr. Tokano has served in key positions at Kirin Brewery Company, Limited and Kirin Group Companies has extensive experience and knowledge as a corporate auditor. He has also been appointed as an Outside Corporate Auditor because we believe that he has the qualifications and insight to audit the business execution of Directors from a fair and objective standpoint and contribute to the improvement of the soundness and transparency of management.
Standing Statutory Auditor (Outside Corporate Auditor)	Arata Tominaga	○	Mr. Tominaga has a wealth of experience and knowledge in the financial and IT fields, including many years at the Bank of Japan, where he led system development and system risk assessments for financial institutions. He has also been appointed as an Outside Corporate Auditor because we believe that he has the qualifications and insight to audit the business execution of Directors from a fair and objective standpoint and contribute to the improvement of the soundness and transparency of management.
Statutory Auditor (Outside Corporate Auditor)	Hitoshi Saiga	○	Mr. Saiga is a certified public accountant and tax accountant with extensive experience and knowledge in the fields of finance and accounting. In addition, it was concluded, from the fair and objective review of his performance as a director, that he possesses the qualifications and insight to contribute to the improvement in the soundness and transparency of our business administration. Accordingly, he was appointed as an Outside Corporate Auditor.

Reporting line for internal audits

Our company established a governance division, which is composed of 5 members, for the purpose of improving the efficiency of business operations and revenues and preserving corporate assets. The governance division visits branches, sales offices, and subsidiaries of our company around Japan based on the audit plan designed at the beginning of each fiscal year, cross-check in-company regulations and actual practices, and audit the situations of management and production of ledgers. Regarding matters identified through audits, they give instructions for improvement and check the results of improvement, to improve business operations. In addition, we conduct audits while maintaining cooperative systems with auditors and comptrollers. As the reporting line, they regularly report audit results to the representative director and president, auditors, the board of auditors, and the internal control committee.

Regarding the cooperation between auditors and the governance division, they exchange opinions when necessary to confirm the recent situation, etc. and share information.

FINANCIAL INFORMATION

Financial highlight

	2019	2020	2021	2022	2023
Sales	62,251	59,127	55,787	57,446	105,596
Operating income	4,565	5,136	5,941	6,422	7,336
Ordinary income	5,004	5,354	6,118	6,622	6,963
Profit attributable to owners of parent	3,159	4,991	4,853	5,880	4,424
EBITDA *1	5,920	6,455	7,262	7,660	8,845
Net income after adjustment *2	3,596	5,420	5,275	6,240	4,946
Cash flow from operating activities	3,807	6,014	6,574	4,533	4,330
Cash flow from investing activities	△1,352	401	△898	1,458	△4,638
Cash flow from financing activities	△2,846	△4,459	△1,530	△1,547	△2,128
Free cash flow	2,455	6,415	5,676	5,991	△307
Cash and cash equivalents at end of term	15,356	17,336	21,485	25,939	23,494
Total assets	43,879	44,726	49,388	54,525	60,553
Total net assets (capital)	28,029	31,932	35,934	40,397	43,515
Capital	1,824	1,849	1,849	1,849	1,849
No. of employees	1,455	1,456	1,416	1,302	1,468

Data per share *3

	2019	2020	2021	2022	2023
Net income per share	78.75	124.33	120.86	146.34	110.05
Net assets per share	697.85	794.38	893.97	1,004.13	1,073.98

Management indicators

	2019	2020	2021	2022	2023
Operating margin	7.3	8.7	9.9	11.2	6.9
EBITDA margin	9.5	10.9	12.1	13.3	8.4
Return on equity (ROE) *4	11.7	16.7	14.3	15.4	10.6
Return on asset (ROA) *5	11.3	12.1	13.0	12.7	12.1
Equity ratio	63.8	71.3	72.7	74.0	71.3

* The Company has adopted the "accounting standard regarding revenue recognition" (Corporate Accounting Standards No. 29, March 31, 2020), etc. from the beginning of the Year ended March 31, 2022 consolidated accounting period.

* For detailed financial information, see "Factsheet for FY 3/2023" in our website. (<https://www.proto-g.co.jp/IR/library/fact.html>)

*1 EBITDA= Operating income+ Depreciation + Goodwill amortization

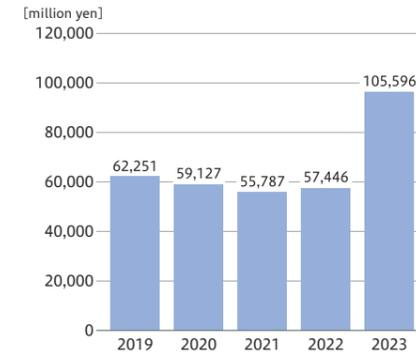
*2 Net income after adjustment = Net income + Goodwill amortization

*3 A 2-for-1 stock split was conducted on July 1, 2019. The figures in and before the term ended March, 2019 were adjusted retrospectively considering the effects of the stock split.

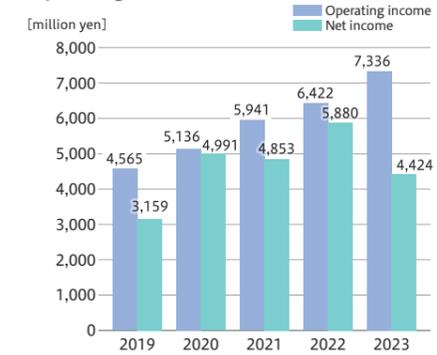
*4 Return on equity (ROE) = Net income ÷ Average equity capital × 100

*5 Return on asset (ROA) = Ordinary income ÷ Average total assets × 100

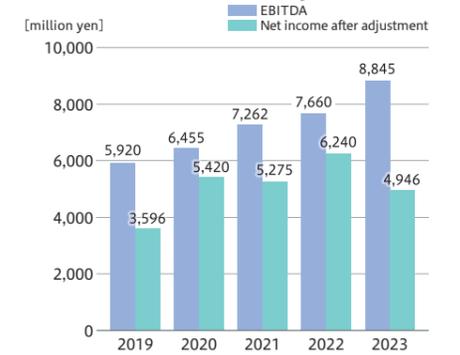
Sales



Operating income/Net income

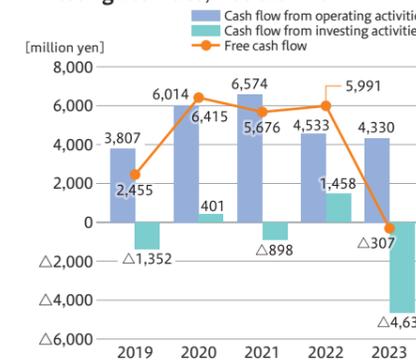


EBITDA/Net income after adjustment

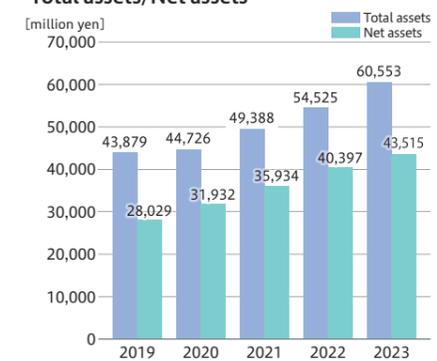


*EBITDA=Operating income + Depreciation + Goodwill amortization
*Net income after adjustment = Net income + Goodwill amortization

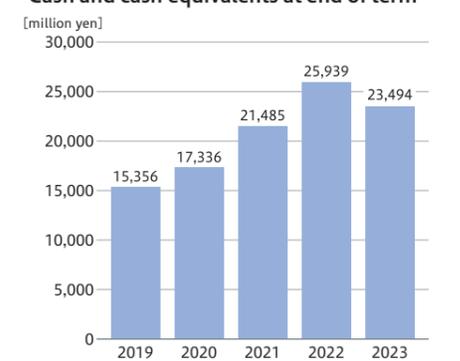
Cash flow from operating/ investing activities, free cash flow



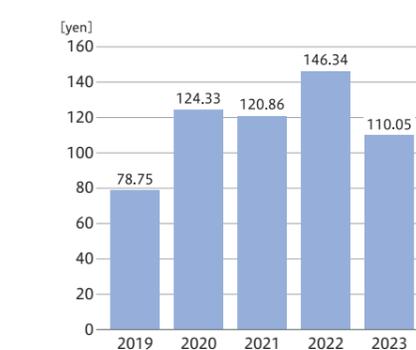
Total assets/Net assets



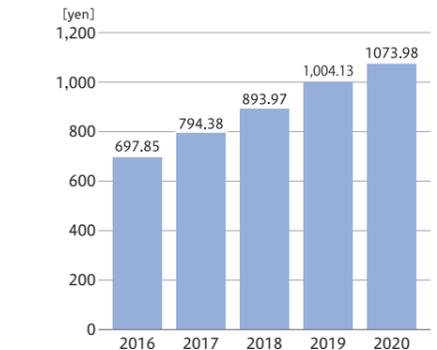
Cash and cash equivalents at end of term



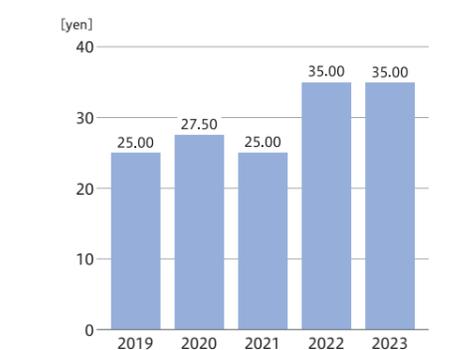
Net income per share



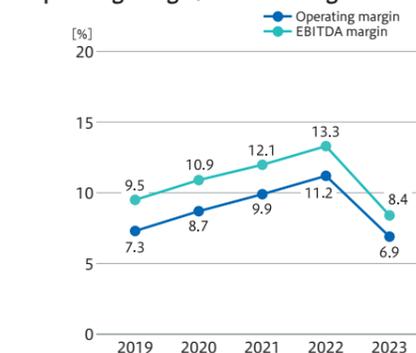
Net assets per share



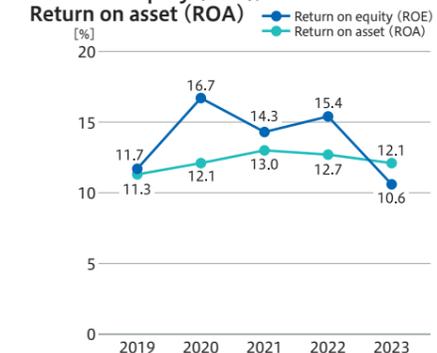
Dividend per share



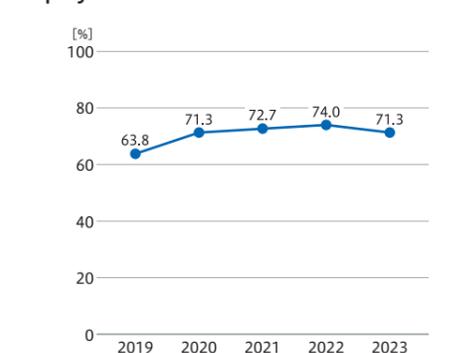
Operating margin/EBITDA margin



Return on equity (ROE)/ Return on asset (ROA)



Equity ratio



* Return on equity (ROE) = Net income ÷ Average equity capital × 100
* Return on asset (ROA) = Ordinary income ÷ Average total assets × 100

FINANCIAL STRATEGY

The Group promotes management that is conscious of the cost of capital, and aims to continuously Generate returns that exceed the cost of capital.

To achieve this goal, we will strive for business growth based on a balance between promoting investment in growth (Reinvestment in existing businesses, M&A), ensuring financial soundness, and strengthening returns to our stakeholders.

Financial Policy

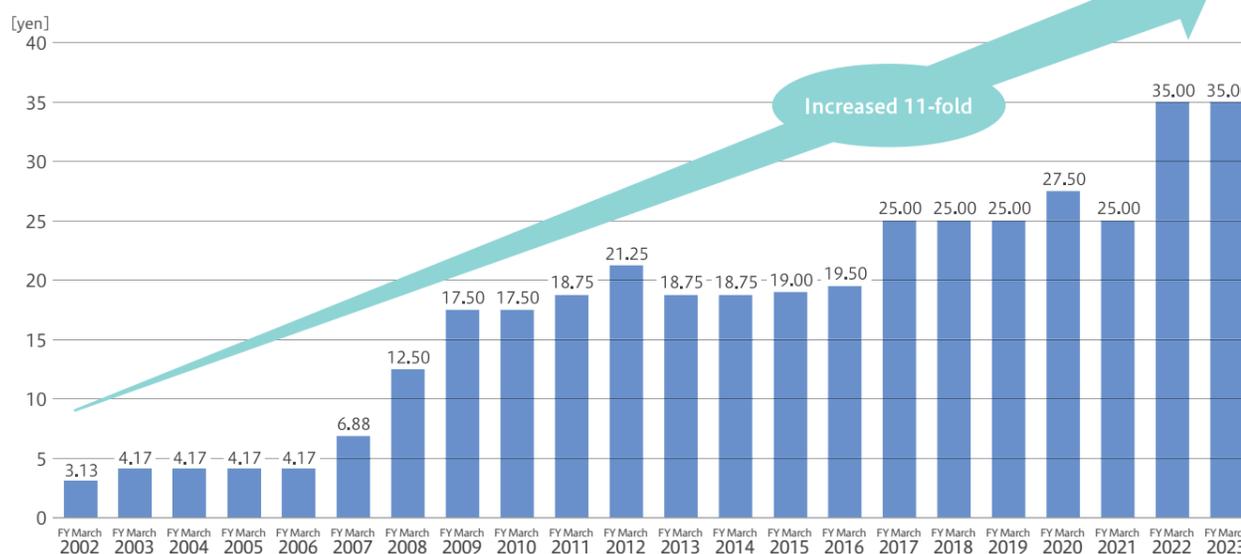
Sustainable enhancement of corporate value	Realization of ROE of 12% or more
Promoting investment in growth	Promote ROIC-conscious growth and business investment
Ensuring financial soundness	Cash and deposits of approximately 3 months of monthly sales Capital adequacy ratio of 50% or more
Strengthening returns to our stakeholders	Strengthen returns to customers, employees, and shareholders

Policy for profit sharing with shareholders

We will make efforts to return profits to shareholders while comprehensively considering continuous, stable dividends, the enrichment of internal reserve for the future growth, etc..

We will use the internal reserve effectively by investing in existing and new businesses, for further fortifying the management foundation and expanding the business scale.

Transition of Dividends(per share)



*The dividend for the fiscal year ended March 31, 2012 includes a commemorative dividend of "2.5 yen" for the 10th anniversary of our listing.
 *The dividend for the fiscal year ended March 31, 2020 includes a commemorative dividend of "2.5 yen" for the market change to the First Section of the Tokyo Stock Exchange.
 *The Company conducted a 1.2-for-1 stock split of common stock on October 26, 2006. In addition, on October 1, 2012 and July 1, 2019, the Company conducted a two-for-one stock split of its common stock. Dividends for the fiscal year ended March 31, 2019 and before have been adjusted retroactively to take into account this impact.

STOCK INFORMATION

Shareholder Information

(As of March 31, 2023)

Number of Shares Issued
.....41,925,300 shares

Number of Shareholders
.....5,306 persons

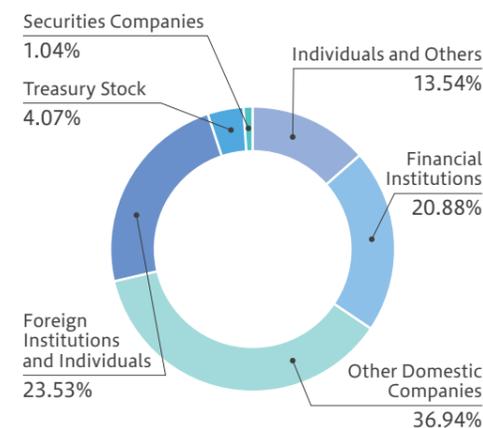
Major Shareholders

(As of March 31, 2023)

	Shareholder	Number of Shares Held (shares)	Ownership (%)
1	Mugen Corporation	13,614,480	32.47%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	5,510,200	13.14%
3	JPLLC CLIENT ASSETS-SK J	1,892,161	4.51%
4	Custody Bank of Japan, Ltd. (Trust Account)	1,790,900	4.27%
5	PROTO CORPORATION	1,704,227	4.06%

Share Distribution Condition

(As of March 31, 2023)



Share Price Movement

