



(TRANSLATION FOR REFERENCE ONLY)

December 10, 2024

To Our Shareholders:

Corporate Name: PROTO CORPORATION

Representative: Kenji Kamiya, President

Securities Code: 4298

(TSE Prime, NSE Premier)

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Notification on the receipt of an investigative report of the special investigation committee

As mentioned in “Notification on the establishment of a special investigation committee and the postponement of announcement of the financial results in the second quarter of the fiscal year ending March 2025” dated October 18, 2024, it was revealed that a former employee of our company had conducted false deals (transactions in which money was sent to or received from business partners or the like without confirming the provision of services), and our company had recorded certain amounts of false sales toward business partners and false costs of sales (hereinafter referred to as “this case”), so we conducted an in-house investigation, but in order to conduct a more thoroughgoing and comprehensive investigation, we established a special investigation committee composed of lawyers and certified public accountants who do not have a stake in our company on October 18, 2024, and have proceeded with the investigation.

Today, we have received an investigative report from the special investigation committee, as described below.

1. Results of the investigation by the special investigation committee

For the results of the investigation by the special investigation committee, please refer to the attached “announced investigative report.” We have announced said investigative report after concealing some parts from the viewpoints of protection of personal information and confidential information, etc. Please note that “announced investigative report” will only be disclosed in Japanese.

2. Impact on the consolidated financial statements of our company

As mentioned in “Notification on the establishment of a special investigation committee and the postponement of announcement of the financial results in the second quarter of the fiscal year ending March 2025” dated October 18, 2024, our company considered, from the results of the in-house investigation, that the period of this case was from July 2016 to March 2024, false sales in this case amounted to 1,831 million yen (cumulative total; consumption tax included) and false costs of sales amounted to 1,978 million yen (cumulative total; consumption tax included), but the special investigation committee conducted the investigation while considering the possibility that said former employee had started the false transactions before the above period, and as mentioned on page 29 of the “announced investigative report,” it was recognized that the period of this case was from August 2014 to March 2024, as it can be confirmed from the accounting book and statements of transactions with bank accounts of our company, and as mentioned on page 44 of the “announced investigative report,” it was recognized that the effects of this case on the consolidated financial statements of our company are false sales of 1,959 million yen (cumulative total; consumption tax included) and false costs of sales of 2,130 million yen (cumulative total; consumption tax included) (According to other reference material, it was considered that the former employee started false transactions around January 2013, but there is no reference material for confirming the cash flows of our company before August 2014, so we cannot estimate the effects.).

In addition, as mentioned on page 43 of the “announced investigative report,” the same kind of case or a similar case to this case our company has not grasped has not been discovered.

3. Measures to be taken

(1) Securities reports, brief financial reports, etc. for previous fiscal years

Seeing the results of the investigation by the special investigation committee, our company will discuss accounting processes, etc., estimate the effects on the consolidated financial statements of our company for previous fiscal years, submit the reports on revisions to the securities reports, quarterly reports, and internal control reports for previous fiscal years and revise brief financial reports and brief quarterly financial reports as soon as possible by December 20, 2024.

(2) Submission of the interim report for the fiscal year ending March 2025 and the announcement of financial results in the second quarter of the fiscal year ending March 2025

As mentioned in “Notification on the submission of an application for approval for the extension of the deadline for submission of an interim report for the fiscal year ending March 2025” dated November 14, 2024, we will work to submit the interim report for the fiscal year ending March 2025 as soon as possible by December 20, 2024, which is the extended deadline for submission.

We will also work to announce the financial results in the second quarter of the fiscal year ending March 2025 as soon as possible by December 20, 2024.

(3) Measures for preventing recurrence, etc.

Our company has accepted the results mentioned in the investigative report with sincerity, and will make every possible effort to prevent the recurrence of such a case. We will announce concrete preventive measures, etc. as soon as they are determined.

As a disciplinary action, we dismissed the former employee who was involved in this case on November 30, 2024.