



ESG BOOK

Overview

The PROTO Group believes that tackling the issues about ESG (Environment, Society, and Governance) actively would lead to the sustainable growth of our enterprise, and recognizes that it is indispensable to explain the activities of our corporate group to stakeholders, including investors, and repeat constructive dialogue with them, in order to improve our corporate value in the medium and long terms.

This ESG BOOK summarizes our group's policies and activities for ESG. Please give us your opinions about the ESG of the PROTO Group.

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.

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).

Contents

03-04 Environment & Society

In the changing environment and society, how do we engage in activities for surviving?

05-06 Corporate Governance

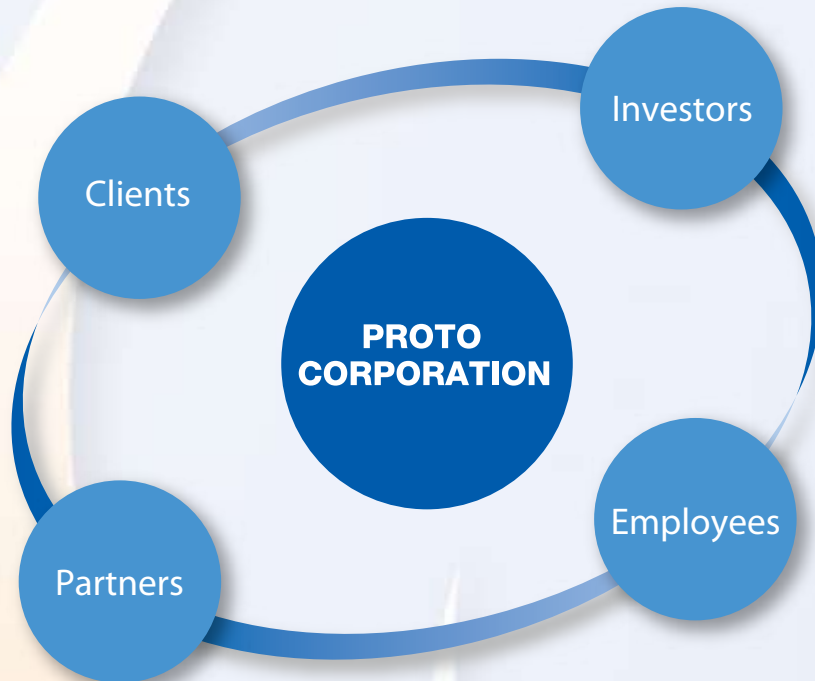
How do we conduct sound managerial judgment and operation?

Further information not included in ESG BOOK is available in the IR site.



Our Basic Policy

While observing the charter for corporate activities based on our corporate ideology, our company considers that it is important to conduct sound managerial decisions and operations, and secure the merits for stakeholders, including investors, clients, business partners, and employees. We strive to fulfill our social responsibility for continuing our business to keep the sustainability of our daily corporate operation and cope with changes in social structures.



Charter for Corporate Activities of the PROTO Group

1. Compliance with law

We accurately understand and observe all of relevant laws, regulations, and their ethos. We also take every possible effort to prevent wrongdoing.

2. Social contribution

By offering products and services, we make efforts to contribute to society. As a good cooperate citizen, we will carry out corporate activities proactively and actively for maintaining an enriched, sound society and contribute to society broadly.

3. Business administration

We engage in fair, transparent, and free competitions and proper transactions. We also keep sound, appropriate relations with politics and administration.

4. Disclosure of information

We keep communicating with shareholders as well as society, and disclose corporate information proactively and fairly.

5. Working environment

We respect the diversity, personality, and individuality of employees, and secure a safe, comfortable working environment, to realize comfort and affluence.

6. Environmental conservation

Environmental issues should be addressed by all people, and we recognize that it is essential to tackle them for maintaining the existence and activities of our company. We will take action voluntarily and actively for “sustainable growth.”

7. Elimination of antisocial forces

We take a firm stand against antisocial forces, which threaten the order and safety of civil society. We will also cement the cooperation with industry groups, police, etc. in eliminating antisocial forces.

Environment & Society: Efforts for Sustainability

The PROTO Group clarifies its social responsibility, and then engage in activities for meeting social expectations. We aim to create not only economic value, but also social and environmental value by actualizing the sustainable development and growth of society and the environment.

	Specific situation; Used car distribution industry	General situation
Issues of society	1 To Correct the Asymmetry of Information	2 Empowerment of Women to Cope with the Decrease in Productive-age Population
Issues of the environment	3 To Reduce Carbon Dioxide for Mitigating Global Warming	

1 To Correct the Asymmetry of Information

TOPICS Creation of an Environment in which Users Can Purchase Used Cars While Fully Understanding Their States without Worry

The used car market has been considered as the one in which it is difficult to secure a good balance of information volume regarding products between sellers and buyers.

In such a market, our company has gleaned the information on used cars that would help users decide to buy a used car after fully understanding it and provided them since the start of our business. Goo-net includes the information on vehicles (specs, prices, etc.), warranty, after-sale services, and dealers, so that users can collect necessary information by themselves.

Our company also pursues the higher quality of information, and concentrates on the service of disclosing car state information "ID Cars (Goo-inspected cars + manufacturer-certified used cars)" to develop an environment in which users can purchase used cars "without worry."

Furthermore, the information in Goo-net is updated on a real-time basis, to keep information hot.

By utilizing the know-how nurtured inside Japan, we are engaging in the same kinds of activities in Taiwan and Malaysia. The "corporate value" of the PROTO Group lies our pursuit of better information volume, quality, and freshness, and creation of an environment in which users can purchase used cars while fully understanding their states without worry.



2 Empowerment of Women to Cope with the Decrease in Productive-age Population

Development of a Working Environment

As one of our managerial missions is to recruit and empower women, we are developing a working environment while raising the awareness in our company. Concrete measures include the appointment of women as directors (2 female directors as of June 2017), the establishment of a consultation division for securing the health of female workers via the Intranet, childcare and maternity leaves, and each male worker to take a leave when his child is born.



In February 2016, our company formulated "an action plan as a general enterprise pursuant to the Act on the Empowerment of Women," setting quantitative goals till March 2021.

Quantitative goal	Measures
To increase the ratio of female employees to 30% or over	(1) To develop a working environment in which women can flourish (2) To offer internship for recruiting more women (3) To establish a recruitment division exclusively for women
To have 30 or more female managers	(1) To introduce the role models of female managers and cases of exchanges and career paths (2) To hold trainings for brushing up the expertise and skills of female employees (3) To hold trainings for candidate female managers

3 To Reduce Carbon Dioxide for Mitigating Global Warming

■ Support for the Sale of Next-generation Automobiles

Inside Japan, with the aim of realizing a low-carbon society, we will proceed with the innovative technology development and the diffusion of existing cutting-edge technologies which are important to attain our long-term goal by 2050. One of the measures for diffusing existing cutting-edge technologies is the “introduction of next-generation automobiles.” Especially, a goal to be achieved by 2030 is to “increase the ratio of next-generation automobiles to new cars to 50-70%.”

Our company, too, enhance the support for the sale of new cars of each automobile manufacturer and contribute to the sales promotion of next-generation automobiles, by offering the tools for negotiations for new cars, appraisal tools, residual value programs, etc. to manufacturers and dealers.

■ Curtailment of Paper Consumption



In September 2016, we changed the three magazines for Tokyo Metropolitan, Tokai, and Kansai areas among the automobile information magazine Goo (published in 14 areas in Japan) to monthly ones. This contributed to the reduction of paper consumption and printing energy consumption. We also strive to decrease paper wastes by recycling used paper.

We also promote employees to do without paper when producing reference materials for meetings and application forms, to curtail company-wide paper consumption.

■ Cleaning Activities



Since July 2016, we have continued cleaning activities for the purpose of communicating and coexisting with local communities as a “good corporate citizen.”

■ Group Company's Activities



AUTOWAY, which belongs to the PROTO Group, set solar panels on the distribution warehouses, to harness solar power and reduce the burdens on the earth environment.

■ Introduction of LED Lamps

Tokyo Head Office of PROTO CORPORATION is equipped with power-saving LED lamps, to contribute to the mitigation of global warming through the reduction of CO₂ emissions.

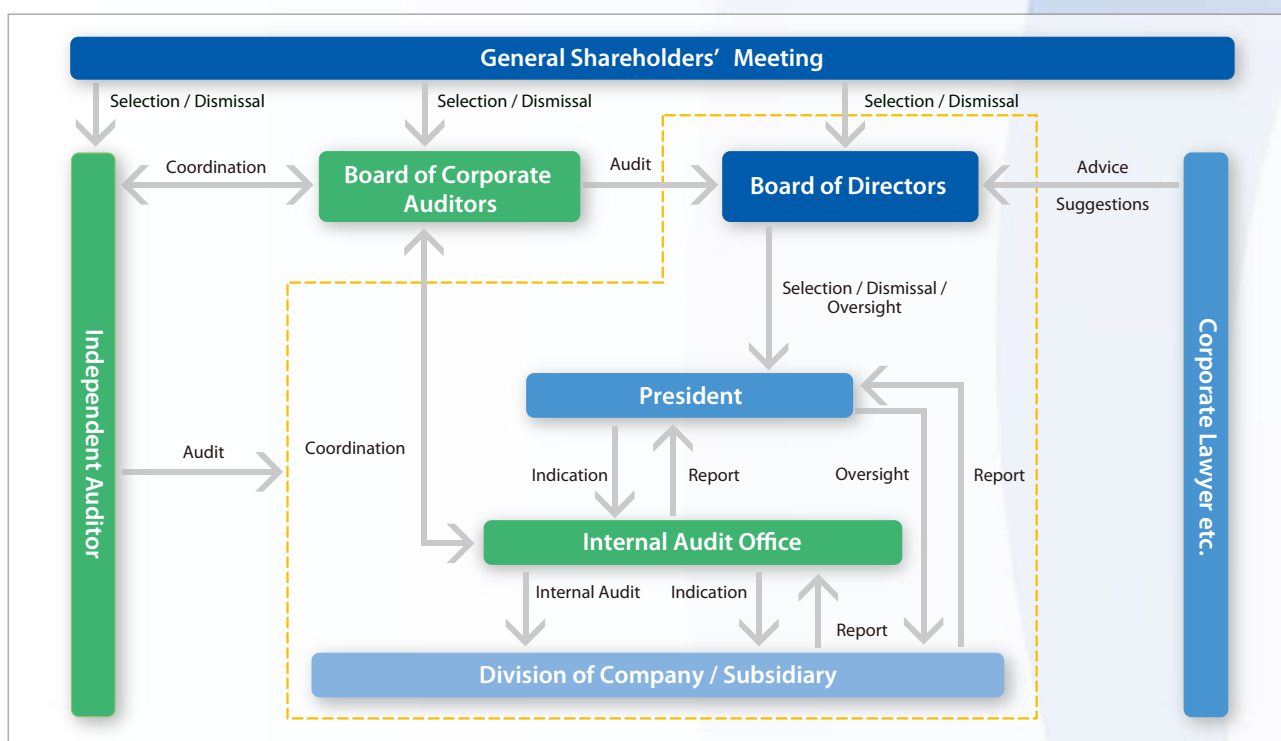
Corporate Governance: Establishment of a Highly-transparent, Sound Management System

Our company considers that the purposes of corporate governance are to improve our corporate value by securing continuous, stable revenue and expanding business scale further and to actualize highly transparent, sound business administration that can win the trust of society. In addition, our company prioritizes the maximization of benefits for stakeholders, including shareholders, business partners, and

employees, and considers that this would lead to the improvement in our social value.

We will keep striving to comply with laws and regulations, strengthen the functions to monitor and supervise business operation, disclose information in a timely, appropriate, fair manner, and establish a highly transparent, sound management system.

Corporate Governance System



Board of Directors

The board of directors is composed of 12 directors and 5 auditors, holds a monthly meeting and an extraordinary meeting when necessary, discusses and resolves items specified in the regulations for the board of directors. Directors have the authority to execute their business, and take the role of monitoring and supervising the behaviors of other directors and the items submitted to management meetings.

In addition, our company adopted the operating officer system, providing operating officers in charge of specific sections with the authority equivalent to directors' authority to execute business. Operating officers are requested to report their business execution to the board of directors when necessary.

Board of Corporate Auditors

The board of auditors is currently composed of 5 auditors (including 4 outside ones), and is strengthening the system for monitoring and supervising business administration. A meeting of the board of auditors is held on a monthly basis, to

share information among auditors. Auditors attend the meetings of the board of directors, check documents, interview related personnel, to audit the business execution of directors, the development and operation of the internal control system, etc.

Independent Auditor

KPMG AZSA LLC was selected as a comptroller, and we signed a contract for audit. Our company provides the comptroller with accurate managerial information, so that the comptroller can audit our business from a fair, unbiased standpoint.

Internal Audit Office

Our company has the internal audit division (composed of two members), which is directly managed by the representative director and president. The internal audit division visits the branches, sales offices, and subsidiaries throughout Japan, to crosscheck in-company rules and practices and audit the management and preparation of ledgers.

To Follow the Corporate Governance Code

Our company observes the 5 basic principles of the corporate governance code as a company listed in JASDAQ.

The progress and policy of our activities with respect to the principles of the corporate governance code are described in our website. JAPANESE ONLY <http://www.proto-g.co.jp/IR/management/governance.html>

Policy for Constructive Dialogue 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 important to actively dialogue with shareholders on a routine basis, reflect the opinions and requests of shareholders in our business administration, and grow our company with shareholders.

Accordingly, our company has established an IR system centered around the representative director and president, and offers the opportunities to dialogue with shareholders and investors, in order to deepen their understanding of our managerial strategies and plans.

Furthermore, the opinions of shareholders and investors are reported to the board of directors when necessary, to reflect them in our business administration.



TOPICS Analysis and Evaluation of the Effectiveness of the Board of Directors

For the purpose of continuously improving the functions of the board of directors by evaluating the effectiveness of the entire board of directors and applying the PDCA cycle based on the evaluation results, we conduct a “self-assessment questionnaire regarding the effectiveness of the entire board of directors” targeted at directors, auditors, and operating officers in March every year, to analyze and evaluate the effectiveness of the board of directors.

Results of the Self-assessment of the Effectiveness of the Board of Directors in the Term Ended March 2017

As a result of the above self-assessment questionnaire, it was found that the board of directors functions properly as a whole and keeps its effectiveness. The highly evaluated items include the involvement in the planning, execution, and revision of managerial strategies, the clarification of contents discussed by the board of directors, and the securing of time for deliberating important matters.

Review by the Leading Independent Outside Director

The board of directors has active, constructive discussions based on the business plans produced under the corporate

ethos and policies. As the company has the board of auditors, the auditors’ function to monitor the management is working well. The reference material of the board of directors is distributed to outside directors in advance, so that sufficient deliberation can be made. Accordingly, the board of directors always makes a decision with the hope of increasing the profits for general shareholders and the corporate value, and its effectiveness is secured.

Yumiko Sakurai, Certified public accountant / tax accountant



Regarding Risks

The following items could affect the judgment of investors considerably. Our corporate group does not always consider the following items as business risks, but proactively discloses important items for making an investment judgment or understanding our business activities from the viewpoint of information disclosure to investors. Our corporate group will make efforts to avoid risks and respond to them if they occur, while recognizing the possibility of each risk.

Business Risks

1. Regarding the dependence on automobile-related information
2. Regarding the fluctuations in the printing paper market
3. Regarding the dependence on specific subcontractors
4. Regarding the dependence on specific suppliers
5. Regarding the legal regulations for contents
6. Regarding system security and the risk of system and network failures
7. Regarding the protection of personal information
8. Regarding the corporate responsibility about contents
9. Regarding the risks in the used car export business
10. Regarding the risks in M&A



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

Corporate Profile

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

For further information	Corporate Planning Department TEL: +81-52-934-1519 FAX: +81-52-934-1750 E-mail: 4298ir@proto-g.co.jp
-------------------------	---

Publication date	August 2017
------------------	-------------