

# PROTO CORPORATION ANNUAL(ESG) REPORT 2022



# Corporate Goal and Ideology and Profile

## Corporate Goal

—Create change by continuing to challenge itself.—

## CHANGING COMPANY

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
Established	June 1, 1979 (Founded: October 1, 1977)
Common Stock	1,849 million yen (As of March 31, 2022)
Shares Outstanding	41,925,300 shares (As of March 31, 2022)
Head Offices	1-23-14 Aoi, Naka-ku, Nagoya-shi, Aichi 460-0006 Japan 6-18-1 Nishishinjuku, Shinjuku-ku, Tokyo 160-0023 Japan
Branch Offices	Sapporo, Sendai, Takasaki, Nagano, Hamamatsu, Nagoya, Kanazawa, Osaka, Hiroshima, Matsuyama, Fukuoka, Kumamoto (35 Sales Outlets Nationwide)
Fiscal Year-end	March 31
Number of Employees	1,302 (consolidated) / 534 (non-consolidated) (As of March 31, 2022)
Stock Exchange Listing	Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market
Corporate Site	<a href="https://www.proto-g.co.jp/">https://www.proto-g.co.jp/</a>
IR Site	<a href="https://www.proto-g.co.jp/IR/">https://www.proto-g.co.jp/IR/</a>

## Top Message

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

On October 1, 2022, our company commemorated the 45th anniversary of the inauguration of our business, thanks to your support and patronage. We would like to express our heartfelt thanks to you.

We consider that the management ethos: “Converting endeavors into the power of the future” means creating unprecedented value with novel ideas and frameworks and then offering it to the world.

Starting with the endeavor to publish the first magazine pertaining to used cars in Japan in 1977, we made inroads into a variety of mobility-related fields, including new cars, automobile maintenance, and aftermarkets, and promoted DX in the mobility industry, by utilizing our big data nurtured in each field and AI technology.

As there have been countless varieties of changes and evolutions, including the distribution of the Internet and smartphones and the diffusion of new lifestyles through the spread of the novel coronavirus, in the past 45 years since the start of our business, we can expect that the environment surrounding our company, such as social values and ideal states of enterprises, will change in the coming 45 years. Accordingly, we hope to further pursue the endeavors to “solve social issues and realize dreams” and “inspire people” rather than pursuing short-term profits.

We recognize that the perspective of ESG is indispensable for considering future business administration. Through the dialogue with diverse stakeholders, we will accurately grasp social demand and take appropriate measures, to create social value (helping solve social issues) and economic value (producing benefits through the improvement of corporate value), with the aim of realizing a sustainable society.

We will keep creating new value by pursuing “dreams, inspirations, and joy” and make the utmost effort to become a “partner for the future society” to be definitely chosen by society. We would appreciate your continued support.

President Kenji Kamiya



# PROTO Group Correlations





## 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

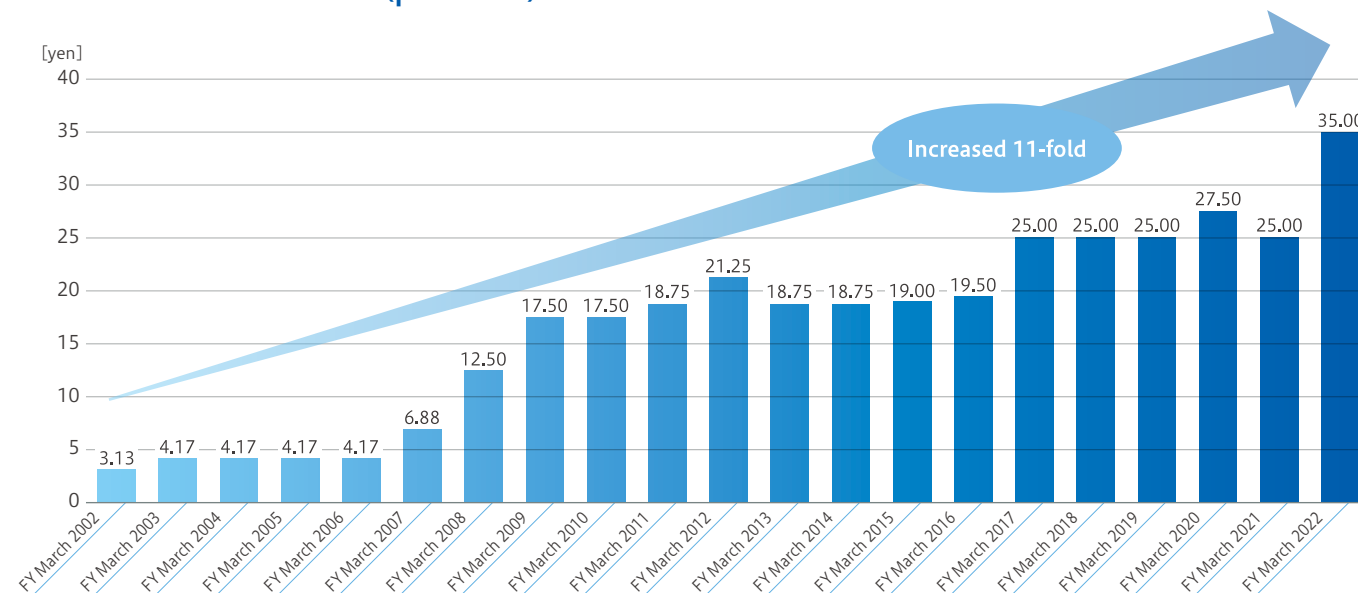
<b>Sustainable enhancement of corporate value</b>	Realization of ROE of 12% or more
<b>Promoting investment in growth</b>	Promote ROIC-conscious growth and business investment
<b>Ensuring financial soundness</b>	Cash and deposits of approximately 3 months of monthly sales Capital adequacy ratio of 50%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

## Financial Information

### Financial highlight

	2018	2019	2020	2021	2022
<b>Sales</b>	62,111	62,251	59,127	60,097	57,446
<b>Operating income</b>	3,674	4,565	5,136	5,941	6,422
<b>Ordinary income</b>	3,735	5,004	5,354	6,118	6,622
<b>Profit attributable to owners of parent</b>	519	3,159	4,991	4,853	5,880
<b>EBITDA*1</b>	5,396	5,920	6,455	7,262	7,660
<b>Net income after adjustment *2</b>	1,151	3,596	5,420	5,275	6,240

<b>Cash flow from operating activities</b>	3,999	3,807	6,014	6,574	4,533
<b>Cash flow from investing activities</b>	(1,576)	(1,352)	401	(898)	1,458
<b>Cash flow from financing activities</b>	898	(2,846)	(4,459)	(1,530)	(1,547)
<b>Free cash flow</b>	2,423	2,455	6,415	5,676	5,991
<b>Cash and cash equivalents at end of term</b>	15,729	15,356	17,336	21,485	25,939

	2018	2019	2020	2021	2022
<b>Total assets</b>	44,417	43,879	44,726	49,388	54,525
<b>Total net assets (capital)</b>	25,977	28,029	31,932	35,934	40,397
<b>Capital</b>	1,824	1,824	1,849	1,849	1,849
<b>No. of employees</b>	1,578	1,455	1,456	1,416	1,302

### Data per share\*3

	2018	2019	2020	2021	2022
<b>Net income per share</b>	12.95	78.75	124.33	120.86	146.34
<b>Net assets per share</b>	646.81	697.85	794.38	893.97	1,004.13

### Management indicators

	2018	2019	2020	2021	2022 (%)
<b>Operating margin</b>	5.9	7.3	8.7	9.9	11.2
<b>EBITDA margin</b>	8.7	9.5	10.9	12.1	13.3
<b>Return on equity (ROE) *4</b>	2.0	11.7	16.7	14.3	15.4
<b>Return on asset (ROA) *5</b>	8.7	11.3	12.1	13.0	12.7
<b>Equity ratio</b>	58.4	63.8	71.3	72.7	74.0

\* 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 3/2020" 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

## Basic Sustainability Policy

Our management philosophy 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 making these efforts, we will fulfill our responsibility to society by accurately grasping the demand of society through responsible dialogue with our diverse stakeholders (customers, employees, shareholders, investors, business partners, government, local communities, etc.) and taking appropriate action.

## Environment

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.

### Governance

The Internal Control Committee, chaired by the President and Representative Director, examines and deliberates on basic policies and Items to be addressed to climate change. In addition, a subcommittee has been established under the Internal Control Committee to carry out tasks such as identifying and assessing climate change risks and opportunities. The Internal Control Committee meets monthly to review and strengthen the status of internal controls and responses to various risks. Climate change subcommittee is also considering and reporting on in conjunction with the Internal Control Committee meetings.

### Risk Management

We regard risk management as an important initiative to enhance corporate value. The Internal Control Committee analyzes various risks, takes action on matters that may have a Significant impact, and reports the results to the Board of Directors as appropriate. (See Figure 1 for a diagram of the governance and risk management structure.)

### Strategy

In our mid-term management plan (FY March 2023 - FY March 2025), we will recognize and respond to the highly importance risks and opportunities associated with climate change. Based on the scenario analysis, we plan to study the impact on our group's business, as well as our strategies and goals.

### Indicators and Targets

Total greenhouse gas emissions for the fiscal years ending March 31, 2021 and 2022 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, 2021	Fiscal year ended March 31, 2022
Scope 1: Direct emissions (t-CO <sub>2</sub> )	2,941.1	3,037.0
Scope 2: Indirect emissions (t-CO <sub>2</sub> )	2,891.4	2,999.7
Scope 1 + Scope 2 subtotal (t-CO <sub>2</sub> )	5,832.5	6,036.8

## Social

### Eliminating and addressing information asymmetry in the mobility industry

In the used car and automobile maintenance fields, where information tends to become asymmetric, we offer sufficient information for making a decision to those who are thinking of purchasing a used car and those who are looking for a car maintenance shop via "Goo-net" and "Goo-net Pit," and pursue high transparency and reliability of information.

### Providing peace of mind through car condition information disclosure services

In order to pursue the high transparency and reliability of the quality of information, we conduct the "ID cars (Goo-inspection + Used Cars Certified by Makers)" service for the disclosure of car condition information and provide inspection information.

This information allows users to purchase used cars with peace of mind, as they can check the condition of the exterior, interior, engine, restoration history, etc. through the online "Vehicle Condition Appraisal Report," which in turn contributes to the high purchase rate in Goo-net.

### Promoting digitalization in the mobility industry

Our company is promoting DX in the mobility industry and is investing in software to improve operational efficiency and user communication.

Services that will help used car dealers increase the rate of making a successful deal

#### AI Recommendation Space



A function in which AI proposes images to be displayed on the list of search results in Goo-net. AI fittingly proposes images demanded by Goo-net users who are looking for a used car, to improve the rate of making a successful deal.

Service for assisting new car dealers in streamlining their business operations

#### DLSG car replacement Proposal Movie



It predicts the future price of a vehicle owned by each user, automatically simulates the change of cars, and compares costs, etc. to give proposals with videos. Since a video and an URL are produced automatically for each user, it is possible to give a proposal to each user thinking of changing cars by email, SMS, chat, or the like, as it has been conducted by sending a DM or postcard.

To assist car maintenance shops in streamlining their operations

#### Car acceptance management system MOTOR GATE PIT IN



This service can manage bookings via not only Goo-net Pit, but also other companies' EC sites and maintenance shops' websites in a unified manner. It also can manage the statuses of cars from booking to visiting a shop to the completion of maintenance work.

\*In addition to the above, we have also released a variety of other services.

We will continue to develop DX-related services and contribute to the promotion of digitization and business efficiency improvement in the mobility industry.

## Social

### Aiming to be a company where diverse employees can work with vigor and enthusiasm

We believe that in order to fulfill our corporate social responsibility, it is important to not only respect human rights, but also promote businesses that contribute to the sustainability of people, society, and the planet. To this end, we have established the Charter of Corporate Behavior, which serves as the foundation for all our corporate activities, and we strive to act with high ethical standards.

### Regarding the promotion of women, non-Japanese nationals, and mid-career workers

We aim to realize a corporate culture in which all employees can work voluntarily, proactively, and independently in an enjoyable, lively manner, and have the basic policy of evaluating personnel and promoting employees to managerial posts according to their skills and performances regardless of nationality, gender, etc. As of March 31, 2022, the number of female employees was 51, and the number of non-Japanese employees was 2. They still account for a small proportion of employees, so it is difficult to indicate the target number of women and non-Japanese nationals promoted to managerial posts. We will first recruit and promote a larger number of such people and then plan to disclose the actual number of them. Regarding the promotion of mid-career workers to managerial posts, we have secured diversity sufficiently. As of March 31, 2022, the ratio of mid-career workers promoted to managerial posts was 83.4%. In addition, the ratio of mid-career workers to employees is 72.4%. Accordingly, we believe that the ratio of such workers promoted to managerial posts is within an appropriate range without bias. From now on, we will actively recruit diverse personnel, including women, non-Japanese nationals, and disabled people, and work on the assignment, training, education, promotion, etc. of them.



### To improve the engagement of employees

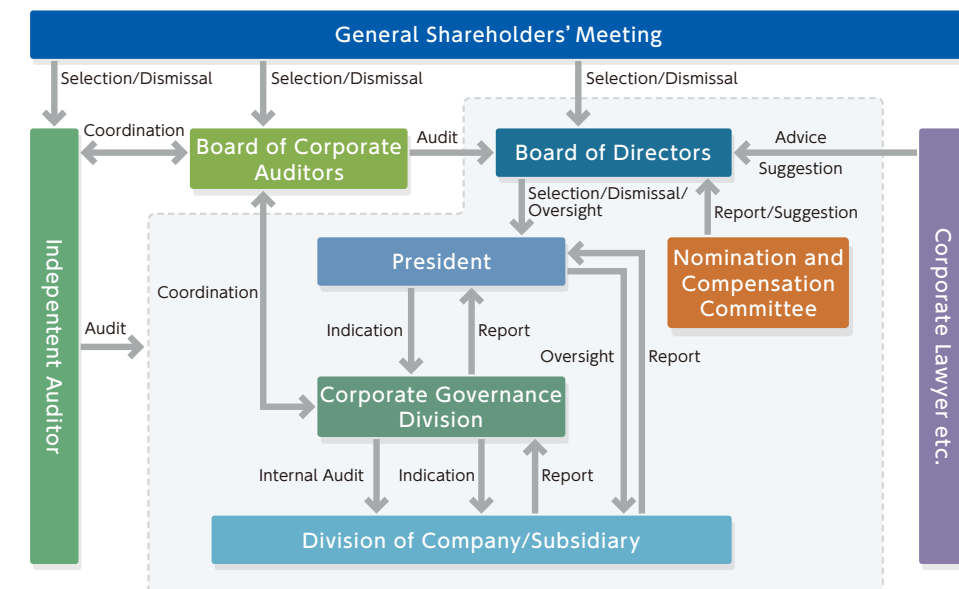
### To promote the communication between executives and employees

We hold dialogues between the representative director & president and employees regarding our corporate ethos, future, etc. and post their contents in our company magazine, to enhance the engagement of the entire company regardless of section, age, and gender.

### To help employees work and experience life events both successfully

Our company magazine includes interviews with male employees who have taken childcare leave and child-rearing employees. We promote the reform of employees' mindsets, by actively disseminating information on working and experiencing life events both successfully.

## Governance



### Basic policy for corporate governance

In addition to enhancing corporate value by ensuring consistent and stable profits and further expansion of the Group's businesses, the purpose of corporate governance is to engage in highly transparent and sound management that earns the trust of society. We believe that managing our business while taking constant care to maximize profits for shareholders, clients, employees, and all other stakeholders helps enhance our value as a member of society. We 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.

### Establishment of a discretionary nomination and remuneration committee

Our company established a discretionary nomination and remuneration committee, which deliberates and determines a policy for determining the remuneration for each executive and the actual remuneration amount of each executive. This committee is composed of 3 members: Ms. Yumiko Sakurai, who is an independent outside director and chairs the committee, the representative director & president, and Ms. Eriko Kitayama, who is an independent outside director. Executives are evaluated with five grades based on the evaluation standards specified by our company, and their remuneration amounts are determined within the range set for each position based on the evaluation results. Until the term ended March 2022, the authority to determine remuneration amounts was delegated to Mr. Hiroichi Yokoyama, who is the representative director and chairperson, but from the term ending March 2023, the nomination and remuneration committee deliberates the appropriateness of the remuneration for each executive, and sends opinions to the board of directors.

### When the Nomination and Remuneration Committee meets and its main agenda (All three members present in all of the following)

Aug. 2021	: Nominating and Compensation Committee's Basic Policy and Annual Plan for the Year Ended March 31, 2022
Oct. 2021	: Determination of basic policies for succession planning (Succession Plan)
Nov. 2021	: Consideration of drafts of succession plans (succession plans), executive development plans, etc.
Jan. 2022	: Confirm executive compensation for the fiscal year ending March 31, 2023, review draft of directors' skills matrix, and consider candidates for new executive officers
Mar. 2022	: Evaluation of director candidates for the fiscal year ending March 31, 2023 and consideration of their appointment; review of draft Skill Matrix; annual Nominating and Compensation Committee plan for the fiscal year ending March 31, 2023.