



(TRANSLATION FOR REFERENCE ONLY)

December 14, 2023

To Our Shareholders:

Corporate Name: PROTO CORPORATION
Representative: Kenji Kamiya, President
Securities Code: 4298
(TSE Prime, NSE Premier)
Contact: Takehito Suzuki, Executive Officer
Tel: +81-52-934-2000

Notice Regarding the Disposal of Treasury Shares Through a Third-Party Allocation

At the meeting of the board of directors held on December 14, 2023, we resolved to dispose of treasury shares through a third-party allocation (hereinafter referred to as “the disposal of treasury shares”) as described below.

1. Overview of the disposal

(1) Date of disposal	Jan. 5, 2024
(2) Type and number of shares to be disposed of	Common shares, 110,000 shares
(3) Disposal price	1,286 yen per share
(4) Total amount of shares to be disposed of	141,460,000 yen
(5) Party that will receive the shares	The Master Trust Bank of Japan, Ltd. (Trustee for ESOP Trust)
(6) Other	The notification submitted in accordance with the Financial Instruments and Exchange Act needs to be effective for the disposal of treasury shares.

2. Purpose of and reason for the disposal

At the meeting of the board of directors held on December 14, 2023, our company resolved to adopt ESOP Trust for the purpose of fostering the willingness of our company’s employees (hereinafter referred to as “the employees”) to get involved with business administration for improving our business performance and corporate value in the medium/long term and increase the price of shares of our company from the medium/long-term viewpoint to realize “stakeholder-oriented management” and then improve our corporate value in a sustainable manner.

For the brief description of ESOP Trust, please refer to “Notice Regarding the Adoption of “ESOP Trust”,” which was issued on December 14, 2023.

Through the disposal of treasury shares, we will transfer treasury shares via a third-party allocation to The Master Trust Bank of Japan, Ltd. (the trustee for ESOP Trust), which is a joint trustee in a contract for ESOP Trust (hereinafter referred to as “the trust contract”) to be concluded between our company and Mitsubishi UFJ Trust and Banking Corporation for the adoption of ESOP Trust.

The number of shares to be disposed of is the expected number of shares to be distributed to employees during the trust period in accordance with the regulations for distributing shares. Dilution rate will be 0.26% (rounded to two decimal places; 0.27% of the total number of voting rights [402,350] as of September 30, 2023) of the total

number of outstanding shares (41,925,300).

The shares allocated through the disposal of treasury shares will be distributed to employees in accordance with the regulations for distributing shares, so it is not expected that the shares transferred through the disposal of treasury shares will be distributed in the stock market all at once. Accordingly, the impact of the disposal of treasury shares on the market will be minor, so we concluded that the number of shares to be disposed of and dilution rate are reasonable.

Overview of the trust contract

Type of the trust	Money trust other than that for a specific purpose (trust for benefits of others)
Purpose of the trust	Provision of incentives to the employees of our company
Trustor	Our company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiary	Our company's employees who satisfy the conditions for becoming a beneficiary
Trust administrator	A third party who has no stake in our company (a certified public accountant)
Date of conclusion of the trust contract	Jan. 4, 2024 (scheduled)
Trust period	Jan. 4, 2024 to Jun. 30, 2028 (scheduled)
Date of start of the system	Jan. 4, 2024 (scheduled)
Exercise of voting rights	Voting rights will be exercised while following the instructions from the trust administrator.

3. Grounds for calculating the disposal price and their details

The disposal price was set at the closing price of our company's shares (1,286 yen) at Tokyo Stock Exchange, Inc. (hereinafter referred to as "Tokyo Stock Exchange") on the business day preceding the resolution of the board of directors for the disposal of treasury shares (December 13, 2023) while considering the recent fluctuation in the share price so that the price is not arbitrary. This price is a market price just before the date of the resolution of the board of directors, so we believe that it is highly objective and reasonable, and not an advantageous disposal price.

All of auditors of our company (4 outside auditors) expressed the same opinion that the above disposal price is not an advantageous one.

4. Procedure following the corporate code of conduct

The dilution rate of shares for this disposal is less than 25% and there is no change in controlling shareholders. Accordingly, it is unnecessary to conduct the procedures for obtaining opinions from independent third parties and confirming the intentions of shareholders in accordance with Article 432 of the Securities Listing Regulations established by Tokyo Stock Exchange.