



# 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

To change information into wisdom for the future  
and contribute to society through dreams and lasting impressions

## Company Goal

To Become a “Wonderful Company” ~That Makes Dreams Come True~

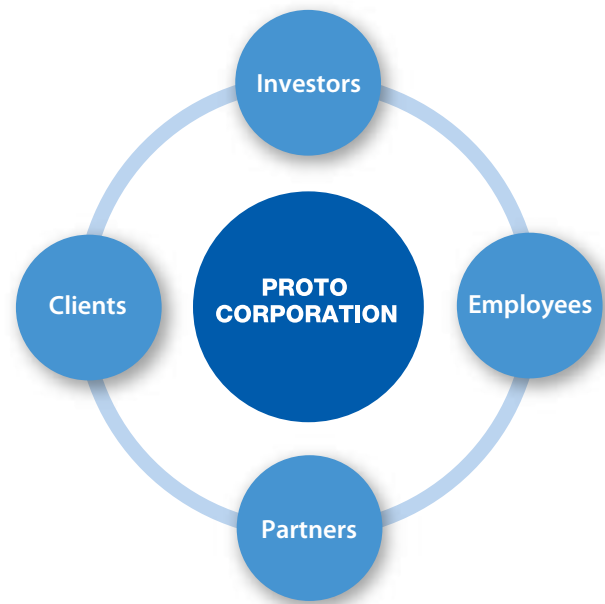
To create a firm demanded by society, by satisfying customers (with useful information and services), boosting the pride of employees (for their company and work), and winning the trust of shareholders (the future and results).

## 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.

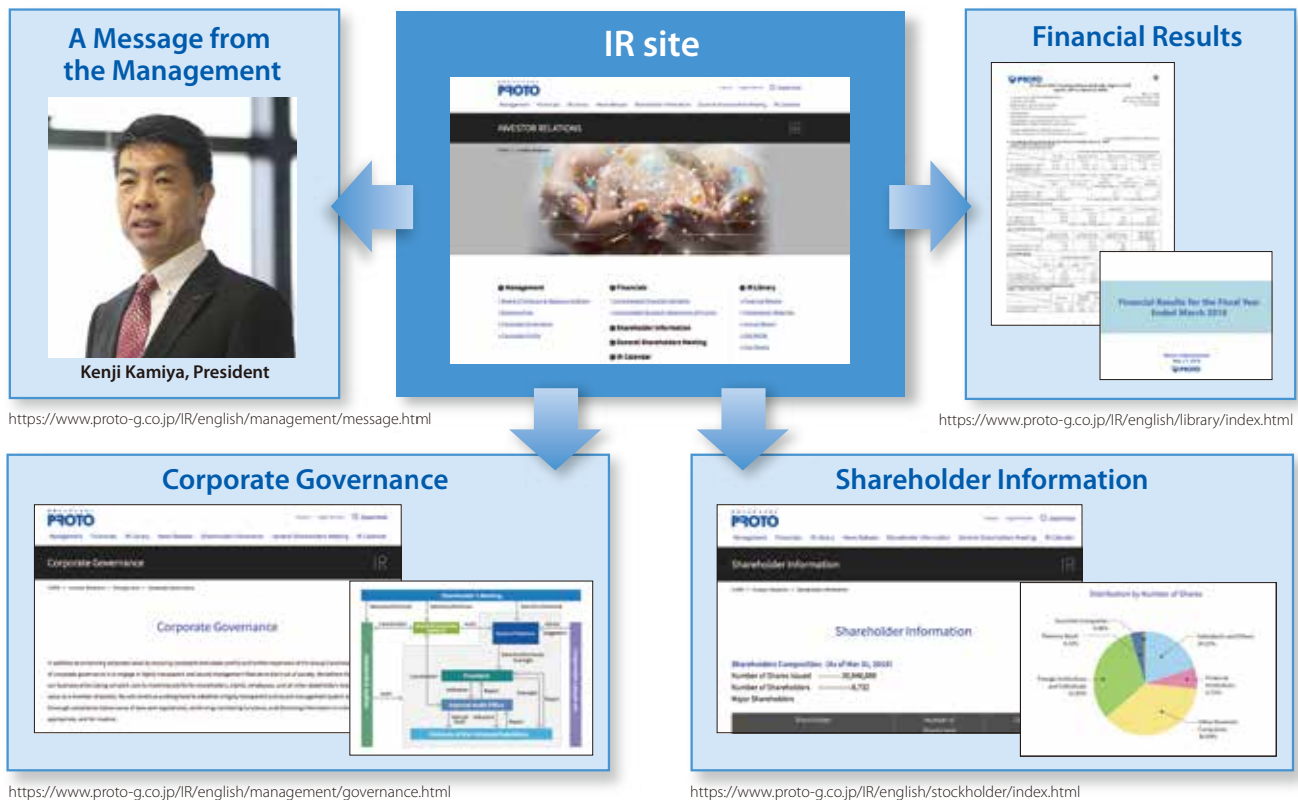
## Our Basic Policy

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.



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

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



## Contents

Environment

Social

Corporate governance

P. 03-05

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

P. 06-08

How do we conduct sound managerial judgment and operation?

# Efforts for Sustainability

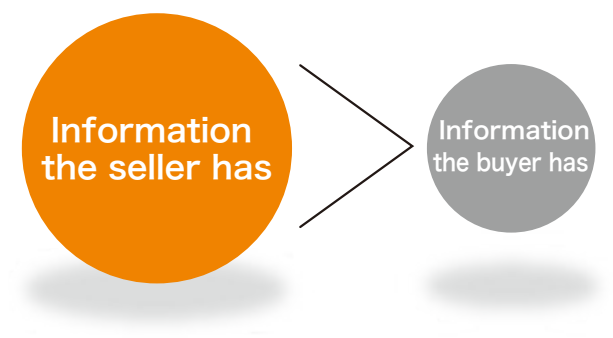
The PROTO Group clarifies its social responsibility, and then engage in activities for meeting social expectations. We aim to create not only economic value, but also social and environmental value by actualizing the sustainable development and growth of society and the environment.

	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 (Used Cars)

Social issues in the used car market, and our efforts to solve these issues

### Characteristics of the used car market

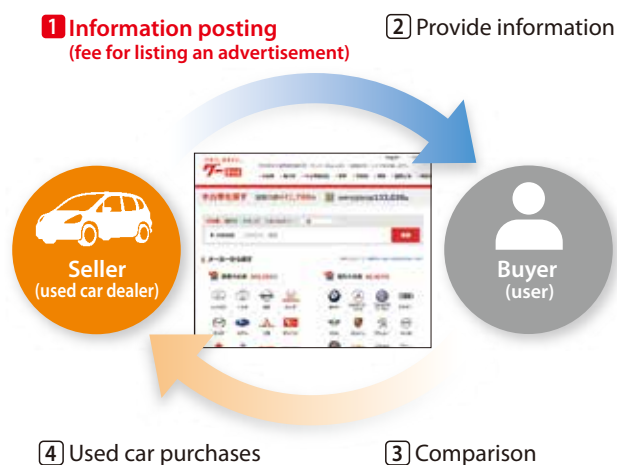


In the past, there was a lack of transparency in the used car market in Japan regarding items such as the price and quality of used cars being traded, due to information gaps that existed between buyers and sellers.

As a result, buyers of used cars are wary of the quality and price. Likewise, because sellers of used cars are unable to alleviate the concerns of buyers, they tend to have a difficult time selling at reasonable prices even if their vehicle is high-quality.

### Business Model

Operating a business (information and service) that matches buyers with sellers of used cars



For this kind of used car market, we collect and provide information on used cars in order to support customers in making an informed decision when they purchase a car.

Originally, we provided information via paper media, but nowadays information is mainly distributed by smartphones.

Goo-net lists vehicle information such as specifications and prices, as well as information about warranties, after-sales services, and car dealers, making it possible for users to find information they need, by themselves.

## Efforts to create shared value

### Goo-net (Car-related information)

Goo-net is a portal website for cars, and has the largest number of postings for used cars in Japan. It is visited by more than 8 million users a month, many of whom are there to purchase a car or are considering selling their car.

In addition, more than 40% of used car dealers in Japan have posted to Goo-net, and it continues to grow as a platform where car buyers and sellers can come together.

The biggest difference between Goo-net and other domestic competing websites is that Goo-net aims to be a highly transparent platform by using "ID cars" to display information regarding the condition of used cars.



<https://www.goo-net.com/>



### ID cars (Goo-inspection + manufacturer certified vehicles)

In order to create an environment where users can be confident in purchasing used cars, our company is focusing on the "ID cars (Goo-inspection + manufacturer certified used cars)" service, which discloses information about the condition of vehicles.

Users can check the exterior and interior conditions of vehicles, as well as their engine status, repair history, etc. online, via the "vehicle evaluation sheet." As a result, users can confidently purchase used cars, contributing to Goo-net's high purchase rate.

Also, in order to strengthen the inspection system for vehicles over the medium and long term, in 2012 we established the inspection subsidiary Car Credo, and are currently building a system capable of inspecting 500,000 vehicles per year.

We continue to stand out in the used car field with our unique media and inspection functions.



### Improving transparency and credibility between buyers and sellers of used cars

Information tends to get jumbled in the used car market. We strive to create a used car market with a high level of transparency and credibility by bridging the gap between buyer and seller, making sure to provide enough information for them to reach decisions, as well as details regarding information quality checks.

Taking advantage of the know-how we cultivated in Japan, we are currently making similar efforts in Taiwan and Malaysia. We believe that creating value for our shareholders and society as a whole will lead to long-term success as a company.

# Efforts for Sustainability

## 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 2018), 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 2017, we changed the six magazines for local 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.

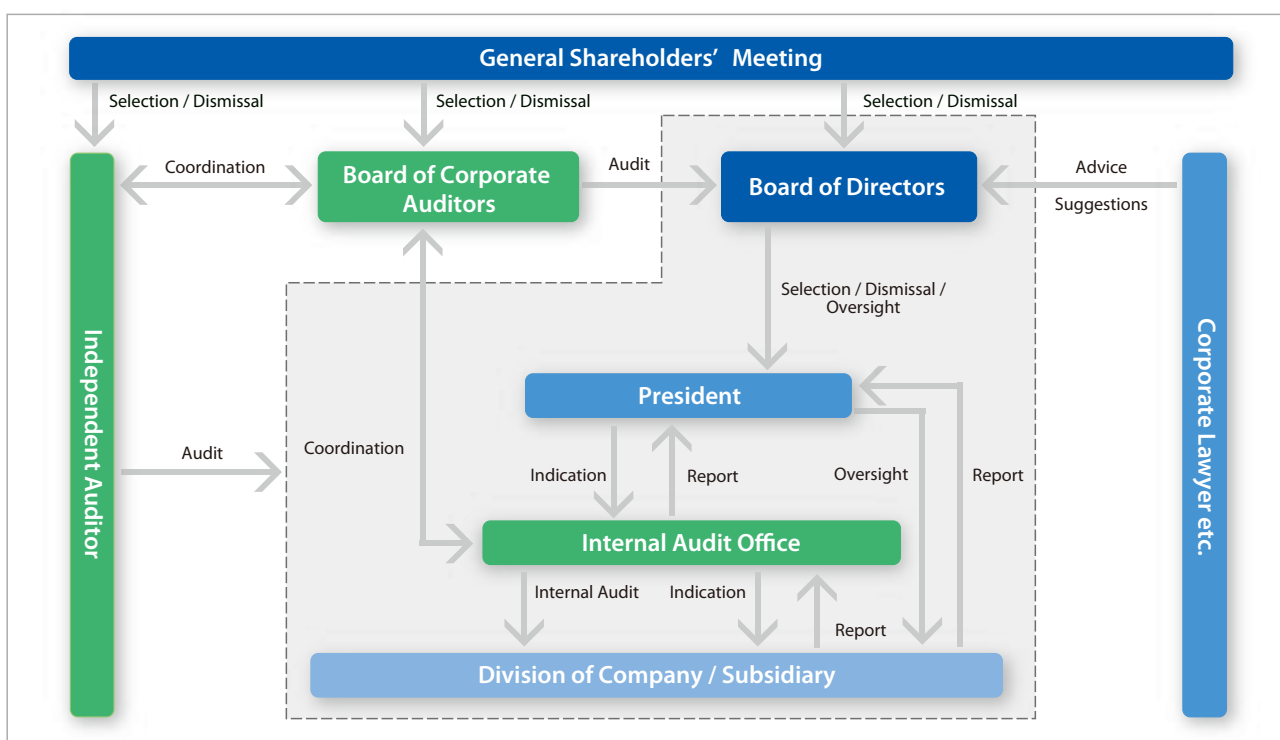
We also promote employees to do without paper when producing reference materials for meetings and application forms, to curtail company-wide paper consumption.



## 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 11 directors and 4 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 4 auditors (including 3 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 three members), which is directly managed by the representative director and president. The internal audit division visits the branches, sales offices, and subsidiaries, to crosscheck in-company rules and practices and audit the management and preparation of ledgers.

# Establishment of a Highly-transparent, Sound Management System

## To Follow the Corporate Governance Code

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



Our corporate governance system is described in the Corporate Governance Report, which is posted on our company's website.

<https://www.proto-g.co.jp/IR/english/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.

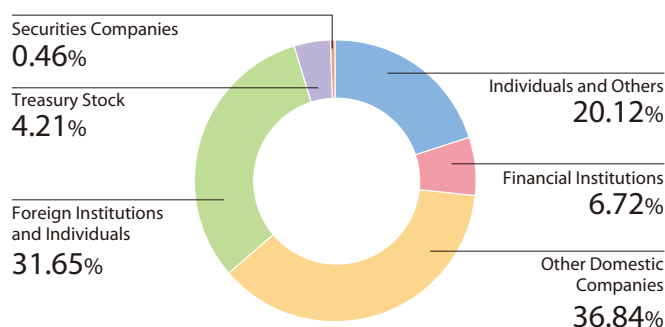
Accordingly, our company has established an IR system centered around the representative director and president, and offers the opportunities to dialogue with shareholders and investors, in order to deepen their understanding of our managerial strategies and plans.

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

## Capital Structure

As of March 31, 2018

### Distribution by Number of Shares



## Status of Major Shareholders

As of March 31, 2018

### Shareholders Composition

Number of Shares Issued	20,940,000
Number of Shareholders	8,732

### Major Shareholders

Shareholder	Number of Shares held	Ownership (%)
1 Mugen Corporation	6,807,240	32.50
2 JPLLC CLIENT SAFEKEEPING ACCOUNT	1,323,300	6.31
3 The Master Trust Bank of Japan, Ltd. (Trust Account)	1,000,500	4.77
4 PROTO CORPORATION	881,530	4.20
5 BNYM NON-TREATY DTT	692,000	3.30



## 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 2018

As a result of the self-evaluation questionnaire mentioned above, we confirmed that our Board of Directors is generally functioning as intended and that its effectiveness is being ensured. In particular, the Board of Directors was highly evaluated for its involvement in the planning, executing, and reviewing of management strategies, clarifying the contents of board discussions, securing time for discussing important matters, and exchanging opinions.

### Review by the Leading Independent Outside Director

Directors are a diverse group of people who constantly strive to acquire the knowledge needed to fulfill their duties and conduct stakeholder-conscious CSR.

In addition, after establishing a corporate ideology and policy, the Board of Directors has been actively discussing the implementation of a medium-term management plan involving the creation of corporate value based on a long-term strategy. Thanks to our auditors, the auditing system is working well and is very effective for improving corporate value.

Yumiko Sakurai  
Tax Accountant and CPA



## 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



<https://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 2018
------------------	-------------